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 AUG 10 2015
 TASSI O'NEIL
 COUNTY CLERK *TO*

TILLAMOOK COUNTY BUDGET COMMITTEE MEETING - AUDIO05-27-2015A.MP3

1. CALL TO ORDER: Thursday, May 27, 2015 12:03 p.m. by Chair Doug Olson
2. 01:00 Fiscal Year 2015-2016 Budget Message/Deb Clark
3. 16:55 County Departments and Other Funded Agencies Comments
4. 23:01 Public Questions and Comments – There were none.
5. 23:11 Budget Committee Deliberations
 43:49 UNSCHEDULED: Compensation Committee Approval of Elected Official Compensation Recommendation
 A motion was made by Leila Salmon and seconded by David Butler. The motion carried unanimously with three votes of the Compensation Committee.
6. 46:34 Budget Committee Approval of Budget
 A motion was made by Tim Josi to approve the budget as adjusted and presented. The motion was seconded by Leila Salmon and carried unanimously with six votes of the Budget Committee.
7. 48:52 Budget Committee Approval of Tax Levies
 Chair Olson read the County's official tax rates and levies to be authorized effective the next fiscal year: Tillamook County General Services Permanent Rate \$1.4986/\$1,000.00; Library Local Option Tax of \$0.65/\$1,000; Veteran Service Local Option Tax of \$0.03/\$1,000.00; Library Debt Service Levy fixed amount of \$243,500.00; Hospital Debt Service Levy fixed amount of \$527,900.00; Road Debt Service Levy of \$1,252,000.00. Tim Josi made a motion to approve the amounts read into the record to be levied the next fiscal year. The motion was seconded by Leila Salmon and carried unanimously with six votes of the Budget Committee.
8. Non-Agenda Items – There were none.
7. **Adjourn – 12:54 p.m.**

TILLAMOOK COUNTY BUDGET COMMITTEE MEETING AGENDA

May 27, 2015

12:00 P.M.

COMMISSIONER'S CONFERENCE ROOM

- 1) Call to Order – Noon Doug Olson, Chairperson
- 2) Fiscal Year 2015-2016 Budget Message Deb Clark, Budget Officer
- 3) County Departments and other Funded Agencies Comments
- 4) Public Questions and Comments
- 5) Budget Committee Deliberations
- 6) Budget Committee Approval of Budget
- 7) Budget Committee Approval of Tax Levies
- 8) Non-Agenda Items
- 9) Adjourn



Land of Cheese, Trees and Ocean Breeze

TILLAMOOK COUNTY BUDGET MESSAGE FISCAL YEAR 2015-2016

May 27, 2015

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

As budget officer, I present the proposed budget portraying the expected financial performance of Tillamook County for fiscal year 2015-2016. The budget format is consistent with that of previous years and all funds are presented as balanced between revenues and expenditures as required by Oregon Revised Statutes Chapter 294.

Tillamook County uses the cash basis of accounting for all budgets. Revenues are recorded at the time they are received in cash and expenditures are accounted for when paid. The historic information includes actual revenues and expenditures that have been audited and adjusted to the modified accrual basis of accounting which is required by Generally Accepted Accounting Principles (GAAP).

The General Fund is the County's main operating fund and is appropriated by various departmental levels. The remaining funds of the County are appropriated by categories: personal services, materials and services and capital outlay. Tillamook County requires that the Special Revenue Funds be self-sustaining through fees, grants or other governmental appropriations, state and federal contracts, specific operating levies and other revenue sources that do not rely on General Fund support. In some cases, the General Fund will loan monies to a Special Revenue Fund to comply with State budget law mandates. Additionally, all funds include separate appropriations for debt service, transfers and contingency, where applicable. Special reserve balances and unappropriated ending balances are included where needed.

In the planning or execution of any budget, there is a constant need to be prepared to make adjustments to respond to change in the environment and not wait for the next budget cycle. The planning for this budget attempted to anticipate consequences of state and federal funding changes. However, it is certain we do not know all of the challenges that may happen. Very likely adjustments will be made as the fiscal year progresses. Services and programs will continue to rely on increased General Fund support as federal and state program funding diminishes.

Property taxes are imposed on the assessed value of property. The assessed value of each parcel cannot exceed its fair market value and ordinarily is less than its fair market value. The assessed value of property was initially established as a result of the enactment of a constitutional amendment. The amendment often called "Measure 50" assigned each property a value that was, in most cases, less than its fair market value in Fiscal Year 1998, and limited increases in that assessed value to three percent (3%) per year, unless the property is improved, rezoned, subdivided or ceases to qualify for exemption. The Oregon Constitution separates property taxes into two (2) categories: one to fund the public school system and one to fund government operations. Public school system taxes are limited to \$5 per \$1,000 of the Real Market Value of property. Government operations' taxes are limited to \$10 per \$1,000 of the Real Market Value of property. After discussion with the County Assessor, the proposed budget estimated an assessed value increase of .25% with an estimated 93% collection rate.

The Oregon Department of Forestry (ODF) manages 290,781 acres of forest land in the County. ODF grows and harvests timber to produce revenue as the primary use of forest lands. This practice represents

between one-fourth (1/4) and one-fifth (1/5) of the County's General Fund revenues. The State Forester projected state forest timber revenue to be \$16.1 million, countywide. State forest timber revenue will provide approximately \$4,400,000 in funding for General Fund programs. Outside factors continue to play an important role in the stability of these revenues. The General Fund budget continues to be driven by this revenue source and monitoring will be necessary to anticipate budgetary adjustments.

Revenue from investments is expected to remain stagnant. The County allocates interest on month end balances and generally uses the Local Government Investment Pool for most investments. The General Fund bears the investment loss for operating funds that have negative balances and the County does not charge local taxing districts for investment services that are required by law. In addition, bank charges continue to offset interest earnings.

The cost allocation plan is prepared in accordance with OMB A-87 standards. The Board of County Commissioners and Budget Committee members remain supportive of the Special Revenue Funds paying their indirect costs. These indirect costs represent services provided by the central service departments of Board of County Commissioners, Human Resources, Facilities, Information Services and Treasurer. Fiscal year 2015-2016 proposes that the Special Revenue Funds pay one hundred percent (100%) of their assessed allocation.

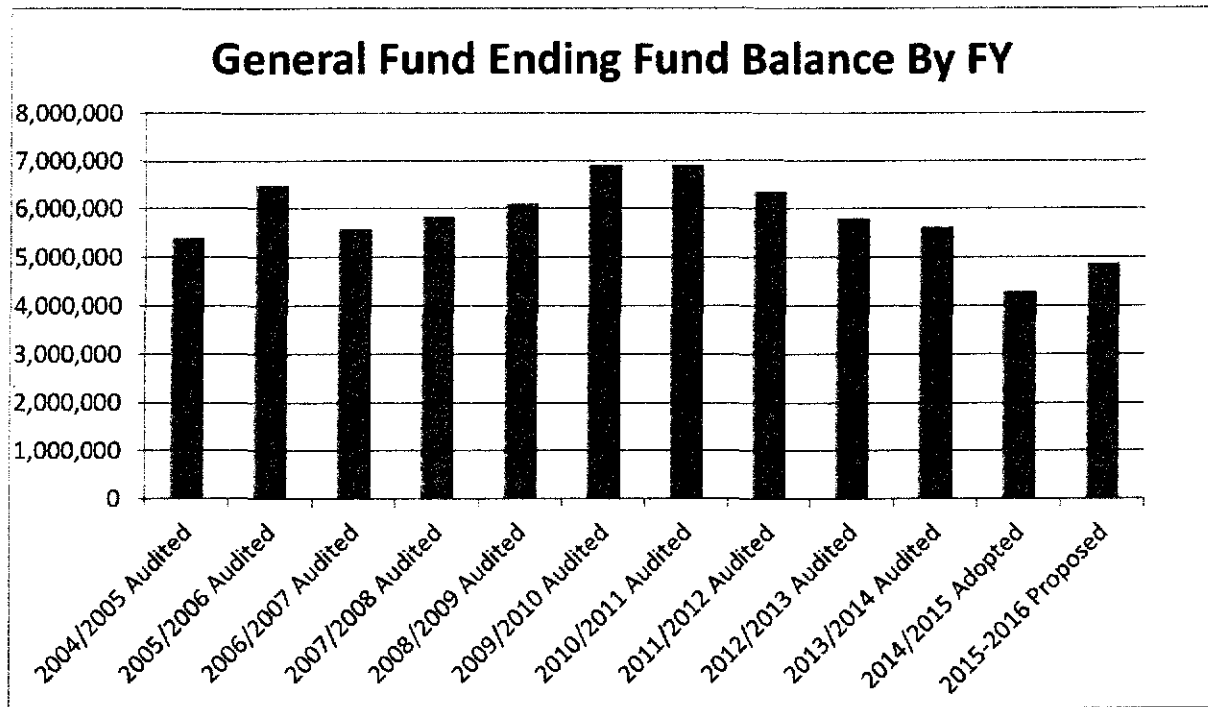
The collective bargaining agreement between Tillamook County and Oregon AFSCME Local 2734 expired on December 31, 2014. The County and AFSCME are currently in negotiations. The agreement between Tillamook County and Teamsters Local 223 expired June 30, 2014. The County and Teamsters are currently in negotiations. The proposed budget contains a zero percent (0%) cost-of-living increase for all non-represented employees and represented employees. All employees (except elected officials) who receive a satisfactory or above rating at their annual review, and are not at the top step of their pay range, will continue to receive a three percent (3%) to five percent (5%) increase. Elected Officials compensation requires a recommendation from the Compensation Board and approval of the Budget Committee.

The proposed budget represents a change from the current CIS Insurance coverage from Plan V-E to Copay Plan B effective January 1, 2016. In March, employees and their dependents had the opportunity to meet with a CIS representative to receive information and ask questions regarding the current insurance coverage and the proposed change. Full-time employees will continue to pay ten percent (10%) of the health insurance premium and the County pays ninety percent (90%). The average annual premium savings to the employee range from \$129 to \$369, depending on type of dental coverage and dependents covered. The annual savings to Tillamook County is approximately \$450,000.

The County will contribute twenty-two percent (22%) of salaries to the Retirement Plan. The actuarial valuation as of July 1, 2014, suggested a funding contribution of 26.6%. Currently the Retirement Plan has a funded ratio of eighty percent (80%). If state timber revenues exceed projections, I would recommend an additional lump sum contribution to the Retirement Plan during fiscal year 2015-2016.

The proposed General Fund transfers out to other funds totals \$402,000. The proposed transfers includes \$165,000 for Public Health support, \$200,000 to the Building Improvement Fund for essential improvements to County buildings, \$20,000 to the Vehicle Reserve Fund to support lease purchased vehicles for General Fund departments and \$17,000 for Veteran's Services Fund.

The General Fund unappropriated ending fund balance is proposed at \$4,876,585 an increase of \$579,889, or 11.89%, from fiscal year 2014-2015. This balance provides the General Fund a cash balance with which to begin fiscal year 2016-2017 for four (4) months before property taxes are collected. The chart below shows the history of the General Fund's ending balance:



The County's proposed General Fund budget totals \$21,495,300. This is a \$1,401,334 or 6.12% decrease from fiscal year 2014-2015 adopted level. The majority of this decrease was reducing transfers out, a decrease in anticipated state timber revenue and beginning fund balance, moving the Building Program of Community Development to a Special Revenue Fund and not rehiring six (6) employees that have or are retiring or resigned. The chart below illustrates the comparison of the proposed 2015-2016 General Fund budget and fiscal year 2014-2015 adopted General Fund budget:

GENERAL FUND BUDGET FY 2014-2015 vs. 2015-2016			
RESOURCES	ADOPTED 2014-15	PROPOSED 2015-16	INCREASE/(DECREASE)
Operating Revenue	17,246,634	16,595,300	(651,334)
Other Funding Sources	5,650,000	4,900,000	(750,000)
TOTAL	22,896,634	21,495,300	(1,401,334)
EXPENDITURES			
Personal Services	13,564,300	12,470,180	(1,094,120)
Materials & Services	3,400,538	3,432,835	32,297
Capital Outlay	123,100	63,700	(59,400)
Transfers Out	1,262,000	402,000	(860,000)
Contingency	250,000	250,000	0
Unappr Fund Balance	4,296,696	4,876,585	579,889
TOTAL	22,896,634	21,495,300	(1,401,334)

The proposed General Fund budget requires a \$500,000 transfer from the Revenue Stabilization Fund. Fiscal year 2014-2015 was adopted with the assumption that \$500,000 would be transferred. To date, no funds have been transferred from the Revenue Stabilization Fund to the General Fund.

The total proposed Tillamook County budget for fiscal year 2015-2016 is \$71,016,285. The adopted budget for fiscal year 2014-2015 totaled \$74,364,389. This is an overall decrease of \$3,348,104 or 4.50%. A chart showing the comparison of the proposed all funds 2015-2016 budget and the fiscal year 2014-2015 adopted budget is shown below:

ALL FUNDS BUDGET			
FY 2014-2015 vs. FY 2015-2016			
RESOURCES	ADOPTED 2014-15	PROPOSED 2015-16	INCREASE/(DECREASE)
Operating Revenue	47,475,339	48,621,880	1,146,541
Other Funding Sources	26,889,050	22,394,405	(4,494,645)
TOTAL	74,364,389	71,016,285	(3,348,104)
EXPENDITURES			
Personal Services	23,055,590	23,013,120	(42,470)
Materials & Services	21,704,438	25,991,739	4,287,301
Capital Outlay	9,307,110	5,850,450	(3,456,660)
Transfers Out	2,503,420	1,884,350	(619,070)
Contingency	5,984,310	3,292,600	(2,691,710)
Debt Service	2,434,405	2,125,445	(308,960)
Unappr Fund Balance	9,375,116	8,858,581	(516,535)
TOTAL	74,364,389	71,016,285	(3,348,104)

The County's other major funds consist of the Library, Veteran's Services, Health and Human Services, and Road.

Tillamook County voters approved five (5) year operating levies for the Library and Veteran's Service departments in May 2012. The fiscal year 2015-2016 budget represents the third (3rd) year of these five (5) year operating levies. The Library operating levy continues at 65 cents per \$1,000 of assessed valuation and the Veteran's Service operating levy continues at 3 cents per \$1,000 of assessed valuation. The Veteran's Service department operating levy will not support the County's Veteran's Service programs for the next two (2) years. As aforementioned, this budget proposes a transfer from the General Fund of \$17,000 to support this program.

The Health and Human Services department has been fiscally solvent the past two (2) years. This department continues to expand services to the citizens of Tillamook County.

With the passage of the voter approved \$15M general obligation road bond in May 2013, the Road Department continues with their schedule of repairing roads, replacing failing culverts and bridge maintenance program.

The County will levy additional taxes to pay the annual requirements for three Debt Service Funds. The Hospital Debt service levy is \$527,900. The Hospital General Obligation Bond was passed in 1996. This bond provided funding for a remodel and earthquake retrograde of the Tillamook County General Hospital. This bond will retire in fiscal year 2015-2016.

The Library Debt Service levy is \$243,500. The General Obligation bond funded the construction of the main library located at Stillwell and Third Street in Tillamook. This facility opened in 2006 and continues to be the nucleus for library services and community events. This bond was refinanced in September 2013 saving the taxpayers approximately \$200,000 over the life of the debt. The bond will retire in fiscal year 2023-2024.

The Road Debt Service levy is \$1,252,000. The Road General Obligation Bond was passed in May 2013 and has provided funding for the heretofore mentioned projects.

My objectives as budget officer is to provide sustainable funding for all mandated and essential County government programs; provide services in a transparent, open and efficient manner to the citizens of Tillamook County; and ensure cost effective achievement of services to the County's citizens by providing an environment that fosters a highly qualified and professional workforce.

Moving forward, it may be necessary to respond to any economic crisis and reevaluate the impact this may have on the County's complex financial portfolio of discretionary and dedicated revenues. Preserving the

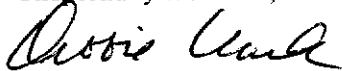
General Fund balance reserve, focusing on financial sustainability and stability, and actively manage and monitor mid-year spending remains the key elements in the County's financial strategy.

The budget has been prepared based on the most accurate information provided at this time. 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 17, 2015. After hearing testimony, the Commissioners may adjust the budget within certain parameters or adopt the approved budget presented to them by the budget committee.

I would like to thank the Board of County Commissioners, Budget Committee members, Elected Officials, Department Heads and County staff who have contributed to the preparation of this year's budget.

Respectfully submitted,



Debbie Clark
County Treasurer/Budget Officer



**TILLAMOOK COUNTY
HUMAN RESOURCES**

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May 27, 2015

TO: Board of County Commissioners
FROM: Elected Officials Compensation Committee: Leila Salmon, Doug Olson,
David Butler
RE: Elected Official Compensation Recommendation

We have met in our role as the County Elected Official Compensation Committee as required by ORS 204.112 and are prepared to make the following recommendations for the fiscal year of 2015-16.

The Tillamook County Compensation Board makes the following recommendations concerning elected officials compensation at its annual meeting convened at 9:00 a.m. on May 14, 2015.

For the fiscal year 2015-2016: after reviewing comparable salaries of other elected officials within the surrounding counties, and review of the labor market and survey data provided to the Committee indicates that; from a comparative standpoint in the local labor market that we are within close proximity of plus or minus 5% of the comparative average for four elected official offices (Commissioners, Assessor, Clerk and Surveyor). The Office of the Treasurer is difficult to compare as the duties vary greatly from County to County. The Sheriff is below the comparative average and lags the average by -7.39%. The District Attorney for the County paid supplement lags significantly at -38.24% even though in 2011 the County made a large increase in the District Attorney's salary. The Justice of the Peace, in the market comparable is -6.99% below the average, however there are only three other jurisdictions to compare. In the fiscal year for which we are budgeting (2015-16) salaries and wages are going to remain "as is" with no increase (0%) for all employees in the proposed budget from the Budget Officer.

There is a public responsibility for the county to be able to attract and retain well qualified Managers, Executive Service Employees and Elected Officials. Unfortunately, due to the recent budget shortfalls in the General Fund, cuts of 10% or more in materials and services, furlough days and unstable State Timber Revenues, it only seems fair that since no other County employee is receiving an increase, the Elected Officials salaries should also remain "as is" with a 0% increase.

It is for this reason that we support an Elected Officials wage freeze in compensation for the fiscal year 2015-16. Although, the Human Resources Director recommended an increase of 1%, we cannot support this increase, nor are the Elected Officials willing to accept an increase if so approved. Therefore; there will be no increase in salaries for the Elected Officials salary effective July 1, 2015.

All members unanimously approved the above recommendation on May 14, 2015.

Doug Olson, Chair

Date