

# Financial & Planning Summary

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## Fund Structure

Lane County's financial activities are accounted for on a fund basis. A fund is a fiscal and accounting entity of self-balancing accounts to record cash and other financial resources and related liabilities all segregated for specific regulated activities and objectives. The County uses fund accounting to ensure compliance with state and federal laws and rules, charters, local government resolutions and ordinances, and the principles of good accounting. The County creates funds to control the use of restricted or dedicated revenues. The County adopts a balanced, annual appropriated budget for all of its funds.

All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. A fund structure chart is included at the end of this discussion. The chart reflects those funds for which the County has an appropriated budget, which then is followed by a complete list of each fund with descriptions.

### **Governmental Funds**

Governmental funds are those through which most governmental functions of the County are financed. These include the General Fund, Special Revenue Funds, Capital Project Funds, and Debt Service Funds.

The purpose of a **General Fund** is to record financial transactions relating to all activities for which specific types of funds are not required. This fund is used for all receipts not dedicated for a specific purpose. In most counties, this includes such activities as law enforcement, youth services, assessment and taxation, and general administration.

**Special Revenue Funds** are set up for special tax levies and other dedicated revenues when required by federal law, Oregon statutes, charter provisions, or terms under which revenue is dedicated. The largest special revenue funds for Lane County are Road Fund, Health & Human Services Fund, and Title III Projects Fund.

**Capital Project Funds** record all resources used to finance building, rehabilitating, or acquiring capital facilities – non-recurring, major expenditures. Resources include the proceeds from the sale of general obligation bonds, grants, transfers, or other revenues authorized for financing capital projects. A separate fund is often established when a capital project or series of projects is authorized by the voters, such as those that require indebtedness. The fund is closed when the project is completed. Several related projects financed from one bond issue may be accounted for in one fund if there are no provisions to the contrary in the authorization to sell the bonds.

Taxing districts use **Debt Service Funds** to account for indebtedness as a result of borrowing money or issuing bonds. A voter-approved ballot measure authorizing a municipal corporation to sell bonds for a specific purpose is required if property taxes will be the source or repayment. The measure also authorizes a tax levy to pay off the bond principal and interest. The Debt Service Fund and a tax levy pay the principal and interest. Any cash on hand or unused working capital in the fund must be invested and the earnings used to pay bond principal and interest. Resources cannot be diverted or used for any other purpose. Transfers from a Debt Service Fund are only allowed in two situations. (1) Transfer to repay an interfund loan. (2) If a surplus remains after all interest and principal are paid, the fund may be dissolved and the balance transferred to any fund originally designated by the governing body, or as included in the bond contract.

A taxing district may set up **Reserve Funds** to accumulate money for specified purposes. A municipality, by ordinance, is permitted to set up a financial reserve fund. A question doesn't have to be submitted to the voters if the taxes levied, or other revenue used to establish the fund, are within the tax base. If it is necessary to exceed the tax base to obtain revenue for a new reserve, the voters must approve a tax levy question. The County does not have any Reserve Funds in effect at this time.

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### Proprietary Funds

The County maintains two different types of proprietary funds – enterprise funds and internal service funds. **Enterprise Funds** are used to finance and account for acquiring, operating, and maintaining facilities and services, which are self-supporting from user charges and fees. The County uses enterprise funds to account for its fairground operations, solid waste disposal utility, land management activities, corrections commissary operations, and regional information systems activities. **Internal Service Funds** are used to account for operations that provide services primarily to the other departments or agencies of the County, or to the other governments, on a cost-reimbursement basis. The County uses internal service funds to account for its self-insurance and employee benefits activities, motor pool operations, intergovernmental services activities, information services and computer replacement activities.

### Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the County. The accounting used for fiduciary funds is similar to that used for proprietary funds. The County maintains one fiduciary fund, the Retiree Benefit Trust Fund.

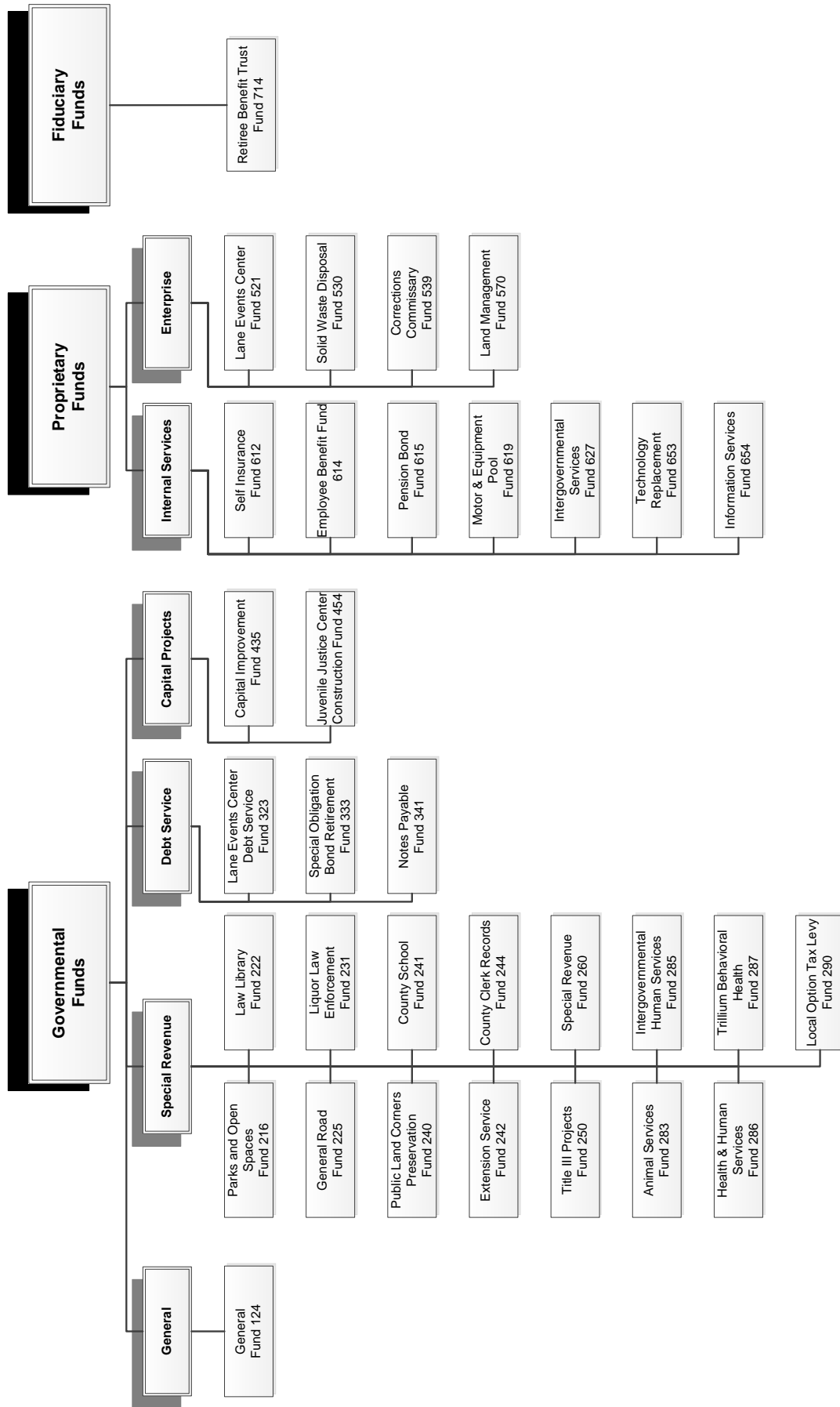
### Basis of Budgeting and Accounting

Lane County maintains its budget using the current financial resources measurement focus and the modified accrual basis of accounting as defined by Generally Accepted Accounting Standards (GAAP) and interpreted by the Governmental Accounting Standards Board (GASB), with certain exceptions. Under the current financial resources measurement focus revenues are recorded when they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recognized when the liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and vested compensated absences. Exceptions between the budget and modified accrual basis of accounting are as follows:

- Unrealized changes in the fair value of investments are not recognized on a budget basis
- Investment earnings are not accrued on a budget basis
- Intrafund transfers are recognized on a budget basis
- Prepaid expenditures for the Lane Events Center are reported on a budget basis

GAAP basis financial statements require governmental funds be recorded on the modified accrual basis of accounting and proprietary funds be recorded on the full accrual basis of accounting using the economic resources measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Therefore, additional adjustments are required to convert proprietary fund types from the budget basis/modified accrual basis of accounting to the full accrual basis of accounting. For example, disbursements for the acquisition of proprietary fund capital assets would be considered expenditures under Oregon Local Budget Law and the modified accrual basis of accounting, but are capitalized as capital assets under full accrual reporting. Conversely, receipts of proceeds from proprietary fund debt financing are a budgetary resource under Oregon Local Budget Law and the modified accrual basis of accounting, but are reported as liabilities under full accrual reporting. Differences between the budget basis, modified accrual basis, and full accrual basis of accounting are reported at year-end in the Comprehensive Annual Financial Report (CAFR) in the Required Supplementary Information and Other Supplementary Information sections. You can view the CAFR at the Lane County website: [http://lanecounty.org/government/county\\_departments/county\\_administration/operations/financial\\_services/](http://lanecounty.org/government/county_departments/county_administration/operations/financial_services/)

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## **County Funds Overview**

### **GENERAL FUND 124**

The primary operating fund for the County, this fund consists of discretionary revenues from tax collections, O&C timber receipts, investment earnings, cigarette and liquor taxes, and other state and local revenue sources. The remaining revenues are generated by activities such as grants and contracts, recording and election fees, and other revenues generated by department activities or services.

### **SPECIAL REVENUE FUNDS**

#### **Parks and Open Spaces 216**

This fund receives revenue from State and local sources for operations, maintenance and enhancement of County parks, campgrounds, and open spaces.

#### **Law Library Fund 222**

Revenues collected by the Courts as part of civil litigation filing fees support the Law Library. The library provides legal reference materials and assistance to patrons (attorneys, litigants, and public).

#### **General Road Fund 225**

Revenues are designated for the maintenance, preservation, and construction of the County road-and-bridge system. The major revenues are the state gas tax and highway user fees, along with National Forest timber receipts. These revenues are mandated by Federal and State law for road purposes. Presently, State law allows the use of National Forest timber receipts for police road patrols.

#### **Liquor Law Enforcement Fund 231**

Revenues are received from County Justice Courts, city municipal courts, and the District Court for fines on traffic violations related to the Liquor Control Act. Funds are administered by the District Attorney and are used for liquor law enforcement activities as well as for alcohol abuse prevention campaigns.

#### **Public Land Corner Preservation Fund 240**

Revenue from a Deeds and Records filing fee is dedicated to corner preservation activities. This program researches the records, locates government corners in the field, and re-establishes and records available to public on section, donation-land claim, and meander corners.

#### **County School Fund 241**

Revenue from this fund is distributed to County schools through the Lane Education Services District. State law requires that funding from 25% of the National Forest timber receipts received by the County and a portion of state timber sales receipts be paid by this fund.

#### **Extension Service Fund 242**

This fund was created following the passage of a five year local option levy of \$0.15 cents per \$1,000 assessed value in May, 2016 for operations and capital. While part of County's budget, the funds will be remitted directly to the Oregon State University (OSU) Extension Service in order to provide services specified within the ballot (4-H programs, Master Gardener, Master Food Preserver, secure local Extension positions, etc). This current levy expires after the FY 20-21 tax year.

#### **County Clerk Records Fund 244**

Revenues received from recording of legal documents, including contracts, deeds, and other conveyances of real property for archival, indexing, and retrieval on computer and microfilm by the public. Marriage licenses are issued, ceremonies performed, and records indexed and maintained. The program also operates the County Record and Archive Center, administers the Records management program and

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micrographics program, and provides public assistance in the Records Research Room. These functions are performed in accordance with state and local mandates. (Commissioners' orders, ordinances, resolutions, and minutes are filed and maintained in the form of Commissioners' Journals).

### **Title III Projects Fund 250**

This fund holds the Title III revenue received from P.L. 106-393 (2000), P.L. 110-343 (2008), P.L. 112-141 (2012), and P.L. 113-40 (2013), also referred to as the Federal Secure Rural Schools (SRS) legislation. There are specific allowable uses for these funds as detailed in the legislation and the BCC reviews requests and awards funds each fiscal year according to those uses.

### **Fund 260 Special Revenue**

This fund consists of several dedicated revenue sources and programs. Transient Room Tax funds the Tourism program. Revenue generated from the sale of tax-foreclosed real property supports the management of these properties. Funding is also included for the Short Mountain Training Facility, Drug Enforcement, and rural and community development projects. Court fines fund Courthouse Security operations.

### **Animal Services Fund 283**

Animal regulation services are provided for unincorporated Lane County and other small cities. Funding is provided by General Fund. As of July 1, 2014 animal regulation services will be provided through the General Fund and the use of the Animal Services Fund will be discontinued.

### **Intergovernmental Human Services Fund 285**

This fund is a cooperative intergovernmental effort between Lane County and the Cities of Eugene and Springfield to provide pooled human services and homeless resources and coordinated policy. This also provides for leveraging of State and Federal funds. Services are provided through a mix of contracted services provided by public and non-profit organizations, direct services provided by County staff, and involvement in community initiatives. Programs include Human Services Administration, Family Mediation, Energy & Conservation Services, Human Services Management Information System, Human Services and Housing, and Veterans Services.

### **Health & Human Services Fund 286**

Revenues are received from Federal, State and local resources, enabling Lane County to provide a wide variety of health and human services to the community. Programs funded include, but are not limited to, Public Health, Adult & Child Behavioral Health services, Developmental Disabilities, and Environmental Health services. This fund also contains sub-funds to provide the services of the Community Health Centers and Juvenile Detention and Youth Services.

### **Trillium Behavioral Health Fund 287**

This fund was originally established in October 2003 for LaneCare, which was the mental health managed care organization for Lane County through August 2012. The fund name has been changed from LaneCare to Trillium Behavioral Health to coincide with the change of the managed care organization role moving from Lane County to Trillium Community Health. This fund now includes revenue to provide the administration of the behavioral health benefits to Oregon Health Plan members, which are funded through a contract with Trillium Community Health.

### **Local Option Tax Levy Fund 290**

This fund was created following the passage a five year local option levy tax for the restoration of jail beds and critical youth services in May, 2013. This fund contains property tax revenue received from the approved levy of \$.055 per \$1,000 assessed value. The current levy expires after the FY 17-18 tax year.

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### DEBT SERVICE FUNDS

#### **Lane Events Center Debt Service Fund 323**

This fund accounts for the accumulation of resources for and payment of debt service for the construction and renovation of facilities at the fairgrounds site. Fund resources come from transient room tax revenue funds, grants, and donations.

#### **Special Obligation Bond Retirement Fund 333**

This fund provides for the interest and principal payments to retire bonds sold to finance capital improvements and equipment purchases, using pledged revenue as the source of repayment. For the Capital Project Debt Retirement, the revenues are pledged from building rental income and an annual general fund appropriation.

#### **Notes Payable Fund 341**

This fund provides for the interest and principal payments to retire promissory notes sold to finance capital improvements and equipment purchases, using pledged revenue from the Capital Improvement Fund as the source of repayment.

### CAPITAL PROJECTS FUNDS

#### **Capital Improvements Fund 435**

The sale of County property, rental and parking revenue, and payments through the Indirect Cost Allocation Plan provide the resources for major capital equipment projects.

#### **Juvenile Justice Center Construction Fund 454**

In 1995, the Lane County voters approved a \$38.9 million bond measure for the construction of a Juvenile Justice Center. This project includes a new detention facility, courtroom and two residential facilities. The project may include land acquisition. The fund was closed in FY 16-17 with the last year of actuals showing up in FY 15-16.

### ENTERPRISE FUNDS

#### **Lane Events Center Fund 521**

The fund receives revenue from local resources and user fees generated by activities at the Lane Events Center. The principal revenues are Convention Center rental fees, County Fair admission and amusements, and building use fees during the remainder of the year.

#### **Solid Waste Disposal Fund 530**

This fund operates solely on revenues generated from user fees. As of July 1, 1993 a portion of the user fees collected are allocated for the integrated solid waste management system through waste prevention, reuse and recycling, waste diversion and operation of outlying transfer sites throughout the County as well as the development, replacement, closure, and post closure requirements of County solid waste landfill sites and the Central Receiving Station in Glenwood.

#### **Corrections Commissary Fund 539**

The fund provides for the purchase of sundries by corrections facility inmates. Items offered for purchase are for personal use or consumption and do not duplicate necessities issued to inmates. Commissary profits provide recreational equipment for inmate use within the corrections facility. All revenues are received from inmates.

#### **Land Management Fund 570**

This fund contains revenue for the Land Management Division of Public Works that is generated from building permit, zoning fees, and user fees for land use planning, building, electrical subsurface sanitation, and code compliance services to the public and cities within the County.

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### INTERNAL SERVICE FUNDS

#### **Self-Insurance Fund 612**

Lane County is self-insured for both Workers' Compensation and general liability, including property, equipment, employee faithful performance, and certain special coverage. Revenues are provided by departmental contributions made from other funds based on a combination of exposures and experience.

#### **Employee Benefit Fund 614**

The fund receives payments from all County departmental budgets to pay for all negotiated and statutory employee benefits such as FICA (Social Security), PERS, Unemployment, Health Insurance, and services including employee assistance, health promotion, and training.

#### **Pension Bond Fund 615**

The Pension Bond Fund is an internal service fund established to account for the receipt of the payroll surcharge assessed against operating departments and used to make Public Employee Retirement System (PERS) bond payments.

#### **Motor and Equipment Pool Fund 619**

This fund provides vehicles and equipment for use by County departments and other governmental agencies. The payments to this fund are for vehicle operation and maintenance, as well as vehicle replacement.

#### **Intergovernmental Service Fund 627**

This fund provides administrative support services to all County departments and other agencies. Services include mailroom, copier services, and telephone services. Services are provided on a cost-reimbursement basis.

#### **Technology Replacement Fund 653**

This fund receives payments from a majority of Lane County departments who intend to replace their personal computers, servers, and printers based on a scheduled replacement cycle. Monthly payments are made based upon the number and type of equipment. Once sufficient funds have accrued, the paying department can use the proceeds to purchase replacements. The Information Services department manages this fund.

#### **Information Services Fund 654**

This fund accounts for information technology core infrastructure and support services provided to County departments and regional customers on a cost-reimbursement basis by the Information Services department. This fund was established with an effective date of July 1, 2004. Prior to the creation of this fund, the Information Services department was budgeted within the General Fund.

### TRUST AND AGENCY FUNDS

#### **Retiree Benefit Trust Fund 714**

The County has an obligation for medical benefits for certain retired employees. This is a limited obligation in that no employees hired after 1997 are eligible to receive it. The Retiree Benefit Trust Fund was established to adhere to governmental accounting standards that require the County to provide dedicated funding for this defined liability for the duration of its existence and to place those funds in a trust fund. Monies will be placed into this fund each year to meet the obligation based upon an actuarial analysis. The Retiree Benefit Trust Fund will account for the receipt of the payroll surcharge assessed against operating departments and to account for the medical benefit payments.

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## Balancing Options

The following list chronicles the key events, preparations, deliberations, and decision points that preceded the Proposed Budget for FY 17-18.

### **June 2016**

The Oregon Secretary of State released its Oregon's Counties: 2016 Financial Condition Review and Lane County was removed from the list of counties to monitor since the report was first issued in 2012. The 2016 report is based upon data through fiscal year 14-15. Lane County saw improvements in the areas of local revenue per capita, increased liquidity position, personal income per capita, and unemployment levels. On the flip side, Lane County saw an increase in retirement benefit obligation due to the funding status of the Oregon Public Employee Retirement System (PERS) and a 2 percent decrease in labor force participation. A positive indicator according to the report is the decreased dependence on timber revenue from both BLM and US Forest Service. This dependence is the result of decreasing payments to counties and while it is a positive financial indicator, it also indicates a decrease in necessary funding available within the General and Road Funds to provide critical public safety and infrastructure services.

### **October 2016**

The Board of Commissioners received a quarterly update on the 2014-2017 Strategic Plan which included highlighting several investments in critical service that occurred in the FY 16-17 budget. While the amount of funding available to provide services is crucial to the budget itself and the outcomes we can accomplish for the community each fiscal year, the County's Strategic Plan is our guiding document and is used to determine our priorities. We look to the Plan when considering any changes or enhancements to the Budget. In order to give an adequate picture of the FY 17-18 budget preparations, we will first briefly revisit some of the changes that started in the FY 16-17 Adopted Budget and changes that occurred throughout the current fiscal year.

Those investments included:

- Two new positions in the District Attorney's office to file an additional 400 cases annually.
- 1 additional parole & probation officer to work with high-risk/repeat offenders in the jail.
- Expansion of support for crisis and mental health services for offenders in the jail.
- Extra help funding with Assessment & Taxation for support audits and reappraisals.
- New position dedicating to fulfilling the County's equity and access plan.
- A focus on rural economic prosperity.

The County has also made progress with improving the health of our communities by expanding availability of targeted, evidence-based behavioral health services for individuals who are homeless or involved in the corrections system. Behavioral Health has continued to make progress on increasing access to behavioral health services and improving the model of care.

A strong, diverse and sustainable regional economy, which supports Priority 2: Vibrant Communities saw significant progress being made in the development of a rural economic development program to assist rural Lane County communities with economic development needs. The County's Land Management Division became fully staffed in May 2016 with new staff being trained and the backlog of land use and building permits being reduced. Land Management also analyzed and revised fees in August 2016 to ensure adequate cost recovery.

The County has been developing a plan for replacement of the current Lane County Courthouse for some time. Recently, actions by the State legislature and the Oregon Judicial Department have proved to be



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catalysts for this effort. Most significantly, the 2013 Oregon Legislature recognized the need for State assistance in courthouse replacement projects statewide and created the Oregon Courthouse Capital Construction Improvement Fund (OCCCIF) in the State Treasury, which provides matching State of Oregon Article XI-Q bond funding to county contributions for eligible courthouse project expenses. Eligible expenses are those related to courthouse planning and construction of the portions of the facility that are dedicated to the State Circuit Court and other State tenants. The County plans to acquire the property from the City of Eugene with capital fund dollars budgeted in FY 17-18, the total cost of which will presumably be offset by revenue associated with the simultaneous sale of the County's Butterfly Lot property to the City of Eugene. The pace at which planning and design can progress will remain dependent on the State's ability to continue to share in the cost of the work. These factors notwithstanding, the County plans to support project planning and design efforts with capital fund dollars and does not foresee issuing debt to support the project until it is in a construction ready position and it is clear the State is prepared to provide OCCCIF funding for the construction phase of the project. The earliest this is projected to occur is mid-2019.

### ***January 2017***

#### ***Leadership Team Meeting***

Leadership Team, which consists of the Board of Commissioners, Department Directors and County Administrator, held a meeting in early January to begin preparations for the FY 17-18 budget. A review of leading economic indicators, including unemployment, consumer price index, transient and car rental tax revenues, and building permit activity/median sales price of homes, set the stage for a discussion of the coming year.

Lane County continues to face fiscal challenges due to a low permanent property tax rate and available local revenue per capita to provide services to our community. With no solution to the lack of federal timber revenue in sight, the County Administrator proposed a continuation of his three year plan, with FY 17-18 being the third year. The focus of the plan continues:

- Strive to maintain critical services w/goal of no layoffs
- Focused use of one time money for operations
  - Debt reduction
- Balance permanent spending reductions, efficiencies & innovation through
  - Structural expenditure reductions
  - Vacancy review
  - Revenue review (internal team to review options)
  - 2016 Voluntary Separation (VSIP)

Additional presentations this year covered State and Federal Overview, Benefits, Property Taxes, Road Fund, Solid Waste Disposal Fund, Community Health Centers, Parole & Probation and the General Fund. A 20% increase in PERS rates, potential impacts of the State's 17-19 biennium budget and the ongoing structural deficits in the General Fund and Road Fund presented the largest challenges.

In spite of the challenges, there continues to be strength in the housing market, which directly impacts the property tax revenue for all local governments and schools and provides relatively stable revenue growth for the County. Lane County continues to see success from our move to a self-funded health insurance model, with rates charged to departments staying flat for the third year in a row.

The focus on the FY 17-18 Proposed Budget Prep included a review of the structural budget projections for both the Road Fund and the General Fund. In the final year of the plan to become structurally balanced, the Road Fund was forecasted with a \$2.1 million structural deficit and the General Fund had a

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forecasted \$2.4 million structural deficit. The cause of the deficits continued to be the elimination of the Federal Secure Schools payments.

### ***Budget Kickoff***

Departments received initial budget direction on January 17, 2017.

#### *Phase I*

General Fund Departments were initially requested to enter their Adjusted Base Budgets, which is defined as “current budget year level of service with updated expenses and revenues.” As part of this budget entry, it was determined that departments revenues were experiencing an overall increase, not previously forecasted. This change helped reduce the structural deficit in the General Fund.

Within this phase, the County also received information on the current projections for timber harvest on BLM land, which is shared with Counties. Timber prices are currently high and current harvest levels are forecasted to bring in an additional \$500k over the original forecasted timber revenue.

Finally, analysis was done on all budget requests to verify levels of expense as compared to prior years. This review resulted in several areas of changes on both the revenue and expenditure side.

#### *Phase II*

The Administrator then gave further refining budget direction to General Fund departments including:

A change in budgeting for vacant positions. The County has historically budgeted for full employment, with a requirement that departments receiving discretionary general fund return 2% of those funds at the end of the year. This amount has also been referred to as “general fund lapse.” Further analysis of the general fund lapse showed that it no longer followed the trend of vacancies and was instead causing a piece of the structural deficit by initially inflating the budget for full employment. As a starting place, departments were asked to reduce their budgets by the 2% amount. This reduced the structural deficit by \$950k.

The Phase I and Phase II adjustments successfully eliminated the structural deficit within the General Fund for the first time in seven years.

### ***February 2017***

In mid-February, due in part to our efforts to create long-term financial stability through a structurally balanced budget, Moody’s Investor Services upgraded Lane County’s bond rating to Aa2, the highest in the County’s history. This rating change is well timed with the continuation of the County’s debt reduction plan which will include the refunding of the 2009A and 2003B bonds which will save interest and lower annual debt payments due to lower interest rates.

### ***March 2017***

The Budget Office and County Administrator met with each department to review service levels, anticipated changes in revenue and expenditures, and areas of concern or high need. Following those meetings, the County Administrator reviewed department requests for enhancements in services in a few key areas to make our community safer, healthier and more vibrant:

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### *Phase III*

#### Service enhancements

With a focus on the County's Strategic Plan, the Administrator identified enhancements in services that focus on make our community safer, healthier and more vibrant:

#### On-going expenditures

**\$123,845** – Addition/Restoration of a Purchasing Supervisor position. This position was eliminated in the FY 12-13 budget. The restoration of this position will allow for development and standardization of the procurement process to improve consistency, quality, accountability, economy.

**\$65,131** – Enhanced training, programs, extra help for the performance auditor and intergovernmental relations manager and reclassification of positions within Elections due to higher level skill requirements due to changing technology.

#### One-time expenditures

**\$50,000** - Dog box for animal services truck.

**\$95,000** - One-time Facilities Assessment in FY 17-18.

**\$60,000** - Moving expenses for Phoenix Program within Youth Services.

**\$130,950** – Telephone system upgrade for General Fund lines

### **May 2017**

The Budget Committee will begin their review of the FY 17-18 Proposed Budget at their first meeting on May 9, 2017 beginning at 5:30 pm with presentation of the Budget Message, Budget Overview and a Public Hearing.

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## Understanding the County's Budget

### General Highlights

The Fiscal Year 2017-2018 Proposed Budget including expenditures and reserves for all funds is \$599,569,747.

Resources overall are down by \$19,545,371 or 3.16%. This decrease is a combination of reducing fund balances due to the elimination of the Secure Rural Schools federal payments, a decrease in internal costs including health insurance and fleet charges.

Change in fund size by type of fund across the County are shown below:

### CHANGE IN TOTALS BY FUND TYPE

	FY 16-17 Curr Bdgt	FY 17-18 Proposed	Amount of Change	% of Change
General	92,474,331	93,812,366	1,338,035	1.45%
Special Revenue	286,574,330	272,981,430	(13,592,900)	-4.74%
Debt Services	16,918,089	9,324,864	(7,593,225)	-44.88%
Capital	10,343,595	9,156,704	(1,186,891)	-11.47%
Enterprise	53,001,500	56,070,779	3,069,279	5.79%
Internal Services	145,353,313	144,018,751	(1,334,562)	-0.92%
Fiduciary	14,449,960	14,204,853	(245,107)	-1.70%
<b>TOTAL</b>	<b>\$619,115,118</b>	<b>\$599,569,747</b>	<b>(\$19,545,371)</b>	<b>-3.16%</b>

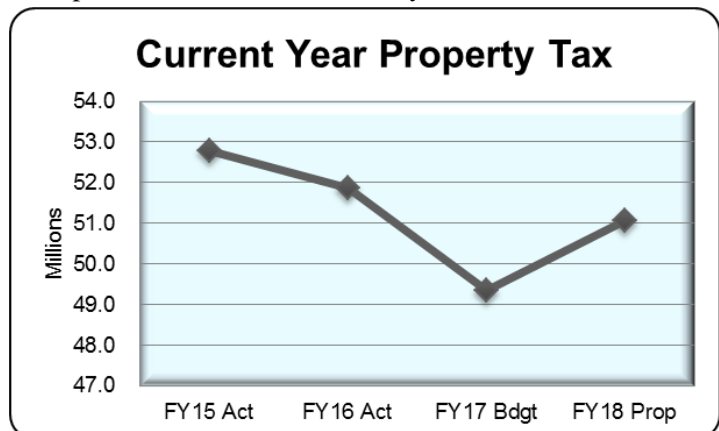
## Major Revenue & Resource Trends

### Revenues

Revenues have been adjusted based upon anticipated grant funding and current financial projections. The County also relies heavily upon comparisons to historical actuals for both revenues and expenditures. Major funding categories are described below.

### Current Year Property Tax

Current Year Property Tax revenue is anticipated to represent 14.10% of the County's total revenue and 8.52% of all resources in FY 17-18. Lane County's permanent tax rate under voter approved Measure 50 is \$1.2793 per \$1,000 of Assessed Value (AV). The current AV is increased by a constitutionally restricted limit of 3% plus additions for estimated new construction. The permanent rate will generate \$38.9 million of the total current year property taxes. The County also has two local option levies appearing within its budget. The first one consists of \$.055 per \$1,000 AV passed by voters in 2013 for restoration of jail beds and critical youth services and the second was passed in May, 2016 for 4H Extension Services at a rate of \$0.015 per \$1,000 AV. The reduction in



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revenue shown on the chart is due to the payoff of a general obligation bond between FY14-15 and FY 15-16 and a reduction in the assessed rate for the 2013 levy down to a rate of \$0.38 cents in FY 16-17 due to higher than anticipated revenue and lower than anticipated expenditures which resulted in a larger than anticipated fund balance needed to provide the promised service levels. It should be noted that the 4H Extension Service levy funds are paid directly to the OSU Extension Service which is a separate entity from Lane County government.

Despite the chart showing the decreasing trend explained above, the County is continuing to see current year property tax revenues related to the permanent rate increase above the constitutional limit due to a strong housing market.

### Other Taxes & Assessments

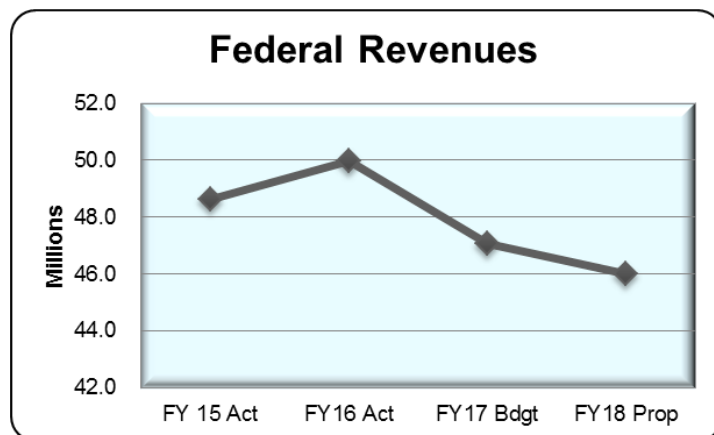
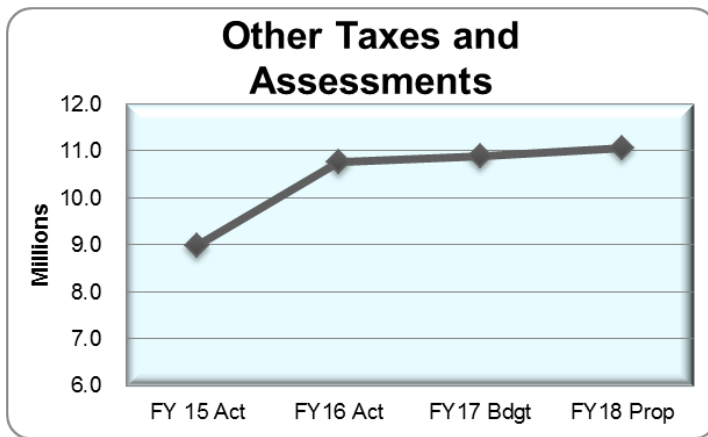
In addition to Current Year Property Tax receipts, the County also collects other taxes related to Prior Year Property Taxes, Car Rental, Transient Room occupancy and other miscellaneous taxes and assessments. This portion of Taxes & Assessments will represent 3.06% of total County revenue and is projected to increase by 1.63% overall in FY 17-18 based upon the relatively strong economy which is currently showing strong growth in the areas of Transient Room and Car Rental taxes. Payments in Lieu of Taxes (PILT) is not currently budgeted in FY 17-18 due to the lack of an authorization of the funding by the Federal Government. In past years, the County has received

approximately \$700,000 from that revenue source into its General Fund. A new 3% local marijuana tax passed by voters in November 2016 is projected to bring in limited funds due to there currently being only one dispensary within unincorporated Lane County. The County has yet to receive the first tax payment for the first quarter of 2017.

### Federal Revenues

Federal revenue continues to decline and will represent 12.70% of overall County revenue. The decrease is primarily due to the elimination of the Secure Rural Schools Payments, which have not been renewed by the U.S. Congress. In place of that funding, the County now receives a shared portion of the timber harvests occurring on specific US National Forests and O&C Forestland.

The decline in Federal Revenue began long before the chart shown to the right. For comparison, FY 10-11 Federal Revenue totaled \$72.2 million. The resulting decrease over the past 7 years is 36.3%, not adjusted for inflation. This reduction in revenue has the largest impact on the General Fund and Road Fund as discussed throughout this document.

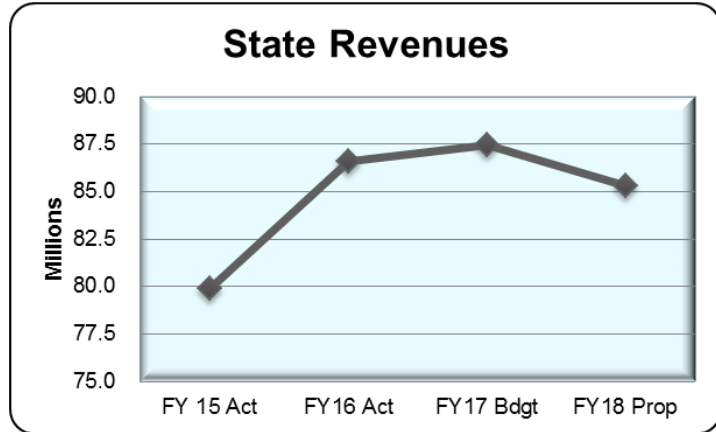


# Financial & Planning Summary

## State Revenue

State revenue consists of 23.56% of total County revenue and comes primarily in the form of specific use grants. Total State Revenue is decreasing by \$2.1 million or 2.44% as compared to FY 16-17. The State has not yet formalized its 2017-2019 biennium budget and total projected State revenue has the potential to change prior to budget adoption.

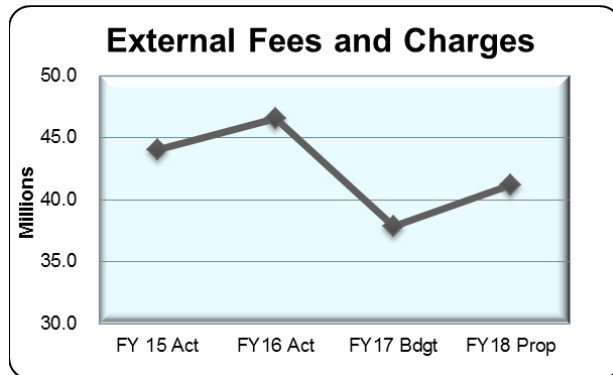
State shared revenues (cigarette, liquor, and amusement device tax, video lottery proceeds and a recreational vehicle fee) total \$4.7 million or 5.5% of total state revenues. Video Lottery, which must be spent on economic development, is projected to grow by 2%. Cigarette Tax revenue continues to decline in recent years, while Liquor Tax shows modest increases. The State distribution of a recreation vehicle fee is projected to grow by almost 3%. Marijuana Tax, implemented in calendar year 2016, has been collected by the State but not yet distributed to local governments. The County is assuming this revenue will remain flat at \$120,000 annually, until we receive further data to verify a change in projection.



## Fees and Charges

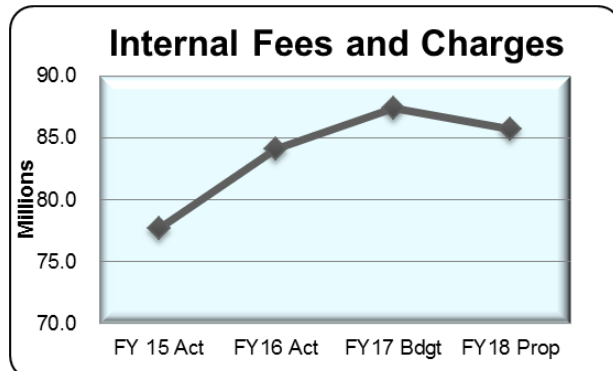
### External Fees

The County charges fees for services rendered to residents, a few examples being Short Mountain Landfill fees, Land Management permit fees and recording fees within Deeds & Records. These fees will total \$41.2 million in FY 17-18. The increase is due in part to a fee increase at the Short Mountain Land Fill and higher fee collection in Land Management due to the strengthening economy. Recording fees, which saw a substantial decrease during the Great Recession, has rebounded and returned to prior revenue amounts due in part to continued low mortgage interest rates and a strong local real estate market. The trend for that revenue source is dependent on decisions made by the Federal Reserve and long-term interest rates.



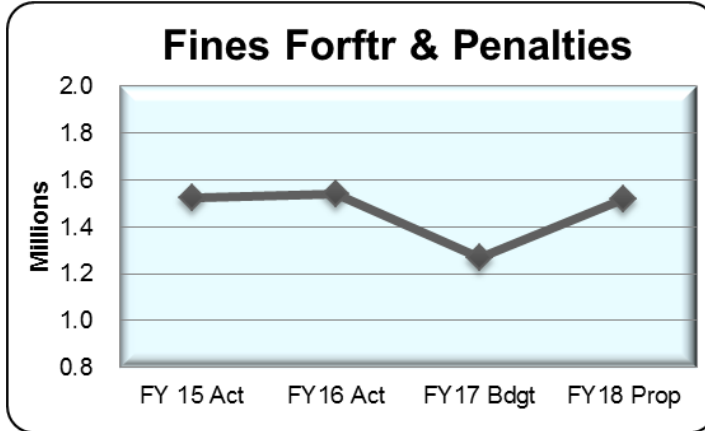
### Internal Fees

The County budget also accounts for fees charged internally between departments and internal service funds for benefit costs, finance, human resources and administrative services as well as legal and technology services necessary to enable departments to provide services to the public. Internal fees will total \$85.6 million in FY 17-18, which is a 2.02% decrease from current year. This decrease is due to a continued focus on reduction of internal costs in order to spend our limited funds on critical services to the community.



# Financial & Planning Summary

## Fines Forfeitures & Penalties



This revenue source will total \$1.5 million for FY 17-18 which results in an increase after several years of continual downturn. Previously, a change from three County justice court districts down to the current one district seated in Florence resulted in less fine revenue and State changes to the criminal fine assessments and the lack of County funding available to provide additional Sheriff Patrol and traffic enforcement services both result in decreasing revenues to the County.

## Total Revenue

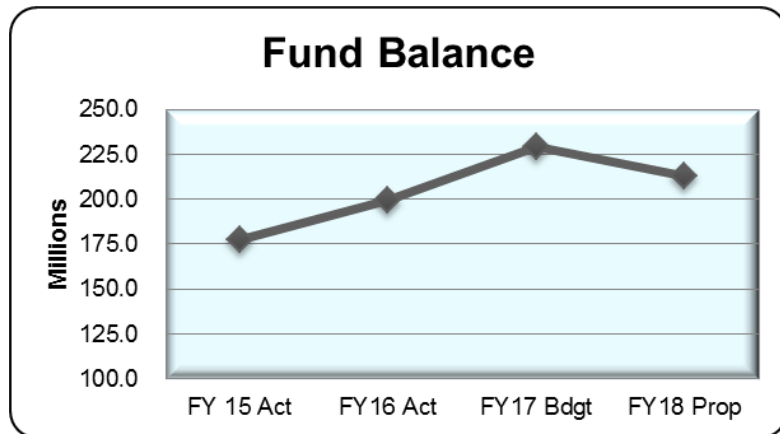
In FY 17-18, the County is projecting other revenues related to Property and Rentals of \$6.6 million, Local Revenues of \$8.4 million, Administrative Charges of \$19.3 million and Interest Earnings of \$1.9 million for a Total Revenue of \$362,171,981. Revenue accounts for 60.4% of all County Resources within the County's budget. The revenue amount is important because in the event it is lower than ongoing expenditures, the County may experience a Structural Deficit.

## Other Resources

In addition to the revenue that will be received by the County in FY 17-18, the County also maintains fund balances in each of its funds, and completes transfers money between funds which are then available as a Resource in the budget year and beyond. Beginning fund balances maintain the same spending restrictions as the original source that paid the funds to the County and many of the County's Funds are required to maintain reserve levels for self-insurance, bond ratings, and events such as the future closure of the Short Mountain landfill or disaster preparedness for roads & bridges.

## Fund Balance

The County's fund balances represent the amount of money that will be unspent and carried forward from the prior year. These funds are either spent or reserved based upon reserve policies for the type of fund and service. In some cases the County also relies on these funds to maintain stable service levels from year to year as revenues fluctuate. The most important thing to remember when reviewing fund



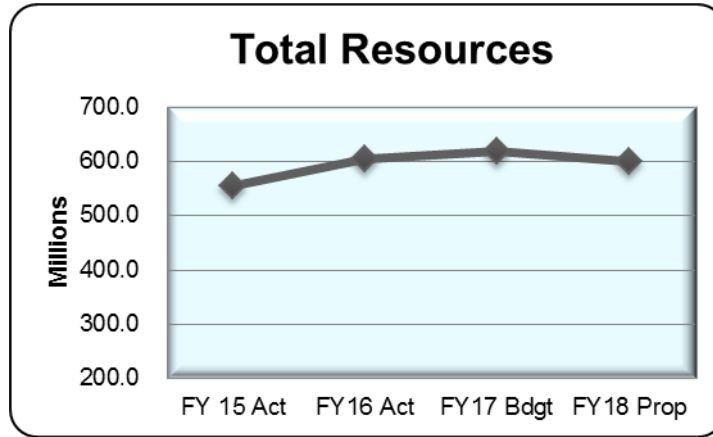
balance is that these funds provide only a "one-time" use. This means, they do not replenish themselves once spent – unless funds are taken from another revenue source. In FY 17-18, the total beginning fund balance for all County funds is estimated at \$212.7 million, which is a decrease of \$16.3 million or 7.13% from current year budget. While in some cases this reduction is anticipated due to planned spending, this decrease also demonstrates an overall decrease of resources available to the County for use in providing services to the community. In FY 17-18, neither the Road Fund nor General Fund will spend any of their beginning fund balance to provide ongoing services. This structural balancing of those funds is occurring for the first time in seven years and is the result of the budget goals set by the County Administrator in

# Financial & Planning Summary

FY 15-16 as detailed in the Budget Message. County policy encourages the spending of one-time resources on one-time expenditures in order to achieve a structurally balanced budget.

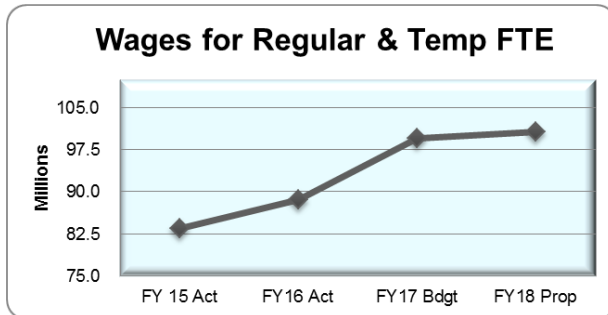
## Total Resources

All available Resources for FY 17-18 are budgeted to total \$599,569,747 million. This is a decrease of \$19.5 million from the current year's budget of \$619,115,118. This decrease is due in part to the decrease in Revenues as described above, as well as due to the internal expense reductions related to the continued focus on decreasing internal expenses wherever possible.



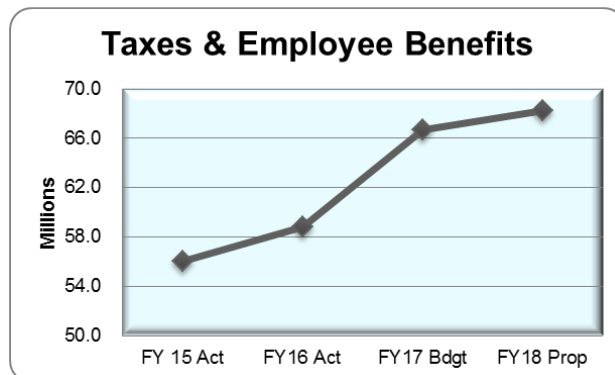
## Major Expenditure Trends

### Personnel Services



Lane County's services, like most governmental agencies, are labor intensive. The total wages for both regular and temp employees (total of 1,512.62 FTE) are budgeted at \$98.2 million for FY 17-18, an increase of 1.45% from current year. Wages account for 25.77% of all County expenditures.

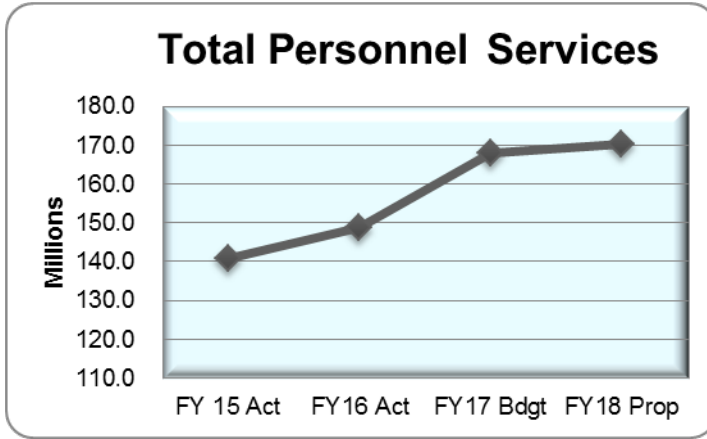
An additional \$68.2 million in expenses is budgeted for taxes and benefit costs such as social security, Medicare, medical insurance, retirement, and other provided benefits. Health insurance costs are projected to be flat for the third year in a row due to the change to a self-funded model and lower than projected medical claims in FY 15-16. The County is experiencing a 20% increase in pension expenses related to the increase in employer rates from the Public Employee Retirement System (PERS). PERS increases are





## Financial & Planning Summary

anticipated to continue for the next several bienniums due to a large unfunded liability. Lane County reserved funds in FY 13-14 in anticipation of increasing rates and will be using a portion of those reserves as the increases occur to help decrease the overall impact.

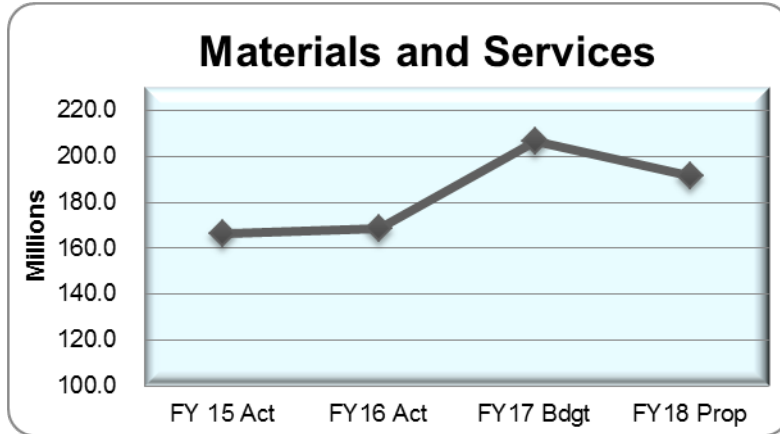


Personnel expenses are projected to total \$170.3 million, or 43.61% of the County's total expenditure budget. This represents growth of 1.63% when compared to current year budget.

The County has adjusted vacancy variance projections for positions in the FY 17-18 budget within several funds which results in decreasing budgeted salaries as we account for wages not anticipated to be paid due to position vacancies. This effort will continue to be refined in future budget years.

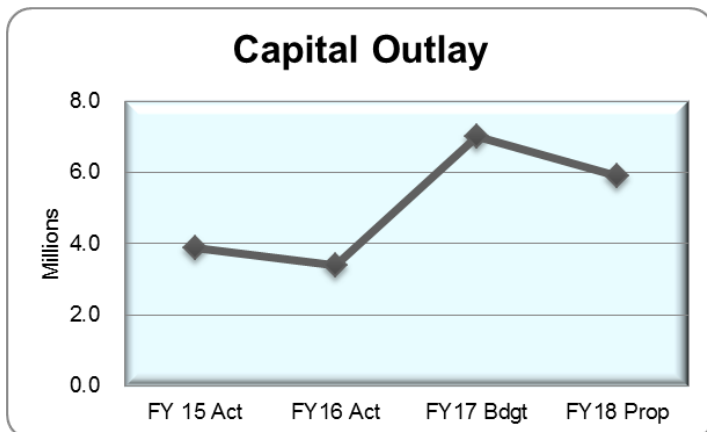
### Materials & Services

This category totals \$191.4 million and represents 49.01% of the overall expenditure budget. This is a decrease of \$15 million, or 7.47%. This decrease is attributed to one-time expenses in FY 16-17, as well as a continued focus on reduction of internal expenses and other material and services to maintain the personnel needed to provide direct services to citizens. The continued decrease within the Road Fund of available funding for road improvements and maintenance due to the loss of Secure Rural Schools also impacts this expense category.



### Capital Outlay

Capital Outlay expenditures are budgeted at \$5.8 million for various equipment purchases that make up 1.51% of the County's overall expenditure budget. The major types of equipment purchased include

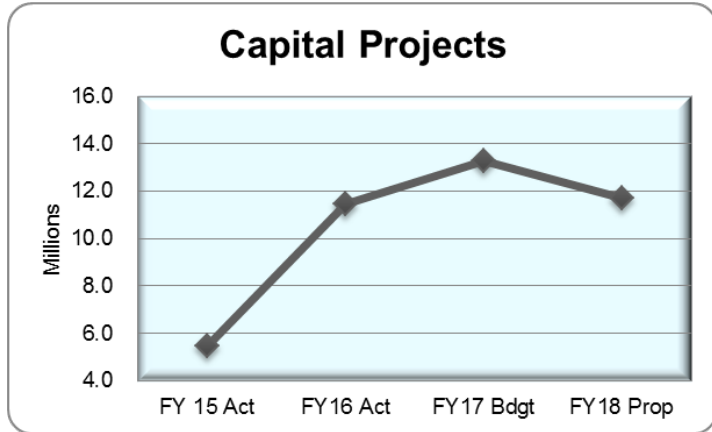


heavy equipment for the Public Works department along with vehicles and data processing equipment for a variety of departments. All equipment is on a scheduled replacement cycle. Dollars are budgeted in various operating funds and are transferred to the replacement funds for holding until sufficient funds have built up to replace the equipment. For this reason, capital outlay expenditures are cyclical and can vary greatly from year to year. When compared to current year, the capital outlay budget will decrease by 16.02% in FY 17-18.

# Financial & Planning Summary

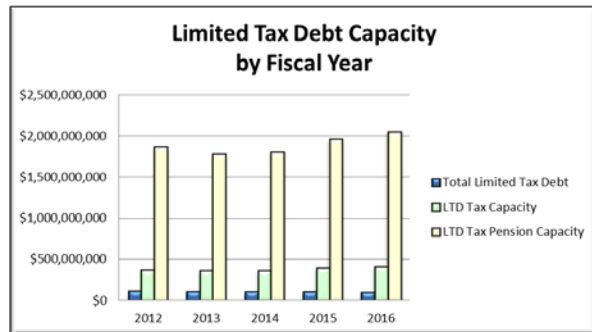
## Capital Projects

Capital projects are budgeted at \$11.68 million and represent 2.99% of the expenditure total budget. Many of the projects in this category are based upon the Five-Year Capital Improvements Plan prepared by the Department of Public Works. FY 17-18 reflects a reduction of \$1.5 million or 11.92%, primarily due to shrinking Road Fund resources and completion of projects.



## Debt Service

The County pays debt service payments on various bonds issued for a variety of projects. The payments consist of both principal and interest payments and are budgeted in FY 17-18 at a total of \$11.2 million.



In addition, Lane County is in the process of refunding two existing limited tax bonds and reserving funds to pay off a portion of another bond in 2020. This debt reduction plan is discussed in more detail in the General Expense section of this document. Payments are currently being made for the following major bonds: Heating, Ventilating and Air Conditioning (HVAC) and Fairgrounds' capital improvements bonds; Mental Health Building; Public Health Building, the PERS Limited Tax Pension bond, and 2011 Improvements (Riverstone, Marina, Customer Service Center, Lane Events Center Roof and PSB HVAC).

## Total Expenditures

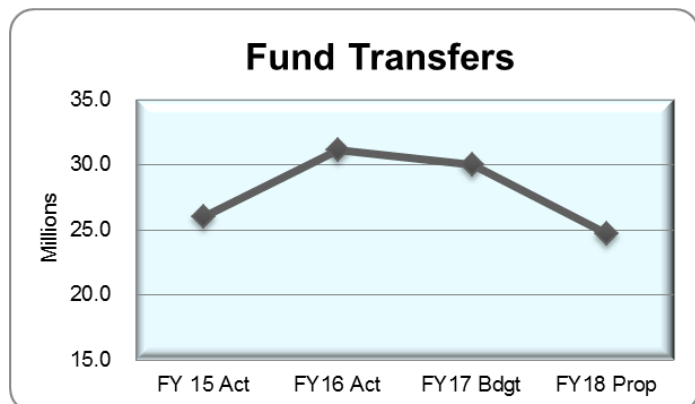
In FY 17-18, the County is projecting total expenditures of \$390,460,434. Expenditures account for 65.12% of all County budget requirements. This figure is important because it is compared to Total Revenue when reviewing the budget for structural balancing. The County continues to have a goal of structurally balancing all funds.

## Other Budget Requirements

In addition to the expenditures described above, the County has other requirements detailed in the budget pursuant to budget law. These include fund transfers (transfer of monies from one fund to another) as well as contingencies and reserves.

## Fund Transfers

Transfers between various County funds will total \$24.7 million in FY 17-18. A large portion of these transfers is the transfer of General Fund into Special Revenue Funds to pay for services such as Public Safety as well as Public Health, Mental Health, Developmental Disabilities and Juvenile Justice Services. Funds are

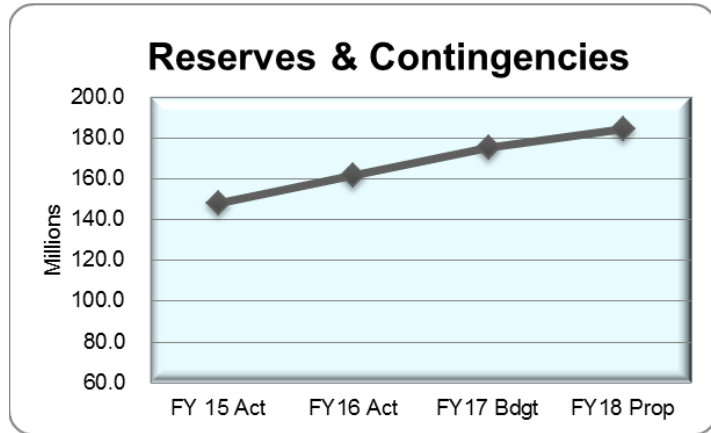


## Financial & Planning Summary

also transferred from Departments into Debt Service funds to make the payments referenced above. More detail on Transfers between Funds is available in the Appendices section of this document.

### Reserves & Contingencies

The County is currently in the process of revising its financial policies related to reserve levels and the Proposed Budget has been built under the new recommendations. This includes determining the necessary reserve percentage for funds based upon the service activity and type of fund, and changing the minimum General Fund reserve policy to a goal of 20% of operating revenues. The Proposed Budget achieves a General Fund reserve of approximately 17%. Reserves for all funds combined will total \$140.4 million overall next year and an additional amount of \$44 million in contingencies.



### Total Requirements

Total Requirements for FY 17-18 total \$599,569,747 million. This is a decrease of \$19.5 million from the current year's budget of \$619,115,118 or 3.16%. This amount matches available resources and therefore meets Oregon State Budget Law requirement for a balanced budget.

## Financial & Planning Summary

<b>RESOURCES &amp; REQUIREMENTS - ALL FUNDS COMBINED</b>							
<b>PROPOSED BUDGET</b>							
	FY 14-15	FY 15-16	FY 16-17	FY 17-18	\$ Chng	% Chng	% of Total
	Actuals	Actuals	Cur Budget	Proposed	from Curr	from Curr	Bdgt
Taxes & Assessments	61,748,419	62,630,160	60,237,500	62,141,298	1,903,798	3.16%	10.36%
Licenses & Permits	3,896,079	4,462,005	4,189,567	4,131,099	(58,468)	-1.40%	0.69%
Fines, Forf., Penalties	1,524,765	1,540,122	1,266,850	1,517,750	250,900	19.81%	0.25%
Property & Rentals	6,962,587	6,993,935	6,340,064	6,663,658	323,594	5.10%	1.11%
Federal Revenue	48,637,140	49,982,439	47,053,586	45,984,790	(1,068,796)	-2.27%	7.67%
State Grant Revenue	50,072,081	56,880,330	55,994,810	54,709,349	(1,285,461)	-2.30%	9.12%
Other State Revenue	29,820,277	29,735,504	31,470,793	30,619,722	(851,071)	-2.70%	5.11%
Local Grants	1,667,761	1,698,768	1,615,708	1,718,649	102,941	6.37%	0.29%
Local Revenues	6,336,805	6,499,035	6,132,498	6,700,048	567,550	9.25%	1.12%
Fees & Charges	121,686,581	130,600,709	125,276,848	126,813,920	1,537,072	1.23%	21.15%
Administrative Charges	18,557,531	19,688,808	18,552,563	19,272,500	719,937	3.88%	3.21%
Interest Earnings	1,529,856	1,763,006	1,360,307	1,899,198	538,891	39.62%	0.32%
Resource Carryover	177,218,084	200,021,794	229,627,495	212,724,875	(16,902,620)	-7.36%	35.48%
Interfund Loans	35,077	20,000	20,000	0	(20,000)	-100.00%	0.00%
Fund Transfers	26,021,687	31,148,828	29,976,529	24,672,891	(5,303,638)	-17.69%	4.12%
<b>Total Resources</b>	<b>555,714,729</b>	<b>603,665,444</b>	<b>619,115,118</b>	<b>599,569,747</b>	<b>(19,545,371)</b>	<b>-3.16%</b>	<b>100%</b>
Personnel Services	140,831,176	148,883,798	167,870,819	170,297,932	2,427,113	1.45%	28.40%
Materials & Services	166,196,816	168,603,057	206,820,280	191,362,006	(15,458,274)	-7.47%	31.92%
Capital Outlay	3,886,388	3,388,779	7,008,244	5,885,798	(1,122,446)	-16.02%	0.98%
Capital Projects	5,460,217	11,458,027	13,272,387	11,689,865	(1,582,522)	-11.92%	1.95%
Debt Service	13,261,575	10,540,463	18,979,281	11,224,833	(7,754,448)	-40.86%	1.87%
Fund Transfers	26,021,687	31,148,828	29,976,529	24,672,891	(5,303,638)	-17.69%	4.12%
Interfund Loan	35,077	20,000	20,000	0	(20,000)	-100.00%	0.00%
Operational Contingency	0	0	63,963,026	44,020,103	(19,942,923)	-31.18%	7.34%
Total Reserves	0	0	111,204,552	140,416,319	29,211,767	26.27%	23.42%
<b>Total Requirements</b>	<b>355,692,936</b>	<b>374,042,952</b>	<b>619,115,118</b>	<b>599,569,747</b>	<b>(19,545,371)</b>	<b>-3.16%</b>	<b>100.00%</b>

## Financial & Planning Summary

FY 17-18 PROPOSED RESOURCES BY FUND TYPE & DEPARTMENT								
Department Name	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Services	Trust	Total Dept
Assessment & Taxation	1,411,500	261,183	-	-	-	-	-	1,672,683
County Administration	8,203,774	12,638,422	-	9,156,704	-	730,777	-	30,729,677
County Counsel	1,670,938	-	-	-	-	-	-	1,670,938
District Attorney	3,083,543	90,258	-	-	-	-	-	3,173,801
General Expense	63,200,842	14,368,025	9,324,864	-	-	87,812,740	14,204,853	188,911,324
Health & Human Svcs	-	141,273,386	-	-	-	-	-	141,273,386
Human Resources	2,423,943	-	-	-	-	-	-	2,423,943
Technology Svcs	-	-	-	-	-	16,907,714	-	16,907,714
Public Works	3,537,650	62,511,744	-	-	55,446,979	32,397,160	-	153,893,533
Sheriff's Office	10,280,176	41,838,412	-	-	623,800	6,170,360	-	58,912,748
<b>Total Fund Resources</b>	<b>93,812,366</b>	<b>272,981,430</b>	<b>9,324,864</b>	<b>9,156,704</b>	<b>56,070,779</b>	<b>144,018,751</b>	<b>14,204,853</b>	<b>599,569,747</b>

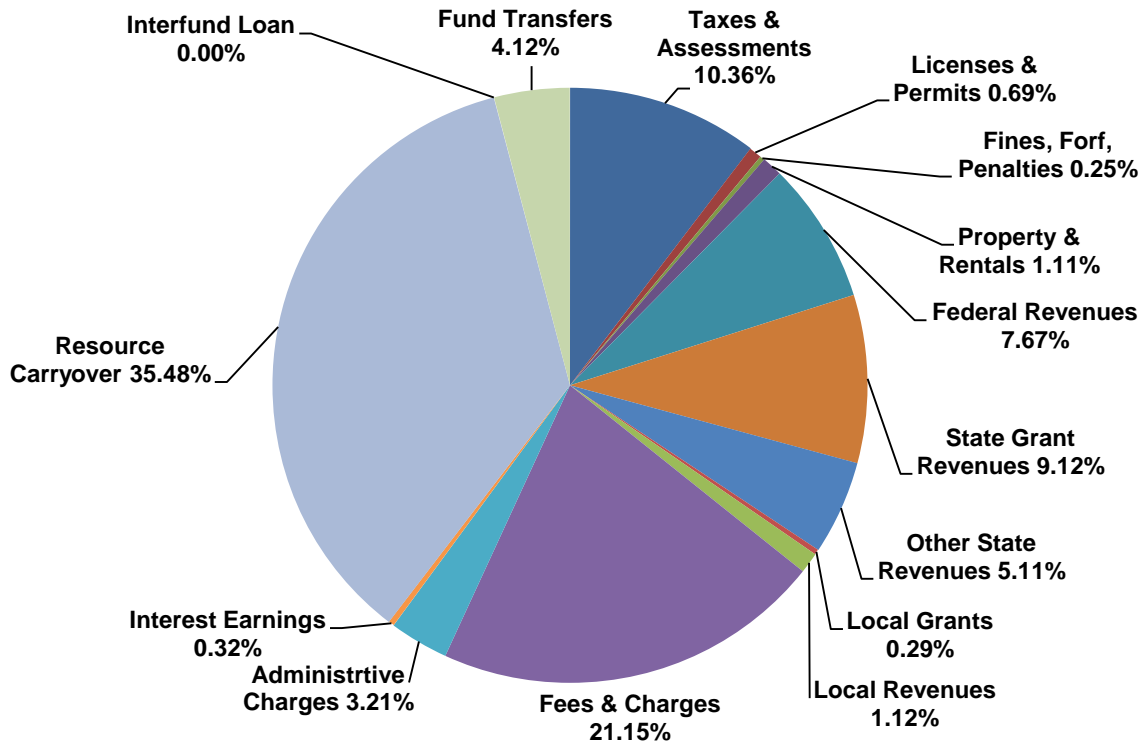
FY 17-18 PROPOSED REQUIREMENTS BY FUND TYPE & DEPARTMENT								
Department Name	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Services	Trust	Total Dept
Assessment & Taxation	5,993,346	261,183	-	-	-	-	-	6,254,529
County Administration	8,358,083	12,638,422	-	9,156,704	-	730,777	-	30,883,986
County Counsel	1,629,642	-	-	-	-	-	-	1,629,642
District Attorney	10,300,506	90,258	-	-	-	-	-	10,390,764
General Expense	15,944,517	14,368,025	9,324,864	-	-	87,812,740	14,204,853	141,654,999
Health & Human Svcs	9,837,285	141,273,386	-	-	-	-	-	151,110,671
Human Resources	2,473,671	-	-	-	-	-	-	2,473,671
Technology Svcs	-	-	-	-	-	16,907,714	-	16,907,714
Public Works	4,152,265	62,511,744	-	-	55,446,979	32,397,160	-	154,508,148
Sheriff's Office	35,123,051	41,838,412	-	-	623,800	6,170,360	-	83,755,623
<b>Total Fund Requirements</b>	<b>93,812,366</b>	<b>272,981,430</b>	<b>9,324,864</b>	<b>9,156,704</b>	<b>56,070,779</b>	<b>144,018,751</b>	<b>14,204,853</b>	<b>599,569,747</b>

## Financial & Planning Summary

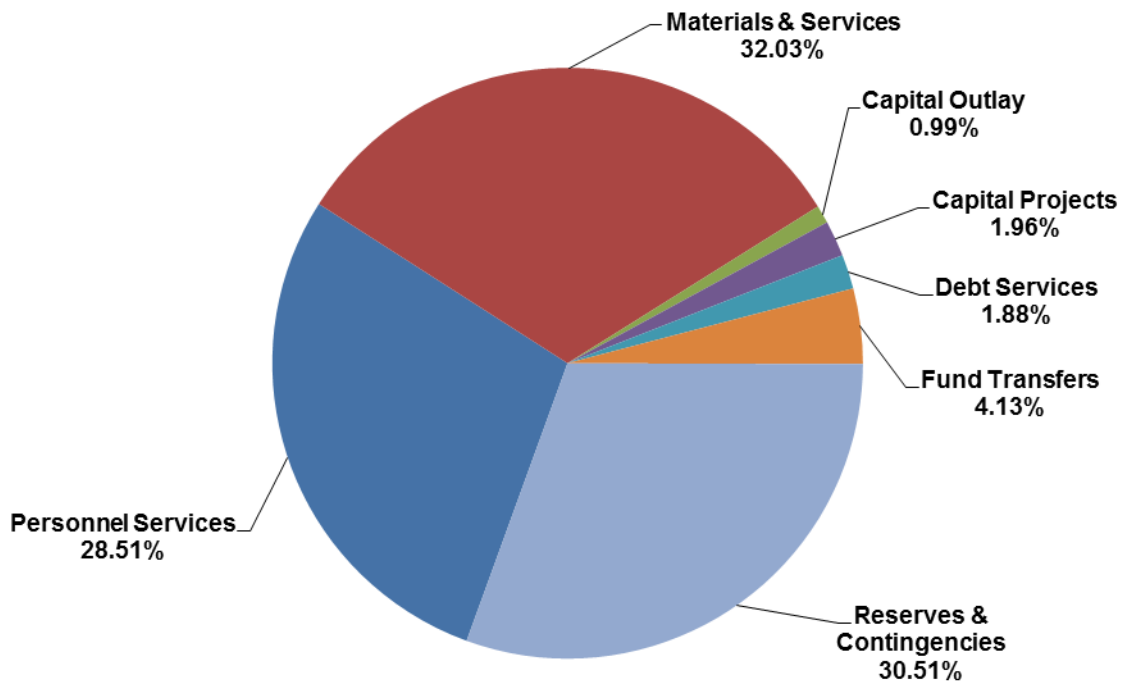
FY 17-18 PROPOSED RESOURCES BY SERVICE CATEGORY								
ALL FUNDS COMBINED								
Revenue	Culture & Recreation	Community Development	Gen Gov't	Public Health	Roads & Infrastructure	Public Safety	Non-Operating	Total
Taxes & Assessments	2,586,506	3,959,744	405,000	474,548	14,000	11,869,932	42,831,568	62,141,298
Licenses and Permits		1,883,800	68,000	1,136,200	145,000	275,300	622,799	4,131,099
Fines, Forf, Penalties	35,000	20,000	105,000	5,500	500	959,200	392,550	1,517,750
Property & Rentals	3,959,917	13,000	1,280,037	80,485	921,247	408,972	-	6,663,658
Revenue Other Agencies	621,000	3,879,360	4,627,614	73,103,812	24,926,753	26,886,904	5,687,115	139,732,558
Fees & Charges	501,476	3,407,562	20,502,713	12,950,890	19,092,456	2,605,404	67,753,419	126,813,920
Administrative Charges		22,500	15,691,029	-	3,250,571	4,300	304,100	19,272,500
Interest Earnings	9,634	37,500	710,875	9,496	470,780	188,913	472,000	1,899,198
Resource Carryforward	2,802,493	7,728,636	35,006,944	29,157,444	43,816,100	35,572,098	58,641,160	212,724,875
Interfund Loans	-	-	-	-	-	-	-	-
Fund Transfers	307,808	-	564,070	11,869,564	1,200,000	8,437,493	2,293,956	24,672,891
<b>Total Revenue:</b>	<b>10,823,834</b>	<b>20,952,102</b>	<b>78,961,282</b>	<b>128,787,939</b>	<b>93,837,407</b>	<b>87,208,516</b>	<b>178,998,667</b>	<b>599,569,747</b>
FY 17-18 PROPOSED REQUIREMENTS BY SERVICE CATEGORY								
ALL FUNDS COMBINED								
Expenditures	Culture & Recreation	Community Development	Gen Gov't	Public Health	Roads & Infrastructure	Public Safety	Non-Operating	Total
Personal Services	3,001,091	3,945,121	27,281,029	54,045,825	23,125,132	58,899,734		170,297,932
Materials & Services	4,014,561	8,872,917	17,601,411	48,929,571	19,100,749	29,286,644	63,556,153	191,362,006
Capital Outlay	71,100	-	7,697,942	-	6,350,865	3,124,806	330,950	17,575,663
Debt Service	-	-	-	-	-	-	11,224,833	11,224,833
Fund Transfers	464,931	22,865	1,614,536	11,741,588	2,453,689	7,388,093	987,189	24,672,891
Interfund Loans	-	-	-	-	-	-	-	-
Reserves/Contingencies	3,272,151	8,111,199	29,812,772	17,311,791	43,247,183	27,037,859	55,643,217	184,436,172
UEFB	-	-	-	-	-	-	-	-
<b>Total Expenditures:</b>	<b>10,823,834</b>	<b>20,952,102</b>	<b>84,007,690</b>	<b>132,028,775</b>	<b>94,277,618</b>	<b>125,737,136</b>	<b>131,742,342</b>	<b>599,569,497</b>
<b>Full Time Equivalents</b>	<b>29.80</b>	<b>35.00</b>	<b>239.30</b>	<b>502.71</b>	<b>224.36</b>	<b>481.45</b>	<b>-</b>	<b>1,512.62</b>

# Financial & Planning Summary

## FY 17-18 Proposed Resources – All Funds



## FY 17-18 Proposed Requirements – All Funds



## Financial & Planning Summary

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