



# FY 2008 Fiscal Parameters

*General Fund Revenue and Financial Overview*

**Multnomah County Budget Office**

**January 8, 2007**

# Introduction

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- Introduction
  - Economic Growth Expected to Continue
  - Updated Assumptions
  - Implications for Revenue Forecast
  
- Revenue Forecast
  - Where Does the Money Come From?
  - Revisions to Preliminary Forecast
  - State Forecast and Governor's Proposed Budget
  
- Five Year Outlook
  - Key Assumptions for FY 2008
  - Estimate Cost of Programs Funded in FY 2007
  - The "Structural Deficit"
  - Recommended Approach



# Economic Conditions

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- Economic Growth Sustained Through 2006
  - 13 Consecutive Quarters of Job Growth in Oregon
  - Year Over Year Job Growth Highest Since 1997
- Limited Forecast Risks at This Time
  - Inflation Has Slowed Considerably
  - Reduction in Oil Prices Leads to Likely “Soft Landing”
- Oregon Index of Leading Indicators (OILI) Predicts Continued Economic Growth, But at a Slower Pace



# Impact on General Fund Revenue

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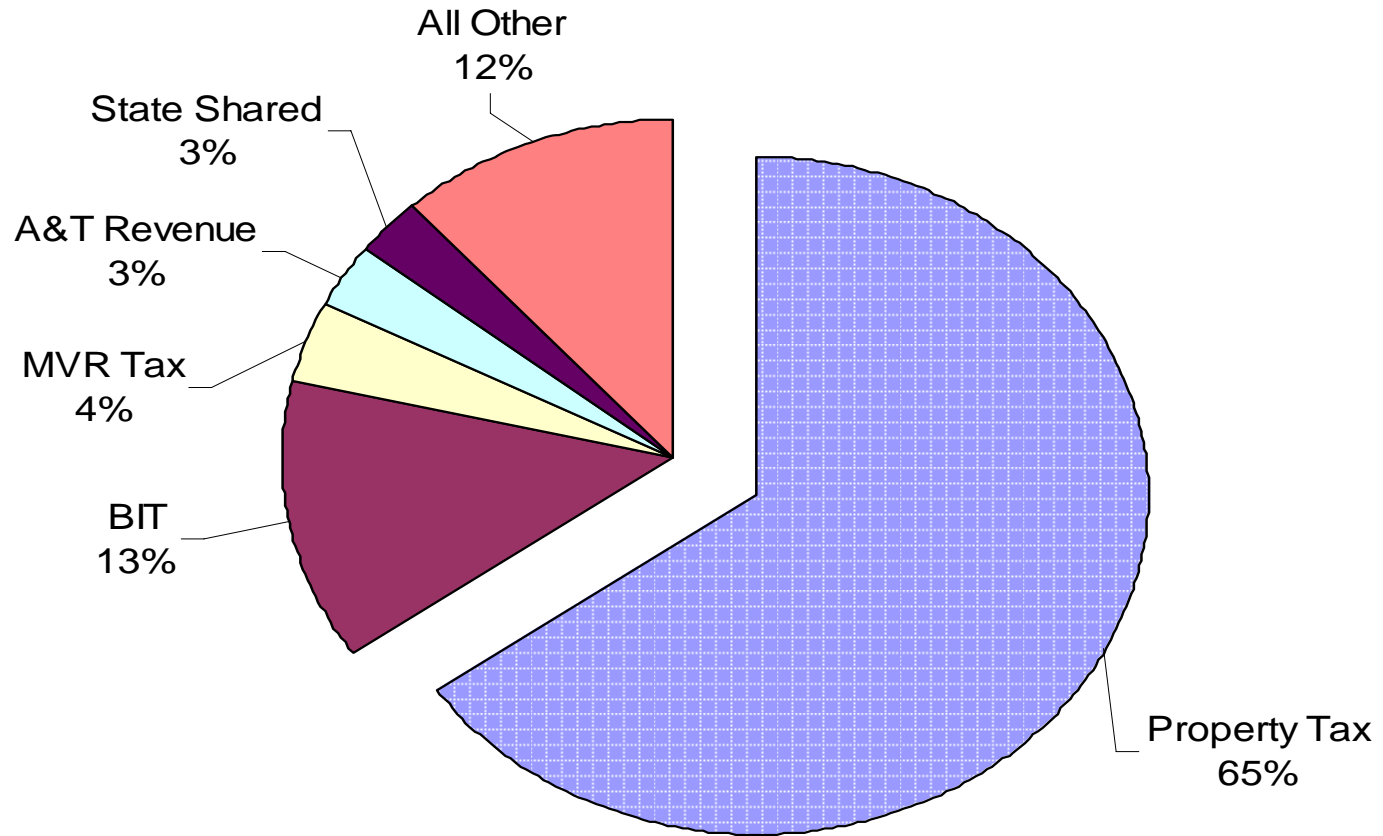
- Strength of Construction and Real Estate Sectors Translates to Increased Value Growth
  - Assessed Value Growth = 4.1% in FY 2007
  - Increased Real Market Growth = Lower Measure 5 Compression
- Record Level of BIT Revenue Collections in FY 2006
  - Trend Should Continue in Short Term
- Most Revenue Sources Trending Upward
- Diversity of General Fund Remains a Concern



# Sources of General Fund Revenue

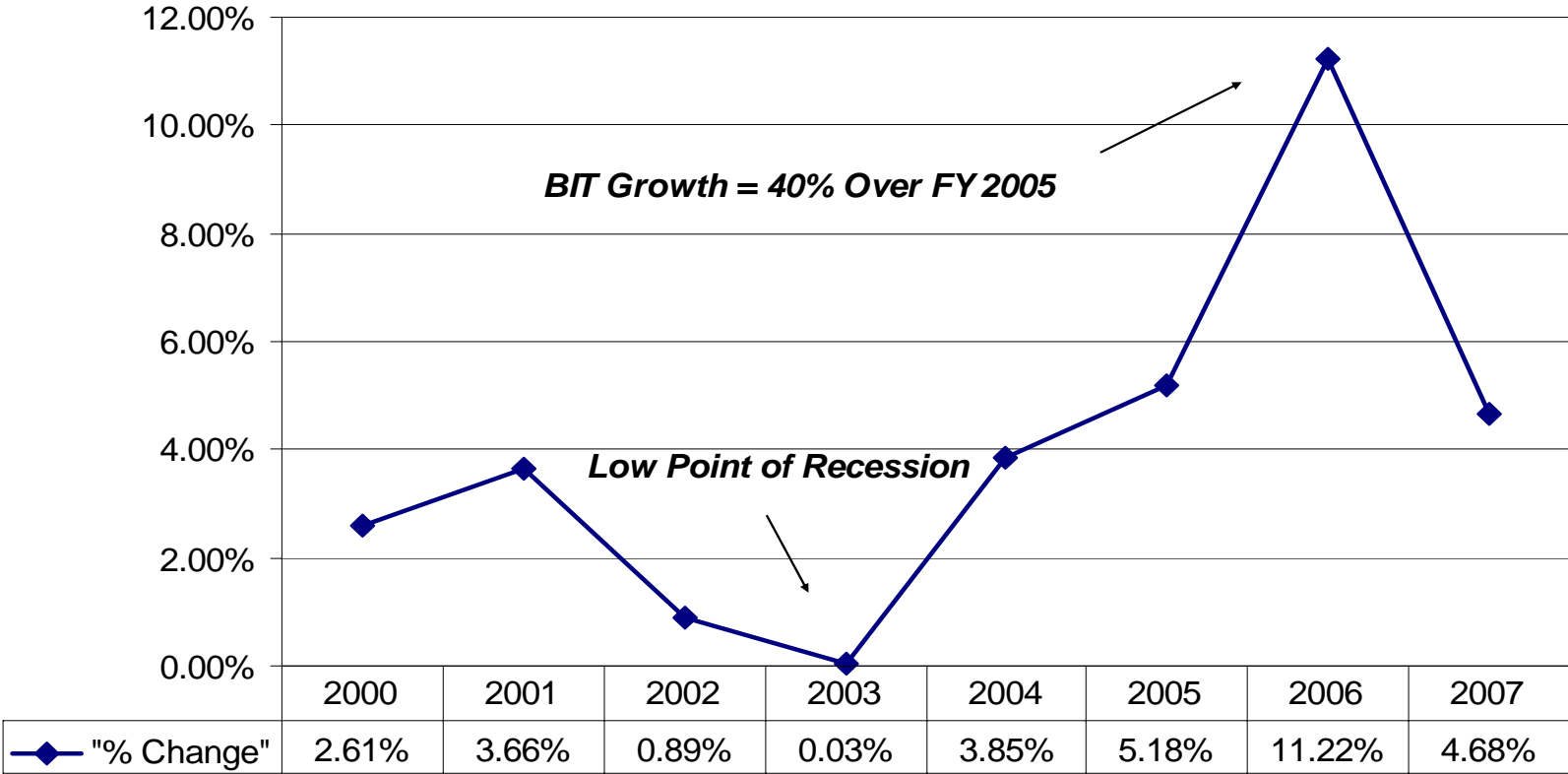
## General Fund Revenue (FY 2006-07)

*Excludes Beginning Working Capital*



# General Fund Revenue Trends

**Annual Change in General Fund "Corporate" Revenues**  
 Property Tax, BIT, Motor Vehicle Rental, State Shared, A&T, Interest



# General Fund Revenue Forecast

## Major General Fund Revenue Sources

Based on Revenue Forecast as of 12/1/06

	Adopted FY 2007	Forecast FY 2007	Forecast FY 2008	Forecast FY 2009	Forecast FY 2010
Property Taxes	\$ 196,783,515	\$ 197,339,107	\$ 204,674,199	\$ 211,298,281	\$ 218,683,035
<b>Business Income Tax</b>	<b>40,500,000</b>	<b>51,750,000</b>	<b>50,715,000</b>	<b>52,490,025</b>	<b>54,327,176</b>
Motor Vehicle Rental	11,750,000	12,207,113	12,390,220	12,638,025	12,953,975
A&T - Grant/Recording Fees	9,426,000	9,665,086	8,913,000	8,991,260	9,071,085
State Shared Revenues <sup>1</sup>	7,848,524	8,341,543	8,167,374	8,333,596	8,490,215
Interest Earnings	2,200,000	2,849,646	2,700,000	2,700,000	2,700,000
	<b>\$ 268,508,039</b>	<b>\$ 282,152,496</b>	<b>\$ 287,559,793</b>	<b>\$ 296,451,187</b>	<b>\$ 306,225,487</b>
All Other General Fund <sup>2</sup>	33,191,121	34,707,748	32,241,773	31,049,455	32,575,612
	<b>\$ 301,699,160</b>	<b>\$ 316,860,244</b>	<b>\$ 319,801,566</b>	<b>\$ 327,500,642</b>	<b>\$ 338,801,099</b>
% of Total Revenue	89.00%	89.05%	89.92%	90.52%	90.39%
% Change in Ongoing Revenue		4.68%	1.81%	2.99%	3.45%

### Notes:

1. State Shared Revenues include Video Lottery and OLCC, Cigarette, and Amusement Device Taxes
2. All Other General Fund Excludes ITAX Revenue and Beginning Working Capital (BWC)



# Revisions to Revenue Forecast

## Updated FY 2008 Revenue Forecast

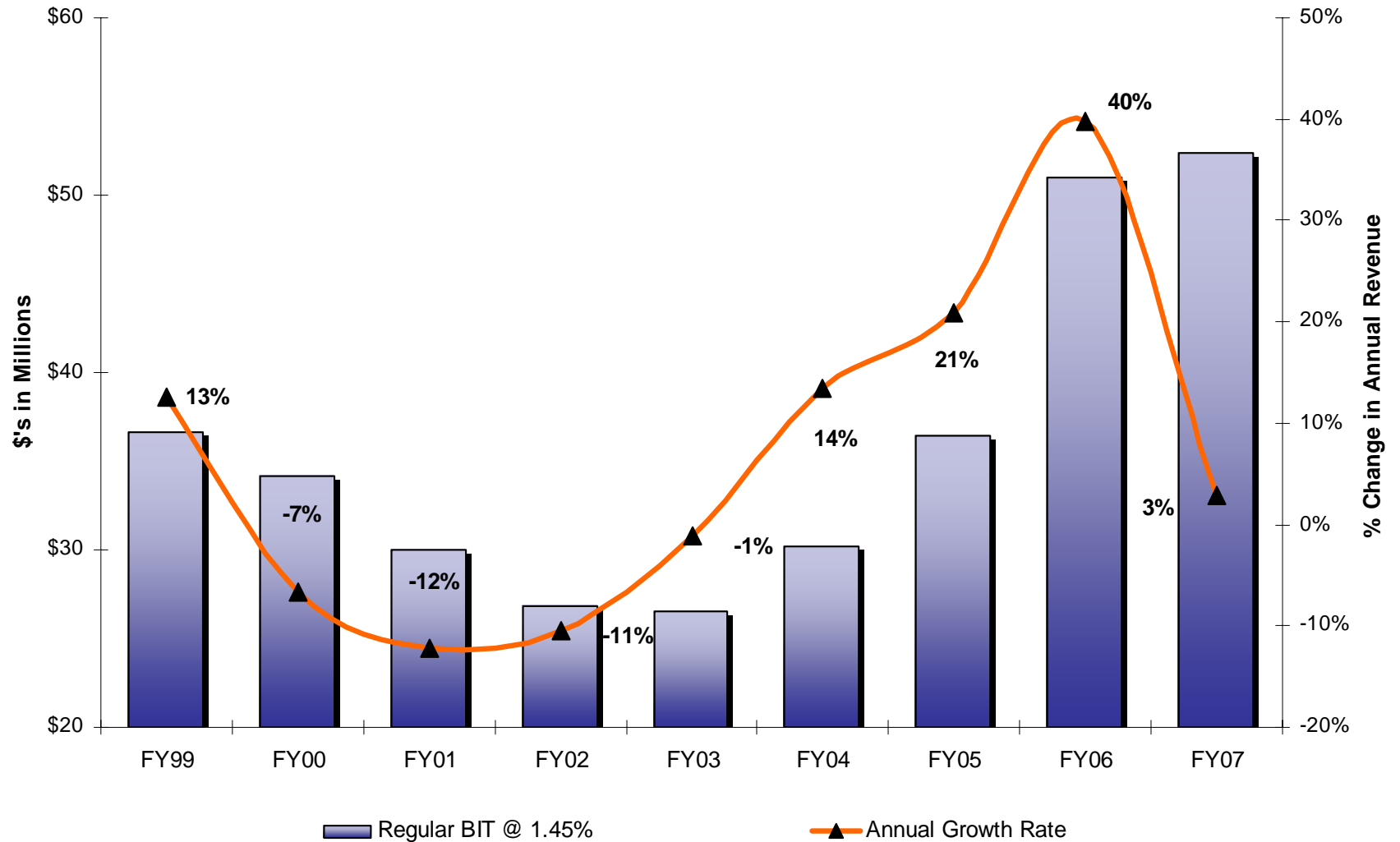
	Oct-06	Jan-07	Difference
Property Taxes	\$ 204,674,199	\$ 204,674,199	\$ -
Business Income Tax	44,500,000	50,715,000	6,215,000
Motor Vehicle Rental	12,390,220	12,390,220	-
A&T Sources	9,469,000	8,913,000	(556,000)
State Shared Revenues	7,848,524	8,167,374	318,850
Interest Earnings	2,700,000	2,700,000	-
All Other GF	30,210,773	32,241,773	2,031,000
Total Ongoing Revenue	\$ 311,792,716	\$ 319,801,566	\$ 8,008,850

- **BIT Forecast Updated to Reflect Year to Date Collections**
- **A&T Revised Downward – Forecast Slowing in Real Estate**
- **State Shared – Increased Video Lottery for Line Game Revenue**
- **Added Revenue From City of Portland for “Project 57”**



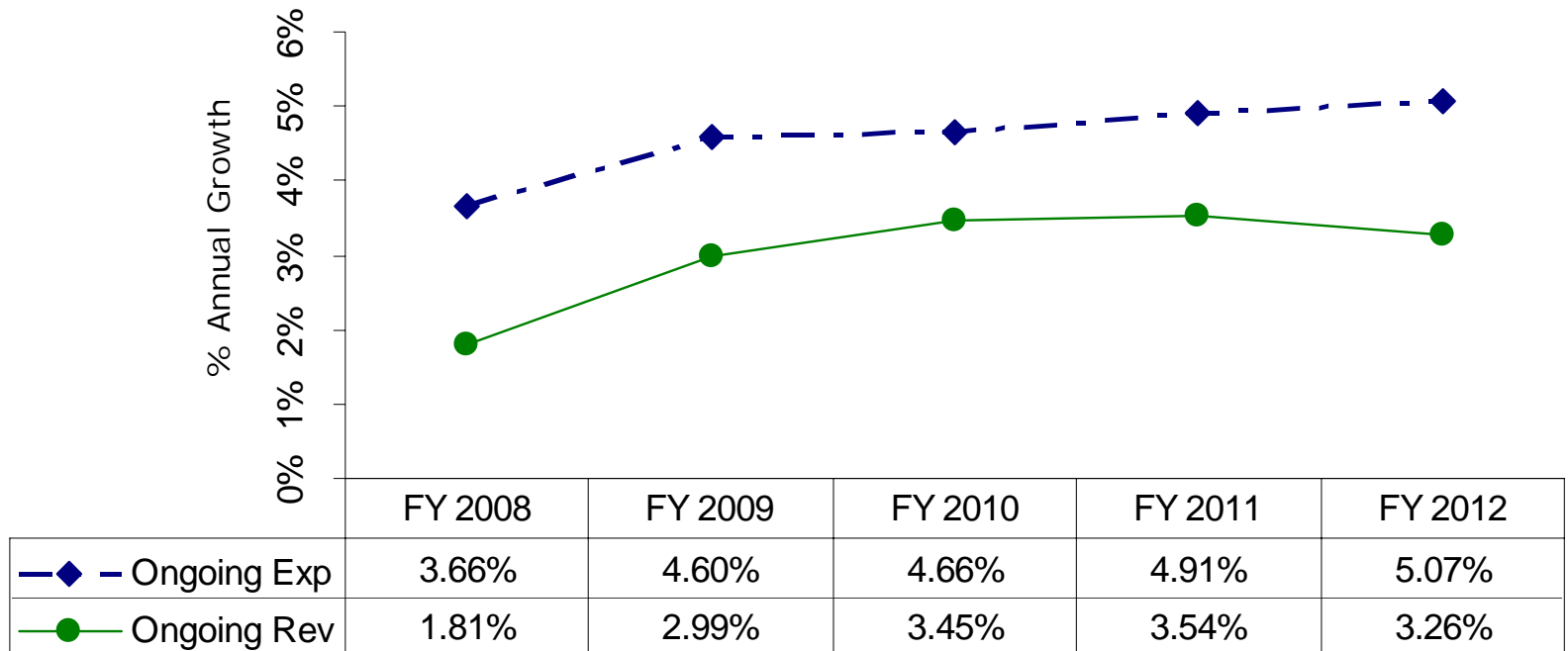


# Volatility of BIT a Concern



# What is The "Structural Deficit"?

**"Structural Deficit"**  
Forecast Expenditure Growth v. Ongoing Revenue



# Revenue Assumptions

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- Economy Showing Signs of Slowing - Probably Yet to Hit Peak of This Cycle
- Ongoing Revenue = \$319.8 Million
- Unallocated Fund Balance = \$24 - \$27 Million
- Revenue Growth Estimated at 2.5% to 3.5% Over Next Five Years
- Increased Revenue in Governor's Proposed Budget Offsets Costs in General Fund



# Expenditure Assumptions

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- Continue to Fund Most Programs Funded w/ OTO Revenue in FY 2007
- CPI Growth Has Slowed in Recent Months
  - Portland CPI Expected to Be Around 3%
  - Each .25% Change in CPI = \$500,000 in Personnel Costs
- Expect No Changes to PERS Rates
- Medical/Dental Currently Being Bargained
  - Department Contribution Rate v. Level of Reserves
  - Issue of Retiree Medical Liability
- BIT Revenue Above Forecast to BIT Stabilization Reserve
- Revisit Library Cash Transfer Assumptions (?)



# Recommended Fiscal Parameter Target

## FY 2008 Estimated General Fund

	Low	High	Recommend
Ongoing Expenditures	\$ 340.1	\$ 346.0	\$ 340.1
Ongoing GF Revenue	319.8	322.5	320.0
Estimated Ongoing Shortfall	\$ 20.3	\$ 23.5	\$ 20.1
Unallocated Fund Balance (BWC)	\$ 24.0	\$ 27.0	\$ 25.0

Note: Ongoing Expenditures Assume Program Offers Funded in FY 2007 Continue in FY 2008

## Recommended Fiscal Parameter Target

Ongoing Revenue Available in FY 2008	\$ 320.0
Innovation/Program Reconstruction	\$ 5.0
Use to Fund Ongoing Programs in FY 2008	10.0
<b>Establish Fiscal Parameter Target for FY 2008 @</b>	<b>\$ 335.0</b>

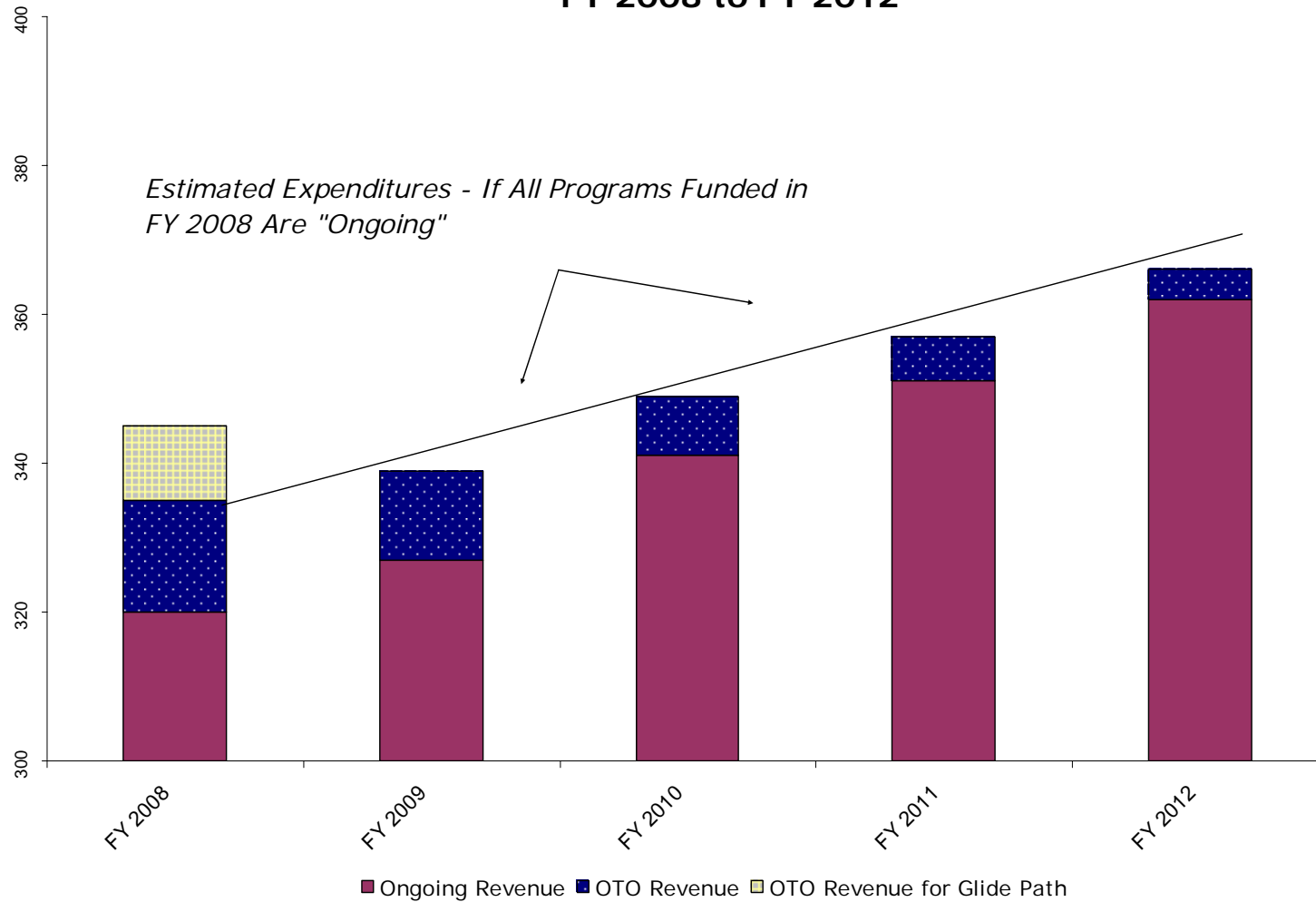
FY 2008 Estimated General Fund Reduction  
*(Innovation/Program Reconstruction Funds Represent Investment in Alternative Ways to Do County Business)*

Reserve to Fund Ongoing Programs in FY 2009	\$ 10.0
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# An Approach to Balancing the Budget

General Fund Forecast  
FY 2008 to FY 2012



# Summary

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- Forecast Has Improved Since October
- Revenue Growth Remains Strong in FY 2007, Expected to Return to “Normal” in FY 2008
- More Upside Potential Than Downside in This Forecast
  - Haven’t Accounted for All Additional Revenue in State Budget
  - Additional GF Fund Balance (?)
  - Uncertainty Surrounding Personnel Costs
- Key Upcoming Dates
  - January 25<sup>th</sup> – 2<sup>nd</sup> Quarter General Fund Forecast
  - February 21<sup>st</sup> – Portland CPI Released
  - March 21<sup>st</sup> – Update Fiscal Parameters if Necessary

