

Financial Summary

Fund Structure and Basis of Budgeting

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 and demonstrate compliance with finance-related legal requirements. The requirements for funds are found in state and federal laws and rules, charters, local government resolutions and ordinances, and the principles of good accounting. The local government governing body may create 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. A complete listing of each fund with a description of the fund is included in Appendix E.

Governmental Funds. Governmental funds are those through which most governmental functions of the County are financed. The County maintains 21 individual governmental funds. 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 should be set up only 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 number of special revenue funds should be limited. The major special revenue funds for Lane County are Road Fund, Health & Human Services Fund, and Title III Projects Fund. Beginning in FY 06-07, the County made a concerted effort to move dedicated revenue from the General Fund to Special Revenue Funds in order to provide a clearer picture of the amount of unrestricted funds the County has spending discretion over. A new Special Revenue Fund has been set up with each department having its own sub-fund within the fund.

Capital Project Funds are used to record all resources used to finance building, rehabilitating, or acquiring capital facilities. These purposes are non-recurring and are usually major expenditure items. Resources include the proceeds from the sale of general obligation bonds. Also included are any grants, transfers, or other revenues authorized for financing capital projects. A separate fund is normally 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

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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.

Money can be added to a Reserve Fund annually for up to 10 years. If there is an unexpended or unobligated balance left in the fund after 12 years, the treasurer must transfer it to the taxing district's General Fund. Monies may be retained or expended only for the use for which the special fund was created. Money cannot be accumulated in a reserve fund to reduce the operating expenditures in the budget. The County does not have any Reserve Funds in effect at this time.

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.

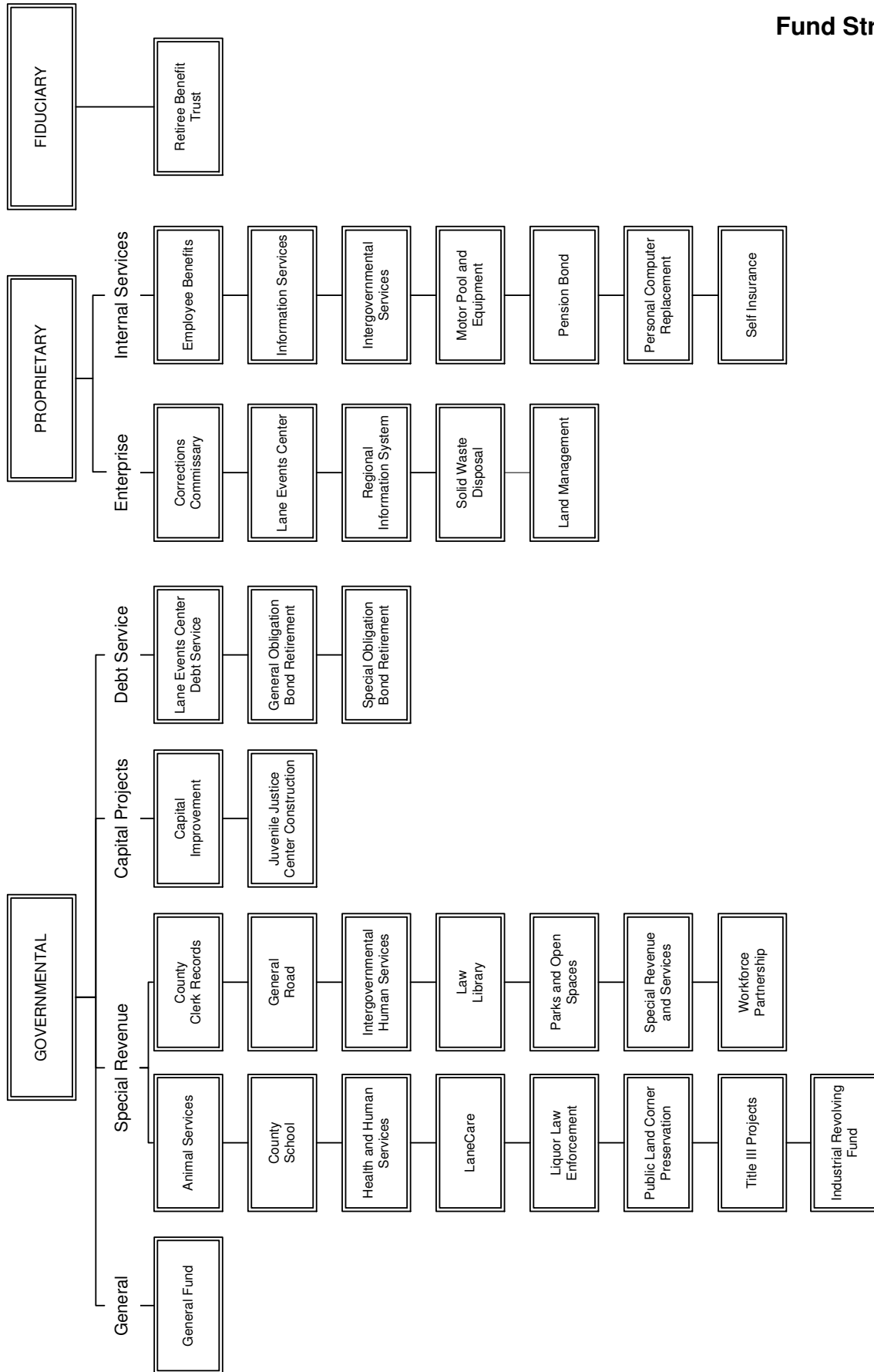
Basis of Budgeting and Accounting

Lane County maintains accounting records on a budget basis as well as a GAAP (Generally Accepted Accounting Principles) basis. In general, budgets for all County funds are prepared on a modified accrual basis, with the exception of unrealized changes in the fair value of investments and accrued claims liability. Under the modified accrual basis of accounting revenues are generally recorded when both measurable and available, and expenditures are generally recognized when the liability is incurred, with the exception of interest on general long-term debt.

In order to produce the GAAP-basis financial statements, transactions that were initially recorded in compliance with Oregon Local Budget Law may require additional adjustments. For example, disbursements for the acquisition of proprietary fund fixed assets would be considered expenditures under Oregon Local Budget Law but would not be reported as current-year expenditures for GAAP reporting. Conversely, receipts of proceeds from proprietary fund debt financing are an example of a budgetary resource that would not be reported as revenue for GAAP reporting. Differences between the budget basis and GAAP are reconciled at year-end as shown in the Comprehensive Annual Financial Report (CAFR). You can view the CAFR at the Lane County website: www.lanecounty.org/MS_Finance/default.htm.

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Fund Structure



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Understanding the Lane County Budget

General Highlights

The Fiscal Year 2010-2011 Proposed Budget including all funds is \$549.7 million. \$12,193,187 remains unappropriated so funds actually appropriated total \$537,539,087.

Revenues overall are down \$35.9 million or 6.14%. Twenty of thirty-five funds are declining while fifteen funds are on the increase. Eleven funds are declining by less than \$1.0 million each, attributable to adjustments in cash and tighter budgeting. A few larger reductions are as follows:

- o The General Fund, Road Fund and County School Fund are seeing a loss of Secure Rural Schools timber payment revenue due the reduction built into the distribution formula. FY 08-09 funding was based upon 90% of the last year's funding from the original Act, FY 09-10 was 81% of that number and FY 10-11 represents 73% of that number. Here is the breakdown by fund of the change from FY 09-10 to FY 10-11:
 - General Fund (\$1.2 million)
 - Road Fund (\$1.9 million)
 - County School Fund (\$600 thousand)
- o The Road Fund is down \$10.5 million overall, attributed to declining timber dollars mentioned above and a lower fund balance.
- o The Capital Improvement Fund is down \$15.5 million due to removing a one-time bond payment into the fund for financing of several capital projects including the new Public Health Building.

Fifteen funds are seeing an increase in their budget overall. Twelve increases are less than a million dollars. One is increasing between \$1.3 million and two are increasing between \$4.5 and \$6.6 million.

- o County health care benefits are going up by 10.5% next year. An estimated 2.5% of that increase is attributed to the National Health Care Bill and the increased age for coverage of employee dependents. PERS costs are also going up. As a result, the Employee Benefit Fund is seeing a budget increase of \$6.6 million or 13.65%. A portion of this increase is also due to the direction to hold the PERS rate higher than the current assessed charge to build a reserve to help offset future PERS rate increases.
- o The General Fund is decreasing by \$3.1 million overall.

Major Revenue Trends

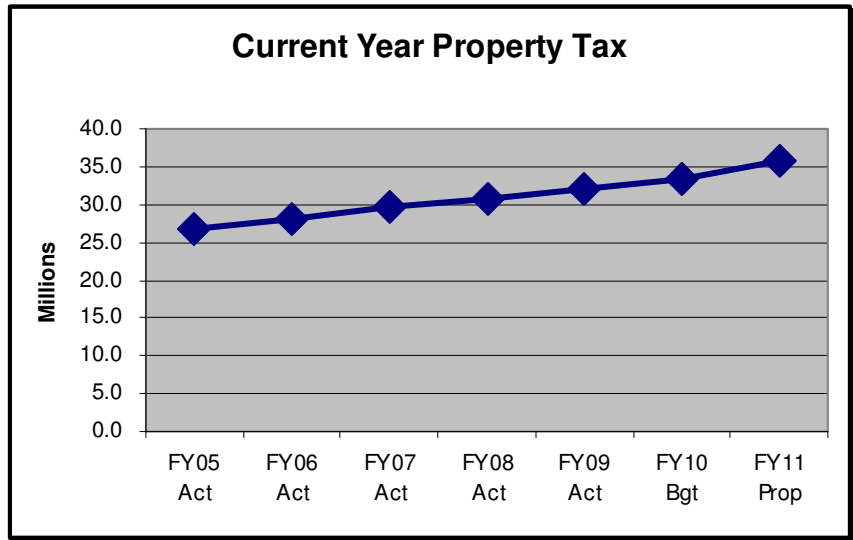
REVENUES

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

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Property Tax

Current Year Property Tax revenue is 6.5% of the total Adopted Budget and is estimated at \$35.6 million for next year. 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 the new constitutionally restricted limit of 3.0% and adds in an estimate for new construction. This new total is then multiplied by the permanent rate to calculate the estimated property tax. Uncollectible taxes are estimated at 5.0%.



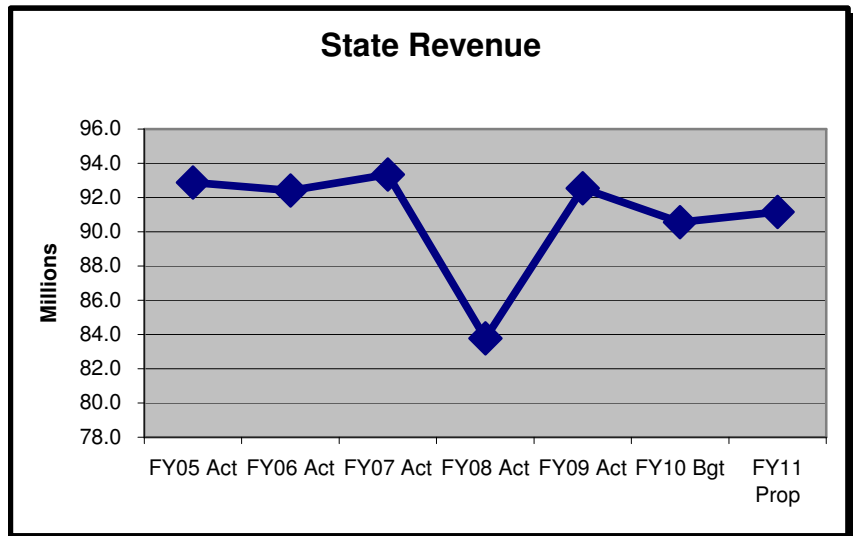
Average annual growth has been 4.35% the last five years. This trend has been flattened to 3% annually due to the slowing local economy and the housing slump that is driving down the price and the demand for new houses.

State Funding

State funding, primarily in the form of dedicated grants, is increasing by \$600,000 or .67%. This increase is a result of no significant state reductions combined with the continued slow recovery from the recession.

State shared revenue (cigarette, liquor, and amusement device tax, and a share of video lottery proceeds) totals \$2.9 million or 3.2% of state revenues. These dollars come to the

County with no strings attached; that is, they are unrestricted revenue that can be spent however the Budget Committee and the Board of Commissioners decide.



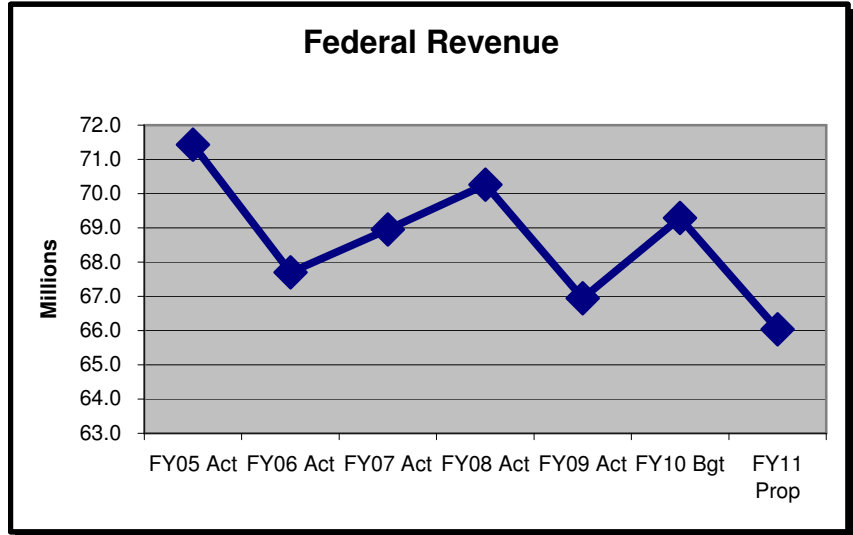
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Federal Revenues

Federal revenue, 12.0% of the overall budget, will drop 4.7% next year. This is a drop of \$3.2 million. This is due in large part to the Secure Rural Schools timber funding formula calling for a reduction in funding.

The County received a large revenue bump in 2002 as a result of the Secure Rural Schools and Community Self-Determination Act of 2000. That revenue was a

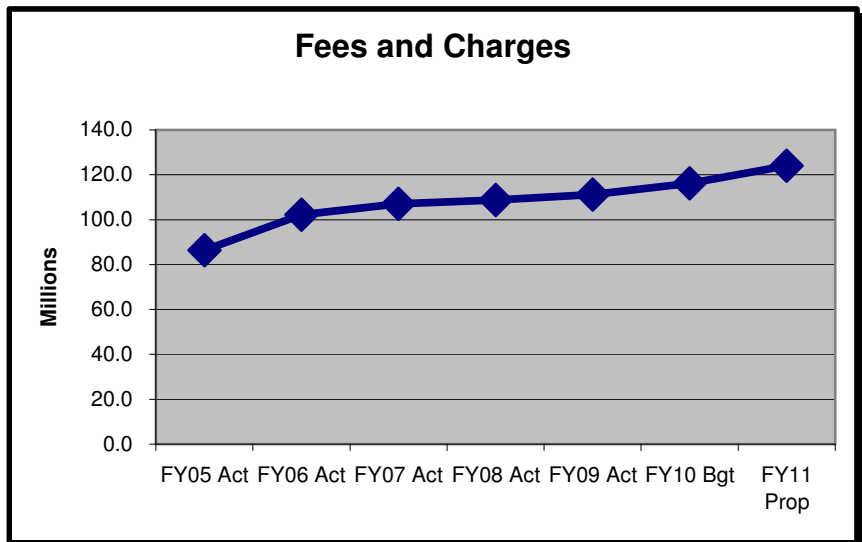
replacement for National Forest and Oregon and California (O&C) timber revenue. The replacement revenue was restricted by Congress to only grow at half of the annual inflation rate. While the original Act sunsetted at the end of FY 06-07, Congress did a one year extension through FY 07-08. The newest Secure Rural Schools funding was approved in September 2008 and is once again due to sunset at the end of 2012 if Congress fails to act.



Local Revenues

Fees and Charges

Fees and Charges total \$124.0 million and make up 22.6% of the budget. This category has seen an average annual growth of just over 7% for the previous five years. The change for next year amounts to an increase of \$7.9 million or 6.8%. This change is due primarily to an increase in employee benefit costs.



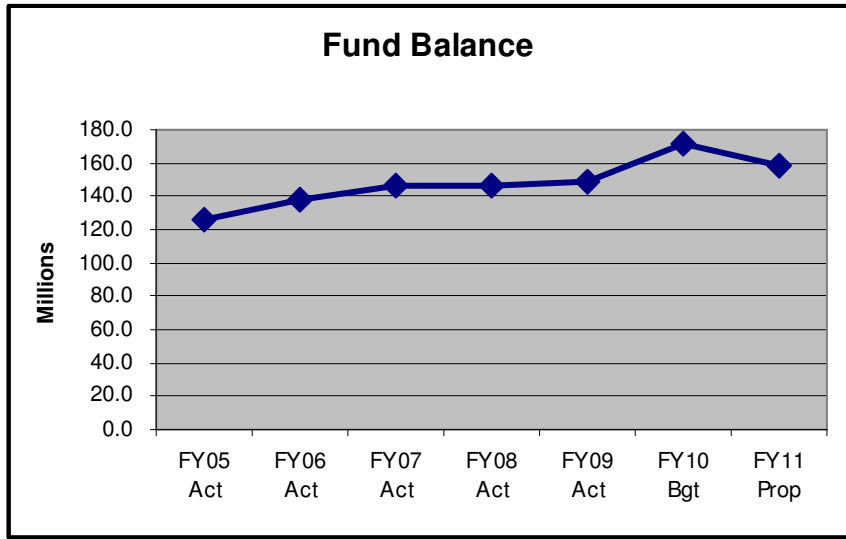
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Issuance of Bonded Debt

Lane County issued a bond in early November, 2009, in the amount of \$29,304,309. This bond issuance increased the size of the FY 09-10 budget and since it is a one-time revenue source, the FY 10-11 budget decreases by this same amount.

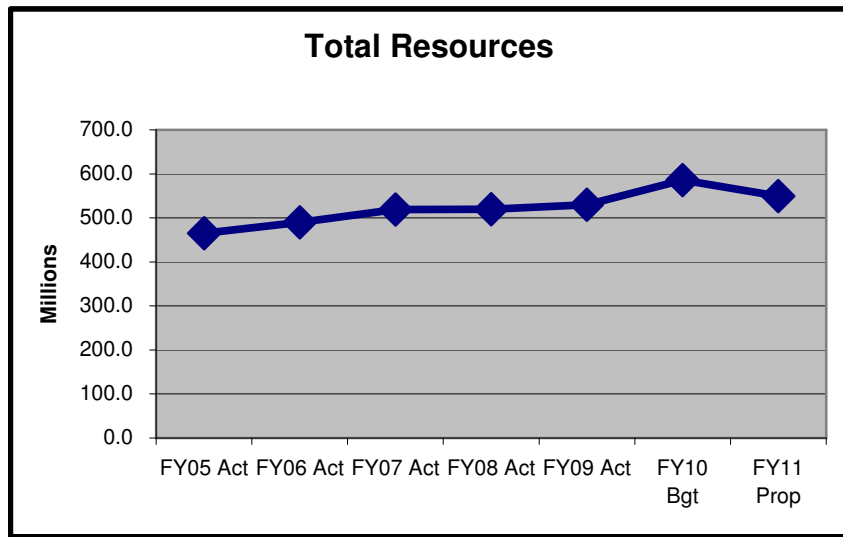
Fund Balance

For FY 10-11 the overall fund balance is decreasing \$12.8 million or 7.1% from \$171 million to \$158.8 million. Fund Balance increases in the Capital Improvement Fund by \$5.6 million, Employee Benefit Fund by \$1.1 million, and Motor & Equip Pool Fund by \$1.4 million are offset by decreases in three other major funds. The General Fund is declining by \$4.7 million, Road Fund is declining by \$10.1 million, and the Health & Human Services Fund by \$1.25 million.



Total Resources

Resources for FY 10-11 total \$549.7 million. This is a decrease of \$35.9 million from the current year's budget of \$585.7 million. Over the previous five years resources have fluctuated from a low of \$490 million to a high of \$585.7 million with an average annual growth 2.52%.



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Major Expenditure Trends

Personnel Services

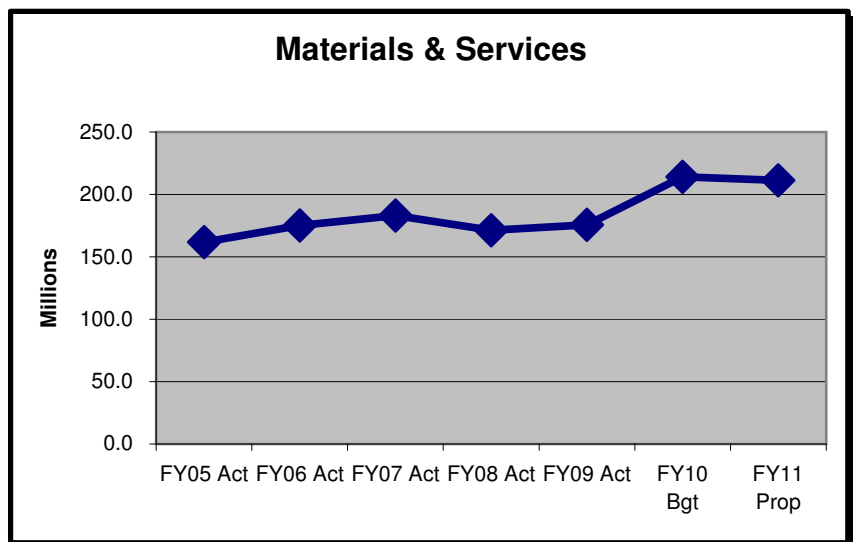
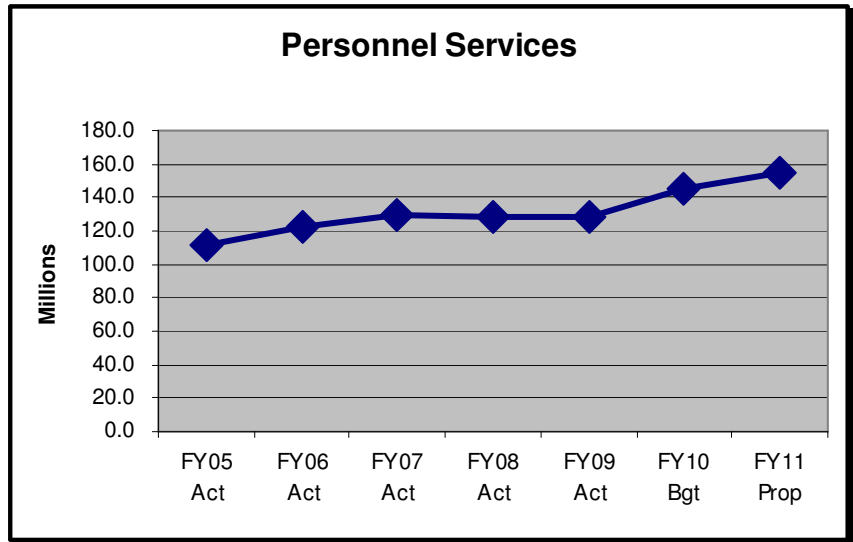
Lane County's services, like most governmental agencies, are labor intensive. Wages and benefits are budgeted at \$154.6 million next year and represent 28.1% of the total budget. Overall, Personal Services are up 6.3% or \$8.4 million. Wages are increasing due to cost of living adjustments for union represented employees, and increases in health care costs.

Individual employee health benefits costs were originally estimated to increase 8% next year. Following the passage of the National Health Care Bill, and the new coverage requirements for employee dependents, the anticipated increase was revised up, to 10.5%. The medical benefit cost is by far the largest component of total health care costs. Dental and vision costs continue to rise but the effect is not as dramatic.

Lane County's State of Oregon Public Employee Retirement System (PERS) rate will be nearly flat next year except for an adjustment to the PERS Bond payment which has gone down due to calling \$1.6 million in bonds. The Proposed Budget includes a PERS rate higher than the current charge from PERS in an effort to build a reserve to pay for the coming PERS rate increases in FY 11-12 and beyond. In FY 06-07, the County began picking up the employees' 6% share of their PERS contribution for certain bargaining groups and non-represented employees in lieu of a wage increases. All bargaining groups have the employee PERS share picked up by the County in FY 07-08.

Materials & Services

This category totals \$211.3 million and represents 38.4% of the overall budget. This is a decrease of \$2.6 million, or 1.25%. While growth for the previous five years has averaged just over 3%, departments have continued to cut Materials & Services spending to spare staff and direct services to citizens.

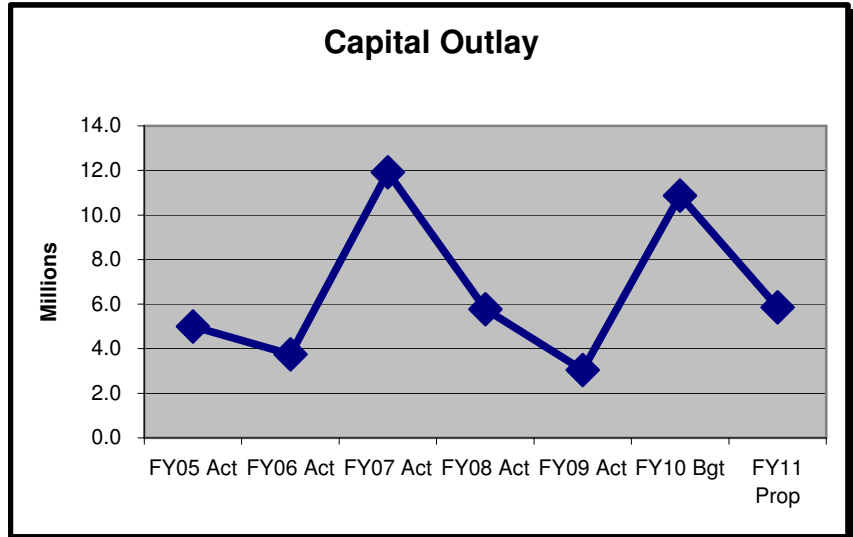


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Capital Outlay

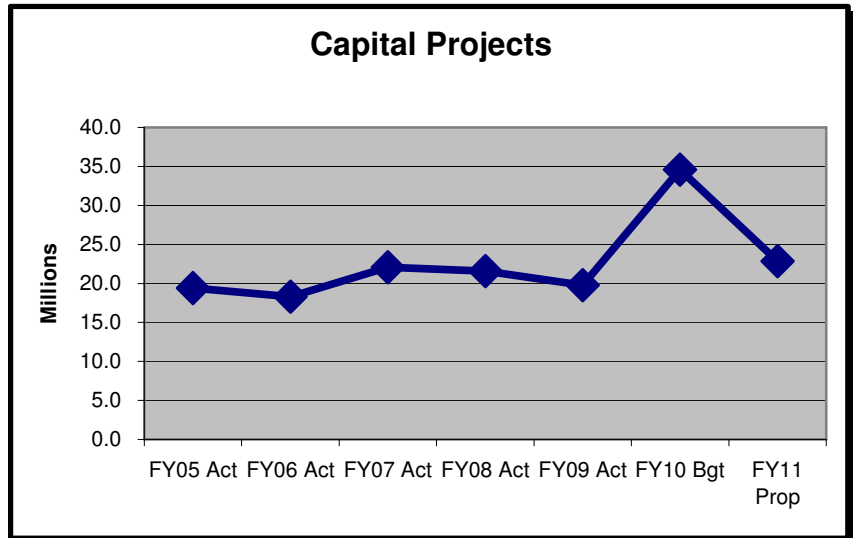
Capital Outlay expenditures are budgeted at \$5.8 million for various equipment purchases that make up only 1% of the County's overall budget. The major types of equipment purchased include heavy equipment for the Public Works department along with vehicles and data processing equipment for a variety 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 when more or less equipment is up for replacement each year, as was the case in FY 06-07 with the purchase of 15 new dump trucks, 7 trailers, a rail truck, a chip spreader, CAT Crawler, CAT Compactor, and transport trailer. For FY 10-11 the capital outlay budget has decreased by \$5 million or 46.7%.



Capital Projects

Capital projects are budgeted at \$22.8 million and represent 4.1% of the total budget. This budget is primarily a reflection of the road and bridge projects approved for FY 10-11. These projects are based upon the Five-Year Capital Improvements Plan prepared by the Department of Public Works. This budget reflects a reduction of \$11.7 million due to shrinking Road Fund resources.



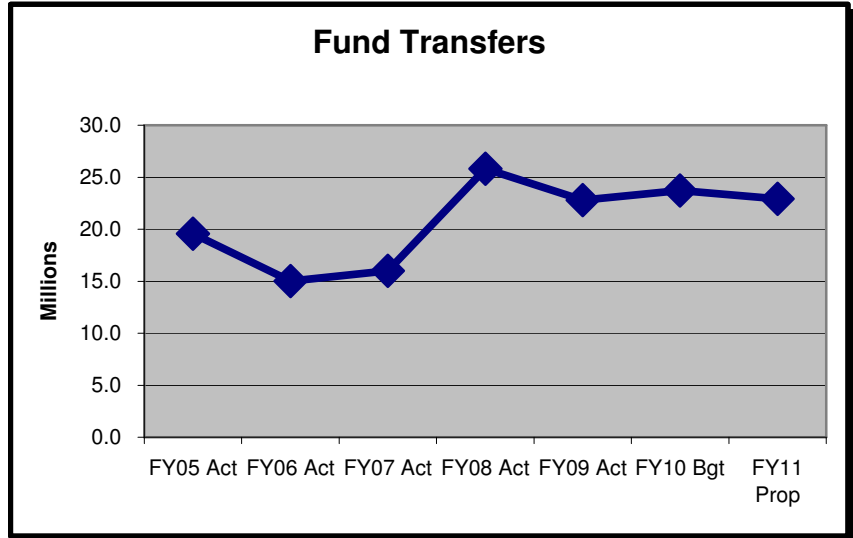
Debt Service

Bond Principal and Interest payments are budgeted at \$11.4 million and make up only 2% of the overall budget. Payments are being made for the following major bonds: Juvenile Justice Center (JJC) General Obligation Bond; Heating, Ventilating and Air Conditioning (HVAC) and Fairgrounds' capital improvements bonds; Mental Health Building; Public Health Building, and the PERS Limited Tax Pension bond. All bonds that were eligible have been refinanced.

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Fund Transfers

Transfers total \$23.7 million or 4.2% of the budget. This amount is down \$800,000 from the current year. The nearly \$6.7 million transfer from the General Fund to several Special Revenue Funds helps support Public Health, Mental Health, Developmental Disabilities, Juvenile Justice Services, and Parole & Probation.



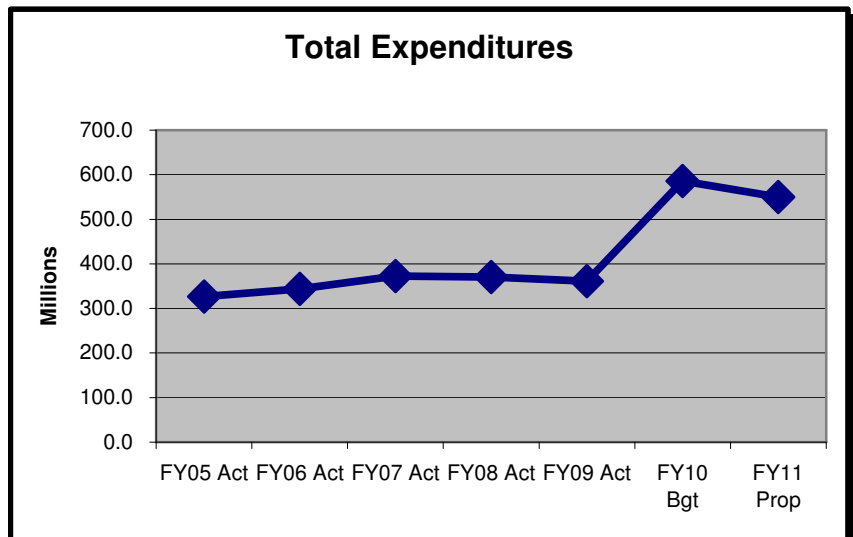
Reserves

The County’s adopted financial policies direct that each fund should have a minimum 5% prudent person reserve. For the General Fund the requirement is 10%. Reserves total \$119.7 million overall next year and represent 21.7% of the total budget. This includes reserves for operations as well as future capital projects. Reserves overall are down 9.93% or \$13.2 million. Major changes include:

- General Fund, down \$8.9 million
- Road Fund, down \$9.2 million
- Lane Care Fund, up \$3.4 million
- Solid Waste Fund, down \$2.0 million
- Employee Benefits Fund, up \$2.3 million

Total Expenditures

Total Expenditures across all funds for FY 10-11 are down \$35.9 million or 6.14% to live within total available revenue.



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Additional Tables and Charts

The following pages contain charts and graphs displaying the County's Proposed FY 10-11 budget by department, fund type, and service category. A separate General Fund Analysis section follows the charts and graphs.

RESOURCES & REQUIREMENTS - ALL FUNDS COMBINED PROPOSED BUDGET							
	FY 07-08 Actual	FY 08-09 Actual	FY 09-10 Budget	FY 10-11 Proposed	\$ Change from 09-10	% Change from 09-10	% of Total Bdgt
Taxes & Assessments	38,154,463	40,133,814	40,533,498	42,747,965	2,214,467	5.46%	7.78%
Licenses & Permits	3,973,536	3,510,595	3,485,034	3,607,018	121,984	3.50%	0.66%
Fines, Forf., Penalties	2,667,949	3,758,147	2,920,321	2,956,956	36,635	1.25%	0.54%
Property & Rentals	11,392,090	7,256,074	5,925,894	5,207,767	(718,127)	-12.12%	0.95%
Federal Revenue	70,266,147	66,946,821	69,287,452	66,037,325	(3,250,127)	-4.69%	12.01%
State Grant Revenue	62,069,812	72,189,892	71,372,670	69,090,849	(2,281,821)	-3.20%	12.57%
Other State Revenue	21,711,094	20,345,265	19,185,650	22,071,689	2,886,039	15.04%	4.01%
Local Grants	2,230,932	7,282,856	2,707,833	2,471,314	(236,519)	-8.73%	0.45%
Local Revenues	4,361,919	4,837,081	5,105,201	4,923,374	(181,827)	-3.56%	0.90%
Fees & Charges	108,778,519	111,190,600	116,140,754	124,087,582	7,946,828	6.84%	22.57%
Administrative Charges	13,560,582	15,119,453	15,854,264	17,466,240	1,611,976	10.17%	3.18%
Interest Earnings	7,367,744	4,977,999	3,317,255	2,817,891	(499,364)	-15.05%	0.51%
Mortgage Assumption	0	0	1,105,376	0	(1,105,376)	0.00%	0.00%
Bond Sales	0	0	29,304,382	4,445,235	(24,859,147)	100.00%	0.81%
Resource Carryover	146,505,718	148,628,886	169,812,379	158,890,293	(10,922,086)	-6.43%	28.90%
Interfund Loans	1,008,750	1,234,955	8,159,955	0	(8,159,955)	-100.00%	0.00%
Fund Transfers	25,808,377	22,807,107	21,495,324	22,910,776	1,415,452	6.58%	4.17%
Total Resources	519,857,632	530,219,545	585,713,242	549,732,274	(35,980,968)	-6.14%	100.00%
Personnel Services	128,439,883	128,982,102	145,228,070	154,652,643	9,424,573	6.49%	28.13%
Materials & Services	171,200,277	175,603,878	214,011,391	211,336,439	(2,674,952)	-1.25%	38.44%
Capital Outlay	5,768,001	3,042,307	10,874,080	5,863,885	(5,010,195)	-46.07%	1.07%
Capital Projects	21,575,214	19,761,075	34,567,988	22,838,698	(11,729,290)	-33.93%	4.15%
Bond Issuance Costs	0	0	89,110	0	(89,110)	-100.00%	0.00%
Other Fiscl Transactions	0	0	1,982,142	976,242	(1,005,900)	-50.75%	0.18%
Mortgage Principal Pymt	82,221	90,887	6,134,713	0	(6,134,713)	-100.00%	0.00%
Mortgage Interest Pymt	529,154	520,489	217,252	0	(217,252)	-100.00%	0.00%
Debt Service	16,220,099	9,328,859	9,842,240	11,404,485	1,562,245	15.87%	2.07%
Int Pd Interfund Loan	393	0	61,946	0	(61,946)	100.00%	0.00%
Payment to Refund Bd	0	0	4,035,597	0	(4,035,597)		
Fund Transfers	25,808,377	22,807,407	21,554,055	22,910,776	1,356,721	6.29%	4.17%
Interfund Loan	1,008,750	1,234,955	4,159,955	0	(4,159,955)	-100.00%	0.00%
Operational Contingency	0	0	29,884,447	29,263,701	(620,746)	-2.08%	5.32%
Operational Reserves	0	0	52,465,268	49,223,717	(3,241,551)	-6.18%	8.95%
UEFB	0	0	13,289,630	13,458,153	168,523	1.27%	2.45%
Closure/Post Closure	0	0	15,445,108	13,753,525	(1,691,583)	-10.95%	2.50%
Future Projects	0	0	19,407,145	11,583,039	(7,824,106)	-40.32%	2.11%
Reserve - Comp Liability	0	0	2,250,000	2,250,000	0	0.00%	0.41%
Bonded Debt Res	0	0	213,105	216,971	3,866	1.81%	0.04%
Total Requirements	370,632,369	361,371,959	585,713,242	549,732,274	(35,980,968)	-6.14%	100.00%

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FY 10-11 PROPOSED RESOURCES BY FUND TYPE & DEPARTMENT								
Department Name	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Services	Trust	Total Dept
Assessment & Taxation	382,500	0	0	0	0	0	0	382,500
Children & Families	0	2,799,001	0	0	0	0	0	2,799,001
County Administration	2,460,779	610,442	0	0	0	0	0	3,071,221
County Counsel	3,212,385	1,157,502	0	0	0	0	0	4,369,887
District Attorney	1,805,127	972,101	0	0	0	0	0	2,777,228
General Expense*	70,436,153	21,310,695	6,467,279	2,940,000	0	68,652,843	14,964,869	184,771,839
Health & Human Services	0	106,025,621	0	0	0	0	0	106,025,621
Human Resources	1,993,431	0	0	0	0	0	0	1,993,431
Information Services	0	0	0	0	9,105,768	12,098,757	0	21,204,525
Justice Courts	2,472,706	0	0	0	0	0	0	2,472,706
Lane Events Center	0	0	0	0	4,305,155	0	0	4,305,155
Management Services	4,846,689	131,600	0	15,309,048	0	934,947	0	21,222,284
Public Works	0	78,229,606	0	0	47,294,487	27,277,892	0	152,801,985
Sheriff's Office	12,993,785	17,265,351	0	0	362,384	3,415,952	0	34,037,472
Workforce Partnership	0	3,477,769	0	0	0	0	0	3,477,769
Youth Services	1,222,977	2,796,673	0	0	0	0	0	4,019,650
Total Fund Resources	101,826,532	234,776,361	6,467,279	18,249,048	61,067,794	112,380,391	14,964,869	549,732,274

FY 10-11 PROPOSED REQUIREMENTS BY FUND TYPE & DEPARTMENT								
Department Name	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Services	Trust	Total Dept
Assessment & Taxation	7,000,972	0	0	0	0	0	0	7,000,972
Children & Families	0	2,799,001	0	0	0	0	0	2,799,001
County Administration	3,052,196	610,442	0	0	0	0	0	3,662,638
County Counsel	4,019,322	1,157,502	0	0	0	0	0	5,176,824
District Attorney	9,422,488	972,101	0	0	0	0	0	10,394,589
General Expense*	13,159,638	21,310,695	6,467,279	2,940,000	0	68,652,843	14,964,869	127,495,324
Health & Human Services	4,775,847	106,025,621	0	0	0	0	0	110,801,468
Human Resources	2,026,107	0	0	0	0	0	0	2,026,107
Information Services	0	0	0	0	9,105,768	12,098,757	0	21,204,525
Justice Courts	1,388,062	0	0	0	0	0	0	1,388,062
Lane Events Ctr	0	0	0	0	4,305,155	0	0	4,305,155
Management Services	5,715,300	393,152	0	15,309,048	0	934,947	0	22,352,447
Public Works	0	77,452,479	0	0	47,294,487	27,277,892	0	152,024,858
Sheriff's Office	42,054,527	17,780,926	0	0	362,384	3,415,952	0	63,613,789
Workforce Partnership	0	3,477,769	0	0	0	0	0	3,477,769
Youth Services	9,212,073	2,796,673	0	0	0	0	0	12,008,746
Total Fund Requirements	101,826,532	234,776,361	6,467,279	18,249,048	61,067,794	112,380,391	14,964,869	549,732,274

* Expenses that are not attributable to a specific department and are therefore Non-Departmental

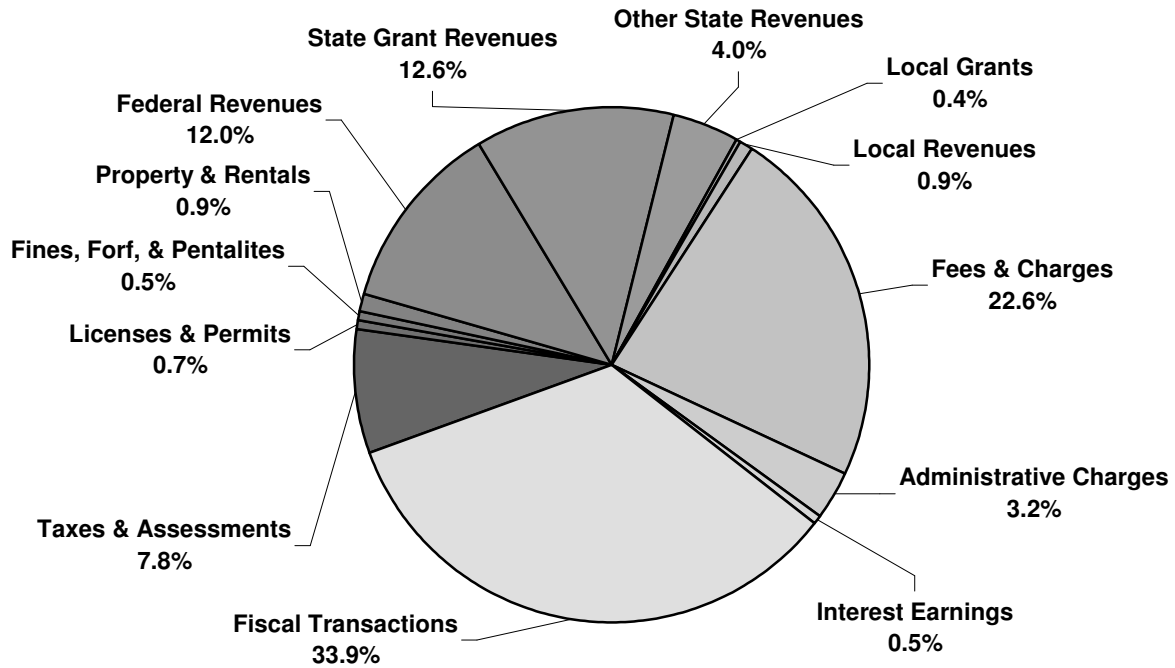
Financial Summary

FY 10-11 PROPOSED REVENUES 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	250,000	4,130,757	300,000	1,200,000	25,000	0	36,842,208	42,747,965
Licenses and Permits	0	1,534,500	61,200	816,000	125,000	609,818	460,500	3,607,018
Fines, Forf, Penalties	35,000	234,000	50,500	1,000	1,400	2,198,556	436,500	2,956,956
Property & Rentals	1,000,700	2,366,130	691,950	250	691,215	364,567	92,955	5,207,767
Revenue Other Agencies	524,035	3,347,792	771,532	72,428,537	32,227,483	32,536,092	22,759,080	164,594,551
Fees & Charges	103,923	5,803,087	23,160,545	6,846,551	16,112,127	6,964,693	65,096,656	124,087,582
Administrative Charges	0	123,540	10,515,983	0	4,373,740	538,121	1,914,856	17,466,240
Interest Earnings	8,320	54,136	590,510	678,500	707,357	45,050	734,018	2,817,891
Bond Sales	0	0	0	0	0	0	4,445,235	4,445,235
Resource Carryforward	616,087	3,240,591	21,433,501	15,671,793	60,104,320	5,471,552	52,352,449	158,890,293
Interfund Loans	0	0	0	0	0	0	0	0
Fund Transfers	398,911	2,600,000	488,555	7,530,872	1,530,400	5,051,060	5,310,978	22,910,776
Total:	2,936,976	23,434,533	58,064,276	105,173,503	115,898,042	53,779,509	190,445,435	549,732,274

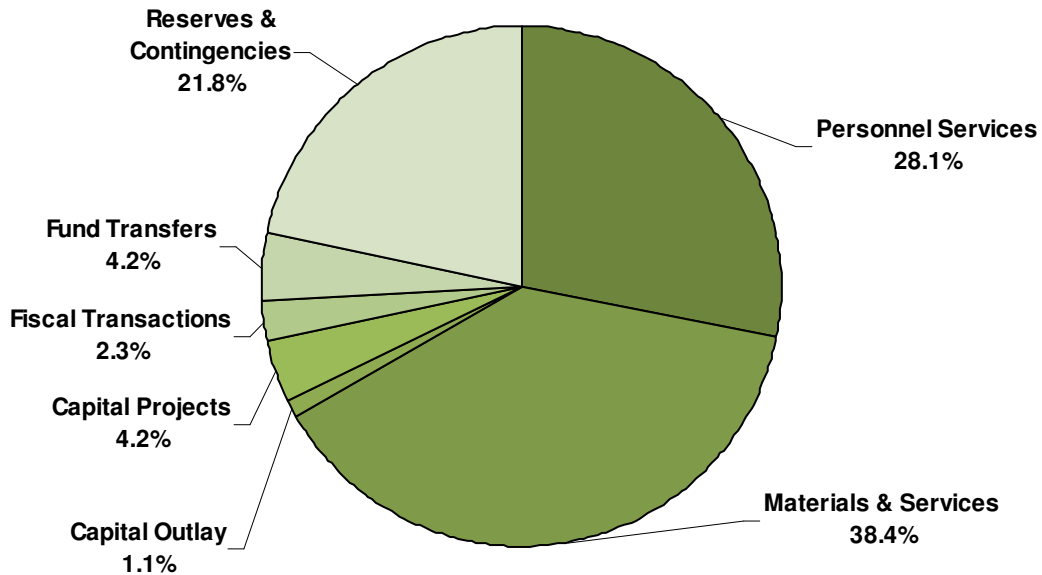
FY 10-11 PROPOSED EXPENDITURES BY SERVICE CATEGORY ALL FUNDS COMBINED								
Expenditure	Culture & Recreation	Community Development	Gen Gov't	Public Health	Roads & Infrastructure	Public Safety	Non-Operating	Total
Personal Services	1,327,217	8,383,145	26,900,844	28,850,258	26,903,674	62,287,505	0	154,652,643
Materials & Services	1,171,638	9,609,565	17,045,979	61,547,084	25,850,942	28,508,489	67,602,742	211,336,439
Capital Outlay	0	263,702	3,202,585	0	15,442,629	2,231,300	7,562,367	28,702,583
Debt Service	0	40,122	0	0	0	0	12,340,605	12,380,727
Fund Transfers	0	2,599,439	865,923	8,803,399	4,449,378	1,348,475	4,844,162	22,910,776
Interfund Loans	0	0	0	0	0	0	0	0
Reserves/Contingencies	427,757	2,538,560	7,045,787	10,748,609	42,989,867	1,721,329	40,819,044	106,290,953
UEFB	10,364	0	12,182,823	0	0	1,264,966	0	13,458,153
Total:	2,936,976	23,434,533	67,243,941	109,949,350	115,636,490	97,362,064	133,168,920	549,732,274

Financial Summary

FY 10-11 Proposed Revenues – All Funds



FY 10-11 Proposed Expenditures – All Funds



General Fund Analysis

An Historical Perspective on Federal Timber Revenue

For well over 80 years, Lane County citizens have relied on timber harvest revenue from federal Oregon & California (O&C) railroad lands to fund a significant portion of critical county services. These services include Sheriff's patrols, the adult jail, criminal prosecution, youth detention, public health, and elections. However, revenue from federal timber harvests began a significant decline with the change in federal forest policies in the early 90's. From 1992 through 2000 the County was forced to make numerous budget cuts as seen below while trying to preserve essential services.

Discretionary General Fund Budget Cuts in the Prior Fifteen Years				
Fiscal Year	Discretionary General Fund	Actual Reduction	Annual % Reduction	Cumulative Total
91-92	\$36,436,931	\$1,103,635	3.03%	1,103,635
92-93	34,849,220	798,577	2.29%	1,902,212
93-94	31,548,554	2,763,810	8.76%	4,666,022
94-95	30,926,871	1,106,059	3.58%	5,772,081
95-96	31,349,784	1,841,134	5.87%	7,613,215
	5-Year Subtotal	\$7,613,215	4.71%	
96-97	31,969,193	0 ¹	0.00%	7,613,215
97-98 ²	32,556,034	2,026,127	6.22%	9,639,342
98-99 ³	45,649,863	0 ¹	0.00%	9,639,342
99-00	44,531,956	0 ¹	0.00%	9,639,342
00-01	44,071,668	253,474	0.58%	9,892,816
	5-Year Subtotal	\$2,279,601	1.36%	
01-02	47,690,827	180,595	0.38%	10,073,411
02-03	48,735,235	704,097	1.44%	10,777,508
03-04	51,571,876	3,076,388	5.97%	13,853,896
04-05	56,786,868	3,923,696	6.91%	17,777,592
05-06	59,294,843	230,110	0.39%	18,007,702
	5-Year Subtotal	\$8,114,886	3.02%	
15-Year Reduction Total		<u>\$18,007,702</u>		
Annual Budget Cuts		12 out of the last 15 years		
Average Annual Reduction		<u>\$1,200,000</u>	<u>3.03%</u>	

Footnotes:
¹ Stability due primarily to aggressive cost control measures and cash on hand
² Measure 47/50 did a 10% Property Tax cut and rolled back assessed values two years
³ Measure 47/50 rolled Extension Svcs and Corrections serial levies into General Fund

Financial Summary

Congress helped stabilize the situation by approving a federal timber revenue guarantee in 1993, but it did this on a declining basis through 2000. General Fund reductions during this period were \$9.6 million and over 181 positions were cut. This occurred despite the fact voters approved special public safety serial levies on four separate occasions. A complete list of reductions over the previous fifteen year period from FY 91-92 through FY 05-06 is shown on the previous page.

Congress enacted a new federal guarantee called the Secure Rural Schools (SRS) and Community Self-Determination Act in 2000. This Act provided a new six-year guarantee at a much higher level than previously granted. However, the Act restricted annual growth to half the national inflation rate (CPI-U) and was set to sunset in the fall of 2006. The Act was renewed for one additional year in 2007. In FY 07-08, this revenue made up nearly 25.0% of unrestricted or discretionary revenues.

During this same period the County pursued an aggressive strategy of raising fees-for-services benefiting individuals rather than the public as a whole. Another strategy to augment revenue was to increase smaller taxes such as the car rental tax and the transient room tax. A real estate transfer tax was also proposed in 1994 but was defeated at the polls and was subsequently prohibited from further use by counties by the Oregon Legislature.

Permanent Property Tax Rates and Limitations

In 1990 Oregon voters approved Measure 5 restricting taxation for government services to \$10 per \$1,000 of assessed value. In the late spring of 1997, Oregon voters approved Ballot Measure 50, a revision of Ballot Measure 47, to significantly change the entire property tax system. Prior to Measures 47/50, Oregon counties imposed taxes based upon the amount of tax to be levied. Increases in assessed value and any value added as a result of new construction meant that everyone else's taxes would go down slightly to compensate for the new money coming in.

Measure 47/50 changed the system to a rate based one of so many dollars per \$1,000 of assessed value. Now as the value grows, so does the revenue. The new system also allows for the first time the inclusion of the assessed value of new construction, thereby generating additional revenue for the county each year.

Upon enactment, Measure 50 also rolled back assessed values to the level assessed two years prior, a 17% reduction, and then placed a constitutional restriction on future growth to a 3% annual increase in assessed valuations as opposed to the 6% growth allowed under the previous tax levy system. This growth restriction has created a "structural deficit" within the General Fund. Annual expenditure growth has averaged between 5% and 6% while growth in overall General Fund revenue has been closer to 3% to 3.5%.

Measure 50 also locked in all of the then current property tax rates, thereby establishing a "permanent" tax rate for each taxing district. So while Lane County services had been subsidized by federal timber revenue for many, many years, the subsequent decline in timber revenue meant that asking the voters to increase the property tax base to support critical services as many other Oregon cities and non-timber supported counties have done was no longer an option.

Comparable County Comparison

In the table on the next page Lane County's permanent property tax rate is compared to three counties most similar: Washington, Clackamas and Marion. Data was gathered for FY 07-08, the most recent fiscal year in which data is available. As can be seen, Lane County's property tax rate is anywhere from 40-50% lower than directly comparable counties.

Financial Summary

FY 2007-2008 COUNTY COMPARISON				
Comparable Counties	Lane	Washington	Clackamas	Marion
2008 Population ¹	345,880	519,925	376,660	314,865
Area (square miles)	4,620	727	1,879	1,194
Perm. Rate/1,000 (Rural)	\$1.28	\$2.25	\$2.97	\$3.02
Perm. Rate/1,000 (City) ²	\$1.28	\$2.25	\$2.40	\$3.02
Net Assessed Value ³	\$23.4 bil.	\$41.1 bil.	\$31.3 bil.	\$16.8 bil.
Avg. Tax Rate/1,000 ³	\$15.06	\$16.45	\$15.78	\$16.12
Prop. Tax Imposed (All Dist.) ⁴	\$301.2 mil.	\$535.4 mil.	\$412.6 mil.	\$226.5 mil.
Adopted FY 07-08 Budget	\$507.7 mil.	\$650.6 mil.	\$602.4 mil.	\$305.6 mil.

¹ Table 3, 2008 Annual Population Report dated March 2009, Population Research Center, Portland State University.

² Tax rate paid within the city limits. Clackamas County has a split rate: one rate for rural residents and a separate, lower rate for city residents.

³ Net Assessed Value (NAV) includes nonprofit housing, state fish & wildlife value, but excludes urban renewal excess value. Average countywide rate for local governments including special levies and GO bonds outside Measure 5 limit (DOR, Prop. Tax Statistics FY07-08, Table A.2).

⁴ This is the property tax imposed within the Measure 5 limit (DOR, Prop. Tax Statistics FY07-08, Table D.4)

In fact, the 2008-2009 Rate and Value Information for Oregon's Counties table in Appendix B shows that in that year Lane County was at the very bottom of Oregon's 36 counties as far as overall tax rate is concerned, even when you convert the O&C federal revenue into a comparable tax rate and add it in.

It is also interesting to note in the table above, that while Lane County government's individual property tax rate is very low, the average property tax rate for each county is fairly close. This means the other jurisdictions within Lane County have raised their rates to make up the difference. As an example, the City of Eugene's permanent rate is \$7.01 per thousand to take care of half the number of residents as reside in the entire county. The City of Springfield's rate is \$4.74 per thousand for the city and \$1.97 for the Willamalane Park and Recreation District for a combined total of \$6.71 per thousand of assessed value.

General Fund Budget

The General Fund Proposed Budget is \$101.8 million, down \$3.1 mil. or 3.0% from the current year. This is occurring in spite of increasing the services within the General Fund by the movement of the Justice Courts from the Special Revenue Fund back to the General Fund. This movement was necessary to comply with accounting rules associated with discretionary revenue. Cash is decreasing by \$4.7 million as we budget for the third year of the federal timber renewal payment, which decreases each year. Federal Revenues are decreasing by \$1.8 million due to the decreasing federal timber payments and a decrease in the US Marshall contract with the Lane County Jail to house federal inmates.

Personnel Services base costs are up \$4.2 million growing by 7.44% due to the cost of implementing the new union and non-represented salary adjustments and budgeting for health benefit increase of 10.5%. Materials and Services are up \$800 thousand or 3.89% due mainly to increases in General Liability Insurance, equipment rental, and IT and utility costs. Fund Transfers are growing by \$744 thousand due to covering increased costs of service for Youth Services, the Sheriff's Office and Health and Human Services.

Financial Summary

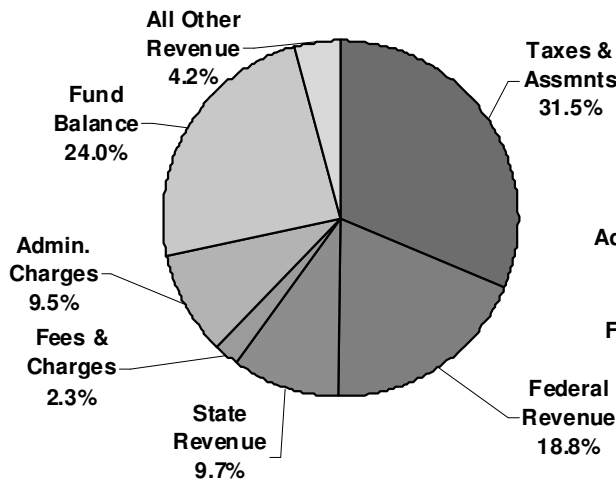
Reserves are dropping by \$4.7 million. For FY 10-11, these funds are needed to continue funding ongoing services as well as increased funding needed for the approved service restorations/additions as follows:

The number of General Fund FTE is proposed to increase from 556.13 to 565.78, an increase of 9.65 FTE.

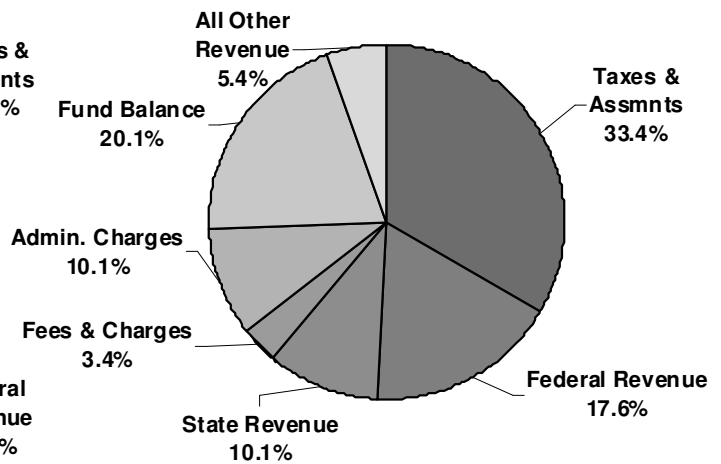
General Fund Resources

General Fund resources fall into seven main categories as shown in the charts below. The resource categories are described in more detail on the following pages. The major change between FY 09-10 and FY 10-11 in the pie charts below can be seen in the percentage decline in Resource Carryover or Fund Balance. This is once again due to the reducing federal timber payments and the need to spend the fund balance to maintain service levels.

General Fund Resources – FY 09-10



General Fund Resources – FY 10-11

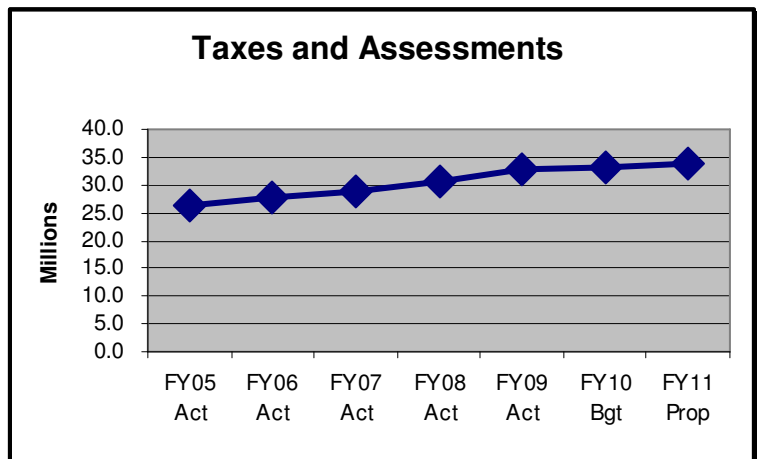


The revenue chart below does a good job of comparing individual revenue categories. As can be seen, small growth in Taxes and Assessments is offset by reductions in Federal, State, Fees, and All Other revenues. The large decline in Fund Balance (Resource Carryover) clearly stands out.

Changes in General Fund Resources

Taxes and Assessments

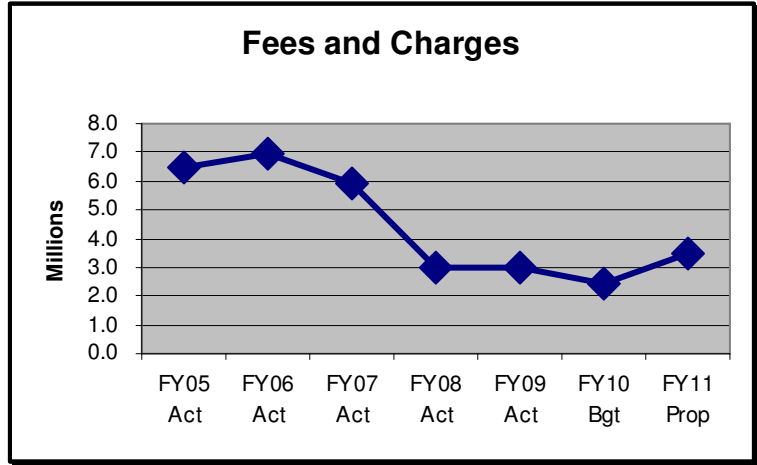
In FY 10-11, Taxes and Assessments will make up 33.4% of General Fund revenue and will total \$33.9 million. This category includes both current and prior year property taxes along with 76% of the county car rental tax, the Western Oregon Severance Tax offset, payments in-lieu-of taxes from utilities and tax penalties. This revenue overall is up 2.7% next year. Average growth has been 5.3% the previous five years. Growth has been flattened based upon the Tax Assessor's recommendation in this weakened Oregon and Lane County economy.



Financial Summary

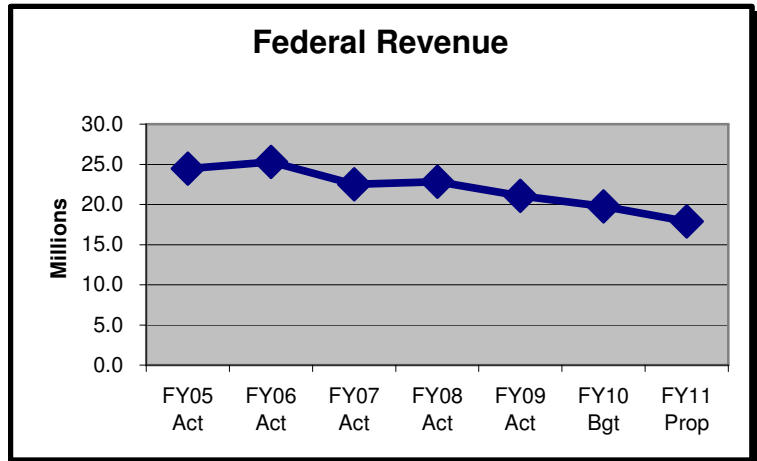
Fees and Charges

User fees and charges for services are budgeted at \$3.4 million and represent 3.4% of the General Fund budget. An increase of \$1 million over FY 09-10 is attributed to recording fees in Deeds & Records increasing slightly as the economy and housing market makes a slight recovery and the movement of Justice Courts and their associated fee revenue back into the General Fund.



Federal Revenue

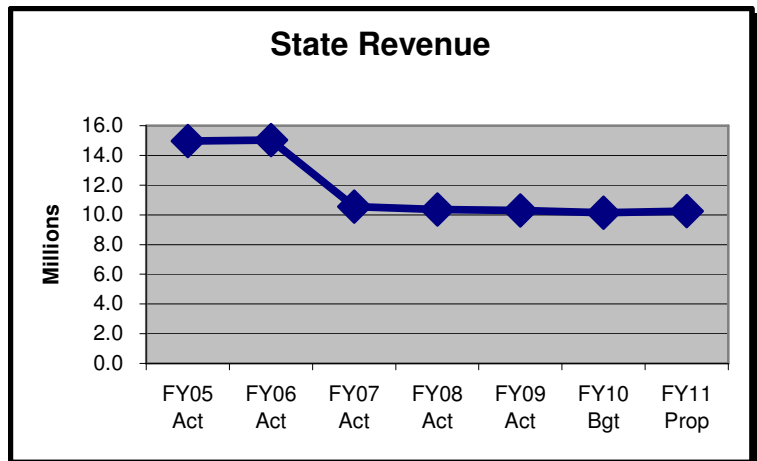
Federal revenues are decreasing by \$1.8 million bringing the total to \$17.8 million or 17.6% of the General Fund. The Federal Timber Payments or Secure Rural Schools funding continues to decline each year through FY 11-12 as part of the step-down payment plan passed by Congress. FY 10-11 represents a payment of 73% of the FY 06-07 funding. The fourth year, FY 11-12, payment is expected to be in the range of 40% – 50% of the FY 06-07 level.



State Revenue

State revenues make up 10.1% of the General Fund and are budgeted at \$10.2 million. This is an increase of \$117,509. This increase is a result of increasing support from the State of Oregon in the area of tax collection, which is offset slightly by a decrease in other State grant funding.

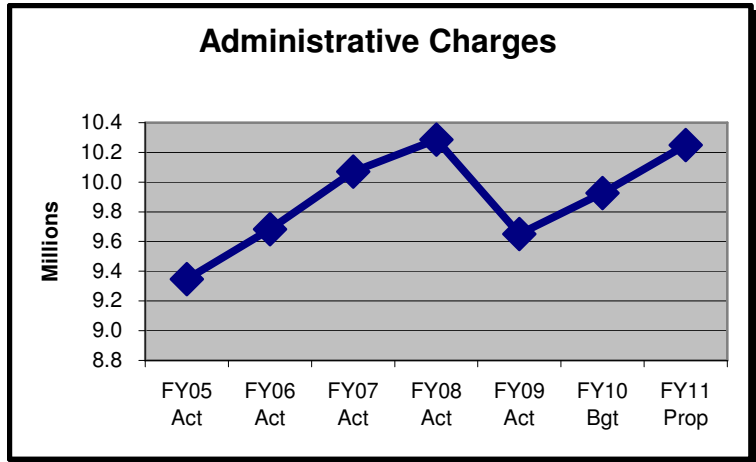
\$1.9 million or 18.6% of state revenue comes as revenue sharing in the form of cigarette, liquor taxes, and amusement device taxes. These dollars have no strings attached and are therefore unrestricted or discretionary dollars. This revenue is projected to increase about \$60,000 next year.



Financial Summary

Administrative Charges

Internal administrative charges are made based upon a federally approved indirect cost allocation plan. A full cost plan and an A-87 plan for federal programs are prepared each year. These plans allocate out the cost of central support services to all direct service departments and programs based upon specific cost drivers. The General Fund departments also receive an allocated cost based upon the County's financial policy to reflect the true cost of doing business in order to fully recover all allowable costs from grants and contracts. Some departments are also able to recover a department overhead charge for services provided to programs not in the General Fund.

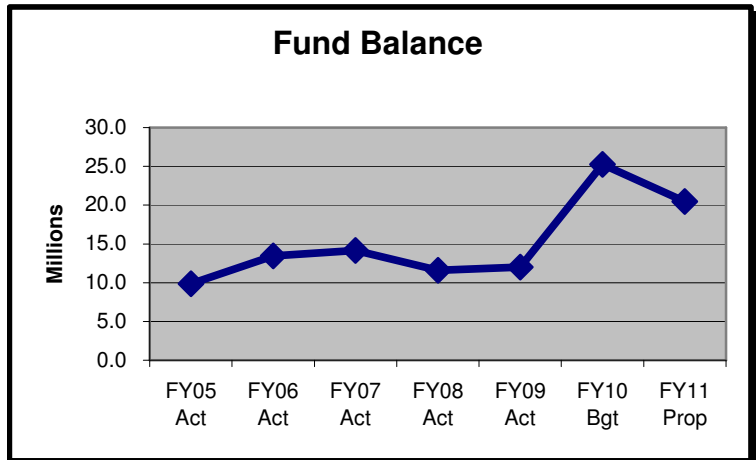


Administrative charges are \$10.2 million or 10.1% of General Fund revenue next year. The Proposed 10-11 budget reflects a 3.24% increase of \$321,776 from the current year. Countywide indirect charges are have grown an average of 1.08% over the past five years and are expected to stay relatively flat in future years.

Fund Balance

The fund balance carryover from the current year is projected to be \$20.4 million, down \$4.7 million. The decrease is as mentioned before is due to lower federal timber payments and the need to spend the existing fund balance to maintain service levels.

This resource makes up 20.1% of the General Fund. The County's financial policies direct that the General Fund fund balance should not go below 10% except in the event of emergency.



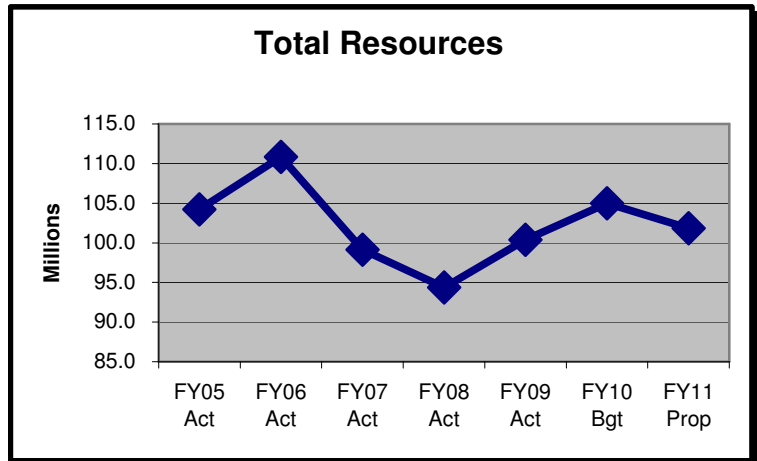
Financial Summary

All Other Revenue

All other revenue makes up 5.4% of the General Fund budget. It consists of: Licenses and Permits \$682,050; Fines, Forfeitures & Penalties \$1,983,056; Property Rentals \$772,967; Interest Earnings \$293,000; and Fund Transfers \$759,363. It also includes Local Revenues of \$1.1 million for a total of \$5.5 million.

Total General Fund Resources

General Fund resources overall are down \$3.1 million or 3.0%.

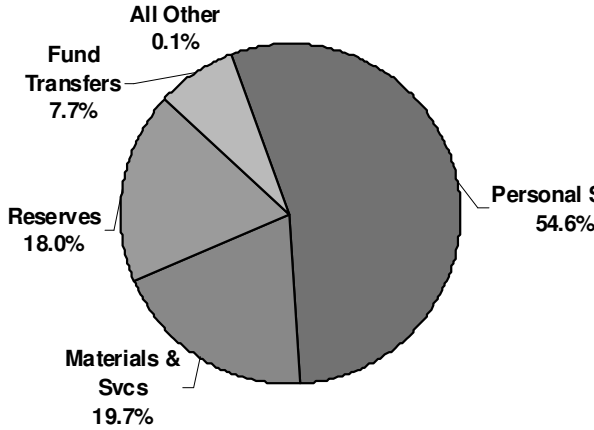


Financial Summary

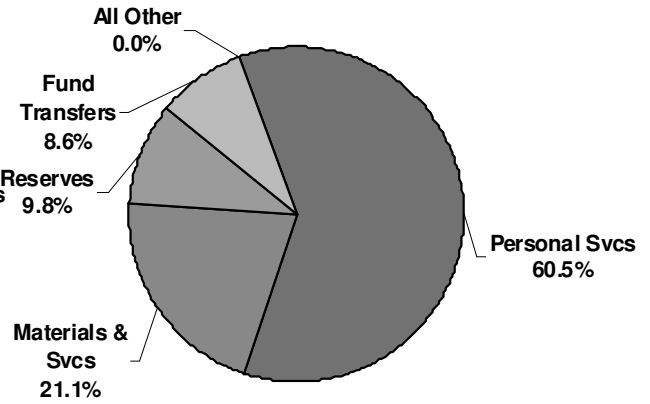
General Fund Expenditures

General Fund expenditures fall into five main categories. The Personnel Service category is far and away the largest since most General Fund services are staff intensive like jail security, rural patrol, criminal prosecutions, and public health nursing. A complete listing of General Fund services can be found in the Balancing Options section of this document.

General Fund Expenses – FY 09-10

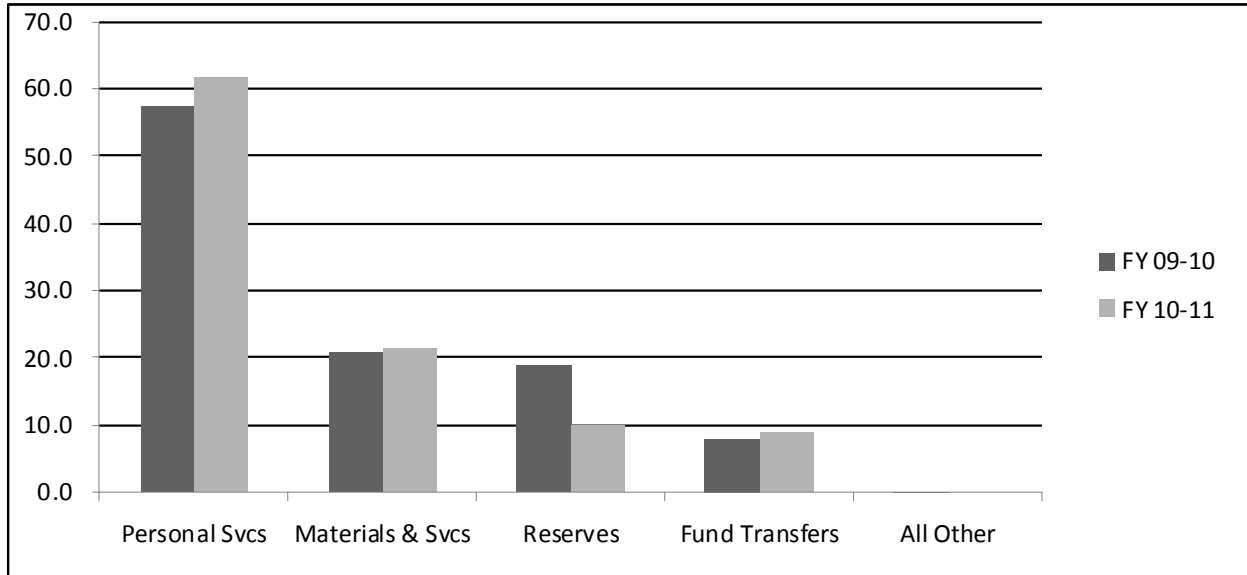


General Fund Expenses – FY 10-11



The chart below shows the growth in Personal Services as a result of ongoing cost increases for Cost of Living Adjustments and health benefits increasing by 10.5%. Materials & Services growth is up about \$0.8 million while Reserves are dropping by \$4.7 million.

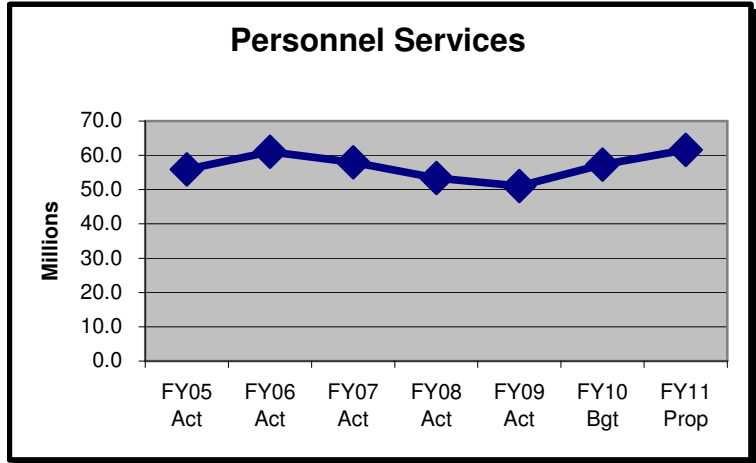
Changes in General Fund Expenditures



Financial Summary

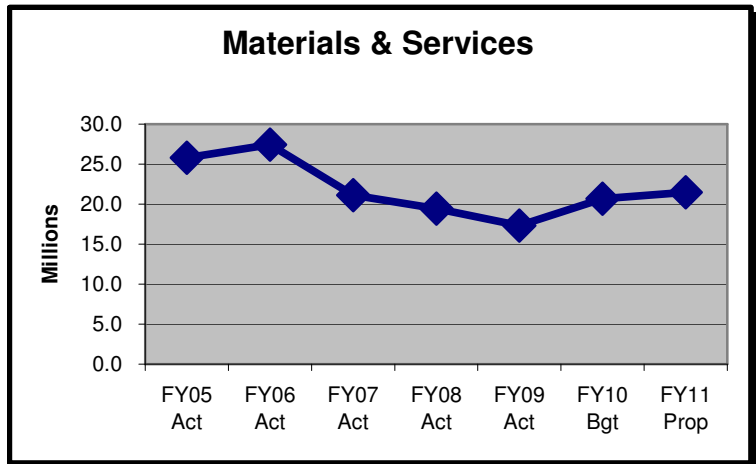
Personnel Services

Personnel Services are budgeted at \$61.5 million next year, an increase of \$4.2 million or 7.44%. This increase is the result of cost of living adjustments for the County's union represented employees and the increase in Health & PERS costs. It should be noted that the FY 10-11 level is just slightly higher than the FY 05-06 level.



Materials and Services

Materials and Services are budgeted at \$21.4 million, up \$800,000 from the current year. The primary increases are in the areas of direct/information services, utilities and general liability insurance and equipment rental.



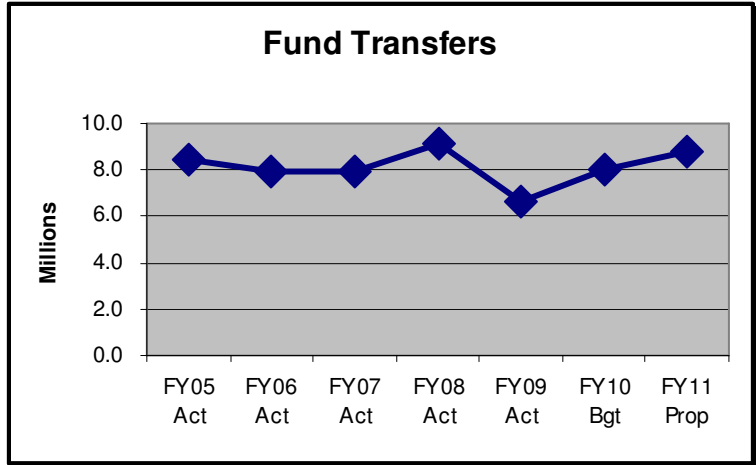
Capital Outlay/Capital Projects

All capital related expenditures are zeroed out prior to starting the budget process each year and no capital expenditures are included in the Proposed Budget.

Financial Summary

Fund Transfers

Fund transfers are 8.6% of the General Fund or \$8.7 million. This is a 9.26% increase from \$8.0 million budgeted in the current year. \$6.7 million is a transfer to the departments of Health and Human Services, Children & Families & Youth Services to support Public Health, Mental Health, Animal Services, Developmental Disabilities, Juvenile Counselors, and basic needs for Lane County's most vulnerable resident. This transfer is up \$600 thousand over the current year.



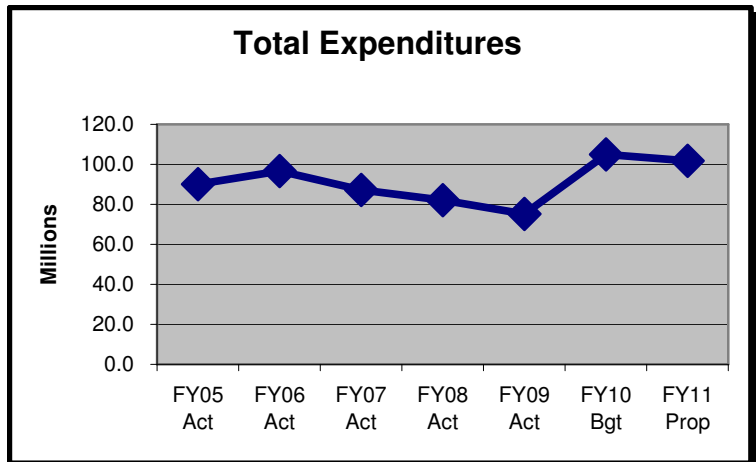
Another \$1.5 million is transferred to the Capital Fund to pay for the bond on the Public Health Building.

Reserves

General Fund reserves are budgeted just under \$10.0 million and represent 9.8% of the General Fund. This is a \$8.9 million decrease below the current year level. The General Fund Reserve policy dictates that the amount must be no less than 10% of operating revenues. The budget not only meets, but just slightly exceeds that requirement due to reserving the additional savings is achieved by placing 94% of the first timber renewal payment into the current year reserves. A portion of those funds have been spent each year to continue ongoing services and to pay for the service restorations proposed by the County Administrator and approved by the budget committee and Board of Commissioners.

Total General Fund Expenditures

General Fund expenditures overall are down \$3.1 million to \$101.8 million.



Financial Summary

Unrestricted or Discretionary General Fund Revenues and Expenses

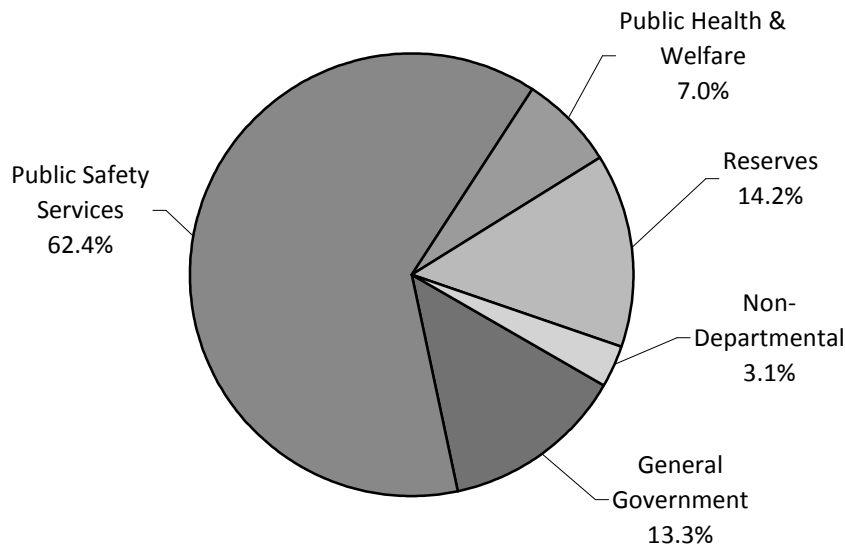
Unrestricted, discretionary revenue that comes to the County without any strings attached totals \$70.4 million for FY 10-11. This is a \$4.9 million decrease from the current year.

The table below provides a breakdown of how these dollars are allocated by department and arranged in descending order of magnitude. As can be seen, the Sheriff's Office receives the largest portion of the discretionary dollars. After reserves, the next two departments, District Attorney and Youth Services, are also public safety departments.

UNRESTRICTED GENERAL FUND REVENUE ALLOCATION BY DEPARTMENT						
	FY 07-08 Actual	FY 08-09 Actual	FY 09-10 Current	FY 10-11 Proposed	\$ Chng Fr Curr	% Chng Fr Curr
Sheriff's Office	24,751,093	20,786,859	26,675,608	29,187,324	2,511,716	9.4%
Year-End Cash/Reserve	0	0	18,906,281	9,998,897	(8,907,384)	-47.1%
Youth Services	5,825,375	6,483,652	7,564,575	8,151,805	587,230	7.8%
District Attorney	5,919,190	6,018,137	6,952,849	7,755,861	803,012	11.5%
Assessment & Taxtion	5,189,614	5,672,018	6,374,047	6,618,472	244,425	3.8%
Health & Human Services	4,537,815	3,132,330	4,514,798	4,775,847	261,049	5.8%
General Expense*	3,900,466	2,110,388	2,212,588	2,200,411	(12,177)	-0.6%
County Counsel	16,270	421,270	1,210,954	1,256,937	45,983	3.8%
Management Services	125,379	352,199	854,134	868,611	14,477	1.7%
County Administration	(78,332)	(90,264)	751,654	591,417	(160,237)	-21.3%
Children & Families	55,735	54,620	203,710	125,600	(78,110)	-38.3%
Human Resource	(38,044)	20,142	61,870	32,676	(29,194)	-47.2%
Public Works	0	650,000	0	0	0	0.0%
Justice Courts	(490,000)	(1,555,000)	(900,000)	(1,127,672)	(227,672)	25.3%
TOTAL	49,714,561	44,056,351	75,383,068	70,436,186	-4,946,882	-7.0%

* Expenses that are not attributable to a specific department and are therefore Non-Departmental

Discretionary General Fund Allocation by Service Category



Financial Summary

As can be seen in the Allocation by Service Category pie chart, Public Safety services made up of the Sheriff's Office, the District Attorney's Office, and Youth Services receive 62.4% of the discretionary funding. Reserves make up 14.2%. Public Services like health and welfare make up only 7.0%. Non-departmental and all other general government make up the balance at 3.1% and 13.3% respectively.

The Structural Deficit

As mentioned above in the General Highlights, the county has struggled with a structural deficit since the early nineties where General Fund revenues have been growing at about 3% - 3.5% a year while expenses have grown at between 5% and 6% a year.

The County explored the possibility of creating a public safety service district which would include the area within each of the 12 incorporated cities as one option to address the structural deficit. This approach was chosen as a way to stabilize public safety services that currently use about 55 percent of discretionary revenues. The advantage of this approach was that it would have provided a new tax base amount dedicated to public safety programs, thereby taking pressure off the General Fund. This approach was not supported by the largest city, the City of Eugene, thereby bringing that project to an end.

While Congress has provided four additional years of declining timber revenue payments and there is still hope that Congress will eventually find a permanent solution, at this point there are no guarantees and there are no other revenue sources on the near horizon.

General Fund Spending Limit

On July 1, 1985, a voter-approved amendment to the Lane County charter became effective. This charter amendment set a spending limit for discretionary General Fund operating expenditures. Annual adjustments to the spending limit were allowed, based on the Consumer Price Index (CPI) and the percentage change in County population.

The amendment provided for a fund for capital improvements. It also made allowances for capital expenditures and increasing costs due to shifted and mandated services. Costs for State mandated services include service costs from sentencing guidelines and land use definitions and processing. Also included is the shift in responsibility for Workers' Compensation for the District Attorney's Office and Youth Services to the County from the state. Capital improvement projects outside the spending limit include the HVAC construction.

The FY 09-10 financial forecast projected a discretionary spending limit of up to \$68.7 million. However, due to the loss of Secure Rural Schools funding and after factoring in the General Fund reserve requirement, expenses are forecast at \$56.4 million. This was approximately \$12.3 million below the charter imposed spending limit. This is the size of the gap between what is actually available to spend for services to the citizen and what the citizens have allowed the County to spend based upon annual inflation and population adjustments.

The chart below shows how actual spending has compared to the allowable spending limit over time. Several key factors which have had a tremendous influence on spending levels are also shown. This chart will be updated again in the FY 10-11 Adopted Budget document.

Financial Summary

Comparison of Charter Imposed Spending Limit to Actual/Proposed Discretionary Spending

