

A stylized graphic of a mountain range. It features two prominent peaks in the background, rendered in light green with a thick grey outline. In the foreground, there are several horizontal, wavy bands of light green and grey, suggesting a layered or snow-capped mountain. At the base of the mountain, there is a solid light blue area.

FY 2012

General Fund 5-Year Forecast

*Presentation to the Board of County
Commissioners*

Multnomah County Budget Office

November 9, 2010

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Some Better News...

BIT Collections Fiscal Year-to-Date Through October

	FY 08	FY 09	FY 10	FY 11	FY 11 vs. FY 08	FY 11 vs. FY 10
Quarterly	9,953,262	8,998,390	6,769,017	7,827,270	-21.4%	15.6%
Yearly	3,012,871	3,282,278	3,529,173	2,205,929	-26.8%	-37.5%
Refund/Interest	580,529	579,433	1,127,342	865,622	49.1%	-23.2%
NSF Check	5,077	6,685	46,554	46,632	818.5%	0.2%
Total	12,380,526	11,694,551	9,124,294	9,120,946	-26.3%	0.0%
<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>46,500,000 Forecast</i>		



FY 2011 Revenue Review

	Adopted ¹	October Forecast Change	Note
Property Taxes	228,530,991	(377,023)	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
Business Income Taxes	42,263,000	4,237,000	FY 2010 4.46% higher than forecast; FY 2010 Actual to FY 2011 Revised = 5.3% increase; Net increase = 10%
Motor Vehicle Rental Taxes	17,847,854	(185,285)	
US Marshal	6,519,700	0	
State Shared			
Video Lottery	4,095,000	0	
Liquor	2,889,150	0	
Cigarette	748,329	(33,574)	
Amusement	175,000	0	
Recording Fees/CAFFA Grant	7,750,000	0	
Indirect			
Departmental	9,832,672	0	
Central Indirect/Svc Reimburse	6,241,385	0	
All Other	22,278,997	0	
FY 10 Revenue Adjustments ²	349,172,078	3,641,118	
% of Revenue		1.04%	

1. Excludes BWC and ITAX Revenue.

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



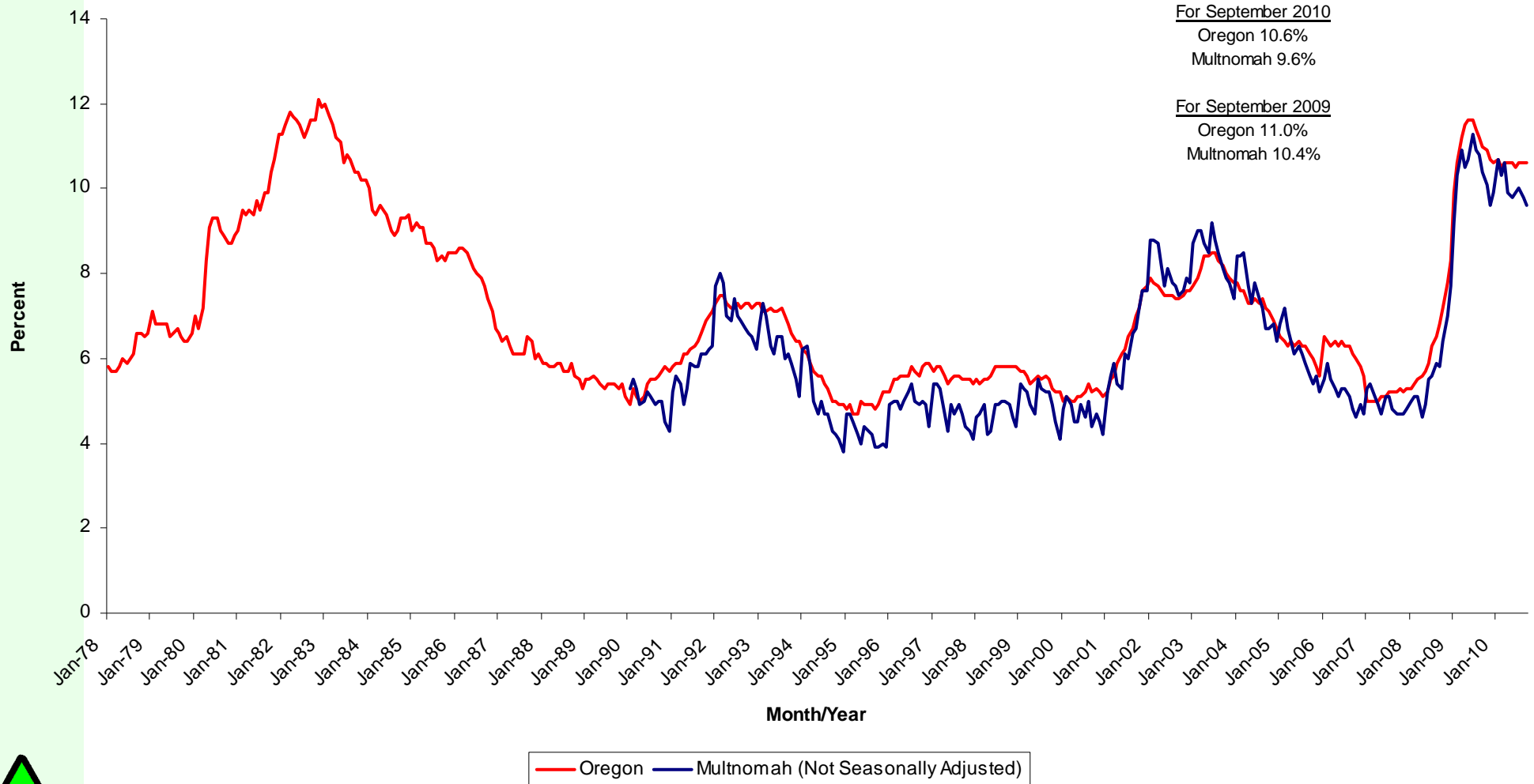
Economic Overview

- A stabilized, but fragile economy with anemic growth.
 - GDP – Five quarters of growth
 - ✓ 2010 Q2 = 1.7% and Q3 = 2.0%
 - ✓ Slower growth than end of 2009/beginning of 2010... Inventory rebuilding and stimulus increases have largely played out.
 - ✓ Insufficient growth to draw down unemployment rates
 - Labor Markets
 - ✓ Weekly Unemployment Claims – 4-week moving average @ 456,750, which is down from 600,000 plus, but still near peak levels seen in the last two recession.
 - Housing
 - ✓ New starts @ annual rate of 610,000 (vs. record low of 477,000 and peak of 2 million plus)
 - Industrial production & transportation
 - ✓ Growth, but still depressed... utilization rate @ 74.7%, which is 5.9% percentage points below average from 1972 to 2009.
 - **Excess capacity with weak demand** (70% of Americans believe we are still in a recession and consumer debt has declined by \$812 billion as of 6/30/2010 from its peak of \$11.7 trillion).
- Forecast continues to assume a fragile recovery with anemic growth that will be protracted and uneven.

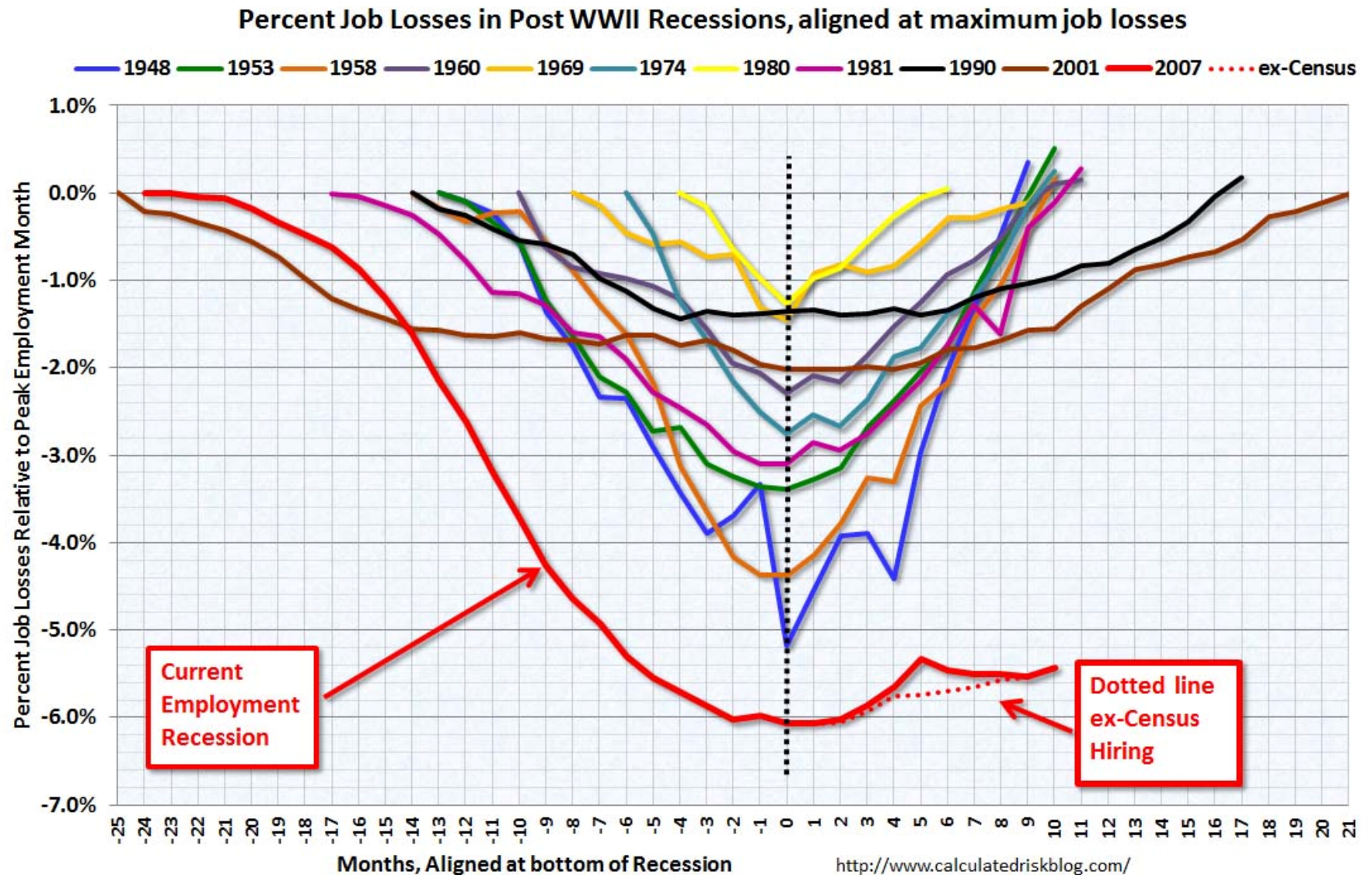


Economic Overview

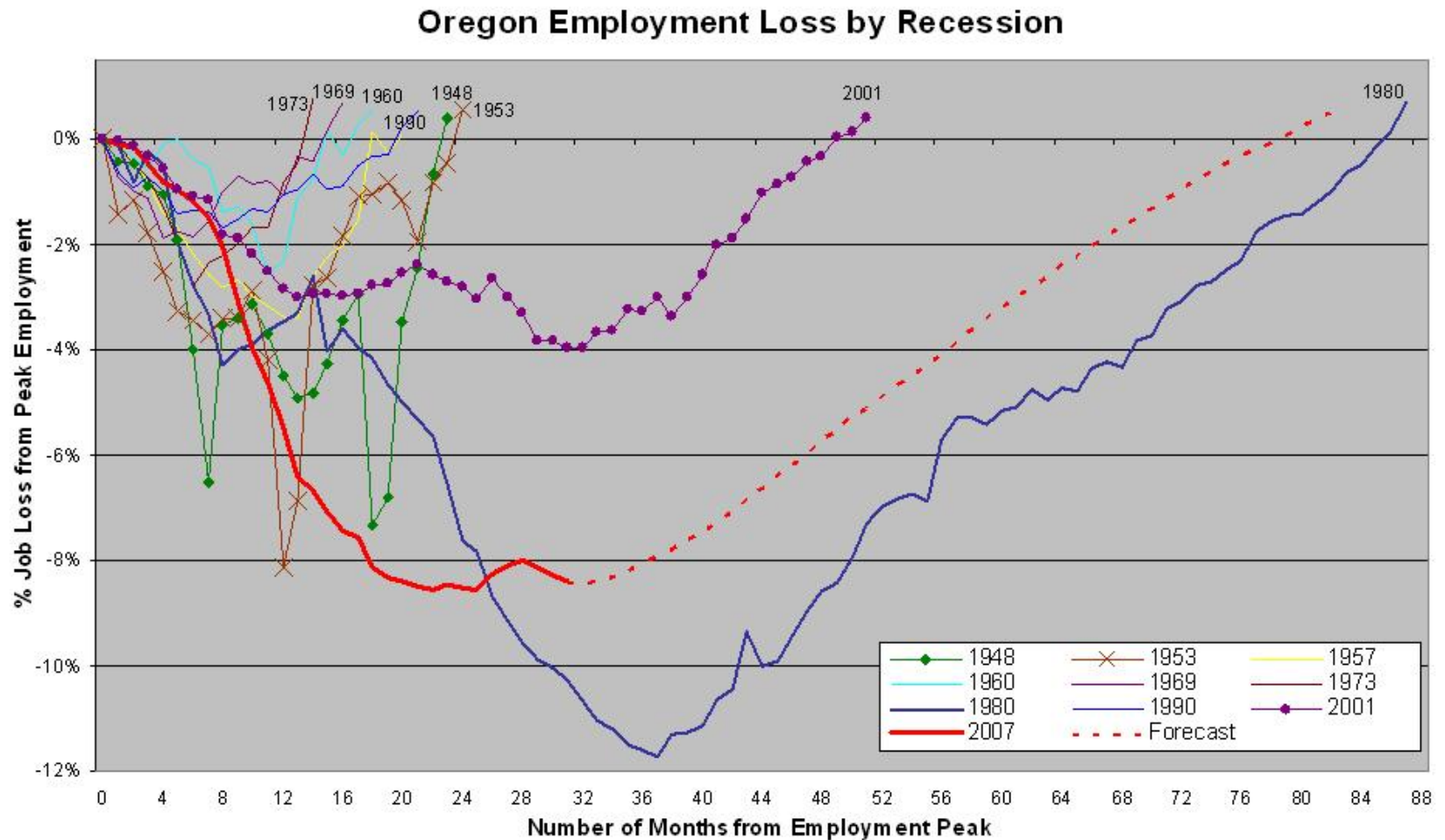
Oregon & Multnomah County Unemployment Rates



Economic Overview



Economic Overview

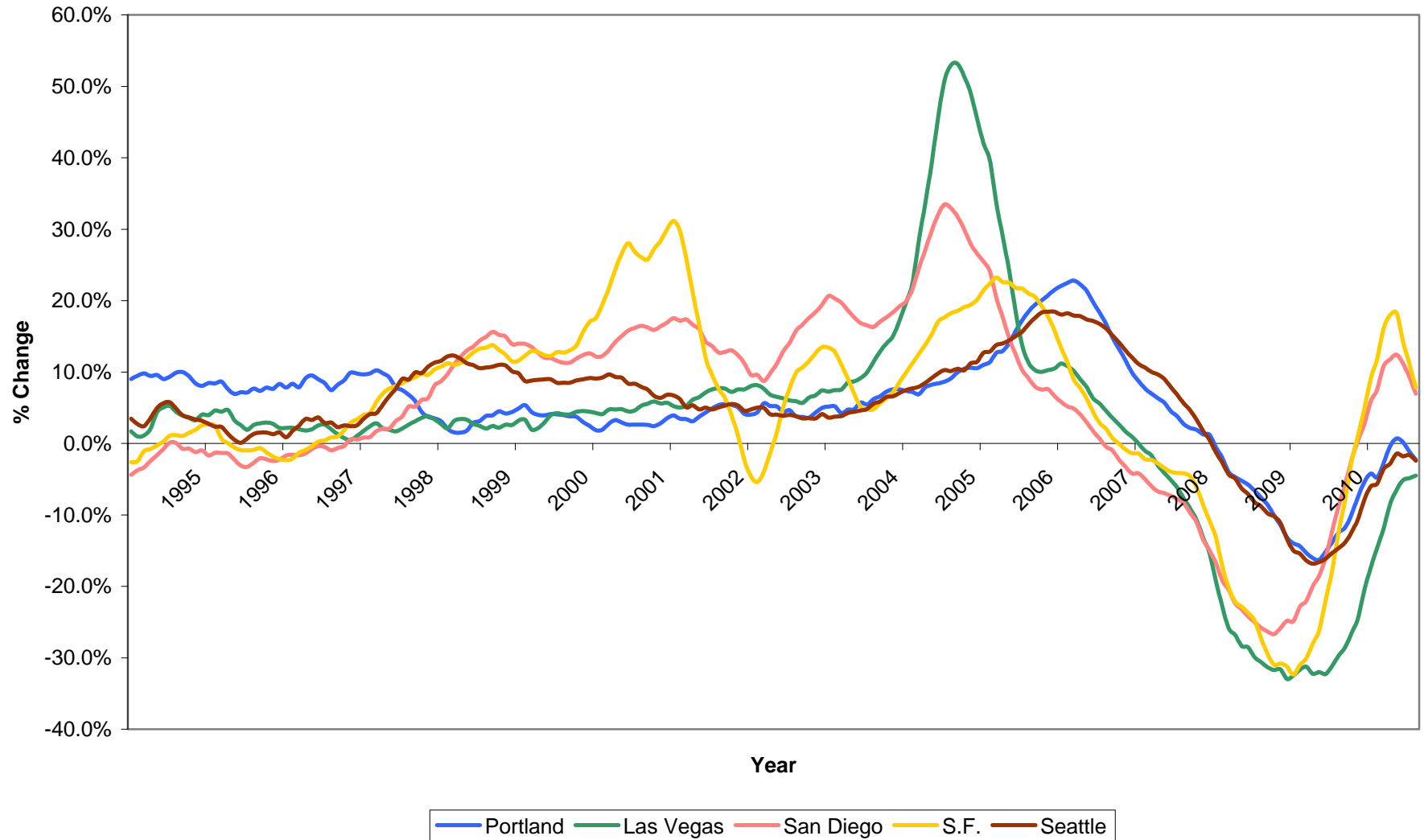


Oregon Office of Economic Analysis



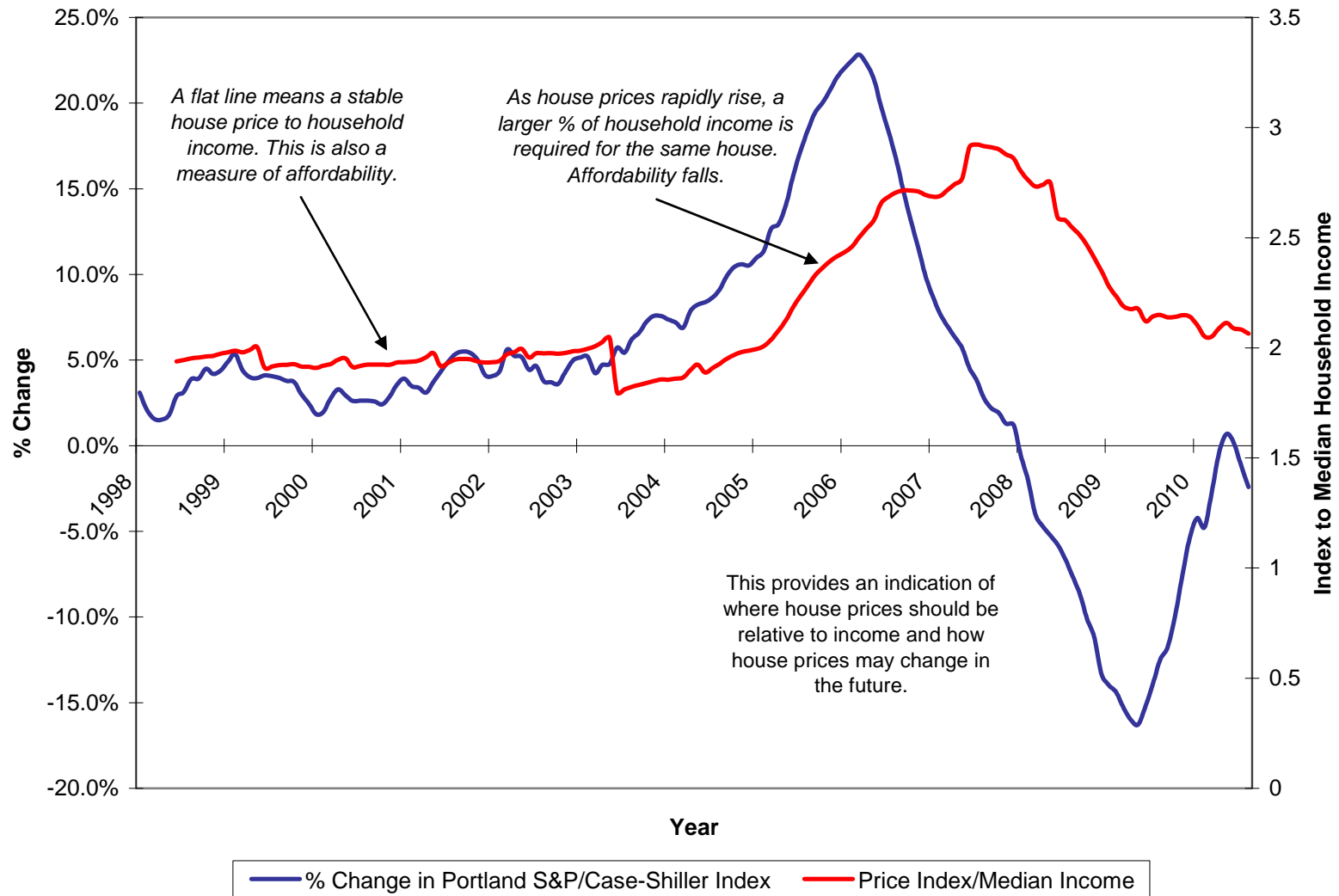
Economic Overview

Monthly Year-Over-Year % Change
Based on S&P/Case-Shiller Home Price Index Thru August 2010



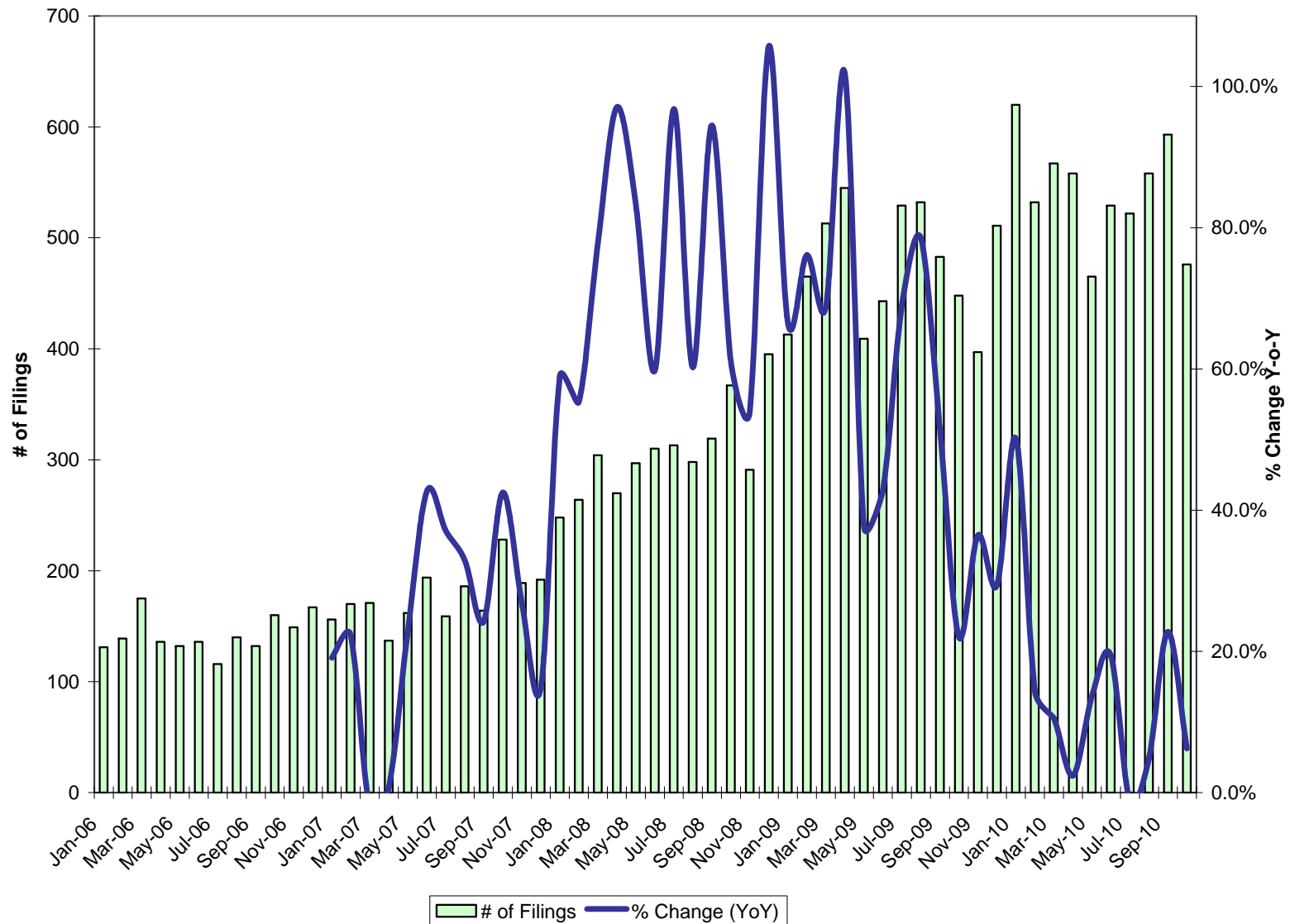
Economic Overview

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



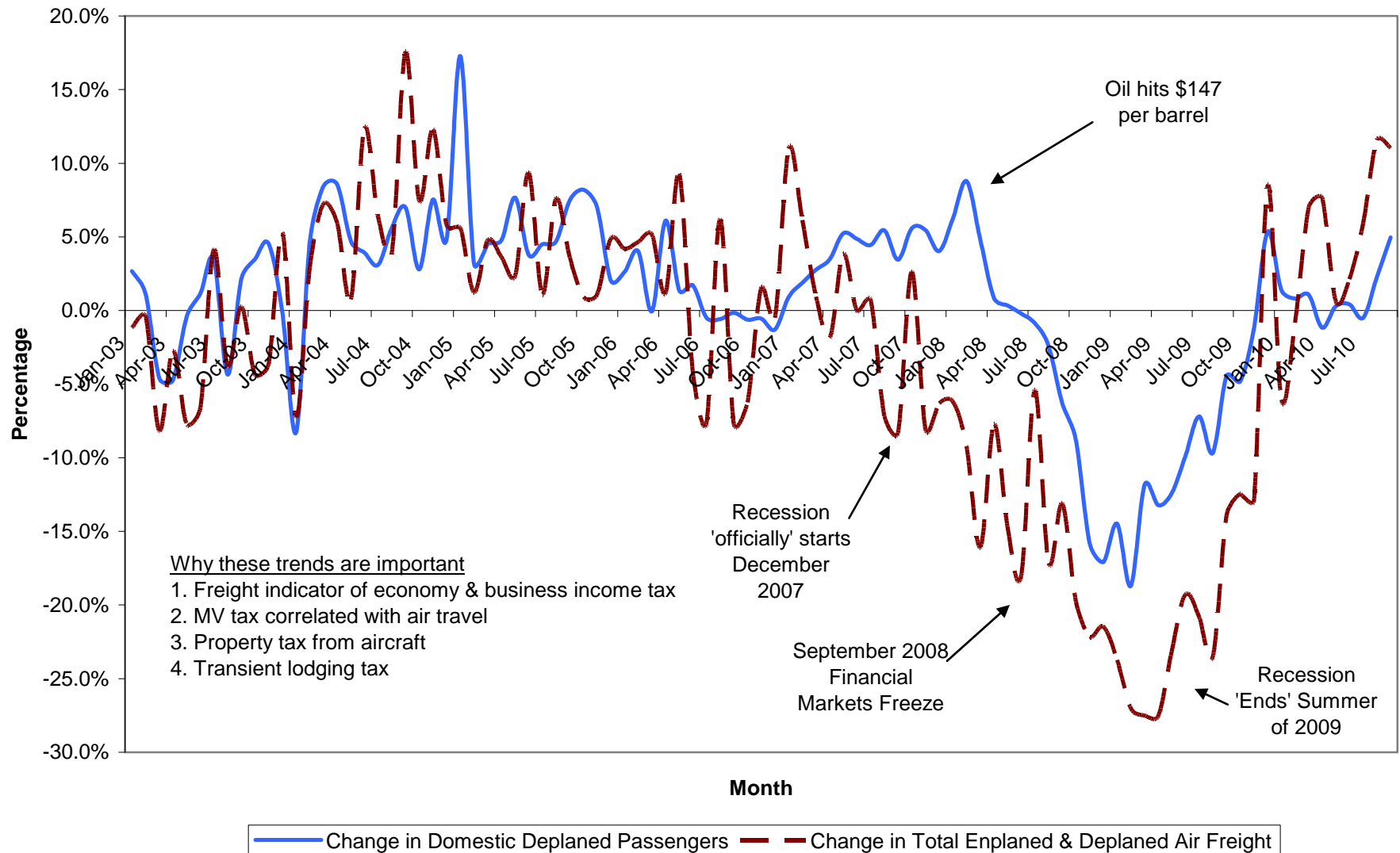
Economic Overview

Default Filings in Multnomah County & Year-Over-Year % Change (Thru October)



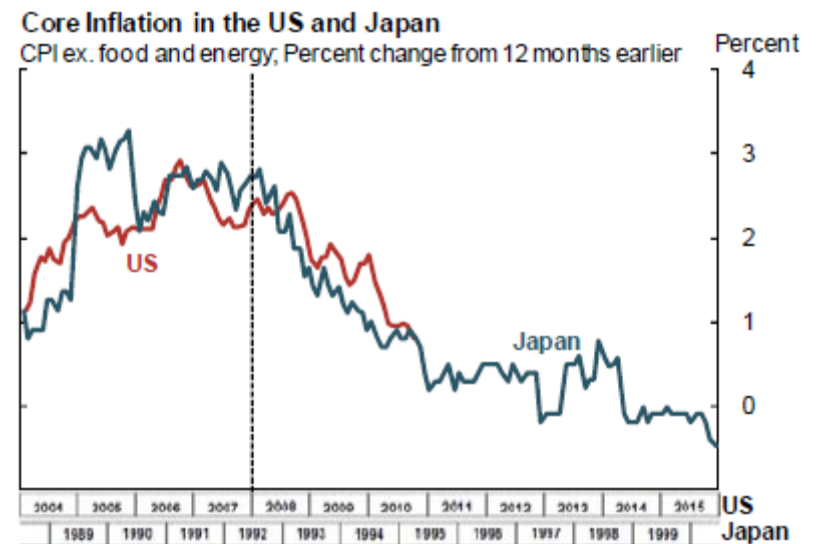
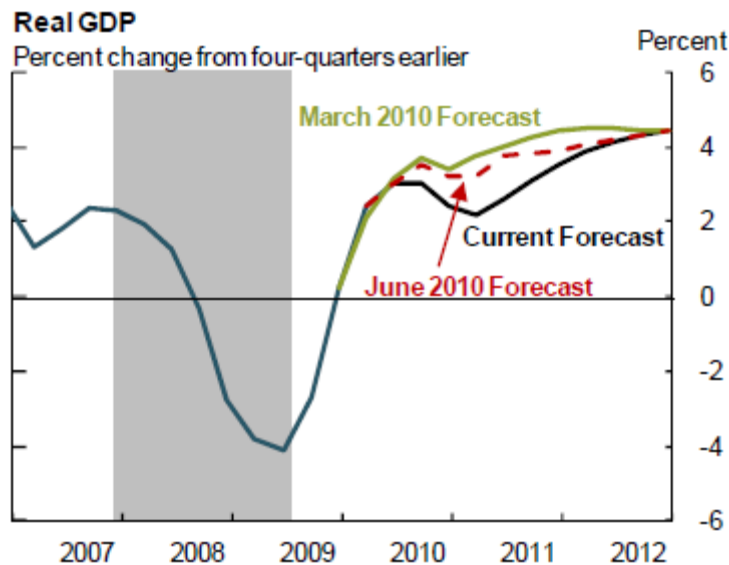
Economic Overview

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



Economic Overview

From FedViews, Economic Research Dept, S.F. Federal Reserve, October 14, 2010



Japan: 1989 to 1999

U.S.: 2004 to 2015



FY 2012 General Fund Forecast

- The forecast continues to assume a protracted and uneven recovery.
- Unemployment will remain high, inflation low, and property values will continue to drift downwards.
- The FY 2012 ongoing gap between revenues and expenditures is estimated to be **\$5.33 million** (roughly a 1.5% gap).
- The forecasted gap is less than previously forecast due to:
 1. Higher BIT revenues (\$48.8 million vs. \$43.9 million)
 2. Lower personnel cost growth (3.71% vs 5.50%) due to smaller medical/dental increases and PERS.



5-Year General Fund Outlook

- After FY 2012, the operating deficit ranges between \$3 million to \$4.2 million, or roughly 1% of revenues.
- The total 5-year gap is equal to 4.61% of expenditures.

Forecasted General Fund Expenditures, Revenues, and Balance

FY	Expenditures	Revenues	Deficit Amount	Deficit is this % of GF Expenditures	Gap Growth From Prior Year	Ending Fund Balance
FY 2012	362,941,220	357,610,939	5,330,281	1.47%	5,330,281	44,784,309
FY 2013	379,541,445	370,363,099	9,178,346	2.42%	3,848,065	35,605,963
FY 2014	397,433,730	384,017,193	13,416,537	3.38%	4,238,191	22,189,426
FY 2015	415,381,153	398,971,251	16,409,902	3.95%	2,993,365	5,779,524
FY 2016	434,385,115	414,377,513	20,007,602	4.61%	3,597,700	(14,228,078)

Note: Revenues/Expenditures do not include reserves.



General Fund Revenue Forecast

Major General Fund Revenue Sources ¹

	Adopted FY 2011	Forecast FY 2011 ²	Forecast FY 2012	Forecast FY 2013	Forecast FY 2014	Forecast FY 2015	Forecast FY 2016
Property Taxes	228,530,991	228,153,968	233,404,887	241,555,302	250,821,340	259,714,968	268,696,598
Business Income Taxes	42,263,000	46,500,000	48,825,000	51,266,250	53,829,563	58,135,928	62,786,802
Motor Vehicle Rental Taxes	17,847,854	17,662,569	18,280,759	19,377,604	19,958,933	20,557,701	21,174,432
US Marshal	6,519,700	6,519,700	6,615,996	6,811,475	7,012,820	7,220,204	7,433,810
Recording Fees/CAFFA Grant	7,750,000	7,750,000	8,475,000	8,958,750	9,035,925	9,114,644	9,194,936
State Shared	7,907,479	7,873,905	8,829,609	9,157,061	9,525,903	9,748,138	9,976,813
Indirect & Service Reimbrs.	16,074,057	16,074,057	16,464,697	16,940,004	17,430,429	17,936,453	18,458,577
	326,893,081	330,534,199	340,895,948	354,066,446	367,614,913	382,428,036	397,721,968
% of Total Revenue	94.6%	94.7%	95.3%	95.6%	95.7%	95.9%	96.0%
All Other General Fund	18,637,879	18,637,879	16,714,991	16,296,653	16,402,280	16,543,215	16,655,545
Total	345,530,960	349,172,078	357,610,939	370,363,099	384,017,193	398,971,251	414,377,513
 % Change in Ongoing Revenue		1.05%	2.42%	3.57%	3.69%	3.89%	3.86%
 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%	10.03%	5.00%	5.00%	5.00%	8.00%	8.00%

1. Excludes BWC and ITAX Revenue.

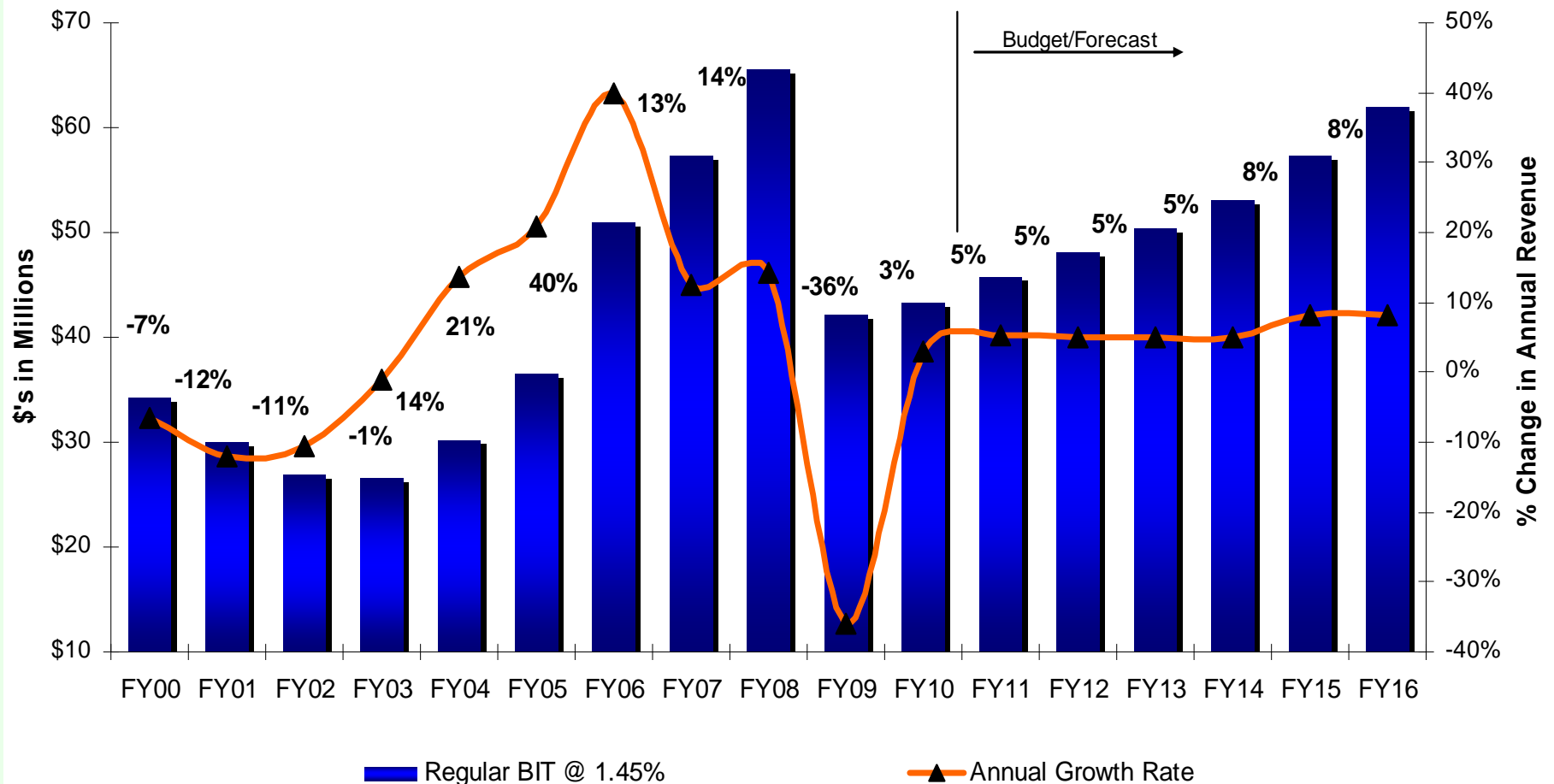
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5-Year General Fund Forecast

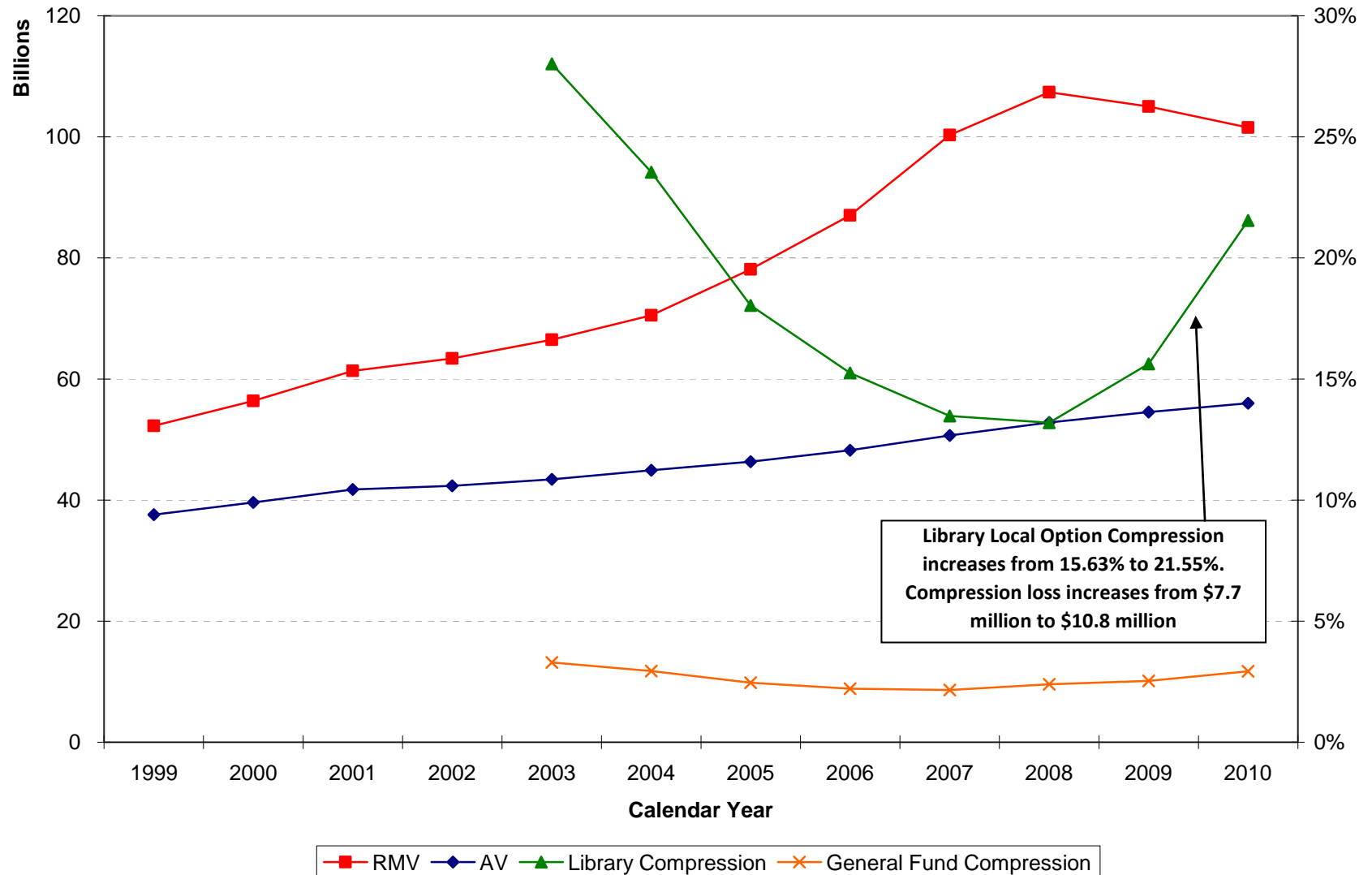
Annual BIT Collections

(FY 2000 to FY 2010 Actuals; FY 2011 Budget; FY 2011 to FY 2016 Forecast)



5-Year General Fund Forecast

Multnomah County AV, RMV, and Compression



Expenditure Assumptions

- Programs (and cash transfers) funded on a one-time-only basis in FY 2011 that are not continued in FY 2012:

One-Time-Only, Carry Over, and Annualizations

<u>Offer/Activity</u>	
10011B - Comprehensive Family Economic Security (OTO)	97,120
10019 - Multnomah County Schools (ITAX)	140,000
10031B - NACo Conference Fundraising (OTO)	750,000
25056B - Ops Costs for Crisis Assess & Treat. Cntr (Pt. Yr) - Annualize	200,000
25120 - Homeless Family Shelter System (CA/PA)	15,000
25124 - East County Homeless Outreach (OTO)	75,000
25147 - Child and Family Hunger Relief (OTO)	186,043
40029B - Rockwood Health Clinic Start-up Support (3-Yr decreasing support)	222,897
50018 - GRIT - Youth Thrift Shop (OTO)	50,000
50032B - Employment Trns Services for Gang Members (OTO)	50,000
60018 - Property and Laundry (CA)	172,900
72056 - Central Human Resources Admin (CA)	17,000
72021 - FRM - ITAX	70,000

Cash Transfers and Earmarks

<u>Offer/Activity</u>	
95000 - Cash Transfer to Library for Materials Movement Project	800,000
95000 - Facilities for limited duration position (OTO)	120,000
95000 - Capital Improvement Fund for Yeon Testing (OTO)	150,000
95000 - Financed Projects Fund for A&T System	4,500,000
Earmark - Pet Adoption Center	75,000
Earmark - Non-Profit Hotel (was 25121)	413,507
Earmark - Backpack Program (was 25147)	48,957
Earmark - Executive/Management Class Comp Study was (72061)	200,000
Earmark - MH Peer Club House & Strengthening Families (25065 & 25087)	388,300
Earmark - Working Smart Initiative (was 10033)	217,907



Expenditure Assumptions

■ Cost Drivers for FY 2012

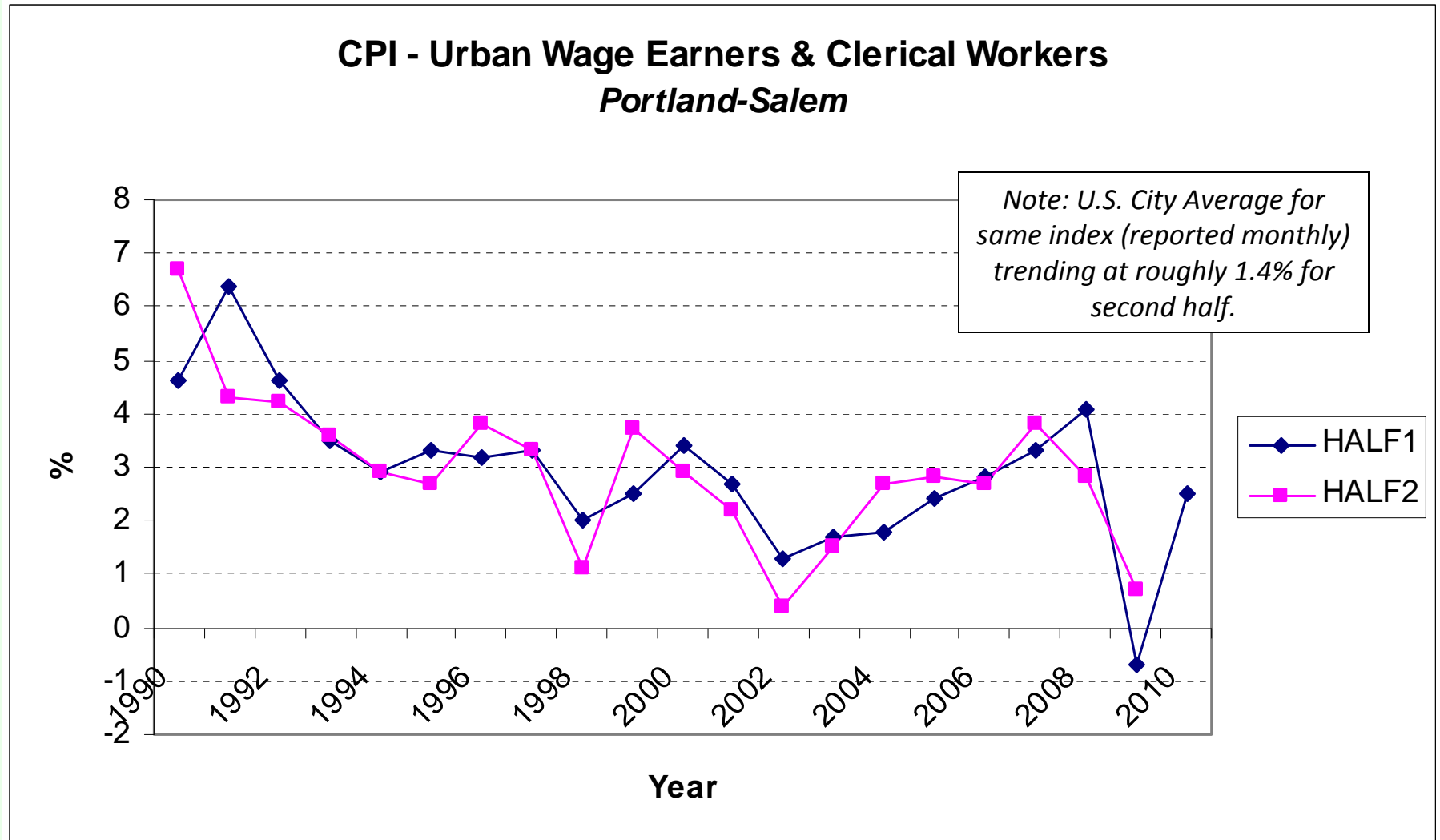
Inflation	1.50%	Second Half Portland CPI-W
Labor Costs	3.71%	(Prior assumption was 5.5%)
COLA	1.58%	Dependent on Unit & Contract Status (2% floor or 1.5%)
Step/Merit	1.69%	average all units before policy direction
Medical/Dental	4.50%	was assumed to increase by 8%
PERS	0.00%	was planned to increase 1% of base pay
Retiree Medical	0.25%	
Liability/Unemployment/Admin	0.35%	
Materials and Services	1.50%	
Internal Services	3.71%	

■ Cost Notes (for the General Fund only)

- ✓ A 1% increase in base pay = approximately \$1.8 million
- ✓ A 7% increase in medical/dental rates = approximately \$1.8 million
- ✓ A 1% (of base pay) increase in PERS rates = \$1.3 million



Expenditure Assumptions



Expenditure Assumptions

- Few annualized or new costs for FY 2012
 - ✓ East County Court – No debt payment in FY 2011; have assumed \$750,000 in debt payments for FY 2012 and part-year (net) operating costs of \$260,000.
 - ✓ Crisis Assessment and Treatment Center – FY 2012 forecast assumes operating gap of \$1.1 million covered by County General Fund.
 - If City of Portland covers half of gap, the General Fund operating deficit would be lower.
- Personnel costs have NOT been adjusted for Management COLA/Merit freeze. *(Estimated to reduce FY 2012 costs by \$1.1 million)*
- Reserves & Contingencies
 - ✓ General Fund Reserve – 10% of 'Corporate' Revenues
 - ✓ BIT Reserve – 10% of BIT Revenues
 - ✓ General Fund Contingency - \$1.25 million



OTO Resources

OTO sources ¹

BWC (above FY 11 Adopted Budget)		11,838,019
Property Tax	1,439,403	0.64%
BIT	1,887,000	4.46%
MVRT	(264,415)	-1.52%
Departmental Underspending ^{2, 3}	8,500,000	2.64%
ITAX (not yet transferred)	664,458	
Other Revenue/Expenses	(388,427)	
East County Court Debt Service (no FY 2011 payment)		750,000
BIT Reserve (assuming not needed in FY 2011)		4,000,000
Revenue Forecast Changes for FY 2011 (current year)		<u>3,641,118</u>
OTO Sources		20,229,137

OTO Spending & Net Available for FY 2012

Available...	20,229,137
Less...	
Add to General Fund Reserve to maintain @ 10%	1,217,798
Roll-over BIT Reserve	4,000,000
Add to BIT Reserve to set @ 10%	882,500
ITAX	<u>664,458</u>
	6,764,756
Net Available	13,464,381

1. Assumes the General Fund Contingency and all Board Earmarks are fully spent in FY 2011 and departments spend their full appropriation.
2. Less Planned Carryover, Partially adjusted for revenue/expenditure offsets.
3. FY 2011 Adopted Budget assumed no departmental underspending.



Forecast Risks & Issues

- Economy weakens and recovery falters
 - ✓ BIT
 - ✓ Property Tax Compression
- Inflation & CPI
 - ✓ FY 12 Labor cost impacts
 - ✓ Long-term impacts on economy, labor costs, and property values
- Limited Federal Reserve (monetary) policy tools left & little political will for further fiscal stimulus
- External shocks & ability to respond (i.e., European debt)
- State of Oregon budgetary impacts
 - ✓ Financial
 - ✓ Economic
- Internal/local issues (& uncertainties)
 - ✓ Open Labor Contracts
 - ✓ Retiree Benefits Liability
 - ✓ Health Care and Health Costs



Summary

- FY 2011 General Fund ongoing revenues up by 1% or \$3.6 million vs. Adopted Budget – driven by increased BIT forecast.
- FY 2012 operating deficit of \$5.33 million (1.5%).
- FY 2013 to FY 2016 – annual operating deficit grows \$3 million to \$4.2 million per year or 1.0% of revenues.
 - ✓ Total 5-year gap is \$20.0 million or 4.8% of revenue.
 - ✓ Any one year within forecast error.
- OTO resources for FY 2012 of \$13.5 million.
- Major risks to revenue & cost estimates... many that are outside our influence.
- Questions?
- More Info: www.co.multnomah.or.us/budget

