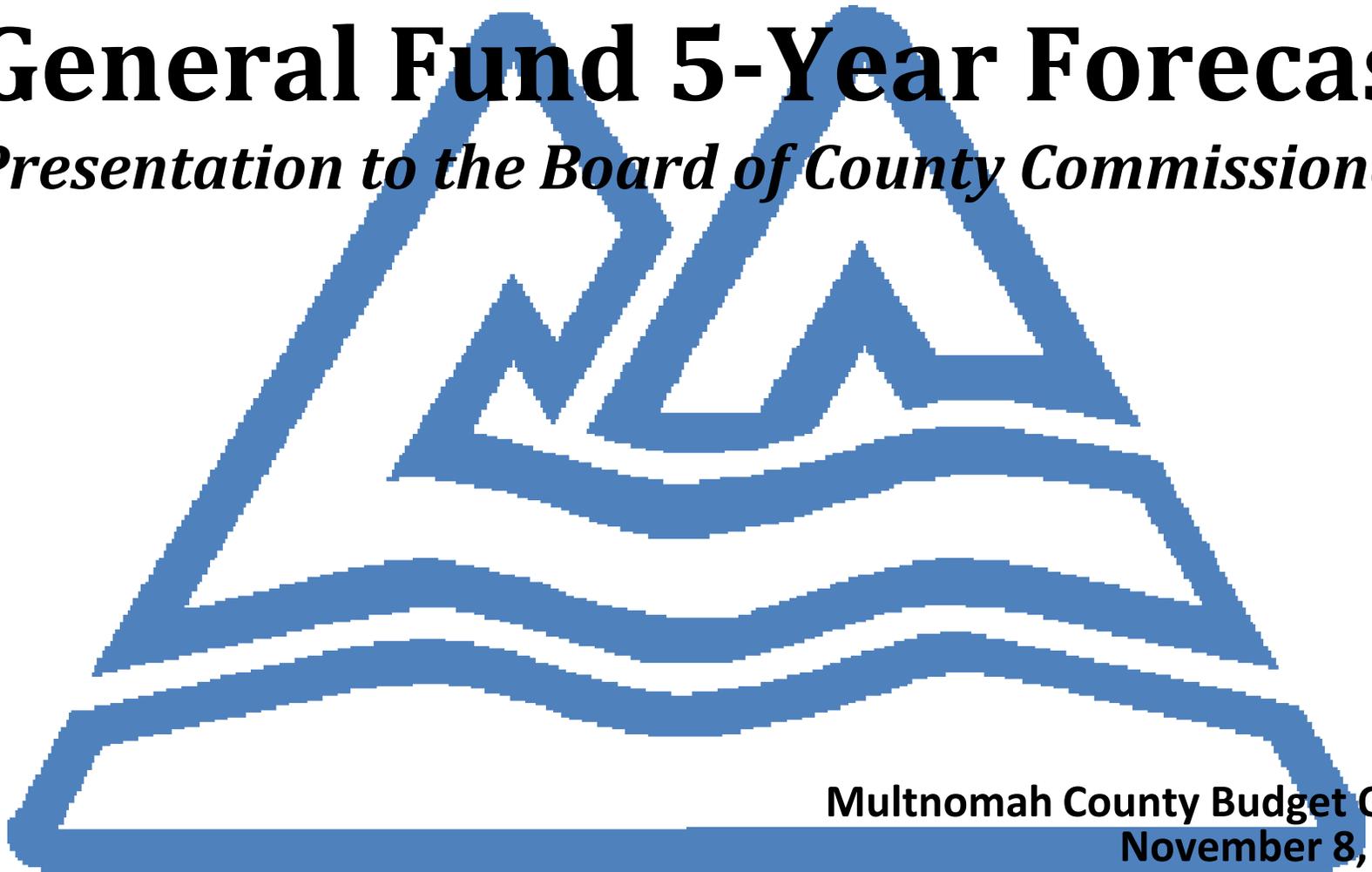


FY 2013

General Fund 5-Year Forecast

Presentation to the Board of County Commissioners



Multnomah County Budget Office
November 8, 2011

www.multco.us/budget

Overview

- **Economic Overview**
- **FY 2012 Revenue Review**
 - ✓ Revenue
 - ✓ BIT
 - ✓ USM
 - ✓ Recording Fees
- **FY 2013 General Fund 5-Year Forecast**
 - ✓ FY 2013 Forecast
 - ✓ 5-Year Outlook
 - ✓ Revenues
 - ✓ Expenditure Assumptions
 - Ongoing & OTO Assumptions
 - Cost Drivers
 - CPI/COLA
- **FY 2012 General Fund Contingency & FY 2013 One-Time-Only Funds**
- **Forecast Risks & Issues**
- **Summary & Questions**



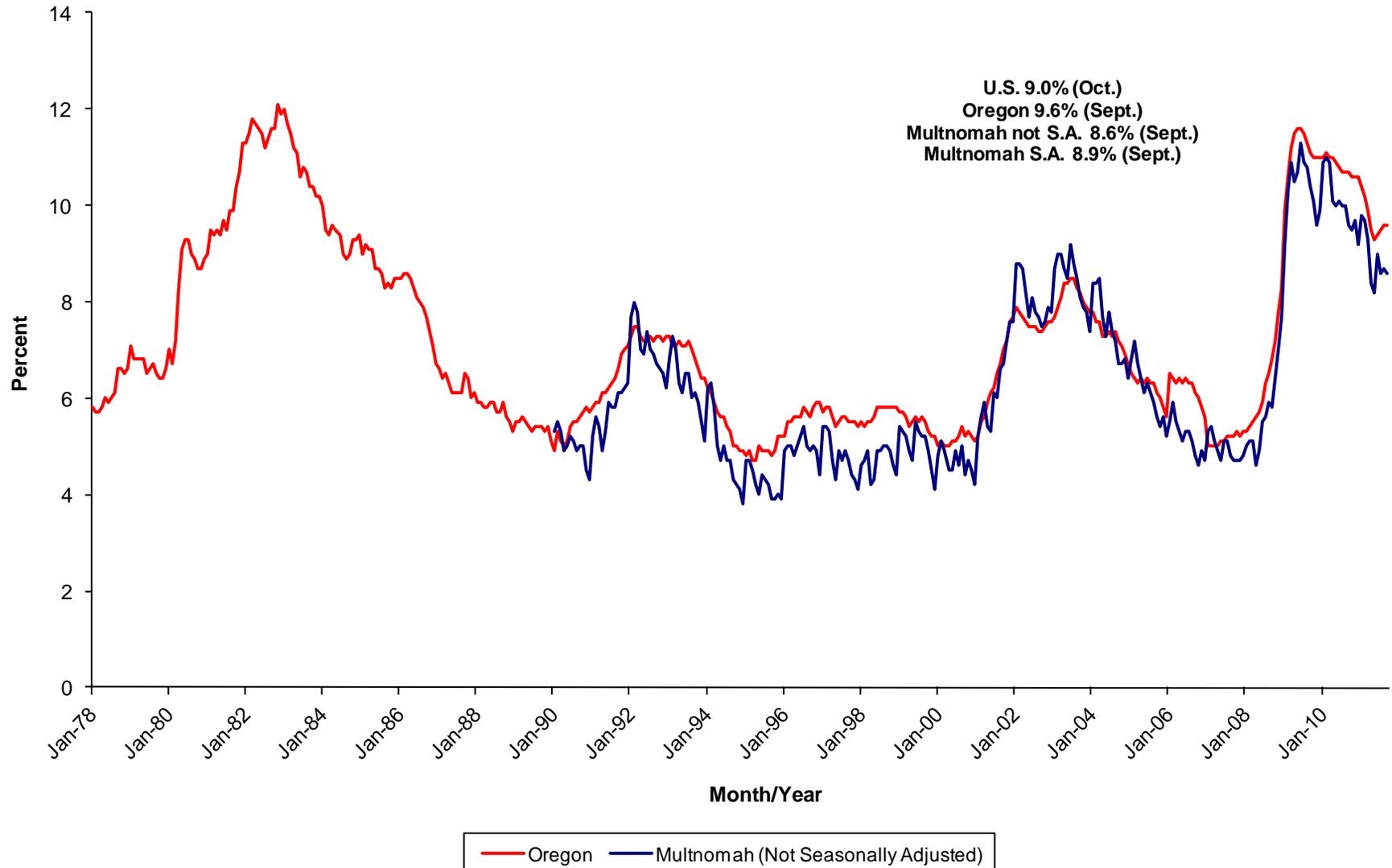
Economic Overview

- A stabilized economy with anemic to modest growth... with constant headwinds.
 - GDP – Nine quarters of growth
 - ✓ 2011 Q1 = 0.4%, Q2 = 1.3%, and Q3 = 2.5%
 - ✓ Oil prices, Japan Earthquake/Tsunami, U.S. Debt ceiling, European Debt
 - Labor Markets
 - ✓ U.S. weekly unemployment claims – 4-week moving average @ 405,000
 - ✓ Oregon Sept Y-o-Y jobs up 27,000 (1.7%) but 7,400 less public sector
 - Housing
 - ✓ New starts @ annual rate of 658,000 (vs. record low of 477,000 and peak of 2 million plus)
 - ✓ 10.9 million (22.5%) of properties w/ mortgage have negative equity (CoreLogic Q2); for Oregon it is 120,000 or 17.2%
 - Industrial Production
 - ✓ Slowly improving... For Sept. capacity utilization @ 77.4%, which is 3.0% points below 1972 to 2010 average, but up 10.1% points from 2009 low.
 - **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.

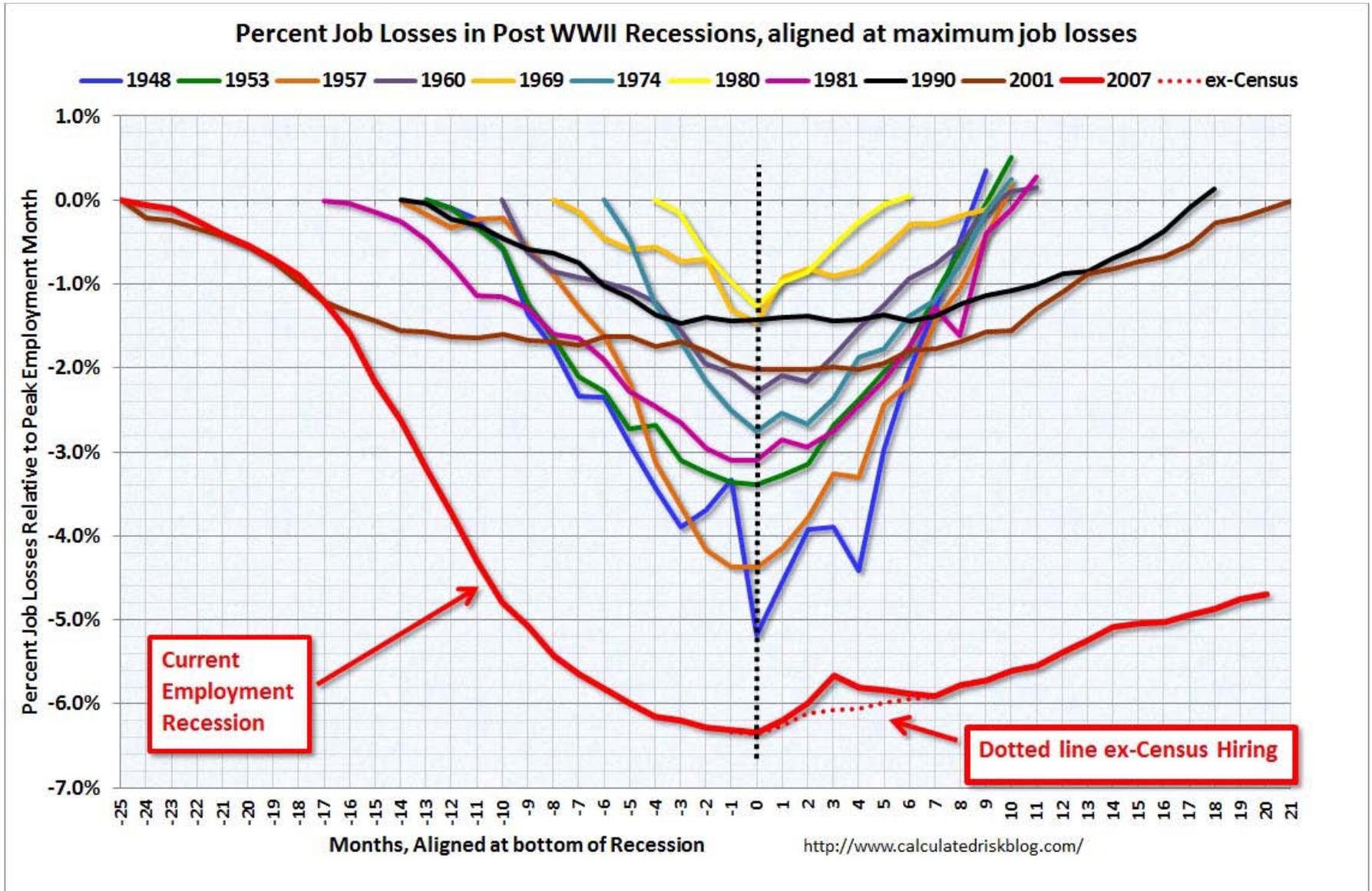


Economic Overview

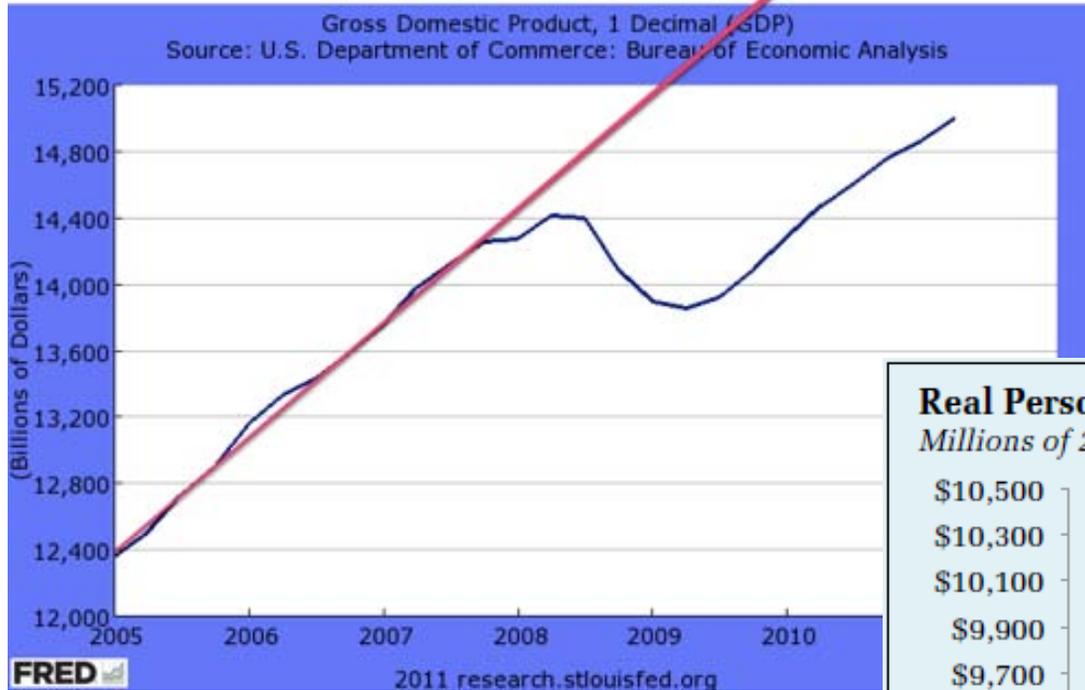
Oregon & Multnomah County Unemployment Rates



Economic Overview

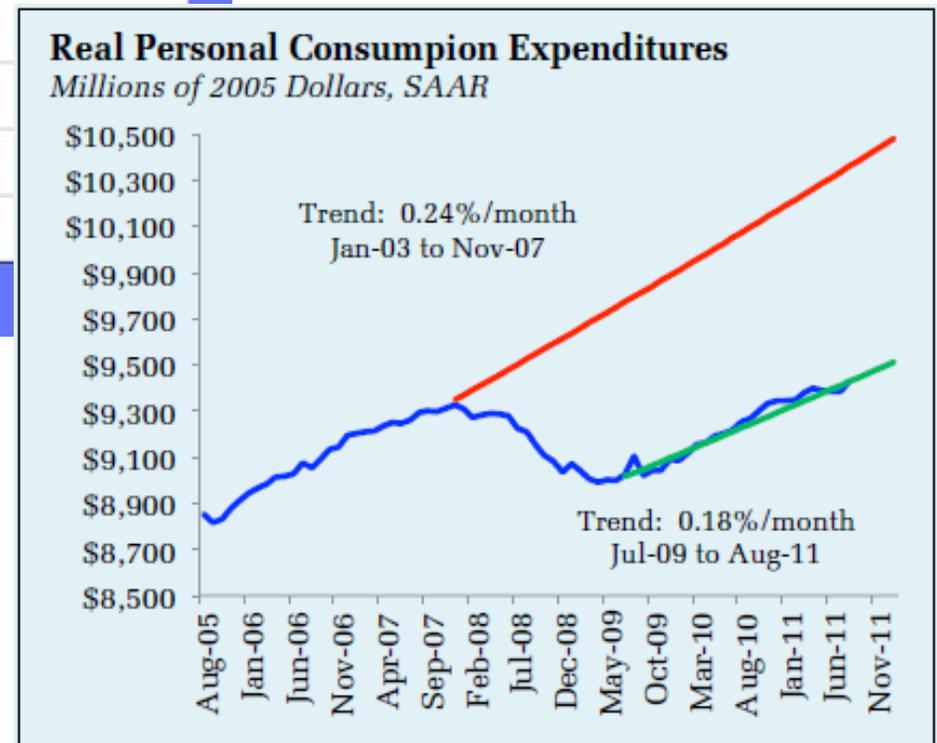


Economic Overview

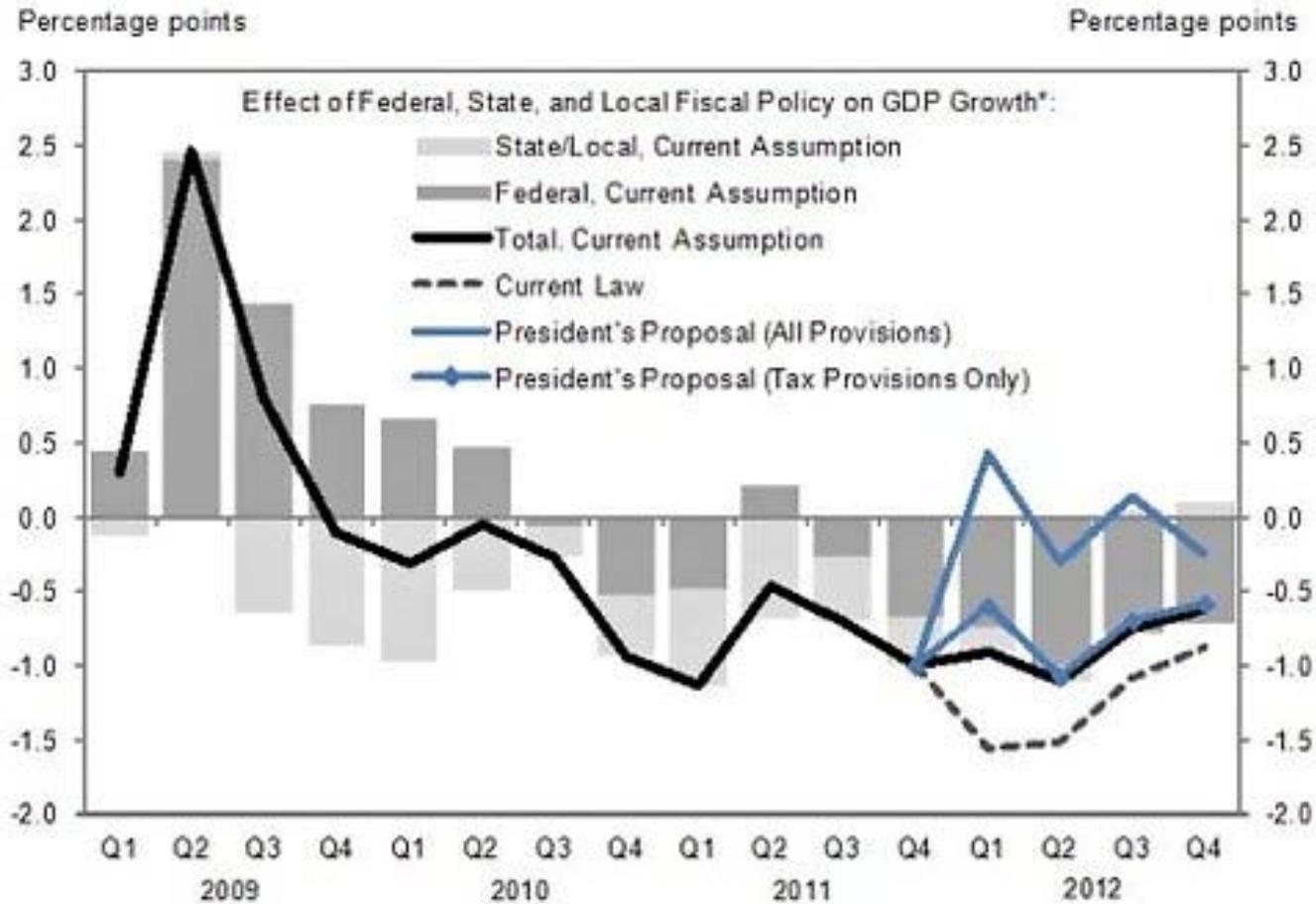


Nominal GDP -- from DeLong, UC Berkeley & NBER @ Oregon Economic Forum (10/20/11)

Real Personal Consumption Expenditures -- from Duy, Director Oregon Economic Forum, U. Oregon @ Oregon Economic Forum (10/20/11)



Economic Overview

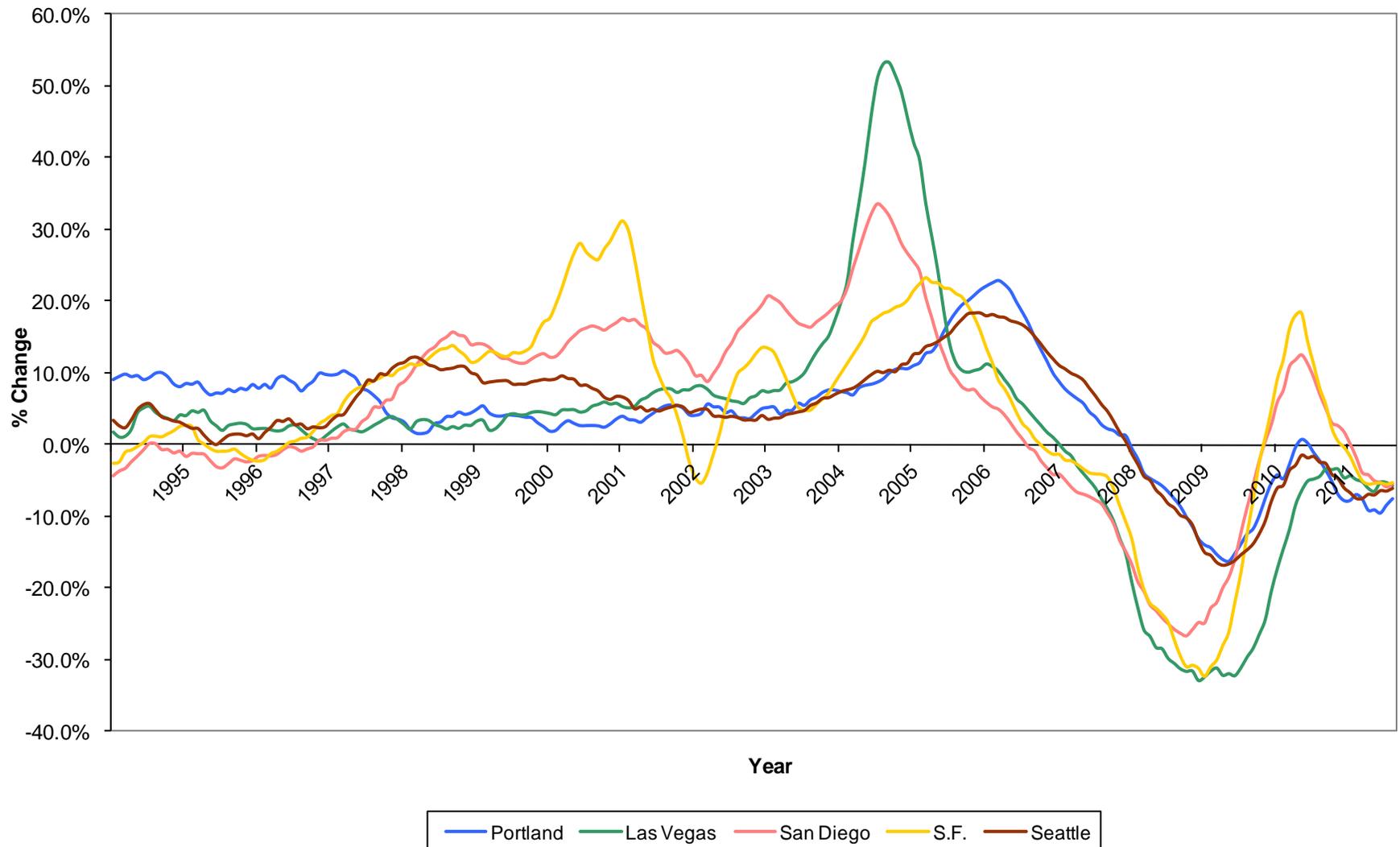


* Annualized; excludes second round effects.
Source: GS Global ECS Research.



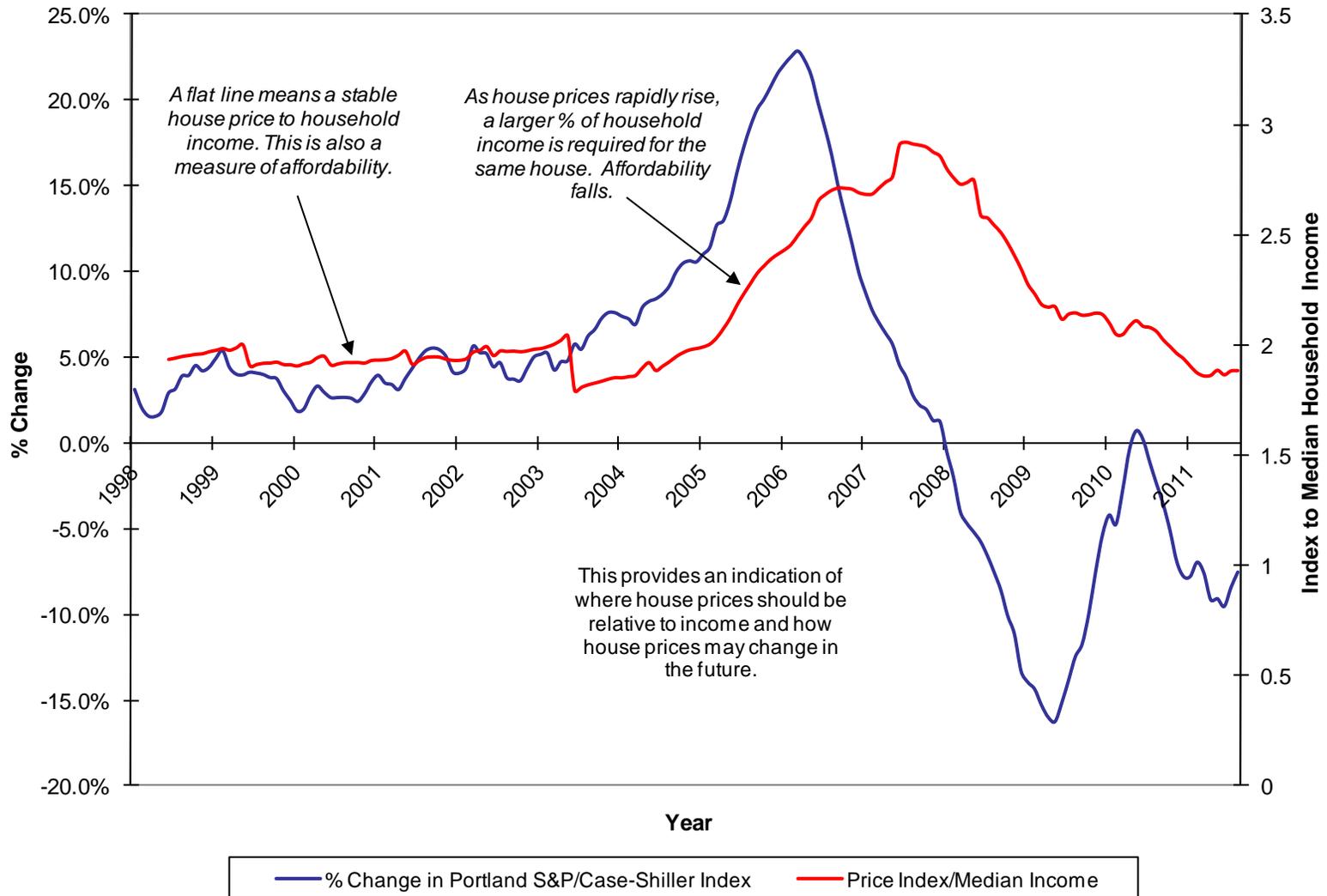
Economic Overview

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



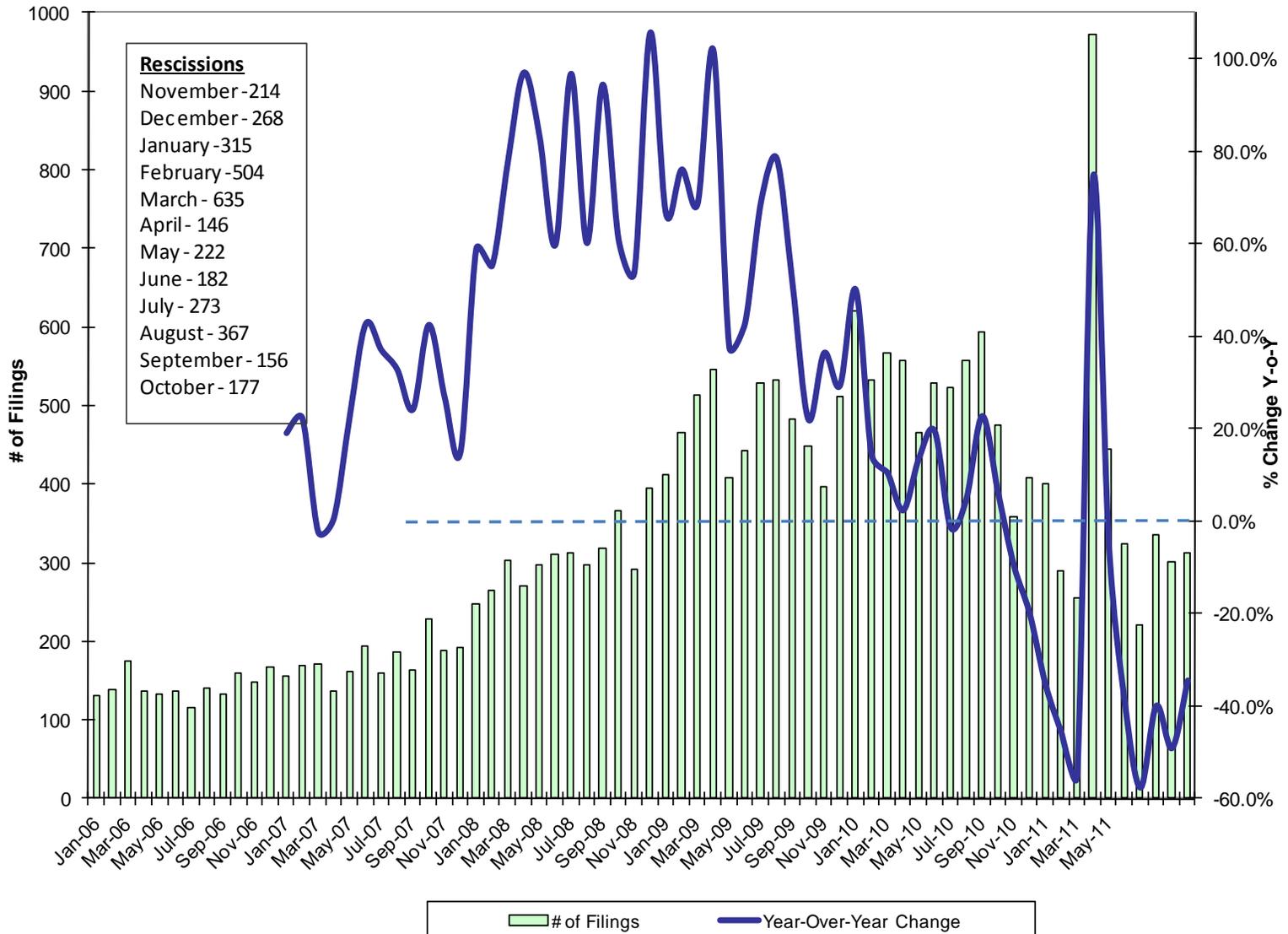
Economic Overview

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



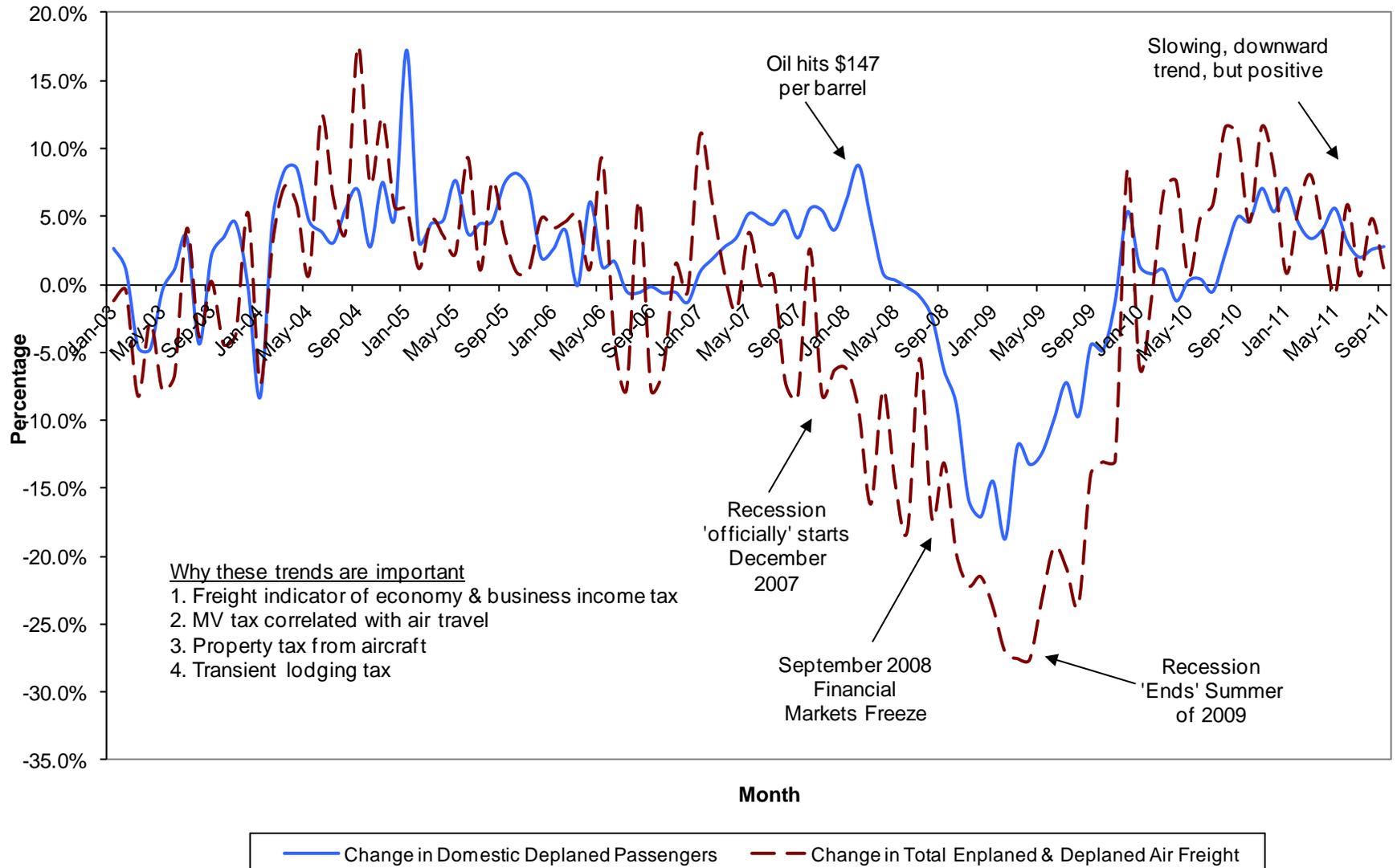
Economic Overview

Notice of Default Filings in Multnomah County & Year-Over-Year % Change Thru October



Economic Overview

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



FY 2012 Revenue Review

	Adopted ¹	October Forecast Change	Note
Property Taxes	233,404,887	(585,317)	Actual AV 2.78% vs. budgeted 2.85%; Actual Compression 3.95% vs. Budget of 3.45%; Decrease Discount/Delinq from 5.88% to 5.70%.
Business Income Taxes	48,825,000	1,220,625	FY 2011 Actual \$48.57 million; Increase to 3.0% growth from FY 11 with weakening in second half of FY 12.
Motor Vehicle Rental Taxes	18,512,639		Watch for potentially weakening; 4.14% growth from FY 11 actual.
US Marshal	6,584,597	(702,278)	Budget = 140 beds/day; FY 2011 Average = 128; FY 2012 to date average = 122.7; Assume 125/day for FY 2012. (See graph.)
State Shared			
Video Lottery	4,974,750	0	Technically in separate fund.
Liquor	3,332,923	0	Implies 12% growth from FY 11 actual... Review in Feb.
Cigarette	704,034	0	
Amusement	175,000	0	
Recording Fees/CAFFA Grant	8,249,282	(1,200,000)	Recording Fees continued Spring weakness... Lower aggressively to \$300,000/month; Similar to FY 10 levels. (See graph.)
Indirect			
Departmental	10,948,555	0	
Central Indirect/Svc Reimburse	7,614,707	0	
All Other	17,469,267	135,000	Animal control fees up; Traffic fines down.
FY 12 Revenue Adjustments ²	360,795,641	(1,131,970)	
% of Revenue		-0.31%	

1. Excludes BWC, Ambulance Fees, and FQHC wraparound revenues.

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



FY 2012 Revenue Review

What Was Noted in Our May Forecast...

Possible FY 2012 Revenue Adjustments

		Better	← →	Worse	Actual Change
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)	(1,200,000)
USM	No Change	0			
	Lower from 140 to 130 beds/day		(468,186)		
	Lower from 140 to 125 beds/day			(702,278)	(702,728)
Liquor Taxes	Revise to trend	(267,824)	(267,824)	(267,824)	Monitor
BIT	Most likely incremental range of change	1,850,000	1,216,009	0	1,220,625
Total		1,282,177	0	(1,820,102)	(682,103)
% of Ongoing Revenue		0.35%	0.00%	-0.49%	-0.18%

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



FY 2012 Revenue Review

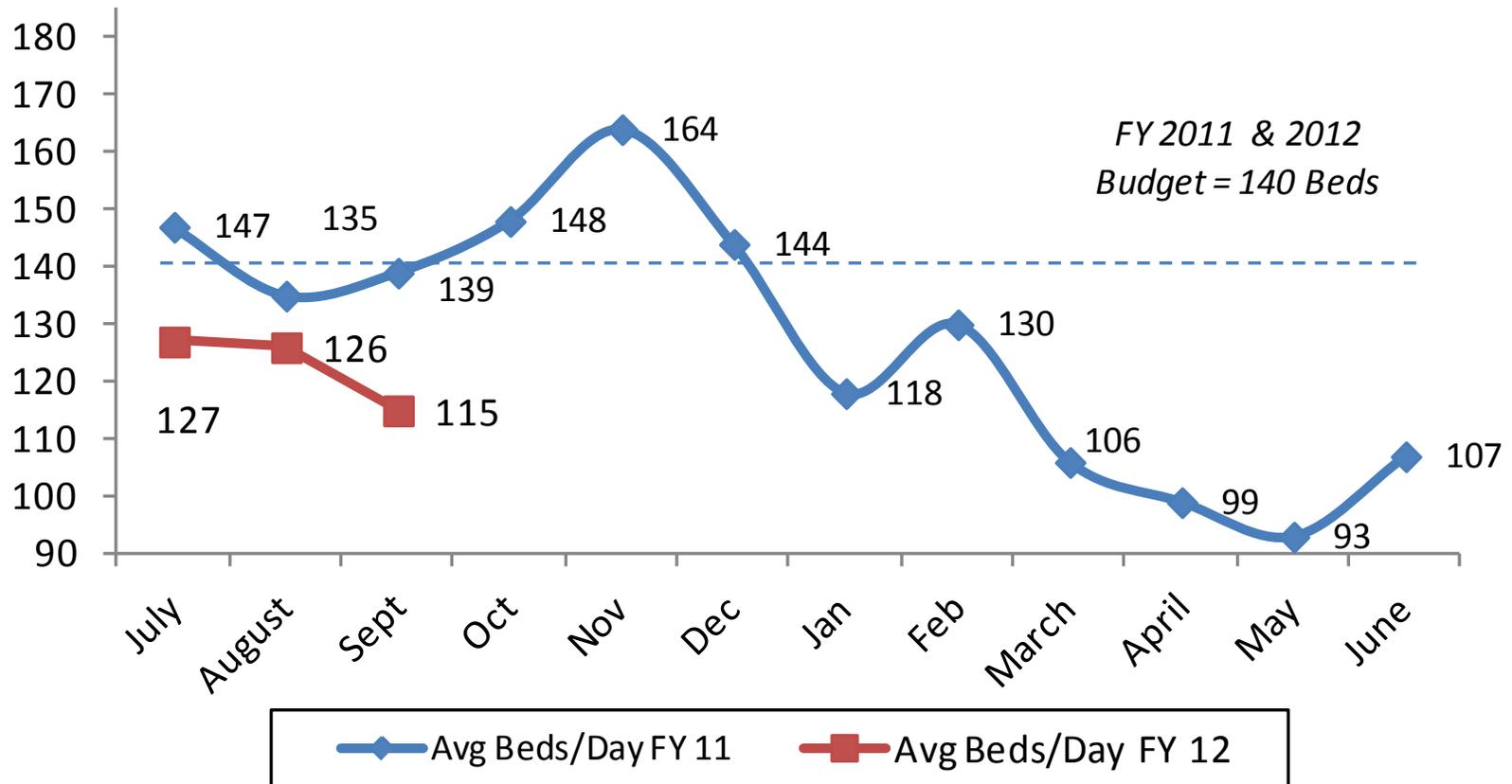
BIT Collections Fiscal Year-to-Date Through October

	FY 08	FY 09	FY 10	FY 11	FY 12	FY 12 vs. FY 08	FY 12 vs. FY 11
Quarterly	9,953,262	8,998,390	6,769,017	7,827,270	8,299,954	-16.6%	6.0%
Yearly	3,012,871	3,282,278	3,529,173	2,205,929	2,828,830	-6.1%	28.2%
Refund/Interest	580,529	579,433	1,127,342	865,622	509,115	-12.3%	-41.2%
NSF Check	5,077	6,685	46,554	46,632	4,452	-12.3%	-90.5%
Total	12,380,526	11,694,551	9,124,294	9,120,946	10,615,216	-14.3%	16.4%
<i>Actual or Budget</i>	<i>65,650,000</i>	<i>42,900,000</i>	<i>44,150,000</i>	<i>48,570,000</i>	<i>48,825,000 Budget</i> <i>50,045,625 Forecast</i>		



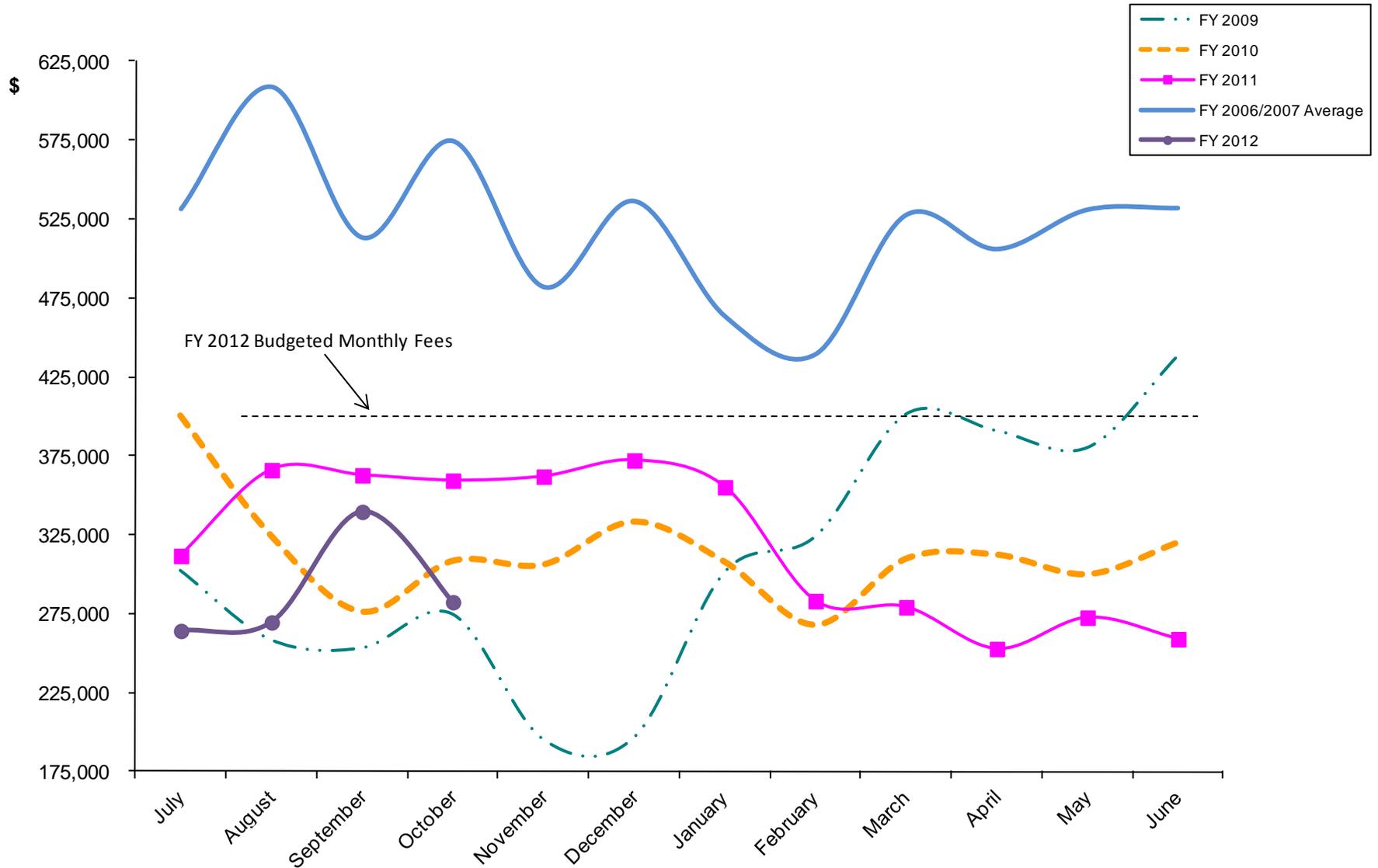
FY 2012 Revenue Review

USM Avg Beds/Day



FY 2012 Revenue Review

Monthly Recording Fees (Thru October)



FY 2013 General Fund Forecast

- The forecast continues to assume a protracted and uneven recovery, characterized by:
 - ✓ Anemic to modest growth, continued high unemployment, slowly stabilizing property values
- The FY 2013 ongoing gap between revenues and expenditures is estimated at **\$1.9 million** (roughly 0.5% of expenditures).
- Based on the Adopted FY 2012 Budget, the FY 2013 Budget should have been within \$0.2 million of being balanced. What changed?
 - ✓ Revenue...
 - Property tax revenues most significant change at a reduction of approximately \$2.3 million
 - Recording fees and US Marshal revenue noted earlier reduced by approximately \$1.6 million
 - Increased BIT revenues partially offset
 - ✓ Expenditure...
 - Lower personnel cost growth (3.23% vs. 5.25%) driven by Local 88 COLA freeze for FY 2013, no PERS increase (in our internal rates charged to departments), lower medical/dental rates than forecast



5-Year General Fund Outlook

- After FY 2013, the annual operating deficit ranges between **\$1.1 million to \$3.9 million** or between a quarter to one percent.
- Total 5-year gap is equal to **2.77%** of expenditures (vs. 4.61% at this time last year).
- Assumes no additional backfilling of state programs, no new or expended General Fund programs, and no structural changes in revenues (i.e., tax law changes or new legislation).

Forecasted General Fund Expenditures, Revenues, and Balance

FY	Expenditures	Revenues	Deficit Amount	Deficit is this % of GF Expenditures	Gap Growth From Prior Year	Gap Growth per Year as % of GF Expenditures	Ending Fund Balance
FY 13	370,795,328	368,908,918	1,886,410	0.51%	1,886,410	0.51%	47,786,771
FY 14	385,930,656	382,980,721	2,949,935	0.76%	1,063,525	0.28%	44,836,836
FY 15	403,206,693	397,668,830	5,537,863	1.37%	2,587,928	0.64%	39,298,973
FY 16	422,554,180	414,162,096	8,392,084	1.99%	2,854,221	0.68%	30,906,889
FY 17	442,854,105	430,580,468	12,273,637	2.77%	3,881,553	0.88%	18,633,252

Note: Revenues/Expenditures do not include reserves, includes video lottery, but excludes Ambulance Fees and FQHC wraparound.



5-Year General Fund Revenue Forecast

Major General Fund Revenue Sources ¹

	Adopted FY 2012	Forecast FY 2012 ²	Forecast FY 2013	Forecast FY 2014	Forecast FY 2015	Forecast FY 2016	Forecast FY 2017
Property Taxes	233,404,887	232,819,570	239,282,898	248,096,863	257,010,364	266,696,267	276,813,353
Business Income Taxes	48,825,000	50,045,625	52,047,450	55,170,297	59,032,218	63,754,795	68,217,631
Motor Vehicle Rental Taxes	18,512,639	18,512,639	19,068,018	19,640,059	20,229,260	20,836,138	21,461,222
US Marshal	6,584,597	5,882,319	5,985,788	6,092,362	6,202,133	6,315,197	6,431,653
Recording Fees/CAFFA Grant	8,249,282	7,049,282	7,838,268	8,148,633	8,460,406	8,773,614	8,908,286
State Shared	9,186,707	9,186,707	9,519,872	9,899,748	10,133,349	10,373,730	10,621,070
Indirect & Service Reimbrs.	18,563,262	18,563,262	19,065,903	19,649,036	20,250,887	20,872,061	21,513,183
	343,326,374	342,059,404	352,808,197	366,696,998	381,318,617	397,621,802	413,966,398
% of Total Revenue	95.2%	95.1%	95.6%	95.7%	95.9%	96.0%	96.1%
All Other General Fund	17,469,267	17,604,267	16,100,721	16,283,723	16,350,213	16,540,294	16,614,070
Total	360,795,641	359,663,671	368,908,918	382,980,721	397,668,830	414,162,096	430,580,468
% Change in Ongoing Revenue		-0.31%	2.57%	3.81%	3.84%	4.15%	3.96%
<i>AV Growth</i>	2.85%	2.78%	2.85%	3.25%	3.50%	3.70%	3.60%
<i>Compression</i>	3.45%	3.95%	4.35%	3.95%	3.80%	3.70%	3.50%
<i>BIT Growth</i>	0.53%	3.04%	4.00%	6.00%	7.00%	8.00%	7.00%

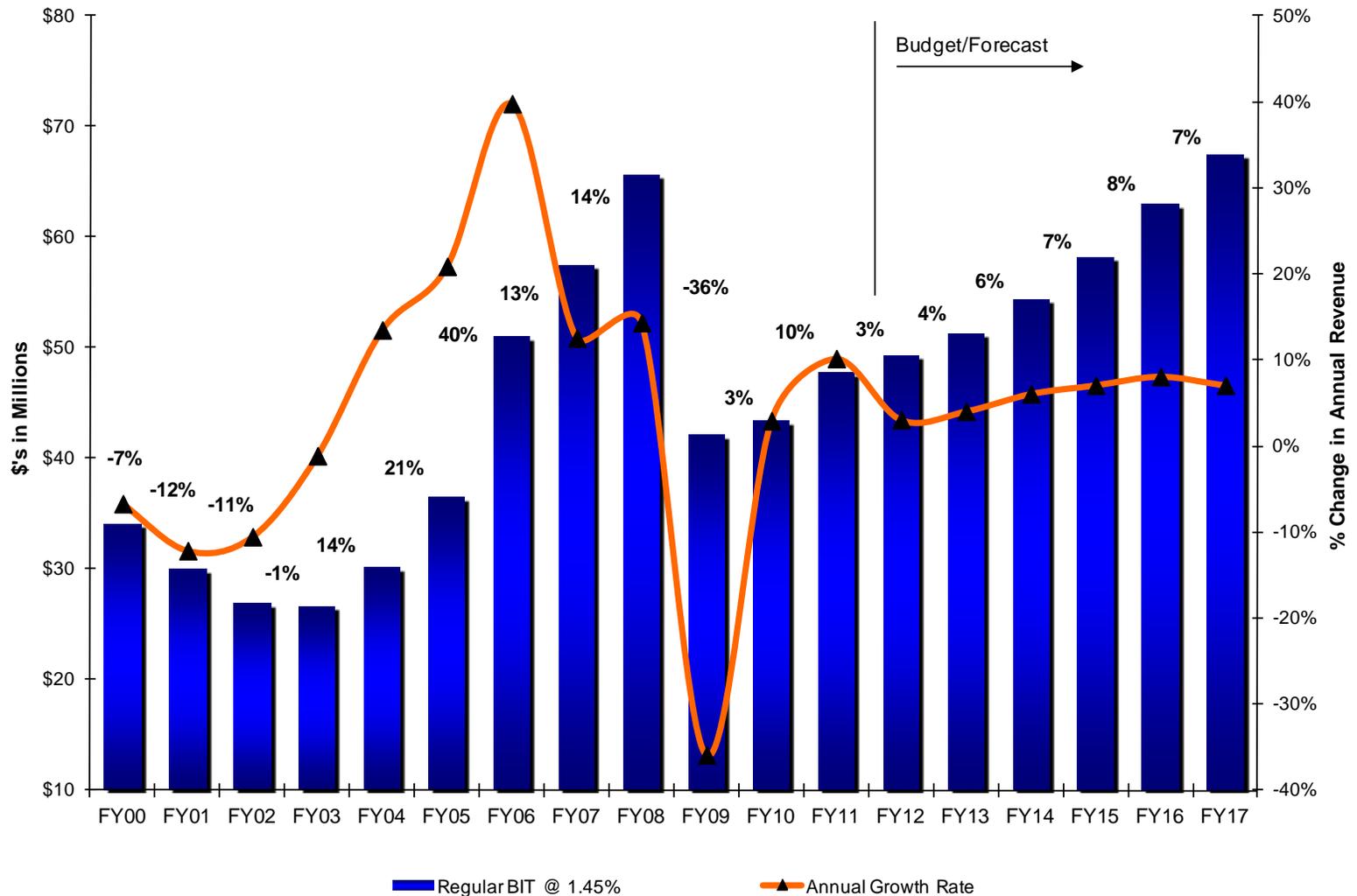
1. Excludes BWC, ambulance fees, and FQHC wraparound revenues.

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



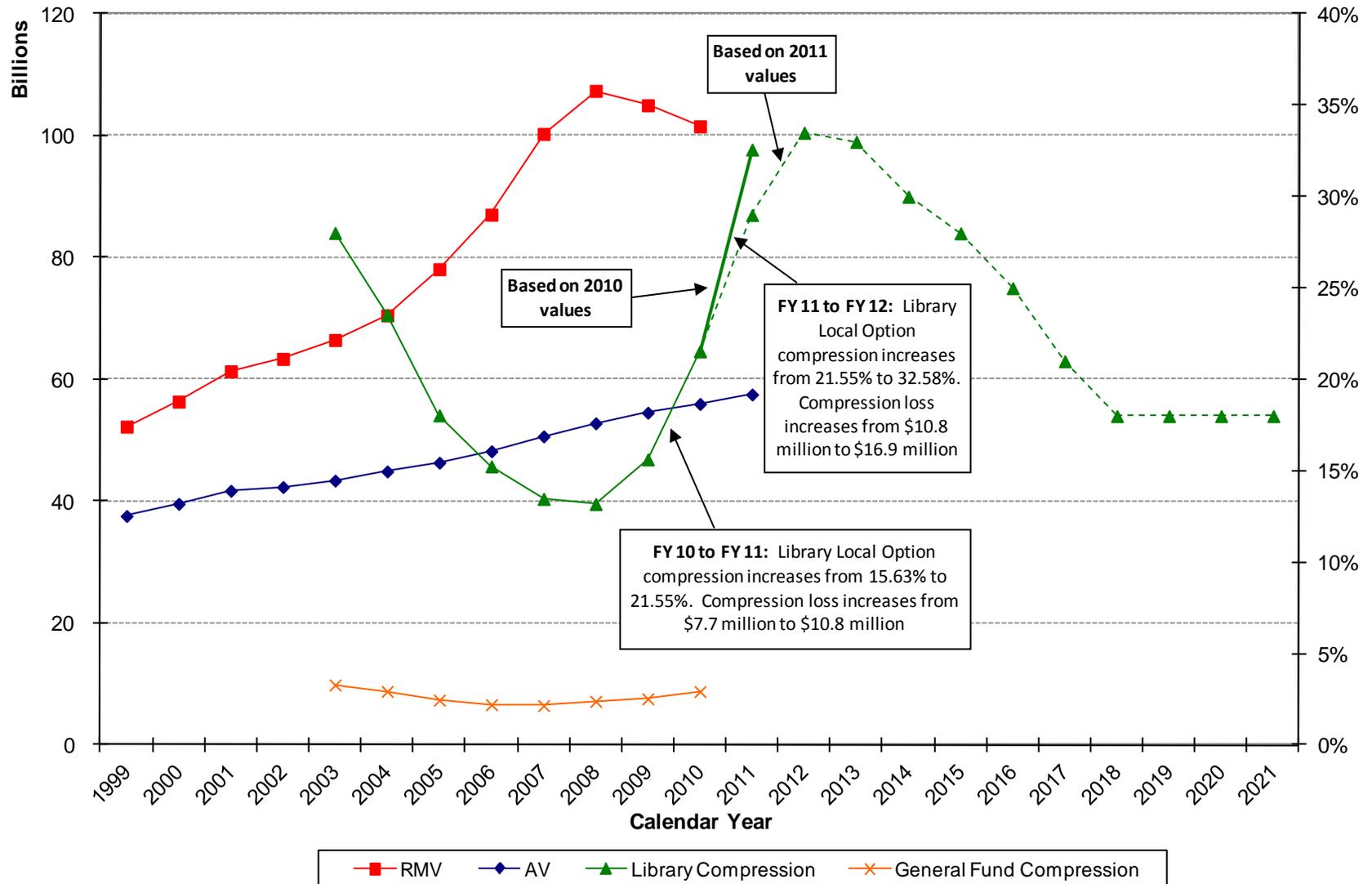
5-Year General Fund Revenue Forecast

Annual BIT Collections
(FY 2000 to FY 2011 Actuals; FY 2012 to FY 2017 Forecast)



5-Year General Fund Revenue Forecast

Multnomah County AV, RMV, and Compression



Expenditure Assumptions

- Programs, Cash Transfers, and Earmarks funded on a one-time-only basis in the Adopted FY 2012 Budget that are assumed to not continue in FY 2013:

One-Time-Only Programs

Offer/Activity	
10034 - Office of Sustainability - Food System Econ Cluster (OTO)	52,000
10035B - Microlending (OTO)	150,000
10036 - NACo Conference (OTO)	225,000
10037 - Climate Adaption Plan Specialist (OTO)	94,199
10039 - Continuity of Operations Planning (OTO)	125,000
10040 - Emergency Coordination Center Development (OTO)	250,000
10041 - Disaster Preparedness for Vulnerable Populations (OTO)	84,070
25020A - ADS Access and Early Intervention (OTO)	46,182
25028 - Bed Bug Eviction Mitigation (OTO)	102,053
25090 - Addictions Detoxification & Post-Detox Housing (OTO)	200,000
25111C - Rapid Re-Housing Initiative (OTO)	325,000
25133D - Streetroots - Rose City Resource Guide (OTO)	20,000
25133E - Short-Term Rent Assistance (OTO)	500,000
25139B - Action for Prosperity (OTO)	195,000
50025B - Restorative Justice Training (OTO)	60,000
60050 - In-Jail Human Trafficking Sergeant (OTO)	160,683
60083 - Child Abuse Team Detective (OTO)	118,000
72036B - DART Consolidation of Customer Service (OTO)	600,000
78001 - DCA Business Process Improvement Implementation (OTO)	200,000
78001 - F&PM Strategic Plan (OTO)	150,000

Cash Transfers and Earmarks

Offer/Activity	
95000 - Detention Electronics Replacement (OTO see 50018C)	1,400,000
95000 - Budget System Replacement (OTO see 72030)	1,000,000
95000 - Port City Debt (OTO)	1,500,000
95000 - LID Assessment (OTO)	380,000
95000 - Yeon Debt (OTO)	836,000
95000 - Downtown Courthouse (OTO)	1,000,000
95000 - CIP Fees (OTO)	221,059
95000 - Asset Preservation Fees (OTO)	227,175
95000 - SCAPP Grant	600,000
Additional, Non-earmarked Contingency (OTO)	500,000
Earmark - Radio Replacement	1,490,000
Earmark - IT Innovation & Investment (See BA 14)	1,500,000
Earmark - Blackwomen for Peace	50,000
Earmark - Sexual Exploitation of Children - Victim Beds	258,420
Earmark - Contingency for State Ramp Down	4,229,675



Expenditure Assumptions

- Programs from FY 2012 State Mid-Year backfilled with one-time-only General Fund whose support is not continued in FY 2013:

<u>Offer/Activity</u>	
10009 - Contracts for Services Birth to 18	24,666
25151 - Parent Child Development Svcs (Great Start Grant)	36,506
25139 - Anti-Poverty Services	53,987
25020A - ADS Access & Early Intervention Svcs (OPI)	54,040
25023A-C - ADS Long Term Care (14 Case Managers)	580,054
25024A-B - ADS Adult Protective Services (3 Abuse Investigators)	59,944
50029A-B - Assessment & Treatment for Youth & Families	106,002
15014 - DA Juvenile Court Trial Unit	33,043
50009 - Addiction Svcs - Adult Offender Outpatient (40 Slots)	114,685
50040A-B - Field Services-High Risk Generic Supervision (5 PPO's)	367,658
50042 - High Risk Drug Unit (2 Corrections Counselors)	190,520
50046 - Day Reporting Center	95,260
50052 - Offender Housing (24 Housing Beds)	274,557
50054 - Community Service - Bench Probation	76,287
	2,067,209

Note: Excludes 'Other Funds' used as backfill.



Expenditure Assumptions

- FY 2012 Adopted General Fund programs funded with one-time-only resources that are assumed to continue in FY 2013:

<u>Offer/Activity</u>	
25133C - East County Homeless Outreach	75,000
25145A - SUN Schools - East County	130,000
	205,000

- Programs from FY 2012 State Mid-Year assumed to be continued with General Fund for 2013:

<u>Offer/Activity</u>	
25040A - Domestic Violence Victims Services & Coordination	25,632
25133 - Housing Stabilization for Vulnerable Populations	13,801
25139 - Anti-Poverty Services	61,254
50012 - Adult Drug Court Program (STOP)	724,628
50055 - Community Service - Community Court	84,461
60041H - MCIJ Dorm 4 (59 Jail Beds)	651,681
60034D - Courthouse Turn Self In Program	242,543
	1,804,000



Expenditure Assumptions

- Cost Drivers for FY 2013:

Inflation	3.25%	Second Half Portland CPI-W
Labor Costs	3.23%	(Prior assumption was 5.25%)
COLA	1.60%	Dependent on Unit & Contract Status
Step/Merit	1.51%	Dependent on Unit Demographics
Medical/Dental	4.50%	was assumed to increase by 8%
PERS	0.00%	was assumed to increase 0.25% of base pay
Retiree Medical	0.00%	
Liability/Unemployment/Admin	0.00%	
Materials and Services	2.50%	
Internal Services	9.39%	Increase driven by use of IT BWC (fund balance) in FY 2012, asset preservation & capital charges covered by one-time-only General Fund support in FY 2012, and fuel/transportation inflation.

- Cost Drive Notes (for General Fund only)

- ✓ A 1% increase in base pay = approximately \$1.84 million
- ✓ A 7% increase in medical/dental rates = approximately \$1.92 million
- ✓ A 1% (of base pay) increase in PERS rates = roughly \$1.37 million

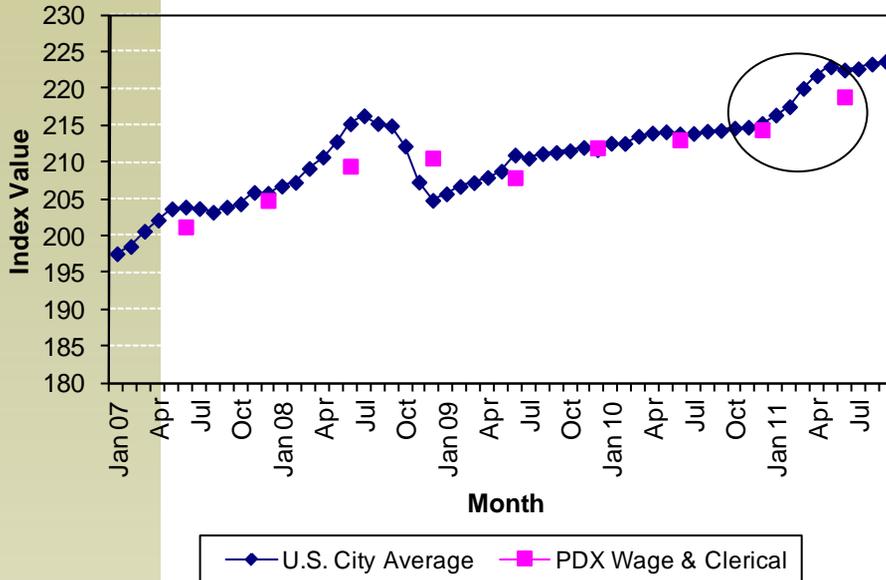
- Reserve & Contingency Assumptions

- ✓ General Fund Contingency - \$1.25 million
- ✓ General Fund Reserve – 10% of ‘corporate’ revenues
- ✓ BIT Reserve – 10% of BIT revenues

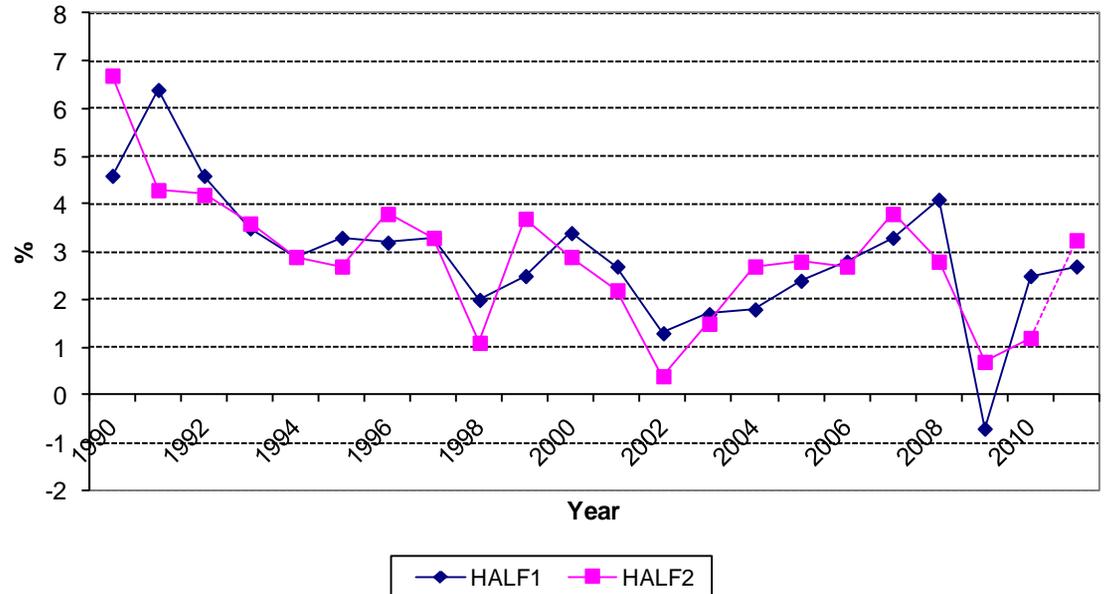


Expenditure Assumptions

**CPI- Urban Wage Earners and Clerical Workers
U.S. City Average - Not Seasonally Adjusted**



**CPI- Urban Wage Earners & Clerical Workers
Portland-Salem**



FY 2012 Contingency & FY 2013 OTO Funds

- FY 2012 General Fund Contingency Status:

General Fund 'Regular' Contingency	1,250,000	
Additional Contingency	500,000	
OTO State Ramp Down Funds	2,162,466	Remaining balance from \$4,229,675 set aside
Ongoing State Ramp Down Funds	0	\$1.6 million fully used
Radio Replacement	135,245	Remaining Balance from Radio Replacement & EM Communications Set-aside
IT Innovation & Investment Fund Contingency	1,500,000	Pending Budget System Cost... see Board amendment 14
Black Women for Peace	50,000	Earmark per Board Amendment 7
Sexual Exploitation of Children - Victim Beds	0	Earmark per Board Amendment 3 (Amount of \$258,420 used)
SCAAP Grant	600,000	Available only if offsetting revenue received
BIT Reserve (in General Fund Contingency)	<u>4,882,500</u>	
	11,080,211	
Unallocated Contingency + Radio Balance	4,047,711	
+ Remaining OTO State Ramp Down Funds		

Note: The forecast assumes the General Fund Contingency will be fully spent, with the exception of the BIT Reserve, which is 'rolled over' to FY 13.

- FY 2013 One-Time-Only Funds:

Additional FY 2012 BWC (OTO) ^{1,2}	14,760,503
Less Lower FY 2012 Revenue	1,131,970
Less Amount to Maintain Reserves @ Policy Level	<u>1,251,921</u>
OTO Funds for FY 2013 (or FY 2012)	12,376,612

1. Excludes Ambulance/EMS Revenues moved into the General Fund per new accounting rules. 2. Excludes County Clerk BWC.



Forecast Risks & Issues

- A weaker economy and continued house price decline
 - ✓ Property tax compression
 - ✓ BIT – (somewhat buffered by estimate and reserve)
 - ✓ Impact on State revenues
- Inflation – CPI impacts on labor costs
- Federal fiscal policy
 - ✓ Super-committee
 - ✓ Federal deficit & contracting fiscal policy
 - ✓ November 2012 election
- European sovereign debt issues
- Oil prices and Middle East unrest
- State and Local
 - State budget and service re-designs
 - Library local option expiration
 - Labor cost (OPEB, PERS, open contracts, etc.)



Summary

- FY 2012 General Fund revenues \$1.13 million or 0.3% lower than in the Adopted Budget.
 - ✓ No action needed.
- FY 2013 operating General Fund operating deficit of \$1.9 million or 0.5% of expenditures.
- FY 2013 to FY 2017 deficit ranges from \$1.1 million to \$3.9 million per year or \$12.3 million (2.77%) in total.
 - ✓ Annual difference within forecast error.
- FY 2013 One-Time-Only resources of \$12.4 million.
- FY 2012 General Fund contingency balance of \$4.0 million (unallocated).
- Major risks to economy and revenue outside of our control.
- Questions?

