

Budget Message 2009-2010

Managing Resources and Service Levels in an Economic Recession

April 30, 2009

Lane County Budget Committee
Lane County, Oregon



Dear Members:

Pursuant to ORS 294.391, this document constitutes the Fiscal Year (FY) 2009-2010 Budget Message and transmittal of the Proposed Budget. The proposed budget document contains Financial Overview and Financial Policies sections, an Overview of Lane County and our Budget process, and a section describing our Balancing Options and General Fund Analysis. Each department section includes key accomplishments and performance results as well as budget allocations expressed as personnel services, materials and services, capital outlay, capital project and fiscal transactions. The "Capital Budget" section will not be completed until approval and adoption of the operating budget due to funding uncertainties currently facing Lane County.

In January 2009, in what is becoming an almost routine event but is never-the-less very important to the overall financial health of Lane County, the Government Finance Officers Association (GFOA) of the United States and Canada again presented a Certificate of Recognition for budget preparation to David Garnick's group in County Administration, and to Teresa Nelson in our Document Resource Center. This award is presented to the individuals who have been instrumental in achieving a Distinguished Budget Presentation Award.

This is the highest award in government budgeting and we need to take a moment to celebrate the fact that the budget document you received last year, meets the highest standards in the country. That award, coupled with the GFOA Award for Certificate of Achievement for Excellence in Financial Reporting received by the Financial Division of Management Services for fiscal year ending June 30, 2008, shows that Lane County's financial and budget programs are performing to the highest standards. It demonstrates our commitment to being accountable to our residents as stated in our mission, vision and guiding principles.

Each year we attempt to make this budget transparent to the community we serve. We appreciate any constructive feedback community members might be able to give us to make improvements to the document in the future.

A major requirement of this Budget Message is to set forth any salient changes between the prior year and the coming year. This creates an opportunity to discuss some of the dynamic changes taking place in Lane County government, many of which have significant budget implications. This year, the major recurrent theme in the budget is the number of departments that will need increases in General Fund support to carry out their core missions. As other sources of revenue disappear we have to make choices: General Fund support, drastic service reduction, or elimination.

FISCAL YEAR 2009-2010 Background

Much has changed from the budget message of last year. While the future looked difficult then due to the inability of Congress to reauthorize the Secure Rural Schools (SRS) payments, much of the rest of the economy seemed to be reasonably sound. True, the housing bubble was bursting in many parts of the

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country, mortgage foreclosure rates were increasing and gasoline and diesel prices were getting quite high. But, in general, the economy was not sending wholesale alarm signals. Since then, numerous events have rocked the economy in a way that we haven't seen since the 1929 stock market crash with the curtailment of the money supply that followed, and the inevitable bank failures which created the Great Depression.

Beginning with the credit and banking crises last fall, moving on to the automobile sector and finally affecting the rest of the manufacturing, service, and retail sectors, one finds the economy declining almost everywhere. Everyone is hoping that the stimulus package enacted by Congress and the efforts at bank stabilization will get the economy expanding again. The results will not be known for some time. The Federal Reserve has reduced interest rates to almost zero and has dramatically increased liquidity across the economy. These are the classic Keynesian responses to an economy in severe recession. The question is: given the modern world with borders much more open to the flow of goods, services, and capital, will this kind of a national stimulus package work effectively when most other G-20 nations, excepting China and Great Britain, are doing far less in the way of stoking their economies? We will probably have some clues by the end of calendar 2009.

Locally, the economy is in worse shape than the nation as a whole. Unemployment already at more than 13 percent in the region will almost certainly rise to more than 14 percent before we begin to recover. I wouldn't be surprised if unemployment peaks at around 15 percent. When you have those sorts of numbers would you say that we are in a recession or does the word "depression" become legitimate? As the old saying goes, "it's a recession when your neighbor is laid off; it becomes a depression when you get laid off."

Hynix has closed with a major loss of well-paid industrial jobs. Our motor home manufacturers struggle daily to survive the triple impact of a weak economy, restricted access to financing for both manufacturer and buyer, and fuel prices that spiked in 2008. Our wood products industry is devastated with the crash of the construction industry nationally. I don't expect to see much improvement in the local economy before calendar year 2011 because Oregon's economy historically lags the nation as recessions end.

The story at the State level is also discouraging. By the end of this biennium, the State will probably need to deal with a billion dollar shortfall. For the 2009-2011 biennium, I would estimate the total budget shortfall will be at least \$4 billion, possibly surging to more than \$5 billion. Even by the 2011-2013 biennium, the State will still be struggling to balance its budget. For Lane County, the bad news is that part of the State budget balancing will be done at the expense of providing important correctional and human services locally.

Fee revenues such as collections in Land Management and Deeds & Records have fallen due to changes in economic activity. Other revenues like motor vehicle rental taxes, the transient room taxes, and the video lottery have stagnated or gone down.

We know that we will get some money from the federal stimulus package. Most of it will be for specific purposes and will not provide flexibility for the General Fund where we always have the most fiscal pressure.

The Big Paradox from the Fiscal Year 2008-2009 Budget

Many residents have been asking about what appears to be a paradox in Lane County spending. On one hand, the Lane County Board of Commissioners drastically cut spending for FY 2008-2009 to cope with the lack of SRS payments. This required reducing authorized positions by more than 100. This year we are more fortunate. The total change in position complement will be small by comparison. On the other

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hand, SRS renewal payments are now in the County bank account. So why hasn't spending been ramped up to previous years' levels?

While the Budget Committee and County Board dramatically reduced spending for FY 2008-2009, they did not cut spending all the way back to match known revenues. To have done so would have required extreme service reductions, putting the community and individuals at levels of risk the Budget Committee and Board judged to be unacceptable. For example, it would have meant reducing jail capacity to 17 beds and eliminating virtually all public health functions. The proposed FY 2008-2009 budget raised expenditures to prevent problems such as virtually no jail capacity. This meant spending from our reserves to provide services. In addition, the fund exchange (Road Fund for General Fund) that was done with the cities of Eugene and Springfield to provide services was only a temporary remedy. After FY 2009-2010, new revenues must be found to replace the fund exchange or services will again be reduced.

The net effect of these decisions was to increase overall spending to about \$7 million more than existing revenues would allow on a sustained basis. Now add the partial renewal revenues of the SRS program. Not full renewal, but for a four year period the County will receive revenues that initially reduce from about 90 percent of prior amounts to 50 percent or less in the fourth year. This renewal puts an estimated \$44 million into our General Fund over four years vs. about \$62 million under the previous authorization level. If you subtract \$28 million from the \$44 million (four years x \$7 million per year of spending above long-term sustainable revenues that the County is already doing) and add inflation estimates, we get the following answer: **We are at the level of expenditures that we can sustain for the next four years at the most.** I'll say that again: we can sustain current spending levels with the SRS renewal for perhaps four years. Any significant increase to services or spending above the current level will reduce sustainability to less than four years. This means that **we can't sustain any significant increased spending for the four year life of the SRS payments beyond what is currently authorized.**

If the Budget Committee wishes to add services such as the oft recommended increases in jail beds, members will need to make the difficult choice between service level and service sustainability. I can appreciate either side of the argument: better service for a shorter interval or less service for a longer interval. This is the extremely unpleasant but absolutely inevitable tradeoff that must be made.

I believe it is the job of County Administration and the Budget Office to present a balanced approach to County finance when choosing between service levels and sustainability. In recognition that our current budget left needs unmet, we will be recommending increases in spending, especially in the areas of public safety. We do this understanding that, if approved, the additional services will shorten the time interval over which the level of funding can be sustained. The increases are not dramatic, but hopefully they will be enough to better address the issues that are extant in the community. It is not good for the community to experience major changes in service levels from one year to the next or for the organization to swing from substantial hiring one year to massive layoffs the next. Our proposal will be based on achieving some semblance of balance between the competing interests. It is then up to the Budget Committee in consultation with the residents of Lane County to make adjustments to the proposed budget and to ultimately decide what is the best course for Lane County in these trying times.

Challenges for Fiscal Year 2009-2010 and Beyond

It is desirable to provide a level of service that could be sustained for four years commensurate with the life of the SRS payments. However, in order to provide for adequate services, it will be necessary to recommend expenditures at levels somewhat higher than that which can be sustained for the four year life of the SRS payments.

The budget will be conceptualized in two forms; the first form (four years of stability) is less expensive because it will be based on reductions from last year's approved budget. The difference between last

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year's budget and this year's four year sustainability budget would be **that most programs are trimmed back to their minimum viable operating condition.** This will cause a workforce reduction of approximately 70 FTEs excepting the Sheriff's Office and the District Attorney's Office where staffing and services remain constant. Taking this approach will allow us approximately four years of stable funding. The problem with this kind of budget is that we won't be addressing some issues that many, if not most of us, believe should be dealt with.

The alternate form of the budget (three years of sustainability) consists of some additional resources for the District Attorney and the Sheriff's Office with most other programs being held roughly constant. Given the precarious state of our finances, adding 84 jail beds and five people to the District Attorney's Office will not allow us to maintain stable funding for four years. The alternate budget which follows allows stability for less than four years. The numbers you will see in this budget will be based on the higher level of service seeking three years of stability. Not implementing the proposed add packages and trimming other services to minimum viability produces the four year budget. The numbers from the four year budget will not be explicitly dealt with in the budget documents rather we will focus on the three year package since this is where we recommend the increases in spending.

The presented budget recommends an expenditure level that can be sustained for approximately three plus years. This number will only be accurate if our estimates of the reductions that the State of Oregon will pass on to local governments approximate our projections. If the State makes cuts beyond our estimates, we cannot sustain this level of service for even three years. Unfortunately, the Budget Committee must substantially complete the FY 2009–2010 budget before it will know all of the results from State budgeting for the coming biennium.

There may be a lot of doom-and-gloom in this budget but there are many success stories of which we can be proud. During the course of this budget message we will note some of the more interesting and, I hope, heart warming examples where Lane County and its taxpayers are able to make investments that have made a difference for both the individual served and the community. Every day there are untold stories of how Lane County's resources were used to make a difference in people's lives. These investments help make a better community whether it was somebody who needed training to find new employment, protecting vulnerable and disabled community members, or making sure children get a good start in life so they will become productive community members. In this budget message we will highlight a half-dozen or so of these stories because it is important to put a face on what we do here and remind ourselves of why we do it.

The Board of Lane County Commissioners (Board) has been holding discussions for several months trying to achieve a balance between recognizing the "here-and-now" needs in the community and attempting to maintain service levels that are not subject to wild gyrations from year-to-year. Based on those discussions and questions they raised, we have attempted to construct a budget that recognizes the need to address community problems in this era of high economic stress and to also not spend our available resources like the proverbial sailor on liberty. We hope to both meet current needs and stretch our resources to the point where a more permanent policy solution can be developed around timber payments and SRS funding.

Last year the bad news focused on the number of layoffs the FY 2008-2009 budget was anticipating. This year, the bad news revolves around the shortfalls in revenue that various departments will experience and may need to call on the General Fund for help. The most important areas of shortfalls center on: Corrections, the Department of Youth Services, Public Works, the Land Management Division, and Elections. There is also a bill under consideration in Salem that would eliminate State aid for Assessment and Taxation.

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The Quick Overview: Overall Staffing and Expenditure Levels

In FY 2008-2009, the overall operating budget was \$534.6 million. In FY 2009-2010, the overall operating budget is proposed at \$513.2 million a decrease of 3.99 percent on a year-to-year basis.

As an overall comparison, in FY 1979-1980, prior to the recession of the 1980's and the decrease in federal logging in the 1990's, Lane County government had 6.4 employees for every 1,000 residents in Lane County. If the FY 2009-2010 proposed budget is adopted as presented, there will be 4.2 employees for every 1,000 residents. This represents a decrease of 34 percent. At a time when there are more residents to serve, Lane County has less capacity to provide that service. Excepting for a proposed increase of about 35 employees in public safety, the full-time-equivalent or FTE complement is down about 10 FTEs for the balance of the County.

The Impact of SRS Funding

Since 2001 SRS contributed between \$45 and \$50 million to Lane County annually. About \$20 million of that went to the General Fund with most of the rest going to the Road Fund. Prior to SRS, federal revenue was received in the form of timber receipts for logging on federal forest lands. We are again receiving SRS funds but at a rate that declines steadily from prior year levels. In 2009, SRS is \$43 million, declining to approximately \$18 million by 2012. The General Fund is our most flexible fund and supports all or part of many departments in the County, especially in areas of public safety and public health.

PROGRAM FUNDING PHILOSOPHY

Provide Effective Outcomes

Over the years, The Board and staff have consistently agreed on the principle that any program supported by the County should be funded to a point where it can provide effective outcomes for those it serves. If there is not enough funding to achieve the desired outcomes, the program will reduce the number served or be eliminated. Lane County believes that low-quality services delivering poor outcomes are a waste of public money. What we are able to do, we must do well.

Leveraging Other Funds

To the casual observer, some of the funding choices may appear to put programs that seem to be an intuitively lower priority ahead of more important programs. Oregon has a very complex system for funding various public services. In many cases, a dollar spent on service by Lane County can bring in additional funds to help support additional or related programming. The public safety system is a case in point where leverage is important. For example, by carefully targeting funds in the District Attorney's Office, matching dollars become available from various State of Oregon corrections funds. We look for every opportunity in which this approach could provide additional funds for programs and services. In fact, most of the services funded by the Discretionary General Fund leverage substantial resources back into our community.

General Fund

The General Fund usually gets the most attention. It has the most flexibility and the Budget Committee and Board have essentially complete control over appropriations. Its health is of great importance to the overall ability of the County to fund its programs. For FY 2008-2009 the Discretionary General Fund was

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budgeted at expenditures of \$71.1 million. The end of FY 2008-2009 fund balance is projected at \$23.2 million. In FY 2009-2010 the Discretionary General Fund is projected for expenditures of \$74.7 million, an increase of 5.11 percent from the prior year. The end of FY 2009-2010 fund balance is projected at \$19.1 million.

MAJOR PROGRAMS

HEALTH

The Lane County Department of Health and Human Services budget reductions occur largely due to State reductions in both the current and next biennium. The goal is always to protect our most vulnerable residents, both the very young and those who have developmental disabilities or mental health issues. Through our public health programs, we provide protection for everyone in the county. It is not possible for private health interests to deliver the services provided by public health services and our communicable disease programs.

Public Health

Last year there was great concern that we would be unable to fund Lane County Public Health at the minimum amount required by the State to maintain our status as Lane County's Public Health Authority. We are in somewhat better shape this year. It appears that we can fund public health services to at least the minimum level required under state law.

These services make a difference in our community each and every day. Here's just one example:

A Lane County mother gave birth to premature twins. Once the twins were healthy enough to bring home, she and her husband received a visit from a Lane County nurse who was knowledgeable about the special needs of premature infants. The nurse worked with the parents to assure that the babies would get every opportunity for normal development. Thanks to the diligence of the parents and the information they received from the Lane County nurse, their children are healthy and enjoying a normal childhood.

Mental Health Services

Lane County Mental Health services will need an additional \$465,079 of General Fund money to maintain current service levels. This increase is due to the program using one-time reserves to maintain service levels in FY 2008-2009 when General Fund support was reduced. Reserves are now depleted and without additional General Fund the service would be reduced or eliminated.

There are skeptics in the world who wonder if our tax dollars do much good, especially in social services. It's hard to get a sense of what these dollars and services mean without a real-life connection.

Here is a real-life connection about a mental health client:

A mid-20s bipolar female client came to Lane County Mental Health through a referral from the hospital emergency department after having several manic/psychotic breaks involving driving vehicles the wrong way on freeways, leaving them on the freeway, and walking for hours alone day and night. Up until that time, she was gainfully employed at Wal-Mart for over four years. The transition team picked her up and then I got her for therapy twice a month. I was able to stabilize her enough so that after a year she enrolled in a pharmacy tech program and was able to graduate from

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it and find a job. She got married and became pregnant. She had an uneventful pregnancy. She worked all the way up and past her due date. Then, seven days post partum she had a psychotic/manic break due to hormones. We got her back in the hospital and gave her and the family therapy weekly. We got her connected with the transition team for home visits. Ultimately, she was able to be reunited with husband and baby and is now home and with the help of medications is stable. She is now three months postpartum and planning on returning to work in the next few months.

Community Health Centers

Lane County served 12,999 patients in 2008 in our federally qualified health center program. For the first time since opening in 2004, the Lane County Community Health Centers is self-sustaining through revenue generation and federal grant funds. This bright spot deserves recognition. The health centers require no General Fund money for FY 2009–2010.

HUMAN SERVICES & PREVENTION

Human Services Commission

The Lane County Human Services Commission, a partnership of Lane County and the cities of Eugene and Springfield, provides crisis and basic needs services for our community's homeless, poor, and other vulnerable populations. Service levels were sustained in FY 2008-2009 with \$200,000 in one-time funds from the City of Eugene. This year, General Fund support will be increased by an additional \$376,000 to compensate for the loss of the City of Eugene's contribution.

Yesterday I moved a relatively new, 55-year-old client, who is in a wheelchair, into the St. Vincent dePaul Royal Building in downtown Springfield. He's been homeless, most recently for months, but overall for years. About the time he became our client, his name came to the top of the St. Vinny's wait list for a relatively affordable apartment. This doesn't get him an apartment; rather, it gives him the opportunity to apply for one. There is still a formidable screening process and the need to come up with \$700 in move-in costs, all within a relatively short period of time. His income is \$606 a month. He had to prove to St. Vincent that he's a U.S. citizen. We also had to come up with a certified copy of his birth certificate, which required knowing his mother's maiden name and his father's middle name, neither of which he knew. Once we had the identification required to satisfy the landlord, we had a week to come up with \$700 and no obvious way to do so. I took him to O.U.R. Credit Union, in the Whitaker neighborhood, the local credit union that specializes in helping low income people. After completing all the paperwork, the manager told us he was sorry, but he didn't think the loan committee would approve such a loan, since the client's income was so low, his rent was 65 percent of his income, and he didn't have much of a credit history. But the manager was wrong. The committee did approve the loan, which turned out to be \$689 (\$495 for deposit, \$79 for prorated rent, and \$115 for utility deposit). My client has no furniture or household goods of any kind (though we hope to acquire some today) and he was planning to spend last night, his first night in his new apartment, in a sleeping bag on the floor.

Veterans Services

In order to maintain service levels from fiscal year to fiscal year, the General Fund will be asked to contribute an additional \$124,601. This increased use of General Fund makes up for the use of one-time funds used in FY 2008-2009.

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Developmental Disabilities

Developmental Disabilities is largely funded by pass-through monies from the State of Oregon. Discussions in Salem suggest that there might be reductions as large as 30 percent in this biennium and a similar reduction in the next biennium.

OSU/Lane County Extension Services

For OSU/Lane County Extension Services, this budget proposes the same level of funding as the Budget Committee and Board decided on for fiscal year 2008-2009, which amounts to rent forgiveness valued at approximately \$70,000. This leaves the Extension Service funded at about the minimum level that will permit a functional program.

Commission on Children and Families

Lane County Children and Families services have been reduced due to cuts in the current fiscal year that are carried forward and annualized for next year. The proposed budget of \$2,833,744 for FY 2009-2010 is a 20.4 percent reduction from 2008-2009. The unknown here is the extent to which the State will continue to reduce support for this function. The General Fund supports a resource development position in the Department of Children and Families which has proven to annually leverage funding for early prevention programs far in excess of the investment in the position.

PUBLIC SAFETY

Public safety is heavily dependent upon the General Fund for support of the Sheriff's patrolling, criminal investigations, jail and correctional functions. In addition, the General Fund supports the District Attorney's Office and Youth Services. After setting priorities, all involved are aware that more needs to be done to support public safety. Yet, the only way to fund public safety at the level of prior years would be the virtual elimination of most other General Fund dependent programs.

Sheriff's Office

Based on feedback from concerned residents, the public safety sector, the judiciary, and statistics that show a substantial increase in crime during the last year, this budget proposes an increase for both the Sheriff's Office and the District Attorney. Lane County is currently operating about 127 jail beds. For a county of our size this is clearly an inadequate number. Not only do we lack an adequate number of jail beds to hold those people for trial who are potentially dangerous to the community, we do not have enough jail beds to serve as a deterrent for those individuals who may be in a diversion program or on probation.

Many of these offenders have learned that violating conditions of probation or diversionary programs will have no significant consequences. If these programs are to be effective, they must be coupled with penalties for failure to comply. We must do what we can to keep the most dangerous defendants off the street and to provide the courts and corrections with meaningful deterrents and sanctions for those under their jurisdiction.

In this budget we're proposing to add 84 jail beds, making a total of about 211 beds available. This addition comes at a General Fund cost of \$3,280,519 and an increase of 30.6 FTE. While this represents a 66 percent increase in jail capacity, it is still not an adequate number for a county of our size. It will help address some of the issues identified in the previous paragraph.

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The total budget for the Sheriff's Office for FY 2009–2010 will be \$58,857,038, an increase of \$4,913,054 from FY 2008-2009 or a 9.1 percent increase. This will require \$26,775,423 in Discretionary General Fund, an increase of 23.10 percent from FY 2008-2009.

Below are two brief examples of successful outcomes for individuals who could have caused a lot of community harm while being an expensive burden on society. It makes a strong argument for the value of rehabilitation and re-entry services for offenders:

The offender was on probation from 12/18/2006 and successfully completed on 3/14/09. He was sent to prison for unlawful use of a weapon. He was addicted to methamphetamine and alcohol and was very violent. He completed drug treatment and participated daily in 12 step meetings as well as participating in a batterer intervention program.

He's maintained employment and housing since his release from prison and is on the verge of regaining custody of his daughter. The former offender is very involved in the 12 step recovery community and holds several service positions with Narcotics Anonymous. He stays in regular contact with his ex-Probation Officer (PO) and has even come back to speak with offenders at the accountability meeting that his PO facilitates on Thursday evenings.

Another success:

In the last 12 months, six people serving their sentences through the Community Service Program were hired by their assigned agencies after completing their mandated number of work hours.

District Attorney

The District Attorney's Office found it necessary to virtually eliminate all misdemeanor prosecution as a result of the budget cuts for FY 2008–2009. In fact, the District Attorney only had resources to deal with the more serious felonies. This limitation on the office's ability to carry out its function does nothing to blunt the perception that Lane County is a good county if one has a criminal bent.

Reported serious crime rose during the last year in our county. The current level of service that the District Attorney can provide is clearly inadequate to the task at hand. This budget proposes the addition of an investigator position, two attorney positions, one secretary, and one victim advocate. These additions will allow the District Attorney to better deal with the increase in felony crimes and allow more successful domestic violence prosecutions. The total budget request for FY 2009–2010 will be \$10,034,891, an increase of \$963,706 from FY 2008-2009. The increase in Discretionary General Fund requirement amounts to 16.63 percent.

Below is letter from a community member to the alternatives program sponsored by the District Attorney's Office showing how alternatives to incarceration can be effective sanctions for offenders:

Thank you so much for taking the time to provide such thorough information regarding your Western Corrections, Inc. Values Improvement Course Level 2 that the Lane County District Attorney has required John Doe to complete as part of his plea of guilty set in abeyance until July 8, 2009 case for the crimes he committed in our neighborhood.

As homeowners in the Hunter's Glen PUD neighborhood, we were all victims of the charges of "Theft in the First Degree, Count 1" and "Criminal Mischief in the Second Degree, Count 2".

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The service you are providing court systems around the United States gives the individuals who have committed crimes a wonderful opportunity to see their actions from the outside and decide to change the path of their lives.

I feel that the in-house study program format you have designed, which is private and personal, is far better than group classroom attendance, because it provides for individuals to process the course work without anyone observing their learning and understanding process where peer pressure may affect the intended outcome.

Your recidivism studies statistics are very impressive and it shows that the course work you are providing is making a clear difference for many, many individuals.

*Sincerely,
Marcy Roberts-Wetzel
ACC Member
Hunter's Glen PUD*

Youth Services

To continue to provide the same level of services in FY 2009–2010, the Lane County Department of Youth Services will need Discretionary General Fund budgeting of \$7,673,906 which is an increase of \$858,602 or 12.60 percent over FY 2008–2009. We know that a number of current funding sources will be unavailable for the coming fiscal year: the Oregon Youth Authority grant, the Commission on Children's and Family challenge grant, the U.S. Department of Labor grant, basic diversion and individualized service funds and an unknown amount of video lottery funds. Continuation of current services provides 16 detention beds, 16 secure treatment beds (Phoenix program), eight boy's residential drug and alcohol beds (Pathways), the case management unit, research and administration, and day treatment services. No one who works in the program believes that we're serving youth in adequate numbers for a community of our size.

PUBLIC WORKS

Roads

Thanks to the belated influx of SRS funds, Public Works will be able to continue the high quality work it does maintaining our county road system for several more years. However, the department will lack the resources to do any new capital improvement projects or address upgrade needs in the system. There is considerable bad news as well. As a result of the run-up in gasoline prices experienced during 2008 and the severe recession, people have curtailed driving. We're seeing a fairly significant reduction in our share of gas tax receipts and we must assume, until trends change, gas tax receipts are unlikely to return to their former level. At this time, the best estimate of the sustainability of services provided by the Road Fund is about three years.

The FY 2009-2010 Road Fund budget will be \$72,236,925. The fund balance at the end of FY 2009-2010 is projected at \$36,357,754. This compares to the FY 2008–2009 Road Fund budget of \$94,009,682 with an estimated year-end balance of \$16,502,498. The difference in expenditures is a decrease of 23.16 percent from FY 2008-09. This largely reflects a one-time payment from the State for FY 2008-2009, a reduction in SRS funds, and the loss of funding in the fund exchange with Eugene and Springfield. A Public Works public/private partnership success story:

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During the past year the Board entered into an agreement with a group of neighbors on Biggs Road. The neighbors were faced with the need to replace a worn-out and unsafe bridge on their local access road. After considerable negotiation, an agreement was reached whereby each neighbor paid for 10 percent of the cost of the replacement bridge and the County paid for 50 percent. The project is completed and the new bridge is in place.

Land Management Division (LMD)

Our Land Management Division (LMD) is supported by fees for permits and services related to land use. Since early in 2008, LMD has seen serious drops in the number of permits issued and services requested. This is entirely consistent with what is happening in other parts of the state and in the country. Whether we issue one permit or 4,000 permits there are certain fixed overhead costs that exist in the division. When you're not issuing many permits, it's very difficult to cover those overheads. LMD is running up losses in spite of taking the drastic step of laying off about 50 percent of its employees early this calendar year. The Budget Committee and the Board will need to consider whether or not they wish to reduce LMD's exclusive reliance on fee support and to add General Fund or other support.

Lane County Parks

Lane County Parks opened the Armitage Park recreational vehicle campgrounds in early 2009. Armitage is a state-of-the-art campground with everything a camper could want including cable television. Where did the "roughing it" image of campers go?

Lane County Parks relies on a variety of revenue sources such as the Car Rental Tax and the Transient Room Tax. Both of those sources are down in the current economy. Lane County Parks will see its proposed budget drop by about 18.4 percent making it difficult to provide all services as usual.

COUNTY-WIDE FISCAL YEAR 2009-2010 CHALLENGES

Health Benefits

Like other employers, Lane County saw substantial increases in the cost of health benefits for this year. Historically, health benefit costs have been rising several times faster than other costs of employment. Like other employers, we're struggling to get a grip on this problem. One significant step was made this year in negotiations with AFSCME, our largest union. As part of our new agreement with them, ASFCME members and dependents will move to the standard County health plan. The County expects the change to yield savings in excess of a quarter of a million dollars annually beginning in calendar year 2010. As health care costs continue to rise in future years, the annual savings will grow. In addition to getting almost all of our employees onto the standard plan, we will continue to explore other options for providing quality health care coverage for our employees while working to manage costs.

SUCSESSES IN FISCAL YEAR 2008-2009

Solid Waste Fund

The Solid Waste Fund is in sound financial condition even with the drop in commercial and residential waste coming to Short Mountain. There are adequate reserves to deal with all the foreseeable issues

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around managing the solid waste system and dealing with closure and post-closure needs at the Short Mountain landfill. The Waste Management Division continues to work with recycling programs and is aggressively working to remove business and household hazardous waste from the materials that go to Short Mountain.

Video Lottery Funds

Our Economic Development staff continues to work with Video Lottery Funds on several projects that promote reuse and sustainability.

The first project is looking at the possibility of converting the waste from grass seed straw into methane for energy production, which could end the waste and pollution of open field burning.

The second project may involve the collection of food wastes for conversion into methane and energy. This could help keep methane (a far more powerful greenhouse gas than carbon dioxide) out of the atmosphere and save disposal space at Short Mountain.

Strategic Planning

The County will begin working on a new strategic plan this spring. The Board intends to have extensive community involvement in developing the plan. We expect to spend approximately 18 months developing the plan with completion expected late in the fall of 2010.

Website Redesign

The County is currently redesigning its website with the core goals of improving access to information and improving service to our constituents. This project has involved significant outreach to County staff and community members for feedback on how to improve the site. Everything from search, to navigation, to the site's look-and-feel will be improved. The framework for the web design is basically complete and we plan to begin rolling out elements of the new website in the next fiscal year. Improving this communications tool is an important step toward improving our service to the community.

We also continue to provide free public wireless access in all of our major buildings.

CHALLENGES/OPPORTUNITIES

Lane Events Center & Fair

The County Board reconstituted the Fair Board, the management of the Lane County Events Center, and the governance model under which the Fair Board will operate. The new Fair Board will be responsible for the policies and leadership governing the annual Lane County Fair. The Lane Events Center and its operation will be under the direction of a manager reporting to County Administration.

Because of the extremely hot weather, last year's Fair did not generate the usual amount of revenue and created a deficit in the overall Events Center/ Fairgrounds budget. There are some reserves available that can carry the Events Center/ Fairgrounds through FY 2009-2010. However, if there is poor attendance at the 2009 County Fair, the budget will be in a precarious financial situation for FY 2010-2011.

Budget Message

Precipitously Declining State Government Revenues and Role

In the FY 2008–2009 budget proposal, I suggested that we would likely fall into recession. Little did I know how rapidly it would happen.

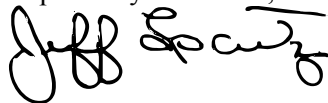
State government finances are in dire straits. Given the unemployment rate statewide and our dependence upon personal and corporate income taxes to fund State government, a monstrous deficit is looming for the next biennium. Don't be surprised if it reaches \$5 billion or more. A deficit of \$5 billion would amount to more than \$1,300 for every man, woman, and child in this state. On a per capita basis, it may be worse than the deficits of our neighbor to the south, California. The State will not be able to solve a problem of this size by raising taxes to make up the deficit. The vast bulk of deficit reduction will be done with budget cuts that will be passed on to State agencies, school districts, cities, and counties. We will all end up doing less with less. This will be our fate until our economy stages a reasonable recovery, an event that is probably several years off.

SUMMARY

Last year was a difficult budget process. Putting the budget together in concert with County staff, Budget Committee members, the Board, and community members was arduous. This year is somewhat paradoxical. We will have somewhat more money to spend yet we will be able to provide critically needed services only to a modestly greater extent. Some services – especially those that are heavily State financed – will inevitably be cut to balance the budget. We aren't even sure how long we can sustain present levels of spending or proposed levels of spending given programmed declines in SRS money and the deficits that the State is facing.

County staff has worked exceptionally hard to help put this proposed budget together and they should be commended for that. It is now up to the Board and the citizen members of the Budget Committee, in collaboration with the community, to make the final decisions about where Lane County's priorities are for FY 2009-2010 and what we can do to fund those priorities given the financial constraints we face. I wish the Budget Committee members well as they face the difficult choices presented by this year's proposed budget.

Respectfully submitted,



Jeff Spartz
Lane County Administrator

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