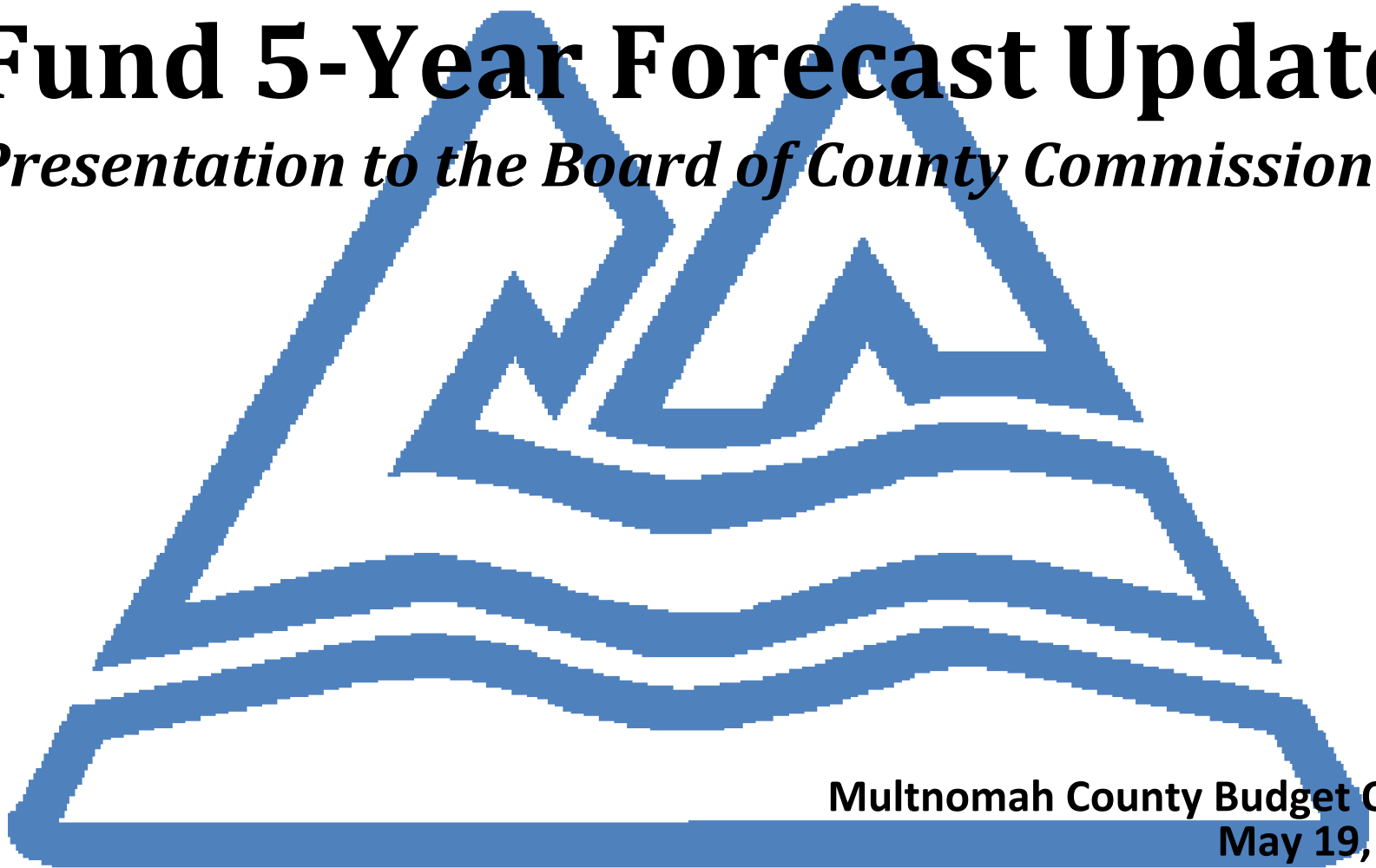


FY 2012 General Fund 5-Year Forecast Update

Presentation to the Board of County Commissioners



Multnomah County Budget Office
May 19, 2011

www.multco.us/budget

Overview

- **Economic Overview**
 - A gaggle of graphs
- **FY 2011 Review**
 - Revenue
 - BIT
 - USM
 - Recording Fees
 - Closing out FY 2011
- **FY 2012 General Fund 5-Year Forecast**
 - What's changed
 - Changes to FY 2012 Approved?
 - Inflation
- **Forecast Risks & Issues**
- **Summary & Questions**



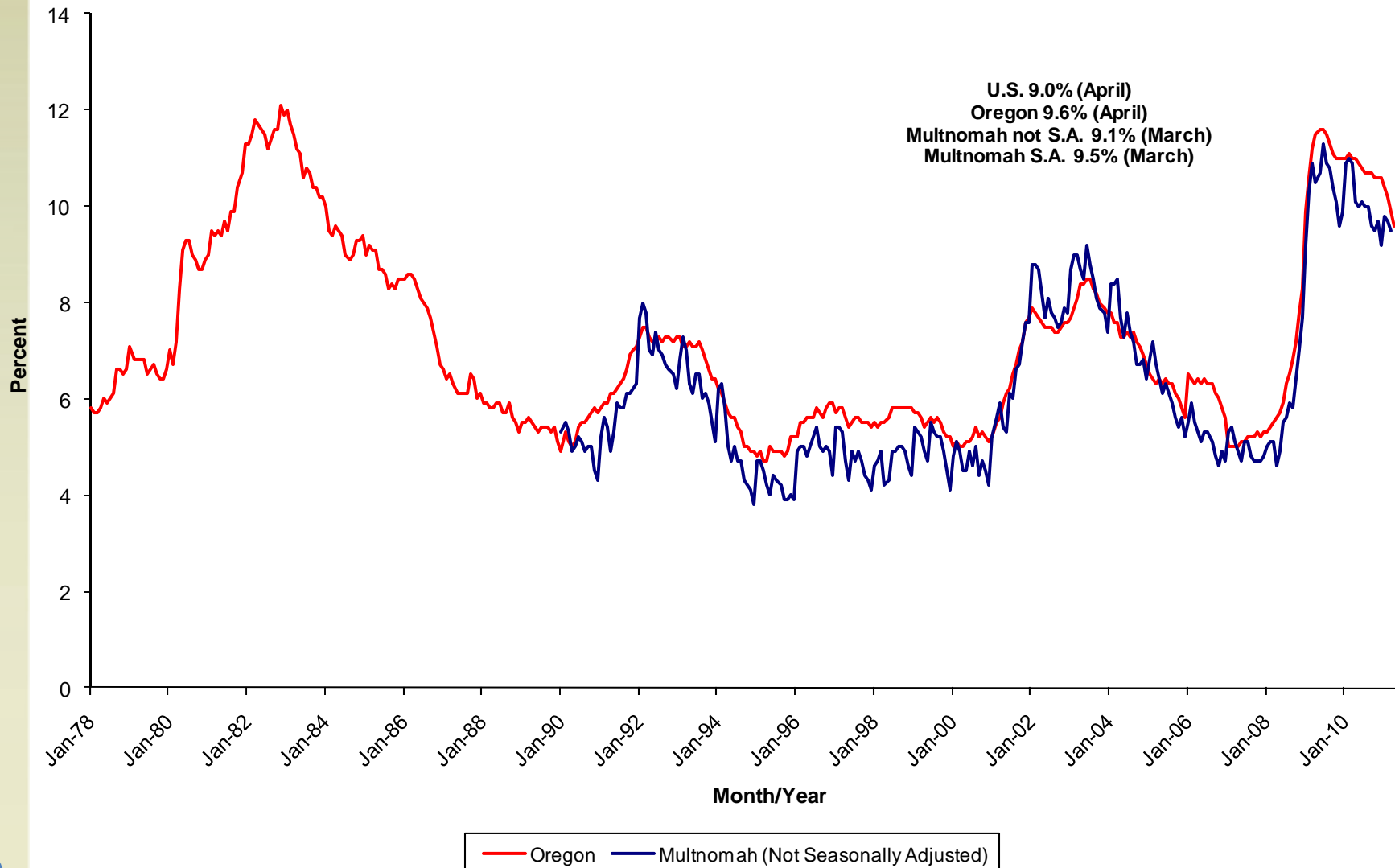
Economic Overview

- A stabilized economy with anemic to modest growth... that just hit a headwind.
 - GDP – Seven quarters of growth
 - ✓ 2010 Q3 = 2.6%, Q4 = 3.1%, and 2011 Q1 = 1.8%
 - ✓ Oil prices and supply impacts from Japan Earthquake & aftermath
 - Labor Markets
 - ✓ U.S. weekly unemployment claims – 4-week moving average @ 434,000
 - ✓ Oregon April Y-o-Y jobs up 24,300 (1.5%) and 1,600 jobs March to April
 - Housing
 - ✓ New starts @ annual rate of 523,00 (vs. record low of 477,000 and peak of 2 million plus)
 - ✓ 11.1 million (23.1%) of properties w/ mortgage have negative equity (CoreLogic Q4)... Zillow has that figure @ 28.4% for Q1 with Portland @ 35.9%
 - Industrial Production
 - ✓ Slowly improving... For April capacity utilization @ 76.9%, which is 3.5% below 1972 to 2010 average
 - **There remains excess capacity with weak demand as balance sheet repair continues**
- Forecast continues to assume a sluggish recovery with anemic to modest growth that will be protracted and uneven.

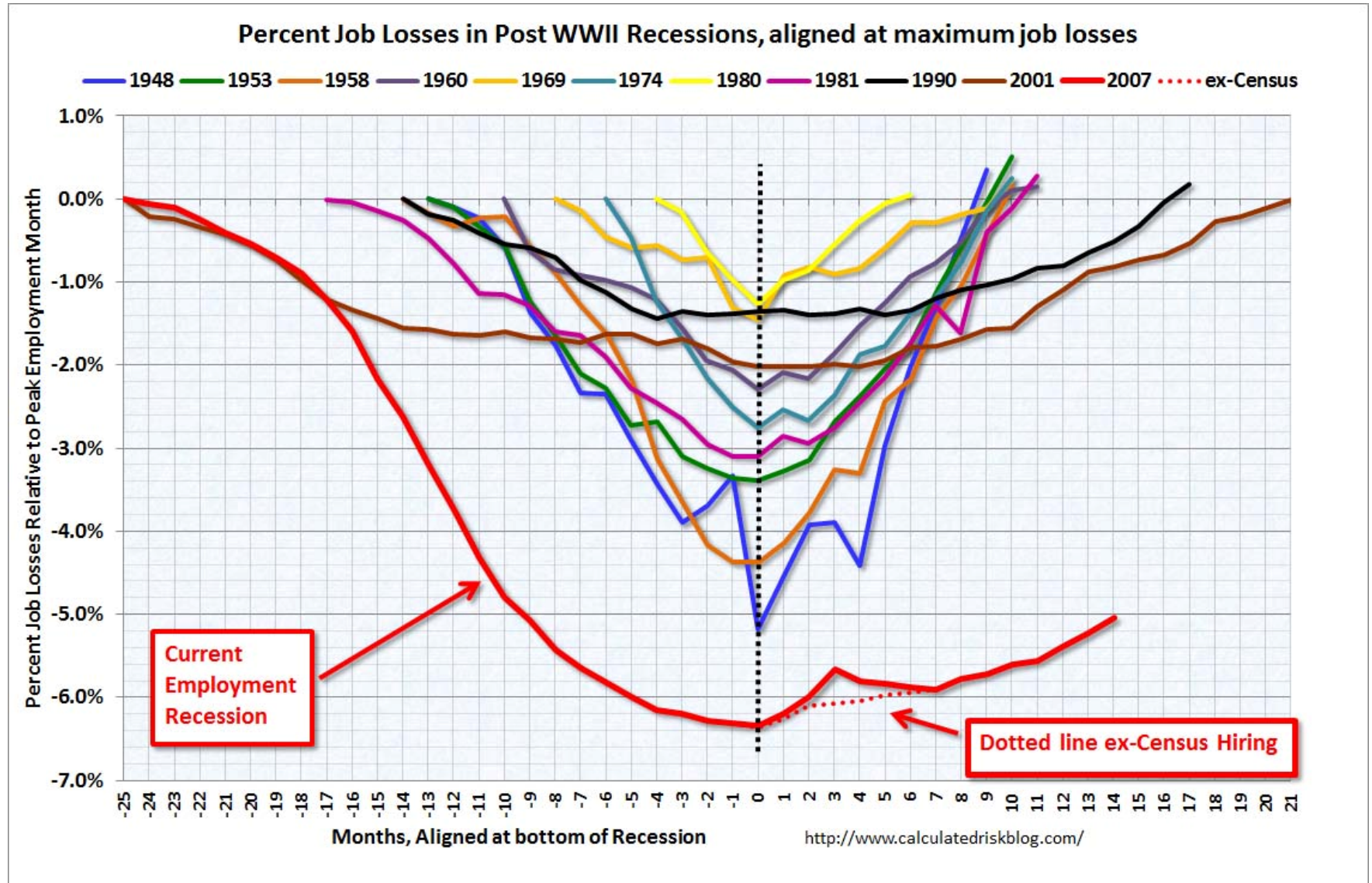


Economic Overview

Oregon & Multnomah County Unemployment Rates

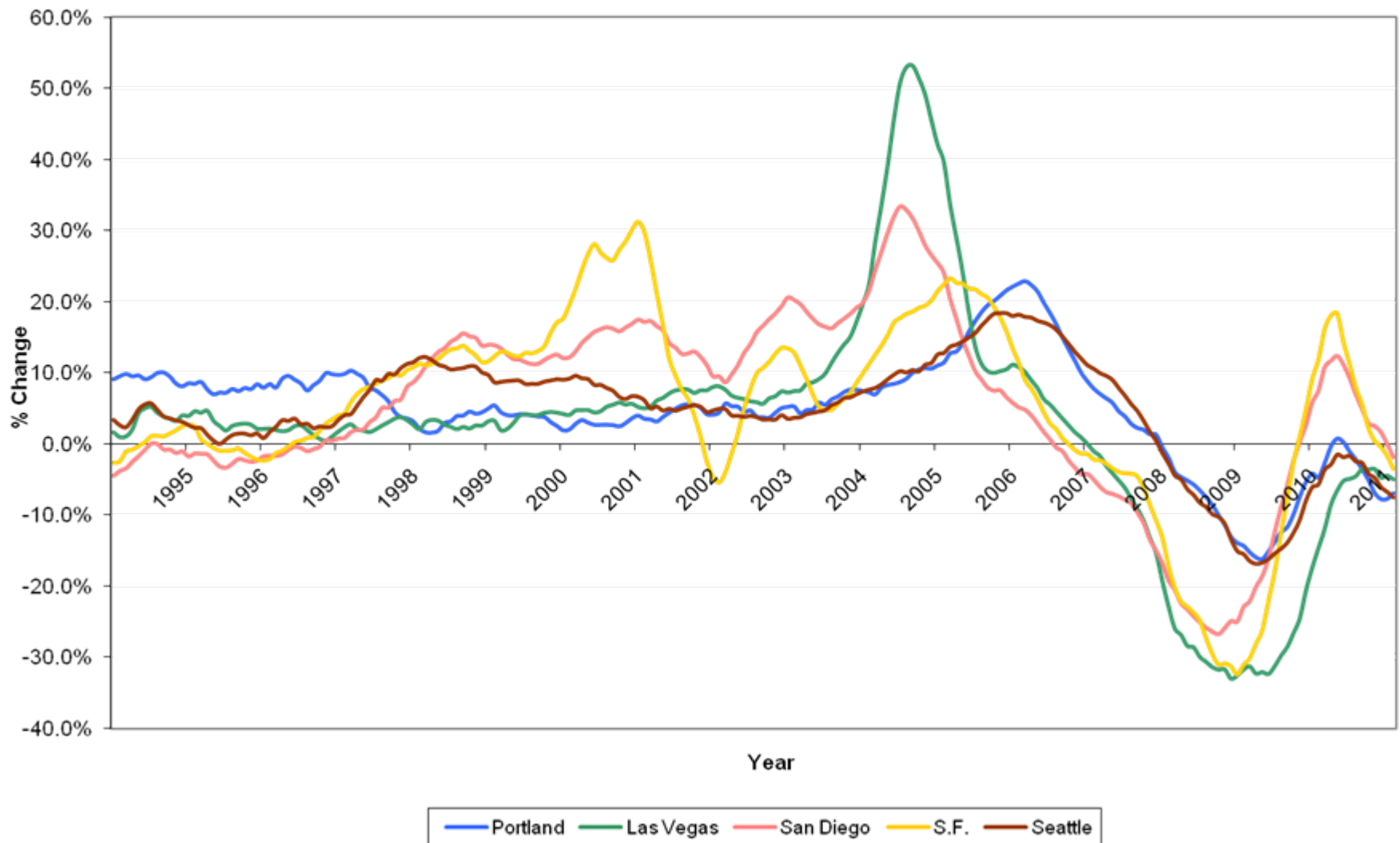


Economic Overview



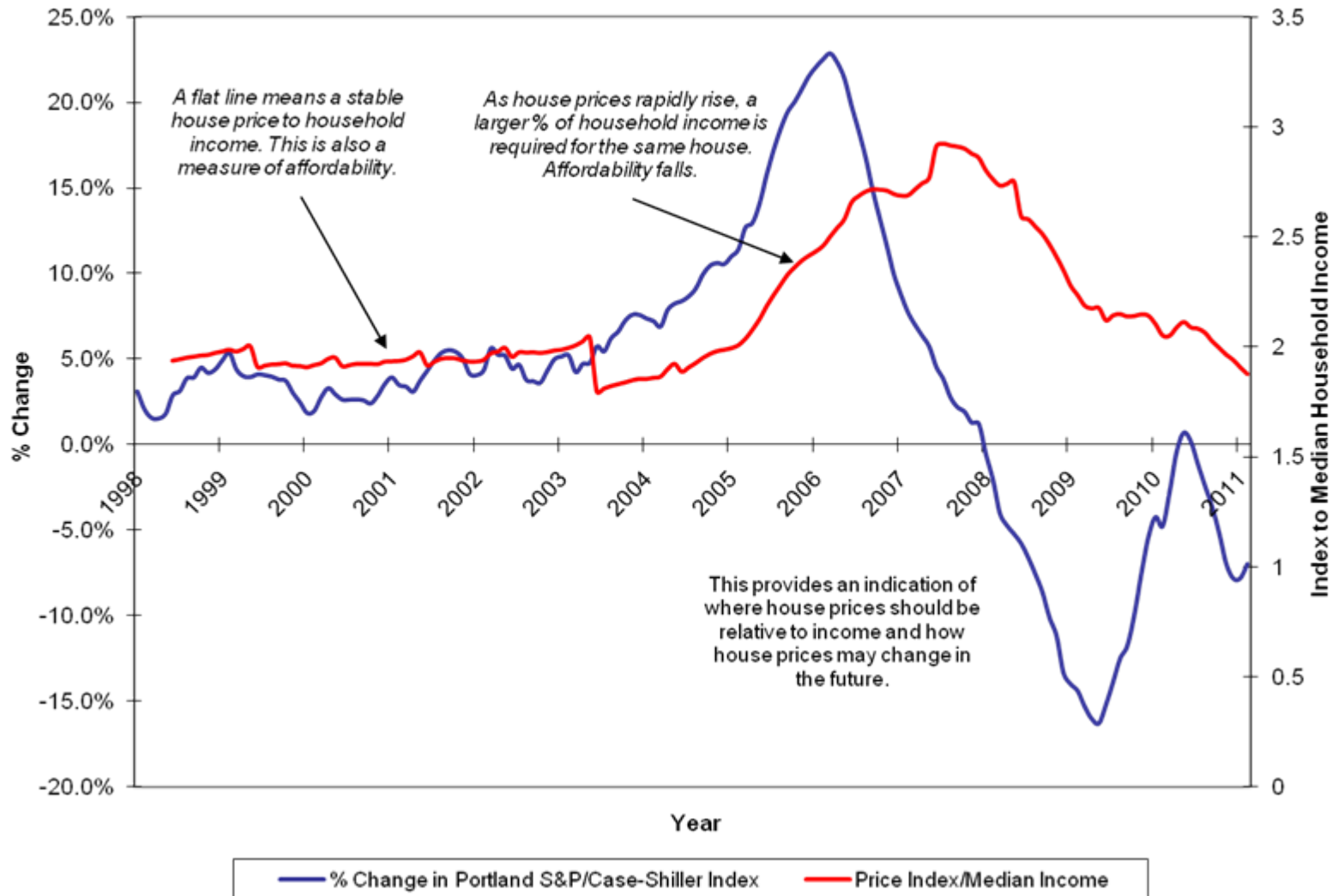
Economic Overview

Monthly Year-Over-Year % Change
Based on S&P/Case-Shiller Home Price Index Thru February 2011



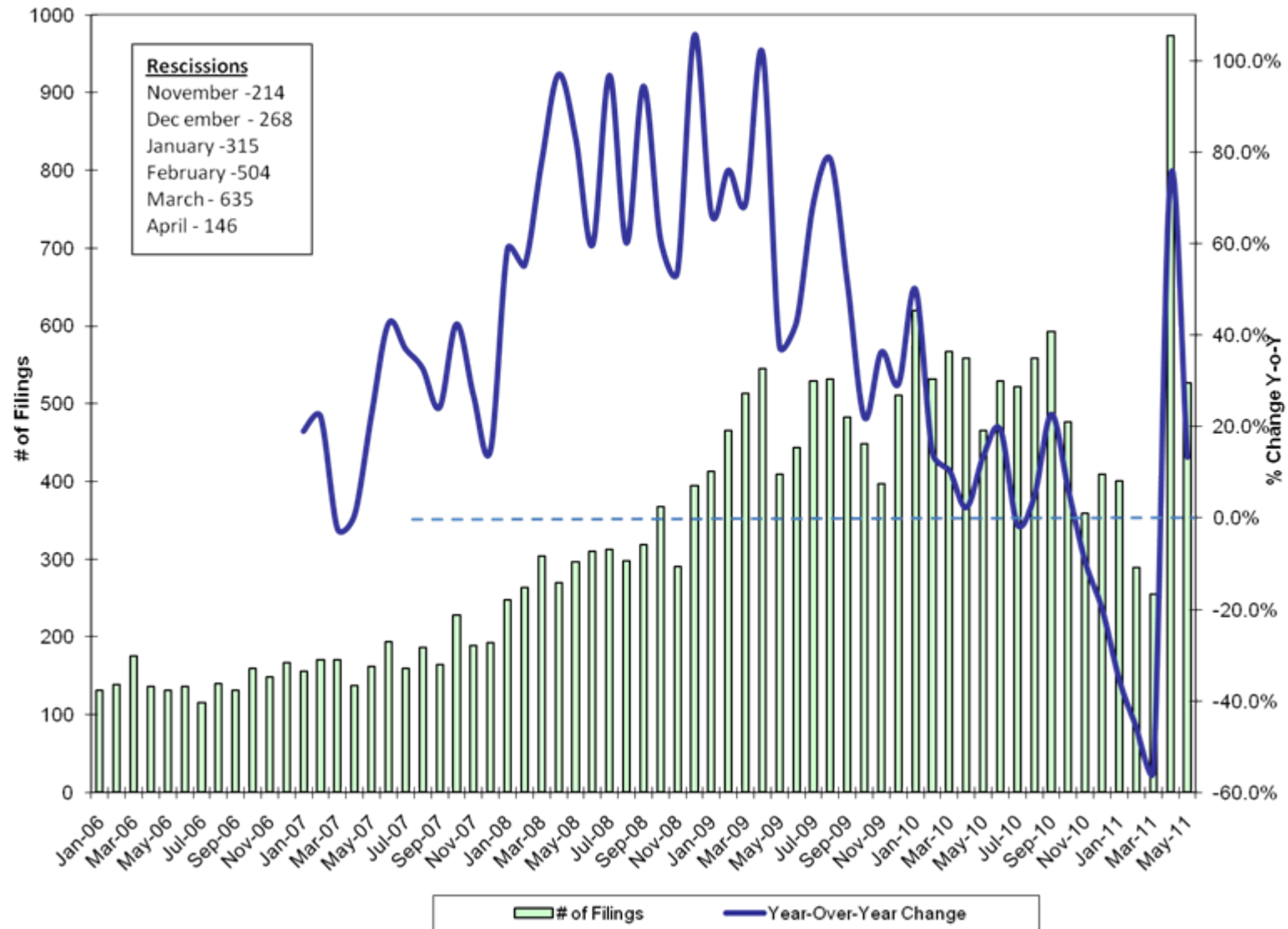
Economic Overview

% Change in Portland S&P/Case-Shiller House Price Index and Index to Median Household Income (Thru February)



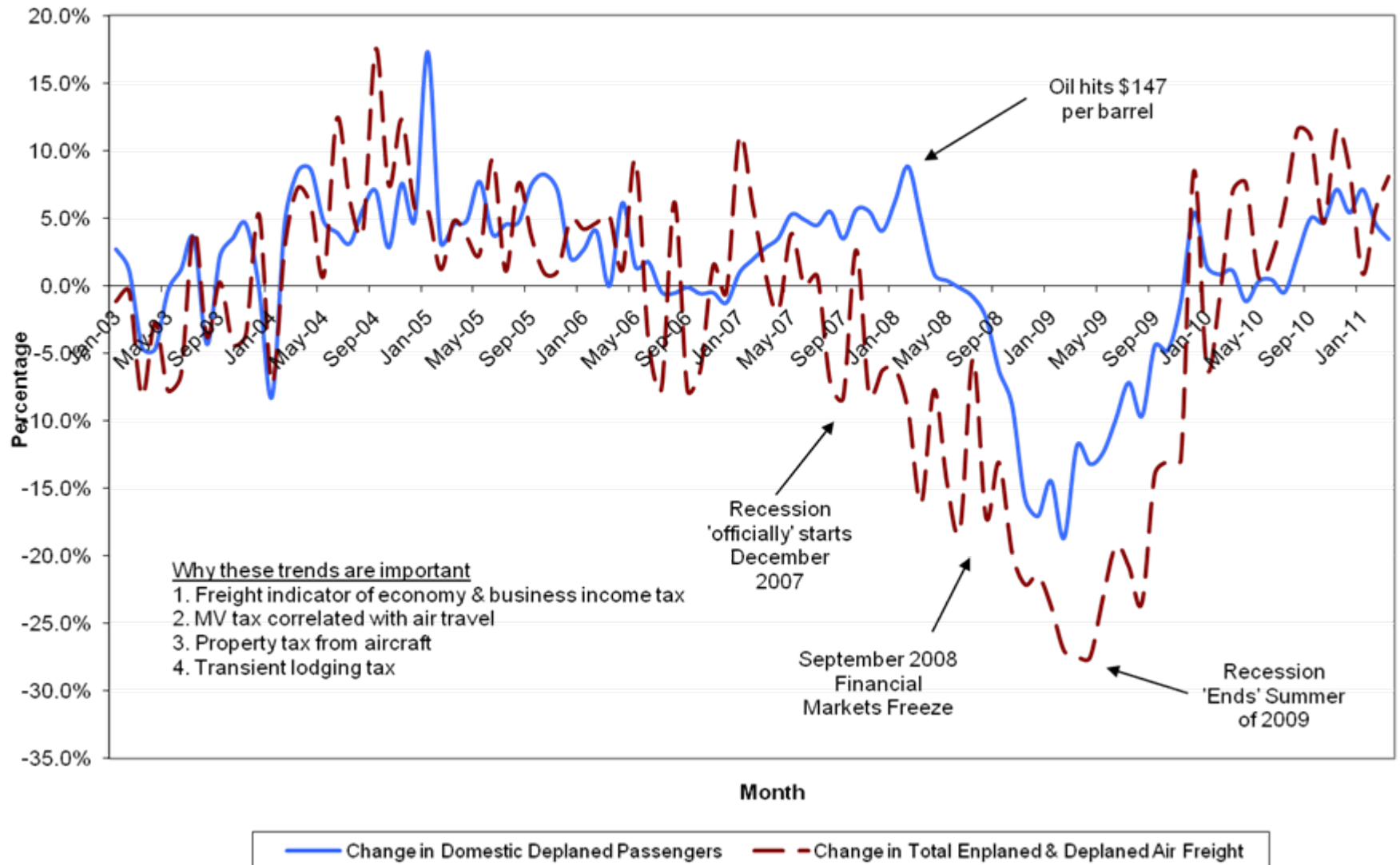
Economic Overview

Default Filings in Multnomah County & Year-Over-Year % Change (Thru April; w/ May Est.)



Economic Overview

Year-Over-Year Change in Passengers & Freight at PDX (Thru March)



FY 2011 Review

FY 2011 Revenue Review

	Adopted ¹	October Forecast Change	February Forecast Change	May Forecast Change	Net Change From Adopted	Note
Property Taxes	228,530,991	(377,023)	630,369	0	253,346	Actual AV 2.64% vs. budgeted 2.75%; Actual Compression 2.93% vs. Budget of 3.25%; Increase Discount/Delinq from 5.5% to 5.88% for Comcast Reserve. Current & prior year actual higher, interest/penalties lower.
Business Income Taxes	42,263,000	4,237,000	0	1,200,000	5,437,000	FY 2010 4.46% higher than forecast; FY 2010 Actual to FY 2011 Revised = 5.3% increase; Net increase = 10%; Increase May Forecast per April returns.
Motor Vehicle Rental Taxes	17,847,854	(185,285)	224,039	0	38,754	
US Marshal	6,519,700	0	0	(472,724)	(472,724)	Budget = 140 beds/day; Averaged 142 thru Jan; thru April = 133; Assume 113.25/day for remainder of yr or 130/day for yr.
State Shared						
Video Lottery	4,095,000	0	0	0	0	
Liquor	2,889,150	0	346,698	(258,085)	88,613	December payment inflated, distorting trend.
Cigarette	748,329	(33,574)	0	0	(33,574)	
Amusement	175,000	0	0	0	0	
Recording Fees/CAFFA Grant	7,750,000	0	0	(300,000)	(300,000)	Feb thru April show steep decline.
Indirect						
Departmental	9,832,672	0	0	(830,885)	(830,885)	Reduced per Feb forecast.
Central Indirect/Svc Reimburse	6,241,385	0	0	(490,147)	(490,147)	Reduced per Feb forecast.
All Other	18,637,879	0	(865,200)		(865,200)	Interest earnings lower.
FY 11 Revenue Adjustments ²	345,530,960	3,641,118	335,906	(1,151,841)	2,825,183	
% of Revenue		1.05%	0.10%	-0.33%	0.82%	

1. Excludes BWC and ITAX Revenue.

2. Not adjusted for revenue adjustments directly offset by expenditure changes.



FY 2011 Review

BIT Collections Fiscal Year-to-Date Through April

	FY 08	FY 09	FY 10	FY 11	FY 11 vs. FY 08	FY 11 vs. FY 10
Quarterly	26,719,905	24,137,164	20,891,819	22,839,682	-14.5%	9.3%
Yearly	29,167,734	17,350,855	19,660,911	18,009,441	-38.3%	-8.4%
Refund/Interest	3,668,895	5,527,628	6,055,532	3,119,079	-15.0%	-48.5%
NSF Check	76,746	72,283	91,923	123,431	60.8%	34.3%
Total	52,141,997	35,888,109	34,405,275	37,606,614	-27.9%	9.3%
<i>Actual or Budget</i>	<i>65,650,000</i>	<i>42,900,000</i>	<i>44,150,000</i>	<i>42,263,000 Budget</i> <i>47,700,000 Forecast</i>		

BIT Reserve History

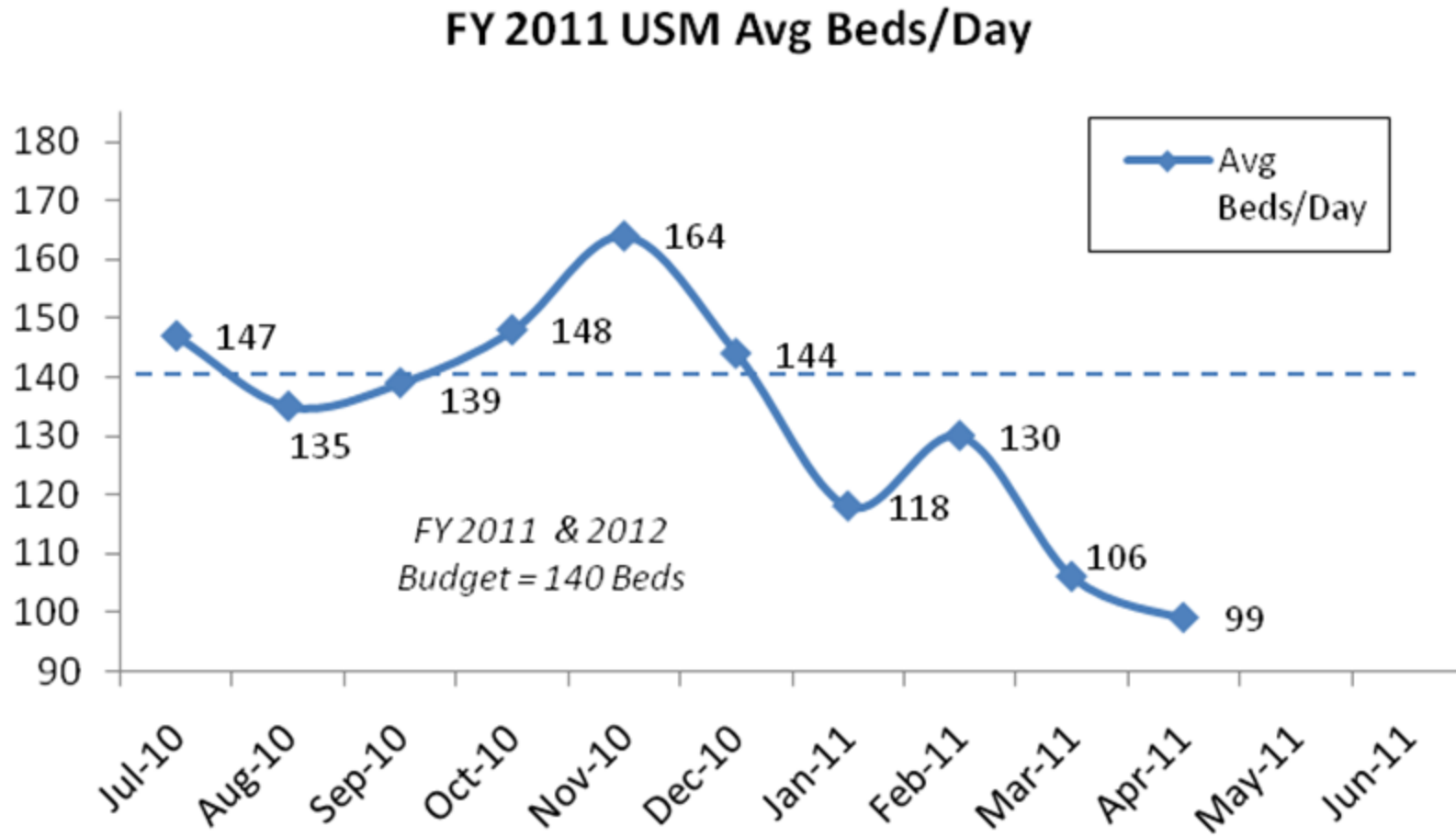
FY	BIT Reserve Amount	Adopted BIT Budget	Reserve %	Actual ¹ / Forecast BIT
2012	4,882,500	48,825,000	10.0%	
2011	4,000,000	42,263,000	9.5%	47,700,000
2010	6,000,000	42,528,000	14.1%	44,150,000
2009	3,000,000	54,844,744	5.5%	42,900,000
2008	5,000,000	52,215,000	9.6%	65,650,000
2007	3,500,000	40,500,000	8.6%	57,399,000

Notes:

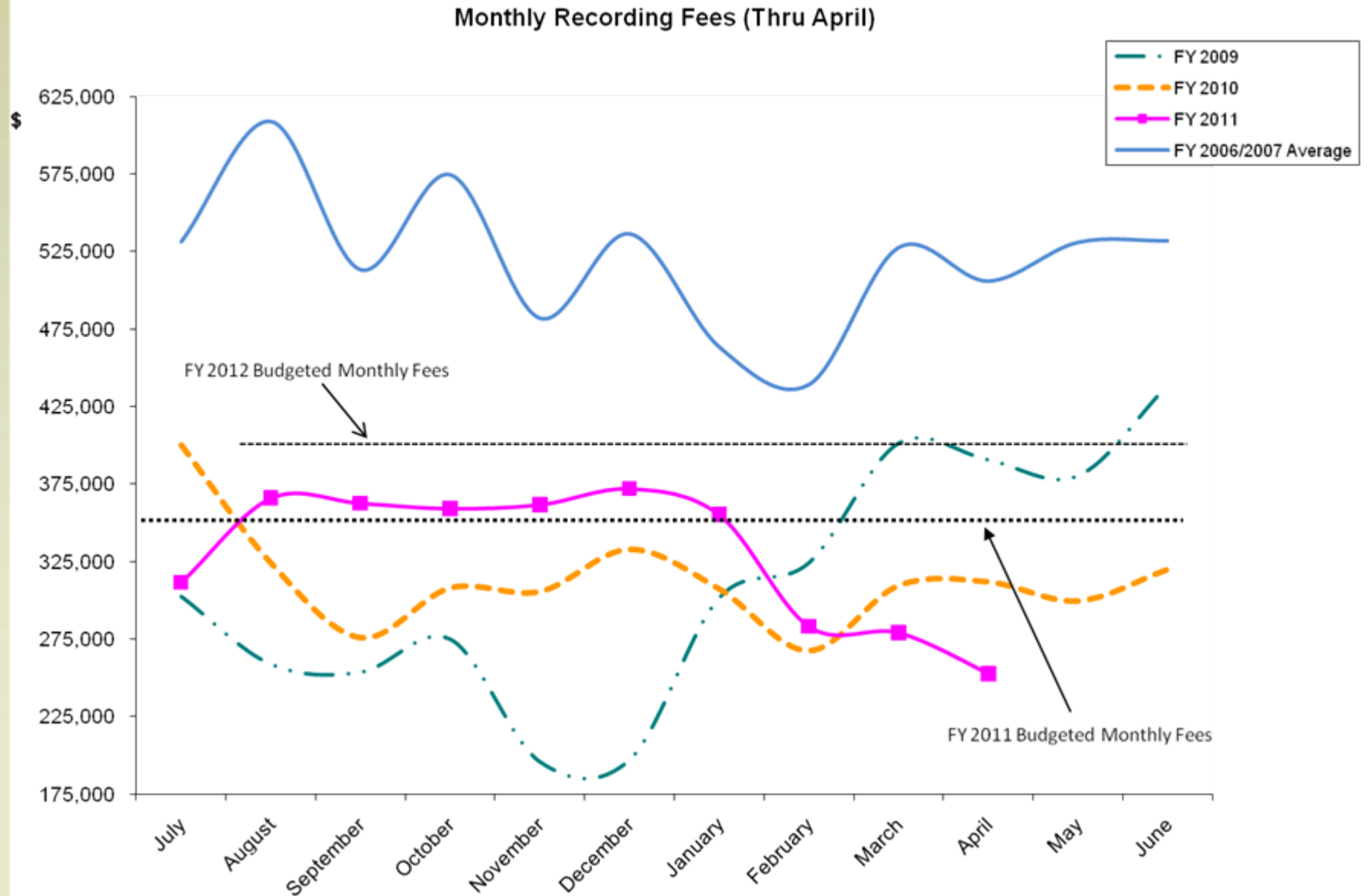
1. Not adjusted for accounting change for administrative/collection costs.



FY 2011 Review



FY 2011 Review



FY 2011 Review

Closing out FY 2011

Unused General Fund Contingency <i>(Assumes \$4 million BIT Reserve rolled over to FY 2012)</i>	2,661,185
FY 2011 Departmental Underspending	
Departmental Projections w/Budget Submissions (1.33%)	4,672,378
Current trends (2.10%)	7,069,571
Less DART & NACo	(675,000)
Less Reduced Revenue per Forecast	<u>(1,151,841)</u>
	5,242,730
Less Labor Contract Settlements (i.e., MCCDA)	



5-Year General Fund Revenue Forecast

Major General Fund Revenue Sources ¹

	Adopted FY 2011	Forecast FY 2011 ²	Approved FY 2012	Forecast FY 2013	Forecast FY 2014	Forecast FY 2015	Forecast FY 2016
Property Taxes	228,530,991	228,784,337	233,404,887	241,555,302	250,821,340	259,714,968	268,696,598
Business Income Taxes	42,263,000	47,700,000	48,825,000	51,266,250	53,829,563	58,135,928	62,786,802
Motor Vehicle Rental Taxes	17,847,854	17,886,608	18,512,639	19,438,271	20,021,419	20,622,062	21,240,724
US Marshal	6,519,700	6,046,976	6,584,597	6,811,475	7,012,820	7,220,204	7,433,810
Recording Fees/CAFFA Grant	7,750,000	7,450,000	8,249,282	8,958,750	9,035,925	9,114,644	9,194,936
State Shared	7,907,479	7,615,820	9,186,707	9,524,873	9,904,749	10,138,349	10,378,731
Indirect & Service Reimbrs.	16,074,057	14,753,025	18,418,714	18,894,021	19,384,446	19,890,470	20,412,594
	326,893,081	330,236,766	343,181,826	356,448,942	370,010,262	384,836,625	400,144,195
% of Total Revenue	94.6%	94.8%	95.2%	95.5%	95.7%	95.8%	95.9%
All Other General Fund	18,637,879	18,119,377	17,469,267	16,662,246	16,783,673	16,940,879	17,069,968
Total	345,530,960	348,356,143	360,651,093	373,111,188	386,793,935	401,777,504	417,214,163
 % Change in Ongoing Revenue		0.82%	3.53%	3.45%	3.67%	3.87%	3.84%
 AV Growth	2.75%	2.64%	2.85%	3.25%	3.50%	3.50%	3.50%
Compression	3.25%	2.93%	3.45%	3.60%	3.30%	3.25%	3.25%
BIT Growth	0.00%	12.86%	2.36%	5.00%	5.00%	8.00%	8.00%

1. Excludes BWC and ITAX Revenue.

2. Not adjusted for revenue adjustments directly offset by expenditure changes.



5-Year General Fund Revenue Forecast

Changes to Ongoing Revenues & Expenditures and Impact on the Expenditure/Revenue Gap

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Rev/Exp Gap - October 2010 Forecast	(5,330,281)	(9,178,346)	(13,416,537)	(16,409,902)	(20,007,602)
Motor Vehicle Rental Tax	231,880	60,667	62,486	64,361	66,292
Liquor Tax	357,098	367,812	378,846	390,211	401,918
Other	350,257	365,593	381,393	397,664	414,423
Rev/Exp Gap - February 2011 Forecast	(4,391,046)	(8,384,274)	(12,593,812)	(15,557,666)	(19,124,969)
Less Management/Exec COLA/Merit Savings	1,500,000				
Less City of PDX Contributing to CATC Gap	502,500				
Less Increased Central Indirect Revenue	2,141,814				
Less East county Court Debt Rebate	320,800				
Less Net TRAN	104,700				
Less Multnomah Evolves/Span of Control (CGF Portion)	785,674				
Less 2% Constraint Savings Less ISR Savings	4,281,140				
Less Est. Savings Due ISR (from CSL)	2,428,711				
Less Net Other Reductions/Changes/Revenues	588,523				
Plus Preserve Existing Programs/Backfill/Investments	(2,662,816)				
Plus Ongoing Ramp-Down Funds	(1,600,000)				
Plus Address FY 2013	(4,000,000)				
FY 2012 Gap Closed		4,391,046	4,391,046	4,391,046	4,391,046
FY 2013 Gap Addressed in FY 2012		4,000,000	4,000,000	4,000,000	4,000,000
Rev/Exp Gap - May 2011 Forecast	0	6,772	(4,202,766)	(7,166,620)	(10,733,923)
Gap Growth from Prior Year		6,772	(4,209,538)	(2,963,854)	(3,567,303)
<i>Gap Increase as % of Ongoing Revenues</i>		0.00%	-1.09%	-0.74%	-0.86%



5-Year General Fund Revenue Forecast

Possible FY 2012 Revenue Adjustments

		Better	← →	Worse
Recording Fees	Lower to First Half FY 2011 Trend	(300,000)		
	Lower to FY 2010/2011 Trend		(480,000)	
	Lower to FY 2011 Trend			(850,000)
USM	No Change	0		
	Lower from 140 to 130 beds/day		(468,186)	
	Lower from 140 to 125 beds/day			(702,278)
Liquor Taxes	Revise to trend	(267,824)	(267,824)	(267,824)
BIT	Most likely incremental range of change	1,850,000	1,216,009	0
Total		1,282,177	0	(1,820,102)
% of Ongoing Revenue		0.36%	0.00%	-0.50%

Recommendation 1: Lower Recording, USM, Liquor, offsetting with BIT

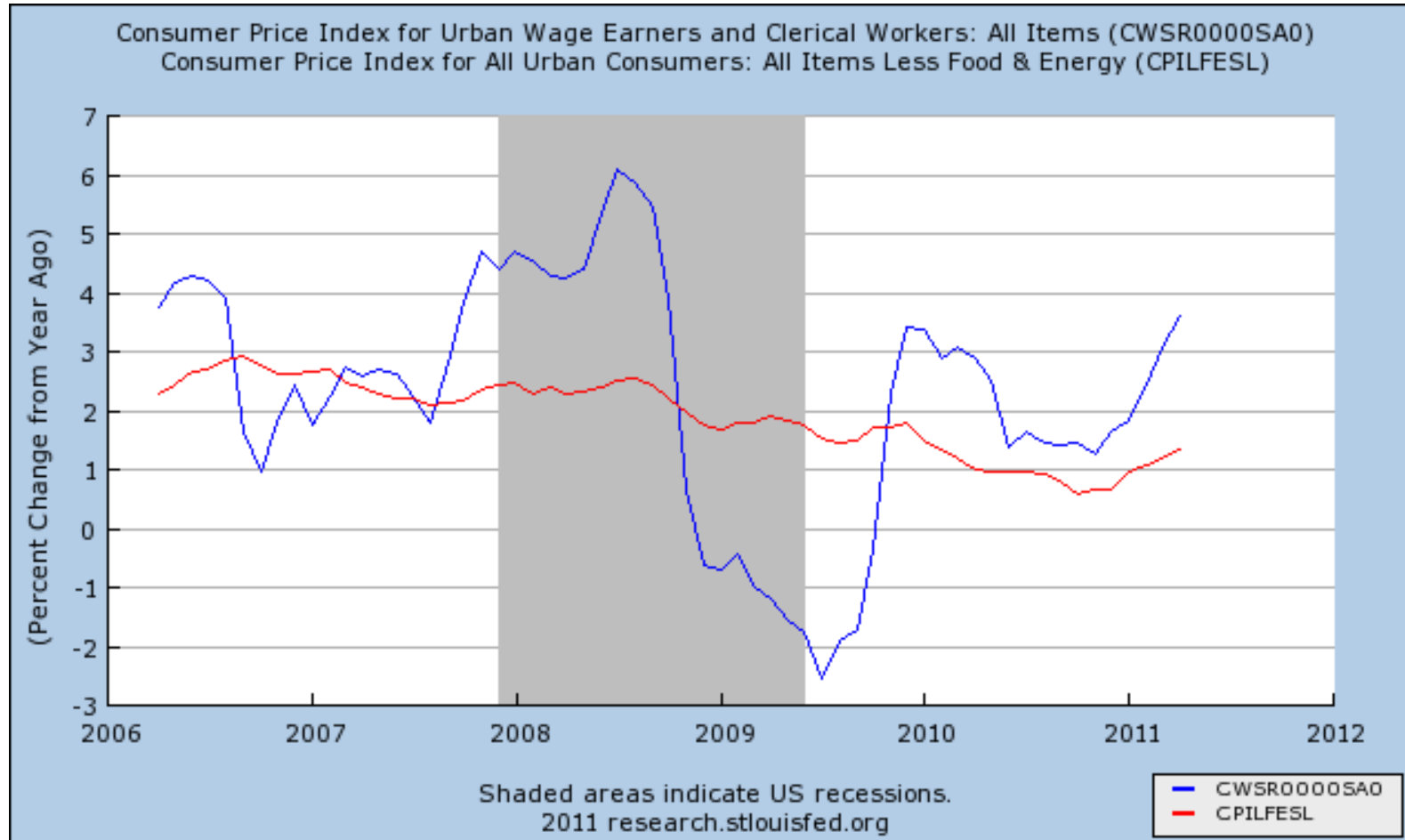
Recommendation 2: Do nothing. Review during State mid-year, October forecast, or earlier if needed.

In any case...

- Would be ongoing
- **State ramp-down funds, ongoing**
- BIT reserve
- Relatively small



5-Year General Fund Revenue Forecast



Forecast Risks & Issues

- A weaker economy and slower housing recovery
 - ✓ BIT
 - ✓ Property tax compression
- Contracting Federal fiscal policy
 - ✓ Including Federal deficit and debt ceiling issues
- Federal Reserve exit policies
- European sovereign debt issues
- Oil prices and Middle East unrest
- State and Local Impacts
- Internal/local issues and uncertainties
 - ✓ Open Labor contracts
 - ✓ Health care costs
 - ✓ State redesign impacts
 - ✓ Capital needs (bridges & buildings)



Summary

- FY 2011 General Fund revenues down \$1.15 million or 0.33% from last forecast, but up \$2.83 million (0.82%) for the full year.
 - ✓ No action needed for either FY 2011 or FY 2012 as under spending will offset.
- FY 2011 unspent General Fund contingency @ \$2.66 million.
- FY 2012 revenues trending slightly different than in Approved budget, but likely to net to no change.
 - ✓ Recording Fees
 - ✓ USM
 - ✓ No action required.
- FY 2013 forecasted revenues and expenditures in balance.
- FY 2014 – 2016 operating gap grows at \$3.0 to \$4.2 million per year or roughly 1% of ongoing revenues.
- Major risks to revenue outside of our control, while open labor contracts add uncertainty on the cost side.
- Questions?

