

# General Fund

## General Fund

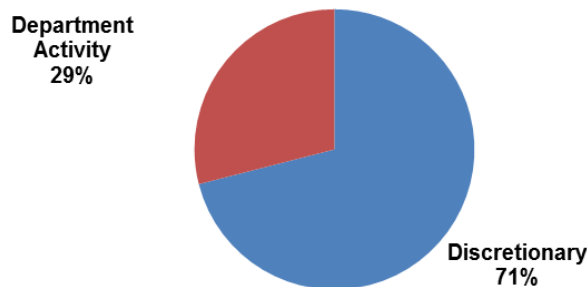
The General Fund is the County’s primary operating fund and supports a multitude of the County’s core services including public safety, public health and general government services such as elections, assessment & taxation and internal support services. For FY 19-20 the total General Fund budget is \$110,431,456, which is an increase of \$1.78 million or 1.65% from the FY 18-19 final modified budget of \$108,648,586.

### General Fund Resources

Resources	FY 19-20	Percent of Bdgt
Current Year Property Taxes	\$42,484,645	38.47%
Other Taxes & Assessments	3,391,538	3.07%
Licenses & Permits	868,050	0.79%
Fines, Forfeitures & Penalties	833,200	0.75%
Property Rentals	235,160	0.21%
Federal Revenue	4,740,233	4.29%
State Revenue	11,530,144	10.44%
Local Revenues	1,805,847	1.64%
Fees & Charges	2,732,833	2.47%
Administrative Charges	13,351,260	12.09%
Interest Earnings	400,000	0.36%
Intrafund Transfers	288,400	0.26%
Transfers from Other Funds	2,044,091	1.85%
Beginning Fund Balance	25,726,055	23.30%
<b>Total Resources</b>	<b>\$110,431,456</b>	<b>100%</b>

The majority of the resources available within the General Fund are discretionary funds, also referred to as discretionary general fund (DGF). These funds are available for distribution to any department or service without specific regulations or requirements and they are generally not generated by specific department activities. DGF is primarily made up of property taxes, federal timber funds, state shared revenues and reserves. DGF is budgeted to total \$78,418,977 in FY 19-20, while revenue generated by department activities is projected at \$32,012,479.

### General Fund Resources - Discretionary v. Department Activity

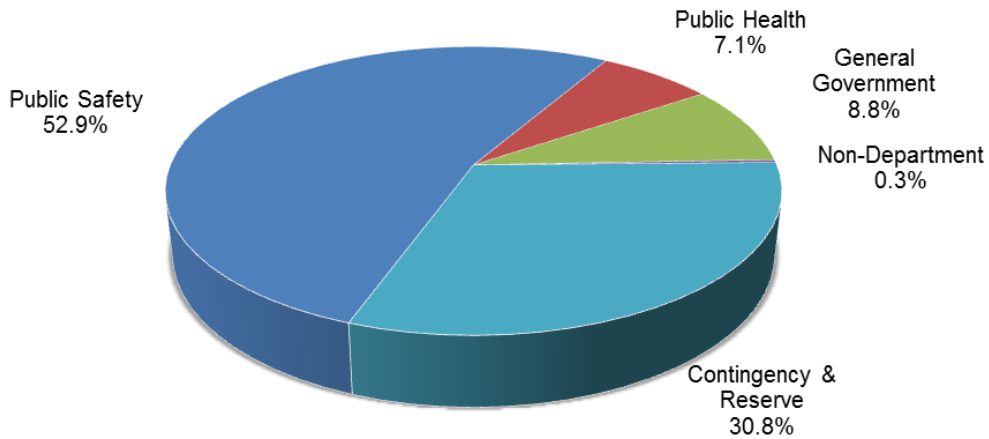


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## Discretionary General Fund by Service Category

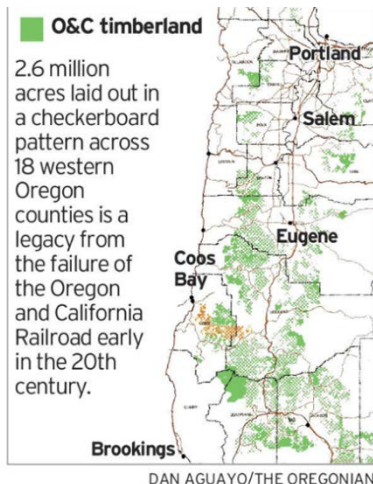
DGF is primarily allocated to the area of public safety, but also must be used to support other services such as public health and general government services including assessment and taxation, elections and internal support functions due to lack of other funds available to pay for those mandated and/or required services. County policy and practice is that DGF is allocated after all other funds available to support a specific service, unless a general fund match or level of support is required. This means that based upon other funding available, the allocation of discretionary general fund can vary slightly from year to year. The services found within each category are identified on the Service Option Sheet Summary found at the end of this section.

### Discretionary General Fund FY 19-20 Allocation by Service Category



The General Fund reserve, which represents 30.8% of the discretionary general funds budgeted to be spent in FY 19-20, has reached the recently adopted level of 20% minimum of operating revenue, while also allocating \$750,000 for a vacancy variance contingency as well as reserves for future capital planning associated with the Countywide CIP.

## A Historical Perspective on Federal Timber Revenue



For well over 90 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.

### *Secure Rural Schools Legislation*

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

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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% of unrestricted or discretionary revenues.

In late 2008, the SRS Act was extended for an additional four (4-year) but at a reducing level based on FY 06-07 funding levels. In mid-2012, the Act was again extended for one (1-year) at 95% of the FY 11-12 funding levels. In the General Fund, the continued step down has caused funding to go from a high of \$15 million in FY 06-07, down to \$4.6 million in FY 12-13. In addition, federal sequestration in 2013 resulted in a decrease of an additional 5.1% of the 12-13 amount, bringing the actual revenue received down to \$4.46 million. In mid-April, 2015, Congress passed an additional two-year extension of the SRS payments, at a continued 5% step down each year. The payment received by Lane County government in FY 15-16 was approximately \$13.66 million – which is \$36.26 million less than was received in FY 07-08 before the step down of payments began. In March 2018, Secure Rural Schools was again renewed for a two year period, with 5% reduction each year. These one-time payments were allocated and reserved in a way that met the strategic initiatives of the County’s 2018-2021 Strategic Plan.

As of June 2019, there is no authorization for additional Secure Rural Schools payments and they are not included in the FY 19-20 budget.

### *Permanent Property Tax Rates and Limitations*

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

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

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

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

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## Comparable County Comparison

In this table, Lane County’s permanent property tax rate is compared to five counties most similar: Washington, Clackamas, Marion, Jackson, and Deschutes. Data was gathered for FY 17-18, the most recent fiscal year in which data is available.

FY 2017-2018 COUNTY COMPARISON						
	Lane	Washington	Clackamas	Marion	Jackson	Deschutes
2018 Population <sup>1</sup>	375,120	606,280	419,425	344,035	219,200	188,980
Area (Square Miles) <sup>2</sup>	4,620	727	1,884	1,194	2,801	3,055
Perm. Rate/1,000 (Rural)	\$1.28	\$2.25	\$2.98	\$3.03	\$2.01	\$1.25
Perm. Rate/1,000 (City) <sup>3</sup>	\$1.28	\$2.25	\$2.40	\$3.03	\$2.01	\$1.25
Net Assessed Value <sup>4</sup>	\$32.3 bil.	\$61.6 bil.	\$46.8 bil.	\$23.6 bil.	\$19.8 bil.	\$22.9 bil.
Average Tax Rate/1,000 <sup>4</sup>	\$15.66	\$17.26	\$16.63	\$16.08	\$14.51	\$15.29
Property Tax Imposed (All Dist) <sup>5</sup>	505.39 mil.	1,063.86 mil.	778.23 mil.	379.20 mil.	286.97 mil.	350.07 mil.
Adopted FY 17-18 Budget <sup>6</sup>	600.9 mil.	1,236.2 mil.	782.5 mil.	412.4 mil.	339.2 mil.	356.2 mil.

<sup>1</sup> Annual Oregon Population Report dated 2018 - Portland State University, College of Urban & Public Affairs, Population Research Center.

<sup>2</sup> State of Oregon Blue Books.

<sup>3</sup> Tax rate paid within the city limits. Clackamas County has a split rate for Rural and City residents.

<sup>4</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-Property Tax Statistics 2017-18.

<sup>5</sup> Taxes to be paid by taxpayers *after* the Measure 5 rate limits have been applied./DOR-Property Tax Statistics 2017-18

<sup>6</sup> FY 17-18 Adopted Budget totals obtained at each County's website.

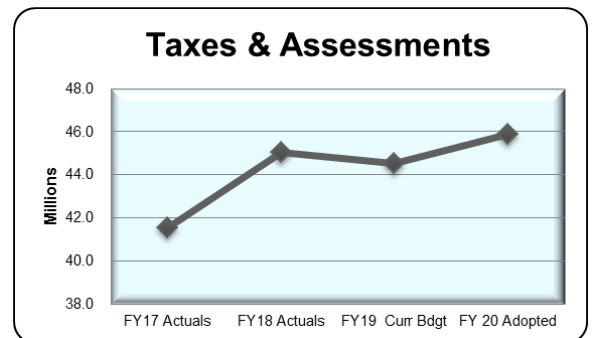
In addition, the 2017-2018 Rate and Value Information for Oregon’s Counties table in the Appendix shows that in that year Lane County continues to be near the bottom of Oregon’s 36 counties as far as overall comparable tax rate is concerned, even when you convert the O&C federal revenue into a comparable 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 taxing districts within Lane County at one point raised their rates to fill in the difference. This results in individual residents in each county paying a similar total property tax bill, but the amount of money received by Lane County government to cover the cost of services is lower than the portion received by most of our comparable counties.

## General Fund Revenues/Resources

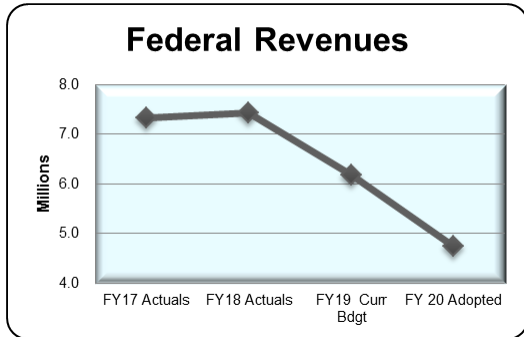
### Taxes and Assessments

In FY 19-20, Taxes and Assessments will make up 41.5% of General Fund resources and will total \$45.9 million. This category includes both current and prior year property taxes along with county car rental tax, the Western Oregon Severance Tax offset, payments in-lieu-of taxes (PILT) from utilities and tax penalties. This revenue overall is up 3.02% compared to FY 18-19. A strong housing economy is resulting in an increase in Property Tax revenue of approximately 3.75% for FY 19-20. Car rental tax also continues to see economy based increases.



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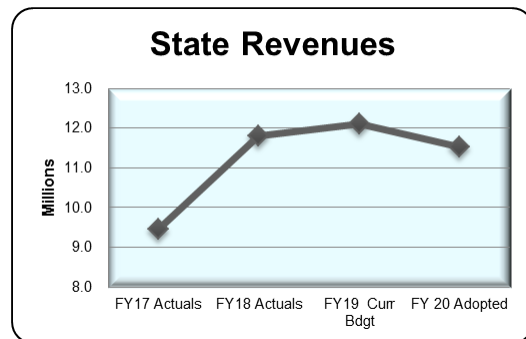
## Federal Revenue



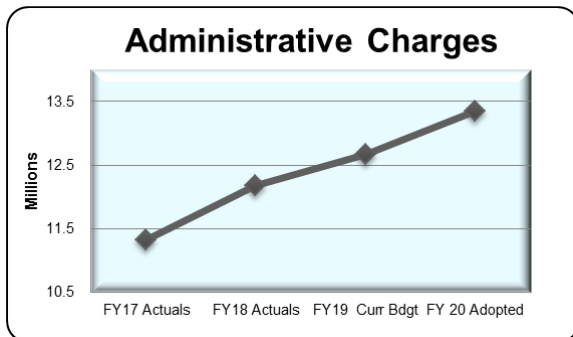
Federal revenues are decreasing by \$1.4 million primarily due to the lack of a Secure Rural Schools (SRS) Act reauthorization. The lack of SRS funding means a return to actual timber harvest revenue from the Bureau of Land Management on O&C Forestland.

## State Revenue

State revenues into the General Fund are estimated at \$11.5 million for FY 19-20, a decrease of 4.7% from the FY 18-19 final budget. State shared revenue for liquor and marijuana taxes have continued steady growth, while cigarette tax and other state grant revenues have experienced decreases. Future projections are for a stabilizing of marijuana and other state revenues.



## Administrative Charges



Internal administrative charges are based upon a federally approved indirect cost allocation plan. A full cost plan and a Uniform Guidance Cost 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 central service departments receive the allocated cost revenue 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 budgeted at \$13.4 million or for FY 19-20, which is a 5.35% increase over FY 18-19.

## Fund Balance

The fund balance carryover from prior year is projected to be \$25.7 million, which is an increase of \$1.2 million from FY 18-19. This increase is primarily attributed to higher than anticipated revenues. Included in the total fund balance is the required reserve being carried forward from the prior year as well as one-time funds available for spending on one-time expenditures. In FY 19-20, no fund balance will be used to pay for ongoing services, which maintains the structurally balanced budget first achieved in the General Fund in FY 17-18.

## Other Revenues & Resources

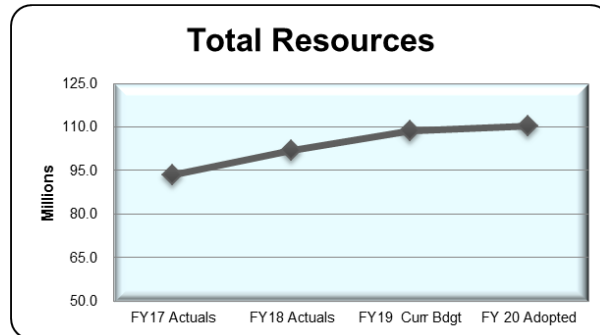
- Licenses and Permits \$868,050

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- Fines, Forfeitures & Penalties \$833,200
- Property Rentals \$235,160
- Interest Earnings \$400,000
- Fund Transfers of approximately \$2.1 million
- Local Revenues of \$1.8 million.

### Total General Fund Resources

General Fund resources will total \$110.43 million for FY 19-20, which is an increase of \$1.8 million or 1.6% from the FY 18-19 budget year.

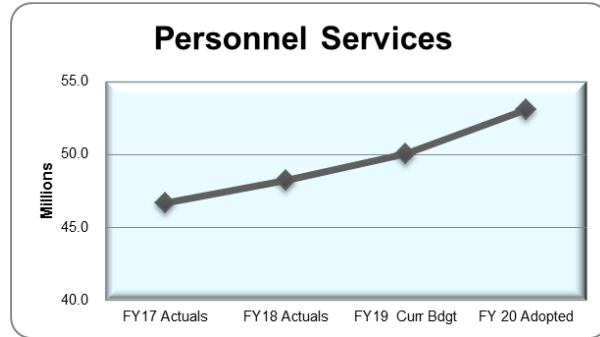


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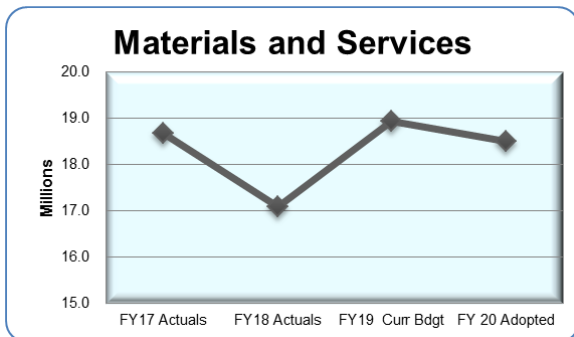
## General Fund Expenditures/Requirements

### Personnel Services

Personnel Services, which includes wages, employer taxes and employee benefits, are budgeted at \$53.1 million in FY 19-20, which is a 6.13% increase from current year. The increase is attributed to market wage adjustments, cost of living increases as well as an increase in the County's PERS employer rate of approximately 25%. The FY 19-20 budget continues to assume a 3% vacancy variance rate in the General Fund to account for position vacancies in the initial budget. For FY 19-20, there is no increase for medical insurance rates or other benefit/employer tax rates. Full-time equivalent positions in the General Fund are increasing by six as described in the Balancing Options topic of the Financial & Planning Summary section of this document.



### Materials and Services

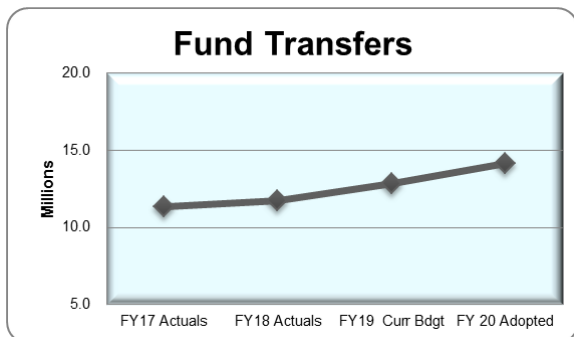


Materials and Services are budgeted at \$18.5 million, which is a decrease of just over \$400 thousand as compared to the current budget year. The FY 19-20 budget contains a one-time expense allocation of \$1 million for a Behavioral Health Crisis Center. Attention to internal charges and cost control continue to help keep this expenditure category relatively flat overall.

### Capital Outlay/Capital Projects

The General Fund has two capital outlay expenditures for FY 19-20 in the total amount of \$95,000 for a vehicle purchase for Emergency Management and replacement of a boat for the Sheriff's Search and Rescue program.

### Fund Transfers

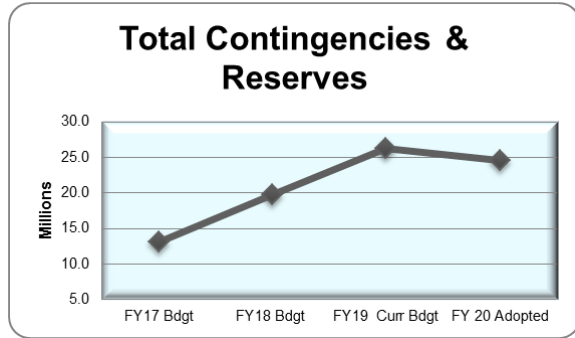


Fund transfers out of the General Fund to other County funds are budgeted at 12.8% of total General Fund requirements and total \$14.2 million. The increase from current year budget is due to the increasing expenses for services, which results in the need for additional General Fund support. The transfers from the General Fund help fund services provided in Health and Human Services, Public Works, and Sheriff's Office to support services such as Public Health, Behavioral Health, Animal Services, Developmental Disabilities, Parole & Probation, and basic needs for Lane County's most vulnerable residents.

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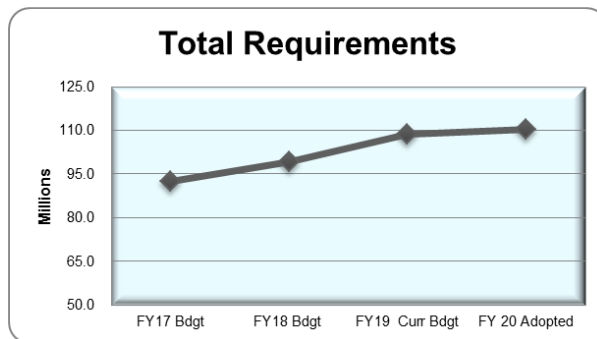
## Reserves & Contingencies

General Fund reserves and contingencies are budgeted at \$24.6 million for FY 19-20, which is a decrease of \$1.7 million from current year. The overall increase in reserves over the past four years as shown on the chart to the right is the result of the County's focus on achieving its goal of a 20% minimum reserve based upon operating revenue, in addition to maintaining a contingency for vacancy variance. The higher reserve level (the County's policy was previously 10%) enables the County to maintain its strong bond rating and provides necessary funds for cash flow prior to receipt of property tax revenue in November or December of each year. The FY 19-20 reserve amount also includes \$6.8 million for future capital planning, consisting of \$4 million for a new Lane County Courthouse and funding for an eventual Parole & Probation relocation and a Technology Services department remodel.



## Total General Fund Requirements

General Fund requirements overall are \$110.43 million, up \$1.8 million or 1.6% from current year.





### **The Structural Deficit**

The FY 19-20 General Fund budget maintains its structural balance for the third time after achieving it for the first time in 7 years in FY 17-18. However, due to the County's low permanent property tax rate, and limited growth under the Oregon constitution, a structural deficit continues to be projected for future years. This is due to expenditures typically growing at a faster rate than revenue. Historically the General Fund revenues have grown between 3-3.5% a year while expenses have grown at between 4% and 5%. Most recently these growth numbers have been lower for both revenue & expenditures, as State & Federal revenues have remains relatively flat – or offset each other. The focus on control of internal costs has maintained stability for the short term; however, without additional revenue the County's General Fund will again face a structural imbalance in the next couple of years.

### **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. The model helps to focus the long range financial planning of Lane County's policy makers, but does not provide 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 point in time. A tolerance of a mere one or two percent can alter the model significantly when resources are scarce.

In future years, costs in the General Fund are expected to continue growing faster than revenues which will put continual pressure on the County to reduce costs and potentially services.

The most recent General Fund Forecast presented to the Budget Committee in May, 2019, forecasted a stable FY 19-20, budget, but showed the potential for a structural deficit again within the next five years dependent upon revenue and expenditure growth and the economy. The financial forecast will be updated again following the final audit of the FY 18-19 actual expenditures and will next be presented publically at the FY 20-21 Leadership Team in January 2020.

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