

Rating Update: [Lane \(County of\) OR](#)

MOODY'S AFFIRMS Aa3 G.O. RATING FOR LANE COUNTY, OREGON

NEGATIVE OUTLOOK REMOVED; RATING AFFIRMATION AFFECTS \$39 MILLION IN RATED DEBT, NET OF PENSION OBLIGATIONS

County
OR

Opinion

NEW YORK, Sep 9, 2008 -- Moody's Investors Service has affirmed the Aa3 general obligation bond rating for Lane County, Oregon. At this time, Moody's has also affirmed the A1 rating on the County's full faith and credit obligations. The negative outlook on the County's long term credit ratings has also been removed. The rating affirmations and outlook revision reflects the county's improved ending general fund balance, supported by prudent fiscal operations, sizeable increases to the county's already large tax base, the economic stability provided by the University of Oregon, a very low debt burden, and average socioeconomic indicators. These strengths help mitigate the challenges ahead for Lane County including the loss of federal timber receipts which funded a large portion of the county's operations and road infrastructure as well as near term softening in the local economy.

COUNTY INCREASES RESERVE LEVELS TO MORE PRUDENT LEVELS; SERVICE LEVELS REDUCED AFTER FEDERAL TIMBER FUNDS END

Since fiscal 2002, Lane County significantly improved its ending general fund balance from a low of \$6.7 (7.2% of revenues) to \$12.1 million (15.8% of revenues) in FY07, nearly all (\$11.9 million) of which was unreserved. The positive trend is attributable to changes in fiscal policy and management at the county including a revision to the general fund reserve policy to 10% of revenues from 5%. Over the last five years, management also shifted several departments from the general fund to special revenue funds that were considered to be self supporting. Preliminary estimates for FY08 indicate an ending unreserved general fund balance of \$12 million, representing 12.8% of revenues.

Historically, one of Lane County's major sources of operating revenue was derived from federal timber payments in lieu of taxes known as the Secure Rural Schools and Community Determination Act (SRS) which represented roughly \$15 million or 20% of general fund revenues in FY07. SRS was set to expire in 2007 and was reauthorized for one year with affected counties and schools receiving their last payment in fiscal 2008. In preparation for the expiration of SRS, the county took a number of steps including two unsuccessful attempts to secure voter approval for an income tax to support public safety. Due to the tax limitations imposed by Measures 5 and 50, Lane County's ability to raise property taxes is severely constrained; the county's current permanent tax rate is \$1.28 per \$1,000 assessed value (AV) and cannot be raised. Officials do not plan to return to voters in the near term seeking tax increases to fund services; instead, officials eliminated 120 positions in the FY09 budget, sharply scaling back public safety service levels. The county's budget and five year financial forecast indicates that excess reserves will be utilized over the next two years to provide transitional funding for service levels, but that the ending general fund balance will be maintained at the 10% policy. Management expects service levels to be sustainable as outlined, although additional service cuts will be necessary over this time frame.

The county is currently conducting an actuary study of its other post employment benefits. A preliminary study conducted in 2004 estimated an unfunded liability of up to \$70 million, which is manageable. Officials expect the liability to be lower due to overly conservative assumptions in the 2004 study. Management has also set aside \$8.5 million to fund the liability.

REGIONAL SERVICE CENTER BENEFITS FROM STABILIZING INFLUENCE OF GOVERNMENT AND EDUCATION; MODEST DEBT BURDENS

Lane County is located in mid-western Oregon, serving the City of Eugene (GO rated Aa2), the third most populous metropolitan area in the state. The University of Oregon, the second largest county employer, as well as significant federal and local government employment, provide important economic stability. As a regional service and cultural center, Lane County has diverse employment opportunities within both the private and public sector, recently benefiting from the Olympic field and track trials as well as the recent completion of one of the northwest's largest hospitals, PeaceHealth's Sacred Heart Medical Center at

RiverBend in Springfield (GO rated A2). Following three robust years of growth in real market value, Lane County's tax base is now \$36.6 billion. Future growth is expected to be much more modest given the housing slow down, closure of Hynix (the largest taxpayer at 2.8% of assessed value), and pending tax appeals by the local wood products firms including Weyerhaeuser (second largest taxpayer at 1.9% of AV). Wealth indices are average for the county relative to its peer rating group with per capita and median family incomes as of the 2006 census measuring 91.9% and 94.8% of state levels, respectively.

Moody's expects the county's debt burdens to remain modest given current low levels and moderate future borrowing plans. Current direct and overall debt burdens net of pension obligations are 0.1% and 1.3%, respectively, consistent with other Aa3 rated counties. Future borrowing is manageable with an \$18 million full faith and credit obligation expected to be issued in spring 2009 to refinance the purchase a county public health facility.

KEY STATISTICS

2007 Real market value: \$36.6 billion

2007 Estimated population: 339,740

Real market per capita: \$107,622

2006 Per capita income: \$22,461 (91.9% of state)

2006 Median family income: \$53,027 (94.8% of state)

FY07 Unreserved GF Balance: \$11.9 million (15.6% of revenues)

Estimated FY08 Unreserved GF Balance: \$12.0 million (12.8% of revenues)

Direct debt burden: 0.1% (net of pension obligations)

Direct debt burden including pension obligations: 0.3%

Overall debt burden: 1.3%

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