



**Marion County Annual Budget  
Fiscal Year 2014-2015  
Budget Officer's Message**

**Mission Statement**

*We serve the public to protect, promote, and enhance a positive quality of life in Marion County.*

June 3, 2014

Members of the Budget Committee, Board of Commissioners, and citizens of Marion County:

**Why Counties Matter**

Counties own and maintain 27,000 miles of the roadways in Oregon, spending nearly \$500 million on our county highway system; own and maintain over 4,000 of the state's bridges; operate ferries; and make sure that state land surveys are up-to-date. Oregon counties spend more than \$677 million on health services including child health, immunizations, drug treatment, mental health services and developmental disabilities. Counties hold and manage all of the states elections; keep all of the state's property records and marriage licenses as well as birth and death records; assess all property and collect and distribute property taxes owed to every local jurisdiction; provide emergency response; license dogs and respond to dog emergencies; and support agriculture and economic development.

Oregon counties spend \$680 million on public safety including the arrest and prosecution of criminals, both juvenile and adult; provide victims assistance; enforce child support; hold court and incarcerate arrested and convicted individuals. Of the nearly 100 major public services provided to citizens in Oregon, only 14 are provided by the state alone.

The state and counties have long shared the management of key public services in health and human services, public safety, and transportation. The relationship between the county and state government is evolving as the state consolidates and centralizes more of its programs and services. In addition to centralization and reductions in funding, the state is also changing its program funding mechanism by requiring that counties apply for program dollars traditionally funded with formula driven allocations.

For example, during FY 2013-14, the Oregon Health Authority (OHA) required grant applications for mental health program funding that had previously been allocated to counties through population based formulas. OHA released 12 Requests for Proposals for programs ranging from Supported Housing Rental Assistance to Community Outreach Treatment Teams. Because Marion County has the talent, resources and statistically proven records to prepare quality applications, we fared better than most counties. Unfortunately, preparing the grant applications is a very expensive process and takes dollars away from service delivery.

Secondly, the Juvenile Crime Prevention programs in counties have shown statewide success in preventing and reducing the deeper penetration into the juvenile justice system. However, the state has reduced funding for this program during the last several biennia and continues to try turning it into a grant program from a formula allocation.

While the new approach may drive dollars to programs deemed superior by state agencies, it means that only large counties, with the resources to prepare the best grant applications will, in most cases, receive the funding. State agencies are creating silos of funding to implement programs. How, then, can the state implement an enterprise, statewide policy with meaningful outcomes in this fashion? The additional administrative burden that this will place on already underfunded programs, as well as the likelihood of increased inequities in funding services to individuals in different regions of Oregon, means a statewide system of care may be difficult to achieve.

Without counties as administrative units, without the counties' infrastructure and the \$950 million of county general resources invested in state programs, the state would have to have a bureaucracy twice as large as it has now. It is important to understand that Oregon's 36 counties play a critical role in helping to maintain the state's economy. Counties matter in keeping a farm to market road system, providing a wide variety of needed services, and creating healthy and safe places to live and work.

### **The FY 2014-15 Proposed Budget**

After several years of restricted budgets, the FY 2014-15 budget may signal a turning point for our General Fund revenues. With an improving economy, our property tax revenues are beginning to rebound. Although it is too early to begin spending the General Fund on new programs or expanding current programs, it is a good time to make strategic investments. The county is fortunate to be making decisions about where to invest rather than where to cut programs and staff. Yet, the Budget Committee must be aware that the future may bring us additional challenges. While property taxes are a significant portion of our discretionary budget, other revenues such as recording fees, the Department of Revenue assessment grant and other state and federal revenues are decreasing. Even so, this proposed budget continues our long-term commitment to sustainable programs and staffing levels.

The Marion County **Fiscal Year 2014-15 Proposed Budget is \$370,822,173**. The **General Fund** totals **\$82,390,826** and all other funds total **\$288,431,347 (see Table I)**. The total budget decreased -2.51% or by \$9.5 million compared to the prior year. The reduction in the total budget is due to the completion of the Courthouse Square (CH2) project, lower federal and state revenues and a reduction of capital financing proceeds from \$15 million to \$5 million. However, our General Fund resources are increasing by 5.18% due to greater than anticipated property tax revenues in FY 2013-14. While our Council of Economic Advisors estimated a 2% increase in property taxes for the current fiscal year, unanticipated exception value moved the actual increase to 4.13%. This additional revenue helped provide an increase in net working capital of 24.7% to begin FY 2014-15. Consequently, we are able provide a much healthier ending fund balance of \$4,503,262 or 27.05% more than FY 2013-14.

Our Personal Services totals \$126,963,605 for an increase of 4.02%, with \$82 million in salaries and wages and \$45 million in benefits. PERS costs for FY 2014-15 total \$11.6 million while medical and dental benefits amount to \$21.5 million. Our fringe benefits for FY 2014-15 are 35% of total personal services, but 55% of salaries and wages. Fortunately, medical benefits have remained stable for the past two years.

The total Materials and Services category is \$89.8 million for a 5.54% decrease from FY 2013-14. We are recommending \$30.6 million in Capital Outlay for a 36% decrease over the prior year, Debt Service of \$7.2 million and \$18 million in Transfers or a decrease of 8.87%. The largest of these transfers are: \$3.6 million from the Community Corrections Fund to the jail; \$3.4 million to the Health Fund; \$2.6 million to the Debt Service Fund; and, \$1.3 million from the Facility Renovation Fund.

The proposed budget funds **1,357.07 FTE**. This is an increase of 34.36 FTE from FY 2013-14, but 31 FTE of the increase is in the Health Department due to an increase in state and federal health grants in the current year. We are proposing a new management analyst for the Community Services Department, a grants coordinator for the Finance Department and, with the move back to CH2, we are adding a janitorial position to Business Services. This budget also follows board direction and moves the Clerk's Office staff to 40 hours per week from 37.5 hours at a cost of \$37,321.

We have budgeted a larger General Fund contingency of \$1,289,485 for a possible negotiated COLA for union members, potential medical costs for jail inmates, minimal pay increases for elected officials proposed by the Compensation Board and unforeseen expenses arising during the fiscal year. Our unappropriated ending fund balance of \$4.5 million is 6% of operating revenues. The ending fund balance, Rainy Day Reserve, and contingency total \$8 million and equate to 10.9% of adjusted General Fund resources meeting the board adopted policies.

There are 35 separate dedicated and other funds that are budgeted separately from the General Fund and cannot be used for general purposes. Some of the largest of these dedicated funds include: a \$49 million Road Fund; a \$74 million Health Fund; a \$35 million Self Insurance Fund; a \$33 million Environmental Services Fund; \$21 million in four combined Capital Projects Funds; and, a \$14 million Community Corrections Fund. State law or prudent financial planning requires the establishment of these funds. Dedicated and other funds comprise 78% of the total budget or \$288,431,347.

### **FY 2014-15 Budget Drivers**

The following section provides a brief synopsis of the budget drivers specific to the FY 2014-15 budget.

**Property Tax Revenue**—While revenues are down from the state and federal governments, our property tax revenues are estimated to increase by 4.13% in the current fiscal year and, coupled with lower than expected spending, we will have a beginning fund balance of \$9.1 million in the General Fund. The Council of Economic Advisors

estimates a property tax revenue increase of 2.7% for FY 2014-15. The additional property taxes in FY 2013-14 and the increase projected for FY 2014-15 may indicate an upward trend, yet we are being very cautious this year in dedicating funds to ongoing programs. Measures 5 and 50 have a different effect in a rising economy and will change property tax compression. We lost \$828,000 due to compression in FY 2013-14, but with residential market values increasing 9.5% in 2013 we should see property tax revenue increase with an associated decrease in compression in 2014.

**PERS and other Benefits**—In 2013, the Oregon Legislature made changes to PERS that lowered projected future benefit payments thereby assisting local governments with lower rates. The Legislature passed legislation (SB 822 and SB 861) that capped cost-of-living increases for retirees and delayed \$350 million in employer payments for the 2013-2015 biennium, resulting in a one-time biennial reduction to employer rates. The legislation also adjusted benefits for out-of-state retirees, which further reduced employer payments. These adjustments lowered our rates for the current and next fiscal year. At the end of 2013, PERS was estimated to be 96% funded when including employer side accounts and 87% funded when excluding those accounts statewide (Marion County's side account totals \$18,142,256). Fund earnings have dramatically decreased the statewide unfunded liability to \$8.1 billion at the end of 2013.

PERS has indicated that rates are expected to increase 2% beginning July 1, 2015, and those rates will stand until July 1, 2017. If, however, the system consistently earns the assumed rate annually, the employer contribution rate will gradually decline beginning in 2017. Rates will also decline as lower cost OPSRP employees replace retiring Tier 1 and 2 members. Marion County has dropped from 56% Tier 1 and 2 employees in FY 2011-12 to 49% in FY 2013-14.

**Administrative Charge Methodology**—When we left Courthouse Square (CH2) in 2010, some of the costs and basis had to be changed due to new lease and utilities costs for central service departments, Treasurer, Clerk and Assessor. While there are no significant changes in our cost allocation methodology, departments moving from leased locations to CH2 generally have a net decrease in facilities-related costs (decrease in lease allocations offset by lesser increases in facilities, custodial and CH2 condo allocations). Adding CH2 back to the facilities and custodial allocations also results in lower allocations to departments at other locations.

Marion County has developed a Federal Cost Rate Plan that is calculated individually for each department. The development of these rates required the identification and removal of those costs that are not allowable for reimbursement under federal guidelines. Effective July 1, 2014, departments applying for federal grants may now use these rates to request reimbursement for county administrative charges in addition to program operating and capital outlay costs as approved in the specific grant.

**Debt Service**—We pay \$3.9 million as a department payroll cost for two Limited Tax Pension Obligations issued by the county to provide for the county's unfunded actuarial liability with PERS. In addition, the budget contains an appropriation of \$1,547,300

from the General Fund for debt service on the 2005 refunding obligations for the Courthouse Square bonds as well as \$1,098,945 for debt service on the infrastructure remediation at the jail, work center and Health Department. Our total debt service to real market value ratio is 80% below the statutory limit.

### **Decision Packages**

In the past four years, I recommended only ten decision packages. However, this year out of 22 requests I am denying four and recommending approval of 18. There are several for Community Services totaling \$143,456— \$12,502 for the County Fair; a one-time \$30,000 for OSU Extension service; \$20,000 to match a Resource Assistance for Rural Environment (RARE) grant and \$80,954 in lottery dollars for a management analyst 2 to manage the county's economic development program. I am recommending \$34,652 for a half time elections technician, \$67,769 to fund a countywide grants coordinator in the Finance Department, \$84,453 for a variety of operational costs in Information Technology and \$71,510 to support the Juvenile Alternative Program and employee training. I am also adding a custodian in Business Services for \$46,522.

I have included a one-time \$45,000 investment for playground equipment at the Scotts Mills Park and a storm water specialist for \$58,496 in Public Works. I have also approved a variety of operational increases in the Sheriff's Office totaling \$86,802 and \$14,000 for the DA's victim assistance program. I have not approved four requests. The largest was a request by the Sheriff's Office for \$410,587 to increase funding for inmate medical services. It may be possible for the Sheriff's office to recover inmates' medical costs under the federal Affordable Care Act. As the Sheriff continues to pursue this coverage, he and I have agreed to forego the budget request. I have assured him the Contingency Fund will be available if medical costs exceed his budget during FY 2014-15.

### **FY 2014-15 Capital Improvements Projects**

The total **capital project funds budget** is **\$21,152,012** which is a reduction of -42.31% from FY 2013-14, primarily due to the closeout of the CH2 project. Last year, we began a focused effort on investing in the renewal or upgrading of existing county buildings. Projects for FY 2014-15 include: building improvements of \$9.1 million and the remediation of the parking garage next to the Courthouse for \$10.1 million. Public Works road and bridge projects of \$9 million are accounted for in the Public Works Fund.

**Infrastructure Renewal**—The FY 2013-14 adopted budget authorized the borrowing of \$15 million to address some of the highest priority capital needs for our aging infrastructure (Health Building-1974, Jail-1989, Work Center-1990). With interest rates at historic lows, we borrowed \$9.95 million of the authorized \$15 million because it made financial sense to borrow only what was needed. We were able to get a bank qualified and tax exempt loan at an interest rate of 3.12% to fund upgrades of the HVAC systems at the Work Center and Jail, repair roofs on several of the Jail pods and sealing their exterior walls. In FY 2014-15, we will continue to upgrade the health building by replacing its single-pane windows, lighting, and upgrading the HVAC system.

Following the HVAC upgrade to the Courthouse and the remediation of Courthouse Square, I am proposing that we borrow the remaining \$5 million of the authorization and complete the downtown campus by rebuilding the aging Courthouse parking garage. That parking garage was built in 1977 and does not meet seismic standards. Also, a larger parking garage will provide additional parking for employees and visitors to the Courthouse and Courthouse Square relieving pressure on downtown parking in Salem. The remediation of the parking garage will be funded with the new \$5 million loan, at an estimated interest rate of 3.30%, as well as net working capital of \$3,025,000, \$1 million transferred from the Capital Improvements Projects Fund and a \$1 million General Fund transfer. With estimated interest earnings of \$45,265 we will have a Parking Garage construction program of \$10,070,265.

Several small facility projects for the Sheriff's Office and Juvenile Department are approved totaling \$291,176. We are also funding several new equipment projects and carry forward projects totaling \$866,900.

In future budgets we will need to finish infrastructure renewal on Center Street at the Juvenile Department. Finally, with our infrastructure brought up-to-date we will develop a life-cycle renewal plan for our mechanical, electrical and plumbing equipment (MEP), as well as for our information technology infrastructure.

### **Major Program Areas**

**Health Care**— Our innovative Marion County Health Department is the only county health department in Oregon to receive accreditation for its public health division from the Public Health Accreditation Board. It has been providing physical health, mental health and addiction services to clients of the Oregon Health Plan along with the multi-county Mid-Valley Behavioral Care Network (BCN). In 2013, Marion County developed a Memorandum of Understanding (MOU) with Willamette Valley Community Health which became a model for the rest of the state in defining how the new coordinated care organizations (CCO's) and counties would preserve safety net services for the most vulnerable individuals while, at the same time, seeking to transform and improve the overall health of our community. It is not entirely clear what the long-term role for Marion County's Health Department will be as these changes will come with a number of unknown challenges which must be met by preserving our commitment to seek the best healthcare for our county's residents.

The Health Department and Sheriff's Office took an enterprise approach establishing a Crisis Outreach Response Team (CORT) designed to channel persons with mental illness away from the criminal justice system and into treatment. A sheriff's deputy and a mental health specialist provide outreach to persons who have had multiple contacts with law enforcement. This program has saved the cost of jailing the mentally ill and needless altercations with police officers.

**Public Safety**—In January of this year the Oregon Sheriff's Association did a survey of General Fund support for Sheriff's Offices and county public safety services as a whole. The statewide median percentage of General Fund allocated to the Sheriff's Office is

30.46%. In Marion County, the Sheriff's Office receives 38.19% of the General Fund. The median percentage of General Fund allocated to Public Safety (Sheriff's Office, DA, Juvenile and Justice Court) in Oregon counties is 53.71%, while in Marion County, it is 78%. Clearly, Public Safety is a priority of the Board of Commissioners in Marion County.

House Bill (HB) 3194 adopted in 2013 strengthened our local public safety systems through the creation of a Justice Reinvestment grant program and our allocated share is \$753,917. Consistent with the message and intent of the legislation, Marion County's very successful Reentry Initiative (MCRI) programs are designed to decrease prison admissions and lower recidivism.

Our post-prison recidivism has reached an all-time low of 14% and the 2-year old Senate Bill 416 Program has diverted over 80 people from prison without an increase in our crime rate. Although there was a concern that Short Term Transitional Leave would increase the overall caseload in Marion County, after a brief 20-person increase in December 2012, the population has leveled off and the Marion County client caseload stands at a little over 3,600, which is at a 10-year low.

Established in 2013-14, the Veterans Court is another example of an enterprise approach to program operations in Marion County. A successful grant application for the new court was co-written by Judge Vance Day and the Sheriff's Office. It is being administered by the Sheriff's Office and the court receives assistance from the District Attorney and his staff.

Since the early 1980's when justice courts were established, Marion County has had three justice court locations with two part-time elected justices. As the state continues to reduce the percentage of ticket revenues going to counties, the ability to maintain three separate courts was unsustainable. Beginning in FY 2013-14, we began an effort to consolidate the three courts into one. We leased a centrally located space for a new facility on Portland Road near Interstate 5 and the result of combining the three courts into one will save \$71,307 in the first year and approximately \$155,000 on an annual basis.

**Transportation**—The Public Works Department plans to upgrade 43.7 miles of county roads (resurfacing 9.2 miles, chip sealing 29 miles and slurry sealing 5.5 miles), replace the Wipper Bridge, damaged in the 2012 Turner flood, during July of 2014 and continue to assist cities with disaster planning and mitigation. The department is continuing to work on ODOT certification for federal-aid projects and should receive formal certification this fall, thus reducing contracted engineering costs.

Federal revenues for our road infrastructure are down 22.5% due to a decrease in federal aid projects. The inability of gas tax dollars to keep up with the costs of maintaining roads and bridges, the financial uncertainty that the federal Highway Trust Fund is experiencing and the inability of Congress to appropriate dollars for "federal aid highways", has made it a challenge to maintain our county road system. Since travel

throughout the county and agriculture are so important to our economy, this infrastructure is vitally important.

**General Government and Central Services**—The goal for general government and central service departments is to provide efficient, effective and responsive government through stewardship and accountability. The **Assessor/Tax Office** assesses all commercial, residential and farm property and collects the taxes for all units of government in Marion County. The **County Clerk** is responsible for all elections in Marion County, administers the Board of Property Tax Appeals, maintains a permanent record of all property transactions and archives county records. The **Treasurer** distributes taxes to all taxing districts in Marion County and is the investment manager for county funds.

The **Board of Commissioners Office** creates and implements county policies as adopted by the Commissioners, maintains public records and is responsible for countywide administration. **Business Services** provides custodial and facilities maintenance, human resources administration, volunteer coordination and risk management. The **Finance Department** provides accounting, auditing, purchasing, contracting, budgeting and payroll. **Information Technology** maintains the county's technology, network services, departmental and enterprise wide information hardware and software. The office of **Legal Counsel** provides internal legal support for the Board, as well as legal support and hearings officers for county departments. It also manages a law library available to citizens of the county.

### **In Closing**

The budget is a policy document which establishes the operational plan for delivering ongoing services to county residents. With the adoption of the budget, the Board of Commissioners establishes the funding priorities for the upcoming year and strategic direction into the future.

For the last several years we have presented department budgets by program. The budget document is a policy and communications tool that reflects the decisions of the Budget Committee and Board of Commissioners. Every year the budget team critically analyzes revenues and expenditures and looks for opportunities to improve both the budget process and the budget document. The individual department budgets have been grouped together by service sector and by department, program, and fund. Additional schedules, spreadsheets, and detailed documentation are also provided to ensure transparency and a comprehensive review of the entire budget.

I am proud to announce that the Government Finance Officers Association of the United States and Canada (GFOA) has awarded Marion County its third Distinguished Budget Presentation Award for the FY 2013-14 budget document. To receive this award, the county has to satisfy nationally recognized guidelines for effective government budgets.

It takes a strong team to put this budget together and I would like to thank the entire budget team for their hard work and dedication. I also thank the Marion County Council of Economic Advisors who helped us develop our revenue estimates. As always, I thank

the Board of Commissioners and the citizen members of the Budget Committee for maintaining high standards of fiscal responsibility.

This is my 11<sup>th</sup> budget for Marion County. During the last ten years we have seen Marion County become a leader in service delivery and innovation in Oregon. Consistent, strong leadership is a key component of this ten year process to excellence. For all of those ten years we have had the same three commissioners, the same Chief Administrative Office (CAO) and the same deputy CAO. Next year we will have a new commissioner who will bring new qualities of leadership to the county. With this new commissioner and the experience of Commissioners Carlson and Brentano, Marion County will continue to foster a commitment to quality customer service, transparent and responsive government, and responsible financial stewardship.

Working together with our citizens, communities, businesses, and employees we will continue to produce innovative partnerships and programs benefitting all of Marion County. **Counties Do Matter.**

Respectfully submitted,



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**Table I****Resources and Requirements FY 2013-14 and FY 2014-15  
And Percent Change**

<b>Resources</b>			
	<b>2013-14*</b>	<b>2014-15</b>	<b>%</b>
	<b>Budget</b>	<b>Proposed</b>	<b>Change</b>
<b>General Fund</b>			
Revenue	\$71,033,062	\$73,288,737	+3.18%
Net Working Capital	7,301,364	9,102,089	+24.66%
<b>Total GF Resources</b>	<b>\$78,334,426</b>	<b>\$82,390,826</b>	<b>+5.18%</b>
<b>All Funds</b>			
Resources	\$289,903,201	\$274,541,594	-5.30%
Net Working Capital	90,464,300	96,280,579	+6.43%
<b>Total Funds Resources</b>	<b>\$380,367,501</b>	<b>\$370,822,173</b>	<b>-2.51%</b>
<b>Requirements</b>			
	<b>2012-13*</b>	<b>2013-14</b>	<b>%</b>
	<b>Budget</b>	<b>Proposed</b>	<b>Change</b>
<b>General Fund</b>			
Requirements	\$73,847,830	\$76,598,079	+3.72%
Contingency	942,214	1,289,485	+36.86%
Ending Fund Balance	3,544,382	4,503,262	+27.05%
<b>Total GF Requirements</b>	<b>\$78,334,426</b>	<b>\$82,390,826</b>	<b>+5.18%</b>
<b>All Funds</b>			
Requirements	\$312,636,335	\$294,792,600	-5.71%
Contingency	15,568,363	18,845,719	+21.05%
Reserves	3,274,640	2,493,584	-23.85%
Ending Fund Balance	48,888,163	54,690,270	+11.87%
<b>Total Funds Requirements</b>	<b>\$380,367,501</b>	<b>\$370,822,173</b>	<b>-2.51%</b>

\*Includes 2<sup>nd</sup> supplemental