

Lane County Quarterly Financial Report

Quarter Ended September 30, 2017
(First Quarter of FY 17-18)



**Presented to Lane County Board of Commissioners:
December 5, 2017**

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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) 17-18. 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 0.5 percent in September 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 July and September 2017 showed gains of 2.9% for residential permits and a decrease of 34.4% for commercial permits compared to the same period in 2016.
- The General Fund has received \$6.6 million, or 8.43% of its budgeted revenue. General Fund operating expenses for the first quarter totaled \$14.7 million, or 21.57% of budget. Operating expenditures do not include budgeted transfers.
- Road Fund revenues totaled \$5.5 million, or 16.89% of budgeted revenue. Road Fund operating expenditures totaled \$8.6 million, or 25.51% of budget.

Steve Mokrohisky,
County Administrator

National Economic Indicators

United States

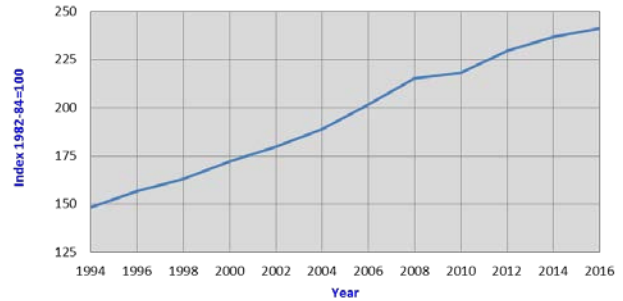
September 2017 246.819
Year Change 2.2%

Portland-Salem MSA

Jul - Dec 2016 251.71
Year Change 2.6%
Jan - June 2017 258.055
Year Change 4.4%

Consumer Price Index

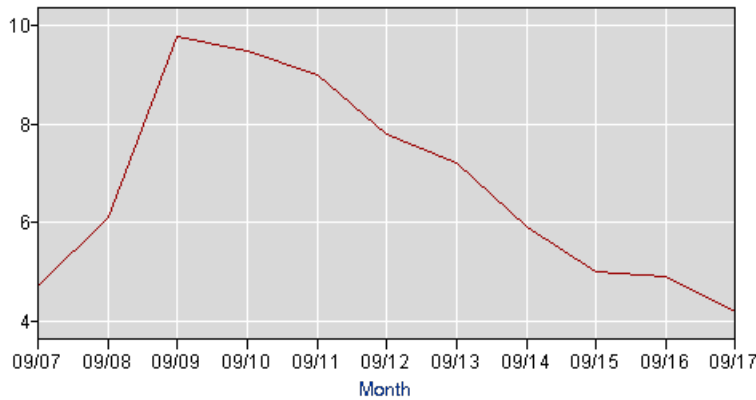
Not Seasonally Adjusted
Area: US city average
Item: All items
Base Period: 1982-84=100



www.bls.gov/cpi

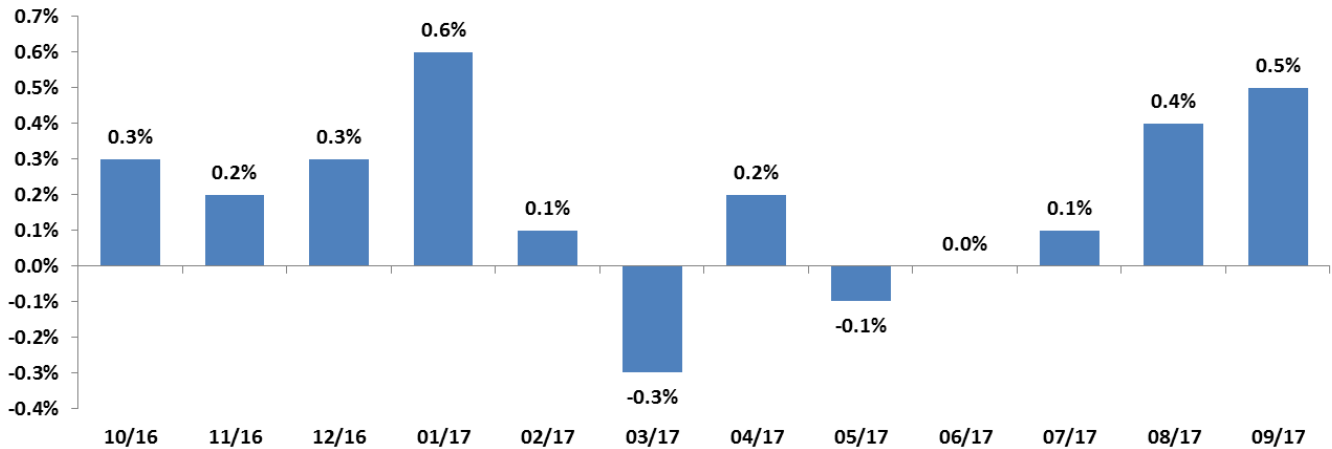
National Employment

The US Bureau of Labor Statistics reports that the national unemployment rate dropped to 4.2% in September 2017. This is down from 4.9% in the same period last year.



Inflation

The Consumer Price Index for All Urban Consumers (CPI_U) increased 0.5 percent in September (seasonally adjusted basis). Over the last 12 months, the all items index increased 2.2 percent.



Health Insurance Costs

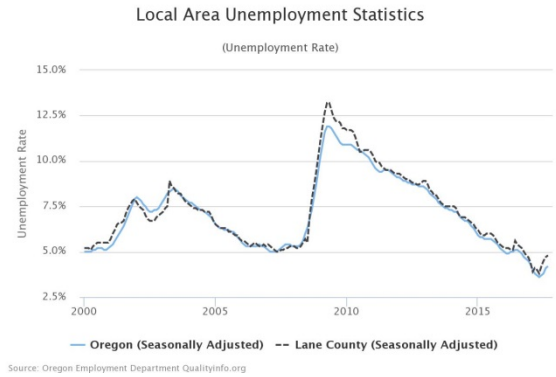
CPI for Medical Care gained 0.6% in the quarter ending September 2017, while Health Insurance was unchanged. The annual CPI increase in Health Insurance from September 2016 to September 2017 was 0.1%.

Local Economic Indicators

Employment Data

Unemployment in Lane County has increased in the last six months. In March 2017, the unemployment rate was 4.1% and in June 2017, the unemployment rate was 4.2%. In September 2017, the unemployment rate was 4.8%.

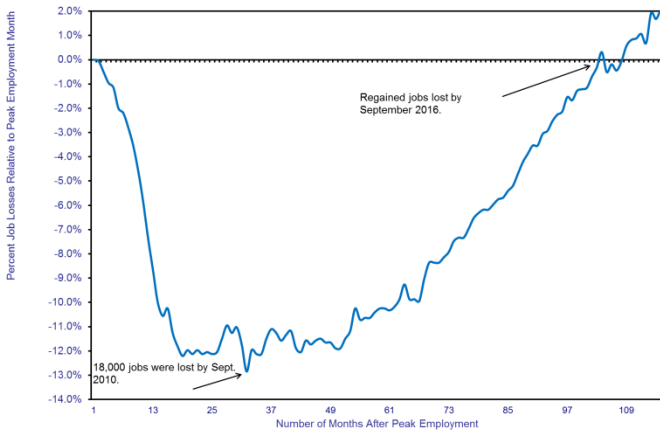
Unemployment in Oregon was 3.8% in March and has increased to 4.2% in September. The National rates for the same time periods are 4.5% and 4.2% respectively.



Unemployment has returned to pre-recession levels.

As of September 2016, Lane County regained the total number of jobs lost during the recession. However, the manufacturing sector has only regained 24% of the jobs lost during the recession as of September 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)

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

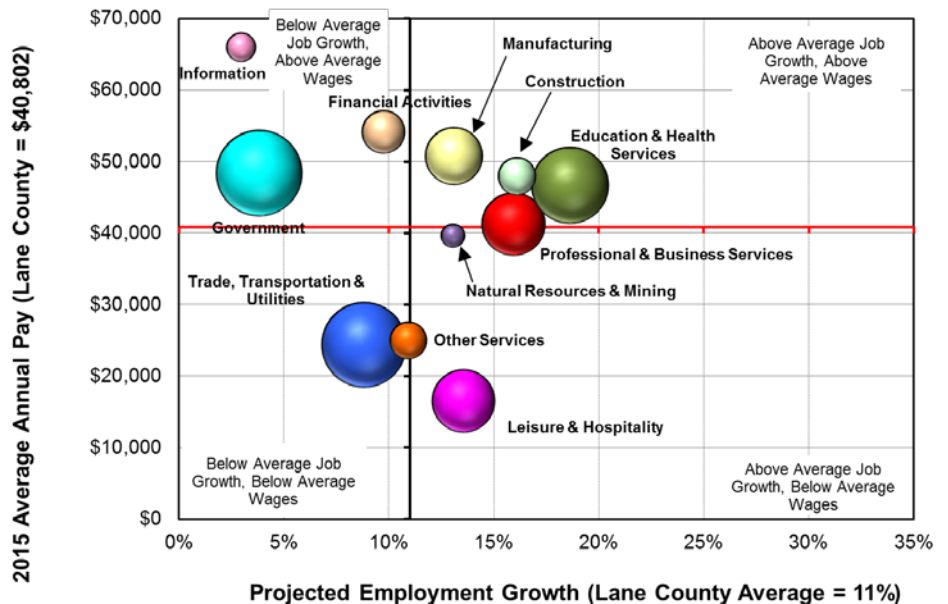


Most jobs lost during the recession have returned, except for manufacturing jobs.

Job Growth Outlook

The 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



The job growth outlook for Lane County forecasts strong growth.

Oregon Labor Force Participation

Share of All Oregonians 16 Years and Older Who Either Have a Job or are Looking for Work



Latest Data: June 2017 | Source: BLS, Census, OED, Oregon Office of Economic Analysis

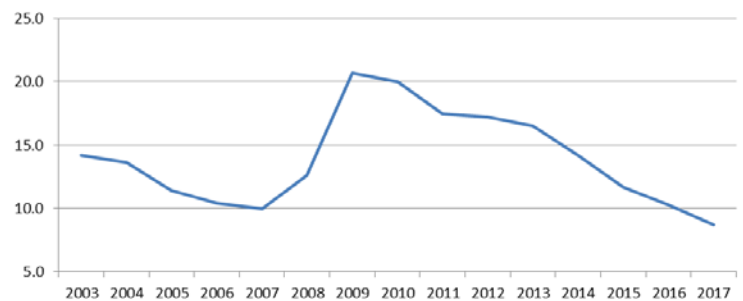
The Labor Force Participation Rate (LFPR) in Oregon is increasing.

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 and is currently 8.7%.

(Source: Bureau of Labor Statistics)

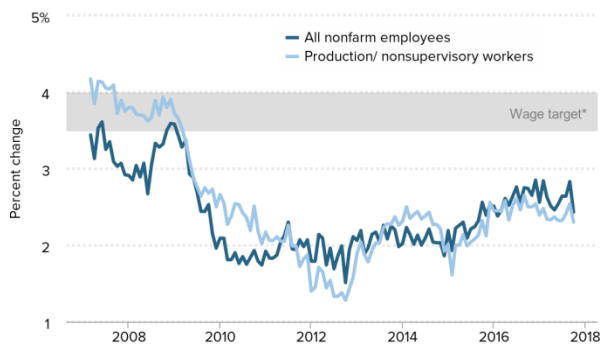
Oregon U-6 Rate



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.

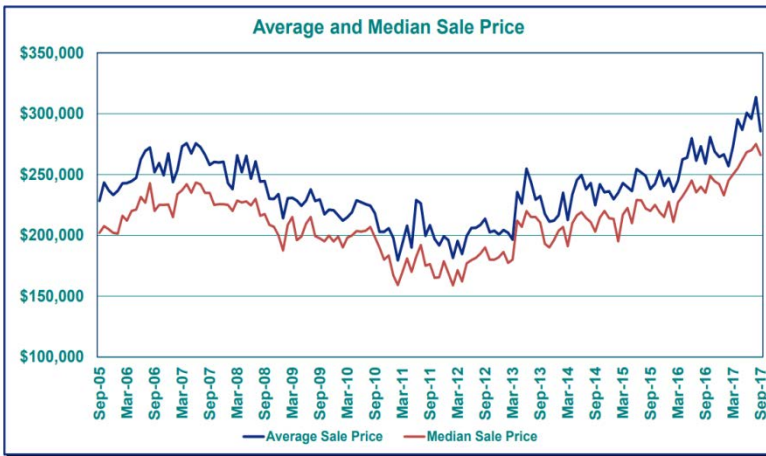
Source: EPI analysis of Bureau of Labor Statistics Current Employment Statistics public data series

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 below the 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 lead to increased wages.

Wage growth is increasing, but remains below healthy levels.



Real Estate Statistics

The average price of a home in Lane County grew to \$285,600 in September 2017 from \$258,900 in September 2016. This is a 10.3% increase over the period. In the same comparison period, the median sale price rose by 13.1% from \$235,000 to \$265,900. Total Market Time was steady at 50 days for both periods.

Source: Market Action, RMLS, September 2017

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

Building Permit

2 Year Building Permit Data	FY 16-17					FY 17-18				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Property Type										
Commercial	43	25	35	46	149	32				32
Residential	500	470	464	665	2099	515				515
Percent change Commercial last Quarter	-34.9%	-72.0%	28.6%	23.9%		-43.8%				
Percent change Residential last Quarter	12.8%	-6.4%	-1.3%	30.2%		-29.1%				
Percent change Commercial 1 year	-11.6%	-40.0%	-22.9%	-26.1%	-23.5%	-34.4%				
Percent change Residential 1 year	15.2%	13.6%	13.4%	34.4%	20.5%	2.9%				

Building Permit activity was mixed in the first quarter of FY 17-18 versus Q1 FY 16-17.

Building permit activity within Lane County Land Management was mixed for the period between July and September 2017 as compared to the same period in 2016. Residential permits have increased 2.9%, while commercial permits have decreased by 34.4%.

General Fund

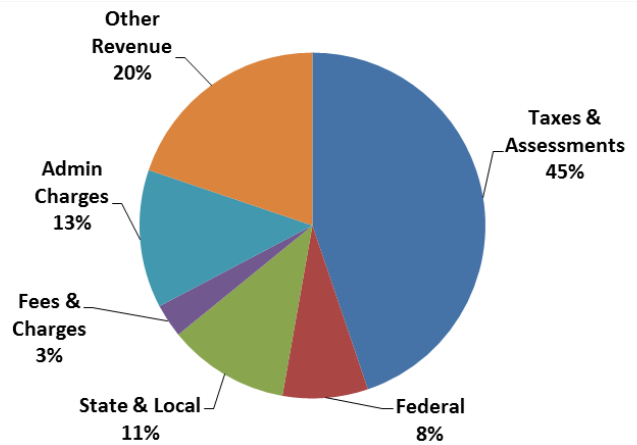
Positive and Within Budget

Revenues:

At the end of the First Quarter of FY 17-18, the County has received 8.43% of its budgeted annual General Fund revenue. This is a decrease of 0.4% over the same period last year.

The decrease in percentage of budgeted revenue to be received in the first quarter has been slowly decreasing in recent years. A review of revenue sources shows that payments from outside agencies are being received later in the fiscal year cycle, which can be the result of timing of payments, shifting of revenue sources or other external factors. This trend will continue to be observed in future years. Overall, the revenue received to date is within expected limits and raises no immediate concern. Prior to the receipt of Current Year Property taxes, the primary concern for the General Fund is cash flow reserves. This reserve will continue to be monitored to ensure cash flow needs are being met.

Budgeted Revenue



General Fund Operating Revenues				
Quarter Ending September 30	14-15	15-16	16-17	17-18
Quarter 1 YTD Actual	6,746,902	6,894,813	6,716,404	6,579,486
Total Annual Budget	74,040,183	75,435,133	76,075,554	78,025,450
Actual as % of Budget	9.11%	9.14%	8.83%	8.43%

General Fund Operating Revenues					17-18 vs. 16-17 Variance	
Quarter Ending September 30	14-15	15-16	16-17	17-18	\$	%
Taxes & Assessments	804,925	774,036	857,069	780,418	(76,651)	-8.94%
Federal Revenue	352,854	384,131	400,399	81,722	(318,677)	-79.59%
State & Local Revenue	2,010,302	1,683,761	1,532,068	1,641,957	109,890	7.17%
Fees & Charges	524,380	778,120	673,700	593,938	(79,762)	-11.84%
Administrative Charges	2,660,471	2,856,305	2,832,757	3,043,791	211,034	7.45%
All Other Revenue	393,969	418,461	420,412	437,659	17,248	4.10%
Total	6,746,902	6,894,813	6,716,404	6,579,486	(136,918)	-2.04%

General Fund

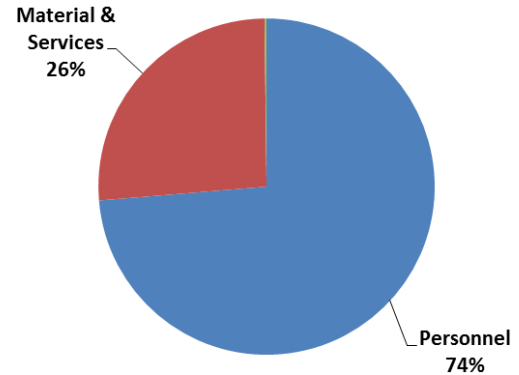
Positive and Within Budget

Expenditures:

At the end of the First Quarter of FY 17-18, the County has expended 21.57% of its budgeted annual General Fund operating expense budget. This is an increase of 0.28 % over the same period last year.

The percentage of budgeted expenditures spent is showing the opposite trend as described on the Revenue review for this Fund, with a slight increase occurring in the first quarter over the past several years. This increase is anticipated and is largely occurring within personnel expenditures which make up almost 75% of the expenditures in the General Fund. Beginning in FY 17-18, the personnel expenditure budget contains an offset for anticipated vacancies. This budget change will result in actual personnel expenditures becoming more closely aligned with budgeted personnel expenditures. This trend will continue to be observed in future years as the County refines budgeted vacancy rates.

Budgeted Operating Expenses



General Fund Operating Expenses				
Quarter Ending September 30	14-15	15-16	16-17	17-18
Quarter 1 YTD Actual	12,405,135	12,407,000	14,359,524	14,663,922
Total Annual Budget	63,631,967	68,736,960	67,450,815	67,992,779
Actual as % of Budget	19.50%	18.05%	21.29%	21.57%

General Fund Operating Expenses					17-18 vs. 16-17 Variance	
Quarter Ending September 30	14-15	15-16	16-17	17-18	\$	%
Personnel Services	8,946,985	8,724,832	10,659,417	10,953,744	294,327	2.76%
Materials & Services	3,456,398	3,682,168	3,699,957	3,701,621	1,663	0.04%
Capital Projects/Outlay	1,752	-	150	8,558	8,408	0.00%
Total	12,405,135	12,407,000	14,359,524	14,663,922	304,398	2.12%

Road Fund

Positive and Within Budget

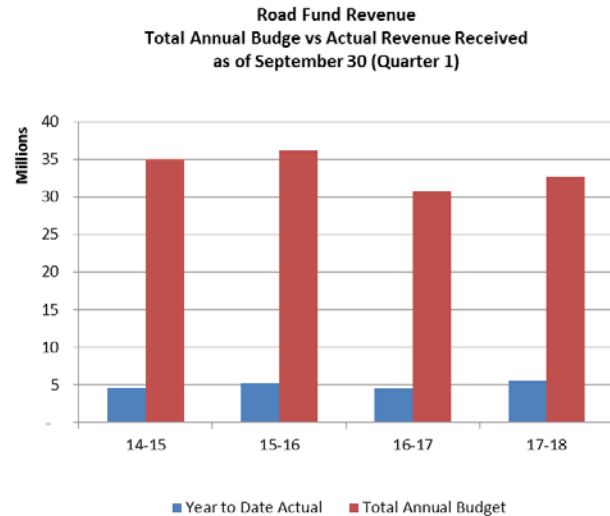
Revenues:

As of the end of the First Quarter of FY 17-18, the County has received 16.89% of its budgeted annual Road Fund operating revenue. This is an increase of 2.02% from the same period last year as a percent of budget.

However, the actual dollars received have increased by 21.1%, a \$963,142 revenue increase for the quarter compared to FY 16-17. Revenue increases are shown in each of the revenue categories below. The most significant are in "Other Intergovernmental" revenue at 109.13% and "Fees and Charges" at 311.20%. Other Intergovernmental Revenue includes FEMA reimbursements. Engineering Services and Construction Reimbursements drive the increases in Fees and Charges Revenue.

Total budgeted operating revenue is up by 6.6%, (\$2 million) due to a Transportation Revenue package approved by Oregon Legislation. State transportation fees and taxes will increase beginning January 1, 2018.

Budgeted v. Actual Revenue



Road Fund Operating Revenues				
Quarter Ending September 30	14-15	15-16	16-17	17-18
Quarter 1 YTD Actual	4,606,355	5,226,790	4,567,049	5,530,190
Total Annual Budget	35,074,003	36,187,650	30,711,233	32,735,531
Actual as % of Budget	13.13%	14.44%	14.87%	16.89%

Road Fund Operating Revenues					17-18 vs. 16-17 Variance	
Quarter Ending September 30	14-15	15-16	16-17	17-18	\$	%
SRS/Federal Timber Receipts	-	-	-	-	-	-
State Highway Fund Transfer	3,037,266	3,253,524	3,168,329	3,479,366	311,037	9.82%
Other Intergovernmental	356,261	648,275	264,495	553,148	288,653	109.13%
Fees and Charges	93,180	86,544	96,923	398,545	301,622	311.20%
Property Sales & Rentals	120,756	270,221	116,468	122,038	5,570	4.78%
Department Indirect Revenue	937,930	912,717	851,443	880,820	29,377	3.45%
Other Revenues	60,963	55,509	69,391	96,273	26,882	38.74%
Total	4,606,355	5,226,790	4,567,049	5,530,190	963,142	21.09%

Road Fund

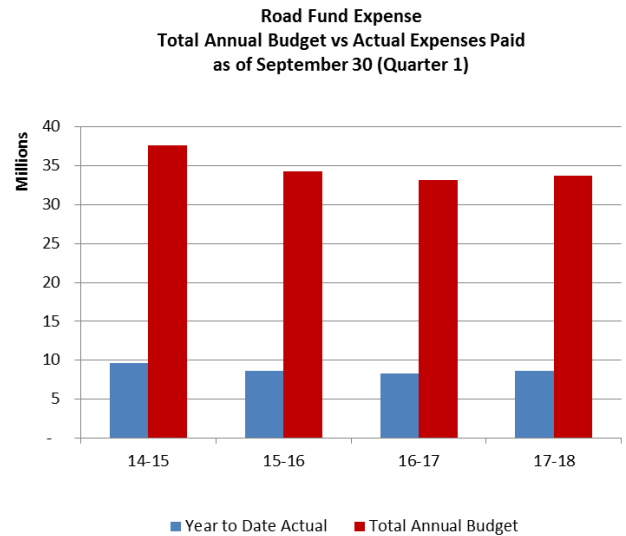
Positive and Within Budget

Expenditures:

As of the end of the First Quarter of FY 17-18, the County has expended 25.51% of its annual Road Fund operating expense budget. This is an increase of 0.54% from the same period last year as a percent of budget.

Actual expenses are up 3.94% from FY 16-17, the increase of \$326,051 results from increases in all categories except Capital Projects. Road Work Supplies and Traffic Supplies are up over 10%, reflecting efforts to accomplish as many maintenance and preservation projects as possible during the warm dry season of the first quarter. Personnel is up due to filing vacant positions. Capital Projects is down due to a project delay.

Budgeted Operating Expenses



Road Fund Operating Expenses				
Quarter Ending September 30	14-15	15-16	16-17	17-18
Quarter 1 YTD Actual	9,605,226	8,675,871	8,273,295	8,599,346
Total Annual Budget	37,664,736	34,278,342	33,138,997	33,710,648
Actual as % of Budget	25.50%	25.31%	24.97%	25.51%

Road Fund Operating Expenses					17-18 vs. 16-17 Variance	
Quarter Ending September 30	14-15	15-16	16-17	17-18	\$	%
Personnel Services	3,546,231	3,185,108	3,118,258	3,263,811	145,553	4.67%
Materials & Services	4,164,264	3,158,811	2,927,496	3,230,671	303,176	10.36%
Capital Projects/Outlay	1,894,731	2,331,952	2,227,542	2,104,864	(122,678)	-5.51%
Total	9,605,226	8,675,871	8,273,295	8,599,346	326,051	3.94%