Financial Policies

Budget and Financial Policies

2.900 General Policy.

The budget of Lane County is the basis of the legal authorization for the expenditure of funds. As such, all policies and procedures pertaining to budget preparation, review and adoption shall be in conformance with state law.

In addition, the budget performs the important function of presenting the goals and objectives of the County in a manner that is understandable to all users including the citizenry. The budget should express in financial and verbal terms the priorities assigned to various County activities and the reasons why these activities will be performed.

In order to implement this policy, the County Administrator is delegated the responsibility to develop and maintain administrative rules and procedures pertaining to budget preparation, adoption and monitoring. *(Revised by Order No. 83-8-10-3, Effective 8.10.83)*

Financial and Budget Management

4.005 Purpose

The purpose of these policies is to provide guidance to the departments in the prudent management of the financial affairs of Lane County. The following financial and budget policies are adopted in support of the County's strategic goals, to ensure stability in service delivery, and to promote the efficient use of public funds. (*Revised by Order No. 84-12-19-9; Effective 12.19.84; 06-5-31-1, 5.31.06)*

4.010 Policies

Departments will use the following policies in administering their budgets, developing long-range goals and plans, and dealing with the public and other governments.

1) <u>Budget and Management Policies</u>
   Goal: To provide government accountability to the citizens of Lane County
   a) The County budget will provide information concerning program service delivery and will integrate performance measures and productivity indicators, where possible.
   b) The County budget will provide for an appropriate balance between the operating and capital portions of the budget to ensure that equipment and facility maintenance and replacement are adequately funded and occur in a timely, cost-effective manner.
   c) Long-range financial plans and revenue and expenditure estimates will be developed in order to contribute to financial and program stability.
   d) Lane County will endeavor to prepare and publish a comprehensive annual disclosure of its financial affairs in a format intelligible to the interested public, with the goal of obtaining the Certificate of Excellence in Financial Reporting (issued by the Governmental Financial Officers Association).
   e) The County will manage its separate funds in a manner that ensures that one fund does not improperly subsidize another fund.

2) <u>Revenue Policies</u>
   Goal: To develop and maintain balanced sources of revenue sufficient to meet the ongoing financial commitments of Lane County.
   a) To the extent feasible, one-time revenues will be used for one-time capital expenditures or projects and will not be used for recurring operating purposes.
   b) Prior to initiating new projects, whether service programs, grants or capital improvement projects, financial impact analysis will be completed and considered. The analysis will identify the short term and long-range effects of such programs on the County along with any commitment for additional County resources.
   c) The County will strive to diversify revenues and develop controllable revenue sources in order to maintain services during times of economic downturn.

d) Charges for services will be set by the Board of Commissioners based on an analysis of who benefits from the service, amounts charged by other agencies for similar services, the actual direct and indirect cost of providing the services and statutory limits. It is the general policy is that fees will be set to recover the cost of providing the service.
e) Fees and charges for internal service funds will be set at a cost recovery level. For replacement reserves, the charges will be established at a level to fund the replacement over the expected useful life of the equipment. Internal service charges will be reviewed annually for appropriateness.
f) The County may sell or lease services that were developed to meet a County need, but the sale or lease will be secondary to the purpose of meeting the identified need.

3) Reserve Policies

Goal: To maintain adequate reserves to provide a cushion against unforeseen events and economic downturns, thus providing for stability in planning and service delivery and to maintain a reserve level sufficient to maintain a favorable bond rating.

a) The County will establish reserve funds that can be used to reduce the impact of revenue fluctuations and provide for more stable delivery of services to Lane County citizens.
b) The County will strive to maintain a minimum of a 5% Prudent Person Reserve for all funds except the General Fund. The reserve in each fund will be reviewed annually during the budget process by the designated fund manager and associated committee.
c) The County will establish operational reserves within the General Fund and strive to maintain a reserve balance of at least 10% of General Fund operating revenues. Refer to General Fund Reserve Policy at LM 4.011 below.
d) The county will establish and budget adequate contingency reserves for all operating funds to meet unanticipated requirements during the budget year.

4) Expenditure Control/Cost Recovery Policies

Goal: To deliver maximum services in a cost effective and efficient manner.

a) The County will increase efforts to review program effectiveness to ensure maximum return from extremely limited resources. One major effort will be an expanded performance audit capability.
b) Contracting for services with outside agency/vendors will be considered when cost efficient and consistent with Lane County labor policies.
c) Intergovernmental service agreements shall be encouraged wherever services used by several departments can be more effectively provided on a collective basis. Service billings to user agencies will be sufficient to fully recover costs of operation, including depreciation of equipment, direct and indirect costs.
d) Department expenditures shall not exceed appropriation, and expenditures of discretionary General Fund dollars will not exceed the amount approved in the department budget, except upon written authorization by the Board of Commissioners.
e) The County will charge the allowable indirect to all department and funds in the most equitable manner possible and will recover the allowable indirect from all grants, contracts and intergovernmental agreements. Any exceptions will be granted only upon Board approval.
f) It is County policy to fully expend all grant, contract and other program generated revenues (e.g. fees, reimbursements) prior to expending county funds unless otherwise directed by specific grant or contract requirements.
g) Any services or programs that are largely or wholly supported by time-limited grant or contract funds will be considered to automatically sunset at the expiration of the grantor contract.

5) Expenditure Control/Lapse Policy

Goal: To maintain the integrity of financial planning models, provide accountability, and maintain reserve levels.

a) Each department utilizing General Fund resources is expected to lapse 2% of net General Fund use. The lapse generally results from expenditures less than the total appropriated amount. However, revenues in excess of the budgeted amount can be used to offset expenditures for the net lapse calculation.
b) If a department fails to meet the 2% lapse target by more than $5,000, the department is expected to repay the shortfall to the General Fund within one year. At year-end, an interfund loan with be executed to cover the shortfall, which is subject to approval by the Board of Commissioners for approval. (Refer to Lane Manual 4.034-4.040).
c) Under extraordinary circumstances, the Board of Commissioners may waive the lapse expectation for one or more departments.

General Fund Reserve Policy

4.011 General Fund Reserve Policy

Lane County will establish adequate reserves to provide a cushion against unforeseen events and economic downturns. Adequate reserves provide for stability in planning and service delivery and assist the County in maintaining a favorable bond rating. The County will establish operational reserves within the General Fund and strive to maintain a reserve balance of at least 10% of General Fund operating revenues. The General Fund operational reserve will have two components:

1) Emergency Reserve
   a) The first 5% reserve will be designated by the Board as an emergency reserve. The emergency reserve is available to fund one-time or non-recurring emergency, unanticipated expenditure requirements. Emergency examples include disaster relief, expenditures related to essential services, or expenditures that are related to public life and safety issues. Use of the reserve requires a Board order.
   b) Restoration of the emergency reserve will begin the fiscal year following use and will be the first priority for any "lapse" or carryover resources. During budget development, consideration will be given to authorizing appropriations at 98% of available resources in an effort to rebuild the 5% reserve in the earliest prudent timeframe.

2) Economic Stabilization Reserve
   a) The second 5% reserve will be designated by the Board as an economic stabilization reserve. The economic stabilization reserve is available to reduce the impact of revenue fluctuations and drops in revenue growth due to economic downturns. The reserve can be used to continue high priority services that could not otherwise be funded by current revenues.
   b) Use of the stabilization reserve can be approved through the annual budget process, or by Board order. The Budget Committee and Board should consider trends such as:
      i) Revenue growth below 2.5% annually
      ii) Unemployment rate in excess of 7%
   c) When the General Fund reserve falls below 10% as a result of use of the economic stabilization reserve, or as a result of failure to meet carryover targets, the Board will endeavor to restore the reserve as soon as possible to maintain the fiscal integrity of the County and maintain a favorable bond rating.
   d) Restoration of the reserve will be targeted within two fiscal years, and the restoration plan will be included in the Financial Forecast Plan (Fin Plan) and adopted budget. The restoration plan should give consideration to measures such as:
      iii) Increasing the "lapse" expectation by reducing appropriated expenditures.
      iv) Appropriating a minimum of 1% of operating revenues annually to the reserve.
      v) Temporary reductions in assessments to other funds, to be redirected to rebuilding the reserve (such as to Fund 714 – Retiree Medical liability).

e) Both components of the targeted General Fund reserve are considered as "operational reserve" and require appropriation through the Supplemental Budget process before expenditures can be made.

Investment Policies

4.015 Purpose.

The purpose of these policies is to provide direction to the Director of Management Services in the investment of surplus cash in all funds, including moneys held in a fiduciary capacity. (*Revised by Order No. 94-6-28-7, Effective 6.28.94; 04-12-8-4, 12.8.04, readopted by BO 09-1-28-10)*

4.020 Policies.

The following are the policies to be used by the Director of Management Services in administering the investment program.

(1) Investment practices shall be in accord with all applicable state and federal statutes and regulations. Investments shall be made in accordance with such statutes and regulations, including but not limited to, ORS chapters 294 and 295 as applicable.
(2) Maturity of such investments will be made to coincide as nearly as practical with the expected use of the funds and may not exceed three (3) years or statutory requirements, unless matched to a specific cash flow and approved by the Board of Commissioners.
(3) Investment of County funds shall be made only upon the authorization of the Director of Management Services or designee.
(4) Other Lane County officials receiving money in their official capacity must deposit such funds with the Director of Management Services, or at the discretion of the Director, in checking/negotiable order of withdrawal accounts.
(5) All investments shall be placed to ensure a competitive rate of return and be consistent with considerations of safety, liquidity and yield.
(6) The County Administrator is delegated the authority and responsibility to develop and maintain Administrative Procedures to implement these policies.
(7) LM 4.020 shall be adopted not less than annually by the Board of Commissioners. *(Revised by Order No. 94-6-28-7, Effective 6.28.94; 02-5-15-8, 5.15.02; 04-12-8-4, 12.8.04)*

Interfund Loans

4.035 Purpose.

The purpose of these policies is to outline the requirements and responsibilities of departments regarding the use of interfund loans as a short-term financing resource to address cash flow needs in County operations or capital financing plans. *(Revised by Order No. 04-4-28-16, Effective 4.28.04)*

4.040 Policies.

The following are the policies to be used by departments entering into interfund loan transactions:

(1) Interfund loans are a tool employed by the County to assist funds and programs experiencing short-term, transitory cash imbalances created in the conduct of activities approved by the Board of County Commissioners.
(2) Interfund loan requests must be reviewed and approved by the County's Finance and Audit Committee prior to taking a request for authorization to the Board of County Commissioners.
(3) Interfund loans must be authorized by an order of the Board of County Commissioners, which shall state the fund from which the loan is to be made, the fund to which the loan is to be made, the purpose for which the loan is made and the principal amount of the loan, along with a schedule for repayment of principal and interest, or a statement that interest is not applicable to the loan.
(4) Interfund loans must be made in compliance with all other statutory requirements and limitations of ORS 294.460. The provisions of ORS 294.460 are included in LM 4.040(5) and (6) below.
(5) Interfund loans are to be characterized as either "operating" or "capital" and shall meet the following additional requirements, consistent with their character:

(a) An "Operating Interfund Loan" is defined as a loan made for the purpose of paying operating expenses. An operating interfund loan:
  (i) Shall be budgeted and repaid no later than the end of the fiscal year subsequent to the period in which the loan was made;
  (ii) If not repaid in the same fiscal year in which it is made, the full repayment of the loan shall be appropriated as a budget requirement in the subsequent fiscal year; and
  (iii) Is required to be assessed interest, unless otherwise stated in the adopting order.
    (aa) If interest is assessed, the rate of interest will be equivalent to the actual earnings rate in the Lane County Investment Pool, unless otherwise stated in the adopting order.
    (bb) If interest is assessed, such interest will be computed as simple interest on the outstanding balance from the date of the loan to the date of repayment or partial repayment, unless otherwise stated in the adopting order.

(b) A "Capital Interfund Loan" is defined as a loan made for the purpose of financing the design, acquisition, construction, installation, or improvement of real or personal property and not for the purpose of paying operating expenses. A capital interfund loan:
  (i) Shall not exceed 60 months in duration;
  (ii) Shall set forth in the adopting order a schedule under which the principal amount of the loan, together with interest thereon at the rate provided for pursuant to LM 4.040(5)(b)(iii) below, are to be budgeted and repaid to the lending fund;
  (iii) Shall be assessed interest at a rate that is equivalent to the actual earnings rate in the Lane County Investment Pool, unless otherwise stated in the adopting order; and
  (iv) Shall accrue interest computed as simple interest on the outstanding balance from the date of the loan to the date of repayment or partial repayment, unless otherwise stated in the adopting order.

(6) Loans shall not be made from the following funds or restricted resources:
  (a) From debt service reserve funds to the extent that the amount of the loan exceeds the amount required to be held in the reserve fund by covenant with the holders of the bonds or other obligations;
  (b) From debt service funds; nor
  (c) From monies restricted to specific uses under constitutional provisions, unless the purpose of the loan is an allowed use under constitutional provisions.

(7) In addition to the statutory requirements and limitations of ORS 294.460, listed in LM 4.040(5) and (6) above, the following additional policies and provisions shall apply to all County interfund loans:
  (a) Interfund loans shall not be made from funds otherwise restricted by law, bond covenants, grantor requirements, Board order or ordinance for specific uses, unless the purpose of the loan is an allowed use under those restrictions or the restricting entity approves the loan transaction.
  (b) Interfund loans are not to be used to fund on-going operating activities other than those approved by the Board of County Commissioners in a formal budget action.
  (c) Interfund loans are not to be used to balance the on-going operating budget of the borrowing fund due to a shortage of spending authorization.
  (d) Interfund loans will be granted only after it has been demonstrated that reasonable consideration was given to other potential resources available to the fund and when the loan is required to meet a pressing need or to take advantage of a special opportunity.
  (e) Total interfund loans to an individual fund may not exceed the greater of
    (i) 40% of available unrestricted fund balance of the borrowing fund, or
    (ii) 20% of annual "total revenue" plus "other financing sources" of the borrowing fund, both as determined in accordance with GASB 34.
  (f) Interfund loans made to General Fund departments or programs shall not obligate unrestricted General Fund general revenue sources for future loan repayments beyond the current fiscal year.

(g) Interfund loans may be made only if there is a likely expectation that the fund receiving the loan will have the ability to repay it. In other cases, the use of an interfund transfer should be considered for appropriateness.
(h) Consideration shall be given to the adequacy of resources in the lending fund, and in no case shall an interfund loan be made when the consequence of that loan would be to deter or otherwise interfere with any function or project for which the fund was established.
(i) Interfund loans may be repaid in advance without any additional accrual of interest (if applicable) or any other penalties.

(8) No County fund shall carry a deficit cash balance for more than six months during any 12-month period without the written authorization of the County Administrator. Lacking that authorization, the fund managers shall be required to proceed with initiating an interfund loan authorization discussion with the Finance and Audit Committee and request to the Board of County Commissioners
(9) At no time shall a County fund carry a deficit fund balance at fiscal year end. *(Revised by Order No. 04-4-28-16, Effective 4.28.04)*

Video Lottery Allocation Policy

4.100 Purpose.
The Video Lottery Allocation policy reaffirms the philosophy that video lottery receipts must be applied to programs and activities which support economic development in Lane County. Video lottery revenue is received from the State of Oregon as a transfer from the Oregon State Lottery Fund. The Oregon State Lottery Fund is governed by Oregon Constitution, Article XV Section 4. This policy defines economic development activities for Lane County and provides guidance for strategic allocation of video lottery funds to economic development programs and activities. This policy reaffirmation is the basis for all video lottery allocation decisions. The intent of the policies is to encourage partnerships between the County, communities within the county and other parties directly involved in activities, which meet one or more of the four development categories defined below for Lane County citizens. *(Revised by Order No. 01-2-21-2; Effective 5.1.02)*

4.105 Definition of Economic Development.
Economic development is a program, a group of policies, and/or activity that seeks to improve the economic well being and quality of life for a community. Ideally, it will create and retain jobs and provide a stable tax base. In order to create an effective program that works to improve the local economy, the County will consider any one or all of the following categories of development, based on the geography, economy, and policies of local jurisdictions including unincorporated areas:
(1) Organizational Capacity Development. Develop capacity to address the economic development needs of the community. Enhance the ability to develop strategies, raise funds, and work in a more efficient manner with partners (e.g., committees, commissioners and forums).
(2) Community Development. Investments to include but not be limited to infrastructure, downtown areas, gateways, business parks, speculative buildings and/or public/private partnership opportunities.
(3) Business Development. Programs that encourage business growth and investment such as business attraction, retention and expansion, tourism, and start-up and emerging businesses.
(4) Workforce Development. Partnerships between business, education and government that build the skills of the local workforce. *(Revised by Order No. 01-2-21-2; Effective 5.1.02)*

4.110 Allocation.
Within the above definition, the revenues derived from the State's 2.5% video lottery distribution shall be allocated between two economic development categories. Through the annual budget process, the Board shall appropriate a maximum of 50% of the annual receipts to general allocation programs and the remainder (50% minimum) of the annual receipts for economic development strategic investment projects. All (100%) of unspent monies from previous years shall be appropriated for economic development strategic investment projects.

(1) Category 1 - General Allocation for Economic Development Program. Up to half (50%) of the County's annual receipts from video lottery revenue shall be allocated to the Category of General Allocation Economic Development Program. The purpose of the General Allocation is to pay for ongoing County programs and services which meet the adopted definition of economic development. The rationale is that citizens, tourists, employees and potential business owners shall benefit from a stable economic base, prepared and ready workforce, nurturing atmosphere for business growth and investment and consistent and knowledgeable development staff. Guidelines for the General Allocation for Economic Development Program shall be:
   (a) The cost of administering the video lottery receipts shall be paid with video lottery funds from the General Allocation category.
   (b) A working capital reserve for General Allocation programs may be maintained.
   (c) The County may continue to participate in forums for exchanging ideas and addressing the economic development needs of the County.
   (d) The County may contract with other agencies for the purpose of community/county promotion, marketing/recruitment, and other economic development support services, the sole purpose of which is to build capacity over time and increase and/or stabilize the economy of the County and its citizens.
   (e) The County may maintain or hire County staff internally or contract with other agencies to provide economic development support services to the county and/or communities within the county.

(2) Category 2 - Economic Development Strategic Investment Program. The County shall establish the "Economic Development Strategic Investment Program." The purpose of this category is to assist communities to pro-actively leverage video lottery dollars through public-private partnerships that will make a measurable difference in the economic growth and stability of Lane County. This program shall be capitalized annually with a minimum of 50% of the new video lottery revenue received each year from the Oregon State Lottery Commission's transfer to counties for economic development activities. In addition, all revenue unspent in previous years will be added to this category. General guidelines for this category shall be:
   (a) Any activity or project supported by this program must demonstrably and directly increase the chance of making a measurable difference to the economy of Lane County and its citizens.
   (b) Projects are expected to have some financial support other than video lottery money.
   (c) Allocations toward projects or facilities identified in a recognized capital improvement plan (e.g., the County, community within the county or economic development organization's capital improvement plan) shall receive priority consideration.
   (d) Projects that require multi-year commitments may be funded.
   (e) Allocations shall be made by the Board upon the advice of the Economic Development Standing Committee, after review and comment by the Lane Economic Committee.
   (f) No obligation shall exist to recommend an annual expenditure from this category. Projects should only be recommended for funding if they substantially meet the general guidelines and can demonstrate a direct impact on economic development of the community. Some or all of the funds may be carried over in any year for larger allocations in a later year.
   (g) The cost of administering the Economic Development Strategic Investment program shall be paid with video lottery funds from the economic development strategic investment category. *(Revised by Order No. 01-2-21-2; Effective 5.1.02)*

Debt Policies

4.025 Purpose.

The purpose of these policies is to provide direction to the Director of Management Services in the and management of the County's borrowing and capital financing activities. *(Revised by Order No. 06-9-13-9, Effective 9.13.06)*

4.030 Policies.

The following are the policies to be used by the Director of Management Services in administering the issuance of debt.

(1) Debt management practices shall be in accord with all applicable state and federal statutes and regulations. Debt shall be issued in accordance with such statutes and regulations, including but not limited to, ORS chapters 287 and 288 as applicable.

(2) Debt shall be issued in a manner that minimizes the County's debt service and issuance costs while maintaining the highest practical credit rating.

(3) Repayment schedules for debt retirement for capital projects shall not exceed the useful life of the asset acquired through the debt issuance.

(4) Bonds and long-term debt obligations shall be issued only upon the authorization of the Board of County Commissioners. *(Revised by Order No. 06-9-13-9, Effective 9.13.06; 06-12-13-6, 12.13.06)*

Lane County Debt Policy and Legal Debt Limitation Calculation

The County continues to manage and administer its debt program in compliance with the restrictions and limitations of State law with regard to bonded indebtedness for counties, as outlined in Oregon Revised Statutes 287.052 – 074 and related sections. These statutory restrictions not only establish legal limitations on the level of limited tax and general obligation bonded debt which can be issued by the County (1% and 2% of the real market value of all taxable property, respectively), but the statutes also outline the processes for public hearings, public notice and bond elections, as well provisions for the issuance and sale of bonds and restrictions on the use of those bond proceeds.

COMPUTATION OF LEGAL DEBT MARGIN – GENERAL OBLIGATION BONDED INDEBTEDNESS

June 30, 2008 – Unaudited

Oregon Revised Statute 287.054 provides a debt limit on general obligation bonds of 2% of the real market value of all taxable property within the County's boundaries.

Real Market value (2007-08)	$	41,729,282,436
Debt limit rate		2.00%
Debt limit		834,585,649
Less applicable bonded debt *		(17,290,000)
Legal debt margin	$	817,295,649
Total debt as a percent of debt limit		2.07%

* No additional debt has been authorized as of April 8, 2009.

COMPUTATION OF LEGAL DEBT MARGIN - LIMITED TAX BONDED INDEBTEDNESS

June 30, 2008 – Unaudited

Limited Tax Bonds (excluding Pension Bonds)

Oregon Revised Statute 287.053 provides a debt limit on limited tax full faith and credit bonds of 1% of the real market value of all taxable property within the County's boundaries.

Real Market value (2007-08)	$	41,729,282,436
Debt limit rate		1.00%
Debt limit		417,292,824
Less net applicable bonded debt		(15,091,302)
Legal debt margin	$	402,201,522
Total debt as a percent of debt limit		3.62%
Summary of limited tax obligations:		
Limited Tax Full Faith and Credit Bonds, Series 2000		4,895,000
Limited Tax Full Faith and Credit Bonds, Series 2002A		7,100,000
Limited Tax Full Faith and Credit Bonds, Series 2002B		0
Limited Tax Full Faith and Credit Bonds, Series 2003B		3,200,000
		15,195,000
Less: Funds applicable to the payment of principal thereof per ORS 287.053(1):		
Fair Board Debt Service Fund		(103,698)
Net applicable bonded debt *	$	15,091,302

Limited Tax Pension Bonds

Debt limit (5% of real market value)	$	2,086,464,122
Debt applicable to limit:		
Limited Tax Pension Bonds, Series 2002	$	69,214,133
Legal debt margin	$	2,017,249,989
Total debt applicable to the limit as a percentage of debt limit		3.32%

* No additional debt has been authorized as of March 31, 2009.

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