



Lane County BUDGET COMMITTEE April 29, 2010

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GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

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**County of Lane
Oregon**

For the Fiscal Year Beginning

July 1, 2009

President

Executive Director

Lane County Government has been awarded the Government Finance Officer's Association Distinguished Budget Presentation Award, the only national awards program in governmental budgeting. This award represents a significant achievement, reflecting a commitment by Lane County and its staff to meet the highest principles of governmental budgeting.

In order to receive this budget award, Lane County had to satisfactorily meet nationally recognized guidelines for effective budget presentation, designed to assess how well an entity's budget serves as a policy document, a financial plan, an operations guide, and a communications device.

Readers Guide to the Budget Document

The Lane County budget document represents the entire county proposed budget. It is arranged in separate sections to provide an easier understanding of the budget document. The sections are:

- o Table of Contents
- o Budget Message
- o Overview
- o Financial Policies
- o Financial Summary
- o Balancing Options
- o Capital Budget
- o Individual Department sections in alphabetical order
- o Appendices

The **Budget Message**, written by the County Administrator, discusses the main issues surrounding the Proposed Budget and outlines the major budgetary changes from the current year. It also provides examples of challenges and opportunities facing the county in the future as well as the successes achieved in the current year.

The **Overview** section begins with a broad description of the history, location, and economic conditions of Lane County. This is followed by an Introduction to County Government, with a short narrative for each department, followed by a Lane County Organizational Chart. This chart represents the County as of July 1, 2009, and provides a graphical representation of the departments and their reporting relationships to the County Administrator, the County Commissioners and the Lane County Citizens. The Organizational Chart will be updated after budget adoption to capture any changes resulting from the FY 10-11 budget.

The **Overview** section also describes Oregon Local Budget Law and includes the Annual Budget Development Process Chart, followed by the Budget Schedule which outlines the specific dates for activities required for adoption of Lane County's budget. The Overview section concludes with a description of Citizen Involvement Opportunities which highlights the Citizen Budget Committee, the public hearings and comment process, the process for community groups to present funding requests to the committee and provides additional information on how to access the County's website and how to contact County Commissioners and County Administration.

The **Financial Policies** section details the financial policies of the County. The last major revision to the policies was in FY 05-06 and included: 1) a revision to the general fund reserve policy including guidelines for both appropriate use of the reserve and the rebuilding of the reserve; 2) a revision to existing financial management policies (Lane Manual 4.010) which now groups policies by topic, clarifies and strengthens some policies and provides wording more consistent with the County's Strategic Plan; 3) revision and documentation/formalization of the Lapse policy; 4) account for restricted purpose revenue in Special Revenue Funds by moving non-discretionary programs out of the General Fund; 5) standardizing of account procedures for recording transfers and inter-fund charges; and 6) addition of the requirement that quarterly reports from fund managers be completed to ensure that cash levels are appropriate, transactions are recorded timely and there are no budget violations. Debt Management policies updated in FY 06-07 are also found in this section.

The **Financial Summary** section describes the fund structure, basis of budgeting. This is followed by an analysis of the County's overall budget, including major revenue and expenditure trends. Schedules are included to show how the county has budgeted resources and requirements by fund type, department, and service category. This section also includes an in depth analysis of the General Fund, including major revenue and expenditure trends. This analysis includes the Long-Range Financial Plan the County uses to forecast General Fund trends for five years into the future. This forecast is the tool used by the Board of Commissioners to develop budget direction each year.

Balancing Options outlines the internal process and budget direction used to develop the FY10-11 proposed. It describes the process used by County management to develop this year's proposed budget and includes a copy of the general fund priority listing devised by the Board of County Commissioners. The County Administrator's recommendations to the Budget Committee are also included.

The **Capital Budget** section outlines and describes the County's financial plan for Capital Outlay, or acquisition purchases, and Capital Projects, or capital improvements and construction, to the County's roads and bridges, waste management facilities, and parks and open spaces, as well as improvements and renovations to County owned facilities.

Individual **Department Budgets** are tabbed in alphabetical order. Each department tab includes the department's purpose, organization chart, strategic goals and objectives, details of change, challenges and opportunities, key accomplishments, and performance management details and charts. Financial summary information is contained at the department level, rather than the division level, and contains data for the Proposed Budget. The text written by the departments explain the process they used for developing the budget, details changes in their budget and balancing options considered, as well as specifying reductions or additions contained in their budget.

The **Appendices** are the last section of the budget document and contain:

- A. Summary of Goals and Strategic Plan
- B. Financial Summary Tables
 - 2008-2009 Property Tax Rate and Value Information for Oregon Counties
 - Comparative Summary of Property Tax Levies and Rates
 - Comparative Summary of Positions by Department and Division. All Funds.
 - Historical Changes in Full-Time Equivalent Employees
 - Comparison of Revenues by Fund
 - Comparison of Expenses by Fund
 - Proposed Transfers between Funds
 - General Fund Revenue Summary
 - General Fund Expense Summary
- C. Legal Forms
- D. Position Classifications and Salary Ranges
- E. County Funds Overview
- F. Glossary
- G. Acronyms

Table of Contents

Budget Message	1
Overview	13
Lane County, Oregon.....	13
Population Demographics	13
Lane County Government.....	21
Strategic Plan & Lane County Goals	21
Organizational Chart.....	22
Departments	24
Lane County Budget	27
Community Funding Request Process	29
Budget Preparation Schedule	31
Citizen Involvement Opportunities	32
Financial Policies	33
Budget and Financial Policies.....	33
Financial and Budget Management.....	33
General Fund Reserve Policy.....	35
Investment Policies	36
Interfund Loans.....	36
Video Lottery Allocation Policy	38
Debt Policies	40
Lane County Debt Policy and Legal Debt Limitation Calculation	40
Financial Summary	44
Fund Structure and Basis of Budgeting	44
Understanding the Lane County Budget.....	47
Major Revenue Trends.....	47
Major Expenditure Trends	51
General Fund Analysis.....	58
General Fund Budget	60
General Fund Resources	61
General Fund Expenditures.....	65
General Fund Spending Limit.....	69
Balancing Options	71
Capital Budget	73
General Expense	79
Department of Assessment and Taxation	87
Department of Children and Families	97
Office of County Administration	107
Office of County Counsel	115
Department of District Attorney	123
Department of Health and Human Services	131
Department of Human Resources	147
Department of Information Services	155

TABLE OF CONTENTS

Justice Courts	165
Lane Events Center	173
Department of Management Services	187
Department of Public Works	197
Department of Public Safety	213
Workforce Partnership Department	227
Department of Youth Services	237
Appendices	247
Appendix A - Lane County Goals, Strategic Plan and Budget Direction	247
Appendix B - Financial Summary Tables	250
Appendix C - Legal Forms.....	268
Appendix D - Position Classifications and Salary Ranges	269
Appendix E - County Funds Overview	276
Appendix F - Glossary	281
Appendix G - Acronyms	287

Budget Message 2010-2011

Another Precarious Budget

April 29, 2010

Lane County Budget Committee
Lane County, Oregon



Pursuant to ORS 294.391, this document constitutes the Fiscal Year 2010-2011 Budget Message and transmittal of the Proposed Budget.

The proposed budget document contains Financial Overview and Financial Policies sections, an Overview of Lane County and our Budget process, a section describing our Balancing Options and General Fund Analysis. Each department section includes key accomplishments and performance results as well as budget allocations expressed as personnel services, materials and services, capital outlay, capital project and fiscal transaction.

In January of 2010, in what is becoming an almost routine event but is never-the-less very important to the overall financial health of Lane County, the Government Finance Officers Association (GFOA) of the United States and Canada again presented a Certificate of Recognition for budget preparation to Christine Moody's Budget staff in County Administration, and to Teresa Nelson in our Document Resource Center. This award is presented to those who have been instrumental in their government units in achieving a Distinguished Budget Presentation Award.

This is the highest award in government presented to those whose budgets are judged to meet these standards. We need to take a moment to celebrate the fact that the budget document you received last year, meets the highest standard in the country. That award, coupled with the GFOA Award for Certificate of Achievement for Excellence in Financial Reporting received by the Financial Division of Management Services for fiscal year ending June 30, 2009 shows that Lane County's financial and budgeting programs are performing to the highest standard. It demonstrates our commitment to being accountable to our citizens as stated in our mission, vision and guiding principles. Each year we work to make this budget transparent to the communities we serve. We always seek any constructive feedback community members might be able to give us to make improvements to the document in the future.

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

ACCOMPLISHMENTS OF FISCAL YEAR 2009-2010

Public Safety

When additional funds for Public Safety were added for this year's budget, our Public Safety services were better able to handle the demand placed on the criminal justice system. For example, a much higher percentage of Measure 11 and violent offenders were held for trial than in the previous fiscal year. The

Budget Message

Sheriff and the District Attorney offices were both able to provide better service and protection to the community.

Sheriff's Services

For FY 2009-10, the Board added 84 operating jail beds, providing a minimum capacity of 211 local beds. This is not an adequate number for the entire need of the county but it does allow us to detain most of the Measure 11 and violent offenders for trial. In FY 2008-09, 14 pre-trial Measure 11 offenders and 179 violent felons were released due to the lack of available jail beds. **The Sheriff reports that for the months of August through December 2009, no Measure 11 offenders and only two violent felons were released prematurely following the staffing of the 84 bed increment.** Each of those releases creates an increased risk to the community.

What follows is an example of effective rehabilitation by Community Corrections Services:

Here is a story of two offenders who completed their sentences at the Community Corrections Center (CCC), gained employment and have maintained their employment since. One was a long time female heroin addict and the other a long time meth addict who have made positive changes in their lives. Neither has been back in custody both are apparently doing well.

Though fairly recent (09/09) both Defendant 1 and Defendant 2 have maintained sobriety since their release. They are employed at Restaurant Alpha and Hotel Omega where they have excelled in their positions and Defendant 1 is actually fielding interviews for new employees. Both of them feel very lucky to have had the chance to be at the CCC to improve their life skills and to have employers that were willing to give them an opportunity in the community. They have saved enough money to get there own rental property, purchase a car, and get their driver licenses.

They have married since their release and came in to the CCC to invite staff to their reception. This shows that they are moving forward in life in such a fashion to not fear law enforcement but to come view them in a capacity that looks out for the community.

District Attorney

Five additional staff were added to the District Attorney's Office in FY 09-10 to improve the number and quality of prosecutions that could be carried out. This didn't solve all of the District Attorney's needs, but it allows the office to make a more robust effort at providing justice for the victims of crime.

Health and Social Services

Community Health

The federally qualified Community Health Centers of Lane County (CHC) served 12,999 patients in 2009. For the first time since opening in 2004, the CHC is self sustaining through revenue generation and federal grant funds. This is a bright spot that deserves recognition. CHC requires no General Fund money for FY 2010-11.

CHC will be expanding service delivery capacity. At the Charnelton Building, an expanded clinic is already in operation serving patients. Later this year, the Springfield clinic will be moving to a new and expanded location on Olympic Street. Construction of the facility is underway.

Budget Message

Below is an example of the value of Community Health services to our citizens:

John (pseudonym) was referred to MCH for CaCoon (Case Coordination) nurse home visiting services because he was born with multiple congenital anomalies. Following several surgeries, he was sent home from the children's hospital with a feeding tube, oxygen, and the need for frequent suctioning to keep his airway clear. The family was struggling with the emotional stress of having and caring for a medically fragile infant and with financial concerns made worse by repeated, required trips to Portland for John's treatment. The nurse helped connect the family with local resources and support services so that they could become as independent in caring for John as possible. She stayed in contact with the family and helped them access food boxes for the holidays.

Recently, during a home visit, John's mother told the nurse that their electricity was going to be turned off the next day. The mom had called the assistance program that the nurse had suggested previously and was told that there was a long waiting list for energy assistance. The family had no way to pay the electric bill, and without electricity John would not receive the tube feedings, oxygen, and suctioning necessary for him to remain at home. The nurse contacted community agencies and the power company, and the family was given emergency funding assistance and an extension on the electric bill. The nurse will continue to provide support and assistance in accessing care as this family learns to organize their lives and resources so that they can provide the care John needs.

Public Health

In the current budget, the big issue that Public Health faced was the H1N1 flu virus outbreak. We feared that we might have a very serious problem in Lane County. Many people were being hospitalized with serious complications from viral infection and it looked like the outbreak could reach epidemic proportions. Public health worked hard and quick to educate the community on steps citizens could take to reduce their disease exposure. Public Health also took the lead in managing the local distribution of the H1N1 vaccine so that it would be offered first to those people in the community who were most at risk for serious complications from the virus.

Public Works Services

Waste Management

The Solid Waste Fund is in sound financial condition even with the drop in commercial and residential waste coming to Short Mountain Landfill. There are adequate reserves to deal with the foreseeable issues around managing the solid waste system and dealing with closure and post-closure needs at the Short Mountain Landfill. The Waste Management Division continues to work with recycling programs and is aggressively working to remove business and household hazardous waste from the materials that go to Short Mountain Landfill.

We have been increasingly successful in handling problems such as illegal dumping, managing electronic wastes, and managing commercial and household hazardous wastes.

Other Efforts

Video Lottery Funds

Community and Economic Development staff continue to work with Video Lottery Funds on projects that promote economic development, and reuse and sustainability.

Budget Message

One current project is looking at the possibility of converting the waste straw from seed growers into methane for energy production, which could end the waste and pollution of open field burning. We have some expectation of obtaining funding from the Federal government to establish a partnership with the private sector so we can develop a facility that will begin to recover the energy value of waste grass straw. This is now doubly important given that field burning will be phased out under legislation passed last year.

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

Strategic Planning

The County began working on an update to the strategic plan last year. This 12 month process to develop the plan has a completion date expected late in the fall of 2010.

Website Redesign

The County has completed redesign and deployment of a new web site. The goal was to make the site easier to navigate and more user friendly for community members. So far, the feedback we've received from the community supports that idea. The development of the site was done on schedule and within budget. I congratulate everyone involved for executing their role in the development and deployment. As opportunities arise, we expect to continue to add new features to the website as we remain committed to keeping the site current and relevant for users.

Lane County Events Center & County Fair

The County Board reconstituted the Fair Board and the governance model under which the Fair Board operates. The new Fair Board and the management of Lane Events Center were responsible for the changes to the format at the Lane County Fair last year. Given that it was a difficult year in the economy, no one was surprised at seeing reduced fair attendance. However, due to very careful attention by the Fair Board and Fair management to expenses incurred, the 2009 Fair did better financially than the 2008 Fair.

County College

Lane County became the first county in Oregon to offer what we refer to as "County College." This is an interactive program that focuses on educating residents about the services the County provides every day. Elected officials and county staff from over a dozen services hosted unique and informative sessions designed to give residents a hands-on experience in county government operations. Sessions included a tour of the Short Mountain Landfill, a tour of the Juvenile Justice Center, a mock Planning Commission exercise and a conversation with the District Attorney, to name just a few. The course was free to residents and consisted of 10 evening sessions, 3 hours in length, between September-November, 2009. The program was deemed a success and will now be offered each fall.

Budget Message

FISCAL YEAR 2010-11 BACKGROUND

It has been an eventful year in our local and national economy. While state and local unemployment levels have begun to improve, we still have a long distance to go before we can say the economic situation is healthy. Unfortunately, much of our reduction in local unemployment is due to people leaving the local labor market (estimated at 3,600) rather than increases in jobs. The State was able to balance its budget without imposing huge cuts on local governments. However, as we look to the next biennium, the State will be facing serious budget problems that will need to be dealt with in the 2011 Legislative Session.

The Federal government has been running massive deficits in an attempt to combat the economic downturn. It has been supplying large amounts of aid to state governments to help them cushion their budgetary problems. Given the size of the Federal deficits and the need to begin managing them, it is unclear whether or not much more Federal stimulus money will be forthcoming to help the states and by extension local governments as we wait for the economy to improve and government revenues to rebuild.

Since 2001, Federal funding in the form of Secure Rural Schools (SRS) contributed between \$45 and \$50 million to Lane County annually. About \$20 million of that went to the General Fund with most of the rest going to the Road Fund. Prior to SRS, Federal revenue was received in the form of timber receipts for logging on federal forest lands. We are again receiving SRS funds but at a rate that declines steadily from prior year levels. In 2010, SRS is \$36 million, declining to approximately \$18 million by 2012. The General Fund is our most flexible fund and supports all or part of many departments in the County, especially in areas of Public Safety and Public Health. Reductions in the General Fund results in impacts to numerous areas of the budget.

It is the job of County Administration and the Budget Office to present a balanced approach to County finance when choosing between service levels and sustainability. We will be recommending sustaining the current levels, especially in the areas of Public Safety. We do this understanding that the current proposed level of spending will shorten the time interval over which the level of stable services can be maintained. This proposal is based on achieving some semblance of balance between the competing interests. It is then up to the Budget Committee in consultation with the citizens of Lane County to make adjustments to the proposed budget and to ultimately decide what is the best course for Lane County.

PROGRAM FUNDING PHILOSOPHY

Provide Effective Outcomes

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

Leveraging Other Funds

To the casual observer, some of the funding choices may appear to put programs that seem to be an intuitively lower priority ahead of more important programs. Oregon has a very complex system for funding various public services. In many cases, a dollar spent on service by Lane County can bring in additional funds to help support additional or related programming. The Public Safety and Human Services systems are cases in point where leverage is important. For example, by carefully targeting funds in the District Attorney's Office, matching dollars become available from various State of Oregon

Budget Message

corrections funds. We look for every opportunity in which this approach could provide additional funds for programs and services. In fact, most of the services funded by the Discretionary General Fund leverage substantial resources back into our community.

General Fund

The General Fund usually gets the most attention. It has the most flexibility and the Budget Committee and Board have essentially complete control over recommendations and appropriations. Therefore, its health is of great importance to the overall ability of the County to fund its programs.

QUICK LOOK AT STAFFING AND EXPENDITURES

The current FY 2009-10 overall budget is \$585.7 million. The Discretionary General Fund is \$75.3 million. The end of FY 2009-10 fund balance is projected at \$20.4 million.

In FY 2010-11, the overall budget is proposed at \$549.7 million, a decrease of 6.14% on a year-to-year basis. The Discretionary General Fund is projected at \$70.4 million, a decrease of 6.5% from the prior year. The end of FY 2010-11 fund balance is projected at \$10 million.

As an overall comparison, in FY 1979-80, prior to the recession of the 1980's and the decrease in federal logging in the 1990's, Lane County government had 6.4 employees for every 1,000 residents in Lane County. If the FY 2010-2011 proposed budget is adopted as presented, there will be 4.3 employees for every 1,000 residents. This represents a decrease of 32.8% from FY 1979-80. At a time when there are more residents to serve, Lane County has less capacity to provide service.

MAJOR YEAR-TO-YEAR CHANGES

With an eye toward the end of SRS funding, this budget proposes a funding level consistent with last year's service levels. While the original forecast for the General Fund predicted stable funding in FY 11-12, recent unanticipated decreases in revenue, together with higher than anticipated increases in expenditures, have made that scenario highly unlikely. General fund services levels after FY 10-11 are precarious at best.

SRS funding will be exhausted at the end of FY 2011-12. If that happens without renewal of the SRS program, the County Budget Committee will be looking at managing a revenue shortfall of \$17 million dollars or more. The necessary cutting to balance the budget for FY 2012-13 will be severe on both community members and employees. A \$17 million reduction may not seem like a great deal when looking at a budget in excess of \$500 million. However, it means huge cuts in areas like social service and Public Safety because many of the County's funds are dedicated to particular purposes and can't be legally moved to the highest priority need as seen by the community and the Budget Committee.

Given that so much of our budgeting relies on access to the General Fund, there will be a disproportionate reduction in those services that depend on the General Fund. It would be necessary to drastically reduce support for Public Safety and social services among others.

Budget Message

PROGRAM ISSUES FOR FY 2010-11

Youth Services

To continue to provide the same level of services in FY 2010-11, the Lane County Department of Youth Services will need total General Funding of \$8.1 million which is an increase of \$587,230 or 7.8% over FY 2009-10. We know that a number of current funding sources will be reduced or unavailable for the coming fiscal year: The Oregon Youth Authority grant, the Commission on Children's and Family challenge grant, the U.S. Department of Labor grant, basic diversion and individualized service funds, and an unknown amount of Video Lottery Funds. The estimate is that we will lose about \$766,000 from these sources. The continuation of current services provides 16 detention beds, 16 secure treatment beds (Phoenix program), eight boy's residential drug and alcohol beds (Pathways), the case management unit, research and administration, and day treatment services. No one who works in the program believes that we're serving youth in adequate numbers for a community of our size. In the next fiscal year we will add one position in community outreach.

Sheriff's Office

Lane County is currently operating about 250 jail beds. For a county of our size this is barely an adequate number for holding those charged with the most serious offenses. This leaves us without enough jail beds to serve as a deterrent for those individuals who may be in a diversion program or on probation. Many of these offenders have learned that violating conditions of probation or diversionary programs will have no significant consequences. If these programs are to be effective, they must be coupled with penalties for failure to comply. We must do what we can to keep the most dangerous defendants off the street and to provide the courts and corrections with some usable deterrence and sanctions for those under their jurisdiction.

In this budget we're proposing to maintain the 84 jail beds added by the Board for this budget year, maintaining the total available for Lane County of about 250 (some additional beds are available for local use due to reduced use by the Federal U.S. Marshal, although this does increase the cost to the General Fund). It is still not an adequate number for a county of our size, but it will help address some of the issues identified.

The total General Fund budget for the Sheriff's Office for FY 2010-11 will be \$29.1 million, an increase of \$2.5 million from FY 2009-10 or a 9.4% increase. The Sheriff's Office will experience a drop in customary revenues due to new circumstances. The U.S. Marshal has reduced jail use by about \$550,000. The City of Springfield with a new misdemeanor jail will reduce Lane County jail use by about \$190,000, The Bureau of Prisons will reduce use by \$181,000 and revenue from telephone calls and the Department of Justice will fall by about \$190,000.

District Attorney

The District Attorney's Office found it necessary to virtually eliminate all misdemeanor prosecution as a result of the prior budget cuts. The District Attorney only has resources to deal with the more serious felonies. This limitation on the Office's ability to carry out its function does nothing to blunt the perception that Lane County is a good county in which to break the law if one is criminally oriented.

The total General Fund budget request for fiscal year 2010-11 will be \$7.7 million, an increase of \$803,102 from FY 2009-10. The increase in Discretionary General Fund requirement amounts to 11.5%. Approximately \$100,000 of this increase is attributed to the KIDS' First Program which provides a place for children of abuse to receive medical exams in a warm, child-friendly place and testify before the

Budget Message

County's specially-convened grand jury for child abuse cases. This program is experiencing decreases in its grant revenue and is therefore requesting an increase in General Fund support.

An issue that needs to be considered is the development of a new morgue. The current facility is obsolete and it may not be possible to make a satisfactory arrangement with Sacred Heart Medical Center for a new facility. Fortunately, an opportunity may exist with a cooperative effort involving the State Police. The District Attorney is exploring the possibilities and ramifications.

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

We have completed our first series of PACT (Parents Are Consistently There) classes as an alternative to incarceration. There were several successful participants who left armed with lots of new information and were able to avoid jail sanctions for non-payment of support. The next series which began Wednesday April 7, 2010 is almost full.

Lane Events Center

With the slowdown in the economy, the transient room tax (TRT) receipts have fallen. The Events Center is dependent on the funding and the impact has been substantial. Before the recession began the Events Center received about \$1.1 million annually. The current estimate is for \$650,000 or less. The Events Center is less able to make necessary repairs and improvements to maintain the facility. The long term future of the Events Center and Fairgrounds are in doubt unless finances are stabilized.

Public Works

Roads and Bridges

The FY 2010-11 Road Fund budget will be \$74 million. The fund balance is projected at \$20.8 million. This compares to the FY 2009-10 Road Fund budget of \$84.6 million with an estimated year-end balance of \$35.3 million. The difference in Fund Balance is a decrease of 41% from FY 2009-10.

If the SRS funding phases out according to schedule, it will be impossible to maintain our transportation system at the current high level that we have. Increasingly, the system will become degraded or the County Board will have to reduce the size of the system to maintain quality.

State transportation taxes are scheduled to increase which will help the Road Fund. However, even as these taxes increase the number of miles driven will likely stagnate or fall and growth in funds will likely be modest.

Lane County Parks

Parks rely on a variety of revenue sources such as Car Rental Taxes and a Transient Room Tax (TRT). Both of those sources are down in the current economy and Lane County Parks will see its proposed budget drop by about 8.7% making it difficult to provide all services as usual.

Assessment And Taxation

Assessment and Taxation (A&T) continues to operate with the minimum effective staffing levels. For FY 2010-11, A&T will require \$6.61 million from the General Fund representing a 3.8% increase.

Budget Message

Health, Human Services & Prevention

The Health and Human Services Department will need \$4.77 million from the General Fund for the next fiscal year. This represents a 5.8% increase in use of General Funds.

Human Services Commission

The Human Services Commission, a partnership of Lane County and the cities of Eugene and Springfield, provides for crisis and basic needs services for our community's homeless, poor, and other vulnerable populations. In FY 2010-11, the County General Fund will expend approximately \$470,000 for these services.

Developmental Disabilities

Developmental Disabilities is largely funded by pass-through monies from the State of Oregon. Discussions in Salem suggest that there will likely be reductions for the next biennium.

OSU/Lane County Extension Services

For OSU/Lane County Extension Services, this budget proposes the same level of funding as FY 2008-09, including rent forgiveness valued at approximately \$70,000. This leaves the Extension Service funded at about the minimum level that will permit a functional program.

The Extension Service has an operating levy proposal on the ballot in the May Primary Election. If approved, the levy will add about \$1.2 million in operating revenues for the Extension and the Budget Committee/County Board will have the opportunity to determine if the Extension should once again pay rent.

Children and Families

Children and Families was reduced due to a one-time General Fund transfer to help cover some of the State cuts in the current fiscal year. The proposed General Fund budget of \$125,600 for FY 2010-11 is a 38.3% reduction from FY 2009-10. The unknown here is the extent to which the State will continue to reduce support for this function. The County General Fund supports a resource development position in the Department of Children and Families which has proven to annually leverage funding for early prevention programs far in excess of the investment in the position.

Elections

Managing local elections well is very important to Lane County. The citizens need to know that all elections are conducted fairly and with great precision. We have such a system in place, but it is becoming technically obsolete. The election machines are getting old and the software has become obsolete with no upgrade path. Therefore it is necessary to request that the Board and Budget Committee begin to appropriate funds for preparing new election machines during calendar year 2011. Unfortunately, when the County purchased the present suite of election machines, a sinking fund for their replacement was not put in place. We will propose that a sinking fund be put in place so that in the future the Budget Committee and County Administrator will have a source of funds for the cost of replacing the next set of election machines.

Budget Message

ADDITIONAL FY 2010-11 CHALLENGES

Secure Rural Schools

When the SRS program was renewed following setting of the FY 2009-10 Budget, the County Board, knowing that the SRS payments would be declining, chose not to restore services to the maximum level that would have been allowed by the payments. Using all of the SRS payments would have allowed a higher initial level of service that would have declined each year with the falling payments.

We will probably see the Budget Committee again debate at some length for FY 2010-11 and the following years the policy choice: Do we try to maintain a relatively stable level of service until our reserves are exhausted or do we start cutting vital services now and move the inevitable date of financial exhaustion a little further into the future?

Structural Deficit

Lane County faces an ongoing structural deficit. It's been a problem for the Board and Budget Committee for more than 25 years. In its plainest terms, a structural deficit means that costs for the County rise faster than revenues. The biggest driver of the structural deficit is health care costs. Like almost every other employer in the United States, Lane County sees its health care costs rise faster than revenues. If revenues are rising at 3% and health care costs are rising at 6 – 12% as they have during the last decade, it becomes increasingly difficult to maintain service levels and provide for a balanced annual budget as Oregon law requires.

Employee Health Benefits

The new Federal health legislation will undoubtedly add some costs as we will need to provide health care coverage for some additional dependents. Currently we cover dependents until they are 23 years of age. Under new Federal policy, we will be expected to carry them as dependents until they're 26 years of age if they have no employer coverage available.

With the passage of the new federal health law, a new health care tax will go into effect beginning in 2018. We need to take steps to assure that we are not at risk of paying the tax. Fortunately, we have time to work with our insurers, our unions, and our non-represented employees to structure a health insurance system that provides quality care without pushing us over the line.

Last year was a difficult budget process and this year will be no different. This year expenses will be projected to be somewhat higher than hoped and revenues will be somewhat lower than hoped. If service levels are maintained for FY 2010-11, there will be increased probability that reductions will be necessary in FY 2011-12. Our recommendation will be for a relatively stable level of service. It will be up to the Budget Committee to decide whether that is the most prudent course of action or whether a different approach to the budget expenditure level is best.

Budget Message

County staff has worked exceptionally hard to help put this proposed budget together and they should be commended for that. It is now up to the Board and the citizen members of the Budget Committee, in collaboration with the community, to make the final decisions about where Lane County's priorities are for FY 2010-11 and what we can do to fund those priorities given the financial constraints we face. I wish the Budget Committee members well as they again face the difficult choices presented by this year's proposed budget.

Respectfully submitted,



Jeff Spartz
Lane County Administrator

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