Morrow County Budget Meeting Minutes
Thursday, May 9, 2024; Friday, May 10, 2024
Bartholomew Building, Heppner, Oregon
Day 1

Present In-Person: Commission Chair David Sykes, Commissioner Roy Drago Jr., Commissioner Jeff Wenholz, Matthew Jensen, Kevin Ince, Valerie Ballard, Tamra Mabbott, Mike Gorman, Sabrina Bailey-Cave, Morgan Browning, Jaylene Papineau, Budget Committee Chair Linda Larue, Kim Cutsforth, Gibb Evans

Call to Order and Pledge of Allegiance: 9:00

Election of Budget Committee Chairperson and Secretary
Commissioner Wenholz motioned to keep same appointments as 2023. Gibb Evans seconded. Vote: Unanimous approval

Approval of the 2023-2024 Budget Committee Meeting Minutes
Commissioner Drago moved to approve the minutes 2023-2024 Budget Committee Meeting. Commissioner Sykes seconded. Vote: Unanimous approval.

Public Comment: No comments

Overview of Budget Process and Documents
After publication of the budget book, typos were found on the chart for department budgets for fund 219. Corrected pages were distributed around the room, replacing page 122 of tab 12. If anyone has issues with the budget, they are requested to wait until those items are addressed.

Delivery of Budget Message
Kevin Ince, Finance Director, introduced the proposed budget for fiscal year 2024-2025. Revenue and Expenditure trends are calculated at $17,190,626,07 and a total beginning fund balance of $44,077,584.29. With the exception of 2018, there has been a steady increase of revenue relative to overall expenditures.

Questions or comments
None

Budget Overview
<u>Budget Structure</u>
The Morrow County 2024-25 budget year runs from July 1, 2024 to June 30, 2025 with the budget prepared by fund and grouped by relevant funds and functions.

The beginning fund balance is unspent funds and savings from previous years with the County having approximately ninety days' worth of funding kept in the bank, where the minimum recommendation is at least 60 days.

Fiscal year 2025's estimated fund balance increased significantly with capital improvement, general fund, and unanticipated revenue from Strategic Investment Program (SIP) agreements. Distributions from Columbia River Enterprise Zones (CREZ) are unreliable and not budgeted.

Revenue trends from 2017-2024 increase significantly around Covid, driven by grants, CARES funding, etc. Tax revenue excludes CREZ and Strategic Investment Program (SIP) payments as they are in lieu of taxes but are a significant source of revenue for the County.

Certified taxes and actuals are collected before discount with collection rates around 98%, not taking into account the early payment 3% discount. This poses a challenge with estimates being higher than actuals.

Tax revenue is projected to decrease by $94,648 to $16,198,948 due to the collection rate being adjusted down from 98.8% to 96.1%. Tax revenue excludes Columbia River Enterprise Zone (CREZ) and Strategic Investment Program (SIP) payments as they are in lieu of tax but are a significant source of revenue for the County. The four SIPs with revenue for 2025 are Caithness, PGE/Carty, Orchard Wind, and Business Oregon gain share with a total to the County of $4,956,897. The County will use $3.95 million and $1.021 million will go to Community Renewable Energy Association (CREA) and Morrow County and Ione School Districts.

Federal, State, and Local revenue is made up of grants and shared intergovernmental revenue. $14.1 million is estimated for 2024 with a considerable 22.8% increase, largely due to an anticipated grant funding from the State of Oregon for capital expenditures for the Circuit Courthouse construction.

Permits and license fees are expected to increase 37% over the prior year's budget with building and inspection fees contributing greatly to that number. Landfill license fees alone have increased from $1.69 million to $2.2 million. Landfill fees fund both the County transfer stations and Road Fund.

Funded through the general fund with no revenue, Materials and Services will show a significant increase in 2025. This assumption is due to an estimated $1-1.5 million for ambulance services. The Water Nitrate Research Project at $1 million increases to the contract for County Surveyor and contract with City of Hermiston for IT services. There is another increase of $240,000 due to Circuit Court building construction that will not be able to be capitalized.

Break
10:56 a.m.

Resume
10:59 a.m.

Expenditures and Requirements
In addition to wage increases, there was approximately $1 million supplemental contribution to the retirement plan in 2024 and that is planned for 2025 as well. Valuation is always a year behind financials and there is a significant unfunded liability being worked on.

There are many positive changes to salary structure with challenges in other areas such as retention and recruitment. One recommendation is moving off the 401a defined contribution plan and moving to Oregon PERS tier 4 for those not covered under the defined benefit contributions. Public Safety is already in PERS as it is a statutory requirement for some employees within the Sheriff's Office to be on PERS or an equal or better plan.

The Cost of Living Adjustment (COLA) was estimated to be 4.3%, based on a provision of the Consumer Price Index (CPI) 12 month average with the floor being 2% and maximum 5% which helps ensure a competitive pay structure and pay scales. After further research it was found that the actual CPI is 3.4% and the change has been incorporated into the budget.

New positions and full time equivalent (FTE) changes include the Parks Maintenance Specialist consisting of four .75 FTEs to two full-time and one temporary .25 FTE. Parks is primarily grant funded and these positions were not included in the grant, so the recommendation is to take $50,000 from the general fund with the Parks department reevaluating payment structures.

The Sheriff's Office is adding four FTE patrol deputies, three of which are to be assigned to parks and marine patrol at an estimated cost of $395,000. There is a marine grant that partially funds marine patrol at $89,000 and the grant can change depending on the funding cycle. A new deputy to cover the City of Irrigon will be funded through the contract at $161,000. Two FTE Communications Dispatchers have also been added/

Two management positions have been approved by the Board of Commissioners and added to the budget: Assistant County Administrator at $156,00 and a finance manager at $143,000, both amounts include benefits.

Compensation Board Recommendations
The Compensation Board met to discuss changes for elected positions, basing the COLA on the rest of County employees. The motion stated 4.3%, but to maintain alignment with County employees, it was modified before going to Commissioners.

Gibb Evans motioned to approve using CPI of 3.4% rather than 4.3% that was provided. Roy Drago Jr., seconded. Vote: Unanimous approval.

Capital Outlay
Capital outlay represents expenditures and investments in long term property and equipment. $5.745 million is planned for FY2025. Some projects are expected to span multiple years and the County continues to build reserves to fund those projects, such as the Circuit Courthouse and the two major projects not considered capital which are the Water Nitrate Research Project at $500,000 and the Enterprise Resource Planning (ERP) System replacement at $769,500 for FY2025.

Break for Lunch
12:08 p.m.

Resume
1:00 p.m.

Special Payments
Special Payments which are essentially pass through payments that go through the County to businesses, non-profits. Most of the $4.69 million in the budget will go to the two school districts in the County.

Debt Services
Debt services are scheduled payments for long term debt obligations with little change from 2023-24 and 24-25, increasing from %587,384 to $625,707.

Interfund Transfer Schedule
Two factors driving up budgets are insurance and technology. Costs have risen and we have moved expenses categorized under IT or non-departmental to specific departments.

Budget Summaries

General Government
Board of Commissioners and Administration: $1,398,321
Specific increases to the department budget include a one-time payment to the Columbia Development Authority which is not anticipated to recur. The capital outlay includes replacing Commissioner vehicles, replacing the Heppner pool car, and adding another pool car based in Irrigon. The rest of the budget reflects following trend increases from previous years and the additional FTE of the Assistant County Administrator position.

Assessment & Tax: $1,243,748
Significant changes are due in part to the reallocation of retirement contributions, software subscriptions, and insurance. $12,500 is budgeted for a new plotter/printer with a $5,000 grant contribution. With four new employees in a department of eight, training and development is higher than usual at $2,500.

County Clerk: $571,981

Little change is expected in the Clerk's office with the biggest expense increase being in personnel. The Clerk's office has a statutory requirement for records which remains the same from last year and received a grant to improve system technology and election modernization.

County Treasurer: $197,599

The Treasurer has a relatively small Materials and Services budget and increased from $2,500 to $6,000 with other increases stemming from the printing budget and allocation of software licensing and liability insurance.

The County School Funds are the Title III Secure Rural Schools program which is dedicated funding and passes through to the school districts.

County Surveyor: $39,949

This is a contracted position and no longer has a personnel budget. Previously both an FTE and contractor were budgeted for but with the addition of the ACA position, the surveyor's portion of the personnel budget was moved to the administration budget.

The Corner Preservation Fund, which is a statutory requirement under ORS 203.148, increased 720% in materials and services for the potential of contracted surveying and restoration.

Planning Department: $768,599

Little changed with the Planning Department budget. As with other departments, the increase stems from COLA, defined benefits, and allocation of software licenses and insurance.

The Heritage Trail Reserve budget ($1,337,500) anticipated grants in 2024 which did not occur. There is an annual interfund transfer of $600,000 from the General Fund in order to receive grant match funding for the project.

The Water Planning Fund ($1,190,000) stems from an Environmental Protection Agency (EPA) research grant awarded to Morrow and Umatilla Counties. Expenditures in this budget include $6,000 for Northeast Oregon Water Association dues, $10,000 Lower Umatilla Basin Ground Water Management Area (LUBGWMA) committee support, and $50,000 for preliminary engineering services to find solutions for households with high nitrate levels in their well water.

Central Services

General Fund-Non Departmental: $17,856,150

These are primarily expenditures that do not fit in a specific department. The County tries to limit non-departmental expenditures as it impedes transparency, however some non-departmental designations are necessary. This includes a $1 million supplemental payment for the Defined Benefit Plan, the USDA Wildlife Services (APHIS) contract increasing from $64,000 to $96,000, direct funding to Morrow County Soil Water Conservation District, $208,000 to the

Oregon State University Extension, and $12,200 to Oregon Water Resources Department Assistant Watermaster Program.

The APHIS budgetary request comes from the state level and while the County is in a position that it can be honored. If the Budget Committee decides otherwise, the amount can be reduced and the Budget Committee requested USDA APHIS representative attend the second day of the meeting.

<u>Finance and Accounting: $897,189</u>
The Personnel Services increase reflects the addition of the Finance Manager position and capital outlay was removed.

<u>Facilities & General Maintenance: $1,213,456</u>
Significant increases to the budget come from $50,000 for masonry restoration at the historic courthouse. There are accumulating funds in the Capital Improvement Project in anticipation of renovations and repair for the historic building.

Capital outlay projects include backup facility generators in Heppner and Irrigon for a primary and secondary emergency operations center. With Paul's exit, this budget was moved from Emergency Management to Facilities. Both locations are partially funded by an Oregon Emergency Management grant of $117,580. Projects in Irrigon also include an automatic parking lot gate for the Sheriff's office and doors for the public restrooms. Fleet vehicle replacements and upgrades include a custodial vehicle, F-550 with upfitting, and a small pickup with upfitting totaling $206,000.

$150,000 is allocated to replace old and broken office furniture, $30,000 for HVAC replacement for the Sheriff's Office, $277,000 transferred into the facility reserve fund, and $300,000 to maintain a reserve balance.

<u>Information Technology: $682,910</u>
Increases to the budget include business ethernet and dark fiber lease rate increases, IT services contracted with City of Hermiston, and upgrades to the audio video systems in the large conference room. A notable decrease in the budget is from $54,000 in Microsoft 360 licensing being reallocated to departments.

Capital outlay includes $90,000 in server redundancy and $15,000 for a 10 GB network backbone upgrade.

The IT Reserve Fund ($1,239,500) is reserved in the event of unforeseen emergencies related to technology and also includes large scale IT projects.

<u>Human Resources: $528,195</u>

There are no significant changes to the HR budget, partly due to the previous year including two Payroll & Benefits coordinators to ensure smooth succession.

Funding for the Safety Committee ($29,000) comes from an annual SAIF dividend payment.

Break
2:25 p.m.

Resume
2:30 p.m.

Community Services
<u>Museum: $17,165</u>
The budget increase stems from increased insurance and reallocation from non-departmental to museum.

<u>County Fair: $278,034, $1,3398,795, $32,350</u>
Historically there were three funds for Fair. The Fair Fund, Capital Reserve, and Fair Roof Reserve. The Roof Reserve will be eliminated and rolled into Capital Reserve. $1.27 million in grants for infrastructure are underway and plans are being made for the project.

<u>Public Transit/The Loop: $1,862,800</u>
After realigning the budget with the STIF operating plan, significant money leftover was moved to the Reserve Fund ($102,000).

<u>Rodeo: $21,750</u>
Whether or not the Rodeo is under the County is debatable and the Rodeo fund was removed from the ledger. $21,750 is allocated for the Bleacher Reserve.

<u>Parks Department: $1,435,128</u>
The Parks department is presented as fund 238 and includes all three parks and fair space and then is broken down into individual park allocations. There is $50,000 from the general fund to support changes in FTEs.

- Custforth Park: $160,333
- Anson Wright Park: $111,557
- OHV Park: $967,648
- Fair Park: $2,590

Public Works
<u>Public Works Administration: $388,010</u>
The increases in Materials and Services relate to retirement, software, and allocation of insurance. Currently Public Works staff use Road vehicles. For transparency and budget reasons $162,000 is budgeted for three Public Works vehicles.

Transfer Stations:

- North Transfer Station: $268,016
- South Transfer Station: $211,842

Revenues increased from landfill fess. There are two capital projects in the budget for scales and replacement of waste containers.

Weed Department: $361,459

The Weed Department is rapidly expanding. Large expenditures include $29,000 for grazing goats which will be reimbursed by the Army Corps of Engineers and $115,000 for a weed apparatus.

The Weed Reserve Fund is to be utilized for future equipment purchases and has $52,300 primarily funded through a portion of contract revenues.

Airport: $230,550

The decrease in expenditures and revenue is due to being in between years for grants and projects. The only capital outlay request for the year is $4,500 for drone storage.

Road Department: $11,469,591

There are three capital improvement projects planned to be completed in 2025 that include road widening, improving subgrades and drainage, pavement and chip seal, and updating signage.

FY2024 included a $2.5 million reserve fund for bridge repair and a Bridge Master Plan is anticipated for 2025. The Bridge Reserve should have $2.94 million at the end of FY2025.

Recess

3:18 p.m. until the meeting resumes at 9:00 a.m., May 10.