



## BOARD OF COMMISSIONERS

1300 NW Wall Street, Bend, Oregon

(541) 388-6570

FOR RECORDING STAMP ONLY

### DESCHUTES COUNTY BUDGET COMMITTEE MEETING

**April 29, 2024**

This 2024 Budget Committee meeting was held in the Barnes Sawyer room at 1300 NW Wall Street, Bend and livestreamed on YouTube. Audio and video recordings of the meetings may be accessed at [www.deschutes.org/meetings](http://www.deschutes.org/meetings).

Present were Budget Committee Members Krisanna Clark-Endicott, Jim Fister, and Judy Trego (Trego arrived at 9:35 am), and Commissioners Patti Adair, Anthony DeBone, and Phil Chang. Also present were County Administrator Nick Lelack, Deputy County Administrators Whitney Hale and Erik Kropp, County Counsel David Doyle, Health Services Director Janice Garceau, Deputy Director of Public Health Heather Kaisner, Deputy Director of Behavioral Health Holly Harris, Health Services Business Officer Cheryl Smallman, Sheriff Shane Nelson, DCSO Business Manager Joe Brundage, Captain Michael Shults, Chief Financial Officer Robert Tintle, Budget and Financial Planning Manager Dan Emerson, Senior Budget Analyst Camilla Sparks, Management Analyst Laura Skundrick, and BOCC Executive Assistant Brenda Fritsvold.

**Call to Order:**

Board of County Commissioners Chair Patti Adair called the Deschutes County Budget Meeting to order at 9:09 am.

**Public Comment:** None

**Selection of Budget Committee Chair:**

Commissioner Adair noted the previous Chair of the Budget Committee was Bruce Barrett, who no longer serves on the Committee.

Commissioner Chang nominated Jim Fister to serve as Chair of the Budget Committee for 2024. Clark-Endicott seconded the nomination, which was approved 5 – 0 (Trego not present).

## **BUDGET COMMITTEE LAY MEMBER TRAINING**

David Doyle, County Counsel, summarized State regulations pertaining to the structure and operations of local Budget Committees, noting that all Budget Committee meetings are open to the public and all relevant records are subject to public records laws. Doyle also reviewed the authority and process of the Elected Official Compensation Board, which recommends compensation for all elected officials.

Doyle additionally referenced an email provided to all Committee members which answered questions posed by Fister—the questions concerned the role of Committee members, engagement with elected officials, and obtaining information from or otherwise engaging with non-elected County staff.

In response to Commissioner DeBone, Doyle said it is not unlawful for a Commissioner to meet with a fellow Budget Committee member, but neither is this a best practice. Doyle particularly advised members of the Committee to guard against discussions that would constitute a serial meeting if had with multiple members of the Committee.

Responding again to Commissioner DeBone, Doyle confirmed that the sharing of information between Committee members is permissible.

With respect to requests of staff, County Administrator Nick Lelack offered an informal rule that if a request for information, analysis or other response would require 15 to 30 minutes or more of staff time, the request is presented to the full group before any resources are allocated.

Commissioner DeBone summarized the advice to be transparent and professional with respect to communications between the Committee members. Lelack agreed, adding that staff cc's all of the Committee members when responding to a question from one so everyone is aware of the information that's being shared.

## **LONG-TERM FINANCIAL FORECAST**

Robert Tittle, Chief Financial Officer, introduced the presentation from the Finance Department on the long-term financial forecast. Dan Emerson, Budget & Financial Planning Manager, provided an overview of the General Fund, Transient Room Tax and Capital Reserve accounts, explaining the role of the General Fund and the need to maintain adequate reserves to support current service levels, capital maintenance, and future capital construction.

Emerson presented a table detailing expected General Fund revenues and expenditures through FY 2028 and reviewed assumptions underlying the forecast, including that property tax collections will achieve a 5.2% growth rate year over year. In response to Commissioner Chang, Emerson confirmed that this growth in the assessed value of property is primarily expected to occur in incorporated areas. Commissioner Chang said in

this case, the County should strive to facilitate this growth. Tittle added that for FY 2024, a 5.6% actual increase in property tax collections exceeded the 4.9% anticipated increase.

Continuing, Emerson said staff costs are impacted by step increases, labor contracts, cost of living adjustments, and the County's contributions towards employee retirement accounts. Noting other impacts from sustained high inflation and increases in health insurance rates, he referred to a chart showing the historical and projected surplus fund transfers made from the General Fund to the Capital Reserve fund and spoke to the fiscal impacts of known and possible future needs, including operating expenses for the courthouse expansion, when completed, and modifications to voting machines required as a result of ranked choice voting, if approved.

County Administrator Nick Lelack reported that the proposers of the Housing Trust Fund will come back to the Board on May 8<sup>th</sup>, at which time the required oversight and enforcement of this program will be taken up.

Continuing, Emerson said although the maximum property tax rate is being levied, expenditures are expected to exceed revenues in FY 2027 or possibly as soon as FY 2026 due to FTE growth and record inflation, among other factors.

Trego suggested that the County evaluate all of the properties it owns and consider selling some of these to realize one-time revenues. Commissioner Chang said while Property Management is identifying properties to sell, not all County-owned land can be developed.

Lelack added that while this forecast is based on the best information which is currently available, more information will be sought from the departments later this year to fine-tune the assumptions which are used to generate the forecast.

Noting that inflation is not subsiding, Commissioner Adair said many private companies are restructuring their organizations and government too needs to become leaner. Clark-Endicott added that the County cannot budget solely according to revenues but must evaluate if expenditures are growing too quickly.

Commissioner Chang said the County's population growth puts more demand on services.

Continuing, Emerson presented a graph illustrating General Fund expenditures by year from FY 2022 to FY 2028, noting that since 2022, General Fund expenditures have grown at a rate of 10% per year while revenues increased by 5.2% per year. He then shared a graph depicting General Fund surpluses and deficits from FY 2022 to FY 2031, saying that at current expenditure levels, the deficit in FY 2031 is projected to be over \$15 million. Emerson said the current annual growth of General Fund expenditures is no longer sustainable and the County may need to substantially reduce growth in FY 2026.

Fister said materials and services should be less than 17% of expenditures.

In response to Fister, Deputy County Administrator Whitney Hale said in FY 2023, overtime costs were 2.18% of total personnel costs across the entire organization.

Turning to the discussion of the Transient Room Tax (TRT) fund, Emerson provided an overview which explained how these revenues are distributed to: Visit Central Oregon for tourism marketing; general County operations; and the Fair & Expo. Emerson shared a forecast projecting TRT Fund revenues and distributions from FY 2024 out to FY 2034, noting this forecast is based on a 2.0% annual increase in revenues rather than the 2.5% anticipated increase previously utilized.

Members of the Budget Committee suggested that the proposed budget project flat TRT revenues into the future rather than 2.0% annual increases.

Responding to comments, Tintle said the proposed FY 2025 budget will show a decrease in the amount of TRT revenues for FY 2025 as compared to FY 2024. Adding that this fund has no contingency, Tintle said the amounts identified as "discretionary TRT/Capital Reserve" serve as a buffer to the other allocations in case the actual TRT revenues fall short of projections as has occurred the last three years.

Continuing, Emerson noted that a portion of TRT revenues will be used to pay the debt service of the bond taken out for the courthouse expansion project. Since TRT revenues are more volatile than others, however, there is a risk that if these revenues fall short, the debt service for the courthouse bond could become a liability to the General Fund and reduce funds available for other uses.

Emerson next provided an overview and associated forecast of the Capital Reserve Fund, which relies on transfers from the General Fund and the TRT fund. Current projections do not show any available General Fund revenues for Capital Reserves after FY 2026.

In summary, Emerson said because General Fund revenues are being outpaced by costs, for FY 2026 and beyond the County will need to evaluate several options to ensure ongoing financial stability. These options may include: reduced or flat-growth budgeting; decreasing or eliminating transfers for capital needs; reprioritizing services; decreasing or removing the environmental health fee subsidy from the TRT fund; and/or using ARPA dollars to reimburse eligible General Fund expenditures.

Commissioner DeBone said the County's financial path is clearly narrowing. He summed up the need to make well-considered, professional decisions and continue to provide services with the resources that are available.

Commissioner Chang said while personnel growth is a factor in cost increases, so are significant capital expenditures such as the courthouse expansion project. He suggested that in the future, the County consider funding the latter through discrete bond measures instead of from the General Fund.

*A break was announced at 10:48 am. The meeting resumed at 10:56 am.*

## **ELECTED OFFICIALS COMPENSATION COMMITTEE**

*(Commissioners Adair, DeBone and Chang were not present for this agenda item.)*

Kathleen Hinman presented materials prepared for the consideration of the Elected Officials Compensation Committee (EOCC) as it convenes to evaluate the current compensation of the County's elected officials along with possible adjustments. Hinman shared that last week, the Board of County Commissioners (Board) had modified the comparable labor market for Deschutes County, as follows: eliminating Jackson County as a comparable; directing the use of Clackamas, Lane and Marion Counties and the City of Bend as comparables; and adding the use of two aggregator surveys which are Oregon-wide.

In response to Clark-Endicott, Hinman said the Board directed to drop Jackson County as a comparable because that jurisdiction's budget is smaller than Deschutes County's, and the cost of labor and living in that area is very different.

Trego elaborated on the cost of housing in Jackson County as compared to Deschutes County.

Laurie Grenya, a consultant with HR Answers, Inc., shared a presentation on the role of the EOCC and factors to consider when determining compensation for elected officials. She explained how job matching is done and how and why cost of living differentials are determined, and cautioned against causing compression between positions when adjusting salaries.

Responding to Fister, Hinman said the City of Bend was suggested as a comparable as it is viewed as the largest public sector competitor with the County in terms of who the County competes with for staff.

Discussion ensued about which comparables to use when evaluating and recommending compensation for Deschutes County's elected officials.

Fister proposed increasing the compensation of each of the elected officials for FY 2024-25 by a 4% cost-of-living adjustment in line with what non-elected staff are expected to receive. Hinman reminded the Committee of its previous attempts to maintain a minimum 5% difference between each official's salary and that of their closest direct report.

At Lelack's suggestion, Fister stated the opportunity for comment from any of the elected officials—no comments were provided.

### **Assessor**

Trego moved approval of a 4% increase in the Assessor's salary for FY 2024-25. Clark-Endicott seconded the motion, which carried 3 – 0.

### **Clerk**

Trego moved approval of a 4% increase in the Clerk's salary for FY 2024-25. Clark-Endicott seconded the motion, which carried 3 – 0.

### **County Commissioner**

Trego recused herself from discussing or voting on the compensation for County Commissioners.

Clark-Endicott moved approval of a 4% increase in the Commissioners' salary for FY 2024-25. Fister seconded the motion, which carried 2 – 0, with Trego having recused herself.

### **District Attorney**

Trego moved approval of a 4% increase in the portion of the District Attorney's salary for FY 2024-25 which is paid by the County. Clark-Endicott seconded the motion, which carried 3 – 0.

### **Sheriff**

Trego moved approval of a 4% increase in the Sheriff's salary for FY 2024-25. Clark-Endicott seconded the motion, which carried 3 – 0.

### **Justice of the Peace**

Trego moved approval of a 4% increase in the Justice of the Peace's salary for FY 2024-25. Clark-Endicott seconded the motion, which carried 3 – 0.

### **Treasurer**

Trego moved approval of a 4% increase in the Treasurer's salary for FY 2024-25. Clark-Endicott seconded the motion, which carried 3 – 0.

Fister asked that if any of these changes would cause a compression issue, that information be brought back to the EOCC before the budget is approved.

*A break was taken at 11:44 am. The meeting reconvened at 11:47 am.*

## **HEALTH SERVICES**

### **Health Services Funds Overview:**

Health Services Director Janice Garceau presented an overview of the Health Services department, including its mission and organizational structure. She also described the

department's service areas, as follows: behavioral health, administrative services, and public health.

**Behavioral Health:**

Holly Harris, Deputy Director of Behavioral Health, explained the Community Mental Health Program (CMHP) which is designated to provide services mandated by the State. She shared information on mandated services, core services, and safety net services, the latter of which include school-based health centers and outpatient support for mental health and substance use.

Harris added that the County's Behavioral Health division is a certified community behavioral health clinic (CCHBC) which provides services at multiple locations outside of traditional settings. Saying that a CCBHC requires integration with primary care to address disease and decrease morbidity, she noted that Deschutes County outperforms other Oregon CCBHCs on nearly every metric. The CCBHC has generated over \$20 million in revenue to the County since its inception in 2017.

Harris listed services provided by Behavioral Health, including comprehensive care for youth and families and crisis and other intensive services. In FY 2024, the division established a Community Crisis Response Team to ease the burden on law enforcement, among other accomplishments.

**Public Health:**

Heather Kaisner, Deputy Director of Public Health, presented an overview of the division's programming and services which include disease prevention, health promotion, emergency preparedness, and environmental health services. Kaisner shared FY 2024 accomplishments, noting that 75% of crisis situations are resolved at the Stabilization Center, with 30% of cases diverted from higher cost care. She added that the division has reduced its staff turnover rate from 15.92% to 6.55%.

**FY 2024-25 Proposed Budget:**

Turning to the subject of the Behavioral Health Reserve, Garceau listed allowable uses, optimal uses and planned uses of these funds, with the planned uses as follows: CCBHC integration infrastructure and space needs, certain one-time funding gaps, and maintenance of a 25% operating budget reserve.

Commissioner Chang commented that this department pays for its own capital needs.

Business Officer Cheryl Smallman presented an overview of the department's financials, focusing on Fund 274. She described revenue sources, including government grants and payments, capitation and fees for service, and transfers from the General Fund. She also

described anticipated expenditures, saying major one-time expenditures for FY 2024-25 include needed office remodels and behavioral health housing.

In response to Commissioner Adair, Smallman said the projected overtime cost for next year is \$108,000 across the department. Smallman added that salaried persons who cover shifts are not eligible for overtime, so may instead receive a stipend in lieu of overtime.

Continuing, Smallman reviewed staffing changes from FY 2024 to FY 2025, including the reduction of four FTE COVID staff (these positions were limited duration). She listed short- and long-term fiscal considerations, noting that the department was recently informed that it can claim 15% of federal grants in indirect expenses, an increase from 10%. Near-term issues include expiring funds, including ARPA and other funds related to COVID-19. Long-term issues include the provision of after-hours services at the Stabilization Center, which are difficult to bill out and thus receive revenue for.

Responding to Commissioner DeBone, Harris said the department requires a minimum of three people on duty at the Stabilization Center at any one time, although the ideal number is four or five.

Discussion ensued regarding the difficulty in delineating the operating costs of the Stabilization Center because its services are tied so closely to the crisis program.

Smallman then reviewed the department's three special and capital requests, all of which are included in the FY 2024-25 proposed budget. These requests are as follows:

1. An Administrative Support Specialist for IDD (1.0 FTE)
2. A vehicle for the Community Navigator program
3. Tenant improvements and renovations at the La Pine Community Health Clinic

Commissioner DeBone asked about a 3% difference in Fund 274's line item for materials and services. Smallman spoke to efforts to streamline needs and said one-time costs were incurred in FY 2024, which she expected to also happen in 2025. Commissioner DeBone noted the substantially higher cost of many products and services in the general market.

*A break was announced at 1:57 pm. The meeting resumed at 2:09 pm.*

## **SHERIFF'S OFFICE**

Sheriff Shane Nelson, Business Manager Joe Brundage and Corrections Captain Michael Shults introduced the presentation on the DCSSO's proposed FY 2024-25 Budget.

Brundage expanded on the memo provided in the agenda materials, explaining the establishment, with voter approval, of two separate law enforcement tax districts (Countywide and Rural), which went into effect in FY 2008.



Sheriff Nelson said the DCSO is the only Sheriff's Office in Oregon which is not supported by the General Fund—instead, it is directly funded by the voter-created law enforcement tax districts. Nelson referred to an agreement that the DCSO's budget would be supplemented by TRT, and the understanding that this supplement would increase by 3% every year. He noted that the property tax rates for each of the law enforcement districts were increased to their maximum allowed amounts last year.

Brundage shared a graph showing the amount of TRT revenues allocated to the DCSO from 2008 to 2024. He added that the Sheriff's Office began contributing to Stabilization Center in 2018.

Brundage next reviewed several identified measures to reduce costs. These include maintaining current staffing levels, reducing capital expenditures, and minimizing overtime costs as possible. Captain Shults added that some retired staff provide court or transport services, which helps prevent mandatory overtime.

Brundage concluded that the DCSO's proposed FY 2024-25 budget is slightly below the department's FY 2023-24 budget.

Sheriff Nelson sought \$700,000 in a one-time TRT allocation in FY 2025 to make up for years in which the TRT contribution was not increased to DCSO. He further proposed that the department's 2024 TRT allocation be increased by 3% for 2025. The sheriff stressed that it is not appropriate to have rural residents bear public safety costs which result from search and rescue responses or other law enforcement services required for people who do not live in the county.

Commissioner Chang noted that not every visitor to Deschutes County pays TRT, since some of these people stay with friends, are just passing through, or own second homes here.

*A break was announced at 3:01 pm. The meeting resumed at 3:16 pm.*

## **ECONOMIC DEVELOPMENT OF CENTRAL OREGON (EDCO)**

Jon Stark, Chief Executive Officer of EDCO, shared information on EDCO's programs and services and presented a FY 2024-25 budget request of \$321,389, plus table sponsorships at three events. Stark said EDCO's work is focused on five different industries: high tech, lifestyle products, advanced manufacturing, scientific, and administrative centers. He reviewed revenue sources, including memberships and contracts, spoke to efforts to attract employers to relocate to Central Oregon, and said EDCO mentors and advises companies on matters such as access to capital and business strategies to grow and expand, if desired.

Patricia Lucas provided an update on economic development activities in La Pine, including a storefront improvement program, the receipt by the City of \$1.5 million to build an incubator building, and the expansion of the La Pine Community Health Center.

Eric Strobel provided an update on economic development efforts in Sisters, including the establishment of new businesses such as Leaven and Love which offers gluten-free sourdough bread.

Steve Curley provided an update on economic development efforts in Redmond, including the airport expansion project.

Brian Vierra, Venture Catalyst Director for EDCO, reported on the number of start-ups in the pipeline and additionally on an innovation hub which was awarded funding from various parties including the State of Oregon, OSU, and the Bend Chamber of Commerce.

Don Myll provided an update on economic development efforts in Bend, noting that 100 acres at Juniper Ridge will be made available for development in the near future.

Responding to Commissioner Chang, Stark said EDCO's overall budget is approximately \$1.9 million.

## **VISIT CENTRAL OERGN**

Dana Whitelaw, Chair of the Visit Central Oregon (VCO) Board, introduced Mackenzie Ballard, VP of Marketing. Ballard shared VCO's extensive efforts to promote tourism in the region, speaking particularly to the establishment of a marketing fund which is used to increase tourism in the off season.

Emerson asked why VCO is not anticipating carrying over any funds from 2024 to 2025. Ballard said the organization opted to add initiatives and put some funds towards workforce development.

Continuing, Ballard reviewed changes in projected expenditures in FY 2025 using County funds and reported on revenue received from Travel Oregon and how that is spent. She described VCO's marketing program and campaigns, shared the return on digital advertising investments, and provided an overview of the purpose and outcomes of the Future Fund initiative.

## **CONCLUSION**

Tittle said the proposed budget will be finalized before the Budget Committee reconvenes in May.

Committee members offered general comments regarding growing residential development opportunities across the county as urban areas expand and the need to

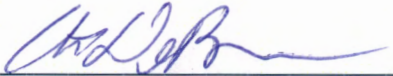
remain cognizant of the financial impacts of high interest rates and other fiscal realities.

**ADJOURNMENT:**

At 4:49 pm, Chair Fister declared the Budget Committee meeting adjourned.

DATED this 14<sup>th</sup> day of June 2024 for the Deschutes County Board of Commissioners.

  
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**PATTI ADAIR, CHAIR**

  
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**ANTHONY DEBONE, VICE CHAIR**

**ATTEST:**

  
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**RECORDING SECRETARY**

  
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**PHIL CHANG, COMMISSIONER**