

Lane County Quarterly Financial Report

Quarter Ended December 31, 2017
(Second Quarter of FY 17-18)



**Presented to Lane County Board of Commissioners:
March 13, 2018**

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Executive Summary

We are pleased to present you with Lane County's Quarterly Financial Report for the Second 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 0.1 percent in December 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 October and December 2017 showed gains of 23.2% for residential permits and an increase of 37.5% for commercial permits compared to the same period in 2016.
- The General Fund has received \$55.1 million, or 70.4% of its budgeted revenue. General Fund operating expenses for the second quarter totaled \$30.2 million, or 44.2% of budget. Operating expenditures do not include budgeted transfers.
- Road Fund revenues totaled \$13.6 million, or 42.5% of budgeted revenue. Road Fund operating expenditures totaled \$14.4 million, or 40.5% of budget.

Steve Mokrohisky,
County Administrator

National Economic Indicators

Consumer Price Index

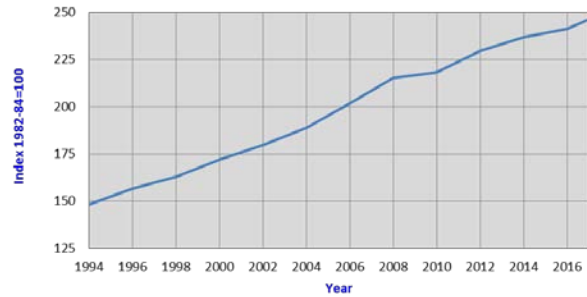
United States

December 2017 246.542
Year Change 2.1%

Portland-Salem MSA

Jan - June 2017 258.055
Year Change 4.4%
Jul - Dec 2017 261.621
Year Change 3.9%

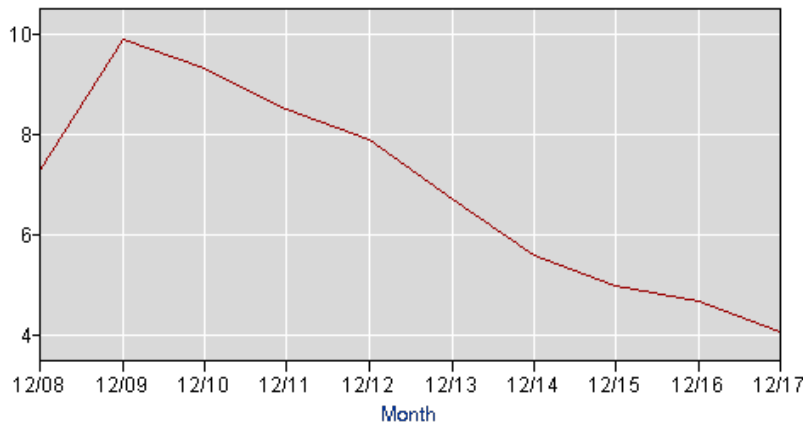
Not Seasonally Adjusted
Area: US city average
Item: All items
Base Period: 1982-84=100



www.bls.gov/cpi

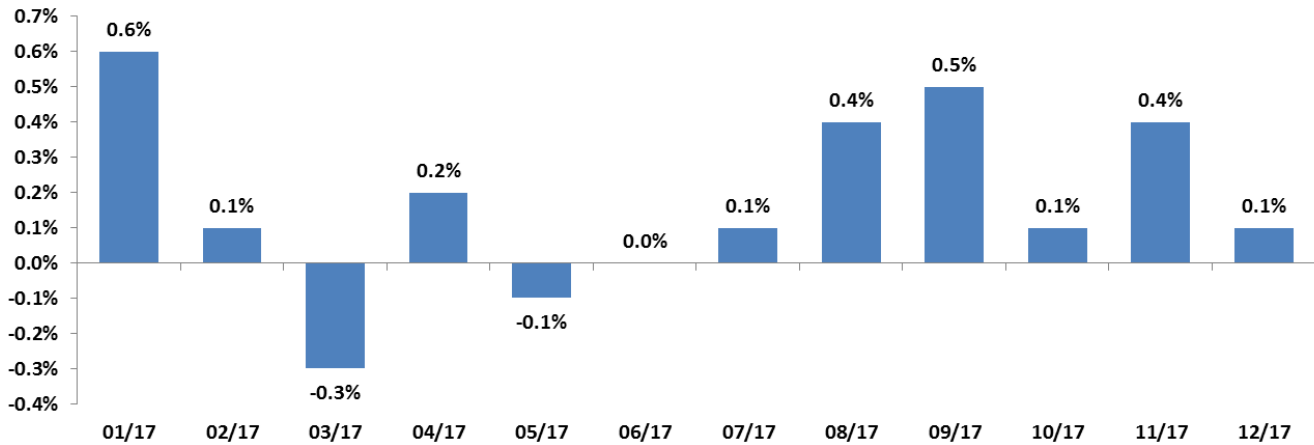
National Employment

The US Bureau of Labor Statistics reports that the national unemployment rate dropped to 4.1% in December 2017. This is down from 4.7% in the same period last year.



Inflation

The Consumer Price Index for All Urban Consumers (CPI_U) increased 0.1 percent in December (seasonally adjusted basis). Over the last 12 months, the all items index increased 2.1 percent.



Health Insurance Costs

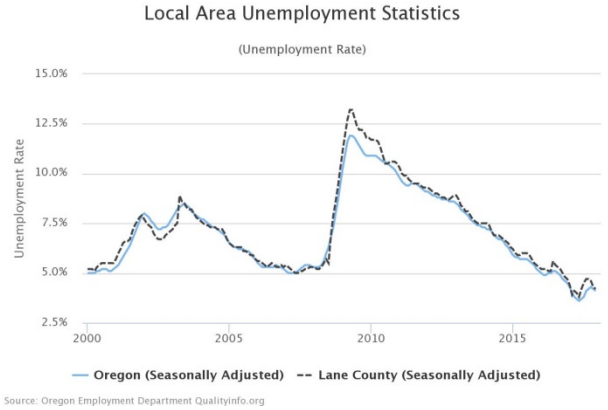
CPI for Medical Care gained 0.4% in the quarter ending December 2017, while Health Insurance was unchanged. The annual CPI in Health Insurance from December 2016 to December 2017 was unchanged.

Local Economic Indicators

Employment Data

Unemployment in Lane County is unchanged in the last six months. In June 2017, the unemployment rate was 4.2% and in September 2017, the unemployment rate was 4.7%. In December 2017, the unemployment rate was 4.2%.

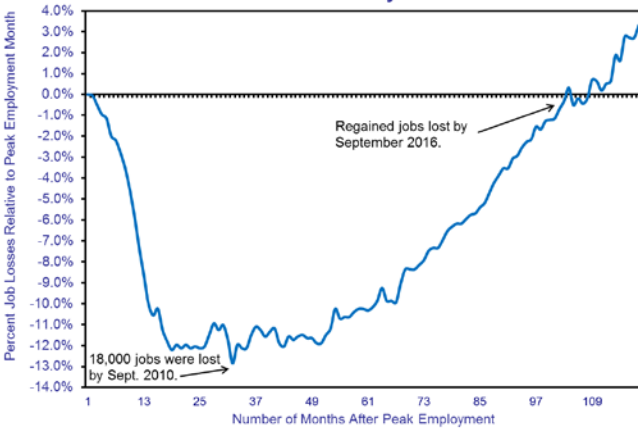
Unemployment in Oregon was 3.7% in June and has increased to 4.1% in December. The National rates for the same time periods are 4.3% and 4.1% respectively.



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 December 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

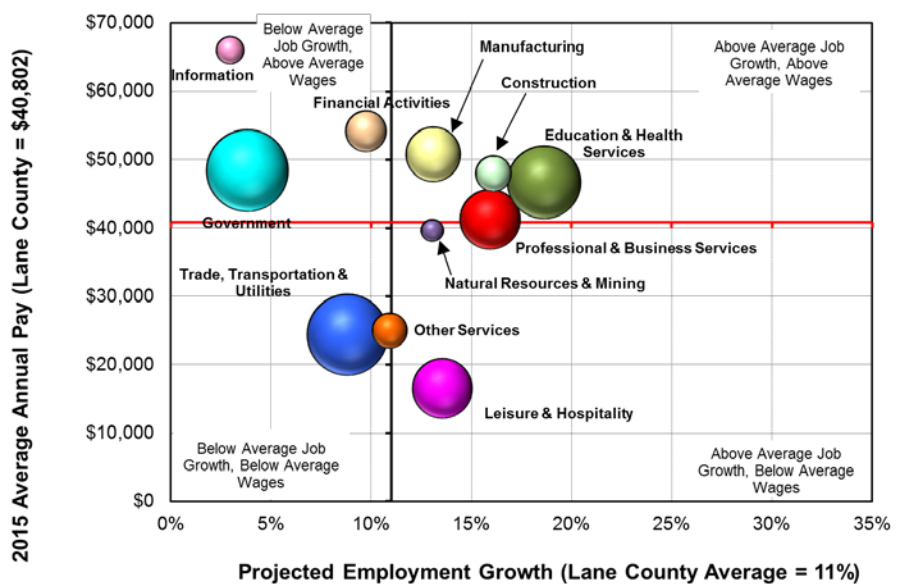


Most jobs lost during the recession have returned, except for manufacturing jobs.

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



Source: Oregon Employment Department

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.

Labor Force Participation

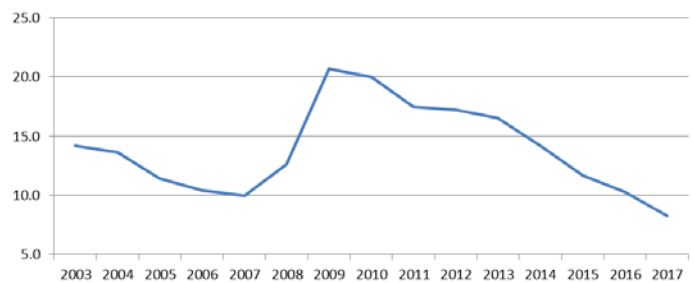
Additional metrics beyond unemployment are helpful in achieving a more complete overview of the post-recession economy. One additional metric, the Labor Force Participation Rate (LFPR) or Participation Gap, measures the current workforce versus the expected workforce based on demographic information. 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 slightly 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 and is currently 8.3%.

(Source: Bureau of Labor Statistics)

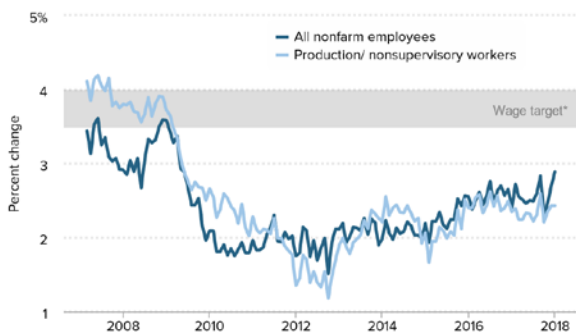
Oregon U-6 Rate



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, 2007–2018



*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

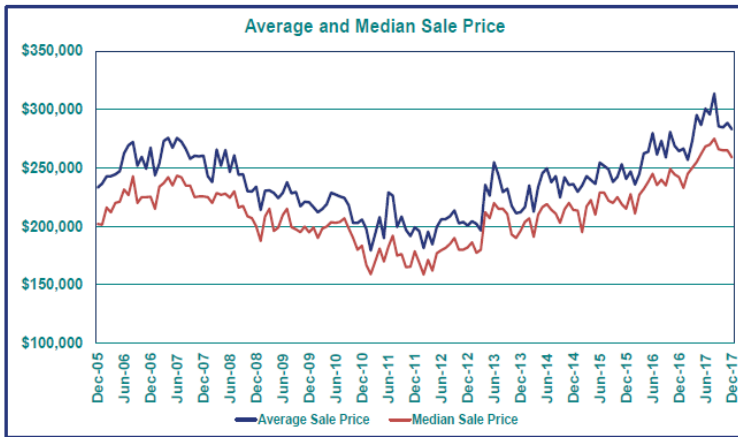
The final economic metric is wage growth. One of the more discussed aspects of this economic recovery has been relatively poor wage growth, even as unemployment continues to decline. While we are still below the target wage growth of three and a half percent to four percent annually, we have seen some 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 \$283,100 in December 2017 from \$264,400 in December 2016. This is a 7.1% increase over the period. In the same comparison period, the median sale price rose by 7.0% from \$242,000 to \$259,000. Total Market Time decreased from 77 days to 62 days.

Source: Market Action, RMLS, December 2017



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

2 Year Building Permit Data	FY 16-17					FY 17-18				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Commercial	43	25	35	46	149	32	40			72
Residential	500	470	464	665	2099	515	612			1127
Percent change Commercial last Quarter	-34.9%	-72.0%	28.6%	23.9%		-43.8%	20.0%			
Percent change Residential last Quarter	12.8%	-6.4%	-1.3%	30.2%		-29.1%	15.8%			
Percent change Commercial 1 year	-11.6%	-40.0%	-22.9%	-26.1%	-23.5%	-34.4%	37.5%			
Percent change Residential 1 year	15.2%	13.6%	13.4%	34.4%	20.5%	2.9%	23.2%			

Building Permit activity increased in the second quarter of FY 17-18 versus Q2 FY 16-17.

Building Permit

Building permit activity within Lane County Land Management increased for the period between October and December 2017 as compared to the same period in 2016. Residential permits have increased 23.2% and commercial permits increased by 37.5%.

ALL COUNTY FUNDS

FY 17-18

RESOURCES	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year to Date	Current Budget	% Actual to Budget
Beginning Fund Balance/Reserves	243,643,621	(45,026)	-	-	243,598,595	243,598,598	100.00%
<u>Revenues</u>							
Taxes & Assessments	1,879,610	51,623,283	-	-	53,502,893	62,189,798	86.03%
Federal Revenue	(325,710)	10,087,446	-	-	9,761,736	46,728,576	20.89%
State & Local Revenue	15,046,983	27,558,594	-	-	42,605,577	104,434,008	40.80%
Fees & Charges	29,356,986	31,621,690	-	-	60,978,676	128,699,445	47.38%
Other Revenues	8,373,617	8,724,703	-	-	17,098,321	33,389,430	51.21%
Total Revenue	54,331,487	129,615,716	-	-	183,947,203	375,441,257	48.99%
Transfers In	5,250,234	6,403,407	-	-	11,653,642	25,807,882	45.16%
Other Resources	-	-	-	-	-	1,673,430	-
TOTAL RESOURCES	303,225,342	135,974,098	-	-	439,199,440	646,521,167	67.93%

REQUIREMENTS	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year to Date	Current Budget	% Actual to Budget
<u>Expenditures</u>							
Salaries & Wages	22,437,442	22,628,973	-	-	45,066,415	105,246,077	42.82%
Employee Benefits	14,028,325	15,196,950	-	-	29,225,275	70,090,176	41.70%
Material & Services	37,641,627	42,436,387	-	-	80,078,014	207,352,721	38.62%
Capital Expenses	2,930,703	1,415,240	-	-	4,345,943	24,343,534	17.85%
Debt Service	135,480	3,573,959	-	-	3,709,439	10,831,569	34.25%
Other Fiscal Transactions	-	-	-	-	-	-	0.00%
Total Expenditures	77,173,577	85,251,509	-	-	162,425,087	417,864,077	38.87%
Transfers Out	5,250,234	6,403,407	-	-	11,653,642	27,481,312	42.41%
Ending Fund Balance/Reserves	-	-	-	-	-	201,175,778	-
TOTAL REQUIREMENTS	82,423,812	91,654,917	-	-	174,078,729	646,521,167	26.93%

Net Revenue (Expense)	(22,842,091)	44,364,207	-	-	21,522,116	(42,422,820) *
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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 receipt of multi-year grant revenues which are carried forward for multi-year service delivery.

General Fund

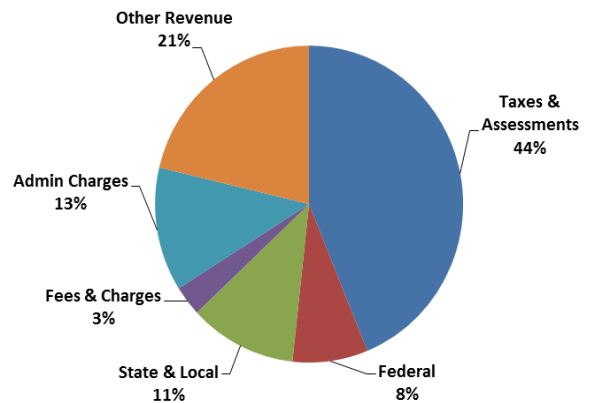
Positive and Within Budget

Revenues:

At the end of the Second Quarter of FY 17-18, the County has received 70.4% of its budgeted annual General Fund revenue. This is an increase of 4.17% over the same period last year.

This quarter is showing a higher percentage of budget received than in prior years largely due to receipt of the O&C timber payment prior to the end of the calendar year, which hadn't happened in recent years. This can be seen in the large variance in Federal Revenue between FY 16-17 and FY 17-18 in the chart below. Overall, revenue received to date is within expected limits. The Fund has received the bulk of its annual property tax revenue following the November payments made, which accounts for revenue receipt being higher than 50% at the half-way point through the fiscal year.

Budgeted Revenue



General Fund Operating Revenues				
Quarter Ending December 31	14-15	15-16	16-17	17-18
Quarter 2 YTD Actual	47,716,425	48,263,544	50,387,555	55,116,999
Total Annual Budget	74,040,183	75,435,133	76,075,554	78,296,541
Actual as % of Budget	64.45%	63.98%	66.23%	70.40%

General Fund Operating Revenues					17-18 vs. 16-17 Variance	
Quarter Ending December 31	14-15	15-16	16-17	17-18	\$	%
Taxes & Assessments	33,939,552	35,107,442	36,596,758	38,626,808	2,030,050	5.55%
Federal Revenue	685,128	644,316	588,157	3,268,405	2,680,249	455.70%
State & Local Revenue	5,102,951	3,315,385	4,521,853	3,697,343	(824,510)	-18.23%
Fees & Charges	1,277,259	1,649,485	1,522,806	1,221,041	(301,765)	-19.82%
Administrative Charges	5,320,997	5,712,658	5,665,542	6,085,104	419,562	7.41%
All Other Revenue	1,390,537	1,834,258	1,492,440	2,218,297	725,857	48.64%
Total	47,716,425	48,263,544	50,387,555	55,116,999	4,729,443	9.39%

General Fund

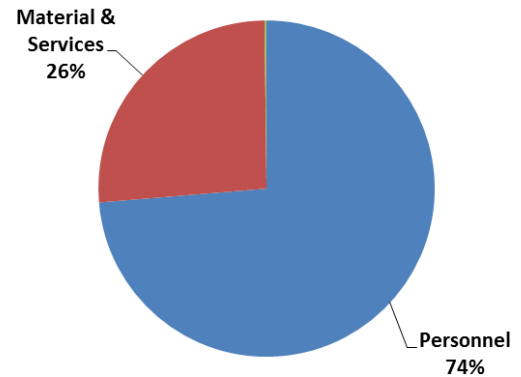
Positive and Within Budget

Expenditures:

At the end of the Second Quarter of FY 17-18, the County has expended 44.16% of its budgeted annual General Fund operating expense budget. This is an increase of 0.68% over the same period last year.

Percentage of expenditure budget spent within the Second Quarter is within expected limits. As explained in the First Quarter report, with personnel expenditures making up almost 75% of the expenditures in the General Fund, the vacancy variance results in actuals being more closely in line with budget levels. This trend can be seen in the Personnel Services category variance between FY 16-17 and FY 17-18 shown in the chart below.

Budgeted Operating Expenses



General Fund Operating Expenses				
Quarter Ending December 31	14-15	15-16	16-17	17-18
Quarter 2 YTD Actual	28,212,305	27,681,801	29,327,733	30,219,732
Total Annual Budget	63,631,967	68,736,960	67,450,815	68,426,867
Actual as % of Budget	44.34%	40.27%	43.48%	44.16%

General Fund Operating Expenses					17-18 vs. 16-17 Variance	
Quarter Ending December 31	14-15	15-16	16-17	17-18	\$	%
Personnel Services	20,569,245	20,064,971	21,672,707	22,487,563	814,856	3.76%
Materials & Services	7,610,134	7,616,830	7,658,254	7,690,371	32,117	0.42%
Capital Projects/Outlay	32,926	-	(3,228)	41,798	45,026	0.00%
Total	28,212,305	27,681,801	29,327,733	30,219,732	891,998	3.04%

Road Fund

Positive and Within Budget

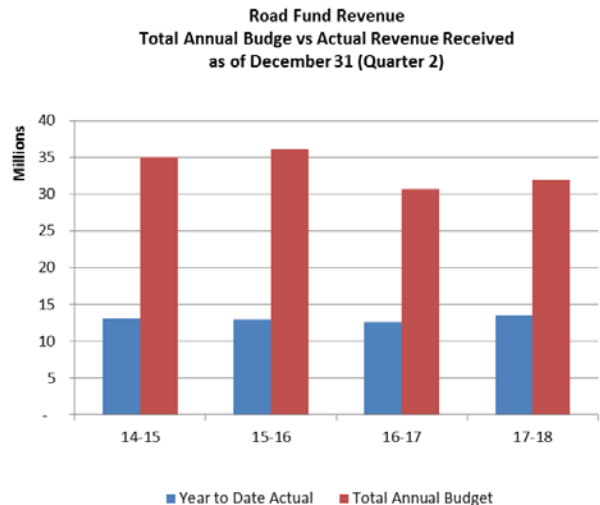
Revenues:

As of the end of the First Quarter of FY 17-18, the County has received 42.48% of its budgeted annual Road Fund operating revenue. This is an increase of 1.21% from the same period last year as a percent of budget. Actual dollars have increased by 7.13%, \$904,179 increase for the quarter compared.

It is important to keep in mind, that the year-to-date increase of \$904,179 reflected for this quarter is a six month total and is less than the increase in the first quarter of \$963,142. In the first quarter the Road fund had actual revenues 21.09% higher than the first quarter of FY 16-17. By the end of the second quarter the year-to-date revenue above the same time period for the previous year had decreased to 7.13%.

The State Highway Fund Transfer is the main source of revenue for the Road Fund. In the first quarter there was an increase of 9.82% in this revenue source. At the end of the second quarter this had dropped to just 0.91%, with the actual dollar increase going from \$311,037 in the first quarter to \$79,066 at the end of the second quarter.

Budgeted v. Actual Revenue



Road Fund Operating Revenues				
Quarter Ending December 31	14-15	15-16	16-17	17-18
Quarter 2 YTD Actual	13,104,551	12,980,888	12,675,564	13,579,742
Total Annual Budget	35,074,003	36,187,650	30,711,233	31,965,492
Actual as % of Budget	37.36%	35.87%	41.27%	42.48%

Road Fund Operating Revenues					17-18 vs. 16-17 Variance	
Quarter Ending December 31	14-15	15-16	16-17	17-18	\$	%
SRS/Federal Timber Receipts	-	-	-	-	-	-
State Highway Fund Transfer	8,026,297	8,189,995	8,656,487	8,735,553	79,066	0.91%
Other Intergovernmental	2,336,920	1,524,055	1,274,797	1,846,359	571,562	44.84%
Fees and Charges	520,590	699,800	653,533	851,805	198,273	30.34%
Property Sales & Rentals	201,184	599,598	226,408	251,213	24,805	10.96%
Department Indirect Revenue	1,876,984	1,831,640	1,705,832	1,692,332	(13,500)	-0.79%
Other Revenues	142,577	135,799	158,507	202,479	43,972	27.74%
Total	13,104,551	12,980,888	12,675,564	13,579,742	904,179	7.13%

Road Fund

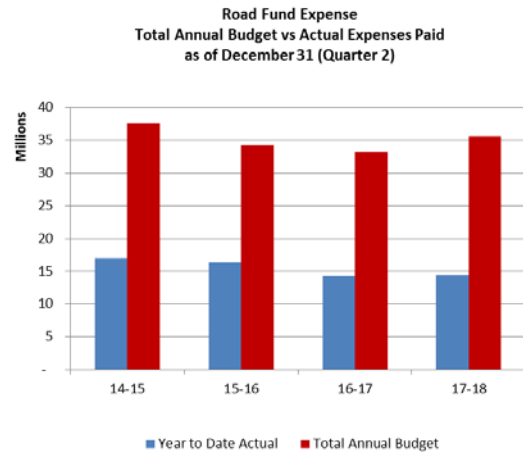
Positive and Within Budget

Expenditures:

As of the end of the Second Quarter of FY 17-18, the County has expended 40.45% of its annual Road Fund operating expense budget. This is a decrease of 2.81% from the same period last year as a percent of budget.

Actual expenses are up 0.55% from FY 16-17; the increase of \$78,954 is diminishing in comparison to the first quarter when expenses were up \$326,051 over the previous year. The second quarter increase continues to be in Road Work and Traffic supplies. Capital Projects is down due to a projected delay.

Budgeted Operating Expenses



Road Fund Operating Expenses				
Quarter Ending December 31	14-15	15-16	16-17	17-18
Quarter 2 YTD Actual	16,971,060	16,317,331	14,336,850	14,415,804
Total Annual Budget	37,664,736	34,278,342	33,138,997	35,636,240
Actual as % of Budget	45.06%	47.60%	43.26%	40.45%

Road Fund Operating Expenses					17-18 vs. 16-17 Variance	
Quarter Ending December 31	14-15	15-16	16-17	17-18	\$	%
Personnel Services	7,824,251	7,047,319	6,400,038	6,488,173	88,135	1.38%
Materials & Services	6,936,464	5,534,184	5,394,667	5,567,147	172,480	3.20%
Capital Projects/Outlay	2,210,345	3,735,828	2,542,146	2,360,484	(181,662)	-7.15%
Total	16,971,060	16,317,331	14,336,850	14,415,804	78,954	0.55%