



# BOARD OF COMMISSIONERS

## BUDGET COMMITTEE MEETING

9:00 AM, TUESDAY, DECEMBER 10, 2024

Barnes & Sawyer Rooms - Deschutes Services Building - 1300 NW Wall St - Bend

(541) 388-6570 | [www.deschutes.org](http://www.deschutes.org)

### AGENDA

**MEETING FORMAT:** In accordance with Oregon state law, this meeting is open to the public and can be accessed and attended in person or remotely.

Members of the public may view the meeting in real time via Zoom or the public meeting portal at [www.deschutes.org/meetings](http://www.deschutes.org/meetings).

Public comment will be allowed in person and via Zoom.

**Zoom Meeting Information:** This meeting may be accessed via Zoom using a phone or computer.

- To join the meeting via Zoom from a computer, copy and paste this link: [bit.ly/3h3oqdD](https://bit.ly/3h3oqdD).
- To join by phone, call 253-215-8782 and enter webinar ID # 899 4635 9970 followed by the passcode 013510.
- If joining by a browser, use the raise hand icon to indicate you would like to provide public comment, when allowed. If using a phone, press \*6 to indicate you would like to speak and \*9 to unmute yourself when you are called on.

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<b>9:00AM</b>	<b>CALL TO ORDER</b>	Patti Adair, BOCC Chair
	<b>OPENING COMMENTS</b>	Nick Lelack, County Administrator Robert Tintle, Chief Financial Officer
<b>9:20AM</b>	<b>PUBLIC COMMENT</b>	
<b>9:30AM</b>	<b>PERS UPDATE</b>	Carol Samuels, Piper Sandler Managing Director

<b>10:15AM</b>	<b>RECESS</b>	
<b>10:20AM</b>	<b>FINANCE UPDATE</b>	Cam Sparks, Budget Manager
	<ul style="list-style-type: none"> <li>• Property Taxes</li> <li>• Health Benefits Fund</li> <li>• PERS Update</li> <li>• FY26 Budget Initiative</li> <li>• Transient Room Tax Forecast</li> <li>• Capital Reserve Forecast</li> <li>• County FTE Update</li> </ul>	
<b>12:00PM</b>	<b>LUNCH</b>	
<b>12:30PM</b>	<b>BUDGET CALENDAR</b>	Cam Sparks, Budget Manager
<b>12:35PM</b>	<b>BUDGET COMMITTEE ROLE REVIEW</b>	Cam Sparks, Budget Manager
<b>12:40PM</b>	<b>2024 YEAR-END VIDEO</b>	
<b>12:45PM</b>	<b>WRAP-UP</b>	Patti Adair, BOCC Chair
<b>12:55PM</b>	<b>ADJOURN MID-YEAR BUDGET COMMITTEE MEETING</b>	
<b>1:00PM</b>	<b>ELECTED OFFICIALS COMPS DISCUSSION</b>	Whitney Hale, Deputy County Administrator
<b>ADJOURN</b>		



Deschutes County encourages persons with disabilities to participate in all programs and activities. This event/location is accessible to people with disabilities. If you need accommodations to make participation possible, call (541) 388-6572 or email [brenda.fritsvold@deschutes.org](mailto:brenda.fritsvold@deschutes.org).

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# PERS Basics

# Presentation to Deschutes County

**PIPER | SANDLER**

Realize the power of partnership.

**Carol Samuels**  
**Managing Director**

# Why are we talking about this?

Short Version: Rates Have Been Rising

Effective Date	SLGRP T1/T2
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7/1/2005	15.30%
7/1/2007	14.25%
7/1/2009	11.07%
7/1/2011	15.13%
7/1/2013	19.72%
7/1/2015	18.84%
7/1/2017	23.15%
7/1/2019	27.71%
7/1/2021	27.32%
7/1/2023	30.72%
7/1/2025	31.55%

## PERS Payroll Rates – SLGRP

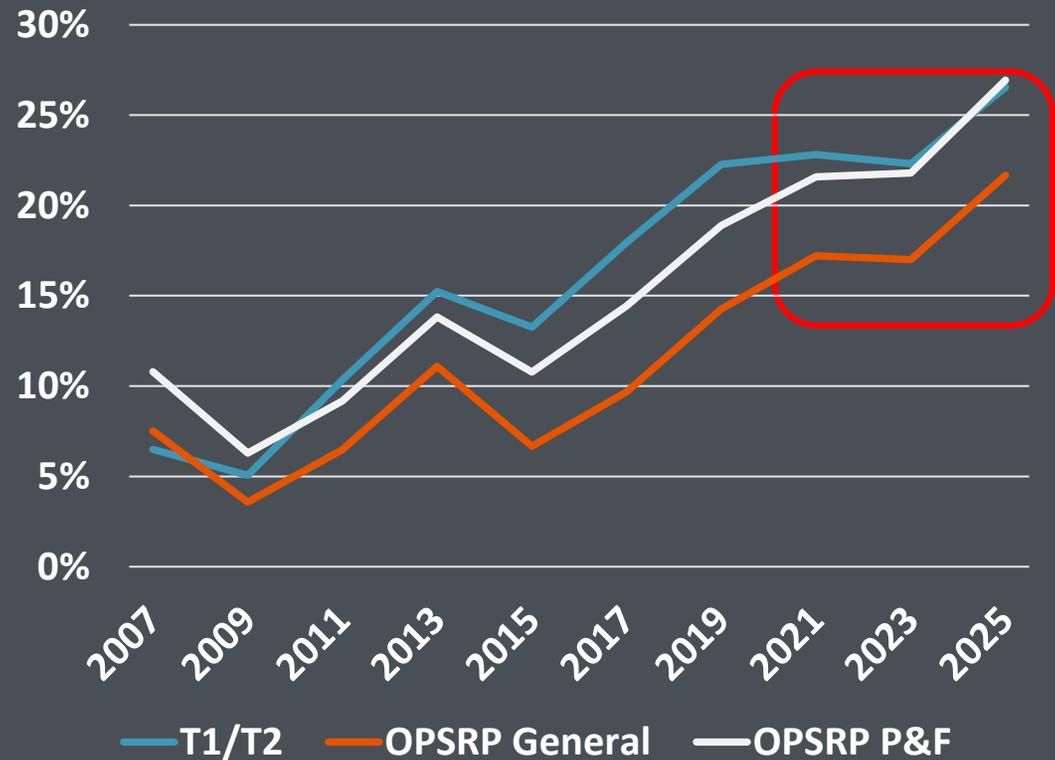
Tier 1/Tier 2 Rates



# Deschutes County is in similar shape

Effective Date	T1/T2	OPSRP	
		General	P & F
7/1/2007	6.49%	7.52%	10.79%
7/1/2009	5.06%	3.58%	6.29%
7/1/2011	10.33%	6.47%	9.18%
7/1/2013	15.24%	11.10%	13.83%
7/1/2015	13.26%	6.67%	10.78%
7/1/2017	17.96%	9.68%	14.45%
7/1/2019	22.27%	14.26%	18.89%
7/1/2021	22.81%	17.22%	21.58%
7/1/2023	22.30%	17.00%	21.79%
7/1/2025	26.54%	21.67%	26.94%

PERS Payroll Rates – Deschutes County



# Why? Projected liabilities exceed assets

## 2023 Valuation

### Funded Status & Unfunded Actuarial Liability (UAL)

System-Total Pension Funded Status (\$ billions)			
Valuation:	12/31/2021 Rate-Setting	12/31/2022 Advisory	12/31/2023 Rate-Setting
Assumed return:	6.90%	6.90%	6.90%
Actuarial liability	\$ 98.4	\$ 102.9	\$ 106.4
Assets (excluding side accounts)	<u>78.4</u>	<u>74.9</u>	<u>77.0</u>
<b>UAL (excluding side accounts)</b>	<b>\$ 20.0</b>	<b>\$ 28.0</b>	<b>\$ 29.4</b>
<b>Funded status (excluding side accounts)</b>	<b>80%</b>	<b>73%</b>	<b>72%</b>
Side account assets	<u>\$ 6.6</u>	<u>\$ 6.2</u>	<u>\$ 5.4</u>
UAL (including side accounts)	\$ 13.4	\$ 21.8	\$ 24.0
<b>Funded status (including side accounts)</b>	<b>86%</b>	<b>79%</b>	<b>77%</b>

**Shares of T1/T2 UAL: SLGRP \$14.7b; School Districts \$7.9b.**



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## How Rates are Determined

- ER amounts due calculated as % applied against 'covered' payroll.
- PERS Actuary (Milliman) completes valuation annually:
  - **ODD YEAR VALUATIONS - SET RATES**
  - **EVEN YEAR VALUATIONS - ADVISORY ONLY**
- Valuations are released year after valuation period. Rate changes take effect 18 months after valuation date. By end of biennium rates are based on data 3 1/2 years old.
- 2021 Valuation, released in Oct. 2022, sets rates for 2023-25.
- **2023 Valuation, released in Oct. 2024, sets rates for 2025-27.**

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## Key Actuarial Assumptions

- Complex models determine cost of current/future benefits against value of current assets, leading to ER payroll rates.
- Key assumptions include:
  - ✓ Assumed Earnings Rate (AER)/T1 Guaranty – historically 8%, now 6.90%. Sets rate of return assumption for all assets. **When earnings are less than AER, or assumption is reduced, payroll rates rise.**
  - ✓ Amortization of UAL – historically 20 years, changed to ~22 for 2019 UALs. 16 years for OPSRP.
  - ✓ Payroll annual growth rates – 3.40%, with temp increase for 2023-24 to 5.40%.
  - ✓ Demographic assumptions on Mortality, Disability, Gender, Retirement age, etc.

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## Massive UAL led to 2003 Reforms

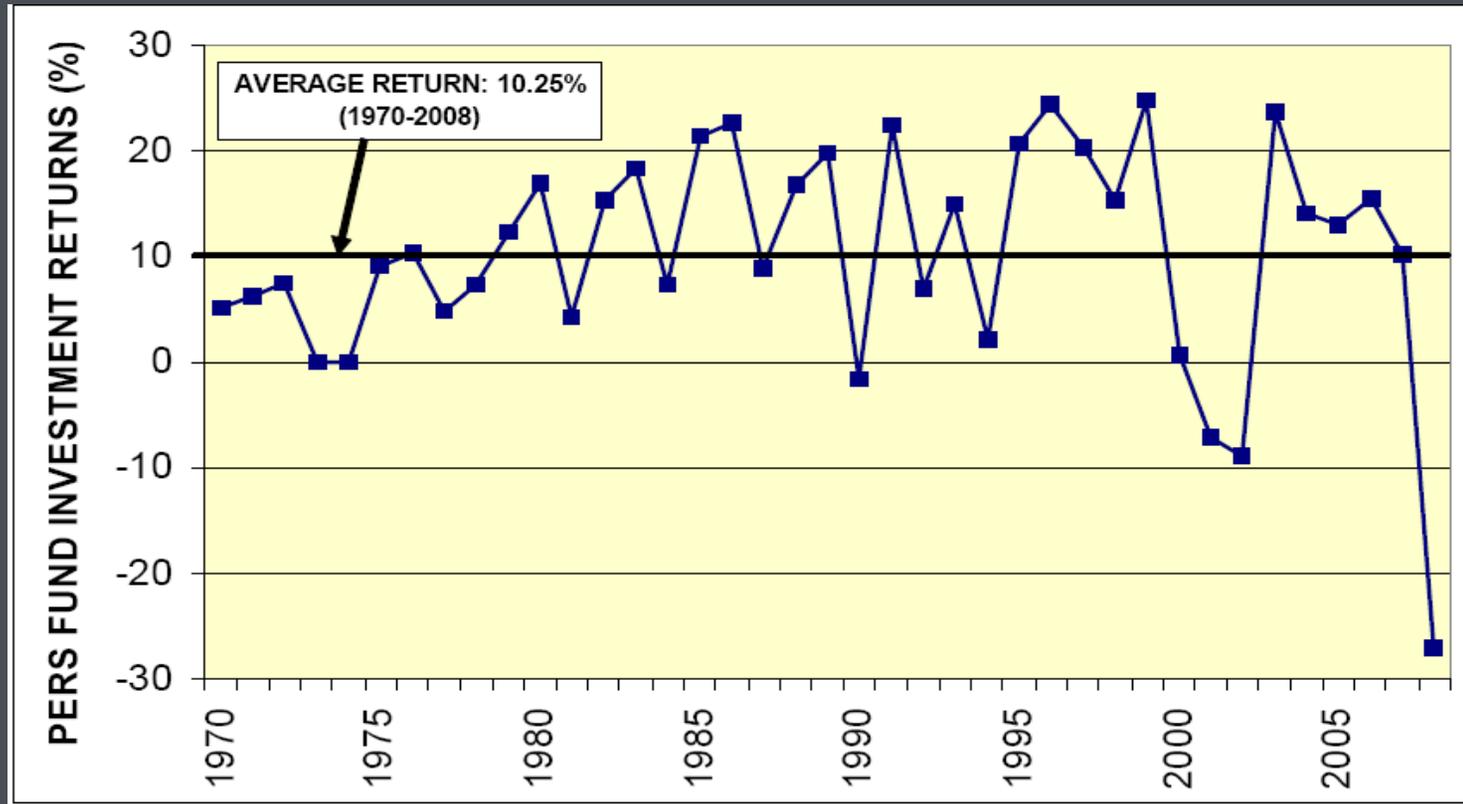
By 2003, UAL had grown to \$17b due to program features and poor investment returns.

Legislature made changes, including creating OPSRP, “Tier 3” program with less generous provisions.

By 2007, strong returns resulted in a system-wide funded ratio of 98%, average payroll rate of 12.4%.

## Then came 2008...

Investments went into freefall, losing 27% of fund value.



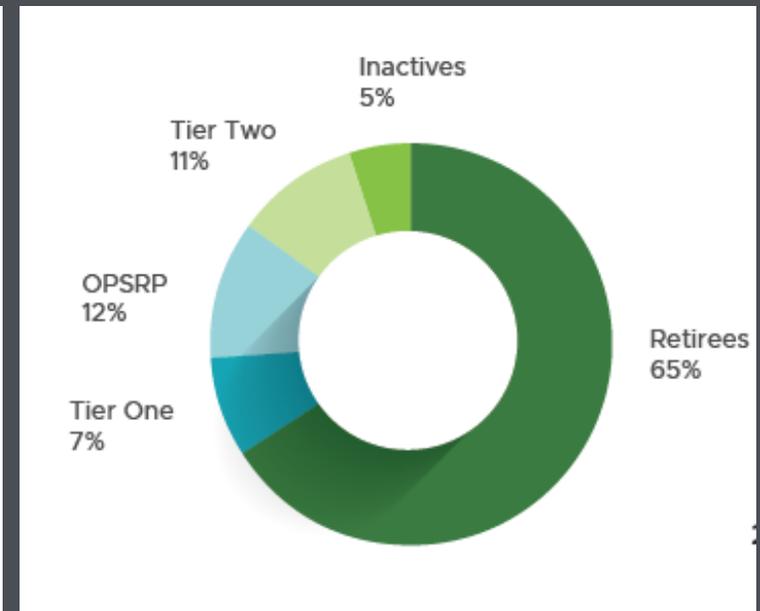
Source: Oregon Public Employees Retirement System, "Market Downturn Impacts on PERS: Frequently Asked Questions;" August 2009.

- UAL grew back to \$16 billion. Average payroll rates were projected to exceed 20%.
- Subsequent efforts to reduce costs have been largely unsuccessful.

# Why Investment Income and COLAs are so Important

- Investment income accounts for more than 73% of revenues.
- Current retirees + inactives account for 70% of liability.

Money for PERS benefit payments comes from three sources (1970-2022)



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## Side Accounts

- Side Accounts (SAs) – extra deposits made to dedicated fund at PERS.
- SAs earn actual PERS returns. Not subject to collar.
- Generally drawn down over 20 years, used to reduce payroll rates through ‘rate credit’.
- ERs can use either cash or bond proceeds to fund SAs.
- Employer Incentive Fund provided 25% State match for cash funded SAs in 2019-2020. New cycle will be available in 2025 for ~\$45 million.
- More than 150 jurisdictions have SAs, most funded by bonds.

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## PERS Bonding

- From 1999 to 2022, over 150 Oregon jurisdictions issued bonds to pay down their share of UAL, including Deschutes County.
- Concept is to borrow at low interest rates and send to PERS; if returns exceed borrowing rate, jurisdictions generally save.
- Under federal tax law, POBs must be sold on taxable basis.
- Generally positive PERS returns since borrowings means most, but not all, have realized savings.
- Proceeds of POBs can also be used to fund SAs, but EIF will NOT match POB deposits.

**PERS fund average return was 10.11% between 1970 and 2022.  
Current borrowing rate is ~5.00%.**

# Deschutes County Side Accounts

- Issued bonds in 2002 and 2004
  - ✓ Series 2002 – \$5,429,586. Went to Transition Liability.
  - ✓ Series 2004 – \$7,090,000. Went to SA.
  - ✓ Bonds were first used to retire ‘Transition Liability’. Remainder was deposited in Side Account.
- Made cash deposit to Side Account in 2020.

Side Account Information				
Side Account Balances				
	Deposit Date	Rate Offset End Date	December 31, 2023	December 31, 2022
Side Account 1	5/28/2004	12/31/2027	\$2,614,457	\$3,351,420
Side Account 2	5/29/2020	12/31/2035	16,720,735	17,658,421
Side Account 3			0	0
Side Account 4			0	0
Side Account 5			0	0
Side Account 6			0	0
Side Account 7			0	0
Side Account 8			0	0
<b>Total</b>			<b>\$19,335,193</b>	<b>\$21,009,842</b>

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## Changes to Side Accounts are Coming!



- 52% of SAs are set to expire in December 2027.
- Balance is trued up at each valuation; rate credit is then reset with goal of ending at \$0 by December 31, 2027.
- Because payroll growth varies from assumption, math is imperfect; some accounts may be depleted sooner or later. PERS is concerned about over-withdrawals.
- December 2027 falls in first 6 months of new valuation biennium (based on 2025 valuation); PERS doesn't want changes mid-biennium.
- SAs funded with bonds have final payments in June 2028.

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## Where things stand: 2023 Valuation

- Sets rate for 2025-27 biennium.
- Systemwide UAL grew by \$1.3b; funded status declined to 72%.  
**Deschutes County UAL is now \$4.1 m.**
- Average payroll rates in 2025-27 will rise:
  - ✓ SLGRP Rates will rise by average of 1.10% without SAs. Average with SAs is increase of 3.45%.
  - ✓ **County increases: T1/T2: 3.73%; OPSRP GS: 4.45%; OPSRP P&F: 5.36%.**
- Main reasons for increases:
  - ✓ Poor returns in 2022 and 2023.
  - ✓ Significant increases in payroll - over 20% over 2 years. **County grew by more than 10.5% in 2023.** Leads to higher FAS calculation, and faster drawdown of SAs.

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## Other Valuation Points

- **HB 4045 increased benefits for OPSRP P&F; made category available to more EEs including forensic scientists and DAs.**
- **New hazardous position for EEs at Oregon State hospital and emergency telecommunicators.**

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## Key Takeaways

- Investment earnings matter A LOT. Current 2024 returns thru October are 5.31%. Solid, but may not be enough to prevent further increases in 2027-29.
- Any steps taken to defer making payments only make problem worse.
- Unexpectedly strong payroll increases can also make costs rise for FAS calculations and to offset accelerated SA drawdowns.

**Building reserves for future PERS increases is prudent.**

# Breathe....



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# Questions



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# **Appendix**

## **County Contribution Rates**

# SLGRP County 2021 Valuation Contribution Rates 2023-25

## 12/31/2021 Actuarial Valuation Report (2023-25 Rates)

Employer Name	Allocated Pooled Tier One/Tier Two UAL	Allocated Pre-SLGRP Pooled Liability	Transition Liability	Allocated OPSRP UAL	Side Accounts	UAL (reflecting Side Accounts)	Combined Valuation Payroll	UAL as a % of Payroll	T1/T2 Rate
Baker County	\$ 8,793,630	\$ -	\$ (1,447,011)	\$ 741,632	\$ 678,592	\$ 7,409,659	\$ 6,035,458	123%	23.05%
Benton County	51,865,490	-	(5,825,578)	4,374,204	11,760,528	38,653,588	35,597,586	109%	21.22%
Clatsop County	25,159,446	(1,290,110)	-	2,121,884	6,876,196	19,115,024	17,268,044	111%	19.62%
Columbia County	19,593,604	-	(1,991,017)	1,652,475	2,110,997	17,144,065	13,447,960	127%	23.29%
Coos County	28,054,529	-	731,375	2,366,048	-	31,151,952	19,255,068	162%	30.13%
Crook County	4,235,079	-	(607,057)	357,176	-	3,985,198	2,906,723	137%	29.38%
Deschutes County	125,342,475	-	(16,370,791)	10,571,066	23,901,408	95,641,342	86,028,100	111%	22.30%
Gilliam County	3,737,566	(191,653)	(95,734)	315,217	4,789,478	(1,024,082)	2,565,257	-40%	12.63%
Grant County	5,613,955	(287,869)	(3,744,743)	473,467	-	2,054,810	3,853,106	53%	10.80%
Harney County	7,299,275	(374,288)	(516,534)	615,602	-	7,024,055	5,009,816	140%	24.44%
Hood River County	12,436,993	-	(1,905,406)	1,048,904	4,278,368	7,302,123	8,536,060	86%	14.48%
Jackson County	77,127,247	(3,954,883)	-	6,504,716	29,659,014	50,018,066	52,935,850	94%	22.34%
Josephine County	35,880,364	(1,839,851)	1,717,258	3,026,059	-	38,783,830	24,626,285	157%	28.31%
Klamath County	6,495,925	-	(3,385,470)	547,850	-	3,658,305	4,458,441	82%	19.18%
Lake County	7,449,280	(381,980)	(643,906)	628,253	-	7,051,647	5,112,771	138%	24.03%
Lincoln County	8,315,218	(426,383)	(2,644,582)	701,284	373,470	5,572,067	5,707,103	98%	23.30%
Marion County	144,885,657	-	(21,900,082)	12,219,289	14,332,213	120,872,651	99,441,452	122%	22.15%
Multnomah County	623,515,441	(31,972,236)	(51,007,473)	52,585,711	118,172,004	474,949,439	427,946,303	111%	21.21%
Sherman County	4,068,502	(208,622)	-	343,127	1,654,806	2,548,201	2,792,394	91%	21.89%
Umatilla County	27,565,001	(1,413,461)	-	2,324,762	6,945,848	21,530,454	18,919,082	114%	21.46%
Wasco County	11,157,866	(572,146)	(820,409)	941,026	8,829,227	1,877,110	7,658,138	25%	13.96%
Washington County	259,257,772	(13,294,058)	-	21,865,143	20,162,186	247,666,671	177,940,108	139%	26.51%

# SLGRP County Advisory Contribution Rates 2025-27

12/31/2022 Actuarial Valuation Report (2025-27 Rates)									
Employer Name	Allocated Pooled Tier One/Tier Two UAL	Allocated Pre-SLGRP Pooled Liability	Transition Liability	Allocated OPSRP UAL	Side Accounts	UAL (reflecting Side Accounts)	Combined Valuation Payroll	UAL as a % of Payroll	T1/T2 Rate
Baker County	\$ 11,885,841	\$ -	\$ (963,856)	\$ 1,950,062	\$ 627,568	\$ 12,244,479	\$ 7,289,380	168%	27.11%
Benton County	69,265,379	-	(3,709,548)	11,364,092	9,028,404	67,891,519	42,479,256	160%	25.40%
Clatsop County	34,393,381	(843,001)	-	5,642,784	4,652,182	34,540,982	21,092,864	164%	24.11%
Columbia County	28,017,342	-	(1,238,893)	4,596,692	1,268,017	30,107,124	17,182,550	175%	27.38%
Coos County	37,092,544	-	486,591	6,085,624	-	43,664,759	22,748,214	192%	30.62%
Crook County	5,923,848	-	(297,764)	971,902	-	6,597,986	3,632,993	182%	33.84%
Deschutes County	173,513,655	-	(10,422,118)	28,467,687	19,335,193	172,224,031	106,412,916	162%	26.54%
Gilliam County	5,460,175	(133,832)	(60,594)	895,829	4,203,821	1,957,757	3,348,630	58%	19.53%
Grant County	6,429,914	(157,601)	(2,661,855)	1,054,930	-	4,665,388	3,943,355	118%	18.39%
Harney County	9,597,086	(235,230)	(351,050)	1,574,555	-	10,585,361	5,885,726	180%	28.41%
Hood River County	17,071,000	-	(1,267,882)	2,800,770	2,703,207	15,900,681	10,469,348	152%	21.22%
Jackson County	98,584,862	(2,416,370)	-	16,174,421	25,007,122	87,335,791	60,460,386	144%	25.11%
Josephine County	43,710,174	(1,071,361)	1,060,050	7,171,352	-	50,870,215	26,806,692	190%	29.30%
Klamath County	8,178,134	-	(2,331,996)	1,341,753	-	7,187,891	5,015,508	143%	27.28%
Lake County	9,551,790	(234,120)	(435,913)	1,567,124	1,619,301	8,829,580	5,857,947	151%	27.83%
Lincoln County	9,539,885	(233,828)	(1,937,971)	1,565,171	412,085	8,521,172	5,850,646	146%	27.48%
Marion County	182,742,713	-	(15,092,309)	29,981,861	9,392,521	188,239,744	112,072,937	168%	25.53%
Multnomah County	876,243,945	(21,477,227)	(33,532,511)	143,761,816	124,297,015	840,699,008	537,385,217	156%	24.97%
Sherman County	5,414,916	(132,723)	-	888,404	1,464,728	4,705,869	3,320,874	142%	24.78%
Umatilla County	37,373,327	(916,041)	-	6,131,691	4,119,450	38,469,527	22,920,413	168%	26.85%
Wasco County	15,929,031	(390,429)	(544,420)	2,613,412	12,168,815	5,438,779	9,768,998	56%	18.21%
Washington County	323,774,619	(7,935,896)	-	53,120,398	17,362,409	351,596,712	198,565,360	177%	28.76%

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**PIPER | SANDLER**

Realize the power of partnership.

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# Budget Committee Update



December 10, 2024

# Discussion Items

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- County Finance Update**
  - Property Taxes
  - Health Benefits Fund
  - PERS Update
  - FY26 Budget Assumptions
  - General Fund Long-Range Forecast
  - FY26 Budget Initiative
  - Limited Growth Forecast
  - Transient Room Tax Forecast
  - Capital Reserve Forecast
  - County FTE Update
  
- Budget Calendar**
  
- Budget Committee Review**



# Property Taxes

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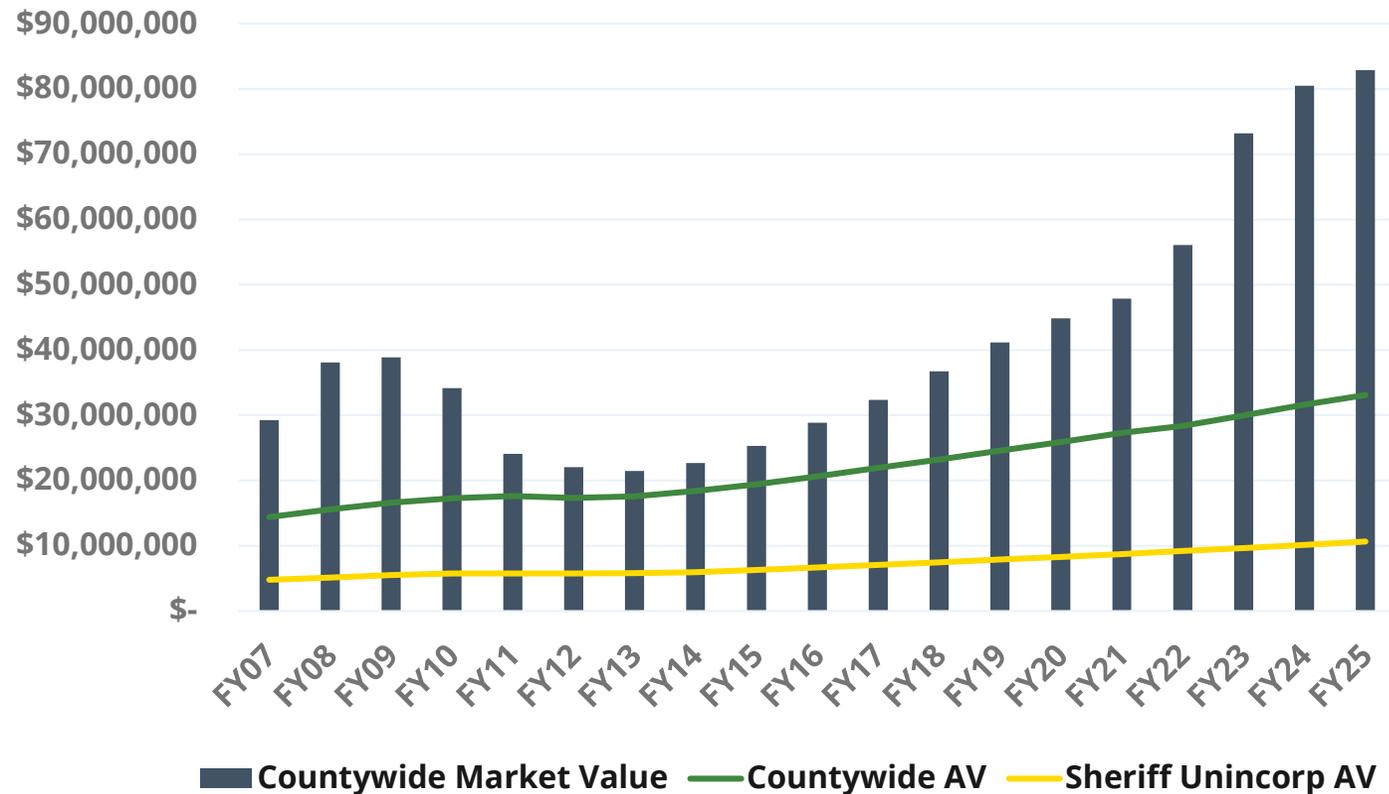
# Deschutes County Tax Levies

Levy	Authorized Rate	FY25 Levy Rate	FY25 Budget Revenue	FY25 Est. Revenue
<b>Countywide Levies</b>				
County Permanent Rate	\$ 1.2783	\$ 1.2783	\$ 40,829,000	\$ 40,610,000
Countywide Law Enforcement	1.2500	1.2500	40,066,974	39,711,000
County Extension/4H	0.0224	0.0224	715,000	712,000
9-1-1	0.4250	0.3618	11,556,000	11,496,915
<b>Total Countywide Levies</b>	<b>\$ 2.9757</b>	<b>\$ 2.9125</b>	<b>\$ 93,166,974</b>	<b>\$ 92,529,915</b>
<b>Additional Levies</b>				
Rural Law Enforcement – Sheriff	\$ 1.5500	\$ 1.5500	\$ 15,958,353	\$ 15,847,000
Sunriver Service District – Police and Fire	3.4500	3.4500	6,328,875	6,336,100
Sunriver Service District – Local Option	0.4700	0.4700	836,000	837,000
Black Butte Ranch Service District – Police	1.0499	1.0499	823,000	828,000
Black Butte Ranch SD Local Option – Police	0.6500	0.6500	510,000	513,000
<b>Total Additional Levies</b>	<b>\$ 7.1699</b>	<b>\$ 7.1699</b>	<b>\$ 24,456,228</b>	<b>\$ 24,361,100</b>

- Deschutes County and Sheriff's Office Levied the maximum authorized rates in FY24.
- 9-1-1 is the only County district not levying the full authorized rate. Long-range modeling indicates the need for an increase in approximately three years



# Assessed Value



## Assessed Value

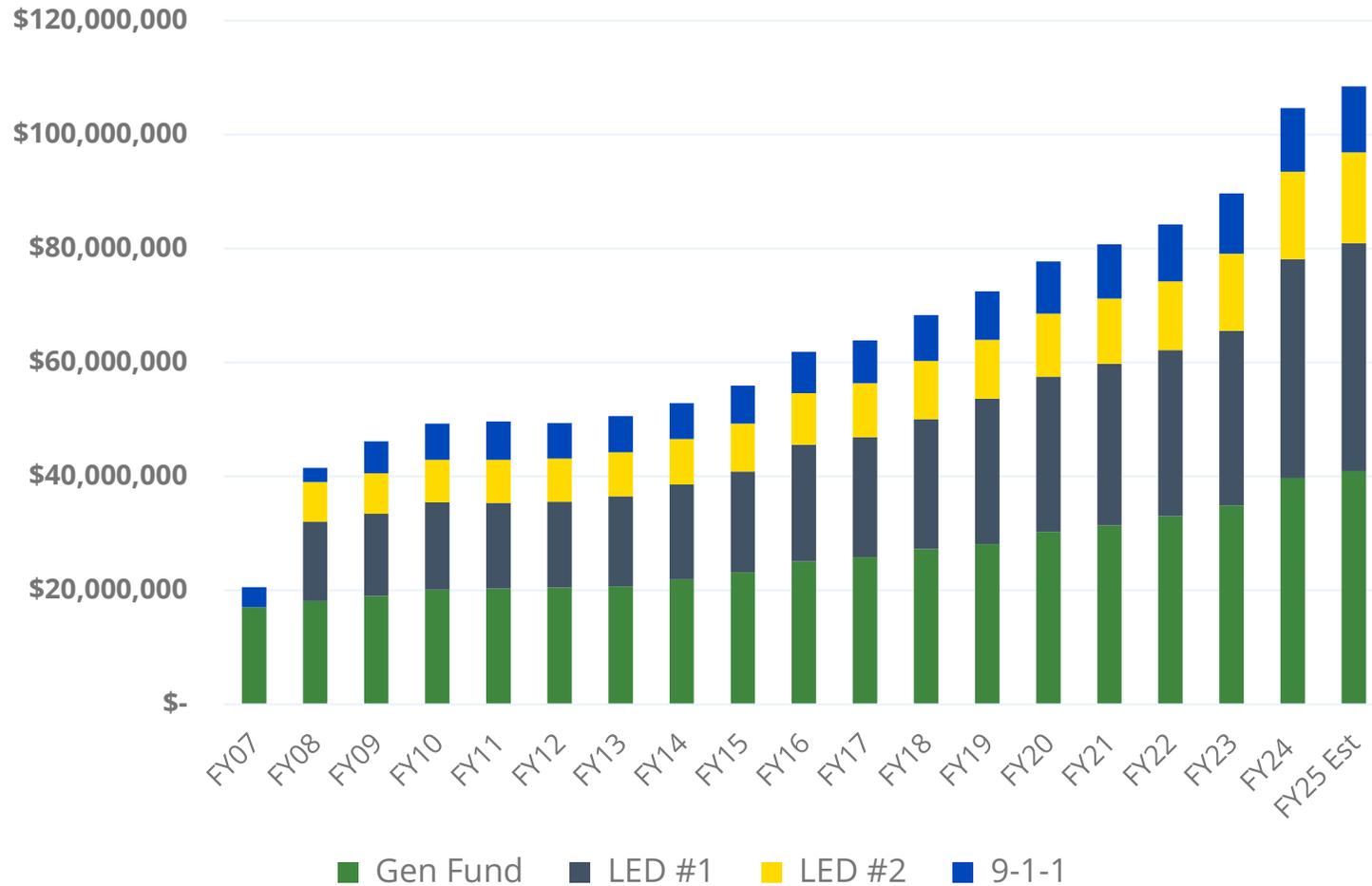
- 5.5%/year average growth since 2015.
- 5.2% FY25 budgeted growth.
  - 4.64% actual growth.
  - Difference between budgeted and projected property taxes is a decrease of \$745K (GF, SO, 911).

## Market Value

- 13%/year average growth since 2015.
- 3.0% growth in FY25; 10% growth in FY24; 30% growth in FY23.



# Property Tax Collection Amounts

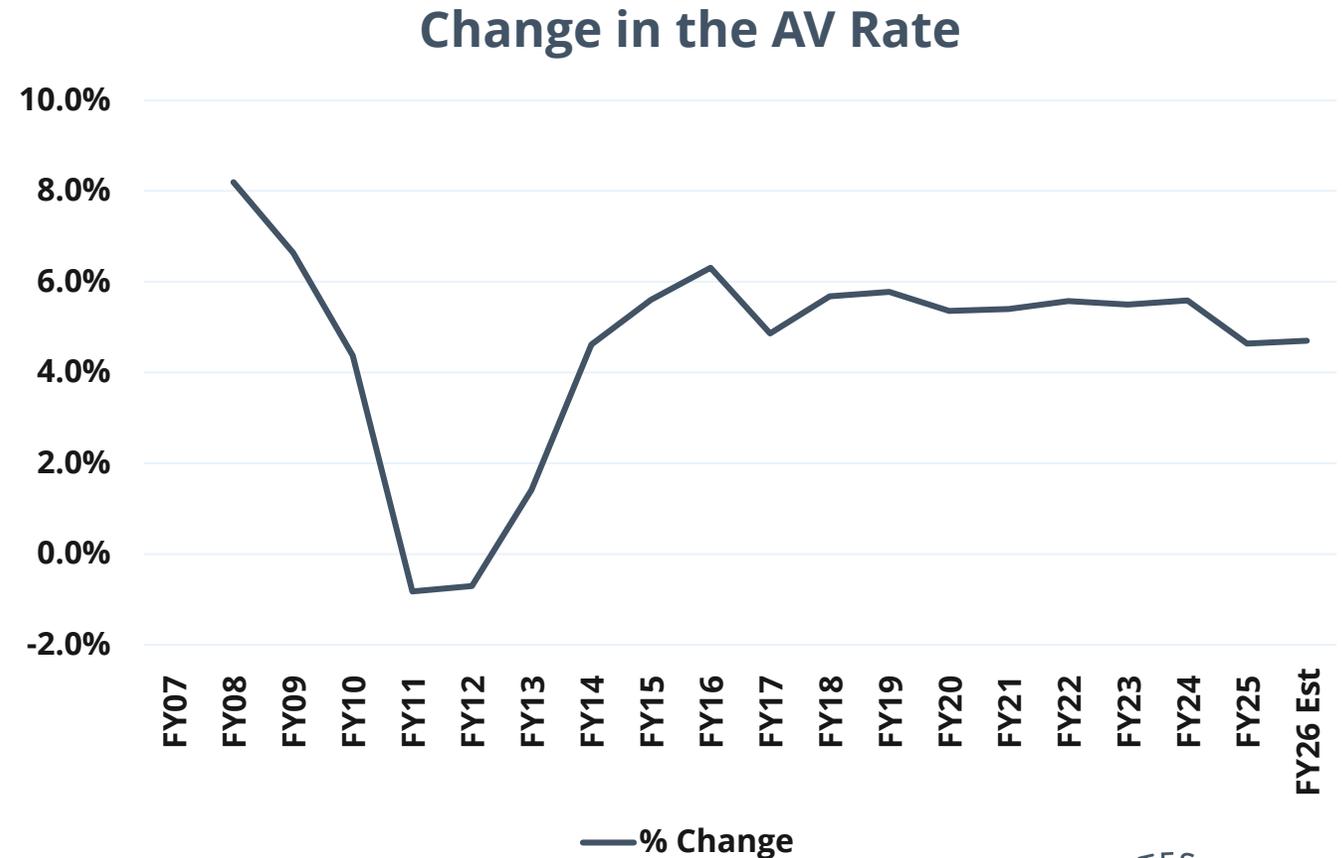


- **Current and Prior Year collections**
  - +6.9%/year average since 2019
  - +3.7% est. in FY25



# Assessed Value Growth

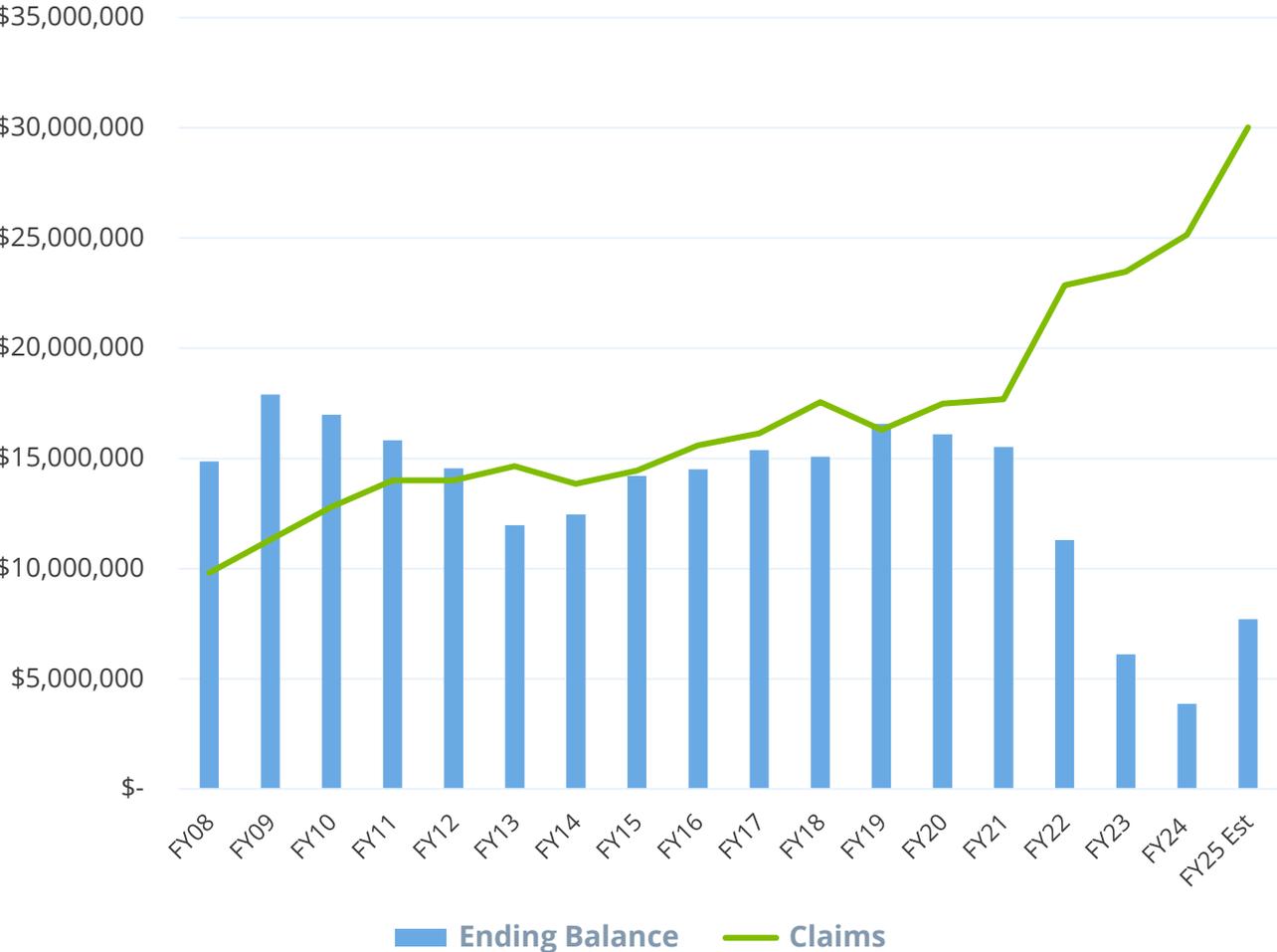
- **FY25 Actual = 4.64%**
- **10-Year Average = 5.5%**
- **Budgetary assumptions are conservative.**
  - Best practice and noted by Moody's rating agency



# Health Benefits Fund Update

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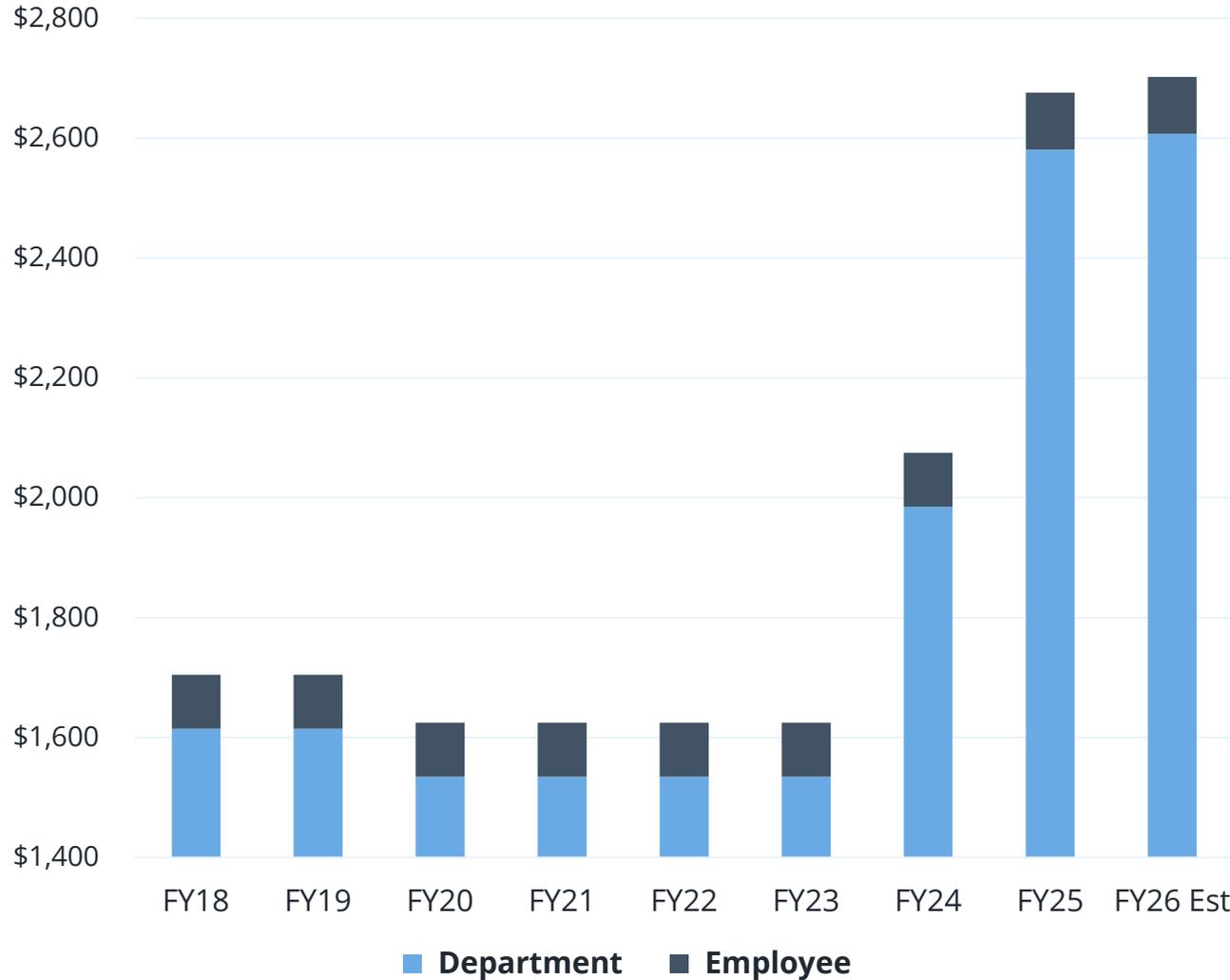
# Health Benefits – Claims History



- Prior to COVID, County strategy was to subsidize premiums to spend down reserves to align with policy (~\$8.0M).
- Fund balance drawn down faster than projected due to delayed medical care post COVID and medical inflation.
- 3-year (FY22 – FY24) average increase in claims was 13%.



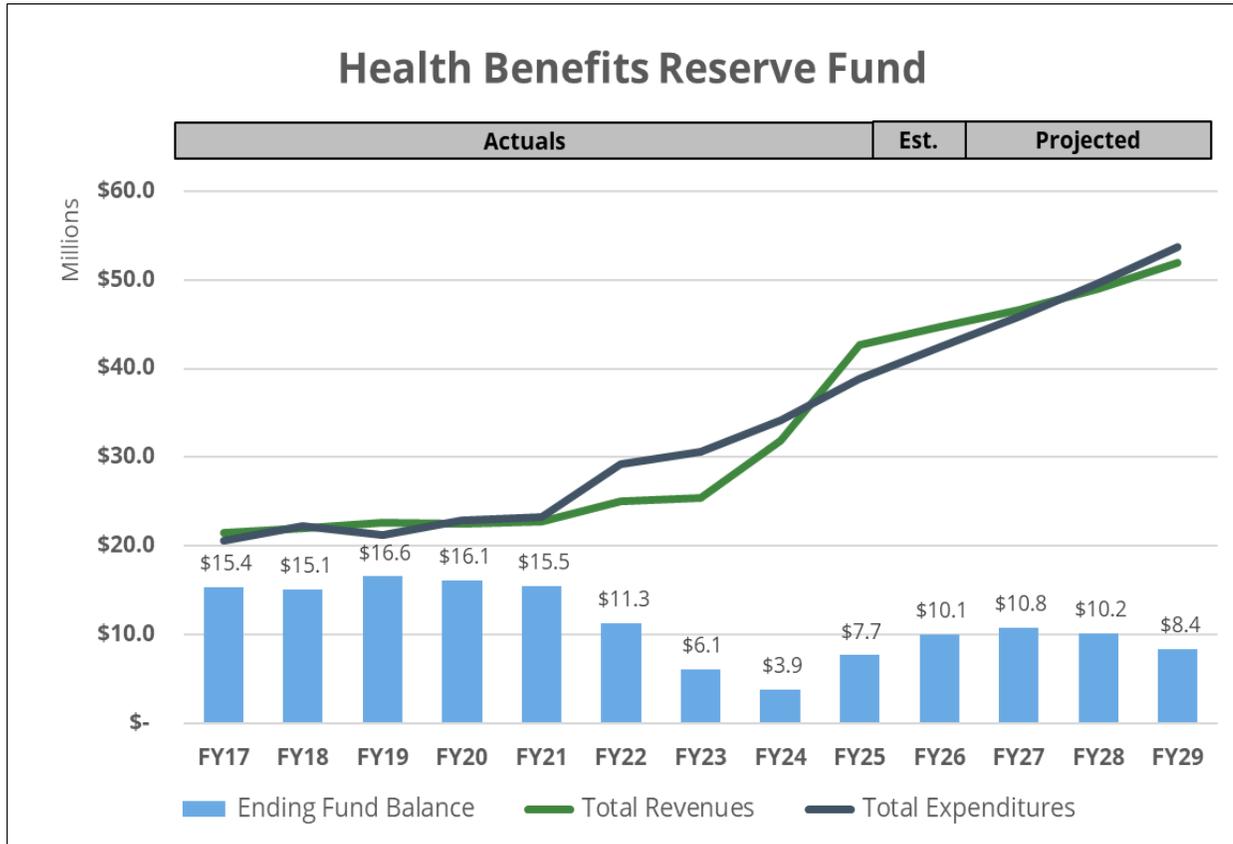
# Health Insurance Rates



- Department rates increased 30% in FY24 and FY25.
- Employee rates increased from \$90 to \$95 for employee only (6% increase) and \$90 to \$116 for employee plus dependents (29% increase) on January 1, 2024.



# Health Benefits Fund Forecast



- To stabilize the fund and bring the estimated ending fund balance close to the target of \$8M in FY25 and allow for minimal increases in FY26-FY29, the following occurred:
  - ~30% increase to department rates in FY24 and FY25.
  - Board approved EBAC's recommended plan design changes saving \$1.4M annually in addition to \$800K in anticipated pharmacy rebates (estimates).

Forecast assumes department premium increases of 1% in FY26 & FY27, 2% in FY28 and 3% in FY29. Future year projections will be revisited annually.

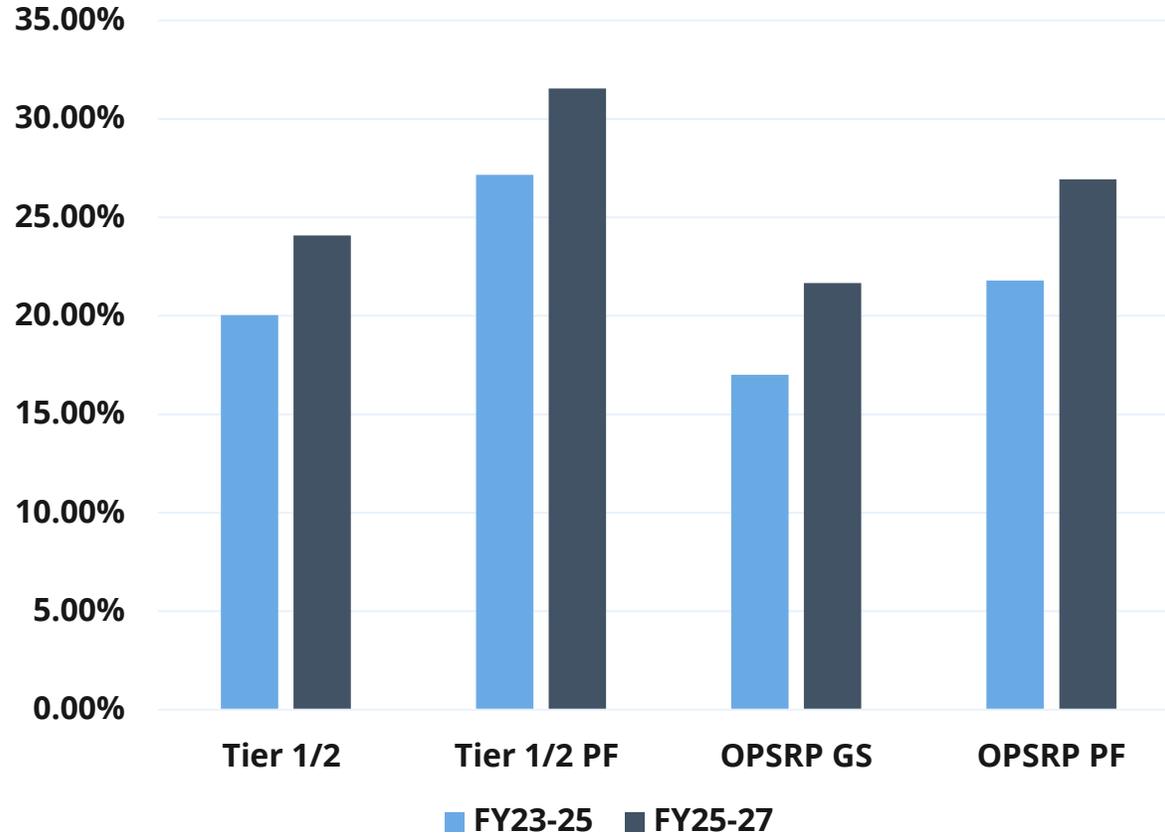


# PERS Rates

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# PERS Rates

## PERS Employer Rates



- Excludes 6.0% Employer Pick-Up and 1.47% Debt Service
- OPSRP = Oregon Public Service Retirement Plan
- PF = Police & Fire
- GS = General Service

- Biennial rate cycle.
- Rates increasing on July 1, 2025.
- 2025-2027 rates increased an average of 4.6%.
- Increases driven by:
  - Investment returns significantly lower than the 6.9% guaranteed rate. When investment returns are lower, the employer picks up the difference.
  - Increase in the number of FTE added to the plan.
  - Increase in wages.



# PERS Rates – Estimated Payroll Impact

- FY26 is the first year of new biennial rates.
- The County expected a 1.0 - 2.0% PERS increase versus average of 4.6%.
- Rates below include pickup of 6.0% and debt service of 1.47% (0.90% for FY25).
- Based on preliminary FY26 salary projections, the PERS increase adds \$6.5M in additional costs Countywide, of which \$643K would be in the General Fund.

	FY23-25 Rates	New FY25-27 Rates	Increase	Additional Personnel Cost (Estimated)
Tier I/II	26.93%	31.55%	4.1%	\$599,000
Tier I/II PF	34.06%	39.01%	4.4%	\$301,000
OPSRP General	23.90%	29.14%	4.7%	\$4,380,000
OPSRP PF	28.69%	34.41%	5.2%	\$1,248,000
<b>Total</b>				<b>\$6,528,000</b>



# FY26 Budget Assumptions

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# Preliminary FY26 Personnel Assumptions

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- **COLA:** TBD (using 2.8% for preliminary modeling)
  - The average CPI increase from Feb 2024 – Jan 2025 will be used. Average from Feb 2024 to Aug 2024 is 2.8%.
- **Health Insurance Premium increase:** 1.0%
- **PERS:** Average increase beginning 7/1/25 is 4.6%



# Other Assumptions

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- **Assessed Value Growth for Property Taxes: 4.7%**
  - This is preliminary and will be adjusted if needed in late January after the County Assessor has updated model.
- **Property Tax Collection Rate: 96%**
- **Interest Earnings: 3.6%**
- **TRT Revenue: Flat**



# General Fund Long-Range Forecast

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# General Fund Operations

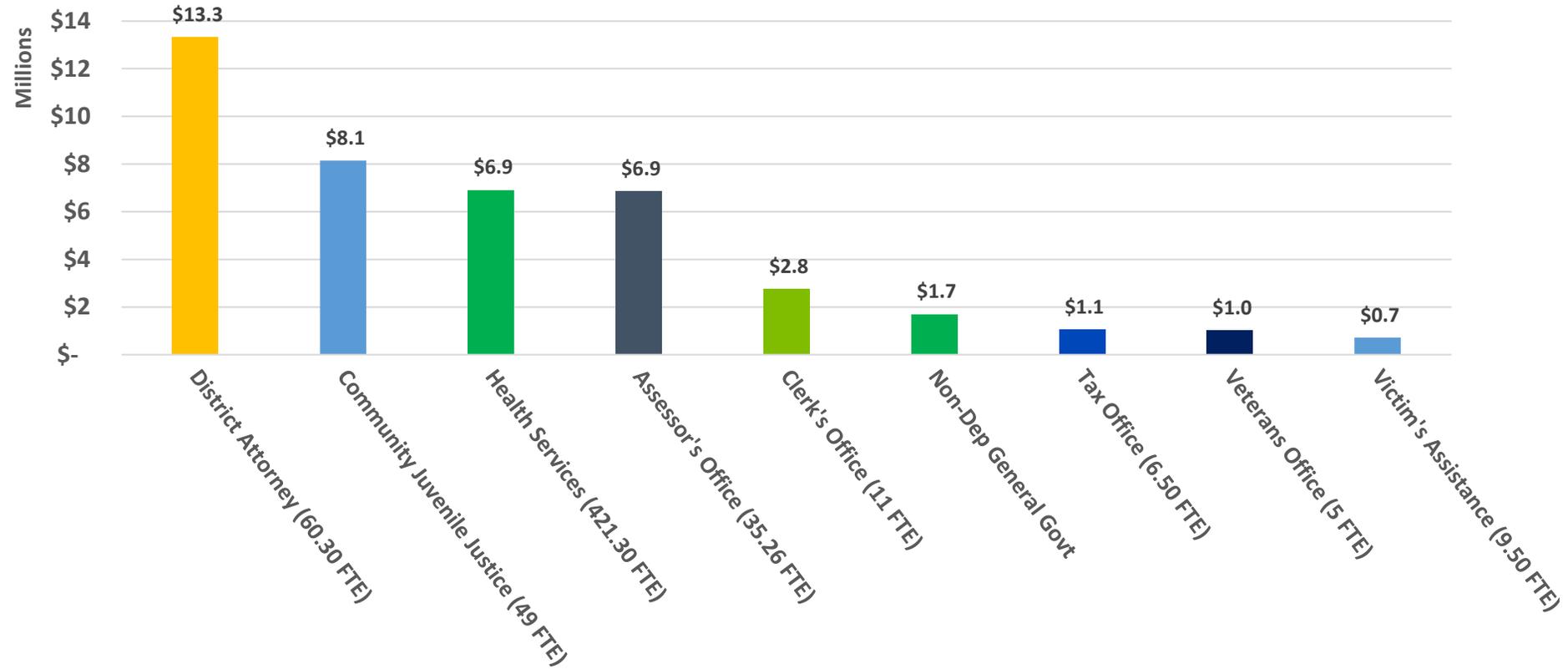
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- The GF accounts for the financial operations of the County which are supported primarily by Property Tax revenue.
- GF departments include the County Assessor, County Clerk, District Attorney, Tax, Veterans' Services and Property Management.
- The GF supports other departments through transfers including, Health Services, Juvenile, Adult P&P, Victim's Assistance and Dog Control.
- County Financial Policy requires the General Fund to hold 4 months (or 33%) of property tax revenue in Contingency.
  - FY25 requirement is \$13.3M

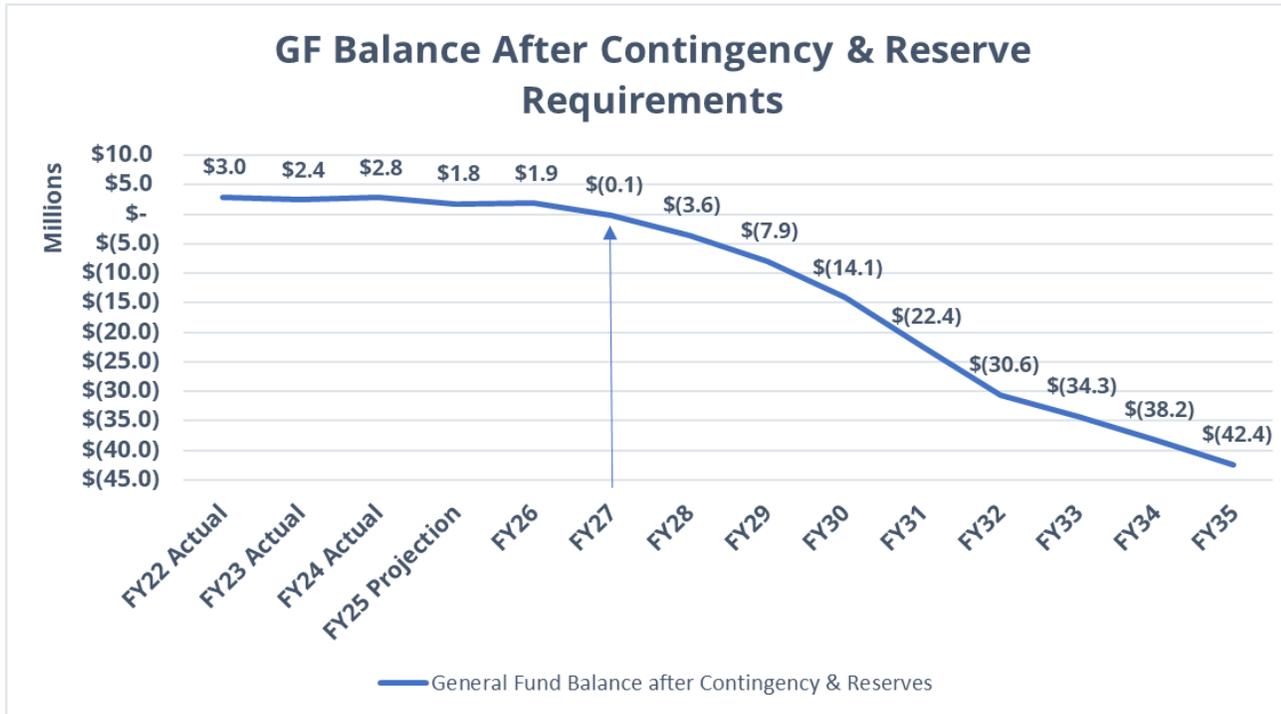


# General Fund Expenses

## Major General Fund Expenditures – FY25



# Long-Range Forecast Model



- At current expenditure growth rates, the County General Fund will face a budget shortfall as early as FY27 without action.
- Expenditures will need to be limited in FY26 and going forward to achieve structural balance and financial sustainability in the GF.
- Prudent financial planning and forecasting has placed the County in a strong position to plan for the next fiscal year as we continue providing our core services to the community.



# FY26 Budget Initiative

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# FY26 Budget Initiative

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- **The cornerstone of the County's FY26 budget efforts are implementing a series of strategies to reset the expenditure curve and achieve financial sustainability in the General Fund.**
  - *Focused savings.*
  - *Limited expenditure growth.*
  - Customized modified budget process that draws on the elements of Line-Item budgeting, Zero-Based budgeting and Priority-Based budgeting.
  - Collaborative process by convening a budget work group.



# Limited Growth GF Forecast

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# Limited Growth - Assumptions

- **Goal: Achieve structural balance and financial sustainability for 5-10 years and limit impact to core County services.**
- **Revenue Growth:**
  - Assessed Value Growth: 4.7% for FY26 and beyond.
  - Other Revenue: 1.0% to 5.0% growth depending on revenue type.
- **Limited Expenditure Increases:**
  - Personnel: 3.3% (Unconstrained = 6.8%).
  - M&S: 3.0% (Unconstrained = 3.5% to 7.0%).
  - ISF Allocations: 8.0% (Unconstrained = 11.0%).
  - Transfers Out: 3.3% (Unconstrained = 7.0%).
- **Other Items:**
  - Approximately \$1M of annual expenditures reduced or reallocated to other funding sources.
  - No transfers to the Capital Reserve Fund.
  - No special requests.



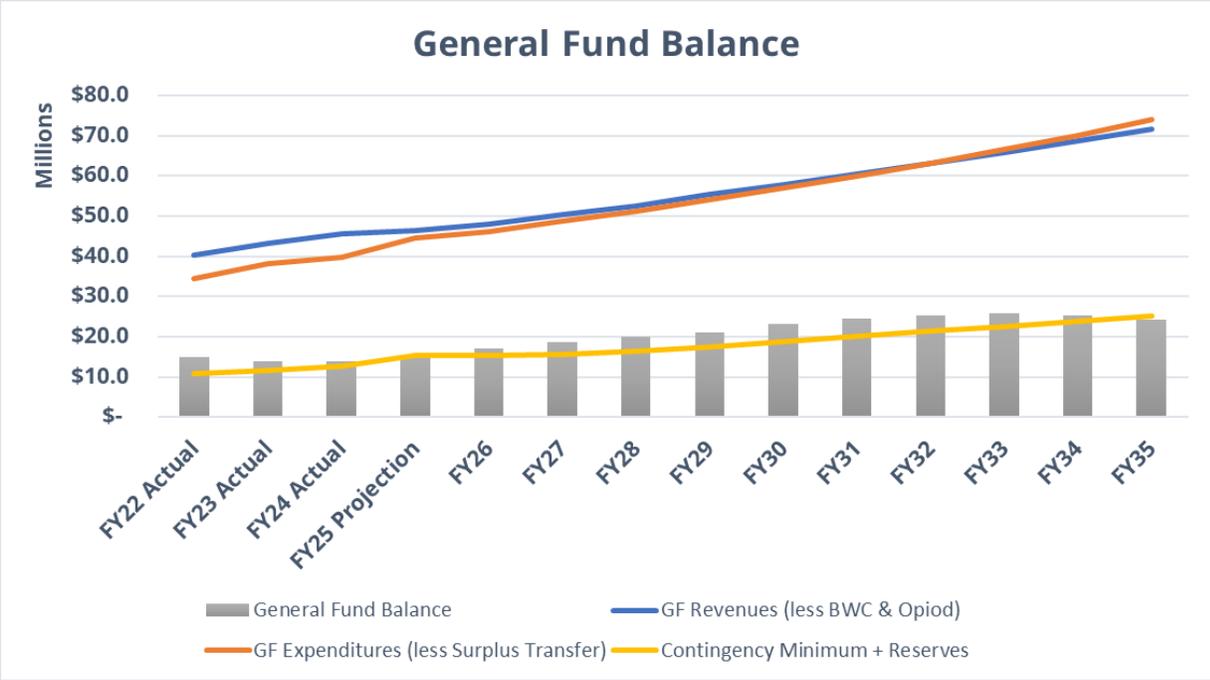
# GF Funding Reallocations - ~\$1M/Year

Approved by the Board on 12/2:

- Move \$480K of debt service that is currently being paid for by the General Fund to Video Lottery. Jail Expansion Debt Service \$260K per year and \$220K per year for Jamison Property. The jail expansion debt service matures in 2038, and the Jamison debt service matures in 2028.
- Shift two Behavioral Health positions from the General Fund to the Health's budget and use BH reserve if needed - ~\$334K/year.
- Remove CDD transfer for Hearings Officer which will be absorbed and incorporated into existing fees - \$100K/year.
- Move Eastern Oregon Counties Association Membership to BOCC budget - \$12.5K/year.
- Reduce transfer to Assessor/Clerk/Tax Reserve Fund from \$120K to \$60K annually.
- No new external commitments of the General Fund.



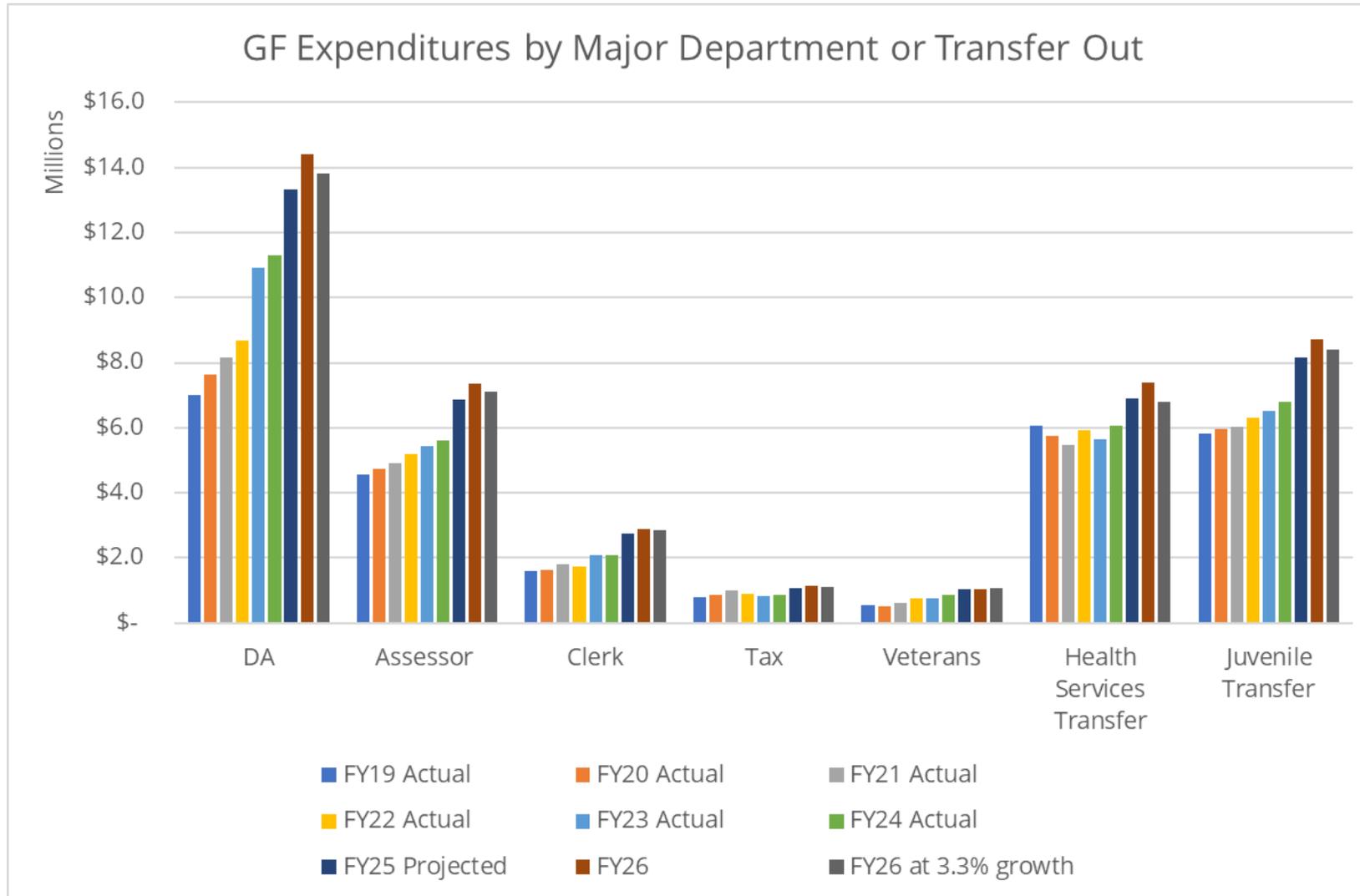
# Limited Growth Solution



- The implementation framework, which includes a 3.3% limited growth target for FY26 (4% in FY27 and 5% thereafter), alongside the reallocation of approximately \$1M in non-departmental expenditures, ensures financial sustainability over the next nine years.
- The financial analysis indicates that this approach will achieve structural balance in the General Fund.



# General Fund Expenditures by Dept



# Estimated Budget Savings - PRELIMINARY

GF Department / Office	Baseline Budget/Transfer	Potential Budget Savings Needed	Savings as a % of Department's Budget
Assessor (GF)	\$7,122,900	\$223,000	3.1%
Clerk (GF)	\$2,859,200	\$63,000	2.2%
DA (GF)	\$13,809,600	\$519,000	3.8%
Property (GF)	\$621,600	\$18,000	2.9%
Tax (GF)	\$1,104,300	\$57,000	5.2%
Veterans' Services (GF)	\$1,062,800	<b>No Savings Needed</b>	<b>n/a</b>
Parole and Probation (GF Transfer)	\$726,600	\$26,000	0.3%
Dog Control (GF Transfer)	\$99,200	\$3,600	0.9%
Health Services - PH (GF Transfer)	\$5,299,800	\$190,000	0.8%
Health Services - BH (GF Transfer)	\$1,508,500	\$66,000	0.1%
Juvenile Justice (GF Transfer)	\$8,412,500	\$301,000	2.9%
DA Victims' Assistance (Transfer)	\$737,500	\$26,000	1.6%
<b>Total General Fund*</b>	<b>\$46,724,800</b>	<b>\$1,497,000</b>	3.0%
<b>Internal Service Funds</b>	<b>\$22,322,700</b>	<b>\$624,000</b>	2.8%

\* Total includes other amounts for GF non-departmental.

- These represent estimated budget savings that departments/offices will potentially need to achieve in FY26.
- The savings needed for departments receiving a GF transfer will likely be higher after their FY26 budgets are fully evaluated.
- The BOCC's priorities and decisions will determine final baseline budget, beginning with discussions at the retreat in early January 2025.



# Limited Growth Impacts

FY26 - Limited Growth Impacts



Fund or Transfer Type:	
Department:	
Baseline Budget Amt:	\$ -
Proposed Net Savings:	\$ -
Department Contact:	

Budget Savings or Revenue Offsets						
Expense or Revenue?	Item Description	Amount	Full Time Equivalent Reduction	Is FTE currently Vacant?	Program Name (if applicable)	Service Mandated?
<b>Total</b>		-	-			

- Departments that need to find budget savings or revenue offsets to meet baseline budgets will complete a limited growth impact form. The form will summarize:
  - Service level impacts.
  - Impacts to the Community
  - Impacts to other County departments or internal customers.
  
- Detailed forms and summary will be included in FY26 Proposed Budget Book.



# Transient Room Tax Forecast

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# Transient Room Tax (TRT) Overview

## First 6%

- 20% to VCO (Allocated)
- 80% to General County Operations (Discretionary)

## Next 1%

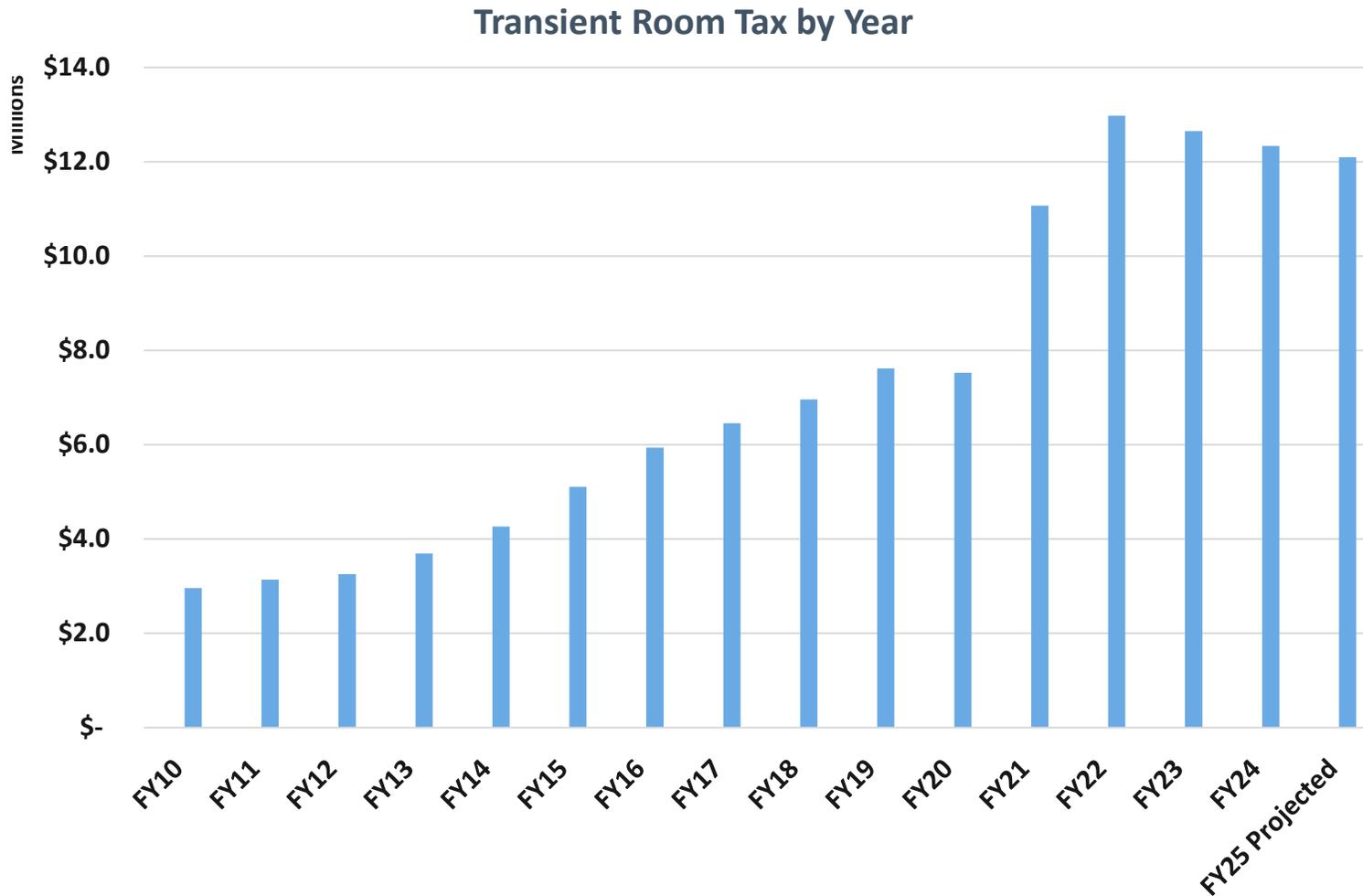
- 100% to VCO (Allocated)

## Newest 1%

- 70% Fair and Expo (Allocated)
- 30% Fair and Expo Capital Reserve (Discretionary)



# TRT Revenue History



- 17% increase in FY22
- 2.0% average decrease between FY23 and FY25.
- Projecting \$12.1M in TRT collections for FY25, which is at budget.
- As of October 30, revenues are down 1% compared to FY24.

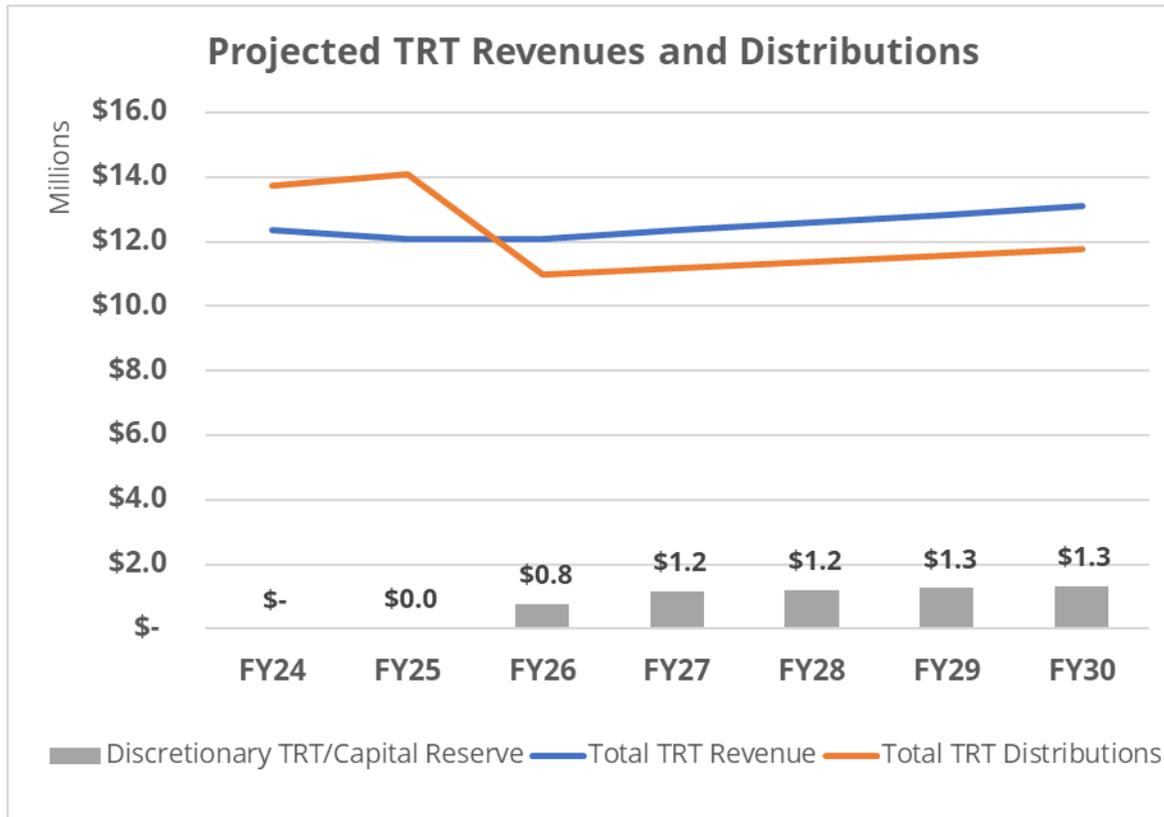


# FY26 TRT Assumptions

- TRT is highly variable and difficult to project.
- FY26 TRT revenue: \$12.1M – flat from FY25; hold discretionary allocations flat.
- No internal special requests.
- After the \$1.5M contingency, any remaining discretionary funds are forecasted to be transferred to the Capital Reserve Fund as a strategy to fund future capital projects as the GF can no longer contribute as it has in the past.
- **Items for Board Consideration on 12/18:**
  - Increase Environmental Health (EH) fees to reduce or eliminate a subsidy of \$527K/year, of which TRT subsidizes \$277K. The other \$250K is currently subsidized with Video Lottery Funds; however, per BOCC direction on 12/2, VL funds for FY26 have been allocated to Debt Service and are no longer available.
  - Move dispute resolution contract of \$20K/year from the General Fund to Justice Court, which is partially funded by TRT funds.
  - No new external commitments.



# TRT Forecast



- Reserves of \$1.5M will be built up within the Fund between FY25 and FY26 for one year's worth of debt service.
- TRT revenue and discretionary distributions will be held flat in FY26.
  - TRT revenue came in 2% less than budget in FY24 and 2% less than FY23 actuals. Currently expecting FY25 revenue to come in like or less than FY24.
- The difference between projected TRT revenues and TRT distributions is approximately \$1.0M - \$1.5M/year and will be important to preserve for contributions to the Capital Reserve Fund.
- If EH Fees are not increased to reduce at least the VL portion of the subsidy, the TRT fund will need to allocate an additional \$250,000.



# Estimated Discretionary TRT Transfers

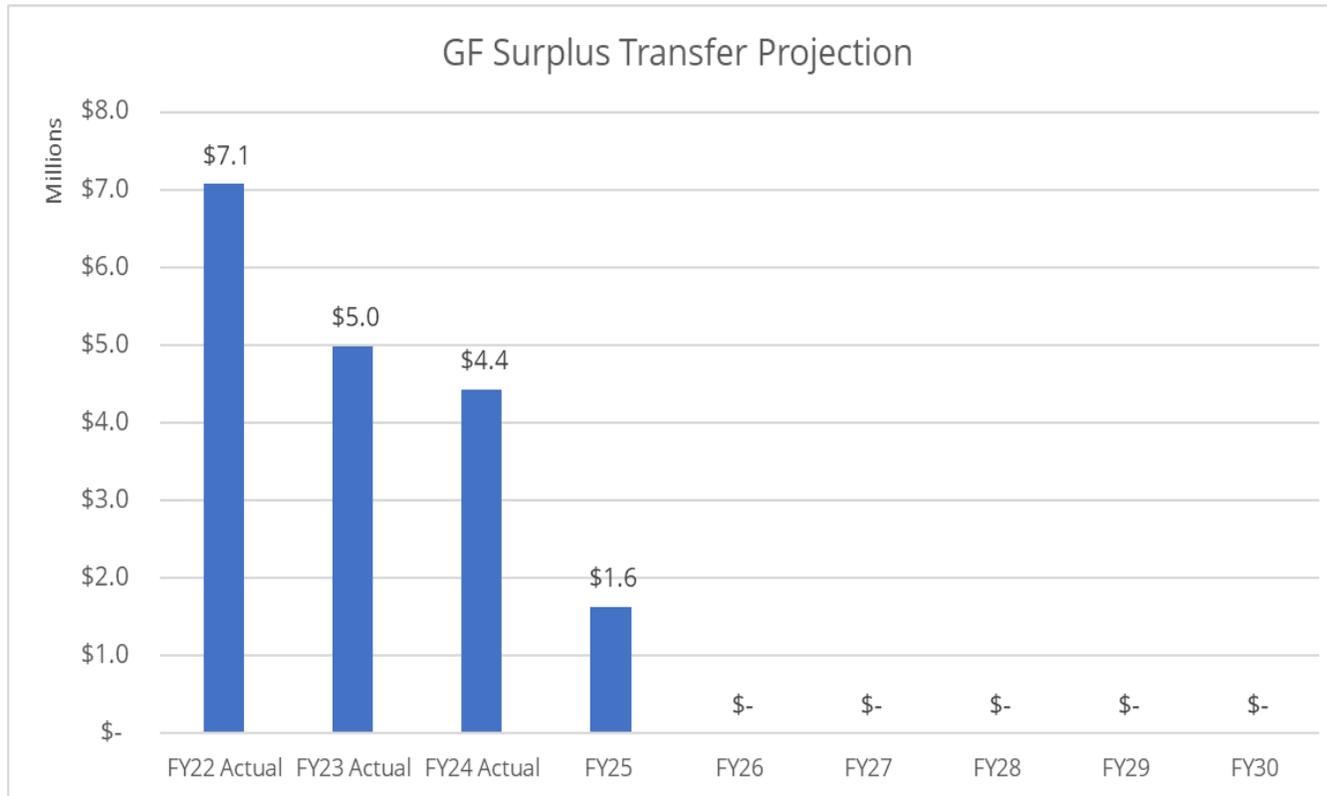
Fund	FY26 Amount	Comment
Sheriff's Office	\$3.7M	Held flat and reduced by one-time approval of \$100K in FY25.
Courthouse Debt Service	\$1.5M	
F&E Reserve	\$442K	Budget committee has historically opted to fund F&E reserves with 30% of the discretionary portion of the new 1%.
Justice Court	\$381K	Transfer to balance Justice Court budget; held flat in FY26 but would increase by \$20K for dispute resolution contract if BOCC approves moving from the General Fund on 12/18.
Public Health	\$277K	Transfer to cover Environmental Health expenditures not covered by fees; held flat in FY26. Other portion of EH costs not covered by fees is funded by Video Lottery funds of \$250K. If fees are not increased to cover at least the \$250K in VL, total TRT transfer would be \$527K.
<i>Capital Reserve</i>	<i>\$762K</i>	<i>This is the discretionary amount remaining after all other allocations while retaining a reserve of \$1.5M for debt service within the fund.</i>
<b>Total</b>	<b>\$7.0M</b>	



# Capital Reserve Forecast

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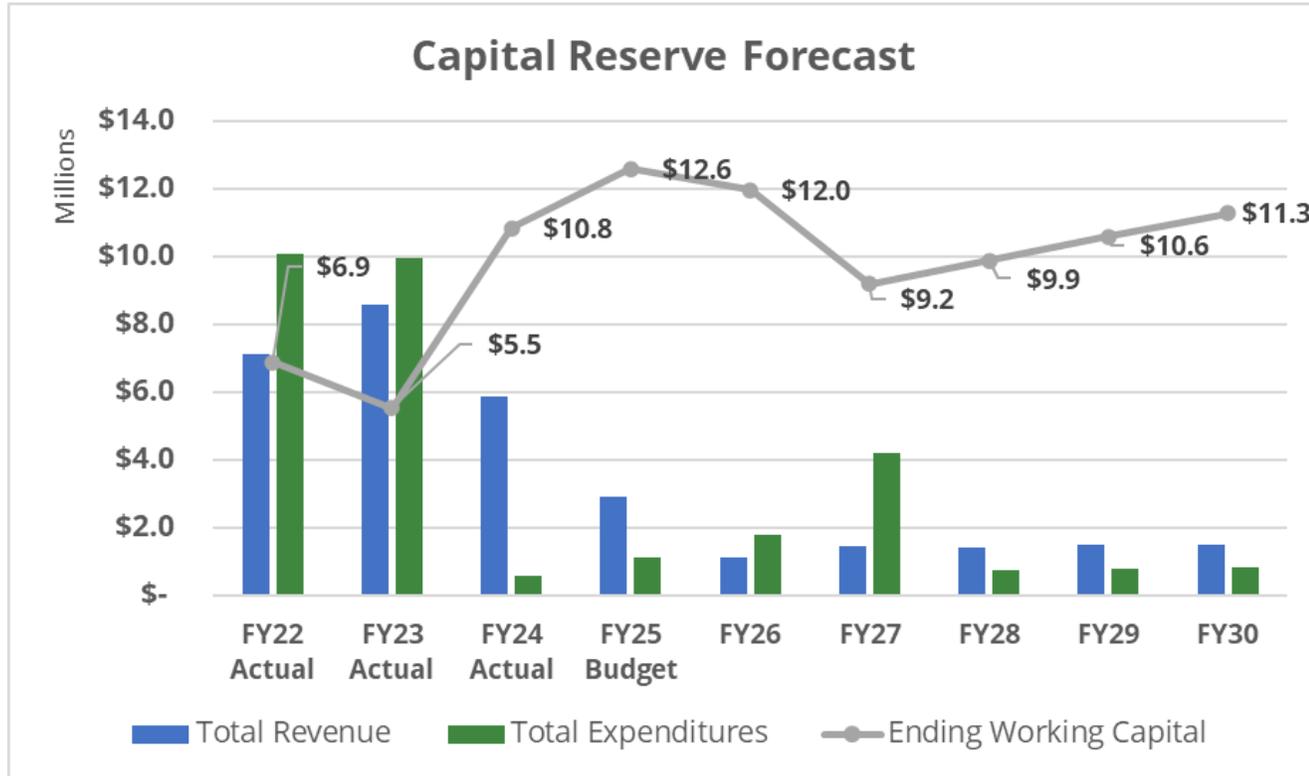
# Capital Reserve- GF Transfer



- **The General Fund will not be able to contribute to the Capital Reserve Fund at the same level as in the past.**
- **Under the limited growth model, transfers to Capital Reserve are zero.**
- **Source of revenue for future projects will be from the TRT fund.**
- **County will need to explore alternate methods for funding capital.**



# Capital Reserve Forecast



- Last large expenditure of \$3.5M is in FY27 to finish the DA remodel.
- The forecast does not include spending on additional projects as those have yet to be prioritized and approved.
  - Ongoing costs are a transfer to Fund 070 – General County Projects for capital maintenance of ~\$680K/year with a 5% growth assumption.
- Revenue source beginning in FY26 is from the TRT fund only.

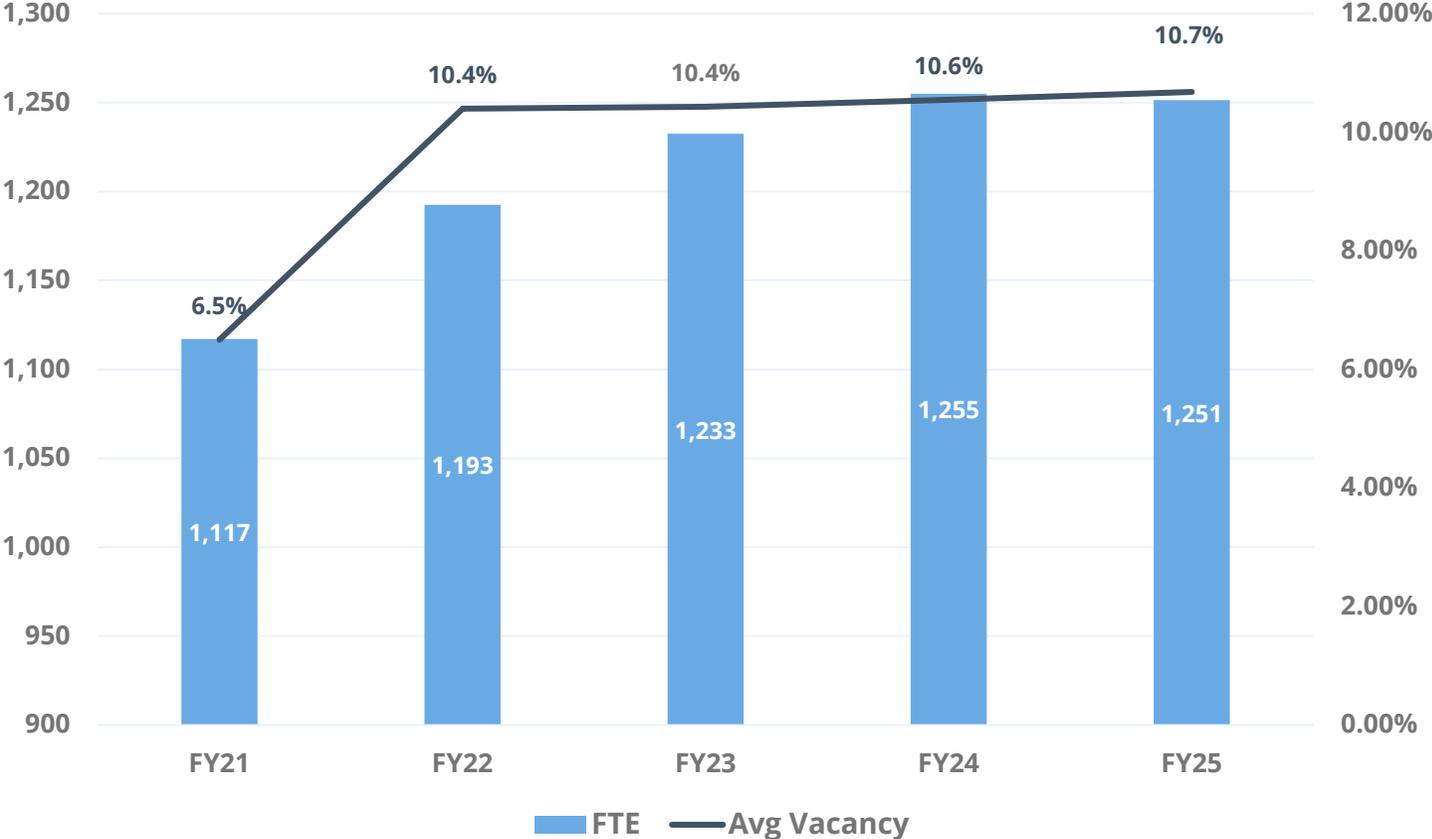


# County FTE Update

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# County FTE Update

### 5-Year FTE Growth and Average Vacancy Rate



- **2.0% average FTE growth since FY22.**
- **Vacancy rates have consistently been around 10% since FY22.**



# FTE Additions

FTE Additions by Department

DEPARTMENT	FY25	FY24	FY23	FY22	FY21	5-Yr Total
911 District	1.00	-	-	-	1.00	2.00
Adult Parole & Probation	-	-	-	-	2.00	2.00
Administrative Services	-	-	1.00	2.00	-	3.00
Coordinated Houselessness	(1.00)	-	2.00	-	-	1.00
Clerk's Office	-	-	-	1.00	-	1.00
Community Development	(7.00)	(6.00)	(6.00)	9.00	3.00	(7.00)
District Attorney	(0.80)	(0.50)	3.00	4.40	0.10	6.20
Facilities	1.00	1.75	-	2.00	(1.00)	3.75
Fair and Expo Center	-	4.00	1.00	1.50	(1.00)	5.50
Finance	1.00	1.00	1.00	2.00	1.00	6.00
Health Services	(1.70)	2.20	21.50	39.30	36.35	97.65
Human Resources	1.00	-	1.00	1.00	-	3.00
IT	2.00	1.00	-	-	-	3.00
Natural Resources	1.00	-	-	-	-	1.00
Property Management			1.00	-	0.20	1.20
Road Department	(1.00)	1.00	4.00	1.00	1.00	6.00
Sheriff's Office	(1.00)	7.00	6.00	7.00	11.50	30.50
Solid Waste	3.00	11.00	2.00	4.00	0.50	20.50
Tax	-	-	1.00	-	-	1.00
Veterans' Services	-	-	-	1.00	-	1.00
Victims' Assistance	-	-	1.50	-	-	1.50
<b>Total FTE Additions</b>	<b>(2.50)</b>	<b>22.45</b>	<b>40.00</b>	<b>75.20</b>	<b>54.65</b>	<b>189.80</b>

Net FTE Changes	FY25	FY24	FY23	FY22	FY21
Beginning FTE at Budget	1,254.96	1,232.51	1,192.51	1,117.31	1,062.66
FTE added in Budget Process	(3.70)	19.25	24.55	37.10	9.05
Adopted Legal FTE for FY	1,251.26	1,251.76	1,217.06	1,154.41	1,071.71
Mid-Year FTE Additions	1.20	3.20	15.45	38.10	45.60
Ending FY Legal FTE	1,252.46	1,254.96	1,232.51	1,192.51	1,117.31
<b>Total FTE Increase per FY</b>	<b>(2.50)</b>	<b>22.45</b>	<b>40.00</b>	<b>75.20</b>	<b>54.65</b>



# Budget Calendar

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# Budget Calendar

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- **Important Dates:**
  - January 10: BOCC Retreat to set Goals & Objectives
  - May 12 – May 15: Budget Week
    - Currently scheduled for 9:00am to 3:00pm
- **Pre-budget topics will be presented/discussed in February, April and May.**
  - **Elected Officials Compensation Committee** – February date - TBD
  - **EDCO & VCO** – Present at regular BOCC meeting in April - TBD
  - **Health Services** – Present at Budget Week



# Budget Committee Review

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# Role of the Budget Committee

- Duties of the Budget Committee (BC):
  - Meets publicly to review the budget document as proposed by the budget officer.
  - BC must approve the budget and the amount of tax or rate per \$1,000 of assessed value for each levy.
- The BC may meet from time to time throughout the year at the governing body's discretion, if it's a public hearing and is noticed.
- BC elects a presiding officer at the first meeting, where the budget message is heard.
- The BC reviews and, if a majority of the committee feels it's necessary, revises the proposed budget submitted by the Budget Officer.

*Source: OR Local Budgeting Manual and ORS*



# Budget Committee Reminders

- Committee members may not discuss or deliberate on the budget outside of a public meeting (Local Budget Manual).
- Requests to staff for information should not be beyond that required for revision and preparation of the budget document (ORS 294.428(3)).
  - If a request for information is estimated to take longer than about 15 minutes to complete, the majority of the budget committee members must approve the information request per County practice.
- Direct all questions related to the budget to the Budget Manager, to ensure responses include all Committee members and appropriate department contacts.
- Use County issued email address; do not forward emails to personal email address.

*Source: OR Local Budgeting Manual and ORS*



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# Questions?

