

# Lane County Quarterly Financial Report

Quarter Ended March 31, 2017  
(Third Quarter of FY 16-17)



**Presented to Lane County Board of Commissioners:  
June 20, 2017**

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## Executive Summary

We are pleased to present you with Lane County's Quarterly Financial Report for the Third 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](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 decreased by 0.3 percent in March 2017. 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 January and March 2017 showed gains of 13.4% for residential permits and a decrease of 22.9% for commercial permits compared to the same period in 2016.
- The General Fund has received \$76.1 million, or 83.73% of its budgeted revenue. General Fund operating expenses for the third quarter totaled \$67.5 million, or 67.72% of budget. Operating expenditures do not include budgeted transfers.
- Road Fund revenues totaled \$29.2 million, or 73.1% of budgeted revenue. Road Fund operating expenditures totaled \$32.2 million, or 62.62% of budget. Actual expenses are down in most categories for the Road Fund.

Steve Mokrohisky,  
County Administrator

# National Economic Indicators

United States

March 2017 243.801  
Year Change 2.4%

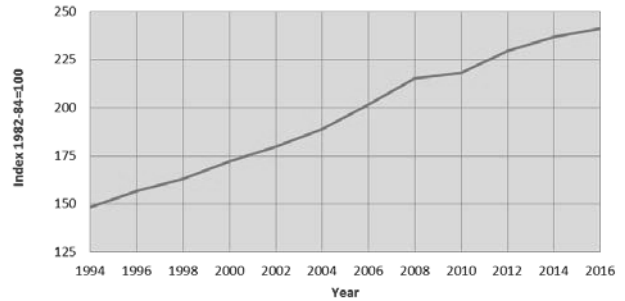
Portland-Salem MSA

Jan - June 2016 247.143  
Year Change 1.7%  
Jul - Dec 2016 251.71  
Year Change 2.6%

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

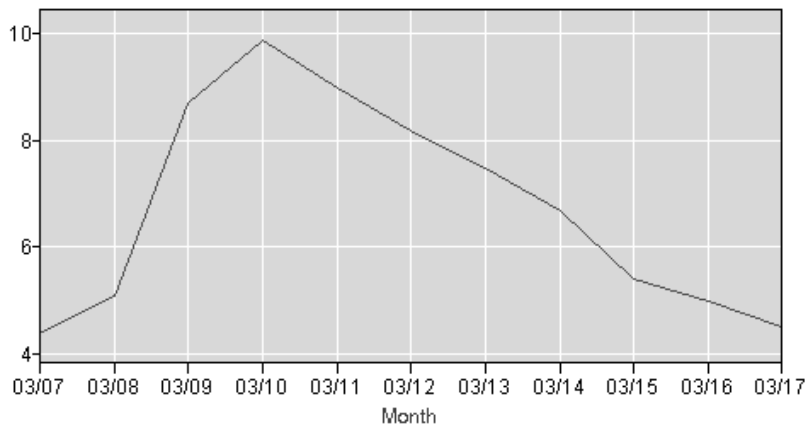
## Consumer Price Index

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



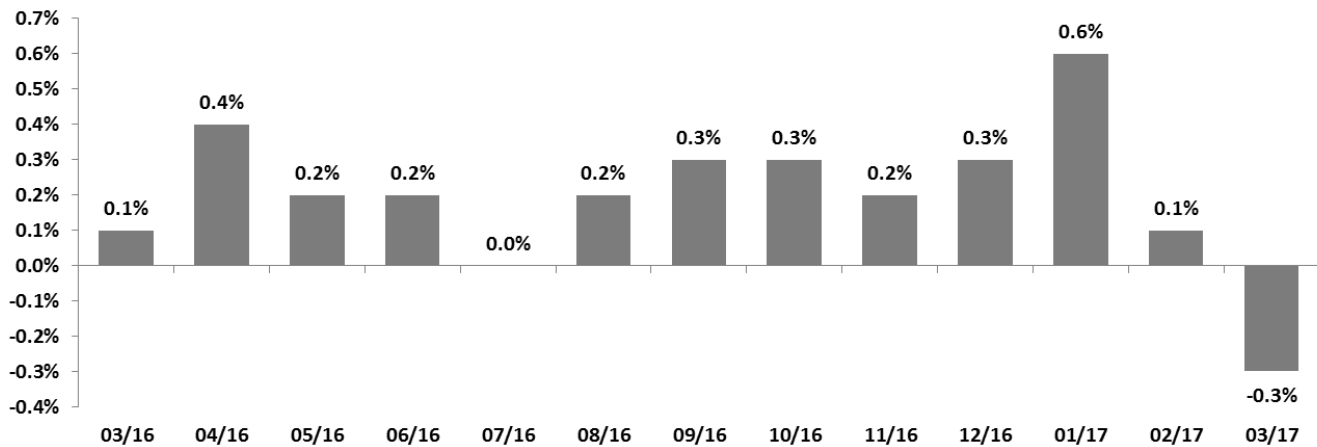
## National Employment

The US Bureau of Labor Statistics reports that the national unemployment rate dropped to 4.5% in March 2017. This is down from 5.0% in the same period last year.



## Inflation

The Consumer Price Index for All Urban Consumers (CPI\_U) decreased 0.3 percent in March (seasonally adjusted basis). Over the last 12 months, the all items index increased 2.4 percent.



## Health Insurance Costs

CPI for Medical Care gained 0.4% in the quarter ending March 2017, while Health Insurance increased 0.6%. The annual CPI increase in Health Insurance from March 2016 to March 2017 was 3.3%.

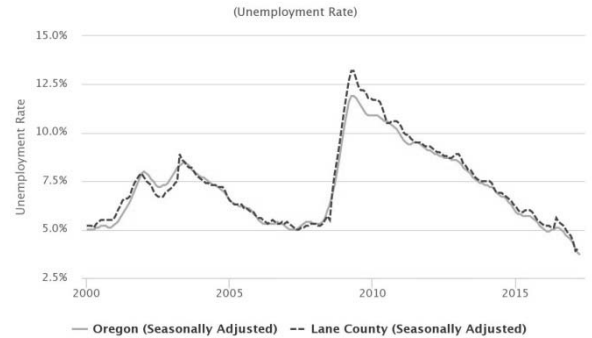
# Local Economic Indicators

## Employment Data

Unemployment in Lane County has decreased in the last six months. In September 2016, the unemployment rate was 5.2% and in December 2016, the unemployment rate was 4.7%. In March 2017, the unemployment rate was 4.0%.

Unemployment in Oregon was 4.9% in September and has decreased to 3.8% in March. The National rates for the same time periods are 4.9% and 4.5% respectively.

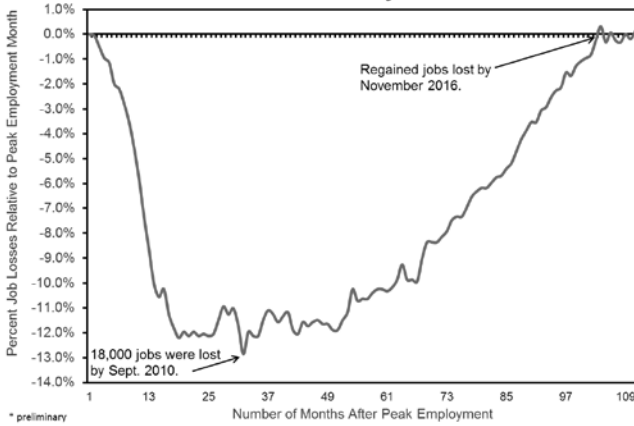
Local Area Unemployment Statistics



Source: Oregon Employment Department QualityInfo.org

**Unemployment has returned to pre-recession levels.**

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



\* preliminary

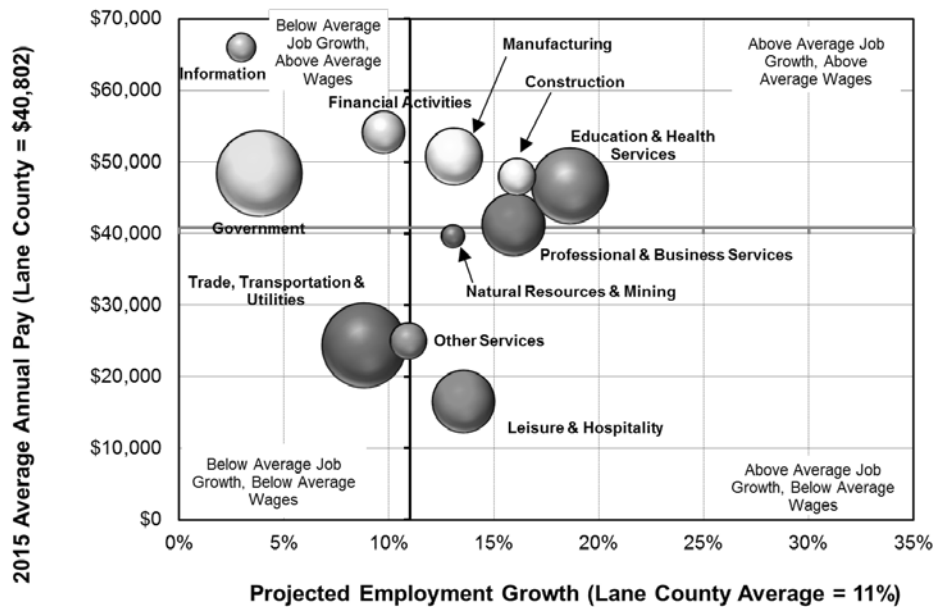
**Most jobs lost during the recession have returned, except for manufacturing jobs.**

As of November 2016, Lane County regained the total number of jobs lost during the recession. However, the manufacturing sector has only regained 21% of the jobs lost during the recession as of February, 2017. 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.**



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

## Labor Force Participation

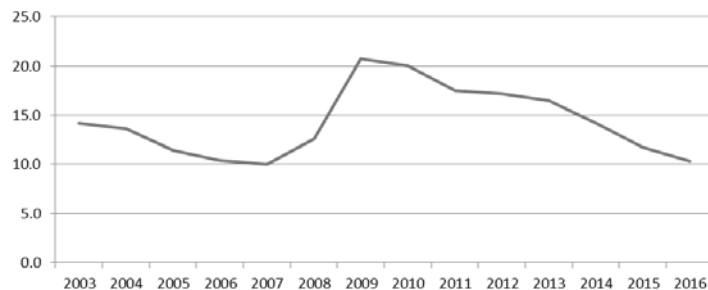
Additional metrics beyond unemployment are helpful in achieving a more complete overview of the post-recession economy. One additional metric, the Labor Force Participation Rate (LFPR) or Participation Gap, measures the current workforce versus the expected workforce based on demographic information. 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.

## 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)

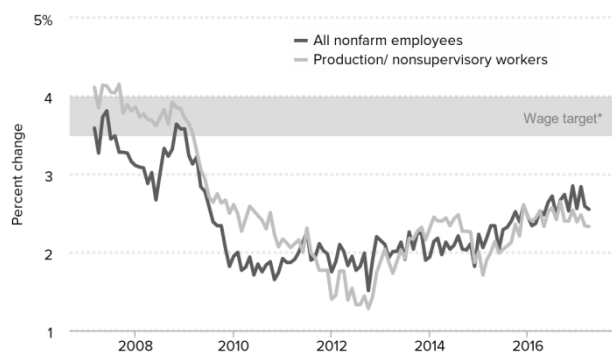
**Oregon U-6 Rate**



**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, 2007–2017



\*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.

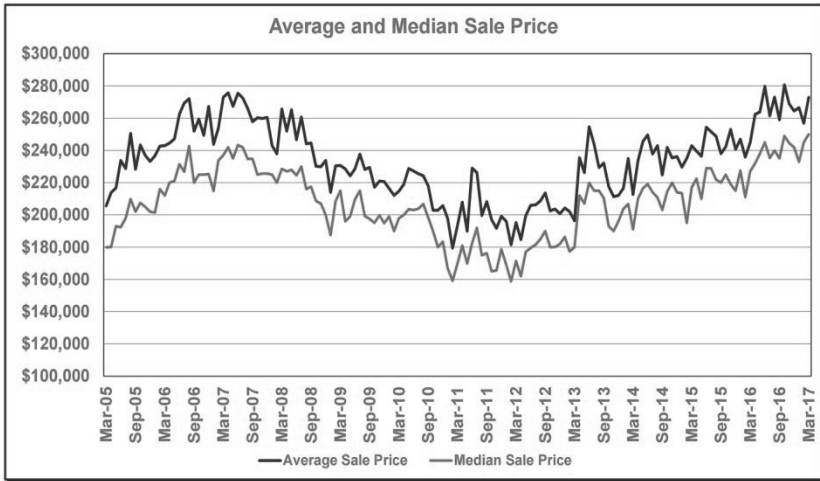
Source: EPI analysis of Bureau of Labor Statistics Current Employment Statistics public data series

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 \$272,900 in March 2017 from \$244,900 in March 2016. This is an 11.4% increase over the period. In the same comparison period, the median sale price rose by 10.1% from \$227,000 to \$250,000. Total Market Time decreased from 86 days to 69 days in the same period.

Source: Market Action, RMLS, March 2017

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 January and March 2017 as compared to the same period in 2016. Residential permits have increased 13.4%, while commercial permits have decreased by 22.9%.

2 Year Building Permit Data	FY 15/16					FY 16/17				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Property Type										
Commercial	48	35	43	58	184	43	25	35		103
Residential	424	406	402	436	1668	500	470	464		1434
Percent change Commercial last Quarter	-52.1%	-37.1%	18.6%	25.9%		-34.9%	-72.0%	28.6%		
Percent change Residential last Quarter	0.2%	-4.4%	-1.0%	7.8%		12.8%	-6.4%	-1.3%		
Percent change Commercial 1 year	4.2%	8.6%	32.6%	-25.9%	2.2%	-11.6%	-40.0%	-22.9%		
Percent change Residential 1 year	-0.2%	-12.1%	8.2%	3.0%	-0.2%	15.2%	13.6%	13.4%		

Building Permit activity was mixed in the second quarter of FY 16/17 versus Q2 FY 15/16.





# General Fund

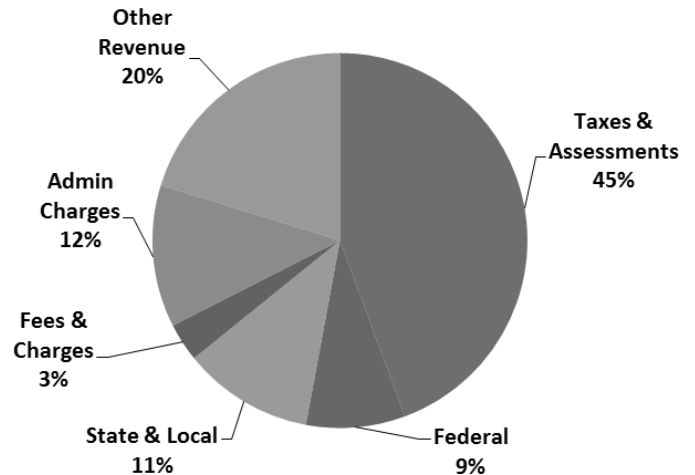
Positive and Within Budget

## Revenues:

At the end of the Third Quarter of FY 16-17, the County has received 83.73% of its budgeted annual General Fund revenue. This is a decrease of 1.78% over the same period last year.

The County has received the bulk of its current year property tax revenue by the third quarter each year which results in a higher percent of revenue collected as compared to time frame of the fiscal year. Grant and state revenues receipts vary and impact the comparison of revenue received between fiscal years for the same time periods. Overall, the variance between budget and actuals is within expectations.

## Budgeted Revenue



General Fund Operating Revenues				
Quarter ended March 31	13-14	14-15	15-16	16-17
Quarter 3 YTD Actual	56,411,016	59,854,531	64,504,009	63,699,305
Total Annual Budget	<b>71,618,361</b>	<b>74,040,183</b>	<b>75,435,133</b>	<b>76,075,554</b>
Actual as % of Budget	78.77%	80.84%	85.51%	83.73%

General Fund Operating Revenues					16-17 vs. 15-16 Variance	
Quarter Ended March 31	13-14	14-15	15-16	16-17	\$	%
Taxes & Assessments	34,247,146	35,795,337	37,332,164	38,678,727	1,346,563	3.61%
Federal Revenue	1,441,564	778,555	741,598	734,916	(6,682)	-0.90%
State & Local Revenue	6,161,338	9,040,770	10,796,011	9,067,667	(1,728,345)	-16.01%
Fees & Charges	2,430,027	2,102,546	2,443,176	2,704,814	261,637	10.71%
Administrative Charges	7,953,141	8,008,037	8,573,995	8,498,353	(75,642)	-0.88%
All Other Revenue	4,177,800	4,129,286	4,617,065	4,014,828	(602,236)	-13.04%
<b>Total</b>	<b>56,411,016</b>	<b>59,854,531</b>	<b>64,504,009</b>	<b>63,699,305</b>	<b>(804,704)</b>	<b>-1.25%</b>

# General Fund

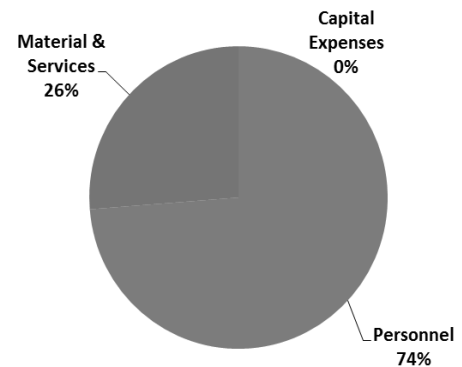
Positive and Within Budget

## Expenditures:

At the end of the Third Quarter of FY 16-17, the County has expended 67.72% of its budgeted annual General Fund operating expense budget. This is an increase of 1.38 % over the same period last year.

Expenditure levels through the third quarter are within expectations. Changes in position vacancies are the largest impact on the year over year changes with regard to percent of budget spent at any given time given that personnel expenses represent 74% of total operating expenses. Material & Service expenses spent are lower than this time period last year, but well within budget.

## Budgeted Operating Expenses



<b>General Fund Operating Expenses</b>				
<b>Quarter Ending March 31</b>	13-14	14-15	15-16	16-17
Quarter 3 YTD Actual	40,997,004	42,111,713	45,601,670	45,729,359
Total Annual Budget	<b>62,772,835</b>	<b>63,631,967</b>	<b>68,736,960</b>	<b>67,525,065</b>
<b>Actual as % of Budget</b>	65.31%	66.18%	66.34%	67.72%

<b>General Fund Operating Expenses</b>					<b>16-17 vs. 15-16 Variance</b>	
<b>Quarter Ended March 31</b>	13-14	14-15	15-16	16-17	\$	%
Personnel Services	29,534,785	30,520,679	33,096,414	33,722,937	626,523	1.89%
Materials & Services	11,420,598	11,551,873	12,478,819	12,000,512	(478,307)	-3.83%
Capital Projects/Outlay	41,621	39,161	26,437	5,911	(20,526)	0.00%
<b>Total</b>	<b>40,997,004</b>	<b>42,111,713</b>	<b>45,601,670</b>	<b>45,729,359</b>	<b>127,689</b>	<b>0.28%</b>

# Road Fund

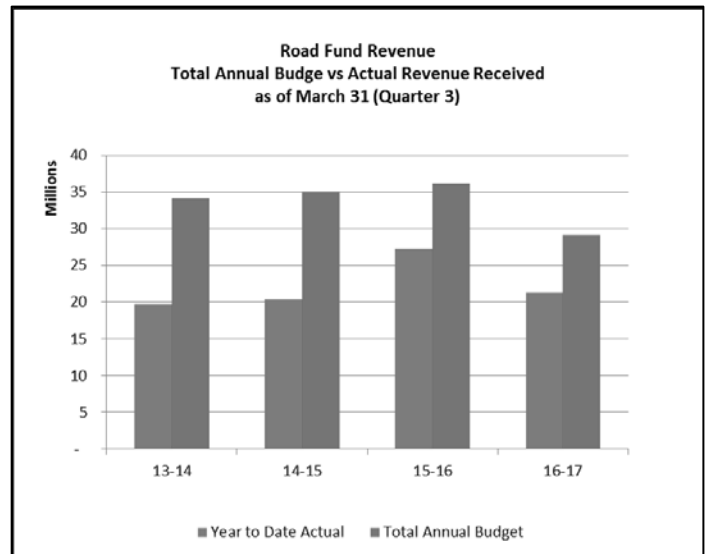
Positive and Within Budget

## Revenues:

As of the end of the Third Quarter of FY 16-17, the County has received 73.1% of its budgeted annual Road Fund operating revenue. This is a decrease of 2.3% from the same period last year as a percent of budget.

However, the actual dollars received have decreased by \$5.9 million, a 21.8% decrease for the quarter compared to the previous year. The majority of this decrease is due to the discontinuation of Secure Rural Schools (SRS) and convergence to Timber Receipts revenue. This change reduced revenue by nearly \$5.6 million. Property Sales also has a large reduction of over 60% due to reduced land sales. Total budgeted operating revenue as compared to FY 15-16 is down by 21.8%, (\$5.9 million) due to the scheduled elimination of SRS revenue.

## Budgeted v. Actual Revenue



Road Fund Operating Revenues as of March 31				
	13-14	14-15	15-16	16-17
Quarter 3 YTD Actual	19,725,019	20,364,206	27,280,760	21,345,146
Total Annual Budget	<b>34,205,498</b>	<b>35,074,003</b>	<b>36,187,650</b>	<b>29,211,233</b>
<b>Actual as % of Budget</b>	57.67%	58.06%	75.39%	73.07%

Road Fund Operating Revenues					16-17 vs. 15-16 Variance	
Quarter Ended March 31	13-14	14-15	15-16	16-17	\$	%
SRS/Federal Timber Receipts	-	845,449	6,623,087	1,051,170	(5,571,917)	
State Highway Fund Transfer	13,026,355	12,669,411	13,008,142	13,754,515	746,373	5.74%
Other Intergovernmental	2,208,868	2,740,648	2,961,312	2,530,873	(430,439)	-14.54%
Fees and Charges	689,984	811,628	940,282	851,924	(88,358)	-9.40%
Property Sales & Rentals	624,175	279,775	805,004	315,948	(489,056)	-60.75%
Department Indirect Revenue	2,931,906	2,815,793	2,746,275	2,557,942	(188,332)	-6.86%
Other Revenues	243,731	201,502	196,658	282,774	86,116	43.79%
<b>Total</b>	<b>19,725,019</b>	<b>20,364,206</b>	<b>27,280,760</b>	<b>21,345,146</b>	<b>(5,935,614)</b>	<b>-21.76%</b>

# Road Fund

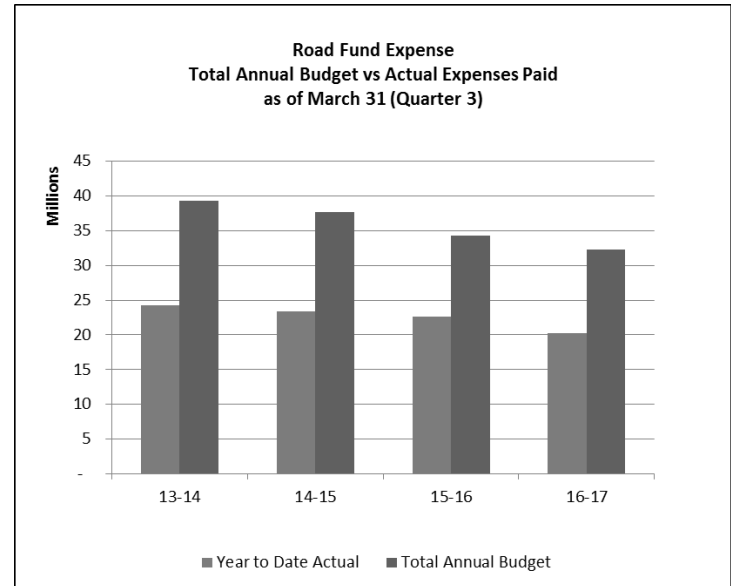
Positive and Within Budget

## Expenditures:

As of the end of the Third Quarter of FY 16-17, the County has expended 62.6% of its annual Road Fund operating expense budget. This is a decrease of 10.6% from the same period last year as a percent of budget.

Actual expenses are down; the decrease of nearly \$2.4 million reflects decreases in all categories as a result of the department's reductions to balance the structural gap between revenue and expense. The largest decrease is in Capital Projects. Much of the Capital budget was delayed due to the wet cold winter and will be expended in the fourth quarter. 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 Operating Expenses				
Quarter March 31	13-14	14-15	15-16	16-17
Quarter 3 YTD Actual	24,270,677	23,368,029	22,582,147	20,189,026
Total Annual Budget	<b>39,321,617</b>	<b>37,664,736</b>	<b>34,278,342</b>	<b>32,238,997</b>
Actual as % of Budget	61.72%	62.04%	65.88%	62.62%

Road Fund Operating Expenses					16-17 vs. 15-16 Variance	
Quarter Ended March 31	13-14	14-15	15-16	16-17	\$	%
Personnel Services	11,620,112	11,501,771	10,491,229	9,961,636	(529,592)	-5.05%
Materials & Services	9,322,579	9,525,838	8,061,629	7,660,299	(401,330)	-4.98%
Capital Projects/Outlay	3,327,985	2,340,420	4,029,290	2,567,090	(1,462,200)	-36.29%
<b>Total</b>	<b>24,270,677</b>	<b>23,368,029</b>	<b>22,582,147</b>	<b>20,189,026</b>	<b>(2,393,122)</b>	<b>-10.60%</b>

Road Fund Net Operating Balance				
Quarter Ended March 31	13-14	14-15	15-16	16-17
YTD Actual	(4,545,658)	(3,003,823)	4,698,613	1,156,121
Total Annual Budget	(5,116,119)	(2,590,733)	1,909,308	(3,027,764)
Actual as % of budget	88.85%	115.94%	246.09%	-38.18%