



FY 2011 General Fund 5-Year Forecast Update

*Presentation to the Board of County
Commissioners*

Multnomah County Budget Office

March 2, 2010

Introduction

- Economic Overview
- FY 2010 Revenue Review
- FY 2010 and 2011 One-Time-Only Funds
- FY 2011 General Fund 5-Year Forecast
 - 5-Year Outlook
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 - Operating Deficit Overview
 - Expenditure Assumptions
 - ✓ No Change from October
 - ✓ CPI/COLA Update
- Forecast Risks & Issues
- Summary & Questions



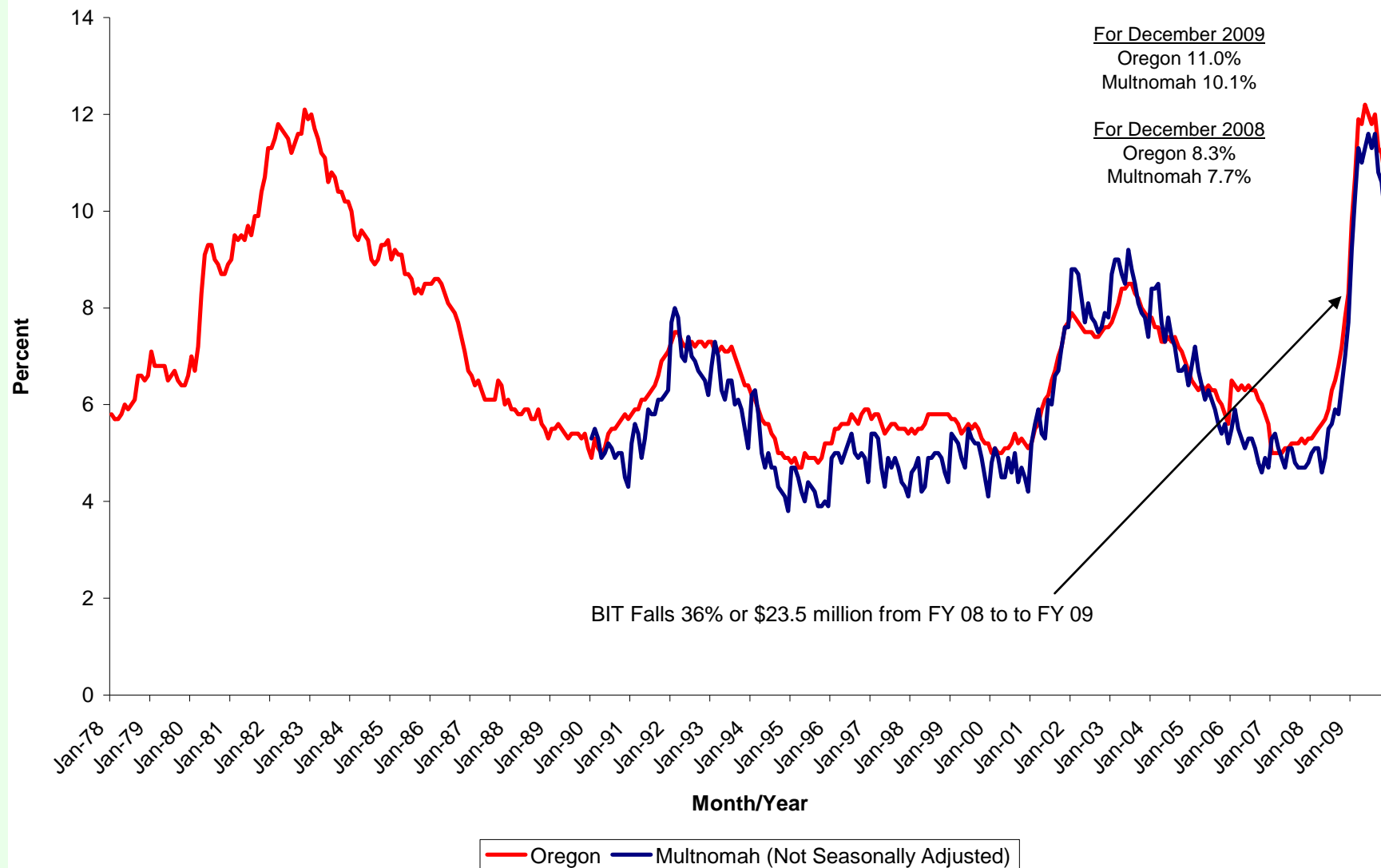
Economic Overview

- Stabilizing economy with technical end of recession in 2009.
 - GDP – For 2009 Q3 = 2.2% and Q4 = 5.9%
 - ✓ But... in Q4, personnel consumption expenditures grew @ 1.7%
 - ✓ Increases driven by temporary inventory adjustments with substantial support from Government stimulus and monetary policy
 - Labor Markets – Employment, unemployment, work week, etc.
 - Housing
 - Industrial production & transportation
- Some not so 'Fun Facts' and recent trends
 - Portland Metro Area – 69,722 or 14.8% homes with mortgage have negative equity, including those with near negative equity pushes rate to 20.3% (First American Core Logic).
 - New Home sales for January @ seasonally adjusted annual rate of 309,000 (a historic low) and down 11.2% from December number of 348,000... At peak, was 1.3 million.
 - American Institute of Architects' Architecture Billings Index fell in January to 42.5 indicating continued contraction in commercial real estate... this is leading indicator.
 - FDIC Q4 Quarterly Banking Profile – 702 'problem' banks with assets of \$403 billion.
 - Weekly Unemployment Claims – 4-week moving average @ 473,750, which is down from 600,000 plus, bit still near peak levels seen in the last two recession.
- Forecast continues to assume a stabilizing national and local economy with a protracted and uneven recovery

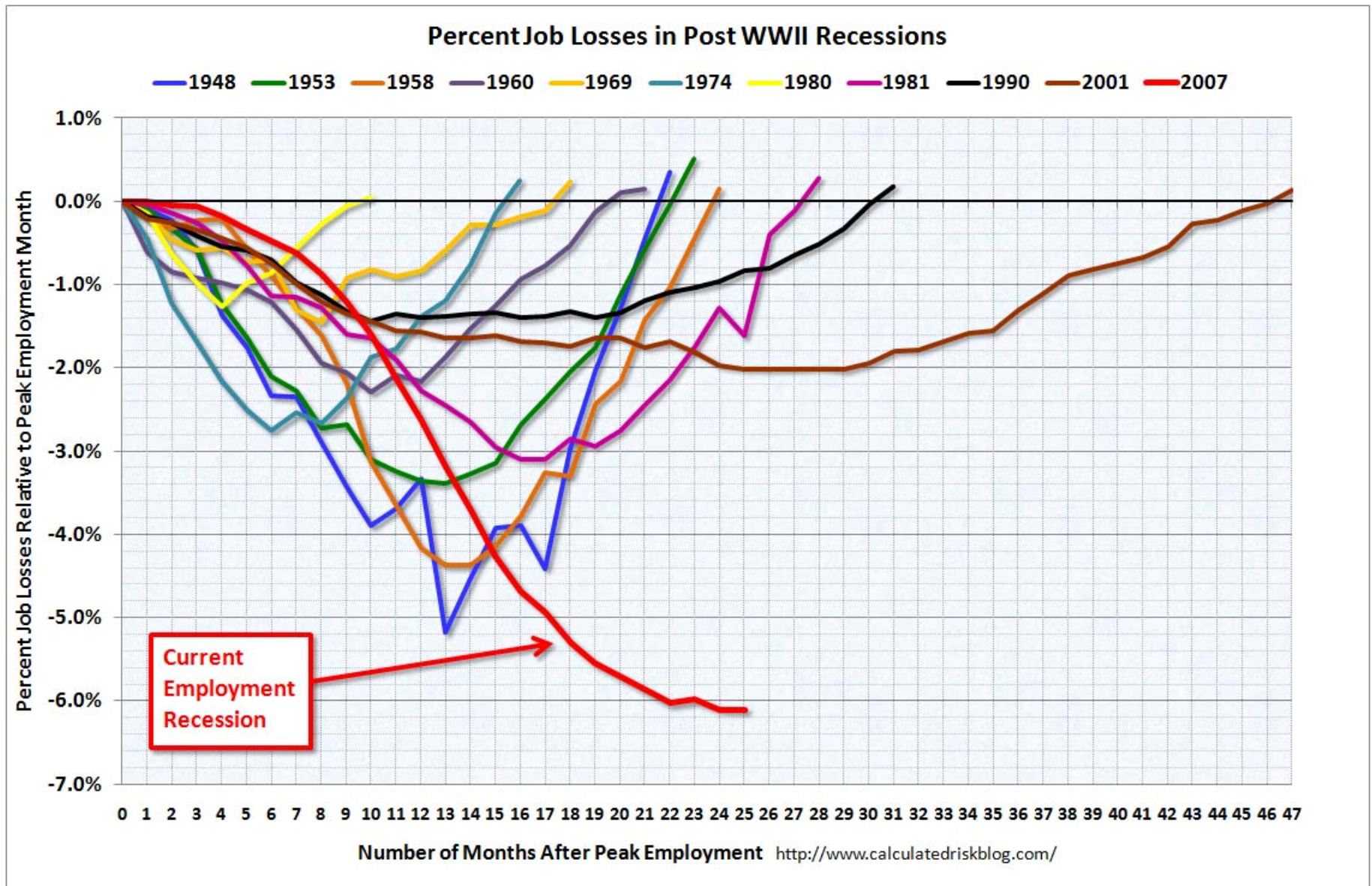


Economic Overview

Oregon & Multnomah County Unemployment Rates

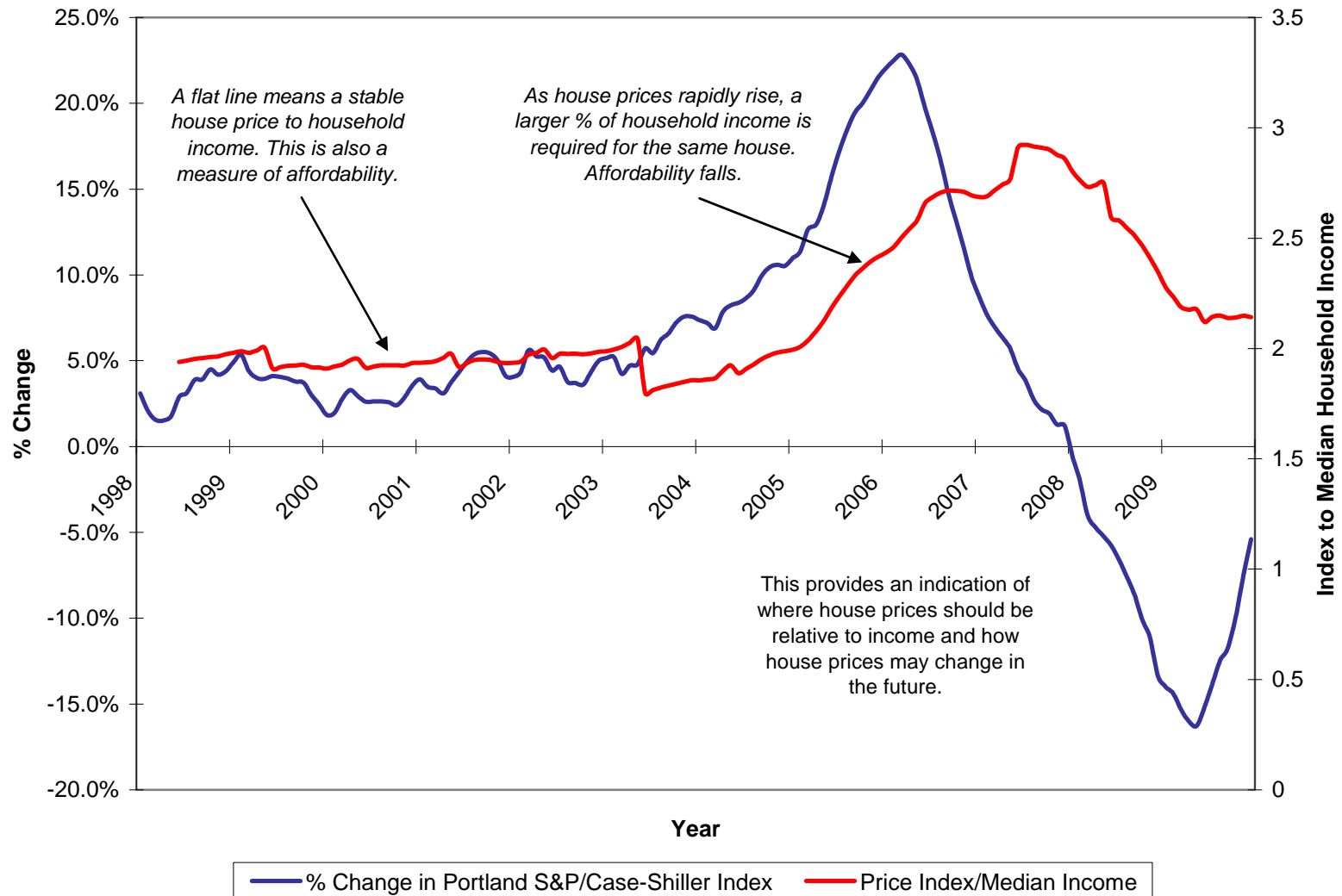


Economic Overview



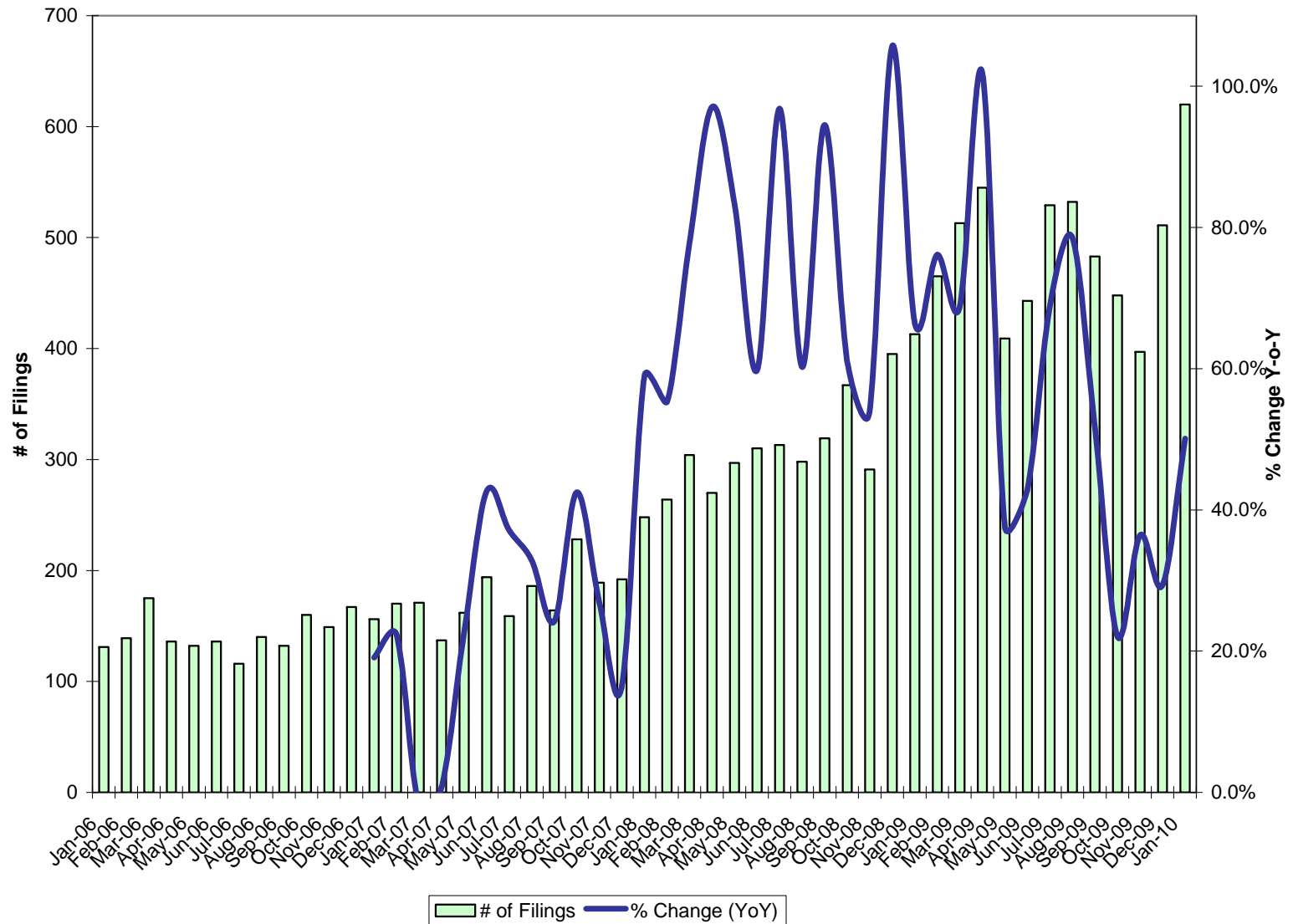
Economic Overview

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



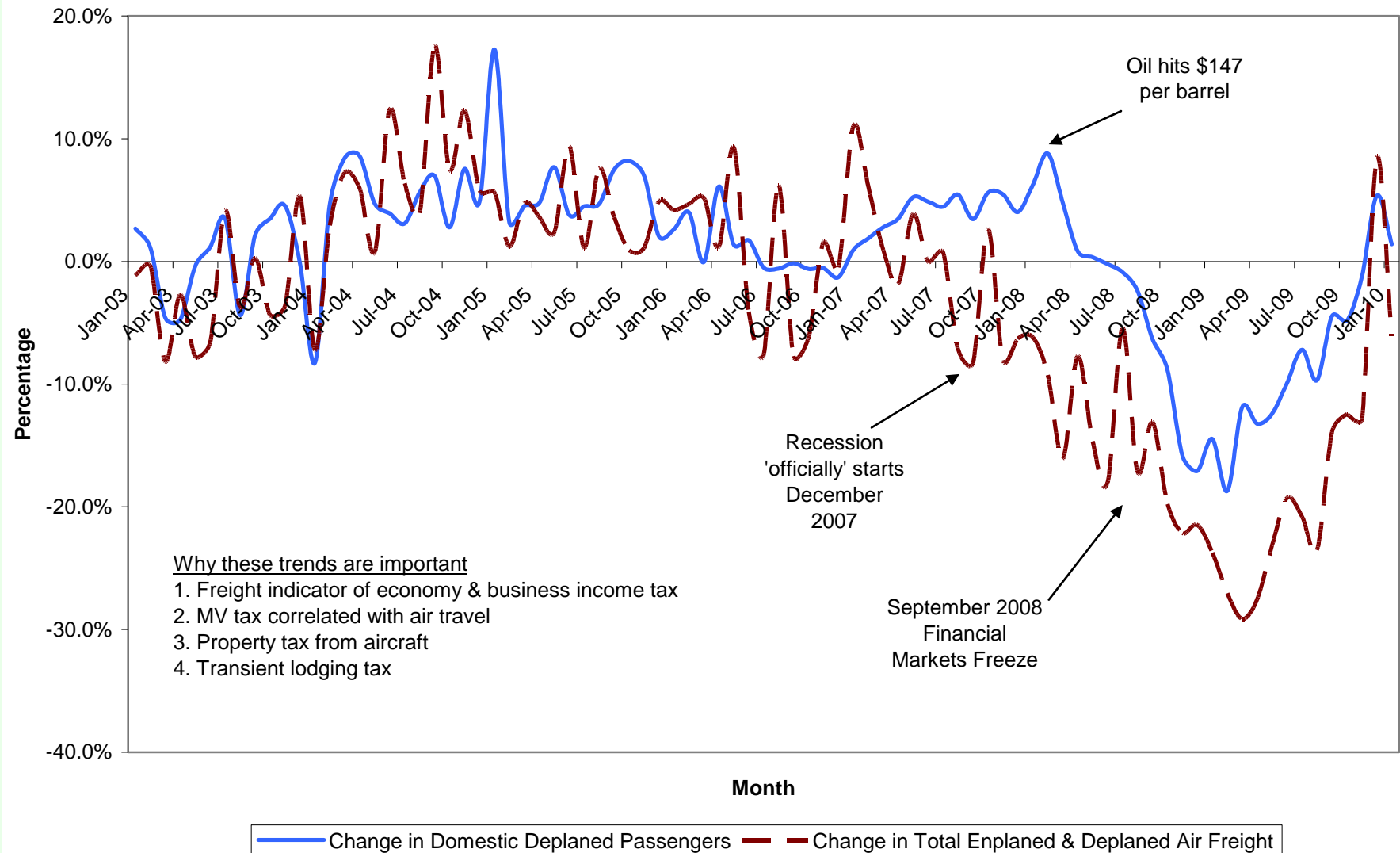
Economic Overview

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



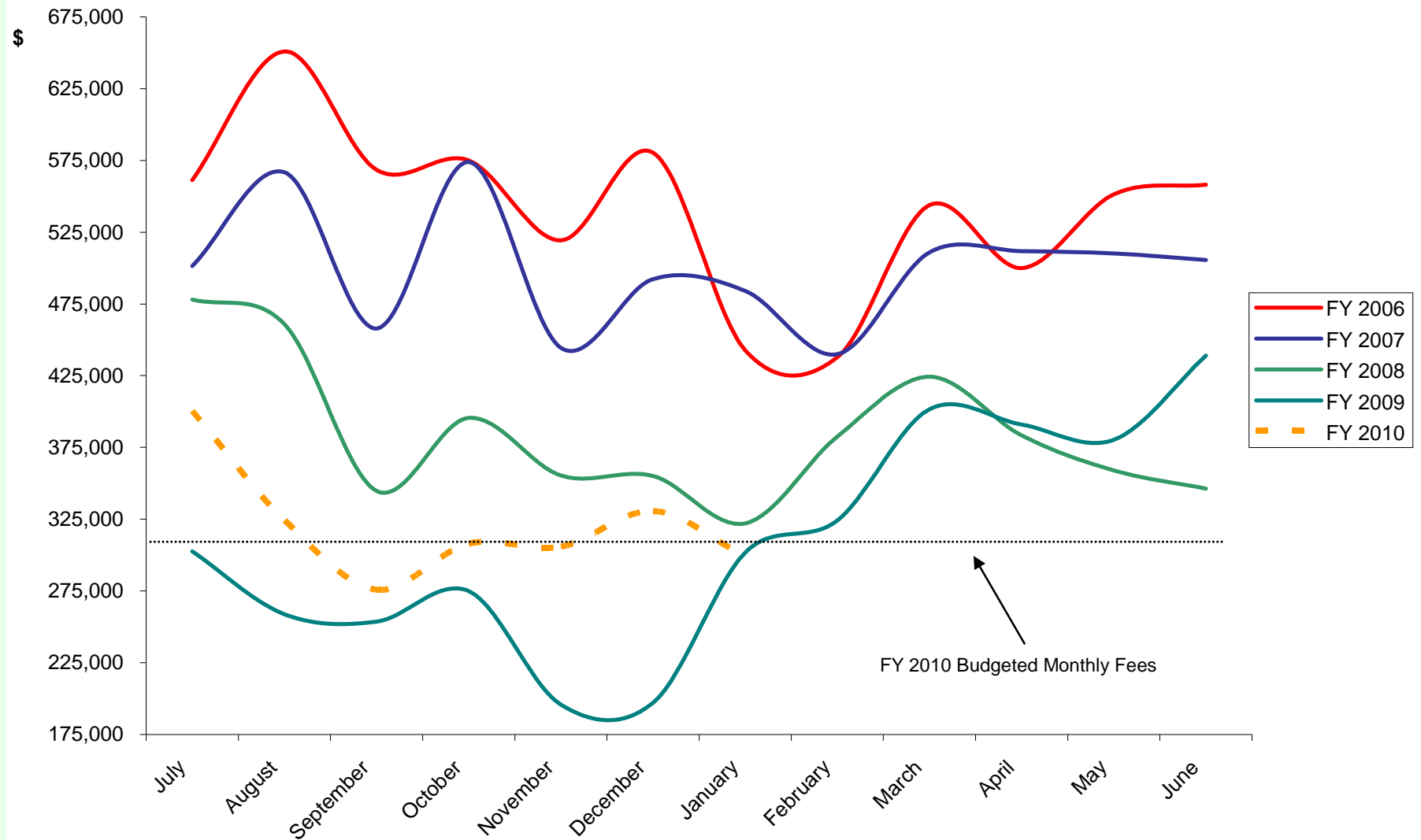
Economic Overview

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



Economic Overview

Monthly Recording Fees (Thru January)



FY 2010 Revenue Review & OTO Funds

| | Adopted ¹ | October Forecast Change | February Forecast Change | Net Change From Adopted |
|---|----------------------|----------------------------|-----------------------------|----------------------------|
| Property Taxes | 221,248,041 | 1,572,323 | 1,929,152 | 3,501,475 |
| Business Income Taxes | 42,528,000 | 0 | (265,000) | (265,000) |
| Motor Vehicle Rental Taxes | 17,412,540 | 0 | 0 | 0 |
| US Marshal | 9,225,000 | (2,098,750) | 0 | (2,098,750) |
| State Shared | | | | |
| Video Lottery | 5,559,535 | 0 | (1,659,535) | (1,659,535) |
| Liquor | 2,637,935 | 456,920 | (289,855) | 167,065 |
| Cigarette | 900,000 | (140,276) | | (140,276) |
| Amusement | 100,000 | 75,000 | 0 | 75,000 |
| Recording Fees/CAFFA Grant | 7,242,500 | 250,000 | 0 | 250,000 |
| City of Portland | 1,170,678 | (228,000) | | (228,000) |
| Indirect | | | | 0 |
| Departmental | 8,721,000 | 0 | 0 | 0 |
| Central Indirect/Svc Reimburse | 7,548,132 | 0 | (400,000) | (400,000) |
| Elections | 1,173,750 | (124,000) | 0 | (124,000) |
| All Other | 15,019,735 | 0 | 0 | 0 |
| FY 10 Revenue Adjustments ² | 340,486,846 | (236,783) | (685,238) | (922,021) |
| % of Revenue | | -0.07% | -0.20% | -0.27% |

| | |
|---|-------------------|
| Higher BWC (ending balance from FY 09) | 8,243,991 |
| Unappropriated above 10% Reserve | 3,598,319 |
| Less 10% Revenue Reserve Increase | <u>(620,847)</u> |
| OTO funds available for FY 2011 ³ | 10,299,442 |

Additional FY 2011 OTO if BIT Reserve not used or kept for FY 2011 6,000,000

1. Excludes BWC, ITAX Revenue, and General Reserve Fund Cash Transfer into General Fund.
2. Not adjusted for revenue adjustments directly offset by expenditure changes.
3. Required addition to Revenue Reserve Reduced by \$157,824 from October forecast.



FY 2010 Revenue Review & OTO Funds

BIT Collections Fiscal Year-to-Date Through January

| | FY 08 | FY 09 | FY 10 | FY 10 vs. FY 08 | FY 10 vs. FY 09 |
|------------------|-------------------|-------------------|-------------------|--------------------|--------------------|
| Quarterly | 20,625,939 | 19,233,717 | 15,603,196 | -24.4% | -18.9% |
| Yearly | 6,136,276 | 5,080,710 | 6,433,250 | 4.8% | 26.6% |
| Refund/Interest | 2,122,669 | 4,574,843 | 5,133,990 | 141.9% | 12.2% |
| NSF Check | 25,496 | 40,003 | 53,588 | 110.2% | 34.0% |
| Total | 24,614,049 | 19,699,581 | 16,848,867 | -31.5% | -14.5% |
| Actual or Budget | 65,650,000 | 42,900,000 | 42,528,000 | | |



5-Year General Fund Forecast

Major General Fund Revenue Sources ¹

| | Adopted FY 2010 | Forecast FY 2010 ² | Forecast FY 2011 | Forecast FY 2012 | Forecast FY 2013 | Forecast FY 2014 | Forecast FY 2015 |
|-----------------------------|--------------------|----------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Property Taxes | 221,248,041 | 224,749,519 | 228,530,991 | 235,948,246 | 244,182,387 | 252,508,465 | 261,637,279 |
| Business Income Taxes | 42,528,000 | 42,263,000 | 42,263,000 | 43,854,400 | 49,212,928 | 56,014,479 | 62,736,217 |
| Motor Vehicle Rental Taxes | 17,412,540 | 17,412,540 | 17,847,854 | 18,561,768 | 19,675,474 | 20,265,738 | 20,873,710 |
| US Marshal | 9,225,000 | 7,126,250 | 7,114,844 | 7,290,215 | 7,505,921 | 7,728,099 | 7,956,942 |
| Recording Fees/CAFFA Grant | 7,242,500 | 7,492,500 | 8,435,000 | 8,905,625 | 9,384,781 | 9,460,027 | 9,536,777 |
| State Shared | 9,197,470 | 7,639,724 | 7,907,479 | 8,862,679 | 9,189,634 | 9,557,987 | 9,779,742 |
| Indirect & Service Reimbrs. | 16,269,132 | 15,869,132 | 16,631,438 | 17,148,507 | 17,682,326 | 18,233,440 | 18,802,414 |
| | 323,122,683 | 322,552,665 | 328,730,606 | 340,571,440 | 356,833,451 | 373,768,235 | 391,323,081 |
| % of Total Revenue | 94.6% | 94.7% | 95.2% | 95.7% | 96.0% | 96.1% | 96.3% |
| All Other General Fund | 18,286,181 | 17,934,181 | 16,543,564 | 15,303,378 | 14,906,323 | 15,308,473 | 15,178,166 |
| Total | 341,408,864 | 340,486,846 | 345,274,170 | 355,874,818 | 371,739,774 | 389,076,708 | 406,501,247 |
| % Change in Ongoing Revenue | | -0.27% | 1.41% | 3.07% | 4.46% | 4.66% | 4.48% |

1. Excludes BWC, ITAX Revenue, and General Reserve Fund Cash Transfer into General Fund.

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



5-Year General Fund Forecast

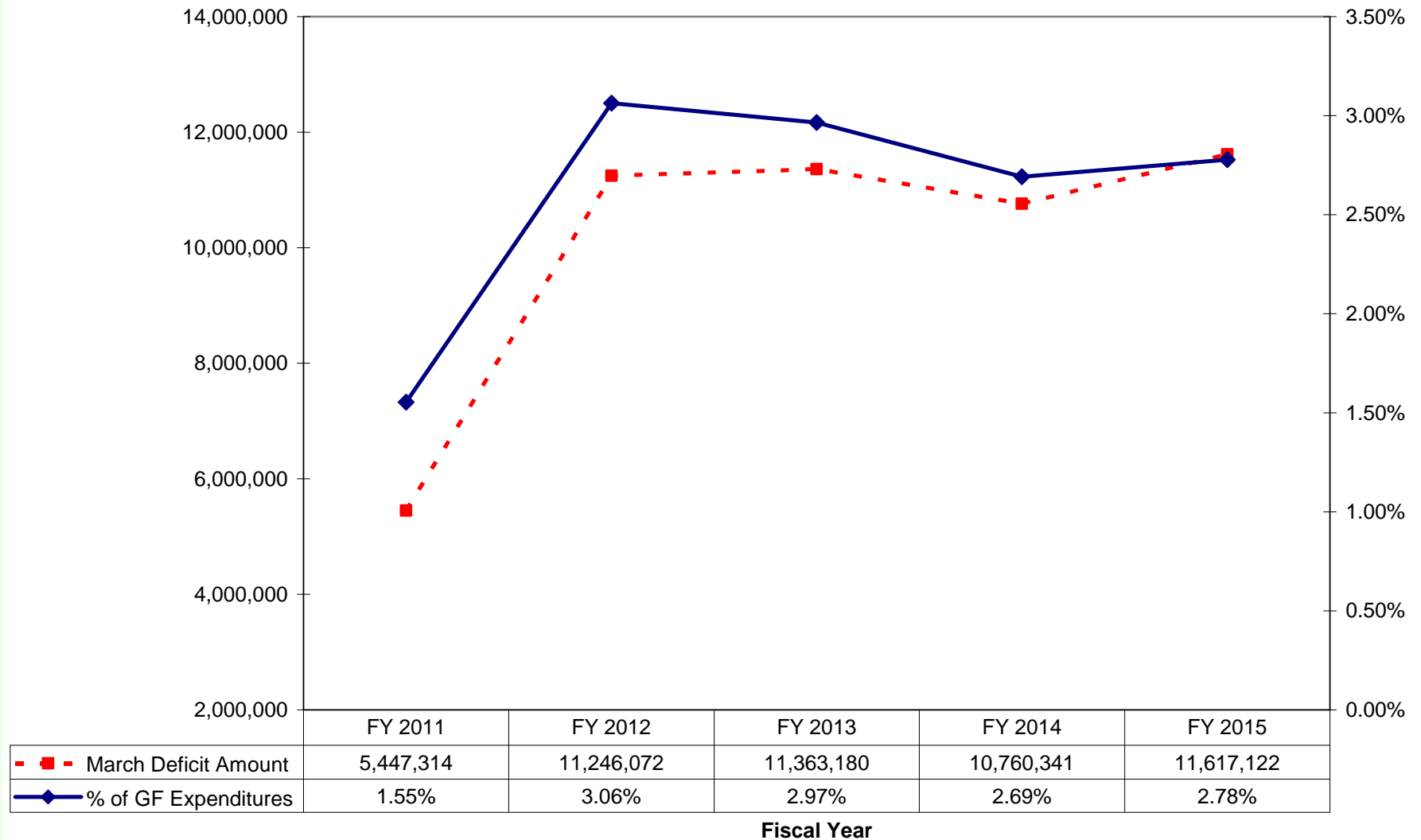
Changes to Ongoing Revenues and Impact on the Expenditure/Revenue Gap

| | FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|--|--------------------|---------------------|---------------------|---------------------|---------------------|
| Property Tax | 588,832 | 0 | 0 | 0 | 0 |
| Business Income Tax | (265,000) | (800,000) | (800,000) | 0 | 0 |
| Video Lottery | (1,603,523) | (866,236) | (763,523) | (625,907) | (641,555) |
| Liquor Tax | (298,551) | (307,507) | (316,733) | (326,235) | (336,021) |
| Net Change | (1,578,242) | (1,973,743) | (1,880,256) | (952,142) | (977,576) |
| Rev/Exp Gap - October 2009 Forecast | (3,869,072) | (9,272,329) | (9,482,924) | (9,808,199) | (10,639,546) |
| Rev/Exp Gap - March 2010 Forecast | (5,447,314) | (11,246,072) | (11,363,180) | (10,760,341) | (11,617,122) |



5-Year General Fund Forecast

General Fund Annual Operating Deficit



5-Year General Fund Forecast

- Assumes:
 - ✓ No ongoing backfill of state programs
 - ✓ No new or expanded General Fund programs
 - East County Court Facilities
 - Crisis Assessment & Treatment Center
 - ✓ No structural changes in revenues (i.e., tax law changes, new legislation, or additional property tax levies)
 - ✓ Total labor costs increase between 4.75% to 5.50%
 - ✓ 'Normal' Inflation
- The actual operating deficit will certainly be different



Forecast Risks & Issues

- Economy does not continue to stabilize and recover
 - ✓ BIT
 - ✓ Commercial real estate
 - ✓ Property Tax Compression
- New Asset Bubbles & Inflation
- State Budget/Economy
 - ✓ ~~January Election~~
 - ✓ Federal Reserve Ramp Down
 - ✓ Stimulus Expiration
 - ✓ State of Oregon Budgetary Issues
- Internal/Local Issues
 - ✓ New & Replacement Structures and Operating Costs (East County Courts, Crisis Assessment & Treatment Center, Downtown Courthouse, etc.)
 - ✓ Retiree Benefits Liability
 - ✓ Health Care and Health Costs



Summary

- FY 2010 General Fund ongoing revenues in-line with Adopted Budget – down \$900,000 or 0.27% of planned revenues.
- FY 2011 operating deficit of \$5.5 million vs. a deficit of \$3.9 million forecasted October.
- FY 2012 operating deficit likely to grow to \$11.2 million
- FY 2012 to FY 2015 – annual operating deficit stabilizes at roughly \$11.3 million or 2.9% of expenditures
- OTO resources for FY 2011 of \$10.3 million, but high as \$16.3 million if the BIT reserve isn't used
- Questions?
- More Info: www.co.multnomah.or.us/budget

