

Capital Budget

Overview

The Capital Expense budget is Lane County's financial plan for capital acquisition, capital improvements, and construction. The Capital Expense budget for FY 19-20 totals \$38.1 million.

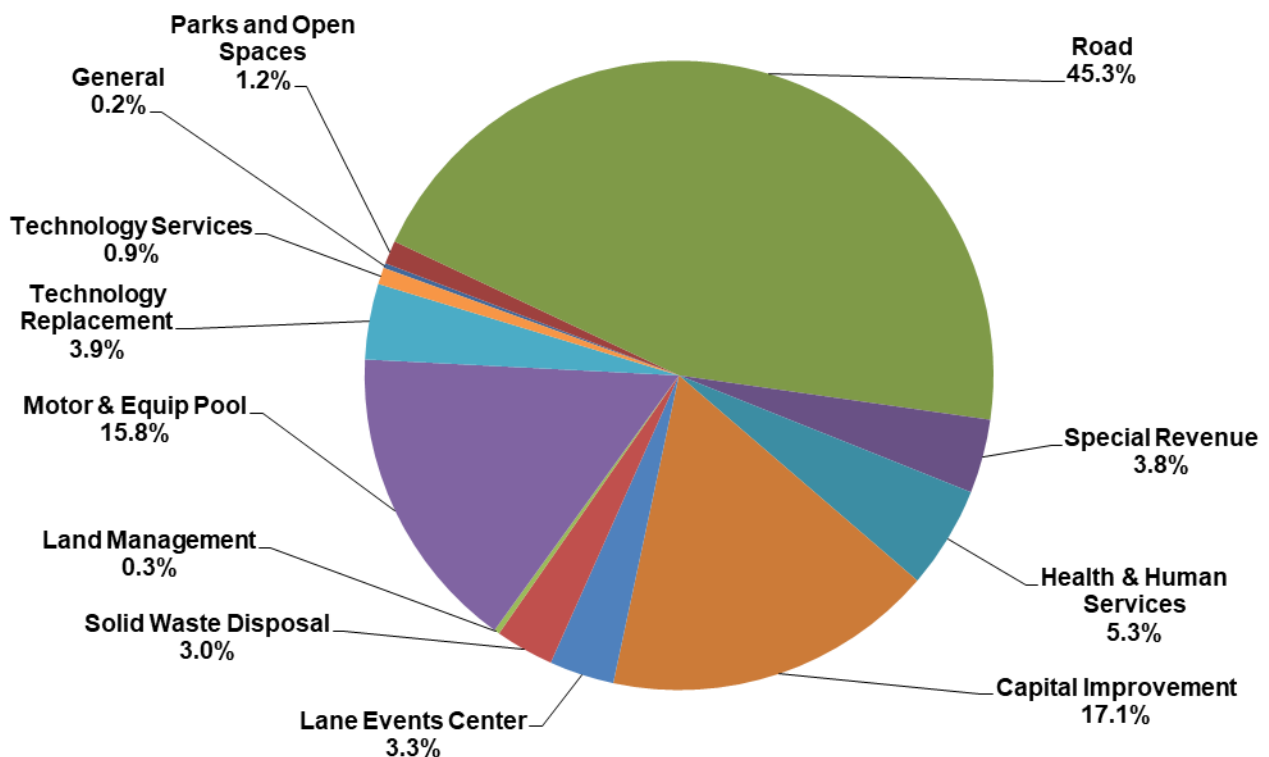
The Capital Expense budget consists of Capital Outlay and Capital Projects. Capital Outlay funds are allocated for the planned purchase and/or replacement of equipment, machinery, land, buildings, furniture or other items which generally have a useful life of more than one year and a value of at least \$5,000. Capital Project funds are allocated for the enhancement, improvement, or renovations to the County's roads and bridges, waste management facilities, parks and open spaces, health facilities, and other County owned facilities.

The Capital Expense budget is distinct from the Operating budget in several ways.

- 1) Capital expense expenditures reflect non-recurring improvements rather than ongoing expenses. When possible, capital projects are funded from one-time, non-recurring funding sources such as debt proceeds or grants, which are not appropriate funding for recurring operating expenses.
- 2) Capital projects tend to be expensive, span more than one fiscal year, and require more stringent control and accountability.
- 3) Several of the sources of revenues to pay for capital expenses are constitutionally or statutorily restricted for use only on capital improvements.

Road Fund projects and purchases have long dominated the County's capital budget, and despite budget reductions over the past 10 years, still make up 45.3% of the total Capital Expense budget for FY 19-20.

Capital Budget by Fund

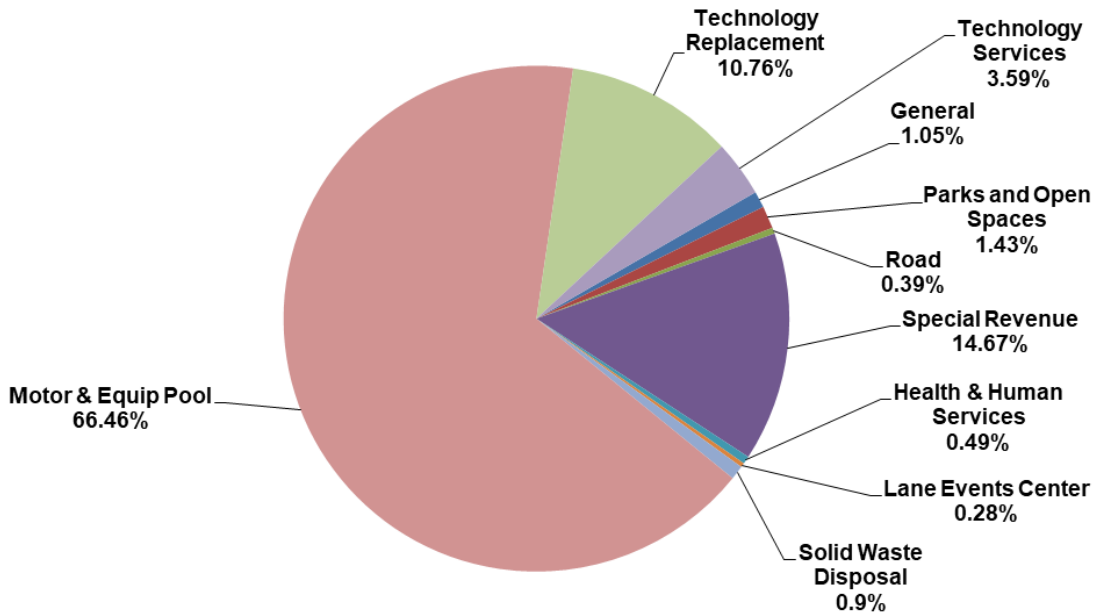


Capital Budget

Capital Outlay

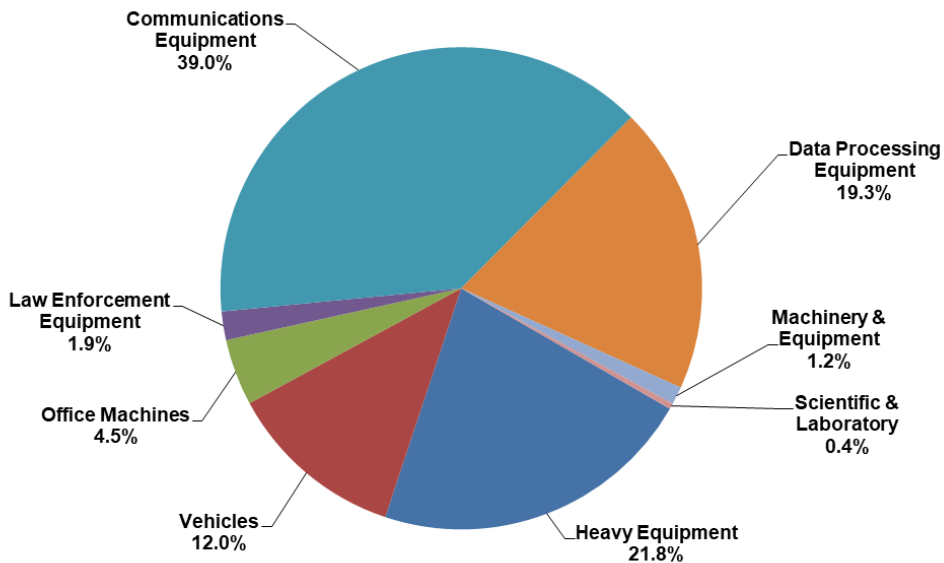
Capital Outlay is the smaller portion of the Capital Expense budget and makes up 23.8% of the total Capital Expense budget at \$9.1 million. The majority of the capital outlay budget is in the Motor & Equipment Pool Fund for the purchase of radios and the radio network in the Sheriff's Office and vehicles in Fleet Services.

Capital Outlay Budget by Fund



Heavy Equipment and Vehicles will make up 33.8% of the capital outlay purchases in FY 19-20, while Communication Equipment, which is outlay for the radio network in the Sheriff's Office, makes up 39.0% of the budget.

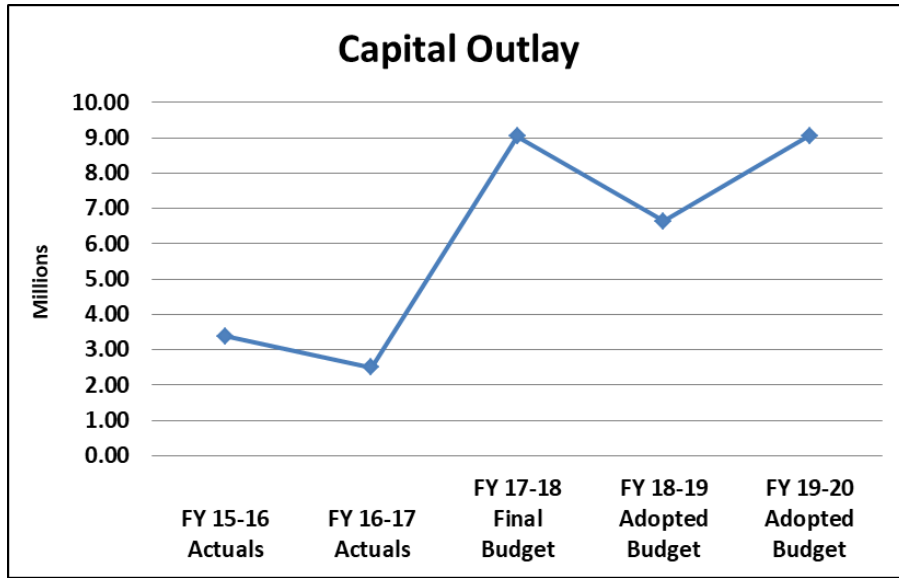
Capital Outlay Purchases by Category



Capital Budget

Capital Outlay acquisitions are a budgeted expense in various operating funds and then received as revenue into replacement funds where purchases are actually made. It is County policy that equipment be appropriately funded for replacement.

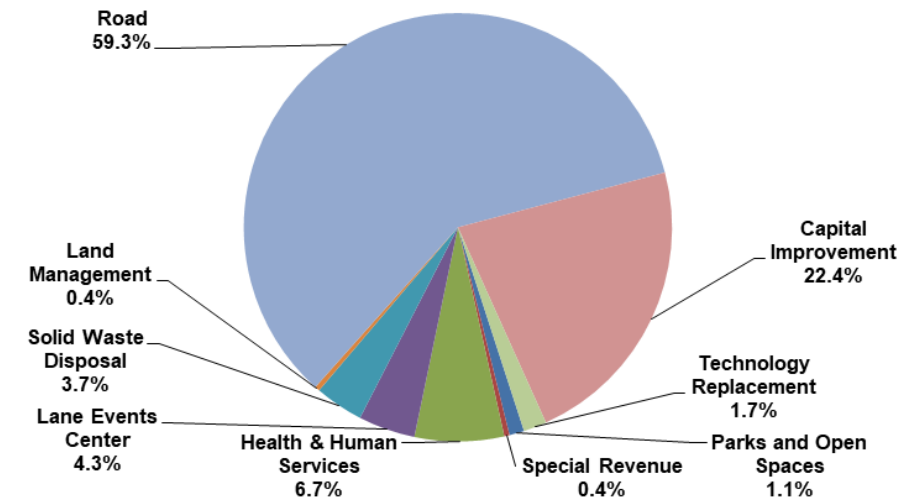
Total Capital Outlay is increasing from the FY 18-19 budget of \$6.6 million to \$9.1 million for FY 19-20. Capital Outlay has stayed relatively flat over the past 5 years, with recent increases attributed to the receipt of new State transportation funding and renewal of Secure Rural Schools funding in the Road Fund.



Capital Projects

Capital Projects make up the majority (76.2%) of the Capital Expense budget at \$29 million, with the largest single share dedicated to transportation projects. Lane County's major facilities projects and acquisitions have been limited for years to routine repairs or emergency projects.

Capital Projects by Fund



Capital Budget

Non-routine Projects

Many projects planned in the Capital Budget are routine in nature, for example; road and bridge preservation, maintenance and construction of the landfill, repairs to facilities, roof replacements, purchase and replacement of data processing equipment, and fleet vehicles, etc. Large scale major projects and purchases that may have an impact on operations are called out in this section.

Selection of non-routine projects is the result of coordination between the Facilities Planning & Construction Office and the County's Facilities Committee, which includes two Commissioners, the County Administrator, the Management Services Director, and three Department Directors, at least one of whom must be elected. The Committee meets monthly or as needed. For large scale projects, the Capital Projects Manager presents project plans to the Committee and, once a proposed project scope receives the Committee's endorsement, it is advanced to the Board of County Commissioners for award of contract.

To assist with future non-routine project selection, the County's current strategic plan includes a comprehensive condition assessment of all County facilities upon which a facilities master plan will be developed. The effort will assist in the identification of facility improvement priorities and help to more formally guide project development.

Facilities Planning and Construction Overview

Facilities Planning and Construction staff have been carefully monitoring the prevailing costs of construction as the capacity of local commercial contractor resources remains scarce and demand a significant premium to be procured. As the cost of construction continues to rise locally and nationally, Facilities Planning and Construction staff have adopted a cautious and deliberate approach to commencing large projects, deferring the work where possible so that it may potentially benefit from a more favorable bidding and procurement environment. For this reason, there are no major, non-routine capital construction projects planned for the upcoming fiscal year. Rather, staff plans to continue to engage in a number of strategic, small-scale projects intended to meet key operational needs of individual departments, address the deteriorating condition of specific building systems, and expeditiously resolve unforeseen and urgent repairs that may be required. Some of the more notable small projects are described here.

Countywide Capital Improvement Plan Summary

In 2016, Lane County's independent performance auditor found that "Lane County's capital assets are aging in all categories analyzed, putting the County at risk for significant replacement or repair costs or service disruptions."

The County has developed a 5-year Countywide Capital Improvement Plan (CIP) for FY19-20 to FY23-24. The Countywide CIP contains three types of projects:

- Standard Form Projects - that have identified funding sources and have completed an initial planning process
- Preplanning Form Projects – that have an identified need but not an identified funding source
- Community Investments – highlights investments that the County makes into community projects

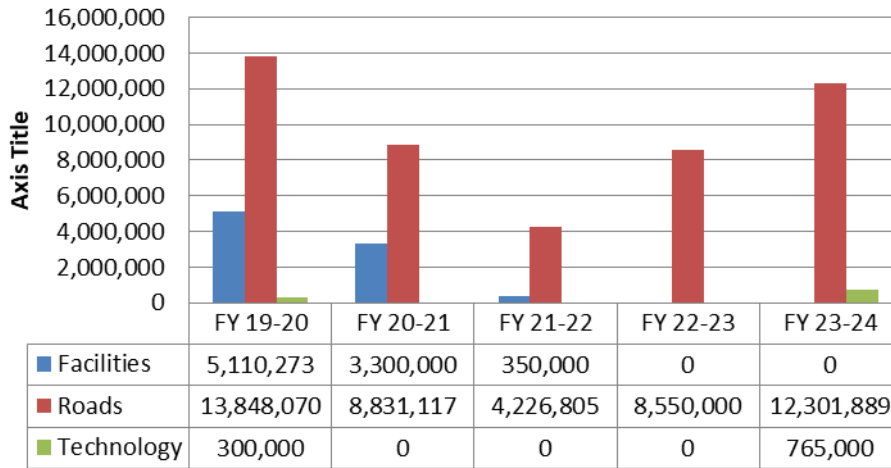
Submitted projects fall into one of the following categories:

- Roads
- Facilities
- Technology
- Waste Management

Capital Budget

The Standard Projects submitted total \$57,583,154 over the 5 year plan, distributed as follows:

Standard Projects over 5 years



Long Term Financial Planning & Link to Capital Planning

Lane County’s focus on Long Term Financial Planning begins with policies to guide both current and future decision making. The County’s policies are intended to support the County’s Strategic Plan and provide guidance in day to day operations to ensure overall long-term financial stability.

Lane County’s management policies include specific direction on long-range financial plans, with the following policy, which was revised on May 1, 2018 to provide for financial forecasts for all County operating funds: Lane Manual (LM) 4.010(1)(c) – Long range financial plans, including financial forecasts of revenues and expenditure estimates will be completed for all operating funds to ensure financial and service stability.

Lane County’s model of financial forecasting currently includes 5 year financial forecasts for the General Fund and Road Fund which are annually presented to the Board of Commissioners through the budget process. Public Works also prepares financial forecasts for their major operating funds. Beginning in 2018, Health & Human Services prepared and presented a 5 year financial forecast for the Community Health Centers and additional financial forecasts will be developed for other operating funds in the future as directed by this policy. These forecasts include expenditures for capital expenditures where applicable.

Specific to capital expenditures and general capital improvement projects, the County focuses on its Strategic Priority of Robust Infrastructure in a variety of ways, as described in the Introduction section of this document, including maintaining a balance between operations and capital expenditures:

LM 4.010(1)(b) “The County budget will provide for an appropriate balance between operating and equipment/capital portions of the budget to ensure that equipment and facility maintenance and replacement are adequately funded and are appropriate when compared to service levels.”

Finally, County policy ensures a consistent level of funding based upon existing facility usage: LM 4.010(3)(f) provides that “Depreciation and use revenues are to be received into the Capital Improvement Fund and assigned to general capital improvement projects as approved by the Board.” The indirect cost

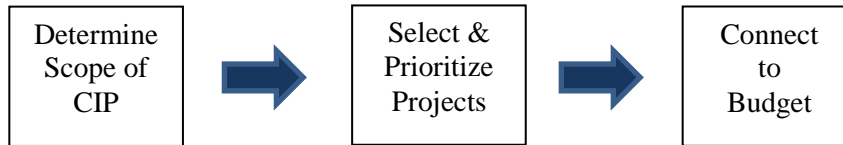
Capital Budget

allocation plan is prepared prior to the County’s annual budget process and is verified and budgeted by departments as part of the budget development process.

Overall, the County’s long term financial planning efforts are focused on maintaining a structurally balanced budget, ensuring that recurring expenditures are at or below recurring revenues which ultimately provides that one-time revenues are available for one-time expenditures or projects.

Link to County Budget

For this CIP, draft project forms were submitted prior to the preparation of the FY 19-20 budget. The Draft CIP was presented to the BCC on December 18, 2018. The process that will link the CIP to the Budget will include the following steps:



Impact of Capital Expenditures on Operating Budgets

The majority of funds spent by the County in its Capital Expense budget are restricted use funds that must be used for roads, bridges or other capital expenses. As part of the CIP development, projects forms identify known operating budget impacts (either in terms of savings or additional expense) as follows:

IMPACT ON OPERATING BUDGETS							
Project Name	FY19-20	FY20-21	FY21-22	FY22-23	FY23-24	5 Year Total	Description
Public Service Building Re-Roof	\$ (3,000)	\$ (3,120)	\$ (3,245)	\$ (3,375)	\$ (3,510)	\$ (16,250)	Reduces maintenance cost
Developmental Disabilities Expansion (Remodel)	\$ 100,000	\$ -	\$ -	\$ -	\$ -	\$ 100,000	Hiring additional staff; after first year additional revenue will cover additional personnel costs.
TOTAL IMPACT	\$ 97,000	\$ (3,120)	\$ (3,245)	\$ (3,375)	\$ (3,510)	\$ 83,750	

The County’s FY 2020-2024 document can be viewed at: www.lanecounty.org under Government, Budget & Finance, Capital Projects, 2020-2024 County Capital Improvement Plan.

Capital Budget

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