



Executive Committee Meeting Packet

April 22, 2021 at 9:00 am

Zoom Video Conference:

<https://zoom.us/j/89862604175>

Meeting ID: 898 6260 4175

Password: 852093

Phone Number:

669-900-9128, pwd

89862604175#

**Next OCWCOG Executive
Committee Meeting: June 24th**

The meeting locations are wheelchair accessible. If you need special assistance, please contact Oregon Cascades West Council of Governments at 541-967-8720 or adminGA@ocwcog.org, forty-eight (48) hours prior to the meeting.



1400 Queen Ave SE • Suite 201 • Albany, OR 97322
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**OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
EXECUTIVE COMMITTEE AGENDA**

April 22, 2021

9:00 – 11:00 am

Zoom Video Conference

<https://zoom.us/j/89862604175>

Meeting ID: 898 6260 4175

Passcode: 852093

Phone Number: 16699009128,,89862604175#

An Executive Session may be called as deemed necessary by the Chair, pursuant to ORS 192.660.

1. **Welcome and Introductions** (Chair Claire Hall)
(9:00 – 9:00 am)

2. **Approval of Minutes from previous meetings** (Chair Claire Hall)
(9:00 – 9:05 am)

- Approval of February 25, 2021 Executive Committee meeting minutes (Page 4).

ACTION: Motion to approve the minutes from February 25, 2021 Executive Committee meeting.

3. **Executive Director Update** (Executive Director, Ryan Vogt)
(9:05 – 9:20 am)

ACTION: Information only.

4. **Technical Services Update** (TSOD Director, John Haytas)
(9:20 – 9:45 am)

John to discuss Microsoft vulnerability (Page 11).

ACTION: Information only.

5. **Fiscal Responsibility** (Executive Director, Ryan Vogt / Finance Director, Sue Forty)
(9:45 – 10:45 am)

Ryan/Sue to discuss Draft Fiscal Reserve Policy (Page 12).

ACTION: Review and motion to make a Resolution to the Board.

6. **Other Business** (Chair Claire Hall)
(10:45 – 10:55 am)
7. **Adjournment**
(11:00 am)

**OREGON CASCADES WEST COUNCIL OF GOVERNMENTS
EXECUTIVE COMMITTEE MEETING MINUTES
Via Zoom Audio / Video Conference
February 25, 2021**

MEMBERS: **Treasurer**, Commissioner Pat Malone, Benton County; Commissioner Sherrie Sprenger, Linn County; **Vice-Chair**, Mayor Jim Lepin, City of Millersburg; Mayor Dean Sawyer, City of Newport; Councilor Alan Rowe, Adair Village

STAFF: Executive Director, Ryan Vogt; Finance Director, Sue Forty; CED Director Jenny Glass; Technology and Services Operations Director, John Haytas; Senior and Disabilities Services Director, Randi Moore; Human Resource Manager, Ryan Schulze; and Executive Assistant, Kathleen Codinha.

ABSENT: **Chair**, Commissioner Claire Hall, Lincoln County

PUBLIC: None

Vice-Chair Jim Lepin called the February 25th, 2021 meeting of the Oregon Cascades West Council of Governments' (COG) Executive Committee to order at 9:00 am via Zoom®.

1. Welcome and Introductions

Vice-Chair Jim Lepin noted Commissioner Claire Hall could not attend the meeting; therefore he would be presiding over the meeting.

2. Approval of Minutes from previous meeting

Vice-Chair Lepin called for a motion to approve the minutes for the Executive Committee meeting held on December 3, 2020. Commissioner Pat Malone moved to approve the minutes, Vice-Chair Lepin seconded it, but made a correction to a comment he made under the Program Update section. This is what was recorded:

Mayor Lepin has sent a letter to the Linn County Commissioners and have asked them to come on board with the process, but to no avail because they are creating their own group. Chair Traber asked if the Executive Board wants to try again to get Linn County involved in the CWEDDS process, drop the whole effort, or continue with just the three counties. The next CWEDD board meeting is in November.

It should have said Mayor Lepin sent Nick Meltzer an email and encouraged him to talk to the Commissioners to make sure they were invited to the CWEDDS Board meeting, which the Linn County Commissioners were all copied on.

A vote was taken to approve the minutes and passed unanimously.

3. Executive Director Update

Executive Director, Ryan Vogt, reminded everyone of the Board of Director Orientation on March 11th. This was specifically designed for the new eight Board members, but the whole Board was encouraged to attend as a refresher. A hard copy was sent to all new members and a soft copy was included in the meeting invite for all. The purpose is to assist new Board members with understanding their role, the other committees, and to learn about the depth of services we provide at the OCWCOG. Each Director will present their area of expertise and answer any questions relating to their Programs. Pegge McGuire, Executive Director at Community Services Consortium (CSC), will have some of her Program Managers there to give a broad overview of their Program and Services. The orientation will show what consumers we each serve natural overlap of how we fit together.

Commissioner Sherrie Sprenger and Councilor Alan Rowe joined at 9:05 am and Chair Lepin welcome Commissioner Sherrie Sprenger and Councilor Alan Rowe and asked everyone to introduce themselves.

The next topic Executive Director Vogt brought up was that OCWCOG neglected to invest in their Technical Services over the past couple of years. The lack of infrastructure was exposed when COVID came and the agency tried to create a mobile workforce, but struggled through a lot of problems.

It's been almost a year since the Board agreed to invest in hiring a Technical Services and Operations Director, (John Haytas) as well as other strategic investments into the infrastructure and critical equipment. The current level of stability is substantially better; it's more secure and accessible while teleworking leading to more productivity and less down time. Executive Director Vogt thanked the Board and senior leadership for supporting John Haytas and his team. In the next six months IT will finish updating critical functions, and will begin preparing for the next level of investments to support the visionary work of where the agency is heading. Over the next several months, the OCWCOG leadership team will be looking for guidance from the Board in asking the question: where do we envision our Technical Services and data standpoint for the region to be?

Commissioner Malone said the County has a broadband study being conducted and asked if OCWCOG is involved in that efforts. Executive Director Vogt affirmed OCWCOG is involved, and stated Mike Corwin has been engaged in those meetings on our behalf. OCWCOG was part of the action in making a recommendation to the federal government to move forward, and now that it's moving from the implementation stage of the study, Community and Economic Director, Jenny Glass will be involved. The National Association of Regional Councils have regular reports coming out regarding that, and the early indicators show the Biden Administration infrastructure plans to bring money to that effort.

The last topic Executive Director Vogt brought up was that OCWCOG just received notification from the IRS their first request for reimbursement for the Families First Coronavirus Response Act (FFCRA) was denied. Government entities are not eligible. Requests from other government agencies have been sent out to determine if this is a trend so we can make adjustments. This was (supposed to be) a reimbursement: it is not a liability. All of the workers have been paid. The guidelines said companies that employ less than 500 employees were eligible; we weren't aware that being a government entity disqualified us. The Finance team have been in conversations with the IRS and other representatives; we hope to have an update at the Board of Directors meeting next month. Finance Director Forty explained when an entity files their quarterly payroll tax, (Form 941) it's a tax credit. They OCWCOG filed their first quarter taxes for 2020 and paid what was due but was anticipating a tax credit of \$60K.

4. Bias Response Memo

Executive Director Vogt has been working with Mark Shepard, City Manager of Corvallis, since October. This topic was originally brought to OCWCOG at a combined Valley and Coastal City Managers lunch meeting. It has also been a main topic of discussion at various City Council Meetings from the community about the need of a greater level of leadership for Diversity, Equity, and Racial Justice. The level of energy around the topic was different from city to city.

Some City Managers were talking about increasing a level of engagement and looking at policies and practices. This would be internally and externally, to increase training and awareness around Diversity, Equity, Racial Justice, and Inclusion.

In Corvallis, the City Councilors put money for a Bias Incident Response System and will be going through an exercise with their community to see what a Community Bias Incidence Response could look like. Mark Shepard saw the opportunity to include other cities to collectively build a response system beyond the walls of Corvallis, or reap the benefits once it's in place. Mark Shepard and Executive Director Vogt have had ongoing conversations to determine if OCWCOG could play a more centralized, regional role in putting that together.

The Memo in the meeting packet lays the groundwork and proposes the scope of initial work. OCWCOG could either take a leadership role and hire someone, or bring on a contracted role to do background work to try to figure out what an Incidence Response System looks like. It would just be that structural work of bringing the community together, getting a new voice to the table, listening to the community to see what their needs are, and crafting suggestions for what that response system could look like. Any kind of implementation of a Response System would require additional funds and project related work. The proposal specifically just covers the initial listening and engagement portion to come up with recommendations. The City of Corvallis has earmarked \$100K for the initial work. If this is going to be done from a regional perspective, what is the commitment from other entities within the membership group to be part of this? Feedback was requested from the Committee to gauge their thoughts on if it should be presented to the Full Board and if so, what the working parameters should be (regionalization, or only for Corvallis).

Commissioner Sprenger asked what an Incident Response System was, and what are we responding to?

Executive Director Vogt said the language was a result of a Corvallis City Council meeting. There have been several high profile incidents in Corvallis that didn't meet the level of hate crime or legal issue but it raised the question of whether or not the training for City staff and law enforcement agencies have a need for a higher level of understanding of engaging the community. Citizens have experienced unjust or discriminatory behavior to being profiled. The citizens just want an open conversation with local leadership to share how they experience life differently because of the color of their skin or the language they speak from their elected leaders. As a result, they don't feel as if they are engaged in the public process in the same way.

Commissioner Pat Malone said the topic has been percolating in the City of Corvallis for the last year and believes the funding was from the CARES ACT for \$125K. Executive Director Vogt believed the initial amount was \$150K and the City of Corvallis has already engaged a group called Soul Force Education. They did four community engagement meetings late last year so the balance of the funds is closer to \$100K. Commissioner Malone said The Corvallis City Council approved the work and started looking for partners, but the project was never very well defined.

Executive Director Vogt stated the OCWCOG sent a survey last October to determine what level of involvement OCWCOG should have and what topics they were most interested in. There were a variety of responses with strong opinions as to what people thought the OCWCOG's role should be: some people believed OCWCOG SHOULD be organizing it, while polar opposite responses said the OCWCOG should NOT be involved whatsoever and that individual cities should be working through these issues locally. With results all over the board, there is not a clear path and this type of work does not come without some level of criticism. Does the Executive Board feel that this is the right path to take, as a regional entity that impacts more members than just the city of Corvallis?

Commissioner Sprenger said her role as Vice-Chair of Judiciary in the Legislature, she was aware of some work that was taking place in Corvallis these past six years. Those conversations included racial profiling by police. Because of that, Corvallis initiated their own process to look at

the information and decipher what the statistics were showing. The conclusion from that data showed there was some racial profiling, but not so much by law enforcement as members of the community making calls to police for something they were witnessing. She applauds Corvallis for the work that was done; Linn County has not taken those steps. With her background in State Legislature, it's different to make policies for the whole State versus a County with individual cities because the issues that bubble up are different. Commissioner Sprenger went on to say she doesn't know if what is being proposed is an effective way to package it together for the region; it feels like a "one size fits all" approach.

Potential solutions worthy of evaluating are something akin to a 2-1-1 call center so community members can get connected to resources in their community; or a heightened level of engagement and advertising around various connected groups in the community; or bringing leaders from the BIPOC community to be more present in a variety of forums. The result would be to use information from the 2-1-1 and analyze trends so the leaders of this community can plan to effectively dialogue, change practices, and be more transparent.

From the information taken during the community engagement sessions conducted by Soul Force, Executive Director, Vogt agrees that no two communities are alike and each community has to communicate what their needs are in regards to a Bias Response System. He can't come in with any prejudice of what that would look like. Addressing concerns, such as: What would make you feel differently in this community or feel heard? How would you participate differently? If the leadership of your community listens to you and values your opinion? Once we have that strategic understanding that would be the proposal going forward, which at this time is uncommitted and unfunded.

Since the topic is seated in Corvallis (Benton County), Vice-Chair Lepin called on Mayor Dean Sawyer to ask what his thoughts were since he represents Lincoln County and the coastal region. Mayor Sawyer said it makes sense for Corvallis to continue down this path because of its recent incidents. Currently, the calls are assigned to police officers to investigate. He believes this will be addressed at the State level soon as the issue becomes more prevalent. For now, Mayor Sawyer thinks Corvallis should continue on their own and the OCWCOG should wait until there is more direction from the Federal level. (His vote was to pass on sending it to the Full Board for now.)

Vice-Chair Lepin addressed Councilor Alan Rowe next. Councilor Rowe said Adair hasn't had the need to talk about this. Over time, more people will need a resource to turn to, whether 2-1-1 or something else. In Adair, they don't have a Police Department so they contract with the Sheriff Department. He thinks there should be some kind of planning, but doesn't know what that looks like.

Commissioner Sprenger suggested hitting the pause button. She wanted to make it clear that she was not saying what Corvallis should or shouldn't do; each city, and each county needs to respond how they see fit and appropriate for them. There may be conversations and plans in place that each city is going through that we aren't aware of. Just because she isn't advocating to move it to the Full Board, doesn't mean it's not a valuable conversation. We don't want to find ourselves in the position that we assume we know what's going on in other cities. She knows there is a bill discussed earlier that week in legislature that addresses this. Will it change before it get voted on? Probably. Will it get passed? Who knows? While the legislature is in session, it seems we're getting ahead of them. For now, her vote is to hit pause to send it to the Full Board: what each city does is their business.

Commissioner Malone stated that he represents all of Benton County but Philomath had these conversations last year. His vote is to send it to the Full Board and present it under "Other Business" topic to get a broader perspective from that group.

For clarification, Executive Director Vogt summarized: OCWCOG should pause on approaching the full Board for a greater level of participation regarding the Regional Response System.

OCWCOG also has the ability to engage in contracts with cities for a variety of work, so he asked if they were okay if OCWCOG engages in a contract with the City of Corvallis for a Bias Response. Commissioner Malone stated he would be comfortable with that.

Commissioner Sprenger asked what it means to enter into a contract with COG. Does it mean COG is bringing resources it already has? Does it mean COG is hiring somebody or contracting services?

Executive Director Vogt said Corvallis made the commitment to move forward and they have the necessary resources to hold community listening sessions and determine what the community is asking for in terms of a Bias Response System. The question really becomes whether or not we should expand beyond Corvallis because there could be other community's that could benefit if a system were put in place, such as a 2-1-1.

Executive Director Vogt pointed to the Memo and said the proposal articulates what a project engagement looks like: either hiring a Project Manager or Contractor. They would be engaging the community, city leaders, and try to figure out what a Response System for Corvallis could look like.

He summarized by saying the message he heard was that the plan is not far enough along to approach the rest of the region, and the Executive Committee is more comfortable with the City of Corvallis doing it themselves. When Corvallis has a proposal for future work, it could be brought back for further discussions.

Commissioner Sprenger voted to pause for now.

Commissioner Malone voted to move it forward to the Board.

Mayor Lepin voted to pause. (Millersburg would use a contractor).

Mayor Sawyer voted to pause. He likes the concept but there isn't a contract or specifics. If Corvallis can provide more specifics, it would be palatable.

Commissioner Sprenger left the meeting at 10:05.

5. Cascades West Economic Development District (CWEDD) 2020-2025 Strategic Plan

Community and Economic Director, Jenny Glass presented the CWEDD plan. It was adopted on February 11th. Director Jenny Glass shared her screen and presented a high level overview. A notable difference is the focus on economic resilience and recovery: this document was prepared during *COVID* and the wildfires timeframe.

The definition of economic resiliency is:

- The ability to recover quickly from a shock
- The ability to withstand a shock
- The ability to avoid the shock altogether

District profile demographic was updated for each county; the industries are split pretty evenly between counties. A "SWOT" analysis was done to see what strengths, weaknesses, opportunities, and threats each county has.

The five priorities that rose to the top were:

- Regional collaboration and partnerships
- Sector diversification through business development
- Infrastructure resilience
- Workforce support
- Rural vitality

6. Work Program and Budget process

Finance Director, Sue Forty spoke about the OCWCOG budget process and deadlines. Beginning in December, each department looks at their budget to determine what the next fiscal year's budget should look like. (July 1 – June 30th is OCWCOG's fiscal year.) That only gives them a three month window to put a Draft Budget together. There is still a lot of guesswork involved due to the timing. The revenue, and contracts are just two examples of not having enough information.

Finance Director Forty proposed to hold meetings in April and May with the Budget Committee, with a final budget in June. By adding those two meetings, they will understand the process and be part of the decisions. By starting later, it gives them an opportunity to hear what's going on in legislature that could affect the budget. Finance Director Forty will be retiring in January and will have a standard operating procedure in place before she leaves. She also suggested having bylaws or written rules and instructions for the Budget Committee.

Mayor Sawyer moved to approve the proposal as send it to the Board; Commissioner Malone seconded the motion. A vote was taken and passed unanimously to move to the Board.

7. Program Updates

Senior and Disability Director

SDS Director, Randi Moore indicated she would be sharing the four year Strategic Area Plan at the March Board meeting. With no questions regarding her memo in the packet, she directed attention to Adult Protective Services (APS) phone calls taken. There has been a substantial increase in calls and community and facility investigations since 2017. Every county has seen more complaints exceeding 100%, except Linn County, which has had an increase of 44%. The APS team is committed to doing more outreach. The four year area plan has a strong focus on elder justice which involves more outreach and communication about elder abuse and people with disabilities. This information has been shared with the Oregon Association of Area Agencies on Aging and Disabilities (O4AD) and have asked OCWCOG to request more funding for this area, to include more staff to handle the increase.

CED

Director Glass has been with the agency less than two months and still getting settled in. They have since hired Anne Whittington as their Economic Recovery Coordinator. AAMPO and CAMPO involved in great projects. The Albany bicycle and pedestrian plan is moving forward. Something new they have been working on is the Seamless Transit Project, called CWRide. Its motto is "Catching the bus made easy – from the valley to the sea." It's a mobile ticketing service that can be used for communities across the three county region. The new website, <https://cwriderg.org/> will kick off March 29th.

Technology Services and Operations

TSOD Director, John Haytas said the VPN that enables telework has been in production before the holidays and has been performing well. The next steps is looking at fundamental and foundational network services including domain name system and dynamic hardware configuration services. It's mostly specific to OCWCOG, but does impact some city customers. The work has been ongoing, with positive results being anticipated in March. Once that is complete, other services will be reviewed with an eye on increased security and stability. Last month the email gateway was replaced and moved to cloud, resulting in a higher level of

predictability of email volume and capturing spam, malware, and other malicious content.

Finance

Finance Director Forty said the department is running smoothly: they did year end close, mailed 1099's, and W2's out. They filled both vacant positions: Ellen Valentine is the Senior Accountant, and Serena Harris will be the Contract Coordinator. She will start working with Executive Director Vogt and Human Resources Manager, Ryan Schulze on a transition plan for her position. They will have the Job Description and recruitment process to the Executive Committee in May or June. Her team has been working tirelessly on Standard Operating Procedures (SOP) with the goal of every desk having a binder. This has been one of the biggest projects her team has undertaken to ensure every person has had cross training and can do another person's job if need be.

Human Resources

Human Resources Manager, Ryan Schulze said he is continuing to monitor what's going on with COVID and has ongoing Safety group meetings going on. A big subject they are tackling now is how to reopen when the time comes. How do we handle face to face visits? What kinds of safety measures need to be implemented?

Mayor Lepin said they have had multiple discussions about moving walls around to create more space for employees when they return, but doesn't know how many employees will be returning or continuing to telework. He asked if the need to make more space is still a plan. Executive Director Vogt conveyed no one knows what the "new normal" will look like. The assumption is there will be a substantial amount of telework. The walls in the building are problematic, but on the positive side, it is making us think who we want to be in the future. There is opportunity with the building; some thought has been to put in a community meeting space downstairs and moving all staff upstairs. There's the possibility of being a landlord. In the January 2020 timeframe there was a concern we didn't have a large enough footprint, but now we have more space than needed.

HR Manager Schulze said he just received the "Demand to Bargain" letter from the Union, with the first meeting scheduled in May.

8. Other Business

None stated.

9. Adjournment

Vice-Chair Lepin adjourned at 10:49 am.

Meeting minutes taken by Kathleen Codinha.

MEMORANDUM

DATE: April 22, 2021
TO: OCWCOG Executive Committee
FROM: John Haytas, Technical Services and Operations Director
RE: **Microsoft Zero-Day Exploits**

Early last month on March 2, 2021, Microsoft announced that four zero-day vulnerabilities were being actively exploited by threat actors in the wild. OCWCOG Technology Services (TS) became aware of the exploit affecting our Microsoft Exchange email server, and shortly thereafter, performed emergency maintenance to fix the exploit during our maintenance window. The TS team subsequently undertook a low-level review and monitoring of the email system to determine if the server had been affected by any of the exploits.

Additionally, TS consulted with an information security contractor to provide supplemental expertise and perspective. The primary purpose of this security review was to provide a best effort understanding of the Microsoft Exchange zero-day vulnerabilities and whether these vulnerabilities had been utilized to breach the agency's data infrastructure.

Unfortunately, our initial system security assessment determined that the Microsoft Exchange server had been breached as a result of an exploit, and this was confirmed by the contractor. Although the server had been breached, it appeared that no data was compromised during the event.

The security contractor delivered an Exchange Security Review Findings and Recommendations report validating our initial assessment as well as providing a comprehensive email system security review. Due to the sensitive nature of the information contained in the report, as well as associated risk to the agency, we have chosen not to include the report with this memorandum. The report is technical in nature and confirms what we already know to be true:

"...The environment has now reached the end of its current usable lifecycle and careful planning and consideration needs to be taken to modernize and stabilize the infrastructure."

The report also identifies and documents significant issues, risks and concerns as a baseline for system remediation, and as a catalyst and justification for moving agency email and collaboration services into the cloud. In the meantime, TS will continue to remain diligent about system security, patching and monitoring while working with our vendors and contractors to ensure the integrity and continuity of email services.

M E M O R A N D U M

DATE: April 22, 2021
TO: OCWCOG Executive Committee
FROM: Ryan Vogt, Executive Director
RE: Reserve Fund Policies

Prior to 2014, the COG did not have any reserve policies in place which would sufficiently cover the expenses for our major programs in the event of a catastrophic event or drastically reduced funding requiring a large scale reduction in staff. In December 2013 the Executive Committee discussed their willingness to establish several OCWCOG reserve funds. The proposed policy was adopted through Resolution at the January 2014 full Board meeting. (Please see attached memo and resolution).

After coming to the agency, I discovered the Resolution had not been implemented to the full extent adopted by the Board. Furthermore, the proposed methodology for how to fund some of those reserves was no longer applicable. Therefore, we are unable to fulfill the Boards' wishes as adopted, putting us out of alignment with the current adopted policy.

We have identified appropriate and allowable channels for funding the reserves which were previously established, and wish to get Executive Committee consent to propose a new Resolution at full Board in May 2021. Additionally, we would like to propose a few new reserves for consideration as we believe they are both necessary and prudent to ensure the financial health of the organization. Here is an update on our current status regarding reserves and our proposal for establishing new reserves. Please note the use of any funds in any established reserve would be limited to its intended use, and would require explicit Board action to expend.

Building Fund Reserves

The Board adopted the following reserves by Resolution in January 2014. The Albany and Toledo Building Reserves are intended to be used for any catastrophic or major unplanned expenses. The Sustainability Fund was established to allow for proactive investment in facility modifications or operational changes which result in cost savings or operational efficiencies over the longer-term. These reserves are currently fully funded:

- Albany Building Reserve \$300,000
- Toledo Building Reserve \$150,000
- Sustainability Fund \$250,000

Action: None needed.

Program Reserves

Program reserves were initially adopted as constituting 17% of annual personnel expense. The Senior and Disabled Services Programs were the only Program area who were able to fund their adopted reserve. We are now proposing modifying the adopted Program Reserves and adding a Business Lending Reserve consisting of *2 full months of actual wages and benefits, based on the agency approved annual budget*. Using the budgeted wages for Fiscal Year 2021-2022 the agency has calculated what each department would need to fund the reserves in full as noted below.

• Senior and Disabled Services	Current	\$1,637,700
	Full	\$2,025,396
• Community Services Programs (not yet funded)		\$ 358,621
• Community and Economic Development (not yet funded)		\$ 389,135
• Business Lending (Proposed New Reserve)		\$ 37,945

*Sufficient funds are available in each of the 4 program areas to fully fund their own reserve above.

Action: Request Executive Committee approval to move the modified Program Reserves, and establishment of a Business Lending Reserve to full Board for adoption by Resolution.

PERS Reserve

The Board adopted by Resolution (Prior to 2014) setting aside 2% of the total wage cost for each program to establish and maintain this reserve. This fund continues to be fully funded at the adopted level.

• PERS Reserve (Current)		\$1,522,229
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Action: None needed.

General Administration, Finance and Technology Services Reserves

The Board adopted by Resolution in January 2014 setting up a **General Reserve**, intended to cover 2 months' worth of basic expenses for General Administration, including Human Resources, Finance and Technology Services. This reserve fund was to be built using a combination of (then) current and future rent rebates, and excess funds in the "Copy Fund". However, the agency never established and funded that Reserve. We are now proposing a distinct reserve for General Administration, Human Resources and Finance, and a separate Technology Services Reserve. Using the same methodology as above for Program Reserves (*2 full months of actual wages and benefits, based on the agency approved annual budget*), the amount needed to fund specific reserves for these departments would be:

• General Administration, Human Resources and Finance	\$245,795
• Technology Services	\$110,974

*These reserves are currently not funded.

Options: We would like the Executive Committees' input on how you wish to proceed with reserves for these programs.

- 1) If the Committee desires to have reserves maintained for these supportive functions, agency staff will propose to the full Board an appropriate methodology to fund. These reserves would likely be built over a period of time.

- 2) Alternatively, the Committee could elect to identify as an appropriate use of the Building Fund Reserves (above) to fund any personnel and benefit costs to these program areas, in the event of the agency needing to dissolve. This action would also require adoption by the full Board as a modification to the current adopted Resolution.

Action: Request Executive Committee advise staff which option to bring to full Board for adoption by Resolution.

Capital Project Reserve (New)

The agency currently maintains a 5 year maintenance list for large capital expenses which are in excess of normal annual maintenance. These are not emergency expenditures, but large planned expenses (roofing, air-conditioning/heat pump, etc.). The agency has a need to incrementally fund and reserve monies across budget years to ensure sufficient capital exists to perform the repairs. We have placed \$10,000 in this fund from the 2019-2020 fiscal year, and would like to grow this reserve to \$150,000.

- Capital Project Reserve (Current) \$10,000

Action: Request Executive Committee approval to move the Capital Project Reserve to full Board for adoption by Resolution.

Financial Software Reserve (New)

The Board has been involved in conversations, but has not adopted a formal policy to fund a reserve for the future replacement of any major Financial Software. The COG provides comprehensive financial services for the agency, as well as contracted financial services to member agencies. In the event we needed to move quickly to replace our Financial Software, we would need to be ready. The agency believes it would be prudent to build a reserve over time so as not to have a devastating single-year impact on budgets. The agency has already begun funding a reserve for several years. A small amount of Finance Department ending balance is used each year to fund this reserve. The Reserve will be capped at \$85,000. Any expenditure from that account would be re-funded using the same methodology.

- Financial Software Reserve (current) \$45,698

Action: Request Executive Committee approval to move the Financial Software Reserve to full Board for adoption by Resolution.

Legal Risk Reserve (New)

Over the last several years, the agency has had a number of issues arise which required extraordinary legal consultation and intervention. Some of these instances also included large settlements. The alternative to the settlement would have been additional legal expenses. Either way, the agency still accepts a substantial amount of fiscal responsibility with our insurance carrier in the event of a negative judgement. Both options could have costs well beyond what any program can absorb in a budget year, risking the possibility of having to shut down a program to pay a legal expense. We are proposing establishing a Legal Risk Reserve which would only be used in the event of a legal claim which rises above an amount the effected program can bear. Any use of these funds would have to be approved by the Executive Committee, and the effected program area would be responsible for re-funding the reserve.

- Legal Risk Reserve \$200,000

Action: Request Executive Committee approval to move the Legal Risk Reserve to full Board for adoption by Resolution.



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Memorandum

To: OCWCOG Full Board
From: Cynthia Solie, Executive Director
Date: January 8, 2014
Re: Establishment of Reserved Ending Fund Balances

Recommendation: Adoption of the attached resolution regarding Reserved Ending Fund Balances.

At the December meeting of the OCWCOG Board, draft reserve fund policies were presented to the Board for discussion and direction. These policies had been reviewed and were recommended for approval by the Finance Committee. The policies have been formatted for formal adoption by the Board in the attached document.

OREGON CASCADES WEST COUNCIL OF GOVERNMENTS

RESOLUTION 14-01-01

Reserved Ending Fund Balances

WHEREAS, the OCWCOG Board of Directors recognizes the importance of maintaining sufficient funds to mitigate the impacts of an unanticipated decline in revenue on agency obligations;

WHEREAS, the OCWCOG Board of Directors recognizes that proactive investments in facilities and operational practices may reduce longer-term facilities and operational costs;

WHEREAS, the OCWCOG Board of Directors recognizes that most of the services offered by OCWCOG are provided under contract and OCWCOG is not obligated to continue to provide services for which it will not be reimbursed through these contracts, although a significant disruption in revenue may affect the agency's ability to cover personnel expenses consistent with the labor agreement;

WHEREAS, the OCWCOG Board of Directors recognizes that the organization maintains a five-year facility plan that anticipates maintenance, repair and replacement needs for OCWCOG-owned facilities and that annual operating budgets include rent charged to the programs to cover these expenses, and that the agency maintains insurance to offset risks related to events that may impact the facilities owned and/or occupied by the agency, however, there may be facility-related expenses that are not covered by these insurance policies;

NOW THEREFORE, the OCWCOG Board hereby establishes the Reserved Ending Fund Balance policies detailed in Attachment A. The Reserved Ending Fund Balances will not be available for appropriation except for the uses defined for the specific reserve.

ADOPTED on this 16th day of January 2014 at Albany, Oregon.



Bill Hall
Chair



Cynthia Solie
Executive Director



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January 8, 2014

TO: OCWCOG Board of Directors
FROM: Cynthia Solie, Executive Director
SUBJECT: Reserve Fund Policies

At its October meeting, the Executive Committee discussed proposed policies for OCWCOG reserve funds. The Committee moved to recommend that the Board adopt the policies as proposed by staff (detailed below). These are being presented to you for discussion at this December Board meeting, and will be brought back to you in "policy format" for action at your January 2014 meeting.

Background:

There is no single generally accepted standard or methodology for determining the appropriate level of reserve funds needed by a governmental entity. One approach is to use a general standard such as 25% of annual operating expenses or, alternatively, two (2) months of general fund expenditures. These standards, sometimes considered for non-profits, cities, and counties may be less applicable to an organization such as OCWCOG for a couple of reasons.

General standards that may be used by entities with a substantial general fund, or that are responsible for providing ongoing basic services such as fire, police, water and sewer services, are less applicable to OCWCOG, as the COG primarily provides services under contract to other governmental entities. Contract revenue comprises more than 95% of the OCWCOG's annual revenue.

At this time, the primary risks to OCWCOG are an unanticipated disruption in reimbursement for the cost of services already rendered; a precipitous decrease in or termination of contract services, or unanticipated facility-related expense. (The COG maintains insurance to cover standard building and equipment losses and replacement, liability, etc.)

Below are recommendations for Building Fund Reserves, a General Reserve Fund and Program Reserves.

BUILDING FUND RESERVES

Funding Levels:

The organization maintains a five-year facility plan that anticipates maintenance, repair and replacement needs for the Toledo and Albany buildings. This plan is updated annually. Annual operating budgets include rent charged to the programs to cover these expenses.

Currently, building fund reserves have been set by the Board at \$150,000 for the Albany building and \$75,000 for the Toledo building.

Staff recommends that these amounts be increased to \$300,000 and \$150,000 respectively. Increasing these amounts will decrease the likelihood of the need to borrow funds to cover an unanticipated expense (such as the exterior repair to the Albany building). It will also allow the organization to continue to cover fixed facility costs for an extended time period should substantial reductions in funding occur due to state or federal action. (Facility expenses budgeted for FY 2013-14 are approximately \$378,000. This does not include funds budgeted to pay off the original note on the Albany building and the note on the Toledo building.)

Staff also recommends establishing a sustainability fund of \$250,000 to allow investment in facility modifications that result in cost savings or operational efficiencies over the longer term.

Funding these Reserves:

Staff recommends that the Board designate the reserve fund levels as specified above from the current Building Fund. There are currently sufficient dollars in the building fund to fully fund these reserves.

GENERAL RESERVE FUND

Funding Level:

While OCWCOG is dissimilar to a general purpose government with respect to the spectrum of traditional services delivered and sources of revenue, in a number of ways, the administrative functions are fairly parallel. Basic administrative functions of OCWCOG would need to continue even with a significant drop in revenue or disruption of revenue flow in one or more of our programs. The Government Finance Officers Association recommends a baseline for general fund reserves of two (2) months of regular operating expenses.

Staff recommends that a General Reserve Fund be established equivalent to two (2) months of GA/Finance and Tech Services operating expenses (excluding building related costs that could be covered by the Building Reserves). For FY 2013-2014, this is approximately \$215,000.

Because the recommended funds to create and build this reserve (see below) are generated from charges to the programs, it is recommended that all programs, including Senior and Disability Services (SDS) and Community and Economic Development (CED) have access to these resources.

Funding the Reserve:

The administrative functions of OCWCOG (GA/Finance and Technology Services) are funded through indirect charges to the programs (at this time the COG has two programs: SDS and CED). Any indirect charges in excess of expenses are returned to the programs at the end of the fiscal year; GA/Finance and Tech Services have not generated fund balances that could be used to establish reserve funds.

Tech Services and GA/Finance will receive in FY 2013-14 rent refunds (for excess rent paid in FY 2012-13) of approximately \$21,500 and \$27,000 respectively.

Staff recommends that the Board designate these rent rebate amounts to establish an initial balance in the General Reserve Fund. Staff further recommends that the Board direct that

excess funds in the Copy Fund (currently estimated to be approximately \$30,000) be placed annually in the General Reserve Fund.

Staff also recommends exploring the feasibility of rebating a portion of future rent payments. The rebate portion would be equal to the cost of payoff of the existing loan on the Albany building, as there are currently sufficient funds within the building fund to pay off that loan. Rebates to Tech Services would total approximately \$35,000 and the rebates to GA/Finance would total approximately \$60,000. (Rebates to CED and SDS could be earmarked for the Program Reserve Funds. See below.)

This combination of funding would build the reserve by 2022 to approximately \$173,500.

PROGRAM (SDS AND CED) RESERVES

Funding Levels:

As noted above, nearly all of the services offered by OCWCOG are provided under contract and, unlike a city or county, OCWCOG is not obligated to continue to provide services for which it is not reimbursed through contract. Should significant disruption in revenue flow occur, (e.g. due to natural disaster or abrupt state or federal action), the OCWCOG's most significant financial exposure is covering personnel expenses. The OCWCOG/SEIU labor agreement requires a 20 working-day notice of layoff (approximately one calendar month). Thus OCWCOG may need to cover staff costs for that period and the time it takes to assess the situation, prepare notices, etc.

Staff recommends initial program reserve targets sufficient to cover two (2) months of personnel expenses (17% of annual personnel expenses).

Funding the Reserves:

SDS reserve: There are currently sufficient dollars in the SDS fund balance to fund the SDS reserve at the initial target of 17% of annual personnel expenses; for FY 2013-14 that is \$1,291,000.

Staff recommends that the Board designate \$1,291,000 from the SDS fund balance as SDS Program Reserve.

CED reserve: 17% of FY 2013-14 CED personnel expenses is \$237,215. CED does not have a fund balance that can be used to establish an operating reserve fund.

As discussed above with respect to funding the General Reserve Fund, staff recommends exploring the feasibility of rebating a portion of rent payments made by the programs. That portion would be equal to the cost of payoff of the current loan on the Albany building. Over the remaining life of that loan, CED would be rebated a total of approximately \$86,000.

Because of the sources (state and federal government agencies) of most of CED's revenue, it is difficult to build a reserve fund through annual operating budgets. However, as proposed, the Board could utilize the General Reserve Fund to address CED needs that might exceed those in the CED Reserve Fund.

USE AND REPAYMENT OF RESERVE FUNDS:

Staff recommends that use of reserve funds require explicit action by the OCWCOG Board, and that sources and timing of repayment of reserves be determined by the Board on a case-by-case basis considering the capacity for repayment.

Board decisions to add to reserve funds to bring them to recommended levels should balance the building of the reserve with the need to fund operations. Due to limited ongoing sources of revenue to build reserves, it is anticipate that the organization will need to take advantage of unanticipated windfalls, or one-time revenue to build the funds and maintain them at the desired levels.

These policies should be reviewed and updated by the Board periodically and reserve levels adjusted, as appropriate.