

COUNTY BUDGET MESSAGE

2025-27 PROPOSED BUDGET PRESENTATION



BENTON COUNTY BUDGET MESSAGE



Rachel McEneny, County Administrator

The 2025-27 Benton County Proposed Budget was developed using both the County's 2040 Thriving Communities Initiative and the Benton County Board of Commissioners (BOC) strategic priorities. Within this framework, the BOC established five core priorities to guide the County Administrator in the development of the budget. These include:

- ✓ Community Resiliency
- ✓ Community Safety & Justice Systems Improvement
- ✓ Health & Equity in All Actions
- ✓ Homelessness and Housing Insecurity
- ✓ Responsible Governance

BENTON COUNTY CORE PRIORITIES

Community Resiliency: Support local livability and economic opportunities, reduce greenhouse gas emissions to address climate change, and institute long-term, adaptive actions to prepare for an uncertain future.

Community Safety & Justice Systems Improvement: Advance systemic approaches to increase well-being by balancing treatment and accountability to transform lives, ensure safety, and strengthen our communities.

Health & Equity in All Actions: Integrate equity, diversity, inclusion, social justice, health, and well-being to effectively support prosperous and sustainable communities.

Homelessness and Housing Insecurity: Provide tools and resources that ensure individuals and families have opportunities to live in accessible, safe, and affordable housing.

Responsible Governance: Identify innovative measures to further ensure integrity, transparency, and fiscal sustainability in County actions, policies, and endeavors.



2023-25 ADOPTED BUDGET IN REVIEW

In leading up to the development of the 2025-27 Proposed Budget, the County has faced a great deal of change, challenge, transition, and opportunity in the execution of the 2023-25 Adopted Budget. Some examples include:

- ✓ Developing and executing the 2023-25 budget after the departure of the previous County Administrator and under the leadership of two different interim County Administrators.
- ✓ Recovering from the failure of County's proposed bond measure to support a new Sheriff's Office and Jail and pivoting the 2023-25 adopted budget to an alternative focus.
- ✓ Recalibrating major capital projects caused by the redesign of the previously proposed Courthouse; significant increases in construction cost due to delay and economic factors; and unanticipated permitting and construction challenges.
- ✓ Hiring of new County Administrator in October 2023, followed by the onboarding of a newly established Assistant County Administrator position in March 2024 and recruiting for a new Chief Financial Officer.
- ✓ Evaluating and implementing the results of a study to determine if management and unrepresented staff salaries were in alignment with market salaries. The results determined that current salaries were well below market, and to effectively address, the County approved the implementation of unplanned budgetary adjustments.
- ✓ Bargaining with the County's largest labor union resulted in the unsuccessful negotiation of a new contract, which ultimately resulted in a labor disruption in November 2024. The resolution rendered a higher fiscal impact than budgeted for 2023-25.
- ✓ Changing leadership in several major Departments have created capacity issues in the County's ability to fully address improving operations, optimizing service delivery, and implementing several key initiatives.
- ✓ Navigating a very important and sensitive landfill expansion application has required a major dedication of time and resources to ensure the process is transparent, inclusive, and follows the intent of the law.
- ✓ Increasing labor cost and benefits; addressing historically high levels of inflation; expanding services (i.e. crisis center, deflection, campgrounds); and navigating higher construction and equipment cost has resulted in a 2025-27 Budget Proposal that will require both current and future budget adjustments.

2025-27 BUDGET DEVELOPMENT



Rick Crager, Assistant County Administrator

In developing the 2025-27 Proposed Budget, the County, like many other jurisdictions, is facing extraordinary budget and financial challenges that put the services provided to our community at risk. In navigating these challenges, the County has taken great steps to thoroughly evaluate the cost of services and operations and make fiscally prudent recommendations for the upcoming budget. Some of the challenges and fiscal realities the County currently faces include:

- ✓ Loss of significant one-time funding from a variety of federal COVID relief acts.
- ✓ Increased labor costs to ensure our workforce is compensated fairly and equitably and helps the county attract and retain talented staff.
- ✓ Policy and economic changes that have and may further impact state and federal resources used to support critical services at the local level.
- ✓ Continued risk of inflationary and/or unanticipated costs for capital projects still under construction.
- ✓ Relatively flat growth of taxable properties which has contributed to a growth that matches the limitations on property taxes as opposed to the higher growth experienced in earlier years.

CURRENT SERVICE LEVEL

Current Service Level (CSL) is essentially a calculated cost of continuing current programs and services adopted by the Board of Commissioners, phasing in and phasing out programs or services, and eliminating one-time cost (grants, construction projects, etc.) with the remainder adjusted by standard inflation and estimates for forecasted labor cost growth. Key elements include:

- Standardizing the practice of choosing a point in time to estimate salaries and benefits based on current indices and indicators.
- Applying a standardized inflationary value to all materials, goods, supplies, and equipment. 3.3% is applied in 2025-27.
- Practicing disciplined position management to ensure any position approved has sustainable revenues, and for those in which revenue is limited or can not be validated for a period of over four years, approve only limited-duration within budget period and require all positions to be re-requested in the budget process.
- Carefully analyzing all programs and services to ensure adequate funding is available to sustain current levels of services.

2025-27 CURRENT SERVICE LEVEL ESTIMATE

Budget by Spending Category

Budget Category	ALL FUNDS			GENERAL FUND AND LOCAL OPTION LEVY		
	2023-25 Adopted *	2025-27 CSL	CSL Increase	2023-25 Adopted *	2025-27 CSL	CSL Increase
Personal Services	\$157.1	\$207.6	32.2%	\$64.1	\$77.7	21.2%
Materials and Supplies	\$130.8	\$144.3	10.3%	\$29.4	\$32.5	10.4%
Capital Outlay	\$136.0	\$99.3	(27.9%)	\$0.7	\$1.7	144.6%
Debt Service	\$10.5	\$12.5	18.4%	-	-	-
Total Expenditures (Before Transfers)	\$434.4	\$463.7	6.6%	\$94.2	\$111.9	18.7%
Fund Transfers	\$31.9	\$37.1	16.2%	\$26.6	\$22.6	(15.1%)
Unappropriated Reserve and Contingency	\$44.6	\$45.0	1.7%	\$15.3	\$6.2	(59.8%)
Total Budget	\$510.9	\$545.8	6.8%	\$136.1	\$140.7	3.3%

* The County will still be completing a supplemental budget adjustment for 2023-25, therefore, some categorical expenditures may be skewed.

BUDGET DRIVERS

Personal Services– 32.2% Increase

- Salary Growth assumes compounding effect of increases related to management/unrepresented market study and the negotiated labor contract that were both above what was budgeted in the 2023-25 biennium. Additional budget drivers include, the natural growth rate of salaries, negotiated rates for BCDSA and AFSCME, and estimated contract negotiation increases for ONA – 2025-27 Expected Growth: 20-25%
- Health and Dental Benefits: 2025-27 Expected Growth: 10-15%
- Additional 29.0 FTE built into the Current Service Level budget for the new Benton County Crisis Center.
- Full biennial estimate of all FTE for the Community Health Centers. The 2023-25 personal service budget was reduced by holding positions vacant as the clinic navigated a budget shortfall.
- Approved Employer PERS Rates for 2025-27 has increased by 25%. After applying this rate increase along with the 6% employee pickup paid by the County for the estimated increased salaries for 2025-27, the cost growth of PERS equates to a 56.2% increase from 2023-25.

BUDGET DRIVERS

Materials and Services–10.3% Increase

All Materials and Services, other than charges for internal services, are forecasted with inflationary growth of 3.3%. There are some expenditures estimated at higher rate increases due to extraordinary cost growth, as well as other areas that are reduced due to expenditure trends that warrant a lower projection – 2025-27 Expected Growth: 1.3%.

Materials and Services associated with charges for internal services (fleet, facilities rent, central cost administration) are primarily driven from the overall cost growth of internal service departments that reflect the same average increases of other non-internal service departments. Expected Growth: 26-28%

Capital Outlay–27.2% Decrease

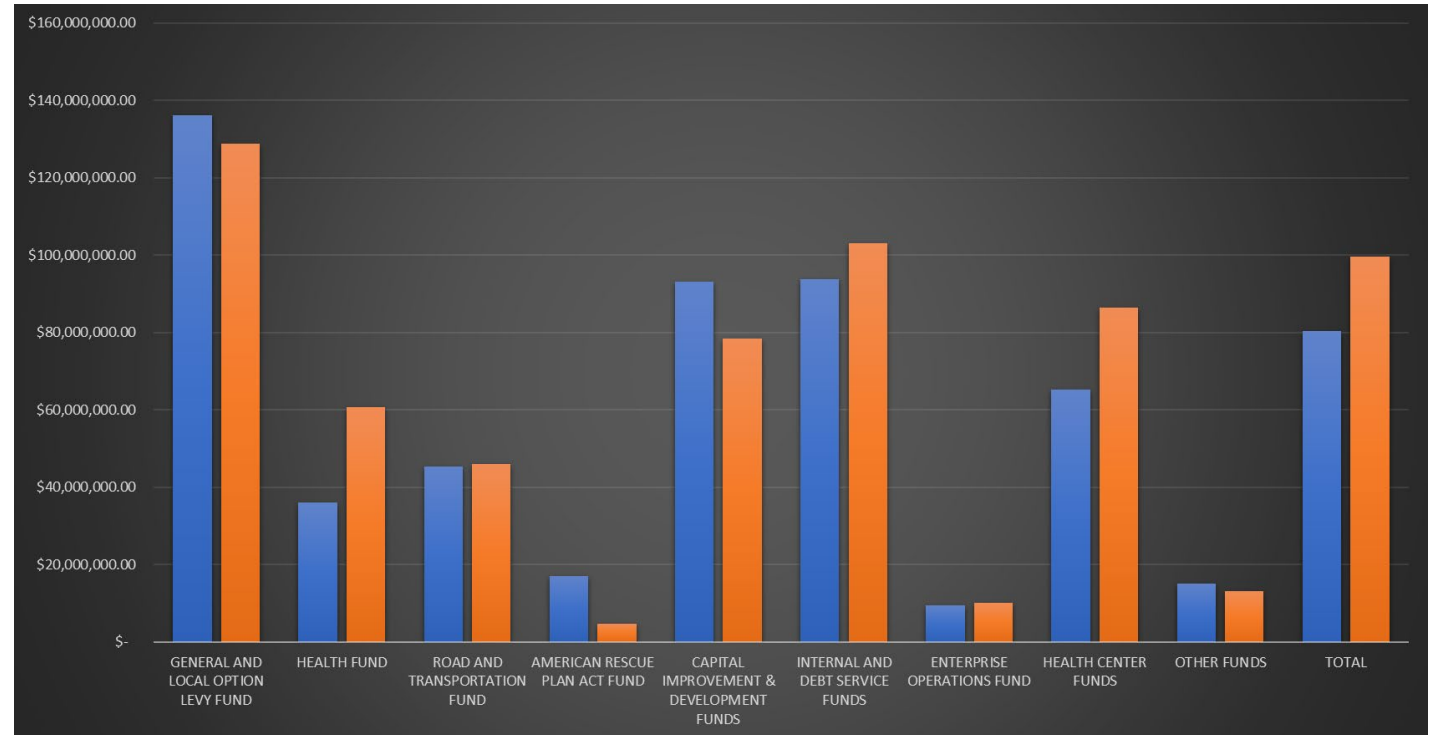
The Capital Outlay projected decrease is based on construction work completed in 2023-25. The 2025-27 construction budget for each project represents the remaining budget to expend to complete.

Debt Service–18.4% Increase

Debt Service is forecasted to increase in 2025-27 due to the restoration of a one-year debt payment for PERS bonds that was not scheduled in 2023-25 in accordance too its approved debt amortization schedule.

2025-27 REVENUE PROJECT

- Reduced General Fund and Local Option Levy revenue is a result of lost dedicated contingency and use of reserve funds in 2023-25.
- American Rescue Plan Act revenue must all be expended by December 31, 2026.
- Capital Development is forecasted to be complete in 2025-27.
- Health Center revenue increases are from growth in Medicaid Capitation rate.
- Health Fund revenue growth is mostly due to newly projected revenues to support operation of the Benton County Crisis Center.



FUND	2023-25 ADOPTED REVENUE	2025-27 CURRENT SERVICE LEVEL	% Change
GENERAL AND LOCAL OPTION LEVY FUND	\$ 136,164,241.00	\$ 128,768,776.00	-5.4%
HEALTH FUND	\$ 35,968,482.00	\$ 60,651,830.00	68.6%
ROAD AND TRANSPORTATION FUND	45,382,207.00	45,896,095.00	1.1%
AMERICAN RESCUE PLAN ACT FUND	16,959,447.00	4,641,235.00	-72.6%
CAPITAL IMPROVEMENT & DEVELOPMENT FUNDS	93,136,852.00	78,398,798.00	-15.8%
INTERNAL AND DEBT SERVICE FUNDS	93,684,842.00	103,007,835.00	10.0%
ENTERPRISE OPERATIONS FUND	9,417,495.00	10,183,846.00	8.1%
HEALTH CENTER FUNDS	65,251,721.00	86,482,438.00	32.5%
OTHER FUNDS	15,018,990.00	13,063,249.00	-13.0%
TOTAL	\$ 510,984,277.00	\$ 531,094,102.00	3.9%

GENERAL FUND CURRENT SERVICE LEVEL ESTIMATE

General Fund Revenue Projection and Current Service Level

Estimated Revenues

Estimated Beginning Balance	18,443,880	
Current Revenues	<u>110,324,896</u>	
Estimated Available Revenues		128,768,776

Estimated Operating Expenses

Personal Services	(77,722,756)	
Materials and Services	(32,470,159)	
Capital Outlay	<u>(1,698,837)</u>	
Total Operating Expenses		(111,891,752)

Interfund Transfer		<u>(22,609,360)</u>
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Total Resources Available for Reserve		(5,732,336)
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Reserves

Unappropriated (Reserve)	(5,000,000)	
Dedicated Revenue Contingency	<u>(1,155,135)</u>	
Total Reserves		<u>(6,155,135)</u>

Budget Surplus (Deficit)		(11,887,471)
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Percentage of Reserve to Operating Expenses	5.5%
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Total Available Revenue is forecasted to decline by 5.4% due to stable growth in current revenues but decreased beginning balance in 2025-27.



General Revenue, while stable, is not forecasted to have as high of increases as in previous years. Estimated 3% growth in assessed property tax value.



Post Covid spending has normalized moving expenditure trends closer to budget – resulting in less surplus funds as seen in previous biennia.



Based on forecast, current revenues are \$24 million lower than current expenses which leads to an exhaustion of all appropriated reserves, and a \$11.9 million budget deficit.

BALANCING THE GENERAL FUND BUDGET

BUDGET ADJUSTMENTS

To help address the budget deficit, the County is proposing a combination of \$2.3 million in one-time available revenue; \$15.1 million in total fund budget reductions; and \$6.0 million of additional estimated revenue from the sale of assets to support additional General Fund reserves and a one-time investment in the Capital Improvement Program.

Budget Reduction (In millions)	General Fund	Other Funds	Total Funds
Eliminate ECI salary adjustments for 2025-27 and reduce retirement benefits (management staff only).	(\$1.8)	(\$1.6)	(\$3.4)
Position Eliminations/Freezes (11.35 FTE), Shifts, and Temporary Staff reductions	(\$1.2)	(\$1.2)	(\$2.4)
Increased Vacancy Factor from average of 3.6% to 4.9%	(\$1.8)	(\$1.1)	(\$2.9)
Program and Initiative Reductions/Adjustments	(\$1.3)	\$1.1	(\$0.2)
Transfer Reductions (Debt Service and Community Health Centers)	(\$4.0)	-	(\$4.0)
Cost Savings from Internal Service Department Reductions	(\$0.6)	(\$0.8)	(\$1.4)
Other Materials and Service Reductions	(\$0.1)	(\$0.7)	(\$0.8)
Total Reductions	(\$10.8)	(\$4.3)	(\$15.1)
Increase in General Fund Reserves	\$5.0	-	\$5.0
Increase in Capital Improvement Program	\$1.0	-	\$1.0
Total Revenue Adjustments	\$6.0	-	\$6.0
Total Budget Adjustments	(\$4.8)	(\$4.3)	(\$9.1)

RECOMMENDED POLICY PACKAGES

With the General Fund budget challenge, the ability to consider new investments are challenging. In total, County Departments requested \$6.9 million and 15.90 FTE of which \$3.7 million included General Fund resources. The Proposed Budget includes an increase of \$2.7 million and 5.50 FTE of which \$1.2 million in General Fund resources for the following investments:

- Increase staff by 1.50 FTE in the Office of County Counsel to help address capacity necessary for the growth in complex legal issues, reduce cost burden from contracted legal support, and create more sustainability for the Office (**\$661,101 General Fund**).
- Investment of grant funding to complete Phase 2 of the County's Comprehensive Plan Update that began in the 2023-25 Biennium. The current plan has not been updated since 2007 (**\$350,000 General Fund**).
- Invest additional funding for grants for the Agriculture and Wildlife Protection Program (AWPP) that helps support small farms in protecting crops and livestock (**\$20,000 Other Funds**).
- Expand existing information technology staff capacity in supporting the customer service desk and network security risk (**\$35,072 Other Funds**).
- Establish 1.0 FTE and convert 2.0 FTE of limited-duration staff to permanent position in the Coordinated Homeless Response Office (CHRO) to help ensure effective management and oversight of increased responsibilities (**\$909,004 Other Funds**).
- Increase budget in the Health Fund to support reclassification of existing Environmental Health positions and convert a 1.0 FTE limited duration bilingual communications coordinator to permanent and meet the requirements of the Oregon Public Health Standards (**\$327,627 Other Funds**).
- Improve the current capacity of the Records and Elections Department by creating more workforce sustainability, addressing changing workload requirements, and developing a leadership succession plan (**\$131,849 General Fund**).
- Provide staffing adjustments in five different Departments to address current work out of class positions and extension of limited duration staff (**\$283,395 of which \$74,153 is General Fund**).

COUNTY DEPARTMENT IMPACTS

DEPARTMENT	2025-27 CURRENT SERVICE LEVEL	2025-27 BUDGET ADJUSTMENTS	2025-27 MODIFIED CSL	% IMPACT TO ADJUSTMENTS	POLICY OPTION PACKAGES	2025-27 PROPOSED BUDGET	% NET CHANGE FROM CSL
Board of Commissioners	8,055,255	(1,038,395)	7,016,860	-12.9%	-	7,016,860	-12.9%
Community Development	7,366,413	(94,313)	7,272,100	-1.3%	350,000	7,622,100	3.5%
Assessment	7,053,214	(493,330)	6,559,884	-7.0%	27,317	6,587,201	-6.6%
District Attorney's Office	12,284,798	(1,138,717)	11,146,081	-9.3%	-	11,146,081	-9.3%
Juvenile Services	6,765,920	(436,384)	6,329,536	-6.4%	26,939	6,356,475	-6.1%
Sheriff's Office	57,321,385	(2,444,076)	54,877,309	-4.3%	-	54,877,309	-4.3%
Records & Elections	3,975,176	(178,785)	3,796,391	-4.5%	131,849	3,928,240	-1.2%
Health Department	76,746,633	(1,671,728)	75,074,905	-2.2%	1,346,787	76,421,692	-0.4%
Public Works	79,682,961	(949,263)	78,733,698	-1.2%	99,086	78,832,784	-1.1%
Natural Areas Parks & Events	12,926,443	(642,853)	12,283,590	-5.0%	19,897	12,303,487	-4.8%
Human Resources	4,829,449	(459,950)	4,369,499	-9.5%	-	4,369,499	-9.5%
Financial Services	10,133,340	(615,832)	9,517,508	-6.1%	-	9,517,508	-6.1%
County Counsel	1,126,690	(72,086)	1,054,604	-6.4%	661,101	1,715,705	52.3%
Information Technology	10,289,242	(625,219)	9,664,023	-6.1%	35,072	9,699,095	-5.7%
Community Health Centers	87,530,240	(1,047,802)	86,482,438	-1.2%	-	86,482,438	-1.2%
TOTAL	\$ 386,087,159	\$ (11,908,733)	\$ 374,178,426	-3.1%	\$ 2,698,048	\$ 376,876,474	-2.4%
Managed Funds	44,995,391	(81,002)	44,914,389	-0.2%		44,914,389	-0.2%
Non-Departmental	114,710,641	2,905,987	117,616,628	2.5%	20,000	117,636,628	2.6%
TOTAL	\$ 545,793,191	\$ (9,083,748)	\$ 536,709,443	-1.7%	\$ 2,718,048	\$ 539,427,491	-1.2%

2025-27 PROPOSED BUDGET

Total Proposed Budget - \$539,427,492

Functional Area (in millions)	2023-25 Adopted	2025-27 CSL	2025-27 Proposed	CSL Increase	Proposed Increase
General Fund & Local Option Levy Fund	\$120.9	\$134.5	\$125.9	11.3%	4.2%
All Other Funds	\$345.8	\$366.7	\$363.5	6.0%	5.1%
General Fund Reserve & Contingency	\$15.3	\$6.2	\$11.2	(59.8%)	(27.1%)
Other Funds Reserve & Contingency	\$29.0	\$38.4	\$38.8	32.4%	34.1%
Total Budget	\$511.0	\$545.8	\$539.4	6.8%	5.6%

GENERAL FUND BALANCED AND PROPOSED BUDGET

2025-27 Current Service Level

<u>Estimated Revenues</u>		
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Total Resources Available for Reserve		(5,732,336)
<u>Reserves</u>		
Unappropriated (Reserve)	(5,000,000)	
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Total Reserves		<u>(6,155,135)</u>
Budget Surplus (Deficit)		(11,887,471)
Percentage of Reserve to Operating Expenses		5.5%

2025-27 Proposed Budget

<u>Estimated Revenues</u>		
Estimated Beginning Balance	18,443,880	
Current Revenues	<u>118,658,286</u>	
Estimated Available Revenues		137,102,166
<u>Estimated Operating Expenses</u>		
Personal Services	(73,767,586)	
Materials and Services	(31,090,917)	
Capital Outlay	<u>(1,698,837)</u>	
Total Operating Expenses		(106,557,340)
Interfund Transfer		<u>(19,389,691)</u>
Total Resources Available for Reserve		11,155,135
<u>Reserves</u>		
Unappropriated (Reserve)	(5,000,000)	
Unrestricted Reserve	(5,000,000)	
Dedicated Revenue Contingency	<u>(1,155,135)</u>	
Total Reserves		<u>(11,155,135)</u>
Budget Surplus (Deficit)		-
Percentage of Reserve to Operating Expenses		10.5%

BUDGET CHALLENGES & OPPORTUNITIES

Challenges

Current revenues for General Fund are forecasted to be higher than current expenditures in 2027-29, therefore, further budget adjustments will be necessary in planning for the next budget cycle.

On average, vacancy rates are estimated to be at 4.9 percent in 2025-27 as opposed to the biennium average of 3.6 percent in 2023-25. This will require additional administrative restrictions and potential hiring freezes to meet.

Rising PERS employer rates will continue to create risk and with the expiration of outstanding PERS Bonds beginning in 2028, the County will need to seek ways to mitigate future liability.

Current resources and expenses related to the County's Fair Fund will need to be closely examined as these expenses are beginning to have more reliance on Transient Lodging Taxes.

Unknown impacts to federal policy changes will continue to require analysis of risk to both state and federal resources that support critical county programs and services.

Opportunities

Incredible energy to increase the county's efforts in process improvement and identify ways in which services can be delivered more efficiently.

County needs to reimagine and perhaps reinvent ways in which it delivers internal services and mitigates county risk.

County facilities have expanded over the last four years which affords the opportunity to right size and determine how it may utilize existing assets to support the county's budgetary challenges.

Completion of new facilities for the courthouse, emergency operations center, crisis center, and district attorney's office will greatly improve space efficiency and create much safer facilities for county staff to work.