Trends & Indicators Dashboard

A project of the Citizens' Finance Advisory Commission

City of Loveland
Updated by
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Draft for the **OCTOBER 2011** CFAC Meeting

Indicators Definitions

	Status
	Green – This indicator is performing within the fiscal range needed to meet (or exceed) its COL Budget expectations. Projection should be monitored if it is a declining trend.
	Amber – This indicator is performing below the fiscal range needed to meet its COL Budget expectations, but is not critical. Projection is important.
	Red – This indicator is performing well below the fiscal range needed to meet its COL Budget expectations. Positive projection is desired, otherwise corrective actions are warranted.

	Projections
	Expected trend will meet to exceed COL Budget requirements.
	Expected trend will meet COL Budget requirements. No changes expected.
	Expected trend is at risk to fall below COL Budget requirements. Corrective actions may be needed to prevent further adverse impact.
	Expected trend is to fall below COL Budget requirements. There is no indication of positive correction.
	Expected trend is to fall significantly below COL Budget requirements. Corrective action is beyond COL ability to effect.

Trends & Indicators Dashboard

Leading Indicators	Status	Projection
US Unemployment	🔴	⬇
US Personal Income	🟡	↔
Colorado Sales Tax	🟡	↔
Colorado Unemployment	🔴	⬇
Loveland Foreclosures	🟡	↔
Loveland Sales Tax Licenses	🟢	↔

Lagging Indicators	Status	Projection
Loveland sales by GEO area	🟢	↔
Use Tax - Building Materials	🔴	⇩
Building Permits	🔴	⇩
Property Tax projections	🟡	⇩
Local Employment Outlook	🟡	↔

- Loveland job growth continues to grow. U.S. and Colorado employment not getting better.
- Colorado sales tax rebounded from prior year; Collections at the start of the new fiscal year are also up.
- State outlook is a continued tight budget. A funding proposal is on the ballot for school funding.
- Loveland retail sales have been steady; solid growth through August. GEO sales tax still green. Eight months of no negative GEO areas. Use tax on building permits started slow, but improving.
- Foreclosure rate down in Loveland; inventory still affecting sales prices . Tougher mortgage requirements limiting new building. The sale of the Agilent site is moving forward.

Summary: Loveland's 2011 on the right track; Nation and state still have a tough road ahead

On one hand . . . .the positives

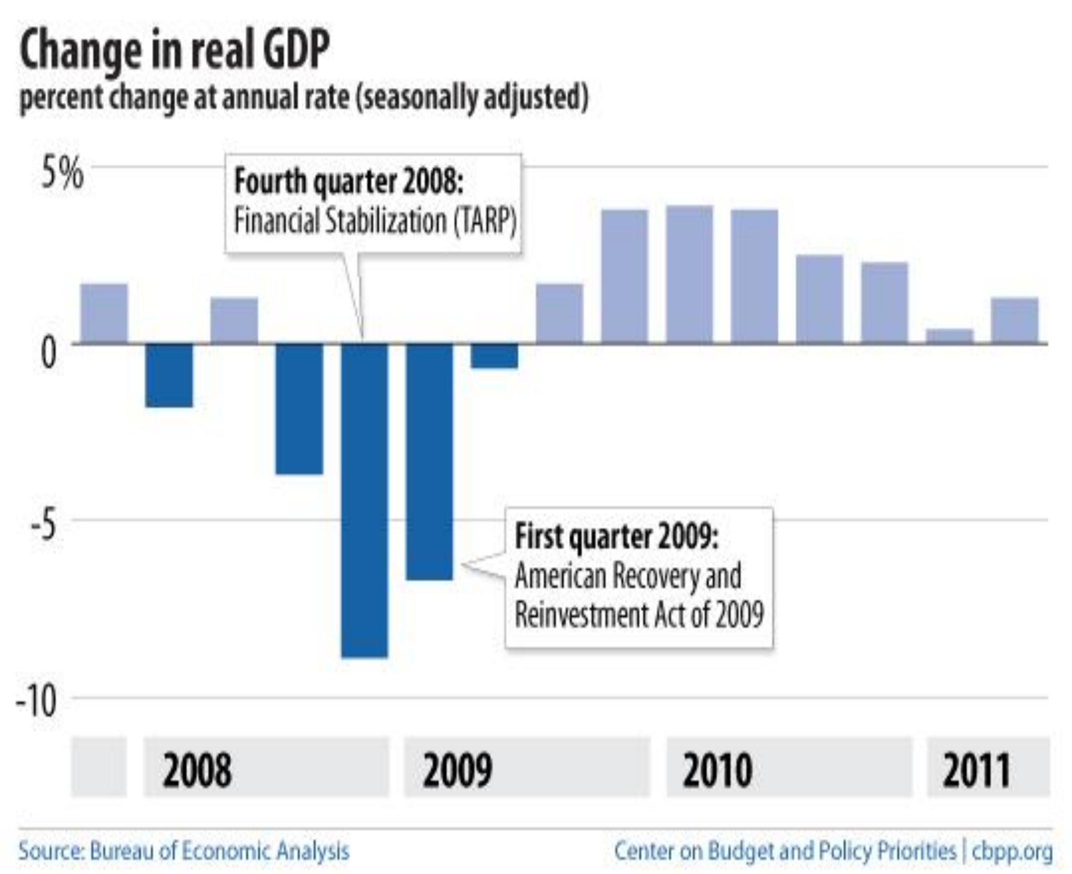
- Conditions in Loveland are better than many other places.
- Personal income and spending rising slowly; real income down
- Foreclosures in Colorado and Loveland decreasing
- Loveland apartment complexes coming on line, single family up
- Loveland sales tax collections ahead of last year and budget
- City revenues **ahead of expendi-tures and budget estimates**

On the other . . risks to the outlook remain

- National and state employment still show a jobs recession in place
- Gasoline prices down a little, but not enough to spur recovery
- Legal uncertainties may be masking a very weak housing situation
- True recovery in the housing sector probably years away
- Building permits and use tax below projections, but recent months up
- **The fiscal sustainability plan will face continued economic pressure**

The Bureau of Economic Analysis's (BEA) third estimate of second quarter 2011 U.S. Gross Domestic Product (GDP) was reported to be 1.34%, an upward adjustment from their previous data. The new growth number was .36% higher than the number reported last month for the same quarter.

Even at face value the reported 1.34% growth rate is either sluggish or pathetic, depending on your chosen inclination to spin. When a more reasonable "deflater" is used to calculate the "real" numbers, the second quarter is actually shown to be in contraction. And when using such alternative BLS inflation data the most recent past quarter is the 2nd consecutive "real" quarter to have such negative growth -- meeting one of the common definitions of a new recession.



Data released on September 27, 2011.

Modest Jobs Growth in September and the labor markets remains in a deep slump.

- **October 7, 2011**

- President Obama has identified the key components on the fiscal side: continued federal aid to unemployed workers, tax cuts targeted to low- and middle-income households because they will likely spend the money, infrastructure investment, and aid to state and local governments to avoid layoffs of teachers, police, and firefighters.
- The Federal Reserve has made clear that it would keep interest rates low to accommodate such a short-term fiscal expansion. Economic forecasters such as Moody's Analytics and Macroeconomic Advisers say these actions would boost GDP and create a significant number of jobs compared to letting federal unemployment insurance benefits and the current payroll tax cut expire as scheduled at year-end.

Comments from Chad Stone, Center for Budget and Policy Priorities, 10/070/2011.

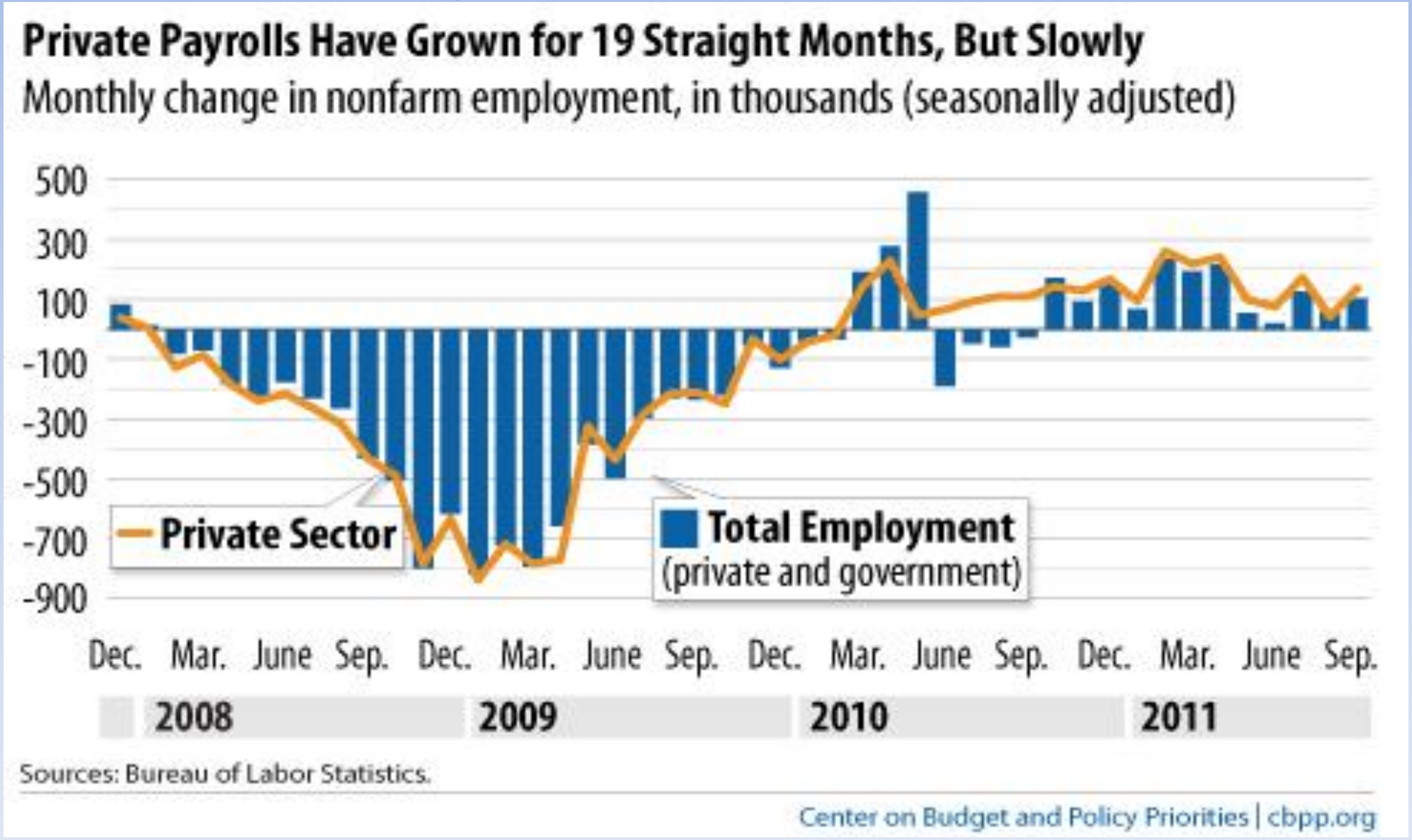
About the September Jobs Report

- Private and government payrolls combined rose by 103,000 jobs in September. Private employers added 137,000 jobs. The decline of 34,000 government jobs reflected a loss of 1,000 federal jobs, a gain of 2,000 state government jobs, and a loss of 35,000 local government jobs (24,000 of them in education).
- This is the 19th straight month of private-sector job creation, with payrolls growing by 2.6 million jobs (a pace of 136,000 jobs a month) since February 2010; total nonfarm employment (private plus government jobs) has grown by 2.1 million jobs over the same period, or 110,000 a month. Growth of 200,000 to 300,000 jobs a month or more is typical in strong economic recoveries, so the modest pace of just 96,000 jobs per month over the last six months is deeply disappointing. Tthere were still 6.6 million fewer jobs on nonfarm payrolls than when the recession began in December 2007, and 6.3 million fewer jobs on private payrolls.
- The unemployment rate remained 9.1 percent in September, and the number of unemployed remained 14.0 million. The unemployment rate was 8.0 percent for whites (3.6 percentage points higher than at the start of the recession), 16.0 percent for African Americans (7.0 percentage points higher than at the start of the recession), and 11.3 percent for Hispanics or Latinos (5.0 percentage points higher than at the start of the recession).
- Long-term unemployment remains a significant concern. Over two-fifths (44.6 percent) of the 14.0 million people who are unemployed — 6.2 million people — have been looking for work for 27 weeks or longer. These long-term unemployed represent 4.1 percent of the labor force. Prior to this recession, the previous highs for these statistics over the past six decades were in June 1983.

Source: Center on Budget and Policy Priorities, non-partisan research institute.

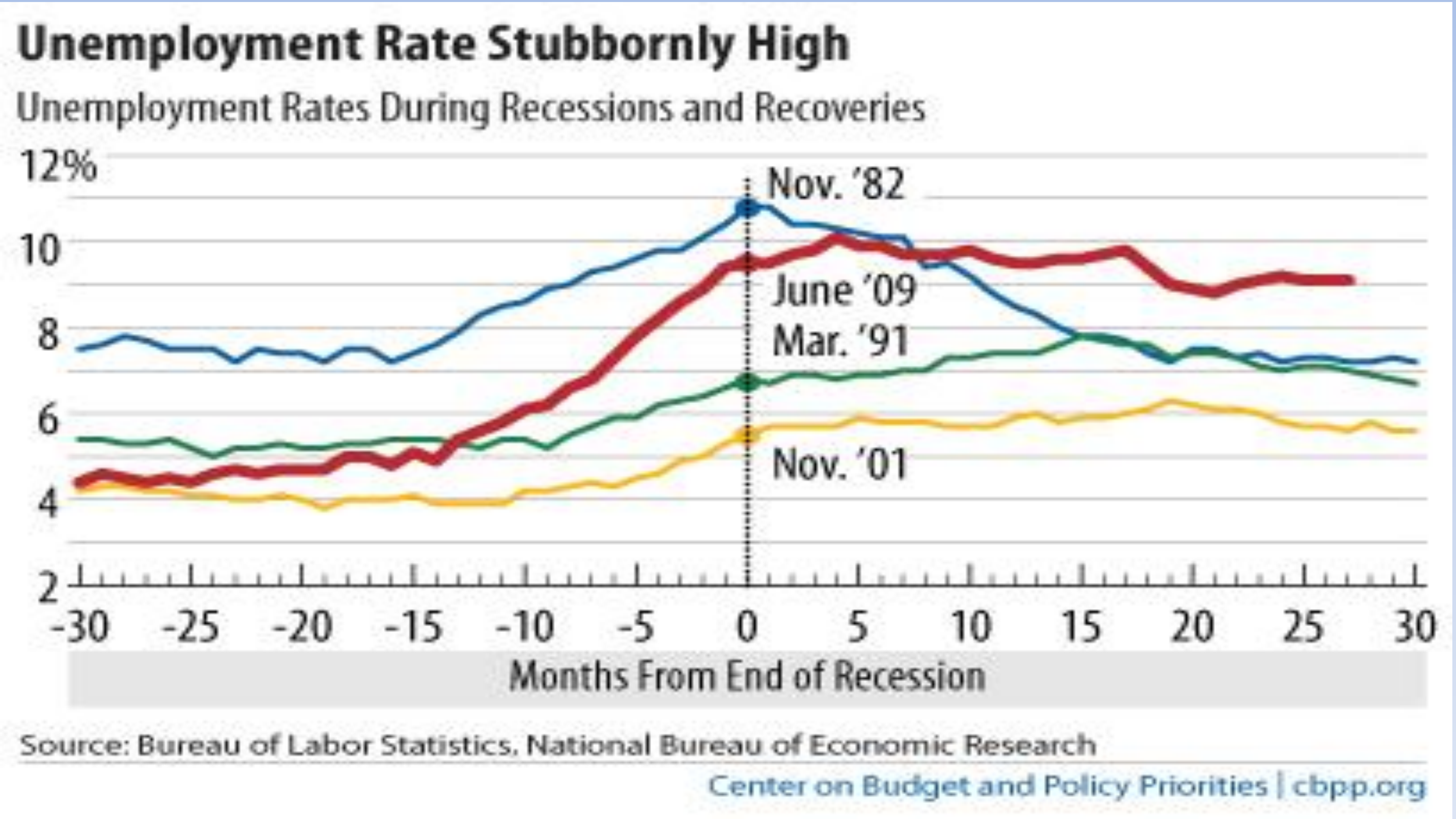
- Chad Stone, Chief Economist, September 2, 2011

Private Payroll Employment Has Been Growing Since Early 2010: The pace of growth is too slow to drive recovery.



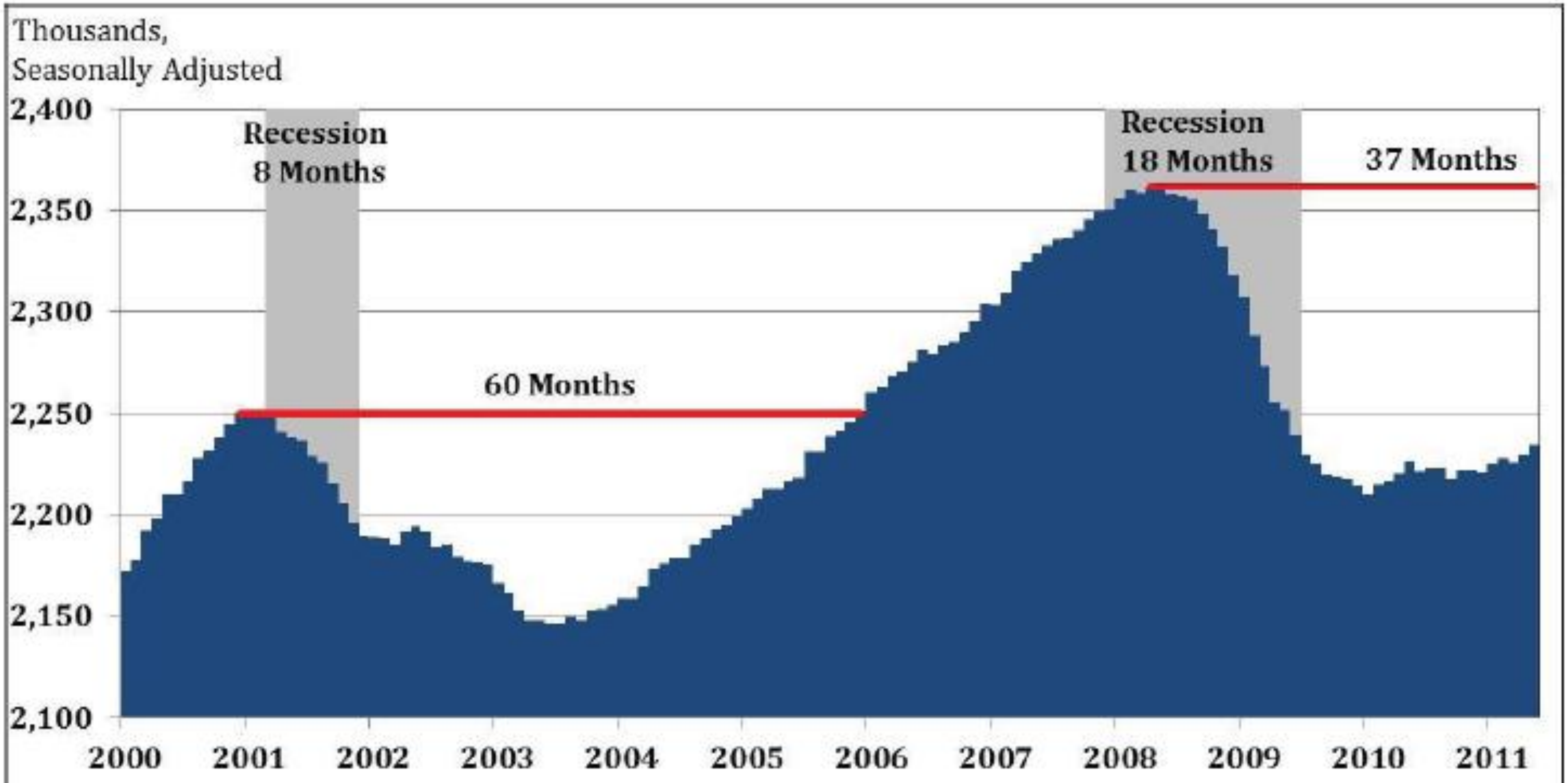
... Employment Could Stay High for Some Time

Thus far, modest job growth and job creation has kept the unemployment rate high long after the end of the recession. This is similar to what happened in the previous two recessions, and does not resemble the fairly rapid decline that followed the severe 1981-82 recession. Unless the pace of economic growth and job creation picks up dramatically, it will be several years before the unemployment rate returns to normal levels.



Colorado: It took 5 years to return to the 2001 peak employment numbers. How long will it take to reach the 2008 peak?

FIGURE 11: COLORADO NON-AGRICULTURAL WAGE AND EMPLOYMENT, 2000-2010



Sources: Colorado Dept of Labor and Employment, Labor Market Information; and National Bureau of Economic Research.

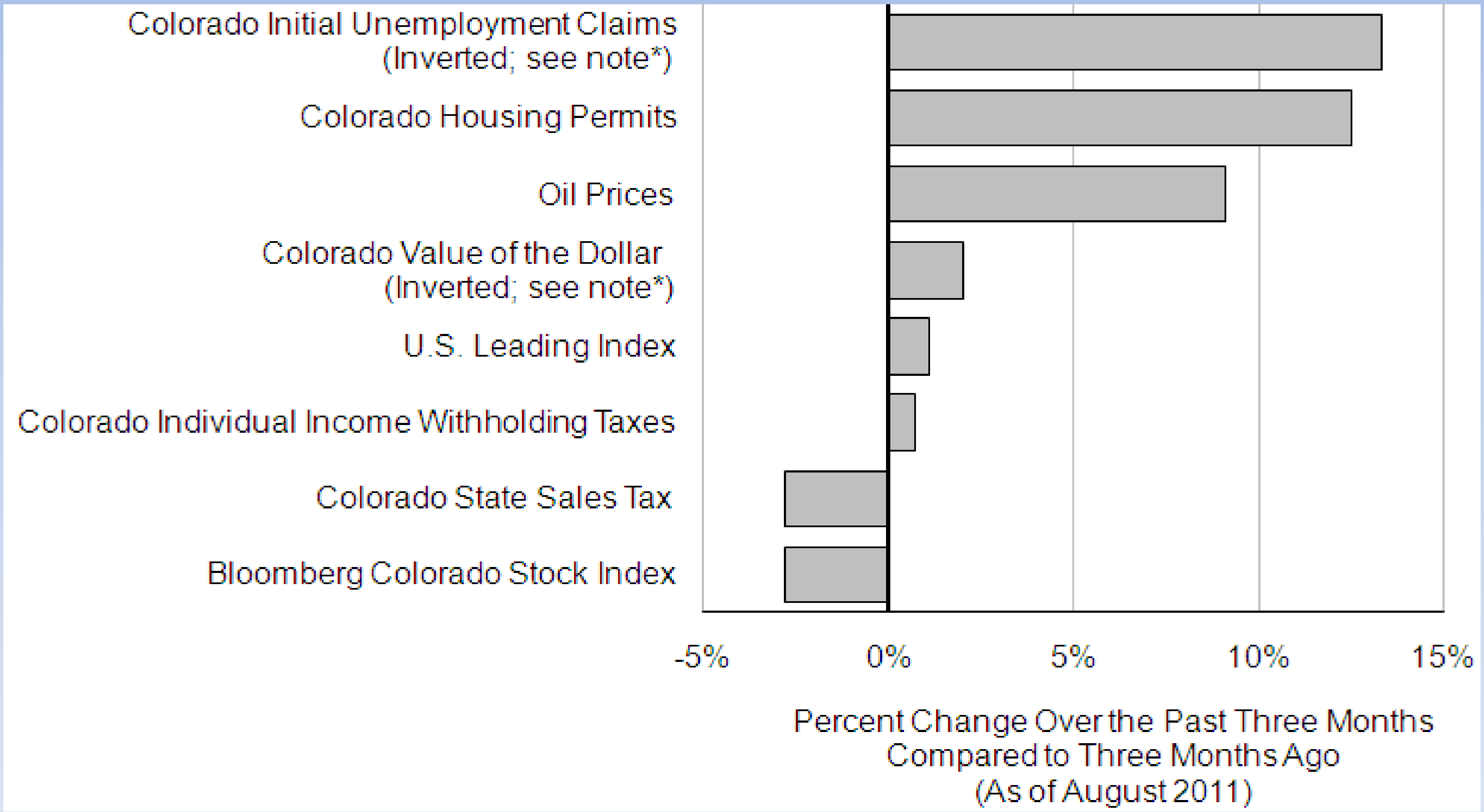
Colorado Legislative Council Staff Economic Forecast September 20, 2011

- The national recovery has slowed and the economy could be at a turning point. The forecast anticipates continued but very slow growth in the Colorado economy.
  - Pockets of the state have enjoyed a stronger recovery.
- Whether Colorado's employment begins to pick up once again, stalls, or continues to lose ground will depend on the health of the national economy
  - The **unemployment rate** will remain high in 2011, averaging 8.7 percent, before decreasing to 8.3 percent in 2012. As the labor market slowly begins to heal the rate will fall to 7.1 percent by 2014.
- **Personal income** will slowly strengthen but remain subdued. 2012 income growth will grow but is forecast to be at a lower rate than 2011. Retail sales will follow income, still up, but not as strong as 2011.
- Consumers continue to struggle with high debt and economic uncertainty. Growth in **retail trade** is expected to slow over the rest of the year and remain subdued through 2012.
  - **Retail sales** will increase 5.2 percent in 2011 and 4.5 percent in 2012.

Colorado Legislative Council Staff Economic Forecast September 20, 2011 continued

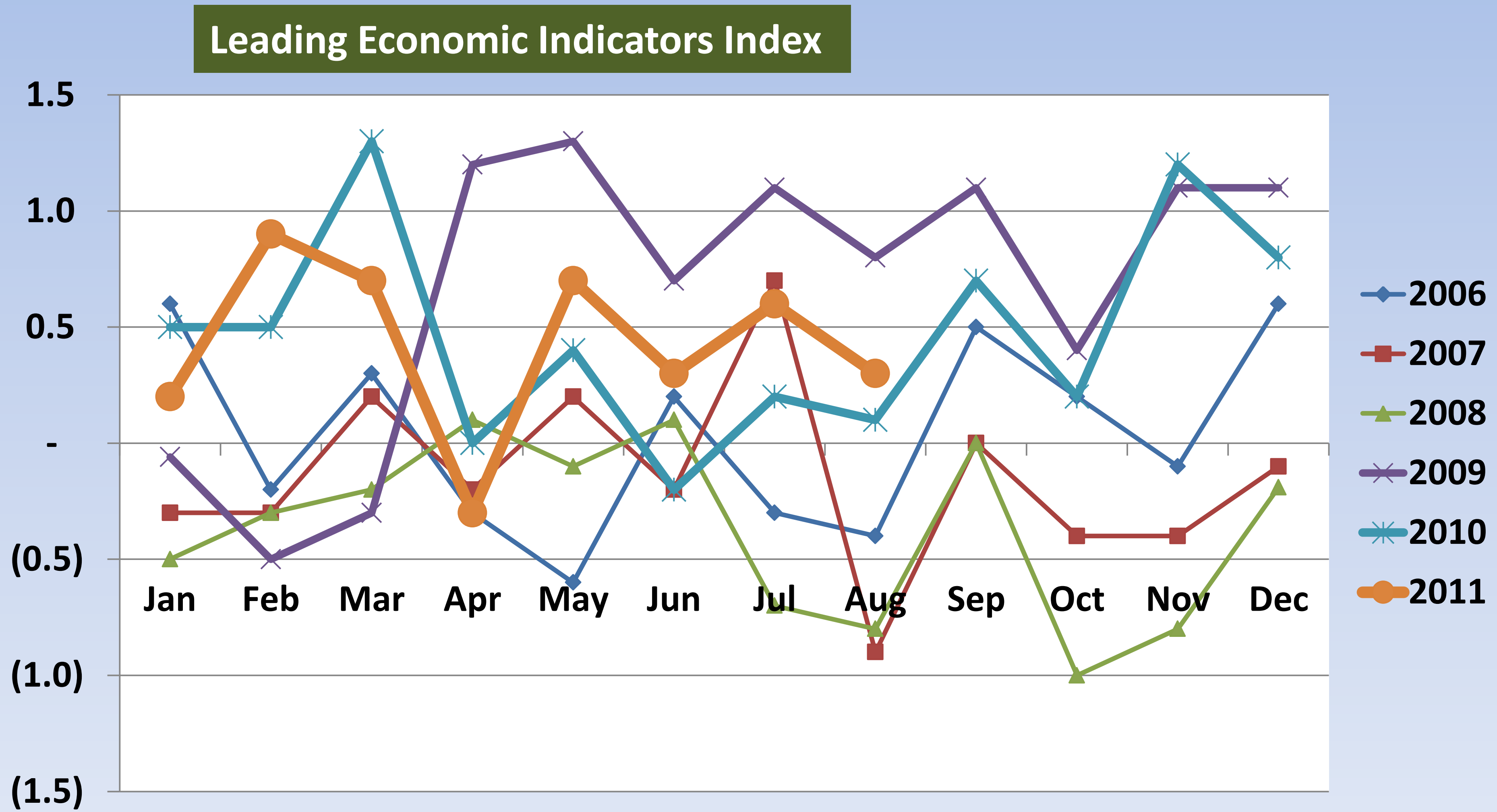
- The Legislative Council forecast calls for improvement in the **housing sector**, but total units will still be far lower than the pre-recession averages.
  - In 2007, 29,500 home permits were issued; in 2011 – 16,200 are projected and 20,200 are forecast for 2012.
- **Nonresidential Construction** is expected to remain at historically low levels through 2014.
- **Energy Sector**: Western slope in recession, Weld County booming due to increase in oil prices and new drilling technologies.
- **Bottom line**: Chances of nationwide recession are rising. Colorado highly dependent on the national solutions.

Indicators That Tend to Lead Colorado Employment Point to Continued but Weakened Growth



Source: ***Focus Colorado: Economic and Revenue Forecast***, Colorado Legislative Council, September 20, 2011

The U.S. Leading Economic Indicators bounced back from a negative reading in April. Weak job creation and a dismal construction industry continue the negative pressure on the LEI. Falling stock market will hurt.



Case Shiller Index for July shows housing markets improving month to month, but year over year still weak

	Denver Home Prices	National Composite
Monthly Change:	0.0 percent	+0.9 percent
Yearly Change:	-2.1 percent	- 4.1 percent

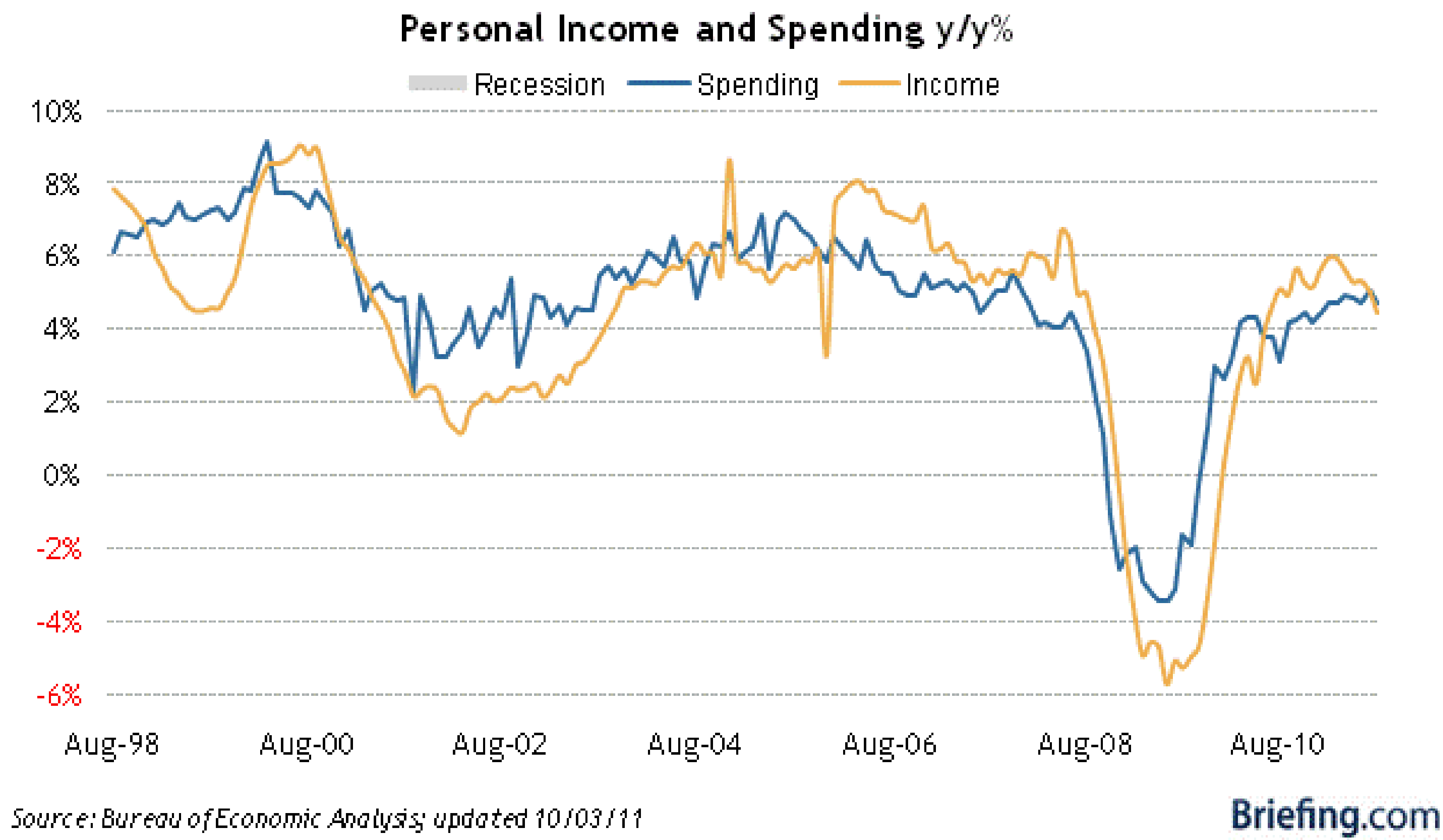
S&P/Case-Shiller Index for July 2011

Data released September 27, 2011

- A double dip in the housing market is becoming a reality as home prices nation-wide fell 4.1 percent from July of 2010, according to the S&P/Case-Shiller Home Prices Index. Most MSAs and both Composites fared poorly in annual terms.
- Eighteen of the 20 MSAs and the two Composites posted negative annual growth rates in July 2011.
- The 10-City Composite was down 3.7% and the 20-City Composite was down 4.1% in July 2011 versus July 2010.
- Denver reported flat price growth from June to July, but was down 2.1% from last July.
- Minneapolis posted a 9.1 percent decline in annual. The best showing in the annual growth rates was Detroit, up +1.2%; the monthly rate was up 3.8%.
- We have now seen four consecutive months of generally improving prices; however, we might have a long way to go before we see a real recovery.
- Sustained increases in home prices over several months and better annual results need to be seen before we can confirm real estate market recovery.

Personal Income declined 0.1% after increasing a downwardly revised 0.1% (from 0.3%) in July.

Personal Spending slowed from a downwardly revised 0.7% (from 0.8%) increase in July to a 0.2% increase in August.



Personal Income and Spending

Key Factors

- The fact that consumption growth remained positive during a time of falling income suggests that consumers are not as worried about the economy as their confidence levels suggest. The personal savings rate fell from 4.7% in July to 4.5% in August. If the confidence reports were valid, the savings rates should have increased, not decreased, during this time of uncertainty.
- Goods and services spending each increased 0.2% in August, down from 1.0% and 0.6%, respectively, in July.
- The modest gain in service consumption was unexpected. Restaurant expenditures and air conditioning usage both weakened over the last month. Normally, this would signal a contraction in services spending.
- In terms of the overall economy, the data are mostly in-line with the advance retail sales report and will likely have only a minimal effect on our current GDP forecast

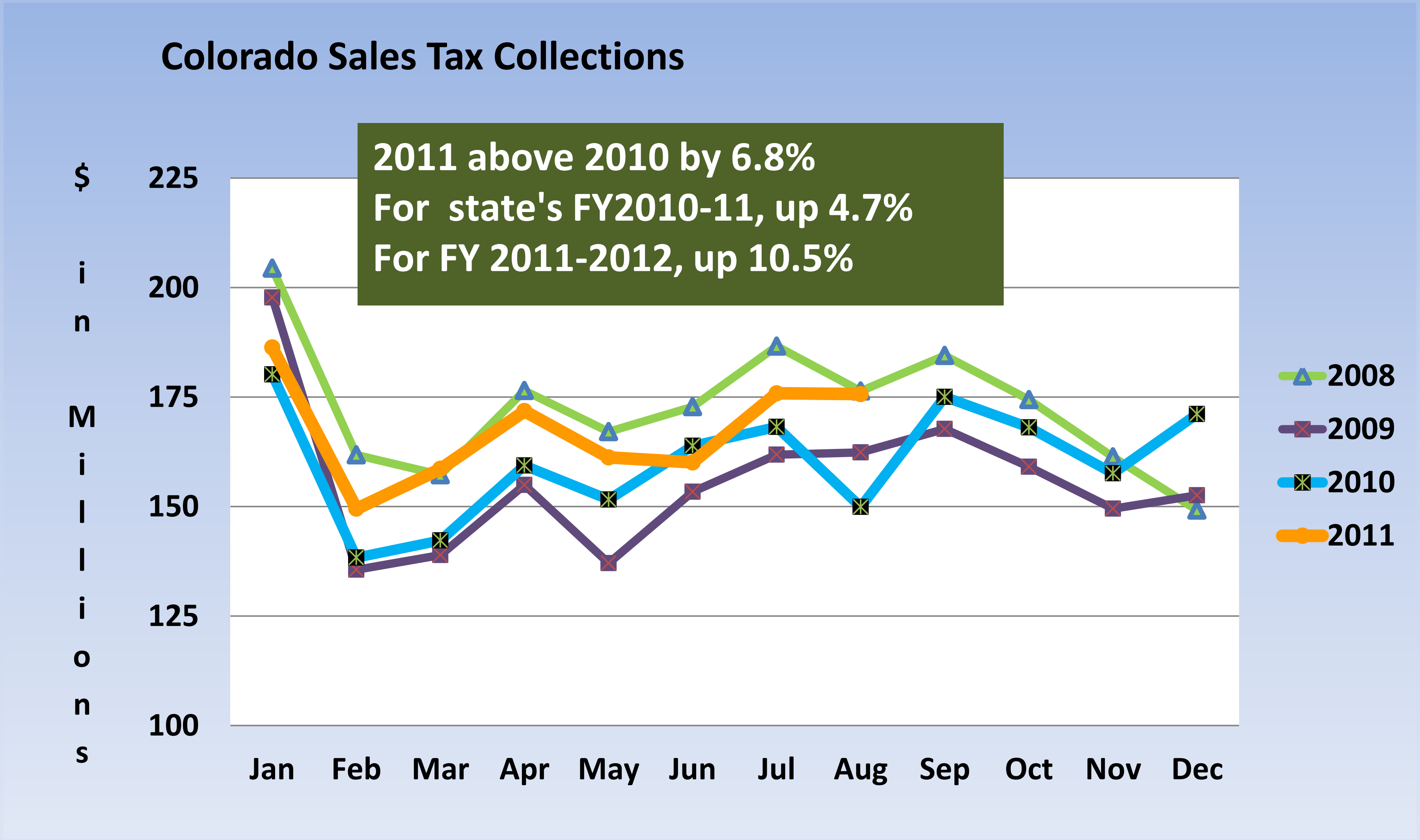
Big Picture

- Weak payroll growth was instrumental in the second quarter slowdown in consumer spending. If the employment sector does not strengthen in the near future, the rebound in consumption spending in July will only be temporary.

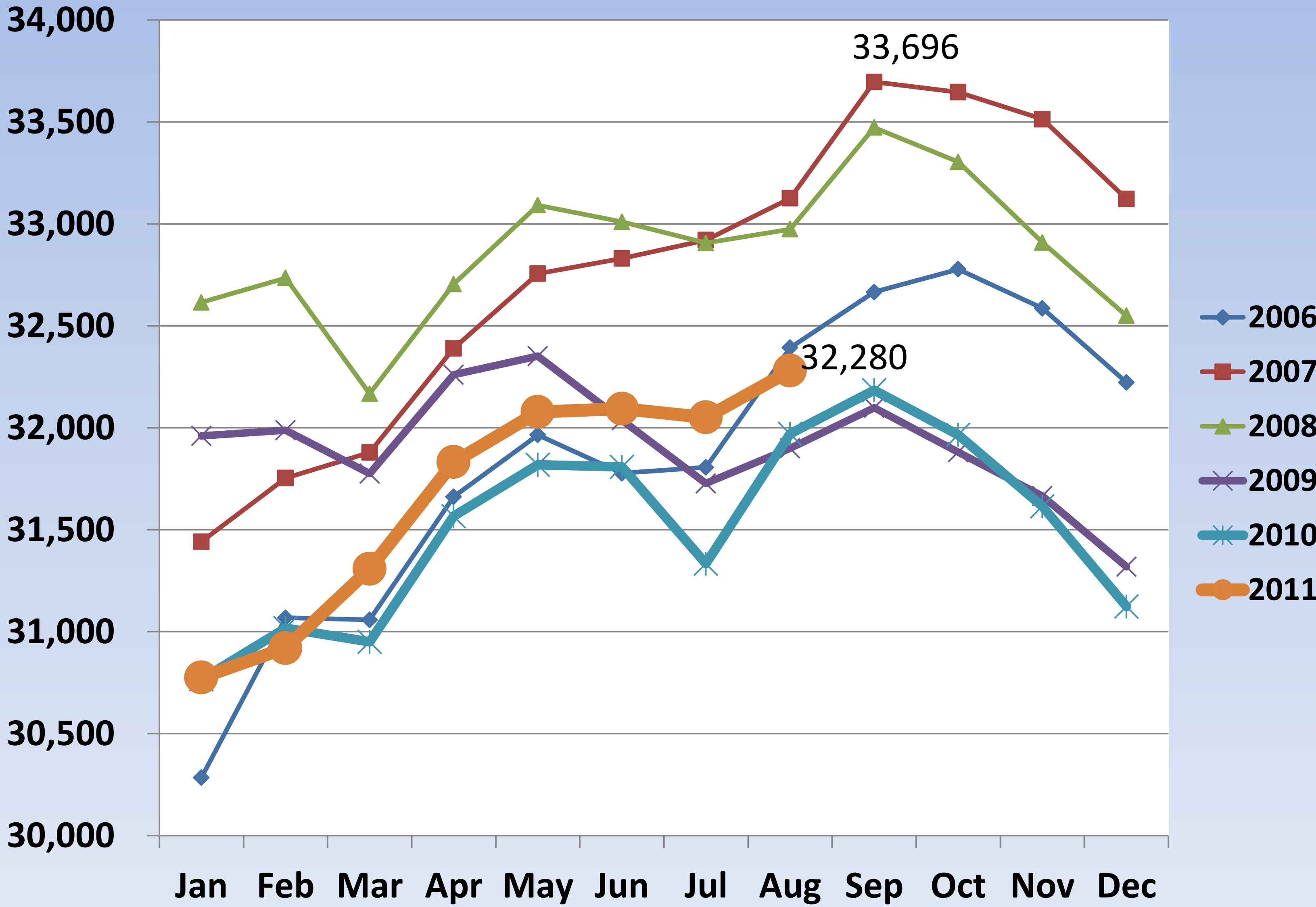
Source: www.briefing.com

State Collections exceed FY 2009-2010 collections

2011 Calendar year collections even better

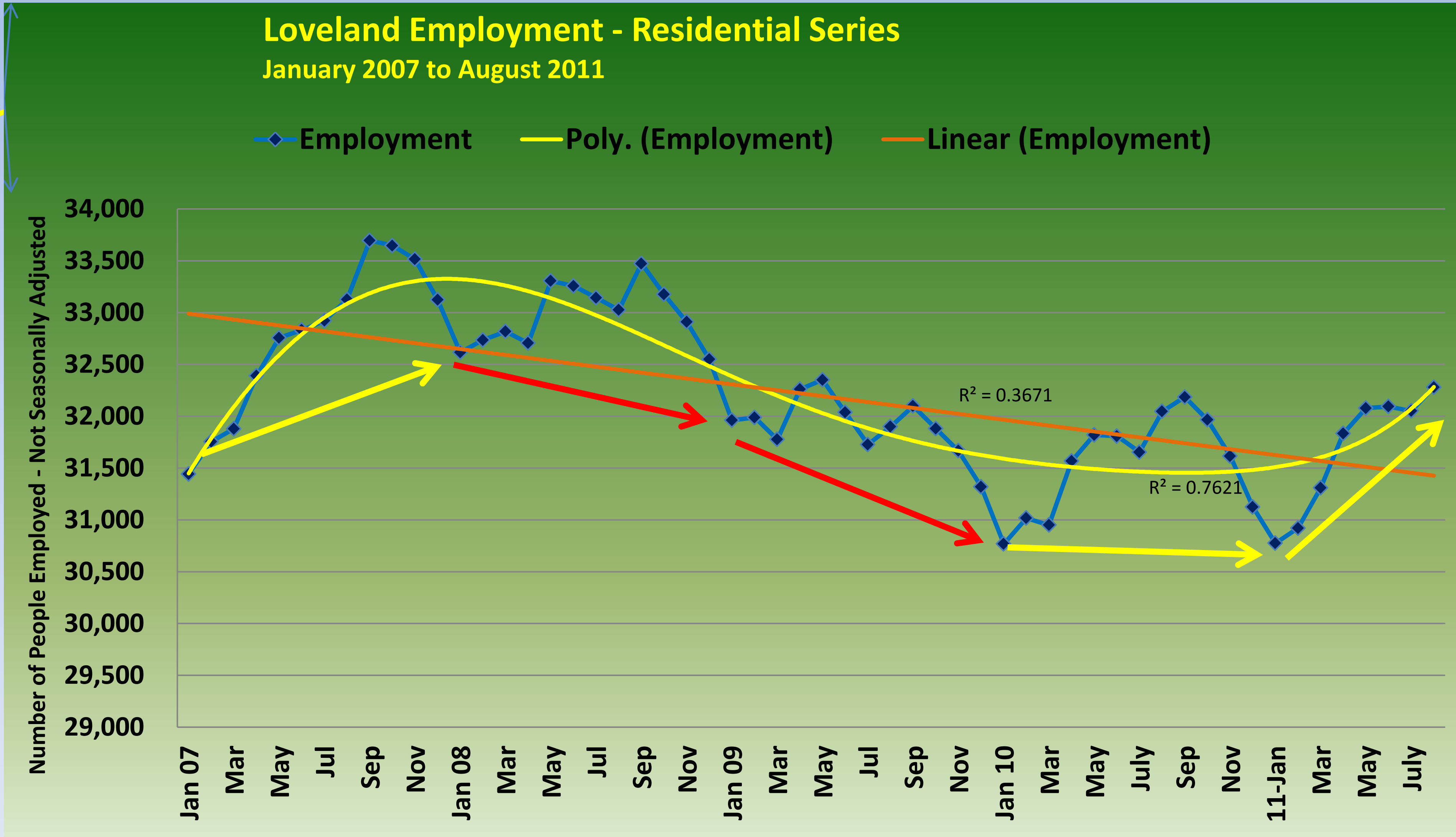


Loveland added jobs from July to August, and added from August of 2010 – still ahead of the 2010 and 2009 levels



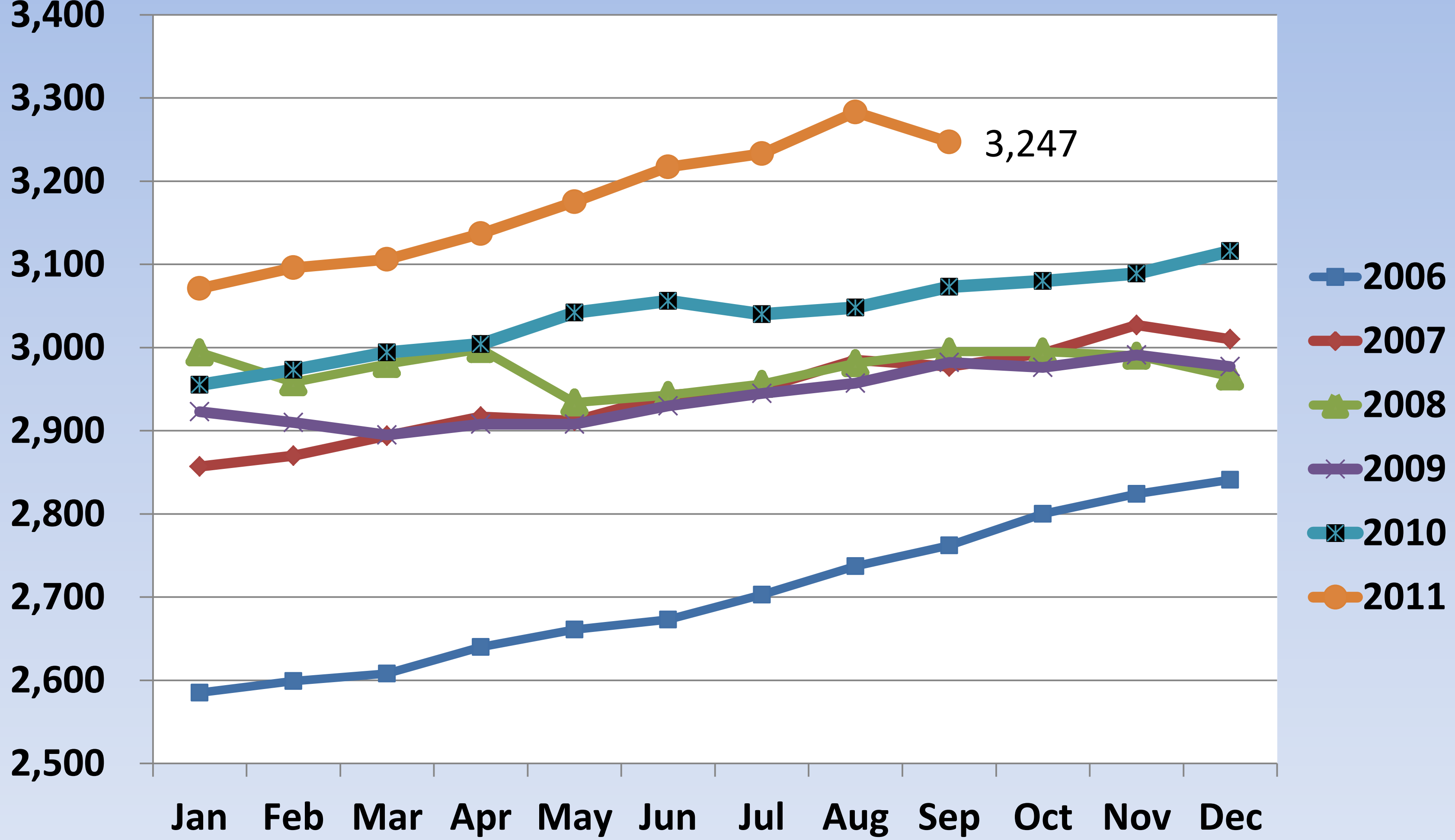
Loveland's 4+ year Employment Trend Downward

Since 2008, Strong Job Loss trend is in place but may be turning



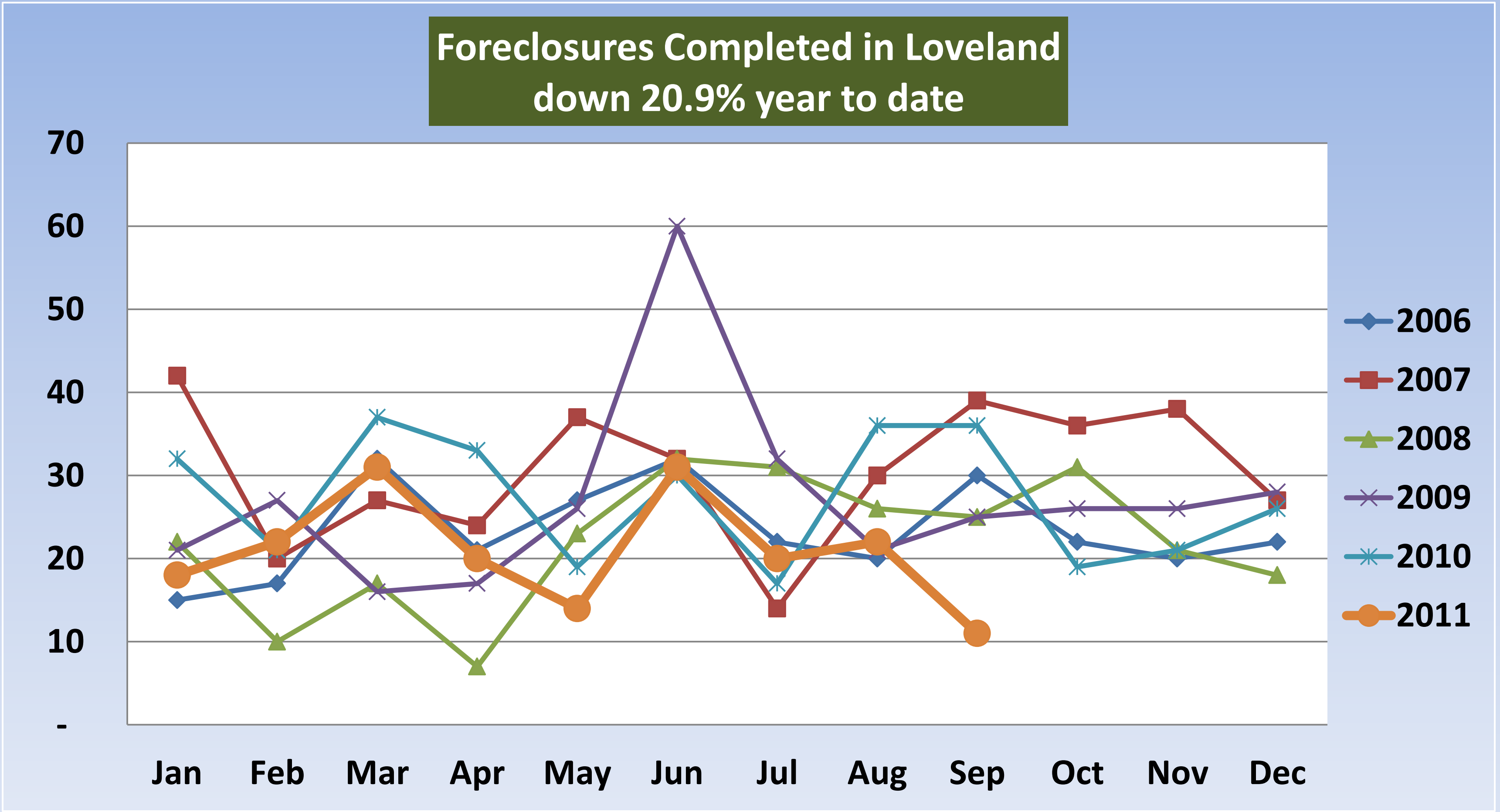
Sales Tax licenses holding up

Several inactive accounts closed in September



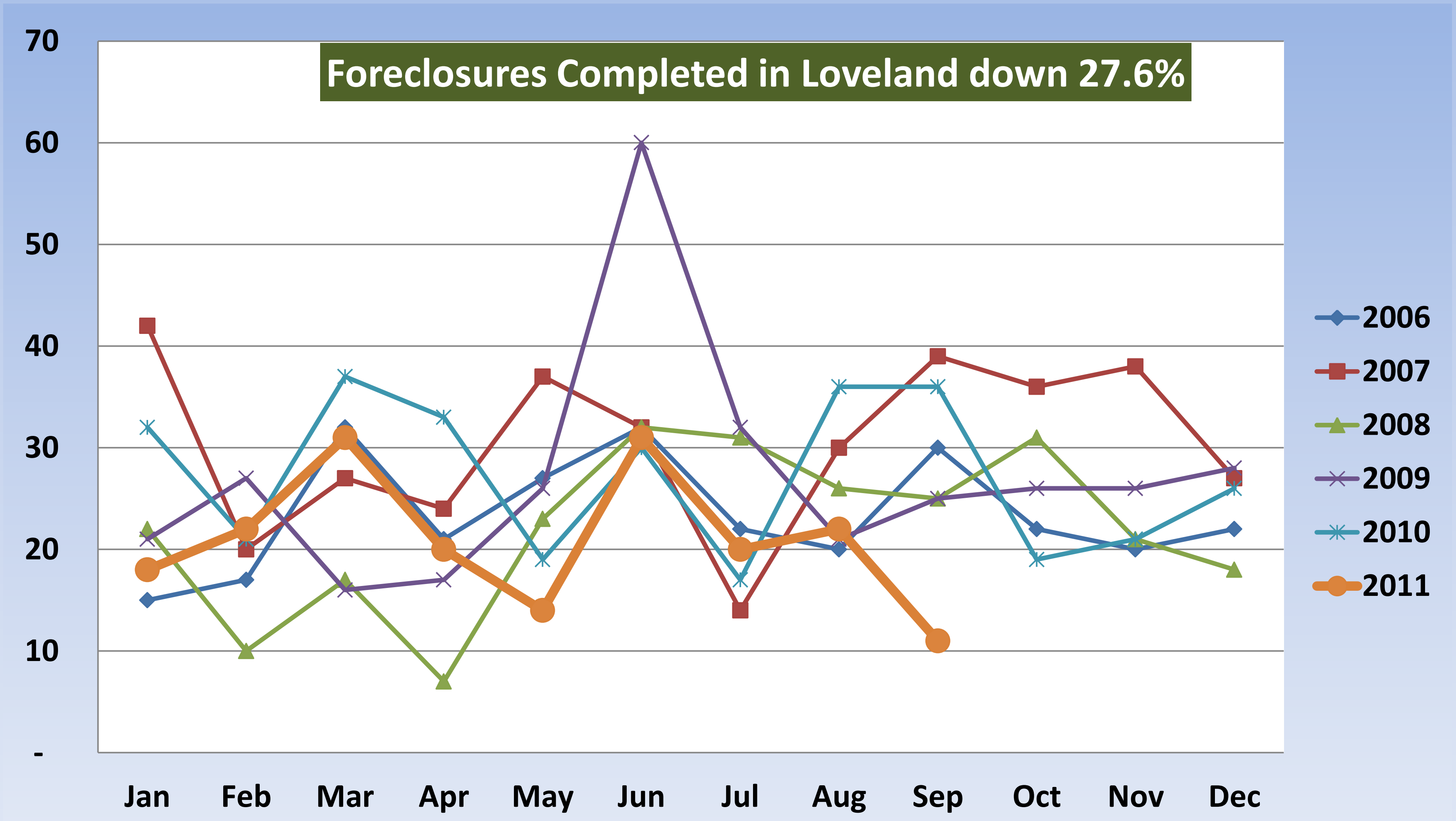
In Loveland foreclosures filed are lower

May be due to legal uncertainties, not economic strength

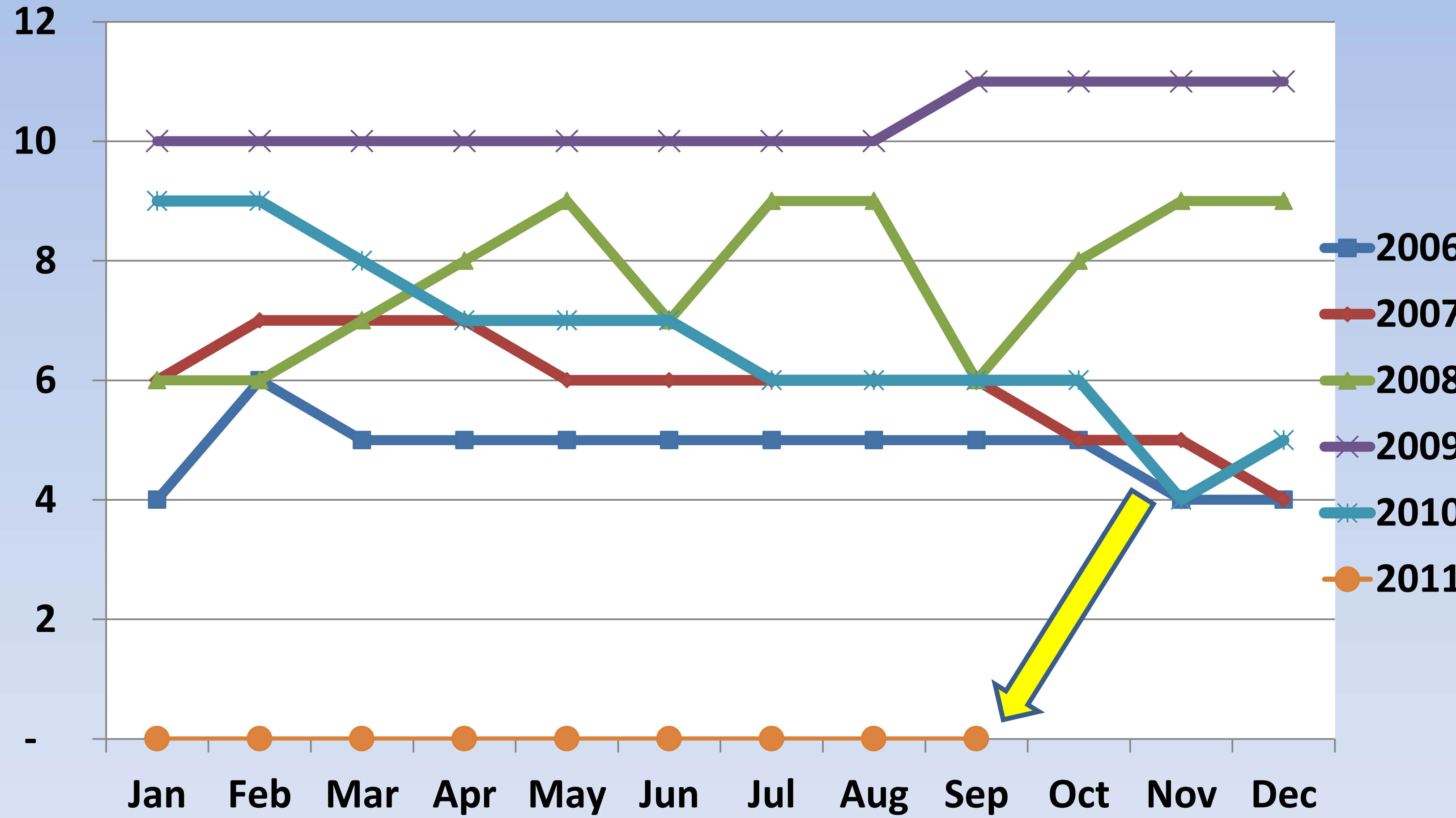


Local foreclosures completed lower than 2010

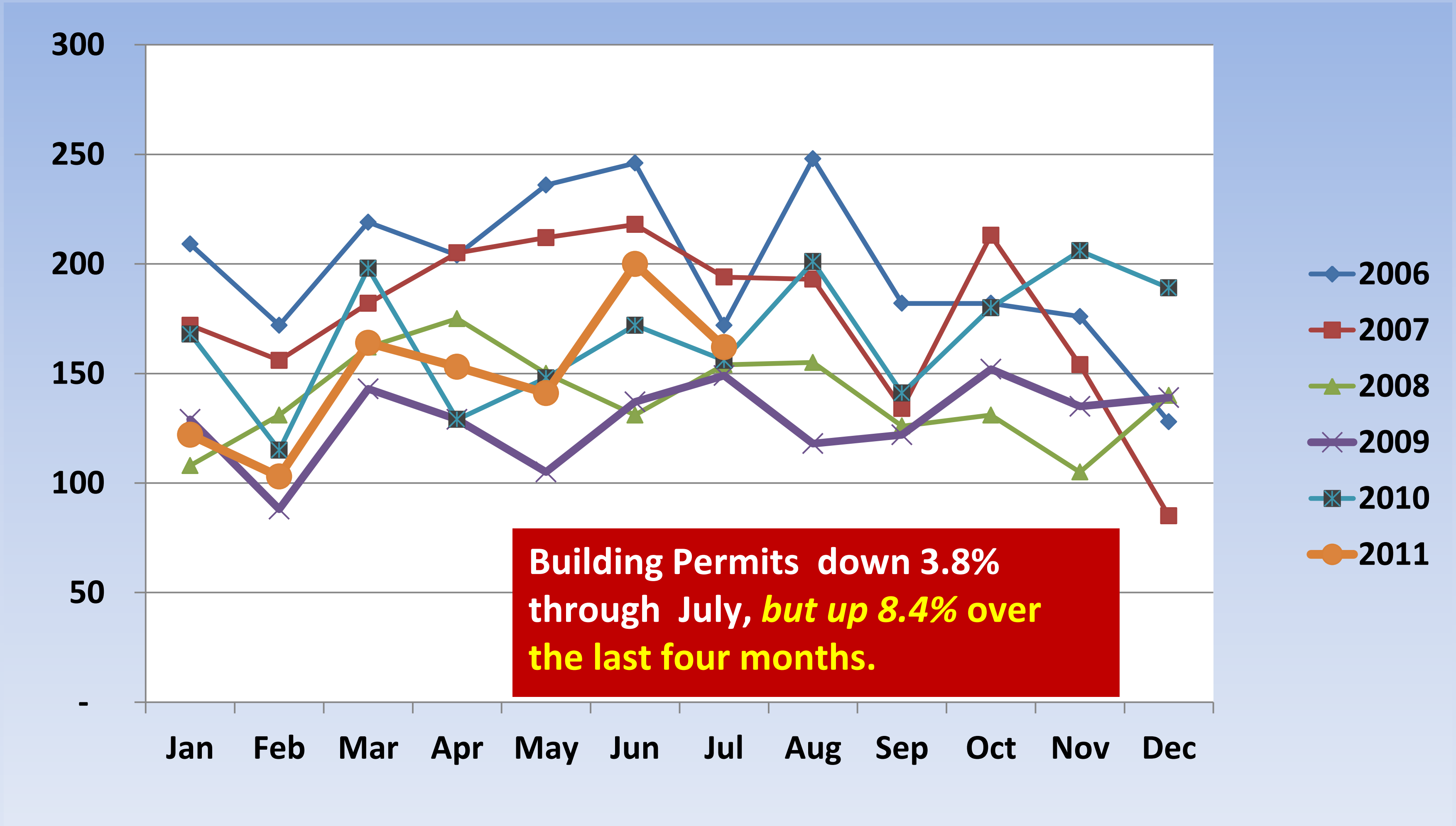
Many bank foreclosure processes have been delayed due to legal concerns



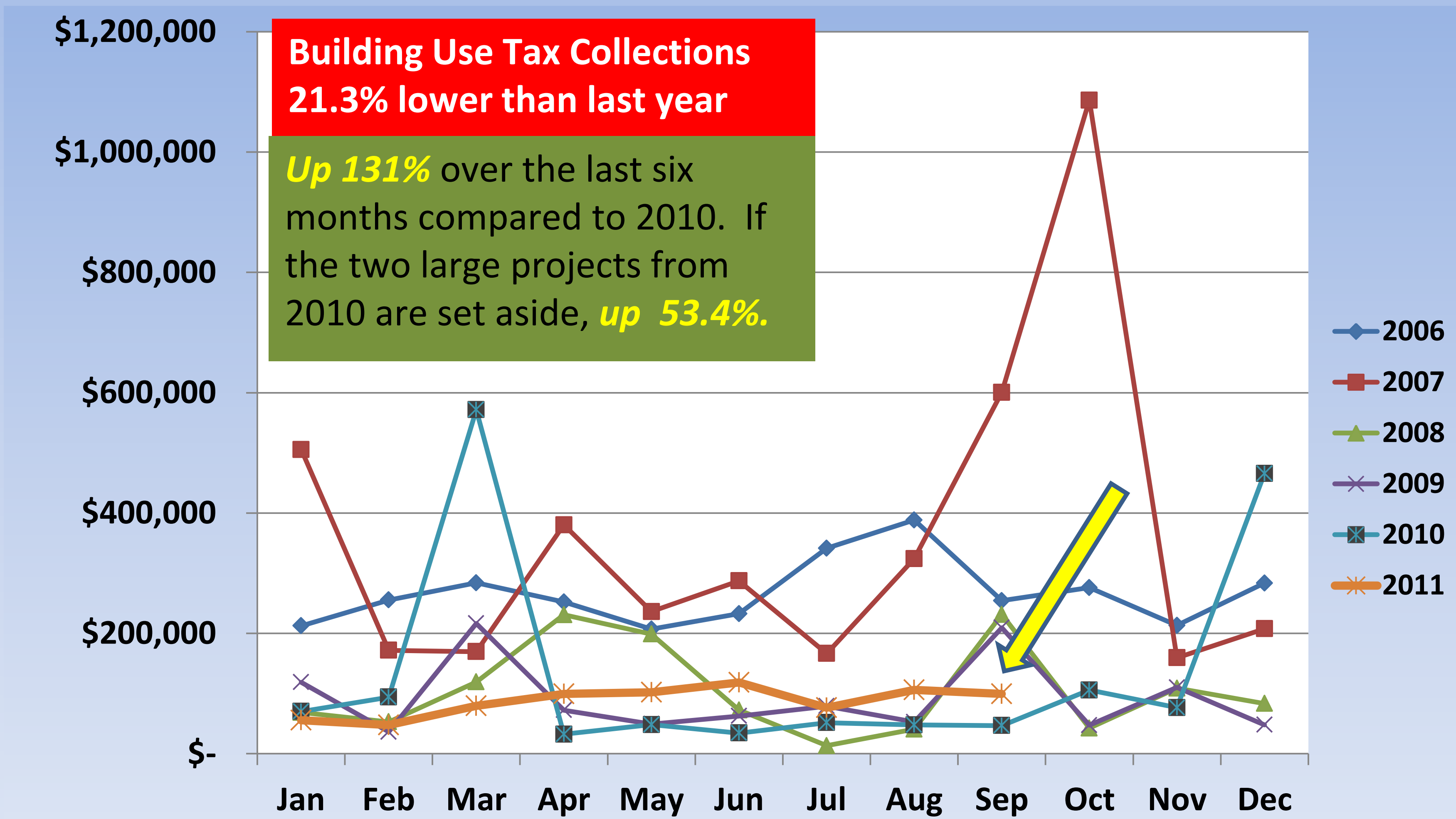
Retail activity has lifted all GEO areas to positive
No locales in the red for nine months in a row



Building Permits slow start in 2011
In 2010 were up due to the fee incentives
Showing some growth in the last four months



Building Use Tax Collections

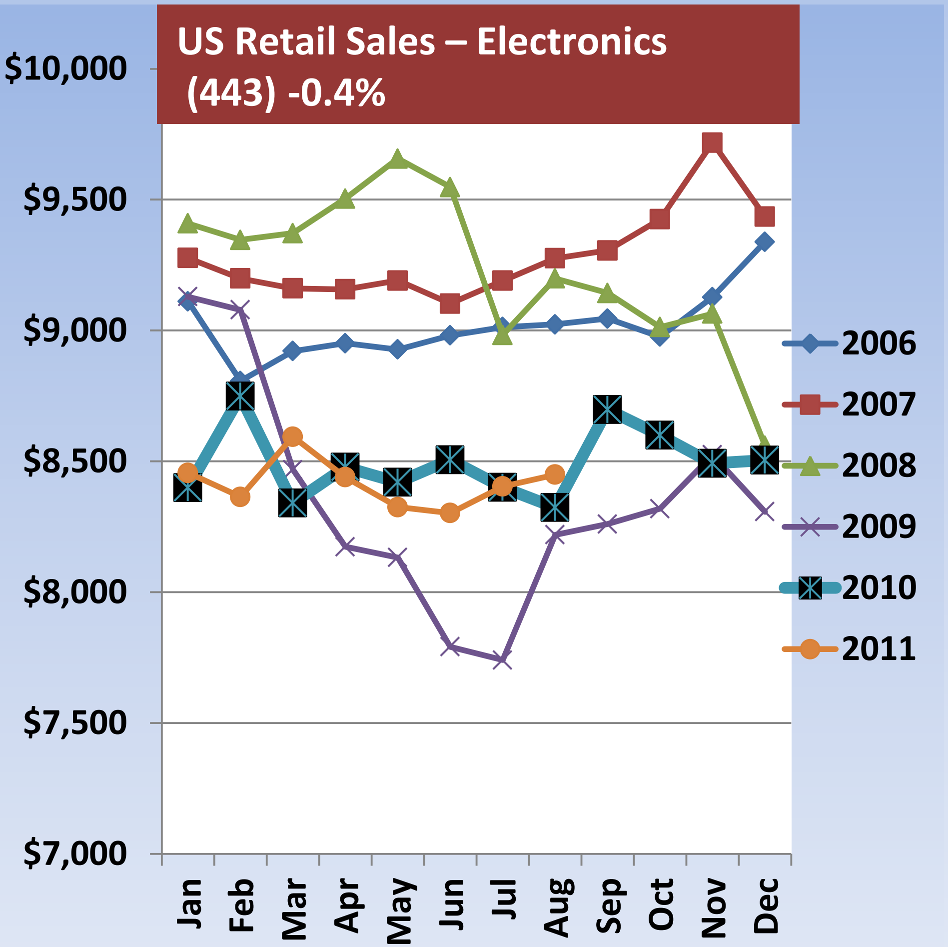


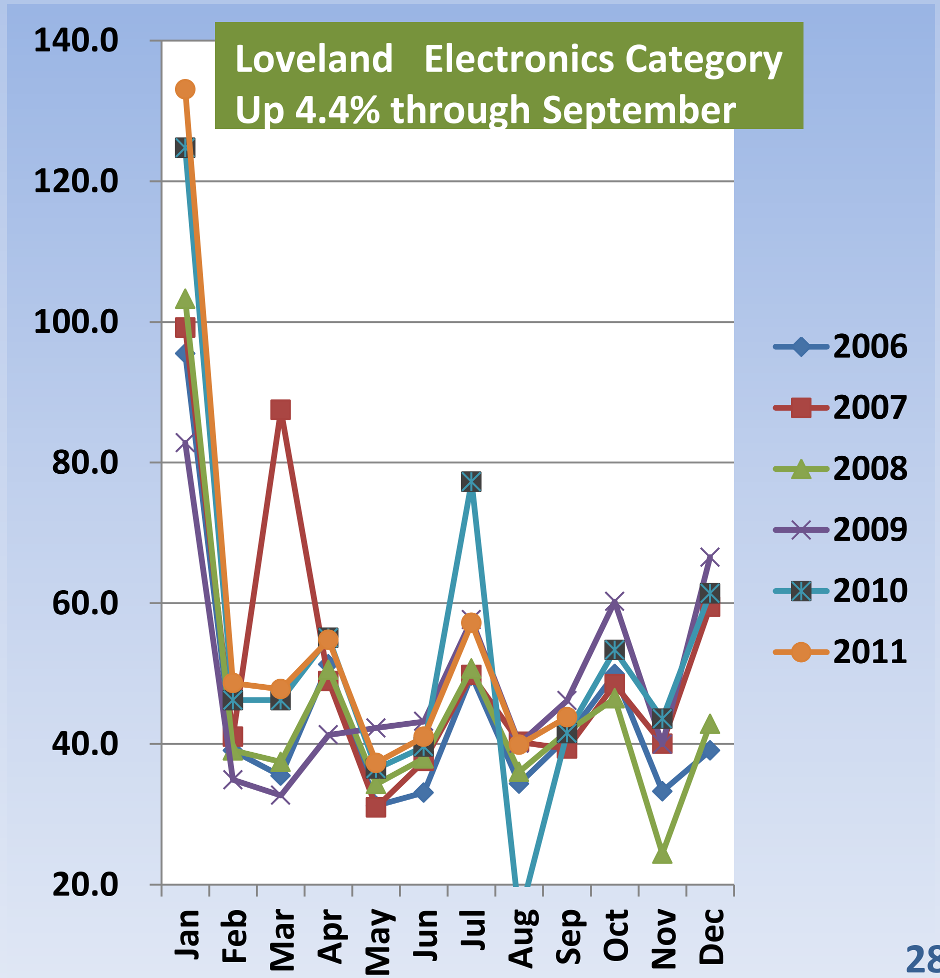
Turnaround in Electronics sales weak

Energy price increases may limit growth in future

August sales up, but year to date is still below 2010 levels

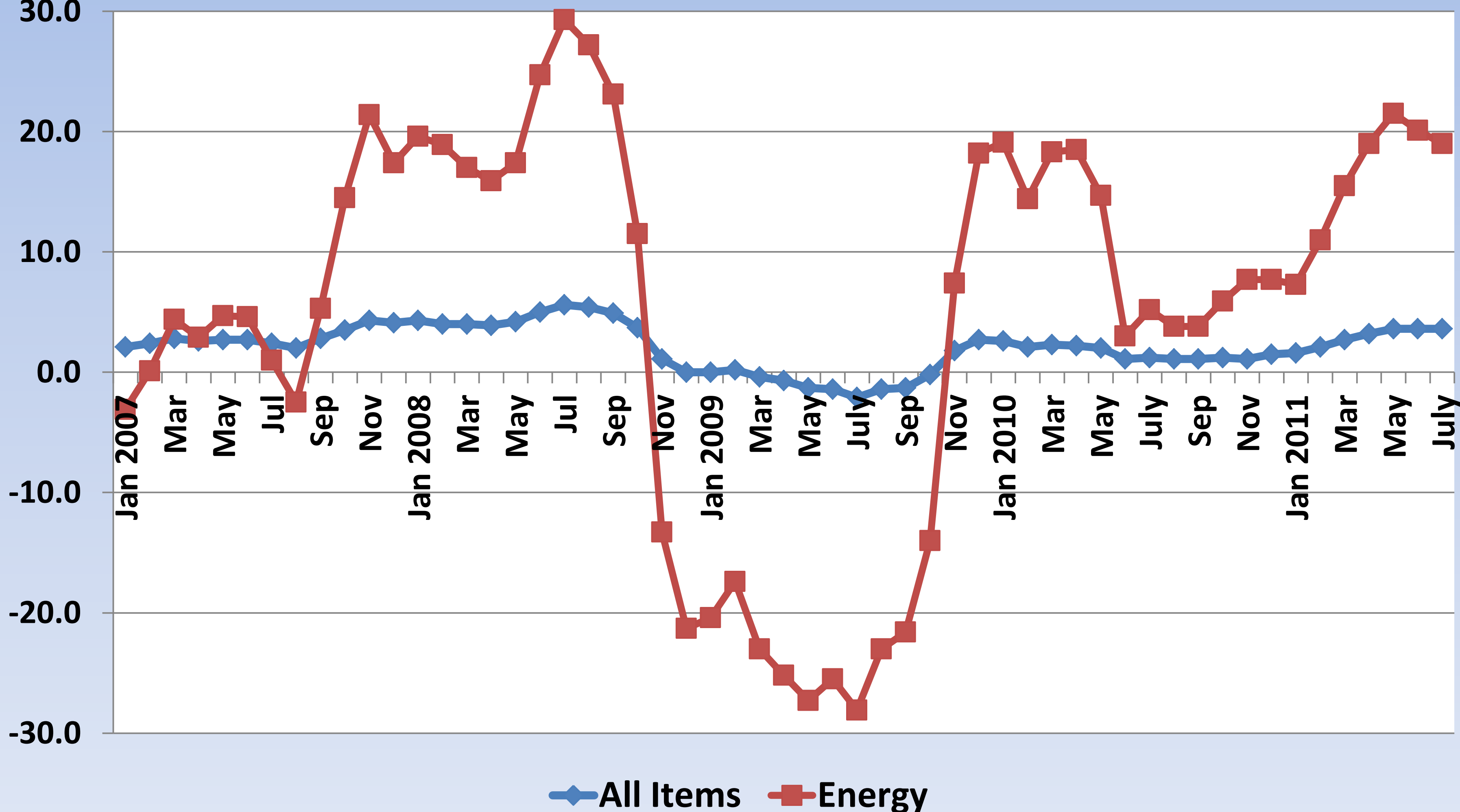
In this retail sales category, Loveland outperforming national trends



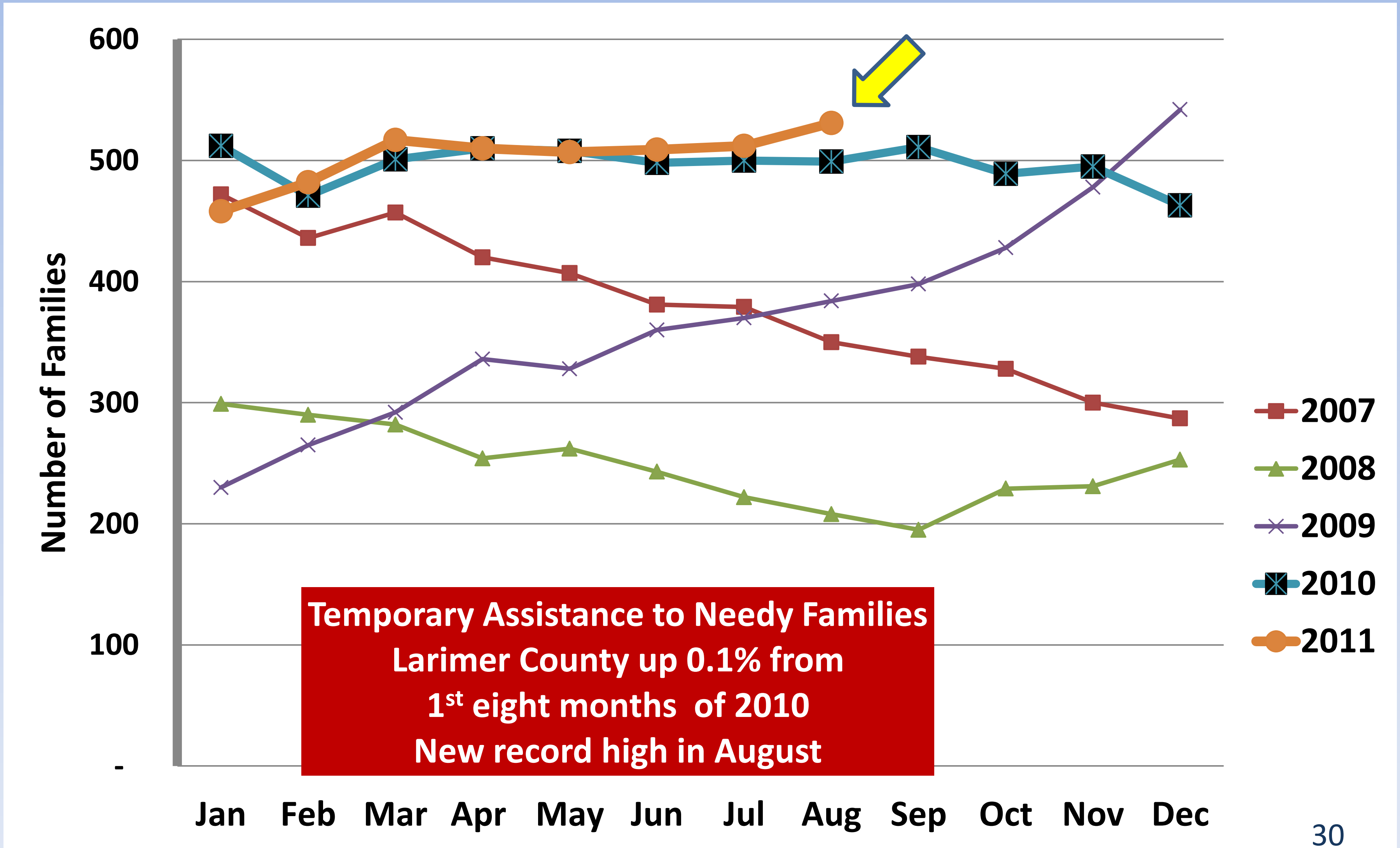


US Inflation trend now rising

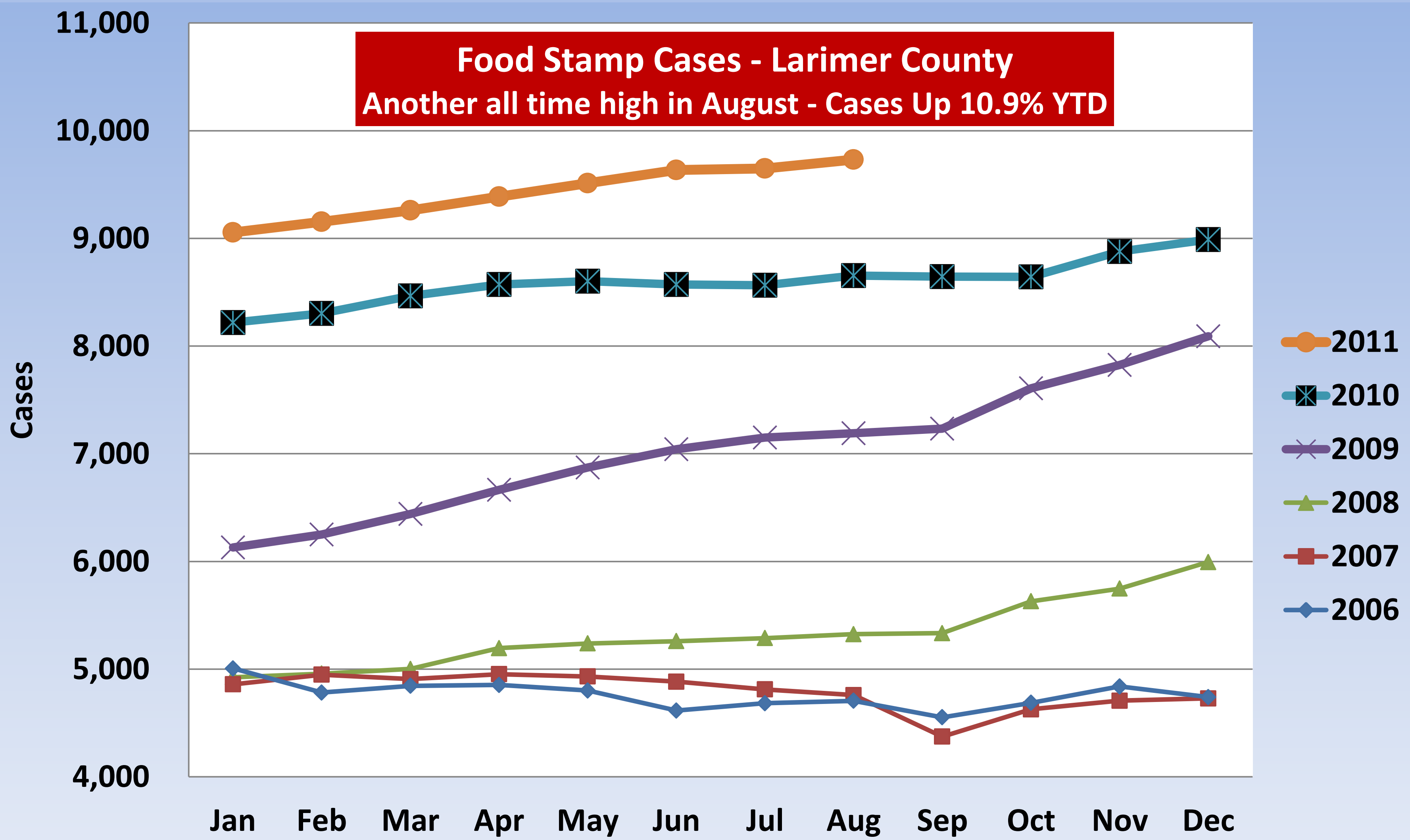
all items staying around 3.6%; energy costs up 19% yoy; Fed worrying more about weak recovery than inflation.



County caseload persistently high



Food Stamp cases reach all time high



Disconnects slightly lower than a year ago