



Clatsop County

County Manager's Office

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BUDGET MESSAGE FY 2013-2014

June 26, 2013

Clatsop County Board of Commissions, citizen members of the Budget Committee and citizens of Clatsop County:

I am pleased to present the adopted budget for fiscal year 2013-14. The adopted budget submitted herein is the financial plan for maintaining all County operations for the next fiscal year, beginning July 1, 2013 and ending June 30, 2014. The adopted budget has been prepared in accordance with Oregon local budget law, the Board of County Commissioners' Budget Policies, Clatsop County's Long-Term Financial Plan (LTFP) and generally accepted accounting principles. For the first time, the budget will be submitted to the Government Finance Officers Association (GFOA) for Distinguished Budget Award consideration. The award has significant requirements as to content in order to provide readers with more relevant and useful information. The budget document is organized by service area such as Public Safety and Justice, and General Government and includes department performance measurements. The adopted budget is balanced and stays within all statutory property tax limitations. It would be appropriate to view the Adopted Budget as the intersection of public policy, values, and available resources.

The Clatsop County Budget includes the following legally separate entities:

- Clatsop County 4-H and Extension Services Special District
- Rural Law Enforcement District
- Westport Sewer District
- Road District #1

INTRODUCTION

Clatsop County has been able to sustain programs and services for its citizens despite the difficult economic climate of the last few years. However, developing a balanced budget has become increasingly challenging due to these fiscal realities. With continued prudent fiscal management, I am confident Clatsop County is in a position to proactively, effectively and responsibly plan and prepare for the future and will continue providing the services our citizens expect and depend upon.

The organization has been actively managed for both results and overall financial sustainability. Performance based budgeting has provided data to inform spending decisions by understanding actual service outcomes of County departments. The Board of County Commissioners deserve great credit for having the wisdom and forethought to adopt and implement the County's Long Term Financial Plan (LTFP), which has put Clatsop County at the forefront of short and long term financial planning. Clatsop County has been recognized for its efforts to control the size of County government relative to available resources by utilizing responsible financial management practices. The LTFP identifies areas where

Clatsop County could preserve and strengthen the County's fiscal health by updating financial policies and establishing greater reserves. The 2013-14 Budget Policies reflect implementation of the Long Term Financial Plan's policies, goals and targets. Some of the key provisions of the Budget Policies include:

- No new staff or programs unless specifically approved by the Board of Commissioners.
- Seek staff and expenditure reductions wherever possible.
- Utilize the County's Indirect Cost Allocation Plan in an effort to appropriately recover the full cost of the County's overhead functions and to identify the impact of all programs on overhead services.
- Pursue revenue sources to the fullest extent possible for all services as well as total cost identification for fee setting purposes.
- General Fund discretionary dollars shall not be used to back-fill any loss in state-shared or federal revenues or increase the County share of programs funded primarily from non-General Fund sources.
- Maintain at least 10 percent of the General Fund's appropriation in contingency, but no less than \$1.2 million.
- Retain no more than the lowest year of actual timber receipts over the last fifteen (15) years in the General Fund to support the current level of General Fund services; transfer all remaining timber monies to the Special Projects Fund for capital projects and other one-time expenditures.
- Maintain a General Fund Stabilization Account by setting aside timber revenue to provide a resource for General Fund operations in the event timber revenues received are less than projected.

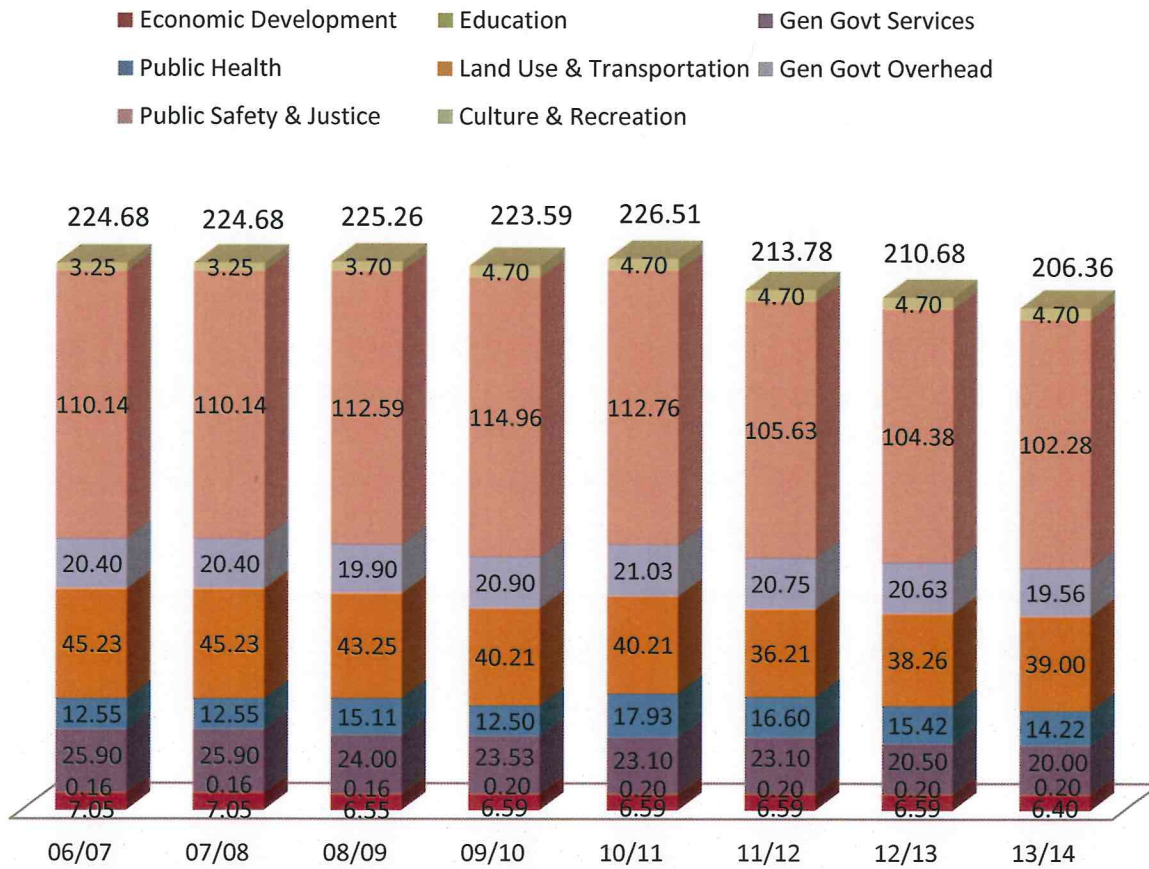
THE FY 2013-2014 BUDGET

In consideration of the budget policies and the current economic climate, the total adopted budget is \$54,601,700 compared to last year's adopted budget of \$56,678,600 (please see table below). This represents a \$2,076,900 or 3.7% decrease. The total budget includes operating expenditures, capital outlay, contingency and unappropriated fund balances. Revenue for all funds decreases by approximately \$964,000, and appropriations for all funds decreases by approximately \$2,077,000. Decreases in revenue are mainly attributable to loss in State and Federal revenue (\$554,000) and decreases in Beginning Fund Balance (\$1,113,000). To offset these losses, increases are expected in Unappropriated Fund Balance (\$714,000), Timber Revenue (\$364,000), Transfers (\$448,000) and Gas Tax (\$88,700).

| COUNTY WIDE BUDGET ADOPTED FY 2012/13 vs. Adopted FY 2013/14 | | | |
|---|-----------------|-----------------|---------------------|
| Resources | Adopted 2012/13 | Adopted 2013/14 | Increase/(Decrease) |
| Beginning Balance | 19,824,700 | 18,711,600 | (1,113,100) |
| Revenue | 36,853,900 | 35,890,100 | (963,800) |
| Total | 56,678,600 | 54,601,700 | (2,076,900) |
| Expenditures | | | |
| Personnel Services | 20,594,200 | 20,480,000 | (114,200) |
| Materials & Services | 9,591,000 | 9,610,600 | 19,600 |
| Special Payments | 5,011,900 | 2,950,900 | (2,061,000) |
| Capital | 5,208,400 | 3,679,900 | (1,528,500) |
| Debt Service | 1,577,200 | 1,380,500 | (196,700) |
| Transfers | 3,699,100 | 4,147,400 | 448,300 |
| Contingency | 9,135,300 | 9,926,600 | 791,300 |
| Unappropriated | 1,861,500 | 2,425,800 | 564,300 |
| Total | 56,678,600 | 54,601,700 | (2,076,900) |

Personnel Services decrease in total across all funds by \$114,200 or .05% from the 2012-13 adopted budget. The adopted budget for personnel services is \$20,480,000 and represents 37.5% of the total county-wide budget. This compares to 36.2% from last year's budget. Changes in personnel services include a decrease of 4.32 full-time equivalent (FTE) positions from 210.68 to 206.36. This is the lowest number of employees in many years as illustrated by the chart below. This decrease includes the elimination of the Assistant County Manager position, a position in the Information Technology Division, and two part time positions in the Sheriff's Department. Other changes to personnel services include increases due to an anticipated cost of living adjustment to employee wages by 2.5% (bargaining unit contracts) and increases in County PERS obligations.

FTE by Functional Area



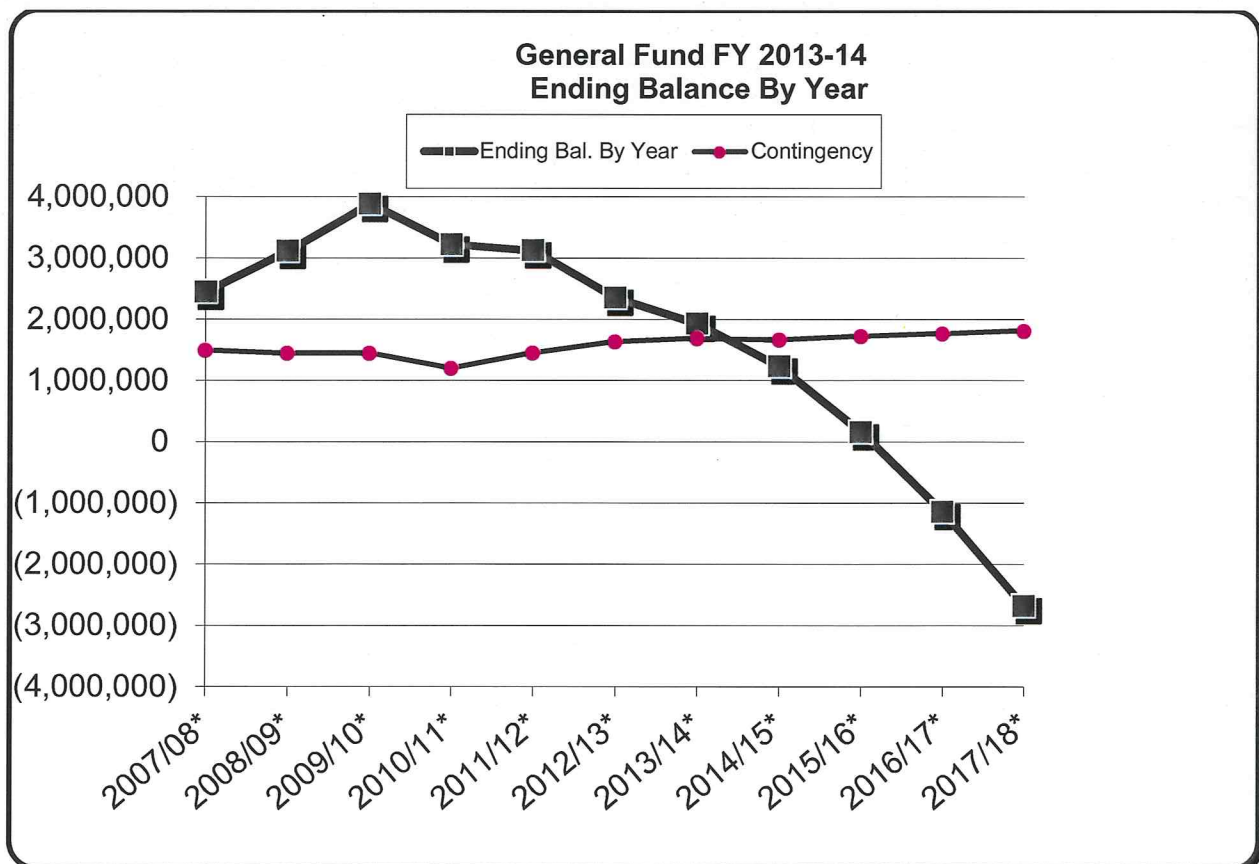
There was an increase of less than 1% in Materials and Services for all funds. The total budget for Capital Outlay decreases by 29.3% compared to the 2012-13 adopted budget. This is primarily due to the completion of the Emergency Operations Center (EOC) project, as well as a significant decrease in funds necessary for work to be completed in the 2013-14 fiscal year on Ensign Lane.

General Fund Overview

The General Fund increases from \$19,548,700 in FY 12-13 to \$20,143,500 in FY 13-14, a total increase of \$594,800 or 3.0% (please see table below). General Fund revenue is expected to increase by approximately \$906,700 mainly due to increases in Timber Revenue (\$334,000) and Property Taxes (\$124,000), in addition to an increase in transfers from the Bond Reserve (\$343,000) since this is the final year for the PERS bond payment. Unappropriated Fund Balance is expected to increase from \$19,100 to \$208,500, which will be added to the Beginning Fund Balance for the FY 14-15 budget.

**Clatsop County General Fund
Adopted 2012-13 Budget vs. Adopted 2013-14 Budget**

| Resources | Adopted 2012/13 | Adopted 2013/14 | Increase/(Decrease) |
|----------------------|------------------------|------------------------|----------------------------|
| Beginning Balance | 2,794,000 | 2,482,100 | (311,900) |
| Revenue | 16,754,700 | 17,661,400 | 906,700 |
| Total | 19,548,700 | 20,143,500 | 594,800 |
| Expenditures | | | |
| Personnel Services | 12,716,500 | 12,832,100 | 115,600 |
| Materials & Services | 3,086,300 | 3,360,000 | 273,700 |
| Special Payments | 82,300 | 61,900 | (20,400) |
| Capital | 0 | 0 | 0 |
| Transfers | 1,965,100 | 1,955,000 | (10,100) |
| Contingency | 1,679,400 | 1,726,000 | 46,600 |
| Unappropriated | 19,100 | 208,500 | 189,400 |
| Total | 19,548,700 | 20,143,500 | 594,800 |



**Per adopted Board Budget Policy at least 10% of the General Fund's appropriation, but in no case less than \$1.2 million, shall be placed into the operating contingency with the expectation that most will not be spent and will become part of the beginning fund balance for the following year.*

General Fund increases are primarily due to an anticipated cost of living adjustment to employee wages by 2.5% (bargaining unit contacts), increases in County PERS obligations, and increases in Transfers Out, primarily to support Juvenile Detention (\$523,500) and Public Health (\$394,000). To offset these increases, the budget anticipates savings by reducing staff through attrition, eliminating several positions by reorganizing the County departmental structure, transitioning staff to a more cost effective health care plan, and eliminating funding to outside agencies. It should be noted that any increase in General Fund transfer may not be consistent with Budget Policies whereas, for Non-General Fund budgets, the goal is to hold any General Fund contributions to no more than the amount provided in the current fiscal year and wherever possible, reductions in General Fund contributions should be identified.

The Juvenile Department has made great efforts at increasing revenue to offset the transfer from General Fund (\$523,500) by renting out beds in the corrections facility to other counties. Rents are anticipated at \$190,000 for FY 13-14. As rental income increases, reliance on General Fund decreases and as rental income decreases, reliance on General Fund increases. The danger of reliance on state contracts for bed rentals is if beds are not rented due to state budget cuts or changes in the contracts, the General Fund reliance would actually increase proportionally by the decrease in revenue. As the Budget Policies articulate, "Whenever possible, reductions in General Fund contributions should be identified." If the Board were to consider other options such as closing the juvenile detention facility and instead renting beds from other counties for Clatsop County youth offenders, reliance on the General Fund would decrease by an estimated \$150,000 to \$250,000 annually. A full analysis has yet to be completed however.

The Public Health Department regularly seeks grants to help fund programs our citizens rely on. Increases in grant dollars can help offset transfers from the General Fund (currently at \$394,000). Public Health Department staff have suggested that it may be advantageous to hire a dedicated grant writer to secure more grant funding, which in turn may offset General Fund transfers. A full analysis of this option still needs exploration to determine cost/benefit. HB 2870 would allow Oregon Counties to adopt a tax on tobacco products. If this bill is approved by the state legislature and an ordinance is then adopted by the Board of Commissioners, a tobacco products tax could generate significant revenue that could be used to offset the General Fund transfer to Public Health and possibly Juvenile Detention.

Reorganization of County departments includes the elimination of the Assistant County Manager position and the Central Services Department and instead creates three stand-alone departments (Budget and Finance, Assessment and Taxation, and Administrative Services). This change adds a total of two departments, but eliminates 1.9 FTEs (full time equivalent employees).

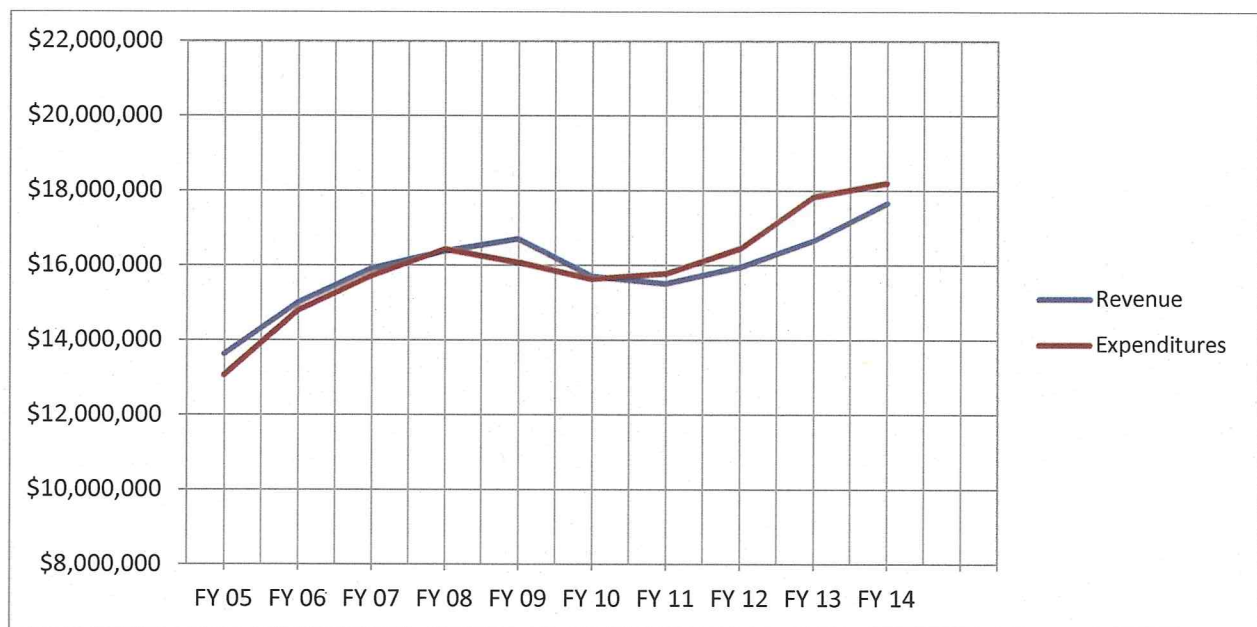
In addition to cost savings through staff attrition and County department reorganization, this budget anticipates savings in health care costs of approximately \$300,000 by transitioning from a more traditional plan (a.k.a. a "Cadillac" plan) to a high deductible/health care savings plan. It's anticipated this plan will be implemented in January of 2014. In the 14-15 fiscal year, savings are anticipated to be 100 percent greater since the plan will be in effect for an entire fiscal year. Savings is contingent on successful negotiations with the County's five bargaining units. As such, the Human Resources Office has created an Employee Benefits Committee to evaluate and make recommendations regarding the County's health care plan, with the goals of reducing costs and including employees in their health care decisions.

In order to support County programs, primarily in the Public Health and Juvenile Departments and Veterans Services, this budget has reduced funding to outside independent and non-profit agencies, which will result in a savings of \$22,500 for the General Fund.

Total Personnel Services in the General Fund increase by \$115,600 or .9% compared to the FY12-13 adopted budget. Personnel Services is \$12,832,100 or 64% of the total General Fund appropriations in 2013-14.

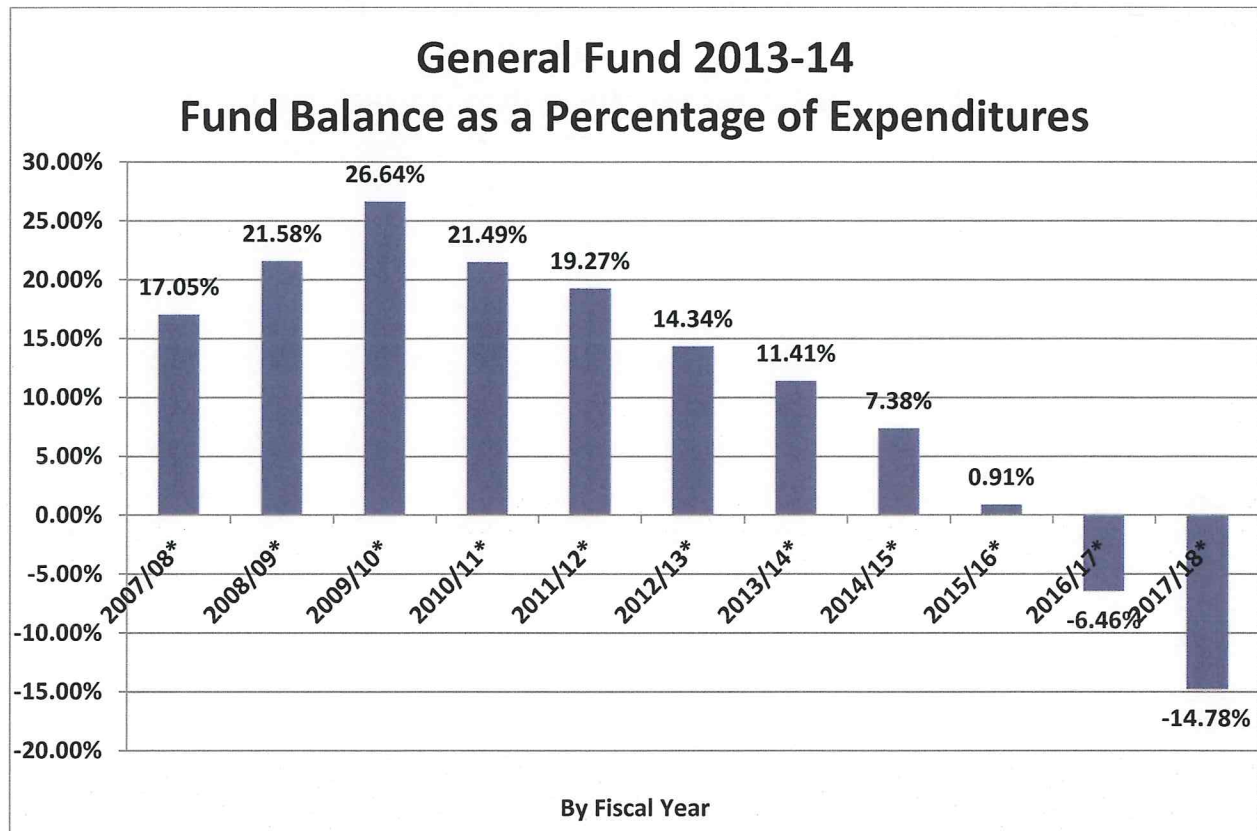
Materials and Services increases by 8.8% primarily due to inflationary costs and contractual services.

The short term outlook for the General Fund is not optimistic. Year after year, County Staff, the Budget Committee, and the Board of Commissioners work painstakingly at balancing the budget, in particular, the General Fund. The chart below illustrates how major decreases in General Fund revenue began in FY 09-10, primarily attributable to the national recession. Modest increases were realized in FY 11-12 and continue today. The County responded to this decreasing revenue by cutting expenditures beginning in FY 08-09. Unfortunately, increases in health care costs, PERS obligations, and Transfers Out to support other funds caused increases in expenditures to occur in FY 10-11. As a result, expenditures overtook revenues beginning in FY 10-11 and have remained greater ever since. With anticipated changes in employee health care plans resulting in lower costs, reorganizing the County structure, and the elimination of certain positions, the trajectory of expenditures has decreased, but remains higher than revenues for FY 13-14.



The County has been able to spend more than it receives by tapping into the General Fund's ending fund balance. The chart below illustrates how ending fund balance has decreased as a percentage of total expenditures beginning in FY 10-11. Note how this decrease in ending funding balance beginning in FY 10-11 corresponds with spending at a level greater than revenue in FY 10-11 in the chart above.

As a measure of fiscal health, local governments often look at ending fund balance, which includes unappropriated fund balance, contingency and any reserves as a percentage of the total expenditures. As this percentage decreases, the County becomes more risk susceptible to fluctuations in the economy, which can affect revenue and unplanned expenditures, due to failing infrastructure or natural disasters for example. As the County continues to improve efficiencies and considers implementing lower cost options, such as outsourcing certain services, the trajectory of expenditures is anticipated to flatten slightly more in the next few years. Coupled with potential increases in revenue from the possible adoption of a tax on tobacco products, the probability of revenues overtaking expenditures increases which will allow the County to slowly re-build its ending fund balance.



Operating, Capital and Non-Operating

The adopted budget is categorized into three sections: the *Operating Budget* includes direct service delivery, staff and operating contingencies; the *Capital Budget* includes investments in facility, technology and transportation; and the *Nonoperating Budget* includes internal service functions, reserves and dues and special assessments. The Operating Budget is further categorized into seven functional service areas: General Government; Public Safety & Justice; Health & Human Services; Land Use, Housing & Transportation; Culture & Recreation; Economic Development; and Education.

The Operating Budget is \$43,792,900 and represents 80% of the total budget; the Capital Outlay Budget is \$1,639,500 and represents 3% of the total budget; and the Non-operating Budget is \$6,733,300 and represents 12% of the total budget. A table illustrating key changes is provided below:

Operating, Capital, Non-operating

| | | 12-13 | 13-14 | Change | Percentage | % of Total |
|--------------------------------------|----|-------------------|----------------------|-----------------------|----------------|-------------|
| Operating | | | | | | |
| Public Safety and Justice | \$ | 14,511,300 | \$ 14,293,800 | \$ (217,500) | -1.50% | |
| Health & Human Services | \$ | 3,596,600 | \$ 3,631,500 | \$ 34,900 | 0.97% | |
| Land, Trans, & Housing | \$ | 9,834,200 | \$ 10,342,200 | \$ 508,000 | 5.17% | |
| Culture & Rec | \$ | 2,863,300 | \$ 2,789,500 | \$ (73,800) | -2.58% | |
| Gen Govt Direct Services | \$ | 2,171,900 | \$ 2,106,600 | \$ (65,300) | -3.01% | |
| Gen Govt Overhead | \$ | 3,361,000 | \$ 3,282,600 | \$ (78,400) | -2.33% | |
| Economic Development | \$ | 8,386,100 | \$ 7,259,600 | \$ (1,126,500) | -13.43% | |
| Education | \$ | 135,200 | \$ 97,300 | \$ (37,900) | -28.03% | |
| Total | \$ | 44,859,600 | \$ 43,803,100 | \$ (1,056,500) | -2.36% | 80% |
| Capital | | | | | | |
| Projects | \$ | 1,998,000 | \$ 1,639,500 | \$ (358,500) | -17.94% | |
| Total | \$ | 1,998,000 | \$ 1,639,500 | \$ (358,500) | -17.94% | 3% |
| Non-Operating* | | | | | | |
| Total | \$ | 7,959,500 | \$ 6,733,300 | \$ (1,226,200) | -15.41% | 12% |
| Unappropriated Ending Balance | \$ | 1,861,500 | \$ 2,425,800 | \$ 564,300 | 30.31% | 4% |
| Total | \$ | 56,678,600 | \$ 54,601,700 | \$ (2,076,900) | -3.66% | 100% |

Operating Budget

The Operating Budget decreases by \$1,066,700 (2.4%) compared to the 2012-13 adopted budget.

Public Safety & Justice reflects a decrease in expenditures of \$217,500 (-1.50%). The number of staff positions in this functional area is 102.28, a decrease of 2.10 FTE. The Sheriff's Office reorganized the Parole and Probation Division by reducing .5 FTE. In part, this was done because of the volatility and uncertainty of State of Oregon funding for Parole and Probation and declining ending fund balances. In response, due to union contracts, the employee holding that position had to be made whole. This was accomplished by assigning the .5 FTE Evidence Technician duties to that employee. Due to decreasing ending fund balances in the Rural Law Enforcement District, upon the advice of the Rural Law Enforcement District Advisory Board, the .6 FTE Staff Support positions that staffed the substations in Jewell and Svensen were eliminated. These actions resulted in decreasing the overall Staff Support positions by 1.1 FTE in the Sheriff's Office. Other savings occur as a result of changes to the employee health plan. Minor reductions occur in Juvenile as well.

Health and Human Services reflects an increase in expenditures of \$34,900 (.97%). The number of staff positions in this functional area is 14.22, a decrease of 1.20 FTE. The decrease in FTE is due to retirements and/or reductions in FTE for existing staff. Between 2011-2013, the Environmental Health program performed considerable work for the county and community that was not budgeted. This had a cumulative impact on existing programs, particularly environmental health. The increase in expenditure is to pay for work that is not currently being funded by existing revenue streams and to accurately reflect the revenue/expenditures in the new org unit for the Household Hazardous Waste program.

Land Use, Housing & Transportation reflects an increase in expenditures of \$508,000 (5.17%). The number of staff positions in this functional area is 39, an increase of .74 FTE. Land Use, Housing and Transportation area shows an increase in expenditures which is a reflection of increased appropriations in contingencies for Roads and Public Land Corner. The Road Fund has reduced spending, excluding contingency this year. Increased expenditures in land use are a result of pass-thru funding for the North Clatsop Plains Project.

Culture & Recreation reflects a decrease of \$73,800 (-2.58%) in expenditures, attributable mainly to changes in health care costs. The number of staff positions in this functional area is 4.7, the same as last year.

General Government includes expenditures associated with Direct Services and Overhead functions, as well as Dues and Special Assessments. The adopted budget for General Government Overhead decreases \$78,400 (2.4%). Reorganizing County departments will result in decreases in personnel services in the County Manager and Assessment and Taxation org units, but increases in the Budget and Finance org unit are expected. The number of staff positions in this functional area is 39.56, a decrease of 1.58 FTE. Changes to Dues and Special Assessments include slight increases to non-employee related insurance, increases in funds for Veterans Services, and a reduction of funds to outside agencies to allow for maintenance of existing County programs including significant transfers to Public Health and Juvenile Detention. No FTEs are supported in this area.

Economic Development includes Fisheries, Video Lottery, and Industrial Development Revolving Funds. Fisheries has seen a decrease of \$51,000 or 4% primarily due to decreases in Materials and Supplies. Video Lottery expenditures increase by \$38,100 or 13% due to an increase of \$20,000 to fund CEDR (Clatsop Economic Development Resources) and \$25,000 to fund a US Hwy 101 flooding mitigation project. Funds to support Community Development have decreased by \$6,600. Personnel Service costs are removed from the Industrial Development Revolving Fund this year. In previous years this fund helped support the Assistant County Manager position. The number of staff positions in this functional area is 6.4, a decrease of .19 FTE.

Education includes Law Library. Law Library has seen a 25% reduction due to state cuts. The number of staff positions in this functional area remains .2 FTE.

Capital Budget

The Capital Budget decreases by \$358,500 (18%). The Special Projects Fund reflects the County's share of the revenue from trees harvested from the State Forest in Clatsop County. State Forest timber revenues are distributed to all county taxing districts. For Clatsop County, projects in the adopted Capital Budget include upgrading the phone system, upgrading audio/video equipment to the Judge Guy Boyington Building to allow for future streaming video of Commission meetings, anticipated capital repairs to Buildings and Grounds, a county-wide fee study, and capital improvement and replacement of patrol vehicles and technology updates in the Sheriff's Office. A complete list of projects can be found in the Capital Projects section of the budget.

Non-operating Budget

Non-Operating includes Transfers to Other Funds, Contingency, Insurance Reserve, Bond Proceeds and Retirement Fund. Transfers to Other Funds decreases by \$15,200, from \$1,965,100 to \$1,949,900. Significant changes include an increase to Public Health by \$72,700; Juvenile Detention by \$28,500; Drug Task Force by \$7,600; Child Support by \$18,500; and decreases to Special Projects by \$104,000 and Emergency Communications by \$39,400. Note that Emergency Communications has been absorbed into the Sheriff's Department Criminal Division budget. General Fund Contingency has increased by \$46,600 to a total of \$1,726,000.

SERVICE DISTRICTS

Rural Law Enforcement District The budget for FY 13/14 provides funding for Sheriff's Office services for rural areas of the County. It is supported by a property tax levy and timber revenue. The budget anticipates an increase of approximately \$67,000 primarily in Materials and Supplies.

Road District No. 1 The budget for FY 13/14 allocates resources to the County for road maintenance as discussed in the Road Maintenance section of this budget. The District is governed by the Board of Commissioners. Transfers Out increase by \$146,300 due to increases in tax and timber revenue.

Westport Sewer District The budget for FY 13/14 reflects a slight decrease of \$7,000 in revenue and expenditures due to increased vacancy rates in the Westport area.

4-H and Extension Service Special District The FY 13/14 budget reflects a decrease in total expenditures of nearly \$150,000 primarily due to shifting District employees to employment under Oregon State University (OSU). This change allows for greater accountability for the County, greater efficiency for OSU staff and provides consistency with other Extension/4H programs throughout the State.

DISCRETIONARY RESOURCES

Discretionary resources are resources or income that are not dedicated by rule, law or contract for a specific program or purpose, and therefore may be spent at the discretion of the Board of Commissioners. The bulk of the County's discretionary resources come from the General Fund beginning balance, property tax levy, indirect charges and timber revenues.

Almost all discretionary revenues are received in the General Fund, though once received are often transferred to other funds. Not all of the General Fund resources are discretionary, however. In the budget document, General Fund discretionary resources are identified as the General Fund Subsidy or General Fund Transfer.

For FY 13/14, discretionary resources for all funds total approximately \$13,965,100. This includes timber revenue set aside in the Special Projects Fund and the General Fund's Operating Contingency.

CLOSING

It has been challenging to balance and prioritize the needs of the community with the amount of resources available. We have made every attempt to find savings by using the Commissioners' Budget Policies and goal priorities in making our recommendations. We will closely monitor 2013-14 revenues and expenditures; should revenues fall short of our projections or any unforeseen expenditures arise, we are prepared to make additional adjustments throughout the year as necessary. I am confident that the County's management team and staff will rise to meet this challenge. Due to limited resources and growing demands for services, all of the County's needs are not included in this budget. I recognize the importance of continuing to live within our means, striving for increased productivity and use of innovation in our efforts to operate the County. The Adopted Budget is a team effort and reflects many hours of hard work on the part of County staff, Budget Committee members and the Board of Commissioners. I would like to extend a special thanks to Monica Steele, Interim Budget and Finance Director and the entire management team for their work in developing the adopted budget.

Respectfully submitted,



Scott Somers
County Manager