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MARION COUNTY FY 2016-17 BUDGET ABOUT MARION COUNTY

COUNTY PROFILE

Marion County, Oregon is located south of the Portland metropolitan area, and stretches from the Willamette River to the Cascade Mountains.

Quick Facts

- Capital: Salem (located primarily within Marion County)
- Land Area: 1,175 square miles
- Established: July 5, 1843
- Population: 326,110 (estimate 2014)*
- Persons Per Square Mile: 267 (Oregon average: 40)
- Housing units, 2013: 121,628*
- Mean travel time to work (minutes): 21.8*
- Cities: 20 incorporated
- Elevation: 154 feet at Salem and 1,595 feet at Detroit Lake
- Average Temperature: January 39.3 F; July 66.3 F
- Annual Precipitation: 40.35 inches
- Principal Industries: Agriculture, education, food processing, government, lumber, manufacturing, and tourism.
- Private nonfarm establishments, 2013: 7,685*
- Private nonfarm employment, 2013: 95,068*

*U.S. Census Bureau 2015 estimates; quickfacts.census.gov

Points of Interest

Oregon State Capital, Champoeg State Park, The Oregon Garden, Silver Falls State Park, Detroit Dam and the North Santiam River, Breitenbush Hot Springs, Willamette River, Mt. Angel Abbey, Willamette University, Chemeketa Community College, Marion County Historical Society, Wheatland and Buena Vista Ferries, Mission Mill Museum and historic Bush House, Deepwood Estates House and Gilbert House Children's Museum, are just a few of the attractions Marion County has to offer.

History

Marion County, first called Champoick District (later Champoeg), was created in 1843 by the Provisional Government, 16 years before Oregon gained statehood on February 14, 1859. In 1849 the name was changed to Marion County honoring American Revolutionary General Francis Marion. Early settlers to the county were trappers and farmers, with Methodist missionaries arriving in the early 19th century. In 1843, with the mapping of the Oregon Trail, larger groups of settlers began to arrive and populate the Willamette Valley.

The City of Salem was designated the county seat in 1849. The territorial capital was moved from Oregon City to Salem in 1852. After an ensuing controversy over the location of the capital was settled, Salem was confirmed as the state capital in 1864.

Marion County's present geographical boundaries, established in 1856, are the Willamette River and Butte Creek on the north, the Cascade Range on the east, the Santiam River and North Fork of the Santiam on the south, and the Willamette River on the west.

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Marion County Cities

There are 20 incorporated cities and 37 unincorporated communities in Marion County. As reported by the 2010 Census, the total population of Marion County was 315,335, a 10% increase over 2000. The United States Census Bureau population estimate for July 1, 2015 is 330,700.

Incorporated Cities	Population	Unincorporated Communities	
Aumsville	3,584	Breitenbush	Mehama
Aurora	918	Broadacres	Monitor
Detroit	202	Brooks	Niagara
Donald	979	Butteville	North Howell
Gates	471	Central Howell	North Santiam
Gervais	2,464	Clear Lake	Orville
Hubbard	3,173	Concomly	Pratum
Idanha	134	Crestwood	Roberts
Jefferson	3,098	Downs	Rockie Four Corners
Keizer	36,478	Drakes Crossing	Rosedale
Mill City	1,855	Elkhorn	St. Louis
Mt. Angel	3,286	Fargo	Shaw
St. Paul	421	Hazel Green	Sidney
Salem	154,637	Hopmere	Skunkville
Scotts Mills	357	Labish Center	Sunnyside
Silverton	9,222	Little Sweden	Talbot
Stayton	7,644	Lone Pine Corner	Waconda
Sublimity	2,681	Macleay	West Stayton
Turner	1,854	Marion	
Woodburn	24,080		

FORM OF GOVERNMENT

Marion County had a county court form of government for the first century of its existence and was presided over by the Marion County Court. In 1961, the Legislative Assembly enabled a county court with no judicial functions to reorganize as a three-member board of county commissioners. With court approval, the Marion County Court was abolished and replaced by the Marion County Board of Commissioners on January 1, 1963. Today, Marion County is one of the 27 general law counties in the state.

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CHARACTERISTICS OF THE PEOPLE

The following are selected census data that compare characteristics of the people of Marion County to those of the United States collectively. The characteristics selected show that there are significant variances between the County and the U.S. for some items, for others there is only a small variance. The interpretation of the data will be left to the reader.

ECONOMIC CHARACTERISTICS

	Marion County		U.S.
Population 16 years and over	237,827	75.4%	79.0%
In Civilian Labor Force	150,391	63.2%	64.4%
Employed	135,269	56.9%	57.0%
Unemployed	15,122	6.4%	6.9%
Commute to Work - drove alone	94,875	71.5%	76.6%
<i>Industry - Employment (top 5):</i>			
Educational services, and health care and social assistance	27,195	20.1%	23.2%
Retail Trade	15,610	11.5%	11.7%
Manufacturing	15,008	11.1%	10.4%
Public Administration	12,302	9.1%	5.2%
Construction	11,340	8.4%	6.2%
Class of Worker - Government	25,781	19.1%	15.3%
Persons Below Poverty Level	N/A	16.0%	13.8%
Medium Household Income	\$46,069		\$51,914

Source: U.S. Census Bureau, 2010 Census

Note: The U.S. Census Bureau categories of industry are somewhat different from those utilized by the state as reported in a Principal Employers and Employment by Industry table that is presented later in this section.

POPULATION AND HOUSING CHARACTERISTICS

	Marion County		U.S.
Total Population	315,335	100.0%	100.0%
15 years and under	73,974	23.5%	21.2%
16 years through 64 years	200,812	63.6%	65.8%
65 years and older	40,549	12.9%	13.0%
Male Population	157,117	49.8%	49.2%
Female Population	158,218	50.2%	50.8%
Vacant housing units	7,991 / 120,948	6.6%	11.4%
Homeownership Rate		61.0%	66.6%
<i>Residence 1 year ago:</i>			
Same house		81.3%	84.6%
Different house, same county		12.2%	9.4%

Source: U.S. Census Bureau, 2010 Census

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SOCIAL CHARACTERISTICS

	Marion County	U.S.
Family households (families)*	68.2%	66.4%
Average household size	2.45	2.58
<i>Educational Attainment:</i>		
Percent high school graduate or higher	82.2%	85.6%
Percent bachelor's degree or higher	20.9%	28.2%
Civilian Veterans	9.3%	11.7%
Born in the United States	84.8%	85.7%
Institutionalized population	2.1%	1.3%
Language spoken at home - English only	75.7%	79.4%

* Out of total number of households

Source: U.S. Census Bureau, 2010 Census

ECONOMIC FORECAST

The Budget Officer has addressed local economic conditions and concerns in his transmittal, i.e., budget message, of the fiscal year 2016-17 budget to the Budget Committee. An additional perspective comes from the following excerpt from the Oregon Office of Economic Analysis executive summary of its most recent economic forecast for Oregon. The Office of Economic Analysis recognizes in the larger, more in-depth report, that economic growth is not expected to be at the same pace in the spectrum between larger metropolitan areas and rural areas, with many variables from county-to-county such as prevalent industries. An executive summary of the Office of Economic Analysis June 2016 economic forecast follows.

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EXECUTIVE SUMMARY

June 2016

On the backs of the consumer and the strengthening labor market, the U.S. economic expansion continues. Weakness and uncertainty remain in terms of the global economy, financial markets and the goods-producing industries. However, as the U.S. economy enters the seventh year of expansion, including the longest string on monthly job gains on record, the outlook remains positive. The ongoing job gains and wage growth are pulling workers back into the economy and measures of slack, or underutilization, show ongoing improvements.

Oregon continues to see full-throttle rates of growth. Job gains are outpacing the typical state as are wages for Oregon workers. The state's economy is quickly approaching full employment, or a healthy labor market. Such a milestone has not been seen since 2000. Encouragingly, underemployment, or those involuntarily working part-time in Oregon is back to pre-Great Recession rates. Given the ongoing economic strength in Oregon, the economic outlook has been raised relative to recent forecasts. The state is now expected to maintain these full-throttle rates of growth through the end of 2017 before longer-run demographics weigh on the outlook.

Absent the state's new minimum wage law, passed during the 2016 legislative session, the upward revision to the employment outlook would have been even larger. While the impact is relatively small when compared to the size of the Oregon economy, it does result in approximately 40,000 fewer jobs in 2025 than would have been the case absent the legislation. Our office is not predicting outright job losses, however we are expecting somewhat slower growth. Low-wage workers receiving raises in the near term boost incomes. Over time, however, employers will adjust by increasing worker productivity, possibly via capital for labor substitutions.

With the first income tax filing season of the 2015-17 biennium now behind us, Oregon's General Fund revenue collections remain on track with what was expected when the budget was drafted. Personal income tax collections continue to expand at a healthy pace as a result of strong job growth and wages gains. Like the overall economy, Oregon's revenue gains are among the nation's strongest, but also not a surprise.

Personal income tax collections during the filing season came in roughly the same size as last year. However, current collections reflect the payout of kicker credits. If not for the kicker, this season's collections would have been \$300 million larger than last year.

Corporate tax collections have started to contract in recent months. Nationwide, corporate profits are falling, largely due to rapid appreciation of the U.S. dollar, and struggles among energy firms and other commodity producers. Even so, corporate tax collections remain large relative to historical norms. Corporate tax revenues are expected to exceed the 2% kicker threshold by \$10.4 million, generating a kicker of \$32.3 million.

In addition to healthy General Fund revenue growth, Oregon Lottery sales have been very strong as well. Recent collections have consistently come in above expectations. The 2015-17 Lottery outlook has been revised upward as a result. However, the forecast for future biennia has been lowered as the Cowlitz Tribe casino, scheduled to open in spring 2017, is being included in the outlook for the first time.

Although General Fund revenues has been tracking very close to expectations to date, the outlook for revenue growth during the upcoming 2017-19 biennium has become somewhat stronger. However current rates of growth are not sustainable indefinitely. As the economy reaches full employment, growth will transition to a more sustainable, long-run path. Over the 10-year forecast horizon, Oregon and other states will face considerable downward pressure on revenue growth as the baby boom population cohort works less and spends less. Revenue growth will fail to match the pace seen in the past.

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Oregon Economy

The pace of improvement in Oregon's labor market continues to be full throttle. In fact, the gains in 2015 and so far in 2016 are the best in the past two decades. Over the past two years the state has added 5,000 jobs every month, which translates in 3.5 percent growth on an annual basis. Such gains are stronger than the peak of the housing boom last decade. Only the mid-1990s boom saw comparable gains. At that time, employment gains were similar, nearly 5,000 per month, however growth rates were higher due to the smaller population and employment base. Given demographic trends today, job growth north of 3 percent is as strong as can be expected.

Oregon has regained its traditional advantage relative to the nation, with job growth outpacing the typical state by more than one percentage point. This growth differential largely comes from the state's underlying fundamentals like its industrial structure and strong in-migration flows. Both of these trends have long-lasting impacts on the Oregon economy and help drive the state's more volatile swings over the business cycle.

More importantly, these improvements are now translating into stronger wage gains for the average Oregon worker. While Oregonian income and wages are below the typical state, average wages today in Oregon are at their highest relative point since the severe early 1980s recession when the timber industry restructured. Much of this improvement has come in the past 2-3 years when Oregon wage growth, much like job growth, has outstripped the average state.

The wage gains are due to broad-based increases across all major industries and all regions in the state. Wage growth is not due to compositional effects, such as the strong growth in high-wage technology jobs or that the Portland MSA has added the most jobs, where wages are higher than in rural Oregon. While both of those trends are happening, they have surprisingly little impact on statewide average wages. This is certainly good news that the wage increases are broad-based and not isolated to certain industries or regions.

Overall, while there remains much room for improvement in average income levels in Oregon, it is important to remember that wages have not been this high, relatively, for more than a generation.

Approaching Full Employment

The Great Recession caused severe damage that has taken years to repair. However, Oregon is now quickly approaching full employment, or a healthy labor market. The state's official unemployment rate (4.5 percent in April and May) is actually below what would historically be considered normal for Oregon during an economic expansion. However the improvements are much broader than just the unemployment rate. In fact, our office's Total Employment Gap is currently indicating this is the best labor market Oregon has seen since the technology-led boom of the 1990s. Expectations are that this gap will fully close by late summer or early fall.

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COUNTY FINANCIAL POSITION

The County will continue to manage the fiscal year with an acceptable financial position and a low ratio of outstanding debt to the real market value of taxable property within the county. Major long-term budget concerns include reductions in federal and state funding, rising employee benefit costs, and continued capital project needs. The county prepares a five year capital improvements project document identifying infrastructure items and supporting equipment needing upkeep and replacement.

County Debt

Debt Policy

Marion County has no formal debt policy, primarily because the county is not a regular issuer of debt. The most recent bond debt issue was in 2005 and bank loan financing was in 2013. In practice, the county seeks to use internal financing sources or cash when possible. A significant amount of statutory debt authority exists for Marion County.

Legal Debt Limits

State statutes limit the amount of bonded debt a county may issue to a percentage of the real market value of the County's taxable property; the limit is 2 percent for general obligation bonds and 1 percent for limited tax obligations. Based on the County's real market value for fiscal year 2015, the current limitation is \$698 million for general obligation bonds and \$349 million for limited tax obligations. As of June 30, 2015, the County's total outstanding debt represents 0.17 percent of real market value.

Long-Term Debt

At the end of the current fiscal year, the County had total debt outstanding of \$60,673,343, a decrease of 4 percent from the previous fiscal year. This amount includes \$1,292,413 in revenue bonds (Oregon Garden), \$10,640,837 in refunding bonds (Courthouse Square), \$38,535,195 in limited tax pension obligations (PERS) and \$10,204,898 in loans & notes payable (capital loan & service districts). The County received an AA-rating from Standard & Poor's for its issuance of refunding bonds in fiscal year 2005. The County currently has no outstanding general obligation bonds.

Marion County's Outstanding Debt (thousands)

	Governmental		Business-type		Total	
	Activities		Activities			
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenue bonds	\$ 1,292	\$ 1,767	\$ -	\$ -	\$ 1,292	\$ 1,767
Refunding bonds	10,641	11,684	-	-	10,641	11,684
Limited tax pension obligations	38,535	39,369	-	-	38,535	39,369
Loans & notes payable	<u>9,663</u>	<u>9,950</u>	<u>542</u>	<u>620</u>	<u>10,205</u>	<u>10,570</u>
Total	<u>\$ 60,131</u>	<u>\$ 62,770</u>	<u>\$ 542</u>	<u>\$ 620</u>	<u>\$ 60,673</u>	<u>\$ 63,390</u>

Debt Payments

Principal and interest payments on Oregon Garden revenue bonds are budgeted in the Lottery and Economic Development Fund. Principal and interest payments on Courthouse Square revenue bonds are budgeted in the Debt Service Fund. Principal and interest payments on the PERS obligations are budgeted in the Debt Service Fund. Principal and interest payments on loans and notes payable are in the Debt Service Fund.

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**COUNTY EMPLOYMENT BY INDUSTRY AND PRINCIPAL PROPERTY
TAXPAYERS**

EMPLOYMENT BY INDUSTRY

Current Fiscal Year and Nine Years Ago

	2015			2006		
	Units	Employment	% of Employment	Units	Employment	% of Employment
Government Employers:						
Federal government	59	1,242	0.89%	55	1,473	1.09%
State government	202	19,588	14.01%	205	17,814	13.20%
Local government	341	13,641	9.76%	194	13,992	10.37%
	<u>602</u>	<u>34,471</u>	<u>24.66%</u>	<u>454</u>	<u>33,279</u>	<u>24.67%</u>
Private Employers:						
Natural resources and mining	466	9,886	7.07%	417	9,180	6.80%
Construction	975	6,853	4.90%	1,133	7,239	5.37%
Manufacturing	371	10,057	7.20%	399	12,261	9.09%
Trade, transportation and utilities	1,649	22,740	16.27%	1,565	22,445	16.64%
Information services	102	943	0.67%	110	1,443	1.07%
Financial activities	875	5,741	4.11%	906	5,793	4.29%
Professional and business services	1,271	11,565	8.27%	1,124	12,026	8.91%
Education and health services	1,014	20,176	14.44%	882	15,591	11.56%
Leisure and hospitality	794	12,137	8.68%	677	10,728	7.95%
Other services	1,466	5,200	3.72%	1,019	4,931	3.65%
	<u>8,983</u>	<u>105,298</u>	<u>75.34%</u>	<u>8,232</u>	<u>101,637</u>	<u>75.33%</u>
Total County Employment	<u>9,585</u>	<u>139,769</u>	<u>100.00%</u>	<u>8,686</u>	<u>134,916</u>	<u>100.00%</u>

Source: Oregon Employment Department

Notes:

- (1) Information is presented for the prior calendar year.
- (2) Includes full-time and part-time employees.

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PRINCIPAL PROPERTY TAXPAYERS

Current Fiscal Year and Nine Years Ago

Taxpayer	2015			2006		
	Rank	Taxable Assessed Value	Percentage of Total Taxable Assessed Value	Rank	Taxable Assessed Value	Percentage of Total Taxable Assessed Value
Portland General Electric Co	1	\$ 252,820,795	1.17%	1	\$ 200,535,150	1.28%
Northwest Natural Gas Co	2	136,239,700	0.63%	2	103,281,800	0.66%
Winco Foods LLC	3	90,880,062	0.42%	4	70,210,850	0.45%
Lancaster Development Company	4	65,777,140	0.30%	6	45,174,760	0.29%
Woodburn Premium Outlets LLC	5	58,810,312	0.27%			
CenturyLink (Qwest Corporation)	6	57,493,500	0.27%	3	91,454,440	0.58%
Wal-Mart Real Estate	7	48,216,320	0.22%	8	34,536,530	0.22%
Norpac Foods Inc	8	58,322,247	0.27%	5	57,584,100	0.37%
Metropolitan Life Insurance Co	9	44,077,610	0.20%	10	33,364,250	0.21%
Donahue Schriber Realty Group	10	50,817,650	0.24%			
Craig Realty Group Woodburn				7	37,028,760	0.24%
Food Services of America Inc				9	33,435,860	0.21%
Total for principal taxpayers		\$ 863,455,336	4.00%		\$ 706,606,500	4.51%
Total taxable assessed value		\$ 21,608,513,008			\$ 15,665,803,695	

Sources:

Marion County Assessor, Marion County Tax Collector.

Notes:

(1) Information in this schedule satisfies the County's annual disclosure requirements under SEC Rule 15c2-12.

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