

Debt Affordability Report



Lane County, Oregon



As of June 30, 2021



Prepared by:
Financial Services
County Administration - Operations

Lane County, Oregon

Debt Affordability Report

For the Fiscal Year Ended June 30, 2021

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Introduction

This annual Debt Affordability Report is prepared following Administrative Procedures Manual (APM) Chapter 2, Section 21, Lane Manual Debt Policies 4.025-4.030, and Oregon Revised Statutes 287A, “Local Government Borrowing.” The report provides information regarding the County’s outstanding debt. It presents selected indicators of the County’s debt position to inform debt-related decisions and to identify areas that require enhanced monitoring.

The report is intended to provide a method for evaluating the current debt position and proposed new issues in the context of legal constraints, the County’s ability to service the debt, and the impact of the debt on the County’s credit rating. Decisions regarding the issuance or refinancing of debt should consider the availability of County resources and the capital needs of the County.

The County’s fiscal year is from July 1 through June 30. Unless otherwise noted, all figures in this report are as of June 30, 2021.

Debt Activity

Lane County’s total debt outstanding decreased 10.7 percent, or \$7.5 million, in the fiscal year 2020-21, as shown in Table 1.

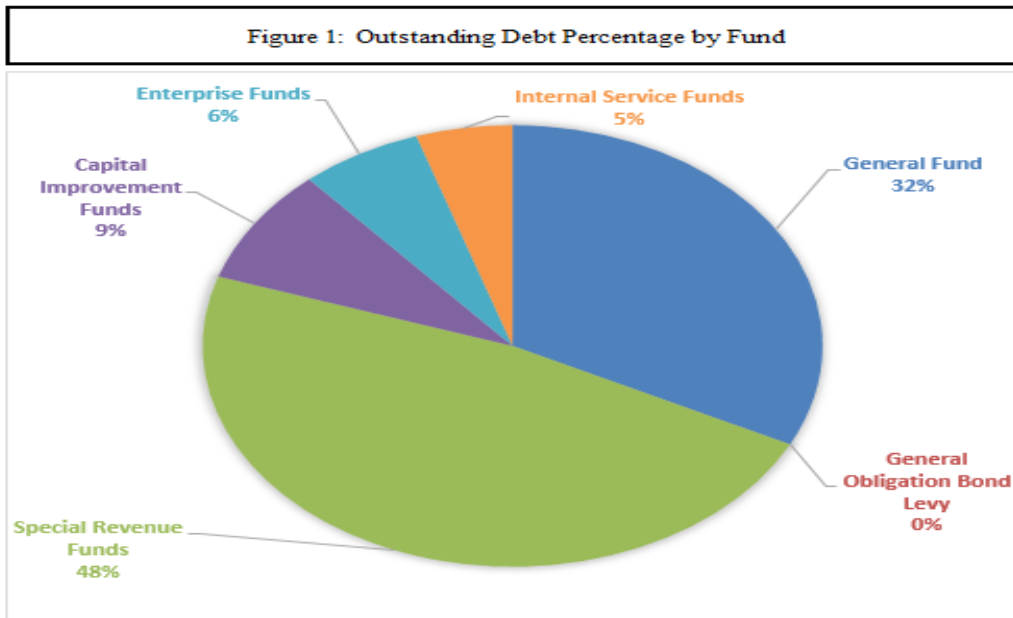
TABLE 1: Fiscal Year 2020-21 Change in Total Debt Outstanding

Type of Debt	Outstanding at			Outstanding at June 30, 2021	Due Within One Year
	June 30, 2020	Additions	Reductions		
Limited tax bonds					
General Obligation Bonds	\$ -	\$ -	\$ -	\$ -	\$ -
Full Faith & Credit, Series 2002A	210,000	-	100,000	110,000	110,000
Full Faith & Credit, Series 2003B	605,000	-	190,000	415,000	205,000
Full Faith & Credit, Series 2009A	465,000	-	465,000	-	-
Full Faith & Credit, Series 2011	6,565,000	-	490,000	6,075,000	510,000
Full Faith & Credit, Series 2011R	1,085,000	-	535,000	550,000	550,000
Full Faith & Credit, Series 2017	8,870,000	-	740,000	8,130,000	770,000
Limited Tax Pension Bond	48,150,000	-	4,800,000	43,350,000	5,515,000
Notes payable					
Oregon Department of Energy	1,475,000	-	125,000	1,350,000	130,000
Wilson Investments LLC	2,765,655	-	85,402	2,680,253	89,771
Outstanding Debt	\$ 70,190,655	\$ -	\$ 7,530,402	\$ 62,660,253	\$ 7,879,771

The County's Debt Portfolio

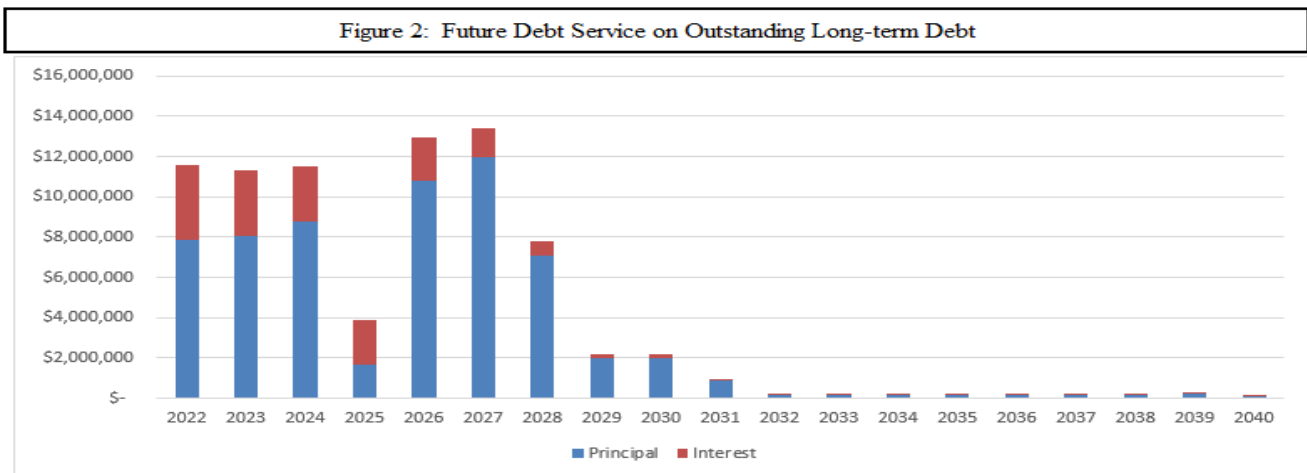
Outstanding Debt by Fund

The County issues many different types of debt. While these are all considered debts of the County, the actual resources to repay each type of debt vary. The General Fund is committed to 32 percent or \$20.3 million of the outstanding debt, as seen in figure 1.



Future Debt Service Requirements

Figure 2 shows future debt service on outstanding debt, including future interest payments as of June 30, 2021.



Note: The debt service decline in 2025 is due to an early redemption of pension obligation bonds of \$8 million as follows: \$6.5 million in December 2007 and \$1.5 million in June of 2010. The debt service decline in 2029 to 2031 is due to the payoff of the pension obligation bonds. Notes payable continues from 2033-2040.

Arbitrage Rebate Calculations

The federal government requires that the County monitor and provide periodic reporting regarding the use and investment of tax-exempt bond proceeds. Investment earnings on bond proceeds that exceed specific levels determined by the federal government must be returned to the federal government as an “arbitrage rebate.” The County complies with all rebate calculation requirements as of June 30, 2021. The County was not required to rebate any arbitrage earnings to the federal government during the fiscal year 2020-21.

County Bond Ratings

Lane County’s General Obligation Limited Tax (GOLT) bond rating of Aa1 is the highest of its kind in Lane County’s history, an improvement in the County’s general credit profile and a reflection of its long-term financial stability. An Aa1 rating identifies an organization with very high credit. A high bond rating allows Lane County to reduce costs to taxpayers when refinancing existing debt and financing public projects. It reflects an organization's quality financial management, lower credit risk, and increased capacity to meet financial commitments.

Moody’s provides credit ratings and risk analysis of commercial and governmental entities worldwide. When evaluating an organization’s credit profile, Moody reviews financial health factors: the local economy tax base, County fund balances, management, and debt/pensions. For more information about Moody’s rating methodology, visit www.moody.com.

Highest grade credit	Aaa
Very high grade credit	Aa1, Aa2, Aa3
High grade credit	A1, A2, A3
Good credit grade	Baa1, Baa2, Baa3, Baa4
Speculative grade credit	Ba1, Ba2, Ba3
Very speculative credit	B1, B2, B3
Substantial risks - In default	Caa1, Caa2, Caa3, Ca

The ratings by Moody’s Investor Service on the County’s limited tax bonds are as follows:

Limited Tax Bond	Rating
Limited Tax Full Faith & Credit Bonds, Series 2002A	Aa1
Limited Tax Full Faith & Credit Bonds, Series 2003B	Aa1
Limited Tax Full Faith & Credit Bonds, Series 2009A	Aa1
Limited Tax Full Faith & Credit Bonds, Series 2011	Aa1
Limited Tax Full Faith & Credit Bonds, Series 2011R	Aa1
Limited Tax Full Faith & Credit Bonds, Series 2017	Aa1
Limited Tax Pension Bonds, Series 2002 (Oregon Local Governments Pool)	Aa2

Benchmarks

Debt Limitation

Oregon Revised Statutes (ORS) imposes specific limits on General Fund-secured debt that can be outstanding at any time. Limits are based upon a percentage of taxable real market value (RMV) within the County. The ORS limitation on the taxable real market is 3 percent for general obligation bonds, 1 percent for limited tax obligations, and 5 percent for pension bonds. Table 2 shows the debt capacity of the County.

**TABLE 2: Lane County Debt Capacity
As of June 30, 2021
Real Market Value \$58,797,304,055**

Bond Type	Debt Limit (% of RMV)	Total Debt Capacity	Outstanding Debt Subject to Limit	Remaining Legal Capacity	Percent of Capacity Issued
General Obligation Bonds	2.0%	\$1,175,946,081	-	\$1,175,946,081	0.00%
Limited Tax Bonds	1.0%	\$ 587,973,041	\$17,694,369	\$ 572,703,041	2.60%
Limited Tax Pension Bonds	5.0%	\$2,939,865,203	\$48,150,000	\$2,896,515,203	1.47%

Affordability Measures

Debt per capita measures the net overall debt burden on each individual residing within the County. In addition to the County's direct debt described above, certain portions of the debt of other governmental entities in the County are payable in whole or in part by the taxpayers of the County. Table 3 presents the County's direct debt and the overlapping debt of taxing districts allocated to the County's property owners.

TABLE 3: Lane County Taxpayer's Debt per Capita				
Debt Information	As of June 30, 2020		As of June 30, 2021	
	Direct County Debt	Overlapping Debt	Direct County Debt	Overlapping Debt
County Net Direct Debt	\$69,987,153	\$1,061,419,483	\$58,620,000	\$1,168,988,468
Debt as % of RMV	0.13%	1.94%	0.11%	1.98%
Debt Per Capita	\$185	\$2,801	\$164	\$ 3,045

As of June 30, 2021, Lane County's net direct debt per capita decreased to \$164, but the net overlapping debt per capita increased to \$3,045.

Net overall debt as a percentage of the real market value (RMV) of taxable real property located within the county indicates citizen affordability based on property ownership. The overlapping debt percentage increased by four basis points (1.94 percent to 1.98 percent).

County Comparisons

Figure 3 shows Lane County’s debt as a percent of real market value is benchmarked in the graphs below with the average and median for comparable Oregon counties¹ and illustrated by County.

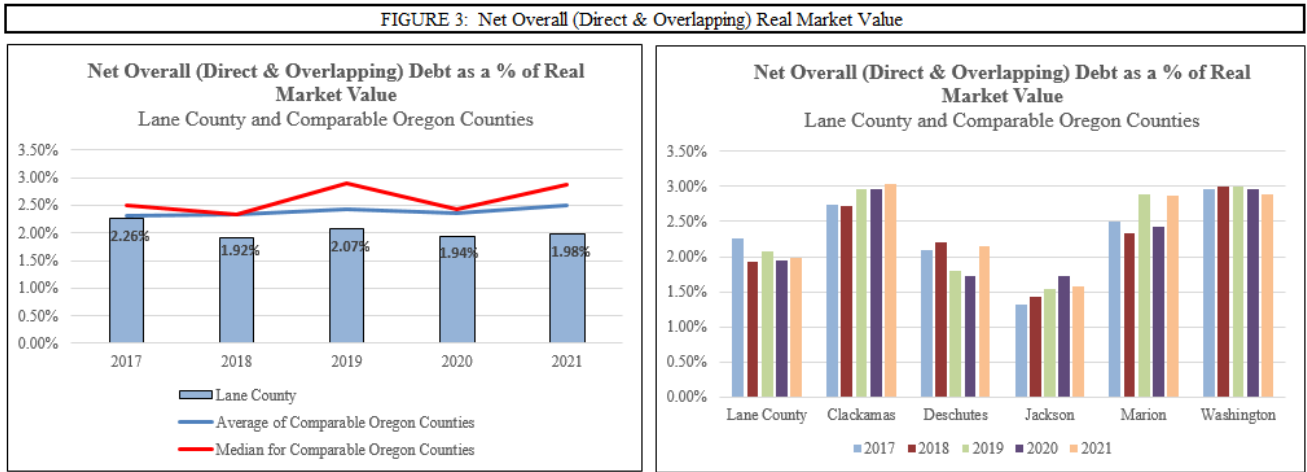
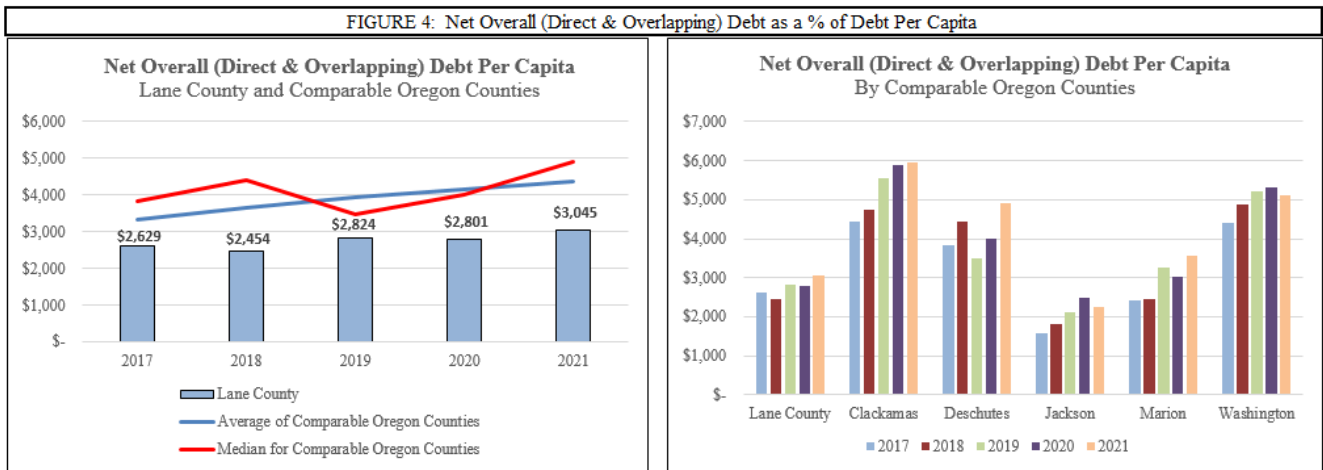


Figure 4 shows Lane County’s debt per capita for both direct and overlapping debt is benchmarked in the graphs below with the average and median for comparable Oregon counties¹ and illustrated by County.



¹ Counties included are Clackamas, Deschutes, Jackson, Marion, and Washington.
Source: Oregon State Treasury, Municipal Debt Advisory Commission. Overlapping Debt Reports

General Fund Analysis

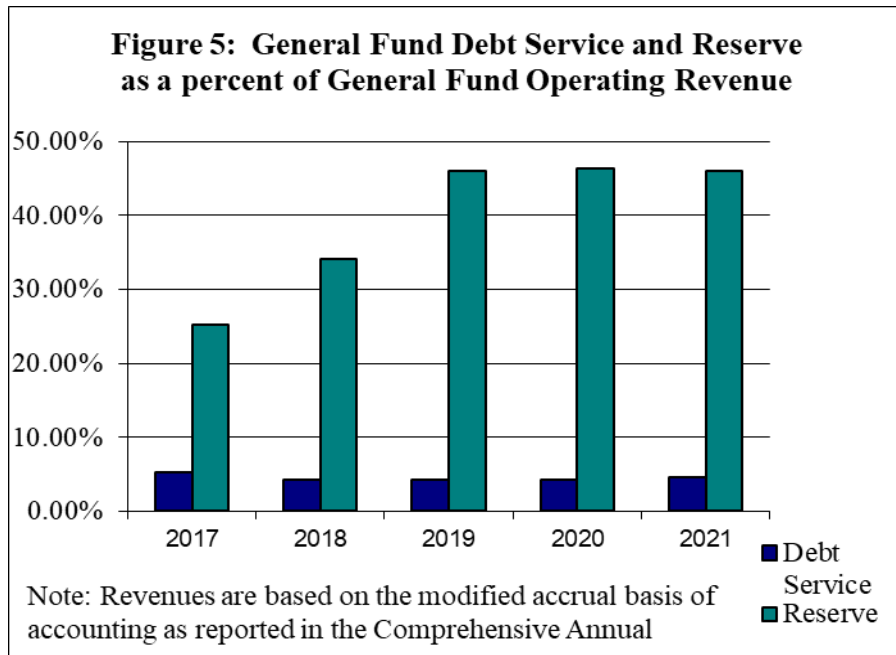
The General Fund services a portion of the County’s debt. As seen in figure 1 above, 32 percent or \$20.3 million of the outstanding debt is the responsibility of the General fund. Table 4 shows the County’s outstanding debt by the fund.

TABLE 4: Outstanding Debt by Fund

Type of Debt	General Fund	General Obligation Bond Levy	Special Revenue Funds	Capital Improvement Funds	Enterprise Funds	Internal Service Funds	
General Obligation Bonds	-	-	-	-	-	-	-
Full Faith & Credit, Series 2002A	-	-	110,000	-	-	-	110,000
Full Faith & Credit, Series 2003B	-	-	-	415,000	-	-	415,000
Full Faith & Credit, Series 2011	-	-	4,340,714	888,113	846,173	-	6,075,000
Full Faith & Credit, Series 2011R	-	-	550,000	-	-	-	550,000
Full Faith & Credit, Series 2017	6,990,084	-	1,139,916	-	-	-	8,130,000
Limited Tax Pension Bond	13,288,665	-	23,771,214	-	3,145,714	3,144,407	43,350,000
Notes Payable ODOE	-	-	-	1,350,000	-	-	1,350,000
Notes Payable Wilson Inv	-	-	-	2,680,253	-	-	2,680,253
	20,278,748	-	29,911,845	5,333,366	3,991,887	3,144,407	62,660,253

The percentage of General Fund revenues dedicated to meeting debt service requirements indicates the County’s capacity to meet its debt obligations. For the fiscal year that ended June 30, 2021, General Fund debt service requirements were 4.63 percent of General Fund operating revenues.

Figure 5 shows the current trend in the General Fund reserves and the General Fund debt service as a percent of General Fund revenues are positive. The General Fund reserve policy establishes and strives to maintain a minimum 20 percent reserve of anticipated 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 increase in General Fund reserves can be directly linked to budget actions that strengthened the reserve levels to help smooth the transition from relying on Secure Rural Schools funding.



Payout Levels

The debt payout indicator reflects how quickly the County expects to repay outstanding debt. A more rapid repayment period reduces risks associated with future loss of revenue and is an indicator of repayment strength. Rapid repayment also allows debt capacity to be released and made available for future capital needs. Five-year and ten-year payout levels represent the percentage of outstanding principal repaid within five and ten years. For this calculation, the pension obligation debt has been excluded. The pension obligation debt repayment period matches the underlying PERS liability amortization period.

Lane County’s current payout of principal within five years	43%
Moody’s 5 year median	25%
Lane County’s current payout of principal within ten years	95%
Moody’s 10 year median	50%

Conclusion

The County’s current level of debt appears manageable and well within established benchmarks. A close analysis is merited before issuing any additional debt. External factors outside the County’s control also affect the affordability of debt. These include fluctuation in the state’s economic indicators, debt issued by other municipalities in the County, and local per capita income.

The County continues to manage its financial resources without reliance on unplanned debt issuance. Metrics related to debt issuance have remained within healthy historical norms. Future debt payments are not expected to outpace the revenue streams that support the various categories of County debt. When compared to industry benchmarks, comparative rating information, and debt service coverage capacity, the County’s debt position is favorable.

Responsible use of debt financing spreads costs of County infrastructure over the usable life of an asset, allows the County to accommodate significant capital needs, provides management control over cash flows and expenses, and contributes to a healthy government financial system. This report provides a helpful presentation of the county’s information to monitor and maintain stable and sustainable County debt programs.

Requests for Information

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the following:

Greg Holmes, County Treasurer/Financial Services Manager
Lane County Financial Services
125 East 8th Avenue
Eugene, OR 97401

Email: Greg.Holmes@lanecountyor.gov
Website: www.lanecounty.org/finance

Appendix – Description of Debt

Limited Tax Bonds

The County issues limited tax bonds in governmental activities. All limited tax bonds are backed by the full faith and credit of the County, within the limitations of Article XI of the Oregon Constitution, and are to be repaid from existing revenue sources. Descriptions of outstanding limited tax bonds are as follows:

Full Faith and Credit Obligations, Series 2002A - Original issue amount \$7,615,000 used to refund the 1998 Municipal Loan Agreement issued to finance public improvements to the County fairgrounds. In June 2011, all but \$1,170,000 was refunded with the issuance of Series 2011R. Remaining final annual principal and semi-annual interest payments are \$115,500 in fiscal year 2022 with final payment scheduled on June 1, 2022. Payment of principal and interest was originally insured by MBIA, and the policy is now held by the National Public Finance Guarantee Corp (NPMFG).

Full Faith and Credit Obligations, Series 2003B - Original issue amount \$5,655,000 used in part to refund the Special Obligations, Series 1993 and Limited Tax Revenue, Series 1995 bonds issued to finance public improvements to the County courthouse and jail, and to finance new costs of a facility for the County Elections division and the plaza/free Speech area at the County courthouse. Remaining annual principal and semi-annual interest payments are \$223,263 in fiscal year 2022 and then final payment of \$219,345 in fiscal year 2023. Payment of principal and interest was originally insured by MBIA, and the policy is now held by NPMFG.

Limited Tax Pension Bonds, Series 2002 – Original issue amount \$71,408,377 (\$14,853,377 in deferred interest bonds and \$56,555,000 in current interest bonds) used to finance a portion of the estimated unfunded actuarial liability with the Oregon Public Employees Retirement System. Remaining annual principal and semi-annual interest payments fluctuate from \$8.5 million to \$11.2 million per year (increasing) with final payment scheduled on June 1, 2028. Payment of principal and interest is insured by AMBAC.

Full Faith and Credit Obligations, Series 2009A – Issued in the amount of \$27,930,000 on November 2, 2009 and used to refund a majority of the Series 2000 obligations and to finance the purchase and improvements to the Public Health Facility, the purchase of the Riverstone Health Clinic building, additional AIRS conversion costs, and upgrades to the heating and air conditioning system at the County correctional facility. In May 2017, all but \$4,935,000 was advance refunded with the issuance of Series 2017 bonds. Before the refunding, the annual principal and semi-annual interest payments were approximately \$2.3 million through 2021, and dropped down to \$1.9 million in 2022 and thereafter. The final principal and semi-annual interest payment was paid on November 1, 2020 for \$476,625. The bond has been paid off in fiscal year 2021, there is no interest or principal balance outstanding as of June 30, 2021.

Full Faith and Credit Obligations, Series 2011 – Issued in the amount of \$10,345,000 on March 30, 2011 and used to finance improvements to the Riverstone Health Clinic building, Richardson Park Marina, the Public Works Customer Service Center, the Lane Events Center Convention Center roof, and the Public Services Building steam conversion. Annual principal and semi-annual interest payments average

\$751,000 with the final payment scheduled on June 1, 2031. The bonds are not insured.

Full Faith and Credit Refunding Obligations, Series 2011R – Issued in the amount of \$4,945,000 on June 2, 2011 and used to refund a majority of the Series 2002A obligations. Remaining annual principal and semi-annual interest payments average \$575,000 with the final payment scheduled on June 1, 2022. The bonds are not insured.

Full Faith and Credit Refunding Obligations, Series 2017 – Issued in the amount of \$8,870,000 on May 31, 2017 and used to advance refund a majority of the Series 2009A obligations. Annual principal and semi-annual interest payments are \$1,047,856 in fiscal year 2022. Thereafter, remaining annual principal and semi-annual interest payments are approximately \$8.4 million with the final payment scheduled on November 1, 2029. The bonds are not insured.

Notes Payable

The County issues notes to finance major construction projects in governmental activities. Descriptions of outstanding notes payable are as follows:

Oregon Department of Energy's Small Scale Local Energy Loan Program – Original issue amount of \$2,080,000 to finance machinery, equipment, and improvements to the regional computer data center that will provide energy savings to the County. The note terms required the County to transfer its Qualified Energy Conservation Bond (QECB) authority of \$2,041,695 to the State which the Oregon Department Energy used to finance the notes. Although the QECB's are not issued in the County's name, the County is responsible to apply for the interest subsidy with the Internal Revenue Service. Annual principal and semi-annual interest payments are approximately \$200,000 per year with final payment scheduled on October 1, 2029. Notes payable are backed by the full faith and credit of the County and are to be repaid from existing revenue sources. In fiscal year 2021, the County made one principal payment of \$125,000 and two interest payments on the loan in the amount of \$64,913 and accrued interest subsidy in the amount of \$40,300. Application for interest subsidy for fiscal year 2021 has been made with the Internal Revenue Service but hasn't received the cash rebate as of June 30, 2021.

Wilson Investments, LLC - Original issue amount of \$2,800,000 to finance the purchase of real property and all improvements at 2699 Roosevelt Boulevard in Eugene, Oregon during fiscal year 2020. The purchase price of \$3.1 million, less the down payment and earnest money, was secured by a promissory note payable over 20 years at a five percent interest rate. Annual principal and semi-annual interest payments are \$221,745 per year with final payment scheduled on January 1, 2040. Notes payable are backed by the full faith and credit of the County and are to be repaid from existing revenue sources. The County has the right to prepay the note after five years of payments at a cost ranging from 10 percent and declining to 2 percent of the remaining note balance in addition to the actual remaining note balance. In fiscal year 2021, the County made principal payments of \$85,402 and interest payments of \$136,343.