

**To: Finance and Audit**  
**Meeting Agenda April 20, 2017**

Sid Leiken                      Member  
Pat Farr                         Member  
Mike Cowles                  Member

Steve Mokrohisky          County Administrator  
Andy Clark                     County Counsel  
Christine Moody              Budget/Financial Planning Manager  
Robert Tintle                 Financial Services Manager

Meeting:                        Thursday April 20, 2017  
Time:                             1:45to 3:15p.m. in the BCC Conference Room

**Agenda**

1. Approval of Minutes for the March 16, 2017 Finance and Audit Meeting.
2. In the Matter of recommending the Five-year Parks and Open Space System Development Charge Capital Improvement Plan (Parks CIP) for FY 17/18 through FY 21/22  
Presented by; Mike Russell, Parks and Animal Services Division Manager
3. Reserve and General Fund Lapse Policy Review  
Presented by; Christine Moody, Financial Planning Manager

**To: Finance and Audit**

<b><u>Meeting March 16, 2017, Roll Call</u></b>			
<b>Leiken</b>	<b>Farr</b>		<b>Cowles</b>
Present	Present		Present
<b>Mokrohisky</b>	<b>Clark</b>	<b>Moody</b>	<b>Tintle</b>
Present	Present	Excused	Present

Sid Leiken                      Member  
Pat Farr                         Member  
Mike Cowles                    Member

Steve Mokrohisky            County Administrator  
Andy Clark                     County Counsel  
Christine Moody              Budget/Financial Planning Manager  
Robert Tintle                 Financial Services Manager  
Meeting:                        March 16, 2017  
Time:                             1:45 to 3:15 p.m. in the BCC Conference Room

**Agenda**

1. Approval of Minutes for the February 16, 2017 meeting. The January 19, 2017 meeting was cancelled due to no agenda items.  
**Motion:** to approve, Mike Cowles, Sid Leiken 2nd, motion unanimous
2. PRESENTATION of the Annual Debt Affordability Report, Presented by; Robert Tintle, Financial Services Manager  
**Motion:** Informational no action necessary
3. In the Matter of Authorizing Refunding of the County’s Full Faith and Credit Obligations, Series 2003B and Series 2009A, Presented by; Robert Tintle; Finance Services Manager  
**Motion:** to recommend to move to the Lane County Board of Commissioners to approve the order authorizing refunding of the County’s Full Faith and Credit Obligations, Series 2003 B and Series 2009A. to approve, Mike Cowles, 2<sup>nd</sup> Pat Farr, motion unanimous

Memorandum Date: 4/10/2017  
Order Date:

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**TO:** Finance & Audit Committee

**DEPARTMENT:** Public Works, Parks & Animal Services Division

**PRESENTED BY:** Mike Russell, Parks and Animal Services Division Manager

**AGENDA ITEM TITLE:** In the Matter of recommending the Five-year Parks and Open Space System Development Charge Capital Improvement Plan (Parks CIP) for FY 17/18 through FY 21/22.

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**I. MOTION**

Recommend the Board adopt the five-year Parks and Open Space System Development Charge Capital Improvement Plan (Parks CIP) for FY 17/18 through FY 21/22 as recommended by the Parks Advisory Committee.

**II. AGENDA ITEM SUMMARY**

The Finance and Audit Committee is being asked to recommend the five-year Parks and Open Space SDC CIP for FY 17/18 through FY 21/22 in accordance with Lane Code Chapter 4 and the Lane County Administrative Procedures Manual (APM) Chapter 1, Section 2b.

**III. BACKGROUND/IMPLICATIONS OF ACTION**

**A. Committee Action and Other History**

The Parks & Animal Services Division of Public Works prepares the draft Five-Year Parks and Open Space SDC Capital Improvement Plan (Attachment A) for review by the Parks Advisory Committee (PAC) each year and submits the PAC's recommendation for approval to the Board of County Commissioners. The APM requires that the program be presented to the Finance and Audit Committee for their recommendation. Even if there is no request to appropriate SDCs, Parks presents the current list to update the PAC and Board of Commissioners on Parks capital project needs.

SDCs were appropriated for and used in support of a new campground in Armitage Park (completed in 2009), to facilitate the acquisition of the 1250-acre Wildish property by The Nature Conservancy in 2010, for the Armitage Campground Hilltop Restroom (completed in July 2014), to support the Lane County Parks Master Plan Update (in 2015), and the Harbor Vista Campground Expansion (completed by June 2017).

Staff has identified \$10,000 for SDC allocations to the Harbor Vista Sewer project in the Parks CIP for FY 17-18.

**B. Policy Issues**

Lane Code 4.670 provides that the County shall adopt, by order, a Parks CIP which lists the projects to be funded with SDC revenues, their estimated costs, and timing. The County may, by order, amend the list to add or remove projects at any time. For the purpose of continuity and project prioritization, the CIP includes all capital projects, including those not eligible for SDCs.

Lane County Administrative Procedures Manual (APM) Chapter 1 Section 2b provides that new capacity-increasing capital improvements and/or development to accommodate growth and funded by Parks and Open Space SDC revenues shall be guided through annual development of a five-year Parks SDC Capital Improvement Plan list.

**C. Board Goals**

The Parks CIP is consistent with Lane County's Strategic Plan's strategic priority related to infrastructure by investing in the parks system for the benefit of all visitors.

**D. Financial and/or Resource Considerations**

Land sale revenue, SDC funds, and reserves have been used as a grant match for projects in the past.

Parks staff has been identifying other funding sources for reinvestment in infrastructure not eligible for SDCs such as tax foreclosed property sales, State Parks grants, foundation grants, and new revenue options for services. Most of the projects in the CIP envision leveraging County funding resources with grant funds, donations, volunteer resources, and other partnership opportunities.

Over the last several years, The Parks Advisory Committee has chosen to let the SDC fund build rather than allocate it out for projects. This was needed because the fund had been depleted by the construction of Armitage Campground and revenues into the fund had slowed with the economic downturn. Current estimates for revenue are \$34,000 with estimated total available resources for the Parks SDC Fund at \$94,602 by end of FY 16-17.

In anticipation of the need to have substantial match for Phase 2 of Armitage Campground, staff recommends continuing to let the fund accrue revenue for another year.

**E. Analysis**

There are no new projects proposed within the program at this time. Staff feels that further programming of priorities should wait until the completion of the Parks Master Plan Update where future investment priorities may be identified.

Therefore, the Draft FY 18-22 CIP as presented in Attachment A shows the redline changes proposed by staff that are mostly shifting project priorities to spread projects out in a more manageable fashion. As you may remember, the FY17-21 CIP you recommended last year had a heavy project load in the third year of the program. Staff

stated at that time that the distribution of projects across the 5-year timeline would be reevaluated and proposed for the FY 18-22 draft CIP. In general, projects have been shifted out to future years and distributed to better reflect a more realistic timeline for construction of the projects. The CIP has historically been ambitious in its programming in that big projects are listed each year and assumes planning and permitting are occurring in a timely manner.

As you know, projects that appear in the first year of the program are typically far along in the development process and will have funding sources identified. Projects beyond the first year may have some level of planning, but may not have funding at this time.

Projects for FY 17-18 and their status are discussed below.

- **Perkins Peninsula Play Structure** – The Parks & Animal Services Division was unsuccessful in getting a grant under the Local Government Opportunity Grant Program administered by the Oregon Parks & Recreation Department. It is staff’s intention to reapply for a grant for the project as there has been substantial planning performed and community support is high.
- **Hendricks Bridge Park Boat Ramp** - The Parks & Animal Services Division has been working with the Oregon State Marine Board to acquire the necessary environmental permits for this project. The most recent project timeline estimates construction in 2019, but staff is proposing to program costs in FY 17-18 in case some construction can begin before July 2018.
- **Perkins Peninsula Park Boat Ramp Expansion** – This project was moved off of the program tables as a result of the redistribution of projects. It remains a priority, however, it was moved to the “Projects for Development” list as it realistically could not be programmed within the next five years due to the other priorities.
- **Harbor Vista Campground Sewer** – The Parks & Animal Services Division continues to work with the City of Florence on annexing the park into the city in anticipation of the extension of city sewer service to the park. An agreement with the City of Florence needs to be executed regarding the sharing of costs. Staff hopes to accomplish this soon and have construction completed by May 29, 2017.

The \$10,000 identified in the CIP is the only allocation of SDC’s proposed in the draft and is intended to cover a proposed payment for deferred costs related to the project. Depending on negotiated terms with the City of Florence, this amount may change.

The only allocation of SDC funds being proposed is for the Harbor Vista Sewer project. APM Chapter 1 Section 2b directs that the following items be addressed for each project:

**1) Is this project a priority in the Parks Master Plan?**

The Harbor Vista Campground Expansion has been a priority in the Parks CIP since the five-year plan was developed in 2012. The Division was successful in securing a grant from the County Opportunity Grant Program in 2014 and construction on the project has begun.

**2) Is this project listed on the Parks SDC CIP?**

The project is listed on the Parks SDC CIP under the Campsites category for \$10,000 in each of the five years of the program as a deferred payment to the City of Florence for the extension of sanitary sewer to the park.

**3) Has this project been supported by the PAC?**

The project has been consistently supported by the Parks Advisory Committee each year it has been in the program.

**4) What strategic opportunity, if any, does this project address?**

The project extends sanitary sewer service to the park and provides direct hookup at each site for RV's instead of utilizing an RV dump station and drain field. This provides increased amenity and environmental benefits to the park and the potential to charge more for sites that are served by sanitary service.

**5) What other funds may be leveraged for project completion, if any, (i.e. grants, in-kind matches, donations, public-private partnerships, operations funds)?**

The Division was successful in securing a \$90,000 grant from the County Opportunity Grant Program in 2014. A combination of SDC's and Operations budget is being used as match to complete the project.

**6) What portion of project work and subsequent costs, if not all, will be for growth-required new park capacity increasing capital improvements as authorized by ORS 223.309 and LC 4.645?**

The provision of sanitary sewer service from a municipal provider is 100% new capacity to the park. The project also includes the creation of seven additional camp sites within the 38-site park.

**7) How will the project be accomplished if no SDC funds are approved?**

If SDC's are not approved, funding will come from the Parks Operations fund, property sales, or timber sales.

**8) Will the project require any interagency cooperation?**

The project requires cooperation with the City of Florence for extension of sanitary sewer service, annexation of the park property, and on-going maintenance of the sewer system once installed.

**9) Is the project dependent upon land use, building, or other permit approvals?**

Since the proposal is utilizing city services, the City of Florence requires annexation of the park property. Parks is in the process of processing that request.

**10) How will ongoing operations and maintenance costs be integrated into the budget?**

Ongoing operations and maintenance costs will be integrated into the annual

Parks Fund budget under the Materials & Services budget. Additional revenue from the new campsites is anticipated to offset these costs. Ongoing maintenance of the sanitary sewer system will be performed by the City of Florence.

**F. Alternatives/Options**

1. Recommend the five-year Parks and Open Space SDC Capital Improvement Plan for FY 17/18 through FY 21/22 to the Board of Commissioners.
2. Modify the five-year Parks and Open Space SDC Capital Improvement Plan.
3. Do not recommend the five-year Parks and Open Space SDC Capital Improvement Plan and provide direction to staff on how to proceed.

**IV. TIMING/IMPLEMENTATION**

The Parks CIP must be presented to the Board of Commissioners prior to the adoption of next year's County budget that typically occurs in June each year. This requires the PAC to provide its recommendation to the Board by April to give staff and the Board enough time to process the recommendation.

Projects are ongoing, some requiring significant lead time. Timing is projected to coincide with the fiscal year, permit and land use approvals, and external grant funding timelines.

**V. RECOMMENDATION**

Staff recommends Option 1.

**VI. FOLLOW-UP**

If the motion is passed, Parks will prepare an agenda packet for the Board of Commissioners to present the recommendation for adoption. Individual project approvals will be presented to the Board as a matter of regular project processes.

**VII. ATTACHMENTS**

- o Exhibit A – Recommended Parks and Open Space SDC Capital Improvement Plan Five-Year Priorities List for FY 17/18 through FY 21/22.

**DRAFT Parks and Open Space FY 18-22 SDC CIP**

EXHIBIT A

The FY 17/18 through FY 21/22 Lane County Parks SDC Capital Improvement Program is based on the assumption that projects will be completed as scheduled even if funding is uncertain. The program projects are scheduled based on relative priority derived from criteria such as secured grant funding, critical infrastructure need, Parks Advisory Committee and citizen input and, ultimately, Board of County Commissioners approval.

<b>CATEGORY</b>	<b>FY 17-18</b>	<b>FY 18-19</b>	<b>FY 19-20</b>	<b>FY 20-21</b>	<b>FY 21-22</b>	<b>5 YR Total</b>
<b>ANNUAL TOTALS BY CATEGORY</b>						
LAND ACQUISITION	\$ -	\$ 50,000	\$ -	\$ -	\$ -	\$ 50,000
PARK DEVELOPMENT	\$ 150,000	\$ 150,000	\$ 200,000	\$ 250,000	\$ 175,000	\$ 925,000
BOAT RAMPS	\$ 300,000	\$ -	\$ -	\$ 200,000	\$ 200,000	\$ 700,000
MARINAS	\$ -	\$ -	\$ 500,000	\$ -	\$ -	\$ 500,000
CAMP SITES	\$ 10,000	\$ 810,000	\$ 10,000	\$ 110,000	\$ 10,000	\$ 950,000
LONG-RANGE PLANNING	\$ -	\$ 50,000	\$ 75,000	\$ 20,000	\$ -	\$ 145,000
Annual CIP	\$ 460,000	\$ 1,060,000	\$ 785,000	\$ 580,000	\$ 385,000	\$ 3,270,000
Project Specific Revenue / Grants		\$ -	\$ -	\$ -	\$ -	\$ -
Identified SDC Allocation	\$ 10,000					
Net Parks Division Cost	\$ 450,000	\$ 1,060,000	\$ 785,000	\$ 580,000	\$ 385,000	\$ 3,260,000

**DRAFT Parks and Open Space FY 18-22 SDC CIP**

EXHIBIT A

CATEGORY	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22
LAND ACQUISITION					
Three-mile Prairie - Expansion <sup>1</sup>		\$ → 50,000			
TOTAL	\$ -	\$ 50,000	\$ -	\$ -	\$ -

CATEGORY	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22
PARK DEVELOPMENT					
Armitage Park - Play Structure <sup>2</sup>		\$ → 150,000			
Heceta Beach - Restroom Replacement <sup>3</sup>				\$ → 150,000	
Perkins Peninsula Park - Picnic Shelter/Circle <sup>4</sup>					\$ → 75,000
Perkins Peninsula Park - Play Structure <sup>5</sup>	\$ → 150,000				
Richardson Park - Replace Day Use #3 Restroom <sup>6</sup>			\$ → 200,000		
Park Play Structure Program <sup>7</sup>			<del>\$ 100,000</del>	\$ 100,000	\$100,000
TOTAL	\$ 150,000	\$ 150,000	\$ 200,000	\$ 250,000	\$ 175,000

CATEGORY	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22
BOAT RAMPS					
Hendrick's Bridge Park Boat Ramp & Parking Lot Improvements <sup>8</sup>	\$ → 300,000				
Westlake Boat Ramp - Expansion (double) <sup>9</sup>					\$ → 200,000
<del>Perkins Peninsula Park Boat Ramp Expansion<sup>40</sup></del>			<del>\$ 250,000</del>		
Triangle Lake Transient Dock & Restroom Replacement <sup>11</sup>				\$ → 200,000	
TOTAL	\$ 300,000	\$ -	\$ -	\$ 200,000	\$ 200,000

CATEGORY	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22
MARINAS					
Baker Bay Marina - Expansion <sup>12</sup>			\$ 500,000		
TOTAL	\$ -	\$ -	\$ 500,000	\$ -	\$ -

**DRAFT Parks and Open Space FY 18-22 SDC CIP**

EXHIBIT A

CATEGORY	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22
CAMP SITES					
Richardson Campground - 6-site development <sup>13</sup>				\$ 100,000	
Armitage Campground - Phase II (40 campsites) <sup>14</sup>		\$ 800,000			
Harbor Vista Campground sewer <sup>15</sup>	\$ 10,000	\$ 10,000	\$ 10,000	10,000	\$ 10,000
TOTAL	\$ 10,000	\$ 810,000	\$ 10,000	\$ 110,000	\$ 10,000

CATEGORY	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22
LONG-RANGE PLANNING					
<del>Parks Master Plan</del> <sup>16</sup>					
Fern Ridge Sewage Lagoon - Options Study <sup>17</sup>		\$ 50,000			
HBRA Master Plan Update <sup>18</sup>			\$ 75,000		
Mountain Biking Trail Feasibility Study <sup>19</sup>				\$ 20,000	
TOTAL	\$ -	\$ 50,000	\$ 75,000	\$ 20,000	\$ -

**PROJECTS FOR FUTURE DEVELOPMENT - Not Yet Scheduled**

CATEGORY	Cost Estimate
PARK DEVELOPMENT	
- Save Camp Lane! Campaign	?
- Perkins Peninsula Park - Campground Development	\$ 800,000
- Eagle Rock Park Development	\$ 100,000
- Kienzel Barn Restoration	\$ 500,000
- Camp Lane Sewer System Upgrade	\$ 600,000
- Fern Ridge Sewer System Upgrade	\$ 750,000
CAMP SITES	
- Harbor Vista Campground - Play Structure replacement	\$ 150,000
- Harbor Vista Campground -Cabins	\$ 200,000
BOAT RAMPS	
- Triangle Lake - Courtesy Dock Replacement	\$ 80,000
- Perkins Peninsula Park Boat Ramp Expansion <sup>10</sup>	\$ 250,000
PLANNING	
Eugene to Pacific Crest Trail Connection	\$ 100,000

NOTES

1. Three-mile Prairie Expansion - This land acquisition project is intended to gain direct access to this land-locked parcel.
2. Armitage Park Play Structure - This project is added as a result of frequent requests from park visitors for this amenity. The plan is to make this part of the Phase II campground expansion project.
3. Heceta Beach - Restroom Replacement - This project replaces a vault system with a flush system and allows for reconfiguration of the existing parking lot to accommodate more parking spaces.
4. Perkins Peninsula Park - Picnic Shelter/Circle - This project establishes a picnic shelter or circle, similar to those we currently have at Orchard Point Park.
5. Perkins Peninsula Park - Play Structure - This project is added as a result of frequent requests from park visitors for this amenity. Parks anticipates applying for Local Government Opportunity Grant funds from Oregon Department of Parks and Recreation.
6. Richardson Park - Replace Day Use Restroom #3 - This project replaces the existing structure that is experiencing structural cracking due to settling.
7. Park Play Structure Program - The intent of this line item is to prioritize the construction of play structures in Lane County Parks that do not have them.
8. Hendrick's Bridge Park - Boat Ramp and Parking Lot Improvements - Identified as a "high" priority by the Oregon State Marine Board (OSMB), this project will improve the boat ramp and expand the parking lot to better accommodate vehicles with a trailer. Environmental permitting work is currently progressing. The identified amount is for construction costs and anticipated to be partially funded by a grant from OSMB.
9. Westlake Boat Ramp - This project improves this popular boat ramp to accommodate two streams of traffic in and out of the lake.
10. Perkins Peninsula Park Boat Ramp Expansion - This project improves this popular boat ramp to accommodate two streams of traffic in and out of the lake.
11. Triangle Lake Transient Dock Replacement - This project replaces an aging dock that was removed due to safety concerns. This project is anticipated to be funded by a grant from the Oregon State Marine Board.
12. Baker Bay Marina Expansion - This project will update and expand the current facility. No funding has been identified for this project. A possible funding source could be the sale of bonds similar to what was done for Richardson Park Marina, using slip rental fees to repay the bond over time. Currently, there are over 75 customers on the waiting list for moorage at Baker Bay. Some have been waiting for over 10 years.
13. Richardson Park Campground - 6-site Development - This project develops 6 planned camp sites to include electrical, water, and sewer hookups.
14. Armitage Park Campground - Phase II - This project develops up to 40 planned camp sites to include electrical, water, and sewer hookups.

NOTES

15. Harbor Vista Campground Sewer - These amounts are deferred improvement payments to the City of Florence anticipated as a result of an intergovernmental agreement related to the sewer project. In FY17-18 this will be entirely funded with SDCs and is anticipated to be paid this way in the future.

~~16. Parks Master Plan - This is the remaining amount that may be needed to complete the Lane County Parks Master Plan. This will be entirely funded with SDCs in FY16-17.~~

17. Fern Ridge Sewage Lagoon - This planning project is intended to provide the Division with a study and recommendations for the future operation, capacity, and configuration of the sewage facility that serves our Fern Ridge parks.

18. HBRA Master plan update - Update planned for the Howard Buford Recreation Area Master Plan.

19. Mountain Biking Feasability Study - This project evaluates the current park land inventory to determine if there are opportunities to provide accommodation for mountain biking activity.



## AGENDA COVER MEMORANDUM

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AGENDA DATE: April 20, 2017  
PRESENTED TO: Finance & Audit Committee  
DEPARTMENT: County Administration  
PRESENTED BY: Christine Moody, Budget & Financial Planning Manager  
AGENDA TITLE: Reserve and General Fund Lapse Policy Review

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### I. MOTION

Discussion Only

### II. AGENDA ITEM SUMMARY

Reviewing recommendations on changes to Reserve and General Fund Lapse policies.

### III. BACKGROUND/IMPLICATIONS OF ACTION

#### A. Board Action and Other History

Current policies found in Chapter 4 of Lane Manual, specifically 4.010 and 4.011.

#### B. Policy Issues

Current reserve policy:

- *Lane Manual 4.010(3)(b)*  
*“The County will strive to maintain a minimum of a 5% Prudent Person Reserve for all funds except the General Fund...”*

Current General Fund reserve policy:

- *Lane Manual 4.011*
  - *10% of General Fund operating revenues*
    - *5% Emergency Reserve*
    - *5% Economic Stabilization Reserve*

Current General Fund Lapse policy:

- *Lane Manual 4.010(5)*  
“Each department utilizing General Fund resources is expected to lapse 2% of net General Fund use....”

Recommendation to change policies based upon experiences of Lane County, change in need for cash within General Fund due to heavier reliance on property tax revenue, strengthening of ability to maintain and improve bond ratings and decrease budget to actual variances.

#### C. Strategic Plan

Lane County’s budget and financial management policies support the County’s Strategic Plan priorities and the commitment to open and accountable government and wise stewardship of public funds.

#### D. Financial and /or Resource Considerations

Overall financial management will be strengthened with an update to reserve and lapse policies to meet current best practices and the practical needs of Lane County.

#### E. Health Implications

There are no known health implications associated with adoption of this action.

#### F. Analysis

Overall reserve policy of 5% minimum is not sufficient in some funds and is excessive in others. Examples of areas where 5% is not sufficient includes the Road Fund, which maintains billions of dollars in road and bridge assets. As the size of the Road Fund has decreased dramatically with the loss of timber payments, a 5% reserve would not safeguard the County’s assets. Other funds such as Parks, need additional reserves in order to provide higher service levels at the beginning of the fiscal year – prior to receipt of revenue – when the weather results in higher demand. Finally, the Land Management Fund maintains a larger than 5% reserve in order to safeguard service levels in the event of an economic downturn similar to what occurred in 2009.

Additionally, certain types of funds by their nature do not require a 5% reserve. These include debt service funds which receive transfers from other County funds in order to make a debt payment – the amounts essentially pass through the debt service fund. Internal Service Funds are designed to collect only the amount needed to provide a service, and only in cases of equipment replacement (such as fleet or computers) would we expect to see a reserve higher than 5% or whatever is needed for cash flow.

The General Fund reserve level, which was previously already higher than the required reserve level for other funds, is too low by current best practice recommendations which indicate it should be a minimum of 2 months or revenue (16.66%). In addition, bond rating agencies look at reserve levels to determine bond ratings. Lane County’s policy of

10% has been exceeded in most years since it was changed in 2006, due in large part to secure rural schools payments happening after budget adoption.

In addition, a higher cash balance is needed in the General Fund for cash flow reasons due to the higher dependent on property tax revenue which isn't received until November of each year.

The County adopted a general fund lapse policy in 2006 that specifies that departments receiving discretionary general fund must return 2% of that amount at the end of each budget year. County departments generally achieve this lapse through position vacancies. Current best practice recommendations indicate that vacancies should be built into initial budgets when possible in order to avoid an unnecessary cushion in the budget. Leaving the higher budgeted amount for all vacancies in the budget also increases the budgeted structural deficit.

IV. RECOMMENDATION

Update reserve policies – see attached.

Eliminate general fund lapse policy and instead develop a policy that analyzes vacancies and reduces budgets.

V. TIMING/IMPLEMENTATION

Lane Manual Chapter 4 will come to the Board as a whole chapter in the near future. It is recommended that the actual amendment of the policy occur at that time.

VI. FOLLOW-UP

Final vacancy budgeting policy will be developed prior to FY 18-19 budget development.

VII. ATTACHMENTS

Proposed Reserve policy (with lapse policy removed).

## **Reserve Policies**

The County will establish and strive to maintain adequate reserves within each fund of the County sufficient to provide for cash flow needs, maintain bond ratings, protect service levels against revenue volatility or unanticipated circumstances and adequately maintain assets. The General Fund Reserve will be set pursuant to the General Fund Reserve Policy in section \_\_\_\_\_. Debt service funds are excluded from reserve requirements. The reserve level required for all other funds will be established specific to the funding source, service type and assets owned. The recommended reserve level will be verified and reviewed for adequacy annually through the budget process.

### **General Fund Reserve Policy**

Lane County will establish and strive to maintain a minimum 20% General Fund reserve based on operating revenues, to ensure adequate cash flow, a strong standing with bond rating agencies and protection of service levels to the community in the event of unforeseen events, revenue volatility or economic downturns. The reserve does not include contingencies needed for personnel vacancy variances.

The reserve will have two components:

- (1) **Emergency Reserve**
  - (a) Purpose. The first 16.66% of the General Fund reserve is designated as an emergency reserve. It will be maintained to ensure cash flow and maintain a strong bond rating
  - (b) Conditions for Use. The reserve is available for appropriation as ordered by the Board for expenditures necessary to respond to a threat to public health or safety which involves one or more of the following: a severe revenue shortage threatening critical services; involuntary conversion or destruction of Lane County property; a civil disturbance; natural disaster; or other public calamity.
- (2) **Service Stabilization Reserve.**
  - (a) Purpose. The reserve over 16.66% is designated as a service stabilization reserve. It also provides the potential to achieve or maintain a very strong bond rating with bonding agencies.
  - (b) Funding. Priority will be given to fund this component of the reserve when there is receipt of one-time discretionary general fund revenue or excess year-end funds resulting from larger than budgeted variances within the department general fund budgets.
  - (c) Conditions for Use. The reserve is available for appropriation to reduce the impact of revenue fluctuations and drops in revenue growth due to economic downturns when continuation of existing service levels to the community is threatened. The following trends will guide the use of the service stabilization reserve:
    - (i) Overall General Fund operating revenue growth below 2.5% annually;
    - (ii) Current Year Property Tax revenue growth below 2.5% annually;
    - (iii) Local housing prices have fallen by more than 10% at any time in the prior 24 months;
    - (iv) The year over year Eugene/Springfield MSA unemployment rate has risen by more than two percentage points at any time in the prior 12 months or is in excess of 7%.
- (3) Replenishment of Reserves. In the event use of the minimum reserve occurs, replenishment will begin as soon as feasible, preferably within the fiscal year following use and certainly within five years of use.
- (4) Additional reserves. In the event the reserve exceeds 25% of operating revenues, without a specific Board of Commissioners plan to do so, the Budget Officer will provide recommendation to the Board on the reserve. If a plan for expenditure is presented, priority will be given to one-time expenses that achieve future operating cost reductions and prepayment of debt obligations.