

FY 10-11
Lane County
General Fund Budget

August, 2010
Christine Moody,
Budget & Financial Planning Manager

Total Budget Overview

- FY 10-11 Adopted Budget
 - All Funds = \$546.9 million, 1504.48 FTE
 - General Fund = \$101.9 million, 569.77 FTE

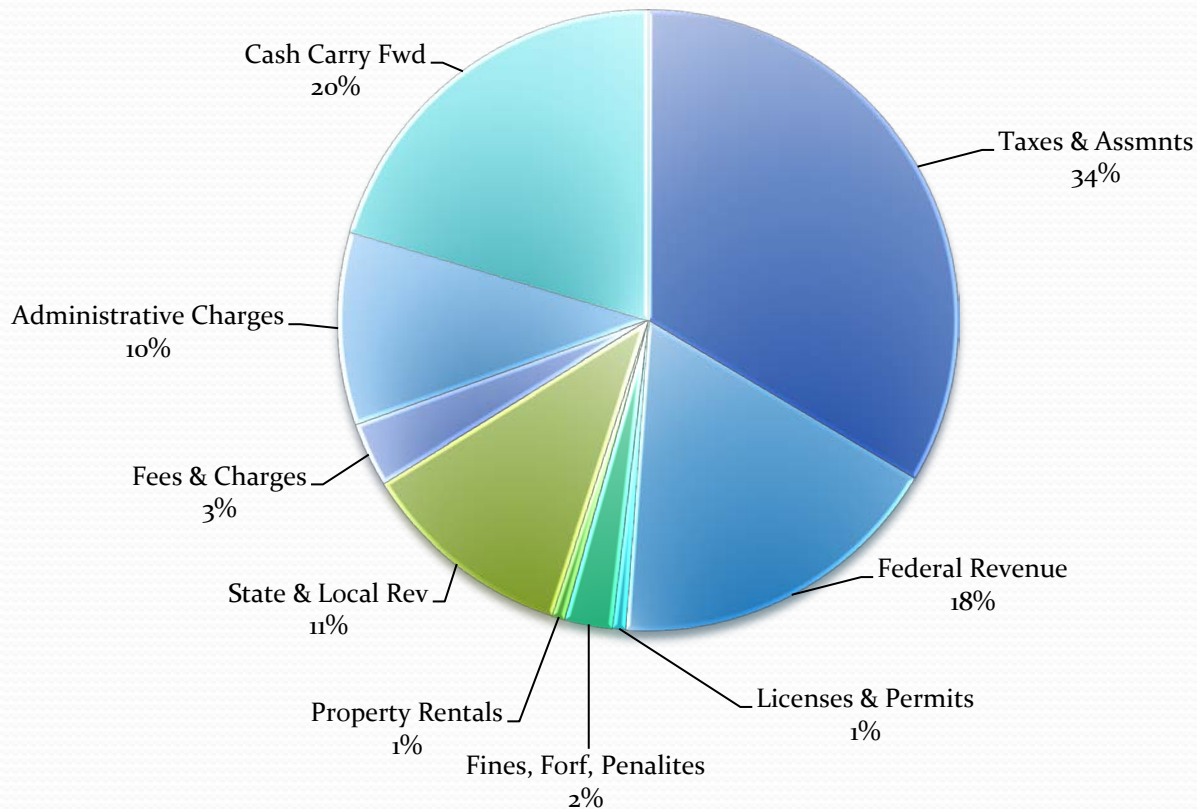
Budget v. Net Budget

- Total Budget –
Includes all actual resources including internal charges, transfers and loans in accordance with State Local Budget Law (*Oregon Revised Statutes Chapter 294*)
- Net Budget –
Subtracts out all internal charges, transfers and loans that are double counted.

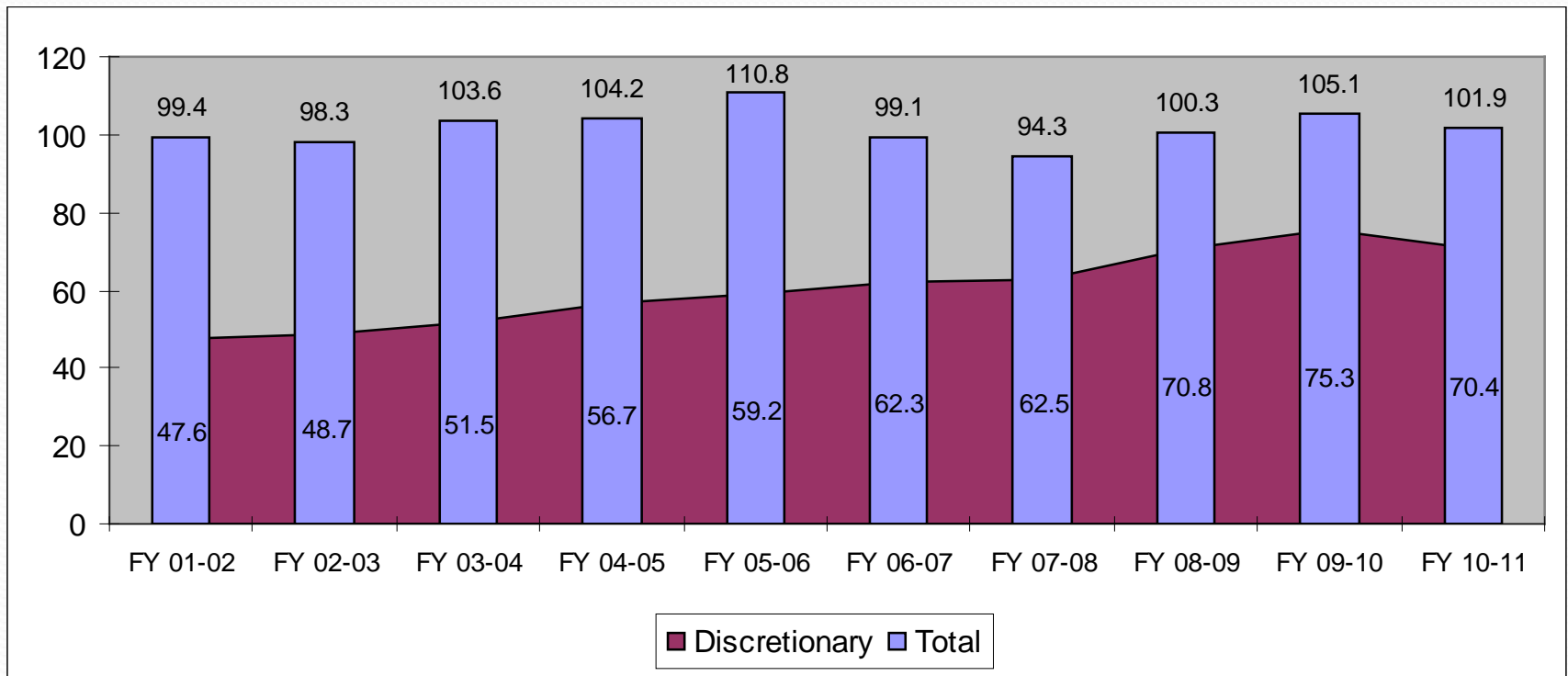
General Fund

- The primary operating fund for the County. This fund consists of discretionary revenues from tax collections, O&C timber receipts, investment earnings, cigarette and liquor taxes, and other state and local revenue sources. Remaining revenues in the fund are generated by activities such as grants and contracts, recording and election fees and revenues generated by department activities or services.

General Fund - Revenue by Type

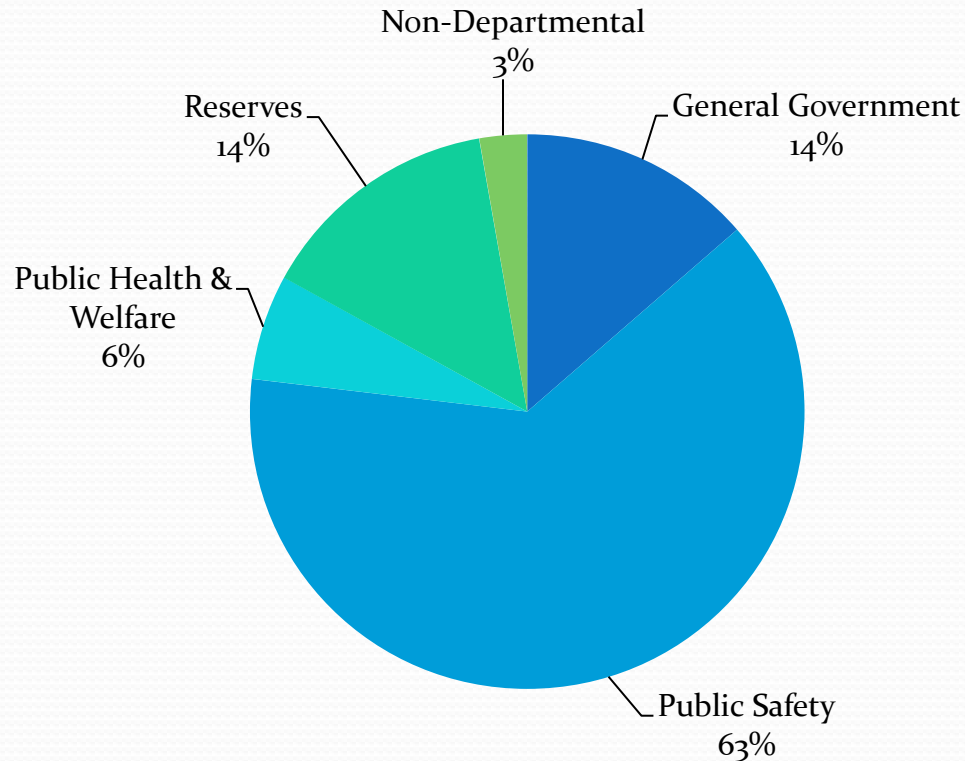


General Fund – 10 year history



Discretionary General Fund

Discretionary Revenue is the unrestricted revenue that comes into the County each year without any strings attached. The chart below represents how these funds are budgeted in FY 10-11.



Deficits & Reductions

WHY DO WE HAVE A DEFICIT?

Structural

Changes in Resources and/or Expenses

HISTORIAL REDUCTIONS

Lane County's average annual reduction between FY 91-92 and FY 05-06 was \$1.2 million or 3.03% per year.

Service Prioritization

Recent History:

- FY 06-07 Budget Prep – list built using Service Information Sheets (SIS) and snow cards. Priority order determined by BCC at Leadership Team Jan 2006
- FY 07-08 Proposed Budget – list built using SIS and snow cards. Priority order by LC Management Team to prepare for loss of SRS in Jan/Feb 2007. (Mtgs held in Cottage Grove). *Counties were granted a one year renewal before budget adoption. SRS cuts not implemented in 07-08.*
- FY 08-09 Proposed Budget – list built using Service Option Sheets (SOS) by Board of Commissioners for purpose of building three versions of the Budget. (Jan/Feb 2008 meetings held at LCC Center for Meeting & Learning.) *Subsequent budget direction led to preparation of Proposed Budget with complete cut of SRS. SRS not renewed by time of budget adoption, budget committee restored ~ \$6m in services prior to adoption. Nearly 100 position eliminated. SRS renewed later during fiscal year. Some services were restored in the spring of 2009.*
- FY 09-10 Budget Prep – No new prioritization process - used same priority list as FY 08-09.
- FY 10-11 Budget Prep – No new prioritization process. Service presented by service category and department – NOT in priority list.

Looking Ahead

Forecasting the Future

Financial Forecasting

A Forecast is...

- Prediction about future performance on the basis of historical and current conditions data.

A Forecast isn't...

- A budget

Financial Forecasting

Advantages of Forecasting:

- Creates a more strategic context for evaluating the annual budget.
- Establishes a baseline for measuring the long-term impact of decisions.
- Allows for testing the economic impact of best case and worse case funding scenarios.

Disadvantages of Forecasting:

- A forecast is only as good as its assumptions.
- Some argue that projections can become self fulfilling.

Lane County's Forecast History

- Lane County has prepared a Financial Forecast for the General Fund since FY 03-04.

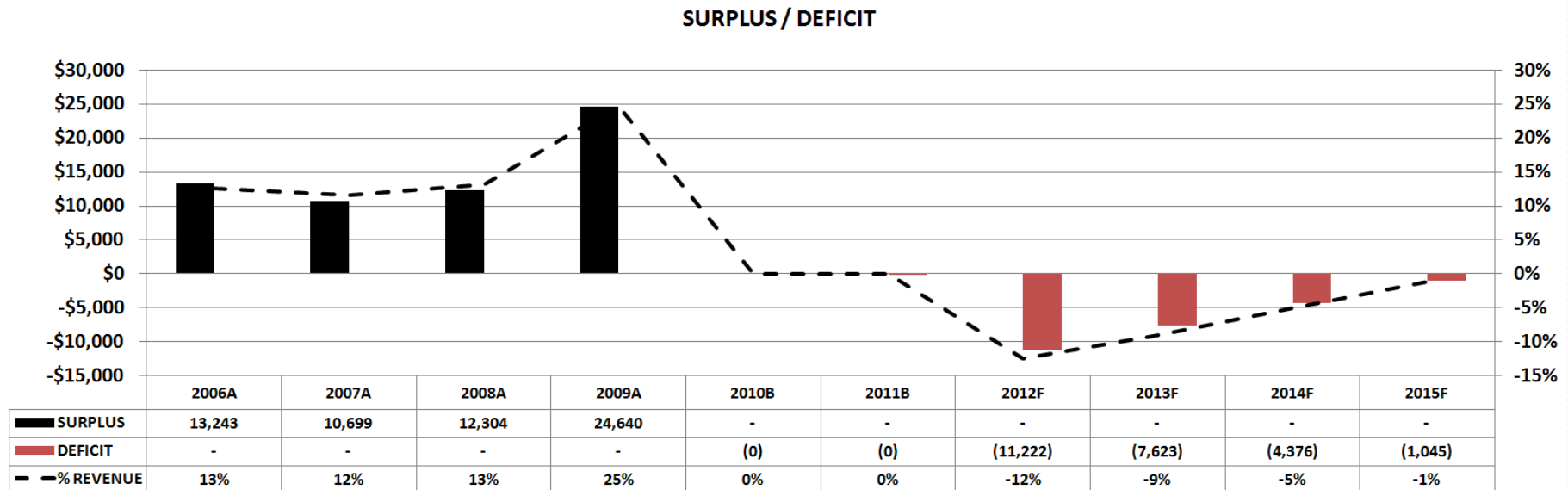
RECENT FORECAST HISTORY

- | | |
|-----------------------|-----------------------------------|
| • FY 08-09 | FY 12-13 \$1 million deficit |
| | FY 13-14 \$16 million deficit |
| • FY 09-10 | FY 11-12 \$3.6 million deficit |
| | FY 12-13 \$13.3 million deficit |
| • FY 10-11 (Proposed) | FY 11-12 \$10.5 million reduction |
| | FY 12-13 \$7.4 million reduction |

Summary: \$17 million reduction moving years depending on conditions at the time.

FY 10-11 Adopted Budget Forecast

Following Budget Adoption, the DRAFT Financial Forecast is as follows:



Evolving Financial Forecast

- The FY 10-11 Financial Forecast will not be complete until the FY 09-10 general ledger is audited & closed.
- Other changes known, but not yet adjusted in the budget:
 - Health Insurance Rates for FY 10-11 are lower than budgeted and will be adjusted in Supplemental #1
 - PERS Reserve held in the event rates increased more than 3% will be returned to the funds that paid in.
 - Lapse rates higher than 2% in some departments which will decrease deficit.
- **BOTTOM LINE**: *Preliminary* deficit number for FY 11-12 remains around \$10 million

What is causing current deficit?

REVENUE:

Federal SRS/timber revenue to the General Fund continues to decrease from a high of \$13.5 million in FY 08-09 to an estimated \$1.2 million in FY 12-13.

State Revenue & contract revenue has decreased.

EXPENDITURE INCREASES:

Expenditures continue to grow at a higher rate than revenue. Health Insurance is forecasted to increase 10% per year. PERS increase in FY 11-12 & 13-14

Budget Proposals

Looking for Solutions

Budget Solution Proposals

- Variety of Proposals submitted:
 - Revenue Generation
 - New or expanded fees
 - Expenditure Reductions
 - Permanent (Sustainable) v. One-time
 - Reducing expenses that are growing faster than revenue.
 - Temporary reductions such as furlough, hiring freeze, reducing reserves, eliminating travel or training.
 - Utility, Phone, Fleet Car usage reviews
 - Reducing Indirect Expenses (Support Services).

Understanding County Overhead / Indirect Cost Plan

- Support Services are paid for by every fund within the County. These services include:
 - Board of Commissioners
 - County Administrator's Office (Budget, PIO, IGR, etc)
 - Legal Counsel
 - Management Services (Facilities, Capital Proj, Finance)
 - Human Resources

Metrics used include size of budget, FTE, agenda items, legal time, etc.

Indirect Cost Plan (cont)

IMPORTANT NOTES ABOUT PLAN:

- By treating all funds the same, this allows us to bill grants for the cost of support services in most cases.

- Amount billed to departments based on actual audited expenditures. This causes a 2 yr delay.

(FY 10-11 budget contains expenditures from FY 08-09)

- General Fund has 1/3 of FTE and 20% of budget – it pays for less than 40% of support services.

- Cost drivers for support services are the same as within direct services (structural deficit).

Options for Reductions

- Begin making reductions in Current Year budget to lessen FY 11-12 deficit.
 - First Supplemental in December, 2010
- Wait until FY 11-12 budget preparation in spring, 2011 and make full reductions needed to balance.
- Revenue generation through new or increased fees.
 - New fee review/analysis at BCC direction.



Questions?