

# Lane County Quarterly Financial Report

Quarter Ended December 31, 2018  
(Second Quarter of FY 18-19)



**Presented to Lane County Board of Commissioners:  
March 19, 2019**

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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) 18-19. 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 work to address the lack of ongoing revenue sources to support service levels in a variety of areas. 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 was flat in December 2018. Unemployment levels at both the national and local levels remain below 5% and local residential housing prices and taxable values are increasing.
- The General Fund has received \$56.3 million, or 71.8% of its budgeted revenue. General Fund operating expenses for the second quarter totaled \$31 million, or 44.9% of budget. Operating expenditures do not include budgeted transfers.
- Road Fund revenues totaled \$14.7 million, or 41.8% of budgeted revenue. Road Fund operating expenditures totaled \$16 million, or 36.8% of budget.

Steve Mokrohisky,  
County Administrator

# National Economic Indicators

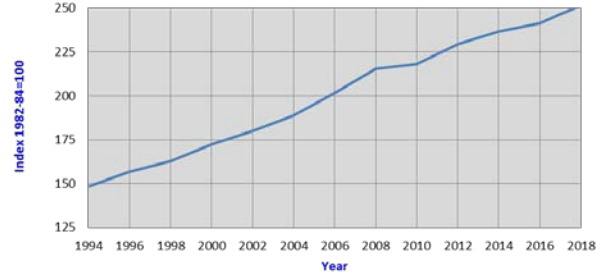
## Consumer Price Index

### Consumer Price Index (CPI)

1982 - 1984 = 100  
All Urban Consumers

United States	
December 2018	251.233
Year Change	1.9%
West - Size B/C, all urban	
December 2018	153.13
Year Change	2.9%
July-Dec 2018	
Year Change	0.6%

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



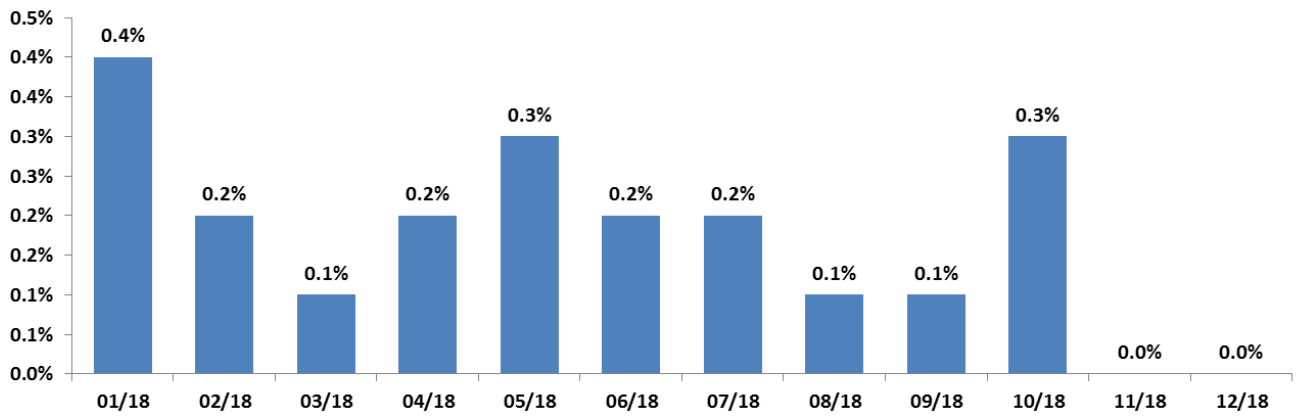
## National Employment

The US Bureau of Labor Statistics reports that the national unemployment rate dropped to 3.9% in December, 2018. This is down from 4.1% in the same period last year.



## Inflation

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

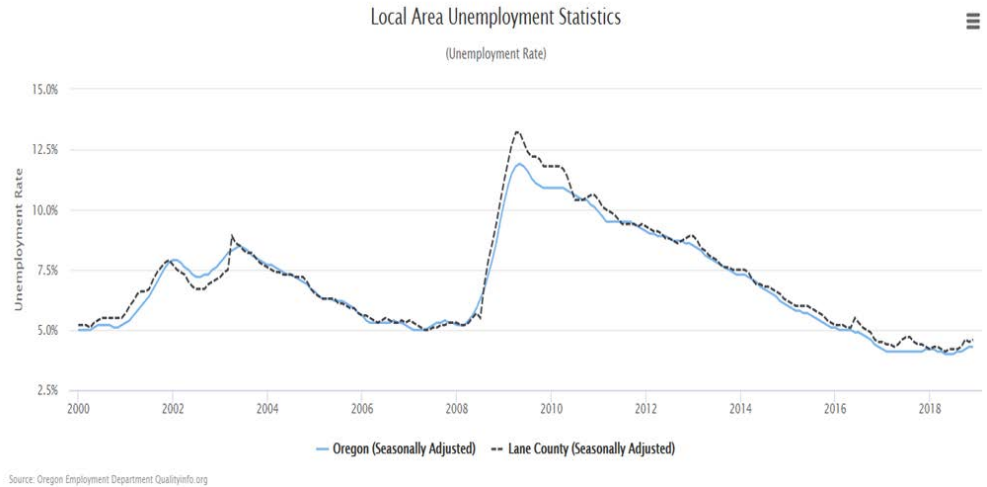


# Local Economic Indicators

## Employment Data

Unemployment in Lane County rose very slightly over the last six months of 2018. In June, 2018 unemployment was 4.2%, while December 2018 was at 4.6%. December marked the 27th month in a row with unemployment rates under 5% in Lane County.

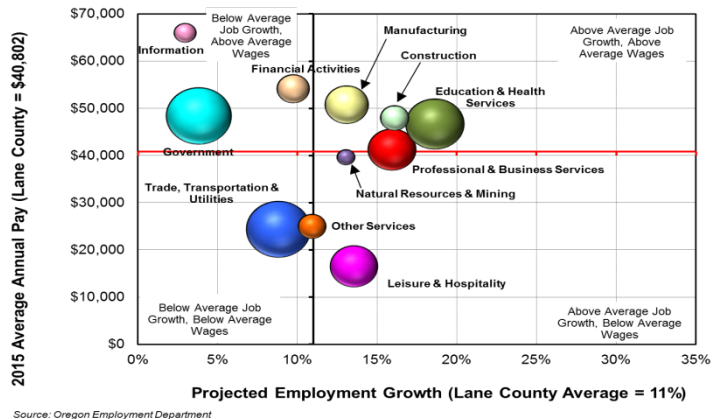
Unemployment in Oregon was 4.0% in June 2018 and rose very slightly to 4.3% in December. The National rates for the same time periods were 4.0% and 3.9% respectively.



## 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



## 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.

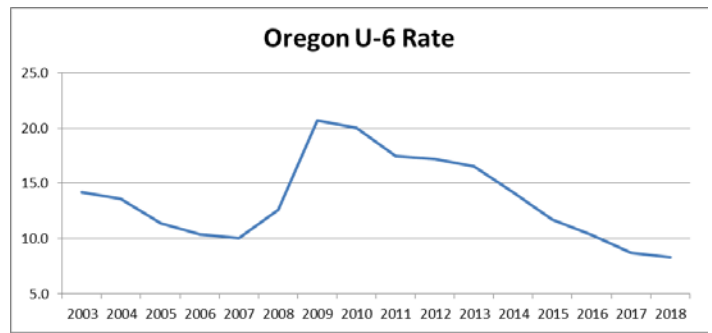
As shown in the chart to the left, the Participation Gap remains higher than expected in a fully recovered economy. In the data, we see a steady decline in labor participation, beginning with the recession in the early 2000s and decreasing much further after the Great Recession in 2008. While labor participation 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 exceeded pre-recession levels and averaged 8.3% in 2018.

(Source: Bureau of Labor Statistics)

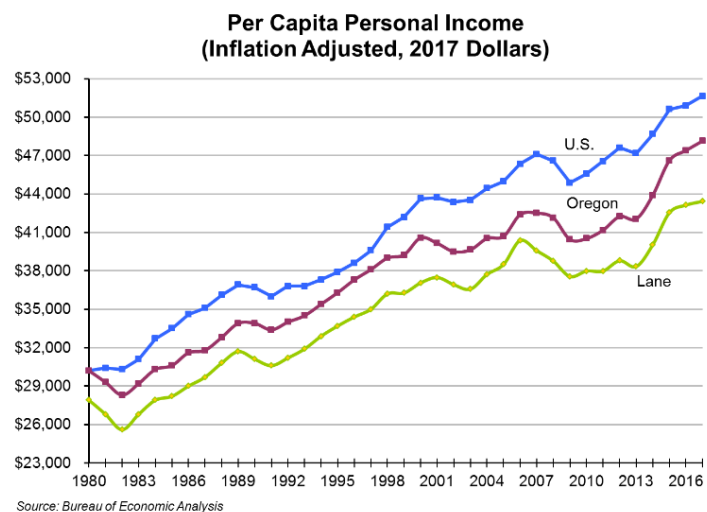


## Per Capita Personal Income Slowed in 2017

Lane County's per capita personal income increased \$1,197 (2.8%) in 2017 to reach \$43,430. The statewide and national figures grew by \$1,724 (3.7%) and \$1,809 (3.6%), respectively.

The U.S. Department of Commerce, Bureau of Economic Analysis released its 2017 estimates of personal income for substate areas (counties and townships) in late November in 2018

Personal income includes all forms of income: earnings by place of work; dividends, interest, and rent; and government transfer payments (largely Social Security and Medicare). Total personal income is then divided by population to create per capita personal income.

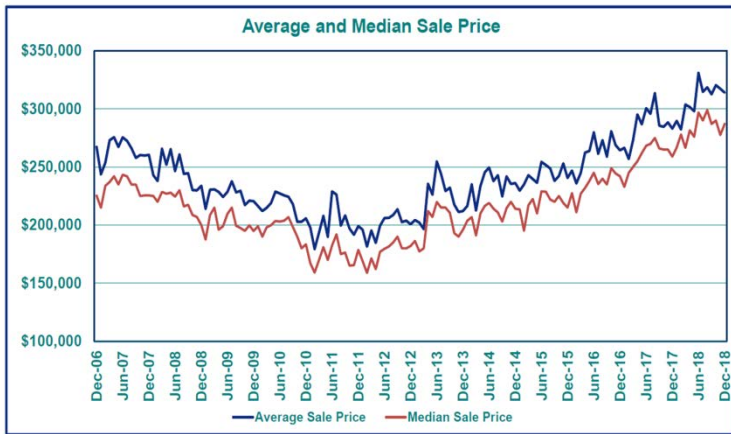


Lane County's total personal income rose by approximately \$721 million between 2016 and 2017 to reach \$16.3 billion, a 4.6 percent increase. When the data are adjusted for inflation, however, total personal income increased by \$390 million, or 2.7 percent. This year's increase follows an increase of roughly \$674 million (4.5%) in 2016.

The components of personal income for Lane County show that 56 percent was from earnings; 21 percent from dividends, interest, and rent; and 23 percent from transfer payments, primarily in the form of Social Security and Medicare. Lane County has similar component portions of personal income compared with the U.S. and Oregon, although Lane County is somewhat higher in transfer payments and lower in earnings by place of work, likely indicating a somewhat higher proportion of retirees and students.

Relative to other areas, Lane County's per capita personal income remained 90 percent of the statewide and 84 percent of the U.S. Lane County's per capita personal income ranked 10<sup>th</sup> among Oregon's 36 counties. (Source: State of Oregon Employment Department. Brian Rooney, Regional Economist)

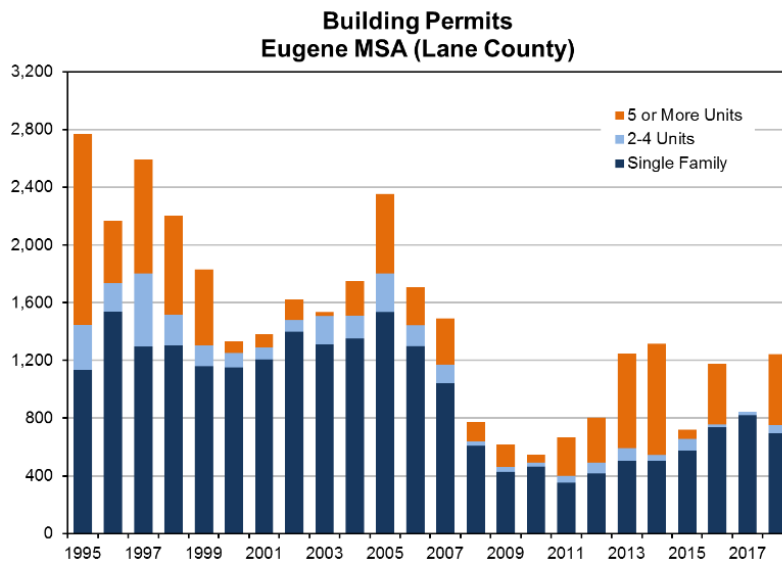
## Real Estate Statistics



Comparing 2018 to 2017 through December, the average sale price increased 7.3% from \$287,900 to \$309,000. In the same comparison, the median sale price rose by 8.7% from \$260,000 to \$282,600.

Source: Market Action, RMLS, December 2018

## Building Permits



Source: Oregon Employment Department and U.S. Census Bureau

# Lane County Building Permits Rebound in 2018

March 12, 2019

by *Brian Rooney*

Building permit data from the U.S. Census Bureau shows that new housing construction in Lane County, as measured by permits for living units, rebounded to 1,243 in 2018 after dropping to 842 in 2017.

Building permits in Lane County peaked in 2005 before the Great Recession and dropped dramatically from 2006 to 2010. The recession was characterized by job losses and mortgage foreclosures, which led to additional housing on the market and less demand, increasing the inventory of available housing. Since then, the level of permits as measured by living units has remained low compared with prerecession levels even as inventory has tightened.

## **Building Permits (cont.)**

Labor market data shows that the economy in Lane County is improving. The unemployment rate has dropped from a peak of 13.2 percent in May 2009 to 4.1 percent in May 2018. The county has also gained back all of the 18,000 jobs lost in the Great Recession and was roughly 2.0 percent above the prerecession peak in 2018. With the improvement, building permits have shown slow growth from a low of 550 units approved in 2010 to 1,243 approved in 2018.

The 2018 building permit data show a slight drop in single-family construction and an increase in multi-unit buildings.

Multi-unit structures of five or more units grew rapidly in 2013 and 2014 from a boom in student housing associated with the University of Oregon. Single-family units have increased since bottoming out in 2011, although they are still well below prerecession levels.





# General Fund

Positive and Within Budget

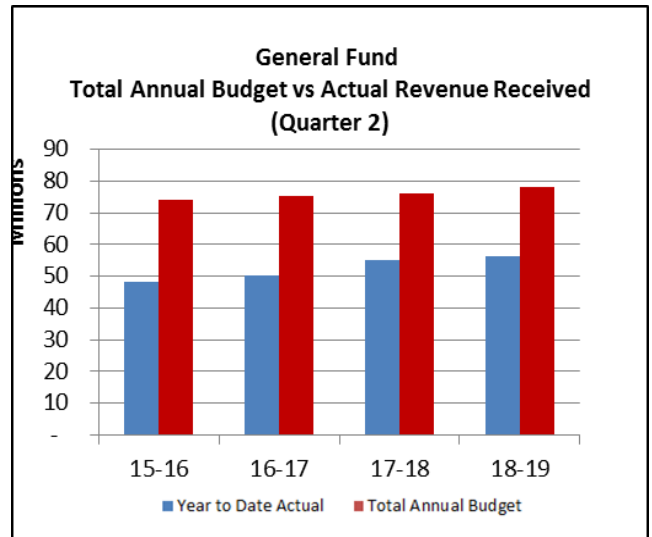
## Revenues:

At the end of the Second Quarter of FY 18-19, the County has received 71.85% of its budgeted annual General Fund revenue, which is a slight decrease of 0.6% over the same period in FY 17-18.

The General Fund's largest revenue source, in the form of Property Taxes, are received primarily in November/December which explains why revenue collected is at over 70% of budget at the 50% of the fiscal year completed mark.

The slight decrease in actual revenue collected as compared to the same period in FY 17-18 is in large part due to the delay of the budgeted Bureau of Land Management Secure Rural Schools payment of \$3.7 million. That payment is typically received in the second quarter each year, but has been delayed due to the Federal government shut down that occurred in December, 2018. The late payment was offset by a one-time increase in property tax revenues received due to a settlement of a multi-year tax appeal from Comcast amounting to approximately \$1.3 million and higher than projected state marijuana revenue.

## Budgeted Revenue



Overall, General Fund revenue received to date is well within expected limits.

<b>General Fund Operating Revenues</b>				
<b>Quarter Ending December 31</b>	15-16	16-17	17-18	18-19
Quarter 2 YTD Actual	48,263,544	50,387,555	55,116,999	56,257,673
Total Annual Budget	<b>74,040,183</b>	<b>75,435,133</b>	<b>76,075,554</b>	<b>78,296,541</b>
<b>Actual as % of Budget</b>	65.19%	66.80%	72.45%	71.85%

<b>General Fund Operating Revenues</b>					<b>18-19 vs. 17-18 Variance</b>	
<b>Quarter Ending December 31</b>	15-16	16-17	17-18	18-19	\$	%
Taxes & Assessments	35,107,442	36,596,758	38,626,808	41,415,784	2,788,976	7.22%
Federal Revenue	1,255,567	1,547,407	3,801,578	73,716	(3,727,862)	-98.06%
State & Local Revenue	3,051,917	4,016,421	4,197,762	6,061,568	1,863,806	44.40%
Fees & Charges	1,649,485	1,522,806	1,221,041	1,201,598	(19,443)	-1.59%
Administrative Charges	5,712,658	5,665,542	6,085,104	6,336,277	251,172	4.13%
All Other Revenue	1,486,476	1,038,622	1,184,706	1,168,731	(15,975)	-1.35%
<b>Total</b>	<b>48,263,544</b>	<b>50,387,555</b>	<b>55,116,999</b>	<b>56,257,673</b>	<b>1,140,674</b>	<b>2.07%</b>

# General Fund

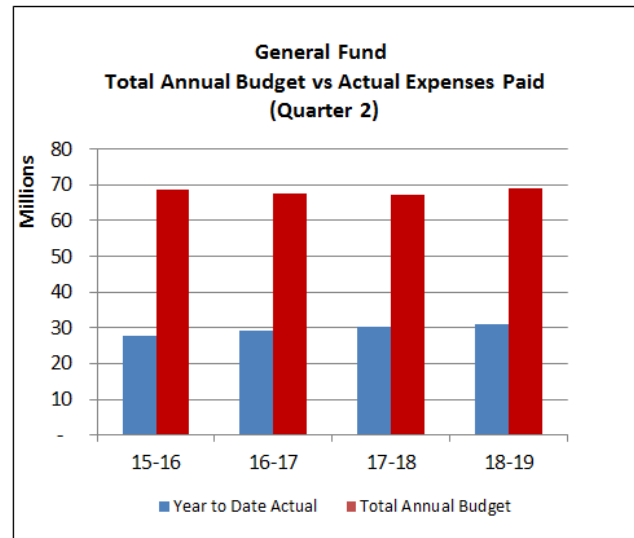
Positive and Within Budget

## Expenditures:

At the end of the Second Quarter of FY 18-19, the County has expended 44.92% of its annual General Fund Expenditure budget. This is flat as compared to the same period in FY 17-18.

The percentage of expenditure budget spent within the Second Quarter is within expected limits given that the General Fund expense budget is heavily weighted to personnel related expenses. The \$299,523 increase in personnel expenditures as compared to FY 17-18 is the result of wage increases resulting from labor contracts and increases for non-represented employees and elected officials to maintain market competitiveness.

## Budgeted Operating Expenses



The overall increase in expense budget of \$733k as compared to the same period for FY 17-18 is the result of spending one-time revenues, such as Secure Rural Schools funding, on one-time expenses/projects. Those projects include the Housing Improvement Plan which designated \$1.5 million in FY 18-19 to incentivize a community effort to build additional units of Permanent Supportive Housing in Lane County. Those funds are expected to be paid out in the Third Quarter.

<b>General Fund Operating Expenses</b>				
<b>Quarter Ending December 31</b>	15-16	16-17	17-18	18-19
Quarter 2 YTD Actual	27,681,801	29,327,733	30,219,732	30,953,010
Total Annual Budget	<b>68,736,960</b>	<b>67,450,815</b>	<b>67,266,039</b>	<b>68,907,643</b>
<b>Actual as % of Budget</b>	40.27%	43.48%	44.93%	44.92%

<b>General Fund Operating Expenses</b>					<b>18-19 vs. 17-18 Variance</b>	
<b>Quarter Ending December 31</b>	15-16	16-17	17-18	18-19	\$	%
Personnel Services	20,064,971	21,672,707	22,487,563	22,787,156	299,593	1.33%
Materials & Services	7,616,830	7,658,254	7,690,371	8,092,971	402,600	5.24%
Capital Projects/Outlay	-	(3,228)	41,798	72,882	31,085	0.00%
<b>Total</b>	<b>27,681,801</b>	<b>29,327,733</b>	<b>30,219,732</b>	<b>30,953,010</b>	<b>733,278</b>	<b>2.43%</b>

# Road Fund

Positive and Within Budget

## Revenues:

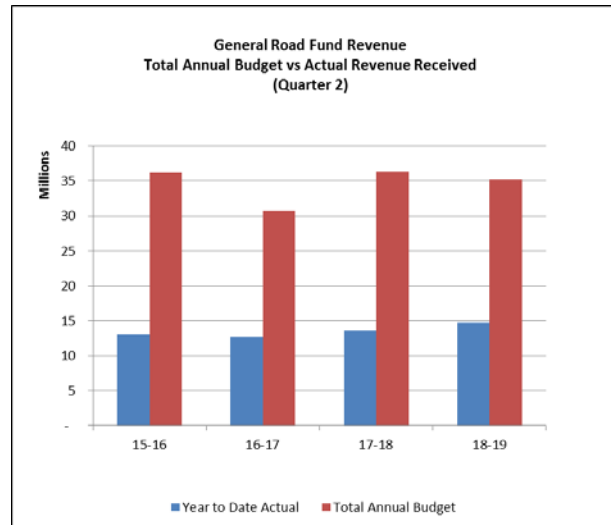
As of the end of the Second Quarter of FY 18-19, the County has received 41.80% of its budgeted annual Road Fund operating revenue. This is an increase of 4.42% from the same period last year as a percent of budget. Actual dollars have increased by 8.40%, \$1.14 million increase for the quarter compared.

The year-to-date (YTD) increase of \$1.14 million reflected for this quarter is a six month total when compared to the six month aggregate of FY 17-18 actual earnings. This difference is largely related to a \$2.33 million rise in Highway Fund / Gas Tax revenue due to Oregon House Bill 2017 increasing motor vehicle transaction and registration fees effective January 1, 2018. There was also a \$507K

reduction in earnings from Fees & Other Charges, \$182K decrease in Departmental Administration earnings and \$207K drop in ODOT Fund Exchange income. These earnings are seasonal based on dry weather and are expected to increase towards the later half of the FY. Additionally, not receiving \$428K from FEMA and Bureau of Land Management further diluted the total revenue increase.

SRS/Federal Timber Receipt revenue comprises of National Forest Timber Sales, which is a one-time revenue received in the 3rd Quarter of each FY. This figure (previously budgeted for \$5.9 million) was moved out of the Road Fund and into 227 Sub-Fund in FY 17-18. This migration, along with increased income anticipated from sources like ODOT and Highway Fund / Gas Tax in the amounts of \$1.71 million and \$3.39 million respectively, in large explain the \$1.11 million reduction in budgeted revenue for FY 18-19.

## Budgeted v. Actual Revenue



General Road Fund Operating Revenues				
Quarter Ending December 31	15-16	16-17	17-18	18-19
Quarter 2 YTD Actual	12,980,888	12,675,564	13,579,742	14,720,384
Total Annual Budget	<b>36,187,650</b>	<b>30,711,233</b>	<b>36,324,173</b>	<b>35,214,241</b>
Actual as % of Budget	35.87%	41.27%	37.38%	41.80%

General Road Fund Operating Revenues					18-19 vs. 17-18 Variance	
Quarter Ending December 31	15-16	16-17	17-18	18-19	\$	%
SRS/Federal Timber Receipts	-	-	-	-	-	0.00%
State Highway Fund Transfer	8,729,177	9,205,564	9,154,387	11,569,489	2,415,102	26.38%
Other Intergovernmental	984,873	725,720	1,427,525	815,868	(611,658)	-42.85%
Fees and Charges	699,800	653,533	851,805	345,256	(506,549)	-59.47%
Property Sales & Rentals	599,598	226,408	251,213	220,539	(30,675)	-12.21%
Department Indirect Revenue	1,831,640	1,705,832	1,692,332	1,512,168	(180,165)	-10.65%
Other Revenues	135,799	158,507	202,479	257,065	54,586	27%
<b>Total</b>	<b>12,980,888</b>	<b>12,675,564</b>	<b>13,579,742</b>	<b>14,720,384</b>	<b>1,140,642</b>	<b>8.40%</b>

# Road Fund

Positive and Within Budget

## Expenditures:

As of the end of the Second Quarter of FY 18-19, the County has expended 36.83% of its annual Road Fund operating expense budget. This is a decrease of 5.06% from the same period last year as a percent of budget. The decrease was created by a budget increase of \$9.13 million over FY 17-18. These budget increases are supported by HB2017 SRS Resources and drawn down of Revenues approved for FY 19-20.

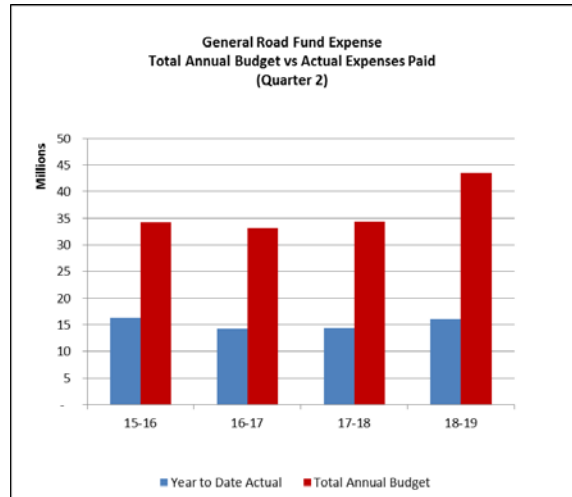
Actual expenses are up 11.24% from FY 17-18. 42% of the \$1.62 million increase can be explained by increased salaries and benefits as well as the addition of 13.7 FTE.

Expenditures on Capital Projects continue to grow in general and will likely increase further as we head into dry weather. While Paving costs were down; Infrastructure Safety Improvement, Maintenance Shops and Bridge Engineering Services have seen significant increases in spending to contribute to the net expenditure increase from the same period last FY.

Material & Supplies have also increased 24%, with Roadwork Supplies Expenses increasing by \$372K, Professional and Consulting costs rising by \$140K and Technological Services Direct cost has grown by \$47K. Contrastingly, Maintenance of Equipment costs have reduced by \$167K and Department Support expenses have also decreased by \$143K.

Most (64%) of the \$9.13 million increase in budgeted expenditure is attributed to Capital Projects, which largely consists of fund allocation for General Construction, Paving and Bridges & Structure work (83% combined). Personnel Costs were also anticipated to rise by 16% and Material Expenses by 20%.

## Budgeted Operating Expenses



General Road Fund Operating Expenses				
Quarter Ending December 31	15-16	16-17	17-18	18-19
Quarter 2 YTD Actual	16,317,331	14,336,850	14,415,804	16,035,761
Total Annual Budget	<b>34,278,342</b>	<b>33,138,997</b>	<b>34,418,240</b>	<b>43,543,720</b>
Actual as % of Budget	47.60%	43.26%	41.88%	36.83%

General Road Fund Operating Expenses					18-19 vs. 17-18 Variance	
Quarter Ending December 31	15-16	16-17	17-18	18-19	\$	%
Personnel Services	7,047,319	6,400,038	6,488,173	7,166,332	678,159	10.45%
Materials & Services	5,534,184	5,394,667	5,567,147	5,956,623	389,476	7.00%
Capital Projects/Outlay	3,735,828	2,542,146	2,360,484	2,912,806	552,322	23.40%
<b>Total</b>	<b>16,317,331</b>	<b>14,336,850</b>	<b>14,415,804</b>	<b>16,035,761</b>	<b>1,619,957</b>	<b>11.24%</b>