

Budget Kickoff 2018

Welcome – Steve Mokrohisky

Countywide Overview

State & Federal Legislative Update

Local Economy Update

Economic Development Update



Road Fund Outlook

Federally Qualified Health Centers Forecast

Public Safety System Update

General Fund 5 Year Financial Forecast

Budget Direction

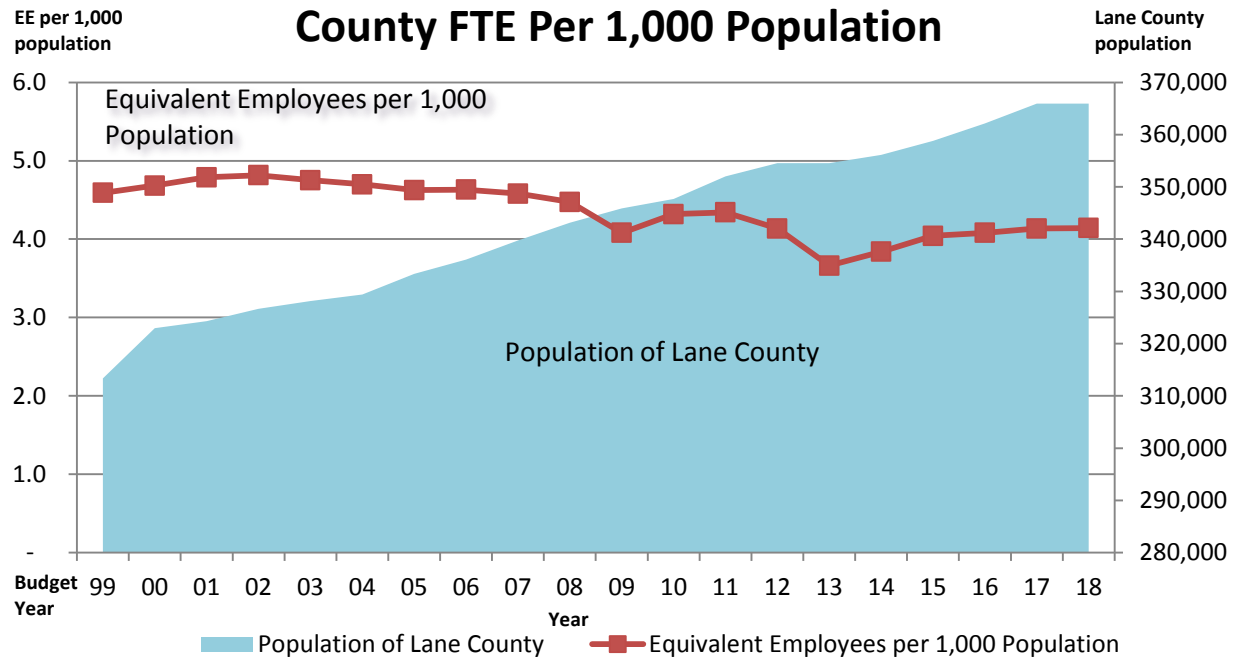
COUNTYWIDE OVERVIEW

Steve Mokrohisky, County Administrator



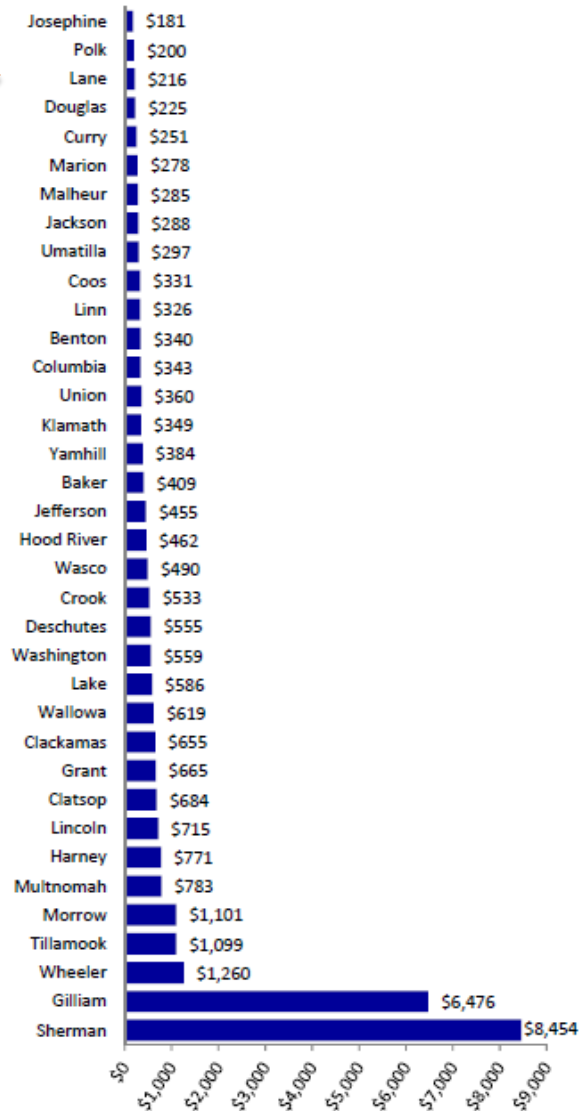
Lane County Overview

- 4,722 sq. miles
- 12 incorporated cities
- Population 362,895
- 9 departments
- \$679M FY 17-18 Adopted Budget
- 1,582.66 FTE

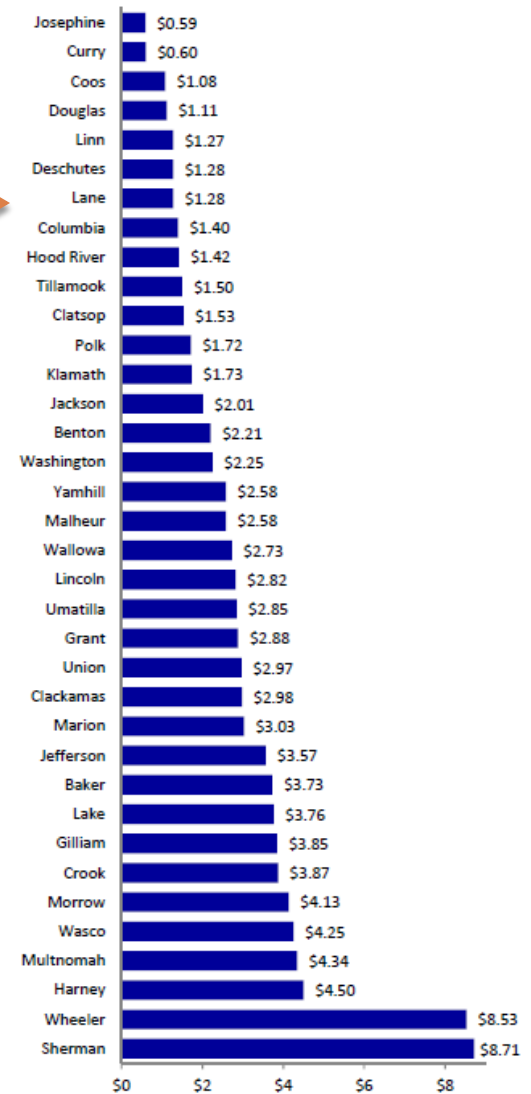


Lane County In Context

Local Revenue per Capita
5-year average, FY 2011-2015



Property Tax Rates
Permanent rate per \$1,000, FY 2014-15



Strategic Planning

- 2014-2017 Plan
 - ▣ Strategic Priorities
 - ▣ Successes
- 2018-2021 Planning Process
 - ▣ December 2017 – 4 Focus Groups
 - ▣ January 3, 2017 – Planning Kickoff
 - Employee Survey
 - Community Survey
 - Work Sessions
 - Open Houses

www.lanecounty.org/strategicplan

Countywide Overview

- 3 Year Budget Plan
- Internal Reviews
 - ▣ Continually look @ services for efficiencies
- Celebrate Successes & Partnerships
 - ▣ Health Insurance & other internal cost drivers
 - ▣ General Fund
 - ▣ Road Fund
 - ▣ Solid Waste Fund
 - ▣ Public Safety System Partnerships (PSCC, Community Corrections Act Funding, enhanced collaborations)

STATE & FEDERAL BUDGET UPDATE

Alex Cuyler, Intergovernmental Relations Manager

Impacts to Lane County

Oregon Things to Watch

- ❑ Special election Jan 23
- ❑ February legislative session
- ❑ April budget building begins (POPS)
- ❑ Lane Co positioned well
- ❑ Generally, state revenue is increasing

Federal budget cloudiness

- ❑ Under continuing resolutions
- ❑ Health care impacts, infrastructure opportunity
- ❑ Oregon positioned poorly
- ❑ Generally, federal revenue is decreasing

Oregon

- January special election refers a legislative measure to the voters. At issue is a \$300M “provider tax”, which leverages some \$600M of federal Medicaid funding.
- Significant new state highway fund revenue begins to accumulate 1/1/18 as a result of transportation package.
- Video lottery for county economic development “true up”.
- Keeping our eyes on carbon taxation (“cap and invest”) proposal.

Federal

- Tax Reform measure contains threats to affordable housing financing tool
- Community Health Clinic Fund fiscal cliff (we are over it)
- SRS or Timber Policy Reform? Congress will take up the Farm Bill in 2018, more to come on CLT & harvest
- Affordable Care Act repeal and replace efforts continue
- Infrastructure package: seeking to award public/private partnerships
- Grants
 - ▣ Public safety
 - ▣ Goshen wastewater
 - ▣ Federal Lands access
 - ▣ Hwy 126 corridor improvement

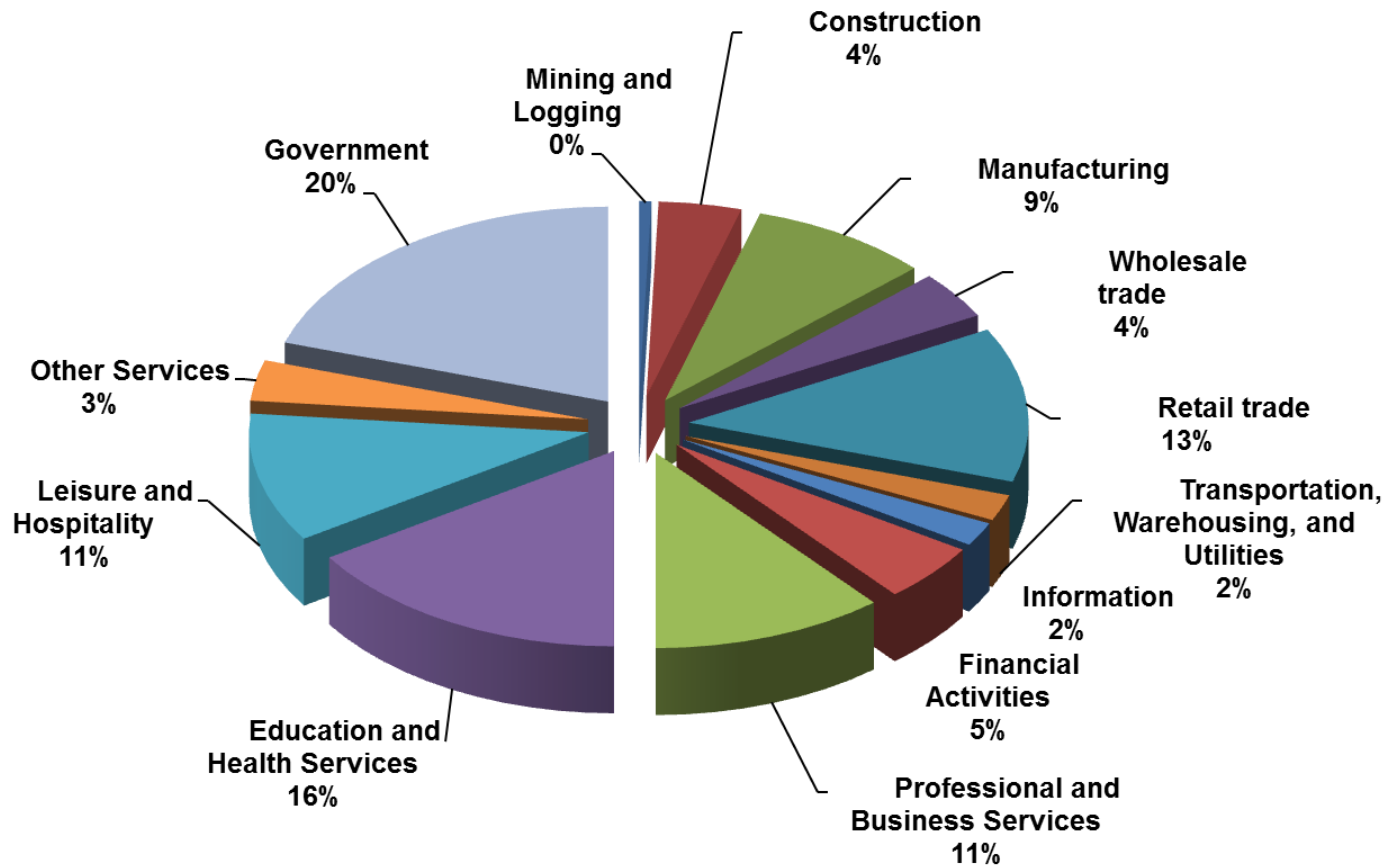
LOCAL ECONOMY UPDATE

- Overview of the economy
- Housing market
- Forecast

Brian Rooney, Regional Economist, Lane County

Lane County's economy is diverse.

Lane County Employment October 2017



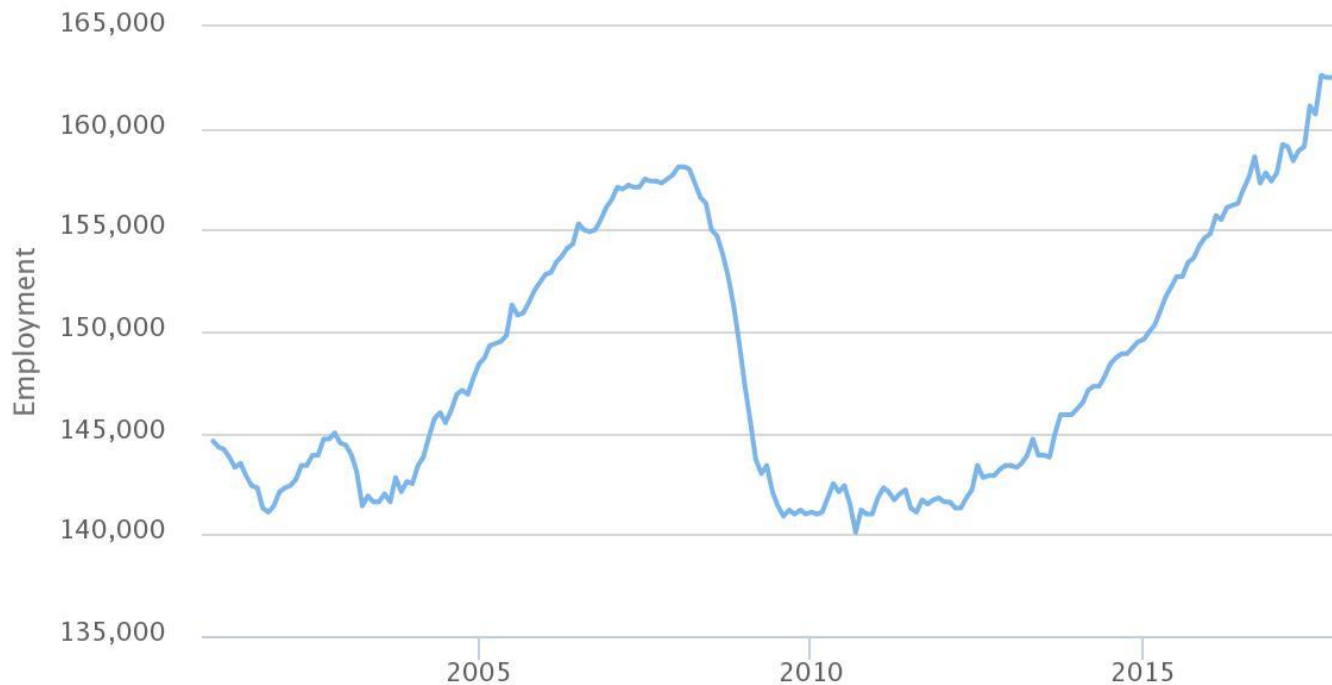


Employment Trends

Lane County began a slow employment recovery in early 2012.

Eugene, OR MSA Total nonfarm employment

(seasonally adjusted)



Source: Oregon Employment Department QualityInfo.org

✓ **Lane County lost 18,000 (11.4%) of its jobs during the Great Recession. This compares to a loss of 8.5% statewide during the recession.**

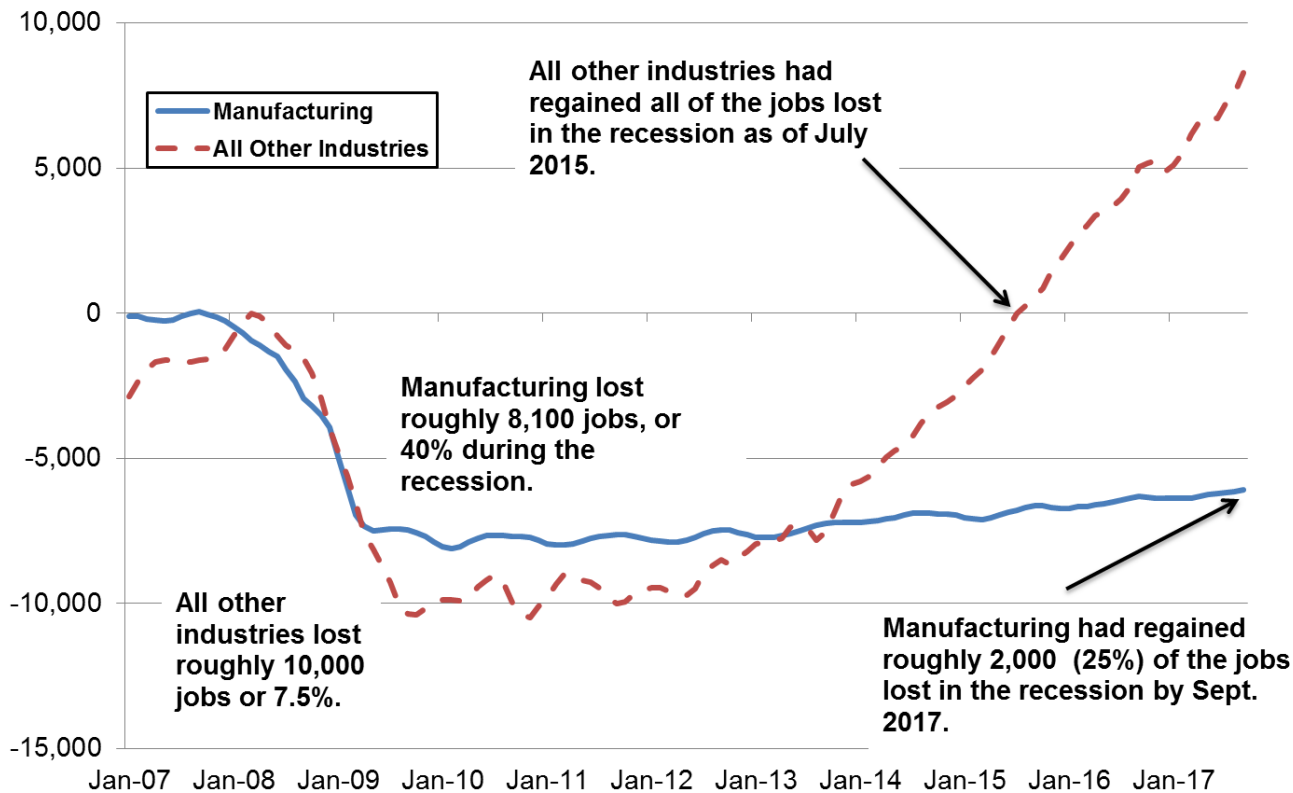
✓ **The lost jobs were gained back by September 2016.**

✓ **Lane County is now 4,400 jobs or 2.8% above the previous peak.**

In Lane County, manufacturing has gained back roughly 25% of the employment lost in the recession while all other industries combined were back to prerecession levels in Sept. 2015.

Lane County Employment

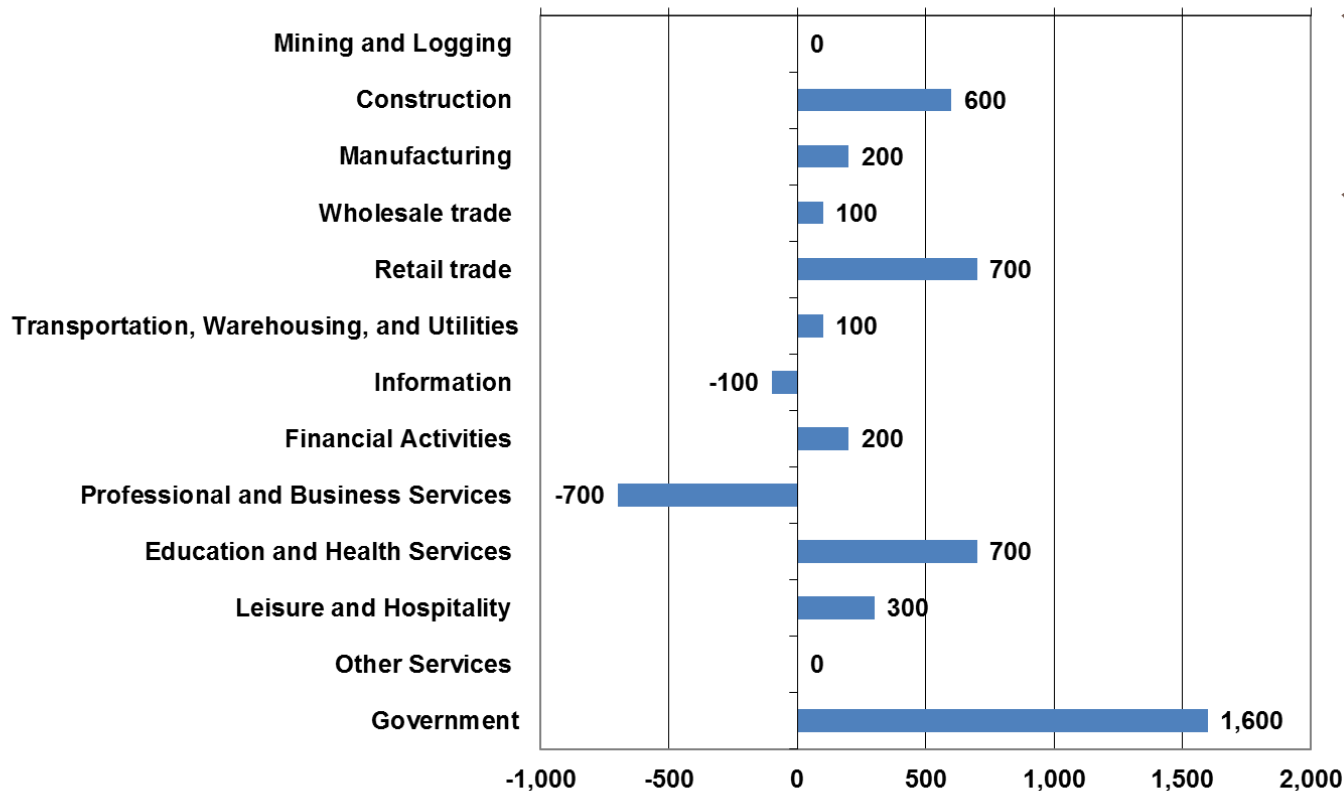
Three Month Moving Average Change from Pre-Great Recession Peak



✓ Lane County experienced a structural change during the recession with the loss of manufacturing.

The latest estimates show that moderate to strong employment growth continues, but may be slowing.

Lane County Industry Employment Change over-the-year September 2017



✓ Over-the-year employment growth in September was 2.4%.

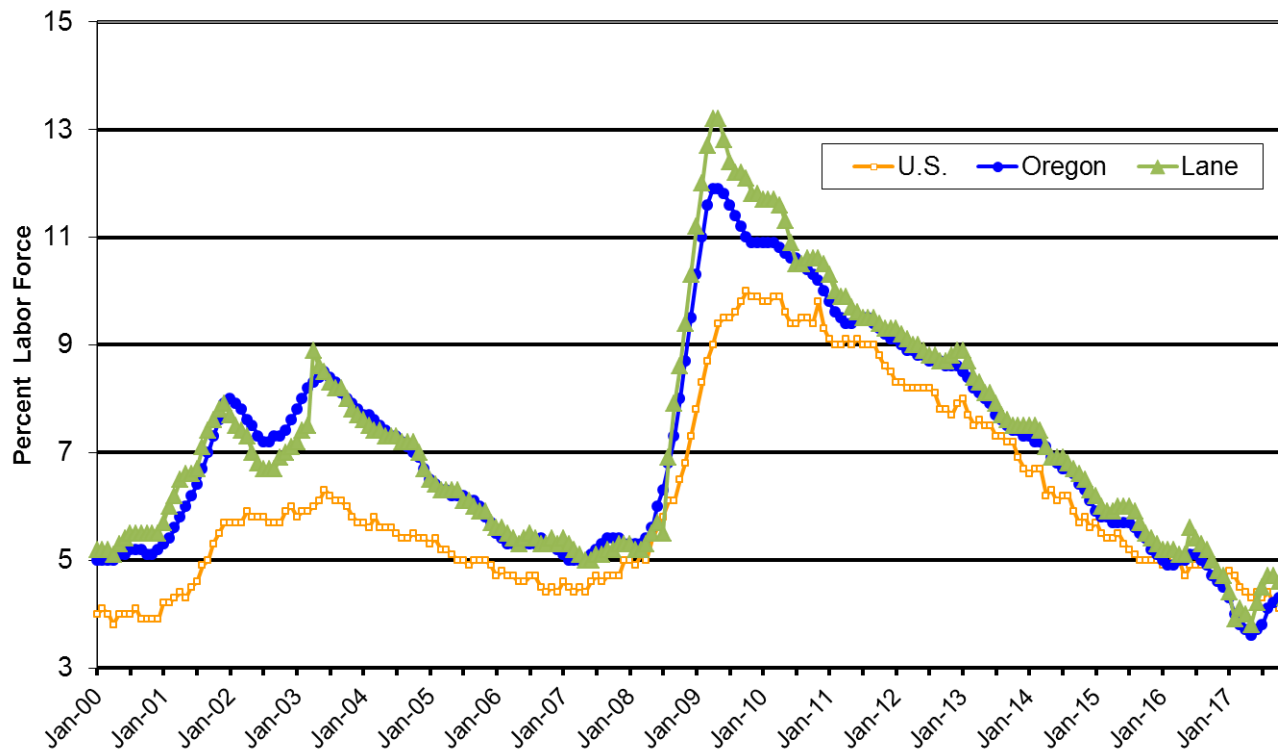
✓ Over-the-year growth in government is from local education, which includes the U of O.



Unemployment Rates

Lane County's November 2017 unemployment rate stood at 4.3 percent, down from 4.8 percent in November 2016 and a high of 13.2 percent in April 2009.

Seasonally Adjusted Unemployment Rates, 2000 to Present



✓ Lane's 3.8% rate in May 2017 is a record low.

✓ Oregon's statewide rate was 4.2% in November.

✓ U.S. unemployment rate was 4.1% in November.



GDP Growth

Lane County had Solid GDP Growth in 2016

- ✓ Lane County was 2.7% in 2016.
- ✓ Nationally metropolitan areas grew by 1.7%.
- ✓ The Bend-Redmond MSA tied with Lake Charles La. for strongest growth at 8.1%.
- ✓ Lane County was led by the professional and business services, construction and retail trade industries.



Housing Market

First, some Lane County income and wage trend data for context.

2016:

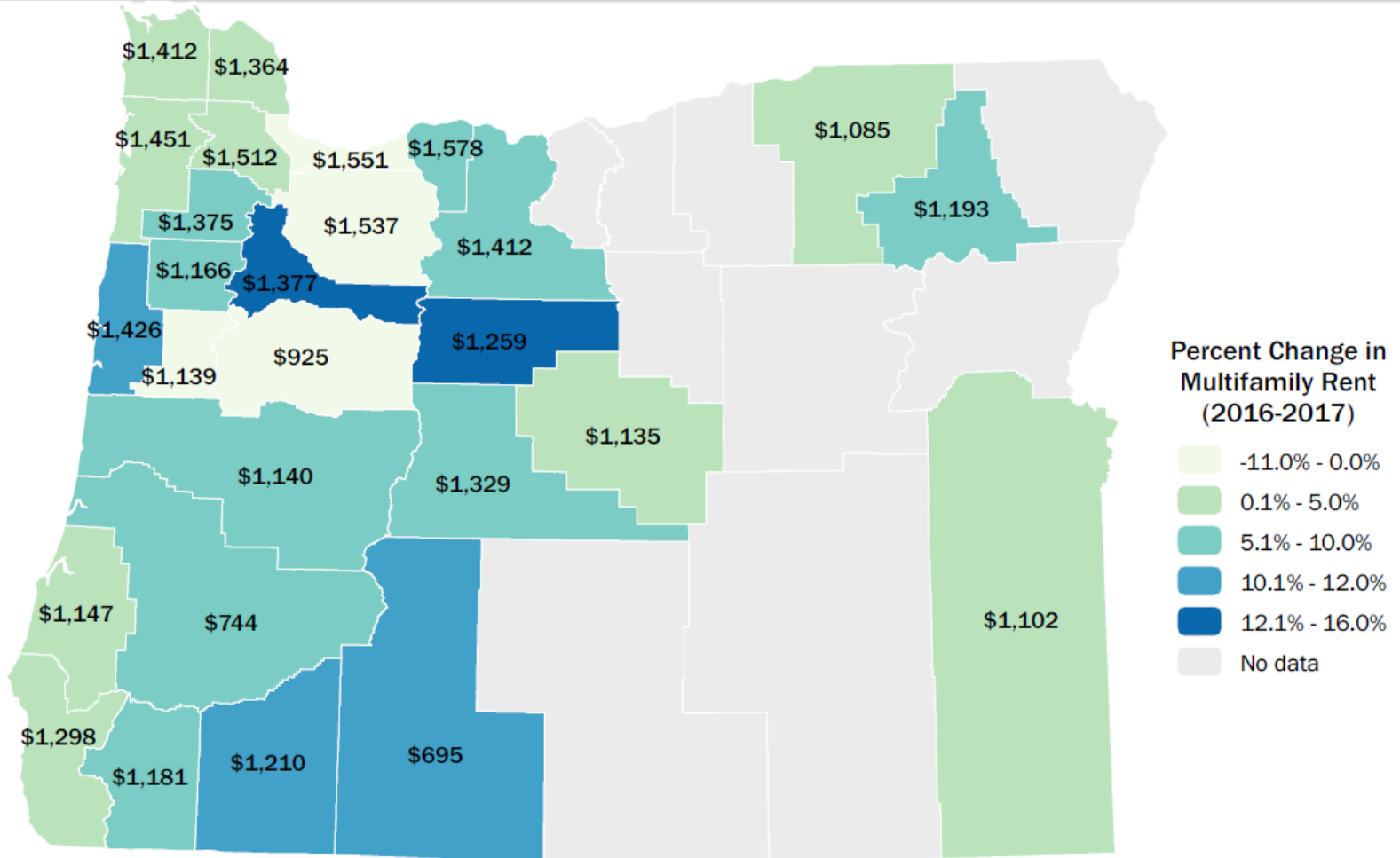
- Average wages increase 1.7%.
- Per capita income increases 1.9%.
- Median household income increases 1%.

Preliminary data for 2017:

- As of 2nd quarter 2017 average wages are up 4.3% over the year.
- Average weekly earnings are up about 5% over the year.

2016 to 2017 Average Apartment Rent Growth

Lane County rent growth is 9.3%.

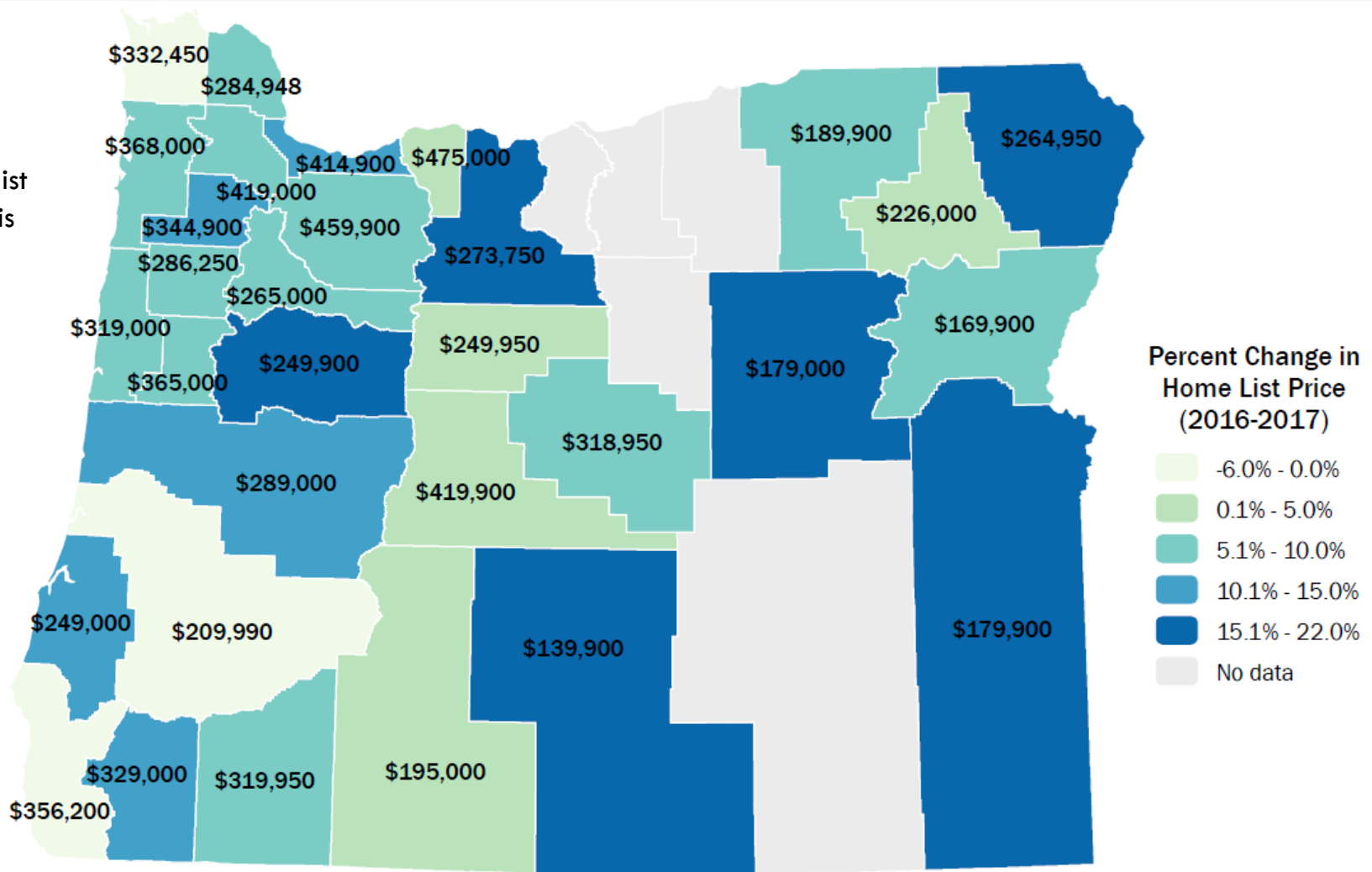


Source: Zillow, ZRI Time Series Multifamily, August 2016-2017

Source: Zillow

2016 to 2017 Average Home Price Growth

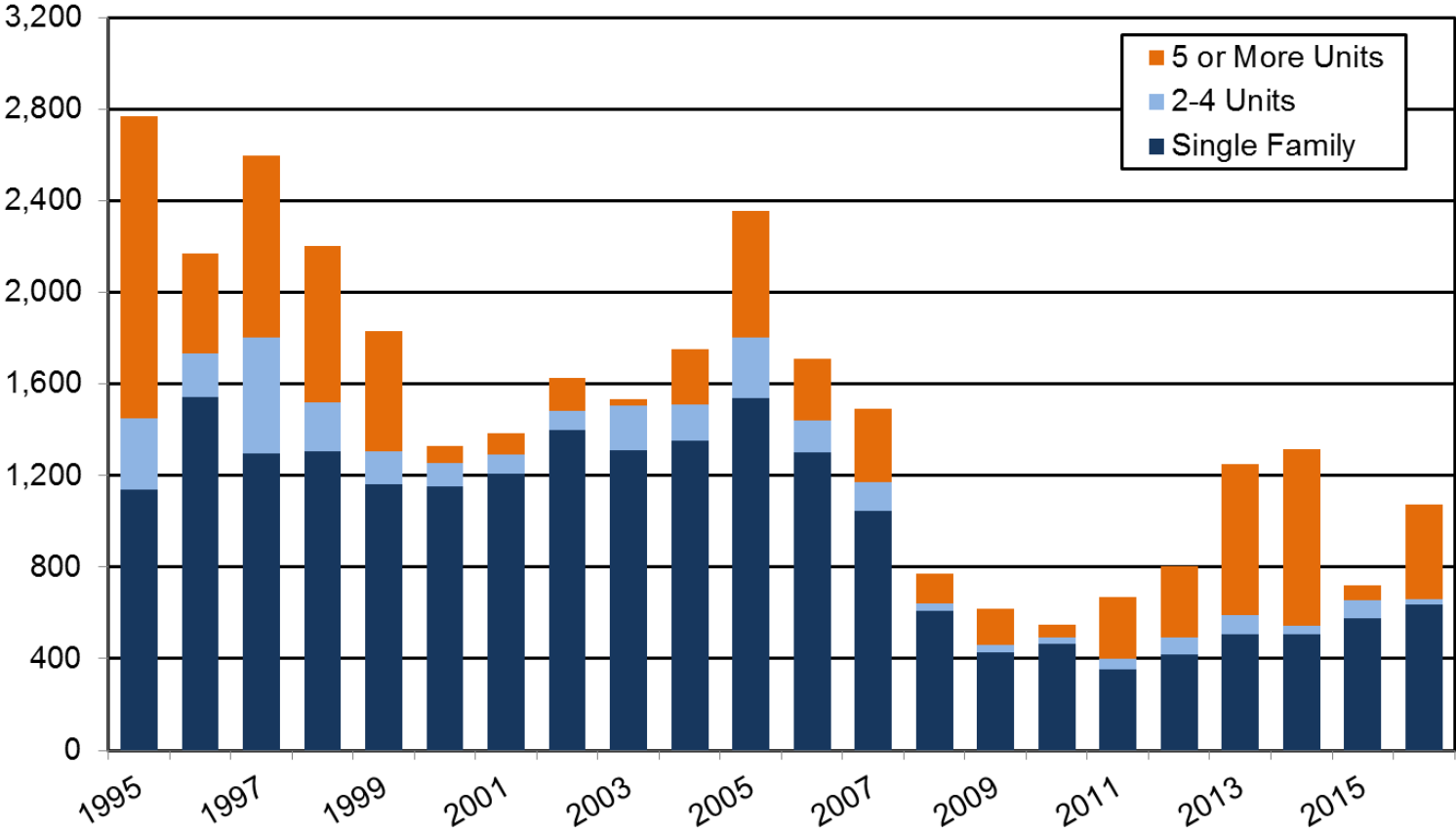
Lane County list price growth is about 11%.



Source: Zillow, Median List Price, August 2016-2017

Building permits are not back to prerecession levels.

Building Permits Eugene MSA (Lane County)

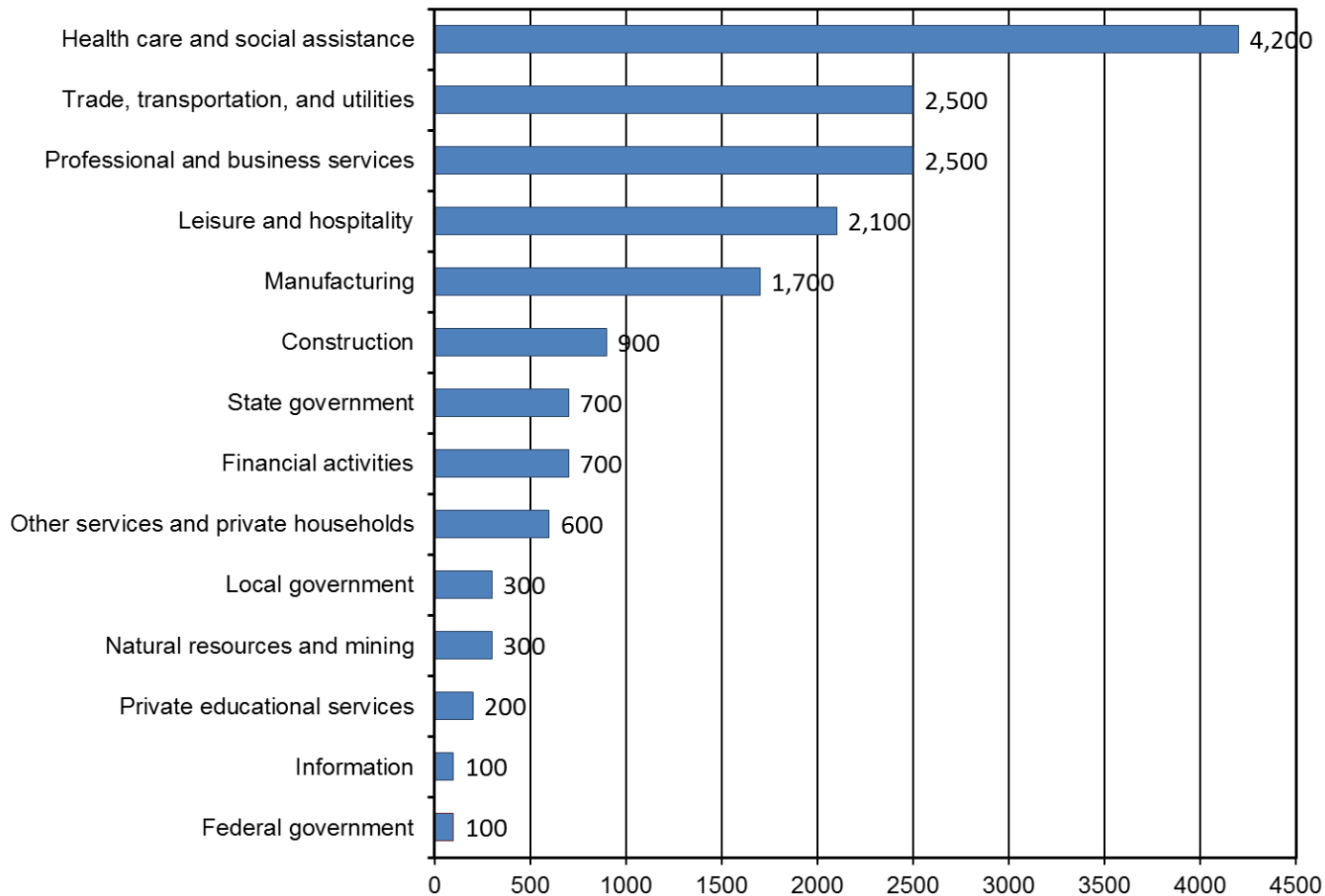




Now for a look forward...

All Lane County industries are expected to add jobs between 2014 and 2024, but at a slower rate than previous forecasts.

All Lane County Industries Expected to Add Jobs, 2014-2024



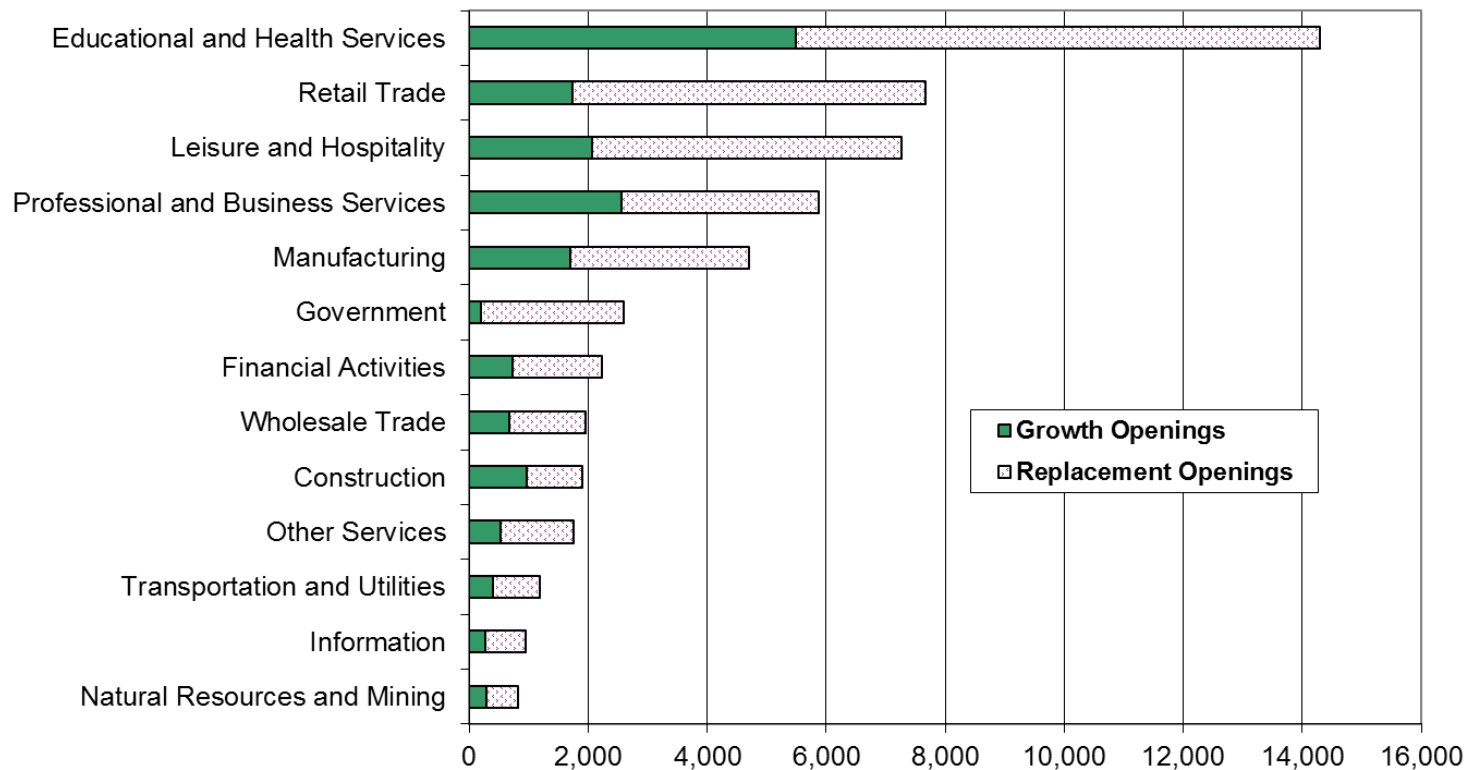
✓ 2010 – 2020
forecast =
18% growth.

✓ 2012 – 2022
forecast =
15%.

✓ 2014 – 2024
forecast =
11% (17,700
jobs).

Additional opportunities will be created by replacement openings, largely from retirements.

Region 5 Projected Job Openings by Industry Growth and Replacement, 2014-2024



Note: Growth openings are the net number of job openings created by economic expansion. Occupations with declining employment have zero growth openings.

What we know is going to happen is mostly positive.

- A 100-room **EVEN Hotel** will open in **Eugene**. It will employ about 40 people.
- Not sure how the Hynix building sale will play out.
- **Northern Gold Foods**, a cereal and granola bar maker, plans to build a 300,000-square-foot factory near **Junction City** that will employ about 75 people.
- Nike co-founder Phil Knight and his wife, Penny, have donated \$500 million to the **University of Oregon**. It will be used to launch a \$1 billion effort to build a three-building science complex in **Eugene**. The new facility would hire 30 new faculty, 250 new graduate students, and 150 new post-doctoral researchers.
- Cybersecurity firm **Symantec** will lay off up to 500 people at its customer service center in **Springfield** by the end of March.
- **Hayden Homes** is building a 116-house subdivision in **Springfield**.
- **Arcimoto**, a Eugene-based electric vehicle company, raised \$19.5 million, allowing it to boost production at its west **Eugene** factory. It plans to add workers as production ramps up.

Bottom line. For the near term, moderate growth is expected to continue, but slowing into the future.

- Near full employment. Slower more, more sustainable growth rates are expected.
- Rising interest rates that can put a damper on the housing market. As the economy improves though, there should be more household formation. Affects Lane County primarily through less construction and less demand for wood products.
- Next recession? Don't know. Many economists forecast 2 to 3 years.

Thank you!



Questions?

Brian Rooney
(541)359-9548

Brian.T.Rooney@oregon.gov

Website:

www.qualityinfo.org

COMMUNITY & ECONOMIC DEVELOPMENT (CED) UPDATE & OUTLOOK

Sarah Means, Community & Economic Development
Manager

How is CED funded?

Video Lottery

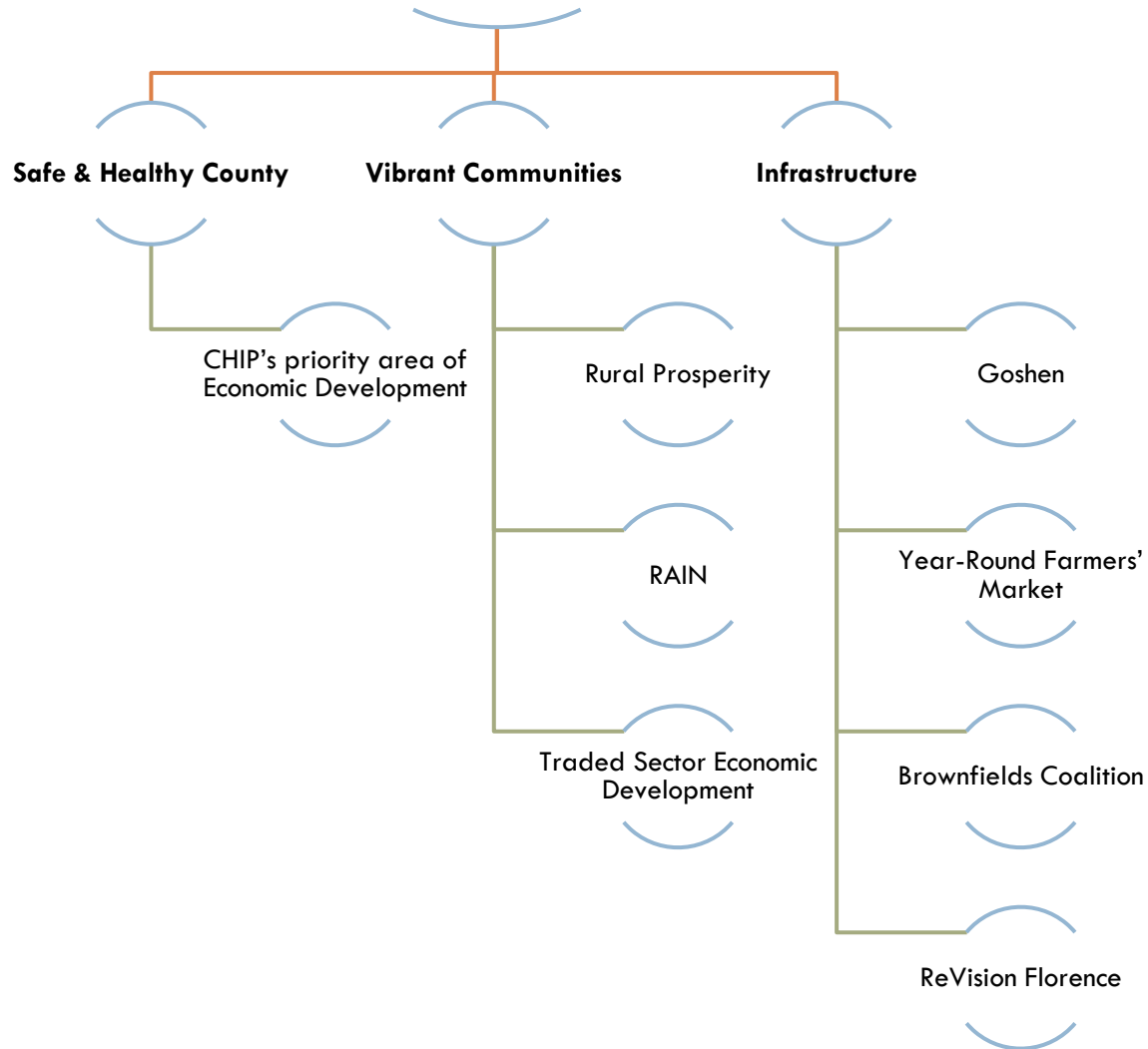
- Under ORS 461.547, counties receive 2.5% of net receipts (after payment of prizes) from video lottery games. These funds are dedicated for economic development projects.
- 50% of the costs of the Governor's Office administration of the Economic Revitalization Team (ERT)/Regional Solutions in the state budget has been funded from this county share.
- Effort in the 2018 short session to "True-Up" County lottery allocations to ensure these important funds are reaching counties and available for local economic development projects.

Typical Allocation

- Revenue: ~\$1.5m annually
- Expenses:
 - ▣ Internal Grants
 - ▣ Eco/Dev Administration
 - ▣ Infrastructure
 - ▣ IGA's

Strategic Plan Objectives

Lane County Strategic Plan



Accomplishments

Accomplishments

- Continued implementation of the Rural Prosperity Initiative
 - Increased communication with rural Lane County communities
 - RAIN is now operating in Oakridge and Lowell (in addition to Florence)
 - Lead applicant in broadband grant for McKenzie River area
 - ReVision Florence participation
- A focus on traded sector economic development through Sector Strategies
 - Advanced Wood Products Co-lead
- Leveraged funding with partners for entrepreneurial and workforce training programs housed at RAIN Eugene, Food For Lane County, and Oregon Manufacturing Extension Partnership.
- Completed the second phase of the Goshen Wastewater Feasibility Plan
- Taken a leadership role in regional business recruitment and have a number of “wins” to note.
- Engaged with an Economic Development consultant to assist with developing a formal strategy for the Community and Economic Development Program including both internal and external stakeholders.

Takeaways

Strategic investments are critical with this limited, but important (and popular) resource

- **Clearly defined CED strategy**
- **Financial stability and planning is critical**
- **Staff capacity**
- **Leveraging of resources and stakeholder engagement**

ROAD FUND OVERVIEW & FORECAST

Dan Hurley, Interim Public Works Director

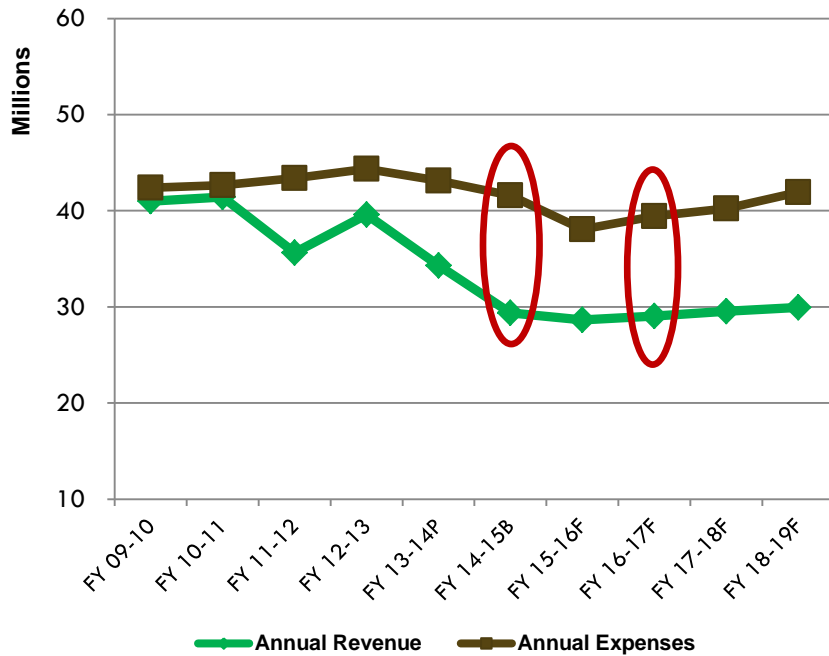
Tanya Heaton, PW Budget & Finance Manager

Road Fund Focus

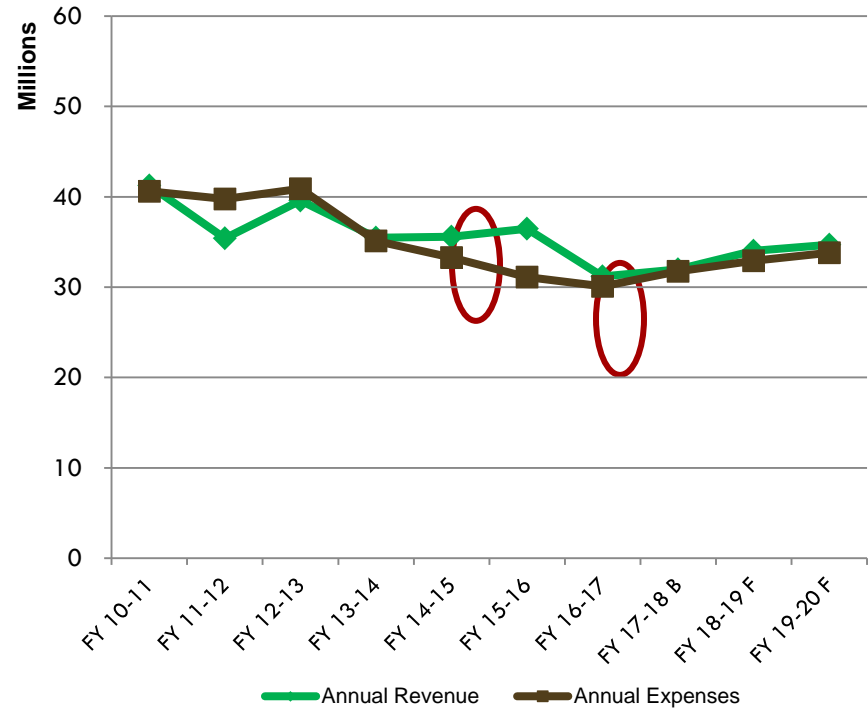
- **Build and maintain smart and resilient infrastructure for today and future generations**
 - **Customer Service**
 - **Road Safety**
 - **Road Preservation**
 - **Bridge Maintenance and Preservation**
 - **Stewardship**

Road Services – STRUCTURAL Gap

Budget FY 14-15



Forecast FY 18-19



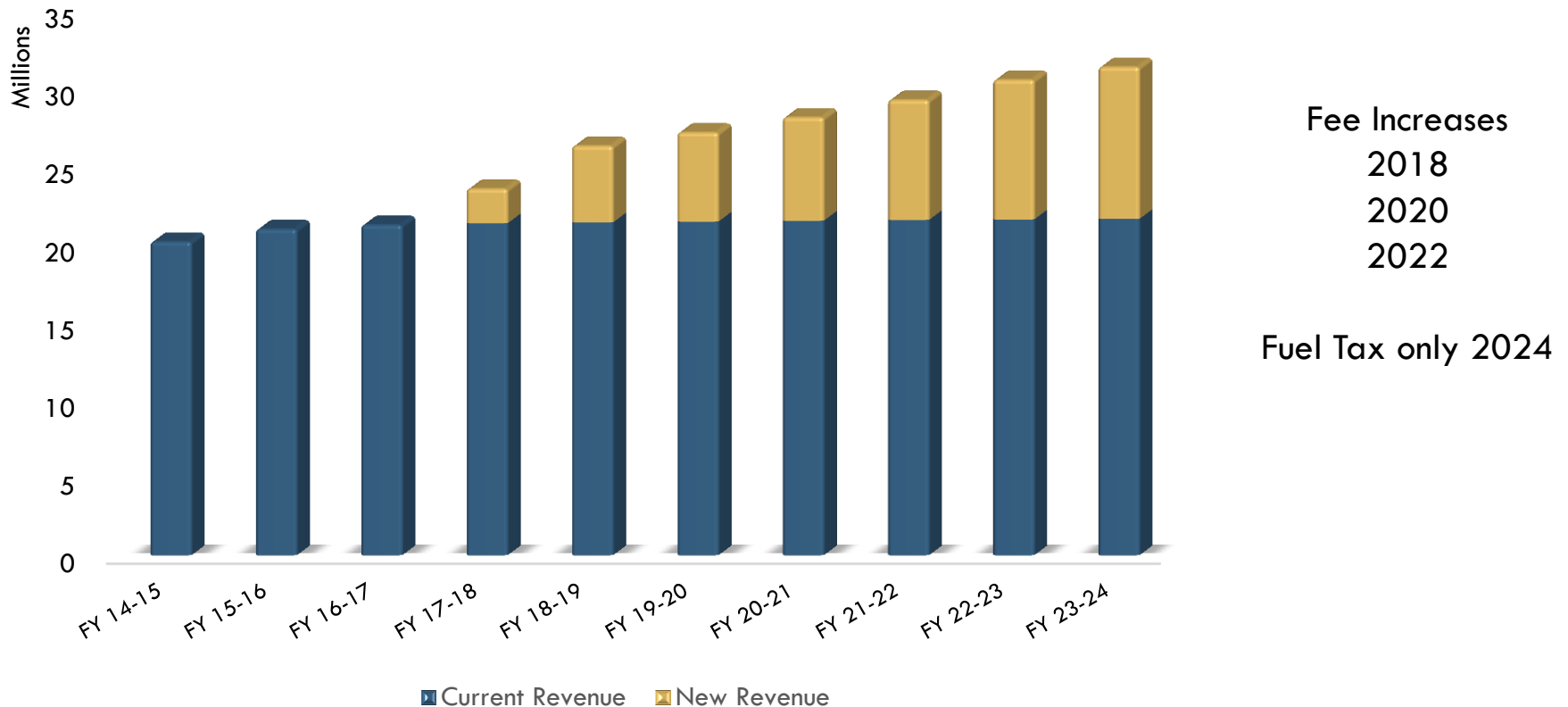
Road Fund Forecast:

- **What Changed Over Last Year ?**
 - **Revenue**
 - **Oregon Transportation Package**

 - **Expenses**
 - **FY 16-17 Lapse**
 - **One-time projects in FY 17-18**
 - **Supplemental #1 Transportation Pkg**
 - 11.0 FTE
 - Increase Chip Seal Program
 - Capital Preservation & Safety Projects

Oregon Highway Fund

10 Year Lane County Apportionment

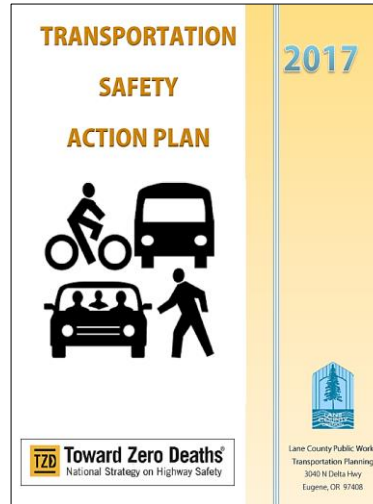
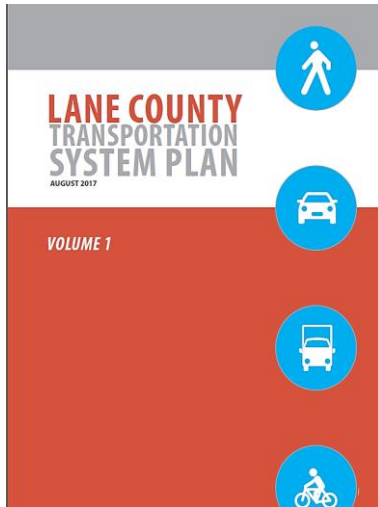


Strategic Plan

Transportation System Plan TSP

Transportation Safety Action Plan TSAP

Road & Bridge Performance Audit

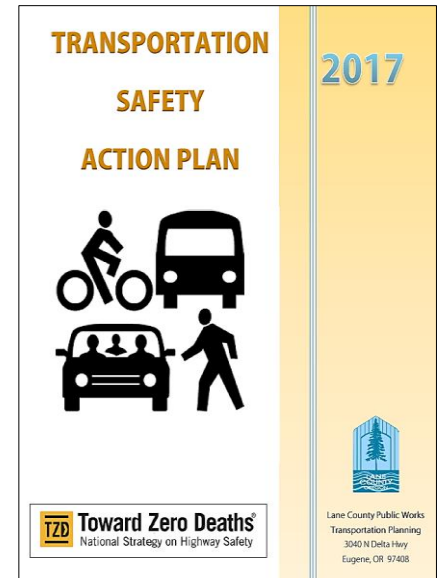


Transportation Revenue Needs & Priorities



Transportation Safety

- ❑ **Fatal Crash Investigation Team (FCIT)**
- ❑ **Traffic Analysis**
- ❑ **Infrastructure Safety Improvements**
- ❑ **Systemic Engineering Implementation Team (SEIT)**



Maintenance & Preservation

□ Performance Audit Recommendations

- **Multi-year Asset Management Plan**
- **Infrastructure Asset Management Software System**
- **Road & Bridge Planner Position**



Maintenance & Preservation

Multi-year Asset Management Plan

- Road & Bridge Management Strategies
- Performance Targets
- Expected Road Service Life Gained Analysis
- Current road and bridge condition ratings
- Infrastructure Maintenance Plans

Asset Management System

- Improve Planning & Productivity
- Monitor & Analyze Asset Performance
- Extend Asset Life
- Economic Modelling



Transportation Safety

Capital Improvement Program

- Bridges & Structures
- Infrastructure Safety Improvements
- Pavement Preservation
- Transportation System Enhancements

Seismic Resilience

- Transportation Connectivity
- Bridges & Structures
- Maintenance & Preservation

Transportation Revenue FY 17-18

Restored 11.0 FTE

- Restored Road Maintenance Planner 1.0 FTE
- Restored Bridge Crew with 5.0 FTE
- Increased Vegetation Crew with 2.0 FTE
- Restored 2.0 FTE in CIP Engineering Team
- Restored PW Administration 1.0 FTE

Materials, Service & Capital

- Chip Seal Program
- Bridge Preservation & Rehabilitation Capital Projects
- Capital Preservation & Safety Improvement Projects

Jurisdictional Transfers

Road Swaps

- Delta Highway to ODOT – 1.97 miles
- Springfield-Creswell Hwy 222 to Lane County - 6.14 miles
 - Two sections 3.25 & 2.89 miles
- Territorial Highway to Lane County – 38.59 miles
- Net gain 42.76 Miles

Revenue Support

- July 2018 - \$5 million
- July 2022 - \$20 million
- July 2024 - \$5 million



15 Minute Break

Resume @ 9:50 am

FEDERALLY QUALIFIED HEALTH CENTER (FQHC) UPDATE

Mike Barnhart, Manager, Clinical Financial Services
Ron Hjelm; Manager, Community Health Centers

FQHC Overview

Services include

- Community Health Centers
- Lane County Behavioral Health
- Public Health (Maternal & Child Health)

Impact on Our Community – Services in 2016

- We served 29,731 Lane County residents
 - 57,862 Primary Care Visits
 - 27,299 Behavioral Health Visits
 - 7,203 Substance Abuse Visits
 - 17,818 Dental Visits

FQHC Forecast - Major Assumptions

Revenue Assumptions

- Stable growth in the number of patients and the number of patient encounters
- Moderate growth in the Medicaid and Medicare reimbursement rate
- Slow growth in most other grant revenues

Expenditure Assumptions

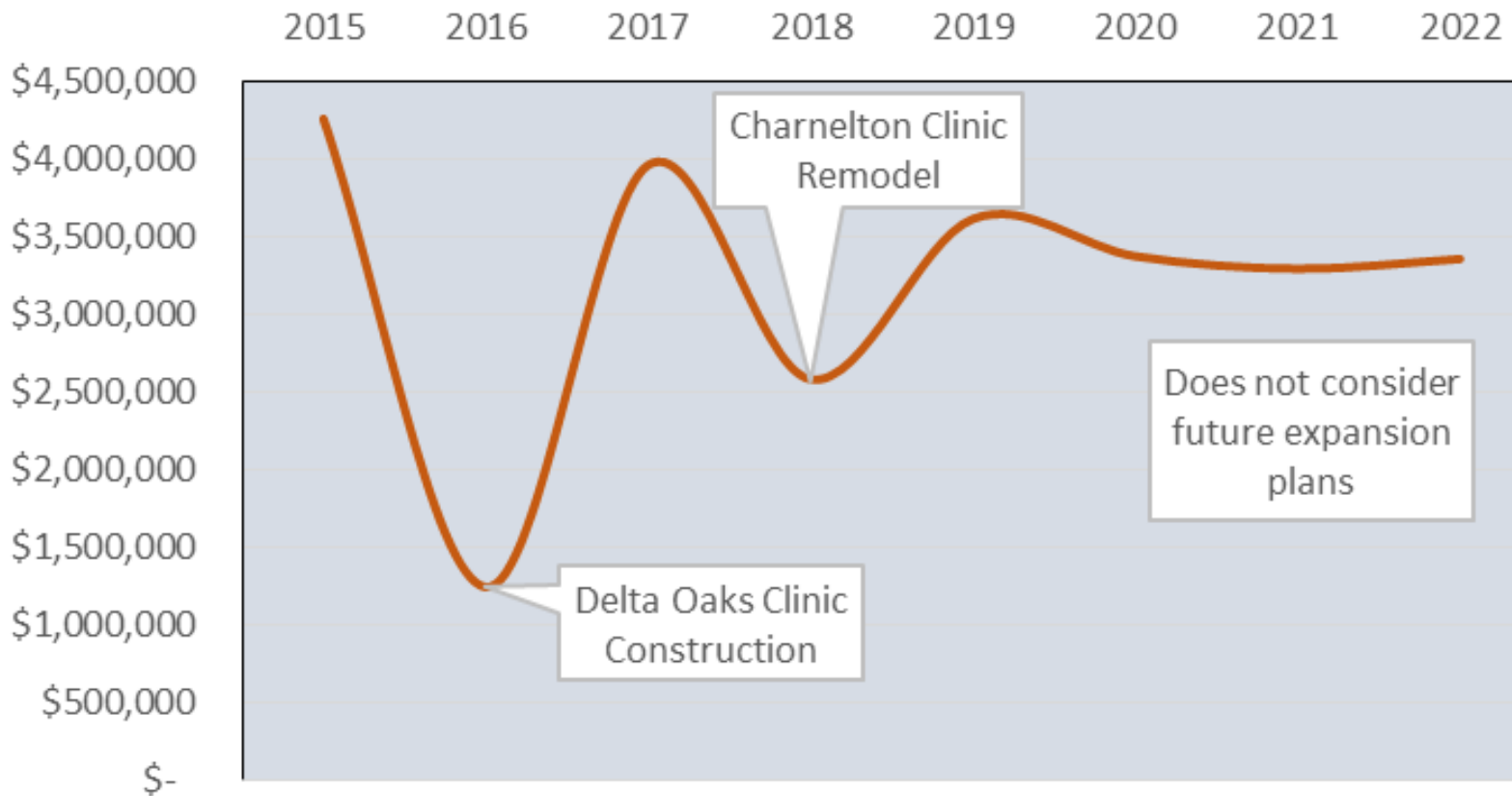
- Moderate growth in salary, fringe benefits, and indirect costs
- No growth in health insurance the next two years, with moderate inflation in the following years
- Moderate growth in PERS and PERS related costs
- Materials and services growth in-line with projected CPI growth inflation factors

FQHC 5-Year Financial Forecast

FQHC 5-Year Forecast	2018	2019	2020	2021	2022
FFS Revenues	\$ 27,876,857	\$ 28,755,620	\$ 29,662,074	\$ 30,597,469	\$ 31,562,326
Other Revenues	\$ 13,890,778	\$ 13,959,557	\$ 14,029,456	\$ 14,100,498	\$ 14,172,702
Transfers In	\$ 2,548,186	\$ 2,624,632	\$ 2,703,371	\$ 2,784,472	\$ 2,868,006
Total Revenues (w/o Fund Balance)	\$ 44,315,821	\$ 45,339,809	\$ 46,394,901	\$ 47,482,439	\$ 48,603,034
Personnel and Fringe Benefits	\$ 27,174,083	\$ 27,696,290	\$ 28,601,859	\$ 29,369,165	\$ 30,383,816
Materials and Services	\$ 9,653,141	\$ 9,912,511	\$ 10,197,694	\$ 10,481,477	\$ 10,768,271
Capital Projects/Outlay	\$ 900,000	\$ -	\$ -	\$ -	\$ -
Debt Service	\$ 575,590	\$ 582,861	\$ 581,036	\$ 589,361	\$ 232,761
Transfers Out	\$ 3,432,521	\$ 3,535,497	\$ 3,641,562	\$ 3,750,809	\$ 3,863,333
Total Expenditures	\$ 41,735,335	\$ 41,727,159	\$ 43,022,151	\$ 44,190,812	\$ 45,248,181
Net Annual Operating Surplus (Deficit)	\$ 2,580,486	\$ 3,612,650	\$ 3,372,750	\$ 3,291,627	\$ 3,354,853
Footnotes					
1. This forecast does not contemplate movement to an Alternative Payment Methodology to be effective 7/1/2018.					
This forecast does not include components of Public Health that are in the FQHC, but are not material to this projection.					

FQHC Operating Forecast

Net Annual Operating Surplus (Deficit)



Updates on State & Federal Landscape

□ State

- Measure 101, to support provider tax would result in large reductions in Medicaid funding if not passed. If tax is repealed, this could mean:

- Cuts of \$210-320MM annually in State funding
- Loss of up to \$960MM annually in federal funds
- Loss of Medicaid coverage for up to 400,000 children

□ Federal

- Revocation of ACA individual mandate
- Children's' Health Insurance Plan (CHIP) funding stalled
- Federal Qualified Health Center funding stalled

Opportunities and Challenges

- Pay for Performance
 - ▣ Payment increasingly tied to clinical performance.
 - ▣ Focus on health of assigned populations rather than just on individual patients.
- Continued Integration of Primary Care and Behavioral Health Services
- Access for Rural Residents
 - ▣ Use of telemedicine or other alternatives to bricks and mortar
- Provider Recruitment and Retention
- Potential Shifting of Behavioral Health Services Based on DOJ Oregon Performance Plan

10 YEAR PUBLIC SAFETY PLAN

Speakers; Sheriff Byron Trapp, District Attorney Patty Perlow, Operations Director Greg Rikhoff, Behavioral Health Mgr. Carla Ayres, Youth Services Mgr. Nathaline Frener

3-phased repair plan

- Phase I: Keeping What We Have
 - Address most immediate needs in next budget cycle to preserve current staffing and service levels.
 - Timeline: 2015-2018
- Phase II: Restoring Capacity to Address Felonies
 - Restoring the county's ability to investigate and prosecute felony crimes, provide treatment for offenders, and help offenders with reentry.
 - Timeline 2018-2022
- Phase III: Full Restoration of Services
 - Timeline: 2022-2025

Sheriff's Office

Corrections Division

- Phase II
 - Jail & YS levy provides capacity of 367 (effective Feb 3, 2018)
 - 293% increase in jail capacity for local offenders/defendants
 - Utilizing 81% of available jail space

Police Services Division

- Phase I
 - No restoration of patrol or detective services.
 - Continuing with FY/14 staffing levels
 - 24-hour patrol coverage since 2016

District Attorney's Office

□ Phase II

- Continued grant funding and some additional support from the General Fund has provided for full restoration of felony prosecution.
- Phase II status would not be sustainable if the Sheriff's Office patrol and investigative resources were adequate.

Parole & Probation

□ Phase I:

- Caseload assignments are assessed, prioritized and rebalanced but not reduced.
- Specialized Caseloads - Gender Specific, Mental Health, Sherman Center, Victim Services.

Reentry Services

□ Phase II

▣ Have restored about 1/2 of the services...

- Added 54 units of permanent housing (The Oaks at 14th)
- Increased transitional housing by 17 beds for men and women – Roosevelt Crossing
- Added Cognitive Based Therapy groups at Sponsors and the Lane County Jail for reentry population
- Sustained Mentoring services with Bureau of Justice Assistance grant through 2019
- Increased “Crisis Funding” for individuals on active supervision in Lane County
- Provide wrap around services to inmates released 60 days early from Dept. of Corrections to the jail’s Community Corrections Center (RLAN program)
- Implemented Department of Labor Workforce Readiness grant in the Jail

Treatment Services

□ Phase II

- 3 Mental Health Specialist positions added to jail services through SO/Behavioral Health partnership.
 - Provides comprehensive discharge planning for inmates, including alcohol and drug assessments to allow access to treatment upon release from jail custody.
- Expanded funding for and access to outpatient substance abuse & mental health treatment.
- Expansion of mental health and drug courts to support treatment success.

Youth Services

□ Phase II

- Phoenix Treatment program has been expanded to accept female youth. Community Service and restitution crews have been expanded.

□ Phase III

- Increases in the overall number of treatment beds and staff to better serve high-need youth.
- Increased number of detention beds;
- Increased number of treatment beds for males and females.
- Increased number of shelter beds
- Expanded diversion, alternatives, assessment, and treatment services.

GENERAL FUND

- FY 16-17 & FY 17-18 RECAP
- INITIAL 5 YEAR FORECAST

Christine Moody,
Budget & Financial Planning Manager

General Fund

▣ General Operating Fund of the County

- Services provided include public safety (Sheriff, DA, Youth Services, Justice Courts), assessment & taxation, elections, public health, animal services, property management, human resources, finance, facilities maintenance, county administration, county counsel.
- Between 30-35% of County FTE paid for by General Fund.

General Fund Revenue

Property Taxes (almost 50% of GF revenue)

- Taxable Value for all properties located in Lane County increased 4.3% over last year - \$31.5 billion 2016 to \$32.8 billion 2017.
- Total Property Tax certified all tax levies combined increased 4%.
- Total certified property tax for Lane County for 17-18 \$54,071,232
 - * Permanent Rate - \$41,682,013 (4.1% higher than 2015)
 - * Public Safety Levy - \$12,389,219

Trend is expected to be the same for FY 18-19 (moderate)

LC specific: 3.75% growth 18-19; 3.5% 19-20; 3.25% thereafter

General Fund Revenue

State & Federal Revenues – Flat

US Marshal Jail Contract discontinued. Rev & Exp decrease

Combined Taxes & Assessments – 3.16-3.38% over 5 years

Other Revenues (Fees & Charges, Fines) – flat to low growth

Overall Revenue Growth – 2.0-2.5% range

General Fund Expenses

Wages – Growing

Cost of living increases, market adjustments

Benefits – Slow growth FY 18-19 /future growth

As wages go up, percentage based benefits increase (PERS)

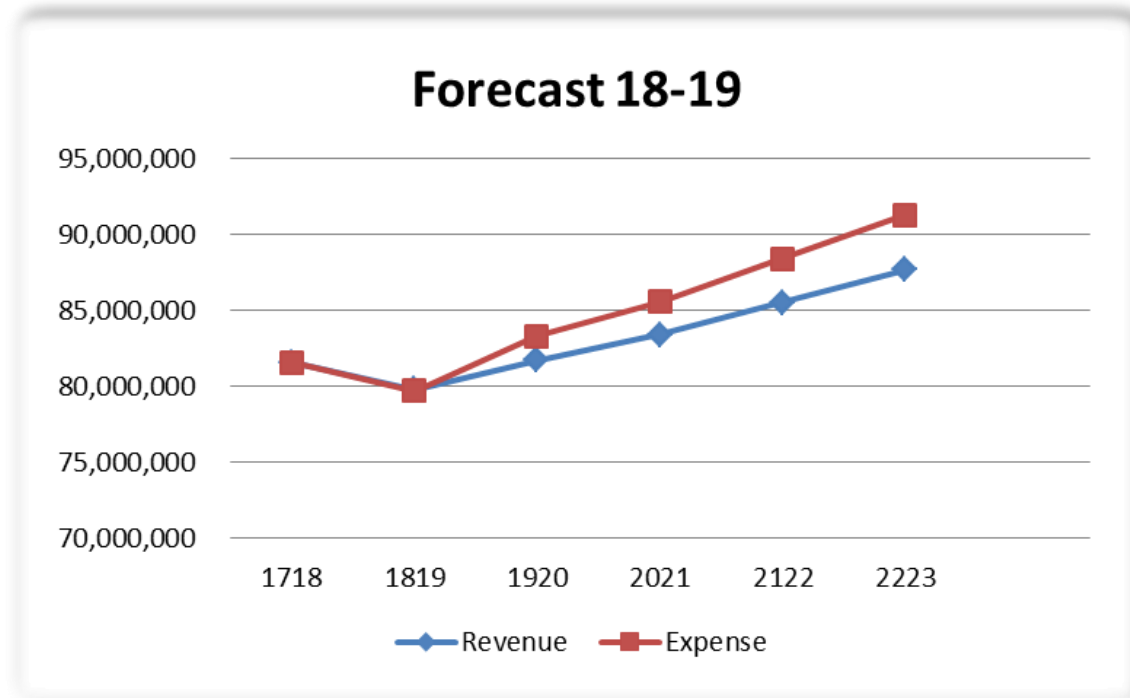
PERS Employer rates : increase in FY 19-20

Materials & Services – Future CPI projections increasing

Overall Expenditure Growth – 3.0-4.5% range

5 Year Forecast

Initial General Fund Forecast:



5 Year Forecast

Future Challenges:

Revenue/Expense Balance

PERS Rates: Employers rate increases new few biennium. 20-25%

Wage Increases: Wages growing faster than revenue

Reserve Levels: Striving to achieve 20% reserve

Recession?

BUDGET CALENDAR

BASIC BUDGET DIRECTION

Steve Mokrohisky, County Administrator

Christine Moody, Budget & Financial Planning Manager

Budget Calendar

January

Budget Kickoff w/Leadership Team January 10th

Budget Kickoff w/Departments January 16th

February

Departments prepare and submit budget to central budget office

March

County Administrator Meetings w/ Departments

Adjustments to department budgets

April

Preparation of proposed budget document

May/June

Budget Committee Meetings

Budget Committee Approval and Board of Commissioners Adoption

Budget Direction

- No extension/renewal of SRS payments
- Personnel – limited to currently approved changes
 - ▣ Vacancy Variance Budgeted
- Benefits
 - ▣ 1.50% medical rate increase
 - ▣ PERS Bond rate increase .25%
 - ▣ Material & Services – Limit to CPI growth as possible (2.6%)

GOALS:

- ▣ Remain structurally balanced
- ▣ Continue to strive to meet 20% reserve policy
- ▣ Maintain current service levels