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Budget Message for Curry County, Oregon Fiscal Year 2017-2018

To: Curry County Residents, Budget Committee Members and County Commissioners:

The total Curry County Proposed Budget for fiscal year 2017/2018 is \$57,611,736, including \$23,270,869 that is not appropriated to be expended this fiscal year. The 2016/2017 adopted budget totaled \$59,147,384. The 2017/2018 budget does not include any Secure Rural Schools (SRS) for General Fund, Road, Title III and Schools as the SRS payments finished in 2015/2016.

Curry County General Fund relied on Oregon and California railroad lands (O&C) timber payments from the 1950's until 2000 to provide the bulk of funding for services. The statewide anti-tax revolt in the 1990's resulted in Ballot Measure 5 in 1990 and Ballot Measure 50 in 1997. Ballot Measure 50 set a permanent tax rate limit for every local government in Oregon. Consequently counties that received significant O&C payments have maximum tax limits that are considerably lower than counties that do not receive O&C payments. Because the O&C payments were Curry County General Fund's primary source of general revenue the property tax rate stayed exceptionally low. Curry County has the second lowest permanent tax rate of \$0.5996 per thousand assessed valuation.

The Secure Rural Schools and Community Self-Determination Act of 2000 (Pub.L. 106-393) (SRS) payments was passed to replace the timber revenue lost due to the virtual standstill of timber harvest. The SRS payments continued with a four year extension in 2008 with severely diminishing payments, a one year extension in 2012, a one year extension in 2013 and finally a two year extension passed was April 16, 2015. No additional extensions have been approved at this time.

The County presented voters with a Sheriff Local Option Operating Levy on the May 19, 2015 ballot, but the levy didn't pass. The proposed budget takes \$200,000 of Road money to fund the Sheriff County Road Patrol and \$120,000 for Road Patrol Dispatch, which is allowed under Oregon Senate Bill (SB) 496.

SB 496 was signed into law June 24, 2013 allowing 7 counties (Coos, Curry, Douglas, Josephine, Klamath, Lane and Linn) to take restricted Road funds to pay the cost of Sheriff's patrol of county roads. The bill was originally designed to sunset after three years, but the 2015 legislature passed SB 26 and the sunset provision was repealed on January 2, 2016.

Oregon and California (O&C) railroad lands:

Curry County and 17 other O&C Counties historically received a major portion of their discretionary revenue from timber harvest on O&C BLM lands. Consequently most of the O&C Counties had extremely low property tax rates, especially when compared to counties, special districts and cities that did not receive O&C timber harvest revenue. In 1997 Measure 50 set a permanent rate limit for each individual local government in Oregon: Josephine \$0.5867, Curry \$.05996, Coos \$1.0799, Douglas \$1.1124, Lane \$1.2793, Linn \$1.2736 and Klamath \$1.7326. Secure Rural Schools and Community Self-Determination Act of 2000 (SRS), Public Law 106-393, was enacted to provide stabilization to rural areas dependent on timber harvest payments. Department of Interior / BLM payments are distributed 85% to General Fund, 8% to Regional Advisory Committee (RAC), and 7% to Title III. United States Department of Agriculture / Forest Service payments are distributed 64% to Road Fund, 21% to County Schools, 8% to RAC, and 7% to Title III. At this time it is not likely that SRS will be extended again. Federal PILT (Payments In Lieu of Taxes) to counties are permanently authorized but appropriations are not. There are discussions whether PILT should be increased, continued, or eliminated.

County Budget Changes:

As noted earlier, the total County budget is proposed to be \$57.6 million in 2017/2018 compared to \$59.1 million in 2016/2017. The following actions contributed to reducing the total County budget. Departments have prepared budgets that have reduced materials and supplies by 5% or more, some departments have reduced budgeted positions by attrition.

grants were moved from the General Fund into Restricted Funds, O&C forest fees re-evaluated and increased by \$200,000, use of Road funds decreased from \$1,705,000 to \$200,000 and the carryover balance was increased \$207,000.

The General Fund

The General Fund includes elected officials: **Clerk** Elections & Recording, **Assessor/Tax** Collector, **Treasurer**, and **Sheriff**. **District Attorney** is an elected state employee. The elected officials and the District Attorney's Office are included in the departments described below.

General Fund Departments Sources of Funding:

Law Enforcement includes District Attorney, Sheriff, Criminal, Civil, Road Patrol, Jail, 911 Dispatch, Emergency Management, and Juvenile. Law enforcement's \$4.9 million budget is funded by \$320,000 restricted Road funds for Patrol, \$331.800 restricted Federal and State resources, and \$4.2 million General Fund discretionary resources. Marine Patrol, Forest Patrol and Search and Rescue have been moved to Restricted Fund 1.28.

Elections department is funded 98.6% by discretionary General Fund resources.

Recording department is funded 9.5% by discretionary General Fund resources.

Assessment department is funded 22% by State resources and 73% by General Fund discretionary resources. Assessment updates property values and imposes property taxes for all of the taxing districts in the County.

Tax department issues tax statements to property owners and collects and records tax payments received. Department is funded 71% by discretionary resources.

Treasurer department is responsible for managing the County's bank accounts and distributing property taxes received to the taxing districts. Department is funded 93% by discretionary resources.

Surveyor is funded 71% by Cornerstone Preservation fees from document recording.

Veterans Services are approximately 47% funded by Federal and State grants. The Retired Senior Volunteer Program (RSVP) and Senior Health Insurance Benefits Assistance Program (SHIBA) are no longer county programs.

General Fund Discretionary Resources:

Discretionary resources are funds received by the County General Fund that may be used for any lawful purpose as determined by the governing body. General Fund Discretionary

Resources are in the Non-Departmental budget and include funds being carried forward from the prior fiscal year. Carry forward funds include: 1) Non-spendable which is property taxes receivable, 2) Prior year Working Capital Reserve, and 3) Unassigned are all other resources not expended in the prior budget year

General Fund New Discretionary Resources:

New Discretionary Resources are only those new revenues expected to be received during the budget year and do not include any carry forward or special purpose restricted funds.

	2016/2017 budget	2017/2018 budget
Property Taxes:	\$1,608,000	\$1,670,705
Federal Payments	\$ 500,000	\$ 700,000 SRS + PILT
All other resources	<u>\$ 487,556</u>	<u>\$ 153,828</u>
Total New Resources	\$ 2,595,556	\$ 2,524,533

County Road Fund Budgets:

Restricted County Road Funds account for \$39 million of the \$57.6 million budget. Road Funds include Road Operations, Bike & Footpath, Road Equipment Self Insurance, and Road Capital Improvement. Road funds are restricted for county road maintenance and construction by Oregon Constitution Article IX, Section 3a, Federal Law 16 U.S. Code 500, State statute ORS 294.060.

	<u>2016/2017 budget</u>	<u>2017/2018 budget</u>
Road Operations:	\$ 7,412,722	\$ 6,416,490
Bike & Footpath	\$ 37,013	\$ 16,960
Road Self Insurance	\$ 1,164,177	\$ 1,164,587
Road Cap Reserve	<u>\$ 30,790,650</u>	<u>\$ 28,659,290</u>
Total Road Funds	<u>\$ 39,404,562</u>	<u>\$ 36,366,766</u>

(excluding Road to Road transfers; including transfers to Sheriff and unappropriated)

The Budget Document

The budget document is an operations guide, financial plan, as well as a statement of significant policies and changes. It represents the plan of action that Curry County will take in addressing its current needs and in planning for the future. The Curry County Board of Commissioners is presenting a balanced budget for FY 2017/2018.

Financial Policies

Basis of Accounting

Curry County uses the modified accrual basis of accounting. This means that revenues are recognized when they become measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay the liabilities of the current period.

Expenditures are recognized in the period that they are incurred. The County uses accounting procedures that are in compliance with Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB). Financial statements are issued in compliance with standards as determined by the Governmental Accounting Standards Board (GASB).

During the 2014/2015 fiscal year the County changed some accounting policies to be GASB compliant. Transfers were used to record goods and services cost exchanges between County departments in prior years. GASB requires recording those activities as Intergovernmental Service (IGS) revenue and expense.

Internal Service Fund (ISF) Cost Recovery:

The County uses cost recovery methodologies to fully recover the costs associated with providing internal services to the various County departments. Cost recovery based on a percentage of budget, excluding transfers and unappropriated, is the primary cost recovery method for Commissioners' Fund and Administrative Services Fund (Commissioners' Office staff, Accounting, Payroll, Counsel's Office, IT/Telecommunications). Occupancy, building and office space, is based on square footage occupied and is calculated to recover the full costs related to utilities, minor repairs and staff to operate the buildings.

General Services Fund fuels, services and maintains all County vehicles except Road Fund vehicles. Cost recovery is based on mileage and priced to fully recover the cost of fleet operations. Vehicle Replacement Fund provides a buffer for departments to purchase a vehicle over time or outright as necessary. General Equipment Self Insurance is a cost effective alternative to purchased insurance for losses to vehicles and equipment. Cost Recovery is mileage based through General Services Fund. Road Equipment Self Insurance covers the Road equipment and is replenished if necessary from Road funds.

Unemployment Reserve is a fund to pay the County quarterly self-insured unemployment claims. The fund reduces year to year fluctuations and all departments pay a percentage of salary & wages to maintain the fund. Elected officials are not eligible for unemployment

and are not included. PERS Reserve was initially established to cover an expected large unfunded liability. If rate increases are significant the Commissioners may authorize funds be used to reduce the cost impact on departmental budgets.

Staff Additions

Staffing FTE by position is included in the departmental organization section at the beginning of the budget details and on the page at the beginning of each department. (Payroll details are not included in this budget document but are included in the Master Payroll Order that is published in July.)

Cost of Living/PERS/Health-Dental-Vision Insurance

The FY 2017-2018 budget reflects a 0.0% Cost of Living Adjustment (COLA) for SEIU union employees, a 0.0% COLA for Teamsters union members and 0.0% COLA for elected officials, managers, and other non-represented employees. The County is currently in negotiations with the SEIU and Teamsters unions. There will be an overall PERS rate increase July 1, 2017. Tier I/Tier II increased from 18.19% to 22.23% while OPSRP increased from 7.56% to 11.21% Police & Fire increased from 11.67% to 15.98%. The FY 2017-2018 health coverage for an SEIU employee remains capped at a \$1,000 per month with the employee picking up the balance of the premium. Non-represented employees and elected officials are capped at \$1,000 per employee and Teamster employees have a cap of \$1,150 per month with the employees picking up the balance of the premium. Members of the Teamsters bargaining unit receive a \$50.00 per month contribution to a personal HRA (Health Reimbursement Account).

Union Negotiations

Teamsters' and SEIU union contract expire June 30, 2017.

County Fees Policy

The County has set a policy of increasing fees the first week of July. These increases are made only after an analysis of the costs related to providing those services. ORS 203.115 allows the County governing body to set fees twice annually.

Unemployment Reserve Contribution

The County is a direct reimbursement employer and the Unemployment Fund is to assure that the County has enough money to pay the unemployment liabilities as billed by the State on a quarterly basis. The BOC determines whether to charge each department/fund that has a payroll within the County or relies on the General Fund for interim funding until

enough monies have been reserved to offset any possible substantial layoffs that might occur. Each layoff or termination has a \$20,000 potential cost to the County. The Fund currently has resources for up to 14 unemployment claims. There is no General Fund draw in the 2017-2018 Proposed Budget. During the 2016-2017 Budget Committee process, the current 1.5% unemployment rate on payroll salaries for the Fund 3.01 Unemployment Reserve was split to increase the Unemployment Reserve by .75% on payroll salaries and increase the Fund 2.33 Capital Projects Fund by .75% on payroll salaries. This change is reflected in the 2017-2018 budget.

PERS Reserve Contribution

The BOC put the PERS reserve aside to partially cover the exposure the County retains as its share of the unfunded PERS liability. There is no General Fund draw in the 2017-2018 Proposed Budget.

Changes in Revenue and Appropriations/Permanent Tax Rate/Unappropriated Fund

- Revenues are estimated at conservative levels while including all expenditures and probable increases in program expenditures.
- Reserved Title III funds are included in the budget where appropriate and approved.
- The County's permanent tax rate is \$.5996 per \$1,000 assessed valuation.
- The 2017-2018 General Fund Budget reflects a \$2.1 million beginning fund balance with \$80,000 non-spendable, and \$750,000 committed to working capital.

Capital Projects and Major Building Repairs

No major capital projects are anticipated in the 2017/2018 fiscal year.

Road Fund 2017/2018 capital projects budgeted at \$1.4 million are on track to be completed within budget. During 2016-2017 no Road Capital Improvement Fund capital projects were undertaken and it is not expected there will be expenditures against the \$6.8 million capital budget in that fund. Road Fund 2017-2018 capital projects \$1.4 million budget includes bridge and road improvements and equipment.

Federal and State Regulations:

Federal grant funding requires strict accountability and reporting of expenditures unless the grant specifically allows co-mingling or combining with other funding sources. In some cases it is necessary to specifically track the grant match expenditures separately from the grant funded expenditures. Federal money cannot be used to match federal grants.

State grant funding usually includes Federal pass through funding and also requires strict accountability for most funding streams that are not General Fund discretionary use.

County budgets are categorized by Funds, an Oregon Budget Law entity, and departments within those Funds to efficiently account for the respective functions and related funding sources.

The 2017/2018 budget includes a new 2.50 Federal Grant Fund and a new 2.51 Other Grants Fund to specifically track individual grant or restricted fund revenues, separate from other funding sources.

SUMMARY

The County is mandated to provide certain services and will do so as funding allows.

Total County Budget Appropriations: Including Unappropriated.

2011/2012	\$68,801,592	\$64,161,665 Excluding Transfers:
2012/2013	\$64,570,894	\$56,958,127 Excluding Transfers:
2013/2014	\$54,999,571	\$50,304,936 Excluding Transfers:
2014/2015	\$57,366,432	\$51,069,200 Excluding Transfers:
2015/2016	\$57,981,621	\$55,164,400 Excluding Transfers:
2016/2017	\$59,147,384	\$56,048,722 Excluding Transfers:
Proposed: 2017/2018	\$57,711,736	\$53,892,753 Excluding Transfers:

The County Board of Commissioners and staff remain dedicated to providing the best possible service to its residents. They ask for the continued involvement of its citizens in County committees, boards, and events.

Respectfully,



Louise Kallstrom
Budget Officer