



Management's Discussion and Analysis

The management of Lane County, Oregon (County) presents this narrative overview to facilitate both a short-term and long-term analysis of the financial activities of the County for the fiscal year ended June 30, 2021. This Management's Discussion and Analysis (MD&A) is based on currently known facts, decisions, and conditions that existed as of the date of the independent auditor's report. Additional information outside the scope of this analysis can be found in the Letter of Transmittal.

FINANCIAL HIGHLIGHTS

- The County's total assets and deferred outflows of resources at June 30, 2021 increased \$119.3 million from \$807.4 million to \$926.7 million. The changes were due to an increase of \$52.9 million in pooled cash and investments, an increase in receivables of \$10.9 million, an increase of \$23.7 million in capital assets, an increase of \$0.7 million in prepaids, and an increase in deferred outflows of resources of \$32.6 million related to other postemployment benefits (OPEB) and pensions. This was offset by a decrease of \$0.3 million in inventories and a decrease in net OPEB asset - RHIA of \$1.2 million.
- The County's total liabilities and deferred inflows of resources increased \$104.9 million from \$393.1 million to \$498.0 million. The changes were due to a \$39.1 million increase in unearned revenue primarily related to funds received from the American Rescue Plan Act of 2021, a \$52.1 million increase in net pension liability, an increase of \$14.0 million in total OPEB liability, an increase of \$8.3 million in accounts payable, a \$1.5 million increase in wages and benefits payable, and an increase in customer deposits of \$0.4 million. This was offset by a decrease of \$1.7 million in liabilities due within one year, a decrease of \$7.9 million in other noncurrent liabilities due in more than one year, and a decrease in deferred inflows of resources of \$0.9 million in OPEB - RHIA.
- The County reported a net pension liability of \$250.6 million at June 30, 2021 and recognized net pension expense of \$54.4 million, an increase of \$6.1 million over the prior year. The net pension liability remains the most significant noncurrent liability for the County. See Note IV.B. Pension Plan in the Notes to Basic Financial Statements section of this report for additional information.
- The County reported a total OPEB liability of \$77.4 million and recognized OPEB expense of \$15.0 million for the County's single employer plan, an increase of \$3.8 million over the prior year. See Note IV.C. Other Postemployment Benefits in the Notes to Basic Financial Statements section of this report for additional information.
- The total net position of the County (assets and deferred outflows of resources less liabilities and deferred inflows of resources) at June 30, 2021 increased \$14.4 million from \$414.3 million to \$428.7 million. The County's unrestricted portion of net position is a negative \$38.9 million, while restricted net position is \$99 million, of which may be used to meet the County's ongoing obligations to citizens and creditors.
- At June 30, 2021, the General Fund's fund balance was \$35.9 million, an increase of \$0.1 million from the previous year. Spendable, non-restricted fund balance for the General Fund is \$35.7 million or 46.1 percent of General Fund total revenues.
- At June 30, 2021, the County's governmental funds reported combined ending fund balances of \$216.9 million, an increase of \$24.5 million. Approximately \$109.6 million is available for spending by the board.
- The County has reported unearned revenues of \$39.2 million on the Statement of Net Position as of June 30, 2021. Of this amount, \$37.1 million, from the American Rescue Plan (ARP) Coronavirus State and Local Fiscal Recovery Funds, representing half of the County's total Federal funding allocation, was received in May 2021 and must be used for responding to the COVID-19 public health emergency and its negative economic impacts. Related costs must be incurred by December 31, 2024, and spent by December 31, 2026.

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OVERVIEW OF THE FINANCIAL STATEMENTS

The following discussion and analysis is intended to serve as an introduction to Lane County's basic financial statements. The County's basic financial statements comprise three components:

1) government-wide financial statements, 2) fund financial statements and 3) notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of Lane County's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of Lane County's assets, deferred outflows of resources, liabilities and deferred inflows of resources. Assets and deferred outflows of resources less liabilities and deferred inflows of resources are reported as total net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *Statement of Activities* presents information showing how the County's net position changed during fiscal year ended June 30, 2021. Changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in a future fiscal period. Examples include property taxes and accrued compensated absences.

Each of these government-wide financial statements, Statement of Net Position and Statement of Activities, distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all, or a significant portion of, their costs through charges for services (business-type activities).

The governmental activities of the County include the following:

- General government
- Public health and welfare
- Roads and bridges
- Public safety
- Parks
- Community development

The business-type activities of the County include the following:

- Lane events center
- Corrections commissary
- Solid waste disposal
- Land management

The government-wide financial statements include not only Lane County, the primary government, but also the legally separate Homes for Good Housing Agency ("Homes for Good" or the "Agency") for which Lane County is financially accountable. Although the Agency is legally separate and provides no financial benefit or burden to Lane County, the Agency's governing body is substantially identical to Lane County's. As a result, the Agency's financial statements are discretely presented in the County's financial statements. See pages 49 and 75-76 of this report for more information. The government-wide financial statements also include the Lane Events Center, a division of Public Works. The operation of the Lane Events Center is managed by a director who reports to the county administrator, while the County Fair is governed by a separate Fair Board appointed by the Board of County Commissioners.

The government-wide financial statements can be found on pages 33-35 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Lane County, like other state and local governmental entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for many of the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide

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financial statements, governmental fund financial statements focus on the acquisition and use of current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financial decisions. Both the governmental fund balance sheet and statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations can be found on pages 39 and 42 of this report.

The County maintains 21 individual governmental funds made up of 1 general fund, 16 special revenue funds, 3 debt service funds, and 1 capital projects fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statements of revenues, expenditures, and changes in fund balances for the General Fund, Road, American Rescue Plan, Special Revenue/Services, Intergovernmental Human Services, Health and Human Services, and Local Option Tax Levy special revenue funds, all of which are considered to be major funds. Data from the other 15 governmental funds are combined into a single, aggregated presentation. Summary data by fund-type for these nonmajor governmental funds is provided in the form of combining statements on pages 113-114 of this report. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements on pages 116-119, 131-132 and 137-138. The basic governmental fund financial statements can be found on pages 36-37 and 40-41.

Proprietary funds. The County maintains two different types of proprietary funds – enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the governmental-wide financial statements. The County uses enterprise funds to account for the events center, solid waste disposal operations, corrections commissary operations, and land management functions. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its self-insurance and employee benefits activities, pension bond servicing, motor pool operations, intergovernmental services activities, technology replacement and technology services activities, and retiree medical benefits. Because internal service funds predominantly benefit governmental rather than business-type functions, these fund assets, deferred outflows, liabilities, and deferred inflows have been included with governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as reported for the business-type activities in the government-wide financial statements, but in more detail. The proprietary fund financial statements provide separate information for the solid waste disposal operations and land management functions, which are both considered to be major funds of the County. Conversely, the two remaining enterprise funds are combined into a single, aggregated presentation in the proprietary fund financial statements, as are all internal service funds. Individual fund data for the two nonmajor enterprise funds and each of the internal service funds is provided in the form of combining statements on pages 141-143 and 150-155 of this report. The basic proprietary fund financial statements can be found on pages 43-45 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources are not available to support the County's own programs. The accounting used for fiduciary funds is similar to that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 46-47 of this report. The combining statement of fiduciary net position and combining statement of changes in fiduciary net position can be found on pages 165-166 of this report.

Budgetary comparisons. The County adopts an annual appropriated budget for all its funds except for custodial funds. To demonstrate compliance, budgetary comparison statements have been provided for major funds as part of the basic financial statements on pages 99-105 of this report. Budgetary comparisons for all other funds are provided on pages 120-130, 133-135, 139, 144-147 and 156-163 of this report.

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Notes to basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 49-98 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Budget-to-actual comparisons for the General Fund and the Road, American Rescue Plan, Special Revenue/Services, Intergovernmental Human Services, Health and Human Services, and Local Option Tax Levy special revenue funds are presented in this section, along with reconciliations between the budgetary basis of accounting and Generally Accepted Accounting Principles (GAAP). The schedules of total OPEB liability, net OPEB liability (asset) –RHIA, and County's contributions-RHIA are presented in this section concerning the County's obligation to provide OPEB to its employees. The information related to the pension plan is also presented as the schedule of County contributions, and the schedule of the County's proportionate share of the net pension liability. This required supplementary information is found on pages 106-111 of this report.

The combining statements for the nonmajor governmental funds, enterprise funds, and internal service funds are presented immediately following the required supplementary information as Other Supplementary Information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. Lane County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$428.7 million at June 30, 2021.

The largest portion, approximately 86 percent, of the Lane County's net position is its investment in capital assets (land, buildings and improvements, equipment, and infrastructure), less any outstanding debt used to acquire those assets. Lane County uses these capital assets to provide services to citizens, and as a result is not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources as the capital assets themselves will not be liquidated to service the debt.

An additional 23 percent of the Lane County's net position represents resources that are subject to external restrictions on how those resources may be used. The remaining represents a negative balance of unrestricted net position of \$38.9 million.

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Lane County's Net Position						
(In thousands)						
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
ASSETS						
Current and other assets	\$353,647	\$294,632	\$68,756	\$64,815	\$422,403	\$359,447
Capital assets	<u>351,139</u>	<u>333,227</u>	<u>35,473</u>	<u>29,635</u>	<u>386,612</u>	<u>362,862</u>
Total assets	<u>704,786</u>	<u>627,859</u>	<u>104,229</u>	<u>94,450</u>	<u>809,015</u>	<u>722,309</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>108,609</u>	<u>78,418</u>	<u>9,107</u>	<u>6,669</u>	<u>117,716</u>	<u>85,087</u>
LIABILITIES						
Current liabilities	90,219	44,449	4,200	2,364	94,419	46,813
Noncurrent liabilities	<u>357,948</u>	<u>305,172</u>	<u>31,820</u>	<u>26,346</u>	<u>389,768</u>	<u>331,518</u>
Total liabilities	<u>448,167</u>	<u>349,621</u>	<u>36,020</u>	<u>28,710</u>	<u>484,187</u>	<u>378,331</u>
DEFERRED INFLOWS OF RESOURCES	<u>12,862</u>	<u>13,748</u>	<u>939</u>	<u>1,013</u>	<u>13,801</u>	<u>14,761</u>
NET POSITION						
Net investment in capital assets	333,207	312,334	35,474	29,635	368,681	341,969
Restricted	92,651	89,125	6,346	5,846	98,997	94,971
Unrestricted	<u>(73,492)</u>	<u>(58,551)</u>	<u>34,557</u>	<u>35,915</u>	<u>(38,935)</u>	<u>(22,636)</u>
Total net position	<u>\$352,366</u>	<u>\$342,908</u>	<u>\$76,377</u>	<u>\$71,396</u>	<u>\$428,743</u>	<u>\$414,304</u>

At the end of the current and prior fiscal years, the County is able to report positive balances in net position in the net investment in capital assets category and the restricted category for both the government as a whole and for its separate governmental and business-type activities. At June 30, 2021, the governmental activities reported a negative balance in unrestricted net position of \$73.5 million.

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Lane County's Changes in Net Position						
(In thousands)						
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$115,141	\$ 75,994	\$ 34,125	\$ 31,422	\$149,266	\$107,416
Operating grants and contributions	163,069	124,365	619	409	163,688	124,774
Capital grants and contributions	5,541	-	-	-	5,541	-
General revenues:						
Taxes	73,647	70,912	1,903	1,423	75,550	72,335
O&C timber receipts	3,020	3,291	-	-	3,020	3,291
Unrestricted investment earnings	722	4,584	198	1,379	920	5,963
Grants not restricted to specific programs	9,673	11,069	-	-	9,673	11,069
Total revenues	<u>370,813</u>	<u>290,215</u>	<u>36,845</u>	<u>34,633</u>	<u>407,658</u>	<u>324,848</u>
Expenses*:						
General government	36,521	27,159	-	-	36,521	27,159
Public safety	96,965	91,640	-	-	96,965	91,640
Public health and welfare	171,552	133,364	-	-	171,552	133,364
Parks	4,340	4,518	-	-	4,340	4,518
Roads and bridges	44,309	43,340	-	-	44,309	43,340
Community development	3,815	4,773	-	-	3,815	4,773
Interest on long-term debt	3,730	4,380	-	-	3,730	4,380
Lane events center	-	-	3,047	4,254	3,047	4,254
Solid waste disposal	-	-	21,390	19,420	21,390	19,420
Corrections commissary	-	-	179	124	179	124
Land management	-	-	7,371	6,486	7,371	6,486
Total expenses	<u>361,232</u>	<u>309,174</u>	<u>31,987</u>	<u>30,284</u>	<u>393,219</u>	<u>339,458</u>
Change in net position before transfers	9,581	(18,959)	4,858	4,349	14,439	(14,610)
Transfers in (out)	<u>(123)</u>	<u>(448)</u>	<u>123</u>	<u>448</u>	<u>-</u>	<u>-</u>
Change in net position	9,458	(19,407)	4,981	4,797	14,439	(14,610)
Net position July 1	<u>342,908</u>	<u>362,315</u>	<u>71,396</u>	<u>66,599</u>	<u>414,304</u>	<u>428,914</u>
Net position June 30	<u>\$352,366</u>	<u>\$342,908</u>	<u>\$ 76,377</u>	<u>\$ 71,396</u>	<u>\$428,743</u>	<u>\$414,304</u>

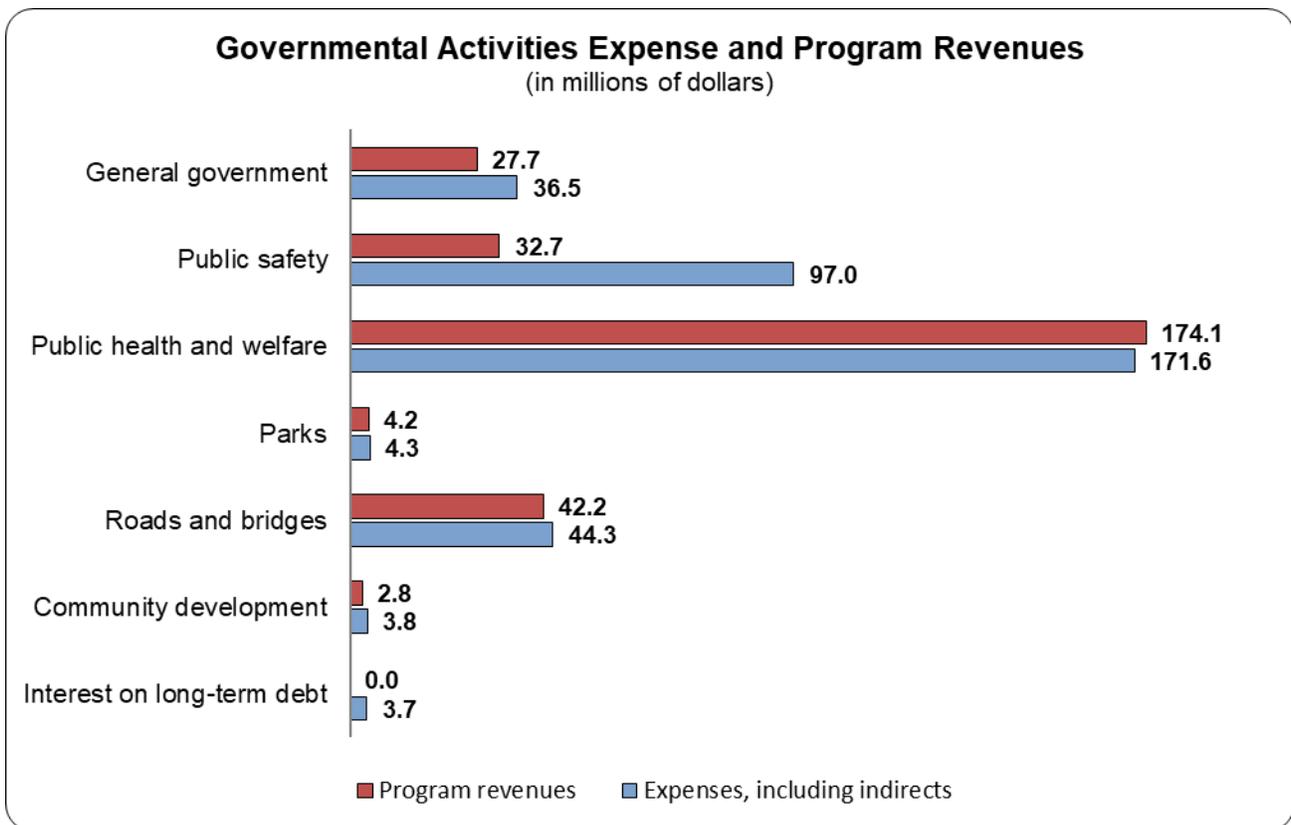
* Expenses include the indirect expense allocation as presented in the Statement of Activities.

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Governmental activities. Governmental activities during the fiscal year increased the County’s net position by \$9.5 million. Overall revenues increased by \$80.6 million, mainly due to an increase in operating grants of \$38.7 million over the prior year to support the ongoing response to the COVID-19 pandemic. Additionally, \$5.5 million in capital contribution funds were received from the State of Oregon for the purchase of a building to support those displaced by the Holiday Farm Fire. Charges for services increased \$39.1 million over the prior with increases in OHD State support, OHP fees, homeless shelter funds, and miscellaneous State revenues.

Net position was decreased by an increase in governmental activities expenses of \$52.1 million. The largest increase in expenses of \$38.2 million occurred in public health and welfare, followed by \$9.4 million in general government. The ongoing COVID-19 pandemic caused an overall increase in expenses in response to the public health emergency along with personnel costs. Within the combined governmental program areas, the County recognized \$47.1 million in pension expense related to the County’s multiple-employer defined public employee pension plan, an increase of \$5.3 million over the prior year. Additional information about the pension expense may be found in Note IV.B. in the Notes to Basic Financial Statements section of this report.

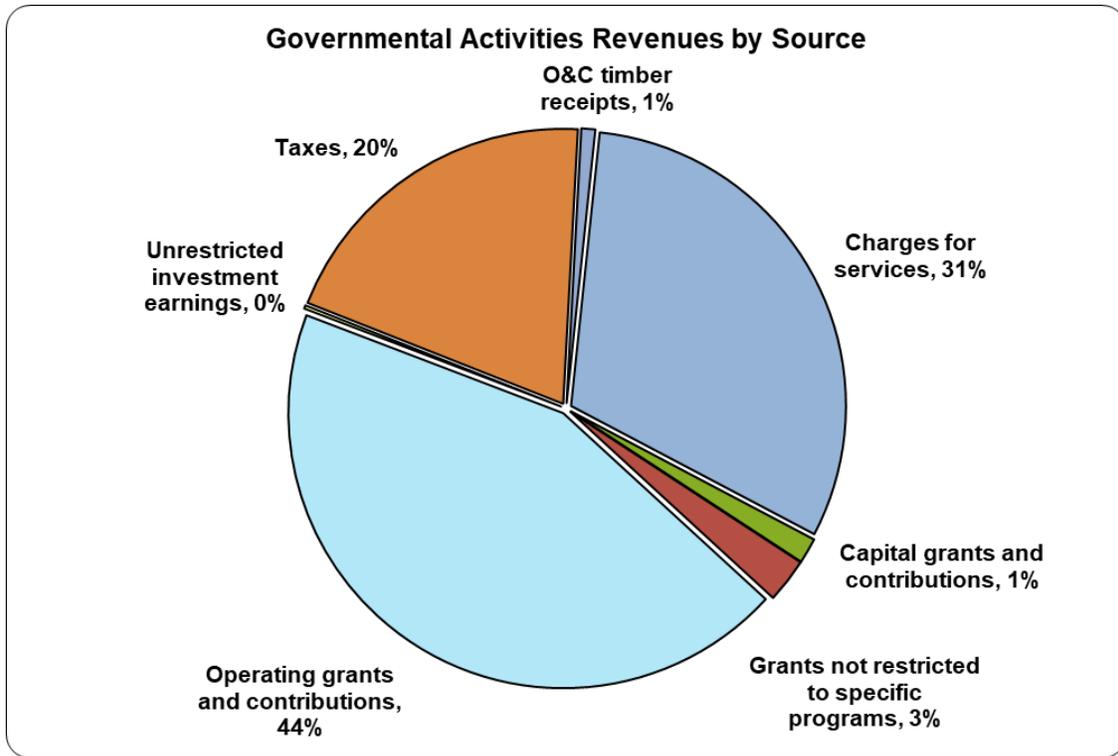


All governmental activities except for public health and welfare relied on general revenues to support the function.

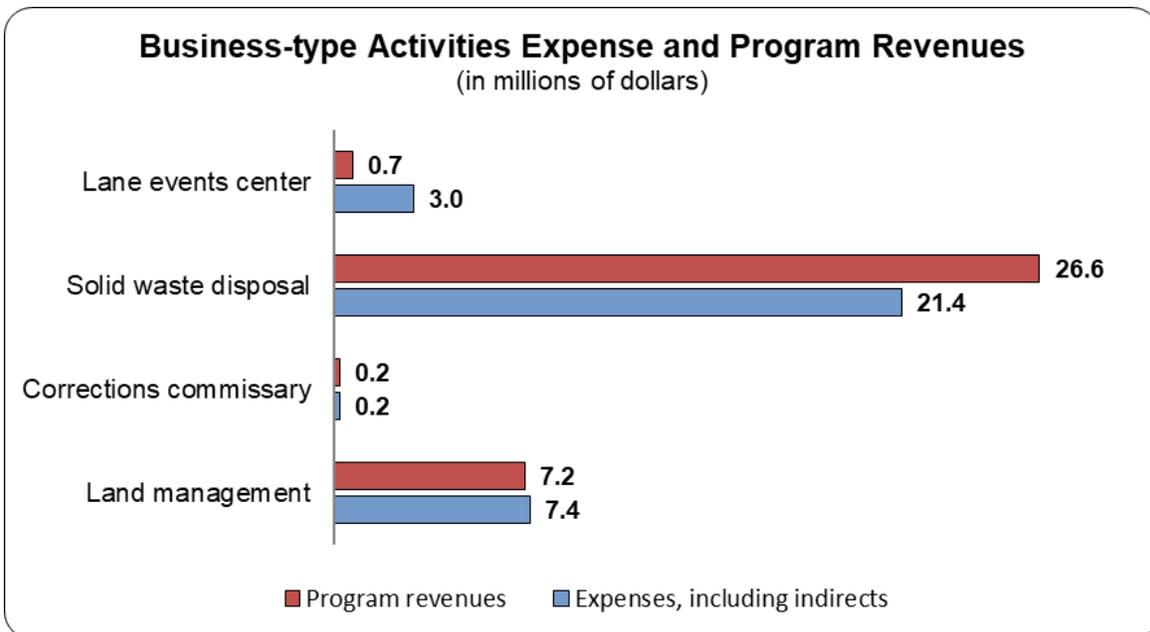
As illustrated on the next page, 44 percent of revenues for governmental activities come from operating grants and contributions which includes, among other items, national forest timber sale proceeds of \$6.2 million (down slightly from \$6.8 million in fiscal year 2020), public health and welfare grants and contributions of \$107.0 million (an increase of \$32.6 million over the prior fiscal year), state gas tax of \$26.9 million (an increase of \$2.6 million over the prior fiscal year), and road grant revenues of \$3.5 million (a decrease of \$1.8 million over the prior fiscal year). Approximately one-third of the revenue comes from charges for services. Taxes make up only 20 percent of overall revenues for governmental activities. Slightly decreased O&C timber receipts of \$3.0 million make up another 1 percent of governmental revenues.

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Business-type activities. Business-type activities during the fiscal year increased the County’s net position by \$5.0 million. Program and general revenues of \$36.8 million increased by \$2.2 million over the prior year mainly due to activity from an increase in revenues of \$2.7 million in the Solid Waste Disposal fund, offset by a decrease of \$1.1 million in investment earnings over the prior year. Conversely, net position was decreased by total expenses of \$32.0 million. This is an increase in costs of \$1.7 million over the prior year largely due to increased operating costs of the landfill of \$2.0 million and in land management of \$0.9 million, offset by a decrease in revenue in the lane events center activity related to the COVID-19 pandemic.

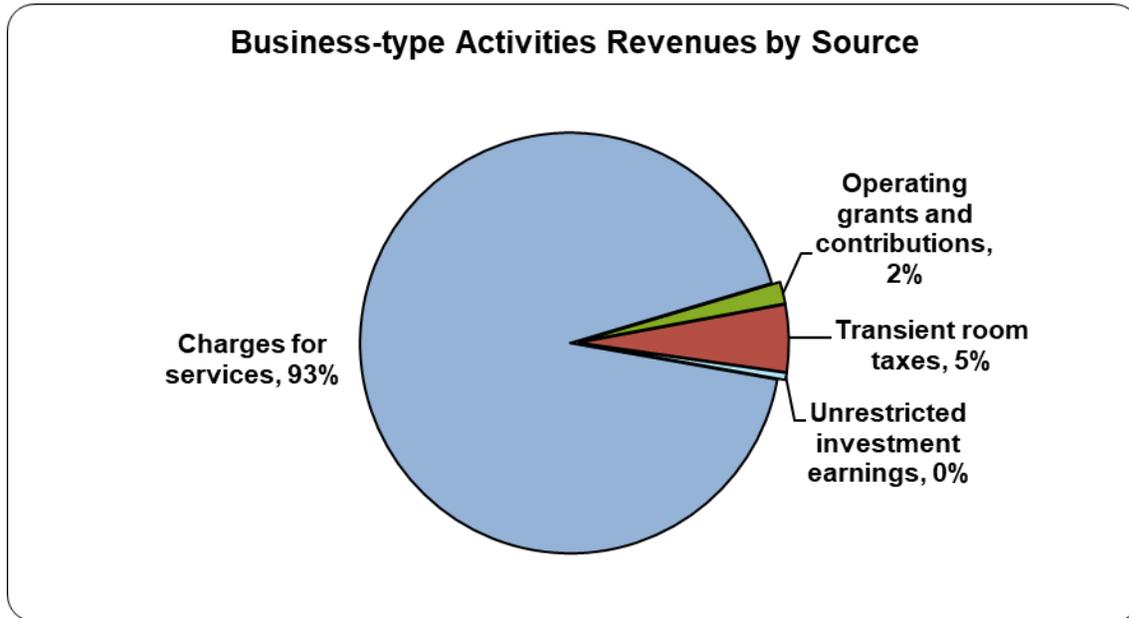


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Within the business-type activities, the lane events center and land management activities did not generate sufficient program revenues during fiscal year 2021 to cover operating expenses. Net expense in the lane events center activity was \$2.3 million.

Approximately 93 percent of the revenues for business-type activities come from charges for services, as illustrated below, with only about 5 percent generated by transient room taxes.



FUND-BASED FINANCIAL ANALYSIS

The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, spendable, non-restricted fund balance may serve as a useful measure of the County's net resources available for spending at the end of the fiscal year.

As of June 30, 2021, Lane County's governmental funds reported combined ending fund balances of \$216.9 million, an increase of \$24.9 million over fiscal year 2020. Approximately \$109.6 million, 50.5 percent, constitutes spendable, non-restricted fund balance which is available for appropriation in the subsequent year by the Board of County Commissioners. The remaining fund balance is either externally restricted by creditors, grantors, contributors, or laws/regulations, or internally restricted by law through constitutional provisions or enabling legislation (\$105.4 million), or is not available for new spending because it represents amounts that have already been spent (\$1.9 million in inventories).

The **General Fund** is the chief operating fund of the County. At June 30, 2021, total fund balance for the General Fund was \$35.9 million. Of this amount, \$35.7 million is reported as unassigned. As a measure of the General Fund's ability to liquidate fund liabilities, it may be useful to compare both spendable, non-restricted fund balance to total fund revenues. At the end of the current fiscal year, spendable, non-restricted fund balance represented 46.1 percent of total General Fund revenues and total fund balance represents 46.4 percent of those same revenues.

The fund balance of the **General Fund** increased \$0.2 million from the prior year. Revenues, transfers from other funds, and capital contributions totaled \$85.7 million while expenditures and transfers to other funds totaled \$85.5 million. Fiscal year 2021 reported increases in taxes and assessments revenue of \$2.2 million, charges for

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services of \$0.8 million, and capital contributions of \$5.5 million. The capital contribution funds were received from the State of Oregon for the purchase of a building to support those displaced by the Holiday Farm Fire. Revenues decreased by \$1.4 million in intergovernmental revenue and \$1.4 million in investment income, due to lower yields on the portfolio. Increases in expenditures and transfers include \$4.2 million in capital improvements, largely due to the purchase and improvements to the building related to the Holiday Farm Fire, and \$2.3 million in public safety costs.

During fiscal year 2021, the ending fund balance of the **Road Fund** increased by \$1.8 million to \$48.8 million. Total revenues and transfers in were \$44.4 million, expenditures and transfers out were \$42.2 million, and inventories decreased by \$.4 million. Revenues remained steady over the prior year. Expenditures decreased by \$3.2 million over the prior year while transfers out increased by \$1.6 million. The decrease in costs is mainly due to the reduction of \$3.4 million in capital outlay due to the completion of the repavement and reconstruction of the Prairie Road, Fox Hollow, Maxwell, and Wolf Creek roads, which were completed in the prior fiscal year.

COVID-19 Fund tracks revenue, expenditures and fund balances associated with the Federal American Rescue Plan Act of 2021 funds, a Federal response to the ongoing COVID-19 pandemic. The fund balance was \$0.1 million entirely from investment earnings. There were no expenditures to the fund during the fiscal year. The initial payment from the US Treasury of \$37.1 million is recorded as unearned revenue at the end of the fiscal year. Revenue will be recognized as the criteria is met.

The **Special Revenue/Services Fund** accounts for dedicated revenue sources and programs. During fiscal year 2021, the fund balance remained relatively stable with an increase of only \$0.1 million. Revenues of \$34.0 million were reduced by \$31.2 million of expenditures and \$2.7 million of net transfers. Intergovernmental revenue increased by \$7.4 million over the prior year due to grants received related to the COVID-19 pandemic. Combined with an increase in transfers out, the associated expenditures related to providing the emergency response also increased proportionally to the grants received.

The **Intergovernmental Human Services Fund** accounts for the intergovernmental effort between Lane County and the Cities of Eugene and Springfield to provide pooled human services, homeless resources and coordinated policy. During fiscal year 2021, the ending fund balance increased by \$18.7 million. Revenues and transfers in were \$63.2 million while expenditures and transfers out were \$44.5 million. Intergovernmental revenue increased by \$41.7 million over the prior fiscal year, comprised of Federal funding from the CARES Act, COVID-19 funds, and FEMA in response to the COVID-19 public health emergency. Similarly, expenditures for public health and welfare increased by \$24.5 million over the prior fiscal year in response.

In fiscal year 2021, the fund balance of the **Health and Human Services (H&HS) Fund** experienced an increase of \$7.8 million. Revenues increased over the prior year by \$25.0 million mainly due to a \$21.2 million increase in intergovernmental revenue from the CARES Act and Vaccination grants from the State of Oregon. Additionally, charges for services revenue increased by \$4.2 million largely due a full year of service from the new coordinated care organization. Operating expenditures increased by \$10.1 million over the prior fiscal year, net of an \$11.4 million increase in public health and welfare costs in response to the pandemic and a \$1.3 million decrease in capital expenditures. Furthermore, transfers out increased by \$4.6 million mainly due to funding for the Development Disabilities building project.

The **Local Option Tax Levy Fund** accounts for property tax revenues along with public safety and public health and welfare expenses from the five-year local option tax levy. During fiscal year 2021, the fund balance decreased by \$0.4 million to \$24.7 million. The original levy was established in fiscal year 2014 and expired in fiscal year 2018. In May 2017, voters approved a renewal of the jail and critical youth services five-year levy, beginning July 1, 2018 and ending June 30, 2023 at the previous rates of 55 cents per \$1,000 maximum assessed value. Revenues remained fairly steady as tax revenue increased by \$0.8 million but was offset by a reduction in intergovernmental revenue and investment earnings, due to lower yields in the portfolio. Expenditures realized an increase of \$1.4 million largely due to public safety costs required to support the levy initiatives.

Proprietary funds. The information presented in the proprietary funds statement is similar to that in the government-wide financial statements, but provides greater detail. The ending balance of total enterprise fund net position amounts to \$61.3 million, of which \$6.3 million is restricted for landfill closure and postclosure care and \$19.5 million is unrestricted.

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At June 30, 2021, the County's proprietary funds reported unrestricted net positions as follows. Unrestricted net positions are presented both as an amount and as a percentage of total net position for each fund.

Fund	Unrestricted Amount	Percentage of Total
Lane events center	\$ 2.0 million	23.5%
Solid waste disposal	13.0 million	26.9%
Corrections commissary	0.8 million	100.0%
Land management	3.7 million	95.6%
Self insurance	3.3 million	100.0%
Employee benefits	13.6 million	100.0%
Pension bond	(39.5) million	100.0%
Motor and equipment pool	26.2 million	66.2%
Intergovernmental services	0.3 million	98.8%
Technology replacement	2.9 million	57.8%
Technology services	(11.6) million	109.2%
Retiree medical benefit trust	11.8 million	100.0%

The County's waste management services are provided for in the **Solid Waste Disposal Fund**. Net position in this fund increased by \$5.2 million to \$48.2 million for fiscal year 2021. During fiscal year 2021, operating revenues totaled \$26.5 million and operating expenses totaled \$21.6 million. Total operating revenues increased \$3.7 million over the prior year mainly due to the increase in garbage fees and system benefit fees. Total operating expenses increased \$1.4 million in personnel, professional and consulting, operating licenses and permits, and road work supplies.

The **Land Management Fund** accounts for the operations necessary for land use planning, building, subsurface sanitation and code compliance, for which the principal source of revenue is user fees. Net position in the fund remained steady during fiscal year 2021 to remain at \$3.9 million. Operating revenues totaled \$6.9 million and operating expenses totaled \$7.4 million. Operating revenues increased by \$1.2 million over the prior fiscal year largely due to increases in structural and zoning permits, and waste systems inspections and plan check fees. Operating expenses increased by \$0.7 million mainly in personnel and homeowner assistance costs.

GENERAL FUND BUDGETARY HIGHLIGHTS

The difference between the original adopted budget and the final amended budget (including amounts not allocated to organizational units) for the General Fund was a \$12.2 million increase in expenditure appropriations, or approximately 12.9 percent of the adopted budget.

For fiscal year 2021, the County's actual expenditures were less than the budgeted amounts in the General Fund by \$6.5 million. This was the result of underspent amounts in expenditure categories represented by the 2 percent required lapse from departments, emergency management costs, transfers and unspent contingencies. The County also realized an overall increase in revenues over the budgeted amounts by \$0.9 million, with the largest variance over budget related to car rental and liquor taxes, Oregon Department of Justice revenue, and recording fees.

Overall fiscal year 2021 expenditures in the General Fund increased by approximately \$9.3 million, or 10.3 percent, over the previous year with the largest increase in transfers out requirements, capital expenses and general government costs.

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CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The County's investment in capital assets for its governmental and business-type activities as of June 30, 2021 was \$386.7 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and building improvements, improvements other than buildings (such as parks and park improvements), equipment, and infrastructure (roads and bridges). The County's investment in capital assets for the current fiscal year increased \$23.8 million, or 6.5 percent of net capital assets.

The overall increase in net capital assets included accumulated depreciation of \$14.3 million and \$9.3 million in construction in progress. Investments in capital assets included additions of \$4.8 million in land, \$14.0 million in buildings and land improvements, \$6.9 million in equipment and furniture, and \$3.1 million in infrastructure before depreciation.

Lane County's Capital Assets, Net of Accumulated Depreciation (In thousands)						
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$24,283	\$22,901	\$12,286	\$8,902	\$36,569	\$31,803
Construction in progress	10,210	4,574	10,278	6,581	20,488	11,155
Buildings and land improvements	88,866	80,504	10,725	11,800	99,591	92,304
Equipment and furniture	21,667	16,058	2,185	2,352	23,852	18,410
Infrastructure	206,113	209,190	-	-	206,113	209,190
Total capital assets	\$351,139	\$333,227	\$35,474	\$29,635	\$386,613	\$362,862

Additional information on the County's capital assets can be found in Note III.C. in the Notes to Basic Financial Statements section of this report.

Long-term debt. At the end of the current fiscal year, the County had bonds outstanding of \$59.2 million, all of which is serviced by governmental activities. Of this amount, \$58.6 million represents limited tax bonds outstanding backed by the full faith and credit of the County.

Lane County's Outstanding Bonds, Less Deferred Amounts (In millions)		
	Governmental Activities	
	2021	2020
Limited tax bonds (net of deep discount)	\$58.6	\$66.0
Plus – net premium (discount) on issuance	0.6	1.1
Total bonded debt	\$59.2	\$67.1

Lane County's total bonded debt decreased \$7.3 million during fiscal year 2021. Reductions in governmental activities were due to normal, scheduled bond repayments.

Moody's Investors Service rates most of the Lane County's bond issues. Lane County's most recent rating from Moody's as of July 2019 is Aa1 for both general obligation bonds and limited tax bonds. Lane County's rating of

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“Aa” is defined by Moody’s as demonstrating “high quality and subject to very low credit risk.” The numerical modifier of “1” reflects the “highest end” within the “Aa” rating category.

Oregon Revised Statutes set the following debt limits:

- General obligation debt issues are limited to 2 percent of the real market value of all taxable property within the County’s boundaries. Lane County had no general obligation debt at June 30, 2021 and is \$1.2 billion below the statutory ceiling.
- Limited tax obligation debt issues are limited to 1 percent of the real market value of all taxable property within the County’s boundaries. The \$15.3 million in limited tax obligation debt is \$573 million below the statutory ceiling.
- Limited tax pension debt issues are limited to 5 percent of the real market value of all taxable property within the County’s boundaries. The \$43.4 million in limited tax obligation debt is \$2.9 billion below the statutory ceiling.

At the end of the current fiscal year, the County had notes outstanding of \$4.0 million, a decrease of \$0.2 million over the previous fiscal year, all of which is serviced by governmental activities.

Lane County’s Outstanding Notes (In millions)		
	Governmental Activities	
	2021	2020
Oregon Department of Revenue	\$1.3	\$1.4
Wilson Investments, LLC	2.7	2.8
Total notes payable	\$4.0	\$4.2

Additional information on the County’s long-term debt can be found in Note III.E. in the Notes to Basic Financial Statements section of this report.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The title of the fiscal year 2022 Budget Message was *Never Waste an Opportunity to Do Good*. Over the past year, amid multiple crises, Lane County focused on seizing the opportunities to do the things that may otherwise not have been possible and in the process catapulted our communities forward. The COVID-19 global pandemic and the Holiday Farm Fire have wreaked havoc on lives, economies and communities in Lane County. These crises have disrupted education, devastated businesses, destroyed homes and have displaced people from their communities. These crises have further exacerbated housing instability for local residents. The issue the County must contend with is not what challenges confront us, but rather how the County can best respond to those challenges.

Lane County is no stranger to challenges, given the unique combination of having the seventh lowest county property tax rate in the state and a steep 90 percent decline in federal timber revenue. This scarcity of resources, paired with an abundance of talent, has created a resiliency in the culture of the organization. Over the past several years the County has worked to invest in creating a culture of leadership, innovation and excellence. The County is focused on a common purpose: to improve lives in Lane County.

The County’s commitment to serving the community and supporting the workforce during a time of great need has paid dividends, but has also stressed the budget. Several funds have had to deplete reserves to continue operating at the same or higher levels. Reserves exist to keep the essential service going during times of crisis, so this has been a responsible use of our savings, but as Lane County plans for recovery, the County must work to replenish those reserves and return to a position of strong financial stability. The recently approved American

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Rescue Plan Act will provided critical funding to replace lost revenue and cover increased expenses over the past year. State and federal funds that the County receives as one-time resources must be used to fund one-time expenses and stabilize financial position, not to incur additional ongoing expenses that would exacerbate long-term financial instability.

Following are the major factors and assumptions used in developing the fiscal year 2022 budget:

- The Adopted Budget is \$872.8 million, including expenditures, transfers and reserves for all funds. Resources overall decreased by \$63.9 million, or 6.82 percent, compared to the fiscal year 2021 final budget. Revenues have been adjusted based upon anticipated or reported funding and current financial projections. Total requirements also decreased by \$63.9 million, or 6.82 percent compared to the fiscal year 2021 final budget. This amount matches available resources and therefore meets Oregon State Budget Law requirement for a balanced budget.
- Property tax collections are based on the County's permanent tax rate under voter approved Measure 50 is \$1.2793 per \$1,000 of Assessed Value (AV). The County also has two local option levies appearing within its budget. The first being the Public Safety Levy with an authorized rate of \$0.55 per \$1,000 AV most recently renewed by voters in 2017 for restoration of jail beds and critical youth services. The second levy, passed in May 2016 and renewed in May 2021, is for 4H Extension Services at a rate of \$0.028 cents per \$1,000 AV. While the 4H funds appear within the Lane County budget, they are paid directly to the OSU Extension Service which is a separate entity for Lane County government to provide the services. The County is expecting to see property tax revenues growth remain flat due to COVID-19 impacts and anticipated property tax appeals.
- Federal revenue is projected to increase by \$9.2 million or 8.2 percent due in part to the 5 percent decrease occurring for Secure Rural Schools (SRS) Act payments to the General Fund and Road Fund. Those payments are meant to replace decreasing timber revenue to counties resulting from changes in federal logging practices. Given the volatility of the SRS funds, the County now budgets any authorized SRS payments above the anticipated timber revenue as one-time funds. The decrease is offset by the passage of the Federal American Rescue Plan Act of 2021 which will result in \$37 million to the County in each of the two fiscal years of 2021 and 2022.
- State revenue of \$78.6 million consists of 22.2 percent of total County revenue and comes primarily in the form of specific use grants. Total state revenue is decreasing by \$30.1 million due to one-time COVID-19 revenue received in fiscal year 2021. State shared revenues (cigarette, liquor, and amusement device tax, and a recreational vehicle fee) are stable and expected to total \$3.4 million. State marijuana tax receipts are fairly stable through the COVID-19 pandemic and the annual projected revenue is \$1.55 million. Highway funds and gas tax are the largest source of non-grant funds from the State and are expected to total \$27.6 million in fiscal year 2022, an increase of \$24.3 million over fiscal year 2021 which experienced steep declines from the impact of the COVID-19 pandemic.
- Fees and charges for services rendered to residents, a few examples being Short Mountain Landfill fees, Land Management permit fees and recording fees within Deeds and Records, will total \$56.2 million in fiscal year 2022, which is an increase of \$2.4 million over fiscal year 2021 revenue.
- Personnel services which consists of employee wages and benefits, totals \$223.3 million, or 40.5 percent of the County's total expenditure budget. County's services, like most governmental agencies, are labor intensive. Of this amount, \$91.1 million is for employer taxes and benefit costs such as social security, Medicare, medical insurance, retirement, deferred compensation and other employer paid benefits. Health insurance costs continue to remain fairly steady following the County's move to a self-funded model in 2015. Public Employee Retirement System (PERS) employer rates increased for the 2011-2023 state biennium. The County's employer rate is different for each employee's tier enrollment in PERS (set by the State and based upon hire date). Current projections show that the County will continue to experience additional rate increases in future biennia due to the overall unfunded liability level of PERS.
- Materials and services total \$273 million and represents 49.6 percent of the overall expenditure budget, a decrease of \$21.3 million from the fiscal year 2021 final budget. The decrease is attributed to the spending of one-time costs in fiscal year 2021 for COVID-19 expenditures as well as pass through funds for businesses and rental assistance.

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- Capital outlay and projects expenditures are cyclical and can vary greatly from year to year. Capital outlay is budgeted at \$46.4 million for various capital purchases that make up 8.4 percent of the County's overall expenditure budget. The majority of the projects in this category are found in the Five-Year Capital Improvements Plan (CIP). Recent capital projects are attributed road and bridge projects resulting from additional State funding from the Transportation Package passed in 2017 and construction of a new cell at the solid waste landfill. The Countywide CIP can be viewed on the County's website at www.lanecounty.org under Government, Budget & Finance, Capital Projects.
- Debt service (bond principal and interest payments) are budgeted at \$11.2 million. 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).
- Reserves for all funds are estimated to total \$254.3 million by the end of fiscal year 2022 with an additional amount of \$28.1 million budgeted for contingency.
- In fiscal year 2022, the County is projecting total expenditures of \$553.5 million. Expenditures account for 63.4 percent of all County budget requirements. Total requirements for fiscal year 2022 total \$872.8 million. This figure can be compared to total revenue when reviewing the budget for structural balancing. The County continues to have a goal of structurally balancing all funds.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

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