PROPOSED FY 2004-2005 BUDGET ASSUMPTIONS

1. The CPI for the prior year is 2.2% (August 2003 CPI-U for US).

2. Health Insurance is expected to increase 15%. Each 10% increase in insurance costs results in a 1.5% increase in total compensation, so health insurance is expected to increase total compensation by 2.25%.

3. A cost of living adjustment to the salary schedules of 2% will be budgeted.
   a. LCOG SEIU will receive between 2% and 4% based the CPI for 2003.
   b. The State has budgeted no salary increases
   c. The City of Eugene will be between 1% for exempt and AFSCME.
   d. Lane County will use 2% for preliminary budget purposes.

4. The LCOG employer PERS rate will not be known until the Oregon Supreme Court makes decisions about 2003 Legislative changes to the PERS system. The rate for FY04 was scheduled to be 14.27%, but following the Legislative changes is currently at 7.56%.. A rate of 10% will be used for FY05 until a more accurate rate is available.

5. Specific details of compensation and health insurance will be determined through negotiations with the LCOG bargaining units.

6. Merit increases are expected to increase total compensation. Employees are eligible for 3.5% annual merit increases. However, over 50% of employees will be at the top step of their salary range, which means that they are not eligible for merit increases.

7. LCOG compensation, including salaries and benefits, will be comparable to similar positions in the same job market. This is required to attract and retain quality employees.

8. LCOG will provide adequate workspace, equipment and training to enable employees to be productive and effective.

9. The agency will continue to build a General Fund reserve with the goal that the reserve exceeds two months of payroll cost.

10. To the maximum extent possible, all programs or contracts will be self-supporting. LCOG General Fund dollars will only be used when required as match or to provide temporary support to a program or to support a strategic initiative.

11. S&DS, as a local transfer agency, has a significant funding equity issue compared to State operated S&DS offices of about $800,000 a year. Additional resources are required to maintain adequate staffing levels in the program.

12. Due to the economy the State continues to make cuts in its budget, which affects several LCOG programs, but S&DS the most. Depending on the size of the reductions, some of the budget assumptions may need to be reconsidered. Major changes may be necessary if the proposed income tax surcharge is defeated in a February 3, 2004 vote.

13. New programs or program reductions will be individually presented to the Board.