



BOARD OF COMMISSIONERS

FY 2024-25 BUDGET COMMITTEE MEETING

9:00 AM, MONDAY, MAY 20, 2024

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

(541) 388-6570 | www.deschutes.org

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: There will be time specified each day for public comment.

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.
- To join by phone, call 253-215-8782 and enter webinar ID # 899 4635 9970 followed by the passcode 013510.

AGENDA AND MATERIALS

1. FY 2024-25 Budget Committee Agenda
2. FY 2024-25 Budget Committee PowerPoint Presentations



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.



FY 2024-25 BUDGET COMMITTEE AGENDA

Day 1 - Monday, May 20, 2024

9:00 - 9:10 AM	Deschutes County Budget Meeting Welcome and Convene the Deschutes County Budget Committee Meeting Nominate representative to the Investment Advisory Committee	Chair Chair
9:10 - 9:50 AM	Deschutes County Proposed Budget Public Comment Deschutes County Budget Message	Chair Nick Lelack, County Administrator
9:50 - 10:15 AM	Deschutes County Proposed Budget Overview	Robert Tintle, Dan Emerson
10:15 - 10:30 AM	Recess	
SUPPORT SERVICES		
10:30 - 12:10 PM	Fiscal Entities Funds 135, 160, 170, 060, 200 (Page 186, 188, 189, 190/84, 92, 97, 71, 100)	Dan Emerson
12:10 - 1:10 PM	Lunch	
1:10 - 1:25 PM	Finance Funds 630, 001-18 (Page 183/28)	Robert Tintle
1:25 - 1:35 PM	Board of County Commissioners Fund 628 (Page 157/316)	Erik Kropp/Whitney Hale
1:35 - 1:50 PM	Administrative Services Fund 625 (Page 171/311)	Whitney Hale
1:50 - 2:00 PM	Legal Counsel Fund 640 (Page 201/327)	Dave Doyle
2:00 - 2:05 PM	Recess	
PUBLIC SAFETY		
2:05 - 3:00 PM	Sheriff's Office Fund 255, 256 (Page 95/118, 129)	Shane Nelson, Sheriff
3:00 - 3:15 PM	SO - Countywide Law Enforcement District #1 Fund 701 (Page 102/353) Open Public Meeting Introductions Budget Discussion Public Comment Close Public Meeting	Shane Nelson, Sheriff Chair Chair
3:15 - 3:30 PM	SO - Rural Law Enforcement District #2 Fund 702 (Page 102/355) Open Public Meeting Introductions Budget Discussion Public Comment	Shane Nelson, Sheriff Chair
At conclusion of presentation, continue the Deschutes County budget meeting to Tuesday, May 21, 2024.		

FY24-25 Proposed Budget Presentation

Fiscal Entities

Presenter:
Dan Emerson



FY 25 Proposed Flow of Funds

General Fund

Funds GF departmental operations and all other county operations and departments that may need subsidies or facing financial instability. Remainder after expenditures goes to Capital Reserve



Prior, current, and future years remaining general fund

TRT

Funds departmental operations and some external County projects. In the Proposed FY25 budget remaining unallocated TRT funds are being transferred to the Capital Reserve



Prior and current years unallocated TRT remainder

Capital Reserve

Consolidates available funds after expenditures from the GF and TRT and uses the funds for capital maintenance and minimal space additions.



General Fund Overview

- The General Fund (GF) is made up of departments (DA, Clerk, Assessor, Veterans, Tax, Property Management, Medical Examiner) and transfers out to other departments to support their operations
- The largest transfers are to Health Services (~\$7.2M) and Community Justice Juvenile (~\$8.1M)
- The major source of revenue for the General Fund is property taxes, but it is also supported through various smaller grants and Clerk's office fees
- Departmental expenditures are the greatest cost to the fund

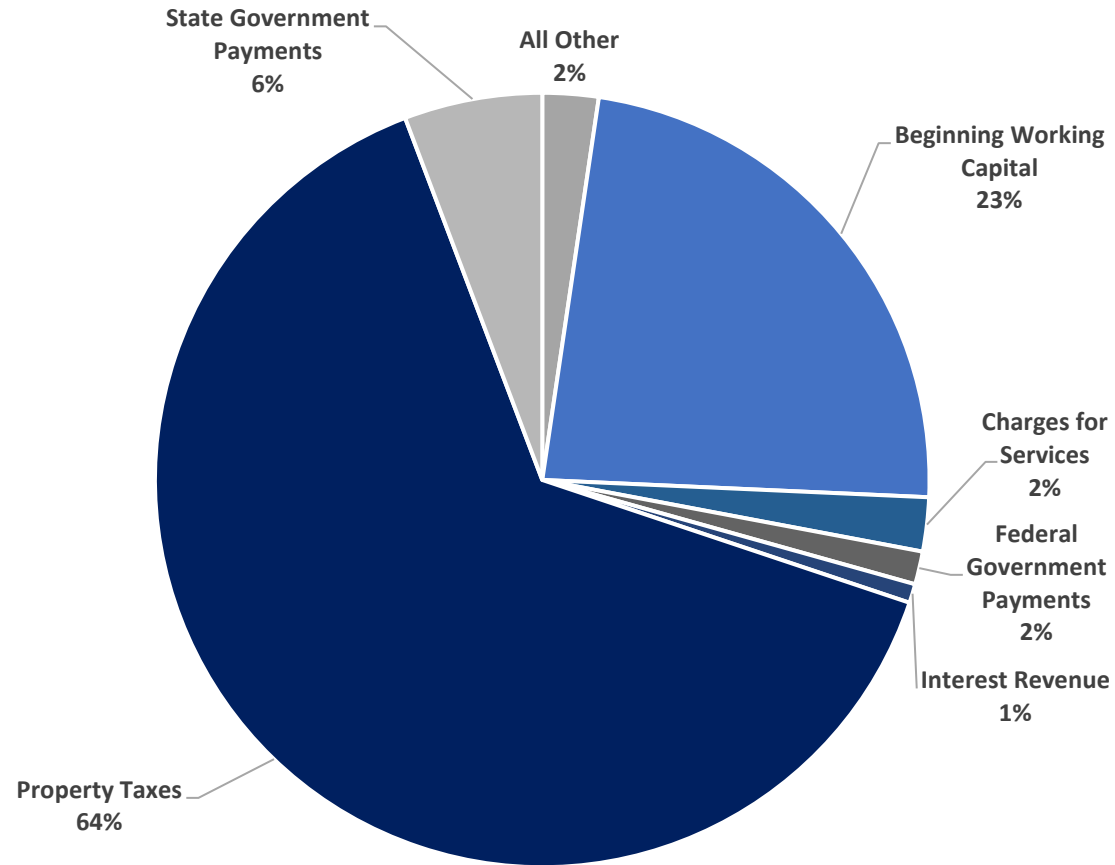


The Role of the General Fund

- The General Fund is the chief operating fund for Deschutes County
- General Fund revenues are the primary support for operational funds facing short term financial instability
- If the General Fund does not have adequate reserves the County cannot support;
 - Current service levels
 - Capital maintenance
 - Future capital construction
- Insufficient General Funds means the County has a structural imbalance, whereby expenditures are greater than resources and the County would need to cut to balance the budget
- For these reasons, the General Fund is the cornerstone of Deschutes County finances, its fiscal health reflects the financial stability of the County and its operations



FY 24-25 General Fund Budget Details

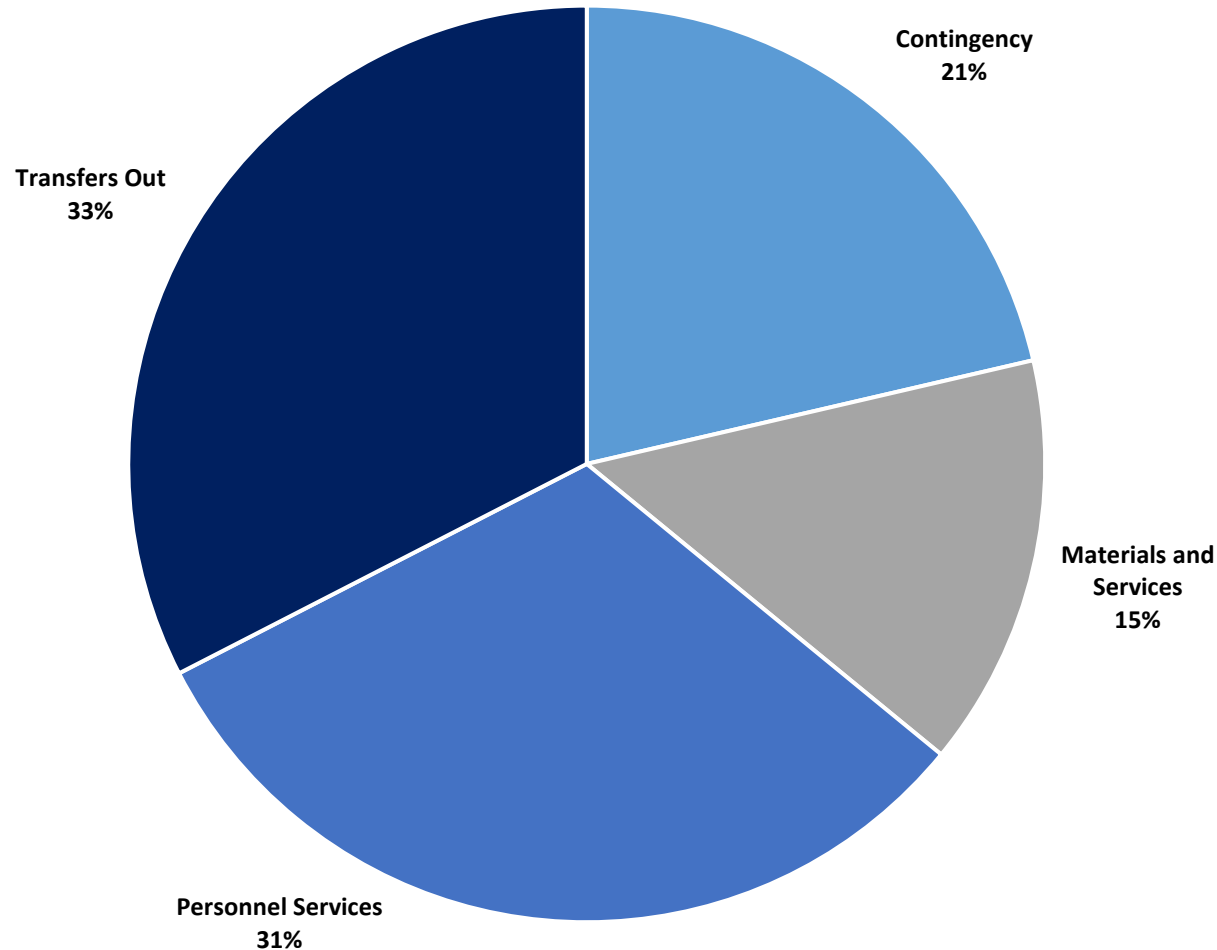


24-25 RESOURCES

- Vast majority of funding is from Property Tax
- 5.2% budgeted assessed value (AV) growth
- State Grants budget is down \$400K from FY24
- Multiple pressures on General Fund Resources



FY 24-25 General Fund Budget Details



24-25 REQUIREMENTS

- Personnel Services increased 11% year over year
- Transfers Out to Capital Reserve budget is \$2.6M, approximately \$1.5M less than forecasted in FY24
 - Sustained High Inflation
 - New Max Bargaining COLA
 - Increases in Health Insurance Rates



FY 24-25 General Funds Fiscal Issues

Short-term Fiscal Issues

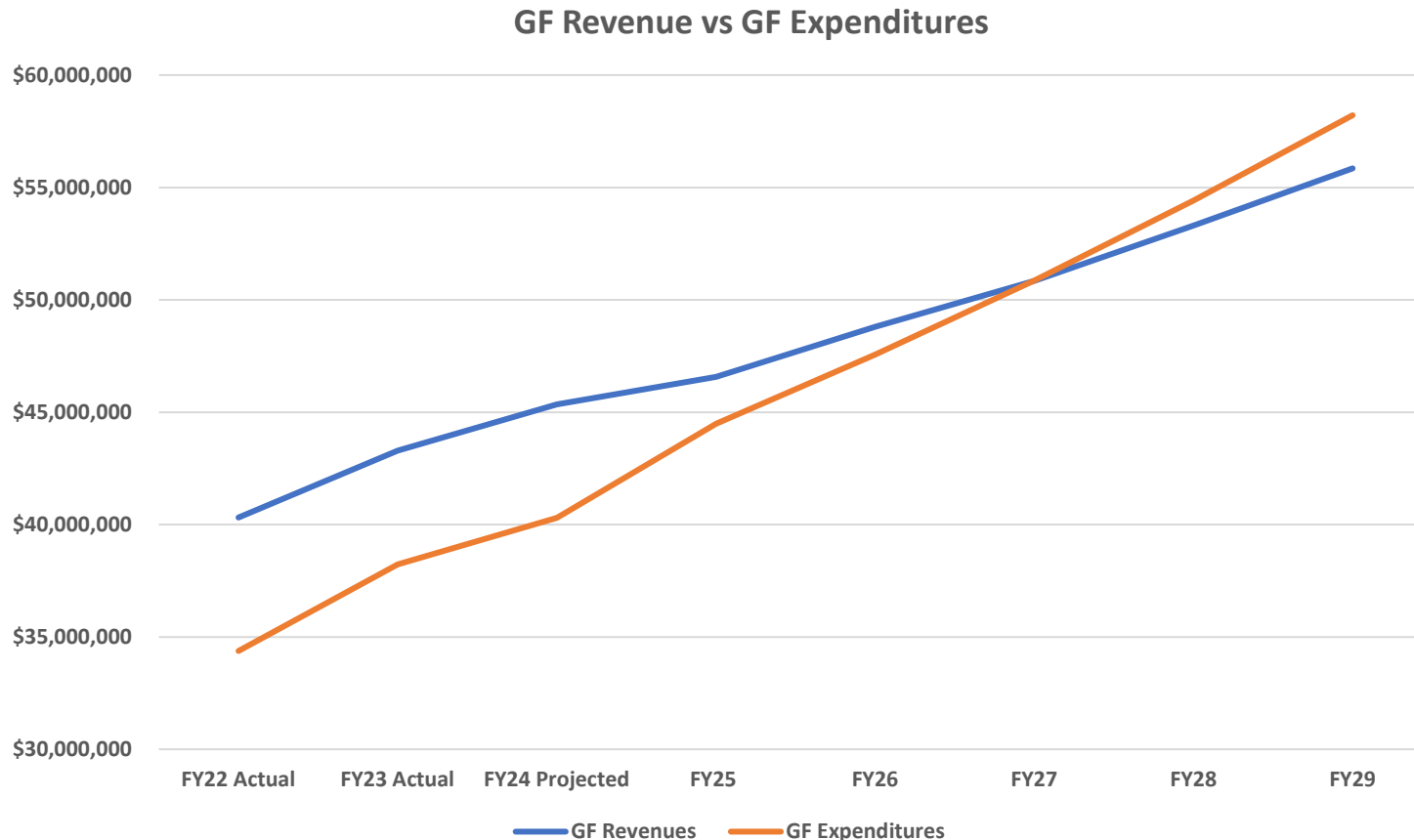
- Expenditure Pressures
 - High inflation
 - Wage growth
 - Operational growth
- Revenue Pressures
 - \$700K+ decline in Clerk's revenue since FY22
 - \$140K+ decline in Property Management revenue

Long-term Fiscal Issues

- Forecasted structural imbalance
- Capital and maintenance needs
- Compensation philosophy
- PERS
- Debt service
- Federal and State budget uncertainty



General Fund Forecast



- Projected 5.2% year over year property tax increase (.6% above the 25-year average for urban areas in Oregon)
- Personnel assumptions are based on COLA, wage structure, and benefits estimates
- M&S/ISF assumptions are based on historical rates
- Despite levying the maximum tax rate, the gap between revenues and expenditures is decreasing dramatically
- Expenditures are projected to surpass revenues in FY27

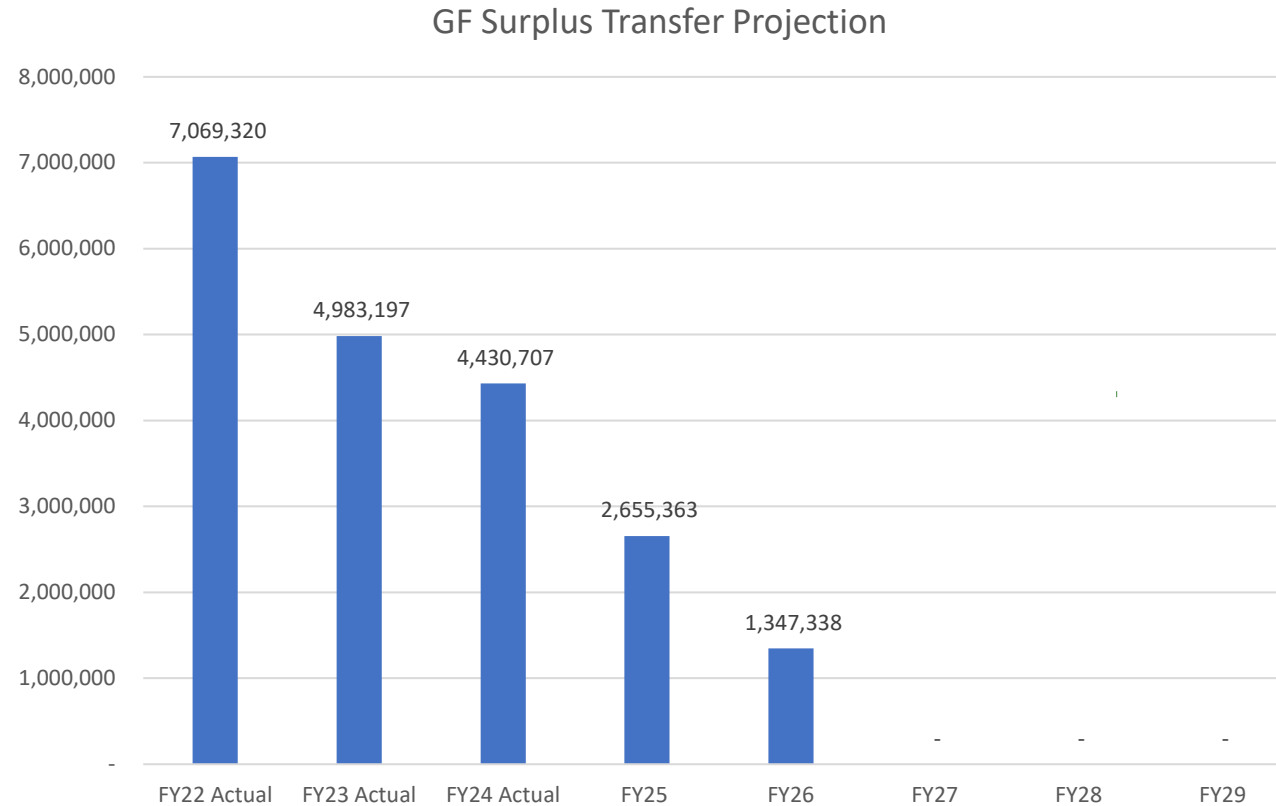


General Fund Forecast (continued)

- We believe the forecast is optimistic
 - No special requests are included
 - Service levels are remaining constant in future years
 - Departments have indicated they may need funding more than forecasted to balance in future years
- The General Fund forecast and the Proposed FY25 budget does not include the following
 - Fiscal impacts of the salary study
 - The Housing Trust Fund
 - New Courthouse operating expenses
 - Fiscal impacts of rank choice voting



General Fund Operations Surplus

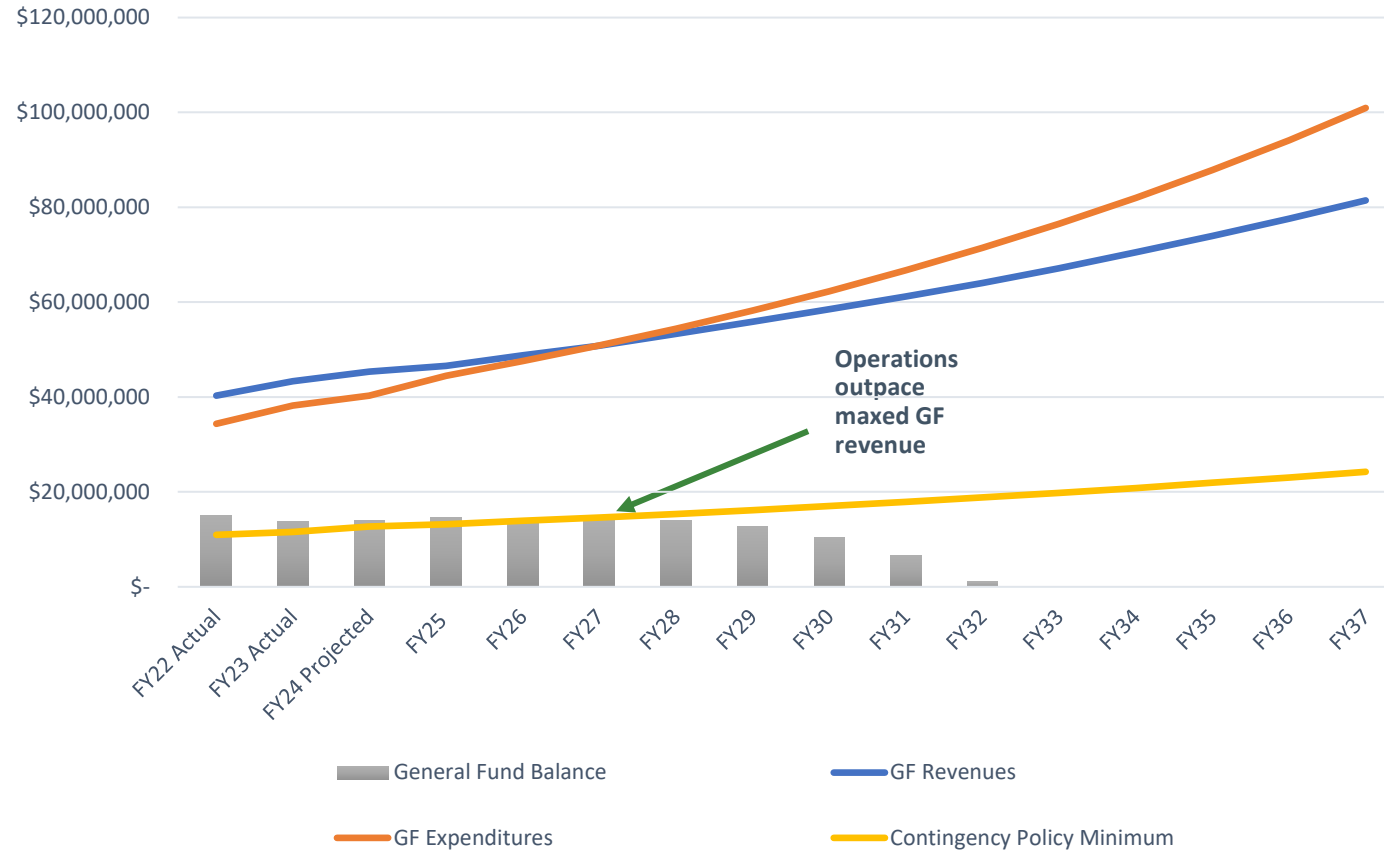


- Available General Funds at end of year represent revenue over expenditures
- Transferred to the General Reserve (Fund 060)
- Historically used for capital maintenance and projects
- Projected to decline rapidly due to max COLA's and operational growth
- Forecasted to be depleted by FY27 when expenditures surpass revenues within the GF



General Fund Operations Forecast

General Fund Balance



- By FY27 operational expenditure growth surpasses all GF revenue and the County takes on ~\$750K of unfunded operations.
- By FY29 that unfunded number has grown to ~\$5.6M
- Critical to ensure that the GF continues to have available funds so operations continue at current service levels



Current Challenges and Future Initiatives

Challenges

- At historical expenditure rate GF fails to pay for operations in FY27
- Long-term funding and fiscal stability
- Space for some departments is stretched to capacity

Future Initiatives

- Continue to advance the long-term forecast and provide fiscal decision-making tools to the BOCC
- Prepare an estimated General Fund budget in the fall to analyze departmental growth capacity for FY26



General Fund Next Steps

- **Evaluate several fiscal options**
 - Reduced or flat growth budgeting
 - Decreased or elimination of transfers for capital needs
 - Reprioritizing services
 - Decreasing or removing the Environmental Health fee subsidy
 - ARPA dollars being used to reimburse eligible GF expenditures
 - Any combination of options

Prudent financial planning and forecasting has placed the County in a strong position to plan for the current and next fiscal year as we continue providing core services to the community



GF Operational Budget Decisions



- The District Attorney's Office is requesting \$224,635 for a Deputy District Attorney
- The District Attorney's Office is requesting \$24,000 for Axon Enterprise software
- Adult Parole and Probation is requesting \$100,000 for motel rooms for individuals on supervision



Transient Room Tax

Transient room tax (TRT) predominantly funds tourism promotion/facilities and the provision of general government services. TRT is highly variable and difficult to forecast.

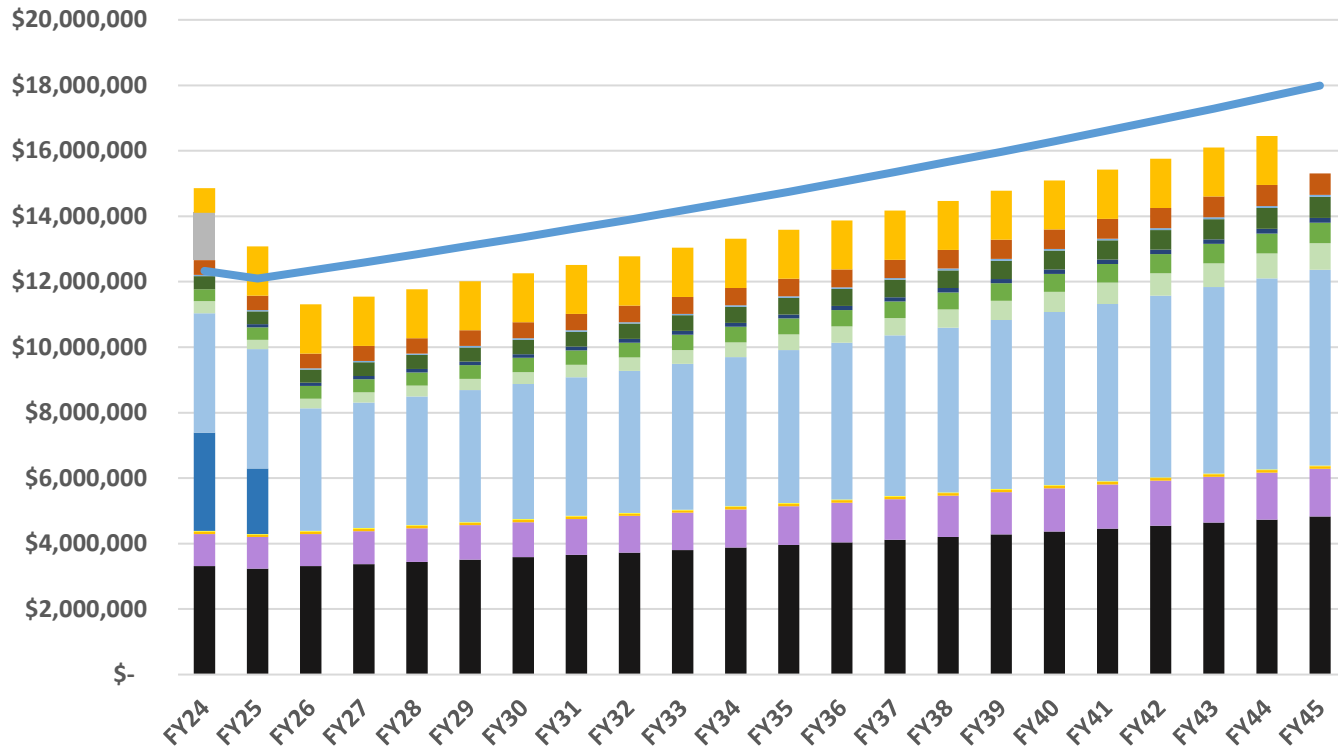
TRT is broken up into three taxes:

- **6% (5% 1975, 1% 1980)**
 - 80% unallocated, has been used to support internal operations and recently Sunriver, Mt. Bachelor and the Deschutes Trails Coalition for various projects
 - 20% allocated to tourism promotion through Visit Central Oregon
- **1% (1988)**
 - Fully allocated to Visit Central Oregon
- **New 1% (2014)**
 - 70% allocated to Fair and Expo for marketing and tourism
 - 30% unallocated, historically used to support Fair and Expo capital maintenance requirements



Transient Room Tax Forecast

TRT Forecast



- VCO (net)
- RV Park 618
- Sheriff 255
- Community Development
- Fair & Expo Reserve 617
- Revenue
- Fair & Expo 615 (net)
- Current Grants and Contributions
- Environmental Health
- Admin Fee (net of interest) - 7%
- Capital Reserve
- Fair 616
- New Grants and Contributions
- Justice Court
- Admin Fee (net of interest) - 1%
- Debt Service

- Assumes 2.0% revenue and variable expenditure growth by department
- The forecast anticipates ~\$1M per year in unallocated TRT surplus being transferred to the Capital Reserve (Fund 060) annually
- \$30M in debt service payments for the courthouse expansion is funded from TRT dollars
- The County's first priority is to pay debt service
- Decreased TRT revenues or increased expenditures jeopardizes the County's ability to fund internal services
- TRT funds are also necessary for capital expansion
- Funds are also used for capital maintenance which is budgeted at \$650K in FY25 and growing in future years



FY 24-25 TRT Fiscal Issues

Short-term Fiscal Issues

- Expenditure Pressures
 - Inflation increasing internal operational costs
 - External requests for funding with contracting resources
- Revenue Pressures
 - Down 3% year over year

Long-term Fiscal Issues

- Highly variable, difficult to forecast
- Fund may not be able to support debt service as well as continue to transfer remaining funds to the Capital Reserve



TRT Operational Budget Decisions



- The Sheriff's Office is requesting a one-time \$700,000 increase in TRT in FY25 from \$3,651,787 to \$4,351,787 to support contingency levels and begin saving for implementation of the Public Safety Campus Master Plan
- The Sheriff's Office is requesting an ongoing flat 3% increase in discretionary TRT to fund services (\$109,553 in FY25).



FY 25 Proposed Flow of Funds

General Fund

Funds GF departmental operations and all other county operations and departments that may need subsidies or facing financial instability. Remainder after expenditures goes to Capital Reserve



Prior, current, and future years remaining general fund

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Prior and current years unallocated TRT remainder

Capital Reserve

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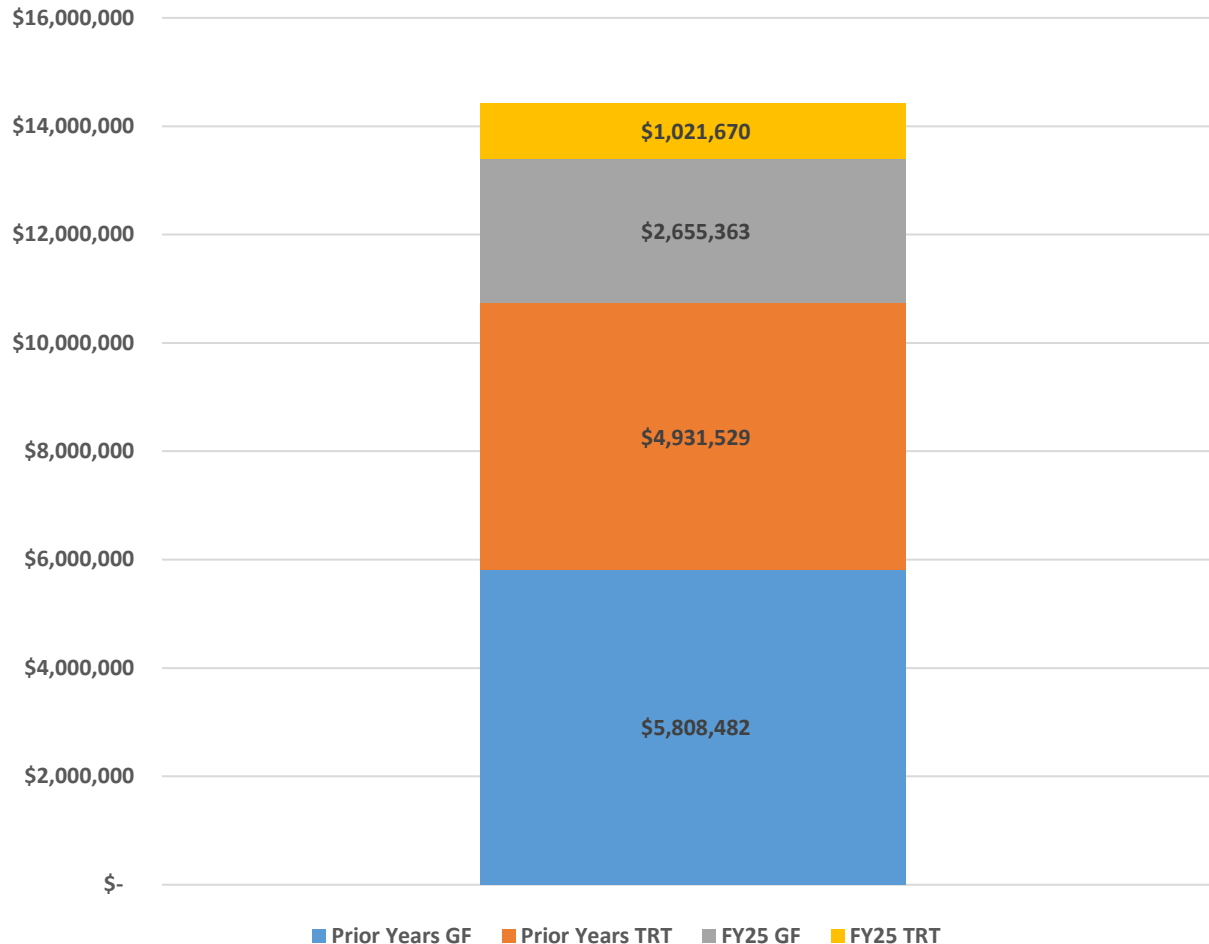
Capital Reserve (Fund 060) Overview

- The Capital Reserve, (Fund 060) is the County's reserve and is funded by the remaining revenues after expenditures in both the General Fund and Transient Room Tax (FY25)
- The Capital Reserve is an aggregation of the vast majority of the County's discretionary funds and represents our ability to maintain current service levels as well as capital needs.



FY 24-25 Capital Reserve Budget Details

FY25 General Reserve by Funding Source

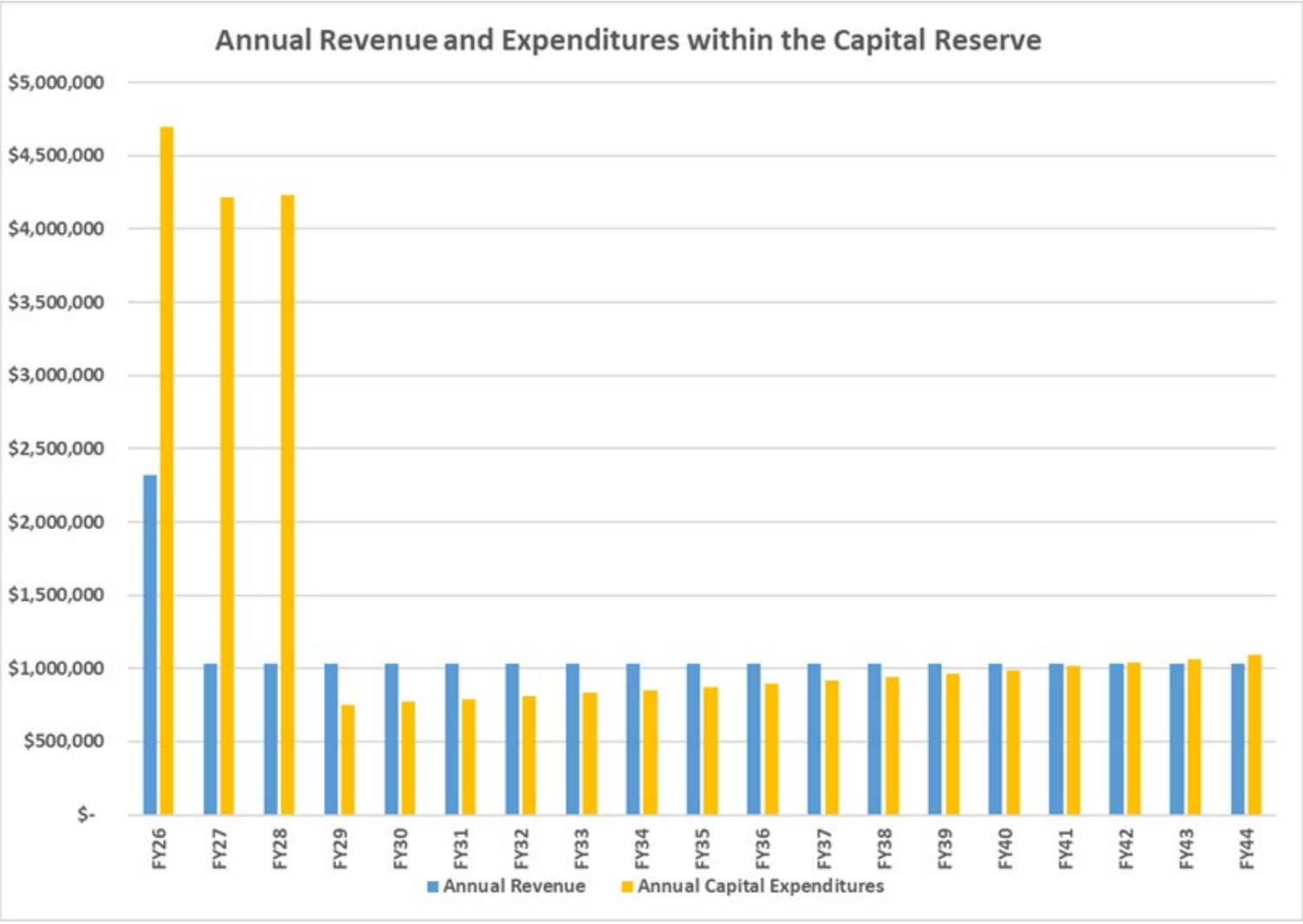


24-25 RESOURCES

- County reserve balance ~\$14.4M
- FY25 GF transfer to Capital Reserve is \$1.5M less than projected
- Prior years TRT was a FY23 budget decision to help pay courthouse debt service
- At historical expenditure rate, the reserve will no longer receive GF by FY27



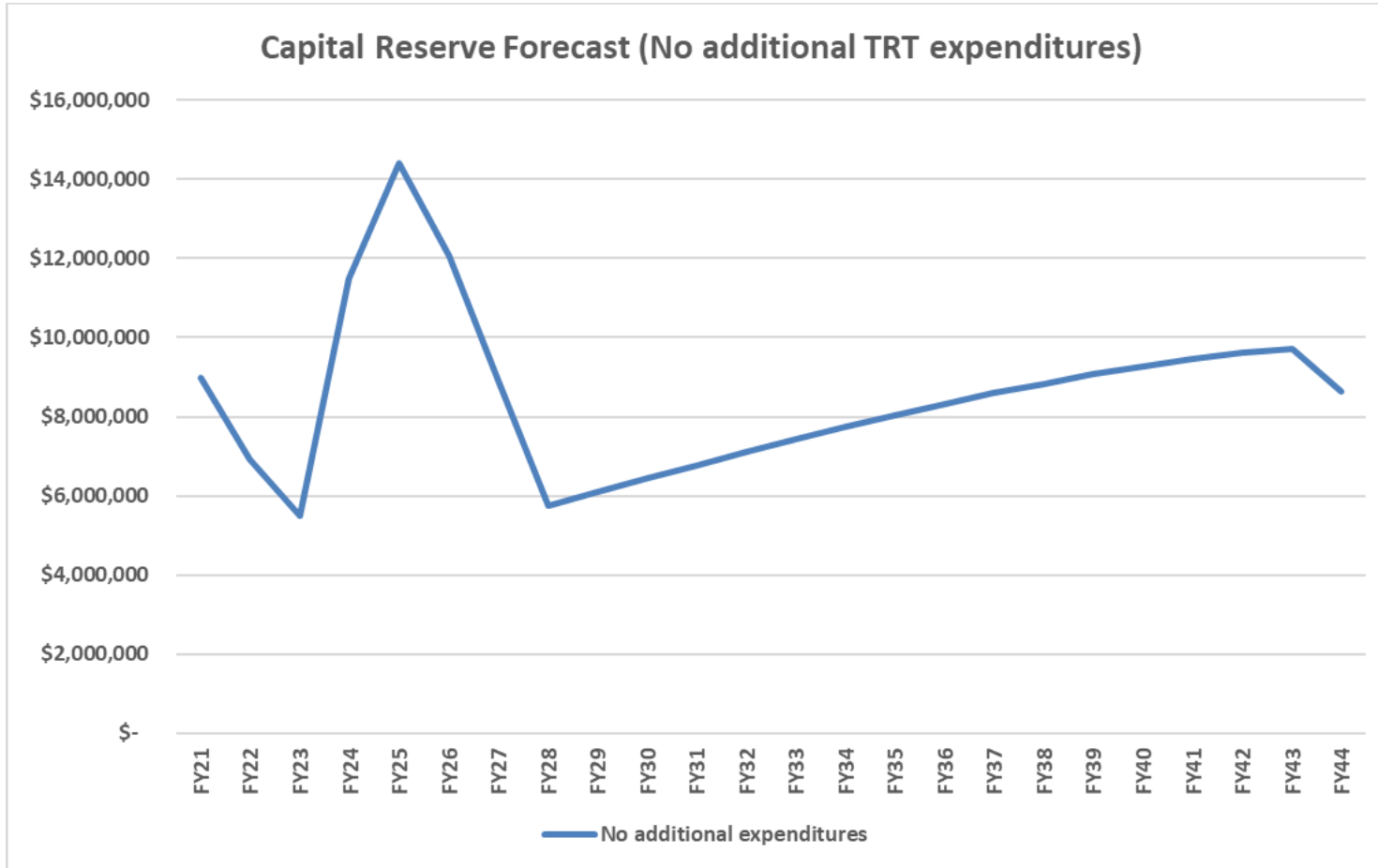
Capital Reserve Revenues and Expenditures by Year



- Annual revenue estimates based on GF and TRT long-term forecasts
- Reduction in revenue in FY27 is the depletion of GF surplus
- District Attorney expansion in FY26
- Placeholder for Clerk’s space in FY27 and FY28
- Expenditures beyond FY28 are only capital maintenance (no capital expansion)



Capital Reserve Balance Forecast

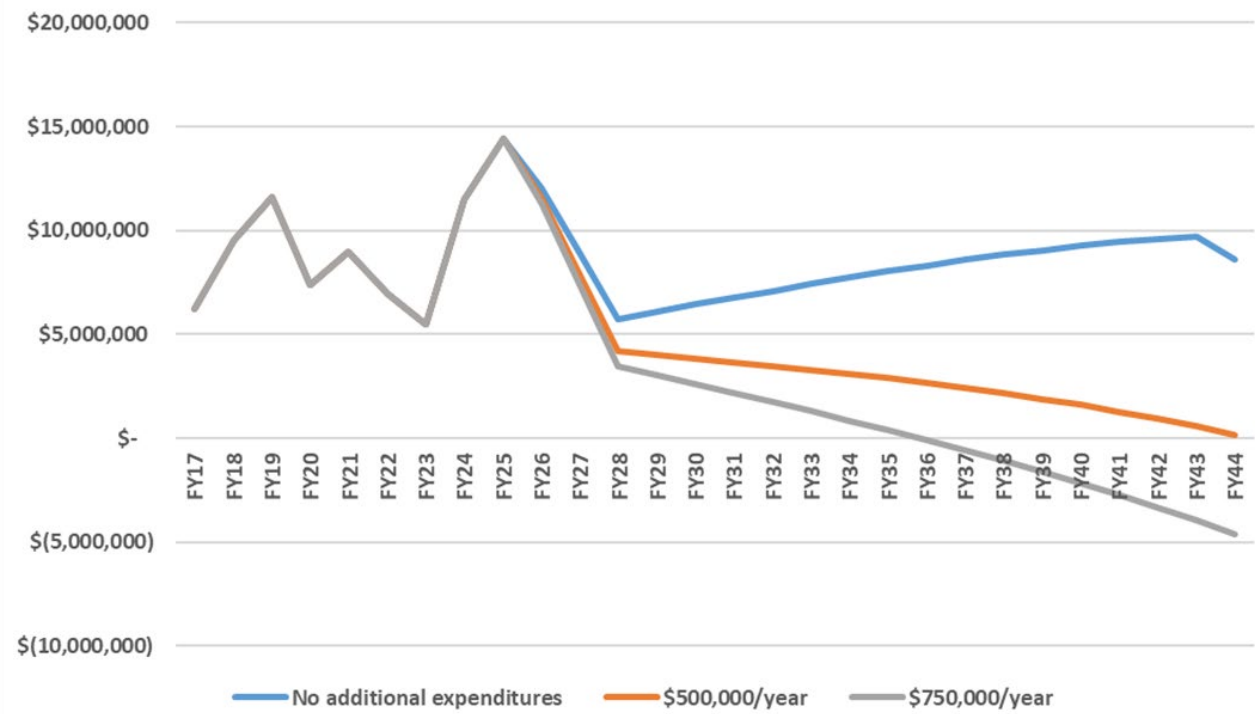


- Based on the previous forecast this slide presents the estimated balance of the Capital Reserve
- \$8.8M in FY44
- Does not factor in any new capital outlay/expansion after FY28
- Does not factor in any operational subsidies to the GF as early as FY27
- Does not include any future external TRT commitments that would reduce revenue inflows
- Does not include any new or significant increases in internal TRT expenditures

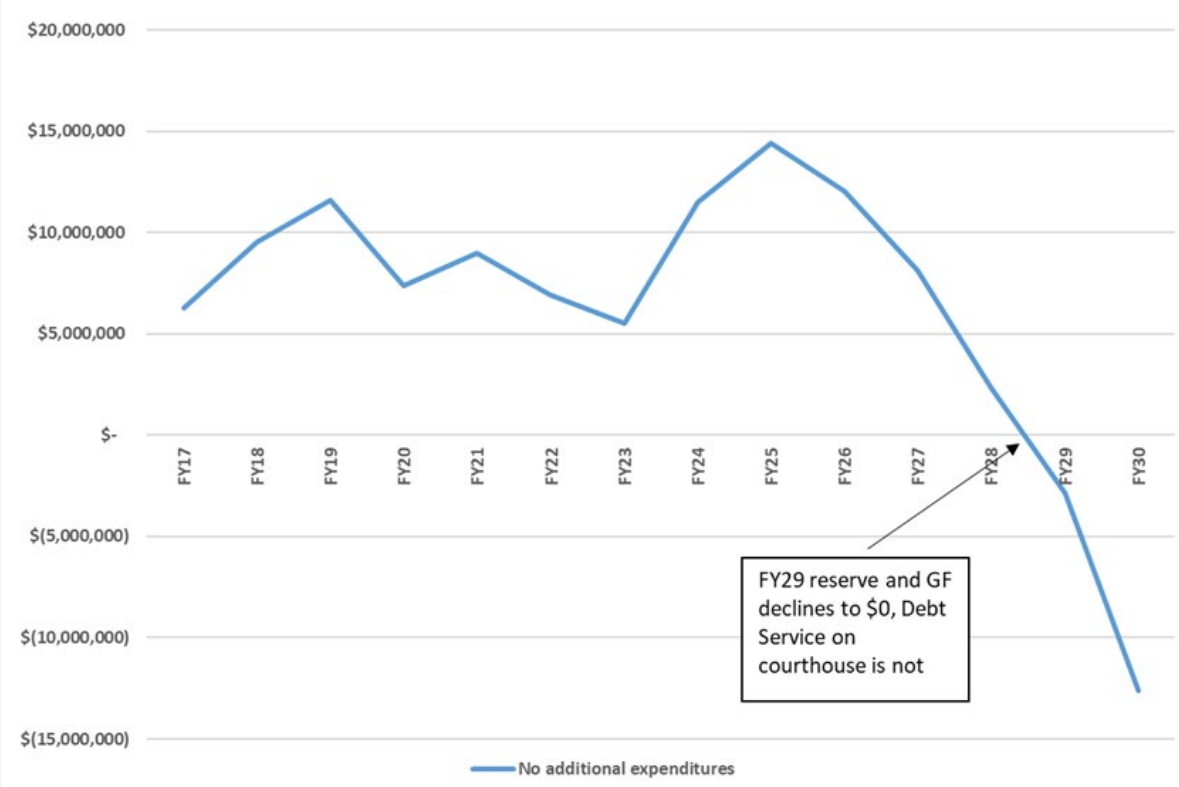


Capital Reserve Balance Given Different Scenarios

Forecasted Reserve Levels Given Various TRT contributions



Forecasted Reserve Levels Given GF operational subsidy



FY 24-25 General Reserve Fiscal Issues

Short-term Fiscal Issues

- Expenditure Pressures
 - High Inflation
 - Capital maintenance needs
 - Capital expansion needs
- Revenue Pressures
 - Decreasing year over year remaining GF transfers to Reserves
 - Decreasing TRT revenues

Long-term Fiscal Issues

- At historical expenditure rate, would not receive any additional GF by FY27
- Does not allow for a major capital project after FY28
- Balance is too low to fund any new operations or subsidize the GF



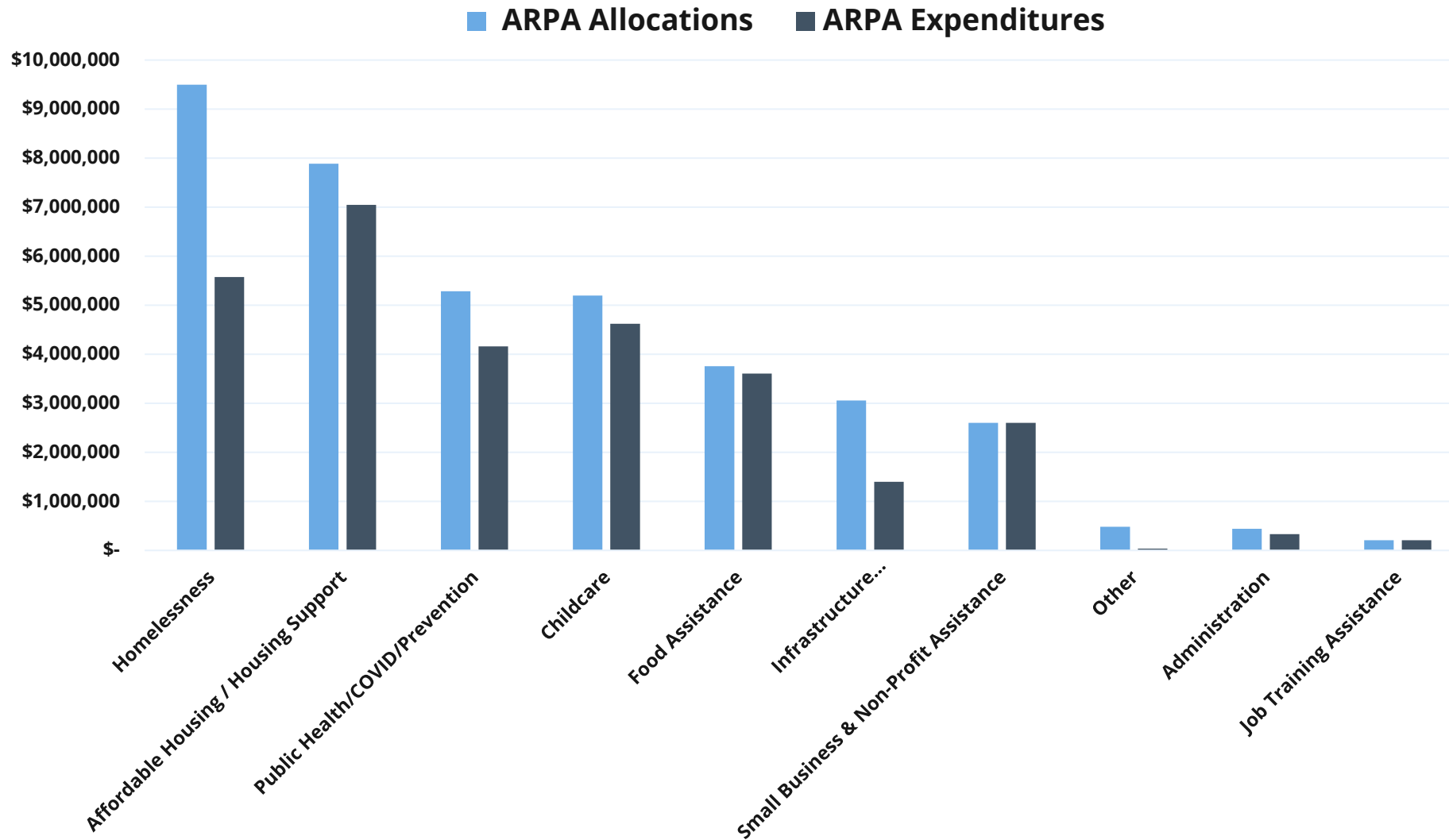
PERS Reserve (Fund 135) Overview

- The PERS Reserve is made up of available resources from previous years charges to County operating funds and departments for partial payment of future PERS charges resulting from increases in the PERS rates
- PERS rates increased in FY24 (first year of biennial cycle)
- Increased rates had a ~\$1.75M impact on the FY24 budget
- The PERS Reserve is healthy and has ~\$5M for future pay down

	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 (Fund 200)



- This fund is the largest pass through of federal funds to state and local governments ever
- The County has allocated all \$38,399,353 of ARPA funds
- The County has expended \$29,598,712 of ARPA funds



Questions?



Thank you



FY24-25 Proposed Budget Presentation

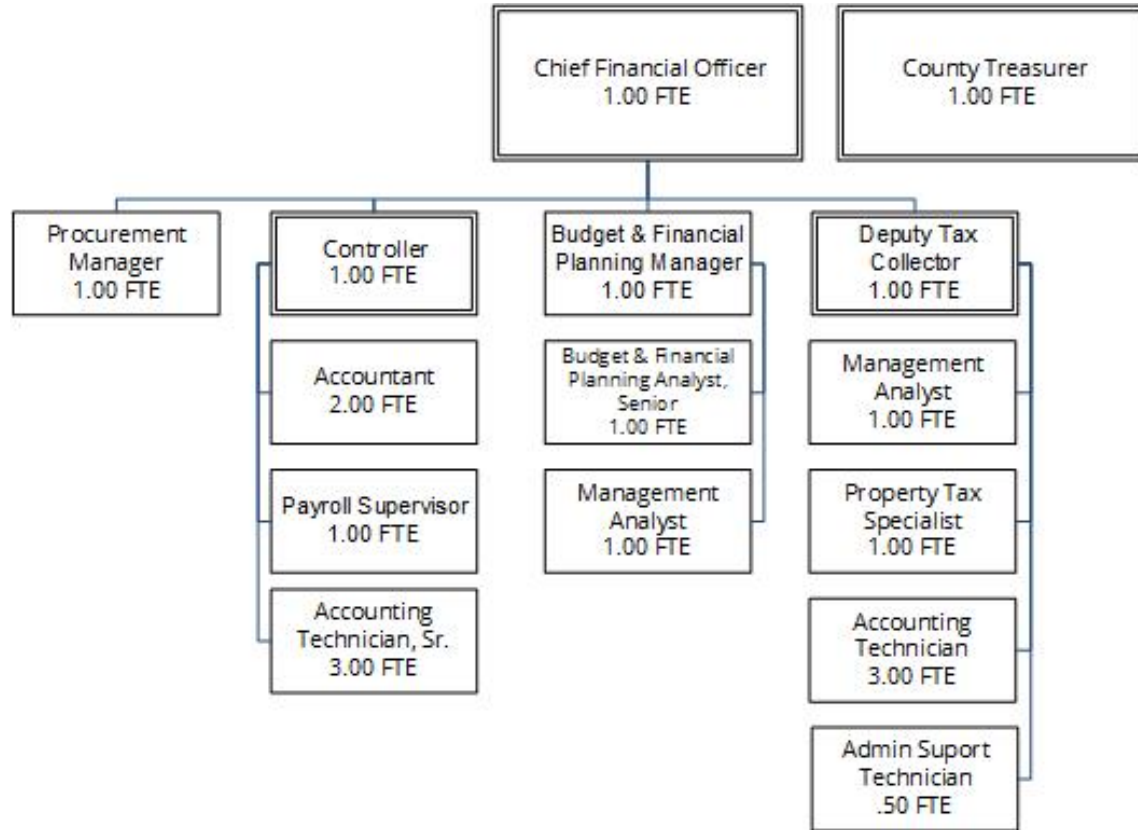
Finance

Presenter:

Robert Tintle, Chief Financial Officer



Finance Overview



19.50 FTE

Mission:

The Finance Department manages the financial activities of the County in accordance with generally accepted accounting standards, with prudence, integrity and transparency.



Finance Overview (continued)

Budget - 3 FTE

Annual Budget
Financial Planning
Financial
Forecasting
ARPA
Administration

Accounting - 7 FTE

Financial Reporting
Payroll
Accounts Payable /
Receivable
General Ledger
Capital Assets
Cash Management

Tax Office - 6.5 FTE

Property Tax
Collections
Transient Room Tax
Administration
Dog Licensing



Finance Overview (continued)

Procurement – 1 FTE

Procurement
Processes/Resource

Procurement Card

Oregon Buys

Tyler Purchasing
Module

Internal Audit
Recommendations

Treasurer – 1 FTE

Investment
Portfolio

Property Tax
Distribution

General
Banking/Merchant
Services

Community
Engagement

CFO – 1 FTE

Direct Department

Financial Health &
Stability of County

Cash Management

Debt Management

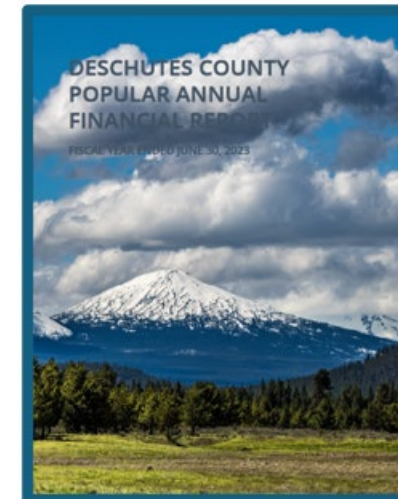
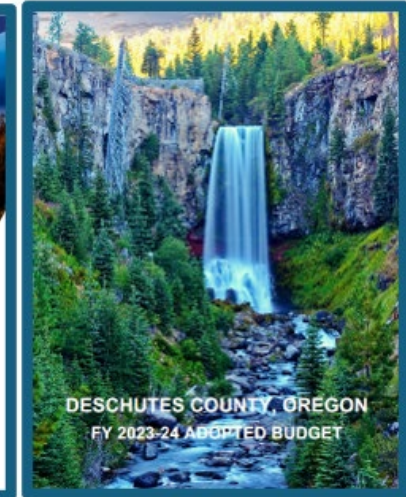
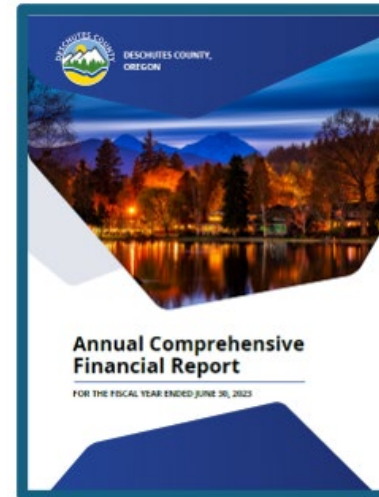
Tax Collector

Room Tax
Administrator



Finance Accomplishments

- 22nd consecutive year - Certificate of Achievement for Excellence in Financial Reporting
- 15th consecutive year - Distinguished Budget Presentation Award
- 4th consecutive year –
 - Popular Annual Financial Report Award
 - Triple Crown Designation

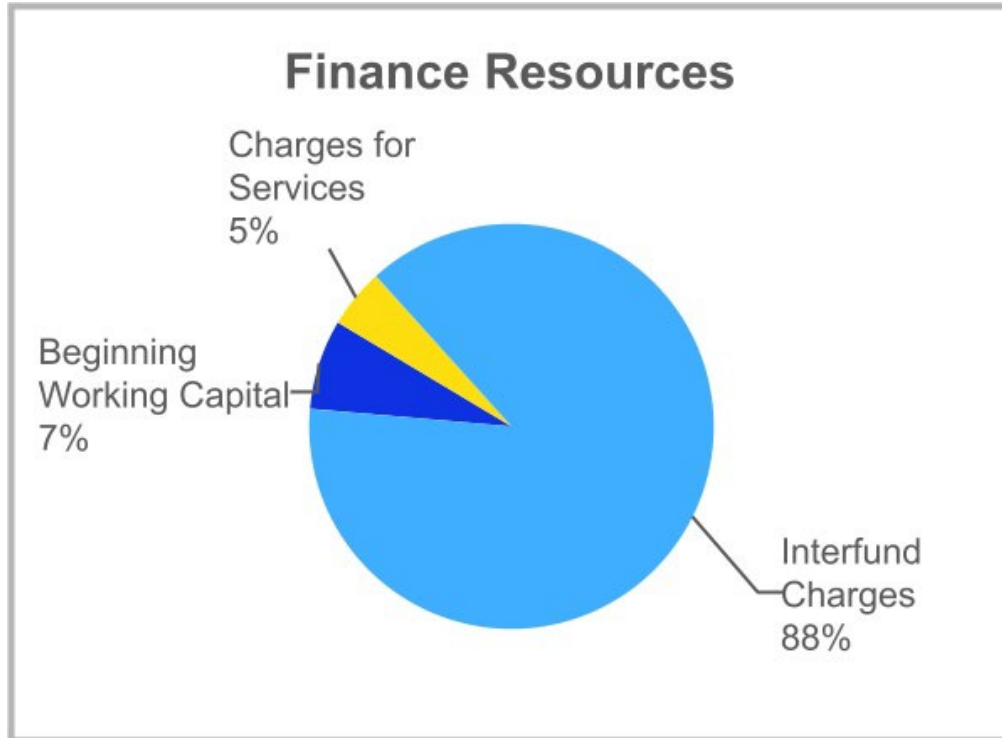


Finance Accomplishments

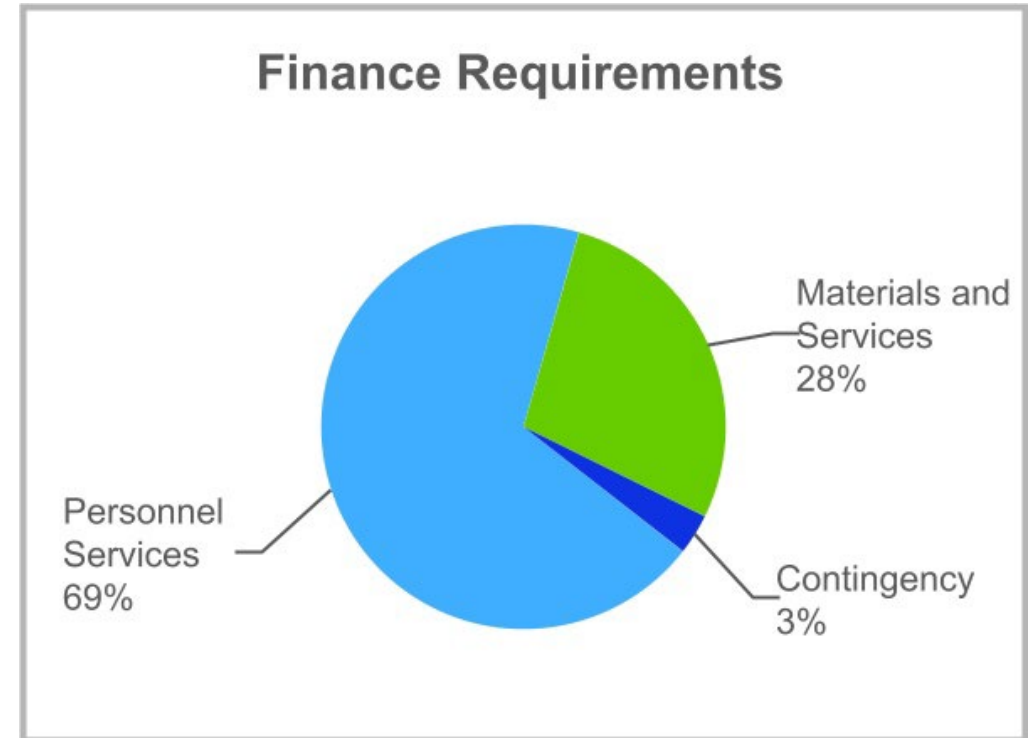
- FF&C Obligations, Series 2023 for Courthouse Expansion and 2013 Refunding
- Increased TRT compliance and reporting, coordination with CDD
- Increased online payments for dog licensing
- Long-term financial forecasts



FY 24-25 Finance Budget Details



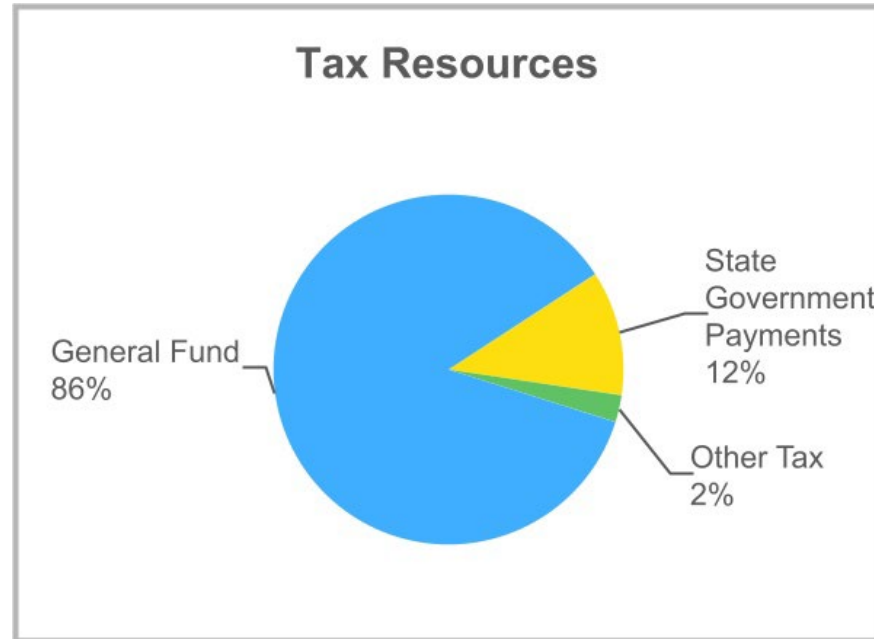
- Revenue: ISF charges, Investment fees, Misc contracts



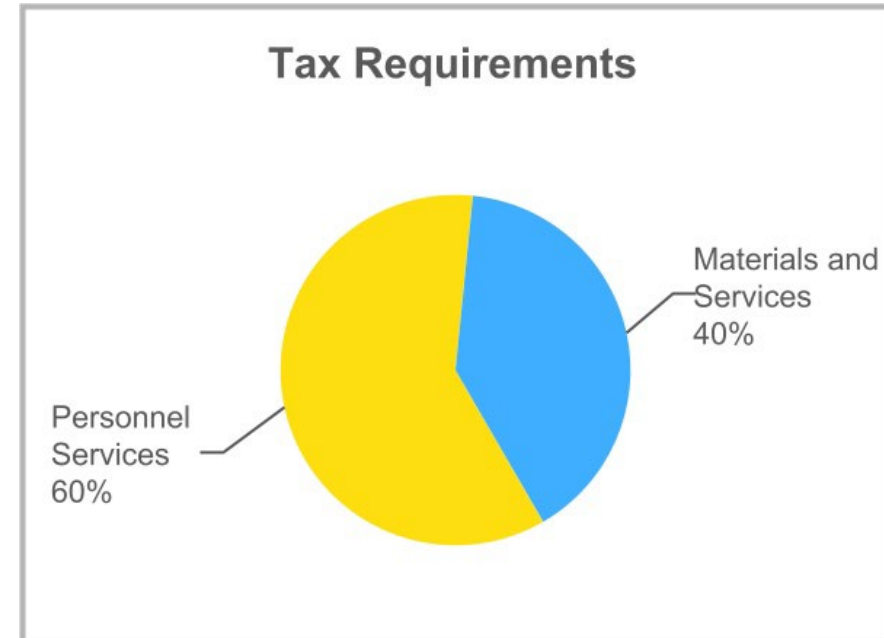
- M&S: audit contract, financial systems software (Tyler, NovaTime, Workiva, Debtbook, Gravity)



FY 24-25 Tax Office Budget Details



- State: CAFFA payments
- Other: Tax warrant fees and tax foreclosure fees



- ISF charges
- Building rental
- Postage, printing tax statements
- Helion software



FY 24-25 Finance Fiscal Issues

Short-term Fiscal Issues

- County: Sustaining fiscal stability
- Tax: CAFFA funding
- Increased costs for software subscriptions and overall M&S

Long-term Fiscal Issues

- County: Long-term forecast for GF, TRT, Capital Reserve, and major funds
- Maintain Aa1 rating
- Tax: Ongoing CAFFA funding levels
- Monitor delinquent taxes



Current Challenges and Future Initiatives

Challenges

- Foreclosure proceeds under Tyler v. Hennepin
- Implementing new GASB financial reporting standards
- Efficiencies in Enterprise ERP (Munis) system and other software
- New timecard system

Future Initiatives

- Administration of Transient Room Tax program and monitoring of revenues and expenses
- Develop user friendly finance dashboards for public use



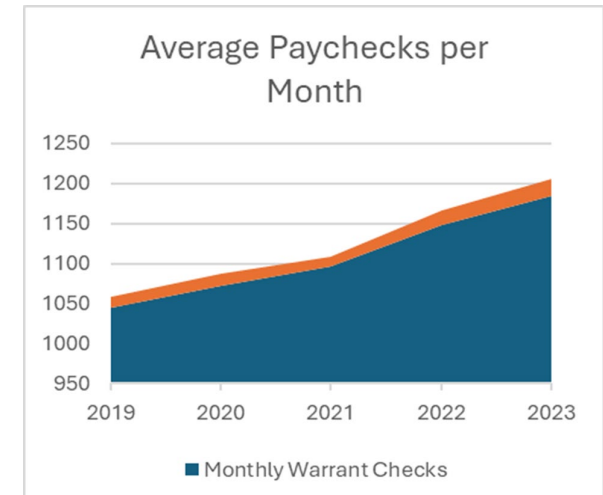
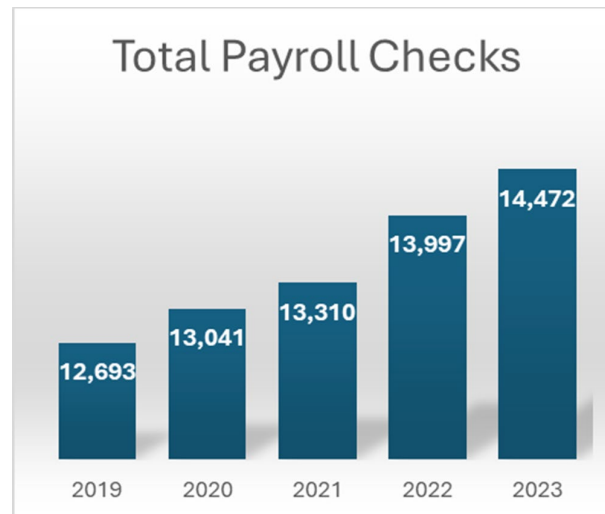
FY 24-25 Finance Special Requests

Budget Officer included in FY25 Proposed Budget
Funded by ISF charges to departments

1) PCI Compliance Consulting – Request per County Treasurer
\$30,000 for one-time costs

2) Add 1 FTE Payroll position
(\$132k, GF impact = @\$27k)

- Paid Leave Oregon
- PERS reporting
- Internal audit reports
- Increased employees/pays



Thank you



FY 24-25 Proposed Budget Presentation

Fund 628: Board of Commissioners

Whitney Hale and Jen Patterson



Deschutes County Commission

The Commissioners adopt policies, create and enforce County ordinances, hold hearings and review, amend and adopt the County's budget.



Patti Adair



Tony DeBone

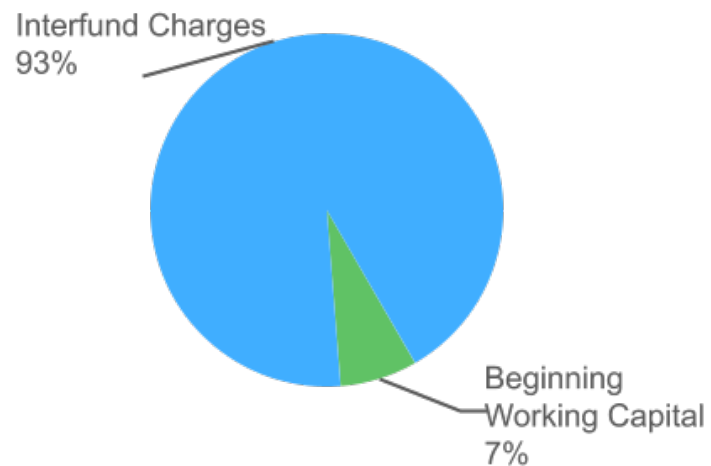


Phil Chang



FY 24-25 BOCC Budget Details

Board of County Commissioners Resources



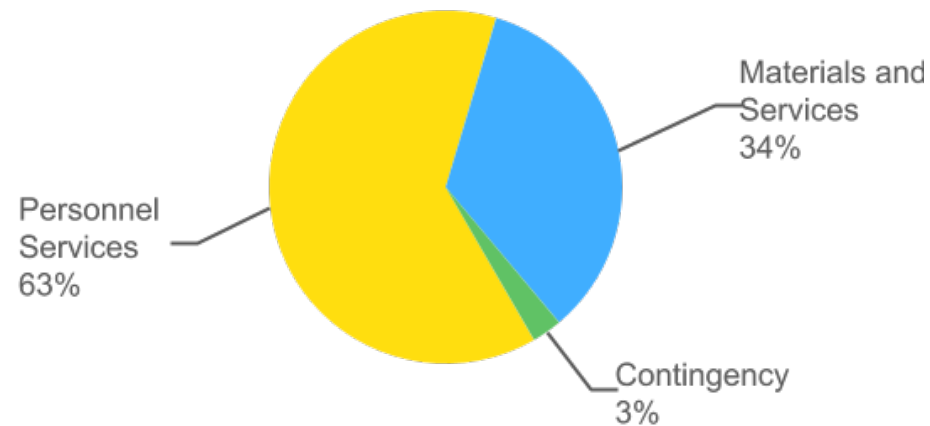
24-25 RESOURCES

- Reduction of more than \$396,000 in prior General Fund support
- Corresponding increase (113%) in Internal Service Fund charges



FY 24-25 BOCC Budget Details

Board of County Commissioners Requirements



24-25 REQUIREMENTS

- Transition of On-Call AV Support from BOCC to Administration
- Lobbying Services



Thank you



FY 24-25 Proposed Budget Presentation

Fund 625: Administration

Whitney Hale and Jen Patterson



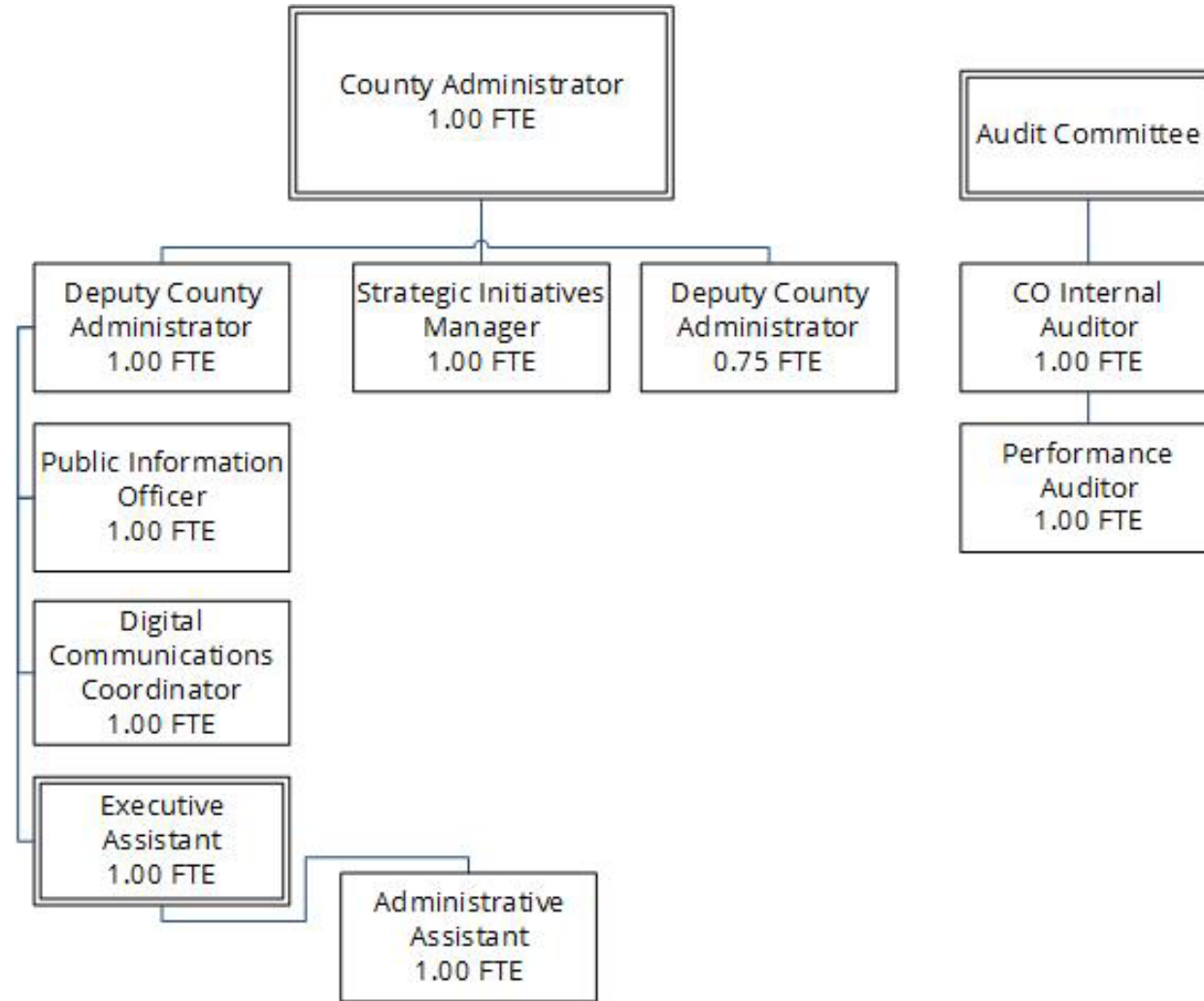
County Administration

- *County Administration works collaboratively within the organization and the region to align County work with the County Commissioners' goals and direction, support elected and appointed officials and promote an informed public.*

-
- **Administration**
 - **BOCC Strategic Initiatives**
 - **Communications**
 - **Committee / Board Support**
 - **Economic Development**
 - **Performance Management**
 - **Legislative Affairs**
-



County Administration



Department Accomplishments



**County awarded grant for
wolf depredation
compensation**

- Supported departments and staff with retention, recruitment, training, and recognition; office and workspace needs; policy analysis and updates; compensation analysis' succession planning; and major facility projects.
- Supported the Coordinated Houseless Response Office, the newly established Diversity, Equity, Accessibility, and Inclusion Committee, the County's Wolf Depredation Compensation Committee and the Cannabis Advisory Panel.



Department Accomplishments



- Hired new PIO to support media relations and community engagement.
- Supported departments with public information and marketing campaigns including photos, videos, paid advertising, earned media and more
- Partnered with EDCO on one new Economic Development Loan and converted three loans to grants under the EDCO Forgivable Loan Program. This created 27 new jobs across three companies.
- Supported County Legislative Affairs and Performance Management



Department Accomplishments



- **Managed a \$1 million Oregon Department of Energy grant for Mt. Bachelor.**
- **Applied for and obtained a \$100,000 Oregon Department of Energy grant for a Fair & Expo solar energy project.**
- **Applied for and obtained a \$400,000 Business Oregon grant for NeighborImpact's housing rehabilitation program.**
- **Completed a Camping Feasibility Study and pursued next steps for exploration of developing recreational campgrounds on two properties.**



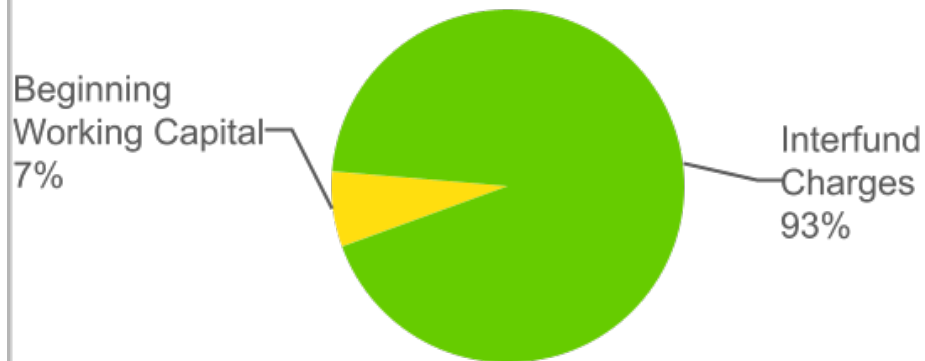
Internal Audit Accomplishments

- Onboarding of new County Internal Auditor.
- Recognized by the Association of Local Government Auditors with a Distinguished Knighton award for the 2023 continuity of operations audit report.
- Internal audit report satisfaction at 87%. Internal Audit issued recent performance audits that included recommendations for positive change in: Behavioral Health Practices Improvement, Facilities and Property Cash Handling, Office of the District Attorney Cash Handling, Overtime and Compensatory Time, Fair and Expo Cash Handling, and Wage Equity.
- Internal audit provided follow-up to all unresolved recommendations. Revised follow-up data collection to provide more actionable reporting to Audit Committee members and the County Board of Commissioners.
- Revised procedures for the Whistleblower Hotline program. Continued monitoring of the anonymous hotline.
- Oversaw contract to conduct review of County financial reporting.



FY 24-25 Administrative Budget Details

Administrative Services Resources



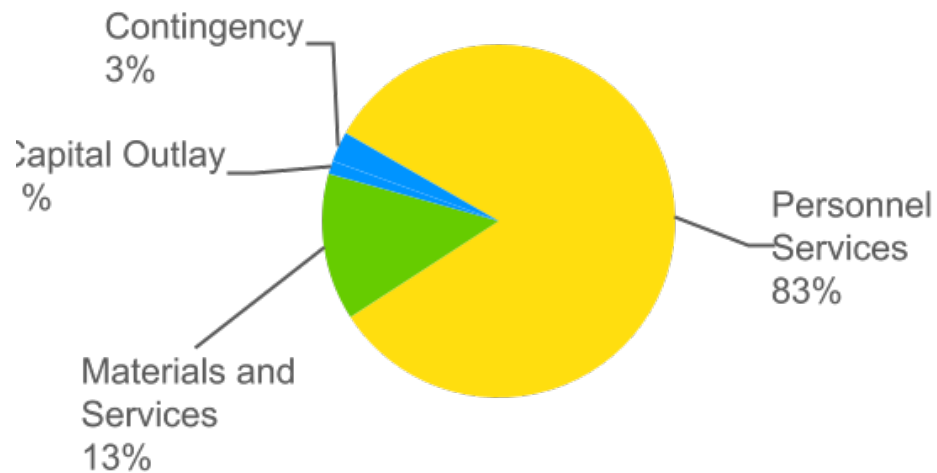
24-25 RESOURCES

- Reduction of more than \$226,000 in prior General Fund support
- Corresponding increase (31%) in Internal Service Fund charges



FY 24-25 Administrative Budget Details

Administrative Services Requirements



24-25 REQUIREMENTS

- New Org for Internal Audit
- Transition of On-Call AV Support from BOCC to Administration
- Increases in Translation / Interpretation
- Corresponding decrease in Public Information



FY 24-25 Special Requests



Conference Room AV Upgrade

- Installation of permanent audio-visual system in DeArmond conference room to support virtual meetings.
- **Estimated project cost:** \$30,000.



Thank you



FY24-25 Proposed Budget Presentation

County Legal

Presenter: Dave Doyle



Budget Committee Meeting | May 20, 2024

Legal Overview

Mission: Provide full service legal advice, support and representation to all county departments; handle ALL transactional and litigation work (except bond work due to ORS requirements); public meetings, public records, contracts, labor negotiations, prosecute civil commitments, dog board hearings, property tax appeals, real property transactions, etc.

Also provide General Counsel to DC 911, SRSD, and BBR PD.

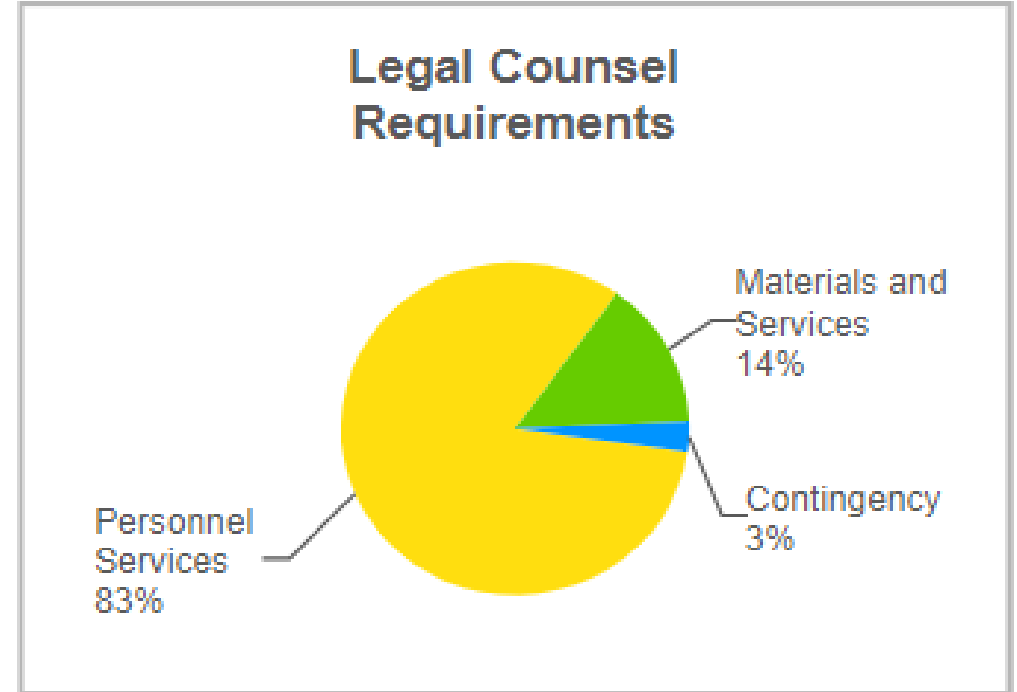


Legal – Who we are? What we do?

- Two paralegals
- One Legal Counsel
- Four Assistant Legal Counsels –
 - * Litigation
 - * HR/Personnel
 - * Land Use
 - * General Practice



FY 24-25 Legal Counsel Budget Details



- Status quo budget



Current Challenges and Future Initiatives

Workload & Staffing Challenges

- Workload volume increases continuing (has averaged 5% increase annually)
- Primary Areas: Health Department; Contract support; emerging issues and programs associated with Homelessness and Housing; litigated land use matters, support for HR & employee matters; BOCC meeting staffing and support; solid waste issues associated with selection of new landfill

Future Initiatives

- No anticipated capital needs



Current Challenges and Future Initiatives

Challenges (continued)

- Workplace: continue to manage hybrid remote work model; should reduce future office space needs
- Staffing challenges - staff retention
- Extended litigation associated with new landfill site



Thank you



Deschutes County Sheriff's Office

L. Shane Nelson, Sheriff

William Bailey, Captain

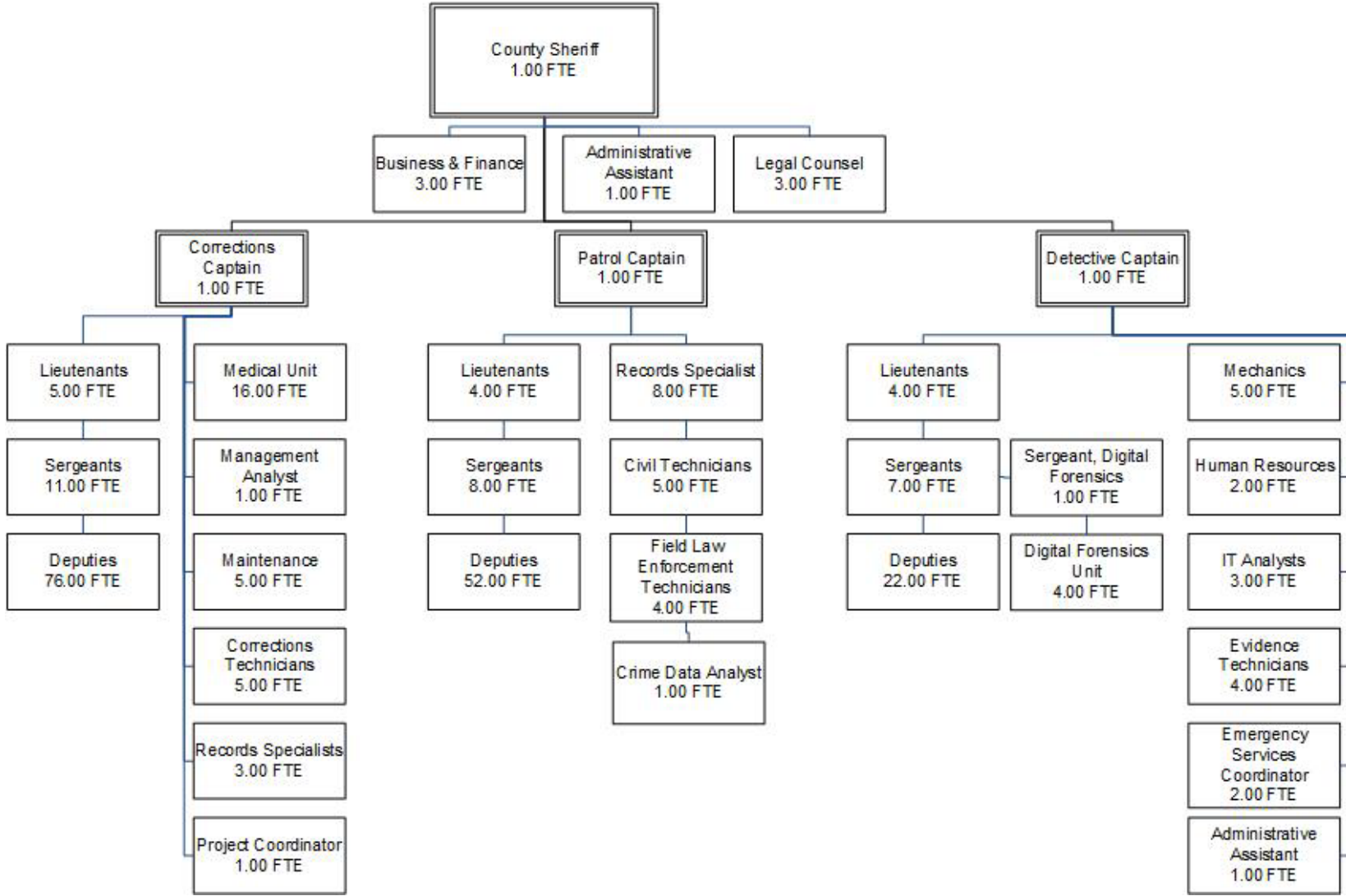
Paul Garrison, Captain

Michael Shults, Captain

Joe Brundage, Business Manager



Sheriff's Office Overview



Our Mission

Proudly serving our community by providing superior public safety and customer service



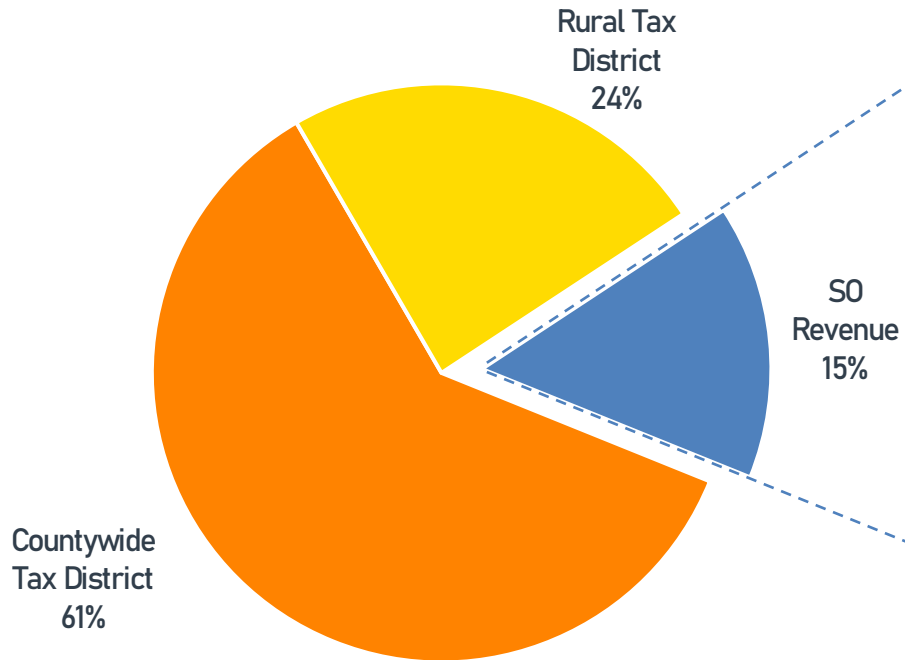
Sheriff's Office Accomplishments

- Expanded the Concealed Handgun License Unit's ability to process applications, renewals, and payments, improving customer service and convenience; added a position (1.0 FTE) to the unit
- Implemented the Medication-Assisted Treatment (MAT) program in the jail; we are still working toward more robust staffing across the program but are already seeing successes in terms of hand-offs to Ideal Options
- Presented the Public Safety Campus Master Plan update to the BOCC for approval
- Reduced Personnel Expense by keeping some positions unfilled and delaying the filling of others. The FY 2025 budget has no requests for additional FTE's. The FY 2025 Requested Budget is down 1.0 FTE (270.0 FTE) vs. FY 2024 (271.0 FTE)
- Began to experience the benefits of prior-year investments in the Patrol Vehicle strategy; fewer vehicles are needed in FY 2025



FY 2025 Budget Details

Sheriff's Office Resources



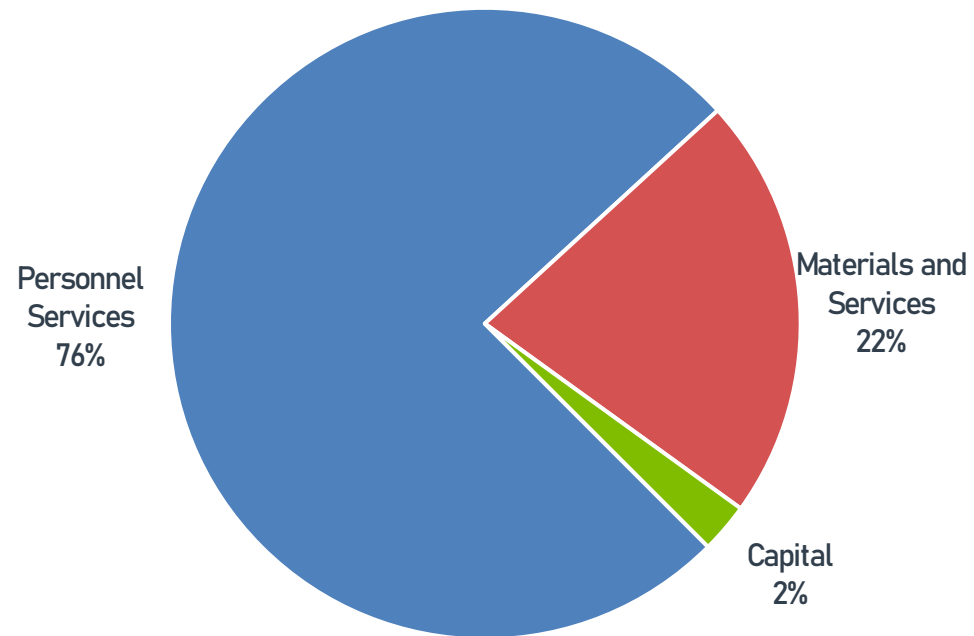
FY 2025 Sheriff's Office Revenue

- Grants: 3,194,185
- Contracts: 1,212,884
- T - R - T: 3,651,787
- Fees and Charges: 770,700
- Transfers: 521,537
- Donations/Other: 208,115



FY 2025 Budget Details

Sheriff's Office Requirements



FY 2025 Expenses

Var. FY 2024

• Personnel:	49,758,736	2,242,768
• M & S:	14,390,602	-433,950
• Capital:	1,686,023	-1,832,254



FY 2025 Fiscal Issues

- Uncertain economic conditions and inflation continue to present challenges; we anticipate a continuation of the cuts to State and Federal revenue, along with a decrease in the growth of property tax revenue. We are maintaining flexibility to adapt necessary growth to the funding challenges ahead.
- As technology evolves and case law and legislation change, training must be adapted to apply new systems or practices surrounding its use. This leads to changes to training plans and budgets.
- The cost of providing medical and behavioral health care to treat inmates continues to increase.
- The cost to replace aging building systems and operating equipment continues to increase.
- Staffing levels and vacant positions remain a challenge in both Patrol and Corrections. The hours dedicated to behavioral health related Patrol calls has increased, reducing the number of deputies available for calls.



FY 2025 Operational Challenges

- Recruiting, hiring, and training processes require additional resources; revenue from state programs remains uncertain.
- Managing staffing to operate at optimum levels, while balancing staff availability and absences due to vacation, Family and Medical Leave Act (FMLA), illness and injury has become more difficult with the new Paid Oregon Leave, the increase in cost of living, and heightened media scrutiny.
- Fentanyl continues to cross our borders and infiltrate our state and local communities, disrupting countless lives and requiring more resources to combat this scourge.
- Limited visitation space results in delays for visits by attorneys and other professionals. The Public Safety Campus Master Plan addresses this; we hope to identify funding sources in the upcoming year.
- Recruiting and hiring qualified teammates to fill vacancies and meet the operational needs of the Sheriff's Office; we are targeting colleges and military bases; providing competitive pay and benefits to meet the needs of a diverse workforce with the intent of retaining quality employees.



FY 2025 Special Requests

Priority #1:

- One time \$700,000 contribution from Transient Room Tax to offset increased costs to the Rural Tax District by non-residents visiting the county.

Priority #2:

- A 3% increase to the Sheriff's Office Transient Room Tax Revenue to adjust for inflation in accordance with the original plan for the Rural Tax District. With the Rural rate now at the ceiling, maintaining this COLA adjustment is crucial to maintaining existing services



Thank you





Date: April 19, 2024
 To: Board of County Commissioners
 From: Dan Emerson, Budget and Financial Planning Manager
 Re: General Fund Update

Commissioners,

In preparation for our discussions on April 29 with the Budget Committee, I wanted to provide updated information on the financial status of General Fund (GF) revenues, expenditures, and forecasts. The information presented is an update from our mid-year budget discussions.

The information in the table below forecasts a best-case scenario of operating General Fund revenues and expenditures through FY28.

GF Revenue	FY22 Actual	FY23 Actual	FY24 Projected	FY25 Estimate	FY26 Forecast	FY27 Forecast	FY28 Forecast
Property Taxes/Other Tax	33,156,781	34,961,150	38,516,987	39,958,000	42,026,408	44,202,175	46,490,878
Other Revenue	7,150,724	8,334,123	6,834,691	6,617,781	6,771,352	6,640,573	6,807,676
GF Revenue Total	40,307,506	43,295,272	45,351,678	46,575,781	48,797,760	50,842,748	53,298,554

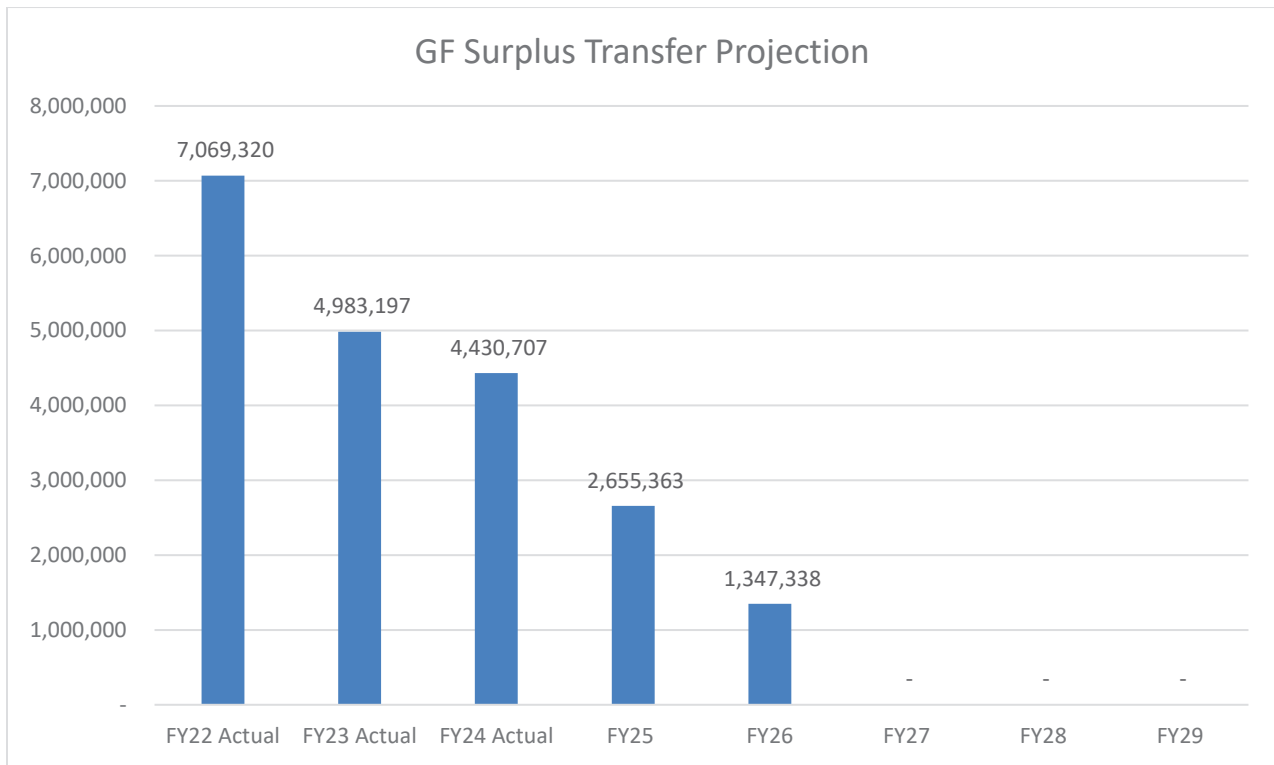
GF Expenditures	FY22 Actual	FY23 Actual	FY24 Projected	FY25 Estimate	FY26 Forecast	FY27 Forecast	FY28 Forecast
GF DA	8,677,696	10,906,691	11,400,123	12,792,303	13,728,961	14,735,797	15,818,233
Transfers Out - Juv Justice	6,304,397	6,529,064	6,798,630	8,143,712	8,713,772	9,323,736	9,976,397
Transfers Out - Health Service	5,909,168	5,648,912	5,980,140	7,218,715	7,724,025	8,264,707	8,843,236
GF Assessor	5,157,534	5,399,847	5,719,602	6,446,794	6,895,787	7,377,777	7,895,318
Other Transfers Out	2,784,121	2,989,304	3,057,627	2,257,589	2,366,041	2,481,739	2,605,187
Other GF Departments	2,173,050	3,085,847	3,244,619	2,994,637	3,170,334	3,361,300	3,569,032
GF Clerk	1,726,621	2,072,135	2,228,642	2,643,643	2,845,208	3,062,542	3,296,917
GF Tax	886,019	834,177	890,966	1,010,434	1,074,837	1,143,858	1,217,861
GF Veterans'	762,328	758,902	977,540	974,021	1,040,327	1,111,601	1,188,245
GF Expenditure Total	34,380,933	38,224,881	40,297,889	44,481,849	47,559,292	50,863,056	54,410,425

+/-	5,926,572	5,070,391	5,053,789	2,093,932	1,238,468	(20,308)	(1,111,871)
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The current General Fund (GF) forecast uses historical actuals as the basis for assumptions and future year growth estimates. The model is very detailed, the above forecast is a summary of the outputs. The major revenue source of the GF is property taxes. We project a 5.2% year over year increase in the assessed value of property taxes which is in line with the FY25 budget. Major expenditures to the GF include personnel and transfers out. Personnel and Transfers Out are projected to grow by 7% annually due to a combination of continuing high inflation (3.4%), employee personnel step increases, recently bargained labor contracts, new FY26 PERS rates, and incentive pay. The GF forecast estimates a 98%

budget to actuals, meaning historical vacancy savings and below budgeted Materials and Services (M&S) costs are captured within the model. With these historical assumptions the GF will have a structural deficit by FY27. The County will need to reduce growth to balance the budget and ensure cash flows cover core expenditures. While the forecast estimates savings from a 98% spending level, budgets are prepared using 100% expenditure levels and must be balanced.

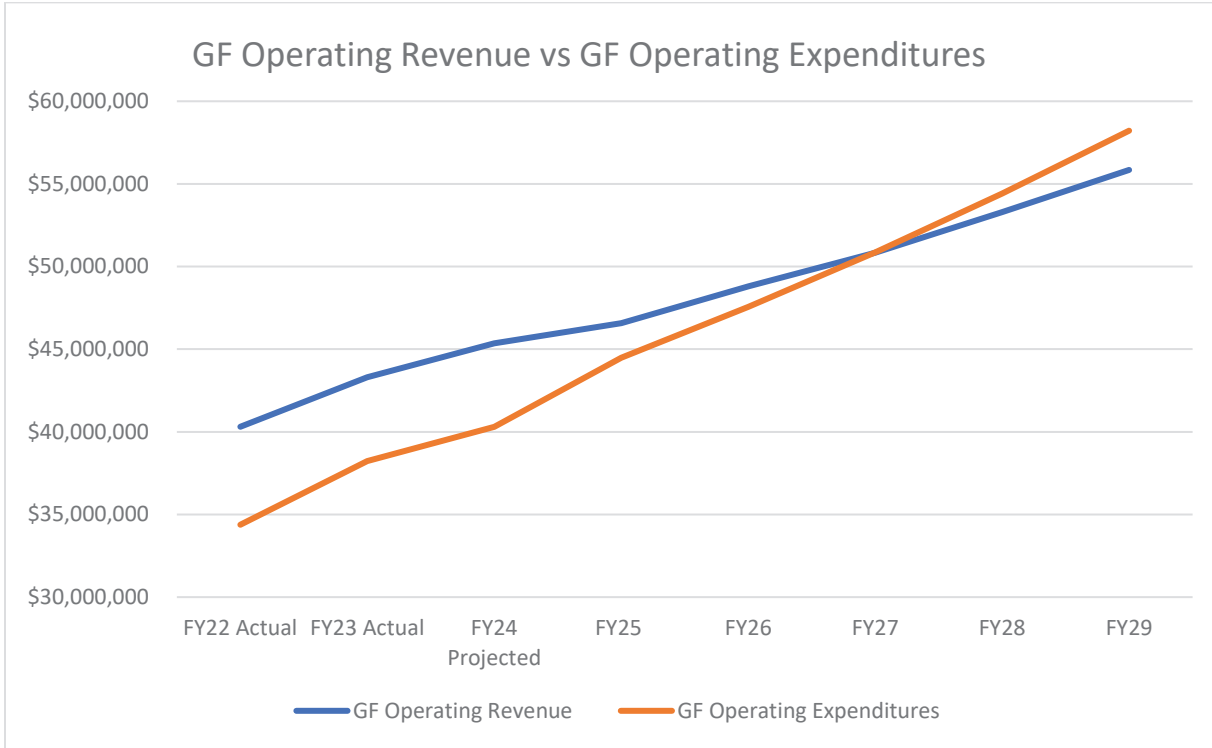
The graph below depicts the instability of the GF and shows the decline of the annual transfer of remaining funds after expenditures within the GF. These “surplus” funds are transferred to Fund 060, the County Capital Reserve, and needed every year for capital maintenance, future construction, and other Board priorities. In the past, fund 060 has used these funds to build new County spaces such as the North County building, Juvenile Justice remodel, and Adult Parole and Probation expansion. When the transfer reaches \$0, GF expenditures have outpaced revenues and GF current service levels are no longer sustainable. In addition, the County’s capital reserve would not receive a transfer of GF to continue capital endeavors.



Notice the decline in surplus transfer was over \$2M from FY22 to FY23. If not for raising the County tax levy to the maximum rate, the decline in surplus funds from FY23 to FY24 would have been ~\$1.6M. We are budgeting a projected ~\$1.7M decline in surplus funds from FY24 to FY25. This estimate does not include the following potential expenditures:

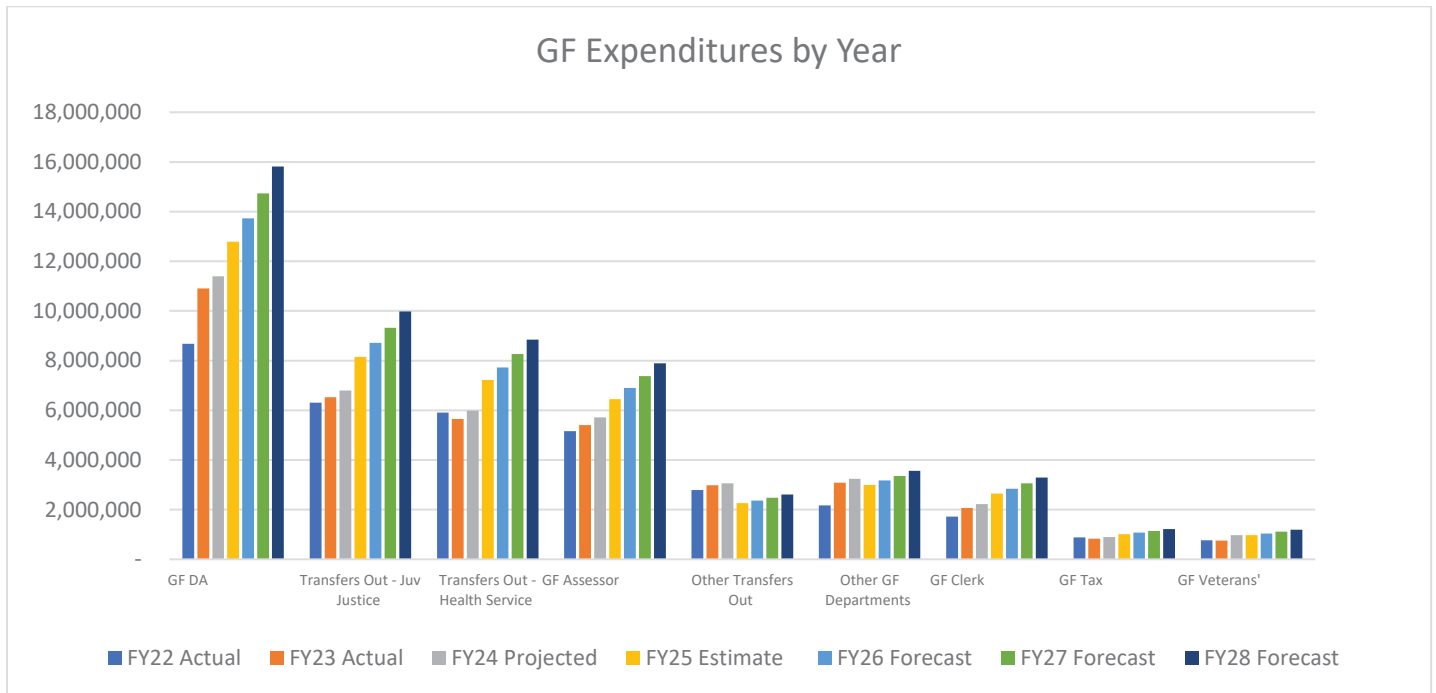
- Fiscal impacts of the salary study
- The Housing Trust Fund \$1M
- New Courthouse operating expenses
- Fiscal impacts of rank choice voting

Depending on the outcomes of these items, the GF could be depleted as early as FY26. How did this occur? The expenditure curve caught up to the revenue curve.



The GF resources only increase at a rate of 5.2% per year. Approximately 1.3% of that increase is needed annually to meet the County’s additional cash flow needs in the form of contingency. This leaves the true margin of growth within the GF to be less than 4.0%. When we think of the COLA, and 5% personnel step increases, plus PERS increases, incentive pay, and FTE growth, it is very difficult to stay within 4.0% growth without reductions. In the past, the GF had a large margin of revenue over expenditures that departments could afford to grow at any rate and the impact was virtually unseen. However, over the past few years, record inflation, supply chain issues, new maximum bargaining COLA’s, incentive pay, health insurance claims cost spikes and FTE growth, among other factors, have drastically increased the growth of expenditures in the GF. What once was an expenditure curve that was growing marginally faster than revenues, but had more than ~\$7M of cushion, has shot upward in slope and is nearly surpassing revenues. Today, we anticipate that with the current inflation level and personnel steps, the GF will be depleted as soon as FY26, or FY27 at the latest.

Below is a graph of the major expenditures to the GF by year.



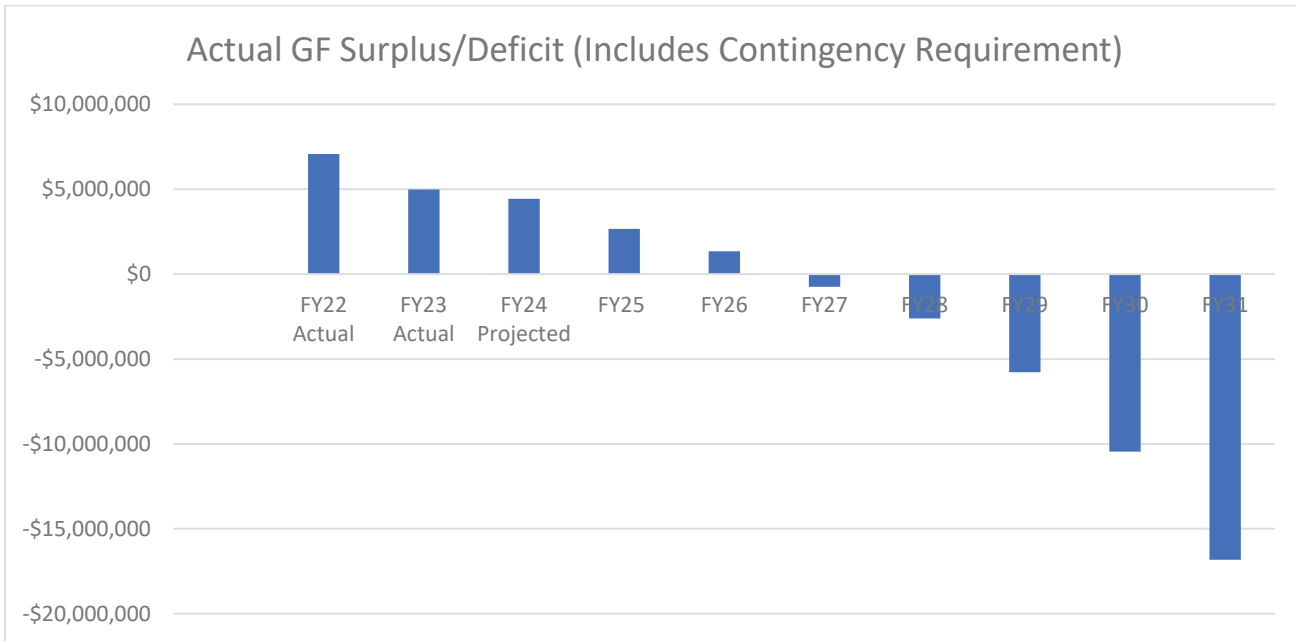
Departmental expenditure growth has far exceeded GF revenues. Since 2022 the actual GF operating expenditures are growing at a rate of 10% per year, while revenues are increasing at 5.2% per year. Prior forecasts predicted 5% growth in GF transfers out to departments, in FY25 GF transfers out increased by 11% despite the elimination of a \$625k transfer to the BOCC and County Administration. The current annual growth of GF expenditures is no longer sustainable and reductions in growth will need to occur next FY.

FY22 to FY25 Average Annual Growth %

GF Revenue	Average Growth % FY22-FY25
Property Taxes/Other Tax	6.8%
Other Revenue	-2.5%
GF Revenue Average Annual Growth %	5.2%

GF Expenditures	Average Growth % FY22-FY25
Personnel Services	11.7%
ISF	18.0%
Grant and Contributions	-0.8%
Other Materials and Services	17.2%
Capital Outlay	-33.3%
Transfers Out (less surplus transfer)	5.8%
GF Expenditure Average Annual Growth %	9.8%

Note that property tax rate increase is averaging 6.8% year over year growth due to levying the maximum tax rate in FY24.



At current expenditure levels the deficit would be over ~\$15M in FY31. The County will need to substantially reduce growth in FY26 and monitor operational growth in future years.

What's next? Prior to the FY26 budget development, the GF forecast will be updated to determine how much growth, if any, the FY26 GF budget can sustain. Then potential GF budgetary options will be evaluated, including flat or reduced growth budgeting, elimination or decreased transfers for capital needs, or any combinations of options. Departments will receive direction prior to budget development.

Related County Policies: Administrative Policy No. F-14

1. b) Balanced Budget

Deschutes County's accounting and budgeting systems are organized and operated on a fund basis. The budget for each fund is balanced, meaning total resources, consisting of beginning net working capital, current year revenues and transfers-in, are equal to total requirements and transfers out, contingencies, unappropriated ending fund balances, and reserves for future expenditures.

2. c) Use of One-Time Revenues

One-time revenues or resources shall not be used to fund ongoing operations, unless in the context of a multi-year financial plan to balance expenditures and reserves. One-time revenues should not support ongoing personnel and operating costs. Use of one-time revenues is appropriate for non-recurring capital outlay, debt retirement, contribution to capital reserves, and other non-recurring expenses.

2. f) Revenue Management

The County will not respond to long-term revenue shortfalls with deficit funding or borrowing to support ongoing operations. Once working capital balances have reached policy levels, expenses will be reduced to conform to long-term revenue forecasts and/or revenue increases will be considered.



Date: April 29, 2024
To: Board of County Commissioners and Budget Committee
From: Dan Emerson, Budget and Financial Planning Manager
Re: Transient Room Tax and Capital Reserve Update

Commissioners and Budget Committee

In preparation for our discussions on April 29 with the Budget Committee, I wanted to provide updated information on the financial status of Transient Room Tax (TRT) revenues, expenditures, and forecasts. The information presented is an update from our January TRT memo.

TRT revenues are currently allocated as follows:

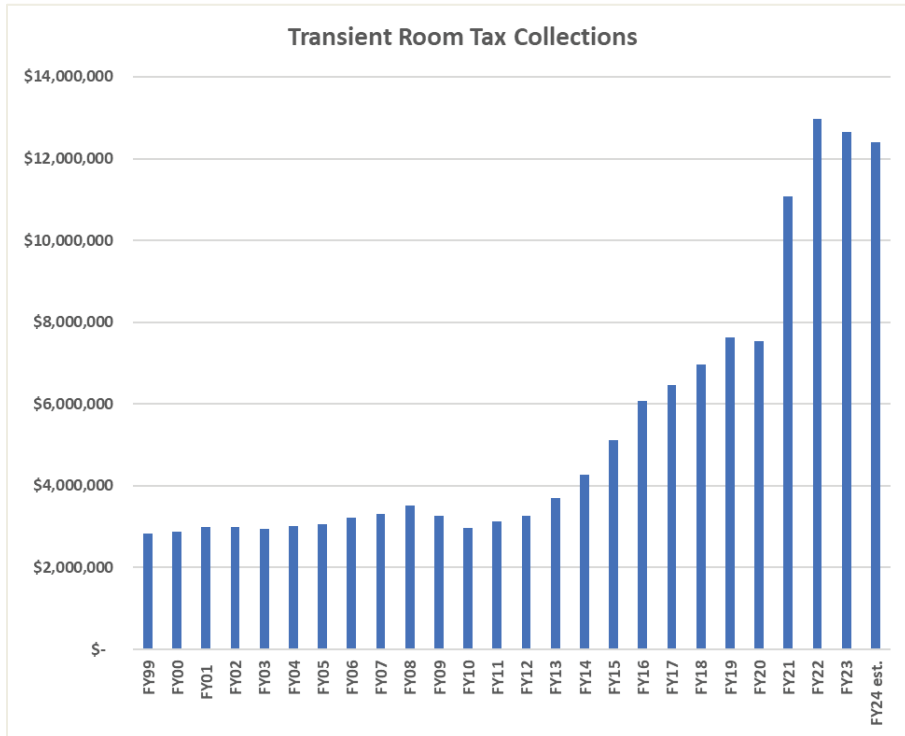
Current Transient Room Tax Allocations		Year Enacted*
First 6%	20% to VCO (tourism promotion) 80% to General County Operations	5% - 1975 1% - 1980
Next 1%	100% to VCO	1988
Newest 1%	70% Fair & Expo 30% F&E Capital Reserves or General County Operations	2014

** The 2003 Oregon Legislature passed House Bill 2267, requiring that preexisting local levels of support for tourism continue, and requiring new or increased local transient lodging taxes must direct at least 70% of the new or expanded tax revenue to support the tourism industry.*

The information in the table on the next page summarizes TRT revenues, distributions and any discretionary (unallocated) funds remaining by fiscal year through 2028. The forecast includes debt service payments for the courthouse project beginning in FY24 and continuing through FY44, a 20-year commitment. Appendix A at the end of this memo includes a spreadsheet with a 20-year projection.

	Increase	FY24	FY25	FY26	FY27	FY28
Beginning Working Capital		\$ 4,527,362	\$ 2,000,000	\$ -	\$ -	\$ -
TRT Revenue						
First 6% - 20% Tourism Promotion		\$ 1,850,243	\$ 1,815,000	\$ 1,851,000	\$ 1,888,500	\$ 1,926,000
First 6% - 80% Discretionary		7,400,972	7,260,000	7,404,000	7,554,000	7,704,000
Next 1% - VCO		1,541,869	1,512,500	1,542,500	1,573,750	1,605,000
New 1% - 70% Tourism Promotion		1,079,308	1,058,750	1,079,750	1,101,625	1,123,500
New 1% - 30% Discretionary		462,561	453,750	462,750	472,125	481,500
Total TRT Revenue	2.00%	\$ 12,334,953	\$ 12,100,000	\$ 12,340,000	\$ 12,590,000	\$ 12,840,000
TRT Distributions						
<i>Required for Tourism</i>						
VCO (net)	0.00%	\$ 3,310,215	\$ 3,236,105	\$ 3,309,991	\$ 3,377,297	\$ 3,444,566
Fair & Expo 615 (net)	0.00%	983,265	963,000	983,338	1,004,534	1,025,713
Fair 616	0.00%	75,000	75,000	75,000	75,000	75,000
RV Park 618	0.00%	20,000	20,000	20,000	20,000	20,000
<i>Discretionary</i>						
Current Grants and Contributions	0.00%	3,000,000	2,000,000	-	-	-
New Grants and Contributions	\$ -	-	-	-	-	-
Sheriff 255	2.50%	3,651,787	3,651,787	3,743,082	3,836,659	3,932,575
Environmental Health	5.50%	368,417	276,572	291,783	307,832	324,762
Justice Court	2.50%	364,688	380,521	390,034	399,785	409,779
Community Development	2.00%	-	100,000	102,000	104,040	106,121
Admin Fee (net of interest) - 7%	2.50%	392,680	394,101	403,954	414,052	424,404
Admin Fee (net of interest) - 1%	2.50%	38,268	37,848	38,794	39,764	40,758
Fair & Expo Reserve 617	0.00%	451,080	442,396	451,112	460,196	469,273
Capital Reserve	0.00%	1,448,915	-	-	-	-
Debt Service	0.00%	758,000	1,501,000	1,501,750	1,502,000	1,500,750
Total TRT Distributions		\$ 14,862,315	\$ 13,078,330	\$ 11,310,837	\$ 11,541,158	\$ 11,773,702
Discretionary TRT/Capital Reserve		\$ -	\$ 1,021,670	\$ 1,029,163	\$ 1,048,842	\$ 1,066,298

The current Transient Room Tax (TRT) forecast reflects \$12,334,953 in total TRT revenue in FY24, and a budgeted amount of \$12,100,000 in FY25. Beginning in FY26 we assumed a 2.0% annual TRT revenue growth assumption. This assumption is less than prior forecasts, which projected a 2.5% increase in TRT revenue. However, actual TRT revenues have continued to decline year over year, and we are no longer comfortable with a higher growth assumption. TRT distributions (expenses) are predominantly forecasted to increase between 2.0-2.5% per year, except for environmental health fees (5.50%), which have recently grown significantly. The forecast recognizes the volatility in TRT revenues and our most recent revenue highs may not be realized in future years. The County would need to see an ongoing trend of revenues before comfortably budgeting increased revenues. The projected distribution increases are utilized for forecasting purposes. Actual increases will be determined based on revenue collection and decisions by the Budget Officer and Budget Committee each fiscal year.



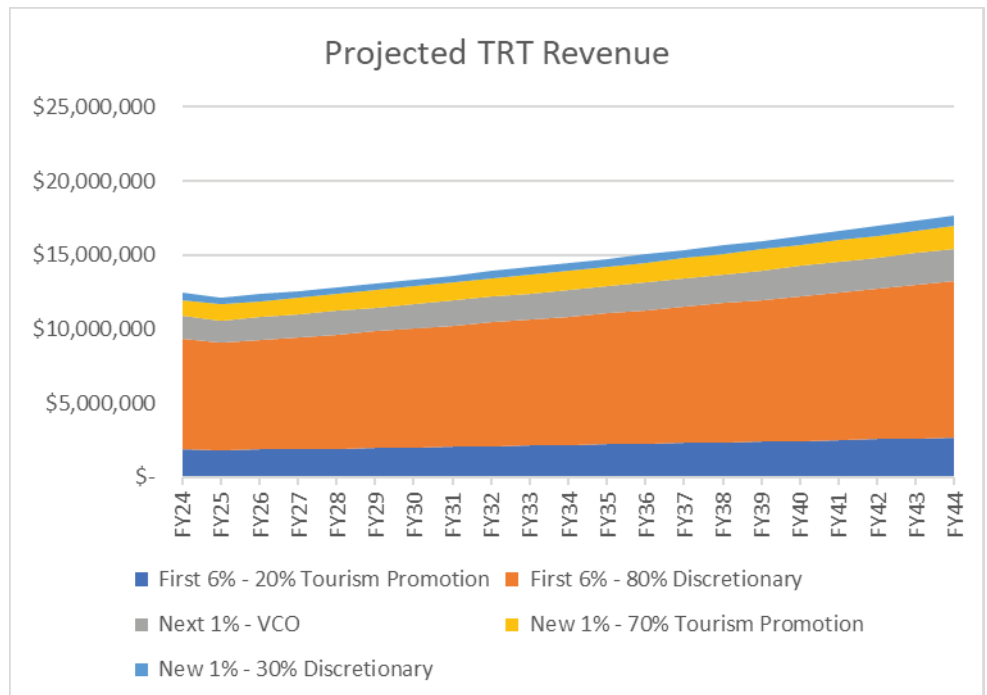
Transient room tax revenue increased an average of 2% annually from 1998 through 2008. From 2009 through 2020, revenue increased by an average of 10% annually. From 2022 through 2024, revenue has decreased by 2% annually.

TRT revenues are more volatile compared to property tax revenue. If revenues came in lower or expenditures are increased, the General Fund would be required to pick up any deficiency, further burdening the General Fund. There is sensitivity to the model if TRT revenue is over or under in the amount projected. If there is a

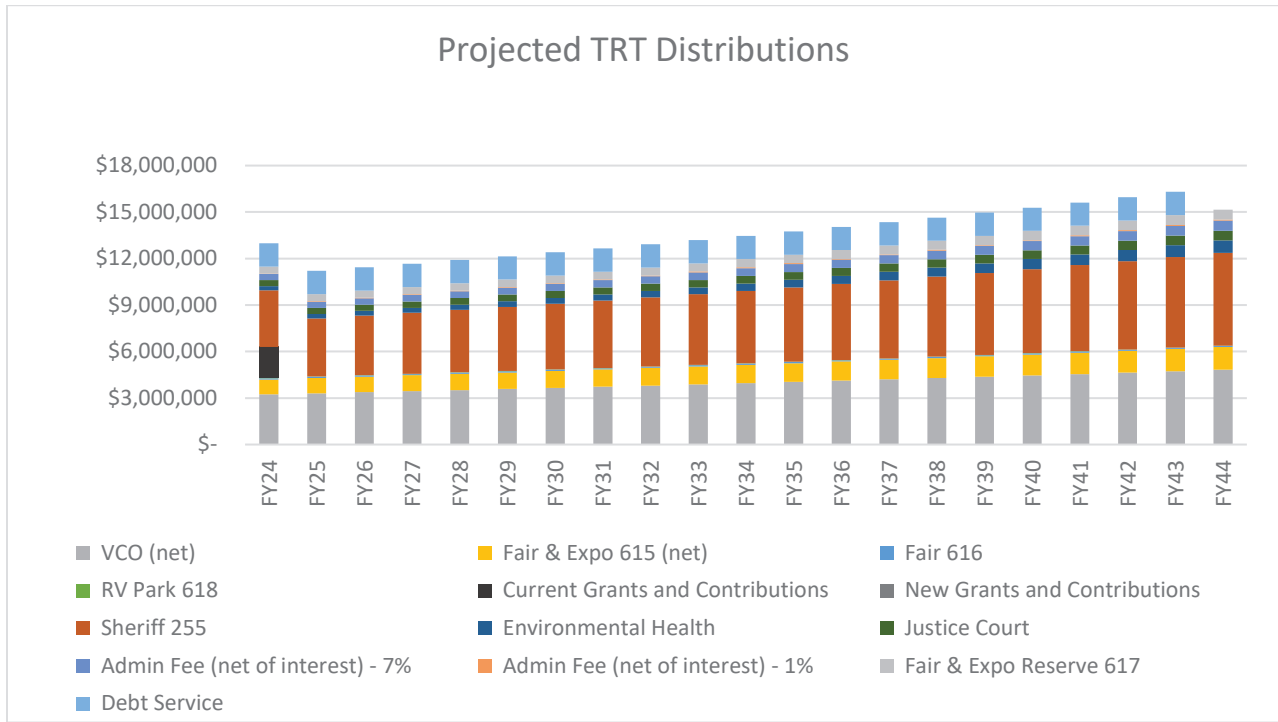
shortage in TRT revenue or an increase in expenditures, the debt service will become a liability of the General Fund which would reduce funding for other projects or require reductions in General Fund operating expenditures. Alternatively, reductions would be required in TRT distributions if revenues decreased.

As of March 2024, TRT revenues are down 3.3% from prior fiscal year actuals. The FY24 projected ending fund balance is \$2 million, and these funds are held in reserve to cover the final \$2 million payment to Sunriver. Prudent financial management recognizes that funds should only be committed once realized as opposed to committing funds based on projections. Natural disasters, emergencies or other unknown factors could result in actual revenue reductions below, and potentially far below, projections.

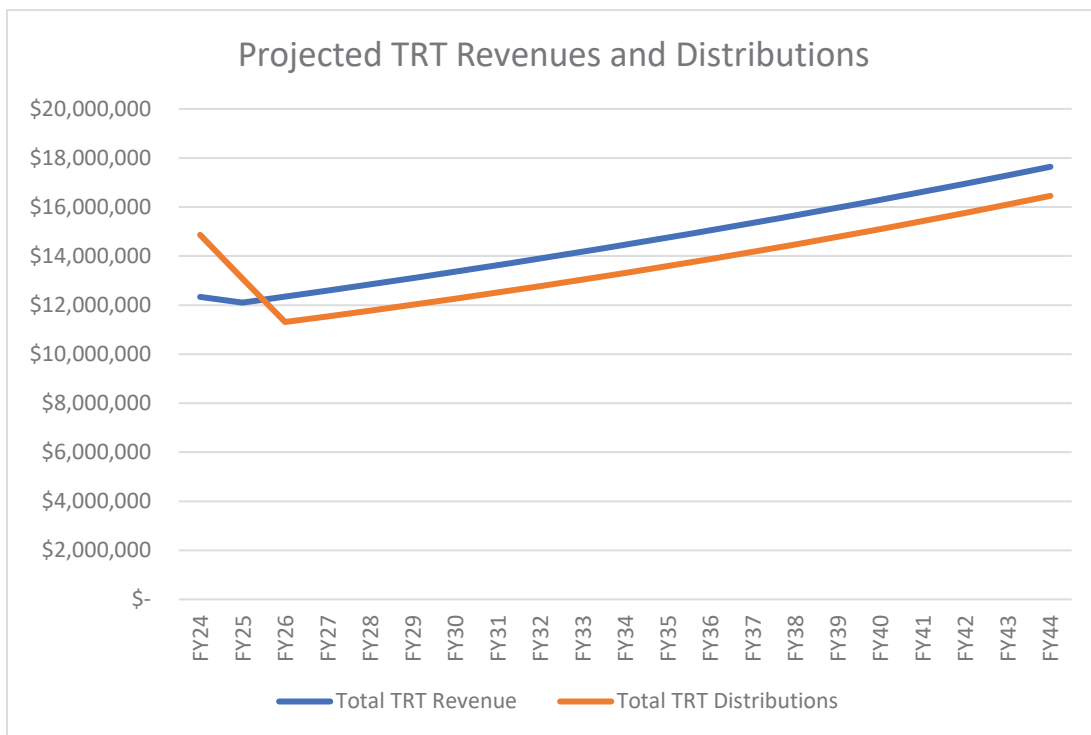
The 20-year forecast includes a 2.0% annual revenue growth assumption. Although, TRT revenue is variable and can be difficult to accurately predict.



Transient Room Tax expenditures over the 20-year forecast period also include the aforementioned annual growth assumptions (page 2) for discretionary general County operations. The expenditures below do not include any additional grants or increased County operational expenditures.

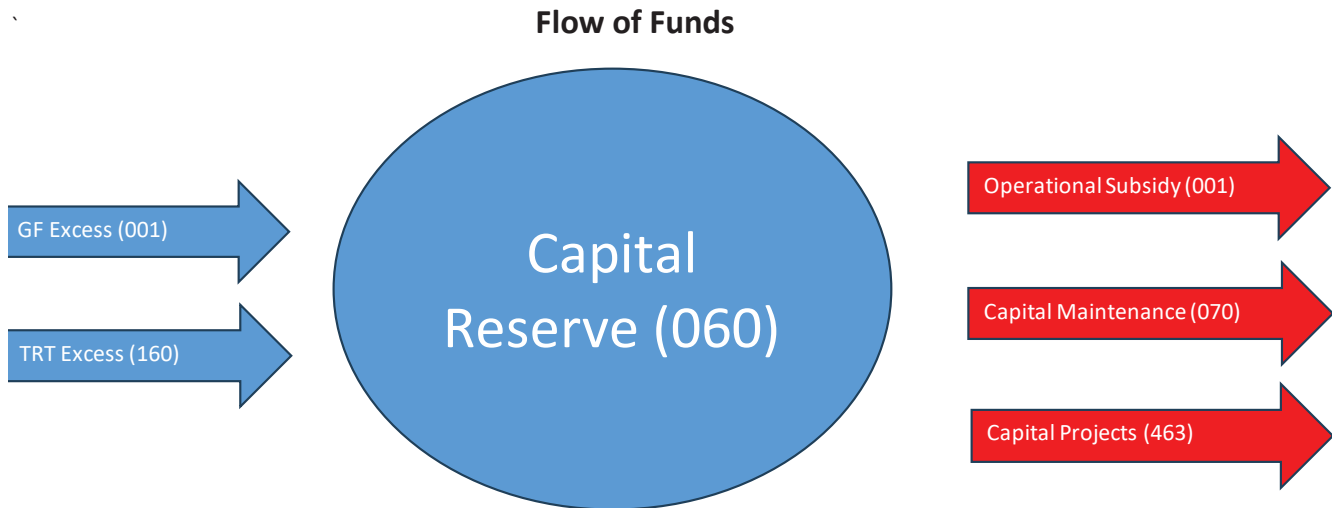


A summary of revenues and expenditures prior to the transfer of excess TRT funds to the Capital Reserve is presented below.

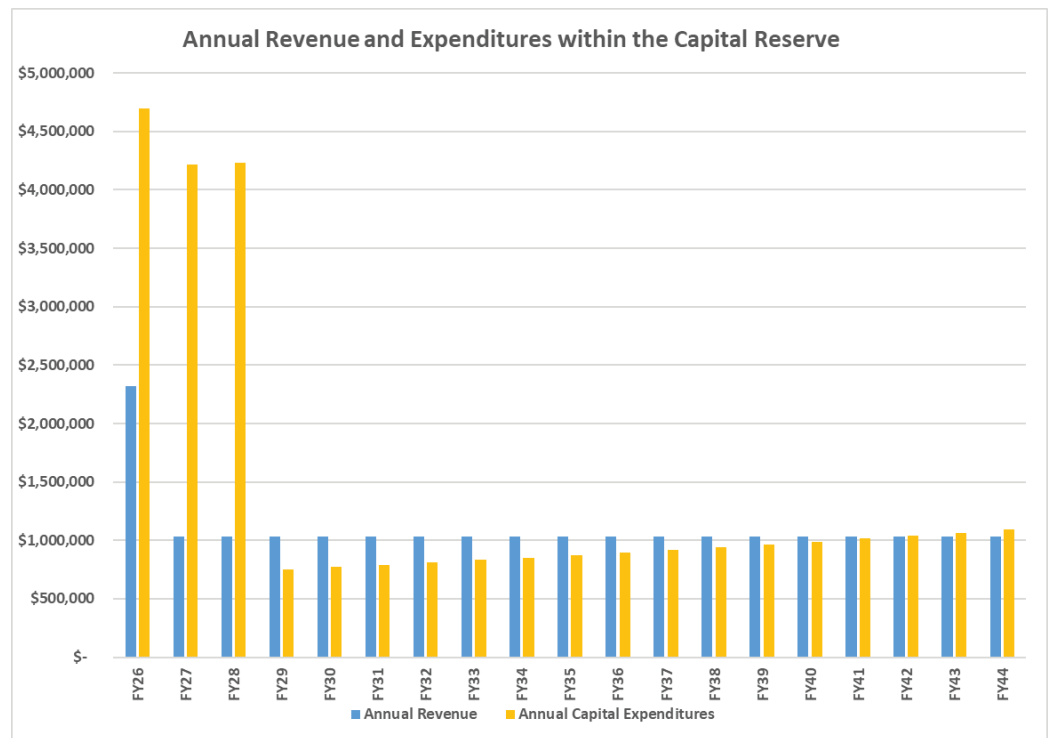


Capital Reserve

Excess TRT and GF funds are transferred to the County Capital Reserve (fund 060). The reserve fund is used to accumulate resources for capital investments related to Board goals and objectives. The transfer is needed to cover annual capital maintenance, capital projects, and operational subsidies if the General Fund cannot fully support operations. The diagram below illustrates the various inflows and outflows within the Capital Reserve.

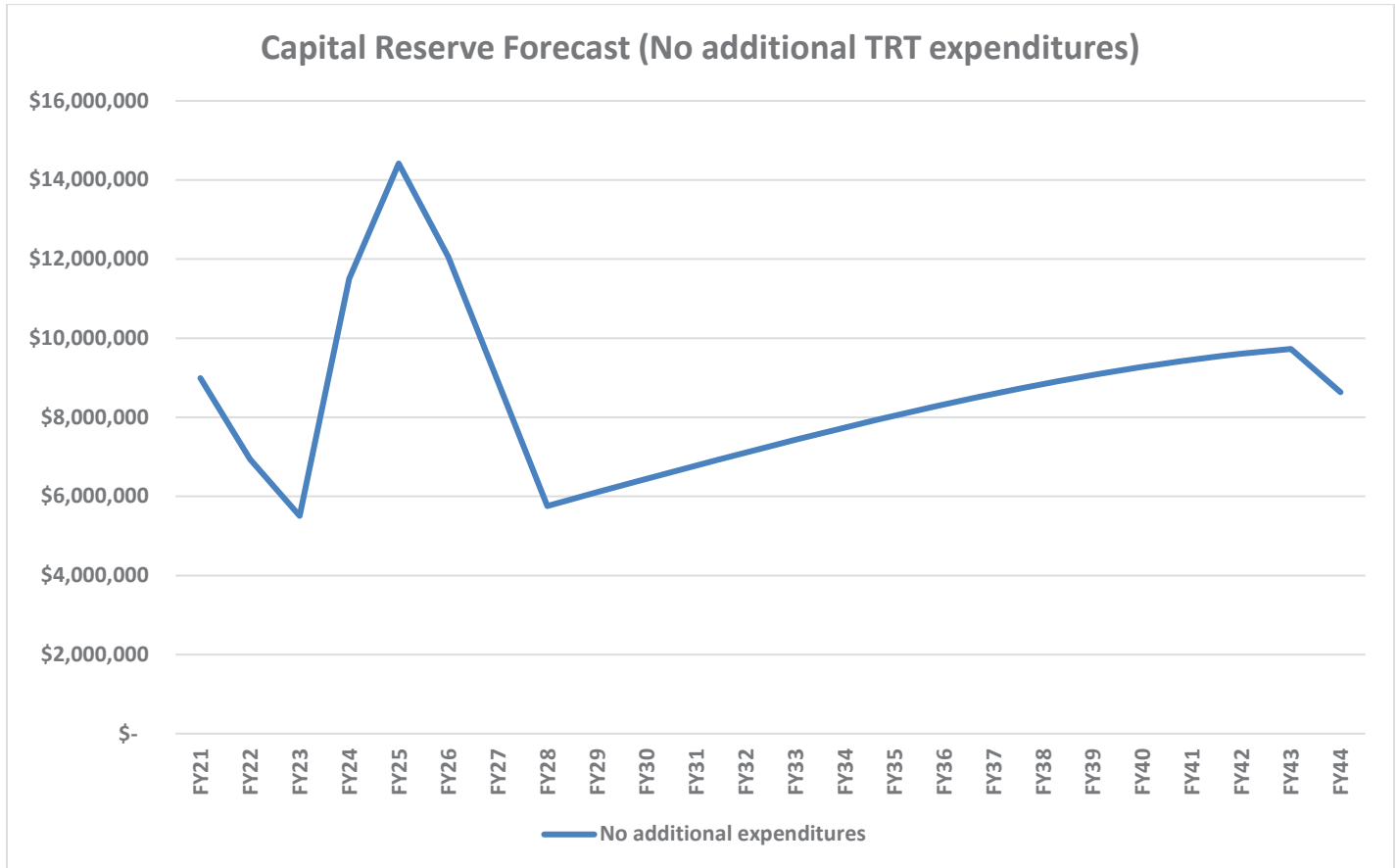


The Capital Reserve Fund relies on transfers from Transient Room Tax and General Fund revenue to remain financially viable. The current GF forecast only projects excess GF to last through FY26. Therefore, most of the Reserve will likely be maintained by future years TRT excess. To the right is a graph of the estimated annual revenues coming into the Reserve, and annual expenditures out. These revenue estimates are based on the GF and TRT's long-term forecasts presented earlier.



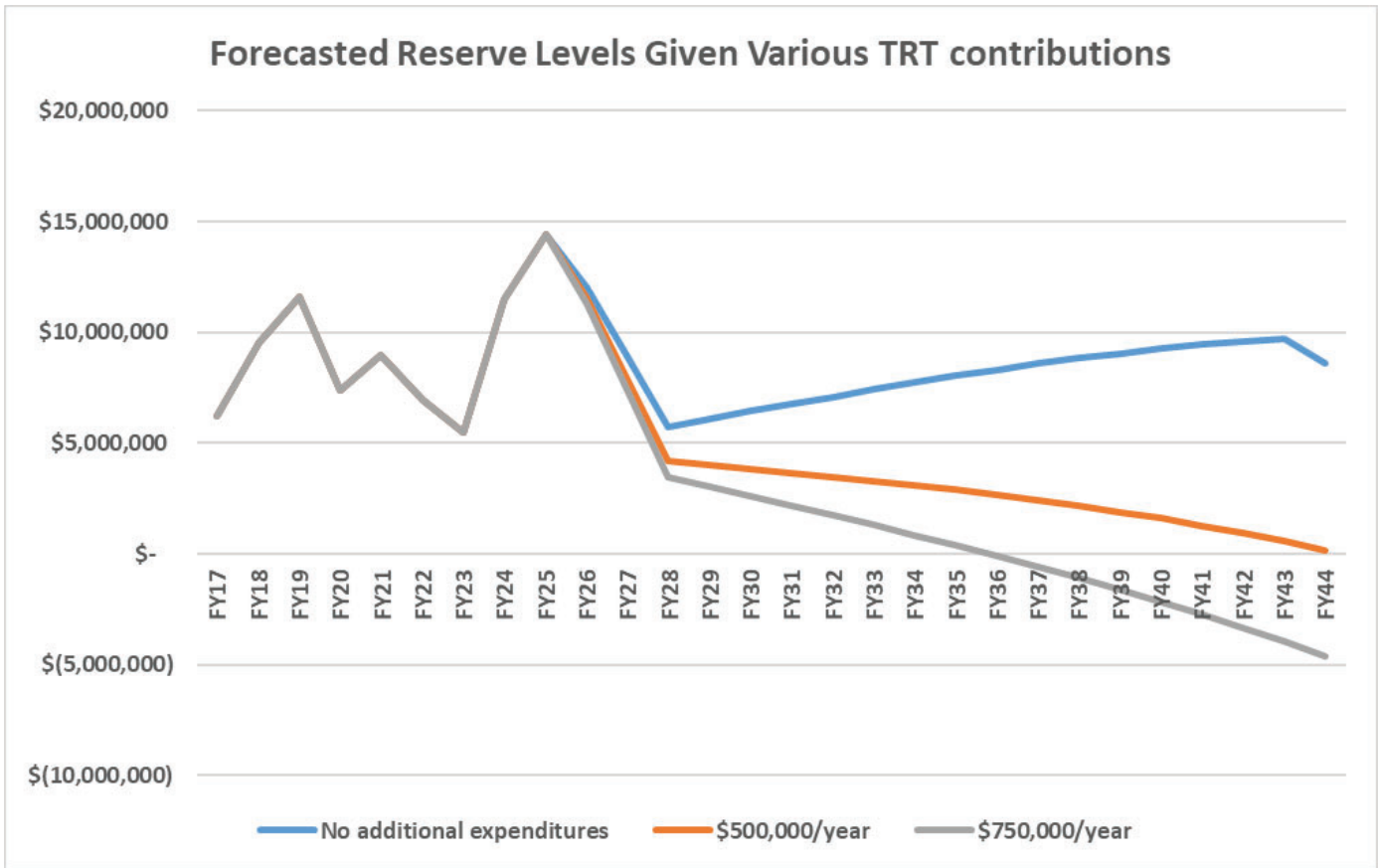
The reduction of revenues in FY27 is the result of the lack of GF excess. In FY26 the forecast shows expenditures related to the District Attorney's expansion, while in FY27 and FY28 the graph portrays the Clerk's capital project. Expenditures past FY28 are only annual capital maintenance costs for the County's facilities.

Before considering any additional TRT expenditures, and with only capital project expenditures through FY28, the capital reserve forecast estimates a fund balance of \$8.6 million in FY44. This forecast includes expenditures for the DA expansion in FY26 and Clerk’s capital projects in FY27 and FY28. However, this does not factor in any operational subsidies required by the General Fund if the rate of annual operational growth is not reduced (i.e., from 10% to 4%).



Since discretionary TRT revenues also fund courthouse debt service costs, this prohibits or reduces the amount available to transfer to the Capital Reserve Fund. There are several unmet and unfunded needs on the horizon not captured in the above forecast that the Board may need to consider:

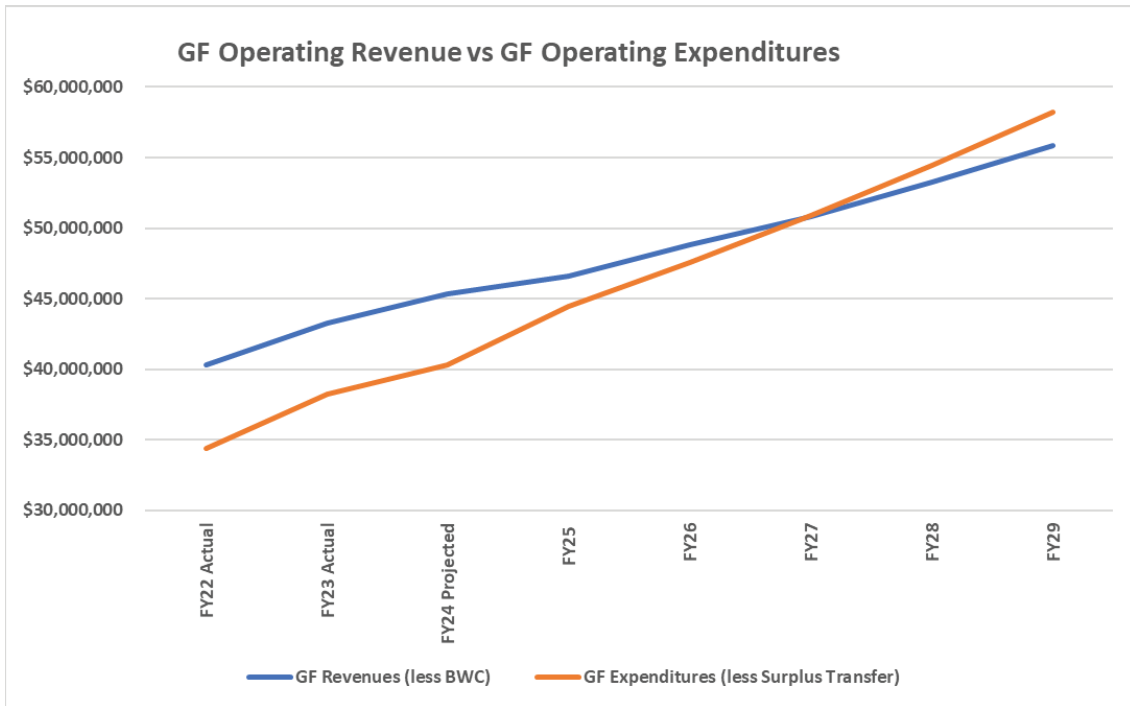
- Public Safety Campus Plan
- GF Operational Subsidies
- Future PERS, Salary Study with Market Review
- Courthouse Operational Costs
- Fiscal Effects of Several Upcoming Ballot Measures
- The Housing Trust Fund \$1M
- Any Other Campus Improvements Past FY28 (new capital construction and major remodels)



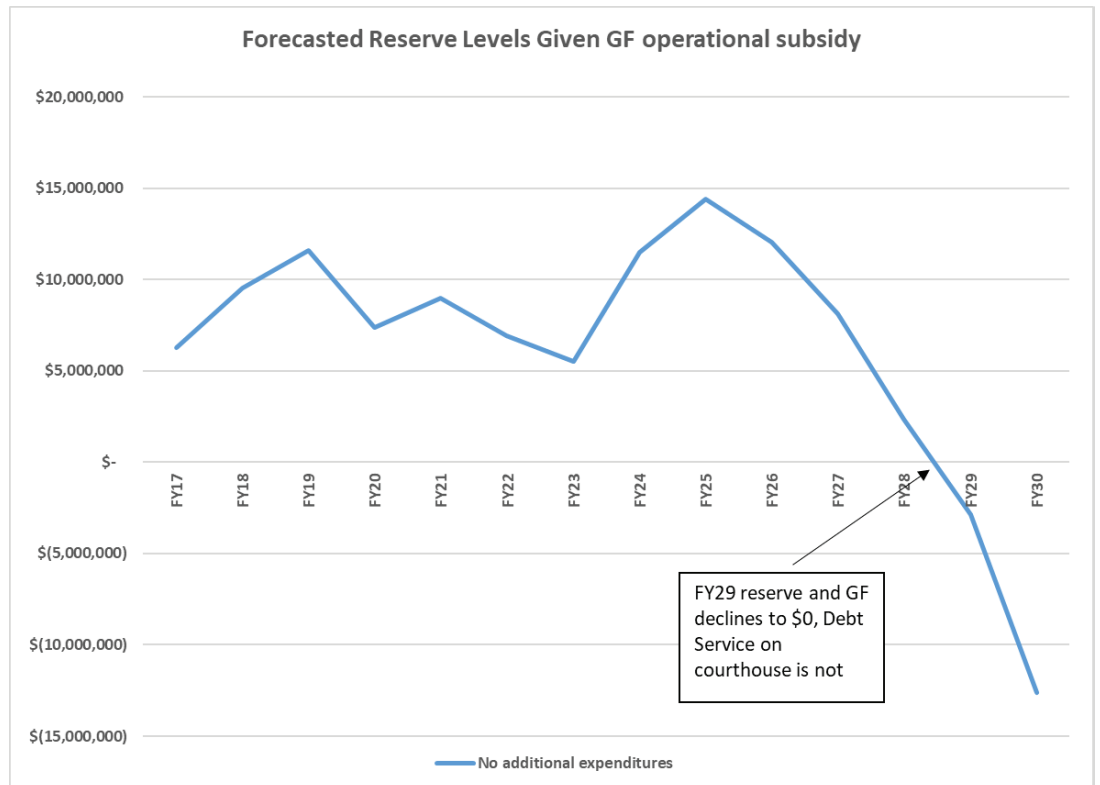
If additional TRT expenditures were required due to internal cost increases or increased grant contributions, the Capital Reserve forecast would change. The graph above depicts two scenarios with increased demands on the TRT fund.

None of the scenario's factor in future operational subsidies that would be needed based upon the GF projections or capital projects past FY28. Additional ongoing annual TRT expenditures of \$750k do not meet reserve requirements and do not allow the County to meet its Courthouse debt service obligation as early as FY36.

The General Fund Long-Term Forecast showed the General Fund may face future challenges if the rate of operational growth is not reduced. The graph below shows expenditures surpassing revenues within the General Fund by Fiscal Year 2027 and failing to maintain adequate cash flow for operations. At this point expenditures would need to be reduced in the GF, or subsidies from the capital reserve would need to occur to maintain current service levels.



If the General Fund requires a subsidy from the Capital Reserve, the reserve drops to zero by Fiscal Year 2029. The reserve graph to the right depicts the reserve supporting the General Fund. The previous reserve graphs showed the reserve prior to any General Fund support. The funds need to be viewed together, and not in isolation, since General Fund expenditures are on pace to surpass revenues.



Summary

The GF expenditures have been growing approximately 10% annually, while revenues have only increased approximately 5% annually. As the GF expenditure curve continues to approach the GF revenues curve, the County will no longer be able to grow operations within the GF by more than 4% annually. Transient Room Tax funds have decreased for the past three years while operational expenditures and TRT requests have increased. We are currently projecting a more cautious future TRT revenue forecast that shows less excess TRT being able to be transferred into the County's Capital reserve fund in future years. In addition, the GF forecast does not show any excess starting in FY26. The cumulative effects of these reduced and eliminated Capital Reserve inflows mean less funds for future capital projects and an inability to viably subsidize the General Fund if operations continue to grow at a faster rate than revenues.

Due to the continued contraction of County discretionary funds, and the growth of County services and expenditures, the County will need to evaluate several potential options prior to the FY26 budget process to ensure ongoing financial stability. Currently these options may include:

- reduced or flat growth budgeting
- decreased or elimination of transfers for capital needs
- reprioritizing services
- decreasing or removing the Environmental Health fee subsidy
- ARPA dollars being used to reimburse eligible GF expenditures
- any combination of options

Departments will receive direction prior to budget development.

Prudent financial planning and forecasting has placed the County in a strong position to plan for the current and next fiscal year as we continue providing our core services to the community.

If you have any questions, or would like additional information, please let me know.