

MARION COUNTY FY 2012-13 BUDGET
BUDGET OFFICER'S MESSAGE



**Marion County Annual Budget
Fiscal Year 2012-2013
Budget Officer's Message**

Mission Statement

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

May 30, 2012

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

In its recent publication "State and Local Governments' Fiscal Outlook" April 2012, the U.S. Government Accountability Office (GAO) stated:

*"The state and local government sector continues to face near-term and long-term fiscal challenges that grow over time. In the long term, the decline in the sector's operating balance is primarily driven by the rising health-related costs of state and local expenditures on Medicaid and the **cost of health care compensation for state and local government employees and retirees.**"*
(emphasis added)

As with most local governments across the county, our financial outlook while better than some is not great. As we look back, the fourth quarter of 2008 ushered in a downturn that was incredibly swift. The unemployment rate in Oregon went from 6.5% in August 2008 to 9.0% in December 2008. By March 2009, the rate had reached 12.1% and, as of April this year, the rate is still high at 8.9%. The recession has dramatically affected property values. Thus, the property tax base revenues have gone from an annual increase of more than 5% to just over 2% while operating costs continue to increase at 4% to 6% per year. In FY 2012-13 the base increase in property taxes is projected at 2% but the first-time collection of \$617,000 is expected from the Keizer Urban Renewal District which will help increase property taxes overall by \$1.8 million or 3.2%. The result of this prolonged recession and its impact on the county budget has required us to make difficult decisions along the way. This proposed budget is no different.

Marion County is a service enterprise and it takes people to provide those services. Our employees provide high-quality services and are the most direct link with citizens and the community at large. They are both the means of service delivery and the source of many service improvements and innovations. However, our current per employee health care cost is unsustainable. Our FY 2012-13 budget would spend nearly \$16,000 per employee on health benefits alone. Health insurance benefits have increased 56% from \$12.7 million to over \$20 million since FY 2006-07. State law requires that we cover retired employees' health insurance in the same rate pool as current employees and since insurance for this older age group costs more (higher cost rating), this requirement increases our total health benefit costs even though retirees pay for their own health insurance.

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PERS costs also have increased from \$8 million in FY 2006-07 to \$14 million in FY 2012-13. PERS is now estimating an increase of 6% to 8% in FY 2013-14.

Our employees have sacrificed during this recession and have already foregone two years Cost of Living Adjustments (COLA's). A negotiated 1.0% COLA effective July 1, 2012 for law enforcement employees, which had not had a COLA increase during the last two-year contract, is included in this budget. In order to maintain a level of services our citizens need in these difficult economic times and to keep as many employees on the job as we can, this proposed budget does not include a COLA or any health care increase for three unions currently in negotiations. In addition, our management staff, elected officials and department heads have not had an increase the last four years and are not budgeted for an increase in FY 2012-13.

We have kept a structurally balanced budget in a number of ways primarily through budgeting within known resources. The key has been not to increase programs or staff and to decrease staff and programs when necessary. Since FY 2008-09, we have reduced 90.02 full-time equivalent positions including 39.08 General Fund positions and 50.94 Other Fund positions. Materials and Services line items have not been increased and capital improvement projects have been kept to an absolute necessity.

FY 2012-13 Proposed Budget

This proposed budget continues our long-term commitment to sustainable programs, maintains the reduced staffing levels of the FY 2011-12 budget and, at the same time, deals with one of next year's most significant political, financial and operational issues before us: Courthouse Square remediation. Three major structural changes are incorporated into the proposed budget; a new Capital Fund 461 to account for the remediation construction of Courthouse Square, the reorganization of several programs into a Community Services department and transfers the Code Enforcement program from Public Works to the Sheriff's Office.

The total proposed budget for Marion County is **\$352,254,582**. The General Fund totals **\$78,021,105** and all other funds total **\$274,233,477**. The proposed budget funds **1,296.83 FTE**. This is a reduction of 20.47 FTE from FY 2011-12, all of which are vacant positions. In the coming year, we will continue to closely monitor vacancies in order to cut positions, not people, as we continue to right size in future years.

The total budget increased 2.5% or by \$8.4 million compared to the prior year, however the increase is largely attributable to the newly established Courthouse Square capital fund that includes loan proceeds of \$9,476,410 and a budgeted \$2.5 million Transit District reimbursement as partial payment for their share of remediation costs. Without the new \$19 million capital fund, the base budget would reflect a 3.08% decrease from the adopted budget of FY 2011-12. Much of the decrease is due to a 19% reduction in federal revenue, a reduction of 14.5% in Licenses and Permits, a 24.6% decrease in Fines and Forfeitures, and a 20.6% decrease in Other Fund Transfers. Total county Net Working Capital decreased by \$3.2 million or 3.7%.

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Our General Fund resources are down 0.10%, with a decrease in net working capital of 15.5%. This results in an estimated ending fund balance of \$3.6 million or 9.7% less than the FY 2011-12 balance. This trend continues as we project resources for the following year FY 2013-14 budget will be down another 2.4%.

There are 39 separate dedicated and other funds that are budgeted separately from the General Fund and cannot be used for general purposes. Dedicated and other funds comprise 78% of the total budget or \$274,233,477. State law or prudent financial planning requires the establishment of these funds.

A \$705,497 General Fund contingency amount is budgeted to mitigate unforeseen expenses and our unappropriated ending fund balance of \$3.6 million is 5% of operating revenues. The ending fund balance, reserves and contingencies totaling \$6.33 million equates to 9% of adjusted General Fund resources.

In January of 2012 the Board of Commissioners adopted budget parameters to be used by departments in preparing their budgets for review by the Budget Officer. Our established budget parameters and financial policies guided our management and budget decisions. The budgets have been grouped together by the county's strategic goals and by department, program, and fund. Additional schedules, spreadsheets, and detailed documentation are also provided to ensure a comprehensive review of the entire budget.

Marion County 2012 Strategic Plan
Investing in County Priorities

In the fall and winter of 2011, the commissioners, department heads and elected officials reviewed the county's Strategic Plan. The goals were rewritten to be more concise and each issue statement was updated. The 2012 Strategic Plan takes the previous plan beyond the original goals and issue statements by linking department goals with key indicators and aligning them under the 2012 county goals. This budget allocates resources by investing in county programs sorted by each goal statement.

1. Operational Efficiency and Quality Service—\$45,731,856 and 220.65 FTE

Provide efficient, effective and responsive government through stewardship and accountability.

The budget for the Assessor's Office is \$5,734,401 General Fund with 50.7 FTE. The Assessor has reduced his staff by 12.3 FTE since FY 2008-09 and the office continues to streamline processes and reduce costs. A new computerized assessment system that provides full support for assessment administration and includes ownership records, exemption programs, special assessments and tax role extension is scheduled to go live in January 2014. The department's staff continues assessing commercial, residential and farm property and collects taxes for all units of government in Marion County.

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The total budget for the County Clerk is \$2,827,378 and 14.5 FTE. Services include recording, licensing, elections, Board of Property Tax Appeals and archives. The Treasurer's budget of \$474,805 and 3 FTE continues its current service level.

The Board of Commissioners budget is \$2,050,097 and 13 FTE. The Business Services' budget is \$6,434,698 and 57.5 FTE with a reduction of 2.75 FTE. The Finance Department budget is \$2,373,035 with 20 FTE. The Information Technology budget is \$8,393,631 with 54 FTE and the Legal Counsel budget totals \$1,912,321 with 10.75 FTE. We have been reducing Central Service costs since FY 2008-09 and these departments are down a combined 14 FTE. Other investments in this goal total \$15,531,490 including General Fund transfers and the MCBEE program. The major resources for General Government and Central Services are General Fund transfers and internal charges for services.

2. Growth and Infrastructure—\$43,040,569 and 56.90 FTE

Provide leadership that addresses the continual growth and increasing diversity of Marion County's population and focus resources on best meeting the needs of residents and supporting business.

The Growth and Infrastructure goal is designed to enhance community development and natural resources. These budgeted programs include Environmental Services—\$38,884,573, county parks—\$427,138, land use planning—\$1,248,222, and building inspection—\$2,480,636, all under the Department of Public Works. The county ranks number one in Oregon's recycling effort for a cleaner environment. Environmental Services has begun a new program to remove metal from the ash produced by the burner in Brooks. The "cleaned" ash has now been approved by the DEQ for use as daily cover for the Coffin Butte land fill in Corvallis. Fees and charges are the predominant resources for this goal.

3. Public Safety—\$77,965,629 and 533.73 FTE

Pursue a safe and secure community by protecting the people, property, and economy of Marion County.

Public safety is one of the county's highest priorities and it is allocated 76% of General Fund operating expenditures or 22% of total county requirements. In FY 2011-12, a critical funding reduction in state Community Corrections dollars which helps fund the county jail as well as parole and probation required us to close 128 beds in the jail and transfer 72 inmates to the work center for a net loss of 56 beds. It also means that we reduced the number of parole and probation officers by 5 FTE in FY 2011-12. The Sheriff's Office includes enforcement, jail and parole and probation and, new with this budget, Code Enforcement. The budget totals \$52,755,652 with General Fund support of \$30,636,500 comprising 39% of the county's General Fund budget. The General Fund support to the Sheriff's Office increases by \$1.4 million or 4.93% over FY 2011-12 due to labor agreements.

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The District Attorney's Office includes prosecution, juvenile dependency, child support enforcement, victims' assistance and medical examiner programs. The total budget is \$9,801,734 of which \$8,087,576 or 82% 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 funds only a portion of the DA's salary.

The Juvenile Department provides juvenile detention and delinquency management with a budget of \$12,625,412 of which \$10,245,647 comes from the General Fund. The state decreased funding in the 2010-12 biennium, but then increased funding during the 2012 legislative session by \$160,714 for FY 2012-13.

The North and East Marion Justice Courts adjudicate motor vehicle violations, small claims and violations of county ordinances. The budget for the two courts is \$892,644 and 9 FTE. Other investments total \$1,890,187 (Law Library, Criminal Justice Assessment)

4. Economic Development—\$2,469,563

Demonstrate a supportive attitude toward employers, business, and property owners that promotes economic development and high standards of livability in Marion County.

The strategic objective of this program goal is to promote economic development through the county's Economic Development Advisory Board and allocation of the county's \$2 million in lottery funds to support economic development. The county also continues partnerships with the Strategic Economic Development Corporation (SEDCOR), Job Growers, the Oregon Garden Foundation, Grow North Santiam, Travel Salem and chambers of commerce. The Marion County Fair also contributes to economic development.

5. Transportation—\$47,036,364 and 127.15 FTE

Provide a safe, efficient and reliable transportation system and maintain vital infrastructure in the best condition available resources allow.

Transportation includes roads and bridge maintenance and repair, ferry operation, fleet management, and county surveyor. They are managed by the Public Works Department whose budget is \$90,743,398 or 26% of the total county budget with 187.3 FTE. Nearly 90% of the Public Works Department budget is comprised of two funds, the Environmental Services Fund at \$38.9 million and the Public Works Fund or "Road Fund" at \$41.8 million. For FY 2012-13, Public Works will continue preservation of the North Fork Road with \$675,000 from a Western Federal Lands Grant and invest \$1.7 million in resurfacing 8.4 miles of county roads and four bridge decks. Other road projects include 22.1 miles of chip seals and 3.8 miles of slurry seals.

6. Health and Community Services—\$68,209,104 and 354.15 FTE

Promote the overall health of people in Marion County by improving the delivery of quality health services and supporting community-based prevention efforts.

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The Health Department's behavioral health and public health budget totals \$61,924,795. Services include developmental disabilities, community and provider services, public health and environmental health. Primarily funded through state and federal funds, the Health Department budget includes 336.37 FTE, and a \$3.4 million transfer from the General Fund. The investment also includes a Health IDS reserve fund of \$2,022,000. The 76th Legislative Assembly adopted major changes that may have a dramatic affect on the way counties provide health and mental health services. The new Coordinated Care Organizations may contract with the county for services, at least for FY 2012-13, but future years are uncertain.

The Board of Commissioners signed a memorandum in February 2012 establishing a Community Services Department effective in the new fiscal year to better serve constituents and to achieve more efficient and effective service delivery. The Community Services Department with a total budget of \$4,642,508 combines the former Department of Children and Families, dog control, county fair and a General Fund transfer to OSU's extension service. Children and Families will receive \$1 million in FY 2012-13; but, under newly adopted legislation, this state funding will be totally eliminated in FY 2013-14. The legislature created a new Early Learning Initiative which will align children's programs and the funds will be managed by regional accountability hubs in 2013.

7. Emergency Management—\$666,465 and 3.25 FTE

Proactively plan, review, and maintain a comprehensive emergency management program.

The Emergency Management program of the Department of Public Works manages natural disasters such as floods, landslides, winds and severe winter storms, earthquakes forest fires and droughts through its Emergency Operations Center. The January 2012 floods showcase the fine work of the Sheriff's Office and Public Works Department as they provided a rapid response to assist the citizens of Turner and other citizens affected by the floods. Marion County was included in the disaster declaration by Governor Kitzhaber. The Health Department works with the division to manage epidemic diseases across the county and state. Marion County coordinates emergency planning and drills with all of our local, state and federal partners.

Non-Operating Budgets

In addition to the program investments made by individual goals the county proposed budget also include the following non-operating budgets:

Capital Improvement Projects (CIP's)—\$23,284,629 Due to the resource issues faced by Marion County, we are recommending targeted General Fund CIP projects. We will continue the projects begun in FY 2011-12 such as the Assessor's new assessment system. We will also continue the "E" Pod roof replacement at the jail, replace the HVAC system at the court annex, and replace the roof on the Juvenile Department administration building. We are also providing funding for a core network switch, a web

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content management system and several other small projects. The new Courthouse Square Capital Fund is budgeted at \$19,033,301.

Non-Operating—\$43,850,403 These programs and projects are not assigned to specific departments. Payments include contributions to outside agencies working in Marion County such as the state's water master and predatory animal programs, as well as funds to continue audits of county departments.

The budget contains an appropriation of \$1,548,900 from the General Fund for debt service on refunding obligations totaling \$13.4 million for the Courthouse Square bonds. In addition, we pay \$3.5 million as a department payroll cost for two Limited Tax Pension Obligations issued by the county to provide for the county's unfunded actuarial liability with PERS.

FY 2012-13 Proposed Budget

Resources			
	2011-12*	2012-13	%
	Budget	Proposed	Change
General Fund			
Revenue	\$69,260,317	\$70,549,687	+.02%
Net Working Capital	8,842,443	7,471,418	-15.51%
Total GF Resources	\$78,102,760	\$78,021,105	-.10%
All Funds			
Resources	\$254,237,698	\$265,949,044	+4.61%
Net Working Capital	89,588,153	86,305,538	-3.66%
Total Funds Resources	\$343,825,851	\$352,254,582	+2.45%
Requirements			
	2011-12*	2012-13	%
	Budget	Proposed	Change
General Fund			
Requirements	\$73,424,812	\$73,721,165	+.40%
Contingency	697,183	705,497	+1.19%
Ending Fund Balance	3,980,765	3,594,443	-9.70%
Total GF Requirements	\$78,102,760	\$78,021,105	-.10%
All Funds			
Requirements	\$270,302,261	\$283,875,650	+5.02%
Contingency	13,638,994	12,663,907	-7.15%
Unappropriated Reserves	6,060,302	6,062,337	+.03%
Ending Fund Balance	53,824,294	49,652,688	-7.75%
Total Funds Requirements	\$343,825,851	\$352,254,582	+2.45%

*Includes 2nd supplemental

Countywide Initiatives

Central Services Management System—Streamlining business operations is imperative in today's environment where budgets are shrinking and citizen needs are growing.

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Starting in FY 2011-12, we began building an integrated enterprise management system with our central services. The goal of this initiative is to collaborate in establishing integrated management processes that focus on meeting the needs of the county enterprise by setting standards and priorities, clarifying accountability, allocating and aligning resources and intervening when performance is below standards.

Since the fall of 2011, Central Service department heads have conducted an assessment of the county's management system. We are clarifying our roles and responsibilities in serving, protecting and maintaining the county's enterprise. With reduced budgets, we have fewer staff and there is a need for better integration of work. To accomplish this, we have clarified the definition of enterprise; defined a central service management system for the enterprise; defined the mission, vision, and role of central services; identified and defined core processes; and identified central services outcomes and key indicators to measure our progress. We plan to continue in FY 2012-13 and will ensure that all employees of central service departments and their counterparts in operating departments clearly understand their roles in this enterprise management system.

Facilities Committee—The 2011 Budget Committee adopted the following budget note: *“To better identify and forecast county facility needs relative to essential program and service delivery at a time when the economy, technology and community demands are constantly changing, to develop a plan in fiscal year 2011-2012 that evaluates the highest and best use of county properties.”* The Board established the Facilities Committee chaired by Commissioner Milne that met throughout the year and will present its report to the 2012 Budget Committee.

Marion County Business Enterprise Enhancement (MCBEE)—The first major project under MCBEE was changing our chart of accounts in order to streamline our accounting system in 2008 and 2009. In 2010, we restructured our Oracle Human Resources, Payroll and Advanced Benefits modules. The next step in MCBEE is the upgrade of Oracle's E-Business Suite Release 12 that will be required by 2013. The Oracle E-Business Suite is a set of software supporting Marion County's Financial Information Management System (FIMS). Implementing R-12 will be a major undertaking to maintain our financial systems and improve efficiencies. Without the upgrade, Marion County will not receive new updates, security alerts, data fixes, and critical patches that update new tax, legal, payroll and regulatory changes. We have budgeted \$674,502 in the MCBEE program for implementing the R12 upgrade.

Courthouse Square—Engineering consultants recommended immediate closure of the transit mall and office building at Courthouse Square due to structural deficiencies in July 2010. Since that time, county and transit leaders appointed knowledgeable citizen volunteers to the Courthouse Square Solutions Task Force, hired an owners' representative, released a Request for Proposals (RFP), and developed decision criteria. The criteria included: cost of remediation, ability to pay, public confidence, the 75% condo bylaw requirement and a cost benefit analysis. The cost benefit analysis was conducted by Powell Valuation Inc. to evaluate the components of highest and best use of the Courthouse Square complex. Their report indicated an as remediated value of

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\$39,065,000 and further stated: "The highest and best use of the existing improved property is adequately expressed by the remediation of the existing office, parking garage, transit mall and excess land components."

On April 30, 2012, the Board of Commissioners and Transit Board voted to move forward with the remediation of Courthouse Square for a lump sum not to exceed price of \$22,894,850. The county share at 68% of the remediation cost is \$15,568,498. The design-build proposal from Structural Preservation Systems Inc. was recommended for adoption by an evaluation committee.

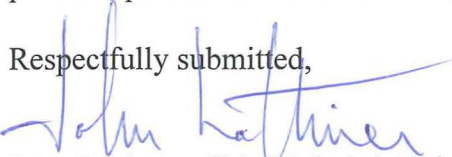
The FY 2012-13 budget proposes a new capital construction fund to track all construction costs for remediation of Courthouse Square. By agreement of the Condo Board, the county will act as fiscal agent for the project. This budget includes electrical revenues generated by the Brooks Waste to Energy Facility of \$1.7 million, and a \$2.6 million transfer from the transit district for a portion of their share of the costs. It will also include \$1.6 million in settlements currently in escrow from Courthouse Square litigation and \$9.5 million in bridge financing proceeds for both county and transit district costs. Ongoing condominium operations and project administration will continue to be tracked separately in the current Courthouse Square Redevelopment Fund.

I am recommending that the county enter into a construction Line of Credit with a bank, which would provide a lower variable interest rate and allow the county to draw funds only as needed, pay interest as borrowed and repay as resources become available. At the end of the project, any remaining unpaid debt can then be structured into a payment period that meets the county's needs – for example 3 to 5 years. The debt service could be paid with current lease savings until we receive a settlement from our insurance company.

In Closing

I am proud to announce that the Government Finance Officers Association of the United States and Canada (GFOA) has awarded Marion County its first Distinguished Budget Presentation Award for the FY 2011-12 budget document. To receive this award, we had to satisfy nationally recognized guidelines for effective budgets

I would like to thank the entire budget team for their hard work and dedication and 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 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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BUDGET COMMITTEE AND BOARD ACTIONS

Budget Committee Actions

The Marion County Budget Committee met on May 30, June 5, and June 6, 2012 to review and approve the Marion County fiscal year 2012-13 budget.

The committee approved the Budget Officer's proposed budget without change.

Board of Commissioners

The Board of Commissioners met on June 20, 2012 and adopted the budget and tax rate as approved by the committee.