



**Marion County Annual Budget  
Fiscal Year 2008-2009  
Budget Officer's Message**

**Mission Statement**

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

May 13, 2008

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

With the nation's economy in a downturn, Marion County faces difficult financial issues in the future. Our Council of Economic Advisors has projected a reduction in revenues for at least the next two years and they suggest that the current economic downturn, while shallow, may last longer than those in the recent past. Fortunately, the Budget Committee and Board of Commissioners have been fiscally responsible over the past four years and we will not face the severe reductions in programs and services being faced in other jurisdictions this coming budget year. The Budget Committee must make prudent budget and financial decisions so that Marion County will be able to minimize the effects of the current downturn. We are proposing a balanced budget of \$331,223,250 that meets the ending fund balance, contingency and rainy day fund requirements of our financial policies in FY 2008-09. However, without changing resources or spending we will have a substantial deficit by FY 209-10. Our budget team projection for the future, once again raises serious concerns regarding the viability of the General Fund in the long term.

With that in mind, we are recommending the establishment of a special Marion County Finance & Budget Task Force. The purpose of the task force would be to thoroughly analyze revenues and expenditures and make recommendations that structure the General Fund at a sustainable level. The committee would meet several times in the next few months and make recommendations for action to the Budget Committee no later than October 31, 2008. Except for those positions authorized in this budget, we are also recommending a hiring freeze for general fund positions beginning July 1, 2008. Criteria and a review process will be established to review all vacant positions. The task force will evaluate the effectiveness of the hiring freeze and a subsequent recommendation will be included in the final report to the Budget Committee in the fall.

As the significant decreases in revenue outlined below indicate, our overriding need remains to find a course that takes us to a financially manageable service level for the long-term.

**Major Changes in Revenues**

Marion County has little control over many of its revenue sources. The following reductions are the result of outside funding decisions or market conditions. Many of the

amounts are fairly certain, but others are estimates based on factors that can change over the next two years and impact the amounts either positively or negatively.

General Fund **total resources** will increase \$709,476 from those budgeted in FY 2007-08. However, **recurrent revenues** will be \$428,829 less than the current year as we use fund transfers to balance the General Fund. Based on the following assumptions, it appears that a reduction in the ending fund balance is more likely to occur than in past four years.

The reductions in **recording fees** of 35% since FY 2006-07 are due to the decline in the mortgage industry. While this revenue source could recover sometime in the future (based on a potential return of economic prosperity), the reductions in the current year and projected losses for next year will not be recovered. Marion County received \$2,059,337 in recording fees in FY 2006-07. Estimated revenues for the current year are \$476,000 less than last year, and the projections for FY 2008-09 decrease an additional \$244,000.

The **Assessment and Taxation Apportionment Grant** from the State of Oregon has been declining for several years. This grant has been reduced from FY 2006-07 by \$267,000 and when combined with reductions in other state revenue streams, including cigarette and liquor taxes, total state receipts to the General Fund will be down \$735,000 or 15%. Declining market interest rates have reduced **interest and investment fee income** in the general fund. Estimates for FY 2007-08 are down \$184,000 over FY 2006-07 and are projected to be down an additional \$570,000 for FY 2008-09. **Chapter 530 Forest revenues** are projected to be down \$517,000 next year as compared to FY 2006-07.

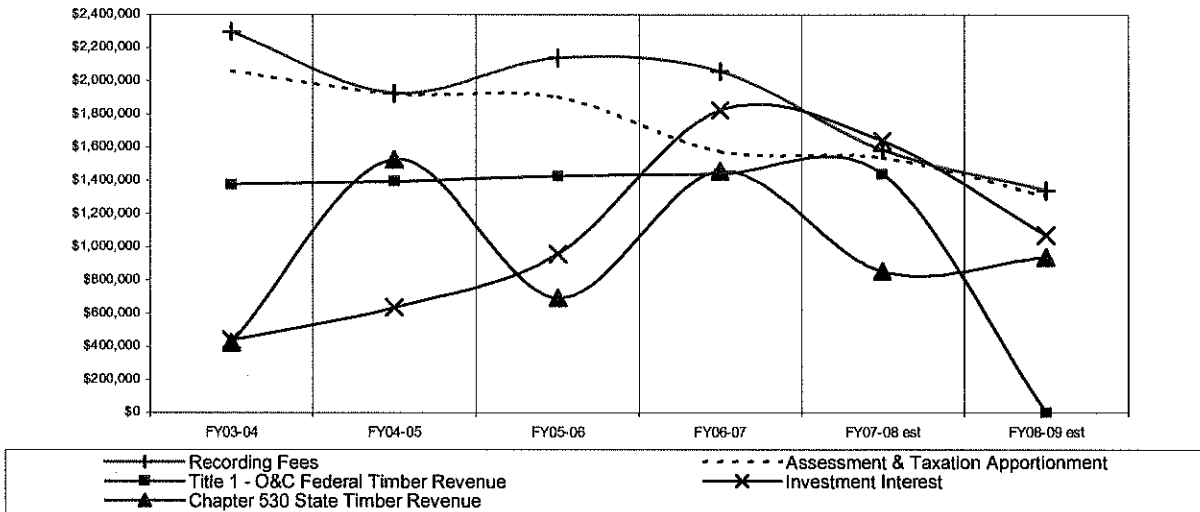
We will not be selling **Tax Revenue Anticipation Notes or TRANS** this year as we have in prior years. With low interest rates and a lack of arbitrage resources, there is no financial incentive to sell TRANS next year. Instead, we will borrow from the Environmental Services Fund to meet cash flow needs.

The elimination of the federal **Secure Rural Schools and Community Self-Determination Act** creates a major reduction in countywide revenues of \$5.9 million. The elimination of these federal revenues means a loss of \$2.5 million for county roads, \$1.4 million for the General Fund, approximately \$1.2 million for Title II and III grants and \$800,000 for County Schools.

The annual increase in **property taxes** will nearly offset the revenue reductions in the upcoming year. Growth will continue to be no less than 3%, as long as the margin between market value and assessed value exists. The Council of Economic Advisors forecasts a 4.75% growth rate, or \$2.4 million in 2008-09. Although the property tax revenues are increasing, they are doing so at a lower rate than in prior years. As depicted in the following charts, the property tax growth rate and all the major sources of General Fund revenue are trending down.

Property Tax Revenue Increases			
FY2005-06	FY2006-07	FY2007-08	FY2008-09
6.68%	5.23%	4.47%	4.75%

### GENERAL FUND Major Revenues FY 03/04- 08/09



### Major Changes in Expenses

Expenditures are the items that Marion County can most influence through policy and appropriation decisions.

**Personnel expenditures** are the most significant cost of the General Fund and most other operating funds. They are also the most difficult to project. Regular savings in the personnel services category result from vacant positions during the year, turnover of employees to lower steps on the salary scale and compensation credits taken as time off instead of salary. With tighter budgeting controls put in place over the last several years, the actual annual savings in the personnel budget for the general fund has been reduced from 5.5% in FY 2001-02 to 2.7% in FY 2006-07. There will probably continue to be natural savings in personnel costs, but the expectation is that those savings contribute less each year to the net working capital that the county has been able to rely on in the General Fund.

Personnel costs are budgeted to increase 6.9% in FY 2008-09 or \$7.5 million in total funds and 5.3% or \$2.2 million in the General Fund. This is the net effect of: increases in salaries due to COLA and merit pay, increases in FTE, increases in health and dental premiums, related taxes and other benefit increases.

Tighter budget controls in **materials and services** have resulted in savings reductions. As with personnel services, the reduction in savings also results in a smaller contribution to the net working capital for the General Fund. The cost of materials and services in FY 2008-09 is projected to increase \$452,422 in the General Fund and \$793,992 in total funds.

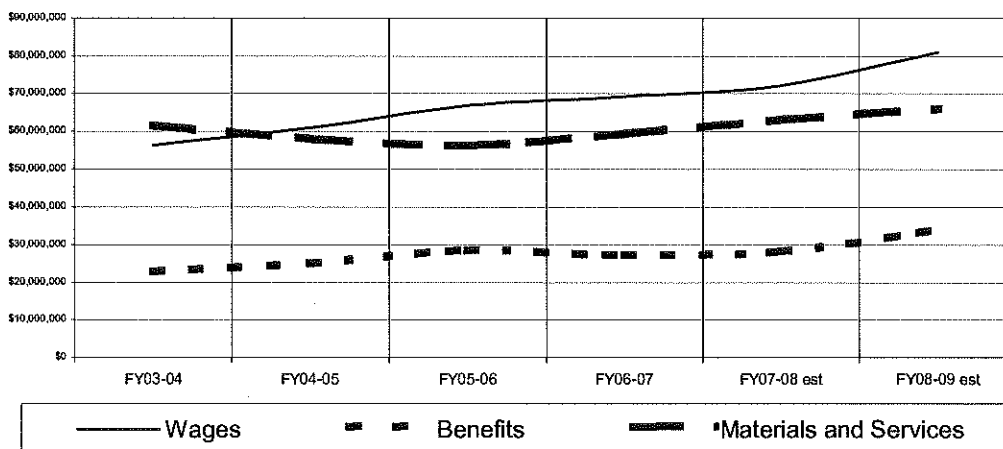
Costs to the Road Fund have seen an even steeper rise. The cost of contracted road overlays has risen 95% since 2002, from \$30.79 per ton of asphalt to an estimated \$60 per ton in 2008. Marion County has 1,123 miles of roads, of which 929 miles are paved. Overlays cost approximately \$100,000 per mile. However, construction or reconstruction can cost as much as \$500,000 to \$1 million per mile depending on the terrain.

The cost to provide medical services, food and housing for inmates in the Marion County Jail have increased 16% from \$81 per day in 2006-07 to \$94 per day in 2008-09. Costs at the Juvenile Detention facility have increased 13% from \$140 per bed in FY 2006-07 to \$158 in FY 2008-09. The cost of fuel for Sheriff's cars has increased by 24% since FY 2006-07 and is budgeted at \$445,853 for FY 2008-09. In order to save on fuel and maintenance costs and to follow fleet policy, the Sheriff has reduced his fleet by 24 cars.

Our major facilities such as the jail, work center, health building and courthouse are aging and the cost of maintenance and utilities continues to increase. The total cost of utilities in FY 2003-04 was \$1.3 million, \$1.8 million in FY 2006-07 and we are budgeting \$2.0 million for utility expenses in FY 2008-09.

A large unknown for future budgets is the impact of Measures 40 and 41. Each of these ballot measures will increase public safety costs in unpredictable ways. They both create mandatory minimum prison sentences for certain theft, identity theft, forgery, drug and burglary crimes.

**MAJOR EXPENDITURE CATEGORIES  
FY 03/04 - 08/09**



Marion County also faces the increased costs for financial management. The Government Accounting Standards Board, which sets standards for government financial

reporting, is now requiring expensive actuarial studies of our “Other Post Employment Benefits” (OPEB). These liabilities will then be reported on our financial statements. Also, in order to meet new accounting and auditing standards we will have to set up additional controls in each of our departments or we will risk audit exceptions in the annual audit beginning with FY 2008-09.

### **Strategic Directions**

Working with department heads, the Board of Commissioners has established a strategic plan with seven goals. The strategic plan provides direction that addresses the challenges and opportunities that come with the continual growth and diversity of Marion County’s population. The goals strive to:

- Ensure an efficient, effective and responsive county government.
- Sustain an organization that focuses resources on smart and healthy growth.
- Protect the people, property and economy of Marion County.
- Promote economic and workforce development opportunities for Marion County residents, businesses and local communities.
- Provide a safe, efficient and reliable transportation system.
- Improve the delivery of quality and cost-efficient health and community services.
- Plan for a comprehensive emergency management program for all types of natural and man-made disasters.

The focus next year is to provide quality services to our customers and to improve operational efficiencies.

**Customer Service** – The Board of Commissioners adopted the Customer Service policy in January 2007. To assure success of the program, training is an integral part for all employees and will provide a structure and foundation for making customer service a high priority and ensure consistency in service delivery across all county departments. The budget sets aside \$100,000 for the Customer Service Initiative.

**Operational Efficiencies** – Better financial information at the county level helps management make and implement informed decisions regarding the “business” of the county as a whole. The Marion County Business Enterprise Enhancement (MCBEE) project was established to fully leverage its Oracle Enterprise Resource Planning (ERP) System for standardizing business processes across the county. MCBEE will directly align the county’s ERP technology with the organization’s vision and business strategies. The budget sets aside \$520,000 for MCBEE. The project will:

- Improve operational efficiencies;
- Enhance both financial analysis and effective decision-making;
- Increase employees’ knowledge and skills;
- Improve stewardship of county’s assets; and
- Provide better service to the customer.

**Accountability** – Marion County is also working to increase productivity, efficiency, responsiveness and quality through an intensive analysis of county job functions and organizational structure with the use of Management Analysts in our MCBEE project. In 2007-08, we established a program for management audits of county departments. The audits of the Sheriff's and the Clerk's offices provided recommendations for significant operational improvements. We recommend setting aside \$275,000 in funding for a comprehensive review of the Department of Public Works and another county department.

### **New Department Heads**

In 2007-08, we appointed four new department heads— Russ Isham as Sheriff, Bill Worcester to direct Public Works, Grisha Alpernas as IT director and Alison Kelly as Children and Families director. With these appointments, we are already bringing new ideas and perspectives as well as an enterprise approach to the efficient management of Marion County.

### **New Policies**

During this past year, the Board of Commissioners adopted four new financial administration policies that:

1. Require the maintenance of a prudent level of resources to ensure the future financial stability of the county. This policy requires a contingency of no less than 1% of adjusted general fund resources in the adopted budget; an unappropriated ending fund balance of not less than 8% of adjusted general fund resources; and a rainy day fund of no less than 5% of adjusted general fund resources.
2. Provide a method for maintaining a sound and workable capital improvement project plan (CIP). This plan is to be an ongoing plan that extends out over five years and provides an efficient mechanism for managing our capital improvements.
3. Manage changes in the number of personnel positions in departments. The policy requires that all positions must be approved through the budget process.
4. Limit the use of the General Fund to backfill reduced or eliminated federal, state or other grant funds. Any department requesting a backfill with the General Fund must submit a decision package with the budget request for Budget Committee deliberation.

### **New Funds**

The new **Facility Renovation Fund** was created to manage major facility renovation projects. During fiscal year 2008-09 the Courthouse and Work Release Center Renovation Project will incorporate two major facility renovations into one Energy Saving Performance Contract (ESPC). An energy services company (ESCO) will complete an energy audit of the two facilities and will be responsible for analysis and

identification of cost effective projects, design, construction and management. The project is to replace roofs, mechanical systems, windows and lighting fixtures at the Courthouse and the Work Release Center to achieve energy efficiencies. Cost savings are anticipated through the use of energy credits and incentives and by obtaining low interest financing through the Oregon Department of Energy.

The Facility Renovation Fund total FY08-09 requested budget is \$7,525,258, which includes funds carried forward from last year's budget and up to \$6.4 million in loan proceeds from the Oregon Department of Energy.

The **Health Building Reserve Fund** is established with a \$1 million "transfer in" from the Health Department to be used for planning and construction of a new Health Department facility. The fund is restricted for the facility or Health Department services.

The **Health Integrated Delivery System Reserve Fund** is created using \$4 million in prior years Oregon Health Plan/Mid-Valley Behavioral Care Network "capitated" revenues. The fund is restricted to pay for outpatient mental health services to eligible clients. The fund will be used to cover future shortfalls in revenues for managed care OHP/Medicaid outpatient mental health services, infrastructure and the oversight necessary for delivery of these services.

### Budget Issues and Decisions – 2008-09

The proposed budget for FY 2008-09 maintains most services (except in the Road Fund, Building Inspection and Planning). The fiscal year 2008-2009 proposed budget totals \$331,223,250. This is a \$22,821,831 increase over the current year budget due mainly to inter-fund transfers and the establishment of three new funds. The budget includes a General Fund of \$77,472,816 and a total of \$253,750,434 for all other funds.

### Budget Officer

#### 2008-09 Proposed Budget

	2007-08*	2008-09	%
	Budget	Proposed	Change
<b>General Fund</b>			
One-time Transfers		504,000	
Revenues	\$66,186,099	\$65,757,270	-.65%
Net Working Capital	10,577,240	11,211,546	5.99%
<b>Total GF Resources</b>	<b>\$76,763,339</b>	<b>\$77,472,816</b>	<b>.92%</b>
<b>All Funds</b>			
Revenues	\$233,411,202	\$247,717,182	6.13%
Net Working Capital	74,990,217	83,506,068	11.36%
<b>Total Funds Resources</b>	<b>\$308,401,419</b>	<b>\$331,223,250</b>	<b>7.40%</b>

\*Includes 2<sup>nd</sup> supplemental

**2008-09 Proposed Budget  
Reserves and Contingencies**

<b>Rainy Day Fund Unappropriated Reserves</b>	<b>\$4,025,000</b>
<b>General Fund Contingency</b>	<b>657,573</b>
<b>General Fund Unappropriated Balance</b>	<b><u>5,270,692</u></b>
<b>Total</b>	<b>\$9,953,265</b>
<b>Percent of General Fund Revenues</b>	<b>15.14%</b>

**Maintaining County Services**

**Public Safety**

Marion County continues its efforts to protect our citizens and their property by supporting public safety as its highest priority use for the General Fund. This proposed budget will maintain 75% of the General Fund operating budget for public safety departments.

The **Sheriff's Office** budget totals \$52,330,206 and comprises 16% of the total county budget; with \$33,171,407 allocated from the General Fund for the jail, work center and enforcement. The remainder of the budget is comprised of \$14.5 million from the Community Corrections fund, \$1.7 million from the Traffic Team, \$3 million in grants, and maintains current services including patrols in the canyon. It converts one temporary nurse for the jail to one regular FTE and adds a School Resource Officer under contract to the North Marion School District.

The **District Attorney's** total budget is \$10,314,826 of which \$7,513,625 comes from the General Fund. The proposed budget maintains the current services, adds a legal secretary to Support Enforcement, but does not recommend decision packages for additional General Fund staff of 2.0 FTE for the Medical Examiner's Office.

The **Juvenile Department** has a total budget of \$13,246,180 with 75% or \$10 million coming from the General Fund. The remaining funding of \$3.3 million is from grants. No decision packages were approved

The **Justice Courts** receive \$836,470 from the General Fund. Human Resources conducted an analysis of staffing in the East Marion Justice Court and an office manager position was added during the second supplemental to supervise the Stayton and Lancaster offices. Position classification assessments are continuing through the end of the current fiscal year.

**Transportation and Natural Resources**

The **Public Works Department** budget is \$89,133,370 or 27% of the total county budget. More than one-half of Public Works' budget is comprised of the Environmental Services Fund and one-third goes to the Road Fund. The remainder of the budget is



made up of Dog Control, \$1.3 million; \$3 million for the Surveyor; \$1.5 million for Land Use Planning; and \$3.3 for Building Inspection. In addition, the appropriation for Parks is \$386,512 and the appropriation for the Marion County Fair is \$342,916.

Public Works has been hit the hardest with reduced revenues. With a loss of \$2.5 million from timber receipts to fund road operations, road repair will be slowly reduced over the next five years and the department will have to reduce the number of employees by 30.

The Dog Shelter is the only General Fund program where I recommend adding new positions. Existing staff resources are just not enough to cover the daily workload and care for the animals seven days a week. Included in the request are 1.0 FTE for managing the office and 1.0 FTE for a shelter technician. The budget officer approved general fund decision package totals \$101,714.

The solid waste function in Public Works continues to grow and this budget adds 2.0 FTE—a waste reduction coordinator and a solid waste crew leader.

Parks will receive \$10,000 in Lottery Funds to dig a fresh water well at Spongs Landing Park for park visitors.

This budget continues the implementation of county fleet consolidation in Public Works. The fleet management program will receive \$1 million from the General Fund to help defray startup costs by paying 90% of the lease assessment on General Fund departments. All departments are participating in the program by leasing the vehicles assigned to the specific department. The two main goals for next year are to: 1) determine the appropriate size of the fleet; and 2) replace as many old, difficult to maintain vehicles as possible. We have already eliminated 30 vehicles from the fleet and plan to replace as many as 25 in FY 2008-09. With the vehicle lease program, county departments now will be paying for the total cost of ownership of their fleet over time.

### **Health and Human Services**

The **Health Department** budget comprises 17% of the total county budget and totals \$56,461,960, including a \$3.8 million transfer from General Fund. Primarily funded through state and federal funds, the Health Department budget continues current services to the mentally ill, developmentally disabled and drug addicted adults and children, services to treat communicable diseases and other public health programs.

The **Department of Children and Families'** budget is \$3,131,980 and includes a General Fund transfer of \$206,203.

**OSU Extension** maintains its existing funding level of \$367,187 to support extension programs and services.

### **General Government**

The budget for the **Assessor's Office** is \$6.1 million General Fund and the Assessor has reduced his staff by one FTE. The Assessor continues to streamline his processes and reduce his costs.

The total budget for the **County Clerk** is \$2.9 million. The proposed budget adds \$125,000 for the Presidential Election; but does not fund a request for an additional FTE.

The **Treasurer's** budget continues its current service level.

### **Central Services**

**Legal Counsel** continues with a current service level, including a temporary hearings officer approved last year. The budgets of the **Board of Commissioners, Business Services and Information Technology** continue at a current service levels while the **Finance Department** receives an additional 1.0 FTE for the MCBEE project.

### **Capital Improvement Projects**

The budget provides \$418,500 in General Fund for a variety of repairs to vital infrastructure including roofs at the Health Department, the Aumsville campus jail and the Juvenile Department. We are also recommending \$2,063,090 in Other Fund CIP's of which \$1,695,000 is for road and bridge projects at Public Works. The remainder is for a variety of small projects.

### **Fund Transfers**

The **Law Library Fund** will help pay for its share of the energy upgrades to the courthouse using net working capital that has accumulated over the years. In addition, \$668,000 of interest and reserves will be transferred from the **Self Insurance Fund** to the General Fund and Capital Improvement Fund.

In addition to continuing support of \$324,000 for planning services and \$552,000 for Oregon Garden bonds, I propose that three existing county projects receive support from the **Lottery Distribution Fund** in FY 08-09. Transfers out include \$10,000 for a well project in Spong's Landing park, \$80,000 to the Marion County Fair, and \$104,000 to General Fund Non-Departmental for the annual federal lobbying contract with an emphasis on economic development.

### **Budget Document**

Once again, Richard Minaker, with Jerry Woelke's assistance in the CIP process, has made tremendous improvements to the budget document as well as the budgeting process. The individual department budgets have been grouped together by service sector and by department, program, and fund. Additional schedules, spreadsheets, and detailed documentation are also provided to ensure a comprehensive review of the entire budget. Each director will present their mission and department description, total funds resources and requirements summary. Policy issues and program trends will be discussed along with funding trends.

Since FY 2004-05, our budgets have contained several recurring themes: transparency, sustainability, reduction of liabilities and debt, use of one-time money for one-time expenditures, and the maintenance of adequate reserves. Our proposed budget continues those themes.

**In Closing**

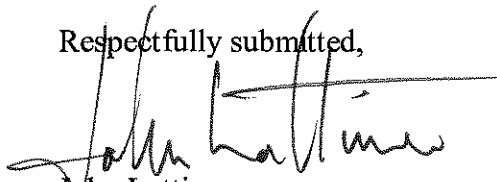
I would like to reiterate my recommendation that we establish a special Marion County Finance and Budget Task Force. The task force would be composed of experts from our Council of Economic Advisors, the Budget Committee, the community, and representatives of county departments. Once again, their task would be to thoroughly analyze revenues and expenditures and make recommendations that structure the General Fund at a sustainable level.

Our employees are the most direct link with citizens and the community at large and have a stake in our financial future. They are both the means of service delivery and the source of many service improvements and innovations. I would like to specifically thank those Marion County employees who assisted the communities of Detroit and Idanha during the record snowfall this past winter. Those employees proved that “customer service” is not an empty phrase.

While budget proposals are the responsibility of the budget officer, it would not have been possible without the able assistance of our Budget Team — Jan Fritz, Jeff White, Rich Minaker, and Jerry Woelke. I would also like to thank other members of the Finance Department staff for supporting the budget preparation. In addition, the budget staff in each department provided many hours of assistance in putting this budget together. Thanks to Hitesh Parekh and other members of the Board staff.

Finally, I would like to thank the Board of Commissioners and the Budget Committee for maintaining high standards of fiscal responsibility and a commitment to serve the citizens of Marion County in a fiscally prudent manner that protects, promotes and enhances a positive quality of life.

Respectfully submitted,



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