



BOARD OF COMMISSIONERS

AGENDA REQUEST & STAFF REPORT

MEETING DATE: December 2, 2024

SUBJECT: FY 2026 Preliminary General Fund Budget Discussion

RECOMMENDED MOTION:

Direct staff to prepare the County's FY 2026 budget with items 1-6 as presented, or with modifications, to contribute to the future financial sustainability in the General Fund.

BACKGROUND AND POLICY IMPLICATIONS:

The General Fund is facing a structural imbalance, and long-term projections indicate a potential budget shortfall as early as Fiscal Year 2027, unless corrective action is taken. In response, Finance and Administration are implementing a series of strategies for the County's FY 2026 budget aimed at achieving long-term sustainability through targeted savings and controlled growth within the General Fund.

Finance staff have developed modeling scenarios that incorporate a 3.3% growth in General Fund departmental expenditures in FY 2026 (4.0% in FY27 and 5.0% thereafter), along with several strategic modifications and realignments identified to benefit the General Fund. These measures, outlined below, will generate approximately \$967,000 in annual savings. Together, these two strategies will help achieve structural balance and financial sustainability within the General Fund for the next nine years.

Staff seeks Board direction on the following proposed adjustments for recurring expenditures in the County's General Fund. The Board's direction on these items will help staff to prepare the FY 2026 budget. If the proposed adjustments are not approved as presented, staff will need to adjust the target growth rate for departmental expenditures or identify other savings in order to ensure financial sustainability.

1. Shift two Behavioral Health positions from the General Fund to Behavioral Health's budget and use BH reserve if needed to cover costs, which are approximately \$334,000 annually.
2. Remove CDD Transfer for Hearings Officer - \$100,000 per year. This cost will be absorbed and incorporated into existing fees. CDD staff will provide fee modeling to quantify the impact of this change.
3. In 2024, the Board allocated \$500,000 of Video Lottery funds in support of core

County services. Staff proposes that this year, the Board maintain a similar allocation of funds to support core county services. This would be achieved by moving \$480,000 of debt service from the General Fund to Video Lottery.

- Jail Expansion Debt Service of \$260,000 per year (Matures in 2038) and Jamison Property (P&P) of \$220,000 per year (Matures in 2028).
4. Move \$12,500/year Eastern Oregon County Membership to BOCC budget.
 5. Reduce transfer to Assessor/Clerk/Tax Reserve Fund. This reserve fund is designated for the eventual replacement of the County's Assessment and Taxation software. Currently, the fund has a balance of \$2 million, and while a portion of the replacement will need to be debt-financed, this strategy will free up these funds in the short term for General Fund operations.
 - Option 1: Reduce from \$120,000 to \$80,000 in FY26; \$40,000 in FY 27 and eliminate the transfer in FY28 and beyond.
 - Option 2: Eliminate \$120,000 transfer beginning in FY26, which could partially offset another item.
 6. No external commitments of General Fund.

Alternatively, Transient Room Tax (TRT) funds could be used for items 2 and 3 if proposed approach wasn't approved; however, this would reduce the amount the TRT fund could contribute to the Capital Reserve Fund. Additionally, approval for other strategic reallocations related to the TRT fund will be forthcoming at a later date.

BUDGET IMPACTS:

Approval of these proposed adjustments will generate \$967,000 in annual savings and help the County achieve structural balance and long-term financial sustainability within the General Fund.

ATTENDANCE:

Robert Tintle, Chief Financial Officer
Cam Sparks, Budget & Financial Planning Manager
Whitney Hale, Deputy County Administrator