

MARION COUNTY FY 2015-16 BUDGET  
BUDGET OFFICER'S MESSAGE AND SUBSEQUENT ACTIONS

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BUDGET OFFICER'S MESSAGE

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Marion County Annual Budget  
Fiscal Year 2015-2016  
Budget Officer's Message

**Mission Statement**

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

June 2, 2015

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

**The FY 2015-16 Proposed Budget – Infrastructure Renewal**

With an improving economy, our property tax revenues are increasing at rates that enable us to maintain programs in ways not seen since the recession. With this budget, we set the stage to build for future growth and program demand as the economy expands. The FY 2015-16 proposed budget takes another major step in renewing the infrastructure that provides the basis for program delivery, as well as continuing our long-term commitment to sustainable programs and staffing levels.

At a time when demands for discretionary services are not increasing, my recommendation is to not spend the General Fund on new programs or expanding current programs, but to use this year to make strategic investments for the future. We could face future challenges from the national economy, the legislature or courts and any increases in programs or personnel costs will roll-up in future years. While property taxes are a significant portion of our discretionary budget, other revenues such as the Department of Revenue assessment grant continue to decline.

The Marion County Fiscal Year 2015-16 Proposed Budget totals \$376,790,395 or \$3.2 million more than FY 2014-15. The General Fund totals \$87,432,766 and all other funds total \$289,357,629 (see Table I). General Fund resources are increasing by \$3.7 million or 4.5% and the General Fund requirements are increasing by 2.9%. The ending fund balance is \$4.9 million or 6.3% and the General Fund contingency is \$1.4 million for unforeseen costs. This budget meets all budget and policy requirements.

**Significant Policy and Program Changes**

**Commissioners' Goals and Objectives**—On November 21, 2014, the Board of Commissioners held a retreat to identify external and internal trends affecting Marion County and develop short-term and long-term priorities. At a meeting with Department Heads and Elected Officials, they finalized short and long-term priorities for communications, customer service, economic development, the Oregon Garden, public safety/mental health, streamlining and improving government, transportation infrastructure, waste management, public health and emergency management. This budget provides funding to meet these priorities.

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**Compensation Study Committee**—During last year's budget deliberations, the Budget Committee asked that staff complete a compensation study and a committee was appointed to participate in the study. Chaired by Commissioner Carlson, the committee included county administration, department heads and elected officials, a budget committee and compensation board member, and human resources staff. CPS HR Consulting out of Sacramento, CA assisted with the meetings, provided data and analysis, best practices and market information. Total compensation, internal equity, market comparators, and traditional practices were considered when the county reviewed compensation. This was a big task with important policy, budget, retention and recruitment implications. The Compensation Study Report will be delivered during our 2015-16 budget hearings.

**Marion County Extension Service**—On May 19, 2015, voters approved a ballot measure proposed by the Board of Commissioners forming a Marion County Extension and 4-H Service District. The district will be convened and governed by the Board and will provide agricultural educational services to farmers, 4-H members and Master Gardeners throughout the county.

**Federal Grant Compliance**—The Finance Department is creating a grant compliance program. Federal awards audited in the June 30, 2014, Single Audit totaled \$11,167,247. Federal rules now require local recipients of federal funds to adopt a variety of policies and procedures regarding payments of funds, the allowability of costs in accordance with federal cost principles, defining conflicts of interest for employees and supervision of sub-recipients. Finance has hired a CPA, authorized in the FY 2014-15 budget, who has extensive experience in auditing federal programs and providing assistance to recipients in meeting federal guidelines. She will be creating policies and procedures for approval by the Board.

**Funds Closed**—Two funds were closed in FY 2014-15. The balance in the Health Building Reserve of \$794,750 was transferred to the Facility Renovation Fund for the health building remodel project. The remaining \$68,000 in the CH2 Redevelopment Fund will be transferred to the Capital Improvement Fund contingency in the fourth supplemental budget.

## **FY 2015-16 Budget Drivers**

**Property Tax Revenue**—Our property tax revenues are estimated to increase by 4.7% in the current fiscal year and the Council of Economic Advisors estimates a property tax revenue increase of 4% for FY 2015-16. The additional property tax revenue in FY 2013-14 and FY 2014-15, as well as estimated increases for FY 2015-16 indicates an upward trend. However, since the national economy is growing so slowly, we are being very cautious this year in dedicating funds to expanding existing programs or adding new programs. Another outcome of increased property values, due to Measures 5 and 50, creates a change in property tax compression. We lost \$828,310 due to compression in FY 2013-14, and \$561,122 in FY 2014-15. The current estimate for FY 2015-16 is a loss due to compression of \$527,300. Clearly, as property values increase, compression is reduced and revenues increase. On the other hand, with the increase in property values we lose revenue to Urban Renewal Districts. The estimated loss in revenue from these districts in FY 2015-16 is \$1,997,100.

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**Wages, PERS, Health and other Benefits**—Marion County is a service organization and it takes people to provide those services. We are very proud of our employees and they deliver outstanding public services every day. The FY 2015-16 budget includes 1,391.53 FTE for an increase of 36.86 FTE, with two FTE in the General Fund. The increase includes an additional 15.18 FTE in the Health Department, 14 FTE in Public Works and 3 FTE in the Sheriff's Office. The total cost of all personnel is \$135 million for an increase of 3.8% or \$5 million. These costs are comprised of salaries and wages totaling \$87 million, health benefits of \$22 million and PERS at \$13.1 million. Total fringe benefits amount to \$48 million or 35.3% of total personnel cost.

Due to the financial crisis that began in 2008, the legislature voted in 2013 to cut PERS retirees' benefits by reducing cost-of-living adjustments (COLA) among other reforms. On April 30, 2015, the Supreme Court ruled the COLA reduction unconstitutional. The COLA reductions accounted for more than 90% of the \$5.3 billion reduction in PERS liabilities state-wide. While this decision will not affect the current budget, we will need to prepare for the increase in FY 2017-18. Because of the way the court structured a blended COLA, PERS will have to develop a complicated new method of calculating each retiree's COLA before and after April 30, 2015.

Two years ago we moved the Sheriff's Parole and Probation Officers from a 37.5 work week to a 40 hour week. In this budget, we converted 18 Sheriff's clerical positions at a cost of \$64,050 and 22 Juvenile Probation Officers and three clerical positions from a 37.5 hour to 40 hour week at a cost of \$127,353. Only 82.95 FTE remain on a 37.5 hour work week to be converted to 40 hours countywide.

During the current fiscal year, our temporary employees voted to join the Marion County Employees Association and we negotiated a wage increase by placing them on the higher pay plan ("AK" Plan), since they do not receive compensation credits. The budget also provides funding for a Sheriff's Office command staff market review, as well as a contingency set aside for a negotiated increase for members of the Marion County Law Enforcement Association.

**Debt Service**—We pay \$4 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. In addition, the budget contains an appropriation of \$1,549,500 from the General Fund for debt service on the 2005 refunding obligations for the Courthouse Square bonds, as well as \$1.3 million for debt service on the infrastructure remediation at the Jail, Work Center and Health Department. We have budgeted an additional \$220,000 for six months in debt service costs for a loan of \$5 million to complete the major construction projects proposed in this budget.

**Consolidated Fleet Management**—In 2006, the Board adopted the Marion County Consolidated Fleet Management (CFM) program and cars and light trucks were then leased to departments. In the past nine years, multiple vehicle replacement assessment models have been calculated to set lease rates for cars and light trucks. Over time, the model for replacement of vehicles in the fleet has become more refined. Vehicle maintenance costs have been reduced, the overhead to run the program has decreased and the actual replacement schedule based on all factors has been slightly extended. This experience has built a capital reserve in the CFM fund that is in excess of what the current replacement model indicates will be needed for vehicle replacements in the next ten years. Therefore, we are recommending that the excess \$2.5 million reduce future lease rates for departments while returning \$1.3 million, as one-time revenue to the General Fund.

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**Other Funds**—There are 34 separate dedicated and other funds that are budgeted separately from the General Fund and cannot be used for general purposes. Some of the largest of these dedicated funds include: a \$50.2 million Road Fund; a \$68.4 million Health Fund; a \$35.3 million Self Insurance Fund; a \$31.3 million Environmental Services Fund; \$25 million in three combined Capital Projects Funds; and a \$15.1 million Community Corrections Fund. State law and prudent financial planning requires the establishment of these funds. These dedicated and other funds comprise \$289,357,629 or 77% of the total budget.

**FY 2015-16 Capital Improvements Projects**

The FY 2013-14 adopted budget authorized the borrowing of \$15 million to address some of the highest priority capital needs for our aging infrastructure (Health Building-1974, Jail-1989, Work Center-1990). With interest rates at historic lows, we borrowed \$9.95 million of the authorized \$15 million in October 2013. We were able to get a bank qualified and tax exempt loan at an interest rate of 3.12% to fund upgrades of the HVAC systems at the Work Center and Jail, repair roofs on several of the Jail pods and sealing the exterior walls. We also began the architectural planning for improvements to the health building. In FY 2015-16, we will continue with plans to upgrade the health building by replacing its single-pane windows, lighting, upgrading the HVAC system and providing a variety of internal improvements and upgrades to the building.

With this budget we continue to create an infrastructure for the future. The total **Capital Project Funds Budget** is **\$24,708,209** which is an increase of 41% from FY 2014-15, primarily due to building and building improvement projects slated to begin this year. In FY 2014-15, we focused our effort on roof repairs, driveway repairs, HVAC upgrades and other repairs at the Jail, which will be finished in FY 2015-16. The heavy transit buses have been breaking down the driveway where they park at the Jail. The driveways needed to be repaired as they were affecting underground piping. We will also create a new transit bus stop at the jail that will withstand the weight of the buses and is partially funded by the Transit District. The jail parking lot has not been paved for many years and new pavement is planned for FY 2015-16.

<b>Land and Improvements</b>	
Jail Transit Bus Stop	\$ 75,000
Jail Parking Lot Paving	156,000
TOTAL	\$231,000

There are also a variety of building repairs funded in this budget. Using funds from the Employer at-Injury Program (EAIP), we are rebuilding the elevators in the health building. EAIP funds can be used for health and safety. One elevator has been down for over a year and the other stops riders intermittently. We have budgeted General Fund for improvements at the Juvenile Department including, a new floor in the GAP building, finish sealing the detention floors, as well as providing a new fire alarm system using EAIP funds. We are repairing the Jail kitchen floor and re-keying the hard keys to the Courthouse. We will also be repairing damage to the Courthouse Square roof caused by a major wind storm in March using insurance proceeds, CH2 Redevelopment Funds, Transit Funds and Net Working Capital.

<b>Building Remodel and Repair</b>	
Health Elevator (EAIP)	\$ 186,752
Juvenile Floors, GAP (GF)	33,000
Juvenile Detention Floor Sealing (GF)	17,000
Juvenile Fire Alarm (EAIP)	32,000
Jail Kitchen Floor (GF)	34,410
Courthouse Re-Key (GF, Self-Insurance)	32,000
Courthouse Square Roof (Insurance, GF, Transit)	608,000
Contingency	253,073
TOTAL	\$1,196,235

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This budget provides \$3 million for a variety of technology systems and equipment, as well as contingency for unforeseen needs. The equipment costs in the chart below are initial estimates and additional funding may be needed for implementing the new systems. Major purchases include: a replacement for the District Attorney's Case Management System which is out of date; a new Clerk's ballot sorter and the required upgrade to the Hart voting system. We are also providing funds for a variety of IT equipment including new data storage and server replacements.

<b>Equipment</b>	
ARC GIS Server	\$26,250
Cash Management System	60,000
Clerk Ballot Sorter	276,000
Clerk Hart Voting System Upgrade	50,000
CMS System--Contract	75,000
DA Case Management System	750,000
Fiber Network	35,000
GIS Image Data	80,000
IT Data Storage	343,632
IT Server Replacement	55,000
IT Service Management System	125,000
Jail Washer and Dryer	27,000
Juvenile Market Software	10,000
Network Fabric Modules	22,000
Contingency	849,500
Ending Fund Balance	341,637
<b>TOTAL</b>	<b>\$3,126,019</b>

The Board and Budget Committee voted in November 2014 to replace the Courthouse parking garage project with two projects of a higher priority, a new Juvenile administration building and courtroom, as well as a new Parole and Probation administration building. The new Juvenile building and courtroom will use funds that had been earmarked for the parking garage and Net Working Capital. The new Parole and Probation building will be funded from a capital loan of \$5 million. Much of the architectural and engineering work for the new buildings will be done in FY 2015-16, with the construction of all projects finished by Fiscal Year 2017-18.

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The \$7.2 million cost to remediate the health building will be partially funded from a portion of the October 2013 loan of \$9.95 million, the General Fund and Health Department reserves. The remainder of the loan will be used to finish the Jail and Work Center HVAC systems.

<b>Facility Renovation – Project Budgets</b>	
<b>Building and Remodel Repair</b>	
Jail HVAC	\$ 743,100
Work Center HVAC	691,875
Health Building Remediation	7,159,991
<b>Juvenile and P &amp; P Construction</b>	
Juvenile Administration Building & Court Room	5,685,076
Parole and Probation Building	5,000,000
TOTAL	\$19,280,042

I am proposing a new IT equipment replacement program to be used for large enterprise equipment or systems that are difficult to fund out of the county's budget in any one fiscal year. The program's funds will be generated from an annual allocation using the IT network operations ratio for each department. Priority for these funds will be given to projects that have strategic significance and provide enterprise-wide benefits. We are appropriating funds for network equipment in FY 2015-16 and will maintain the existing Capital Building and Equipment Reserve of \$291,044.

<b>IT Equipment Replacement</b>	
IT Network Equipment	\$ 103,000
Contingency	104,047
Ending Fund Balance	100,000
TOTAL	\$307,047

**Decision Packages**

This year, the Board of Commissioners specifically requested that departments submit decision packages for needs not met during the recession years. Of the 28 requests, I am recommending the approval of 16 decision packages. I am adding a custodian and temporary assistance in Business Services for \$69,772 and \$35,000 in legal services for labor bargaining. I have also approved new detention radios in Juvenile for \$6,200 and, for the Justice Court, the Oregon Records Management Solution paperless file software at \$4,440. I have approved \$3,000 for Dog Shelter office furniture and promotional materials.

I have included a one-time \$100,000 investment for playground equipment at the Spong's Landing Park playground, an emergency management planner for \$95,233, as well as a \$60,460 permit specialist position in Public Works. I have also approved three Parole and Probation deputies in the Sheriff's Office totaling \$191,406 from the Community Corrections Fund. I approved \$70,545 in federal funds for a bilingual family violence system response coordinator in the District Attorney's Victim's Assistance Juvenile Enforcement program. I have approved three packages for Information Technology for software maintenance and tools at \$99,884.

In the Health Department, I have approved one FTE for communicable disease services with a General Fund cost of \$73,072. Also, I have approved a .70 FTE at \$42,331 General Fund for mental health assessments of juveniles.

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I have not approved 12 requests. The largest was four requests including 2.5 FTE to provide a bilingual juvenile probation case aide, an educational advocate and a bilingual Star Court probation officer, as well as funding for probation transportation in the Juvenile Department. The cost for these four decision packages totaled \$197,231 from the General Fund. I also have denied a request for 2 FTE for early childhood home visits and chronic disease prevention in the Health Department at a cost of \$144,644 General Fund.

The Community Services Department had three requests for General Fund denied. The department's request would have provided General Fund to backfill administrative charges totaling \$35,960 and \$6,880 for children and families. With the large ending fund balances in Lottery Funds and Net Working Capital, these requests were not deemed necessary. I also denied two requests from Public Works for emergency call boxes at the North Fork and playground equipment at Labish Village Park. These two requests totaled \$74,919.

I have limited the use of General Fund in new programs and staff because I am recommending that we take this opportunity to make one-time investments in critical infrastructure and deferred maintenance. New programs and staff can create new costs in future years that may be unsustainable, but one-time capital investments can improve our ability to build for future growth and program delivery.

### **In Closing**

The budget is a policy document which establishes the operational plan for delivering on-going services to county residents and one-time investments. With the adoption of the budget, the Board of Commissioners establishes the funding priorities for the upcoming year and strategic direction into the future.

For the last several years we have presented department budgets by program. Every year the budget team critically analyzes revenues and expenditures and looks for opportunities to improve both the budget process and the budget document. The individual department budgets have been grouped together by service sector and by department, program, and fund. Additional schedules, spreadsheets, and detailed documentation are also provided to ensure transparency and a comprehensive review of the entire budget.

I am proud to announce that the Government Finance Officers Association of the United States and Canada (GFOA) has awarded Marion County its fourth Distinguished Budget Presentation Award for the FY 2014-15 budget document. To receive this award, the county has to satisfy nationally recognized guidelines for effective government budgets.

It takes a strong team to put this budget together and I would like to thank the entire budget team for their hard work and dedication. I also thank the Marion County Council of Economic Advisors who helped us develop our revenue estimates. As always, I thank the Board of Commissioners and the citizen members of the Budget Committee for maintaining high standards of fiscal responsibility.

Working together with our citizens, communities, businesses, and employees we will continue to produce innovative partnerships and programs benefitting all of Marion County.

Respectfully submitted,



John Lattimer, Chief Administrative Officer and Budget Officer

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**BUDGET COMMITTEE BUDGET CHANGES**

The Budget Committee modified the Budget Officer's proposed budget. They approved four independent budget modifications which increased the total county budget \$2,558,587.

The committee approved pay increases totaling \$27,229 for several elected officials as recommended by the Compensation Board. This is entirely funded with a reduction in General Fund Contingency and increases in General Fund Transfers to the Assessor's Office, Clerk's Office, District Attorney's Office, Sheriff's Office, and Treasurer's Office, all within the General Fund, and to the Board of Commissioners' Office in the Central Services Fund.

The Budget Committee also approved the addition of one new full-time regular position and supporting costs for the Community Services Department Administration Program. This is a General Fund activity. There is \$90,000 budgeted for Personnel Services and \$10,000 budgeted for Materials and Services.

Another budget modification reclassified accounts used for budgeting transactions in the Fleet Management Fund managed by the Public Works Department. The issue is a refund totaling \$2,500,000 to county departments' fleet vehicle lessors. The original budget transaction in the Fleet Management Fund was a negative adjustment to Charges for Services revenue. The budget change removed the negative revenue and set up a Special Payments expenditure to charge refunds to the lessor departments. The budget modifications increased revenue and expenditures by \$2,500,000 each.

The last modification was a \$47,721 shift in funds between the non-departmental Block Grant Fund and the Lottery and Economic Development Fund. Total available funds were transferred from the Block Grant Fund to the Lottery and Economic Development Fund. The funds will be used to support economic development activities.

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Countywide FY 2015-16 Budget

	BUDGET COMMITTEE CHANGES						TOTAL CHANGES	BUDGET COMMITTEE APPROVED
	General Fund	Central Services Fund	Fleet Management Fund	Block Grant Fund	Lottery and Economic Development Fund			
<b>RESOURCES</b>								
Taxes	65,114,845	0	0	0	0	0	0	65,114,845
Licenses and Permits	3,090,350	0	0	0	0	0	0	3,090,350
Intergovernmental Federal	12,994,190	0	0	0	0	0	0	12,994,190
Intergovernmental State	55,957,987	0	0	0	0	0	0	55,957,987
Intergovernmental Local	15,434,007	0	0	0	0	0	0	15,434,007
Charges for Services	64,706,282	0	0	2,500,000	0	0	2,500,000	67,206,282
Admin Cost Recovery	25,282,035	0	0	0	0	0	0	25,282,035
Fines and Forfeitures	2,788,666	0	0	0	0	0	0	2,788,666
Interest	799,667	0	0	0	0	0	0	799,667
Other Revenues	268,376	0	0	0	0	0	0	268,376
General Fund Transfers	12,292,830	0	10,866	0	0	0	10,866	12,303,696
Other Fund Transfers	7,544,530	0	0	0	47,721	47,721	47,721	7,592,251
Settlements	545,000	0	0	0	0	0	0	545,000
Financing Proceeds	5,000,000	0	0	0	0	0	0	5,000,000
Net Working Capital	104,971,630	0	0	0	0	0	0	104,971,630
<b>TOTAL RESOURCES</b>	<b>376,790,395</b>	<b>0</b>	<b>10,866</b>	<b>2,500,000</b>	<b>0</b>	<b>47,721</b>	<b>2,558,587</b>	<b>379,348,982</b>
<b>REQUIREMENTS</b>								
Personnel Services	135,169,530	106,363	10,866	0	0	0	117,229	135,286,759
Materials and Services	85,165,204	10,000	0	0	0	47,721	57,721	85,222,925
Administrative Charges	23,336,504	0	0	0	0	0	0	23,336,504
Capital Outlay	22,141,962	0	0	0	0	0	0	22,141,962
Debt Service Principal	4,134,789	0	0	0	0	0	0	4,134,789
Debt Service Interest	3,414,440	0	0	0	0	0	0	3,414,440
Special Payments	739,709	0	0	2,500,000	0	0	2,500,000	3,239,709
Transfers Out	19,837,360	10,866	0	0	47,721	0	58,587	19,895,947
Contingency	17,195,999	(127,229)	0	0	(47,721)	0	(174,950)	17,021,049
Reserves	2,506,844	0	0	0	0	0	0	2,506,844
Ending Fund Balance	63,148,054	0	0	0	0	0	0	63,148,054
<b>TOTAL REQUIREMENTS</b>	<b>376,790,395</b>	<b>0</b>	<b>10,866</b>	<b>2,500,000</b>	<b>0</b>	<b>47,721</b>	<b>2,558,587</b>	<b>379,348,982</b>

**BOARD OF COMMISSIONERS BUDGET CHANGES**

The Board of Commissioners approved three changes to the Budget Committee Approved budget. The first change added \$750,000 to the Public Works Fund budget. This is a Capital Outlay to purchase a facility in the City of Aumsville for use as a road maintenance shop. The project was delayed from FY 2014-15. The funds have been re-allocated in FY 2015-16.

The Board also approved two Capital Outlay projects for the Environmental Services Fund. A North Marion landfill involving grading and filling low areas of an old landfill is allocated \$40,000. A project to a new tipping area and a new access road at Brown's Island is allocated \$16,000. Contingency was reduced to fund these projects therefore the budget change was a shift between budget Requirements categories.

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