

Lane County Quarterly Financial Report

Quarter Ended September 30, 2016
(First Quarter of FY 16-17)



**Presented to Lane County Board of Commissioners:
January 31, 2016**

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Executive Summary

We are pleased to present you with Lane County's Quarterly Financial Report for the First Quarter of Fiscal Year (FY) 16-17. 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 0.3 percent in September, 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 July and September 2016 showed gains of 15.2% for residential permits and a decrease of 11.6% for commercial permits compared to the same period in 2015.
- The General Fund has received \$6.7 million, or 8.91% of its budgeted revenue. General Fund operating expenses for the first quarter totaled \$14.4 million, or 20.89% of budget. Operating expenditures do not include budgeted transfers.
- Road Fund revenues totaled \$4.6 million, or 15.63% of budgeted revenue. Road Fund operating expenditures totaled \$8.3 million, or 25.66% 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 241.428

Year Change 1.5%

Portland-Salem MSA

Jan - June 2016 247.143

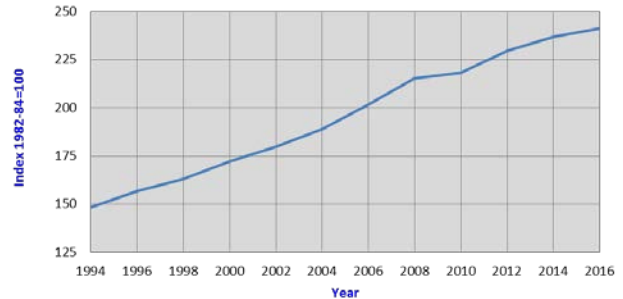
Year Change 1.7%

Jul - Dec 2016 251.71

Year Change 2.6%

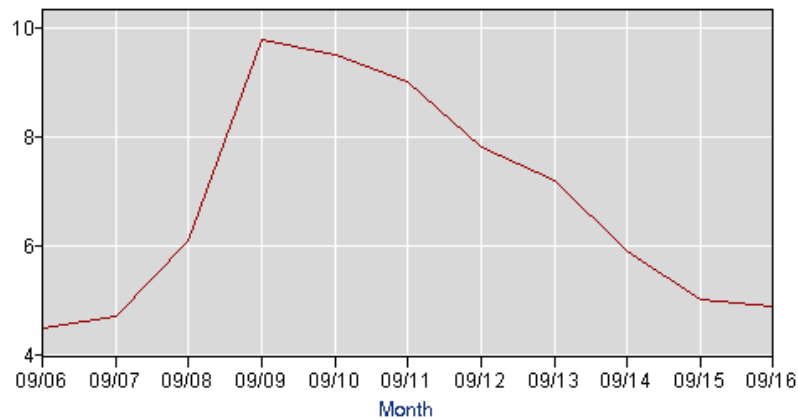
www.bls.gov/cpi

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



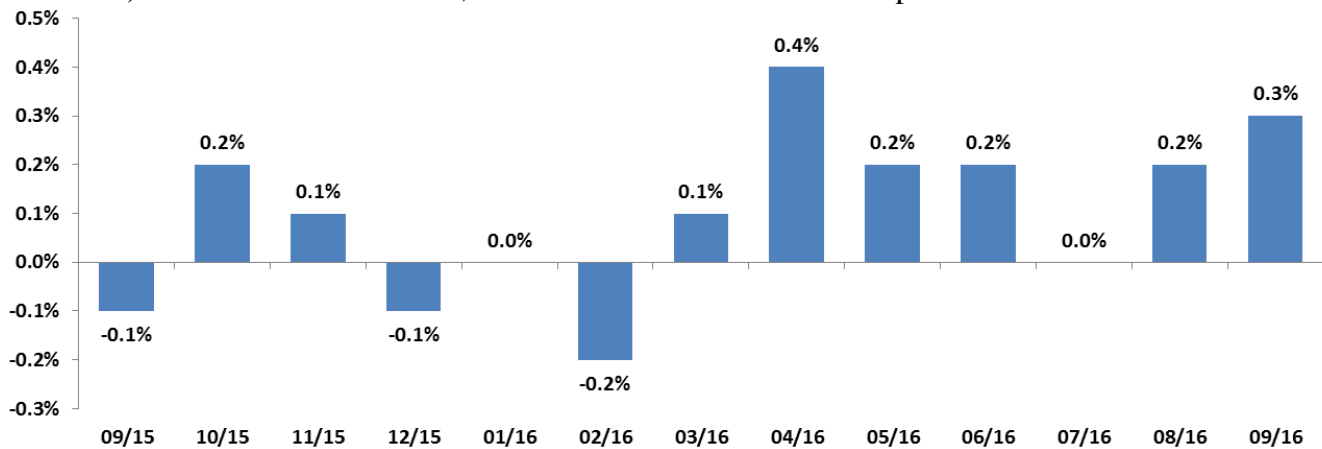
National Employment

The US Bureau of Labor Statistics reports that the national unemployment rate dropped to 4.9% in September, 2016. This is down from 5.0% in the same period last year.



Inflation

The Consumer Price Index for All Urban Consumers (CPI_U) increased 0.3 percent in September (seasonally adjusted basis). Over the last 12 months, the all items index increased 1.3 percent.



Health Insurance Costs

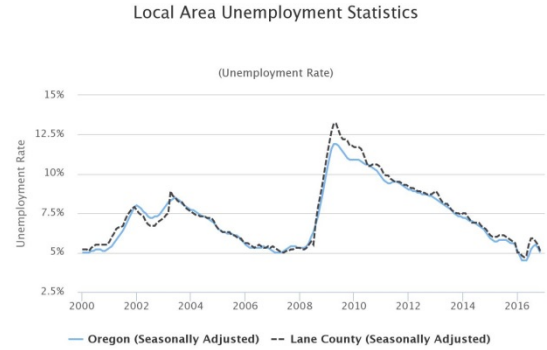
CPI for Medical Care gained 1.7% in the quarter ending September 2016, while Health Insurance increased 1.7%. The annual CPI increase in Health Insurance from September 2015 to September 2016 was 8.4%.

Local Economic Indicators

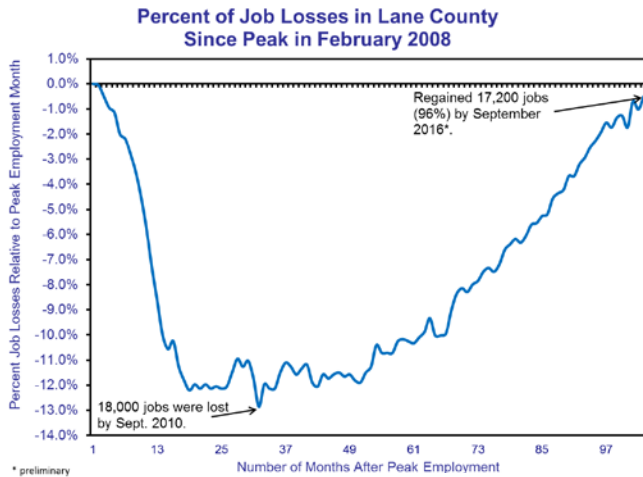
Employment Data

Unemployment in Lane County has increased in the last six months. In March 2016, the unemployment rate was 4.8% and in June 2016, the unemployment rate was 5.5%. In September 2016, the unemployment rate was 5.7%.

Unemployment in Oregon was 4.5% in March and has increased to 5.5% in September. The National rates for the same time periods are 5.0% and 4.9% respectively.



Unemployment has returned to pre-recession levels.



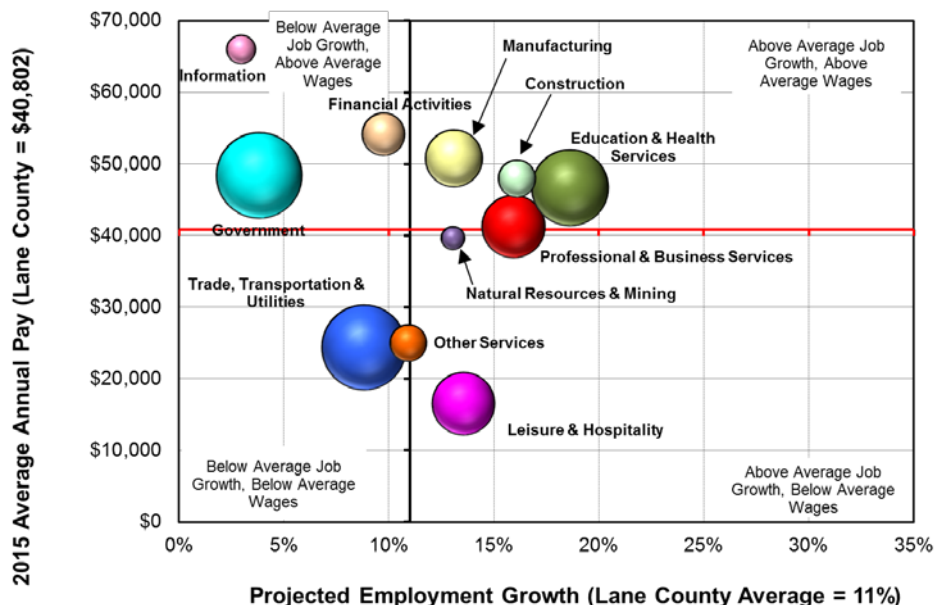
Most jobs lost during the recession have returned, except for manufacturing jobs.

For non-manufacturing jobs, Lane County has regained all jobs lost during the recession and surpassed pre-recession employment totals by about 4,000 jobs. However, the manufacturing sector has only regained 21% of the jobs lost during the recession as of September, 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 ten year outlook for job growth is 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, 2014-2024



Source: Oregon Employment Department

The job growth outlook for Lane County forecasts strong growth.

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 below full participation, the participation rate has increased over the last few years and is approaching a normal level.

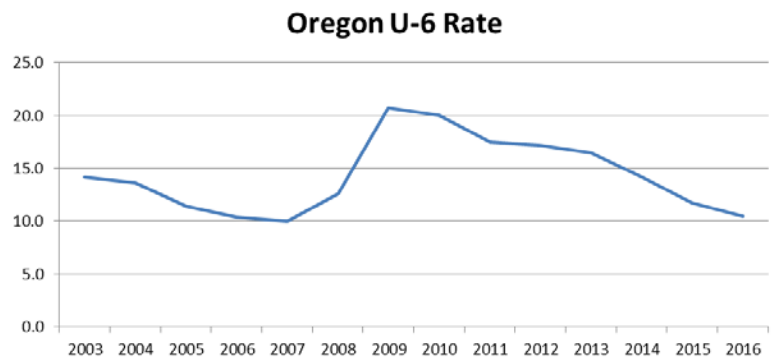


The Labor Force Participation Rate (LFPR) in Oregon is increasing.

U-6 Unemployment Rate - Oregon

The next measure is the U-6 unemployment rate, which is an alternate measure of unemployment. U-6 is the broadest unemployment measure and includes anyone who has looked for work in the last 12 months, those who are willing and available to work but have not looked in the last 4 weeks, and those who are working part time because full time work is not available. The U-6 rate has returned to pre-recession levels.

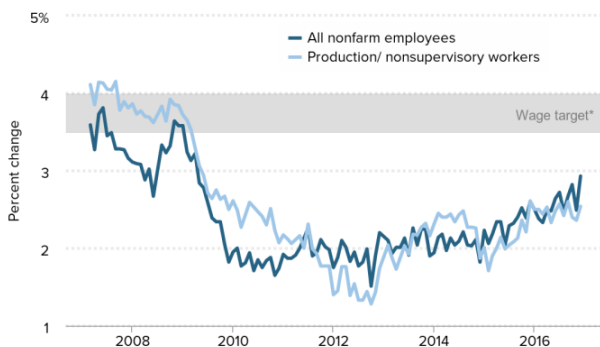
(Source: Bureau of Labor Statistics)



The U-6 unemployment rate 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.

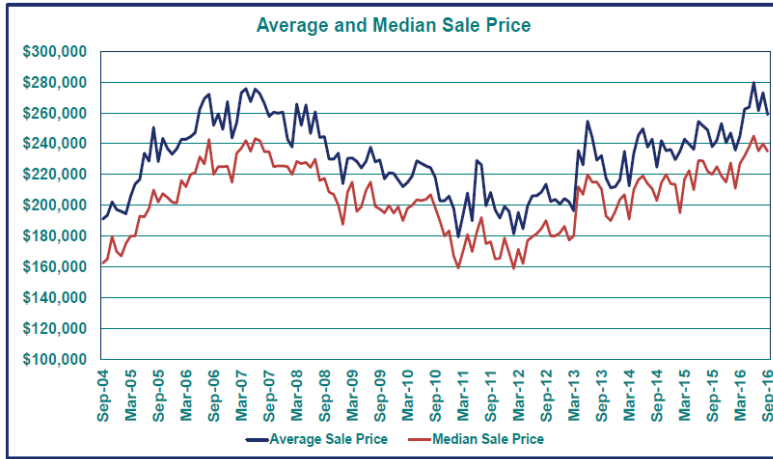
Source: EPI analysis of Bureau of Labor Statistics Current Employment Statistics public data series

Economic Policy Institute

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, with nominal wage growth approaching three percent. This could potentially be a sign of stronger long term wage growth, especially in light of continued low unemployment, which tends to push wages up.

Wage growth is increasing, but remains below healthy levels.



Real Estate Statistics

The average price of a home in Lane County grew to \$258,900 in September 2016 from \$238,000 in September 2015. This is an 8.8% increase over the period. In the same comparison period, the median sale price rose by 6.8% from \$220,000 to \$235,000. Total Market Time decreased from 71 days to 50 days in the same period.

Source: Market Action, RMLS, September 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 July and September 2016 as compared to the same period in 2015. Residential permits have increased 15.2%, while commercial permits have decreased by 11.6%.

2 Year Building Permit Data	FY 15/16					FY 16/17				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Commercial	48	35	43	58	184	43				43
Residential	424	406	402	436	1668	500				500
Percent change Commercial last Quarter	-52.1%	-37.1%	18.6%	25.9%		-34.9%				
Percent change Residential last Quarter	0.2%	-4.4%	-1.0%	7.8%		12.8%				
Percent change Commercial 1 year	4.2%	8.6%	32.6%	-25.9%	2.2%	-11.6%				
Percent change Residential 1 year	-0.2%	-12.1%	8.2%	3.0%	-0.2%	15.2%				

Building Permit activity was mixed in the first quarter of FY 16/17 versus Q1 FY 15/16.

ALL COUNTY FUNDS

FY 16-17

RESOURCES	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year to Date	Current Budget	% Actual to Budget
Beginning Fund Balance/Reserves	229,622,492	-	-	-	229,622,492	229,064,778	100.24%
<u>Revenues</u>							
Taxes & Assessments	2,114,407	-	-	-	2,114,407	59,851,520	3.53%
Federal Revenue	(3,580,995)	-	-	-	(3,580,995)	46,077,946	-7.77%
State & Local Revenue	20,048,242	-	-	-	20,048,242	95,357,826	21.02%
Fees & Charges	27,846,018	-	-	-	27,846,018	124,626,058	22.34%
Other Revenues	8,362,183	-	-	-	8,362,183	31,655,246	26.42%
Total Revenue	54,789,856	-	-	-	54,789,856	357,568,596	15.32%
Transfers In	4,170,253	-	-	-	4,170,253	29,976,529	13.91%
TOTAL RESOURCES	288,582,601	-	-	-	288,582,601	616,609,903	46.80%

REQUIREMENTS	First Quarter	Second Quarter	Third Quarter	Third Quarter	Year to Date	Current Budget	% Actual to Budget
<u>Expenditures</u>							
Salaries & Wages	21,723,858	-	-	-	21,723,858	101,054,742	21.50%
Employee Benefits	13,543,447	-	-	-	13,543,447	66,524,790	20.36%
Material & Services	34,274,880	-	-	-	34,274,880	205,842,504	16.65%
Capital Expenses	2,972,203	-	-	-	2,972,203	20,339,786	14.61%
Debt Service	159,991	-	-	-	159,991	10,897,068	1.47%
Other Fiscal Transactions	-	-	-	-	-	-	0.00%
Total Expenditures	72,674,380	-	-	-	72,674,380	404,658,890	17.96%
Transfers Out	4,170,253	-	-	-	4,170,253	29,996,529	13.90%
Ending Fund Balance/Reserves						181,974,484	
TOTAL REQUIREMENTS	76,844,632	-	-	-	76,844,632	616,629,903	12.46%

Net Revenue (Expense) (17,884,523) - - (17,884,523) (47,090,294) *

*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

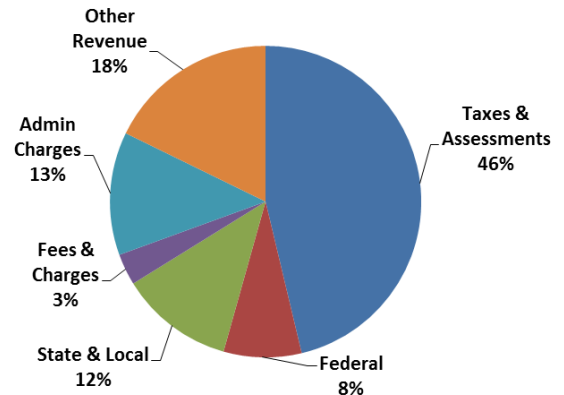
Positive and Within Budget

Revenues:

At the end of the First Quarter of FY 16-17, the County has received 8.91% of its budgeted annual General Fund revenue. This is a decrease of 0.23% over the same period last year.

The receipt of revenue is within expected amounts and is trending according to budget. The first quarter is relatively small in percentage of revenue collection due to the dependence on property tax revenue, which does not start collection until November each year.

Budgeted Revenue



General Fund Operating Revenues				
Quarter ended September 30	13-14	14-15	15-16	16-17
Quarter 1 YTD Actual	6,256,913	6,746,902	6,894,813	6,716,404
Total Annual Budget	71,618,361	74,040,183	75,435,133	75,422,166
Actual as % of Budget	8.74%	9.11%	9.14%	8.91%

General Fund Operating Revenues					16-17 vs. 15-16 Variance	
Quarter Ended September 30	13-14	14-15	15-16	16-17	\$	%
Taxes & Assessments	728,108	804,925	774,036	857,069	83,033	10.73%
Federal Revenue	178,298	352,854	384,131	400,399	16,269	4.24%
State & Local Revenue	1,716,080	2,010,302	1,683,761	1,532,068	(151,693)	-9.01%
Fees & Charges	582,719	524,380	778,120	673,700	(104,420)	-13.42%
Administrative Charges	2,642,950	2,660,471	2,856,305	2,832,757	(23,548)	-0.82%
All Other Revenue	408,758	393,969	418,461	420,412	1,950	0.47%
Total	6,256,913	6,746,902	6,894,813	6,716,404	(178,409)	-2.59%

General Fund

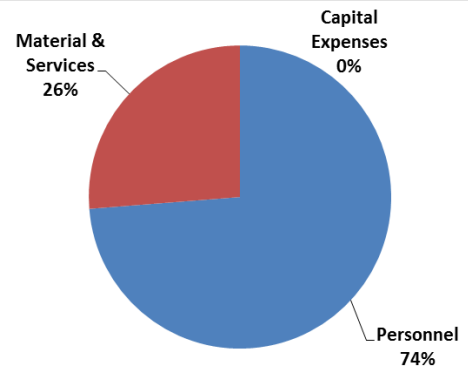
Positive and Within Budget

Expenditures:

At the end of the First Quarter of FY 16-17, the County has expended 20.89% of its budgeted annual General Fund operating expense budget. This is an increase of 1.39 % over the same period last year.

Expenses are trending according to budget and are within expected limits. Variance between years is expected and occurs primarily due to vacancies and timing of payments.

Budgeted Operating Expenses



General Fund Operating Expenses				
Quarter Ending September 30	13-14	14-15	15-16	16-17
Quarter 1 YTD Actual	11,099,470	12,405,135	12,407,000	14,359,524
Total Annual Budget	68,851,186	62,772,835	63,631,967	68,736,960
Actual as % of Budget	16.12%	19.76%	19.50%	20.89%

General Fund Operating Expenses					16-17 vs. 15-16 Variance	
Quarter Ended September 30	13-14	14-15	15-16	16-17	\$	%
Personnel Services	8,629,837	8,946,985	8,724,832	10,659,417	1,934,585	22.17%
Materials & Services	2,469,634	3,456,398	3,682,168	3,699,957	17,790	0.48%
Capital Projects/Outlay	-	1,752	-	150	150	0.00%
Total	11,099,470	12,405,135	12,407,000	14,359,524	1,952,524	15.74%

Road Fund

Positive and Within Budget

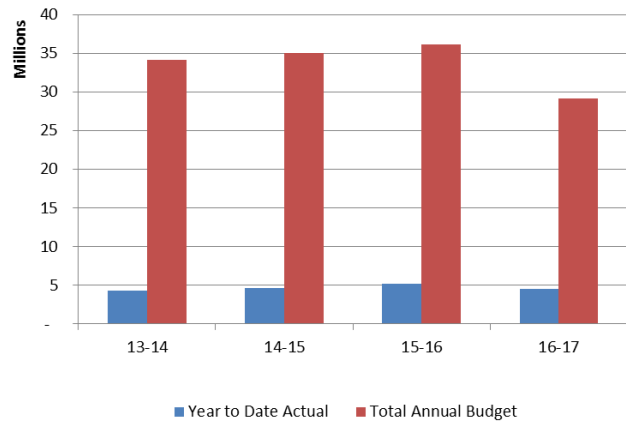
Revenues:

As of the end of the first Quarter of FY 16-17, the County has received 15.63% of its budgeted annual Road Fund operating revenue. This is an increase of 1.19% from the same period last year as a percent of budget. However, the actual dollars received have decreased by \$659,742, a 12.6% revenue decrease for the quarter compared to the previous year.

The decrease in revenue received is from Federal Highway Administration grant, land sales, State Highway Fund revenue and decrease in department indirect revenue. Total budgeted operating revenue as compared to FY 15.16 is down by 19.3% (\$7 million), due to a scheduled elimination of SRS revenue.

Budgeted v. Actual Revenue

Road Fund Revenue
Total Annual Budget vs Actual Revenue Received
as of September 30 (Quarter 1)



Road Fund Operating Revenues				
as of September 30				
	13-14	14-15	15-16	16-17
Quarter 1 YTD Actual	4,319,417	4,606,355	5,226,790	4,567,049
Total Annual Budget	34,205,498	35,074,003	36,187,650	29,211,233
Actual as % of Budget	12.63%	13.13%	14.44%	15.63%

Road Fund Operating Revenues					16-17 vs. 15-16 Variance	
Quarter Ended September 30						
	13-14	14-15	15-16	16-17	\$	%
SRS/Federal Timber Receipts	-	-	-	-	-	-
State Highway Fund Transfer	3,030,571	3,037,266	3,253,524	3,168,329	(85,195)	-2.62%
Other Intergovernmental	131,835	356,261	648,275	264,495	(383,779)	-59.20%
Fees and Charges	81,266	93,180	86,544	96,923	10,379	11.99%
Property Sales & Rentals	142,814	120,756	270,221	116,468	(153,754)	-56.90%
Department Indirect Revenue	857,065	937,930	912,717	851,443	(61,274)	-6.71%
Other Revenues	75,867	60,963	55,509	69,391	13,881	25.01%
Total	4,319,417	4,606,355	5,226,790	4,567,049	(659,742)	-12.62%

Road Fund

Positive and Within Budget

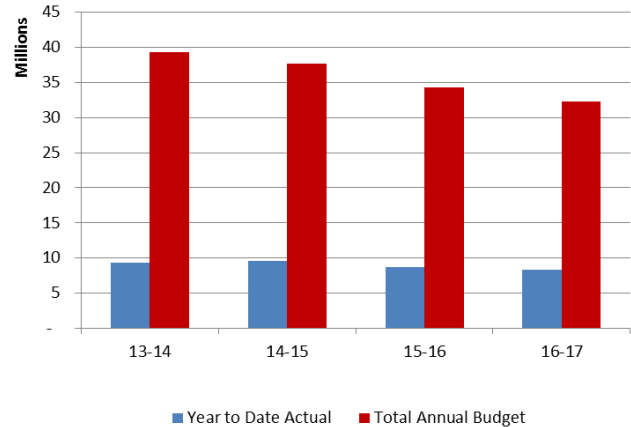
Expenditures:

As of the end of the first Quarter of FY 16-17, the County has expended 25.66% of its budgeted annual Road Fund operating expense budget. This is an increase of 0.35% from the same period last year.

Actual expenses are down and the total decrease of \$402,576 results from decreases in all categories for the Road Fund. This is a result of the department's reductions to balance the structural gap between revenue and expense. The FY 16-17 Operating Expense Budget was reduced by \$2 million, 6% from the previous year. This is the eighth year of budget reductions.

Budgeted Operating Expenses

Road Fund Expense
Total Annual Budget vs Actual Expenses Paid
as of September 30 (Quarter 1)



Road Fund Operating Expenses				
Quarter September 30	13-14	14-15	15-16	16-17
Quarter 1 YTD Actual	9,351,412	9,605,226	8,675,871	8,273,295
Total Annual Budget	39,321,617	37,664,736	34,278,342	32,238,997
Actual as % of Budget	23.78%	25.50%	25.31%	25.66%

Road Fund Operating Expenses					16-17 vs. 15-16 Variance	
Quarter Ended September 30	13-14	14-15	15-16	16-17	\$	%
Personnel Services	3,576,184	3,546,231	3,185,108	3,118,258	(66,851)	-2.10%
Materials & Services	3,537,962	4,164,264	3,158,811	2,927,496	(231,315)	-7.32%
Capital Projects/Outlay	2,237,267	1,894,731	2,331,952	2,227,542	(104,410)	-4.48%
Total	9,351,412	9,605,226	8,675,871	8,273,295	(402,576)	-4.64%

Road Fund Net Operating Balance				
Quarter Ended September 30	13-14	14-15	15-16	16-17
YTD Actual	(5,031,995)	(4,998,871)	(3,449,081)	(3,706,247)
Total Annual Budget	(5,116,119)	(2,590,733)	1,909,308	(3,027,764)
Actual as % of budget	98.36%	192.95%	-180.65%	122.41%