AGENDA

2024-2025 BUDGET COMMITTEE WORKSHOP
WEDNESDAY, MAY 8, 2024
1:00 P.M.
Virtual/BOC Conference Room 106

The purpose of this workshop is to receive information regarding 2024-2025 budget requests from County Departments and Non- Department Entities. *If you will* ***not*** *be able to attend during your appointed time, please contact Shawn Blanchard at shawn.blanchard@tillamookcounty.gov or 503-842-3439.*

1:00	Call To Order	Doug Olson
1:15	Treasurer updates	Shawn Blanchard
1:30	Discussion	Various
5:00	**Adjourn**	

TILLAMOOK COUNTY BUDGET COMMITTEE WORK SESSION – 2024-05-08 BUDGET COMMITTEE AUDIO.MP4

CALL TO ORDER: Wednesday, May 8, 2024 1:01 p.m.

1.	01:22	Call to Order/Budget Committee Chair, Doug Olson
2.	06:07	Treasurer Updates/Shawn Blanchard, Budget Officer
3.	12:05	Discussion/Various Department Staff
	12:10	Rachel Hagerty/Various Departments
	1:19:12	Joshua Brown/Sheriff's Office

Chair Olson recessed the meeting at 2:39 p.m.

Chair Olson reconvened the meeting at 2:51 p.m.

4.	1:40:45	Continued Discussion/Various Department Staff
	1:40:49	Sarah Absher/Department of Community Development
	2:05:09	Jodi Wilson/Human Resources

Adjourn – 4:04 p.m.

TILLAMOOK COUNTY

BUDGET MESSAGE

FISCAL YEAR 2024-2025

May 22, 2024

Welcome and thank you Members of the Budget Committee, Board of County Commissioners and Tillamook County Citizens for joining us today for this especially important process:

As budget officer, I present the Fiscal Year 2024-2025 budget message. This address will begin with the budget basics; including the purpose, structure, and key accounting principles. Followed by a high-level summary of the total budget and significant changes.

The budget committee meeting has been noticed as required by ORS 294.311(35). The budget committee reviews the proposed budget and receives the budget message. Following budget approval by the budget committee, another public hearing is held. A budget summary and notice of hearing are published prior to the hearing, subject to strict legal requirements as to the time and method of publication.

The Board of County Commissioners is scheduled to adopt the County budget at a public hearing on June 26, 2024, at 10:30 a.m. After hearing testimony, the Commissioners may adjust the budget within certain parameters or adopt the approved budget presented to them by the budget committee.

Budget Purpose, Structure and Key Accounting Principles

The budget is a policy document which establishes the operational plan for delivering programs and services to County residents. With the adoption of the budget, the Board of County Commissioners establishes the funding authority for the upcoming year and strategic direction into the future. As a public organization, the budget must additionally strike a balance between meeting current operational needs of the organization and the public as a whole and ensuring that immediate needs are not funded at the detriment of future needs. In this task, the Budget Committee members must carefully weigh the funding decisions of this fiscal year with the needs required of future fiscal years.

The presented budget includes four types of funds:

1. General Fund: Is the County's main operating fund and is appropriated at various departmental levels.
2. Special Revenue Funds: There are forty-two (42) dedicated and other funds that are budgeted separately from the General Fund and cannot be used for general purposes. The dedicated and

other funds comprise $97,369,870 or seventy-eight (64%) percent of the total budget and range from a $17.7 million Health and Human Services fund to a $21,700 Juvenile Trust fund.

3. Debt Service Funds: The County currently has one debt service fund: the Road Debt Service that funds road repairs, culvert replacements, and bridge maintenance. The Library Debt Service that funded the construction of the main library at Stillwell and Third St. has been repaid in full.
4. Capital Funds: five funds intended for the funding of large capital and infrastructure projects. These funds encompass the long-term projects of Broadband, Radio, Building Improvements, Road Constructions Grant, and Courthouse Annex. These are projects that require multi-year funding due to the scale and cost of the infrastructure and maintenance involved.

Expenditures are appropriated by categories:

- Personal Services - the County's workforce costs, including salaries, income taxes, benefits, uniform, and incentives.
- Materials and Services – Goods and services ranging from office supplies, utilities, fuel, to building and grounds repairs and maintenance.
- Capital Outlay - purchases and projects with a useful life expectancy greater than one (1) year and a cost over $5,000.
- Operating Transfers – Transfers between County funds. These include a required Public Health contribution, and several multi-year capital asset or large cost items and projects that might otherwise require the additional incursion of debt such as Vehicle Reserve (prior year(s) general county vehicle purchases), Computer Reserve (laptops, desktops, servers, and other technology that requires recurring replacement) and Building Improvements (large scale projects for maintaining and continuing the viable use of County facilities and grounds).
- Contingency – Funds held in reserve that can be accessed with budget amendments. Contingency funds are used as a buffer for appropriated expense amounts and the ability to exceed the appropriated amount if the need arises.
- Unappropriated Ending Fund Balance – Funds that are restricted from use in the current fiscal year to maintain sufficient fund balance for the following fiscal year operations prior to major revenue receipts.

Tillamook County uses the cash basis of accounting for all budgets. Revenues are recorded at the time they are received, and expenditures are accounted for when paid.

Budget Summary

The total proposed Tillamook County budget for fiscal year 2024-2025 is $152,040,280. The adopted budget for fiscal year 2023-2024 currently totals $143,414,880. A chart showing the comparison is included for reference.

Exhibit A

RESOURCES	ADOPTED 23-24	PROPOSED 24-25	INC/(DEC)
Operating Revenue	67,074,230	68,324,070	1,249,840
Beg. Fund Balance	76,340,650	83,716,210	7,375,560
TOTAL	143,414,880	152,040,280	8,625,400
EXPENDITURES			
Personal Services	35,816,850	38,257,390	2,440,540
Materials/Services	43,032,100	48,940,110	5,908,101
Capital Outlay	18,398,750	24,517,540	6,118,790

Transfers Out	12,559,480	10,251,060	(2,308,420)
Debt Service	1,778,500	424,600	(1,353,900)
Contingency	8,087,600	7,517,200	(570,400)
Unappropriated	23,741,600	22,132,380	(1,609,220)
TOTAL	**143,414,880**	**152,040,280**	**8,625,400**

Significant increases in total revenue include:

- Health Department Operating Fees – Medical Managed Care Fees reflects an increase of $500,000. The Health Department is also budgeting an increase of $2 million in their beginning fund balance.
- The Library Department beginning fund balance reflects an increase of $1.16 million.
- Mitigation Grants fund is budgeting an increase of $1.8 million in new and State grants.

Significant increases in total expenditures:

- To obtain and retain qualified employees, a compensation study was conducted. The increase in Personal Services reflects this study and our ability to retain qualified employees, as well as recruit for new employees.
- Inflation in Materials & Services

In summary, with all funds considered, Tillamook County's special revenue and capital project funds are making great strides in multi-year infrastructure and capital projects as well as with growing programs and enhancing public services.

General Fund Considerations

2024-2025 Budget Preparation

Tillamook County's focus in all budget processes is to continue to serve the community to our utmost given the fiscal opportunities available. It can be assured that the FY 24/25 budget offers the utmost service to the community given Tillamook County's current fiscal opportunities. To get to a balanced budget in FY 24/25, the budget committee grappled through lengthy deliberations, pulling threads from every corner of the budget, piecing revenue numbers together to be able to present the community a balanced budget today.

Though many great ideas for future funding opportunities were explored during deliberations, the FY 24/25 balanced budget is ending with a draw of $1.2 million from the Revenue Stabilization fund, a $500 thousand dollar drop in contingency, $195 thousand dollar drop in reserves for future July-November operations and an overall drop in Beginning fund balance of $3.4 million. In summary, the FY 2024-2025 General Fund budget has been balanced on a $4.6 million dollar depletion of future reserves. The gravity of balancing the budget in this method is understood by the budget committee, and a recommendation has been made for County leadership hold conversations to address the funding gap before next year's budget workshops. The following is meant to be the starting grounds for those future conversations.

Budget messaging has warned for several years that the General Fund annual expense growth is exceeding General Fund revenue growth. In Fiscal Years 2017-2018 and 2018-2019, State Timber hit a record high leaving essentially $6 million in excess one-time funds and a healthy beginning fund balance. In 2024-2025 those funds have dwindled, largely having filled gaps in annual revenue to cover recurring expense growth to date.

Looking forward, the window is rapidly closing on the ability for State Timber to provide such excess one-time funding. In March of 2024, the Oregon Department of Forestry passed the Habitat Conservation Plan (HCP). A plan that is estimated to decrease timber harvest levels by 20%.[1]

Oregon Department of Forestry's contract processes allow for harvests to occur up to three years post sale, accordingly, it is currently estimated that Tillamook County has just three years before the effects of the HCP will impact the budget.

Despite the known uncertainty of future timber dollars, as stated by budget committee chair, Doug Olsen, the general fund is eating its "seed corn" in the FY 24/25 budget. In other words, this budget is spending down reserves ahead of hard times.

Looking to future budgets, the General Fund's additional resource needs will only grow as the County's expense growth continues to outpace revenue growth. Every year, salaries and benefits increase either due to cost of living, bargaining, or step increases; insurance costs have exceeded 10% growth year over year; inflation continues to drive up materials and services costs; and, every year the County's infrastructure ages requiring more and more costly repairs and maintenance. As the discussions for strategic planning, financing, and revenue expansion get underway, be sure to consider the magnitude of the funding gap that will be faced in the future, $4.6 million in excess of revenue in a single year is not repeatable.

For the second consecutive year the general fund message ends with the same request: I leave you all with the request, that with any suggestions or decisions made today, pause, and think, "What about next year?" If the decisions that are made today, do not work at this time next year, let us all start the conservations now on how to solve that problem before we come together again.
Respectfully submitted,

Shawn Blanchard

Shawn Blanchard

County Treasurer/Budget Officer

[1] https://www.oregon.gov/odf/aboutodf/pages/hcp-faq.aspx#:~:text=With%20an%20HCP%2C%20we%20are.species%20protection%20and%20timber%20harvest