



BOARD OF COMMISSIONERS

1300 NW Wall Street, Bend, Oregon

(541) 388-6570

FOR RECORDING STAMP ONLY

DESCHUTES COUNTY BUDGET COMMITTEE MEETING

The 2023 Budget Hearings for the week of May 22-25, 2023 were held in the Barnes Sawyer room at 1300 NW Wall Street, Bend, broadcast live stream on YouTube and through the virtual meeting platform Zoom. Audio and video recordings of the budget hearings are accessed at www.deschutes.org/meetings

Present were Budget Committee Members Bruce Barrett, Jim Fister, and Judy Trego, Commissioners Anthony DeBone, Patti Adair and Phil Chang. Also present were County Administrator Nick Lelack, Deputy County Administrators Whitney Hale and Erik Kropp, Chief Financial Officer Robert Tintle, Treasurer Bill Kuhn, Budget Manager Dan Emerson, Budget Analyst Camilla Sparks, Management Analyst Laura Skundrick, Human Resources Director Kathleen Hinman and (via Zoom) BOCC Administrative Assistant Angie Powers.

Call to Order Deschutes County Budget Meeting of Monday, May 22, 2023: Chair Barrett called the hearing to order at 8:34 a.m.

Election of Chair: Director Trego nominated Bruce Barrett as Chair of the Budget Committee.

Commissioner Adair: Second

Votes: All yes, motion carried.

Nomination of Representative to the Investment Advisory Committee: Robert Tintle clarified that the Budget Committee nominates the Investment Advisory Committee representative. Commissioner DeBone is currently the Board of Commissioners representative on the Investment Advisory Committee, and took over the role from Commissioner Chang at the start of 2023. Chair Barrett and the Budget Committee

reaffirmed Commissioner DeBone as the Investment Advisory Committee representative, no opposition voiced.

Public Comment: None received.

Deschutes County Proposed Budget: County Administrator Nick Lelack presented the budget message reviewing this week's departmental proposals for their goals and objectives. The new budget will be adopted by the Board of Commissioners on June 21, 2023 and the new budget will take effect July 1, 2023. He acknowledged the hard work of the County's Chief Financial Officer, Robert Tintle and Senior Budget Analyst, Camila Sparks, among others. He noted some timing changes for this year's Budget Week.

Mr. Lelack recognized accomplishments for the year, provided a snapshot of the budget and shared some of the major budget decisions facing the committee this week.

Mr. Lelack highlighted a number of accomplishments in the past year. He recognized a partnership with cities to create the Coordinated Houseless Response Office, and added that funding for Health Services' homeless outreach has been extended. County land donations and sales are supporting affordable housing in the region. The Bend Chamber's workforce housing efforts continue. Progress has been made towards developing a masterplan for a public safety campus. The important work towards siting a new landfill continues. Oregon Department of Energy grants were secured for Mt. Bachelor's biomass facility, along with another for Fair and Expo. C-PACE implementation has been initiated. Progress has been made towards the County's cybersecurity efforts. ARPA funds and video lottery funds have gone towards economic development, increased affordable housing, childcare and homeless services.

Mr. Lelack acknowledged a number of staffing changes to Department Directors countywide, as well as a number of additional staffing changes to support staff across departments.

He continued in providing a snapshot of the County's current financial position, with the mission "to enhance the lives of citizens by delivering quality services in a cost-effective manner." He acknowledged a number of factors affecting the budget: inflation and the increased costs of labor and materials, a significant slowing in new construction and growth coupled with rising mortgage interest rates, supply chain issues, employee retention and recruitment challenges, the looming threat of a recession and economic uncertainty, state government funding towards courthouse expansion, the debt ceiling, assessed values. Our community continues to grow and change, creating an increased need for services.

Mr. Lelack presented some budget highlights. He presented the committee with a balanced budget for FY 24. The County's proposed budget, including service districts, is \$714 million, an increase of \$23.9 million (3.4%) over the FY 23 revised budget. The County's operating budget is \$404 million, which reflects a \$5.7 million (1.4%) increase over last year. The

Sheriff's Office is opting to levy the full tax rate to support its operations, and this is included in the budget. Major decisions include whether to levy the full county permanent rate of \$1.27 per \$1,000 in assessed value (a \$0.06 increase), and decisions on how to maximize the County's ability to buy down the courthouse expansion debt.

In conclusion, Mr. Lelack extended his gratitude and appreciation to all County employees for their dedication, especially to those directly involved in preparing the budget and to the Budget Committee members as well.

Deschutes County Proposed Budget Overview: Robert Tintle reported that Deschutes County has a good strong foundation. Transient Room Tax (TRT) and the General Fund are the discretionary portions of the budget. He acknowledged economic uncertainty, and stressed the importance of maintaining the discretionary funds. Deschutes County has a positive "AA1" credit rating with a robust financial position with a healthy wealth and income profile. Mr. Tintle reported that the \$404 million operating budget only reflects a 1.4% increase over last year, and this is a positive testament to departments. He shared with attendees that one binder they received is the program high-level overview, and the second binder is the line item budget.

Although the County has a strong financial base, economic uncertainty looms. As good financial stewards, it is important to be resilient. This week, the budget will be approved and on June 21, 2023, the Board of Commissioners will officially adopt the budget. He thanked everyone for their time and commitment in preparing the FY 24 budget.

In response to a question by Commissioner Chang, Mr. Tintle said that he's unsure how many other counties in Oregon have an AA1 rating, but that it's likely a small number. The County's cash reserves, coupled with having policies and sticking to them aid the County in securing this rating. The rating is updated each time counties go out for a bond. Additionally, sporadic reviews are made.

Dan Emerson reviewed the general budget assumptions, and some of the budget decisions facing the committee this week. The County continues to feel the effects of inflation with personnel costs and COLAs. Coupled with increased PERS rates and employee step increases represent a \$9 million (6%) increase in personnel expenditures over last year. For FY 24, total personnel expenditures total \$169 million. In the area of health benefits and insurance rates, the County experienced an increase in claims. Departmental health insurance rates will need to be increased in future years. PERS rates increased much less than forecasted.

Large budget and revenue assumptions impacting the budget involve property taxes and TRT. The proposed FY 24 budget assumes the current tax rate of \$1.2183/\$1,000 in assessed value, although this week the committee will consider increasing this by \$0.06/\$1,000 in assessed value. Property tax collection rate is expected to remain fairly stable. TRT is another major revenue source, and will fund debt service for courthouse

expansion as well as funding multiple departments such as Sheriff's Office and Fair & Expo. \$12.6 million is projected in TRT revenue for FY 24.

Commissioner Chang expressed concern that the County may be budgeting for TRT too optimistically. Mr. Tintle acknowledged economic uncertainty and inconsistency with TRT. Declining year-over-year TRT revenues have been experienced, attributed to a number of factors. Projecting TRT is challenging, and can be affected by wildfire smoke and other factors outside of our control.

There will be \$1.9 million in new debt from courthouse expansion. \$40.5 million is the estimated total project cost, and the project is anticipated to begin in FY 24.

Special requests within the proposed budget were summarized by Mr. Emerson. The majority of these requests are supported long-term by departmental funding, so additional funding is not being requested. Special requests by elected officials have been left out of the proposed budget.

Mr. Emerson shared that the general fund supports internal departments and countywide operations. Capital maintenance and capital expansion has been traditionally funded by general funds. In FY 23 and into FY 24, the general fund will continue to experience inflationary effects. By FY 33, it is forecasted that the general fund would no longer be able to support itself even if the tax rate is increased to the full rate of \$1.2783/\$1,000 in assessed value. He presented an overview of some of the options to the Committee to alleviate some pressure on the general fund. A more detailed overview will take place during Tuesday's fiscal entities presentations and some of the operational presentations.

The Deschutes County Sheriff's Office (DCSO) is funded through two voter-approved law enforcement districts that levy property taxes. The County district with a maximum tax rate of \$1.25/\$1,000 supports DCSO including the jail. The rural district with a maximum tax rate of \$1.55/\$1,000 in assessed value supports unincorporated services such as patrol and investigations. To support operations and future campus expansion, *the proposed budget includes levying the full tax rate in both districts*, which is an increase in \$.020 in the countywide district and an increase of \$0.12 in the rural district. DCSO is also requesting additional TRT for ongoing operations.

Mr. Emerson thanked everyone in attendance for their hard work, and also acknowledged those working behind-the-scenes. Judy Trego expressed gratitude for the budget preview a week ahead of Budget Week. Jim Fister added that he appreciates the thoroughness of the County's FY 24 budget presentation.

Commissioner Adair acknowledged the economic uncertainty and expressed her appreciation for moving budget week prior to Memorial Day weekend. Commissioner DeBone thanked everyone for their professionalism and acknowledged the dynamic nature of the nationwide economic climate. He shared up-front that he is supportive of raising our tax rate. In response to Commissioner Adair, Mr. Emerson said that we are assuming a 96%

tax collection rate. Commissioner Chang expressed concern over the DCSO's proposed tax rate increases, adding that living within our means and not drawing down pots of reserves is important. He hopes for fiscal responsibility moving forward.

BREAK: *At the time of 9:42 a.m., a lunch recess was taken and the meeting reconvened at 2:00 p.m.*

SUPPORT SERVICES:

- Board of County Commissioners (Fund 628): Whitney Hale, Deputy County Administrator, introduced Stephanie Robinson, Grants & Operations Specialist, to present the department overview. Two notable changes over last year include an increase in lobbyist services costs and reduced costs for audio/visual services by moving the Monday BOCC meetings upstairs where no operator is required. The Elected Officials Compensation Committee is recommending an 11% salary increase for the Commissioners. Commissioner Chang shared that when this is up for approval, he will be voting against it, as other County employees are only receiving a 4% increase.
- Administrative Services (Fund 625): Whitney Hale and Stephanie Robinson presented the department overview. Ms. Hale covered the department's many accomplishments over the past year, some of which were highlighted in Mr. Lelack's introduction. Notable changes over the past year include an increase in training and education with associated travel expenses, reflecting a return to normal coming out of the pandemic. Departmental employee recognition budget will shift from Administration to each individual department. Some future challenges include future strategies for the Coordinated Houseless Response Office (CHRO) Program, plus funding future capital projects. Onboarding a new County Internal Auditor will take place in the near future.

In response to an inquiry by Dir. Trego, there was some discussion about continued funding for CHRO, its accomplishments and future successes amongst the group. Commissioner Chang said that defining CHRO's role and the role of direct service providers is important.

Dir. Fister asked about senior staff turnover, and ways in which Administration is working towards retaining staff as this can be a hidden cost with long-term effects.

- Risk Management (Fund 670): Erik Kropp, Deputy County Administrator, presented the department overview. Mr. Kropp asked the group to participate in an interactive exercise. He noted that the Skid Car program has reopened after a hiatus during COVID. Mr. Kropp summarized the County's insurance coverage and programs. He noted that cyber insurance costs more for less coverage each year. The County obtains the best rates and coverages available by following best practices. Some challenges include an increase to PTSD claims, particularly for law enforcement

personnel, increased vehicle repair costs and increased costs of worker's comp medical claims.

- Veteran's Services (Fund 001-23): Keith MacNamara, Manager of Veterans Services, presented the department overview. He provided an overview of staffing for his department, as well as many of the services it provides. Some of the department's accomplishments this year include maintaining a wait time for services of 10 days or less, providing services to 1,253 veterans and their family members, and brought in over \$1,571,000 to veterans in new VA benefits. Responding to Commissioner Adair, Mr. MacNamara reported a current advertising and promotional program is underway, using social media and other avenues, and the \$5,000 in funds under this line item for FY 23 will be spent before the end of the current fiscal year. In response to Dir. Fister, Mr. MacNamara reported that many of the veterans who visit their office are returning. His office prides themselves in advocacy and education for the County's veterans. Reclassification of one staff member and the increased cost associated with that reclassification is their main fiscal challenge for FY 24. Operational challenges include maintaining the <10 day wait time and conducting outreach.

Responding to Dir. Trego, Mr. MacNamara reported that outreach to homeless veterans is mainly through COVO.

- Human Resources (Funds 650, 675): Kathleen Hinman, Human Resources Director, and Jason Bavuso, Human Resources Manager, presented the Human Resources operating budget and the health benefits fund. Ms. Hinman highlighted changes to the HR department, the department overview and its accomplishments over the past year. With Jason Bavuso moving into the HR Manager position, there was a cascade of departmental promotions which took place. Turnover report numbers were summarized. Much of HR's department leadership and employee support occurs behind the scenes and is confidential in nature. A positive work environment, coupled with fair pay, impacts employee turnover. HR is actively bargaining three successor collective bargaining agreements. Succession planning for an upcoming departmental retirement is currently taking place. They are seeing a large increase in the cost of training and education services.

Fiscal issues include the high cost of living, materials & services and ensuring the Health Benefit Fund reserves stay within policy requirements with the surging costs of healthcare. Future challenges include Paid Leave Oregon program administration and staff retirement succession planning.

Health Benefits Fund 675 show surging costs due to inflation, supply chain disruptions, labor shortages and delayed care due to the pandemic. The cost per claim has increased dramatically. The department rate is being increased 11% this fiscal year with plans to increase by 25%+ in the following year. The employee cost-share portion of this will be evaluated.

Responding to Commissioner Chang about rising healthcare costs, Ms. Hinman said that the cost of care has greatly increased and the population as a whole isn't sicker.

- Information Technology (Funds 660, 661, 305, 040): Tania Mahood, IT Director, presented the department's overview. Shad Campbell and Kevin Furlong were also in attendance. Responding to Dir. Fister, she shared that their department has only one vacancy, which they hope to fill in the coming weeks. Ms. Mahood summarized the department's accomplishments over the past year, including transitioning all accounts over to Microsoft 365, installing new firewalls and hiring a new IT Director. Fiscal issues facing the department were covered. Responding to Dir. Fister and Commissioner DeBone, Ms. Mahood said that there is a cybersecurity training requirement when new employees are on-boarded.

Fund 305 is GIS-specific. Dir. Fister said that he believes maps, aerial photographs, etc., may be an untapped resource for the County and there are a number of entities who would pay the County for these services. Commissioner DeBone concurred. Historically, demand for these services have ebbed and flowed. Mr. Emerson noted that on the Fee Schedule, many of these items are Actual Cost of Services and haven't historically been a revenue source.

BREAK: *At the time of 3:54 p.m., a short recess was taken and the meeting reconvened at 4:06 p.m.*

- Finance (Funds 630, 001-18): Robert Tintle, Chief Financial Officer, presented the overview of the Finance Office. There are currently 18.50 FTE in Finance, in three different areas: Budget, Accounting and Tax Office. The proposed budget includes 19.50 FTE. This past year, an elected Treasurer was added to the department and a Chief Financial Officer (CFO) was hired. He summarized the accomplishments of the department, including a number of awards: 21st consecutive year for Certificate of Achievement for Excellence in Financial Reporting, 15th consecutive year for the Distinguished Budget Presentation Award and 3rd consecutive year for the GFOA Triple Crown: Certificate of Achievement for Excellence in Financial Reporting, Popular Annual Financial Reporting Award and the Distinguished Budget Presentation Award.

Two special requests in the IFY 24 proposed budget include financial reporting software to assist in the preparation of Annual Comprehensive Financial Report (\$100,000 one-time cost plus ongoing support fees), and a Centralized Procurement Manager position (add 1.0 FTE) at \$152,103/year. This position would be a public procurement professional. In Mr. Tintle's experience, a Centralized Procurement Manager could actually save the County money in the long-term.

- Property Management (Fund 001-25): Kristie Bollinger, Property Manager, presented the department overview. She shared with the group that Deborah Cook,

a 15-year County employee, is retiring on June 30, 2023 and acknowledged her knowledge and expertise. The department cost-effectively manages the County's real estate portfolio. Ms. Bollinger highlighted some of the department's accomplishments, one of which was hiring Ryan Dunning from the Tax Office as Property Management Analyst.

Encampments on County-owned properties continue to be both a short and a long-term fiscal issue due to impacts related to trash and debris removal costs. \$60,000 is requested in the FY 24 budget for encampment clean-up, versus \$50,000 last year, and Ms. Bollinger acknowledged that this is just scraping the surface. Responding to Dir. Trego, Ms. Bollinger shared a few examples of costs associated with past clean-ups. Succession planning for Deborah Cook's upcoming retirement will be an upcoming challenge for the department. Implementing a real estate portfolio management system and an asset management plan are future goals.

Fund 090: Lease income is declining as St. Charles and Bend Dermatology have both vacated the Kingwood property in Redmond. Land sale proceeds last year were high (27th/Conners grossed \$1 million, plus some La Pine industrial sales). The environmental line item is \$30,000 to COIC for CORE3 and \$20,000 for the DSL land swap.

Fund 132 Park Development Fee Fund: Most of these fees were acquired from Caldera Springs south of Sunriver.

Fund 140 Foreclosed Land Fund: Used to manage properties acquired by the County by the foreclosure process for nonpayment of property taxes. The Tax Office works with property owners to prevent them from going into property tax foreclosure. It takes 5 years to go into default, and there can be an opportunity to sell the property before it goes into foreclosure.

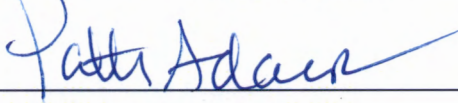
- Cannabis Advisory Panel (CAP) Mr. Kropp shared that the CAP recommends marijuana proceeds allocation: \$20,000 goes to CDD for code enforcement, \$90,000 to DCSO for marijuana detective, \$60,000 to Health Services for an ad campaign and \$10,000 to Juvenile Community Justice for prevention efforts.

ADJOURNED: Upon no further business, Chair Barrett adjourned the Monday Budget Hearing at 5:10 p.m., to be continued at 9:00 a.m. on Tuesday, May 23, 2023.

DATED this 8th Day of June 2023 for the Deschutes County Board of Commissioners.



ANTHONY DEBONE, CHAIR



PATTI ADAIR, VICE CHAIR

ATTEST:



RECORDING SECRETARY



PHIL CHANG, COMMISSIONER