

# Josephine County, Oregon



## 2004-2005 OPERATING BUDGET

# **JOSEPHINE COUNTY, OREGON**

## **ADOPTED BUDGET 2004 – 2005**

Submitted by the  
Josephine County Budget Committee

Committee Chair – David Diller  
Secretary – Gary Coleman  
Committee Member – Larry Stewart  
Commissioner – Jim Riddle  
Commissioner – Jim Brock  
Commissioner – Harold Haugen  
Committee Alternate – Charles Didato

Budget Officer – John Harelson

### **Prepared by:**

John Harelson, Treasurer & Acting Chief Financial Officer  
Bill Burnes, Accountant/Budget Analyst  
Rob Brandes, Budget Analyst, Public Works Department  
Laurie Hansen, Chief Deputy, Treasury

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# INTRODUCTION



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2004-2005  
Budget Message

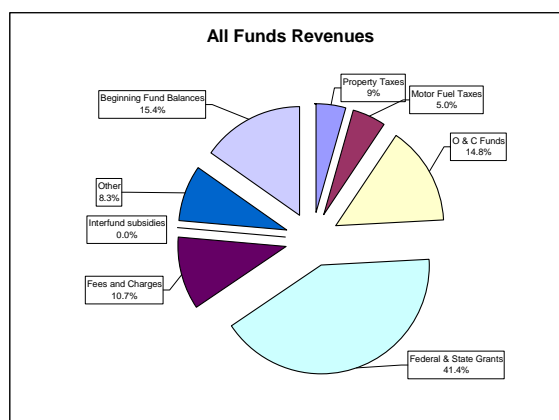
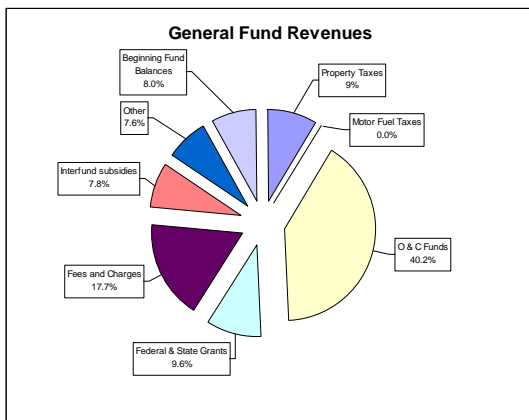
November 1, 2004

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

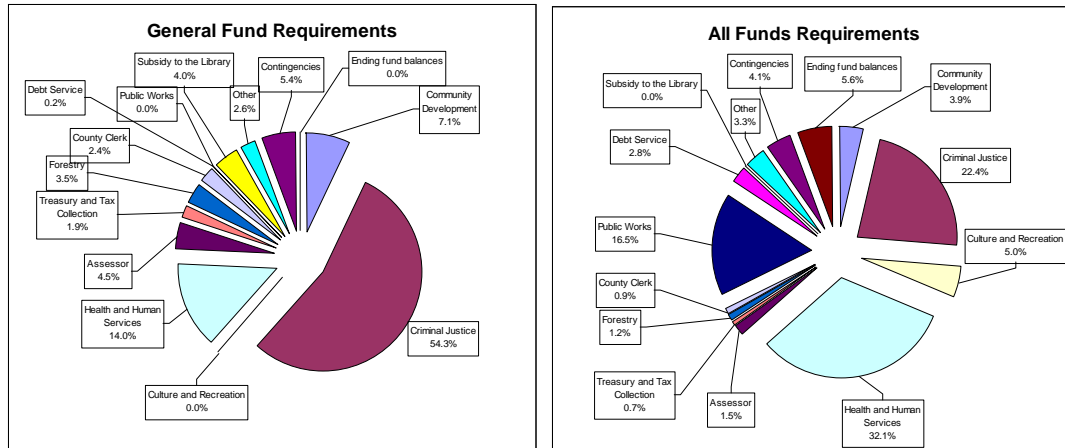
The 2004-05 budget for Josephine County was unanimously adopted by the Board of County Commissioners on June 23, 2004. This budget is a financial operating plan for County operations for the period of July 1, 2004 to June 30, 2005. This book contains summary budget information for the general fund and 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 one. The Table of Contents provides a guide for how this document is organized and where information is located in it. 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 2004-05**

The budget for the general fund for 2004-05 is \$34,190,974, and the total County budget with all of its budgeted funds (including the general fund) is \$113,678,971. The Financial Summaries section of this book contain 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 2004-05 budget compared to the 2003-04 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 following pie charts illustrate Josephine County's budgeted resources and the types of services it provides to its citizens.



## JOSEPHINE COUNTY, OREGON 2004 – 2005 Operating Budget



The County's general fund is its chief operating fund used to account for all financial resources except those required to be accounted for in another fund. Where required by statutes or terms of the revenue source (such as grants), the County uses other funds as described in the [Reader's Guide](#), starting on Page 7. The above pie charts depict the relative size of Josephine County's sources of revenue and how the money is spent, both for the general fund by itself and for all of the County's budgeted funds together.

As can be seen in the above charts, the Federal Safety Net (O & C Funds), which are received from the Federal Government in lieu of timber receipts, constitute by far the largest single source of revenues supporting the General Fund. As discussed below, continuation of this funding after the County's 2006-07 fiscal year will require Congressional action.

On the expenditure side, over half of the General Fund's program expenditures go to the criminal justice departments (Sheriff, District Attorney and Community Justice). These departments are more vulnerable to funding cutbacks when there is a revenue shortfall in the general fund because of their large size in the general fund relative to other departments and also because a much smaller portion of their budgets is funded by outside sources (such as grants or fees) than is the case in other departments.

Other departments are less vulnerable to cutbacks in the general fund because most of their operations are in special revenue funds that are completely or mostly funded by revenue sources from outside the general fund. Examples are Public Works, primarily funded by motor fuel taxes and federal grants and Health and Human Services (Public Health, Mental Health, Community Action and Commission for Children and Families), which are largely funded by federal and state grants. These types of revenue sources must be expended for specific purposes that are either set by statute or terms of the grant. They may not be used for other needs the County has.

The 2004-05 budget of \$113,678,971 is very similar in size and allocation of resources as the 2003-04 budget, which was \$113,504,764, including the two supplemental budgets adopted during the year. At the beginning of the 2004-05 budget process, the Commissioners directed the departments to prepare their budgets with the same amount of support allocation as the prior year and to balance their expenditures with projected revenues, including general fund support. They were also directed to list, in order of priority additional service/departmental needs, along with associated costs, that they felt needed to be added to their budget. Since the departments are faced with increasing personnel and other costs, the directive meant they had to face cutbacks or find new efficiencies to carry out their programs. In the course of the budget process, the Sheriff was allocated \$161,000 by the Budget Committee to allow retention of three deputies that would have



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otherwise been laid off. The additional budget for the Sheriff was funded by timber sales money over the original estimate that can be carried over from the 2003-04 budget year.

The County's budgeted employee headcount has gone down slightly in 2004-05 versus 2003-04. Full-time equivalents for the general fund were reduced by three to 259 and for the County as a whole by 24 to 611.

The largest year-to-year change in the budget is a new grant from the State for \$3,923,000 to rebuild three aging bridges in the County. Another large change involves the Community Development Block Grant. It was budgeted at \$3,350,000 in 2003-04, but was not received, and has been revised downward to \$600,000 in the 2004-05 budget.

The Mental Health Department budget shows reductions in this year because of cutbacks in funding of grants at the federal and especially the State level. Federal grants are down by \$377,000 and State grants have been reduced by \$1,255,000.

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**

Starting with 2004-05, the Adult Jail Health Clinic is being accounted for as a cost in the Sheriff's budget, rather than the Public Health Department. The clinic is administered by Public Health, which bills the Sheriff for its services. The net budgeted cost of the clinic is \$448,623 in 2004-05.

The Budget Committee approved combining certain small funds with similar funds or with the general fund. The following special revenue funds were combined with the general fund as of July 1, 2004: Liquor Law Enforcement, CAMI, ADA Compliance and Court Security. Their activities continue to be tracked separately within the general fund. The aggregate of the fund balances of the transferred funds is \$130,870. This amount is now reported as restricted fund balances in the general fund. In addition, the two airport funds were combined into a single fund.

### **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 Soon**

The largest source of Josephine County general fund revenues is the federal Secure Rural Schools and Community Self-Determination Act (O & C replacement funds or Public Law 106-393), which became law on October 30, 2000. This law provides counties and schools in rural areas revenue in lieu of declining O & C and Forest Service receipts. This money is necessary because a very large percentage of Josephine County is forestland that is not subject to property taxes. It is estimated that Josephine County will receive a total of \$15,070,741 for the budget year of 2004-05. This money is reflected in the budget as follows:

Title I in the general fund	\$11,525,628
Title III in the Title III Special Projects fund	\$ 1,016,967
Public Works Road and Bridges fund	\$ 1,895,946
Public school funds pass-through	\$ 632,500

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In addition, under this law, local resource advisory committees (“RAC’S”) will receive \$1,016,967 for special projects on federal lands within Josephine County.

The O & C money represents an extremely vital source of revenue for the County, especially for the County’s general fund where it is about 40% of available resources. The funding under PL 106-393 only lasts through fiscal year 2006-07, and Congressional action will be required to renew it. For the next two years, the Board of County Commissioners must commit every possible effort to ensure continuation of these payments. At the same time, County Department Heads and Elected Officials need to make contingency plans in case the program is continued at a lower level or is completely discontinued by Congress.

### **Local Government Funding Constraints**

With the passage of statewide constitutional property tax limitations of Ballot Measures 5 and 47/50, Josephine County’s ability to solve its financial problems through tax measures is severely constrained. In a sense the County is locked in at the \$.5867 permanent tax rate and there is no possibility to increase that rate. One possible solution is to form County Service Districts, which if approved by voters, would have their own permanent rate. Moreover, Josephine County has the lowest permanent tax rate in the state. The second lowest rate is Curry County with a rate of \$.5996. Other neighboring counties, Coos, Douglas and Jackson, all have substantially higher rates. The average permanent tax rate in Oregon is \$2.8348. Josephine County’s low tax rate is in part a reflection of the dependence on the now uncertain O & C funds at the time the rates were made permanent.

The tax rate constraint mentioned above limits assessed value increases to 3% per year, or market value, whichever is lower. No property may increase in value more than 3% in any year unless it is substantially revised or seeks voluntary rezoning. The cap on assessed values and the requirement to assess new construction similarly to existing properties has continued to increase the gap between market value and assessed value. Property value is increasing faster than 3%, and the artificial constitutional gap keeps the tax rate from responding to the real increases in total value. The limitation of assessed values keeps the current tax rate from producing sufficient revenue. Rising population, increased public demand for services and inflationary pressures are causing operating costs to increase faster than revenues, and this situation is projected to cause very significant budget gaps in the future, even if the O & C funds are renewed at the same level.

### **PERS**

The 2003 Oregon State Legislature enacted major revisions to the Oregon Public Employees Retirement System (PERS) in order to make it more affordable to the State of Oregon and all local governments in Oregon. These changes offset the County’s unfunded actuarial liability by approximately \$33 million, still not enough to offset the increases caused by PERS investment losses. Not surprisingly, a large number of employee unions and individuals have appealed the reform legislation to the Oregon Supreme Court, and the final outcome remains uncertain. The internal PERS charge to departments is 16.71% of payroll for most employees and 21.59% for law enforcement officers. This rate is slightly higher than the County’s PERS employer rate, in order to create a small reserve which might cover a higher charge should part of the reform package be overturned in the Supreme Court. The employee fixed contribution rate is 6%.

### **Other Personnel Issues**

Like most employers and individuals, Josephine County has been faced with double-digit increases in recent years in the health care premiums it pays (in part) for its employees. This item currently is \$5,163,000 in the current total County budget. Even small increases in this item have a major impact on the County.

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Currently, the County is in the early stages of negotiation with AFSCME, the union for law enforcement officers in the Sheriff's Office. The outcome of these negotiations is not known, and there is no amount in the 2004-05 budget to cover possible cost increases.

**Declining State Funding**

Josephine County receives a large number of grants from the State. The total budget for 2004-05 for state grants is \$25,980,810. These grants help fund various programs operated by the County, primarily in the Mental Health, Community Action and Community Justice departments. Due to cutbacks at the State, grants expected to be received by these three departments in the 2004-05 budget year are down from the prior year, and this trend could continue unless Oregon's economy improves enough to provide the State with more tax revenues. One exception to this trend is the new grant received for \$3,923,000 to rebuild three bridges in Josephine County.

**Local Option Levies**

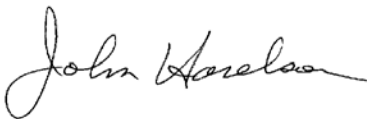
A local option levy with a tax rate of \$.335 per \$1000 of assessed value is on the November 2, 2004 ballot. If the measure is passed, it will raise approximately \$6,500,000 over the four-year period of the levy, starting with budget year 2005-06. The purpose of the measure is to raise money needed to add corrections officers to the jail staff in order to allow the jail to be filled to its capacity. The jail has a capacity of 262 beds, but there is a cap on prison population of 140 prisoners due to officer safety. This levy is not reflected in the 2004-05 budget amounts presented here.

In May 2004, Josephine County voters rejected a \$.20 per thousand levy that would have raised \$870,000 for the Library in order for it to increase staff and extend its hours.

**In Conclusion**

Just like a household with a limited budget and eroding purchasing power, Josephine County will live within its means. The Board of County Commissioners and County employees are committed to finding solutions to our problems and serving our citizens to the very best of our abilities.

Respectfully,



John Harelson  
Budget Officer and Acting Chief Financial Officer (to 1/1/05)



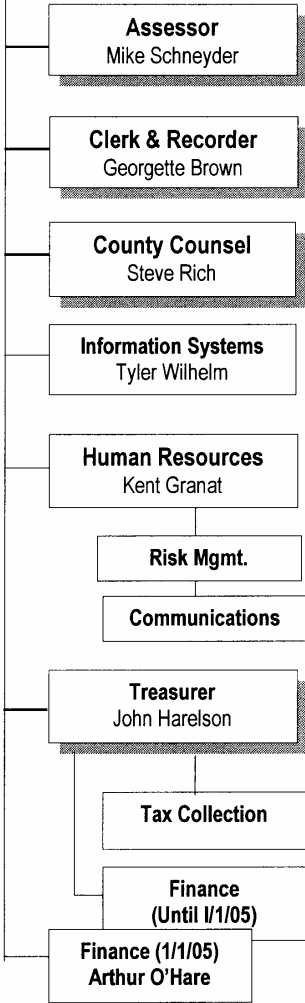
Bill Burnes  
Budget Analyst

# Citizens of Josephine County CHARTER

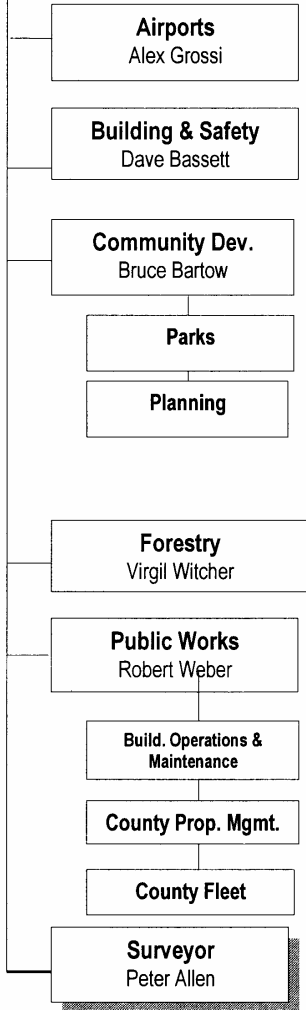
**Board of County Commissioners - 2004**  
Jim Brock, Harold L. Haugen, Jim Riddle

**Boards and Committees**

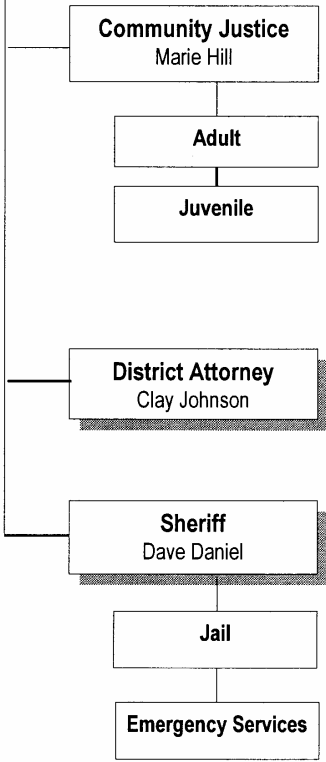
## General Government



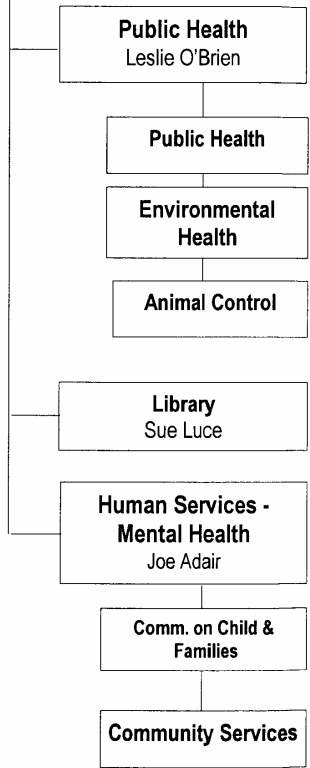
## Community Development



## Criminal Justice



## Human Services



**Board of County Commissioners - 2005**  
Dwight Ellis, Jim Raffenburg, Jim Riddle

**District Attorney - 2005**  
Stephen Campbell

Elected Officials are indicated by a shadowed box...