



# BOARD OF COMMISSIONERS

## BUDGET COMMITTEE MEETING

11:00 AM, TUESDAY, DECEMBER 13, 2022

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 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>11:00AM</b>	<b>CALL TO ORDER</b>	Bruce Barrett, Chair
	<b>OPENING COMMENTS</b>	Nick Lelack, County Administrator Robert Tintle, Chief Financial Officer
<b>11:20AM</b>	<b>PUBLIC COMMENT</b>	
<b>11:30AM</b>	<b>FY 2022-23 UPDATE</b>	Dan Emerson, Budget Manager
<b>12:15PM</b>	<i>Working Lunch</i>	

**12:45PM**      **FY 2023-24 BUDGET**      Dan Emerson, Budget Manager

- Assumptions
- Changes to budget process
- Calendar/budget week timing

**2:30PM**      **WRAP-UP**      Bruce Barrett, Chair

**ADJOURN**



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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# Budget Committee Update



DECEMBER 13, 2022

# Today's Topics

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- County Finance Update FY 2022-23**
- Budget Assumptions for Next Budget Year**
- Changes to Budget Process**
- Budget Calendar**



# Purpose Statement

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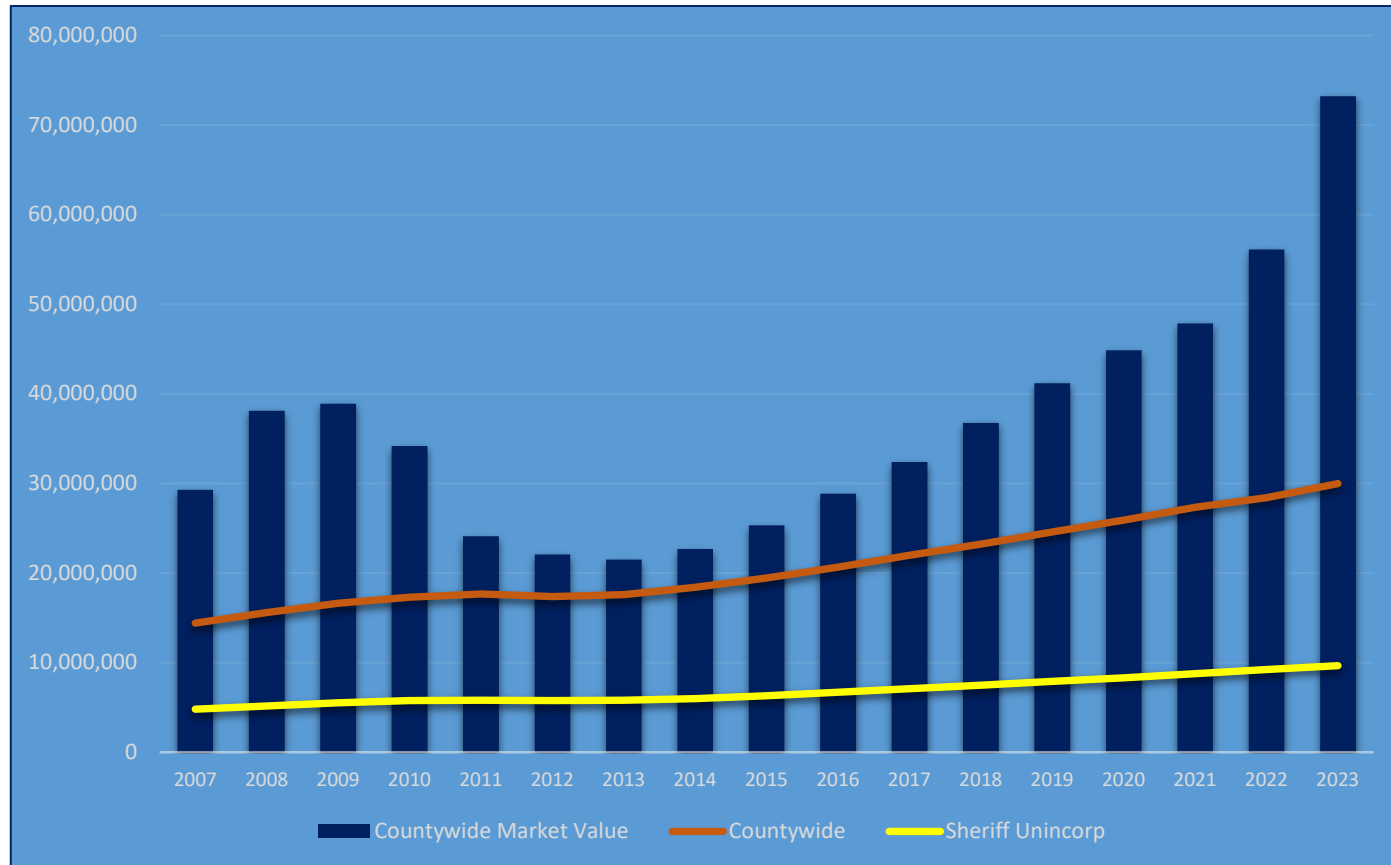
- ❑ **Today's conversation is a high level focus on Countywide financial perspective and budget assumptions**
- ❑ **Specific departmental focus will occur during Budget Week**



# County Finance Update

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# Assessed Value



## Assessed Value

- 5.5%/year average growth since 2014
- 5.55% FY23 budgeted growth
- 5.50% actual growth

## Market Value

- 13.2%/year average growth since 2014
- 30.5% growth in FY23



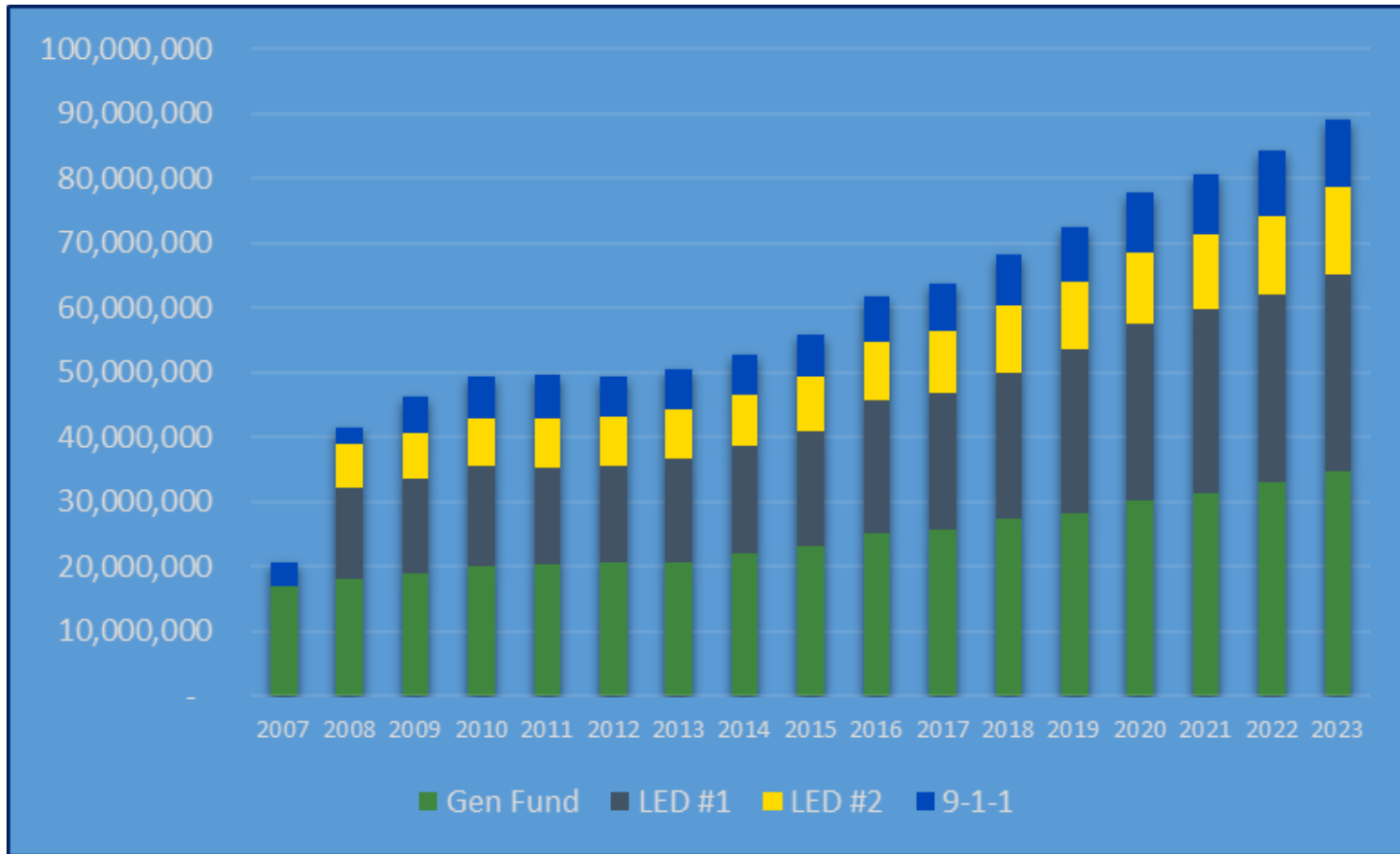
# Deschutes County Tax Levies

Levy	Authorized Rate	FY23 Levy Rate	FY23 Budget Revenue	FY23 Est. Revenue
<b>Countywide Levies</b>				
County Permanent Rate	1.28	1.22	35,533,168	35,441,327
Countywide Law Enforcement	1.25	1.05	30,282,049	30,239,651
County Extension/4H	0.02	0.02	648,684	645,934
9-1-1	0.43	0.36	10,402,834	10,421,062
<b>Total Countywide Levies</b>	<b>2.98</b>	<b>2.65</b>	<b>76,866,735</b>	<b>76,747,974</b>
<b>Additional Levies</b>				
Rural Law Enforcement – Sheriff	1.55	1.43	13,400,541	13,313,046
Sunriver Service District – Police and Fire	3	3	5,458,454	5,487,491
Black Butte Ranch Service District – Police	1	1	762,591	761,343
Black Butte Ranch SD Local Option – Police	1	1	472,126	471,353
<b>Total Additional Levies</b>	<b>6.70</b>	<b>6.44</b>	<b>20,093,712</b>	<b>20,033,233</b>





# Property Tax Collections



- **Current & Prior Year collections**
- **+5.3%/year average since 2017**
- **+5.9% est. in FY23**



# General Fund Update (Fund 001)

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- **The General Fund is currently made up of departments (DA, Clerk, Assessor, Veterans, Tax, Property, Medical Examiner) and supports other departmental transfers**
- **The largest transfers are to Health Services (\$6.6M) and Community Justice Juvenile (\$6.5M)**
- **General Fund ending balance projected to be ~\$900K higher than budgeted.**
  - FY23 beginning working capital was ~\$870K higher than projected
  - Vacancy savings
  - Recording revenues down due to decreased loan origination volume



# Capital Reserve Update (Fund 060)

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- **Capital Reserve is used for all future Debt Service (Courthouse) and capital needs and is one barometer of our financial health**
- **General Fund above contingency requirement is transferred into the Capital Reserve annually**
- **Projecting \$4.9M transfer from the General Fund to Capital Reserves in FY23**



# Capital Reserve Update (Fund 060)

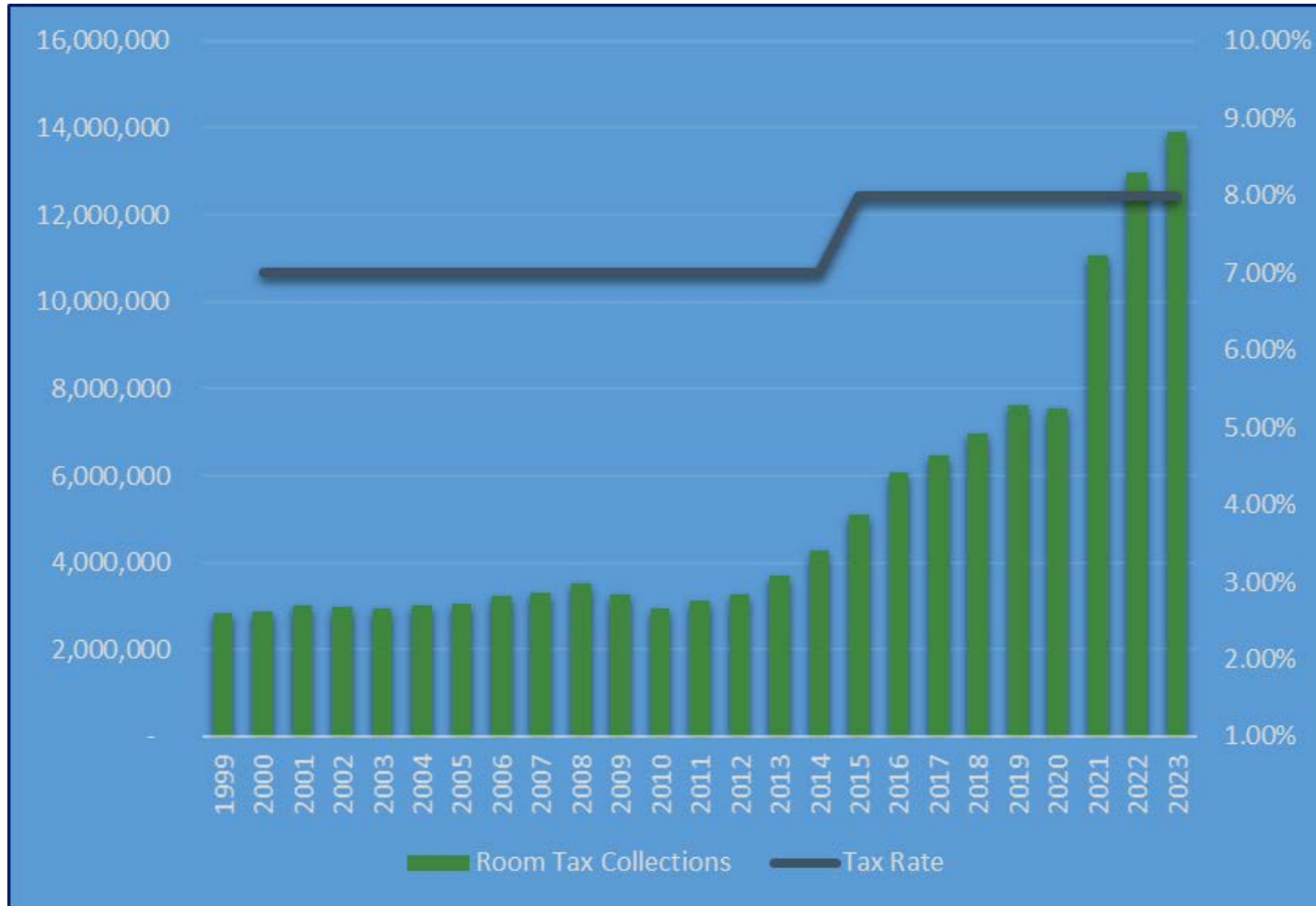
Capital Reserve Ending Fund Balance



- Reserve levels have decreased over the last few years
- If not for a \$3.5M TRT transfer into the Capital Reserve, FY23 ending fund balance would be ~\$1.9M
- Large unallocated TRT contributions needed to cover future debt and capital



# Room Tax History



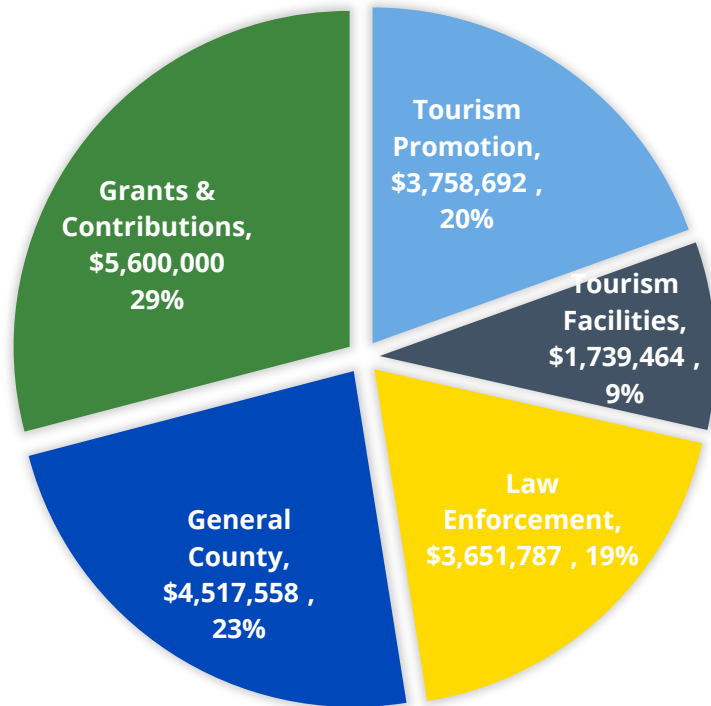
- **1.2%/year average increase 2000-2012**
- **+14%/year average since 2012**
- **Projecting \$13,911,564 in TRT collections for FY23**
- **\$330,690 more than budgeted**
- **Surplus transferred to Capital Reserve for debt and capital needs**



# FY23 TRT Actual Expenditures

DESCHUTES COUNTY  
FY 2023 TOTAL TRT EXPENDITURES

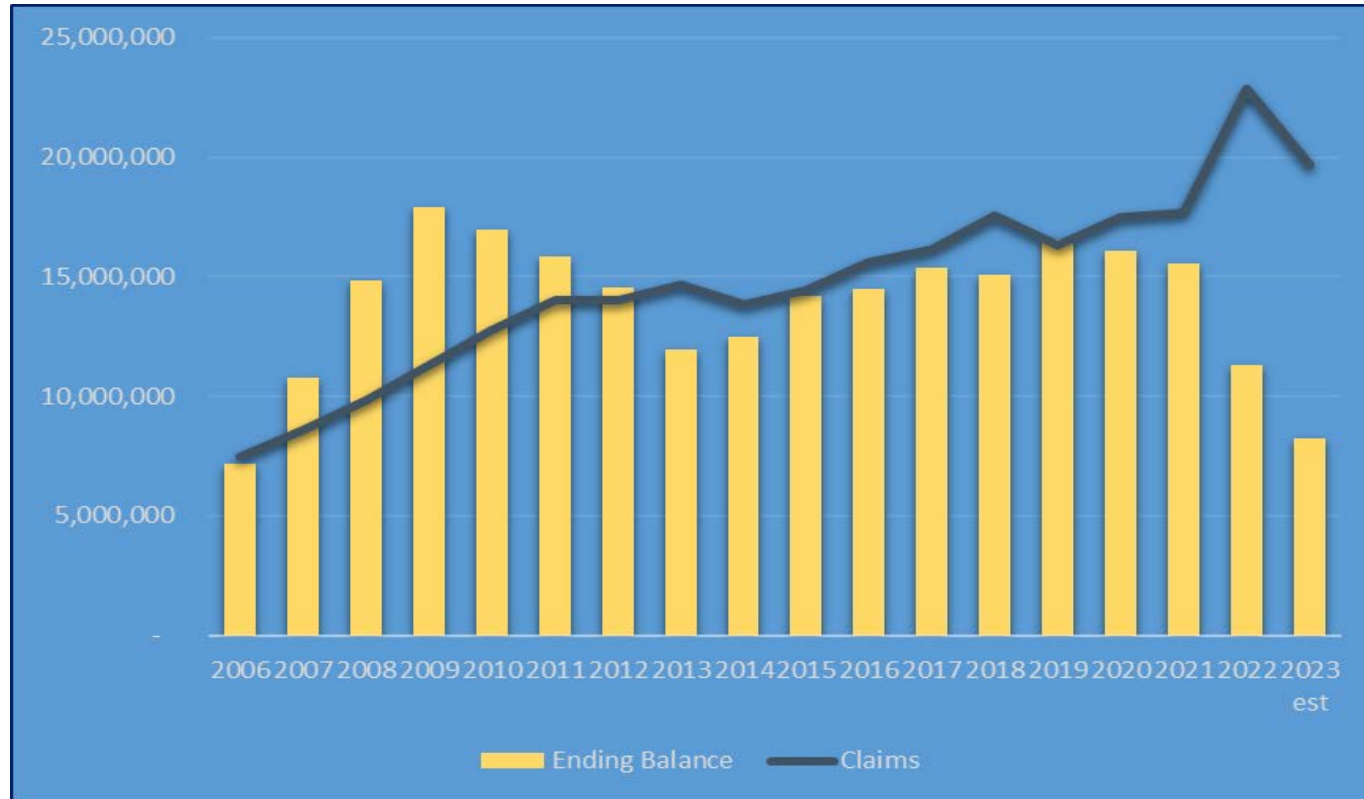
**\$19,267,501**



- **Total Expenditures include transfer of ~3.5M in TRT to the Capital Reserve for future Debt Service and Capital Needs**
- **Grants & Contributions**
  - Sunriver SD = \$4M
  - Mt Bachelor = \$1M
  - Deschutes Trail Coalition = \$600K
- **General County includes transfers to Health Services (Restaurant Inspections), Justice Court, and Capital Reserve**



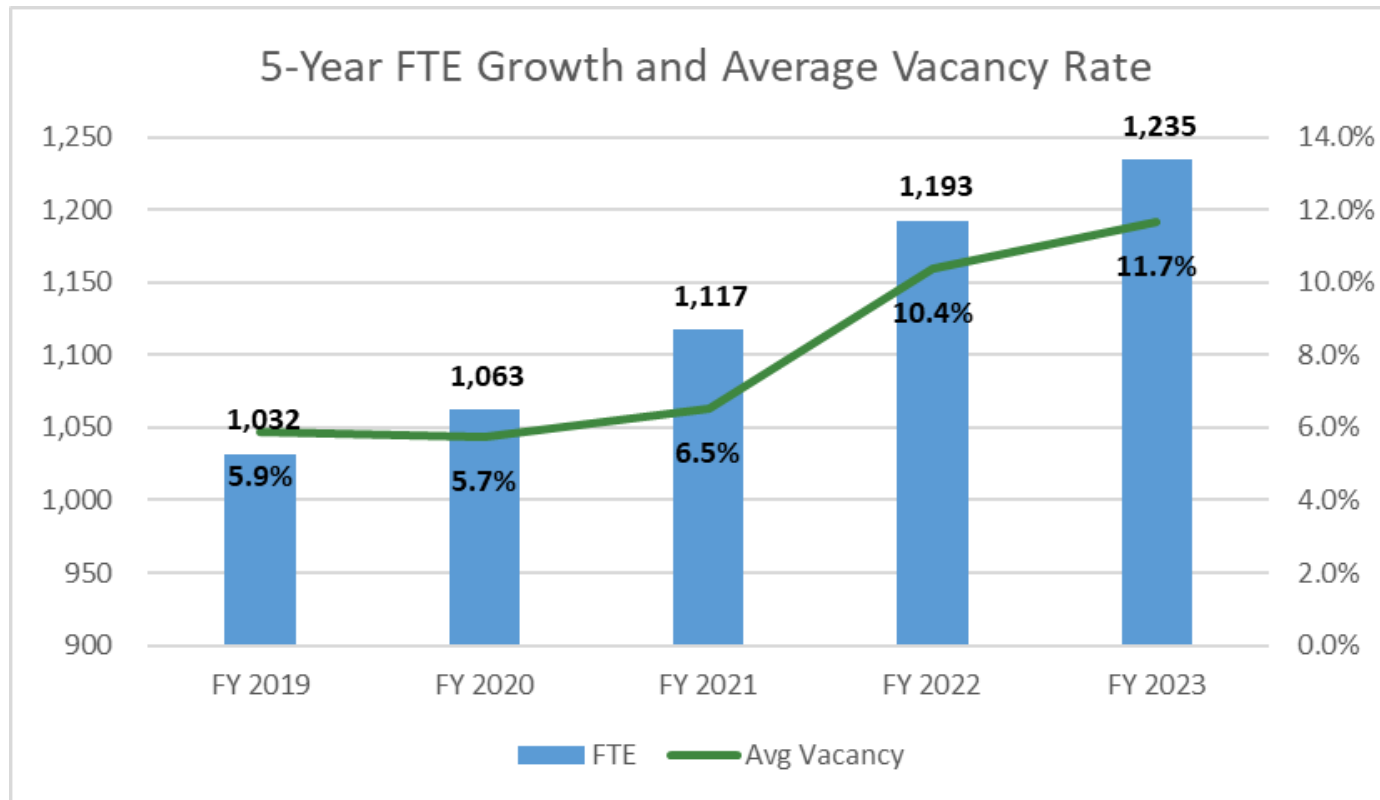
# County Health Benefits Trust



- County strategy was to subsidize premiums to spend down reserves to align with policy (\$5-\$8M)
- Spent down quicker than projected due to pent up demand from Covid-19
- Decreased the funds ending balance by ~\$4M in FY22
- Premiums are not covering costs
- The County needs to increase rates going forward



# County FTE Update



- **4% average FTE growth since FY 2019**
- **Estimate an increase of ~\$26M in personnel costs due to new FTE**
- **Vacancy rates have doubled since FY 2019**





# FTE Additions

FTE Additions by Department

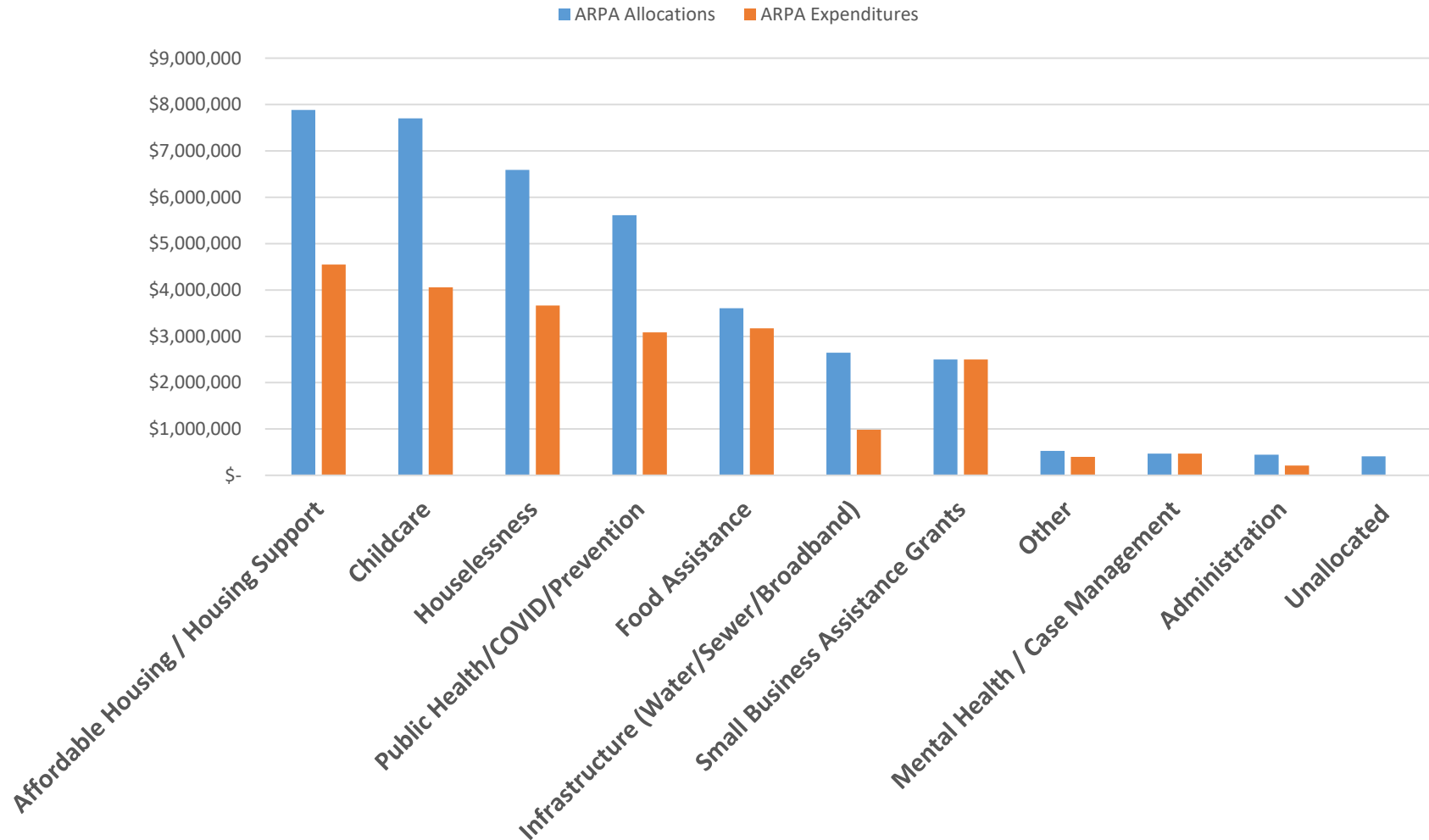
DEPARTMENT	FY23	FY22	FY21	FY20	4-Yr Total
911 District	-	-	1.00	-	1.00
Adult Parole & Probation			2.00		2.00
Administrative Services	3.00	1.00	-	-	4.00
Clerk's Office	-	1.00	-	1.00	2.00
Community Development	2.00	9.00	3.00	3.00	17.00
County Administration	-	1.00	-	-	1.00
District Attorney	3.50	4.40	0.10	5.20	13.20
Facilities	-	2.00	(1.00)	(1.00)	-
Fair and Expo Center	1.00	1.50	(1.00)	-	1.50
Finance/Tax	1.00	2.00	1.00	-	4.00
Health Services	20.50	39.30	36.35	12.70	108.85
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	4.00	1.00	1.00	-	6.00
Sheriff's Office	4.00	7.00	11.50	7.00	29.50
Solid Waste	2.00	4.00	0.50	-	6.50
Veterans' Services	-	1.00	-	-	1.00
Victims' Assistance	-	-	-	1.00	1.00
<b>Total FTE Additions</b>	<b>43.00</b>	<b>75.20</b>	<b>54.65</b>	<b>30.90</b>	<b>203.75</b>

Net FTE Changes	FY23	FY22	FY21	FY20
Beginning FTE at Budget	1,192.51	1,117.31	1,062.66	1,031.96
FTE added in Budget Process	24.55	37.10	9.05	10.80
Adopted Legal FTE for FY	1,217.06	1,154.41	1,071.71	1,042.76
Mid-Year FTE Additions	18.45	38.10	45.60	20.10
Ending FY Legal FTE	1,235.51	1,192.51	1,117.31	1,062.66
<b>Total FTE Increase per FY</b>	<b>43.00</b>	<b>75.20</b>	<b>54.65</b>	<b>30.90</b>

- FTE to meet growing service demands



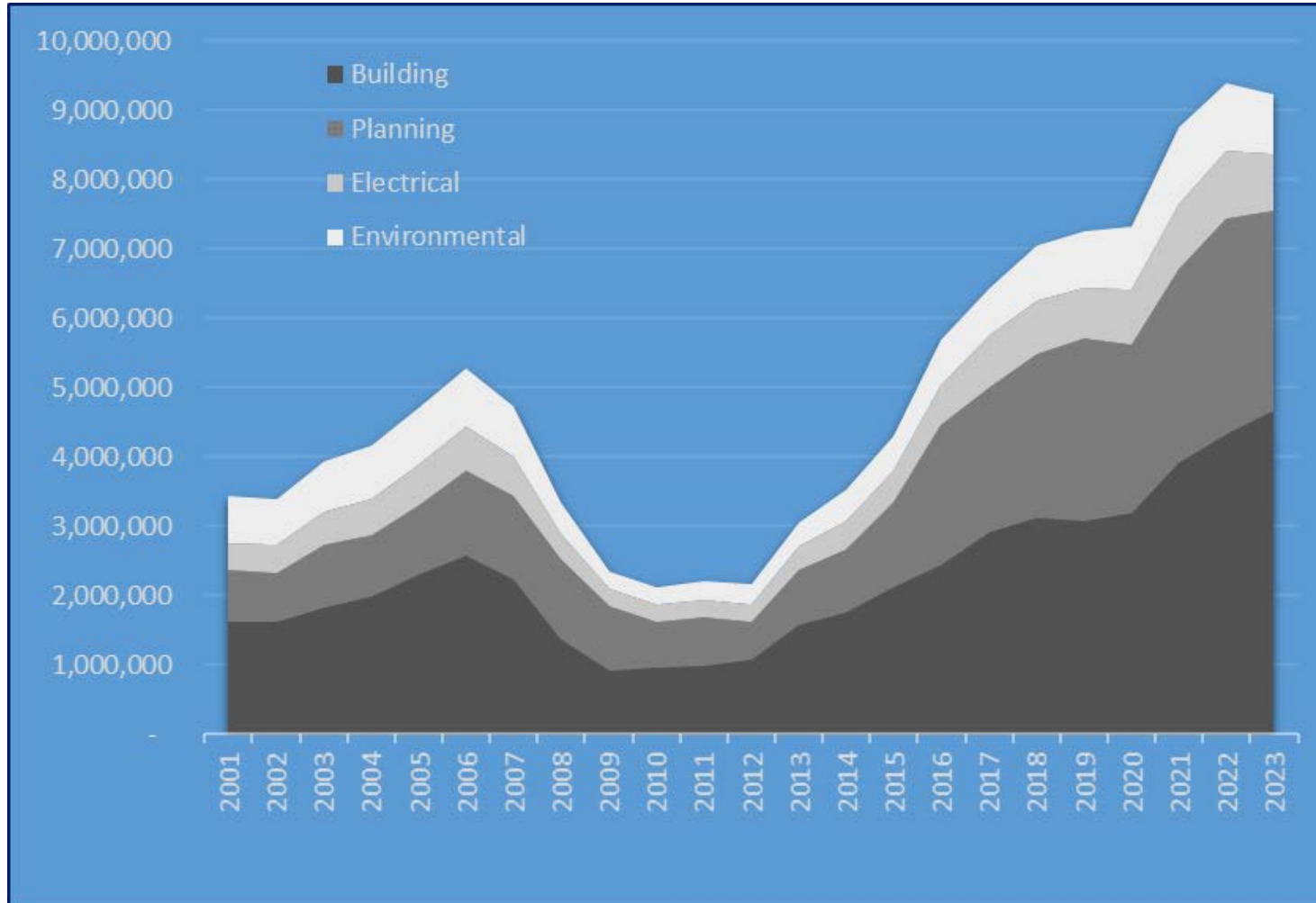
# American Rescue Plan Act Update



- The County has allocated ~\$38M in ARPA funds
- ~\$400,000 remaining in unallocated ARPA funding



# CDD Development Revenues



- **8.9%/year average increase since 2017**
- **-1.7% estimated reduction in FY23 due to application volume decrease**

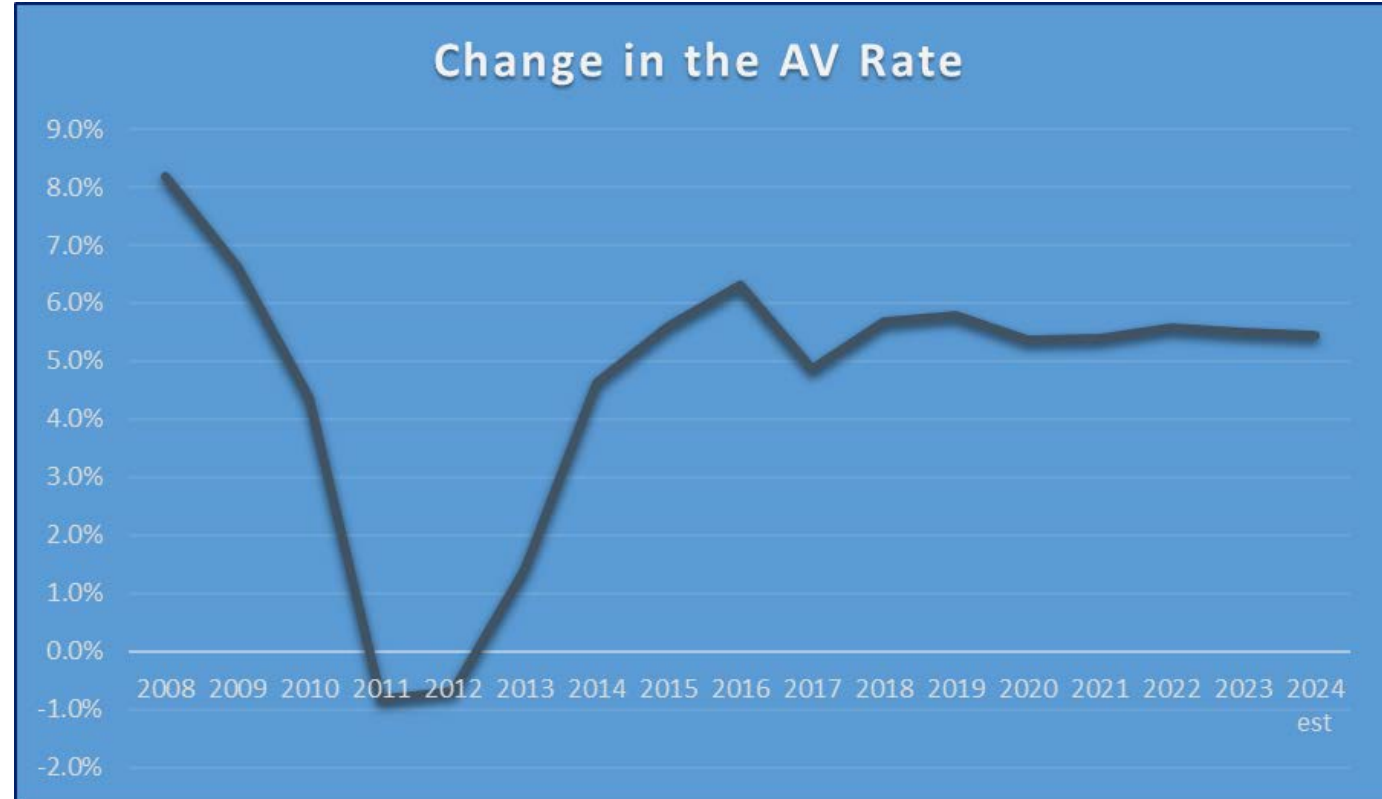


# 2023-24 Budget Assumptions

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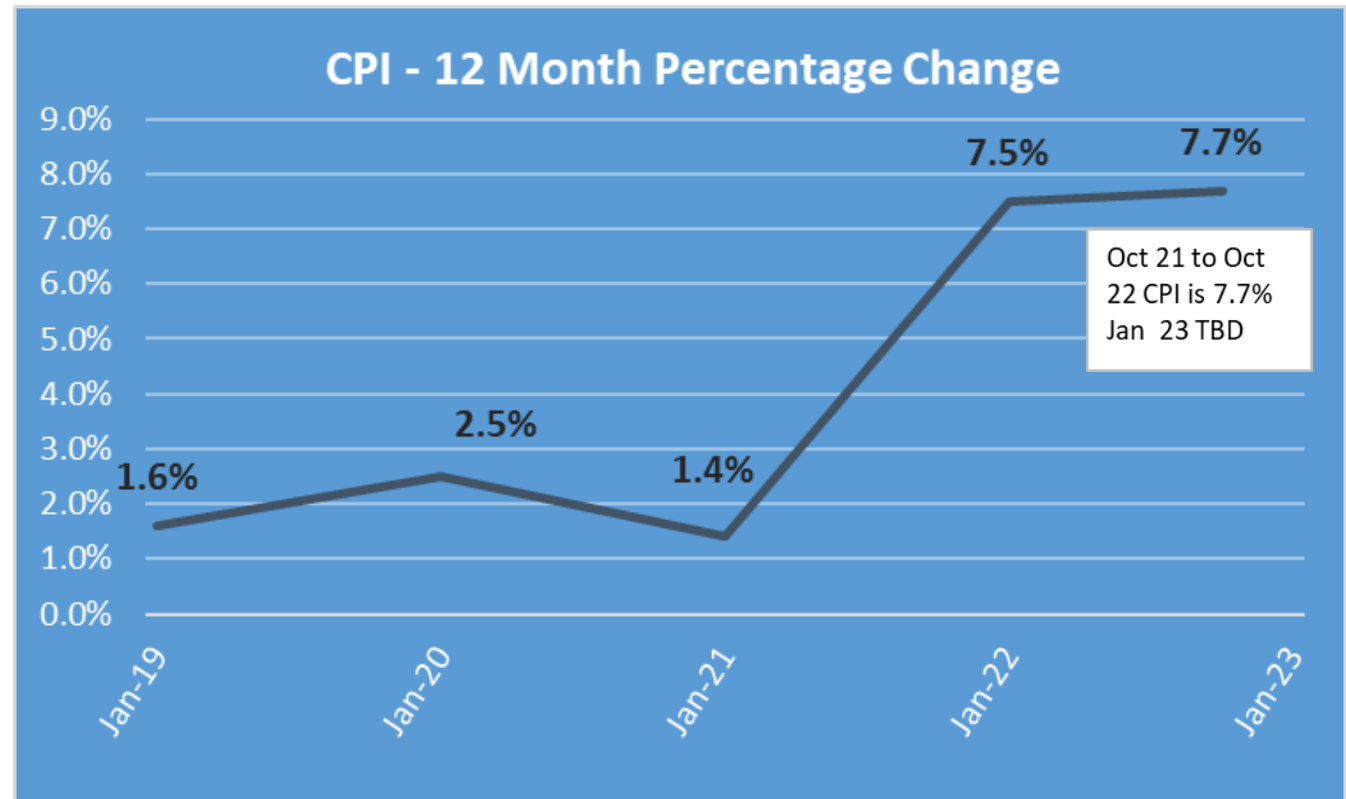
# Assessed Value Increase

- **Average since 2014 = 5.50%**
- **FY23 = 5.50% actual increase vs. budget of 5.55%**
- **FY24 assumption = 5.45%**

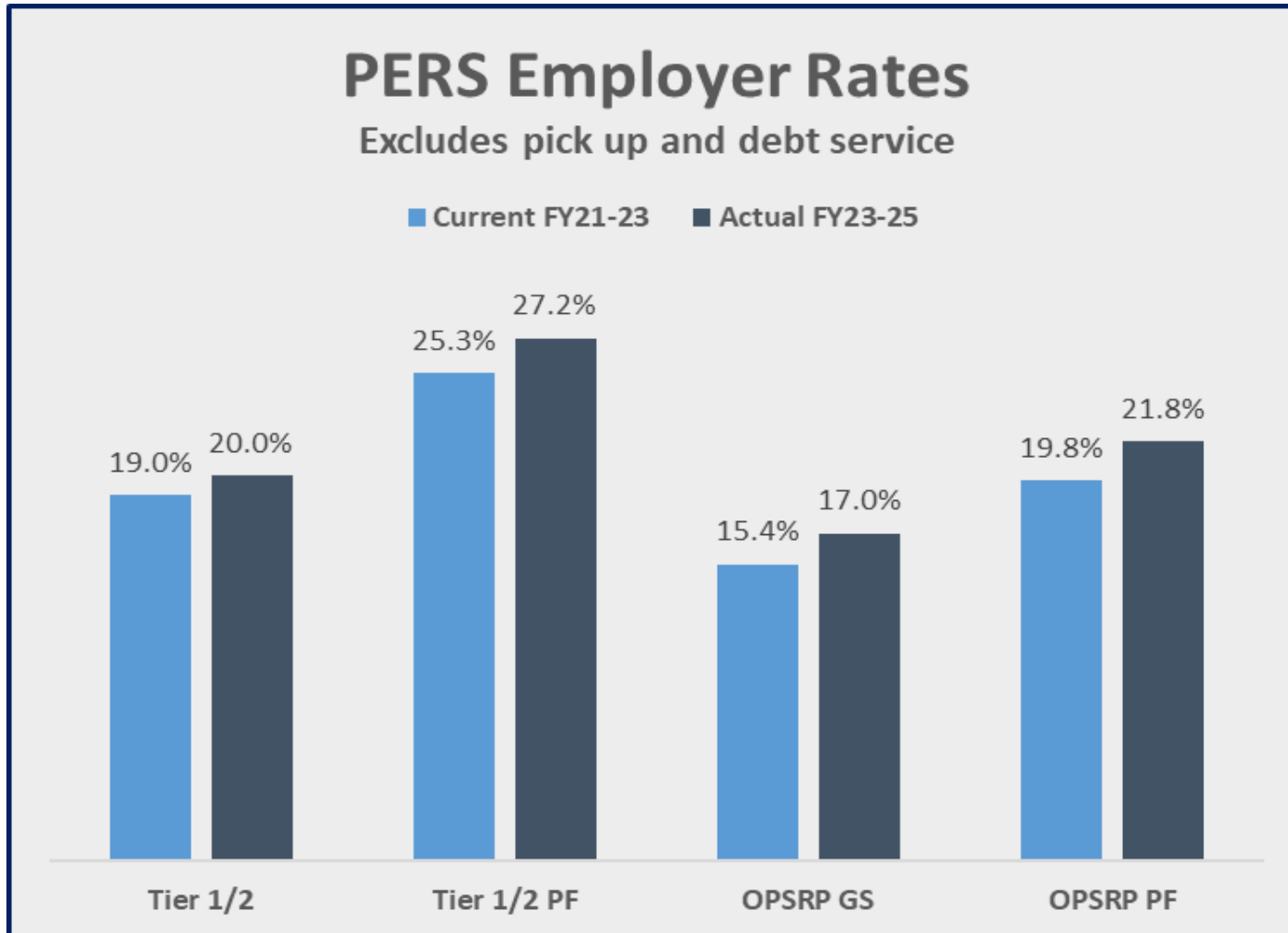


# Cost of Living Adjustment

- **TBD for FY24  
Based on 12  
month average as  
of January 31, 2023**
- **CPI – Through  
October 2022 is  
7.7%**
- **Labor contracts  
range: 1.0% - 4.0%**
- **IUOE, DA & FOPPO  
contracts expire  
06/30/2023**



# PERS Outlook



- **Biennial rate cycle**
- **Current 2021-23 rates in effect through FY23**
- **2023-2025 Rates increased an average of 1.6%**



# PERS Rates

- **FY24 is the first year of new biennial rates**
- **The County had expected this PERS increase and planned accordingly**
- **The increased rates will have an ~\$1.75M impact on the FY24 budget**
- **Rates below include pickup of 6.0% and debt service of 1.5%**

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	<b>FY21-23 Rates</b>	<b>New FY23-25 Rates</b>	<b>Increase</b>
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%





# General Fund Forecast

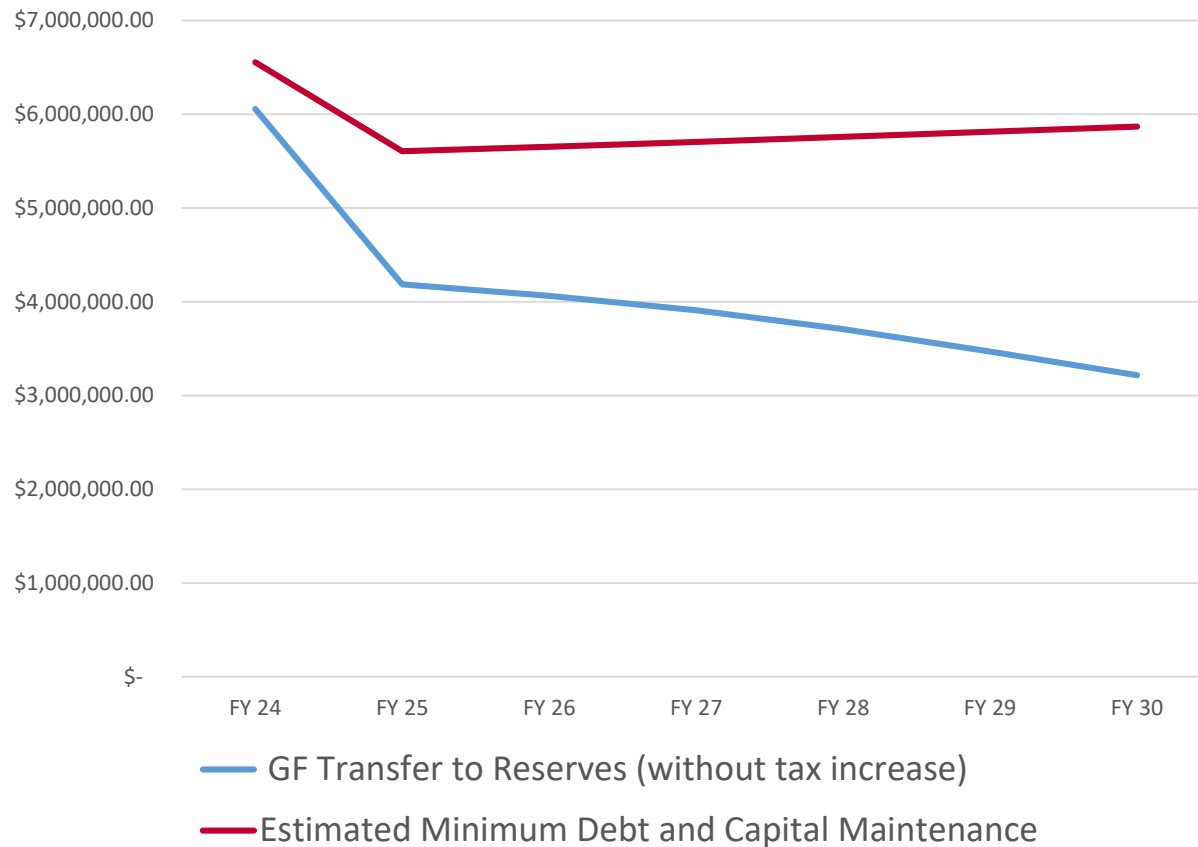
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- **GF Property Tax Rate: Increase \$0.06 and levy permanent rate of \$1.2783 (Has not been discussed with BOCC as a full board)**
  - Supports vital operations at the current level
  - Is necessary for courthouse debt service and any future capital plans
- **Projecting 96% tax collection rate, consistent with prior years**
- **General Fund Transfers: Inflationary increase for personnel, transfer amounts will be evaluated on an individual basis**

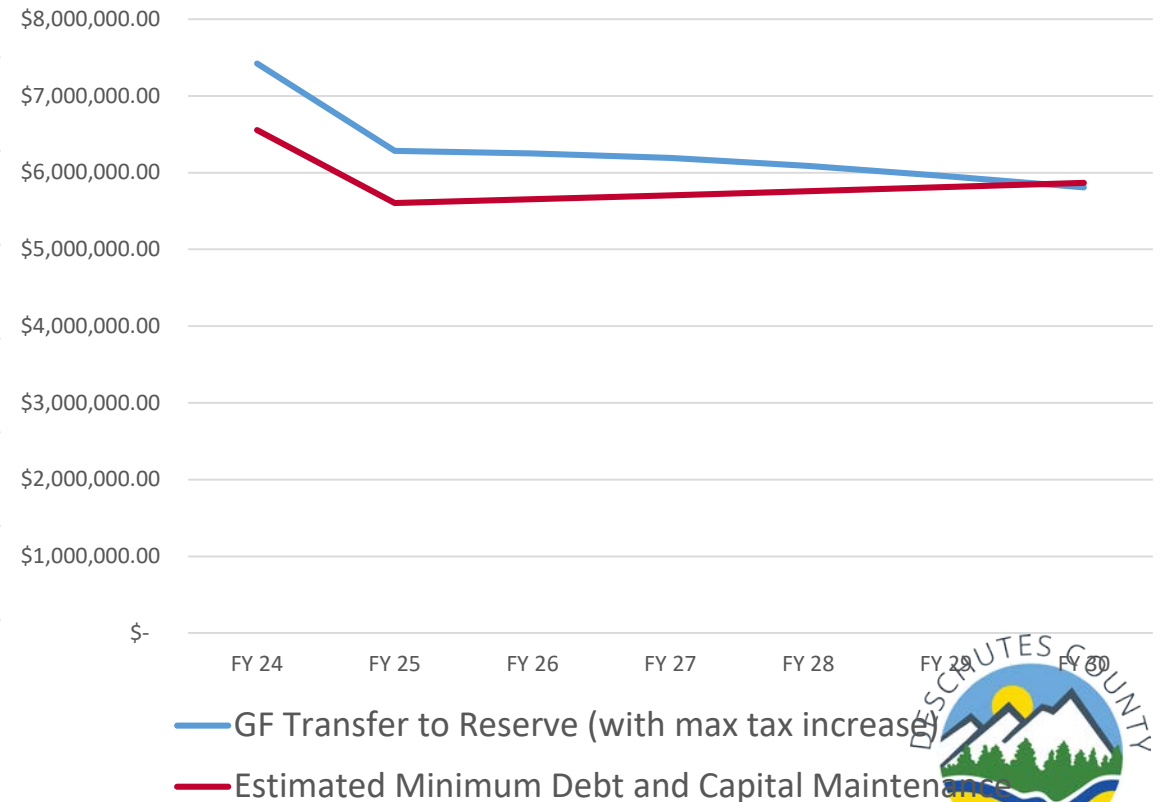


# Impact of Levying Full Tax Rate

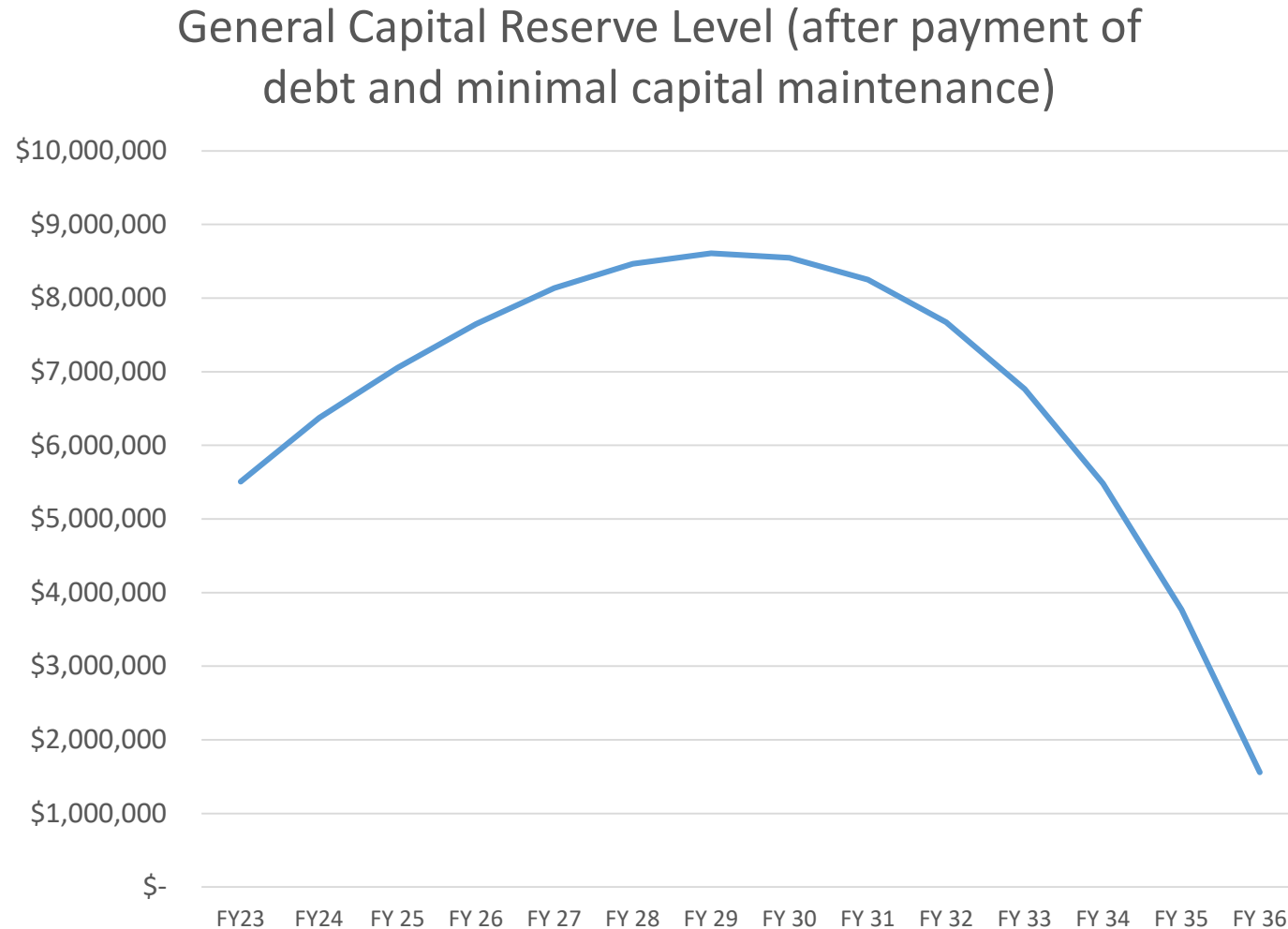
GF Transfer Out to Reserve vs. Debt and Capital Maintenance Expenditures (without \$.06 increase)



GF Transfer Out to Reserve vs. Debt and Capital Maintenance Expenditures (with \$.06 increase)



# Capital Reserve Forecast



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



# TRT Assumptions

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- TRT is highly variable and difficult to project
- FY24 TRT projection = \$12,542,000 (3 year average)
- **Departmental TRT Transfer Questions for Budget Committee Consideration**
  - Should Environmental Health TRT transfer remain flat – increase in restaurant inspection fees to cover cost?
  - Consideration of reverting to historical Sheriff Transfer of ~\$3.1M, prior to 1X funding – increase tax rate or increase TRT transfer if needed (releases \$500k in TRT for County financial stability and Capital Reserve)
- **TRT will be transferred to the County Reserve for debt service and capital needs as a strategy for long term financial stability**



# Courthouse Funding

- **Construction Cost Estimate = \$44.5M**
- **County would issue Full Faith & Credit Bonds for \$44.5M assuming a true interest cost of 5.075% for 20 years for an annual debt service of \$3.6M and a total debt service of \$72M**
- **ARPA – Local Assistance and Tribal Consistency Funds (LATCF) of \$4.6M and \$1.5M from the State of Oregon (OJD) could be utilized to “buy down” the debt**
- **Annual Debt Service funded by:**
  - Increase in General Fund Property Tax rate of \$0.06
  - Unallocated Room Tax Revenue
  - Monitoring Growth Rate



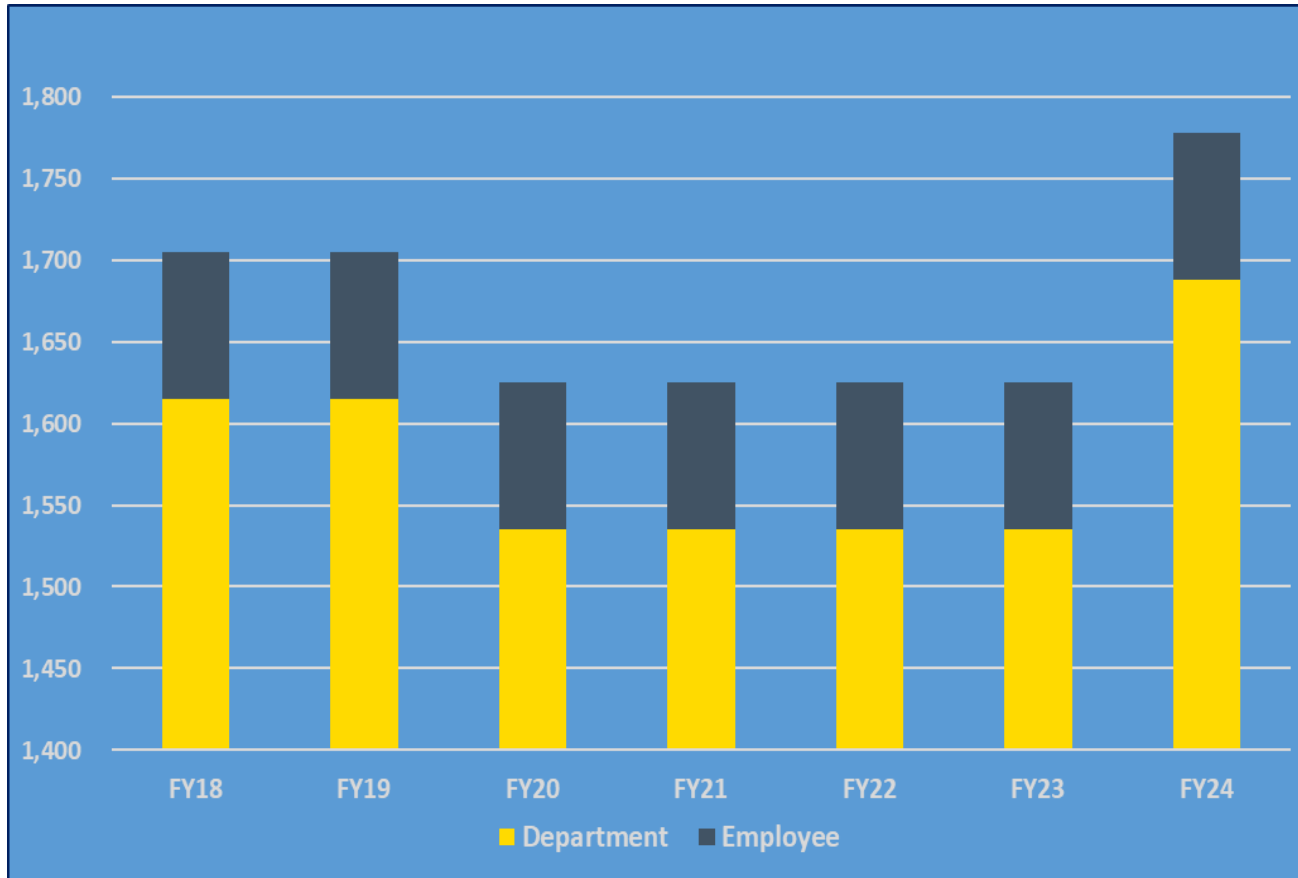
# Other Future County Capital Needs

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



# Health Insurance Rates

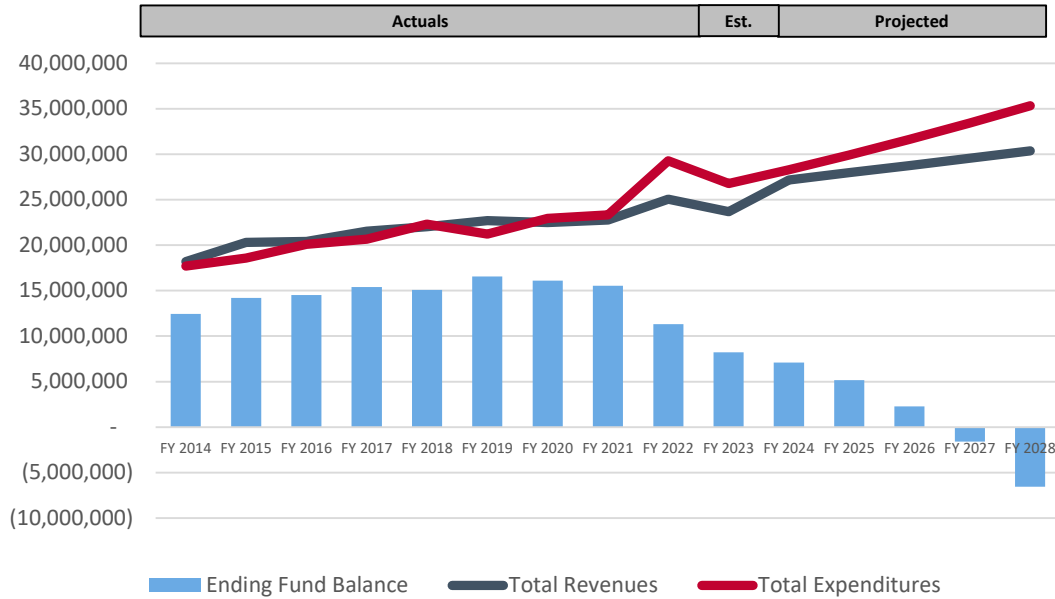


- Department rates reduced in FY20 by 5% to balance revenue with claims
- Premiums no longer cover costs and department rates will increase 11% in FY24 from \$1,535/month to \$1,703.85
- No change in Employee rates since 2016
  - Rates may possibly change mid-year in FY24

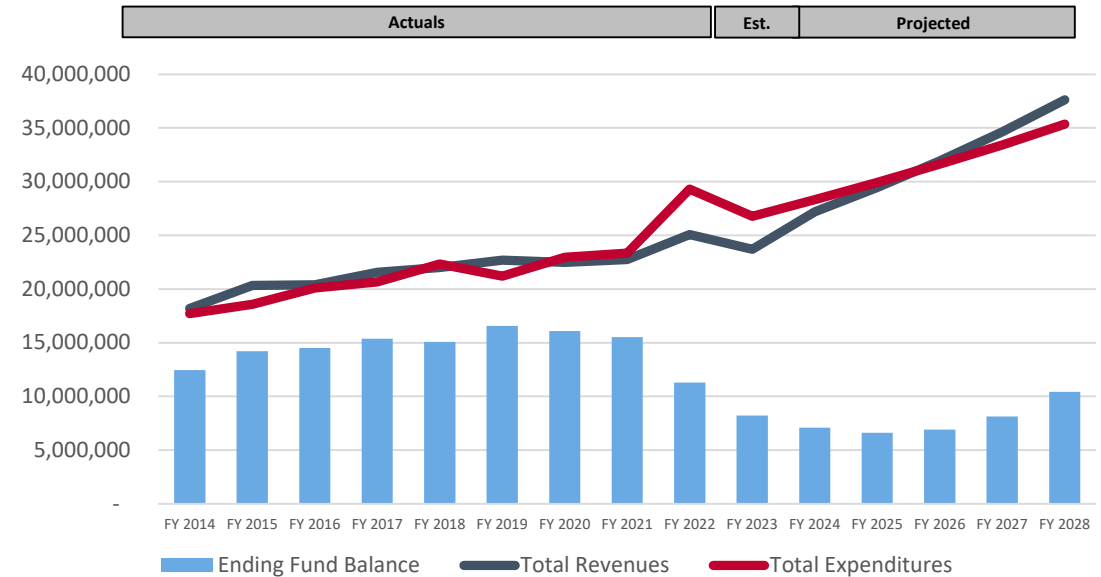


# Health Benefits Reserve Forecast

Health Benefits Reserve Fund (11% one time)



Health Benefits Reserve Fund (11% FY24 + 5.5% ongoing)



- 11% Departmental increase for FY24
- 5.5% increases year over year to cover costs





# Proposed Updates to Budget Process

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- **EDCO/COVA present prior to budget week, but are in attendance to answer questions**
- **Budget Committee sends questions in advance for COVA and/or EDCO to address at budget meetings**
- **No supplementary handouts during budget meetings. If necessary, departments will provide in advance to be distributed with budget book**



# Budget Calendar

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- **Budget calendar**
  - Proposing the week before Memorial Day, Monday, May 22 – Thursday, May 25; last day is for deliberations
- **Health Services will present Monday May 1<sup>st</sup> prior to Budget Week**
- **Scheduling Conflicts?**
- **Questions?**



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# Thank You

