

Lane County Quarterly Financial Report

Quarter Ended March 31, 2016
(Third Quarter of FY 15-16)



**Presented to Lane County Board of Commissioners:
June 21, 2016**

Table of Contents

	Page Number
Executive Summary.....	2
National Economic Indicators.....	3
Local Economic Indicators.....	4
Actual Revenues and Expenses vs. Budget (All County Funds).....	7
General Fund.....	8
Road Fund.....	10

Executive Summary

We are pleased to present you with Lane County's Quarterly Financial Report for the Third Quarter of Fiscal Year (FY) 15-16. This report includes national and local economic indicators, budget vs. actual expenditures, and year-over-year financial data.

The purpose of this report is to monitor the current year's budget. This report makes no representations about the level of budget or services and whether they are adequate. The County has adopted a Strategic Plan that focuses on the highest priority service areas and continues to address the declining revenues due to the loss of Federal Secure Rural Schools payments. We continue to work with community partners in the short and long term to meet the needs of residents.

This report focuses on a one year period with budget comparisons and some economic information that may prove useful in developing future budgets. To learn more about the County's overall financial health, please refer to the Comprehensive Annual Financial Report, Debt Affordability Report, and Investment Report located at www.lanecounty.org/Finance. For information on the development of the County's budget and the service levels provided, please visit www.lanecounty.org/budget.

The following is a brief summary of the report:

- The cost of living in the United States increased by 0.1 percent in March, 2016. Unemployment levels at both the national and local levels continue to improve and local residential housing prices and taxable values are increasing. Building permit activity within Lane County Land Management Division between January and March 2016 showed gains of 8.2% for residential permits and an increase of 32.6% for commercial permits compared to the same period in 2015.
- The General Fund has received \$64.5 million, or 85.6% of its budgeted revenue. Property Taxes, which make up over 50% of the total revenue, were received in November. General Fund operating expenses for the third quarter totaled \$45.6 million, or 72.4% of budget. Operating expenditures do not include budgeted transfers.
- Road Fund revenues totaled \$27.3 million, or 75.4% of budgeted revenue. Road Fund operating expenditures totaled \$22.6 million, or 65.9% of budget. Actual expenses are down in most categories for the Road Fund.

Steve Mrokrohiscky,
County Administrator

National Economic Indicators

Consumer Price Index

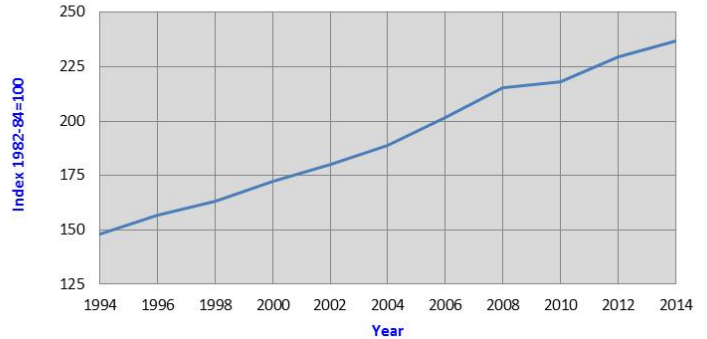
United States

March 2016 238.132
Year Change 0.9%

Portland-Salem MSA

Jan - June 2015 242.976
Year Change 1.3%
Jun - Dec 2015 245.405
Year Change 1.1%

Not Seasonally Adjusted
Area: US city average
Item: All items
Base Period: 1982-84=100

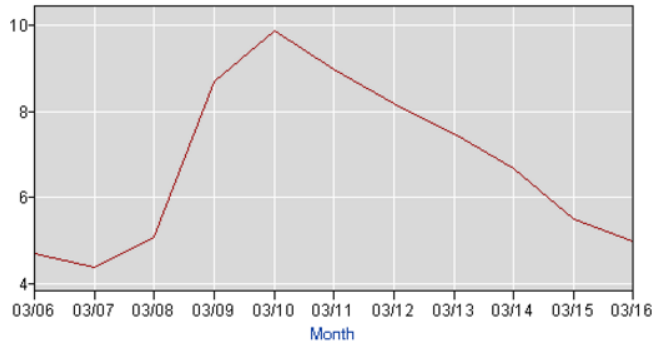


www.bls.gov/cpi

National Employment

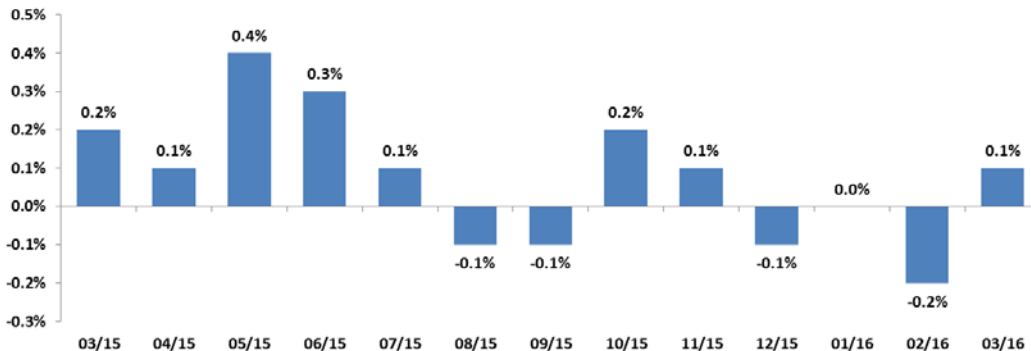
The US Bureau of Labor Statistics reports that the national unemployment rate dropped to 5.0% in March, 2016. This is down from 5.5% in the same period last year.

Series title: (Seas) Unemployment Rate
Labor force status: Unemployment rate
Type of data: Percent or rate
Age: 16 years and over



Inflation

The Consumer Price Index for All Urban Consumers (CPI_U) increased 0.1 percent in March (seasonally adjusted basis). Over the last 12 months, the all items index increased 0.9 percent.



Health Insurance Costs

CPI for Medical Care gained 1.1% in the quarter ending March 2016, while Health Insurance increased 2.8%. The annual CPI increase in Health Insurance from March 2015 to March 2016 was 6.2%. Lane County would have seen a 4.01% increase in Health rates for FY 15-16; however, this was mitigated by going self-funded on August 1, 2015.

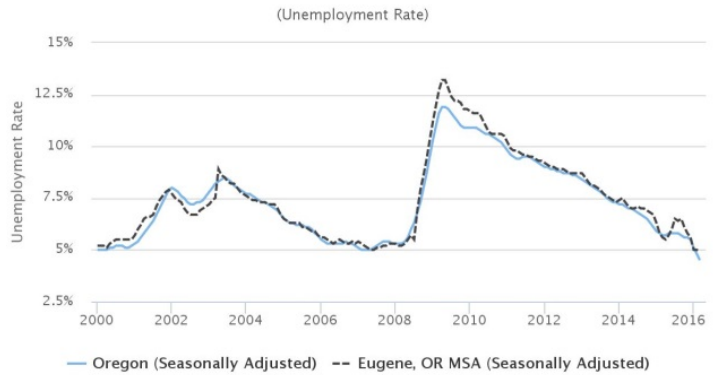
Local Economic Indicators

Employment Data

Unemployment in Lane County has decreased in the last six months. In October 2015, the unemployment rate was 6.1% and in January 2016, the unemployment rate was 5.0%. In March 2016, the unemployment rate was 4.9%

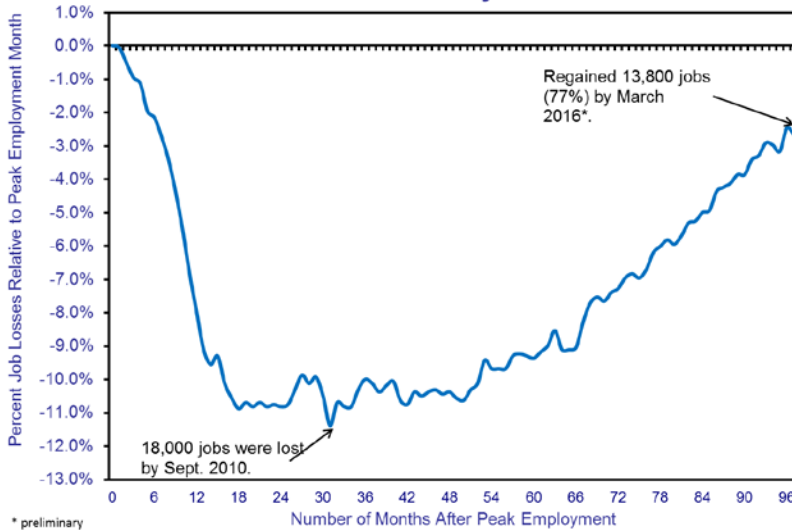
Unemployment in Oregon was 5.1% in January and has decreased to 4.5% in March. The National rates for the same time periods are 4.9% and 5.0% respectively.

Local Area Unemployment Statistics



Unemployment has returned to pre-recession levels.

Percent of Job Losses in Lane County Since Peak in February 2008



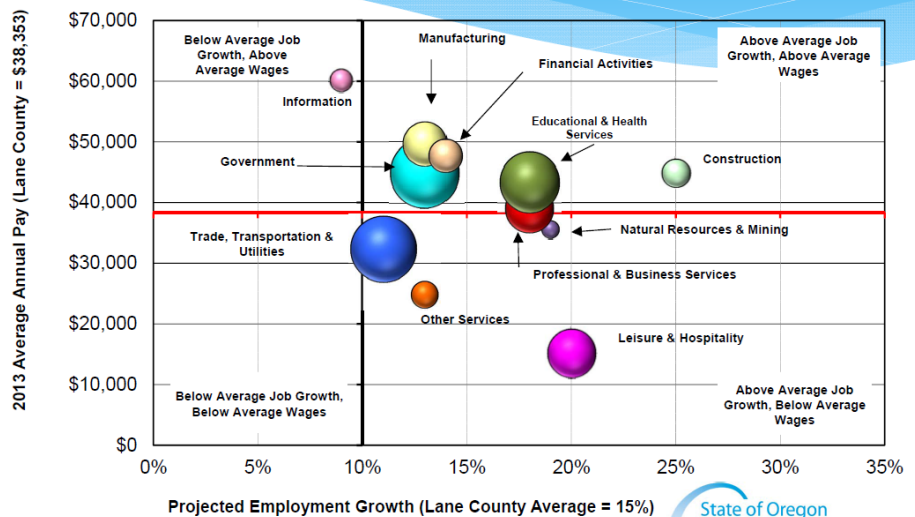
Most jobs lost during the recession have returned, except for manufacturing jobs.

For non-manufacturing jobs, Lane County has regained all jobs lost during the recession and surpassed pre-recession employment totals by about 1,300 jobs. However, the manufacturing sector has only regained 19% of the jobs lost during the recession as of March, 2016. Certain manufacturing sectors such as Transportation Equipment (RVs), Computers and Electronics (Hynix), and Wood Products saw the largest losses during the recession and have had minimal post-recession growth. (Brian Rooney, Regional Economist)

Job Growth Outlook

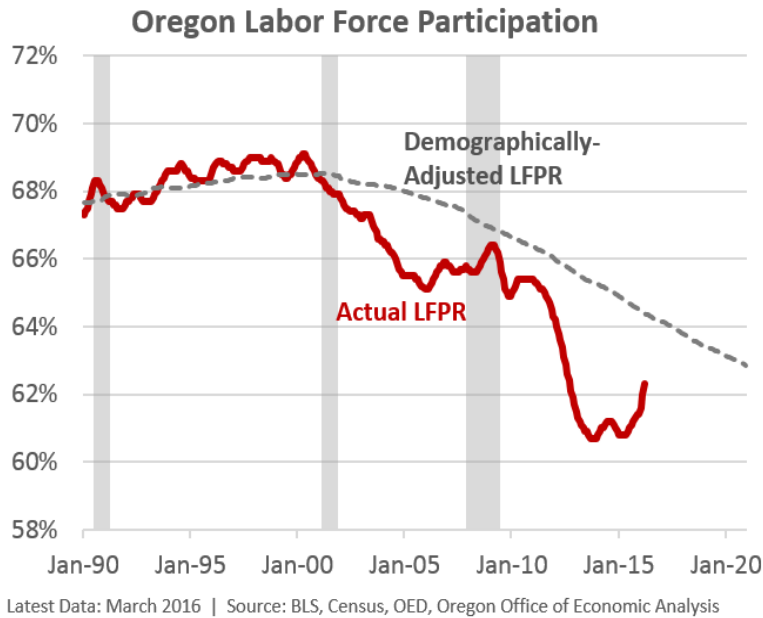
The six year outlook for job growth is very positive, with expected job growth in many industries above ten percent. A significant portion of the anticipated job growth will be in industries that have a higher wages than the Lane County average. If future job growth matches the forecast, we will continue to see a strong local economy and job market in Lane County.

Lane County Industry Wages and Forecasted Employment Growth, 2012-2022



Source: Oregon Employment Department

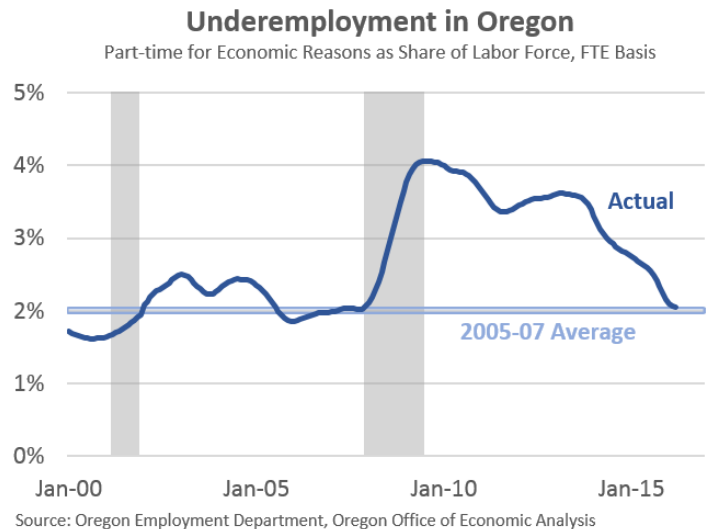
The job growth outlook for Lane County forecasts strong growth.



The Labor Force Participation Rate (LFPR) in Oregon remains low.

Underemployment

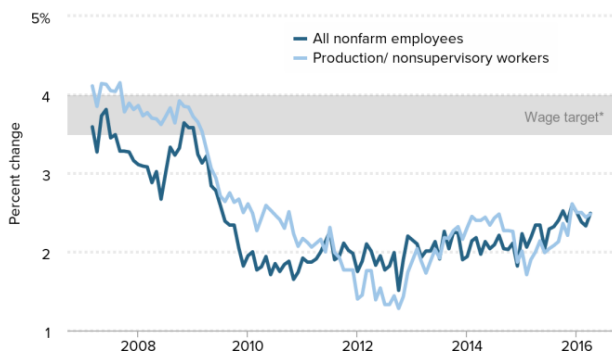
The next measure is Underemployment, which is a measure of workers who are working part time for economic reasons. The average rate of underemployment prior to the recession, from 2005 to 2007, was two percent. After the recession, underemployment peaked at around four percent and as of March 2016, underemployment in Oregon has declined to the pre-recession level of two percent. This is a very positive economic signal and in conjunction with wage growth, may be a sign that more individuals are able to find full time work that meets their economic requirements.



Underemployment has returned to pre-recession levels.

Nominal wage growth has been far below target in the recovery

Year-over-year change in private-sector nominal average hourly earnings, 2007-2016



*Nominal wage growth consistent with the Federal Reserve Board's 2 percent inflation target, 1.5 percent productivity growth, and a stable labor share of income.

Source: EPI analysis of Bureau of Labor Statistics Current Employment Statistics public data series

Labor Force Participation

Additional metrics beyond unemployment are helpful in achieving a more complete overview of the post-recession economy. One additional metric, the Labor Force Participation Rate (LFPR) or Participation Gap, measures the current workforce versus the expected workforce based on demographic information. As shown in the chart to the left, the Participation Gap remains higher than expected in a fully recovered economy. In the data, we see a steady decline in labor participation, beginning with the recession in the early 2000s and decreasing much further after the Great Recession in 2008. While labor participation remains significantly below full participation, the good news is that the participation rate has increased over the last few years.

Wage Growth

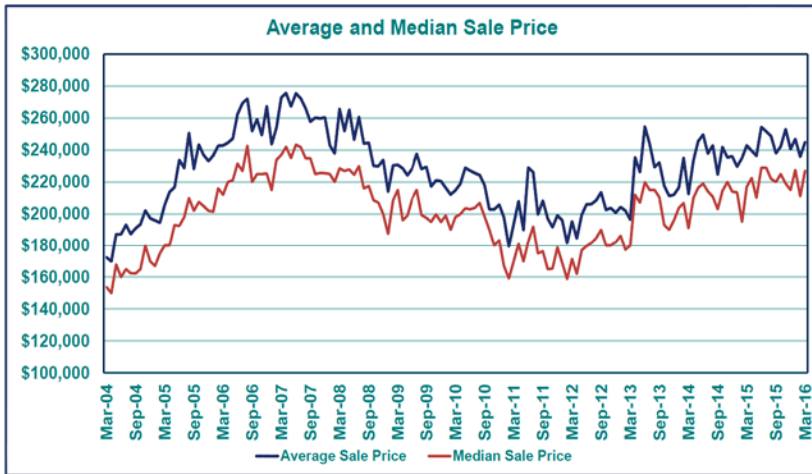
The final economic metric is wage growth. One of the more discussed aspects of this economic recovery has been relatively poor wage growth, even as unemployment continues to decline. While we are still significantly below the Federal Reserve's target wage growth of three and a half percent to four percent annually, we have seen some indications lately that wages are increasing. This could potentially be a sign of stronger long term wage growth.

Wage growth is increasing, but remains significantly below healthy levels.

Real Estate Statistics

The average price of a home in Lane County grew to \$244,900 in March 2016 from \$242,900 in March 2015. This is a 0.8% increase over the period. In the same comparison period, the median sale price rose by 4.6% from \$217,000 to \$227,000.

Source: Market Action, RMLS, March 2016



Home prices continue to increase at a moderate pace.

Building Permit

Building permit activity within Lane County Land Management has also shown increases for the period between January and March 2016 as compared to the same period in 2015. Residential permits have increased 8.2%, while commercial permits have increased by 32.6%.

2 Year Building Permit Data	FY 14/15				FY 15/16			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Property Type								
Commercial	46	32	29	73	48	35	43	
Residential	425	455	369	423	424	406	402	
Percent change Commercial last Quarter	-56.5%	-43.8%	-10.3%	60.3%	-52.1%	-37.1%	18.6%	
Percent change Residential last Quarter	18.1%	6.6%	-23.3%	12.8%	0.2%	-4.4%	-1.0%	
Percent change Commercial 1 year	15.2%	-12.5%	-6.9%	1.4%	4.2%	8.6%	32.6%	
Percent change Residential 1 year	4.5%	18.9%	4.9%	17.7%	-0.2%	-12.1%	8.2%	

Building Permit activity was very strong in the third quarter of FY 15/16 versus Q3 FY 14/15.

ALL COUNTY FUNDS

FY 15-16

RESOURCES	First Quarter	Second Quarter	Third Quarter	Year to Date	Current Budget	% Actual to Budget
Beginning Fund Balance/Reserves	200,972,049	(950,255)	-	200,021,794	144,542,890	138.38%
<u>Revenues</u>						
Taxes & Assessments	1,802,776	50,838,121	4,149,789	56,790,686	59,880,867	94.84%
Federal Revenue	199,744	8,036,965	23,242,046	31,478,755	52,324,616	60.16%
State & Local Revenue	17,569,985	21,096,065	25,466,879	64,132,928	90,670,033	70.73%
Fees & Charges	29,505,679	33,960,404	30,016,334	93,482,416	122,840,834	76.10%
Other Revenues	8,703,246	8,611,643	8,038,357	25,353,246	31,445,504	80.63%
Total Revenue	57,781,429	122,543,198	90,913,403	271,238,031	357,161,854	75.94%
Transfers In	3,926,333	10,308,515	4,129,197	18,364,044	34,113,781	53.83%
TOTAL RESOURCES	262,679,810	131,901,458	95,042,601	489,623,869	535,818,525	91.38%

REQUIREMENTS	First Quarter	Second Quarter	Third Quarter	Year to Date	Current Budget	% Actual to Budget
<u>Expenditures</u>						
Salaries & Wages	17,546,006	23,792,255	20,938,532	62,276,793	95,432,794	65.26%
Employee Benefits	12,437,638	14,986,214	14,239,003	41,662,855	63,960,391	65.14%
Material & Services	34,843,536	39,722,421	40,327,663	114,893,620	186,519,683	61.60%
Capital Expenses	4,370,957	4,183,497	3,291,552	11,846,006	18,757,398	63.15%
Debt Service	160,981	3,737,500	39,991	3,938,473	11,797,637	33.38%
Other Fiscal Transactions	-	-	-	-	0	0.00%
Total Expenditures	69,359,118	86,421,888	78,836,741	234,617,747	376,467,903	62.32%
Transfers Out	3,926,333	10,308,515	4,129,197	18,364,044	34,113,781	53.83%
Ending Fund Balance/Reserves					125,236,841	
TOTAL REQUIREMENTS	73,285,450	96,730,402	82,965,939	252,981,791	535,818,525	47.21%

Net Revenue (Expense)	(11,577,688)	36,121,310	12,076,662	36,620,284	(19,306,049) *
-----------------------	--------------	------------	------------	------------	----------------

*The net expense shown in the Current Budget column is the result of spending reserves, rather than new revenue, on continuing services. This is a planned spend down in many areas and represents the lag of the Secure Rural schools payments, and the receipt of multi-year grant revenues which are carried forward for multi-year service delivery.

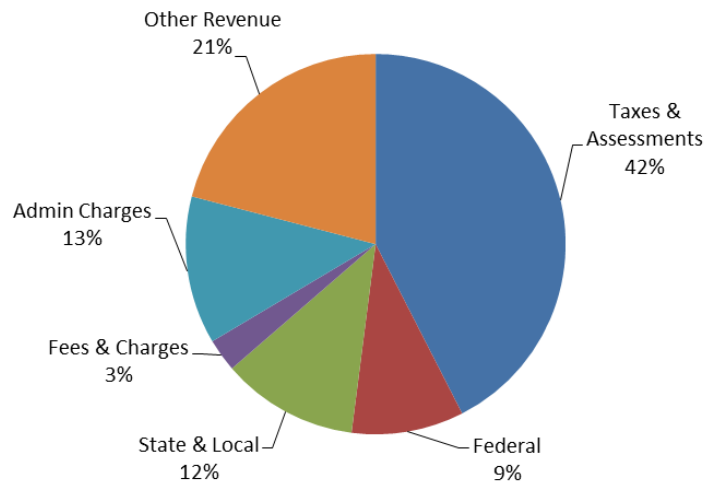
General Fund

Positive and Within Budget

Revenues:

At the end of the Third Quarter of FY 15-16, the County has received 85.58% of its budgeted annual General Fund revenue. This is an increase of 4.74% over the same period last year. This increase is within normal expectations and fluctuates from year to year based upon timing of revenue received from other agencies.

Budgeted Revenue



General Fund Operating Revenues				
Quarter ended March 31	12-13	13-14	14-15	15-16
Quarter 3 YTD Actual	60,984,015	56,411,016	59,854,531	64,504,009
Total Annual Budget	72,534,839	71,618,361	74,040,183	75,368,469
Actual as % of Budget	84.08%	78.77%	80.84%	85.58%

General Fund Operating Revenues					15-16 vs. 14-15 Variance	
Quarter Ended March 31	12-13	13-14	14-15	15-16	\$	%
Taxes & Assessments	32,163,332	33,229,824	34,247,146	35,795,337	1,548,192	4.52%
Federal Revenue	1,454,570	1,241,877	1,235,973	1,250,230	14,257	1.15%
State & Local Revenue	11,002,707	6,460,719	8,806,281	10,140,963	1,334,682	15.16%
Fees & Charges	2,332,718	2,165,441	2,430,027	2,102,546	(327,481)	-13.48%
Administrative Charges	8,307,419	8,737,564	7,953,141	8,008,037	54,896	0.69%
All Other Revenue	5,723,269	4,575,590	5,181,964	7,206,897	2,024,933	39.08%
Total	60,984,015	56,411,016	59,854,531	64,504,009	4,649,478	7.77%

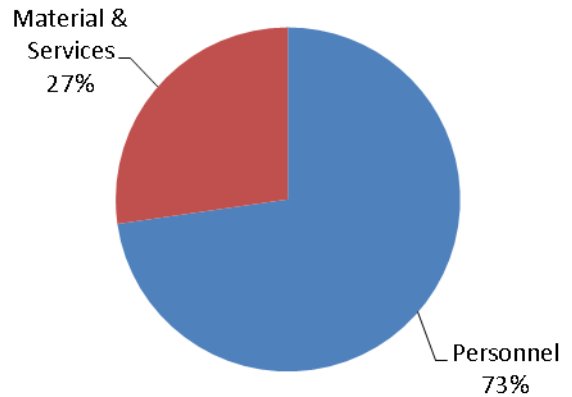
General Fund

Positive and Within Budget

Expenditures:

At the end of the Third Quarter of FY 15-16, the County has expended 72.38% of its budgeted annual General Fund operating expense budget. This is an increase of 5.29% over the same period last year. This increase likely indicates that positions created in prior years for expansion in the Community Health Centers and Jail have now been filled. The comparison to FY 12-13 and 13-14 is a change in budgeting of reserves with reserves being part of the total annual budget in the earlier years and now being unappropriated pursuant to local budget law.

Budgeted Operating Expenses



General Fund Operating Expenses				
Quarter Ending March 31	12-13	13-14	14-15	15-16
Quarter 3 YTD Actual	45,988,243	40,997,004	42,111,713	45,601,670
Total Annual Budget	77,744,119	68,851,186	62,772,835	63,006,745
Actual as % of Budget	59.15%	59.54%	67.09%	72.38%

General Fund Operating Expenses					15-16 vs. 14-15 Variance	
Quarter Ended March 31	12-13	13-14	14-15	15-16	\$	%
Personnel Services	32,956,024	29,534,785	30,520,679	33,096,414	2,575,735	8.44%
Materials & Services	13,022,219	11,420,598	11,551,873	12,478,819	926,946	8.02%
Capital Projects/Outlay	10,000	41,621	39,161	26,437	(12,724)	-
Total	45,988,243	40,997,004	42,111,713	45,601,670	3,489,957	8.29%

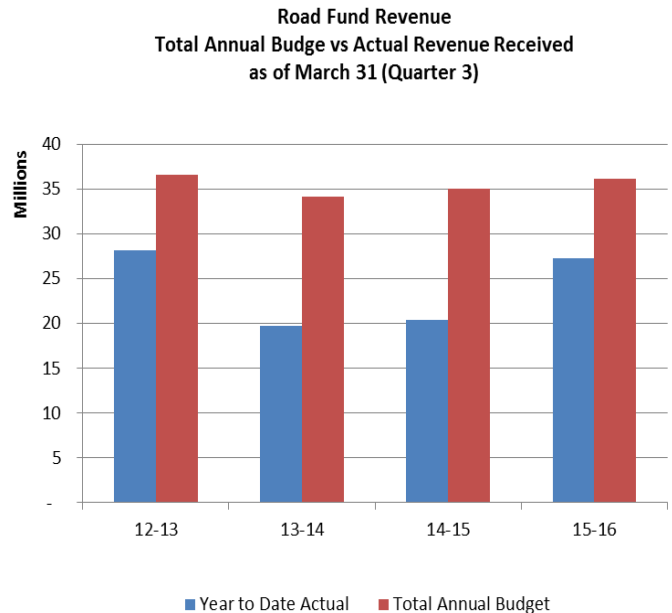
Road Fund

Positive and Within Budget

Revenues:

As of the end of the Third Quarter of FY 15-16, the County has received 75.39% of its budgeted annual Road Fund operating revenue, which is an increase of 17.32% over the same period last year. This increase is due to \$7.9 million of one-time revenues; \$6.6 million of this is Secure Rural Schools revenue which was received in the third quarter this year and in the fourth quarter of the previous two years. SRS revenue is considered one-time revenue. The additional \$1.3 million in one-time revenue is from Land Sales and Federal Highway Administration. If you remove the one-time revenues, Operating Revenue becomes \$19.3 million which is 5% less than the same period last year. The current projection for the fourth quarter is to end the year approximately \$1 million less than budget.

Budgeted v. Actual Revenue



Road Fund Operating Revenues	12-13	13-14	14-15	15-16
Quarter 3 YTD Actual	28,171,129	19,725,019	20,365,696	27,280,760
Total Annual Budget	36,581,306	34,205,498	35,074,003	36,187,650
Actual as % of Budget	77.01%	57.67%	58.06%	75.39%

Road Fund Operating Revenues						15-16 vs. 14-15 Variance	
Quarter Ended March 31	12-13	13-14	14-15	15-16	\$	%	
SRS/Federal Timber Receipts	7,282,762	-	845,449	6,623,087	5,777,638		
State Highway Fund Transfer	12,423,354	13,026,355	12,669,411	13,008,142	338,731	2.67%	
Other Intergovernmental	4,162,299	2,208,868	2,740,648	2,961,312	220,664	8.05%	
Fees and Charges	1,165,040	689,984	813,118	940,282	127,164	15.64%	
Property Sales & Rentals	370,991	624,175	279,775	805,004	525,229	187.73%	
Department Indirect Revenue	2,435,702	2,931,906	2,815,793	2,746,275	(69,519)	-2.47%	
Other Revenues	330,982	243,731	201,502	196,658	(4,844)	-2.40%	
Total	28,171,129	19,725,019	20,365,696	27,280,760	6,915,064	33.95%	

Road Fund

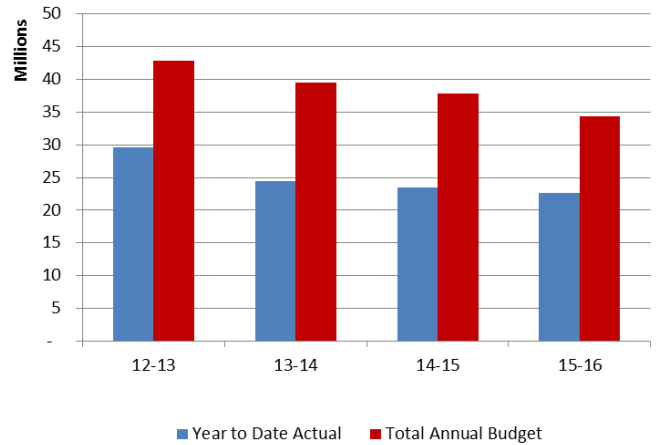
Positive and Within Budget

Expenditures:

As of the end of the Third Quarter of FY 15-16, the County has expended 65.88% of its budgeted annual Road Fund operating expense budget. This is an increase of 3.82% over the same period last year due to changes in the budget. The FY 15-16 Operating Expense budget is \$3.6 million less than the previous year. The actual Operating Expenses are down by 3.84%, \$901,730. FY 15-16 is the first year of a three year budget reduction plan for the Road Fund. As the budgets are decreased the difference between budget and actual will also decrease creating less flexibility to respond to current events or priority changes. Looking forward, the fourth quarter is a higher expense month as summer projects are prepared for and started if the weather is cooperative.

Budgeted Operating Expenses

Road Fund Expense
Total Annual Budget vs Actual Expenses Paid
as of March 31 (Quarter 3)



Road Fund Operating Expenses				
Quarter Ended March 31	12-13	13-14	14-15	15-16
Quarter 3 YTD Actual	29,661,751	24,397,748	23,483,877	22,582,147
Total Annual Budget	42,881,744	39,489,984	37,843,255	34,278,342
Actual as % of Budget	69.17%	61.78%	62.06%	65.88%

Road Fund Operating Expenses					15-16 vs. 14-15 Variance	
Quarter Ended March 31	12-13	13-14	14-15	15-16	\$	%
Personnel Services	11,307,639	11,685,358	11,567,348	10,491,229	(1,076,119)	-9.30%
Materials & Services	10,323,533	9,384,404	9,576,109	8,061,629	(1,514,480)	-15.82%
Capital Projects/Outlay	8,030,579	3,327,985	2,340,420	4,029,290	1,688,869	72.16%
Total	29,661,751	24,397,748	23,483,877	22,582,147	(901,730)	-3.84%

Road Fund Net Operating Balance				
Quarter Ended March 31	12-13	13-14	14-15	15-16
YTD Actual	(1,490,622)	(4,672,729)	(3,118,182)	4,698,613
Total Annual Budget	(6,300,438)	(5,284,486)	(2,769,252)	1,909,308
Actual as % of budget	23.66%	88.42%	112.60%	246.09%