



BUDGET COMMITTEE MEETING

1:00 PM, TUESDAY, DECEMBER 12, 2023

Barnes Sawyer Rooms - Deschutes Services Building - 1300 NW Wall Street – Bend

(541) 388-6570 | 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, with the exception of any executive session.

Members of the public may view the meeting in real time via YouTube using this link: <http://bit.ly/3mmlnzy>. To view the meeting via Zoom, see below.

Public Comment: When in-person comment from the public is allowed at the meeting, public comment will also be allowed via computer, phone or other virtual means.

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

- To join the meeting via Zoom from a computer, use this link: <http://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, if and when allowed. If using a phone, press *9 to indicate you would like to speak and *6 to unmute yourself when you are called on.
- When it is your turn to provide testimony, you will be promoted from an attendee to a panelist. You may experience a brief pause as your meeting status changes. Once you have joined as a panelist, you will be able to turn on your camera, if you would like to.



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.

Time estimates: The times listed on agenda items are estimates only. Generally, items will be heard in sequential order and items may be heard before or after their listed times.

1:00PM	CALL TO ORDER	Bruce Barrett, Chair Working Lunch
	OPENING COMMENTS	Nick Lelack, County Administrator Recognition of Bruce Barrett Service Robert Tintle, Chief Financial Officer
1:20PM	PUBLIC COMMENT	
1:30PM	FINANCE UPDATE	Dan Emerson, Budget Manager <ul style="list-style-type: none">• General Fund and Property Taxes• Transient Room Tax• Capital Reserve and Courthouse Update• Operations Update• Health Benefits Fund• Countywide Personnel Review and Assumptions• American Rescue Plan Act
4:00PM	BUDGET PROCESS UPDATE	Dan Emerson, Budget Manager
4:15PM	BUDGET CALENDAR	Dan Emerson, Budget Manager
4:30PM	WRAP-UP	Bruce Barrett, Chair
	ADJOURN	

Budget Committee Update



DECEMBER 12, 2023

Today's Topics

County Finance Update

- General Fund & Property Taxes
- Transient Room Tax
- Capital Reserve & Courthouse
- Operations Update
- Health Benefits Reserve
- Countywide Personnel Review & Assumptions
- American Rescue Plan Act

Updates to Budget Process

Budget Calendar



Purpose Statement

- ❑ High level focus on Countywide financial perspective and budget assumptions
- ❑ Specific departmental focus will occur during Budget Week



County Finance Update

General Fund Operations (Fund 001)

- The GF is currently made up of departments (DA, Clerk, Assessor, Veterans, Tax, Property, Medical Examiner) and supports other departmental transfers
- These departments are primarily supported through current year property tax dollars which makes up 84% of GF revenue
- Property tax income is a function of the levy rate, the assessed value growth, and the percent collected



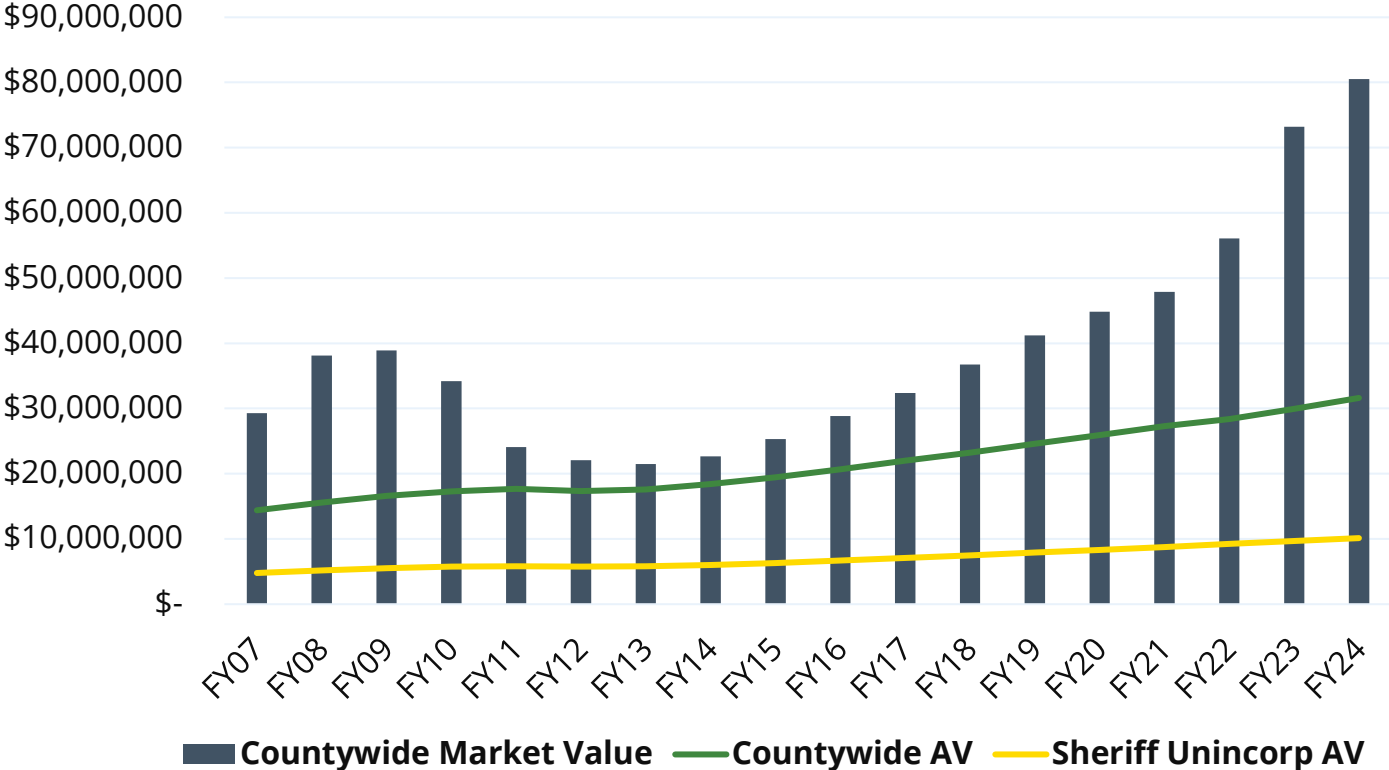
Deschutes County Tax Levies

Levy	Authorized Rate	FY24 Levy Rate	FY24 Budget Revenue	FY24 Est. Revenue
Countywide Levies				
County Permanent Rate	\$ 1.2783	\$ 1.2783	\$ 38,557,000	\$ 39,315,451
Countywide Law Enforcement	1.2500	1.2500	37,860,124	38,006,062
County Extension/4H	0.0224	0.0224	681,000	681,858
9-1-1	0.4250	0.3618	10,932,000	11,001,603
Total Countywide Levies	\$ 2.9757	\$ 2.9125	\$ 88,030,124	\$ 89,004,974
Additional Levies				
Rural Law Enforcement – Sheriff	\$ 1.5500	\$ 1.5500	\$ 15,110,056	\$ 15,189,654
Sunriver Service District – Police and Fire	3.4500	3.3100	5,658,000	5,696,217
Black Butte Ranch Service District – Police	1.0500	1.0500	788,000	796,302
Black Butte Ranch SD Local Option – Police	0.6500	0.6500	488,000	492,997
Total Additional Levies	\$ 6.7000	\$ 6.5600	\$ 22,044,056	\$ 22,175,170

- GF Property Tax Rate: Increased \$0.06 and levied the permanent rate of \$1.2783 in FY24**
 - Supports vital operations at the current service level
 - Necessary for courthouse debt service and any future capital plans



Assessed Value



Assessed Value

- 5.6%/year average growth since 2015
- 4.90% FY24 budgeted growth
- 5.59% actual growth
- Difference between budget to actuals is +730k in property taxes

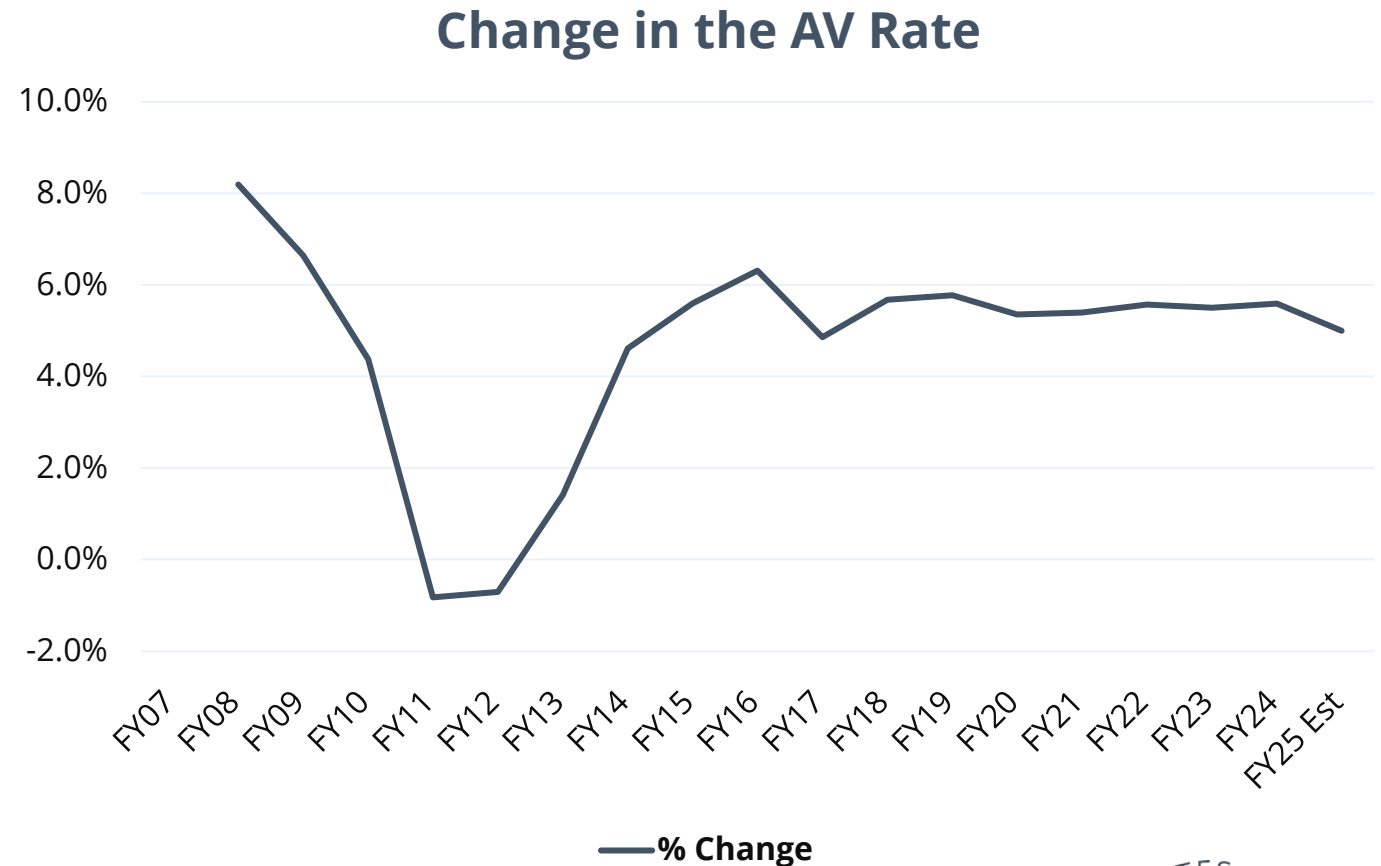
Market Value

- 14%/year average growth since 2015
- 10% growth in FY24; 30% growth in FY23

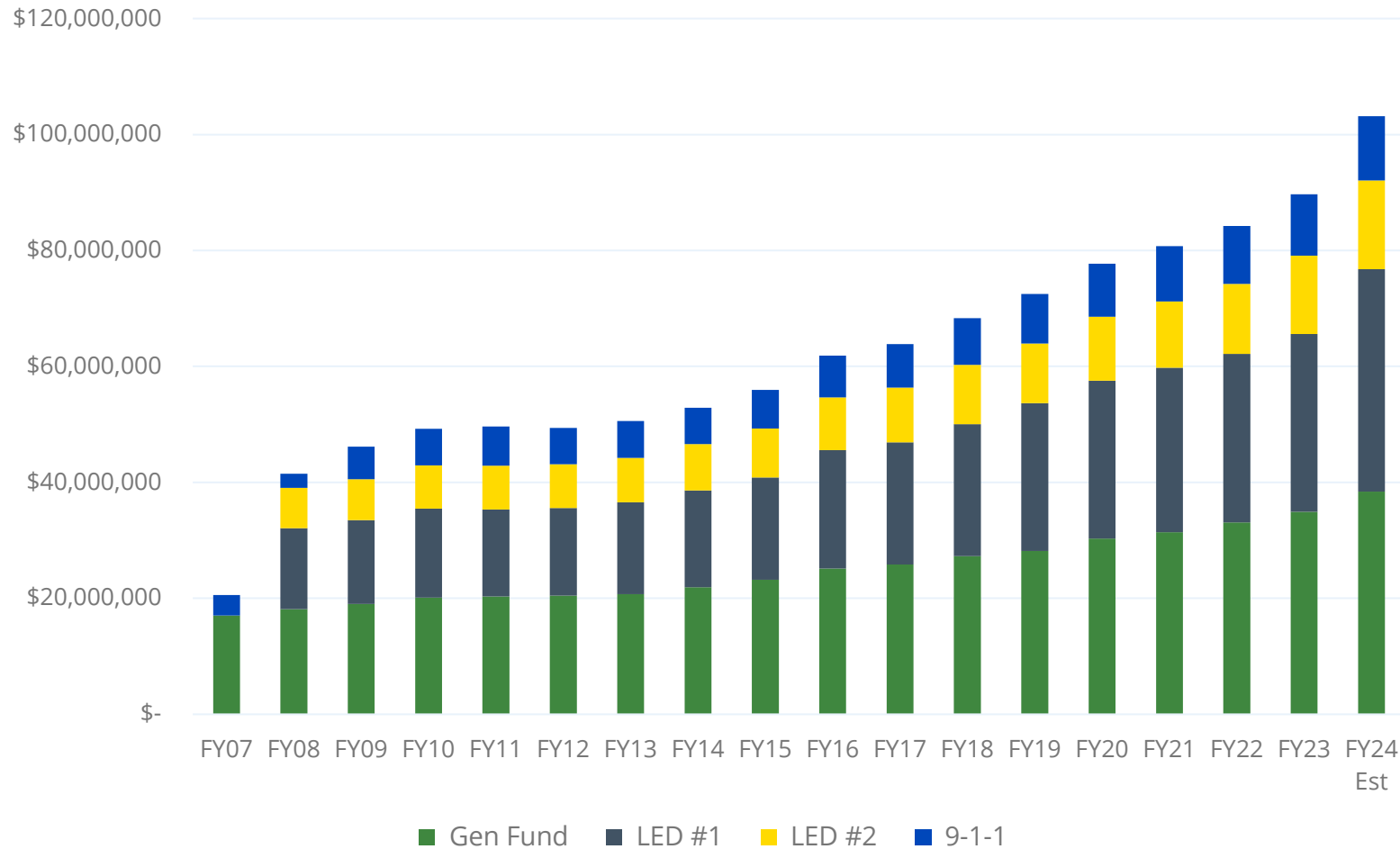


Assessed Value Assumptions

- **FY25 assumption = TBD**
- **Budgetary assumptions are slightly conservative to ensure revenues support operations**
- **Best practice and noted by Moody's rating agency**



Property Tax Collections



- Current & Prior Year collections
- +7.1%/year average since 2018
- +15% est. in FY24
- Assume a 96% collection rate for FY25



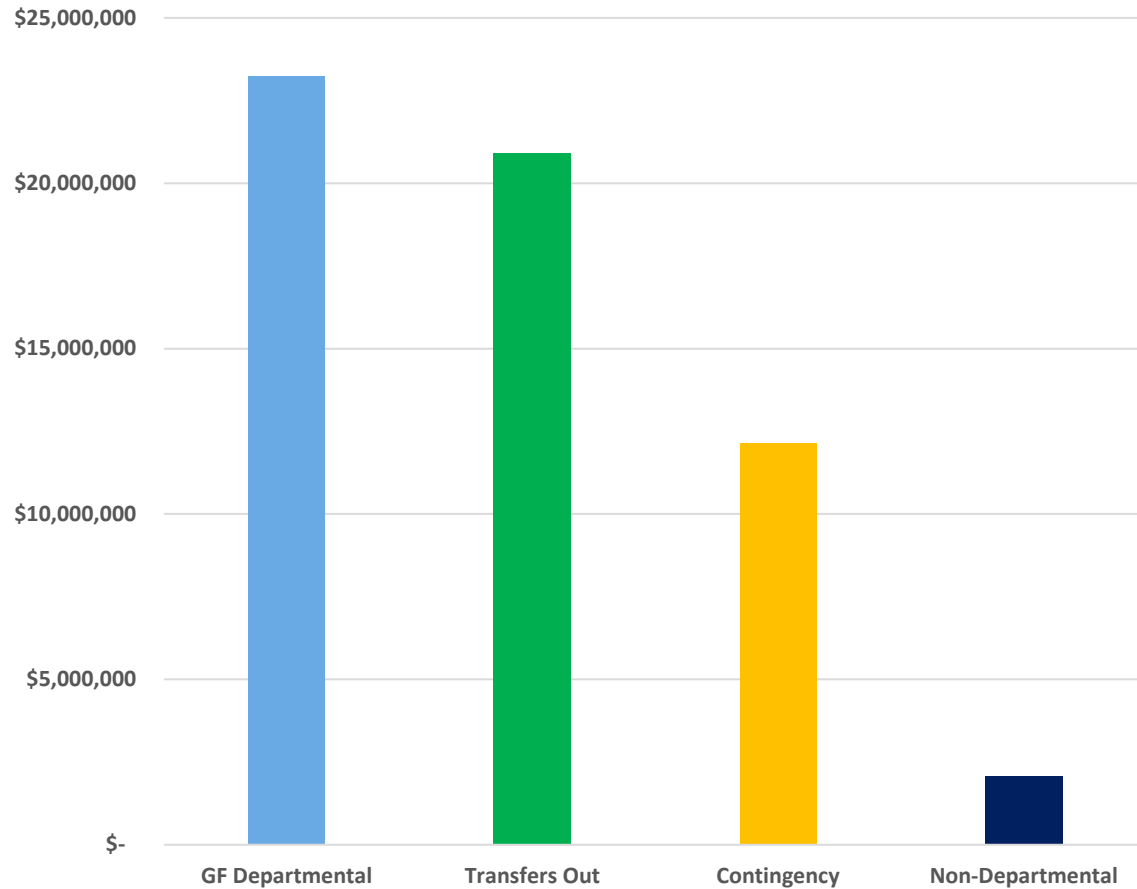
General Fund Operational Expenses

- **Departmental operating expenditures are the biggest cost to the GF**
- **The largest transfers are to Health Services (\$6.8M) and Community Justice Juvenile (\$6.8M)**
- **General Fund Transfers: Inflationary increase for personnel, transfer amounts will be evaluated on an individual basis**
- **General Fund ending balance projected to be ~\$1.5M higher than budgeted.**
 - FY24 property tax actuals ~\$730K higher than budgeted
 - Vacancy savings

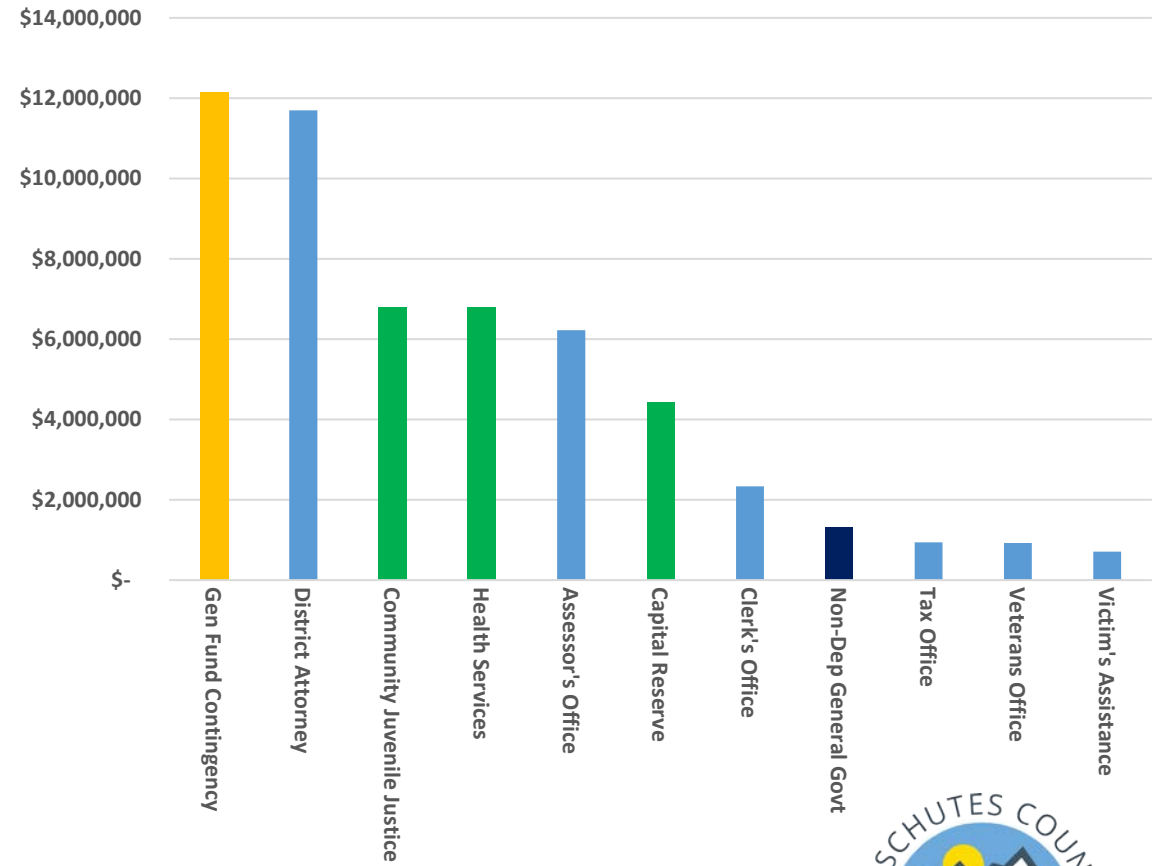


General Fund Expenses

General Fund Budget Overview

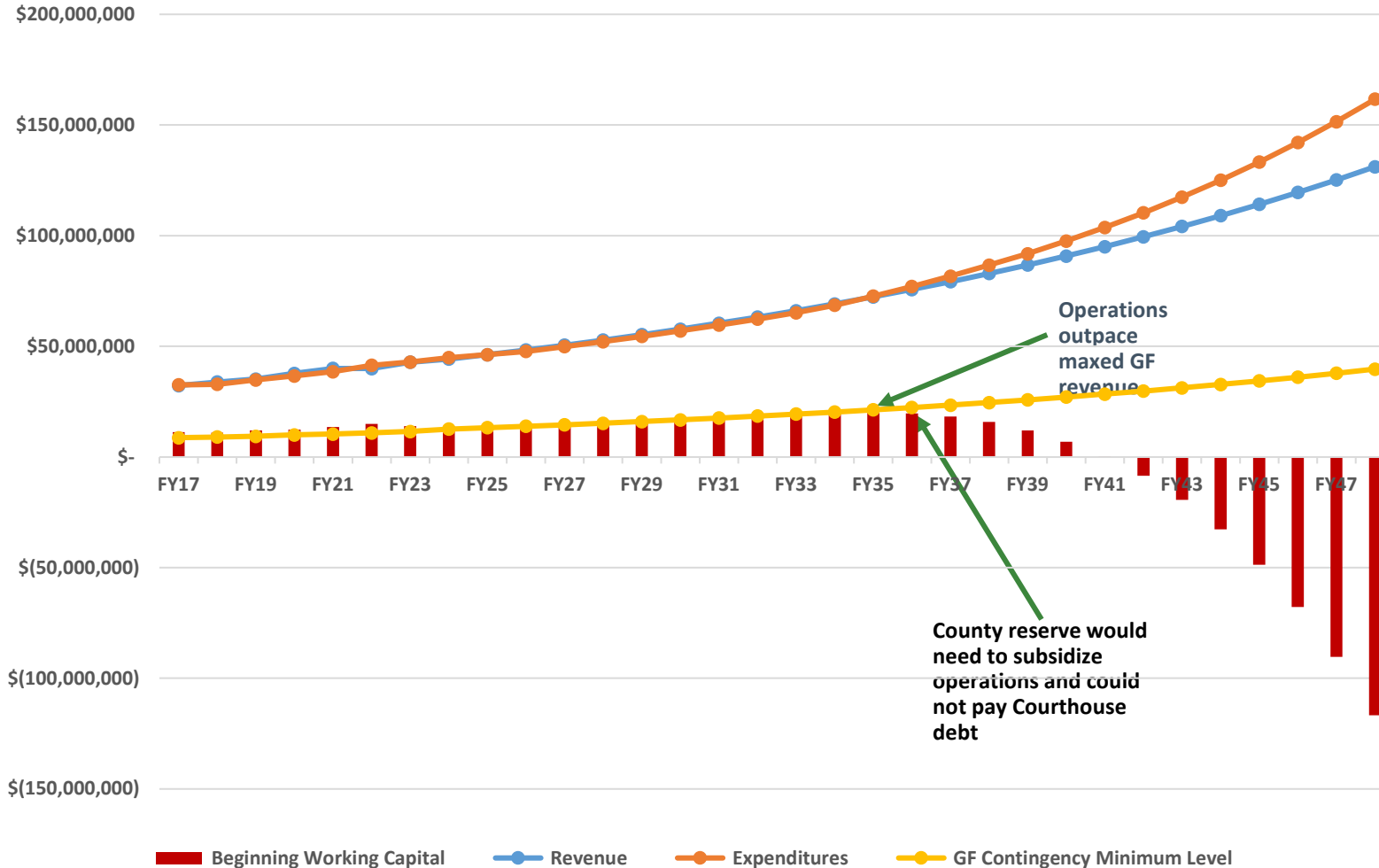


Major General Fund Expenditures



General Fund Operations Forecast

General Fund Balance

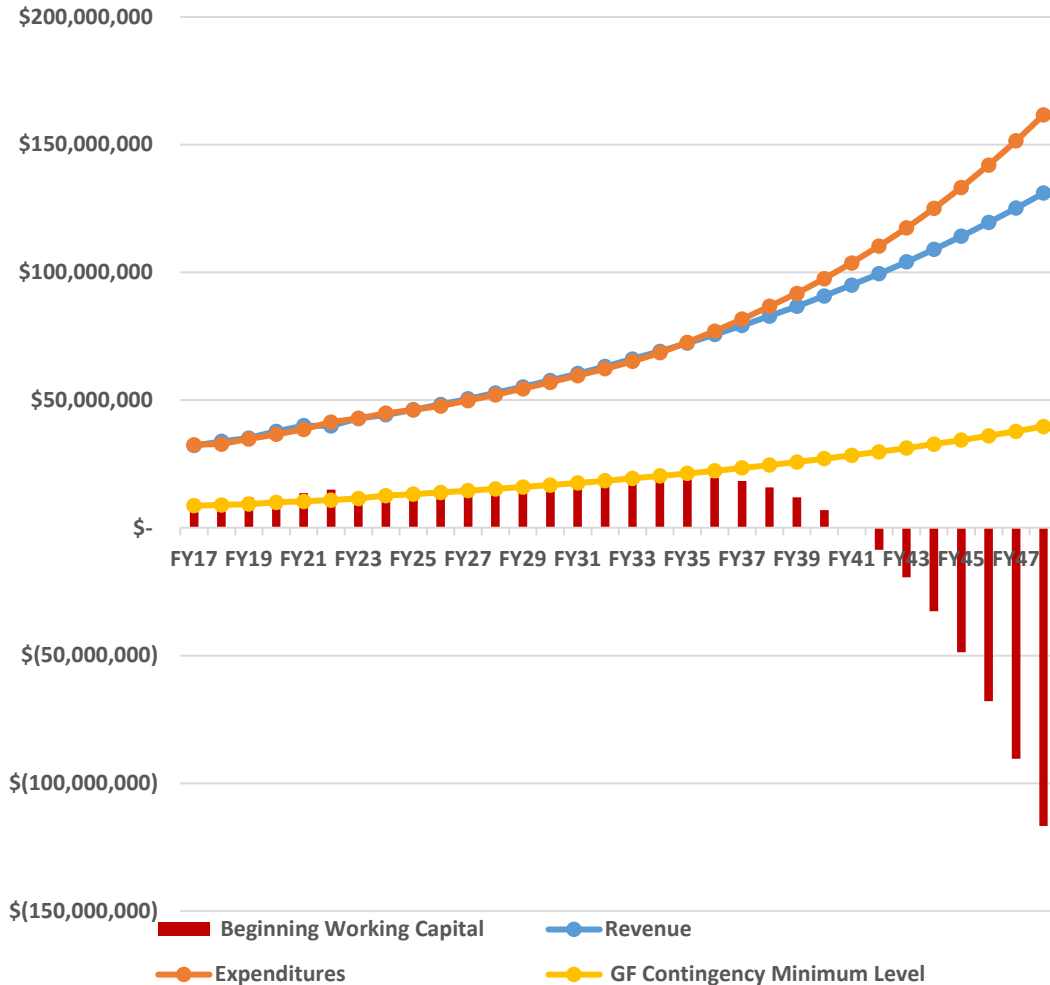


- By FY35 operational expenditure growth surpasses all GF revenue and the County takes on ~\$1.4M of unfunded operations in FY36
- By FY39 that unfunded number has grown to +\$12M
- FY42 BWC balance is depleted
- Critical to ensure that the GF continues to have available funds so operations continue at current service levels

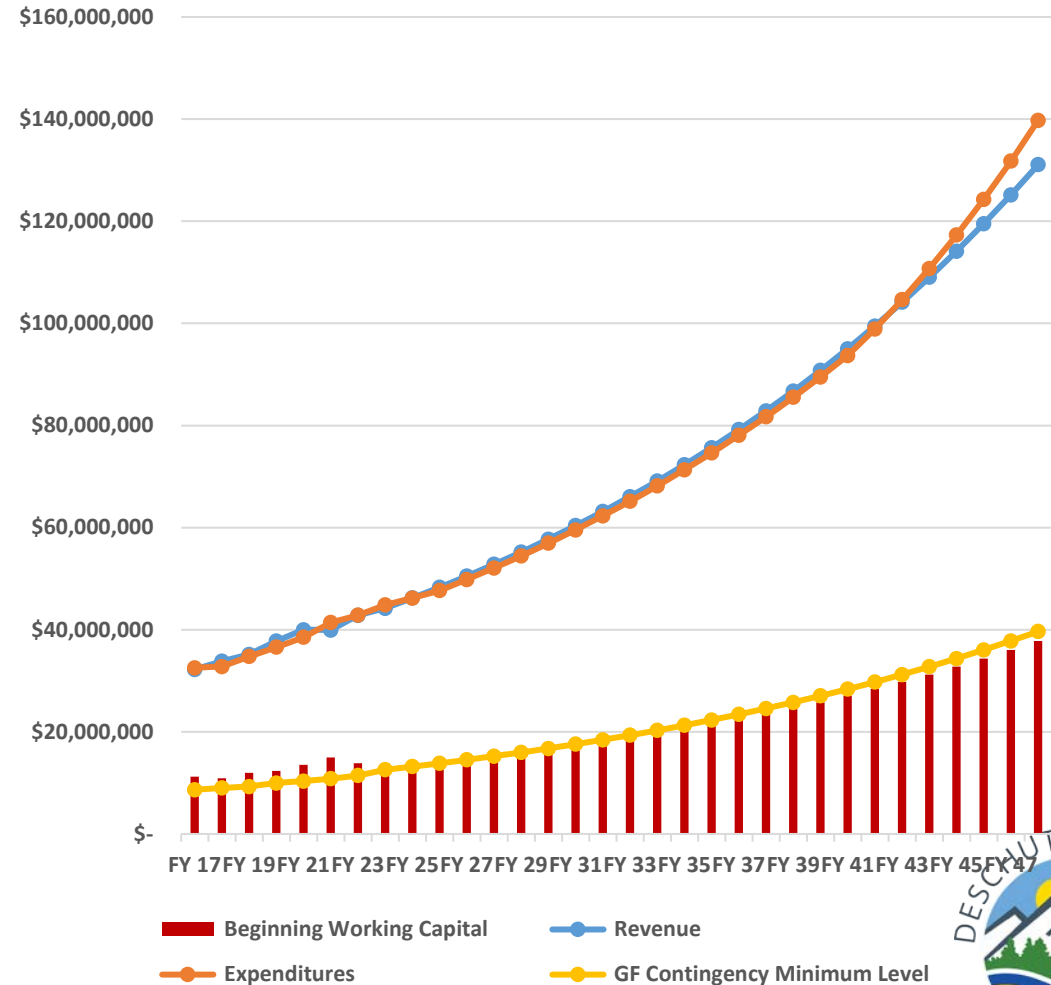


General Fund Operations Forecast with Differing Growth Assumptions

General Fund Balance 5.5% Compounding Average Expenditure Growth

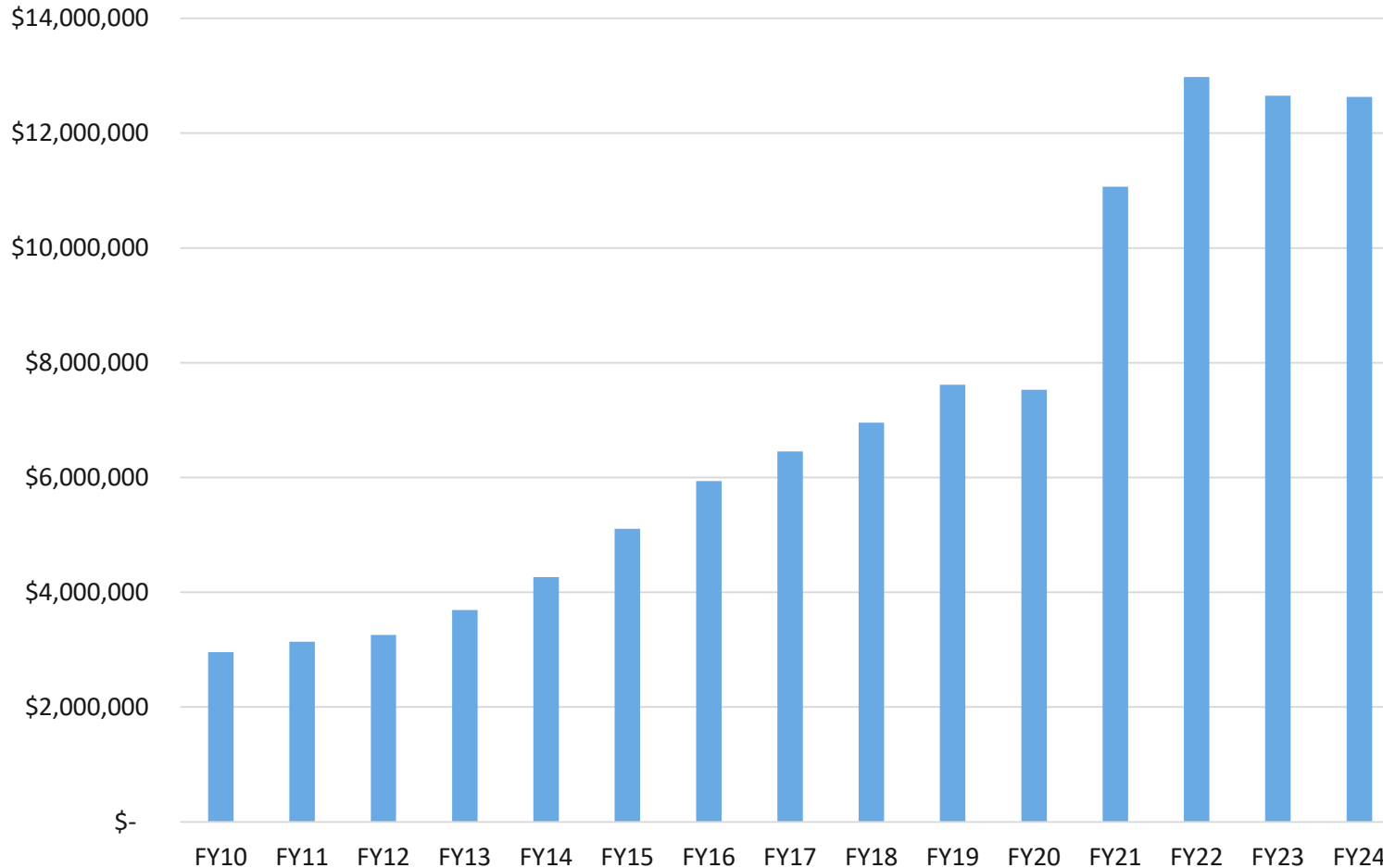


General Fund Balance 4.8% Compounding Average Expenditure Growth



Transient Room Tax History (Fund 160 & 170)

Transient Room Tax by Year

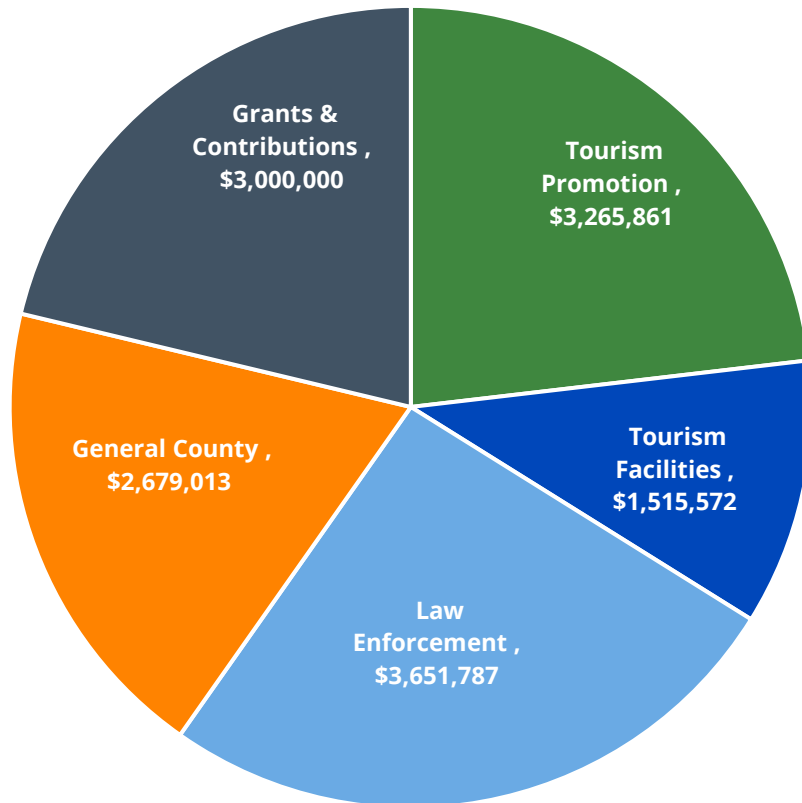


- 1.2%/year average increase 2000-2012
- +24%/year average since 2012
- Projecting \$12.45M in TRT collections for FY24
- \$180K less than budgeted
- Potential surplus transferred to Capital Reserve for future debt and capital needs



FY24 TRT Projected Expenditures

FY24 Projected Expenditures



- **Grants & Contributions**
 - Sunriver SD = \$2M
 - Mt Bachelor = \$1M
- **General County includes transfers to Health Services (restaurant inspections), Justice Court, and Capital Reserve and Courthouse debt service**

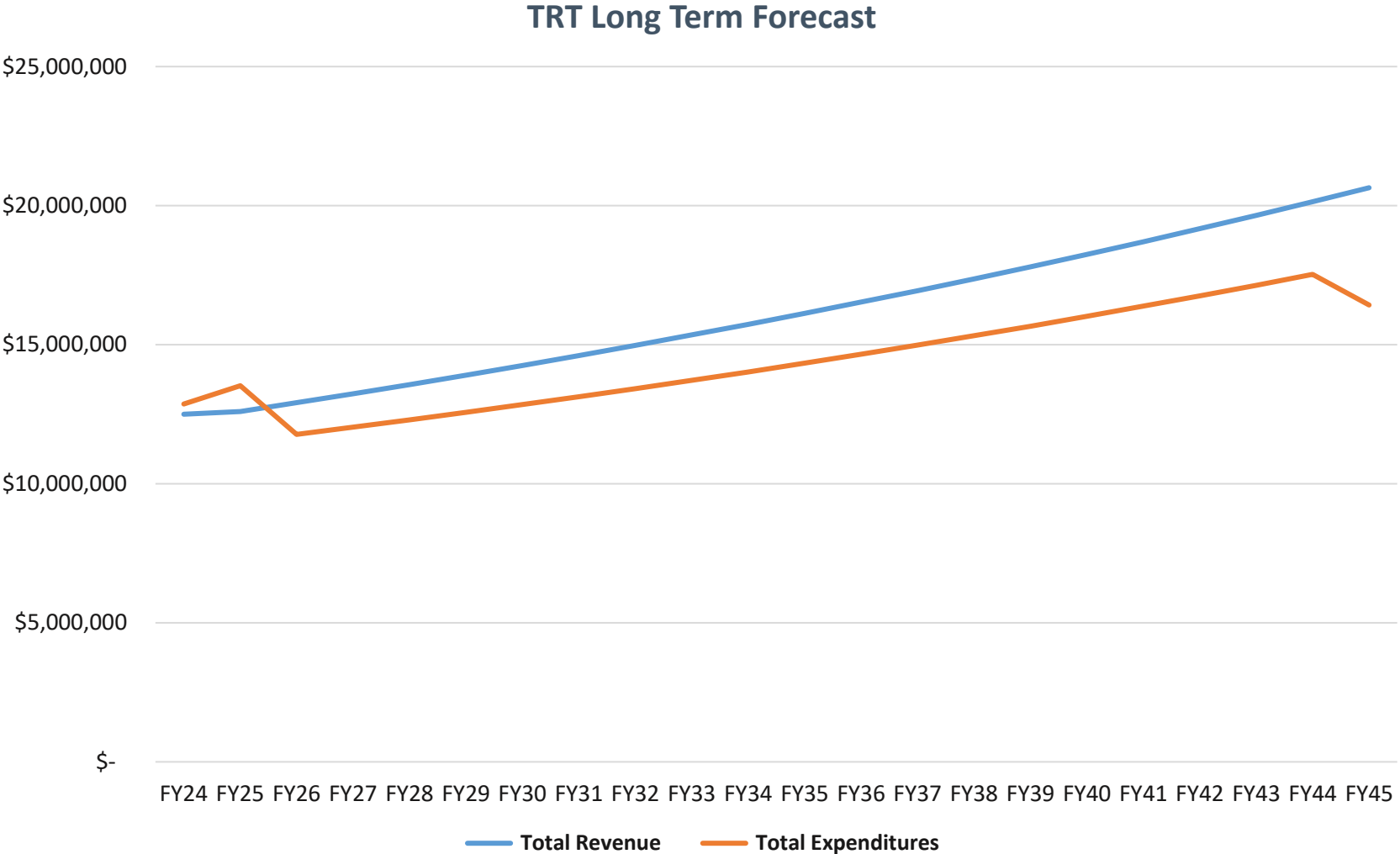


FY25 TRT Assumptions

- TRT is highly variable and difficult to project
- FY25 TRT projection = \$12,600,000
- TRT remainder after expenditures is forecasted to be transferred for debt service and capital needs as a strategy for long term financial stability



TRT Long Term Forecast



- 2.5% revenue and expenditure growth assumption
- Does not include any additional community projects past FY25 \$2M payment to Sunriver
- Annual revenue over expenditure is forecasted to be needed for capital maintenance and operational support



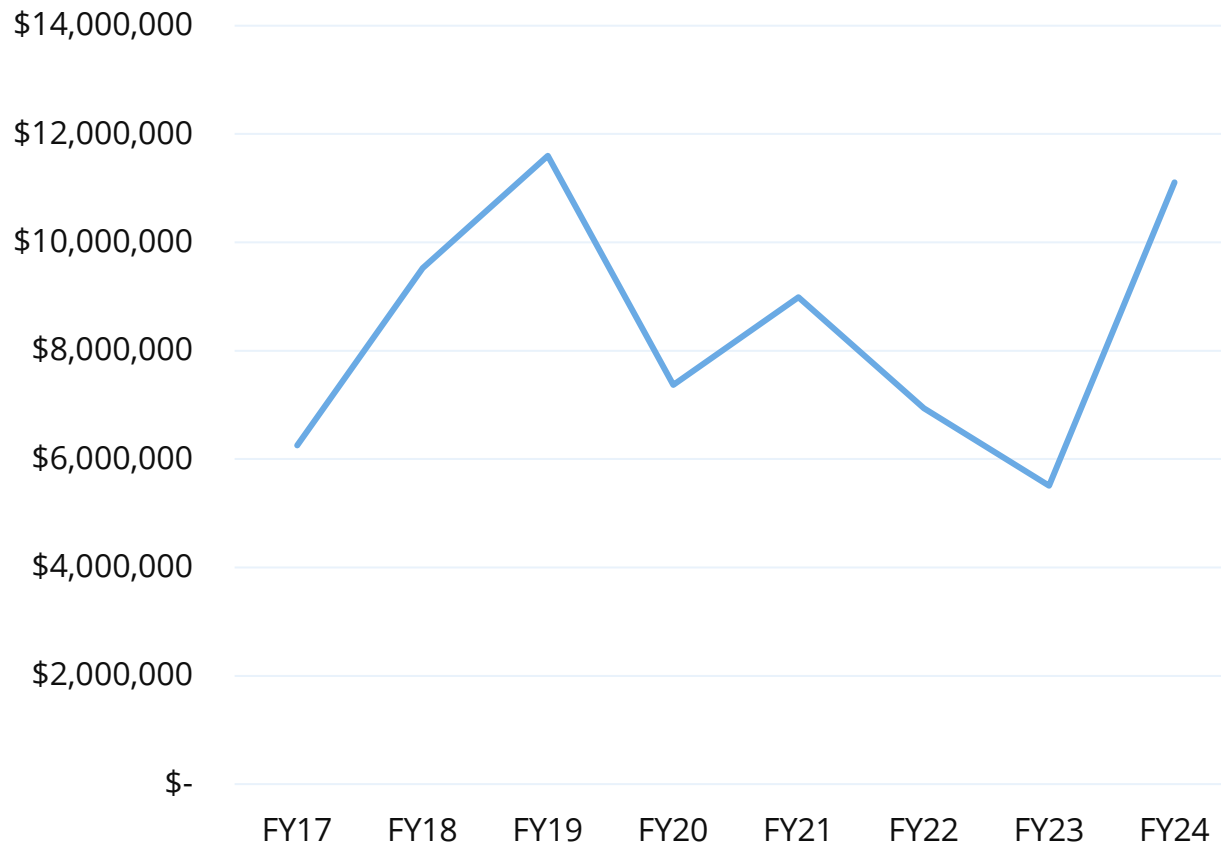
Capital Reserve Update (Fund 060)

- Capital Reserve is used for all future Debt Service (Courthouse) and capital needs
- General Fund revenue above contingency policy requirement is transferred into the Capital Reserve annually
- Projecting \$4.4M transfer from the General Fund to Capital Reserves in FY24
- TRT revenue greater than future obligations transferred to the Capital Reserve for future debt payments
- LATCF ARPA funds, ARPA Interest and PILT contributions to the Reserve for debt buy down and future payments
- The balance of the Capital Reserve is a strong indicator of the County's fiscal health



Capital Reserve Update (Fund 060)

County Reserve Ending Fund Balance



- Projected \$11.3M ending reserve balance
- Comprised of \$5.9M past and current year general funds
- \$5M past and current year unallocated TRT revenues
- \$4.6M LATCF ARPA funds, \$400k ARPA interest, \$400k PILT
- Projected \$15M in state funds for courthouse
- \$20M buy down on courthouse debt service
- Ending balance reserved for future debt service payments



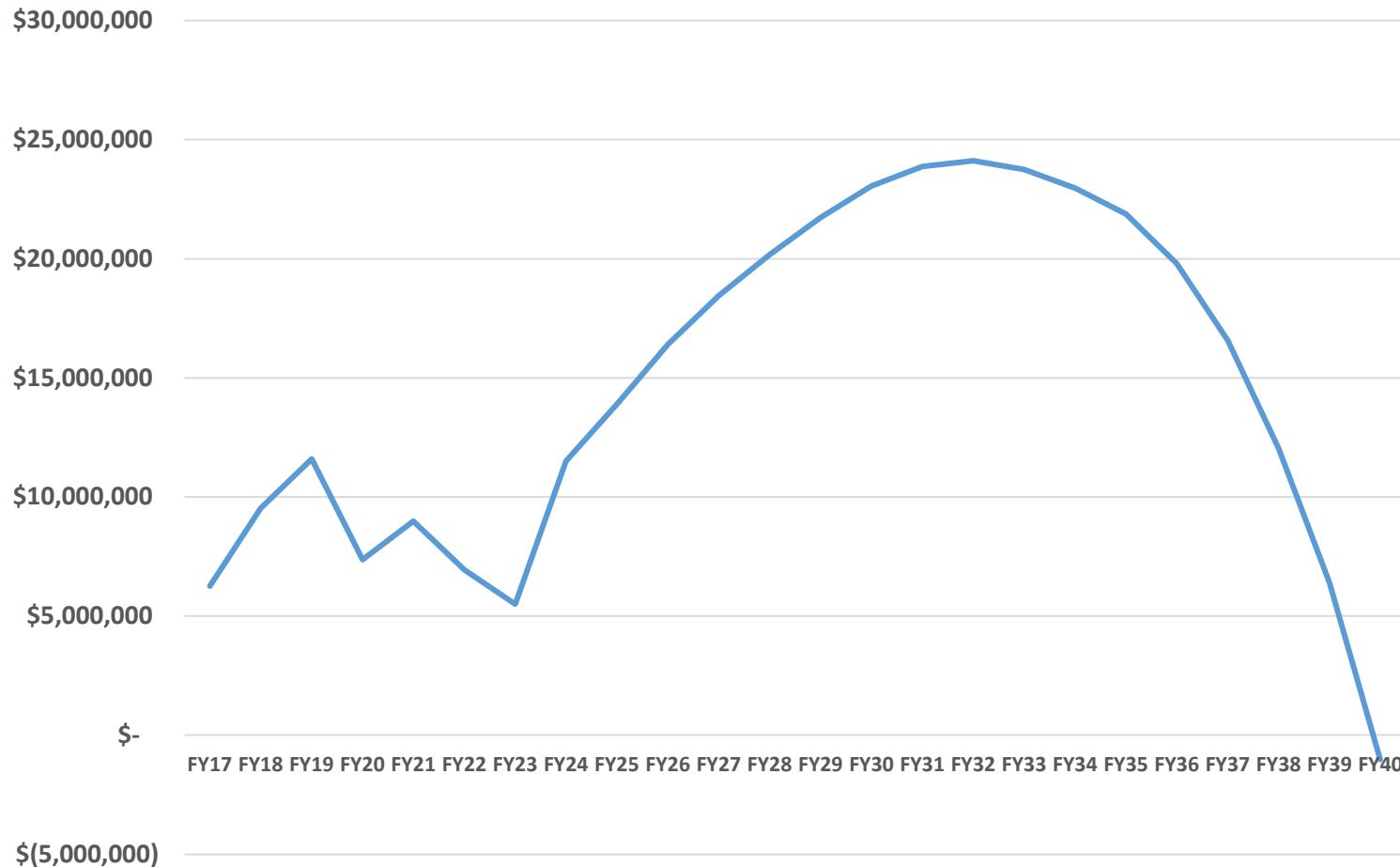
Courthouse Funding

- **Construction cost estimate = \$40.5M**
- **Buy down \$20M**
 - State Funding
 - Saves ~\$12M in interest costs over the life of the debt service versus no buy down
- **County issued Full Faith & Credit Bonds for \$20.5M the true interest cost is 3.93% for 20 years for an annual debt service of \$1.5M and a total debt service of \$30.5M**
- **Annual Debt Service funded by:**
 - Transient Room Tax Revenue
 - Remaining GF Revenue Transfer to General County Reserve (060)
 - Monitoring Growth Rate



Capital Reserve Forecast

County Reserve Forecast (Includes GF operations deficit coverage)



- Reserve level does not include major new capital projects
- Operating expenses lower GF transfer and Capital Reserve declines
- TRT contributions necessary for future debt, new capital and fiscal stability

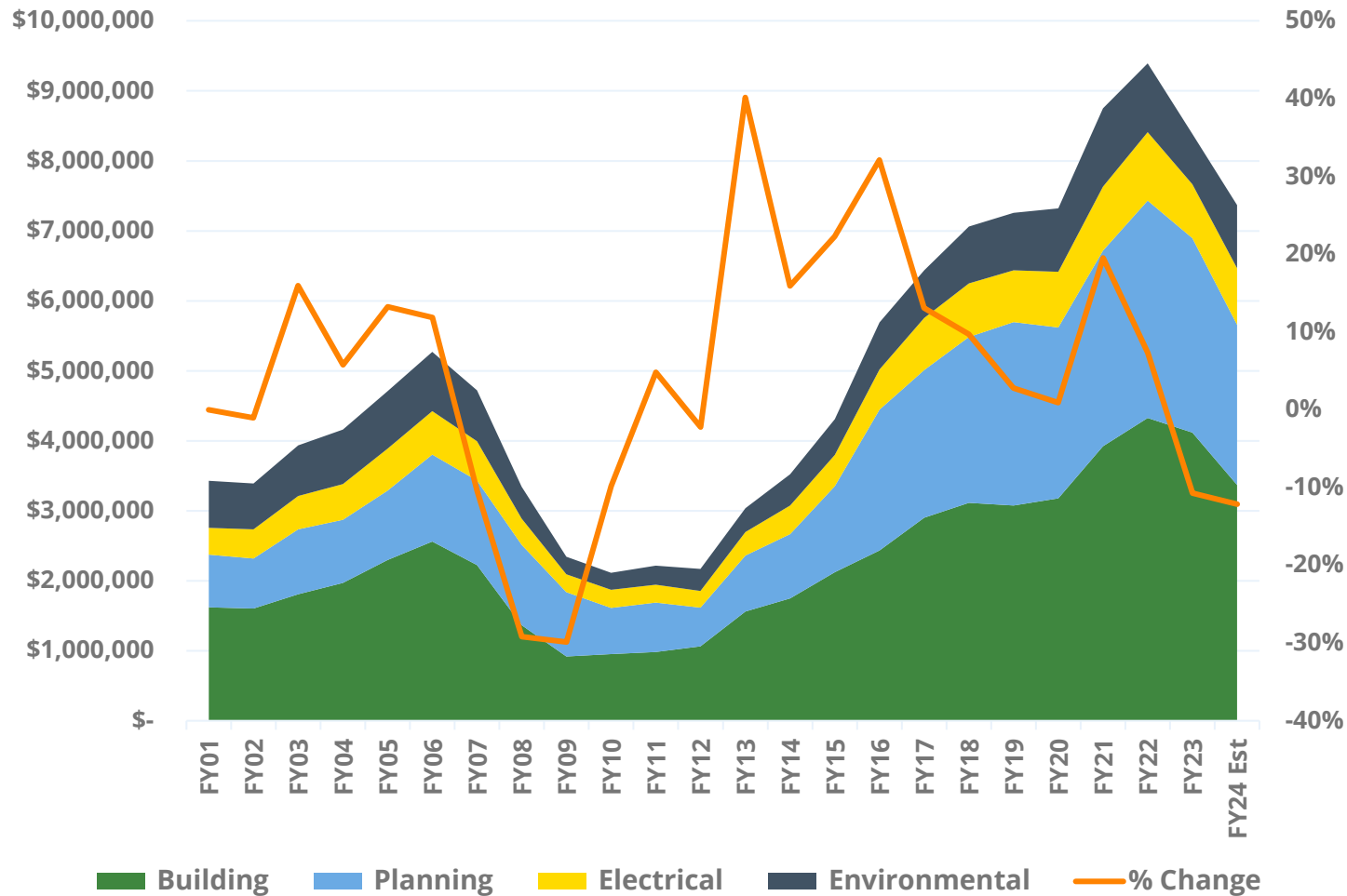


Operational Needs

- **Increased growth and funding changes can cause financial instability to departments**
 - Sheriff's Office
 - Community Development
 - Public Health
 - Adult Parole and Probation
 - Community Justice Juvenile
 - Justice Court
- **Upcoming Salary Study with Market Review**
- **Future PERS**
- **Increased Health Insurance Rates and Indirect Costs**



CDD Development Revenues



- 2.5%/year average increase since 2018
- -12.1% estimated reduction in FY24 due to application volume decrease
- Reduced 4.0 FTE in response to decreased revenues

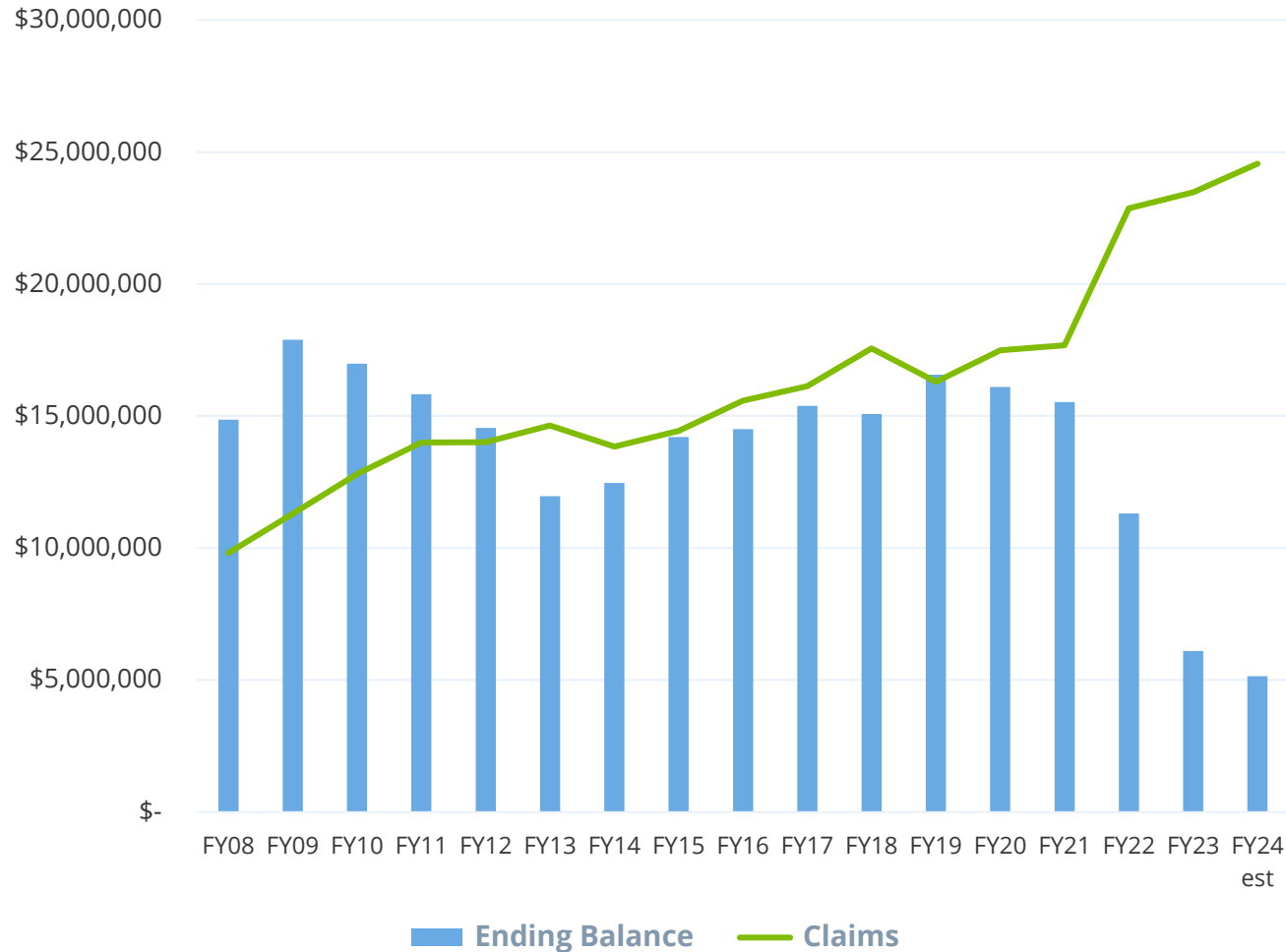


Other Future County Capital Needs

- **County operations continue to grow and future capital projects may be necessary**
- **Preliminary new capital conversations include expansion of:**
 - Clerks Office
 - Public Safety Campus
- **If financially viable, capital projects would be funded through unallocated TRT**
- **Capital maintenance (070) = \$.03 in property tax funding + a transfer from County reserve funds**



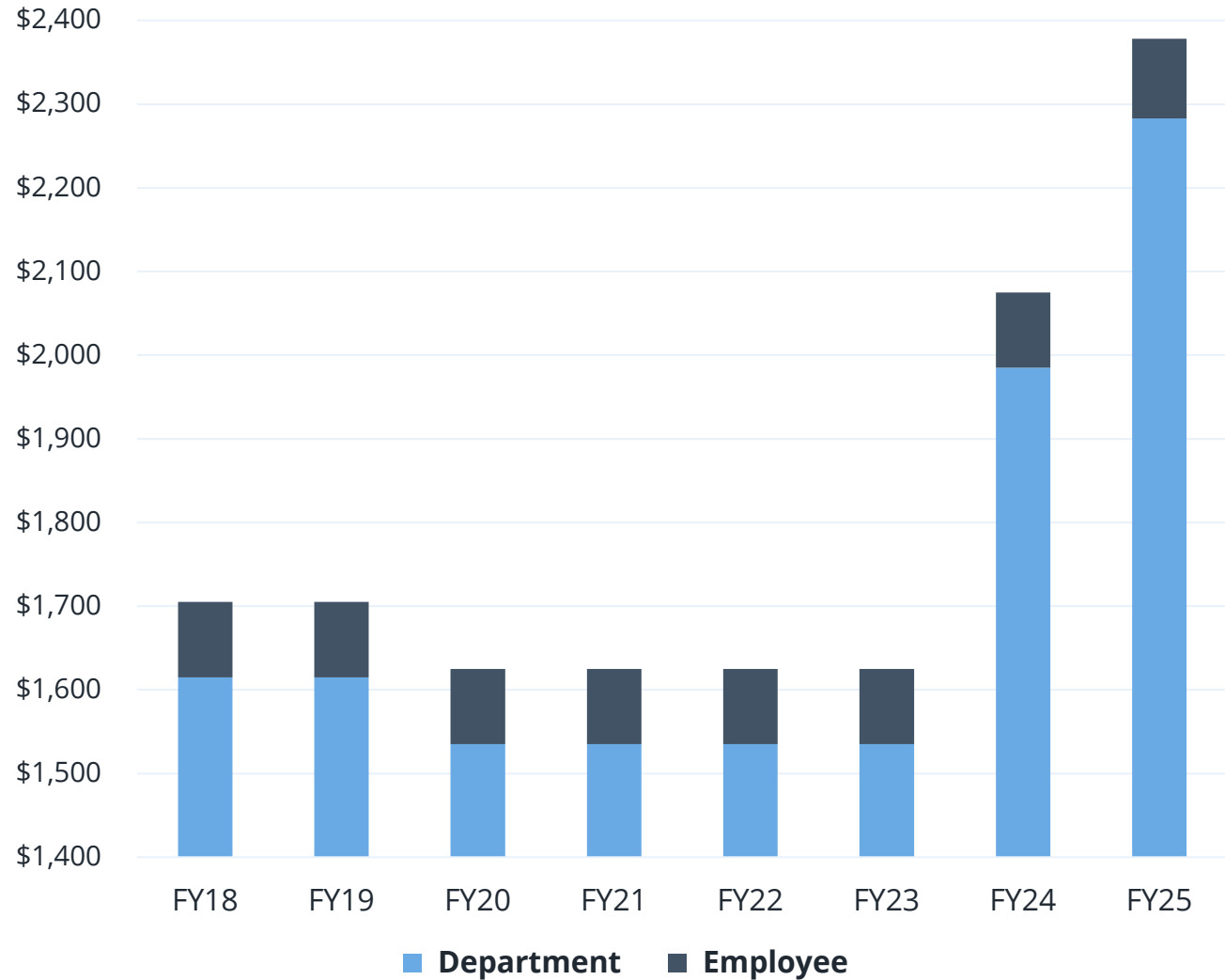
County Health Benefits Trust



- County strategy was to subsidize premiums to spend down reserves to align with policy (~\$8M)
- Spent down quicker than projected due to pent up demand from Covid-19 and inflation
- Raised departmental rates by 29.35% in FY24 to align with costs and ensure an adequate contingency



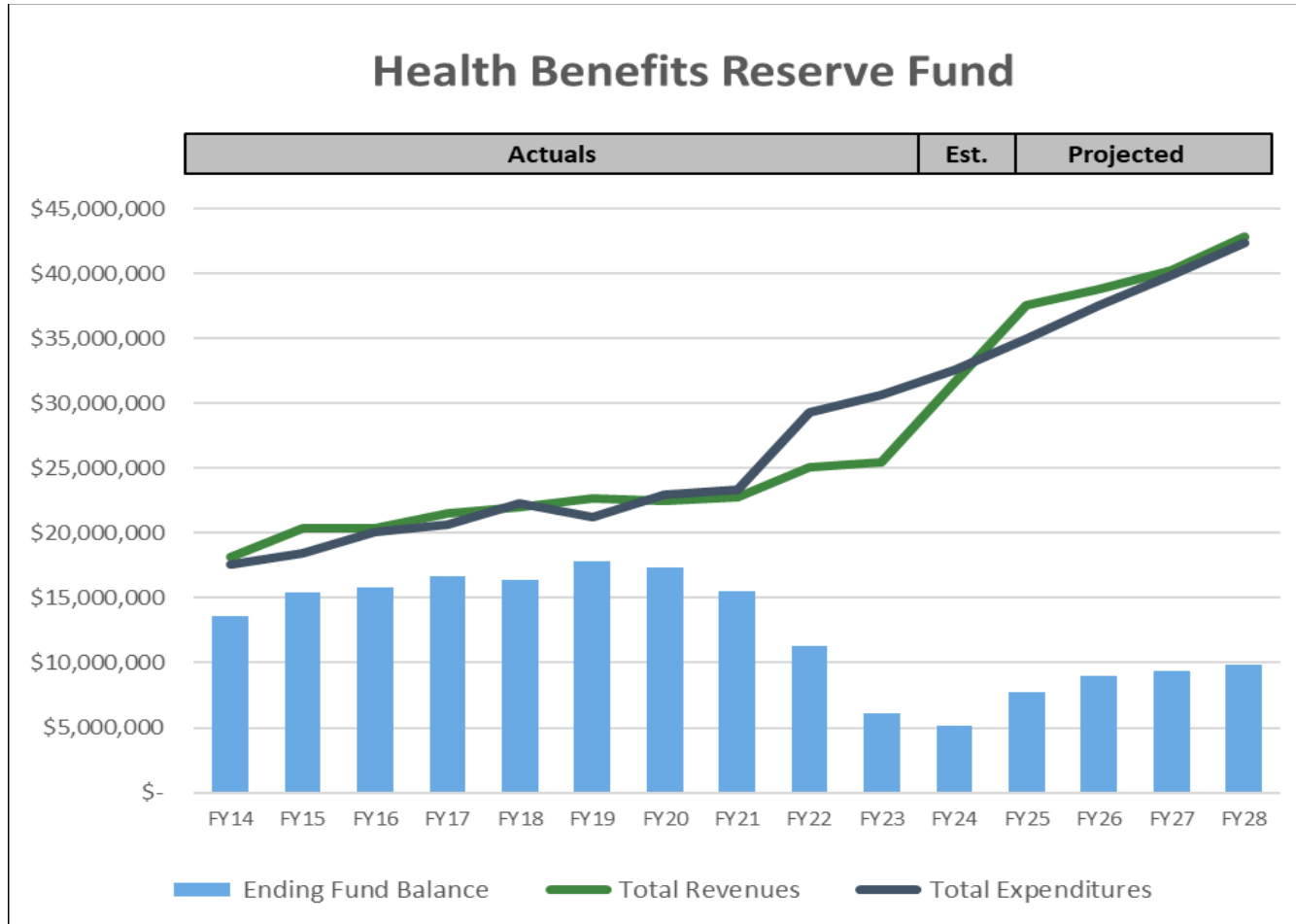
Health Insurance Rates



- Rates increased from \$90 to \$95 for employee only and \$90 to \$116 for employee plus dependents on January 1, 2024; last increase was in 2016



Health Benefits Reserve Assumptions

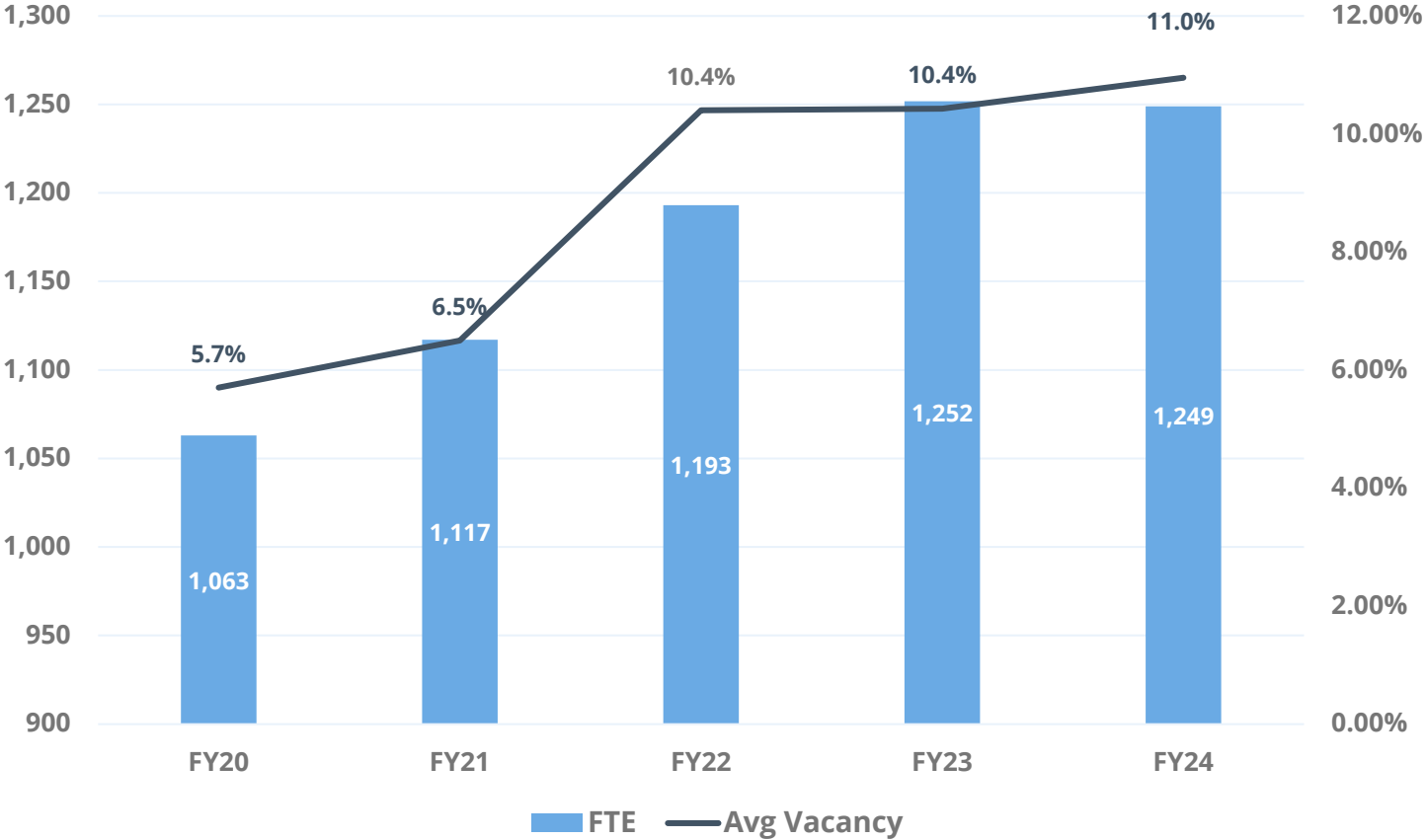


- Rates need to increase 15% in FY25 to build reserves to adequate level
- 15% increase in FY25; 0% increase in FY26-27; 3% in FY28



County FTE Update

5-Year FTE Growth and Average Vacancy Rate



- 4% average FTE growth since FY20
- Vacancy rates have doubled since FY20



FTE Additions

FTE Additions by Department

DEPARTMENT	FY24	FY23	FY22	FY21	FY20	5-Yr Total
911 District		-	-	1.00	-	1.00
Adult Parole & Probation				2.00		2.00
Administrative Services		2.00	1.00	-	-	3.00
Clerk's Office			1.00	-	1.00	2.00
Community Development	(6.00)	(6.00)	9.00	3.00	3.00	3.00
County Administration		1.00	1.00	-	-	2.00
District Attorney	(0.50)	3.00	4.40	0.10	5.20	12.20
Facilities	1.75		2.00	(1.00)	(1.00)	1.75
Fair and Expo Center	4.00	1.00	1.50	(1.00)	-	5.50
Finance/Tax	1.00	2.00	2.00	1.00	-	6.00
Health Services	(1.80)	21.50	39.30	36.35	12.70	108.05
Human Resources		1.00	1.00	-	-	2.00
Legal Dept.			-	-	1.00	1.00
Natural Resources			-	-	1.00	1.00
Property Management		1.00	-	0.20	-	1.20
Road Department	1.00	4.00	1.00	1.00	-	7.00
Sheriff's Office	6.00	6.00	7.00	11.50	7.00	37.50
Solid Waste	11.00	2.00	4.00	0.50	-	17.50
Veterans' Services			1.00	-	-	1.00
Victims' Assistance		1.50	-	-	1.00	2.50
Total FTE Additions	16.45	40.00	75.20	54.65	30.90	217.20

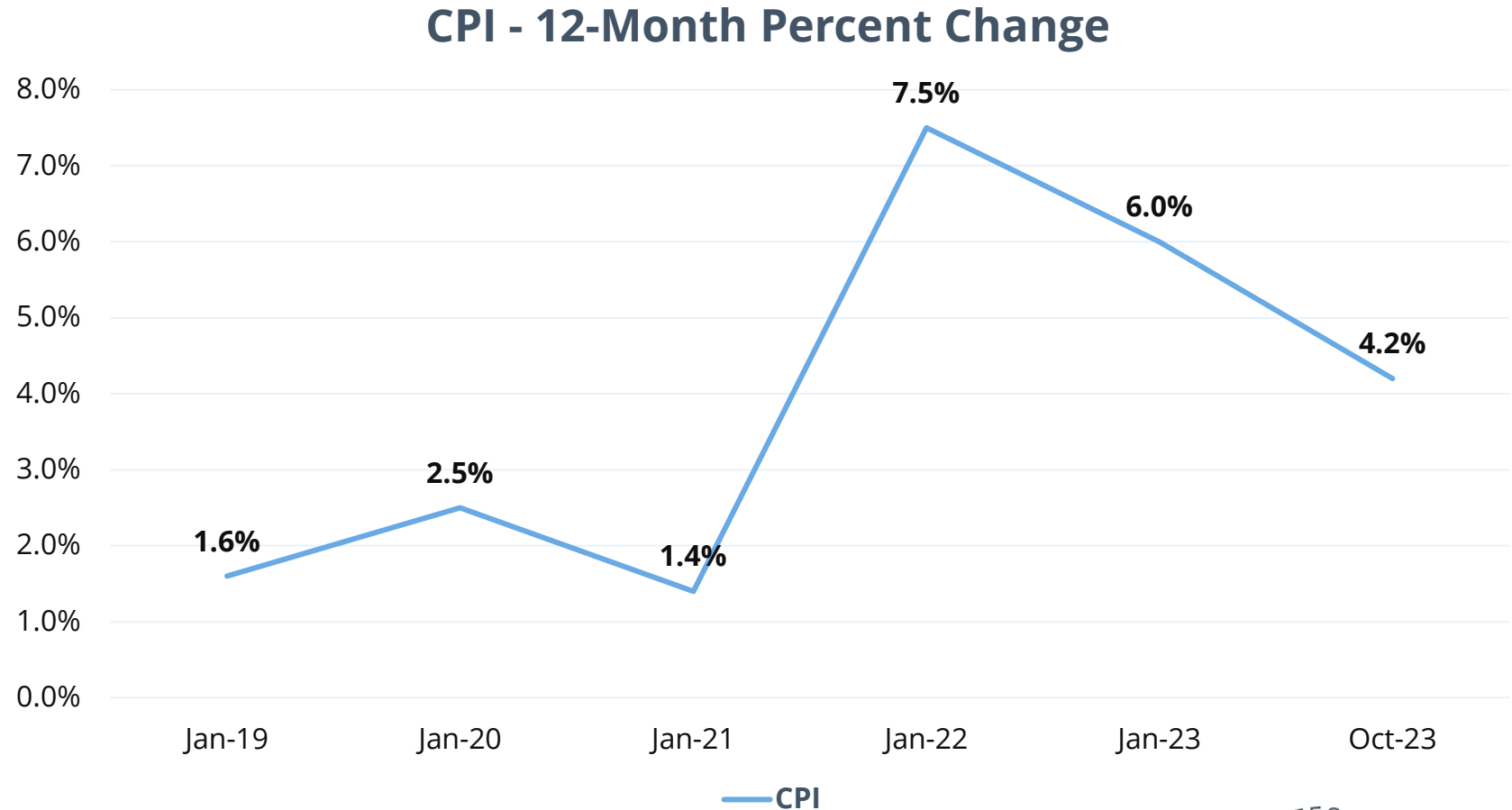
Net FTE Changes	FY24	FY23	FY22	FY21	FY20
Beginning FTE at Budget	1,232.51	1,192.51	1,117.31	1,062.66	1,031.96
FTE added in Budget Process	19.25	24.55	37.10	9.05	10.80
Adopted Legal FTE for FY	1,251.76	1,217.06	1,154.41	1,071.71	1,042.76
Mid-Year FTE Additions	(2.80)	15.45	38.10	45.60	20.10
Ending FY Legal FTE	1,248.96	1,232.51	1,192.51	1,117.31	1,062.66
Total FTE Increase per FY	16.45	40.00	75.20	54.65	30.90

- FTE to meet growing service demands



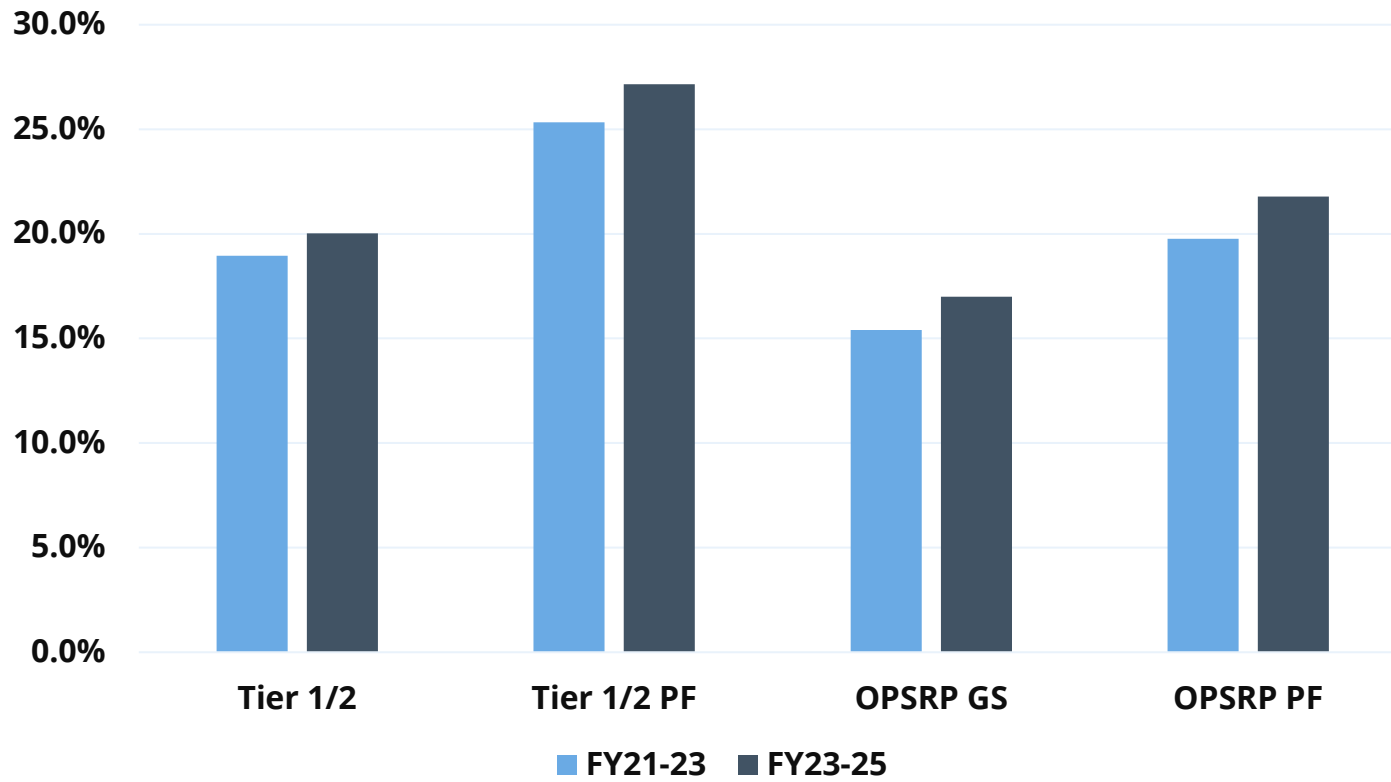
Cost of Living Adjustment

- **TBD for FY25;
Based on 12-month average as
of January 31, 2024**
- **Average CPI from
Feb 2024 – Oct
2024 is 4.2%**
- **Labor contracts
range: 1.0% - 4.0%**



PERS Outlook

PERS Employer Rates
(Excludes 6% Pick-Up and Debt Service)



- **Biennial rate cycle**
- **Rates for FY25 will remain the same as FY24**
- **2023-2025 Rates increased an average of 1.6%**
- **Due to lower investment returns the next PERS biennium is anticipated to have slightly higher rates (1.5%-2% point increases)**



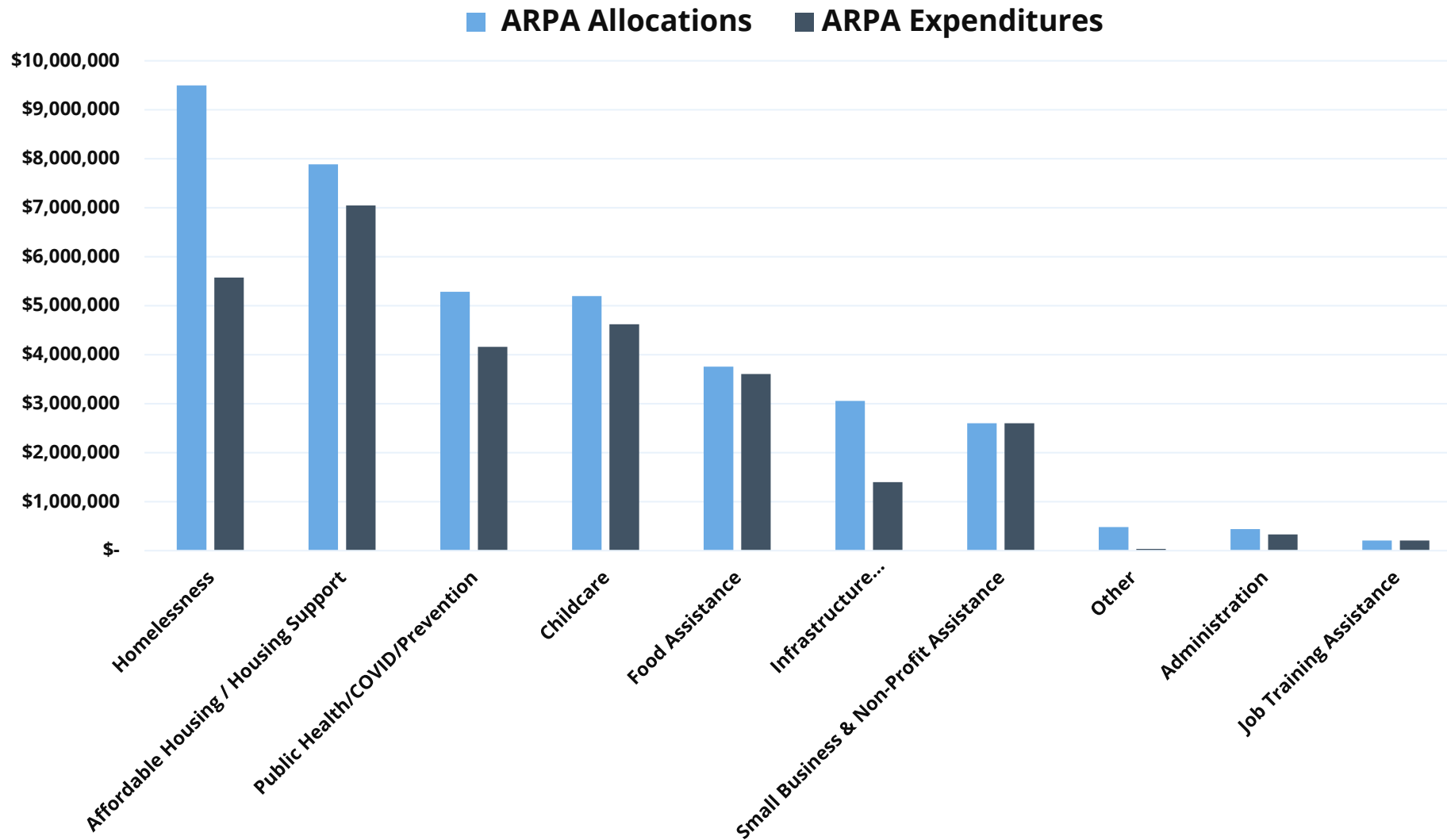
PERS Rates

- **FY25 is the second year of new biennial rates**
- **The County expected this PERS increase and planned accordingly**
- **Rates below include pickup of 6.0% and debt service of 1.5%**

	FY21-23 Rates	New FY23-25 Rates	Increase
Tier I/II	26.46%	27.53%	1.07%
Tier I/II PF	32.84%	34.66%	1.82%
OPSRP General	22.90%	24.50%	1.60%
OPSRP PF	27.26%	29.29%	2.03%



American Rescue Plan Act Update



- The County has allocated all \$38,399,353 of ARPA funds
- The County has expended \$29,598,712 of ARPA funds



Updates to Budget Process

- **Budget Survey Results**
- **Health Services, EDCO, VCO, will present on April 29th; Elected Compensation Committee will meet one hour prior to presentations on the same day**
- **Major funds five-year forecast**
- **To ensure transparency and ORS compliance, please route all departmental budget inquiries through email to the finance department**
 - All budget committee members are on the email and receive the same information
 - All effected departments can respond to questions
 - Public record of requests
 - ORS emphasizes public meetings



Budget Calendar

- **Budget calendar**
 - Proposing the week before Memorial Day, Monday, May 20 – Thursday, May 23; last day is for deliberations
- **Health Services, EDCO, VCO will present April 29th prior to Budget Week**
- **Elected Officials Compensation Committee will meet on April 29th**
- **Questions?**



Thank You



Deschutes County

FY 2024-25 Budget Calendar - revised 11.06.23

Date	Time	Item	Participants	Location
November/December 2023				
Tuesday, November 28, 2023		Publish Public Notice for Mid Year Budget Committee meeting	Laura	
Tuesday, December 12, 2023	1 - 5p	Budget Committee FY24 Mid-year Update	Budget Committee, ADM, FIN, HR	Barnes Sawyer
Jan-24				
Friday, January 5, 2024	TBD	Hold for 2nd orientation meeting with Budget Officer	ADM, FIN, HR	TBD
TBD	TBD	BOCC Retreat - Set Goals and Objectives	BOCC, ADM	TBD
Feb-24				
Thursday, February 1, 2024		Risk, archive fees, retiree insurance, vehicle charges, employee recognition and investment income uploaded in Munis	Cam	
Friday, February 2, 2024	10 - 11am	ISF Budget Kick-Off Meeting	ISF Depts, ADM, FIN, HR	Teams
Tuesday, February 13, 2024		CPI available for COLA calculation	FIN/Laura	
Wednesday, February 14, 2024		FY25 staffing projections available in Munis	All Departments	
Thursday, February 22, 2024		ISF budgets due in Munis	ISF Departments	
Thursday, February 22, 2024		ISF Special Requests due	ISF Departments	
Thursday, February 22, 2024		ISF Capital request workbooks completed	All Departments	
Tuesday, February 27, 2024	10a - 4p	ISF Depts meet with Budget Officer to discuss Requested Budgets	ISF Depts, ADM, FIN, HR	DeArmond
Mar-24				
Friday, March 1, 2024		ISF budgets/allocations uploaded and available in Munis/Balance ISF	Cam	
Tuesday, March 5, 2024	10 - 11a	Non ISF Budget Kick-Off Meeting	FIN, All Depts, Nick	Teams
Thursday, March 21, 2024	130 - 5p	Budget meetings as requested by Departments	As requested, ADM, FIN, HR	DeArmond
Friday, March 22, 2024	9a - 4p	Budget meetings as requested by Departments	As requested, ADM, FIN, HR	Allen
Friday, March 29, 2024		Last day for departmental special requests	All Departments	
Friday, March 29, 2024		Requested budgets completed in Munis	All Departments	
Friday, March 29, 2024		Capital Request workbooks completed	All Departments	
Apr-24				
Tuesday, April 2, 2024		Narratives due in Workiva and Performance Measures due in PM dashboard	Dept Heads	
Friday, April 5, 2024	9a - 4p	Depts meet with Budget Officer to discuss Requested Budgets	Dept Heads & Staff, ADM, FIN, HR	Allen
Tuesday, April 9, 2024	9a - 4p	Depts meet with Budget Officer to discuss Requested Budgets	Dept Heads & Staff, ADM, FIN, HR	Allen
Tuesday, April 16, 2024	9a - 4p	Depts meet with Budget Officer to discuss Requested Budgets	Dept Heads & Staff, ADM, FIN, HR	Lyon
Thursday, April 18, 2024	1 - 3p	Budget Officer & Staff - review special requests/balance budgets (as needed)	ADM, FIN	Allen
Wednesday, April 24, 2024		Last day for changes to Proposed Budget	All	
May-24				
Wednesday, May 1, 2024		Publish notice of Budget Committee meetings in Bulletin and County Website (5-30 days prior to meeting, no later than 5/14)	Cam/Laura	
TBD	TBD	Health Services Budget Committee review, EDCO, VCO & Elected Officials Compensation Committee	Budget Committee, HS, ADM, FIN	Barnes & Sawyer
Friday, May 3, 2024		Departmental PPT Presentations due to deputies	All Departments	
Wednesday, May 8, 2024		Deputies send out feedback on Departmental presentations	Deputies	
Thursday, May 9, 2024		Budget message complete/finalized	All	
Friday, May 10, 2024		All Department handouts and presentations due back to Finance	All	
Monday, May 13, 2024		Press release for proposed budget is posted on County website	WH	
Tuesday, May 14, 2024		Proposed budgets printed and assembled, distributed to Budget Committee with supplemental handouts	Dan/Cam/Laura	
Wednesday, May 15, 2024		Proposed FY25 fee schedule presented to BOCC	Laura/Dan	Barnes Sawyer
Monday, May 20, 2024	9a-3p	Budget Committee week	Budget Committee, All County Depts	Barnes Sawyer
Tuesday, May 21, 2024	9a-3p	Budget Committee week	Budget Committee, All County Depts	Barnes Sawyer
Wednesday, May 22, 2024	9a-3p	Budget Committee week	Budget Committee, All County Depts	Barnes Sawyer
Thursday, May 23, 2024	9a-3p	Budget Committee week and budget approval	Budget Committee, All County Depts	Barnes Sawyer
Wednesday, May 29, 2024		Publish notice of budget hearing and LB 1 forms (5-30 days prior, no later than 6/13)	Cam/Laura	
Wednesday, May 29, 2024		Publish notice of supplemental budget for FY24 adjustments if applicable (5-30 days prior, no later than 6/13)	Cam/Laura	
Jun-24				
Wednesday, June 12, 2024		Resolution to Adopt Fee Schedule	Dan/Laura	Barnes Sawyer
Wednesday, June 19, 2024		End of year FY24 budget adjustments	Dan	Barnes Sawyer
Wednesday, June 19, 2024		Public hearings and FY25 Budget Adoption	Dan	Barnes Sawyer
Jul-24				
Monday, July 15, 2024		File LB-50 and budget resolutions with Assessor (no later than 7/15)	Cam	
Sep-24				
Monday, September 30, 2024		File copy of adopted budget with Clerk no later than 9/30	Dan	