



JACKSON COUNTY

oregon

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Budget Message Jackson County, Oregon 2007-2008

April 10, 2007

Members of the Budget Committee, Board of Commissioners and Citizens of Jackson County:

To date, the Federal government has not lived up to their promise to either extend funding under Public Law 106-393 or establish a balanced, sustainable timber harvest plan for Federal forests and O&C lands that would fund County operations from shared timber harvest revenues as prescribed by the Oregon and California Land Act of 1937. The result is a loss of 36 percent of the non-dedicated operating revenue for the General Fund, or just over \$15.3 million, and 23 percent of the operating revenue, or \$4 million to the Road Fund.

The County has recognized since 2000 that these Federal funds **MAY** have a limited life span. Therefore, the County has accumulated a "rainy day" fund for the General Fund, which is designed to sustain reduced services for several years in the future, or until alternatives can be devised. A similar "rainy day" fund exists for the Road Fund and other funds impacted by Public Law 106-393. However, in order to trim the budget to a more balanced and sustainable level, significant services will be eliminated. The number of FTEs will be reduced by a net total of 142.73, or 13.25 percent of the County workforce as presented in this budget. Additional FTE reductions of 29.7 will occur during the fiscal year for a total projected net reduction in the workforce of 172.43 FTEs by the end of 2007-2008. The recommended budget makes the following service reductions:

- Closes public access to the 15 County libraries.
- Significantly reduces maintenance and staffing levels on the County road system.
- Eliminates access of up to 100 rented jail beds.
- Eliminates misdemeanor supervision except for the most dangerous offenders.
- Eliminates funding for the Southern Oregon Historical Societies.

This budget reflects our best effort to address the issues we face given the priorities set by the Budget Committee and Board of Commissioners - to preserve safety and health related services. It also maintains minimum levels of State-mandated services. All funds are balanced. A balanced budget means that revenues and expenditures match. There are sufficient funds carried forward from the previous year for uncompleted

obligations. Sufficient funds are budgeted to provide appropriate cash flow for the following year. All funds that include debt service are balanced in accordance with Oregon municipal debt law.

This budget message is organized into five major categories designed to give the reader an overview of County issues, priorities, and finances. They are:

- County Mission Statement and Goals
- Long Term Financial and Other Matters that Impact the Recommended Budget
- Short Term Financial and Other Initiatives that Impact the Recommended Budget
- Significant Departmental and Fund Highlights and Issues for 2007-2008
- Processes Used to Develop the Budget and Organization

The preparation of a budget this complex would not be possible without the hard work and contributions of many. I would like to specifically acknowledge Harvey Bragg, Deputy County Administrator; Michelle Amberg, Management Analyst; and Linda Strickland, Administrative Assistant. Additionally, each of the Department Directors and Program Managers participated to complete this recommendation.

These challenges notwithstanding, this recommended budget provides as much service as possible, sets a solid plan for the future, and uses revenues conservatively.

The total recommended Jackson County budget is \$273,496,206. The revised budget for 2006-2007 totals \$298,418,361. The County's 2007-2008 budget is expected to increase upon final calculation of public works projects that will be carried forward into 2007-2008.

County Mission Statement and Goals

Several years ago, the County adopted a mission statement and a set of goals to guide it as it planned for the provision of service. The mission statement and goals are not in any priority order. They are numbered only to assist the reader with abbreviations used elsewhere in the budget. All goals are equally important. They are:

Mission Statement

Jackson County's mission is to provide public services that protect and enhance the quality of life in the county, as determined by the people, laws, and available resources.

Goals

1. Protect the health, safety, and well-being of all citizens.
2. Serve all citizens fairly and ensure access to county government.
3. Provide opportunities for all citizens to prosper by promoting the economic development of the area.
4. Strengthen cooperation between public agencies.
5. Work to enhance the natural and man-made attractiveness of the area.
6. Encourage citizen understanding and participation in county government.
7. Make recreational, learning, and cultural opportunities accessible and available.
8. Provide and maintain multiple transportation systems.
9. Promote employee pride, high standards of performance, and productivity.
10. Make the best use of Jackson County's human and material resources.
11. Maintain public records to provide financial, historical, and statistical information.
12. Plan for the future.

The budget for each program reflects that program's contribution toward meeting these goals. The various contributions toward these goals appears on the budget pages for individual programs.

Long Term Financial and Other Matters that Impact the Recommended Budget

Federal Funds

County Commissioners continue their efforts working with the National Association of Counties, Association of Oregon Counties, Association of O&C Counties and State and Federal legislators to find a long-term resolution that would restore Federal funding. Several bills have been proposed but have been unsuccessful. The current bill has been approved by the Appropriations Committee and the Senate, but the President has vowed to veto it.

If these funds were not available and citizens desired to retain the services provided by them, additional taxes in the amount of \$1.85 in addition to the \$2.0099 per \$1,000 of assessed valuation paid by property owners would be required.

Alternative Revenue Sources

A 13 member committee of citizens has been looking at the County budget, focusing their attention on public safety, libraries, public health, and roads. At this point, they have not finished their work, but they have been looking at alternative revenue sources including a local income tax, public safety surcharge, transient lodging fee, and property transfer fee to name a few. Once they have made their recommendations, a public survey will be conducted to see which alternatives might be supported by the citizens of the County.

Property Taxes and Debt Limitations

The County is subject to a number of property tax and debt limitations imposed by Oregon law. A complete schedule of these limitations is found in Appendix A.

Debt Service

Information specific to debt and planned projects is included in Appendix B.

Special Service Districts

The Library Department is considering another attempt at forming a special district and seeking funding. If the Board of Commissioners approves, and voters are asked to form and fund a district, it would most likely occur at the November 2008 election.

The Sheriff is also considering the possibility of forming a special service district to provide patrol services to the unincorporated areas of the County.

Fiscal Policies

A complete list of adopted fiscal policies that have been applied to this budget are found in the final budget document. Every effort is being made to find less expensive ways to provide quality services. For example, the County has just finished evaluating bids to run the methadone services and to provide medical services to inmates. Services will be enhanced and the County will save more than \$125,000 in the first year by contracting out these services.

Short Term Financial and Other Initiatives that Impact the Recommended Budget

There are a number of factors affecting the recommended budget for 2007-2008. Some may continue beyond 2007-2008. However, they are presented here as factors with a direct impact on this recommended budget.

Public Employee Retirement System (PERS)

The future of PERS and its cost to employers remains clouded by a number of lawsuits that have yet to be resolved relating to the distribution of earnings to employee accounts. The County continues to expense 5.84 percent of payroll in reserve funds to pay off liabilities that may arise from adverse decisions in these lawsuits. It is expected that the lawsuits will be settled by the end of fiscal year 2007-2008. If they are settled in the employers' favor, it would mean a savings of approximately \$1 million to the General Fund. When the County entered into a special local government pool inside the PERS plan, it was charged an additional unfunded actuarial liability to retain the pools equity. Rather than charge each fund, the General Fund paid the bill. A surcharge of 1.5 percent has been collected over the past few years to repay the General Fund. The funds have now been collected and the surcharge has been dropped. The result has been a savings to each department on employee costs, and the Rainy Day Fund was increased by just over \$2 million.

The 2003 Legislature created a new and separate retirement program, the Oregon Public Service Retirement Program (OPSRP), for employees hired after August 1, 2003. OPSRP functions like a 401k program, with employers contributing a fixed percentage of payroll and the employee contributing 6 percent of salary to a tax-protected retirement account that does not offer a defined benefit. Under our collective bargaining agreements, the County pays the employer rate as well as the employee contribution.

Self-Insurance

A new cost allocation methodology introduced in 2005-2006 was intended, among other things, to stabilize the self-insurance fund and to eliminate the significant fluctuations in self-insurance charges to departments. This new methodology has exactly that effect in the recommended budget. Most County departments will see no change in their charges next year, although a few will see a slight increase resulting from vehicle damage claims, which are billed to departments on a pass-through basis. As the libraries close during fiscal year 2006-2007, funds will be transferred from the Library budget to the Self-Insurance Fund to cover the additional unemployment costs that will last into fiscal year 2007-2008.

Self-insurance reserves are strong, thanks to a higher-than-budgeted beginning fund balance in the current fiscal year. This should allow the self-insurance fund to make no changes to department charges in 2007-2008 while maintaining reserves at actuarially acceptable levels.

Contingency

The 2007-2008 General Fund budget includes a contingency in the amount of \$200,000. The contingency consists of one-time funds not available on a continuing basis. The contingency is included in the fiduciary portion of the General Fund budget.

Cash Carry Forward

Each year the County carries forward funds necessary to meet cash flow projections until Federal receipts and property tax payments are received. Those funds are included in the ending fund balance in the amount of \$9,769,252.

General Cost Increases

It was assumed net costs would increase by approximately 5 percent in 2007-2008. The County is currently in negotiations with two of its unions, SEIU (the largest union) and FOPPO (which represents parole and probation officers in the Community Justice Department). Funds have been set aside in the various operating funds to cover the projected increased labor costs.

For managers' salaries, 3.39 percent was included in the budget. For elected officials and elected department heads, 3.39 percent has also been included. This information was included in the budget instructions provided to all County departments.

Significant Departmental and Fund Highlights and Issues for 2007-2008

Airport

General

The Airport is an Enterprise Fund.

Capital Improvements

The Airport is planning a major terminal replacement and renovation. This project, estimated to cost \$35 million over four years, will provide new passenger facilities. The Board of Commissioners approved utilizing a "design/build" approach to the project, which would have resulted in a larger terminal at less cost than a traditional "low bid" approach. However, the Federal Aviation Administration would only accept a traditional "low bid" which has slowed the project by several months.

It is anticipated the County will sell the first revenue bonds for the project in June 2007.

Assessment

General

Assessment is part of the County's General Fund.

The Assessment Department underwent an internal audit, as well as an audit by the State of Oregon. The State has directed the County to begin using the "recalculation" method to value property for tax purposes. As a result, four Appraisers and two Office Assistants were added to the budget in fiscal year 2006-2007. Although the team hasn't been able to find enough additional assessed value by doing physical reappraisals to cover the County's costs, they have added significantly to the overall value which adds revenue for all taxing jurisdictions in the County.

Community Justice

General

Community Justice is part of the General Fund.

Community Justice will no longer supervise misdemeanor violations, except the most dangerous offenders. A study of those who are convicted of a misdemeanor violation shows they are not at high risk to re-offend even if they are not being supervised. FTEs will be reduced in this department by eight.

Development Services

General

Development Services is part of the General Fund.

This is the second year of the new department, and the second year they expect to be self-funded. It is projected that by the end of fiscal year 2007-2008, it will have a fund balance big enough that the department can be moved into its own fund.

Expo

General

The Expo and Fairgrounds is an Enterprise Fund.

The recommended budget eliminates the General Fund contribution to its operating expenses. The General Fund will continue to maintain the buildings in the amount of \$185,000 annually. There is also \$80,000 budgeted in the Capital Fund to re-roof $\frac{1}{3}$ of the arena. The other $\frac{2}{3}$ will be budgeted in future years.

Health and Human Services

General

Health and Human Services is a Special Revenue Fund.

All unfilled positions will be eliminated as a result of State budget cuts. Maternal and child health will be reduced by 50 percent, for a net reduction of 29.19 FTEs. Methadone and jail health services will be subcontracted on May 15, 2007, which will eliminate an additional 14 FTEs.

Library

General

The Library is part of the General Fund. Debt service for library construction is included in the appropriate Debt Service Fund.

Construction is underway or will soon begin for new libraries in Phoenix and Shady Cove, and remodeling plans are being reviewed for the Butte Falls Library. These libraries represent the third and final tier of the library construction program, which should be complete by the end of the fiscal year 2007-2008. Bonds were issued to construct the new buildings and private individuals have contributed significant amounts of money to make the branch libraries as nice as possible. This money must be used to finish construction of the libraries even though they will be closed as soon as they are built.

The recommended budget includes enough money to keep a skeleton crew in case a three-year levy, that will be on the May ballot, is successful, or other options are made available to open the libraries. The budget also maintains a minimum of heating and air-conditioning in the buildings to preserve the books and buildings. FTEs in this department will be reduced by 80.39.

Roads and Parks

General

Roads and Parks is a Special Revenue Fund.

Road maintenance will be reduced by 30 to 40 percent and modernization road projects that are not funded by State or Federal dollars will be eliminated. Funds provided to cities for improvements to roads for jurisdictional exchanges and the gravel road paving program will be eliminated. FTEs in this department will be reduced by 16.3 on July 1, 2007, and an additional 15.7 FTEs will be eliminated on October 18, 2007, which is the end of summer maintenance.

Sheriff

General

The Sheriff's Department is part of the General Fund.

The traffic team which was added in fiscal year 2005-2006 is almost to the point of being self-funded. They have also been successful in reducing the number of traffic deaths in the unincorporated areas of the County.

The recommended budget also eliminates the use of up to 100 additional rented jail beds. In order to offset this loss, additional utilization has been made available for male prisoners in the Transition Facility in Talent. However, the loss of jail beds will have a significant impact on the justice system as a whole. FTEs in this department will be reduced by nine.

White City Enhanced Law Enforcement District

The District contracts with the Jackson County Sheriff's department to provide law enforcement in White City. Finances are tight for the District because of the presence of the Urban Renewal program that collects the increment for infrastructure and development improvements in White City.

Southern Oregon Historical Societies

General

Southern Oregon Historical Societies are a group of non-county service partners.

Before Ballot Measure 50, the Historical Societies had an ongoing tax levy dating back to 1948 that brought in just over \$2.2 million per year. Ballot Measure 50 eliminated authority for that tax levy; however that rate was used as part of the base to calculate the permanent tax rate for Jackson County. As a result, the Historical Societies filed a lawsuit which was settled by an agreement that gave an amount of money that was gradually reduced each year. Fiscal year 2006-2007 was the last year of the agreement. They continue to manage several County-owned buildings as part of a separate agreement.

Processes Used to Develop the Budget and Organization

The Budget Committee was convened in a special public meeting on December 18, 2006, to communicate and define priorities for budget development. Pursuant to Oregon law, the budget is reviewed and approved by a Budget Committee consisting of the three members of the Board of Commissioners and three lay members. Budget Committee review is scheduled for April 17 and 19, 2007. During each day of presentation and review, there will be scheduled opportunities for public input. Budget deliberations are

scheduled to begin at the conclusion of the reviews on April 19, 2006. All Budget Committee meetings are open to the public.

The lay members of the Budget Committee serve as the County's Elected Official Salary Committee. That committee will meet April 17, 2006, at 11:30 a.m. At that meeting, they will develop a recommendation for Elected Officials' salaries and present it to the full Budget Committee for action. Following approval and publication of the Budget Committee's recommended budget, the Board of Commissioners is tentatively scheduled to adopt the budget on June 6, 2007. The Board of Commissioners also meets in public session and encourages public input. The Board of Commissioners is authorized to amend expenditures in the Budget Committee's approved budget, up to 10 percent of any fund, without reconvening the Budget Committee.

The budget format has been changed extensively for fiscal year 2007-2008. Categories have been eliminated that divided departments and programs. The organizational chart found on page 32 now indicates a more traditional view of the County with its departments. For each County department there is a tab at the beginning of their section. An overview of the department's goals for the year and accomplishments in the prior year, as well as information on all programs within the department are found behind their tab. For each program, the budget reflects a statement of purpose, measures of effectiveness, and significant issues facing the department. Additionally, financial information is included.

Although the County has adopted a program budget format, the State of Oregon requires retention of a line-item budget format. Financial tables designed to meet the State's requirements are included in this document in the section labeled "appropriations."

The budget is organized around the County's mission, the functional areas established for the County, and the 12 goals identified by County employees. The County's mission statement, goals and objectives are described elsewhere in this message.

Throughout the budget, the specific goals that each program strives to meet are identified in a description of the particular program. The narrative for each program includes a statement of the revenues generated by specific programs.

Conclusion

This budget has been prepared in a time of extraordinary financial stress. County governments, which must provide State services at the local level—many of them without adequate funding from the State or entirely with local funding—face particularly difficult choices. There are many people whose lives will be directly impacted by the budget choices we must make. Ever mindful of that, we have worked hard to prepare a budget that preserves direct service to the greatest extent possible and to craft long-term strategies that will allow us to do so in the future. I would like to extend my personal thanks to the citizen members of the Budget Committee for their time, concern, and constructive insights. I wish also to acknowledge the Board of Commissioners' support and leadership in these most challenging times.

Respectfully submitted,

Danny Jordan

Danny Jordan
County Administrator

Appendix A

Property Taxes and Debt Limitations

Property Taxes

The County will certify its State-provided permanent tax rate in the amount of \$2.0099 per thousand dollars of assessed valuation for 2007-2008. The total amount of property tax the County expects to levy on behalf of the General Fund is \$28,302,335. Of this amount, the County expects to collect 95 percent for a net of \$26,887,218.

Property taxes collected for the White City Enhanced Law Enforcement District are collected for the District and then turned over to the County. They are budgeted as a contracted service revenue in the Sheriff's budget.

Property Tax Limitations

In 1997, voters approved a constitutional amendment known as Ballot Measure 50. Ballot Measure 50 established a permanent tax rate limit for all local governments. Jackson County's rate is \$2.0099 per thousand of calculated maximum assessed value. The maximum assessed value is approximately 47.98 percent of real market value. This permanent rate can never be changed according to the Oregon constitution.

Other limits were imposed by Ballot Measure 5, another constitutional amendment approved by Oregon voters. This measure limits all local governments to a combined total of \$10 per thousand real market value. Schools were limited to \$5 per thousand.

Debt Limitations

The County has a general obligation bonded debt limit set by Oregon Revised Statute (ORS) 287.054, which is 2 percent of the real market value of all taxable property in the County. The County's bonded debt for the library and juvenile projects is only 6.5 percent of the 2 percent limitation. This limit does not apply to other types of bonds such as those that will be issued for the Airport Terminal project.

Appendix B Debt Service

Airport

Debt service for the terminal project is found on page 83 of the budget. The budget for 2007-2008 includes \$219,245 for principal and \$725,200 for interest for the first year as debt service. This debt is expected to be issued before the end of FY 2006-2007 in the amount of \$13,300,000. Other funding options, including a bank line of credit, are being considered. This project is financed by Federal grants and passenger facility charges (PFC). Each ticket purchased by air travelers includes \$4.50 that reverts to the Airport to be set aside for passenger facilities. Most airports in the U.S. utilize the PFC opportunity with ticket purchases.

Juvenile Center

Debt service for the juvenile center appears on page 226 of the budget. In November 2000, voters approved bonds in the amount of \$16,500,000 to construct a new juvenile center. The entire authorized amount was sold June 5, 2001. The 2007-2008 budget includes debt service in the amount of \$2,085,338. The final payment will be made in 2011.

The County opened all 40 detention beds in order to take advantage of a \$4 million Federal grant for the purpose of constructing the additional beds. The County is using the proceeds of the grant along with proceeds from the sale of the old facility to defease the bond measure approved by voters to construct the new facility.

Library

Debt service for the library begins on page 229 of the budget. In May 2000, voters approved bonds in the amount of \$38,940,000 to remodel or construct new libraries at 14 of the County's library branches. On August 8, 2000, the initial sale of \$20,365,000 was completed. Bonds were refinanced through Seattle Northwest Securities at 4.07 percent interest on March 21, 2006. The final sale occurred on December 19, 2002. The bonds were sold at 4.37 percent interest and were purchased by Salomon Smith Barney.

The 2007-2008 budget includes debt service payments in the amount of \$1,471,765 for the first and \$1,597,175 for the second library bond for principal and interest. The bonds will be paid in 20 years. Final payment on both issues will be made in 2020.