



**Marion County Annual Budget
Fiscal Year 2010-11
Budget Officer's Message**

Mission Statement

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

May 4, 2010

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

During a year of continued economic turmoil, changing circumstances, and declining resources, I would like to share with you a few of Marion County's achievements. Elected officials, employees and 5,165 volunteers have been doing great work for our citizens delivering quality and cost effective services in the midst of these extraordinary times.

The Health Department worked with schools, businesses and the media to help inform and protect the public from the 2009 H1N1 flu outbreak. A fall book drive by the Children and Families commission resulted in the donation of over 30,000 children's books to be used to improve literacy.

The Board of Commissioners appointed Jason Myers as Marion County Sheriff in September 2009. His professionalism and excellent management skills have resulted in improvements and efficiencies in one of our largest departments.

During 2009 and 2010, we invested in local businesses by approving \$1.2 million in lottery grants. The Sanyo Solar Company received support to construct an \$80 million plant in Salem adding 100 new jobs and with another 100 jobs to come.

Once again, Marion County led the state in recycling with a rate of 58.4%. If current proposals to recycle food waste are adopted, the rate could climb much higher.

ODOT will invest \$5.7 million in American Recovery and Reinvestment Act funds for road overlay, signal replacement and a new ferry in Marion County. The Woodburn and Stayton Interchanges, the Cordon Road (Beltline) and Mill Creek development are current transportation improvement projects.

Excellent Customer Service is one of the county's top priorities and in 2010, the county began training all employees on the new customer service initiative—*Expect Excellence*.

We have also worked to improve the efficiency and effectiveness of Marion County government:

- Conducted management and organizational reviews of the Public Works and Information Technology departments as well as the Treasurer's Office;
- Evaluated the county's defined contribution retirement plans and solicited new providers;
- Received the Government Finance Officers award for our Comprehensive Annual Financial Report (CAFR);
- Created Information Technology standards and completed a backup computer room for information systems and network redundancy;
- Completed a revision of our chart of accounts and initiated a system reconfiguration of our Oracle Human Resources, Payroll and Projects modules;
- Put all county ordinances and zoning codes accessible to the public on the internet.

A Sustainable Approach—We have designed this year's budget by considering its impact on future years. I am proposing a balanced fiscal year 2010-11 budget predicated on a sustainable approach to maintaining county programs at the current year's reduced levels. While we know some of the economy's immediate effects on the county's financial condition, there are many unpredictable events that could affect budgets and programs well into the future. We know that the state faces a deficit projected to be \$2.5 billion in the next biennium. Why is that important? Marion County is a managing partner with the State of Oregon in providing public safety, transportation, health and mental health, elections, property assessments and human services. What we do not know, is how the new Governor and state legislature will balance the state's budget for the 2011-13 biennium. How will reductions in the state's resources affect programs provided by Marion County? In the FY 2010-11 proposed budget, we project receipts of \$75 million from the state and another \$15 million from the federal government or 42% of our total revenue. If the economy remains stagnant, what will happen to these intergovernmental revenues?

Other revenue and expenditure categories are also experiencing a level of volatility. In 2013, funding from the Secure Rural Schools and Community Self-Determination Act will go to zero from \$5 million three years ago. We know that the percentage of property tax increases has declined every year for the last six years. We know that the Public Employees Retirement System (PERS) will increase costs to the county by a minimum of 6% to 8% of salaries, and possibly more. Also, we know that we have some very expensive infrastructure improvements to pay for in the next two to three years. We see health insurance costs increasing, but the affect of the new health reform law on public employers remains unclear. Finally, a ballot measure on the May primary ballot and two proposed ballot measures in the fall could influence the budget in FY 2010-11.

There are no easy answers for these issues so we must act responsibly preparing for future budget years. We prepared for this economic downturn by eliminating 73 positions during the last two fiscal years in order to reduce program levels to what we

believe is a sustainable level. Because the future remains so unclear, I am recommending a maintenance budget for FY 2010-11. I believe we must increase the General Fund ending fund balance and not approve program expansions. My goal is to stay at the current level of service until new funding or increased revenues warrant increases in services. As I have stated for the last two years: “Our overriding need remains to find a course that takes us to a financially manageable service level for the long-term.”

The total proposed budget for Marion County is **\$343,414,714**. The General Fund totals **\$77,518,080** and all other funds total **\$265,896,634**. The proposed budget funds 1,340 full time equivalent employees.

FY 2010-11 Proposed Budget

Resources

	2009-10*	2010-11	%
	Budget	Proposed	Change
General Fund			
Resources	\$66,851,694	\$70,257,882	5.09%
Net Working Capital	7,379,085	7,260,198	-1.61%
Total GF Resources	<u>\$74,230,779</u>	<u>\$77,518,080</u>	<u>4.43%</u>
All Funds			
Resources	\$255,772,967	\$257,689,924	.75%
Net Working Capital	85,023,710	85,724,790	.82%
Total Funds Resources	<u>\$340,796,677</u>	<u>\$343,414,714</u>	<u>.77%</u>

*Includes 2nd supplemental

Requirements

	2009-10*	2010-11	%
	Budget	Proposed	Change
General Fund			
Requirements	\$69,870,786	\$71,664,909	2.57%
Contingency	857,074	790,579	-7.67%
Ending Fund Balance	3,502,919	5,062,592	44.53%
Total GF Requirements	<u>\$74,230,779</u>	<u>\$77,518,080</u>	<u>4.43%</u>
All Funds			
Requirements	\$275,590,219	\$271,363,559	-1.53%
Contingency	19,777,056	20,914,394	5.75%
Unappropriated Reserves	9,173,680	8,383,663	-8.61%
Ending Fund Balance	36,255,722	42,753,098	17.92%
Total Funds Requirements	<u>\$340,796,677</u>	<u>\$343,414,714</u>	<u>.77%</u>

*Includes 2nd supplemental

The General Fund

Discretionary Resources—The General Fund of \$77.5 million is the general operating fund for the county. Unlike dedicated and reserve funds, the General Fund can be used for any purpose at the discretion of the budget committee and the Board of Commissioners. Property taxes are the largest source of revenues in the General Fund totaling 71%. However, the rate of property tax revenue increases has declined every year since FY 2005-06.

Property Tax Revenue Increases

Actual	Actual	Actual	Actual	Estimate	Budgeted
FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
6.68%	5.23%	4.50%	3.80%	3.50%	3.45%

State-County Shared Revenues— The next largest category of revenue is state shared revenue—cigarette tax, liquor revenue, funds for property assessment, State Forest Rehabilitation funds and state funds for community corrections. As the economy continues to decline, the State of Oregon budget shortfall is currently projected to be \$2.5 billion and potential state budget reductions can be detrimental to Marion County. For example:

Shared Revenue	FY 2010-11 Estimates
OLCC Liquor Taxes	1,472,917
Assess. & Tax Grant	1,950,005
Lottery Resources	1,141,148
Cigarette Taxes	305,295
911 Telephone Tax	160,000

Should the state use shared revenues to reduce their own shortfall, it would further reduce county resources by \$5 million. Oregon Garden Bond payments are 48% of the lottery revenues. Should the state reduce lottery funds, we would be required to make bond payments with the General Fund. If there are reductions in these resources, budgets would need to be revised and additional personnel reductions would become necessary.

Other Funds

State-County Partnership— Marion County is a managing partner with the state in providing public safety, transportation, health and mental health, elections, property assessments and human services. Other than shared revenues, most of these state resources are dedicated to specific services. Because of the state’s projected deficit next biennium, these important services could be reduced. This happened last year when the state made dramatic reductions to juvenile corrections programs.

Many state resources come directly through the state appropriation process and are combined with county funds to provide needed services. For example, the Sheriff receives \$12.5 million from the state for Community Corrections with \$4 million offsetting General Fund for the jail. We also receive \$160,000 for the 911 system from

state telephone taxes. The Juvenile Department receives \$1.1 million from the state which is down from \$1.5 million in FY 2008-09. The District Attorney, who is a state official and prosecutes state crimes in Marion County, receives only \$330,209 from the state with \$159,459 for Child Support Enforcement. The county funds all the deputy district attorneys and staff at a cost of over \$6 million from the General Fund.

The Public Works Department receives \$14.2 million from the state as Marion County's share of the gas tax. These funds are used on county roads and bridges. The county's General Fund cannot be used for these purposes under state law.

The Health Department manages a variety of health, mental health, alcohol and drug rehabilitation, and developmental disabilities programs with \$37.6 million provided by the state. The Department of Children and Families receives \$1.6 million from the state for Healthy Start, CASA and Relief Nurseries.

Other monies received from the state include property assessment support with a \$1.9 million county assessment grant.

State Funding	FY 2010-11 Estimates
Sheriff—Community	
Corrections	\$12,452,351
District Attorney Grants	330,209
Juvenile Department	1,118,374
Public Works	15,657,323
Health Department	37,656,251
Children & Families	1,567,130

Dedicated and Other Funds—There are a number of large dedicated and other funds that are budgeted separately from the General Fund and cannot be used for general purposes. Dedicated and other funds comprise 53% of the total budget. State law or prudent financial planning requires the establishment of these funds. The county has 38 separate funds, dedicated and other funds. Some of the larger dedicated funds include: the **Self Insurance Fund** used for health insurance, workers compensation, tort liability and unemployment insurance; the **Health Fund** used for Medicaid services, developmental disabilities, mental health and alcohol and drug rehabilitation services; the **Environmental Services Fund** retains funds for operation of the waste to energy facility and reserves for closing landfills and other environmental mitigation; and the **Public Works Fund** (“Road Fund”) is constitutionally dedicated for roads. The **Debt Service Fund** holds resources to pay debt service on the Courthouse Square Certificates of Participation and PERS bonds. Each fund has been established to meet requirements to segregate these resources and use them for their designated functions. The funds cannot be used for general operating purposes. It is the combined total of the General Fund, reserve, and other fund resources that establish the FY 2010-11 budget. We have also established a **Rainy Day Fund** that will be instrumental in balancing budgets in fiscal years 2011-12 and 2012-13.

	FY 2010-11
	Proposed Budget
Dedicated and Other Funds	
Self-Insurance	\$29,796,378
Health	62,535,041
Environmental Services	45,081,323
Public Works “Road Fund”	36,872,514
Debt Service	5,049,583
Rainy Day	4,045,900

Requirements for Infrastructure—The county has a number of large infrastructure and technology needs that must be met in the next two to three years. Some of these capital costs include: replacing antiquated assessment and taxation software that is no longer maintained by the vendor; a structural upgrade of the courthouse and renovation of the HVAC system; replacement of the boiler and roofs at the jail; replacement of the jail’s 20-year old “Lock and Track” prisoner management system; remediation of structural issues with Courthouse Square and replacement of 22-year old vote tally machines. All of these major needs along with annual deferred maintenance have very large total costs. This budget anticipates meeting the most serious of these needs in the next three to four years.

County Goals

The county’s seven goals are: 1) Operational Efficiency and Quality Service 2) Growth and Infrastructure; 3) Public Safety; 4) Economic Development; 5) Transportation; 6) Health and Community Services; and 7) Emergency Preparedness.

Alignment of Goals and Key Indicators—In an era of declining resources and increasing costs, management needs better information to improve decisions. At the same time, citizens are looking for more public accountability and transparency regarding the use of resources and improvements in service delivery to the community. County departments have matched their individual department goals and objectives with the county’s seven goals. Aligning departmental goals with countywide goals will assist Marion County in managing public resources carefully. New with this budget the departments have created key indicators to help assess trends and provide statistics and fact-based data. As county departments prepared their budgets for FY 2010-11, they described the key indicators’ significance and any related data. Because the public does not have a clear understanding of the role of the county and the services departments provide, key indicators will assist the county in communicating with the public about our programs. Key indicators will be used to help forecast trends and communicate investments in county programs. This information is designed to link program needs with available resources and identify potential concerns and issues for use in budget projections and policy decisions.

Key indicators were selected by departments based on the following three criteria:

1. Meaningful—Measure the right thing with the right indicator.
2. Relevant—Connect with the audience.
3. Consistent—Accurate, reliable and available.

4. Clear—Understandable and easily understood.
5. Cost—Cost effective to collect.

Public Safety

Marion County continues its efforts to protect our citizens and their property by establishing public safety as its highest priority use for the General Fund. This proposed budget will provide 76% of the General Fund operating budget for public safety departments.

**Public Safety
FY 2010-11 Proposed Budget**

	All Funds	Total FTE
Sheriff	\$53,276,866	352.50
Juvenile	12,278,771	105.32
District Attorney	9,792,135	86.18
Justice Courts	<u>784,183</u>	<u>8.50</u>
TOTAL	\$76,131,955	552.5

The **Sheriff’s Office** budget totals \$53,276,866 and comprises 23% of the total county operating budget. The General Fund support to the Sheriff’s Office is \$33,325,966 a 6.31% increase in funding over FY 2009-10. The remainder of the budget is comprised of \$12.4 million of state revenue for Community Corrections, a 5.5% increase; \$1.6 million for the Traffic Team and \$2.4 million in grants. The major issue for the Fiscal Years 2011-12 and 2012-13 is the potential cuts in the state allocation for Community Corrections. Reductions below the current \$15.6 million would affect the amount of funds available for Parole and Probation staff to supervise 4,000 parolees, as well as the jail and work release center operations. Dramatic reductions would require closing a portion of the jail or work release center in the Sheriff’s Office. The 2.25 FTE increase occurred in the third quarter of FY 2009-10 to restore judicial security positions.

The **District Attorney’s** total budget is \$9,792,135 of which \$7,748,209 or 79% comes from the General Fund. While the District Attorney (DA) is a state official responsible for prosecuting state crimes including those in state institutions, the state provides no funding for deputy DA’s, other staff and only a portion of the DA’s salary.

The **Juvenile Department** illustrates the affect of state budget cuts on county programs. This is particularly true for a department that receives funds from more than one state agency. The grants from the state for juvenile programs have dropped from \$1.5 million in 2008-09 to \$1.1 million in FY 2010-11 or a decrease of 27%. The total budget for FY 2010-11 is \$12,278,771 and 105.32 FTE. The General Fund allocation is \$9,843,673. The **Justice Courts** in Woodburn, Salem and Stayton are budgeted for a total of \$784,183 from the General Fund. The courts’ FTE would remain the same at 8.5.

Transportation

The **Public Works Department** budget is \$93,401,805 or 40% of the total county operating budget with 192 FTE. Nearly half of the Public Works Department budget is comprised of the Environmental Services Fund and 39.5% is in the Public Works Fund. The remainder of the budget is made up of Dog Control, \$1.3 million with \$653,819 from the General Fund; \$2.0 million for the Surveyor; \$1.4 million for Land Use Planning -- \$664,834 from the General Fund with \$324,000 from the Lottery Fund; and \$2.8 million for Building Inspection. In addition, the appropriation for Parks is \$290,016 and the appropriation for the Marion County Fair is \$317,735. I have not recommended the General Fund decision package for parks, totaling \$88,000. The Public Works total budget is being reduced by 0.24%. The department was hit hard with layoffs and reduced hours in FY 2009-10 totaling 23.5 FTE or 11%. This budget stabilizes the department's FTE at 192.

The drop off of building permit requests and fee revenue is expected to stabilize or increase in FY 2010-11. The Building Inspection division reduced 11.1 FTE through layoffs and reductions in work schedules in the current fiscal year and will remain fairly stable for next year. Land Use Planning was also affected by less revenue with a reduction of 2.15 FTE in the current year and will remain the same for FY 2010-11. The Environmental Services Fund budget totals \$45 million with an increase of 3.05 FTE.

This budget continues the management of the county's fleet program in the Public Works Department. All departments are participating in the program by leasing their assigned vehicles. The two main goals of the program are to: 1) determine the appropriate size of the fleet; and 2) replace as many old, difficult to maintain vehicles as possible. We have successfully eliminated 61 vehicles from the fleet since the program's inception. With the vehicle lease program, county departments are now paying for the total cost of ownership of their fleet over time. The FY 2010-11 budget increases from \$2.6 to \$3.4 million and adds one FTE reflecting a decision to go to a one-rate structure from three rates. This change will better recognize the cost of replacing vehicles in future years as we remove the very old vehicles from the fleet.

For FY 2010-11, Public Works will invest \$1.6 million in resurfacing 8.1 miles of county roads. Other 2010 road and bridge projects include 31.9 miles of chip seals and 3.7 miles of slurry seals, up from 15.7 and 2.9 miles respectively last year. ODOT is spending \$518,000 for bridge repairs, \$450,000 for traffic signal replacement and \$3.1 million for the Buena Vista Ferry replacement using American Recovery and Reinvestment Act (ARRA) funding. Another large project is the \$2.57 million North Fork Road slide stabilization funded by a Federal Forest Highway grant. The department is also investing \$546,000 in new equipment to replace aging, high-maintenance equipment.

Health and Human Services

The **Health Department** budget totals \$62,535,041 with 351.38 FTE and includes a \$3.5 million transfer from the General Fund. Health's budget comprises 26.5% of the total county operating budget and is \$178,798 or 0.29% less than FY 2009-10. Primarily

funded through state and federal funds, the Health Department budget provides services to the mentally ill, developmentally disabled and drug addicted adults and children, services to treat communicable diseases and other public health programs. The Health Department budget provides another example of the difficulties created by a state budget in flux. Once again, we will not know what will be cut in FY 2011-12 or 2012-13 until the state adopts its 2011-13 biennial budget.

The **Department of Children and Families'** budget is \$3,129,741 and includes a General Fund transfer of \$209,763. The department provides support for child abuse prevention including the Healthy Start, Relief Nurseries and Court Appointed Special Advocates (CASA) with 7.65 FTE.

General Government

The budget for the **Assessor's Office** is \$5,599,655 General Fund in FY 2010-11 with 56 FTE. Essentially, this provides a continuing service level budget. Last year the Assessor reduced his staff by eight FTE and continues to streamline his processes and reduce his costs by taking advantage of technology. The department's staff continues assessing commercial, residential and farm property and collects taxes for all units of government in Marion County. The total budget for the **County Clerk** is \$2,708,242 and 14.5 FTE in FY 2010-11 or an increase of \$58,653. The Clerk continues to provide 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's** budget of \$425,294 and 3 FTE continues its current service level except for a reduction in armored car services.

Central Services

The **Board of Commissioners** has reduced its budget by 3.4% to \$1,883,638 and by one FTE. The **Legal Counsel** budget of \$1,818,208 is increased by 4.56%. **Business Services'** budget of \$6,917,328 and 63.5 FTE increases by 5.68% and one FTE which results from the reassignment of two MCBEE staff and the reduction of one administrative position. The **Information Technology** budget of \$8,178,458 is increased by 5.13% and one FTE for MCBEE. The **Finance Department** budget increases by 3.85% to \$2,052,441.

Non-Departmental Operations

Capital Improvement Projects—Due to the resource issues faced by Marion County, we are not recommending any new General Fund CIP projects in the proposed budget. We will continue the projects begun in FY 2009-10 to improve the HVAC systems at the Marion County Courthouse, purchase the Clerk's vote tally equipment and the Assessor's new assessment system. We have also provided funding for an engineering assessment of the Courthouse Square building. Depending upon the outcome of the engineering reports, additional resources will be necessary next year. The cost of remediation is unknown and will need to be budgeted for during the first or second supplemental budget when costs are finalized.

Non-Departmental Operations—These programs and projects are not assigned to specific departments. Payments include contributions to outside agencies working in

Marion County such as OSU Extension Service, the state's water master and predatory animal programs, as well \$192,500 to continue audits of county departments.

During the current year, we changed to a new chart of accounts. It takes a major effort to align the accounting and reporting systems with the policy, program and budgeting process. We have included \$780,082 for the Marion County Business Enterprise Enhancement project (MCBEE) to complete the reconfiguration of the Oracle Payroll, HR and Projects modules.

Rainy Day Fund—The unappropriated reserves are projected to be \$4,045,900, the proposed budget recommends maintaining the Rainy Day Fund at its current level in order to ensure monies are available to mitigate the FY 2011-12 and 2012-13 PERS increases.

Debt Service—We appropriated \$1,547,087 from the General Fund for debt service. This amount is used to pay refunding obligations totaling \$15.1 million for the Courthouse Square certificates of participation (COP's). In addition, we pay \$3,253,761 for two Limited Tax Pension Obligations issued by the county to provide for the county's unfunded actuarial liability with PERS.

Future Debt Obligation—Because property taxes are not collected until late fall, cash flow from the General Fund will have to be covered with a temporary inter-fund transfer. Although the amount of the transfer is not known and does not need to be budgeted, interest payments must be included in the budget and we have budgeted \$20,000.

Financial and Budget Policies—We adopted four financial policies in 2008 and modified one in 2009. Out of those four, two are relevant for this year's budget. First, is the required level of reserves. We are required to have a contingency of one percent of adjusted General Fund resources and an ending fund balance of five percent. This budget has a contingency of 1.12% and an ending fund balance of 7.2%. Last year, in order to minimize service reductions, we changed our policy and reduced the General Fund unappropriated ending fund balance requirement from eight to five percent. We are committed to restoring a minimum of an 8% unappropriated ending fund balance when resources increase. The Government Finance Officers Association (GFOA) recommends an 8-15% ending fund balance in the General Fund.

The second finance policy requires that we limit the use of the General Fund to backfill federal or state funding reductions. We have not used the General Fund to backfill federal or state reductions with this proposed budget.

During the last session of the legislature, Senate Bill 916 was adopted that changed the budget reporting requirements for counties. These new requirements will match county resources with state resources by program and are reported as such in the budget book.

Reserves and Contingencies

We do not propose using the Rainy Day Fund to help balance the FY 2010-11 budget, but I recommend holding \$4 million for PERS increases in the 2011-12 and 2012-13 fiscal years. A \$790,579 General Fund contingency amount is budgeted to mitigate unforeseen problems. While our unappropriated ending fund balance of \$5.06 million is only 7.2% of operating revenues, reserves and contingencies totaling \$9.9 million equates to 14% of adjusted General Fund resources.

Fiscal Year 2010-11 Proposed Budget Reserves and Contingencies

Rainy Day Fund Unappropriated Reserves	\$4,045,900
General Fund Contingency	790,579
General Fund Unappropriated Balance	<u>5,062,592</u>
Total	\$9,899,071
Percent of Adjusted General Fund Resources	14.1%

Budget Document

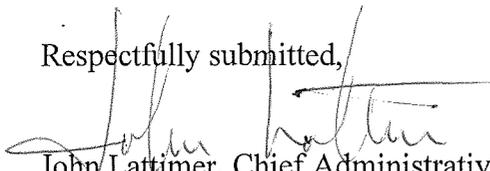
For the last several years we have presented department budgets by program. The budget document is a policy and communications tool that reflects the decisions of the Budget Committee and Board of Commissioners. Every year the budget team at Marion County looks for opportunities to improve both the budget 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 a comprehensive review of the entire budget.

In Closing

I submit to you a balanced budget built on strong financial principles with future years in mind. I would like to thank the entire budget team for their hard work and dedication.

I would also like to thank our Council of Economic Advisors who helped us create our revenue estimates. As always, I thank the Board of Commissioners and the Budget Committee for maintaining high standards of fiscal responsibility and a commitment to serve the citizens of Marion County in a fiscally prudent manner that protects, promotes and enhances a positive quality of life.

Respectfully submitted,



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