

# Lane County Quarterly Financial Report

Quarter Ended June 30, 2016  
(Fourth Quarter of FY 15-16)



**Presented to Lane County Board of Commissioners:  
October 11, 2016**

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## Executive Summary

We are pleased to present you with Lane County's Quarterly Financial Report for the Fourth 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](http://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](http://www.lanecounty.org/budget).

The following is a brief summary of the report:

- The cost of living in the United States increased by 0.2 percent in June, 2016. Unemployment levels at both the national and local levels have stabilized and local residential housing prices and taxable values are increasing. Building permit activity within Lane County Land Management Division between April and June 2016 showed gains of 0.5% for residential permits and a decrease of 25.9% for commercial permits compared to the same period in 2015.
- The General Fund has received \$77.3 million, or 102.43% of its budgeted revenue. General Fund operating expenses for the fourth quarter totaled \$65.8 million, or 95.8% of budget. Operating expenditures do not include budgeted transfers.
- Road Fund revenues totaled \$36.5 million, or 100.75% of budgeted revenue. Road Fund operating expenditures totaled \$31.1 million, or 90.8% of budget. Actual expenses are down in most categories for the Road Fund.

Steve Mokrohisky,  
County Administrator

# National Economic Indicators

## Consumer Price Index

United States

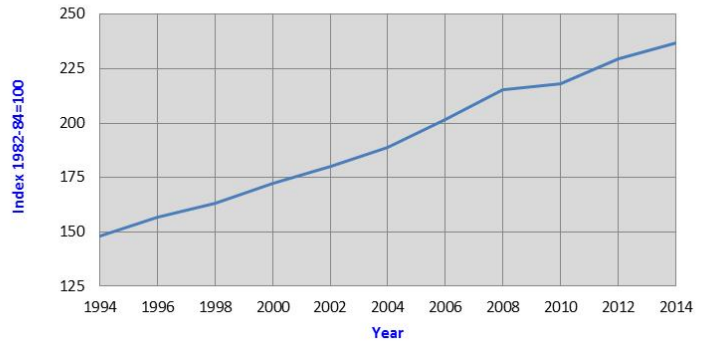
June 2016 241.038  
Year Change 1.0%

Portland-Salem MSA

Jun - Dec 2015 245.405  
Year Change 1.1%  
Jan - June 2016 247.143  
Year Change 1.7%

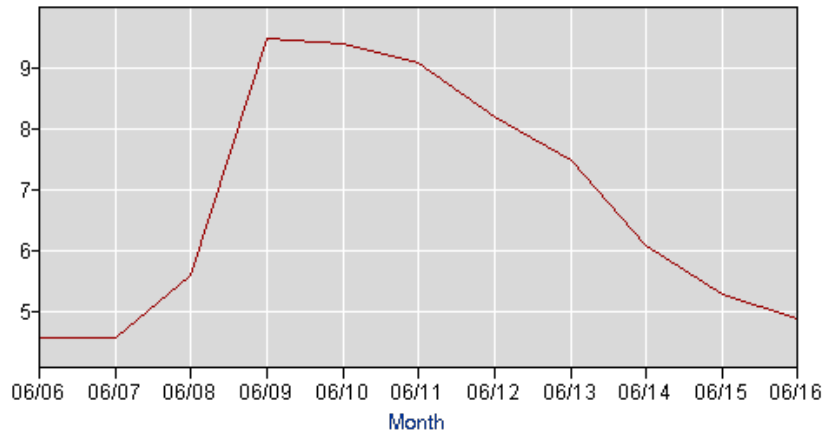
[www.bls.gov/cpi](http://www.bls.gov/cpi)

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



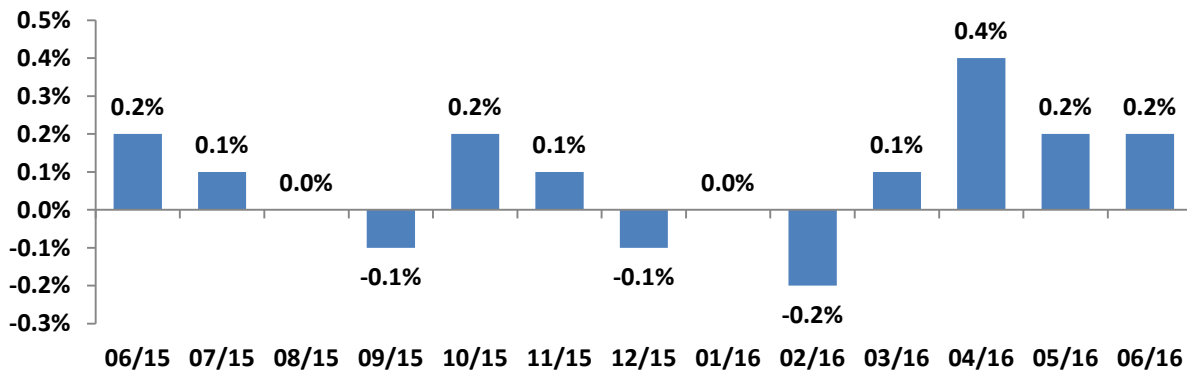
## National Employment

The US Bureau of Labor Statistics reports that the national unemployment rate dropped to 4.9% in June, 2016. This is down from 5.3% in the same period last year.



## Inflation

The Consumer Price Index for All Urban Consumers (CPI\_U) increased 0.2 percent in June (seasonally adjusted basis). Over the last 12 months, the all items index increased 1.0 percent.



## Health Insurance Costs

CPI for Medical Care gained 1.0% in the quarter ending June 2016, while Health Insurance increased 1.4%. The annual CPI increase in Health Insurance from June 2015 to June 2016 was 7.1%. 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.

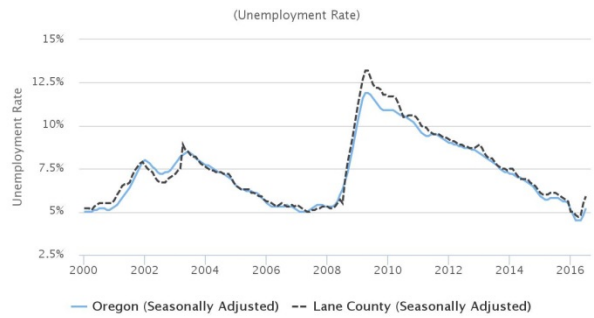
# Local Economic Indicators

## Employment Data

Unemployment in Lane County has increased in the last six months. In January 2015, the unemployment rate was 5.0% and in March 2016, the unemployment rate was 4.8%. In June 2016, the unemployment rate was 5.5%.

Unemployment in Oregon was 5.1% in January and has decreased to 4.8% in June. The National rates for the same time periods are 4.9% and 4.9% respectively.

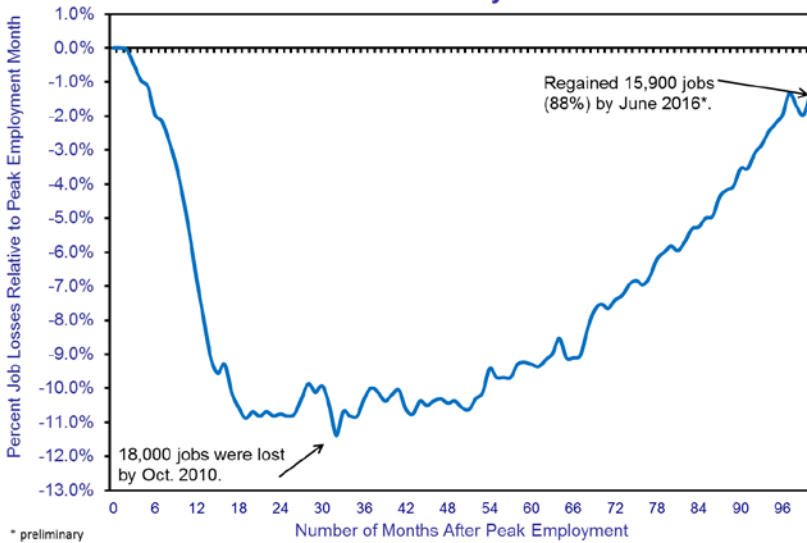
Local Area Unemployment Statistics



Unemployment has returned to pre-recession levels.

For non-manufacturing jobs, Lane County has regained all jobs lost during the recession and surpassed pre-recession employment totals by about 3,000 jobs. However, the manufacturing sector has only regained 17% of the jobs lost during the recession as of June, 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)

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

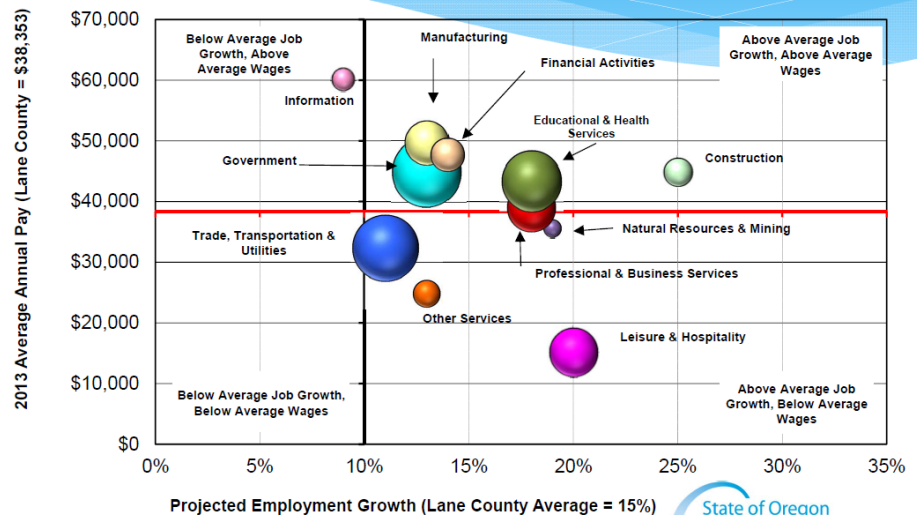


Most jobs lost during the recession have returned, except for manufacturing jobs.

## 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.

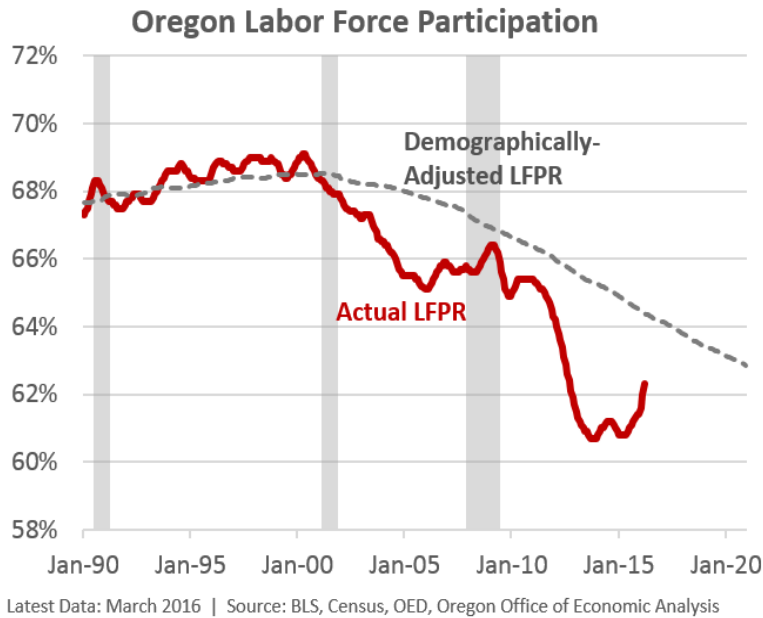
Lane County Industry Wages and Forecasted Employment Growth, 2012-2022



Source: Oregon Employment Department



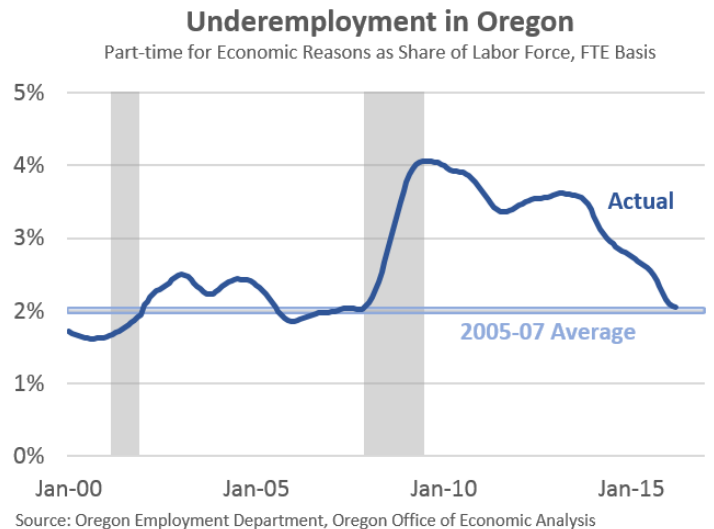
The job growth outlook for Lane County forecasts strong growth.



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

## Underemployment

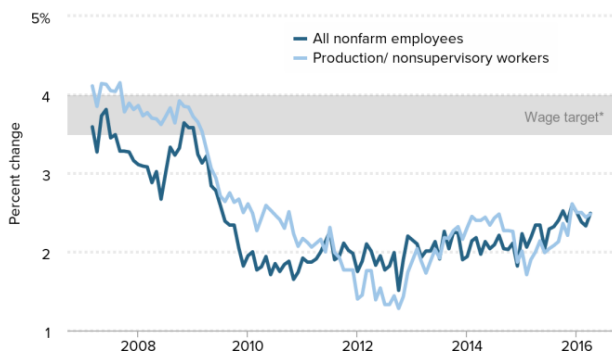
The next measure is Underemployment, which is a measure of workers who are working part time for economic reasons. The average rate of underemployment prior to the recession, from 2005 to 2007, was two percent. After the recession, underemployment peaked at around four percent and as of March 2016, underemployment 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

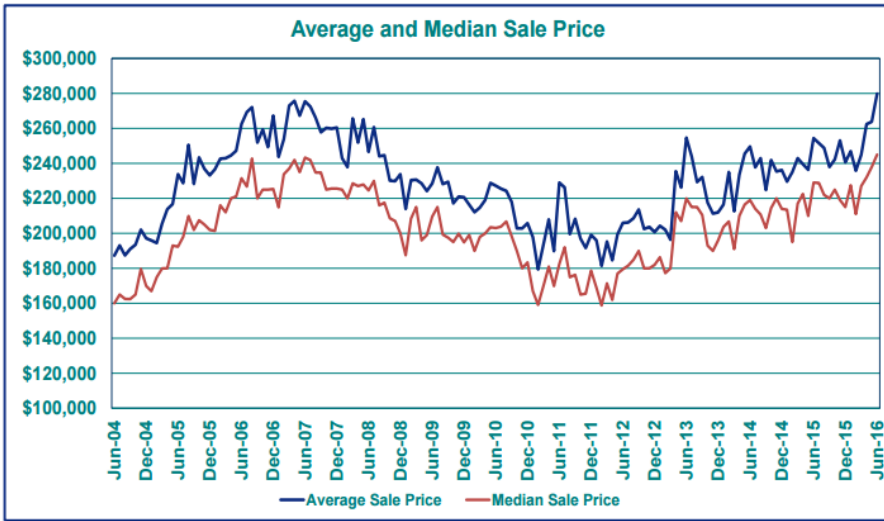
**Wage growth is increasing, but remains significantly below healthy levels.**

## 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.



## Real Estate Statistics

The average price of a home in Lane County grew to \$279,800 in June 2016 from \$254,400 in June 2015. This is a 10.0% increase over the period. In the same comparison period, the median sale price rose by 7.0% from \$229,000 to \$245,000. Total Market Time decreased from 73 days to 49 days in the same period.

Source: Market Action, RMLS, June 2016

Home prices are increasing at a strong pace in Lane County.

## Building Permit

Building permit activity within Lane County Land Management was mixed for the period between April and June 2016 as compared to the same period in 2015. Residential permits have increased 25.9%, while commercial permits have decreased by 25.9%. Annual totals for this fiscal year were very similar to FY 14-15, with a small increase in commercial and a slight decrease in residential.

2 Year Building Permit Data	FY 14/15					FY 15/16				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Commercial	46	32	29	73	180	48	35	43	58	184
Residential	425	455	369	423	1672	424	406	402	425	1657
Percent change Commercial last Quarter	-56.5%	-43.8%	-10.3%	60.3%		-52.1%	-37.1%	18.6%	25.9%	
Percent change Residential last Quarter	18.1%	6.6%	-23.3%	12.8%		0.2%	-4.4%	-1.0%	5.4%	
Percent change Commercial 1 year	15.2%	-12.5%	-6.9%	1.4%	1.1%	4.2%	8.6%	32.6%	-25.9%	2.2%
Percent change Residential 1 year	4.5%	18.9%	4.9%	17.7%	11.8%	-0.2%	-12.1%	8.2%	0.5%	-0.9%

Building Permit activity was mixed in the fourth quarter of FY 15/16 versus Q4 FY 14/15.

## ALL COUNTY FUNDS

FY 15-16

RESOURCES	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year to Date	Current Budget	% Actual to Budget
Beginning Fund Balance/Reserves	200,972,049	(950,255)	-	(351,858)	199,669,936	199,835,340	99.92%
<b>Revenues</b>							
Taxes & Assessments	1,802,776	50,838,121	4,149,789	5,869,718	62,660,404	60,914,228	102.87%
Federal Revenue	199,744	8,036,965	23,242,046	18,503,685	49,982,439	51,077,339	97.86%
State & Local Revenue	17,569,985	21,096,065	25,466,879	30,708,409	94,841,337	95,612,252	99.19%
Fees & Charges	29,505,679	33,960,404	30,016,334	37,116,292	130,598,709	129,920,237	100.52%
Other Revenues	8,703,246	8,611,643	8,038,357	9,102,505	34,455,751	31,772,843	108.44%
<b>Total Revenue</b>	<b>57,781,429</b>	<b>122,543,198</b>	<b>90,913,403</b>	<b>101,300,609</b>	<b>372,538,640</b>	<b>369,296,899</b>	<b>100.88%</b>
Transfers In	3,926,333	10,308,515	4,129,197	12,850,695	31,214,739	31,614,857	98.73%
<b>TOTAL RESOURCES</b>	<b>262,679,810</b>	<b>131,901,458</b>	<b>95,042,601</b>	<b>113,799,446</b>	<b>603,423,315</b>	<b>600,747,096</b>	<b>100.45%</b>

REQUIREMENTS	First Quarter	Second Quarter	Third Quarter	Third Quarter	Year to Date	Current Budget	% Actual to Budget
<b>Expenditures</b>							
Salaries & Wages	17,546,006	23,792,255	20,938,532	27,790,644	90,067,437	96,529,654	93.31%
Employee Benefits	12,437,638	14,986,214	14,239,003	17,153,505	58,816,361	64,646,469	90.98%
Material & Services	34,843,536	39,722,421	40,327,663	52,009,075	166,902,694	213,681,982	78.11%
Capital Expenses	4,370,957	4,183,497	3,291,552	3,000,800	14,846,806	21,127,561	70.27%
Debt Service	160,981	3,737,500	39,991	6,601,991	10,540,463	11,825,366	89.13%
Other Fiscal Transactions	-	-	-	-	-	-	0.00%
<b>Total Expenditures</b>	<b>69,359,118</b>	<b>86,421,888</b>	<b>78,836,741</b>	<b>106,556,015</b>	<b>341,173,762</b>	<b>407,811,032</b>	<b>83.66%</b>
Transfers Out	3,926,333	10,308,515	4,129,197	12,870,695	31,234,739	31,634,857	98.74%
Ending Fund Balance/Reserves						161,321,207	
<b>TOTAL REQUIREMENTS</b>	<b>73,285,450</b>	<b>96,730,402</b>	<b>82,965,939</b>	<b>119,426,710</b>	<b>372,408,501</b>	<b>600,767,096</b>	<b>61.99%</b>

Net Revenue (Expense)	(11,577,688)	36,121,310	12,076,662	(5,255,406)	31,364,879	(38,514,133) *
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\*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.



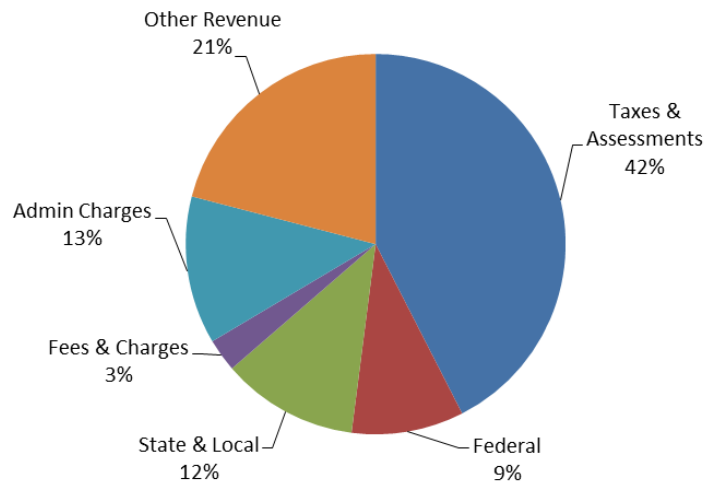
# General Fund

Positive and Within Budget

## Revenues:

At the end of the Fourth Quarter of FY 15-16, the County has received 102.43% of its budgeted annual General Fund revenue. This is an increase of 3.05% over the same period last year. This increase is due to higher than anticipated revenues in several areas including PILT, Car Rental Tax, Animal Licenses, Department of Justice grant revenue, Concealed Weapons permits, Parking, Recording Fees and Justice Court revenue. A review of FY 16-17 General Fund budget will occur at the next supplemental to ensure revenue budgets are at the appropriate levels going forward

## Budgeted Revenue



General Fund Operating Revenues				
Quarter ended June 30	12-13	13-14	14-15	15-16
Quarter 4 YTD Actual	74,670,687	72,851,491	73,584,557	77,269,074
Total Annual Budget	<b>72,534,839</b>	<b>71,618,361</b>	<b>74,040,183</b>	<b>75,435,133</b>
Actual as % of Budget	102.94%	101.72%	99.38%	102.43%

General Fund Operating Revenues					15-16 vs. 14-15 Variance	
Quarter Ended June 30	12-13	13-14	14-15	15-16	\$	%
Taxes & Assessments	34,809,949	35,860,063	36,867,164	37,515,470	648,306	1.76%
Federal Revenue	9,257,526	9,382,899	8,913,751	9,041,713	127,962	1.44%
State & Local Revenue	11,772,495	10,346,193	10,572,242	10,704,187	131,945	1.25%
Fees & Charges	3,343,194	3,065,696	2,802,625	3,162,840	360,215	12.85%
Administrative Charges	11,134,049	11,577,488	10,596,248	10,668,590	72,342	0.68%
All Other Revenue	4,353,474	2,619,151	3,832,527	6,176,275	2,343,748	61.15%
<b>Total</b>	<b>74,670,687</b>	<b>72,851,491</b>	<b>73,584,557</b>	<b>77,269,074</b>	<b>3,684,517</b>	<b>5.01%</b>

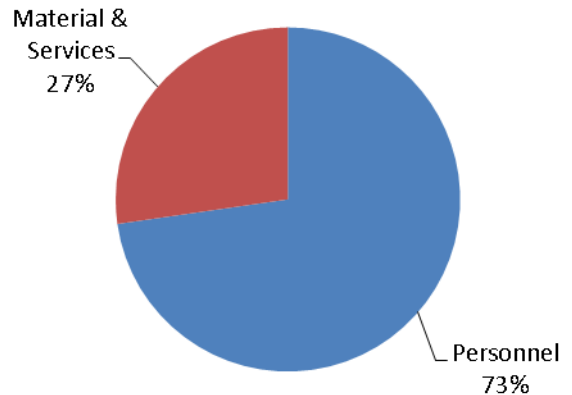
# General Fund

Positive and Within Budget

## Expenditures:

At the end of the Fourth Quarter of FY 15-16, the County has expended 95.78% of its budgeted annual General Fund operating expense budget. This is an increase of 0.20 % over the same period last year. The underspent amounts in expenditure categories are within anticipated levels and represent the 2% required lapse from departments as well as funds remaining due to position vacancies, lower than anticipated material costs and higher than anticipated revenue.

## Budgeted Operating Expenses



<b>General Fund Operating Expenses</b>				
<b>Quarter Ending June 30</b>	12-13	13-14	14-15	15-16
Quarter 4 YTD Actual	64,702,300	60,632,809	60,817,897	65,836,662
<b>Total Annual Budget</b>	<b>68,851,186</b>	<b>62,772,835</b>	<b>63,631,967</b>	<b>68,736,960</b>
<b>Actual as % of Budget</b>	93.97%	96.59%	95.58%	95.78%

<b>General Fund Operating Expenses</b>					<b>15-16 vs. 14-15 Variance</b>	
<b>Quarter Ended June 30</b>	12-13	13-14	14-15	15-16	\$	%
Personnel Services	46,013,994	41,720,335	42,728,127	46,732,296	4,004,170	9.37%
Materials & Services	18,610,363	18,576,057	18,019,810	18,840,527	820,717	4.55%
Capital Projects/Outlay	77,943	336,417	69,861	263,839	193,979	277.67%
<b>Total</b>	<b>64,702,300</b>	<b>60,632,809</b>	<b>60,817,797</b>	<b>65,836,662</b>	<b>5,018,866</b>	<b>8.25%</b>

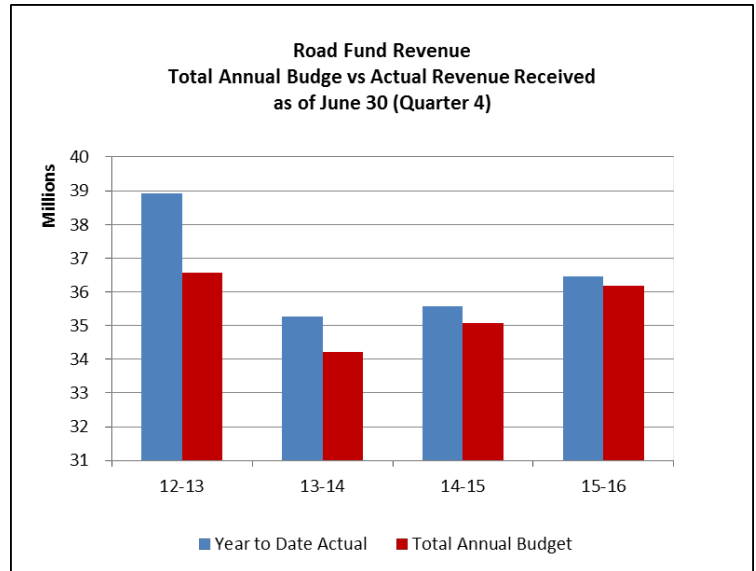
# Road Fund

Positive and Within Budget

## Revenues:

As of the end of the Fourth Quarter of FY 15-16, the County has received 100.75% of its budgeted annual Road Fund operating revenue, which is a decrease of 0.7% over the same period last year. While the year to year comparison of actual to budget shows a decrease, the total operating Revenue received increased by 2.47%, or \$879,054. The majority of this increase came from Property Sales & Rentals which is one-time revenue. Land Sales provided \$542,055 of this revenue. The State highway Fund Transfer shows an increase of 2.9%. The \$554,484 increase covered the reduction in SRS revenue of \$411,585, which was a 5.85% decrease.

## Budgeted v. Actual Revenue



Road Fund Operating Revenues as of June 30				
	12-13	13-14	14-15	15-16
Quarter 4 YTD Actual	38,924,419	35,275,981	35,581,088	36,460,142
Total Annual Budget	<b>36,581,306</b>	<b>34,205,498</b>	<b>35,074,003</b>	<b>36,187,650</b>
Actual as % of Budget	106.41%	103.13%	101.45%	100.75%

Road Fund Operating Revenues Quarter Ended June 30	12-13	13-14	14-15	15-16	15-16 vs. 14-15 Variance	
					\$	%
SRS/Federal Timber Receipts	7,283,669	7,191,369	7,034,672	6,623,087	(411,585)	-5.85%
State Highway Fund Transfer	18,114,114	18,978,980	19,130,088	19,684,573	554,484	2.90%
Other Intergovernmental	7,569,950	2,633,458	3,692,320	3,775,837	83,518	2.26%
Fees and Charges	1,674,015	1,449,929	1,288,308	1,471,395	183,087	14.21%
Property Sales & Rentals	576,350	709,014	358,370	900,426	542,055	151.26%
Department Indirect Revenue	3,246,287	3,970,540	3,760,652	3,663,695	(96,957)	-2.58%
Other Revenues	460,034	342,691	316,678	341,130	24,452	7.72%
<b>Total</b>	<b>38,924,419</b>	<b>35,275,981</b>	<b>35,581,088</b>	<b>36,460,142</b>	<b>879,054</b>	<b>2.47%</b>

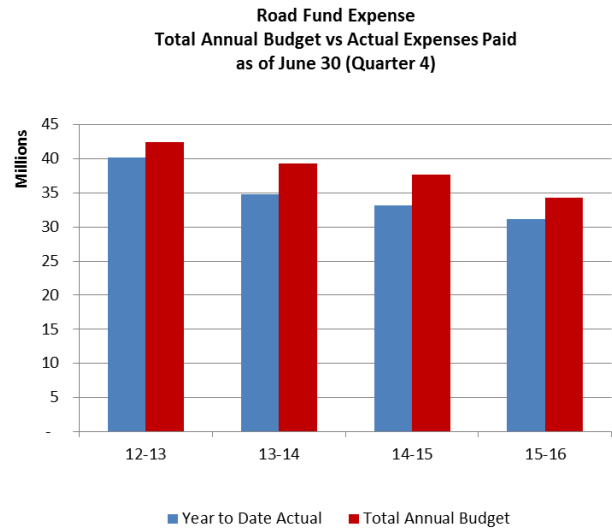
# Road Fund

Positive and Within Budget

## Expenditures:

As of the end of the Fourth Quarter of FY 15-16, the County has expended 90.77% of its budgeted annual Road Fund operating expense budget. This is an increase of 2.82% over the same period last year due to changes in the budget. The Operating Expense budget has been decreased over the four year period shown below by 19.37%, \$8.2 million as the department adjusted budget and actuals to meet the revenue reductions from the loss of Secure Rural Schools (SRS). The actuals have also consistently been reduced to address the structural balance for the Road Fund. FY 15-16 actuals are \$9.1 million less than FY 12-13, a 22.7% decrease. The FY 15-16 variance between actual and budget operating expenses of \$3.2 million is savings due to the Volunteer Separation Incentive Program (VSIP), and a mild winter.

## Budgeted Operating Expenses



<b>Road Fund Operating Expenses</b>				
<b>Quarter Ended June 30</b>	12-13	13-14	14-15	15-16
Quarter 4 YTD Actual	40,232,046	34,781,619	33,126,332	31,115,487
Total Annual Budget	<b>42,510,917</b>	<b>39,321,617</b>	<b>37,664,736</b>	<b>34,278,342</b>
<b>Actual as % of Budget</b>	94.64%	88.45%	87.95%	90.77%

<b>Road Fund Operating Expenses</b>					<b>15-16 vs. 14-15 Variance</b>	
<b>Quarter Ended June 30</b>	12-13	13-14	14-15	15-16	\$	%
Personnel Services	15,535,373	16,139,216	15,964,071	14,750,932	(1,213,139)	-7.60%
Materials & Services	14,891,590	14,026,940	14,037,051	11,908,972	(2,128,079)	-15.16%
Capital Projects/Outlay	9,805,083	4,615,463	3,125,209	4,455,583	1,330,374	42.57%
<b>Total</b>	<b>40,232,046</b>	<b>34,781,619</b>	<b>33,126,332</b>	<b>31,115,487</b>	<b>(2,010,845)</b>	<b>-6.07%</b>

<b>Road Fund Net Operating Balance</b>				
<b>Quarter Ended June 30</b>	12-13	13-14	14-15	15-16
YTD Actual	(1,307,627)	494,362	2,454,757	5,344,656
Total Annual Budget	(5,929,611)	(5,116,119)	(2,590,733)	1,909,308
<b>Actual as % of budget</b>	22.05%	-9.66%	-94.75%	279.93%