



Chief Administrative Officer and
Budget Officer's
Fiscal Year 2024-25 Budget Message
May 22, 2024

The Budget is a Reflection of County Policy

Members of the Budget Committee, County Commissioners, and Residents of Marion County,

A county budget is not simply a list of funds and anticipated expenditures. It is a numerical representation of the policies and priorities of Marion County residents that enable our elected and appointed officials and our employees to carry them out. This budget is much more than a financial plan, because at its core, the budget is a reflection of county policy.

The Board of Commissioners has established core priorities for FY 2024-25 which are designed to meet the increasing challenges our county faces. This year's budget reflects these priorities by allocating funding to public safety to address recently enacted legislation, litigating against the state to ensure state agencies' compliance with Oregon aid-and-assist laws, investing in community behavioral health, and addressing housing issues by developing strategies to increase housing affordability and supply.

The county commissioners and other elected and appointed officials have also advocated at the state level for legislation that addresses some of our most pressing concerns – from the cascade of problems stemming from Measure 110 and the increasing demand for mental health and homeless services, to a property tax reset bill for original homeowners still recovering from the 2020 wildfires.

Wildfire recovery in the Santiam Canyon remains a high priority with major projects such as the Mill City-Gates sewer system, road repairs, infrastructure and housing development, and an emergency alert system are among the many initiatives still underway.

One of the most visible recovery efforts has been the restoration of our county parks destroyed in the fires. Marion County parks are beloved by both residents and visitors alike, and our efforts to conserve and leverage our natural resources is vital as it improves the livability of the county while providing economic rewards to local communities. As we celebrate the May 15 reopening of North Fork and Bear Creek parks for day use, we continue to work diligently to rebuild the Santiam Canyon's remaining fire-affected parks.

Perhaps most importantly, our annual budget represents our commitment to community – to the individuals, families, and businesses who have chosen to call Marion County home. Our residents trust us to direct funds to the services and programs that improve lives and ensure the ongoing health and safety of the community.

In short, the annual budget is a reflection of our shared values and policies, as outlined by county leadership, further shaped by citizens, legislation, and by other budget drivers.

Fiscal Year 2024-25 Budget Drivers

Economic Environment

Since the 2020 global pandemic, the economy has not followed the normal trajectory of recession and recovery. Economists have proclaimed the last four years that a major recession is imminent, yet it has not materialized, and standard indicators and trends have yielded contradictory results; the economy continues to grow even as economic factors would predict otherwise. The Dow Jones Industrial Average hit a record close above the 40,000 point level last week and the latest inflation reported by the U. S. Bureau of Labor Statistics came in at 3.4%, better than most anticipated. Oregon's unemployment rate has remained steady at 4.2% – a little above the U.S. unemployment rate of 3.9%, but still within the historic low rates. Economic indicators are pointing to a moderation of inflation this year, yet there are still conflicting opinions as to whether the Federal Reserve will begin reducing interest rates this fall or in 2025.

82nd Legislative Assembly

During the 82nd Oregon Legislative Assembly several significant bipartisan bills passed, supported by Marion County, the Association of Oregon Counties, and numerous other stakeholders.

As president of the Association of Oregon Counties, Commissioner Danielle Bethell was actively engaged in driving an effective legislative policy agenda on behalf of all counties during the 2024 Legislative Session. Commissioners Bethell, Cameron, and Willis, Sheriff Hunter, District Attorney Clarkson, and many others partnered with our legislative delegation to provide expert testimony and advocate for legislation that would positively impact Marion County.

House Bill 4002 – This comprehensive bipartisan public safety and behavioral health bill seeks to remedy problems caused by Measure 110, which was passed by Oregon voters in 2020. Since the adoption of Measure 110, drug overdoses – particularly from fentanyl – have soared in Oregon and those who could have been helped by treatment have spiraled further into addiction. HB 4002 prioritizes public safety by making it easier to prosecute drug dealers and making the possession of controlled substances a misdemeanor crime, while simultaneously emphasizing a treatment-first model and improving drug addiction treatment services. The bill requires law enforcement and substance use treatment providers to work together allowing flexibility to enter a mandatory drug treatment program. The Marion County Law Enforcement Assisted Diversion Program (LEAD) began in 2018 and is a pre-booking diversion program that allows law enforcement and LEAD navigators to redirect low level offenders to community-based services instead of jail and prosecution. Marion County's LEAD Program is a model for other counties implementing HB 4002 and developing pre-booking deflection programs.

The commissioners are leading a work group of county departments and partners to design the new complex and multi-layered public safety system. The partners critical to the successful implementation include the District Attorney's Office, the Sheriff's Office, Health and Human Services Department, and the Marion County Circuit Court. Among the other partners identified in

the bill are law enforcement agencies, public defenders, community corrections, specialty courts, drug treatment and behavioral health providers who will be called upon in prioritizing treatment and accountability, ultimately assisting individuals in their recovery and restoring community justice. As one of 23 counties considered to be an early adopter of this approach Marion County will receive \$1.3 million to begin system implementation by September 1st.

Wildfire Recovery Bills – Two bills were passed related to the ongoing 2020 wildfire recovery efforts. Senate Bill 1520 creates an Oregon tax subtraction for the amounts received from a civil lawsuit for wildfire awards. Senate Bill 1545, sponsored by Senator Girod and Representative Cate, supported by the commissioners, authorizes a county to allow a homestead rebuilt by the same owner on the same lot to replace the home destroyed by the September 2020 wildfires. The bill allows a fire-affected county Board of Commissioners to adopt a resolution authorizing a specially assessed value equal to the destroyed homestead's real market value for the 2020-2021 property tax year, up to the extent of the square footage of the destroyed homestead.

Senate Bill 4045 – The bill provides that elected District Attorneys qualify as police officers under the Oregon Public Employee Retirement System (PERS), joining Deputy District Attorneys that were added during the 2023 Legislative Session. The bill also allows police supervisors or sheriff sergeants to organize as their own union distinct from existing law enforcement unions. In April 2024, Marion County received notice of the Sheriff's Office 28 sergeants' intent to organize and begin the process of collective bargaining. Marion County now has seven collective bargaining unions, six of which are bargaining during the 2023-24 fiscal year.

This legislative session was very successful for counties and comes with significant responsibilities to deliver results. We have strong leaders with the expertise needed to design and implement a balanced system that meets the intent of the new laws and all of its layers and complexities. Our leaders are experts in their fields, understand the magnitude of the work before them, and will do what is necessary to succeed. As we head into the 2025 legislative session, counties and the Association of Oregon Counties are already developing their legislative agendas.

Pending Litigation

Beyond legislation, there are other major considerations that impact county policy and the budget. In 2022, a federal court ruling – widely known as the Mosman Order – capped restoration services for patients charged with a crime and admitted to Oregon State Hospital (OSH). Within months of this ruling, the number of patients released by the OSH into our community tripled. This has had a detrimental impact on our community, public safety, and on the patients themselves.

With limited community-based restoration services available, Marion County's Health and Human Services Department, District Attorney's Office, Sheriff's Office, and the Circuit Court have all been inundated and left to cover the gap in what are statutorily required state mental health services. Consequently, in September 2023, Marion County filed a lawsuit against OSH, arguing the hospital's release policies and its failure to provide patients with the required rehabilitation services puts the community at risk and is seeking a court declaration that these state agencies are required to follow state aid-and-assist statutes.

Workforce Challenges

As a service organization recruiting and retaining a workforce that meets the high standards our community deserves is essential. Recruitment and hiring continue to be challenging for certain positions, not only in Marion County and Oregon, but nationally as well. These include qualified mental health professionals and law enforcement personnel. The county continues to seek innovative ways to reach qualified applicants with new recruitment tactics and offering growth opportunities to our existing workforce.

It is critical to remember that there exists a very real and continuing threat of a future economic recession, continued inflation, reductions in revenue, market disruptions, rising labor costs of wages, health insurance, COLAs, and the increasing cost of PERS. We must manage our fiscal responsibilities with data and informed decision-making.

As we develop a comprehensive budget that directs resources to critical policy areas, we must also consider how the budget drivers will play a role in our future. We are continuing recovery from the devastating wildfires, shoring up our infrastructure, serving the behavioral and mental health needs of the community, and enhancing public safety.

Fiscal Year 2024-25 Proposed Budget

I am pleased to present the *Marion County Fiscal Year 2024-25 Proposed Budget*. The county budget for all funds totals \$732,810,729. The General Fund is budgeted at \$140,087,465 and the total of the 37 Other Funds is \$592,723,264. As noted in the chart below, the countywide budget is \$12.9 million or 1.8% more than the current year 2023-24 budget. Authorized positions include 1,658.72 FTE, a net reduction of 16.20 over current year.

FY 2024-25 PROPOSED BUDGET SUMMARY

	FY 2023-24 Budget*	FY 2024-25 Proposed	\$ Change	% Change
General Fund	\$ 135,351,530	\$ 140,087,465	\$ 4,735,935	3.5%
All Other Funds	\$ 584,537,698	\$ 592,723,264	\$ 8,185,566	1.4%
Total Proposed Budget	\$ 719,889,228	\$ 732,810,729	\$ 12,921,501	1.8%

**Includes 2nd Supplemental*

The most significant FTE reduction in the 2024-25 proposed budget occurred in the Health and Human Services Department that reduced their FTE by 18.20 from 548.87 to 530.67. Reductions included 27.20 FTE attributed to vacant positions, and right-sizing programs in behavioral health, public health, and administration, while the human services division increased 9.0 FTE.

Department Decision Package Requests

Decision Package Summary		GF Only	OF Only	Total
Decision Package Requests:	16	\$ 793,793	\$ 764,622	\$ 1,558,415
FTE Requests:	5.80	1.80	4.00	5.80
Decision Packages Approved:	12	\$ 414,626	\$ 764,622	\$ 1,179,248
FTE Approved:	4.00	0.00	4.00	4.00
Decision Packages Not Approved:	4	\$ 379,131	\$ -	\$ 379,131
FTE Not Approved:	1.80	1.80	0.00	1.80

Decision Packages Requested – Departments submitted 16 Decision Packages totaling \$1.6 million requesting 5.80 additional FTE. I approved four Central Services Department requests: Business Services - 1.00 FTE Construction Project Coordinator for \$107,994; 1.0 FTE Labor Relations Manager in Human Resources for \$123,206; \$15,000 Materials & Services increase in Legal Counsel for Dues and Training; and \$288,472 in the MC Enterprise Program for data connections, hardware maintenance, increased subscriptions, and other small items.

I approved General Fund requests totaling \$414,626; the Assessor’s Office - \$31,039 to manage historical tax records in the cloud; Clerk’s Office - \$86,667 for an increase in printing, postage, and envelope costs for the November general election, and support for the county records and archives position of \$58,783. The Justice Court was approved for maintenance and postage increases of \$17,000, and the District Attorney’s Office received funding of \$94,437 due to the reduction of federal funding, the county commissioners agreed to a contract with Clackamas County to hold three beds available in the Juvenile Department that increases FTE by 2.0. The department also received a materials and services increase of \$31,200. Finally, a transfer of \$93,500 to purchase a leaf vacuum is budgeted in the Parks Fund.

Resources and Requirements

Significant Changes in Resources

Property Tax Revenue is our largest revenue source in the General Fund and accounts for 99% of all tax revenue. Property tax revenue plus interest and penalties are budgeted at \$94.4 million for an increase of \$2.2 million or 2.4%.

Intergovernmental Federal Revenue increased \$10.7 million or 9.9%, which are mostly federal pass through monies from state agencies for services such as Health and Human Services Department contracts and grants, Child Support Subsidies, Federal Aid Highway Program, American Rescue Plan Act, and the U.S. Department of Housing and Urban Development.

Intergovernmental State Revenue decreased \$652,042 or less than one percent. Budgets are estimated based on state grants and contracts for Gas Tax, Mental Health contracts, and Video Lottery proceeds.

Other Categories With Changes in Resources

Charges for Services increased \$4.3 million or 4.0% and **Administrative Cost Recovery** increased \$3.4 million or 8.9%. **Interest Income** – higher interest rates and the professional management of our investment portfolio contributed to an increase of \$3.7 million in interest income budgeted at \$7.6 million. **Net Working Capital** is budgeted at \$223 million and decreased \$3.7 million mainly due to lower carryover dollars in Health and Human Services Department.

Significant Changes in Requirements

Personnel Services – Countywide Personnel Services are budgeted at \$220.7 million, which increased \$6 million or 2.8%. Factors affecting the Personnel Services is the reduction of 16.20 FTE from the Health and Human Services Department. Step increases, cost of medical benefits, and a PERS increase of \$2.0 million are included in the personnel services costs of \$220.7 million.

However, due to ongoing collective bargaining, the unknown fiscal impact, and the timing of when budgets were submitted, Cost of Living Adjustments (COLA) and other benefit increases were not included in department budgets. A limited amount of funding is set aside in Non-Departmental Operations for General Fund and Central Service Departments, however departments funded from other fund sources such as the Health and Human Services and Public Works Departments will have to use contingency funding for any bargained cost increases. Once bargaining agreements are finalized, funding will be transferred to departments during the first supplemental budget.

The budgetary implications of collective bargaining could have significant financial consequences unknown at this time or for the roll up effect of future years. The budget team forecasted several cost projection scenarios highlighting future implications and presented them to the Board of Commissioners for their consideration. It will take diligent monitoring of revenue and expenditures, vacancy savings, and wise financial management to ensure that our employees are compensated appropriately while also maintaining the long-term financial health of the county.

Vacancies can have a significant effect on a budget. Overall, county vacancies which were generally under 10% pre-pandemic, increased dramatically to a high of 15.4% in 2022-23, and have now dropped to 12.4% in 2023-24. Vacant positions are being filled, the number of extremely qualified applicants has markedly increased, and new hires are eager to have a positive impact on life in Marion County.

Marion County 10 Year History of Vacancy Rates

FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24
6.6%	8.8%	8.8%	10.3%	9.1%	10.6%	8.9%	13.8%	15.4%	12.4%

Materials & Services – Countywide materials and services decreased 2.6% or \$3.8 million to \$146,626,915 and although there are minor increases in supplies, utilities, and insurance costs, it is the **Contracts for Services** line item that accounts for \$5.2 million of the decrease. **Administrative Charges** increased \$2.9 million or 7.9% mainly due to an increase in insurance liability premiums and information technology equipment assessment.

Capital Outlay increased \$21.7 million or 20.9% due to the number of existing and new capital projects in Public Works and the Capital Projects Program. **Debt Service Principal and Interest Payments, Special Payments, and Transfers Out** all changed by less than \$1 million each.

Contingency decreased \$1.2 million or 3.2%, **Reserve for Future Expenditure** decreased \$3.6 million or 6.9%, and the **Ending Fund Balance** decreased by \$8.2 million or 9.8%.

Non-Departmental Operations – There are ten funds accounted for in the Non-Departmental Operations section of the budget including the General Fund at \$36.8 million, American Rescue Plan Act \$16.1 million, Non-Departmental Grants \$14.4 million, Tax Title Land Sales \$827 thousand, Criminal Justice Assessment \$1.5 million, County Schools \$760 thousand, Rainy-Day \$2.5 million, Central Services \$3.0 million, and the Self-Insurance Fund at \$49.9 million. Debt Service is budgeted at \$15.0 million and debt service payments are budgeted in accordance with scheduled payments and in compliance with required obligations.

Department and program audits and assessments to ensure that the county is always focused on efficiency and effectiveness of our departments and programs also are budgeted in Non-Departmental Operations. Planned audits and reviews include the continuation of the Fleet Program Audit, Clerk's Office Audit, and a review of the District Attorney's Office selected programs. A set aside for collective bargaining contracts is included, as well as continued funding for Plante Moran, the consultant firm working with the county's Central Services Team to procure, select, and implement the county's new Enterprise Resource Planning (ERP) system in fiscal years 2024-25 and 2025-26.

Capital Improvement Projects – The Capital Improvement Project budget totals \$39.4 million and includes three funds: Capital Building & Equipment Program Fund budgeted at \$155 thousand; Facility Renovation Fund at \$21.1 million; and the Capital Improvement Projects Fund budgeted at \$18.1 million. Public Works capital projects which are budgeted in the Public Works Fund total \$95.2 million and include \$32.0 million for roads and bridges.

Budget and Financial Policies

General Reserve Policy – The county's General Reserve Policy requires a minimum of 1% Contingency and no less than 5% in Ending Fund Balance of the adjusted General Fund Resources. The 2024-25 proposed budget includes a General Fund Contingency of \$2.8 million or 2.5% and an Unappropriated Ending Fund Balance of \$11.1 million or 9.8% for a total of 11.3% of the Adjusted General Fund Resources. The total reserve calculation also includes the Rainy-Day Fund reserves which are \$2.5 million or 2.2%. The combined total General Reserves of \$16.4 million or 16.5% meets the county's General Reserves Policy. I recommend that the county review its General Reserves Policy in the upcoming year to ensure that the policy is up-to-date and still meets the needs of the county.

General Reserves ¹					
	General Fund	Rainy Day	Total	FY 2024-25 % Reserves based on Adj General Fund Resources	FY 2023-24 % Reserves based on Adj General Fund Resources (Adopted)
Contingency	2,826,031	-	\$ 2,826,031	2.5%	3.0%
Reserve for Future Expenditures	-	2,504,960	\$ 2,504,960	2.2%	2.2%
Unappropriated Ending Fund Balance	11,092,565	-	\$ 11,092,565	9.8%	11.3%
Total	13,918,596	2,504,960	\$ 16,423,556	14.5%	16.5%
Adjusted General Fund Resources ²	113,463,962	-	\$ 113,463,962		

1 = Reserves includes the sum of Contingency, Reserve for Future Expenditure and Unappropriated Ending Fund Balance.

2 = Adjusted General Fund resources are total resources less net working capital.

Debt Management Policy – Marion County does not have a Debt Management Policy and I am recommending that we consider developing and adopting a Debt Management Policy to guide future decision-making. The county has not issued bonded debt in the recent past, but it has financed several facilities and other projects when interest rates were historically low. However, having policy guidelines and procedures that provide parameters for determining why and when to borrow or issue debt, what to consider, the different types of debt issuance, and the ongoing management of debt is a best practice for effective financial management. The Government Finance Officers Association states, “*A debt management policy should improve the quality of decisions, articulate policy goals, provide guidelines for the structure of debt issuance, and demonstrate a commitment to long-term capital and financial planning.*”

Budget and Financial Reporting Awards - Marion County Finance Department has again been recognized by the national *Government Finance Officers Association* for meeting the highest standards and best practices in transparency in budgeting. This is the 13th consecutive year the budget team has been presented with the *Distinguished Budget Presentation Award*; and the 23rd year in a row that the accounting and finance team anticipates receiving the *Certificate of Achievement in Financial Reporting*.

Strategic Plan – The document that directly shapes the budget is the Strategic Plan. The plan reflects the policy direction and specific priorities identified by the Board of Commissioners that include Public Safety; Transportation, Infrastructure & Emergency Management; Health & Community Services; Economic & Community Development; and Operational Efficiency & Quality Service. The proposed budget allocates operating resources to departments for the delivery of programs and services. The total funding appropriated to the departments for investment in Marion County’s five strategic goals and the Board of Commissioner priorities is \$604.6 million with 1,658.72 FTE dedicated to achieving them.

In Closing

Budgeting is a complex process that is a year-round undertaking. It involves assessing the present and planning for the future. As such, it requires the input of many people. I am grateful to our budget team, which includes Chief Financial Officer Jeff White, Senior Budget Analyst Daniel Adatto, and Budget Analyst 2 Zivile Sliosoraite. I also would like to thank the Finance Department, and the team at the Board of Commissioner's Office, as well as the budget staff in every department who were instrumental in ensuring that the final budget is accurate and represents their department accurately.

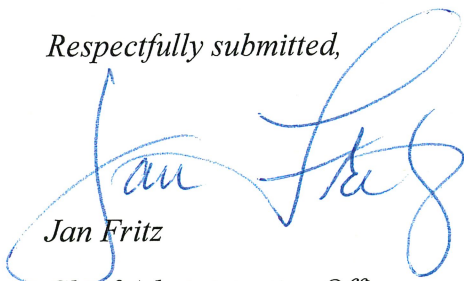
Our commissioners and citizen members of the budget committee provide significant input during the budget process, bringing unique perspectives, deep knowledge of the county, budget, and policy expertise to the table. I am grateful for our commissioners who understand county operations and departmental programs and offer a lens into the communities they serve. I want to thank our citizen budget committee members who have served the county with distinction, bringing their knowledge and individual expertise to the budget process.

If our budget is an expression of our values, policies, and priorities, nowhere is our budget better exemplified than with our employees. It takes every one of our 1,600 plus employees, proudly dedicated to public service, to deliver the programs and services outlined in the budget. Thank you for all you do.

Finally, I would like to acknowledge the residents who trust us to do our job to the highest professional standards. The people of Marion County expect excellence and we are committed to delivering it.

Marion County has a bright future. Our leadership is directing resources strategically to achieve the policy direction outlined. The county is well managed and on good financial footing. I am proud of the work we do and look forward to seeing the FY 2024-25 proposed budget come to life.

Respectfully submitted,



Jan Fritz

*Chief Administrative Officer
Budget Officer*