



Marion County Annual Budget Fiscal Year 2018-2019 Budget Officer's Message

Mission Statement

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

June 5, 2018

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

"Public Meeting

At Champooick May 2, 1843

*At a public meeting of the inhabitants of the Willamette Settlements, held in accordance with the call of the committee, chosen at a former meeting, for the purpose of taking steps to organize themselves into a civil community, and provide themselves with the protection, secured by law and order...."**

*Minutes of the Willamette Settlers meeting at Champoeg to vote on the formation of a provisional government. Historians have estimated the vote to be 52-50.

The Fiscal Year 2018-19 Proposed Budget *Celebrating 175 Years of Service*

In 1843, a group of settlers gathered to form Oregon's first Provisional Government. The historic vote was held on the banks of the Willamette River at Champoeg and the Organic Laws of Oregon were adopted on July 5th. The Oregon Country was divided into four districts including Tuality, Yamhill, Clackamas, and Champooic, which was later renamed Champoeg. In 1849, it became known as Marion County after Revolutionary War General Francis Marion. The U.S. Census of Population, in 1850, reported Marion County's population as 2,749. At that time, attacks on livestock by predators, land grants, and settling probate were some of the issues of the day.

Early county officials collected taxes to provide essential services as we do now. An 1863 receipts and expenditures document located in county archives show that the county collected \$11,340.46 in taxes, grocery licenses of \$750, ferry fees of \$167.30, and courthouse rent payments totaling \$125. Expenditures for that year included \$700 for the county judge, \$107.40 for two county commissioners, \$957.97 for the sheriff's services including \$259.82 for boarding prisoners, plus \$438 for the prosecuting attorney. An allocation of \$2,286.80 to support paupers, payments for land surveyor and road supervisor were \$139.45 and \$348 respectively, and \$4,891 for building bridges. Other elected officials, at the time, included the assessor, clerk, and treasurer.

Although much has changed in the 175 years since that first meeting, throughout Marion County's existence, new responsibilities have been added as the county has grown and transformed.

The FY 2018-19 Proposed Budget

The Marion County Fiscal Year 2018-19 Proposed Budget total is \$445,424,664 with a net increase of \$15.5 million and 28 FTE. The General Fund revenue increased by \$2.6 million and General Fund Resources increased \$2,109,730 or 2.1% to \$101,783,890, a General Fund milestone. All other funds total \$343,640,774 (see Table I). Property taxes increased 4.15% over the current year estimate. The

General Fund ending fund balance is \$5.26 million and represents 6.01% of the total General Fund revenues. There is also a contingency of \$1.3 million which is budgeted for unforeseen costs and a Rainy Day Fund of \$2.3 million for PERS mitigation. The ending fund balance for the total budget is \$56.7 million or -9.1% less than FY 2017-18.

Officials prioritized public safety in the 1800's and we do as well. Of the \$102 million General Fund we allocate 78% to public safety. Today, the county is responsible for expanded services in enforcement, incarceration, and prosecution, road and bridge maintenance, public and mental health services, property assessment, elections, and more. Marion County started as, and remains, a service organization.

FY 2018-19 Budget Drivers

Budgets are affected by many internal and external factors including changes in tax revenues, PERS, legislation, health insurance, and the surrounding economy. The county's population has increased to 339,200 (PSU, 2017) and Marion County's unemployment rate was 4% in April of 2018. The improved economy and increased population is reflected in the demand for services and a corresponding growth in county revenues and personnel, reaching another historic high of \$445 million and 1,510.17 Full Time Equivalent (FTE) employees.

Property Tax Revenue—The budgeted property tax revenue for FY 2018-19 is projected by our Council of Economic Advisors to increase by 4.15% over the current year budget estimate. Property tax receipts for FY 2018-19 are budgeted at \$71.3 million with prior year taxes and interest adding another \$1 million. One positive outcome of increased property values is a decrease in property tax compression. The loss due to compression dropped from \$561,122 in FY 2014-15 to \$269,390 in FY 2018-19. Clearly, as property values increase, compression is reduced and tax revenue increases. On the other hand, with the increase in property values the county loses more revenue to Urban Renewal Districts. The estimated loss in revenue from these districts in FY 2018-19 is estimated to be more than \$2 million.

Wages, PERS, Health and Other Benefits—This budget adds 28 FTE, for a total of 1,510.17 FTE. With merit increases, market adjustments, and negotiated COLA's, the total cost of personnel is \$160.3 million for an increase of 5.5% or \$8.3 million. Salaries and wages total \$100.7 million, which have increased \$3.9 million or 4%. Total fringe benefits, including payroll taxes amount to \$59.6 million for an increase of 8.2%. Driven primarily by PERS and health insurance costs, fringe benefits now equal 59.2% of total salaries and wages and are 37% of total personnel services, up from 28.5% ten years ago. Health benefits of \$25.6 million and PERS costs (including debt service) at \$24.1 million are now 84% of the cost of fringe benefits. Future fringe benefits will need to be controlled as costs continue to rise dramatically. Ten years ago health benefit costs were \$13.8 million while PERS costs were \$8.3 million. In the proposed budget, health insurance costs increase by \$1.6 million, while PERS costs increase by \$2.1 million. These increases will be much larger in FY 2019-20 as the PERS board changes the rates charged local governments at the beginning of each biennia. In this budget, we have included a 1% increase in each department's PERS assessment for \$900,000 to help smooth the large increases anticipated in the next three biennia. As of June 4th, the state has reached a \$155 million settlement with Comcast for payment of back property taxes. The Governor is asking all local governments to use their receipts from the settlement to establish a side account with PERS. When Marion County receives the funds, the board will decide the allocation.

Administrative Charges—The budget has an increase in the administrative cost allocation for funding central service departments—primarily for Business Services and Information Technology. During the recession and post-recession years, we managed these increases and kept them to a minimal increase. However, as departments have grown they require more central service support and last year’s increase was 7.7%. This year’s increase is 7.5%. Nearly \$1 million of the increase in the central service budget is for Information Technology. In addition, we have changed the IT assessment methodology to align with the new federal guidelines for allowed costs in the countywide IT network upgrade. We are beginning a five year plan to upgrade IT hardware and software to ensure we have a viable and secure infrastructure, and support for future system growth.

Debt Service—There is \$6.2 million appropriated in the Debt Service Fund for two Limited Tax Pension Obligations issued by the county in 2002 and 2004 to provide for the county’s unfunded actuarial liability with PERS. In addition, the budget contains an appropriation of \$1,550,700 from the General Fund for debt service on the 2005 refunding obligations for the Courthouse Square bonds. Loan payments for capital improvements at the Sheriff’s Public Safety Campus, Transition Center, Health and Human Services, Courthouse Square, and Juvenile Department total \$2.3 million for the loans taken in 2013, 2016, and 2018. The total debt service budget is \$10 million, well below our statutory debt limit of \$780 million.

Other Funds— There are 35 dedicated and other funds. These funds are budgeted separately from the General Fund and cannot be used for general purposes. Some of the largest of these dedicated funds include: a \$75.9 million Health and Human Services Fund; a \$60.4 million Road Fund; a \$40.1 million Self-Insurance Fund; a \$37.9 million Environmental Services Fund; a \$26.3 million Central Services Fund; \$16.6 in a Facilities Renovations Fund along with \$12.4 million in two capital funds; and a \$17.7 million Community Corrections Fund. State law and prudent financial planning requires the establishment of all other funds, which comprise \$343.6 million or 77.1% of the total budget.

County Reserve Policy—This budget maintains the required General Fund reserves for an ending fund balance of 5%, and contingency of 1% of adjusted General Fund resources. The proposed ending fund balance is 6.01% of the total General Fund and the proposed contingency is 1.5 percent. In addition, we have a Rainy Day fund of \$2.3 million which, by policy, could be used should the ending fund balance fall below 5%. Combined, these reserves total \$8.9 million or 10.1% of adjusted General Fund resources.

Veterans Services—A new program for veterans, started in 2018, uses \$217,065 in pass through dollars from the state to begin providing veterans services previously provided by the Oregon Department of Veterans’ Affairs. Marion County has contracted with the Community Action Agency to provide the services.

Compensation Board—In another change to this year’s proposed budget, the recommendations by the Marion County Compensation Board as presented to the Board of Commissioners on May 16th have been included in the proposed budget for elected officials’ salaries. The Compensation Board added a 1.5% COLA to match that given to general service and management employees. However, statutes require that only the budget committee can modify elected officials salaries.

Juvenile Department Budget Restructure—The FY 2018-19 Juvenile Department budget has been realigned so the appropriate allocation between the department’s General Fund support and Juvenile

Grants funding is more transparent and in line with all other General Fund departments. Juvenile staff are now more properly allocated to the General Fund rather than to the grant funds.

Program Highlights

The Board of Commissioners has established short and long-term goals to lead the county, but it is the employees who work to deliver exceptional, professional services to our residents every day. The goals by area and focus are:

Communications—The board is committed to building strong communications with Marion County residents. Over the last year, the county continued to increase our social media presence on Facebook with board sessions streamed on Facebook Live and on YouTube, which has proven popular with the community. A monthly column by the chair on emerging topics of interest has been started to update employees. The county continues to provide monthly radio segments, press releases, e-newsletters, and opinion pieces to keep constituents informed.

Customer Service—The Board's goal for customer service is to foster responsive program delivery and quality service to all customers. A customer service survey and evaluation was completed by an outside consultant to identify issues to improve, as well as highlight those areas in which the county excels in customer service. Their report highlighted several themes: Marion County staff is committed to providing great customer service; our departments are supporting their staff in providing customer service; and our residents have a positive view of Marion County staff. Further recommendations suggested that we update our customer service approach; develop a mentoring program; create an internal customer service campaign; and provide opportunities for feedback.

Health and Community Services—The Health and Human Services Department reorganized and changed its name to better reflect the broad array of services it provides. The department has been working over the past year with a consultant and focus groups to develop a strategic plan for providing health services into the future. The Health and Human Services Department is our largest department with 455 FTE and a \$75.9 million budget.

Economic Development—The county's Economic Development program is coordinated through the Community Services Department. County leadership, the Economic Development Advisory Board (EDAB), and staff have strengthened the county's economic development strategies. The department continues to work with communities in the North Santiam River Canyon to address region-wide water and sewer infrastructure needs. A successful \$8.1 million TIGER Grant coordinated by department staff will revitalize the railroad bridge in Mill City and be managed by Linn County.

Public Safety— Public Safety is a high priority for Marion County. The county is well known throughout the state for providing innovative programs, enterprise management, and for collaborating with agencies to create effective service delivery to prevent and reduce crime.

Due to the high number of Sheriff's Office calls in the East Salem Service District, the Sheriff established a work group to spend time analyzing the issues and the commissioners held a public hearing to solicit public opinion on implementing a proposed \$10 fee per housing unit or acre. On June 6th the board will hold a final hearing prior to voting on the fee. The proposed enhanced law enforcement services will provide ten additional deputies dedicated to serving the area within the East Salem Service District.

Oregon counties and sheriffs have worked with congressional delegations for several years to change the language in Title III of the Secure Rural Schools Act (SRS). Congress adopted changes in the language that allow us to now use the SRS funds for forest patrol. Consequently, we have added a Sheriff's Deputy for patrol in the Santiam Canyon using \$94,316 of the \$548,708 accumulated SRS funds. This amount should allow us to fund the patrol deputy for four additional years.

The sheriff, district attorney, Salem mayor and police chief, as well as Salem Health are working on a plan to develop a sobering center to keep drug and alcohol affected individuals out of the emergency room and county jail. The center will provide a path for addicted individuals, many of them homeless, to seek rehabilitation services. Marion County has also been at the forefront in developing evidence-based approaches to keep people with mental health or substance abuse issues from entering the criminal justice system, and has recently joined the national Data-Driven Justice Initiative.

Waste Management— Marion County manages a nationally recognized integrated system that ensures the safe and sanitary disposal of solid waste. The county prioritizes waste reduction and recycling and recovers energy from the material that remains. However, a major disruption in the worldwide recycling markets and China's elimination of accepting plastics has left local recycling processors with excess material and few markets for their products. Environmental Services is working closely with the garbage haulers association and local recycling processors to implement changes to the curbside program by providing education about contamination and materials that are no longer considered recyclable.

Transportation and Emergency Management— The Public Works Department has a proposed budget of \$115 million and maintains 147 bridges and 1,118 miles of roads. With the new federal and state revenues dedicated for roads, the Public Works budget adds 8 FTE for work on roads and bridges, and 1 FTE for a medium equipment operator in county parks.

As with last fiscal year, the department has allocated resources to respond quicker and more effectively to problems with gravel road potholes and wash boarding during the summer dry season using soil stabilizers on steeper slopes of 15 gravel roads in FY 2018-19. The department also plans to complete 76 miles of chip sealing with an additional 18.3 miles under the Federal Land Access Program (FLAP), 5 miles of slurry seals and 25 miles of road resurfacing. Public Works maintains 147 bridges/culverts and 28,000 signs. The department plans to spend \$64,400 for the treatment of two concrete bridge decks with a polymer overlay as part of a seven-year maintenance program for 15 bridges. The number of bridges finished per year relies on the availability of ODOT equipment.

Decision Packages

County departments submitted 45 Decision Packages requesting 31 FTE costing \$4.6 million. I am recommending the approval of 35 packages and 28 FTE for a total of \$4.2 million of which \$1.2 million is from the General Fund.

In Community Services, I have approved five packages totaling \$93,872 for the Dog Shelter including \$14,872 for water/sewer utilities after the dog shelter is separated from the jail campus meter, \$10,000 for dog shelter supplies and staff trainings, \$9,000 for inmate work crew fees, and \$60,000 for fair grounds paving.

I approved 2.0 FTE for the LEAD program in Health and Human Services at a cost of \$85,120 including \$64,908 from the General Fund. I denied 3 FTE for J-Wrap expansion, housing services and supports, and emergent diseases costing \$272,414.

In the Juvenile Department, I approved four packages costing \$66,902. These packages included; cell phones and bullet proof vests for probation officers, funds for medical oversight, and a mid-sized vehicle. For the Justice Court, I approved \$9,770 for a security program.

I have approved ten packages and one FTE in Information Technology for \$696,996. These decision packages will provide funds for additional annual software and hardware maintenance costs (\$18,634), new software maintenance and subscriptions (\$39,507), a 1.0 FTE Systems Architect (\$154,492), county wide security surveillance video support and equipment replacement (\$153,865), Microsoft enterprise software assurance (\$106,245), Microsoft Windows 10 migration (\$155,198), and an upgrade of development tools, replacement of laptops, and staff training (\$69,055).

In the Sheriff's Office, I approved \$2,297,992 which includes \$1.7 million of fee revenue and 10 FTE for the proposed enhanced law enforcement services in the East Salem Service District, \$280,545 for transitional housing, \$139,716 in pre-trial services funding with 2.0 FTE, and \$119,100 for communications, as well as food service increases. I have also added a Sheriff's Deputy for Title III forest patrol at \$94,316.

In the Public Works Department, I have approved four General Fund packages totaling \$539,361 for county parks improvements (\$89,997), an upgrade to the House Mountain Tower (\$79,106), and 1.0 FTE at \$55,316 for a medium equipment operator for parks. I have also approved 8.0 FTE for road crews totaling \$579,419 from Road Funds due to the increased gas tax funding.

I approved 2.0 FTE in Business Services for a new Building Maintenance Specialist and a Custodial Worker totaling \$119,716, and 1.0 FTE for a Payroll Specialist in Finance for \$39,085.

FY 2017-18 Capital Improvement Projects

In 1863, capital projects included repairs to the county courthouse totaling \$79.45 and a purchase of 80 acres of land for the state fair grounds for \$1,524.76. Today, the proposed budget includes a Capital Budget that totals \$29 million and is comprised of three funds and six programs. The three funds in the FY 2018-19 budget are the: Capital Building and Equipment Fund totaling \$135,994; the Capital Improvement Projects Fund totaling \$12.3 million; and the Facility Renovation Fund totaling \$16.6 million. The programs include multi-year Major Construction Projects and Facility Renovation costing \$14.5 million; Building Improvement Projects totaling \$3.8 million; Equipment Program totaling \$9.7 million; and an IT Equipment Replacement Program totaling \$1 million. The Fleet Management and Roads and Bridges construction programs are not included in the general county capital budget, but are found in the Public Works Department capital outlay budget.

The total Capital Project Funds Budget is \$28,985,382, primarily due to budgeting for four major capital projects continuing at two campuses. They include the new Juvenile Administration Building for \$9.3 million, transitional housing, and the completion of a new Sheriff's Public Safety Building containing parole and probation and the sheriff's central district office for \$4.1 million, set to open in September of 2018. The multi-year facility renovation projects total \$14.5 million.

MAJOR CONSTRUCTION PROJECTS/ FACILITY RENOVATION PROGRAM	
<i>Multi-Year Projects:</i>	
Juvenile Administration Building	\$ 9,289,524
Sheriff's Public Safety Building	4,052,608
Transitional Housing	1,000,000
Reserve for Future Expenditure	135,994
Total	\$ 14,478,126

There are a several building improvement projects in the proposed budget. We are planning a variety of repairs including paving the parking lot at the jail, a new roof at the Health and Human Services Building, and Her Place repairs. We are adding an audible/strobe fire alarm system to Courthouse Square. The total of these new and carried forward building improvement projects and other projects listed below is \$3.1 million which includes a contingency of \$459,750 and a Reserve for Future Expenditure of \$500,000.

BUILDING IMPROVEMENT PROGRAM	
<i>Projects Carried Forward from FY 2016-17:</i>	
Transition Center Roof	\$ 682,787
Health and Human Services Building Roof	262,500
CH2 Audible/Strobe Alarm System	200,000
Jail Visitation Remodel	54,630
Dog Shelter Epoxy Kennel Wall Coat	24,702
Her Place Renovation	52,455
Health and Human Services Building Exterior	26,610
Sub-Total	\$ 1,303,684
<i>New Facilities Improvement Projects:</i>	
Jail Parking Lot	\$ 618,142
Jail Boilers	590,041
Jail Medical Center HVAC	20,000
Transition Center Remodel	198,046
Logan Building Restroom	92,598
Courthouse Sidewalk	31,427
Juvenile Detention Shower Stalls	20,600
General Contingency	459,750
Reserve for Future Expenditure	500,000
Sub-Total	\$2,530,604
Total	\$3,834,288

IT EQUIPMENT REPLACEMENT PROGRAM	
<i>New IT Replacement Projects:</i>	
Firewall Services Module Replacement	\$ 53,500
Network Hardware Replacement	93,000
Reserve for Future Expenditure	823,306
Total	\$ 969,806

EQUIPMENT PROGRAM	
<i>New Equipment Projects:</i>	
Health and Human Services Records System	\$3,300,000
IT Network Redesign	1,356,500
Jail Video Storage Phase 3	120,000
Jail Washer and Dryer	20,000
Jail Tilt-Skillet	17,500
Vote Tally System	235,833
Sheriff's Radio Improvement Phase 3	222,602
Juvenile Furnishings for New Building	150,000
Computing System Replacement	67,000
Clerk Film Reader	40,000
Juvenile Security Cameras	30,000
Juvenile Refrigerator System	28,000
Sheriff's Office Pre-Trial Software	13,000
Jail Security Cameras	12,000
IT Security Program	109,840
Video Security System	67,500
Sub-Total	\$5,789,775
<i>Continuing Projects:</i>	
District Attorney Case Management System	\$ 622,207
Jail Matrix Controller	300,000
Jail Management System	500,000
Jail Video Storage, PREA	152,457
Animal Management Software	140,000
System Log Software	90,000
Network of Care Portal	30,000
Sub-Total	\$ 1,834,664
Transfers Out	137,586
Reserve for Future Expenditure	1,941,137
Total	\$9,703,162

The Reserve for Future Expenditure in the Equipment Replacement Program is the result of an additional allocation based on each department's share of Network Operations to cover future costs of IT equipment upgrades.

Included in the Equipment Program is a major upgrade to the Health and Human Services Electronic Health Records for \$3.3 million and, a Transfer Out of \$137,586 to move funding for the fiber projects to the Public Works Fund where the projects are managed. We have included \$1,941,137 in the Reserve for Future Expenditure account for IT systems upgrades and for the Sheriff's and Assessor's future projects.

In Closing

I would like to recognize the hard work of the new budget team members this year. The team members in Finance include: Debbie Gregg, the new Budget and Grants Manager, Daniel Addato, and Alicia Henry working with Jeff White the Chief Finance Officer. I give a special thanks to Jan Fritz for her excellent advice and help in putting the budget together and Cindy Johnson for all of the Capital Improvement Project budgeting.

I would also like to recognize county employees who assisted with historical research for the 175th anniversary of Marion County, including: Frank Milton (Clerks Office), Michelle Miller-Harrington (Law Library), Jan Fritz, Jolene Kelley, and Hitesh Parekh (Board's Office).

It's important to remember that any budget is a policy document which establishes the operational plan for delivering programs and services to county residents and one-time investments. With the approval and adoption of the budget, the Budget Committee and Board of Commissioners establish the funding priorities for the upcoming year and strategic direction into the future. 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 presented 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.

It takes a strong team to put this budget together and I would like to thank the entire budget team, including those in the departments, 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. We are dedicated to meeting community needs, whether infrastructure, law enforcement, health care, and even protecting people and property from predatory animals. One hundred seventy-five years ago and today, we value stewardship and work hard to make efficient and effective use of valuable public resources.

Respectfully submitted,



John Lattimer, Chief Administrative Officer and Budget Officer

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Table I

**Resources and Requirements
FY 2017-18 and FY 2018-19 with Percent Change**

Resources			
	2017-18*	2018-19	%
	<u>Budget</u>	<u>Proposed</u>	<u>Change</u>
General Fund			
Revenue	\$ 84,942,828	\$ 87,537,340	3.05%
Net Working Capital	14,731,332	14,246,550	-3.29%
Total GF Resources	\$ 99,674,160	\$ 101,783,890	2.12%
All Funds			
Resources	\$ 301,539,639	\$ 321,441,115	6.60%
Net Working Capital	128,352,294	123,983,549	-3.40%
Total Funds Resources	\$ 429,891,933	\$ 445,424,664	3.61%
Requirements			
	2017-18*	2018-19	%
	<u>Budget</u>	<u>Proposed</u>	<u>Change</u>
General Fund			
Requirements	\$ 88,956,132	\$ 95,207,531	7.03%
Contingency	1,371,475	1,313,770	-4.21%
Ending Fund Balance	9,346,553	5,262,589	-43.69%
Total GF Requirements	\$ 99,674,160	\$ 101,783,890	2.12%
All Funds			
Requirements	\$ 339,469,680	\$ 363,087,045	6.96%
Contingency	19,035,519	19,983,207	4.98%
Reserve for Future Expenditures	9,001,930	5,675,351	-36.95%
Ending Fund Balance	62,384,804	56,679,061	-9.15%
Total Funds Requirements	\$ 429,891,933	\$ 445,424,664	3.61%

*Includes 2nd supplemental