

Josephine County, Oregon



2005-2006 OPERATING BUDGET

JOSEPHINE COUNTY, OREGON

ADOPTED BUDGET 2005 – 2006

Submitted by the
Josephine County Budget Committee

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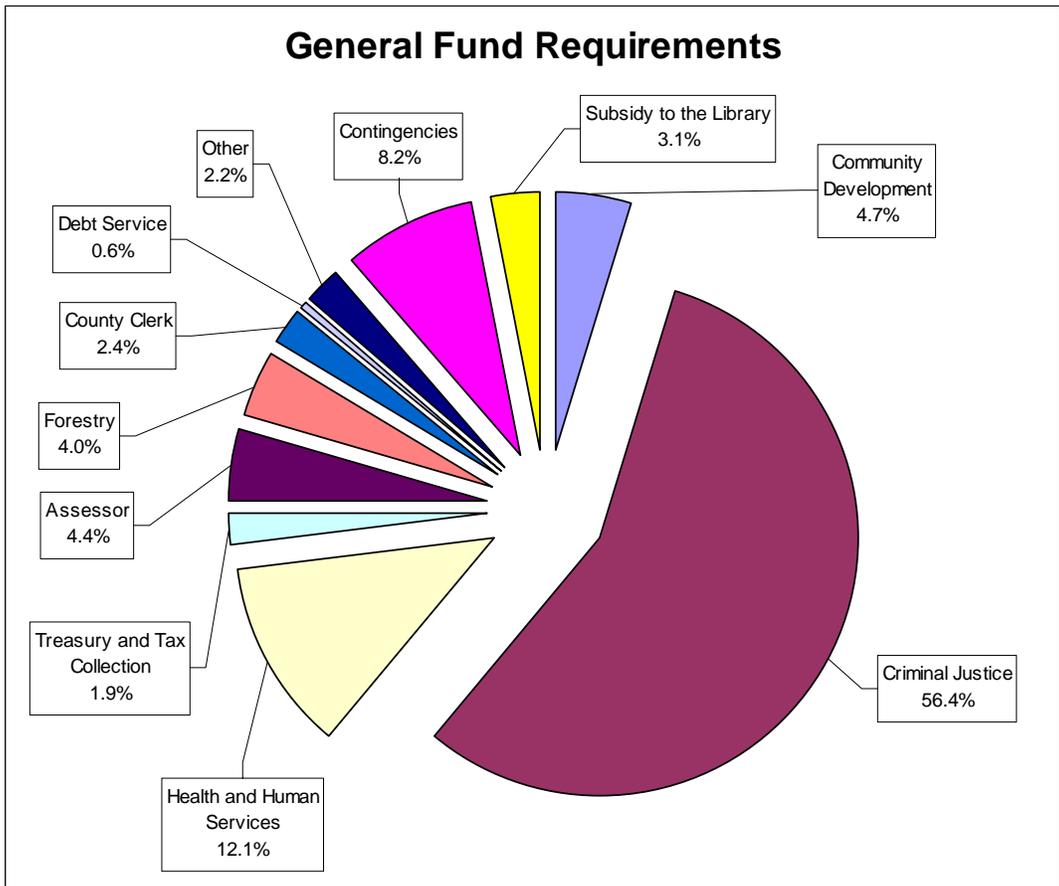
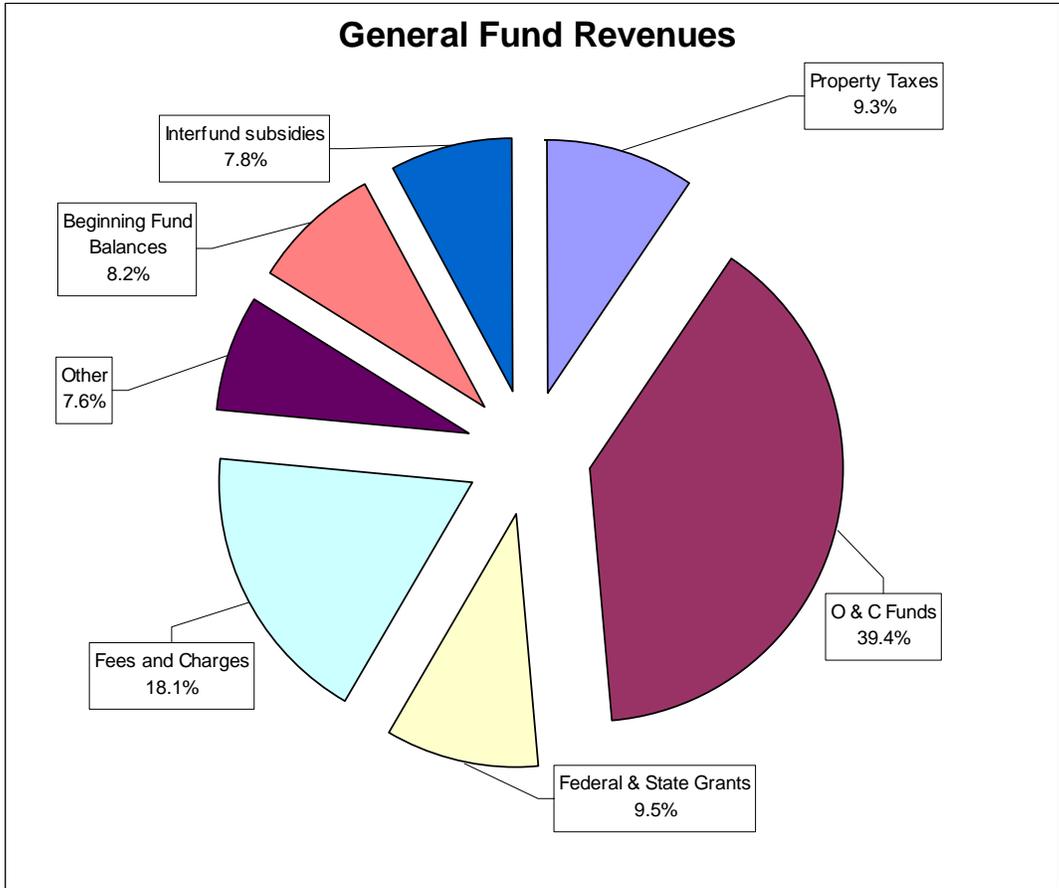
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INTRODUCTION

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**JOSEPHINE COUNTY, OREGON
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**2005-2006
Budget Message**

August 26, 2005

The Citizens of Josephine County
Josephine County Commissioners
Budget Committee Members
Josephine County Elected Officials and Department Heads

The 2005-06 budget for Josephine County was unanimously adopted by the Board of County Commissioners on June 23, 2005. This budget is a financial operating plan for the County for the period of July 1, 2005 to June 30, 2006. This book contains summary budget information for the General Fund and all funds of the County as a whole. It also contains budget information of each fund and department along with a description of the programs, accomplishments and goals of each. The Table of Contents provides a guide for how this document is organized and where information is located. This book is intended to help the reader understand County operations and the budgets that guide those operations. The Finance Department welcomes any comments or suggestions you may have for making this book a useful tool for those purposes.

The budget for 2005-06

The budget for the General Fund for 2005-06 is \$30,084,495, and the total County budget with all of its budgeted funds (including the General Fund) is \$106,904,963. The Financial Summaries section of this book contains summaries of the budget by resources (revenues and beginning fund balance) and requirements (expenditures and ending fund balances), broken down by activity, budget category and fund type for the 2005-06 budget compared to the 2004-05 budget. This section also shows a breakdown of resources and requirements for each individual fund of the County. The budget for the General Fund and each of the County's funds is balanced, which means that budgeted expenditures plus ending fund balances are equal to the resources estimated to be available during the budget year.

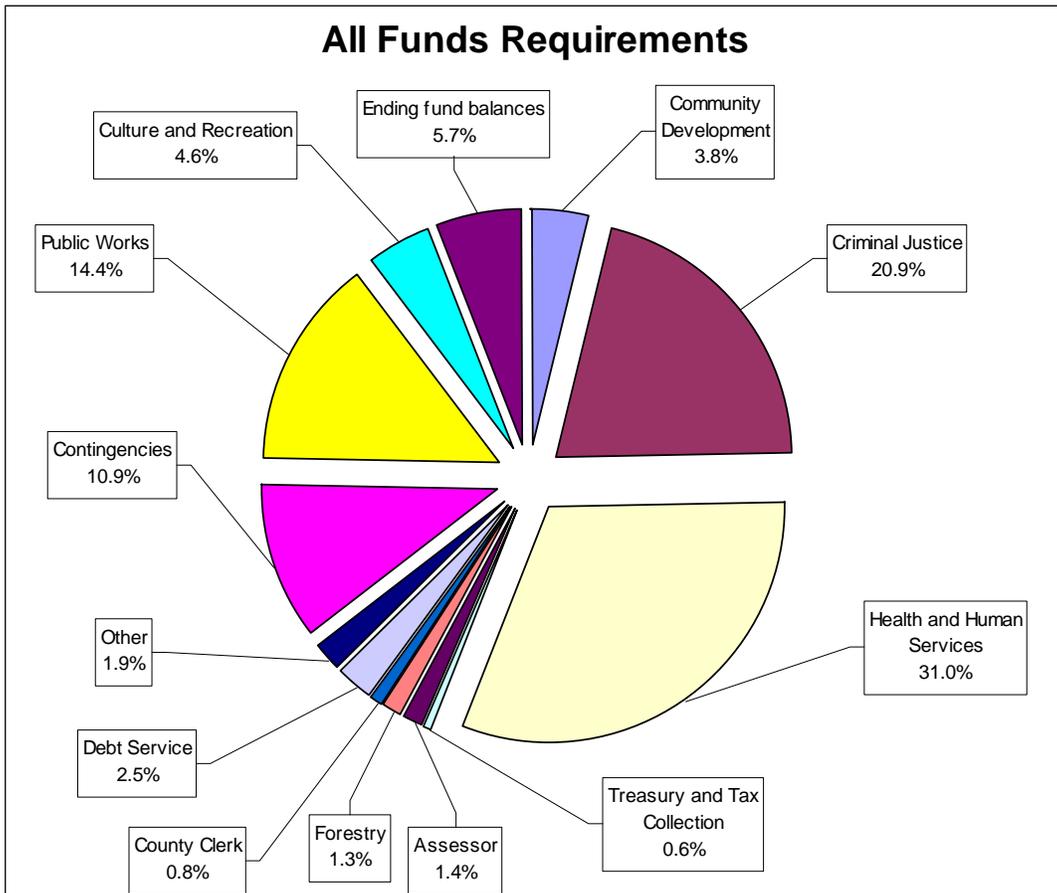
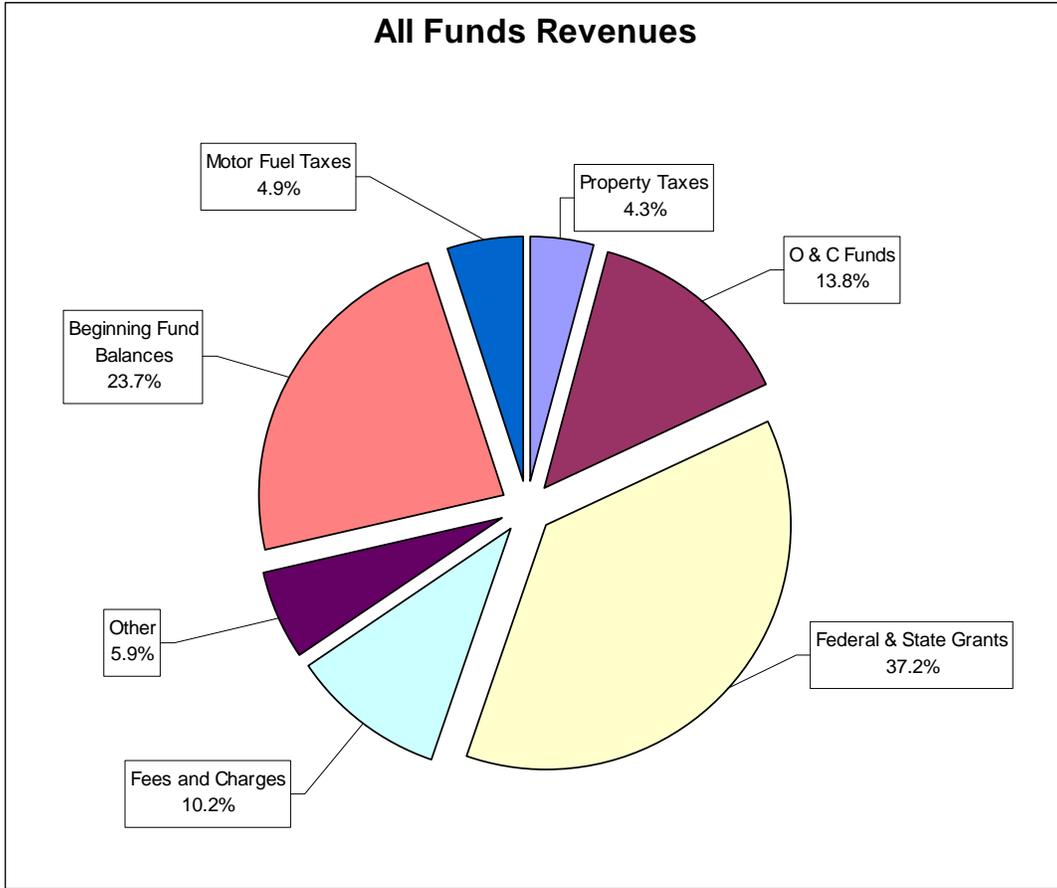
The revenue charts graphically show Josephine County's sources of revenue. Likewise, the requirements charts show the major categories of budgeted requirements, both for the General Fund by itself and for all of the County's funds together.

The General Fund is the County's chief operating fund and used to account for all financial resources except those required to be accounted for in a separate fund by either statutes or terms of the revenue source (such as grants). The Reader's Guide describes each of the fund types the County uses. A description of individual funds is presented in the Budgets and Program Descriptions by Department section.

The charts show that Federal Safety Net receipts (O&C Funds) are 39.4% of total revenues in the General Fund. More information about the continuation of O&C funding is shown below.

The General Fund Requirements chart shows that 56.4% of General Fund expenditures go to support the Criminal Justice departments (Sheriff, District Attorney and Community Justice). Heavy reliance on General Fund support causes the Criminal Justice system in Josephine County to be vulnerable to cutbacks in revenue from O&C Funds. Health and Human Services programs in Josephine County total 12.1% of the General Fund expenditures.

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Special revenue funds and programs funded by federal and state grants are less vulnerable to cutbacks in General Fund revenues. The Public Works Department is primarily funded by motor fuel taxes and state grants. The Health and Human Services programs are mostly funded by federal and state grants. The revenue sources for these special revenue funds and grant-funded programs require that expenditures be for specific purposes as set by statute or terms of the various grants. Special revenue funds revenues and grant revenues may not be used for un-designated general government purposes.

The 2005-06 budget of \$106,904,963 totals \$14,397,587 less than the 2004-05 budget of \$121,302,550, as amended by supplemental budget adjustments during the year. The major reasons for this decrease in the totals are internal accounting changes for short-term borrowing and interfund transfers. The schedule titled “Revenue and Expenditure Budget Comparisons” shown in the Financial Summaries section of this book details changes in budget requirements for the various areas of county government.

At the beginning of the 2005-06 budget process, individual members of the Board of County Commissioners along with one of the members of the Budget Committee met with each County Department Head and Elected Official to learn more about program service levels and budget issues at a department level. Each Department Head and Elected Official presented information about the legal and historical background for departmental services to the citizens of Josephine County. The Board of County Commissioners then held discussions with individual departments concerning budgets to be submitted for consideration. Some departments were told that the amount of General Fund support they would be receiving would be changed, others were told to maintain the same level of expenditures as previous year and others were told to increase expenditures. All departments were told to balance expenditures with revenues in special revenue funds and other funds not receiving General Fund support. The Library Director was told to balance the Library Fund (Fund 205) budget with \$250,000 less in General Fund support than received in the prior year. The BCC also directed that the General Fund Contingency be raised to \$2,500,000 from the 2004-05 budget of \$1,443,778.

Departmental budgets were submitted to the Board of County Commissioners with special revenue funds in balance and the General Fund expenditures exceeding revenues by \$776,221.

The Board of County Commissioners (BCC) worked through the departmental budgets as submitted, spending many hours examining budget details. The BCC made changes to Internal Service Funds to decrease charges to departments serving the public. The BCC also received new information and ordered a decrease in the budgeted charge for Oregon Public Employees Retirement Systems (PERS) throughout the County. The PERS decrease reduced General Fund expenditures by approximately \$391,000, thus reducing the excess expenditure problem significantly.

The Board of County Commissioners continued to work with the department budgets to bring the General Fund into balance and directed changes to other funds. A balanced budget was presented to the Budget Committee on April 26, 2005.

The Budget Committee met on April 26, 27 and 28 and again on May 3, 4 and 5 deliberating and hearing testimony. On May 5 the Budget Committee approved a budget totaling \$108,137,709.

During the period of May 6th through June 22nd, the Board of County Commissioners discussed adjustments to the approved budget, held a public hearing on June 22nd and adopted the 2005-06 budget on June 23, 2005. All required public notices were made and other requirements of Oregon Budget Law were completed timely.

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Among the adjustments made to the approved budget by the Board of County Commissioners was the reduction in budgeted capital outlay expenditures in Internal Service Fund 401, Building Operations & Maintenance, in the amount of \$2,134,000, administered by Public Works.

The General Fund Budget adopted by the Board of County Commissioners included increases in General Fund support of \$116,793 for the District Attorney’s Office and \$538,984 for the Sheriff’s Office. These increases were 8.71% and 7.26% over 2004-05, respectively, for the District Attorney and the Sheriff. All other General Fund Departments received a 2.0% or less increase in General Fund support.

The County’s budgeted employee headcount has gone down 23 full time equivalents (FTE) to 592 FTE when compared to 2004-05’s count of 615 FTE. This decrease is partly due to the outsourcing of casual-seasonal employees who are no longer included in the FTE count.

The Financial Summaries section of this book contains a comparison between the two budget years, with revenue broken down by category and expenditures broken down by activity, category and fund type. Also included here are comments about some of the larger budget changes in the current year versus the prior year.

Accounting Changes

Accounting for payouts of accumulated time management leave as supplemental wages for employees was changed in this budget. “Sell-back” of time management leave is now budgeted as a current operation expense rather than a charge to the time management leave reserves. Impacts on current budgets is discussed under ‘Budget Challenges’ below.

Accounting for short term borrowing and internal payments for health insurance was changed in the 2005-06 budget. A detailed description of these changes is included in the Financial Summaries section of this book under “Comments about year to year fluctuations” following the “Revenue and Expenditure Budget Comparisons”.

Budget Challenges

Josephine County is faced with some major financial issues, which impact both current and future budgets. These are discussed in the following paragraphs.

O & C Funding Expires in Fall 2006

The largest source of Josephine County General Fund revenues, at 39.4%, is payments from the Federal Secure Rural Schools and Community Self-Determination Act of 2000 (Public Law 106-393) otherwise called O&C payments and Forest Service Receipts. The Act addresses the decline in revenue from timber harvest in recent years received on Federal land, which have historically been shared with counties. For each year 2001-2006, the law allows counties to receive a payment from the Federal government based on the State average of their top three years of payments from Federal lands. 68% of Josephine County is federally owned land and not subject to property taxes to support County services. It is estimated that Josephine County will receive a total of \$15,228,619 for the budget year of 2005-06. This money is reflected in the budget as follows:

Title I in the General Fund	\$11,652,000
Title III in the Title III Special Projects Fund	\$ 1,021,000
Public Works Road Fund	\$ 1,916,619
Public school funds pass-through in the County School Fund	\$ 639,000

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In addition, under this law, local resource advisory committees (“RAC’S”) will receive approximately \$1,500,000 for special projects on federal lands within Josephine County (O & C Title II pass-through funds).

The federal payments received into the County General Fund are over 4 times the amount received from property tax payers. The last payment under the Public Law 106-393 will be during the fiscal year 2006-07 unless it is extended by congressional action. The Board of County Commissioners is faced with difficult decisions and choices as the County faces the loss of the General Fund’s major source of Revenue.

Local Government Funding Constraints

The passage of the statewide constitutional property tax limitations of Ballot Measure 5 in 1990, Measure 46 in 1996 (changed by Measure 50 in 1997), restricts Josephine County’s ability to raise property taxes. The County’s fixed permanent tax rate of \$0.5867 per thousand of assessed value cannot be increased and remains the lowest permanent rate of all the Oregon counties.

The Board of County Commissioners may initiate elections calling for local option levies for up to five years for county operations. The Board of County Commissioners may also call for an election to form a countywide special service district to address the funding of services such as law enforcement and libraries. Citizens may also use the initiative petition process for special service district formation elections and local option levy elections. Elections for the formation of special service districts and local option levies both require a ‘double majority’ for approval if not held at a general election in an even-numbered year.

The tax rate constraint mentioned above generally limits property assessed value increases to 3% per year, or real market value, whichever is lower. The assessed value may increase if substantial improvements are made to the property or for other limited reasons. New property is assessed at the average county ratio of assessed to real market value of existing property of the same class. For 2004–05, for all classes of property countywide, total assessed value was about 65.4% percent of real market value. The 3% limitation and the artificial lowering of assessed values on new property has prevented County property taxes from increasing proportionally to the increased construction in the County and the increases in real market value of property. This budget estimates a \$165,589 increase in County revenues from property taxes when compared to the budget for 2004-05. It can be concluded that property tax increases will not fund the impacts on services caused by the population growth the County is experiencing.

PERS

The costs of funding Josephine County’s employees Oregon Public Employees Retirement System (PERS) increased by 4.31% to 25.90% for law enforcement employees and increased by 2.95% to 19.66% for other County employees. Of this percentage, 1.30% is allocated to amortize the unfunded actuarial liability (UAL) as required by PERS and 3.24% is allocated for debt service on monies previously borrowed to decrease the UAL. The employee fixed contribution rate is 6%.

Other Personnel Issues

The County’s liability for paid leave was estimated to be \$5,717,000 at June 30, 2004. The budgets for each department included a charge of 4.35% of payroll to amortize the unfunded liability for paid leave and fund pay-outs to 2005-06 retirees for their paid leave accounts. In addition, the current costs of time management leave sell-back to departmental employees is now included in the current budget and not paid out of time management leave reserves. The change to current expensing of time management leave sellback increased department personnel budgets in 2005-06 by 1.46% at the lowest, to 1.96% at the highest.

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The County is in the final stages of labor negotiations with the American Federation of State, County and Municipal Employees (AFSCME), the union representing 359 employees. As of the date of this document, AFSCME employees have rejected the offer made by the County and mediation is the next step. While some of the impacts on the 2005-06 budget have been anticipated, the final impact on County budgets and services will not be known until the process is completed.

During fiscal year 2004-05, the contract with the Sheriff's Association bargaining unit was finalized causing a \$235,000 increase in the Sheriff's Department budget for wages and health insurance benefits.

In Conclusion

The Board of County Commissioners has adopted a balanced budget as required by Oregon law. This budget is a prelude to even more difficult budget processes for the final year of the guaranteed O & C payments in 2006-07. All the Elected Officials of Josephine County realize that providing positive leadership to county government is likely more critical now than any other time in recent history. All the people working in county government are committed to creating the best possible solutions for all the citizens of Josephine County.

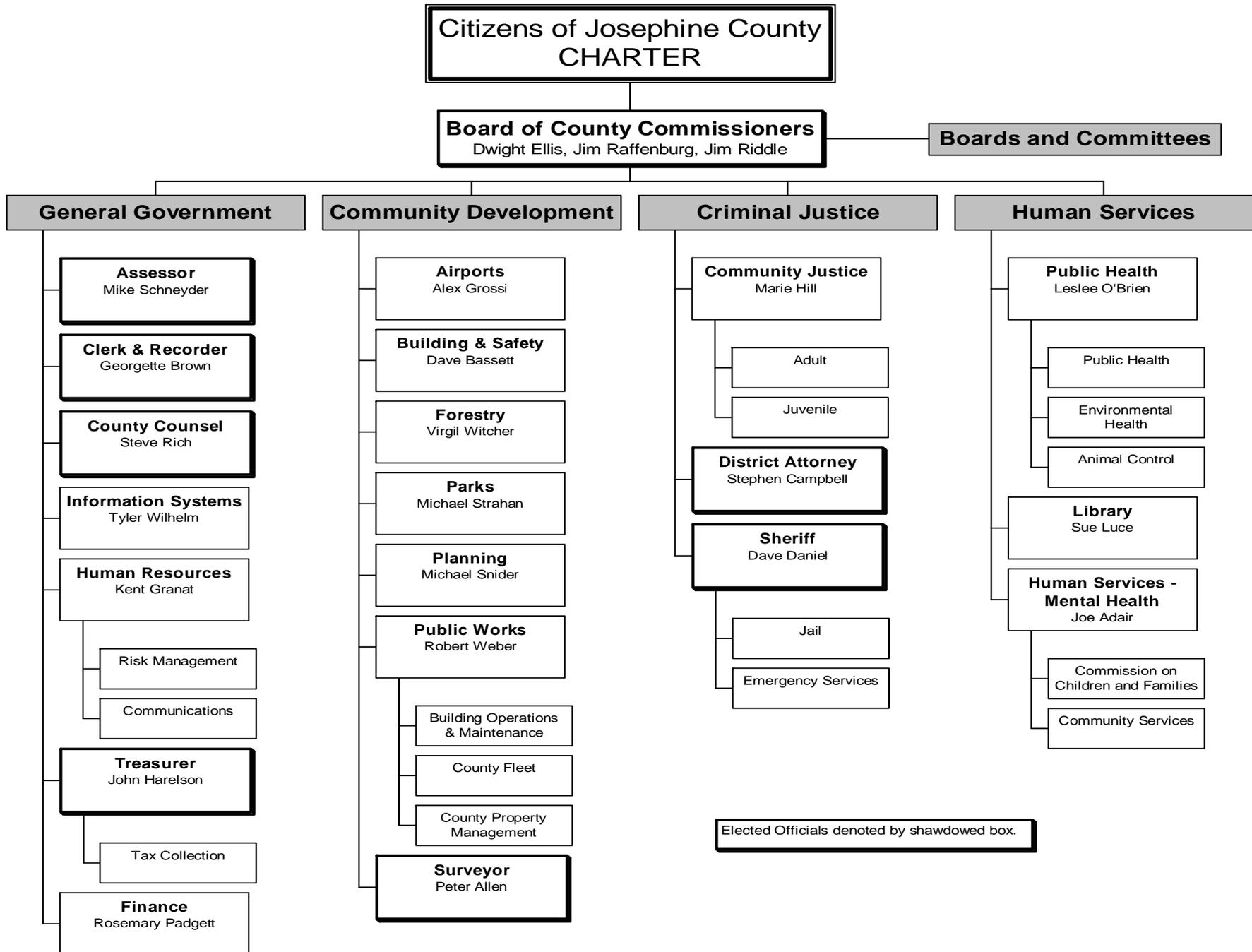
Respectfully,



John Harelson
Budget Officer



Bill Burnes
Budget Analyst





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