

# 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 an 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 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 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. The measure also authorizes a tax levy to pay off the bond principal and interest. The Debt Service Fund and a tax levy pay the principal and interest. Any cash on hand or unused working capital in the fund must be invested and the earnings used to pay bond principal and interest. Resources cannot be diverted or used for any other purpose. Transfers from a Debt Service Fund are only allowed in two situations. (1) Transfer to repay an interfund loan. (2) If a surplus remains after all interest and principal are paid, the fund may be dissolved and the balance transferred to any fund originally designated by the governing body, or as included in the bond contract.

## Financial Summary

---

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.

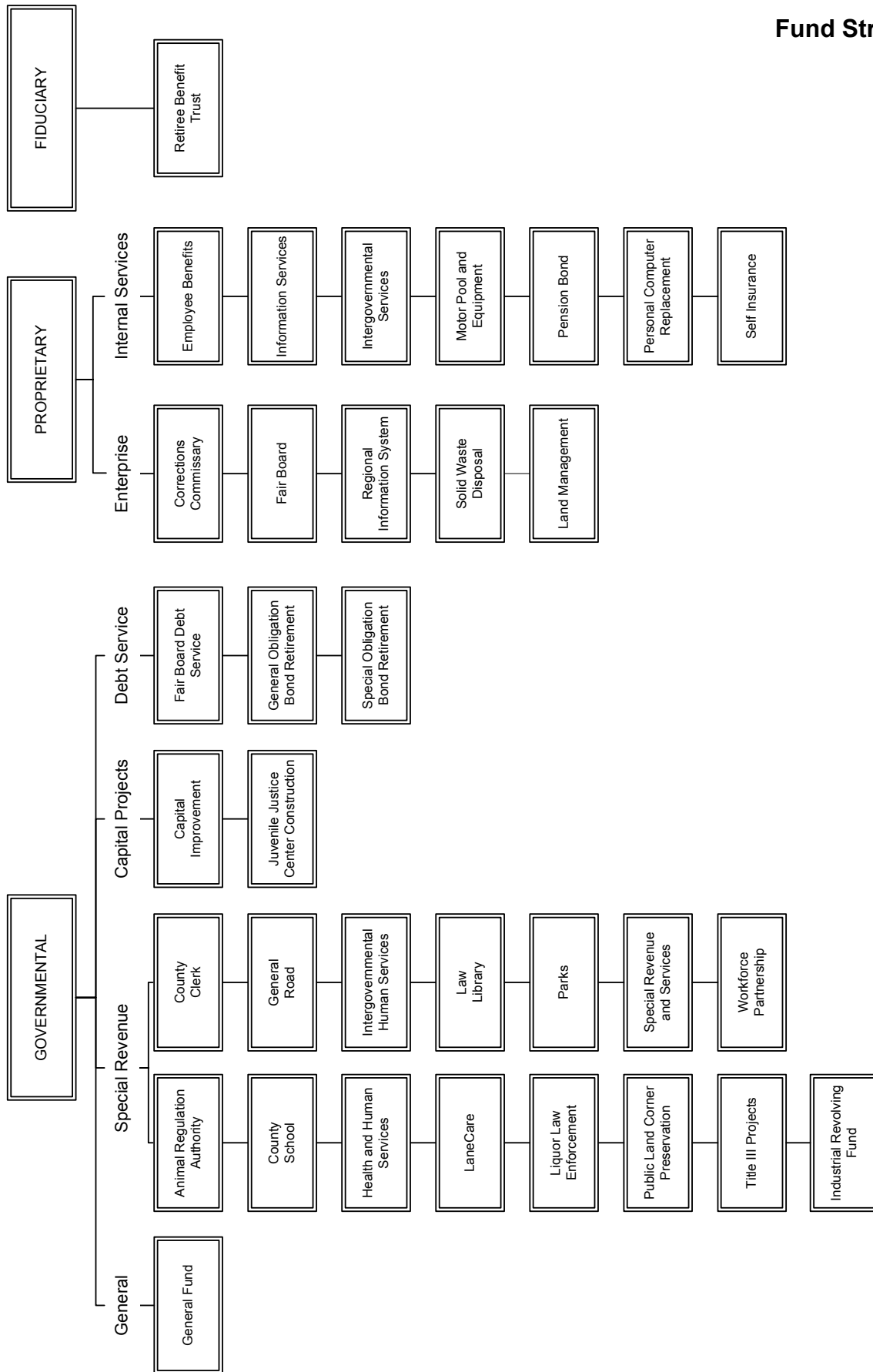
### Basis of Budgeting and Accounting

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/MSinance/default.htm](http://www.lanecounty.org/MSinance/default.htm).

# Financial Summary

## Fund Structure



# Financial Summary

---

## ***Understanding the Lane County Budget***

### **General Highlights**

The Fiscal Year 2009-2010 Proposed Budget including all funds is \$513.4 million. The True Adopted Budget totals \$271.0 million. The Total Budget reflects the actual resources needed by the County plus internal charges, transfers, and loans in accordance with State Local Budget Law (ORS 294) and provides the legal appropriations when adopted by the Board of County Commissioners in June.

The net budget or True Budget is a more realistic picture of County finances. This budget subtracts all internal charges, transfers, and loans that are double counted. As an example, all departments budget the cost of employee benefits to show the true cost of doing business. Those costs are then transferred to an internal service fund called the Employee Benefits Fund where benefit costs are actually paid from. In this example the benefit costs are budgeted twice. This is standard practice for governmental fund accounting. The True Budget removes the amount budgeted in the internal service fund for employee benefits along with similar transactions. It also removes both interfund and intrafund transfers and loans from one fund to another. And lastly, it removes all reserves to more accurately reflect the ongoing operational budget. The detailed calculation of the True Budget can be found in Appendix B.

Revenues overall are down \$21.2 million or 4.0%. Nineteen of thirty-four funds are declining while fourteen funds are on the increase. Eleven of the nineteen funds are declining by less than \$1.0 million each, attributable to adjustments in cash and tighter budgeting. The larger reductions are as follows:

- The General Fund, Road Fund and County School Fund are seeing a loss of timber payment revenue due the reduction built into the distribution formula. Where FY 08-09 funding was based upon 90% of the last year's funding from the original Act, FY 09-10 is 81% of that number. Here is the breakdown by fund:
  - General Fund (\$1.4 million)
  - Road Fund (\$3.1 million)
  - County School Fund (\$1.0 million)
- The Road Fund is down \$21.8 million overall. \$3.1 million is due to declining timber dollars as mentioned above. Another \$10 million comes from the loss of a one-time payment from the State Dept. of Transportation that was intended to help offset the loss of the timber payments. Another \$5.3 million is from the decline in the fund balance; \$2 million from declining fee revenue; and nearly a million dollars from declining state revenues including Highway funds and gas tax dollars.
- The Special Revenue Fund is down by \$3.5 million due to declining revenues from room taxes (\$645,000), court fines (\$689,000), video lottery and Dept. of Labor federal funding (\$863,000). The overall fund balance is also going down by \$1.2 million.
- The Capital Improvement Fund is down \$2.1 million due to removing a one-time interfund loan.
- The Solid Waste Disposal Fund is declining by \$2.6 million due primarily to a reduction in fund balance.

Fourteen funds are seeing an increase in their budget overall. Eight increases are less than a million dollars. Five are increasing between \$1 and \$3 million and only one is increasing from by more than \$5 million.

- The County was told by our benefits consultant to budget at least a 14.7% increase in benefits costs. As a result, the Employee Benefit Fund is seeing a budget increase of nearly \$5.8 million.

# Financial Summary

A portion of this increase is also due to the proposed addition of 34.9 FTE to the General Fund via Add Packages.

- The General Fund is increasing by \$2.7 million. While ongoing costs are on the rise due to cost of living adjustments and increased health care costs, the County Administrator is also proposing a few Add Packages that total approximately \$3.3 million.
- The Pension Bond Fund is expected to grow by \$1.6 million next year with the goal of having sufficient funds available at the end of the year to pay off the last callable portion of the bonds.

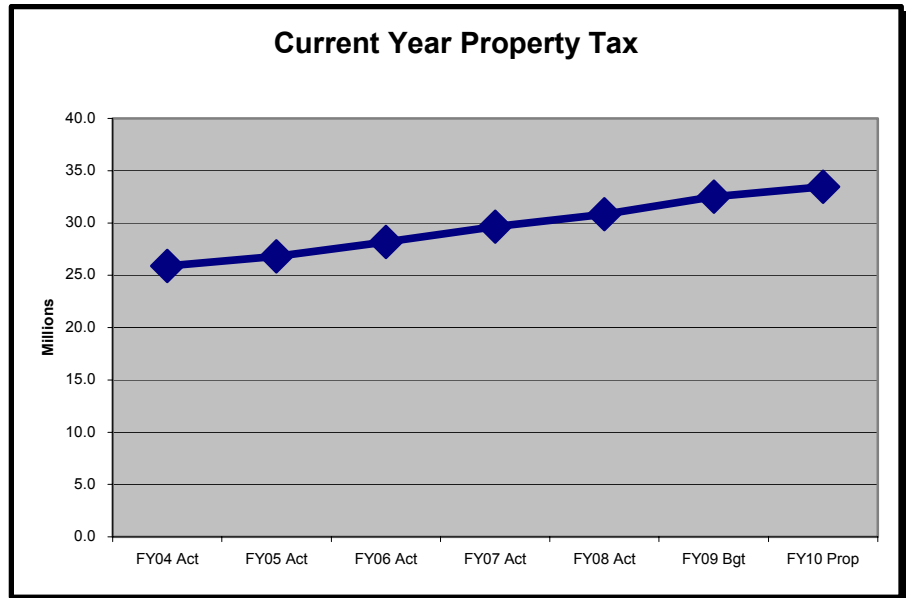
## Major Revenue Trends

### 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.

#### Property Tax

Current Year Property Tax revenue is 6.5% of the total Adopted Budget and is estimated at \$33.5 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 4.5% 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.

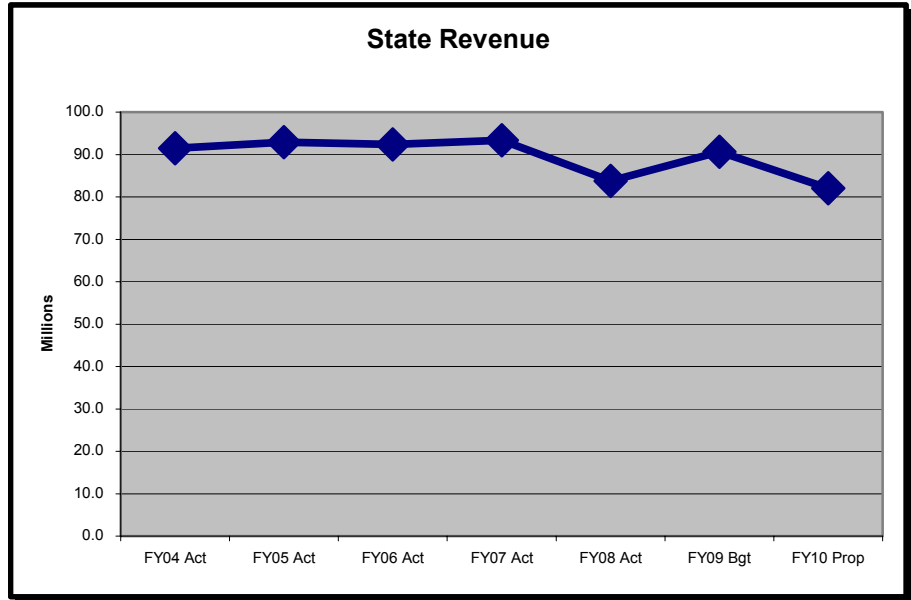
# Financial Summary

## State Funding

State funding, primarily in the form of dedicated grants, is down \$8.5 million or 9.4% due removal of a one-time payment of \$10.0 million from the Oregon Dept. of Transportation to help partially offset the loss of Secure Rural Schools federal funding.

State shared revenue (cigarette, liquor, and amusement device tax, and a share of video lottery proceeds) totals

\$2.7 million or 3.3% of state revenues. These dollars come to the County with no strings attached, that is, they are unrestricted funds that can be spent however the Budget Committee and the Board of Commissioners decides. All state shared revenues are projected to decline by up to 21% except the Liquor Tax as a result of the State of Oregon's budget problems.

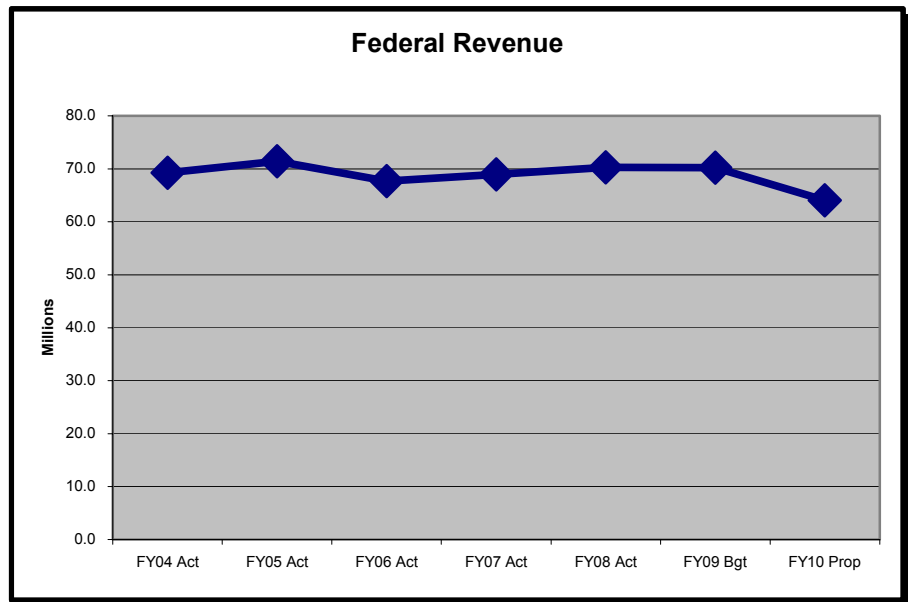


## Federal Revenues

Federal revenue, 12.5% of the overall budget, will drop 8.7% next year. This is a drop of \$6.1 million. This is due in large part to the Secure Rural Schools timber funding formula calling for a reduction of another 10% 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. Although Lane County is part of a coalition of state, local, school, and special interest groups working with Congress to extend the Act, the assessment at the time the FY 08-09 budget was adopted was that the funding, if approved, will not come in time to avoid large budget reductions. This turned out to be true. The new 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.



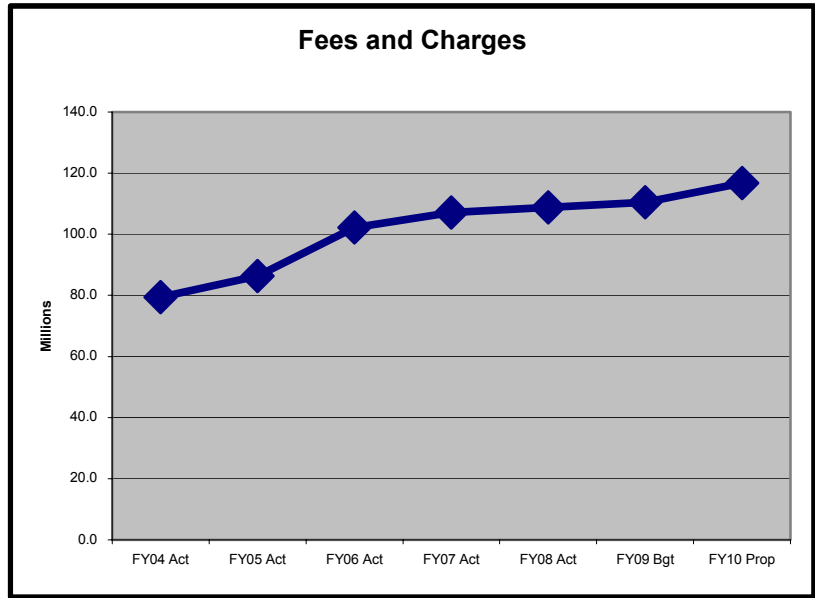
# Financial Summary

## Local Revenues

Local grants and revenues amount to \$6.7 million, down from \$11.6 million, and represent only 1.3% of the total budget. This revenue is on the decline due to a \$4.7 million reduction in one-time revenue from the Cities of Eugene and Springfield. This was the General Fund revenue the County received in exchange for an equivalent amount of Road Fund dollars.

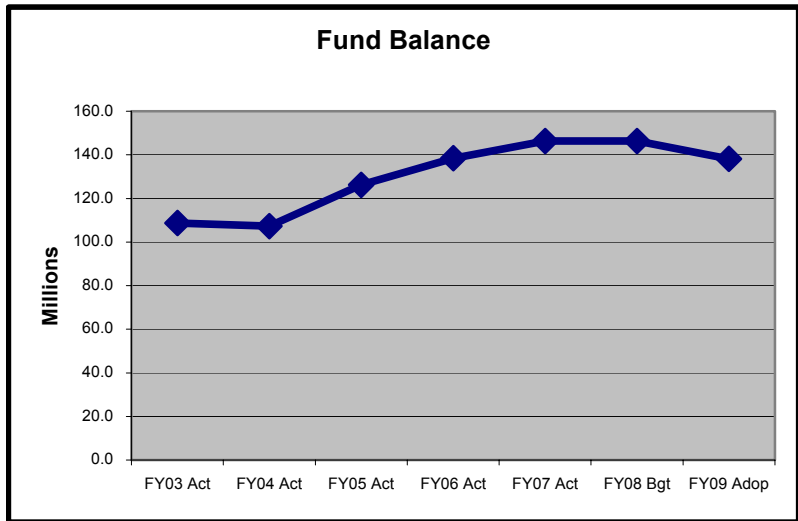
## Fees and Charges

Fees and Charges total \$116.7 million and make up 22.7% of the budget. This category has seen an average annual growth approaching 7% for the previous five years. The change for next year amounts to an increase of \$6.3 million or 5.7%. This change is due primarily to an increase in employee benefit costs.



## Fund Balance

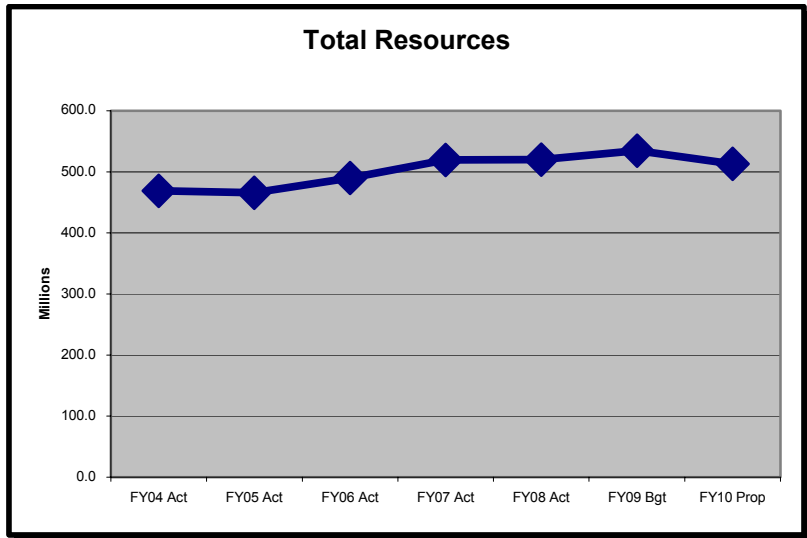
For FY 09-10 the overall fund balance is decreasing \$4.7 million or 3.2% from \$148.2 million to \$143.6 million. Fund Balance increases in the General Fund by \$11.1 million, the Title III Project Fund by \$1.6 million and the Retiree Benefit Trust Fund by \$1.0 million are offset by decreases in five other major funds. The Road Fund is declining by (\$5.3 million), Health & Human Services Fund by (\$2.4 million), the Solid Waste Disposal Fund by (\$3.8 million), the Special Revenue Fund by (\$1.2 million), and the Employee Benefit Fund by (\$1.1 million)



# Financial Summary

## Total Resources

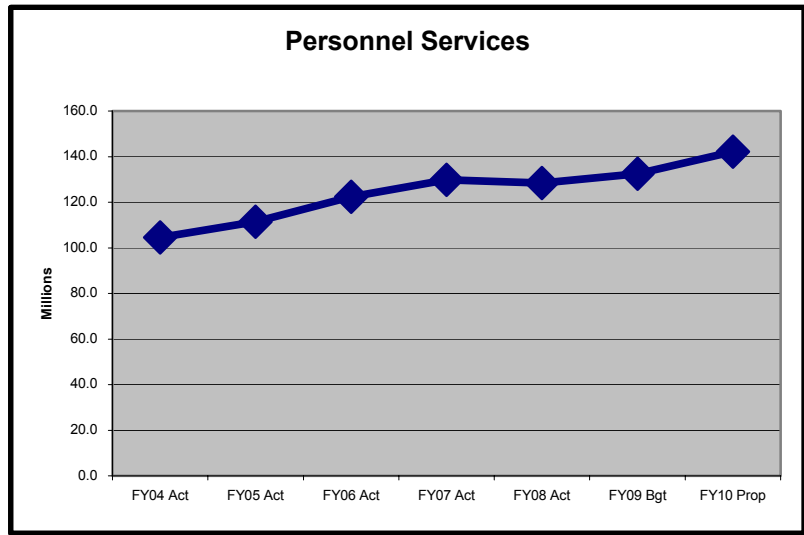
Resources for the County total 513.4 million. This is a decrease of \$21.2 million from the current year's budget of \$534.6 million. Over the previous five years resources have fluctuated year-to-year with a 4.3% average annual growth.



## Major Expenditure Trends

### Personnel Services

Lane County's services, like most governmental agencies, are labor intensive. Wages and benefits are budgeted at \$142.2 million next year and represent 27.7% of the total budget. Overall, Personal Services are up 7.3% or \$9.7 million. Wages are increasing due to cost of living adjustments, increases in health care costs, and increases due to some service restorations.



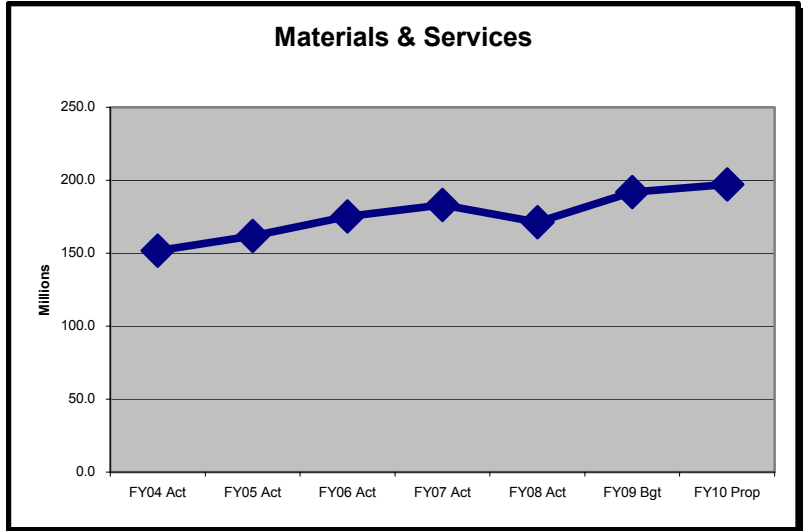
Individual employee health benefits costs are estimated to increase 14.7% next year. The health benefit cost is by far the largest component of total health care costs. Dental and vision costs continue to rise but the effect is not as dramatic. Over the past eight years total health care costs rose by an average of 13.2%. By FY 08-09 these costs more than tripled.

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 \$6.5 million in bonds. For FY 09-10 combined PERS rate stands at 23.8% of payroll for most employees. This includes the employer rate and debt service on a \$63.5 million bond used to pay off the previous unfunded liability. 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. PERS costs have also tripled since FY 98-99.

# Financial Summary

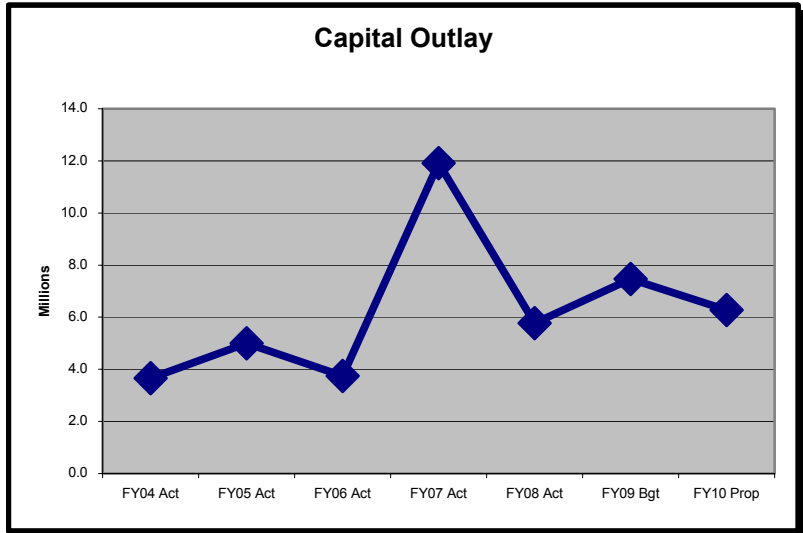
## Materials & Services

This category totals \$197.2 million and represents 38.4% of the overall budget. While growth for the previous five years has averaged around 1.7%, departments have continued to cut Materials & Services spending to spare staff and direct services to citizens. FY 09-10 is somewhat different with an increase of \$5.4 million or 2.8%. This increase is being driven by increasing costs associated with Purchased Insurance.



## Capital Outlay

Capital Outlay expenditures are budgeted at \$6.3 million for various equipment purchases that make up only 1.2% 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



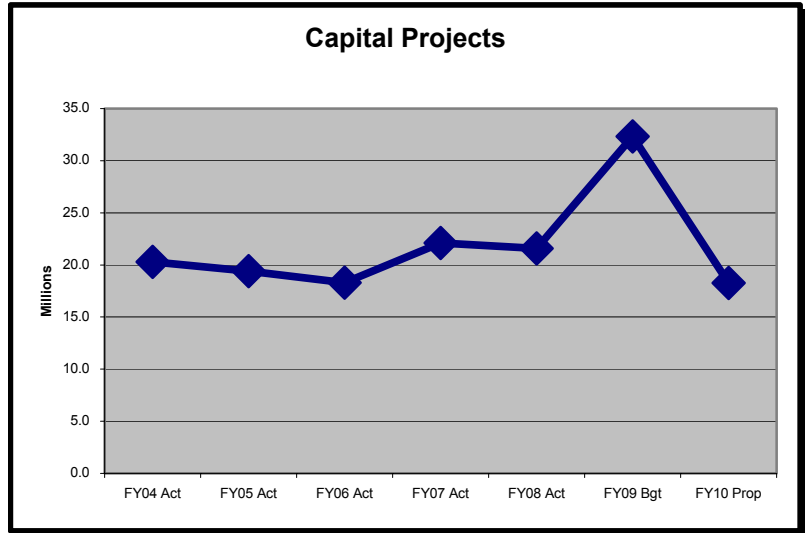
to replace the equipment. For this reason, capital outlay expenditures are cyclical when more or less equipment is up for replacement each year, as was the case in FY 06-07 with the purchase of 15 new dump trucks, 7 trailers, a rail truck, a chip spreader, CAT Crawler, CAT Compactor, and transport trailer. For FY 09-10 the capital outlay budget has decreased by \$1.2 million or 16.0%.

# Financial Summary

## Capital Projects

Capital projects are budgeted at \$18.2 million and represent 3.6% of the total budget. This budget is primarily a reflection of the road and bridge projects approved for FY 09-10. These projects are based upon the Five-Year Capital Improvements Plan prepared by the Department of Public Works. This budget reflects a reduction of \$14.1 million. This is due in part to the removal of a one-time \$4.75 million payout to the Cities of Eugene and Springfield to exchange Road Fund dollars for General Fund dollars. This

exchange brought unrestricted dollars into the County to help preserve public health and safety programs for up to two years. There is also a \$5.8 million reduction in general construction and nearly \$1 million in infrastructure safety improvements due to shrinking Road Fund resources.

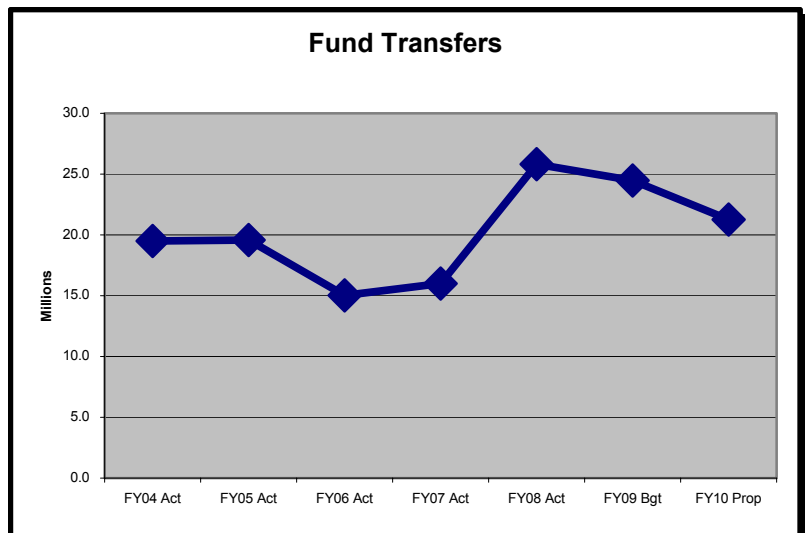


## Debt Service

Bond Principal and Interest payments are budgeted at \$9.9 million and make up only 2.3% 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; and the PERS Limited Tax Pension bond. All bonds that were eligible have been refinanced.

## Fund Transfers

Transfers total \$21.2 million or 4.1% of the budget. This amount is down \$3.2 million from the current year. The nearly \$4.4 million transfer from the General Fund in the current year to the Health and Human Services Fund to support Public Health, Mental Health, Developmental Disabilities, and basic needs for Lane County's most vulnerable residents. Removal of one-time transfers to the General Fund result in a loss of \$1.3 million. Intrafund transfers for the Solid Waste Fund are also down \$2.4 million due to not needing reserves for capital projects next year.



# Financial Summary

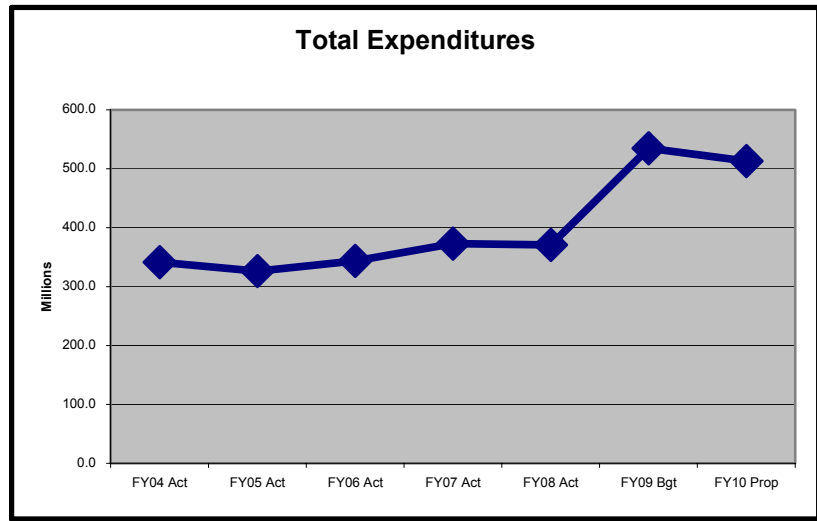
## Reserves

The County's adopted financial policies direct that each fund should have a minimum 5% prudent person reserve. This budget category totals \$116.2 million overall next year and is 22.6% of the total budget. This includes reserves for operations as well as future capital projects. Reserves overall are down 11.4% or \$15.0 million. Major changes include:

- General Fund down \$6.2 million
- Road Fund down \$9.4 million
- Juvenile Justice Center Construction Fund down \$3.2 million to free up funds for the final phase of construction.
- Special Revenue Fund down 1.3 million.
- Health & Human Services Fund down \$1.1 million
- Solid Waste Disposal Fund up \$2.9 million
- Employee Benefits Fund up \$1.5 million
- Capital Improvement Fund up \$1.3 million
- Retiree Benefit Trust Fund up \$1.1 million.

## Total Expenditures

Total Expenditures across all funds for FY 09-10 are down \$21.2 million or 4.0% to live within total available revenue.



## Additional Tables and Charts

The following pages contain charts and graphs displaying the County's Proposed FY 09-10 budget by department, fund type, and service category. A separate General Fund Analysis section follows the charts and graphs.

## Financial Summary

RESOURCES & REQUIREMENTS – ALL FUNDS COMBINED PROPOSED BUDGET							
	FY 06-07 Actual	FY 07-08 Actual	FY 08-09 Curr Budget	FY 09-10 Proposed	\$\$ Change from 08-09	% Change from 08-09	% of Total Bdgt
Taxes & Assessments	36,604,982	38,154,463	40,241,624	40,533,498	291,874	0.73%	7.90%
Licenses & Permits	4,012,262	3,973,536	3,510,417	3,466,271	(44,146)	-1.26%	0.68%
Fines, Forf., Penalties	3,276,440	2,667,949	4,519,758	3,913,865	(605,893)	-13.41%	0.76%
Property & Rentals	8,038,690	11,392,090	7,039,605	6,893,750	(145,855)	-2.07%	1.34%
Federal Revenue	68,951,218	70,266,147	70,212,859	64,080,798	(6,132,061)	-8.73%	12.48%
State Grant Revenue	70,329,616	62,069,812	69,818,471	62,732,610	(7,085,861)	-10.15%	12.22%
Other State Revenue	23,015,466	21,711,094	20,786,261	19,340,650	(1,445,611)	-6.95%	3.77%
Local Grants	2,190,439	2,230,932	7,202,817	2,123,017	(5,079,800)	-70.53%	0.41%
Local Revenues	3,886,837	4,361,919	4,408,959	4,559,956	150,997	3.42%	0.89%
Fees & Charges	107,137,153	108,778,519	110,471,396	116,734,992	6,263,596	5.67%	22.74%
Administrative Charges	13,531,975	13,560,582	14,937,937	15,864,814	926,877	6.20%	3.09%
Interest Earnings	7,260,523	7,367,744	3,966,012	3,293,536	(672,476)	-16.96%	0.64%
Mortgage Assumption	6,326,603	0	0	0	0	0.00%	0.00%
Bond Sales	0	0	0	2,000,000	2,000,000	100.00%	0.39%
Resource Carryover	148,759,350	146,505,718	148,539,998	143,598,173	(4,941,825)	-3.33%	27.97%
Interfund Loans	8,750	1,008,750	4,283,000	4,283,000	0	0.00%	0.83%
Fund Transfers	15,999,934	25,808,377	24,668,126	19,970,607	(4,697,519)	-19.04%	3.89%
<b>Total Resources</b>	<b>519,330,239</b>	<b>519,857,632</b>	<b>534,607,240</b>	<b>513,389,537</b>	<b>(21,217,703)</b>	<b>-3.97%</b>	<b>100.00%</b>
Personnel Services	129,754,950	128,439,883	132,503,097	142,184,718	9,681,621	7.31%	27.70%
Materials & Services	183,193,440	171,200,277	191,831,029	197,194,244	5,363,215	2.80%	38.41%
Capital Outlay	11,914,342	5,768,001	7,467,772	6,275,549	(1,192,223)	-15.96%	1.22%
Capital Projects	22,090,288	21,575,214	32,327,621	18,259,264	(14,068,357)	-43.52%	3.56%
Other Fiscal Transactions	0	0	576,949	1,902,350	1,325,401	229.73%	0.37%
Mortgage Issuance Costs	75,242	0	0	0	0	0.00%	0.00%
Mortgage Principal Pymt	18,782	82,221	85,000	85,000	0	0.00%	0.02%
Mortgage Interest Pymt	85,148	529,154	530,000	530,000	0	0.00%	0.10%
Debt Service	9,682,874	16,220,099	9,321,194	9,330,579	9,385	0.10%	1.82%
Int Pd Interfund Loan	771	393	0	118,490	118,490	100.00%	0.02%
Fund Transfers	15,999,934	25,808,377	24,469,962	19,970,607	(4,499,355)	-18.39%	3.89%
Interfund Loan	8,750	1,008,750	4,283,000	1,283,000	(3,000,000)	-70.04%	0.25%
Operational Contingency	0		36,350,363	28,176,439	(8,173,924)	-22.49%	5.49%
Operational Reserves	0		42,460,561	47,725,041	5,264,480	12.40%	9.30%
UEFB	0		14,260,685	12,251,037	(2,009,648)	-14.09%	2.39%
Closure/Post Closure	0		10,391,363	13,375,303	2,983,940	28.72%	2.61%
Future Projects	0		26,026,837	12,367,822	(13,659,015)	-52.48%	2.41%
Reserve - Comp Liability	0		1,500,000	2,250,000	750,000	50.00%	0.44%
Bonded Debt Res	0		221,807	110,094	(111,713)	-50.36%	0.02%
<b>Total Requirements</b>	<b>372,824,521</b>	<b>370,632,369</b>	<b>534,607,240</b>	<b>513,389,537</b>	<b>(21,217,703)</b>	<b>-3.97%</b>	<b>100.00%</b>

## Financial Summary

FY 09-10 PROPOSED RESOURCES BY FUND TYPE & DEPARTMENT								
Department Name	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Services	Trust	Total Dept
Assessment & Taxation	402,500	0	0	0	0	0	0	402,500
Children & Families	0	2,833,774	0	0	0	0	0	2,833,774
County Administration	2,299,547	408,245	0	0	0	0	0	2,707,792
County Counsel	1,067,383	475,531	0	0	0	0	0	1,542,914
District Attorney	1,932,908	1,013,130	0	0	0	0	0	2,946,038
General Expense*	74,762,095	19,996,689	4,483,404	3,853,170	0	62,484,913	13,649,207	179,229,478
Health & Human Services	0	91,316,157	0	0	0	0	0	91,316,157
Human Resources	1,888,790	0	0	0	0	0	0	1,888,790
Information Services	0	0	0	0	9,811,073	11,160,589	0	20,971,662
Justice Courts	0	3,599,592	0	0	0	0	0	3,599,592
Lane Events Center	0	0	0	0	5,394,930	0	0	5,394,930
Management Services	5,592,983	312,737	0	9,404,580	0	1,001,395	0	16,311,695
Public Works	0	76,199,101	0	0	45,447,641	23,911,960	0	145,558,702
Sheriff's Office	13,893,095	15,146,987	0	0	391,684	2,649,849	0	32,081,615
Workforce Partnership	0	3,387,089	0	0	0	0	0	3,387,089
Youth Services	1,200,146	2,016,663	0	0	0	0	0	3,216,809
<b>Total Fund Resources</b>	<b>103,039,447</b>	<b>216,705,695</b>	<b>4,483,404</b>	<b>13,257,750</b>	<b>61,045,328</b>	<b>101,208,706</b>	<b>13,649,207</b>	<b>513,389,537</b>

FY 09-10 PROPOSED REQUIREMENTS BY FUND TYPE & DEPARTMENT								
Department Name	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Services	Trust	Total Dept
Assessment & Taxation	6,857,109	0	0	0	0	0	0	6,857,109
Children & Families	0	2,833,774	0	0	0	0	0	2,833,774
County Administration	2,656,673	408,245	0	0	0	0	0	3,064,918
County Counsel	1,173,834	475,531	0	0	0	0	0	1,649,365
District Attorney	9,021,760	1,013,130	0	0	0	0	0	10,034,890
General Expense*	20,330,108	19,996,689	4,483,404	3,853,170	0	62,484,913	13,649,207	124,797,491
Health & Human Services	4,410,875	91,316,157	0	0	0	0	0	95,727,032
Human Resources	1,943,727	0	0	0	0	0	0	1,943,727
Information Services	0	0	0	0	9,811,073	11,160,589	0	20,971,662
Justice Courts	0	3,599,592	0	0	0	0	0	3,599,592
Lane Events Ctr	0	0	0	0	5,394,930	0	0	5,394,930
Management Services	7,618,222	571,116	0	9,404,580	0	1,001,395	0	18,595,313
Public Works	0	75,425,290	0	0	45,447,641	23,911,960	0	144,784,891
Sheriff's Office	40,153,086	15,662,419	0	0	391,684	2,649,849	0	58,857,038
Workforce Partnership	0	3,387,089	0	0	0	0	0	3,387,089
Youth Services	8,874,053	2,016,663	0	0	0	0	0	10,890,716
<b>Total Fund Requirements</b>	<b>103,039,447</b>	<b>216,705,695</b>	<b>4,483,404</b>	<b>13,257,750</b>	<b>61,045,328</b>	<b>101,208,706</b>	<b>13,649,207</b>	<b>513,389,537</b>

\* General Expense...see attached

## Financial Summary

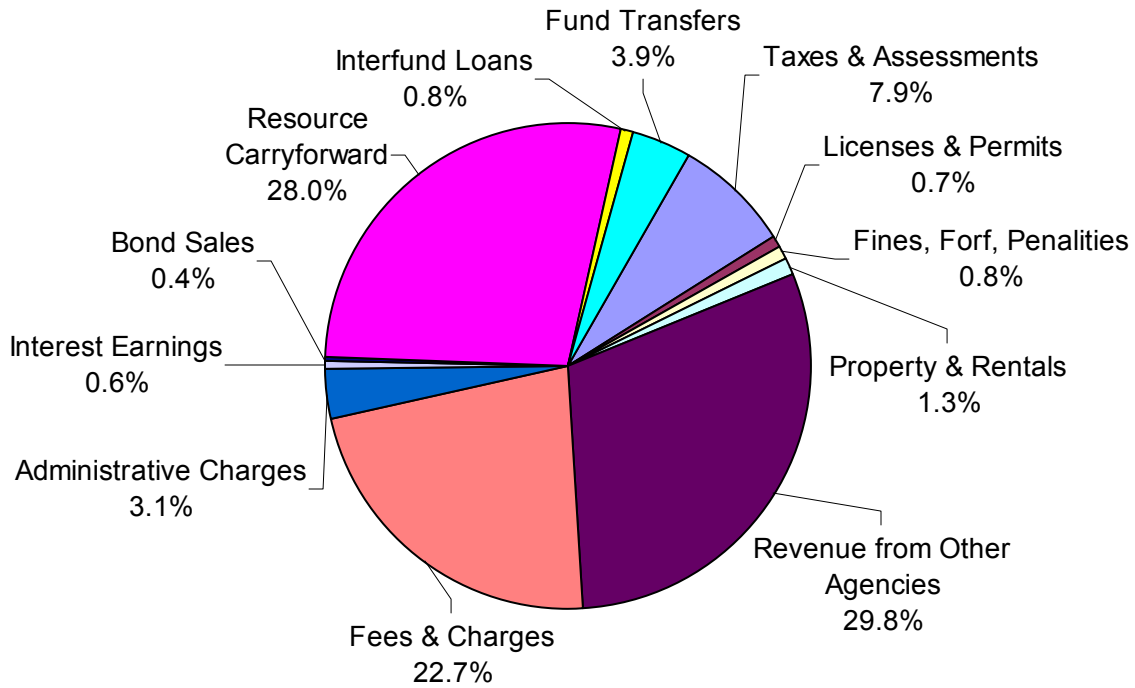
<b>FY 09-10 PROPOSED REVENUES BY SERVICE CATEGORY</b>								
<b>ALL FUNDS COMBINED</b>								
Revenue	Culture & Recreation	Community Development	Gen Gov't	Public Health	Roads & Infrastructure	Public Safety	Non-Operating	Total
Taxes & Assessments	250,000	4,130,757	281,300	0	25,000	0	35,846,441	40,533,498
Licenses and Permits	0	1,529,753	65,000	800,000	115,000	584,780	371,738	3,466,271
Fines, Forf, Penalties	33,000	222,000	41,500	1,000	1,200	3,178,665	436,500	3,913,865
Property & Rentals	1,164,600	3,707,630	676,650	250	531,582	503,260	309,778	6,893,750
Revenue Other Agencies	439,035	2,458,313	700,432	63,381,278	30,710,408	30,392,806	24,754,759	152,837,031
Fees & Charges	136,673	5,588,335	22,328,209	4,910,842	17,111,063	7,107,889	59,551,981	116,734,992
Administrative Charges	0	155,000	9,770,233	2,500	3,226,090	554,436	2,156,555	15,864,814
Interest Earnings	17,440	78,892	686,791	442,350	1,153,081	57,190	857,792	3,293,536
Bond Sales	0	0	0	0	0	0	2,000,000	2,000,000
Resource Carryforward	759,088	3,113,995	17,712,440	13,196,534	54,765,170	4,291,532	49,759,414	143,598,173
Interfund Loans	0	0	0	0	4,283,000	0	0	4,283,000
Fund Transfers	390,033	2,000,000	33,143	6,789,898	745,000	5,492,115	4,520,418	19,970,607
<b>Total:</b>	<b>3,189,869</b>	<b>22,984,675</b>	<b>52,295,698</b>	<b>89,524,652</b>	<b>112,666,594</b>	<b>52,162,673</b>	<b>180,565,376</b>	<b>513,389,537</b>

<b>FY 09-10 PROPOSED EXPENDITURES BY SERVICE CATEGORY</b>								
<b>ALL FUNDS COMBINED</b>								
Expenditure	Culture & Recreation	Community Development	Gen Gov't	Public Health	Roads & Infrastructure	Public Safety	Non-Operating	Total
Personal Services	1,206,135	7,675,387	25,423,876	23,833,166	25,309,201	58,736,953	0	142,184,718
Materials & Services	1,121,147	9,289,292	17,176,340	53,228,553	27,249,299	25,866,927	63,262,686	197,194,244
Capital Outlay	0	323,500	2,231,980	0	14,024,400	2,605,969	5,348,964	24,534,813
Debt Service	0	375,654	0	0	0	0	12,873,765	13,249,419
Fund Transfers	0	2,296,161	856,492	7,487,607	2,535,000	3,682,230	1,830,117	18,687,607
Interfund Loans	0	283,000	0	0	0	0	1,000,000	1,283,000
Reserves/Contingencies	852,223	2,741,681	4,937,109	9,386,201	43,012,952	1,256,676	41,817,857	104,004,699
UEFB	10,364	0	10,926,642	0	277,363	1,036,668	0	12,251,037
<b>Total:</b>	<b>3,189,869</b>	<b>22,984,675</b>	<b>61,552,439</b>	<b>93,935,527</b>	<b>112,408,215</b>	<b>93,185,423</b>	<b>126,133,389</b>	<b>513,389,537</b>

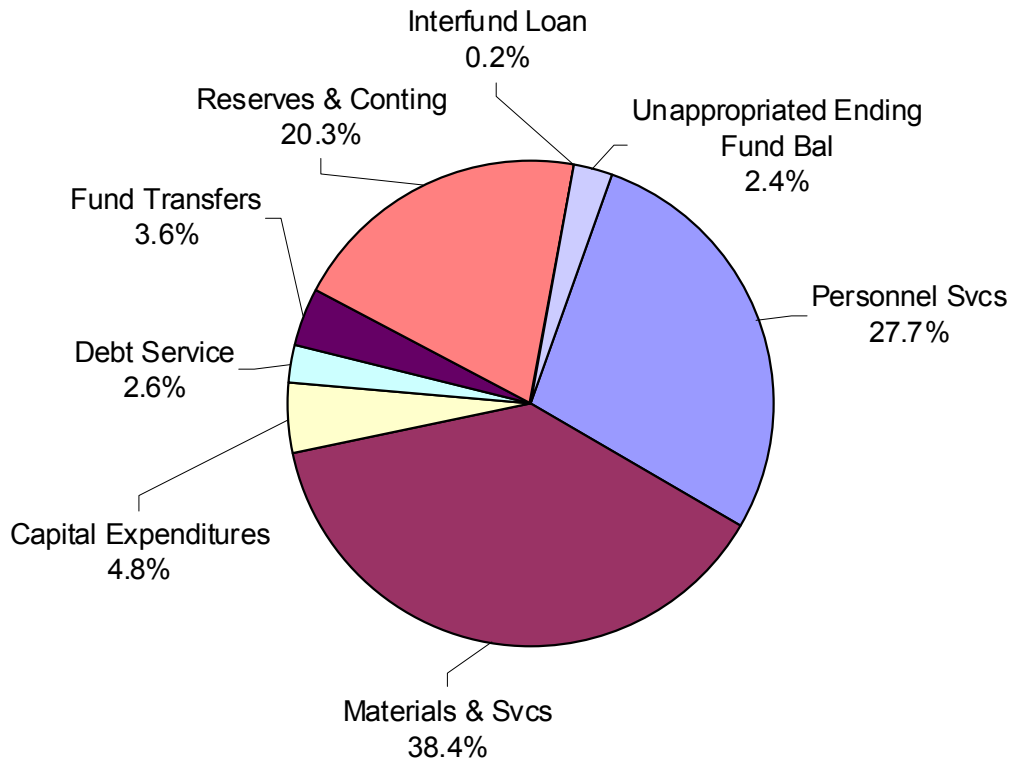
# Financial Summary

---

## FY 09-10 Proposed Revenues – All Funds



## FY 09-10 Proposed Expenditures – All Funds



## Financial Summary

### 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.

<b>Discretionary General Fund Budget Cuts in the Last Fifteen Years</b>				
<b>Fiscal Year</b>	<b>Discretionary General Fund</b>	<b>Actual Reduction</b>	<b>Annual % Reduction</b>	<b>Cumulative Total</b>
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
	<b>5-Year Subtotal</b>	<b>\$7,613,215</b>	<b>4.71%</b>	
96-97	31,969,193	0 <sup>1</sup>	0.00%	7,613,215
97-98 <sup>2</sup>	32,556,034	2,026,127	6.22%	9,639,342
98-99 <sup>3</sup>	45,649,863	0 <sup>1</sup>	0.00%	9,639,342
99-00	44,531,956	0 <sup>1</sup>	0.00%	9,639,342
00-01	44,071,668	253,474	0.58%	9,892,816
	<b>5-Year Subtotal</b>	<b>\$2,279,601</b>	<b>1.36%</b>	
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
	<b>5-Year Subtotal</b>	<b>\$8,114,886</b>	<b>3.02%</b>	
<b>15-Year Reduction Total</b>		<b><u>\$18,007,702</u></b>		
<b>Annual Budget Cuts</b>		<b>12 out of the last 15 years</b>		
<b>Average Annual Reduction</b>		<b><u>\$1,200,000</u></b>	<b><u>3.03%</u></b>	

Footnotes:  
<sup>1</sup> Stability due primarily to aggressive cost control measures and cash on hand  
<sup>2</sup> Measure 47/50 did a 10% Property Tax cut and rolled back assessed values two years  
<sup>3</sup> 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 thousand 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 thousand dollars 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

<b>FY 2007-2008 COUNTY COMPARISON</b>				
<b>Comparable Counties</b>	<b>Lane</b>	<b>Washington</b>	<b>Clackamas</b>	<b>Marion</b>
2008 Population <sup>1</sup>	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) <sup>2</sup>	\$1.28	\$2.25	\$2.40	\$3.02
Net Assessed Value <sup>3</sup>	\$23.4 bil.	\$41.1 bil.	\$31.3 bil.	\$16.8 bil.
Avg. Tax Rate/1,000 <sup>3</sup>	\$15.06	\$16.45	\$15.78	\$16.12
Prop. Tax Imposed (All Dist.) <sup>4</sup>	\$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.

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

<sup>2</sup> 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.

<sup>3</sup> 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).

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

In fact, the 2007-2008 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 \$103.0 million, up \$2.7 mil. or 2.7% from the current year. Cash is increasing by \$11.1 million due to rolling forward a majority of the first year federal timber renewal payment along with a \$1.0 million growth in Taxes and Assessments. These revenue increases are offset by a series of reductions including:

- \$4.75 million one-time General Fund payment from the Cities of Eugene and Springfield in exchange for county Road Fund dollars.
- \$1.76 million reduction in one-time transfers from Special Revenue, Capital, and Internal Service funds.
- \$1.5 million reduction in federal revenue due to the scheduled 10% reduction in timber payments.
- \$750,000 reduction in Recording Fees due to the downturn in local construction and real estate markets.
- \$563,000 reduction in State revenue assistance from Department of Revenue for Assessment and Taxation, along with reductions in state shared revenues from amusement devices and the cigarette tax.

Personal Services base costs are up \$2.4 million growing by 4.8% due to the cost of implementing the new union and non-represented salary adjustments and budgeting for health benefit increase of 14.7%.

## Financial Summary

---

The Proposed Budget also includes several Add Packages that increase personal services by an additional \$3.3 million or 6.6% bringing the entire Personal Services category up by \$5.7 million overall for 11.0% growth.

Materials and Services are up \$1.6 million or 89.9% due mainly to increases in Fleet, Information Services and Utility costs.

Fund Transfers are growing by \$1.6 million due to covering increased costs of service for Youth Services, the Sheriff's Office and Health and Human Services

Reserves are dropping by \$6.0 million. This drop is due to reserving 94% of the \$13.5 million first year federal timber renewal payment in FY08-09. For FY 09-10, these funds are needed to continue funding ongoing services as well as increased funding needed for the proposed Add Packages as follows:

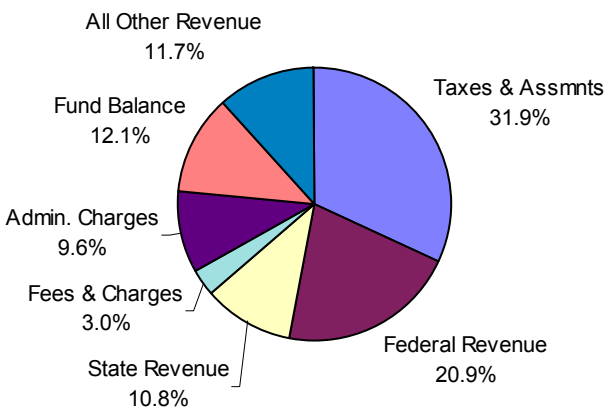
- \$3.3 million for 84 Jail Beds and associated staff support.
- \$50,000 for a building security station at Dept. of Youth Services main building.
- \$446,438 for two Attorneys, one Investigator, one secretary, one victim advocate in the District Attorney's Office to increase domestic violence prosecution and victim services and ensure prosecution of felony property cases that would otherwise be left undone, thereby placing state correctional funding at risk.
- \$49,315 for second half of resource development position in Dept. of Children & Families.

The number of General Fund FTE is proposed to increase from 513.84 to 548.71, an increase of 34.90 FTE.

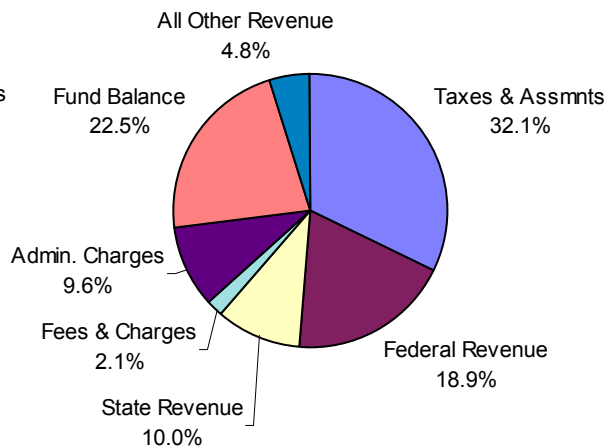
### General Fund Resources

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 08-09 and FY 09-10 in the pie charts below can be seen in the percentage growth in Resource Carryover. This is once again due to rolling forward 94% of the first year federal timber renewal payment.

**General Fund Resources – FY 08-09**



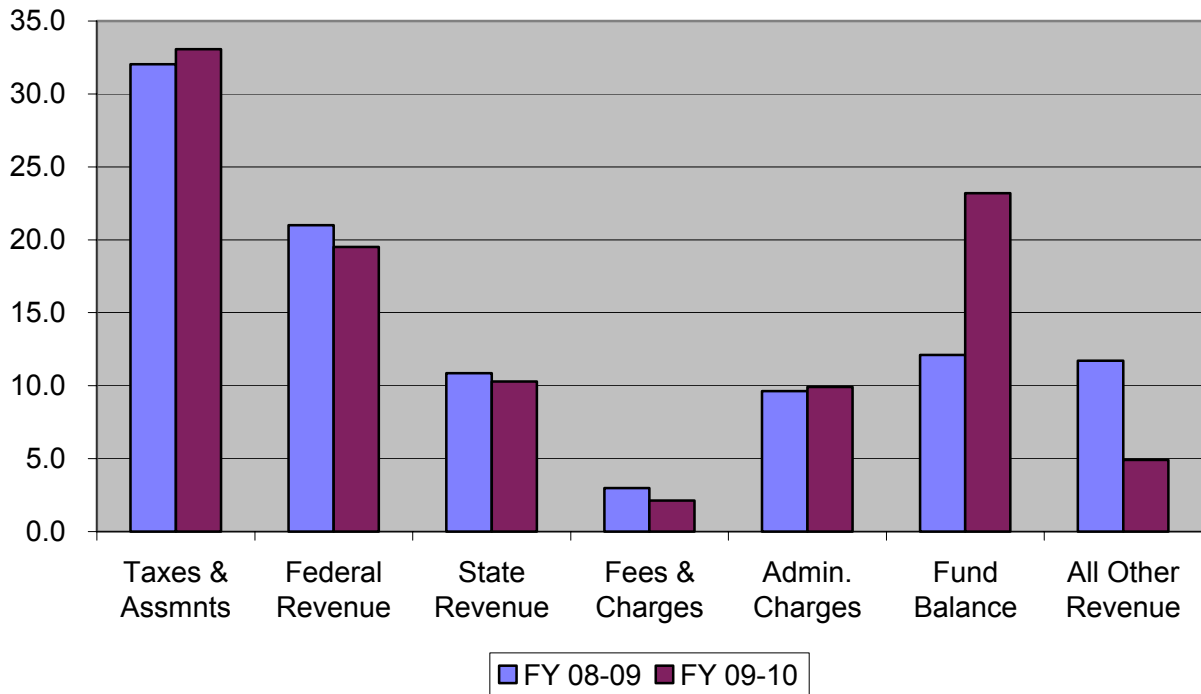
**General Fund Resources – FY 09-10**



The revenue chart on the next page 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 growth in Resource Carryover clearly stands out.

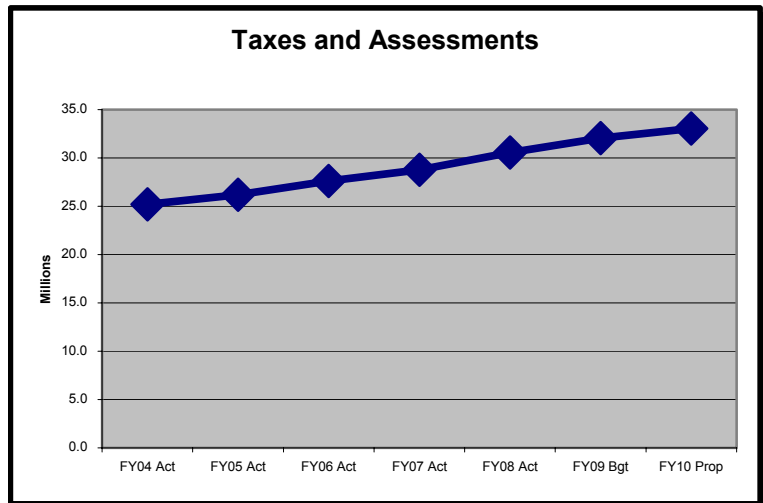
# Financial Summary

## Changes in General Fund Resources



## Taxes and Assessments

In FY 09-10, Taxes and Assessments will make up 32.1% of General Fund revenue and will total \$33.1 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 and tax penalties. This revenue overall is up 3.2% next year. Average growth has been 4.8% the previous five years. Growth has been flattened based upon the Tax Assessor’s recommendation in this weakened Oregon and Lane County economy.



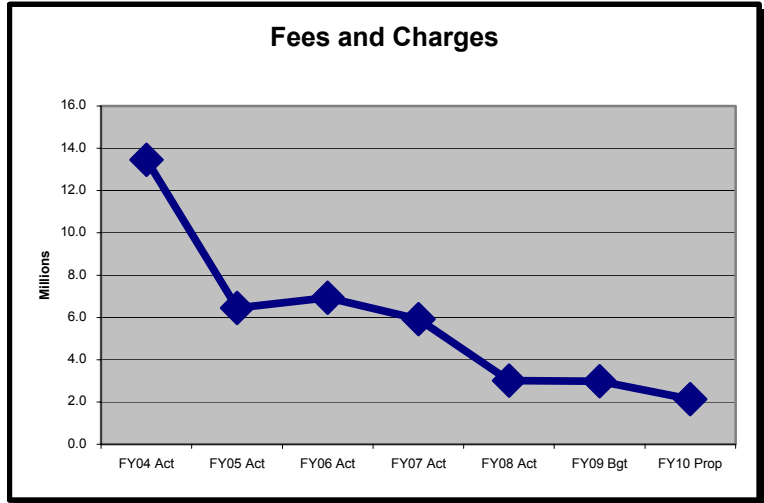
# Financial Summary

## Fees and Charges

User fees and charges for services are budgeted at \$2.1 million and represent 2.1% of the General Fund budget.

The large decline in FY 04-05 reflects the movement of the Information Services Department out of the General Fund and into its own internal service fund. In FY 07-08 the Land Management Division of Public Works was also moved out of the General Fund into a separate enterprise fund. The fees and charges for both departments went with them into their own funds. The remaining

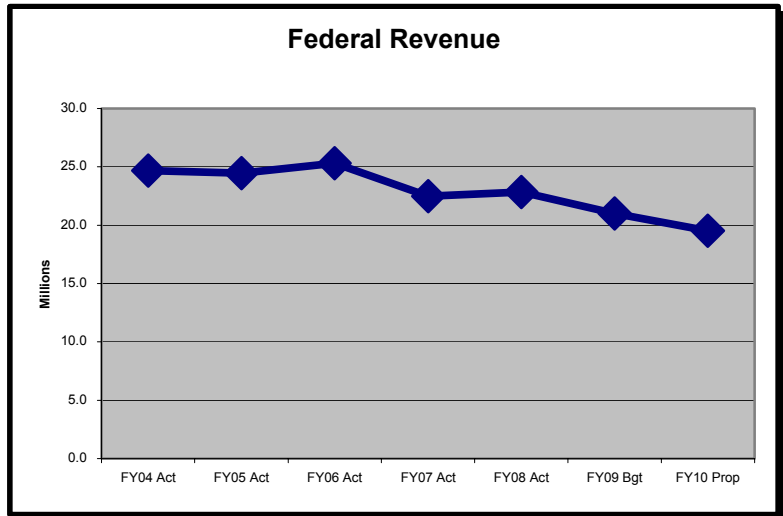
fees are declining by 28.5% or \$848,600 primarily in the Deeds and Records area. This is due to the banking crunch which has tightened credit lending and home building/refinancing.



## Federal Revenue

Federal revenues have been bolstered by the unexpected renewal of the Federal Timber Payments or Secure Rural Schools funding in September of 2008. The current year revenue is 90% of the final year of the previous Act. The amount proposed for FY 09-10 drops to 81% of the final year. The third year of the new Act will decline to 73% and the fourth year is expected to be in the range of 40% – 60% of the final year.

FY 09-10 drops \$1.5 million from \$21.0 million to \$19.5 million, a 7.0% drop. The percent of overall budget will be 18.9%.

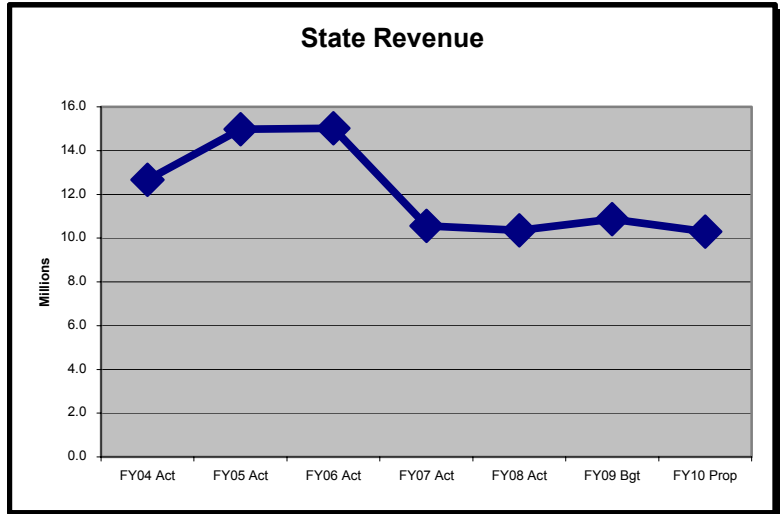


# Financial Summary

## State Revenue

State revenues make up 10.0% of the General Fund and are budgeted at \$10.3 million. This is a decrease of \$560,000. This decrease comes as a result of the State's planned 30% decrease in grant assistance to counties for collecting property taxes.

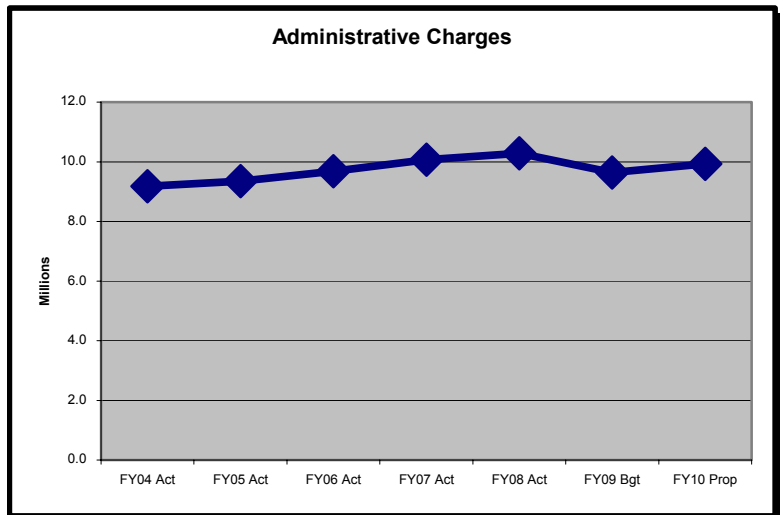
\$1.9 million or 18.0% of state revenue comes as revenue sharing in the form of cigarette, liquor taxes, and amusement device taxes. These dollars have no strings attached and are therefore unrestricted or discretionary dollars. This revenue is projected to decline about \$83,000 next year.



## 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 \$9.9 million or 9.6% of General Fund revenue next year. The Proposed FY 09-10 budget reflects a 3.0% increase of \$286,641 from the current year due primarily to the Sheriff's Office being able to charge an indirect to Special Revenue programs where federal timber funding is increasing. Countywide indirect charges are essentially flat growing at only 0.2% for next year.

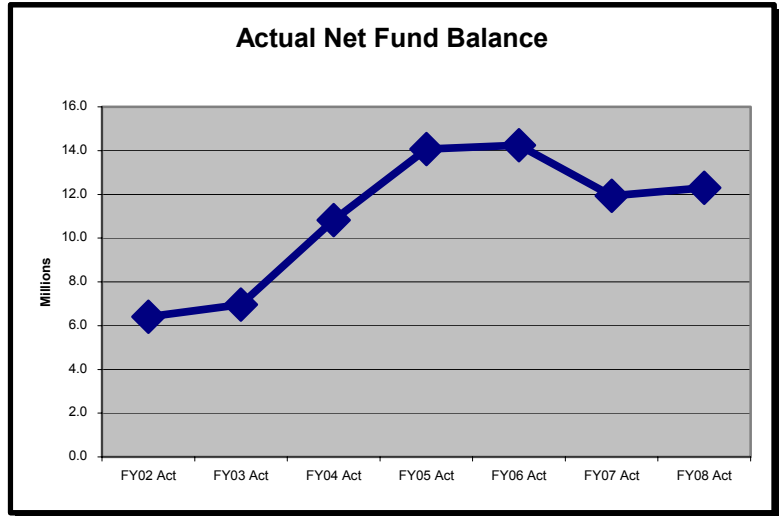


# Financial Summary

## Fund Balance

The fund balance carryover from the current year is projected to be \$23.2 million, up \$10.9 million. The increase is as mentioned before is due to carrying forward 94% of the current year federal timber payment into FY 09-10.

This resource makes up 22.5% of the General Fund.

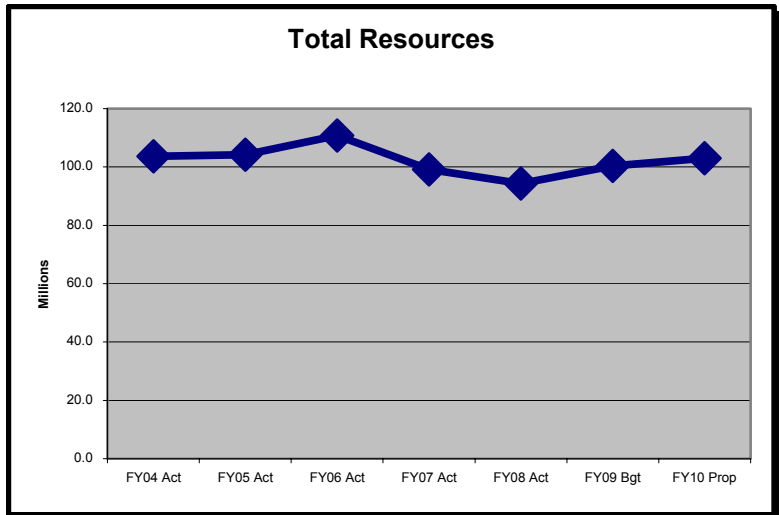


## All Other Revenue

All other revenue makes up 4.8% of the General Fund budget. It consists of: Licenses and Permits \$597,013; Fines, Forfeitures & Penalties \$593,000; Property Rentals \$889,860; Interest Earnings \$333,000; and Fund Transfers \$1.4 million. It also includes Local Revenues of \$1.1 million for a total of \$4.9 million. Local Revenue is down \$7.1 million from the current year due primarily to the one-time exchange of funds with the Cities of Eugene and Springfield which totaled \$4.75 million.

## Total General Fund Resources

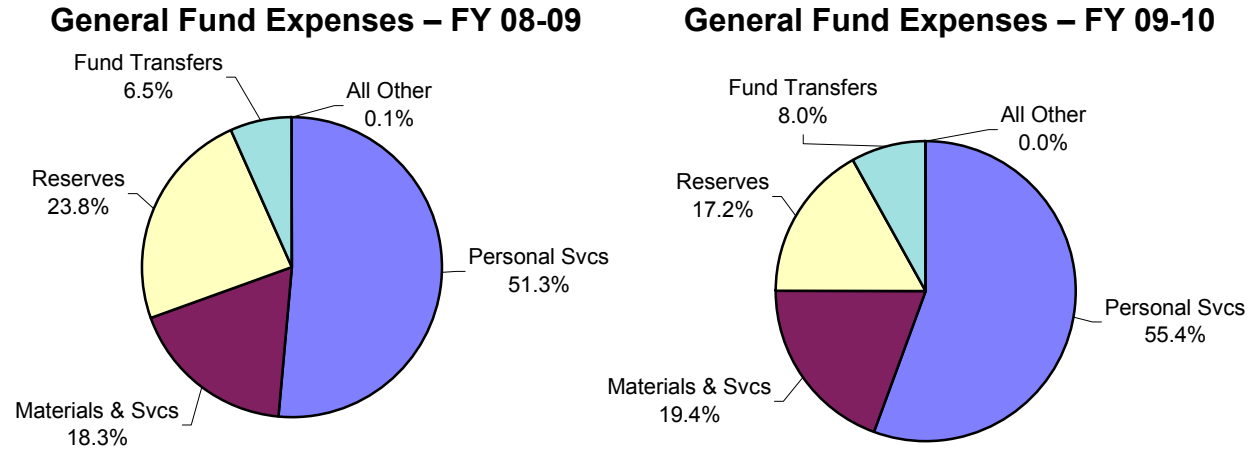
General Fund resources overall are up \$2.7 million or 2.7%.



# Financial Summary

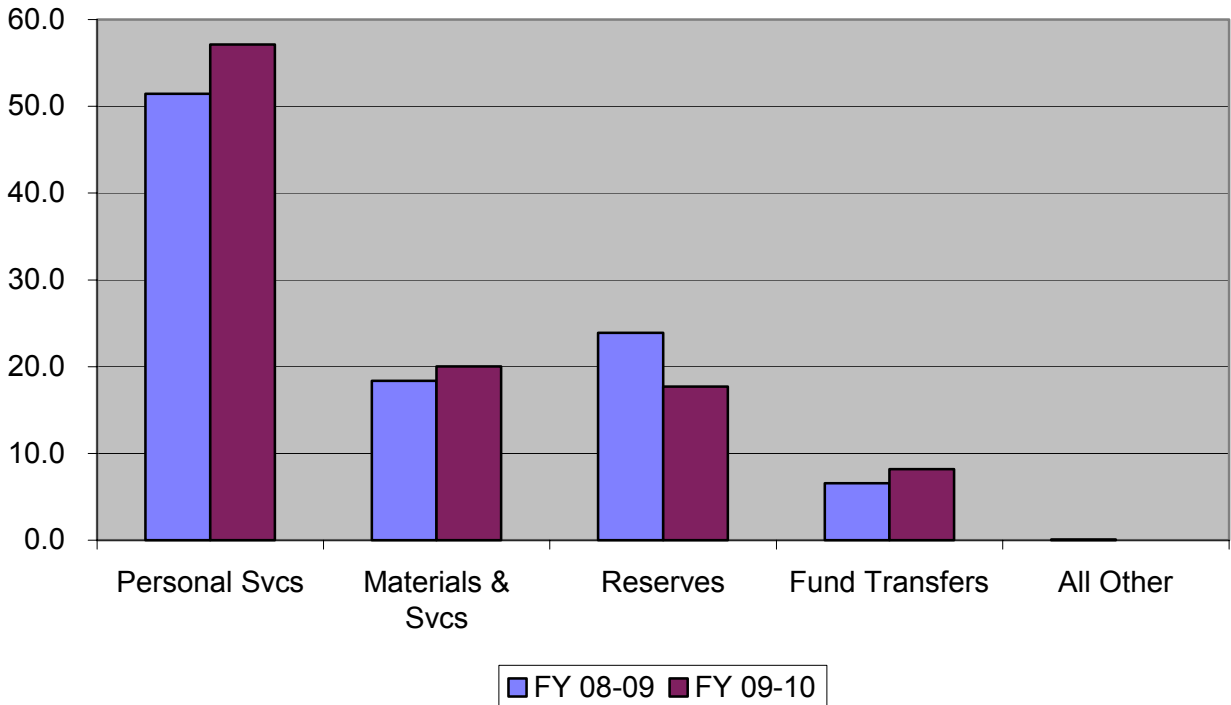
## General Fund Expenditures

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.



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 14.7% along with the proposed Add Packages. Materials & Services growth is up about \$1.6 million while Reserves are dropping by \$6.0 million. Reserves were bolstered by the saving 94% of the \$13.5 million first year federal timber renewal payment. A portion of these funds are now needed to fund ongoing operations along with the proposed Add Packages.

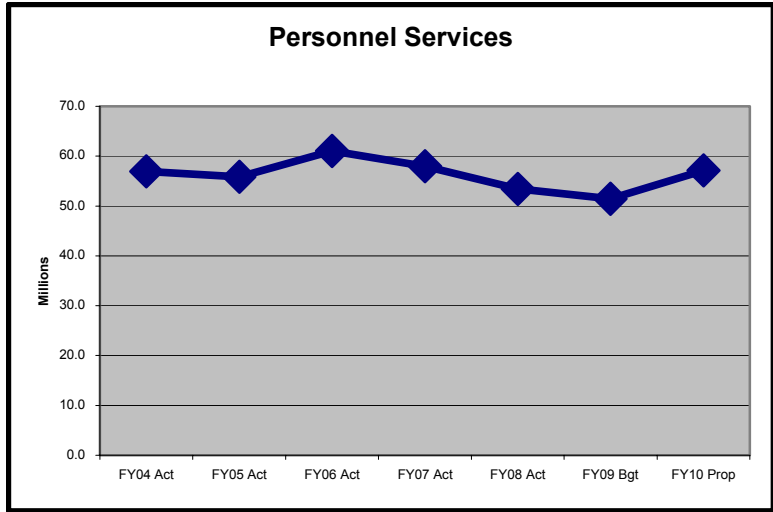
## Changes in General Fund Expenditures



# Financial Summary

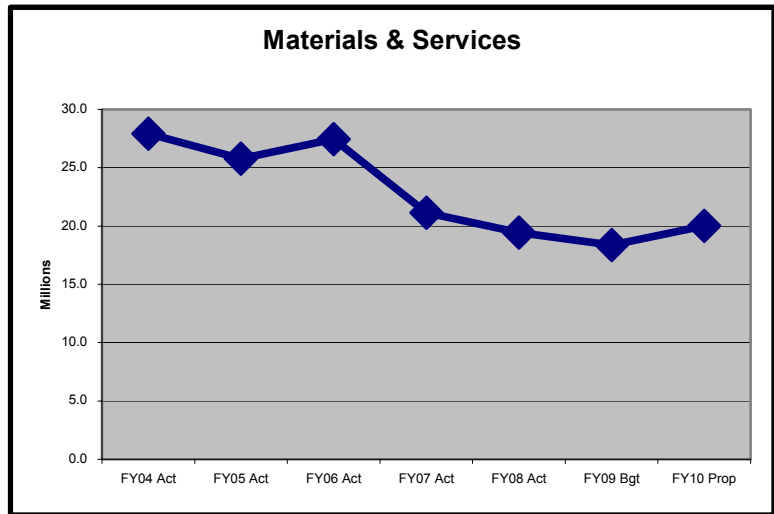
## Personnel Services

Personnel Services are budgeted at \$57.1 million next year, an increase of \$5.7 million or 11.0%. This increase includes the addition of 34.9 FTE through Add Packages for the Sheriff's Office (30.6 FTE) and the District Attorney's Office (5.0 FTE) offset by reductions of 0.7 FTE in Youth Services due to the loss of grants.



## Materials and Services

Materials and Services are budgeted at \$20.0 million, up \$1.6 million from the current year. The primary increases are in the areas of Fleet Vehicles, Direct/Information Services, and Utilities.



## Capital Outlay/Capital Projects

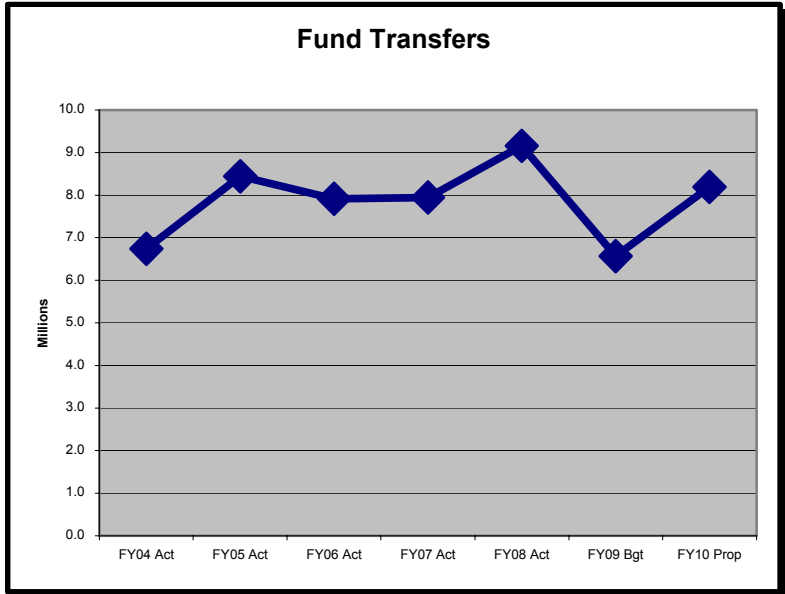
All capital related expenditures are zeroed out prior to starting the budget process each year. Any capital request beyond scheduled replacement is normally considered an Add Package that would either require a reduction elsewhere or it would have to have its own funding source.

# Financial Summary

## Fund Transfers

Fund transfers are 8.0% of the General Fund or \$8.2 million. This is a 24.8% increase from \$6.6 million budgeted in the current year. \$4.4 million is a transfer to the Health and Human Services Department to support Public Health, Mental Health, Animal Services, Developmental Disabilities, and basic needs for Lane County's most vulnerable resident. This transfer is up \$1.4 million over the current year.

Another \$1.1 million is transferred to Sheriff's Office operations in the Special Revenue fund including the Traffic Safety Team and the Community Corrections Center.



Within non-departmental expenditures are the following transfers:

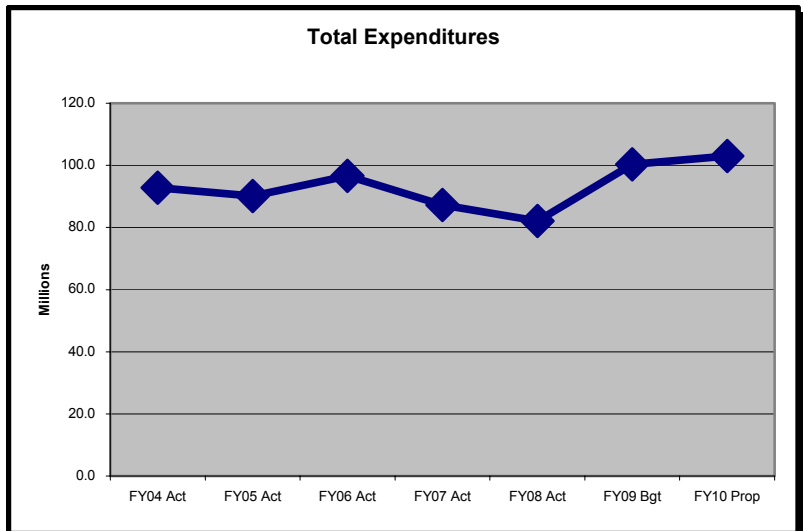
- \$450,000 to the Land Management Division of Public Works. With the severe downturn in the local economy the new construction and land sale activity and fee revenue has dropped off. Land Management received \$550,000 in support in the current year.
- \$103,050 to fully fund a resource development position with the Department of Children & Families. The position is only partially funded in the current year. Another \$49,315 is planned for transfer in FY 09-10 as part of a proposed Add Package.

## Reserves

General Fund reserves are budgeted at \$17.7 million and represent 17.2% of the General Fund. This is a \$6.8 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 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 the reserves are then used in FY 09-10 to continue ongoing services and to pay for the Add Packages proposed by the County Administrator.

## Total General Fund Expenditures

General Fund expenditures overall are up \$2.7 million to \$103.0 million.



## Financial Summary

### Unrestricted or Discretionary General Fund Revenues and Expenses

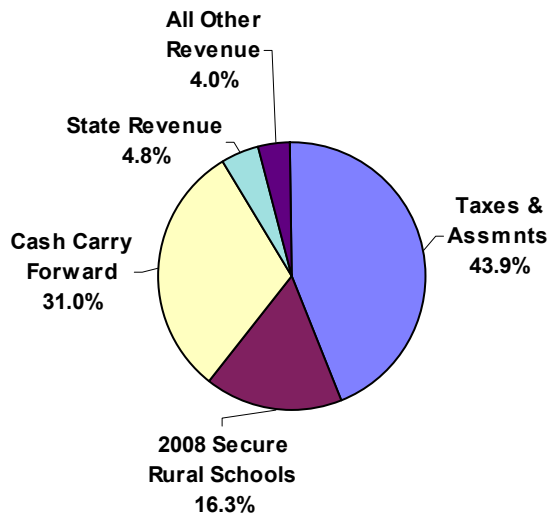
Unrestricted, discretionary revenue that comes to the County without any strings attached totals \$74.8 million for FY 09-10. This is a \$3.9 million increase from the current year.

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.

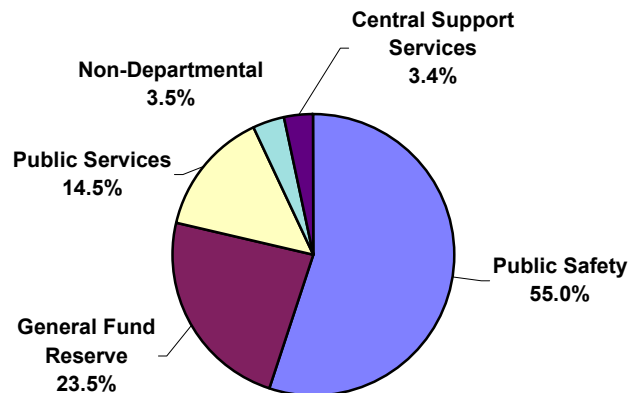
<b>UNRESTRICTED GENERAL FUND REVENUE ALLOCATION BY DEPARTMENT</b>						
	<b>FY 06-07</b>	<b>FY 07-08</b>	<b>FY 08-09</b>	<b>FY 09-10</b>	<b>\$ Chng</b>	<b>% Chng</b>
	<b>Actual</b>	<b>Actual</b>	<b>Current</b>	<b>Proposed</b>	<b>Fr Curr</b>	<b>Fr Curr</b>
Sheriff's Office	25,489,121	24,751,093	21,198,226	26,259,991	5,061,765	23.88%
Year-End Cash/Reserve	10,699,327	12,304,288	23,891,041	17,602,453	(6,288,588)	-26.32%
District Attorney	5,925,822	5,919,190	6,078,287	7,088,852	1,010,565	16.63%
Youth Services	5,837,167	5,825,375	6,815,304	7,798,550	983,246	14.43%
Assessment & Taxation	5,409,047	5,189,614	6,007,984	6,454,609	446,625	7.43%
Health & Human Services	4,330,329	4,537,815	3,059,225	4,410,875	1,351,650	44.18%
General Expense*	4,461,571	3,968,323	2,606,131	2,593,999	(12,132)	-0.47%
Management Services	(405,719)	60,437	1,082,438	2,025,239	942,801	87.10%
County Administration	240,323	(78,332)	18,112	357,126	339,014	1871.76%
Human Resources	280,445	(38,044)	40,119	54,937	14,818	36.94%
County Counsel	101,822	81,212	93,995	106,451	12,456	13.25%
Children & Families	0	0	0	0	0	0.00%
Justice Courts	0	0	0	0	0	0.00%
<b>Total:</b>	<b>62,369,256</b>	<b>62,520,972</b>	<b>70,890,862</b>	<b>74,753,082</b>	<b>3,862,220</b>	<b>5.45%</b>

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

**Discretionary General Fund Revenue by Category**



**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 55% of the discretionary funding. Reserves make up 23.5%. All other direct Public Services like Assessment & Taxation, Health & Human Services, Elections, and Deeds and Records make up only 14.5%. Non-departmental and Central Support Services make up the balance at 3.4% and 3.5% 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 City of Eugene, thereby bringing that project to an end.

Although there is still hope that Congress will eventually find a permanent solution to the County's structural deficit, there are no guarantees and there are no other revenue sources on the near horizon.

### Financial Forecast Model

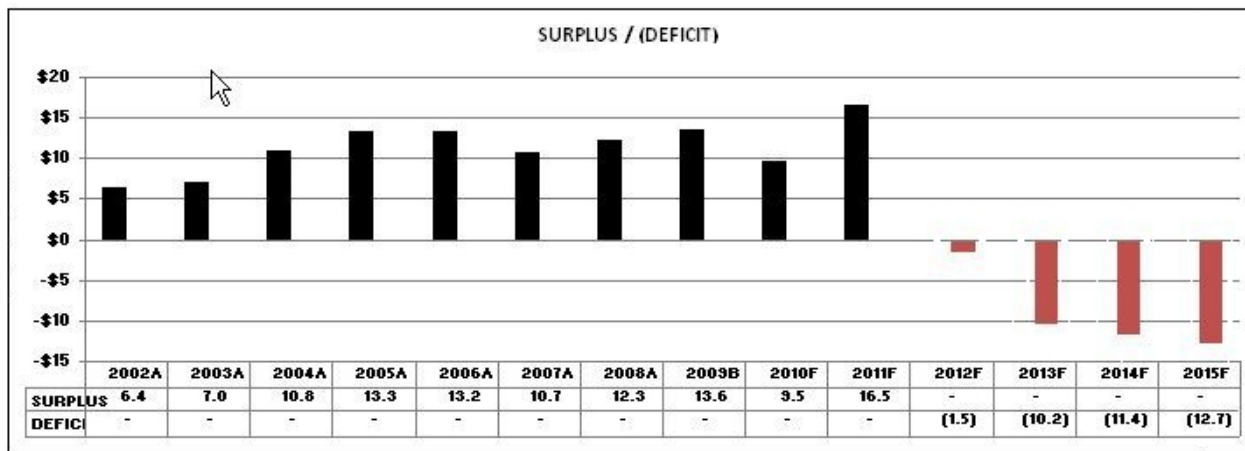
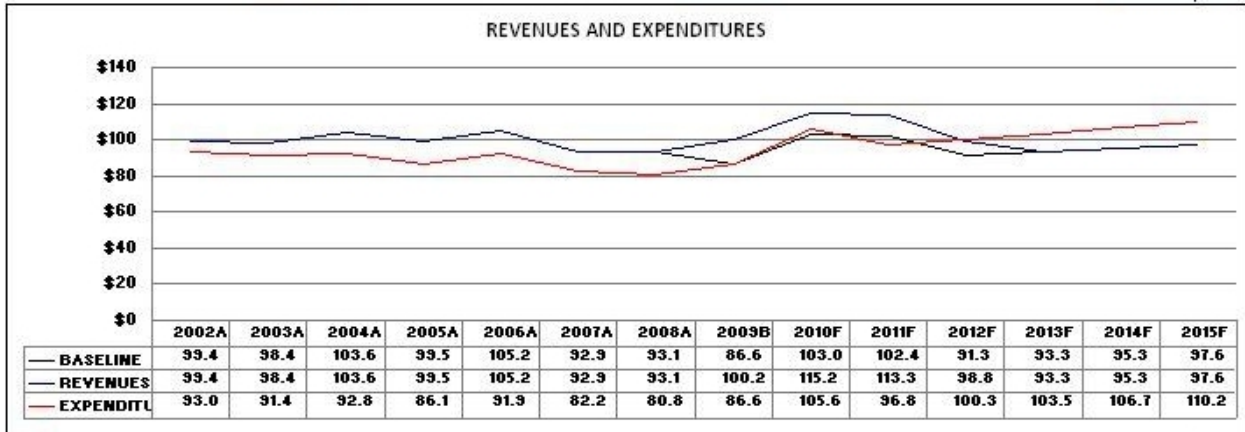
The Board of Commissioners and the Budget Committee began working with a financial forecasting model of the discretionary General Fund in 1988 to study and evaluate Lane County's financial future. The model was designed to predict the outcome of certain choices-- expenditure reductions, revenue enhancements --over a multi-year horizon. Its assumptions can be varied as events unfold, and it effectively demonstrates the nature of Lane County's dilemma. The model helps to focus the thinking of Lane County's policy makers, but does not provide any easy solutions. While financial models are very helpful, one must also be aware of their limitations. Each model is carefully built upon a series of assumptions that represent the best information available at that specific time. A tolerance of a mere one or two percent can alter the model significantly when resources are scarce. The model has forecasted the entire General Fund since FY 03-04.

Over the next five years, costs are expected to continue growing faster than revenues and put continual pressure on the County to reduce costs and services without additional revenue. The chart below best illustrates the problem. As explained earlier, resources are projected to grow at an overall rate of between 3% and 3.5% per year. With future expenditures projected to grow at between 5% and 6%, the structural deficit will continue. Current revenues are not sufficient to fully cover the present and future cost of current services.

The present forecast, shown on the next page, indicates that the spending proposed in the FY 09-10 budget can be sustained for nearly three years, after which time, if no other revenue is found the County will need to begin cutting services again.

# Financial Summary

## GENERAL FUND FORECAST



### 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 08-09 financial forecast projects a discretionary spending limit of up to \$64.6 million. However, due to the loss of Secure Rural Schools funding and after factoring in the General Fund reserve requirement, expenses are forecast at \$43.0 million. This is approximately \$21.5 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.

# Financial Summary

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.

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

