



BOARD OF COMMISSIONERS

1300 NW Wall Street, Bend, Oregon

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FOR RECORDING STAMP ONLY

DESCHUTES COUNTY BUDGET COMMITTEE MEETING

Monday, May 12, 2025

The Budget Committee meetings were held in the Barnes Sawyer room at 1300 NW Wall Street in Bend and were livestreamed on YouTube and through the virtual meeting platform Zoom. Audio and video recordings may be accessed at www.deschutes.org/meetings.

Present were Budget Committee members Krisanna Clark-Endicott, Jim Fister and Judy Trego, and Commissioners Patti Adair, Phil Chang and Tony DeBone. Also present were County Administrator Nick Lelack, Deputy County Administrators Whitney Hale and Erik Kropp, Chief Financial Officer Robert Tintle, Budget and Financial Planning Manager Cam Sparks, Senior Budget and Financial Planning Analyst Dan Kieffer, Management Analyst Laura Skundrick, and BOCC Executive Assistant Brenda Fritsvold.

Determination of Budget Committee Chair:

As Chair of the Board of County Commissioners, Commissioner DeBone called for nominations for Chair of the Budget Committee for 2025.

ACTION: Chang nominated Fister to serve as Chair. Trego seconded the nomination. There being no other nominations, a vote was taken to appoint Fister as Chair, which carried 4 – 1 – 0 (Fister having abstained and Clark-Endicott not yet having arrived).

Call to Order: Chair Fister called the meeting to order at 8:32 am.

Representative to the Investment Advisory Committee:

County Treasurer Bill Kuhn said earlier this year, the Board of County Commissioners appointed Commissioner Adair to serve on the Investment Advisory Committee. He asked

that the Budget Committee ratify this appointment.

ACTION: Trego moved to ratify the appointment of Commissioner Adair to the Investment Advisory Committee. Chang seconded the motion, which carried 5 – 0.

Honoring Larry Kimmel:

Commissioner DeBone acknowledged Larry Kimmel, who served on the County's Budget Committee from 1994 to 2007 and recently passed away.

Commissioner DeBone added that the FY 2026 Budget will be the County's 110th.

Public Comment:

- Daryl Parrish, Chair of the Audit Committee, spoke to the mid-year staff reduction made in the Internal Audit division from 2.0 FTE to 1.5 FTE. Saying this division functions at a much higher level when staffed with 2.0 FTE, he asked that the Budget Committee consider returning it to its previous staffing level as soon as financially possible.

In response to Trego, Commissioner Chang noted the projected structural imbalance between revenues and expenditures and said the 0.5 FTE Performance Auditor position has been filled. Commissioner Adair said since 2019, the County has added more than 200 employees although its population has not increased proportionately.

- Nunzie Gould submitted written comments requesting that the Code Enforcement division be reliably funded with a stable source rather than having its resources tied to permitting revenues, which fluctuate. Gould said it is important that the County enforce its Code regulations fairly and not willfully ignore certain types of violations.

Budget Committee Member Clark-Endicott arrived at 8:49 am.

Introduction: FY 2026 Proposed Budget

Nick Lelack, County Administrator, spoke to recent significant changes relating to fiscal conditions, financial forecasts, and federal policies which impact the County's budget. Saying that the proposed budget continues to fund high quality services for the County's growing community in a fiscally responsible manner and also charts a path forward toward long-term financial sustainability, he explained that the rate of revenue growth has slowed in recent years at the same time that inflation has significantly increased certain costs. While the County implemented a series of strategies which included assessing the maximum property tax levy rates for both the General Fund and the Sheriff's Office, the long-term financial forecast continued to show a structural imbalance in the General Fund as soon as 2027. Lelack explained that this structural imbalance came about as the County's General Fund expenditures increased on average by nine percent per year over the past few years while revenues increased by only five percent annually.

In view of the expected revenue shortfall, the County implemented a new budget initiative for fiscal year 2026 with a goal of resetting its expenditure growth trajectory and achieving long-term structural balance. It's hoped that the measures taken—which include eliminating \$2.5 million in expenditures from the General Fund in FY2026 and approximately \$800,000 in Internal Service Fund expenses—will reduce the magnitude of financial and service impacts in fiscal year 2026 and beyond. Saying that the proposed FY2026 budget is based on a strategic framework which limits the growth rate, prioritizes savings, and maintains funding for capital reserves while ensuring that vital programs and services remain intact, Lelack explained that some cost savings have been achieved by suspending projects, outsourcing programs and services, and leaving vacant positions open or, in some departments, cutting positions altogether.

Lelack said the total proposed fiscal year 2026 budget for all funds is \$766.4 million which is a 0.74% increase from the current fiscal year. Although the proposed budget places the General Fund in structural balance between revenues and expenditures, Lelack noted the challenge of having sufficient funds on hand for future capital projects and said it is very important to save for these because the County continues to grow, and meeting increased service demands will necessitate adding more staff. Adding that addressing these challenges will likely necessitate difficult choices in the future, Lelack reviewed a list of critical services and programs provided to constituents as well as initiatives undertaken by the County to address needs in various service areas.

Lelack concluded that the County will continue to collaborate, coordinate and partner with other agencies and organizations to achieve shared goals for the benefit of the community,

Proposed FY2026 Budget Overview

Commissioner DeBone said while he acknowledged the present-day effects of rising labor costs and high inflation, the reference to supply shortages on page 39 of the draft budget document appears to be outdated. Cam Sparks, Budget & Financial Planning Manager, agreed and said this reference will be removed in the final budget before it is published. Commissioner Chang expected more supply shortages in the future as a result of tariffs levied on construction materials imported from Canada.

Noting the budget document refers to the number of total visits made to the Stabilization Center, Commissioner Adair asked for information on how many individual persons are utilizing the Center's services. She also asked to know if the planned adult residential facility in Redmond will only treat persons who have mental illness, or also persons with active addictions.

Commissioner Chang said one of the functions of the Stabilization Center is to refer people to other resources as appropriate and available.

Fister complimented the County on recognizing and working to proactively address the forecasted structural imbalance of the budget.

Chief Financial Officer Robert Tintle described the difference between a balanced budget and one that is structurally balanced, saying the latter is developed to be financially sustainable over time into future years and does not use one-time resources for ongoing expenditures. Tintle said developing and adhering to a structurally balanced budget safeguards against potential fiscal shortfalls, mitigates the risks associated with economic fluctuations, and upholds the public trust with respect to how revenues are managed.

Tintle added that basing the FY2026 draft budget on limited growth strategies required identifying focused savings through careful analysis and employing strategic prioritization to align the County's resources with its most pressing needs.

Commissioner Chang inquired about the County's service levels in light of its growing population and whether the growth in the total assessed value of all properties correlates with the population growth.

Fister stressed the need to remain operationally efficient and said this can require streamlining for scale. Noting that Commissioner Chang's questions will be addressed by the Assessor and others over the next few days, Lelack said some departments are able to generally maintain staffing levels over decades despite population growth whereas others simply cannot.

Cam Sparks, Budget & Financial Planning Manager, reminded that due to his service on the Board of the Sunriver Service District, Fister will not be able to vote on the SSD budget as a member of the County Budget Committee in accordance with ORS regulations. Fister noted that he has abstained from voting on the SSD Budget as a Deschutes County Budget Committee member in previous years.

In response to Commissioner Adair, Sparks explained that the Administrative fund and the BOCC funds were consolidated into one fund. Deputy County Administrator Whitney Hale added that IT analyzed how it was charging for internal services and changed the model to consider the number of computers, printers and users in each division as a basis for its internal charges.

In response to Fister, Hale said other departments which charge for internal services base those charges on departmental budgets or other factors.

Commissioner Adair referred to IT's performance measures and noted that some of these fall short of determined goals.

Fiscal Entities

Budget & Financial Planning Manager Cam Sparks provided information on the General Fund, Capital Reserve Fund and TRT Fund as well as the PERS Reserve account and ARPA dollars. Noting the aim to build back the General Fund's emergency reserve over time, she listed both short-term and long-term fiscal issues impacting the General Fund—the latter

include future PERS cost increases, capital and maintenance needs, and the uncertainty of continued federal funding to various programs.

Sparks reviewed the General Fund forecast out to FY 2035, stressing that prudent financial planning has placed the County in a strong position to plan for future fiscal years, and described current challenges, including the recent development that the General Fund no longer has unallocated resources to contribute to capital reserves. She further reviewed the current status of the Transient Room Tax (TRT) Fund and explained how TRT revenues are distributed to Visit Central Oregon, County operations, and the Fair & Expo, noting that the Finance Department will propose implementing a TRT certificate of authority fee to offset administrative expenses, thereby freeing up \$200,000 to \$400,000 of discretionary TRT funds each year.

Sparks explained that the County's Capital Reserve Fund, which is used for capital investments, is funded by TRT surplus revenues. In FY2026, approximately \$683,000 will be transferred from the Capital Reserve Fund to the Capital Maintenance Fund to cover general maintenance needs of some County facilities.

Responding to Trego, Chang said the City of Bend is lobbying aggressively for TRT reform to achieve changes in how those funds can be used.

Commissioner Adair pointed out that the Courthouse expansion project is now expected to cost \$46.8 million, \$2.9 million more than the \$43.9 estimate shown in the preliminary budget materials.

Sparks briefly reviewed the current and projected statuses of the PERS Reserve Fund and the ARPA Fund.

A break was announced at 10:23 am. The meeting resumed at 10:28 am.

Finance Department

Chief Financial Officer Robert Tintle presented the proposed FY2026 budget for the Finance Department, narrating an overview of the department's mission, divisions, staffing and general responsibilities. He referred to accomplishments from FY2025, including awards and the transition to offering pet licenses online. Tintle summarized budget details and listed short- and long-term fiscal issues as well as current challenges and future initiatives.

In response to Fister, Tintle explained that amounts incurred for TML cash-outs vary by year depending on how many staff avail themselves of the opportunity to cash out a limited amount of TML per policy. Variances also occur depending on who retires and cashes out TML at the time of separating from employment.

Board of Commissioners and County Administration

Deputy County Administrator Whitney Hale presented the proposed FY2026 budget for the Board of Commissioners and County Administration, narrating an overview of staffing and

general responsibilities. She listed accomplishments from FY2025, including for the Internal Audit division, summarized budget details, and noted future initiatives, including the implementation of outcomes from the Salary, Market, and Equity Review project.

Deputy County Administrator Erik Kropp provided an update on the Coordinated Houseless Response Office (CHRO), which is transitioning from County oversight to management by the Central Oregon Intergovernmental Council (COIC).

Continuing, Hale reviewed the BOCC and Administrative Services budgets, noting that because the Elected Officials Compensation Committee recommended that Commissioner salaries be reduced in FY2026, a portion of the amount allocated to those has been transferred to contingency.

Hale then listed reductions made in the Administration budget to align with available revenues—these included drastically reducing advertising and marketing, utilizing available salaried staff for A/V needs (instead of paying for on-call services as needed), and reducing the Performance Auditor position from 1.0 FTE to half-time.

Legal Counsel

Dave Doyle, County Counsel, presented the proposed FY2026 budget for the Legal Department, narrating an overview of the department's mission and staffing. Doyle summarized budget details and listed current challenges, including extended litigation associated with a new landfill site.

In response to Commissioner DeBone, Doyle confirmed that DCSO is compensating the County sufficiently for legal counsel now that the Sheriff's Office is no longer contracting with outside attorneys for those services.

Risk Management

Deputy County Administrator Erik Kropp provided an overview of the County's insurance programs and related policies, noting one of several challenges relates to workers comp PTSD claims.

Cannabis Advisory Panel

Deputy County Administrator Erik Kropp reminded that the County's Cannabis Advisory Panel (CAP) develops recommendations regarding how Deschutes County should spend its annual marijuana tax revenue. The County expects to receive \$197,000 in marijuana tax revenue for FY2026. After hearing proposals, the CAP deliberated and determined recommended budget allocations, as follows:

1. \$26,000 to Community Justice for substance use prevention and treatment services for justice-involved youth and their families;
2. \$20,000 to the Community Development Department's Code Enforcement division to address Code complaints involving illegal marijuana land use activities;

3. \$56,000 to Health Services to continue paid media advertising focused on supporting parents and guardians in the County to talk with their kids about marijuana and other drugs;
4. \$95,000 to the Sheriff's Office to continue the funding support of a marijuana detective.

Commissioner Adair commented that the retail price of marijuana continues to drop, and illegal marijuana is still available for purchase.

Commissioner Chang suggested approaching the City of Bend to ask if it would consider allocating some of its marijuana tax revenues to the County's efforts to target justice substance treatment and prevention. County Administrator Nick Lelack reported that Bend's cannabis funding is used for public safety as well as street maintenance.

ACTION: Trego moved approval of the recommendations from the Cannabis Advisory Panel for how to allocate the County's FY2026 marijuana tax revenues. Chang seconded the motion, which carried 6 – 0.

In response to Commissioner Adair, Kropp said if the revenues received fall short of projections, staff would return to the Board to seek direction on modifying the allocations.

Property Management

Property Manager Kristie Bollinger presented the proposed FY2026 budget for Property Management, narrating an overview of the department's mission, responsibilities, and accomplishments from FY2025, including multiple property sales. She summarized budget details and listed short- and long-term fiscal issues—including costs associated with supporting encampments and cleaning up cleared property—as well as current challenges and future initiatives.

Bollinger said \$300,000 has been budgeted to clean up County-owned land in Redmond, including the property which is proposed for the land transfer with DSL. Another \$80,000 is budgeted for operations of the planned managed camp in coordination with the City of Redmond. The TSSA is projected to cost a total of \$527,000, of which the City of Bend will reimburse about \$100,000. She shared that for the first time, the County's budget appropriates General Funds for fuels reduction work.

Responding to Trego, Bollinger said the County was using the building at 67 Greenwood for storage at one time, but not in recent history.

A lunch recess was announced at 12:03 pm. The meeting reconvened at 12:33 pm.

AM Follow-Ups

Sparks shared requested information from Health Services on the number of persons who utilized the Stabilization Center in 2024, reporting this was 741 unique clients and adding that each visit can take up to two or three hours.

Kropp reported that the County's policy for cybersecurity insurance coverage in the current fiscal year cost \$35,700, noting this involves a \$250,000 self-insured deductible before claims are covered up to \$1,000,000.

Veterans' Services

Deputy County Administrator Erik Kropp, presenting on behalf of Veterans Services Manager Sean Kirk, introduced the proposed FY2026 budget for the Veterans Services department, narrating an overview of the department's vision and mission, strategic goals, and responsibilities. Accomplishments from FY2025 include maintaining a ten-day or less waiting period for services and conducting 2,463 appointments with veterans and their family members. Kropp summarized budget details and listed operational challenges, including attending outreach events and extending services to other areas of the county.

Facilities

Lee Randall, Facilities Director, reviewed the department's organizational chart, noting that an Operations Manager was added over the past year. He listed FY2025 accomplishments for the operations and maintenance division as well as the capital improvements division and shared upcoming milestones for the Courthouse expansion project.

Commissioner DeBone asked about the development of a Construction Management Manual in response to advice from the Internal Auditor. Eric Nielsen, Capital Improvement Manager, said staff used IDD's project management manual as a jumping-off point for developing this, but had to customize it for public projects. Staff did not find any examples of such a manual developed by any other public entity.

Continuing, Randall listed short- and long-term fiscal issues—including increased demand for service and maintenance—as well as current challenges such as aging facilities, which result in more work orders. He described upcoming key capital maintenance projects such as LED lighting upgrades and HVAC equipment replacements.

Commissioner Adair asked about the underutilization of the 244 Kingwood building in Redmond. Randall said the County is generally in a space deficit and does not have vacant/surplus space as many other local government entities do.

Randall next reviewed key capital improvement projects, including the remodel of the District Attorney's Office and planning for the Bend downtown campus.

In response to Trego, Randall shared actions taken to reduce HVAC costs in buildings while not occupied (such as overnight).

Responding to Commissioner Adair, Randall said Facilities, Property Management and Administration assess proposals to lease or buy property before taking those to the BOCC for its consideration.

Commissioner Adair asked how the County mitigates for wildfire smoke in buildings. Randall said staff first closes all of the outdoor air dampers and next deploys indoor air filters. A third step is to utilize an air scrubber.

Human Resources

Interim Human Resources Director Whitney Hale presented the proposed FY2026 budget for HR, narrating an overview of the department's mission, responsibilities, and accomplishments from FY2025, including offering updated "Respectful Workplace" training in partnership with departments. She summarized budget details and listed short- and long-term fiscal issues as well as current challenges such as managing Paid Leave Oregon and integrating this with the County's leave programs.

Health Benefits Fund

Saying that the County will work to continue building up the Health Benefits Reserve fund in view of the effects of inflation, post-pandemic delayed care, and the rising cost of prescription medications, Hale said next year's draft budget presumes a 12% increase over FY2025 to cover potential claims costs.

Information Technology / IT

IT Director Tania Mahood introduced the proposed FY2026 budget for Information Technology / IT, narrating an overview of the department's mission and responsibilities. She summarized budget details and listed short- and long-term fiscal issues—including staffing needs and ensuring the ability to effectively harness needed data—as well as current challenges and future initiatives.

Zach Neemann, Information Security Manager, introduced the review of accomplishments over the last year, sharing that staff has been working with a vendor to assess the security of utilizing cloud-based storage offered by third parties.

Mahood relayed additional information on other accomplishments such as revising the hours of the service desk and producing new IT policies, including for the use of AI software.

Shad Campbell, IT Operations Manager, spoke to current challenges and fiscal issues related to Fund 305 which manages revenues and appropriations for the GIS division, explaining that the recording and surveyor fees used to fund GIS work have decreased over the past three years. Staff has proposed increasing the Clerk recording fee in FY2026 to help offset the \$334,000 cost of funding two GIS FTE.

Deschutes County 9-1-1

The Budget Committee convened as the Budget Committee for the 9-1-1 Service District.

9-1-1 Director Sara Crosswhite presented the proposed FY2026 budget for the 9-1-1 District, narrating an overview of the department's mission and organizational structure

and saying that the department currently has five openings, four of which are dispatch positions. She anticipated three lateral transfers to be finalized in the fall.

Crosswhite then reviewed accomplishments from FY2025, including the relocation and expansion of the 9-1-1 back-up center in Redmond. She summarized budget details and listed short- and long-term fiscal issues as well as current challenges and future initiatives, including monitoring the experiences of other 9-1-1 centers as they utilize AI to answer non-emergency calls.

Crosswhite referred to a five-year forecast of levy rate projections for Fund 705, noting the maximum levy rate is expected to be reached in 2028.

The public hearing on the 9-1-1 Service District FY2026 budget was opened at 2:57 pm. There being no one who wished to speak, the public hearing was closed at 2:57 pm.

The Budget Committee reconvened as the Deschutes County Budget Committee.

A break was announced at 2:59 pm. The meeting resumed at 3:04 pm.

Sheriff's Office

Sheriff Kent van der Kamp presented the proposed FY2026 budget for the Sheriff's Office, narrating an overview of the department's mission, responsibilities, and accomplishments, the latter of which include the relaunching of an online reporting system for community members to submit non-emergency reports.

Jessica Vanderpool, DCSO Management Analyst, summarized FY2026 budget details, including five-year forecasts for Funds 701 and 702.

DCSO Undersheriff Aaron Wells reviewed the anticipated short- and long-term fiscal issues—such as the need to upgrade technology as systems age— as well as current challenges and future initiatives, the former of which include the fentanyl and methamphetamine crises and homelessness.

Captain William Bailey explained a special FY2026 budget request from the department to facilitate the replacement of the jail's computer control system which is used to control all the doors in the jail and integrates with other operational systems in the facility.

Discussion ensued regarding the number of current vacancies in the DCSO and how many positions must remain vacant to ensure needed savings.

In response to Trego, County Administrator Lelack said as of March 2025, DCSO reports 11 successful deflections and 10 unsuccessful ones, with 14 current active deflection clients. Vanderpool added that DCSO has received about \$844,000 from the State for this program.

Discussion ensued regarding possible funding sources for the operation of the Stabilization Center. Commissioner Chang commented that St. Charles has never contributed funds for that facility.

Countywide Law Enforcement District #1

The Budget Committee convened as the Budget Committee for the Countywide Law Enforcement District (District #1) and opened the public hearing at 3:50 pm. There being no one who wished to speak, the public hearing was closed at 3:50 pm.

Rural Law Enforcement District #2

The Budget Committee convened as the Budget Committee for the Rural Law Enforcement District (District #2) and opened the public hearing at 3:50 pm. There being no one who wished to speak, the public hearing was closed at 3:50 pm.

Responding to Commissioner Chang, van der Kamp confirmed that Fund 256 is the only place where funds are being built up for the future Public Safety Campus improvements.

The Budget Committee reconvened as the Deschutes County Budget Committee.

PM Follow-Up

Responding to a question from Commissioner Adair, Sparks said the solar panels installed at the Fair & Expo are expected to offset 108% of the energy costs of the North, South and Middle Sisters buildings.

ADJOURNMENT:

Upon no further business, Chair Fister adjourned the Budget Committee meeting at 4:04 pm, to be continued at 8:30 am on Tuesday, May 13, 2025.

DATED this 23rd day of July 2025 for the Deschutes County Board of Commissioners.


ANTHONY DEBONE, CHAIR

ATTEST:


PATTI ADAIR, VICE CHAIR


RECORDING SECRETARY


PHIL CHANG, COMMISSIONER