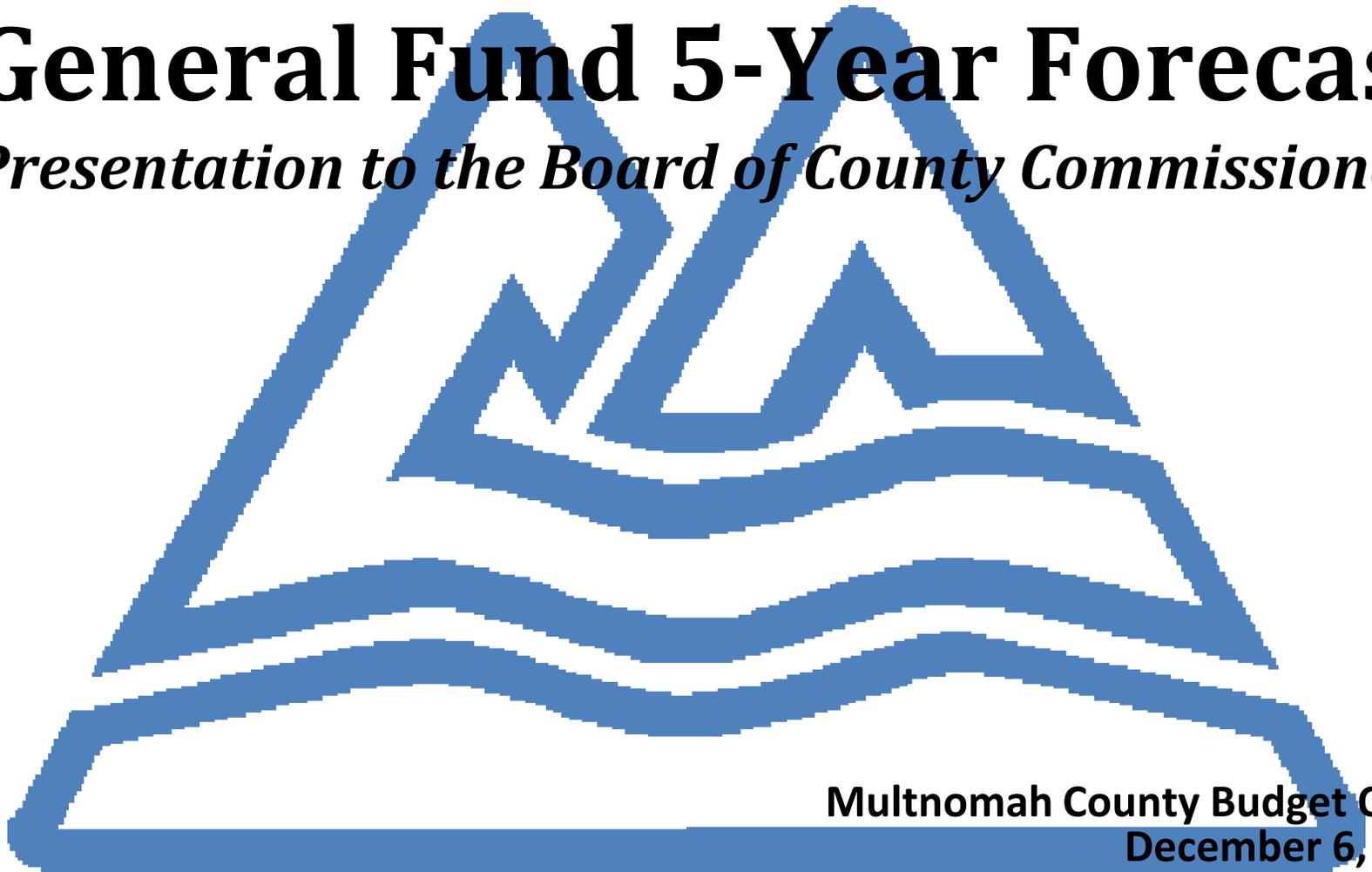


# FY 2014

## General Fund 5-Year Forecast

*Presentation to the Board of County Commissioners*



Multnomah County Budget Office  
December 6, 2012

[www.multco.us/budget](http://www.multco.us/budget)

# Overview

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- **Economic Overview**
  - ✓ Additional Information in Appendix
- **FY 2013 Revenue Review**
  - ✓ BIT
  - ✓ USM
  - ✓ Liquor
- **FY 2014 General Fund 5-Year Forecast**
  - ✓ FY 2014 Forecast
  - ✓ 5-Year Revenue Outlook
  - ✓ Revenues
  - ✓ Expenditures Assumptions
- **FY 2013 General Fund Contingency & FY 2014 OTO Funds**
- **Impact of Library District on the General Fund Forecast**
- **Forecast Risks & Issues**
- **Summary & Questions**

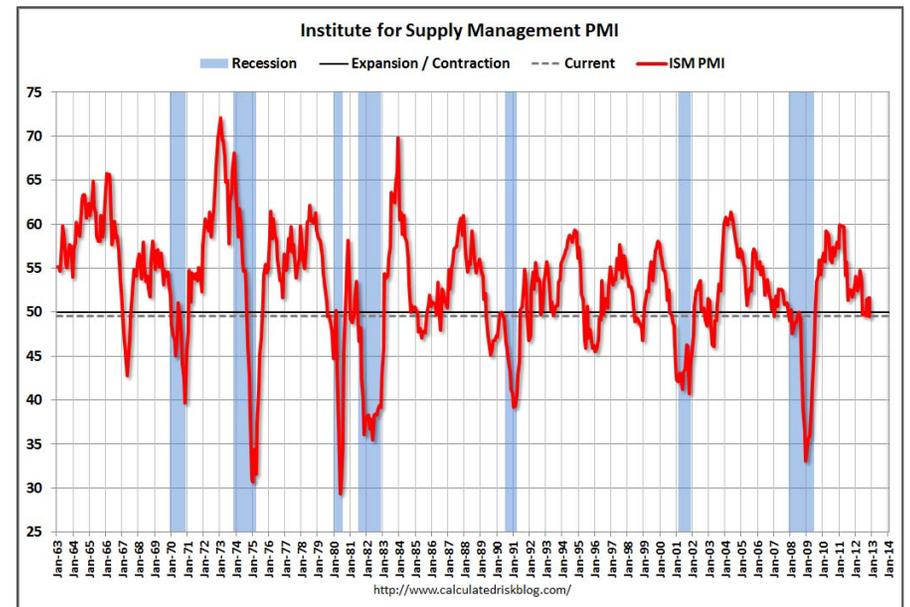
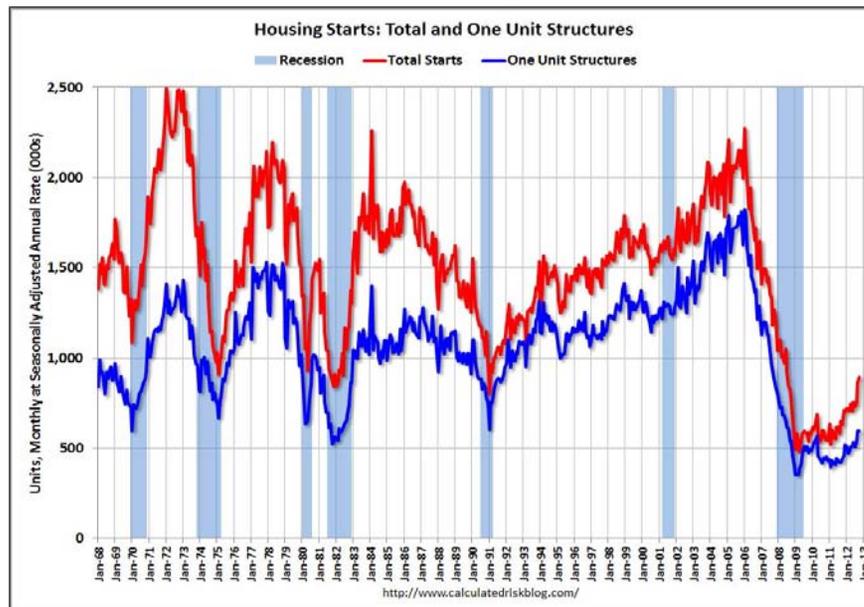
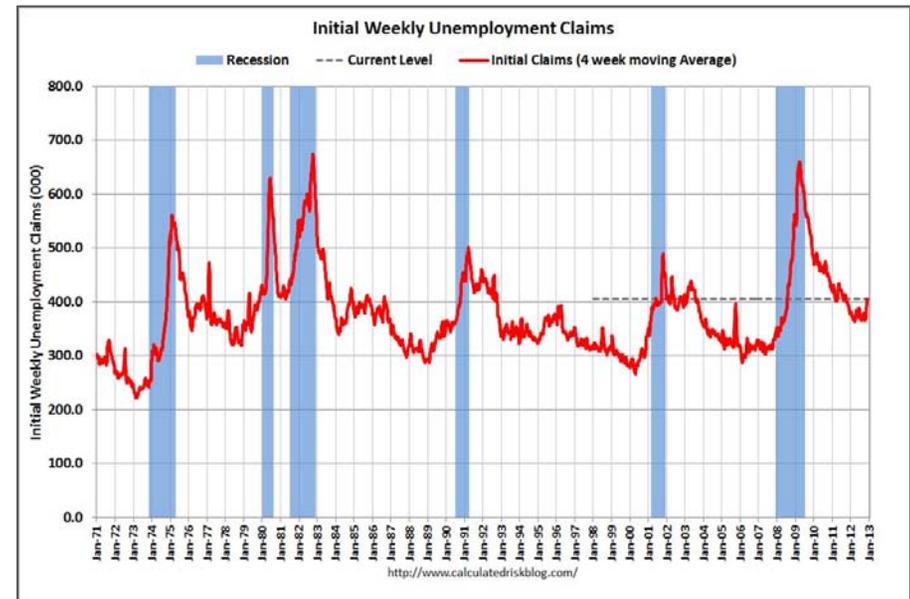
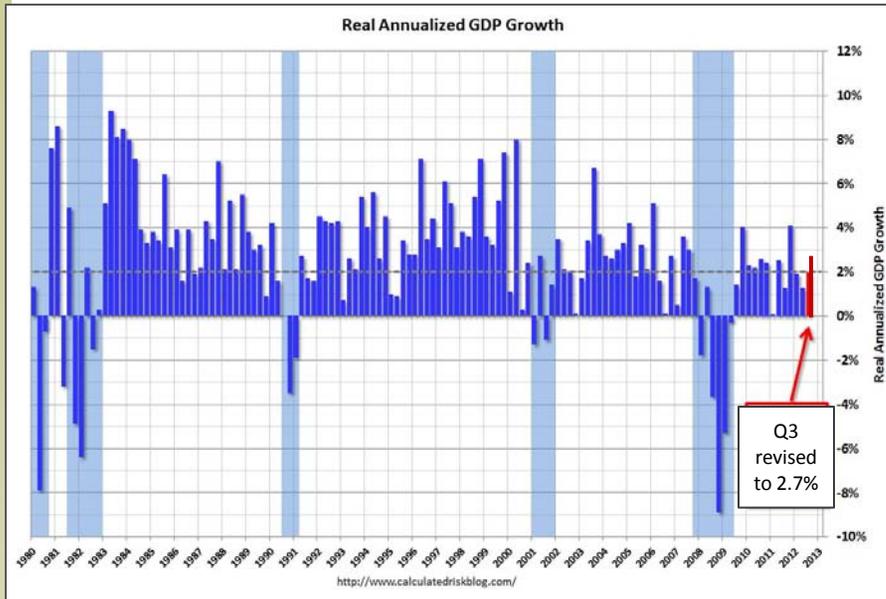


# Economic Overview

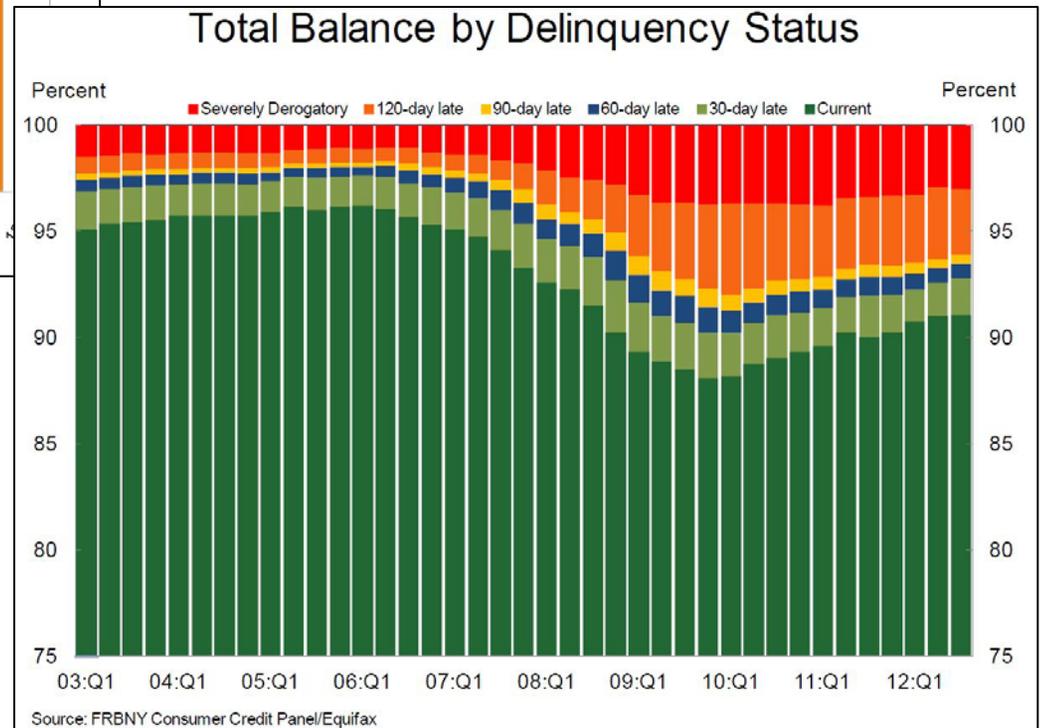
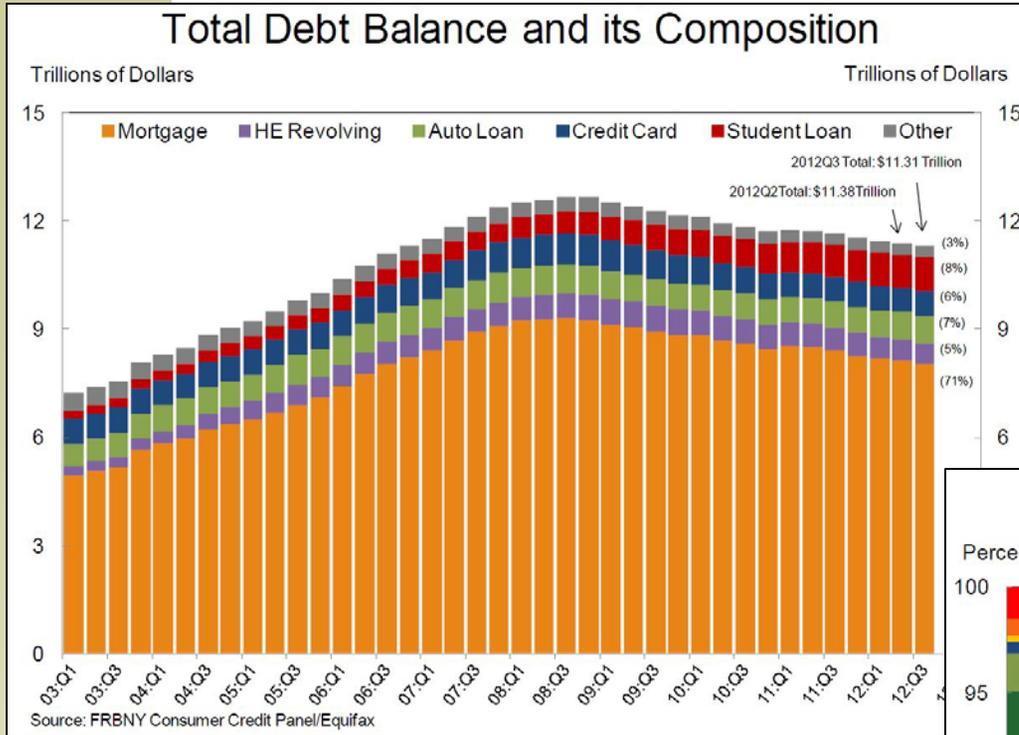
- A stabilized economy with anemic to modest growth with intermittent headwinds.
  - GDP – Thirteen quarters of growth
    - ✓ 2012 Q1 = 2.0%, Q2 = 1.3%, Q3 = 2.7%
    - ✓ European debt, fiscal “cliff/slope”, Sandy, Middle East
  - Labor Markets
    - ✓ U.S. weekly unemployment claims – 4-week moving average @ 405,250
    - ✓ Oregon October Y-o-Y jobs up 9,300 (0.9%)
  - Housing
    - ✓ New starts @ annual rate of 894,000 (vs. record low of 477,000 and peak of 2 million plus)... Increasing investment in multi-family housing.
    - ✓ 10.8million (22.3%) of properties w/ mortgage have negative equity (CoreLogic Q2); for Oregon it is 131,708 or 18.7%.
  - Industrial Production
    - ✓ Continued improvement... For October, capacity utilization @ 77.8%, which is 2.5% points below 1972 to 2010 average.
  - **There remains excess capacity and slack 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 (or slow and steady if one ignores the monthly or quarterly bumps).



# Economic Overview



# Economic Overview



# Economic Overview

## Federal Fiscal Policy Under Current Law in FFY 2013: The Fiscal Cliff/Slope and Deficit Reduction

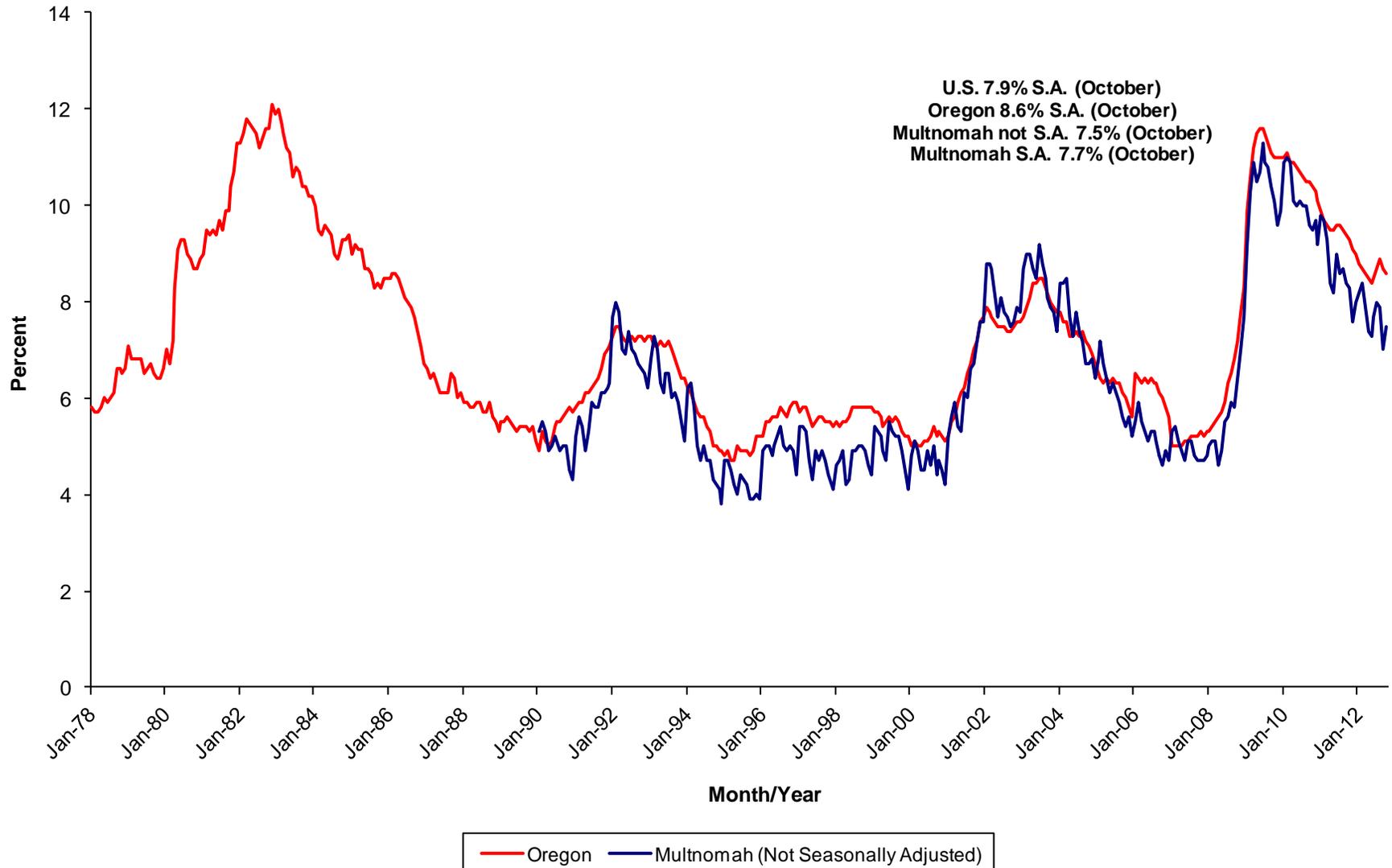
Scheduled Revenue Increases	(Billions of \$)
Expiration of 2% payroll tax cut	\$85
Expiration of 2001, 2003, and 2009 tax cuts, including AMT "patch"	\$225
Other expiring provisions (extenders), business expensing of investment property	\$65
Taxes included in Affordable Care Act	\$18
<b>Revenue Increases</b>	<b>\$393</b>
Scheduled Spending Reductions	
Sequestration	\$54
Expiration of emergency unemployment compensation	\$34
Expiration of Medicare "doc fix" (payments for physicians drop 27%)	\$10
<b>Spending Reductions</b>	<b>\$98</b>
<b>Total</b>	<b>\$491</b>

Source: Congressional Budget Office, *An Update to the Budget and Economic Outlook: Fiscal Years 2012-2022*, August 2012.



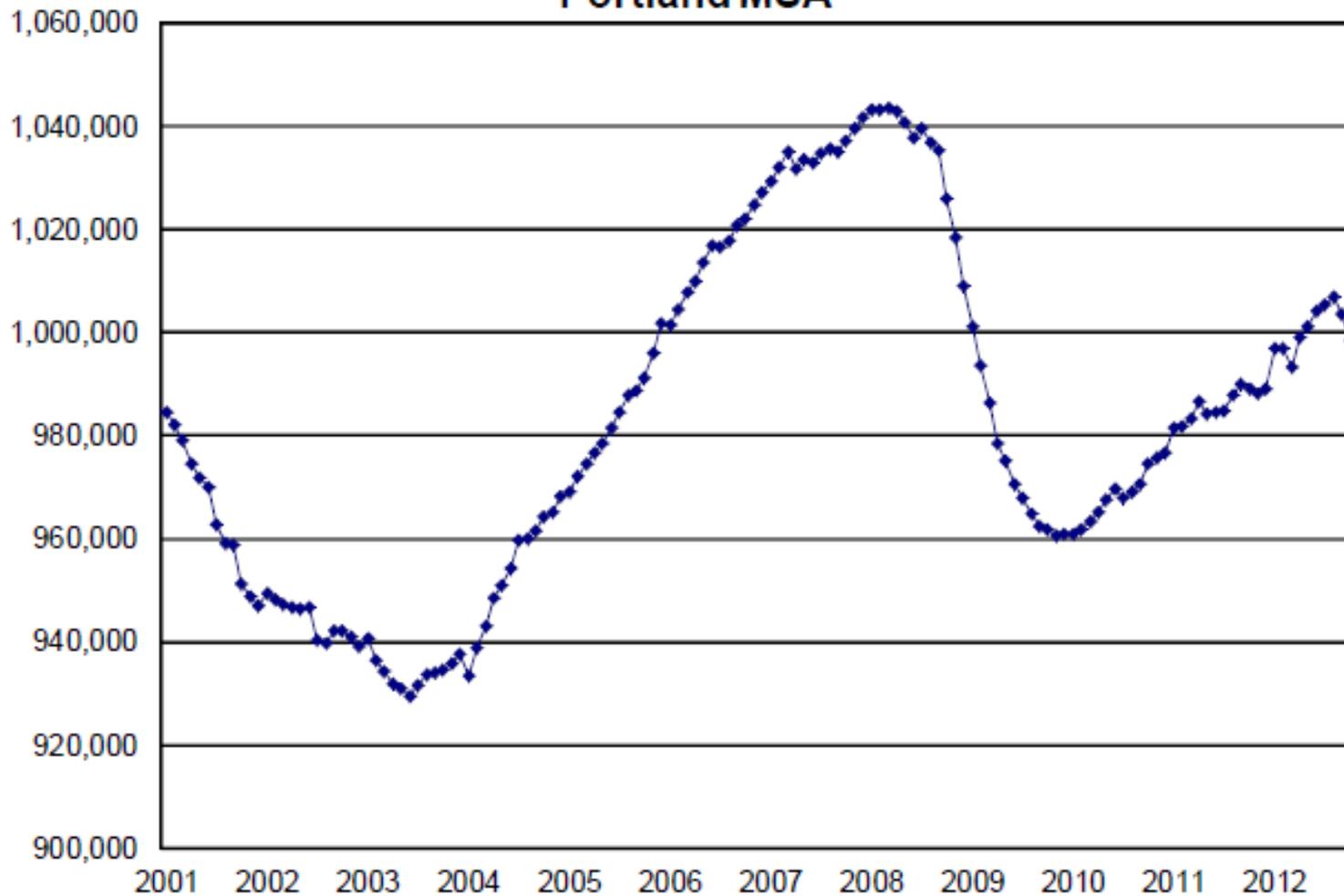
# Economic Overview

## Oregon & Multnomah County Unemployment Rates



# Economic Overview

**Seasonally Adjusted Total Nonfarm Payroll Employment  
Portland MSA**

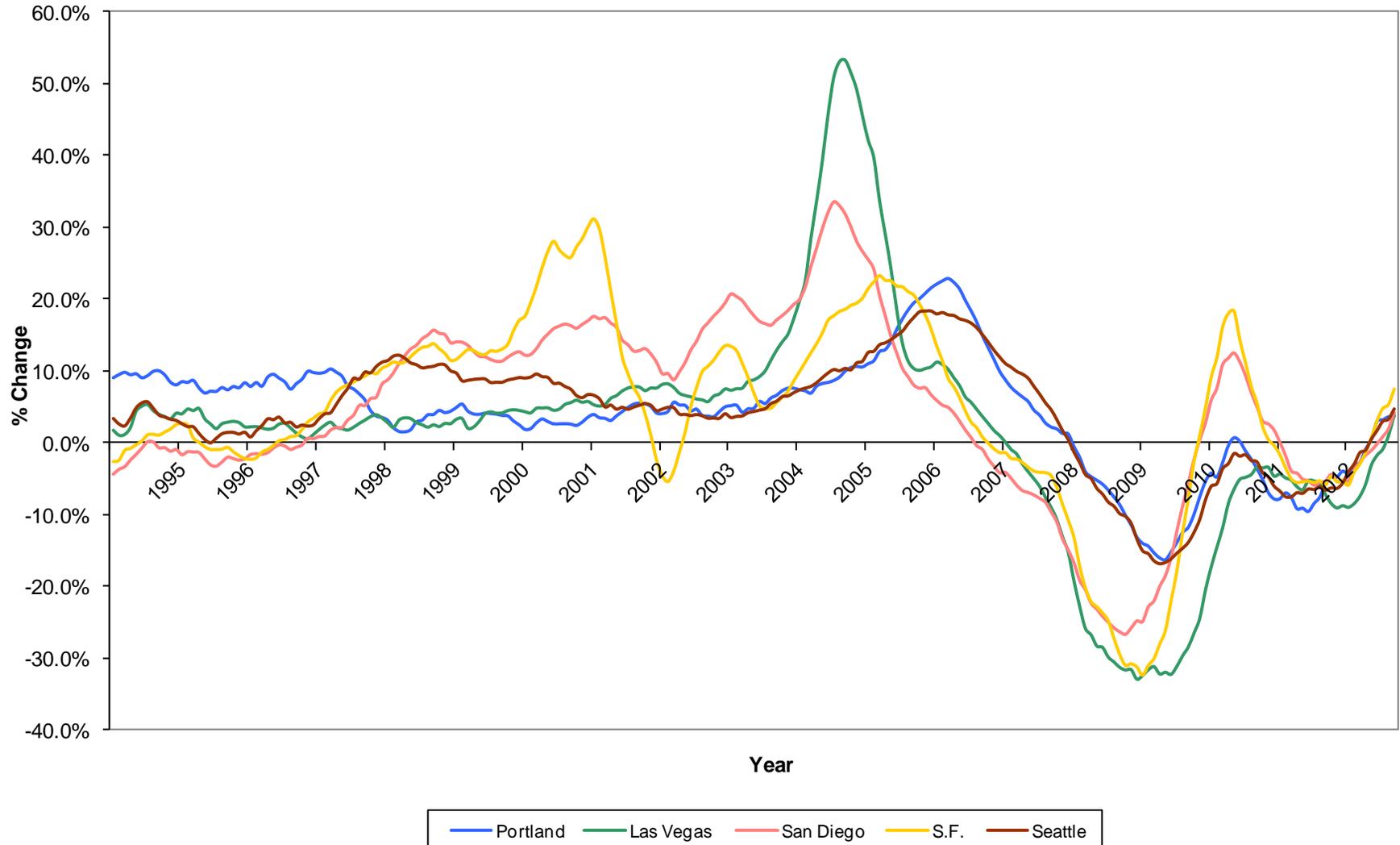


Source: Portland Metro Labor Trends - December 2012, Worksource Oregon.



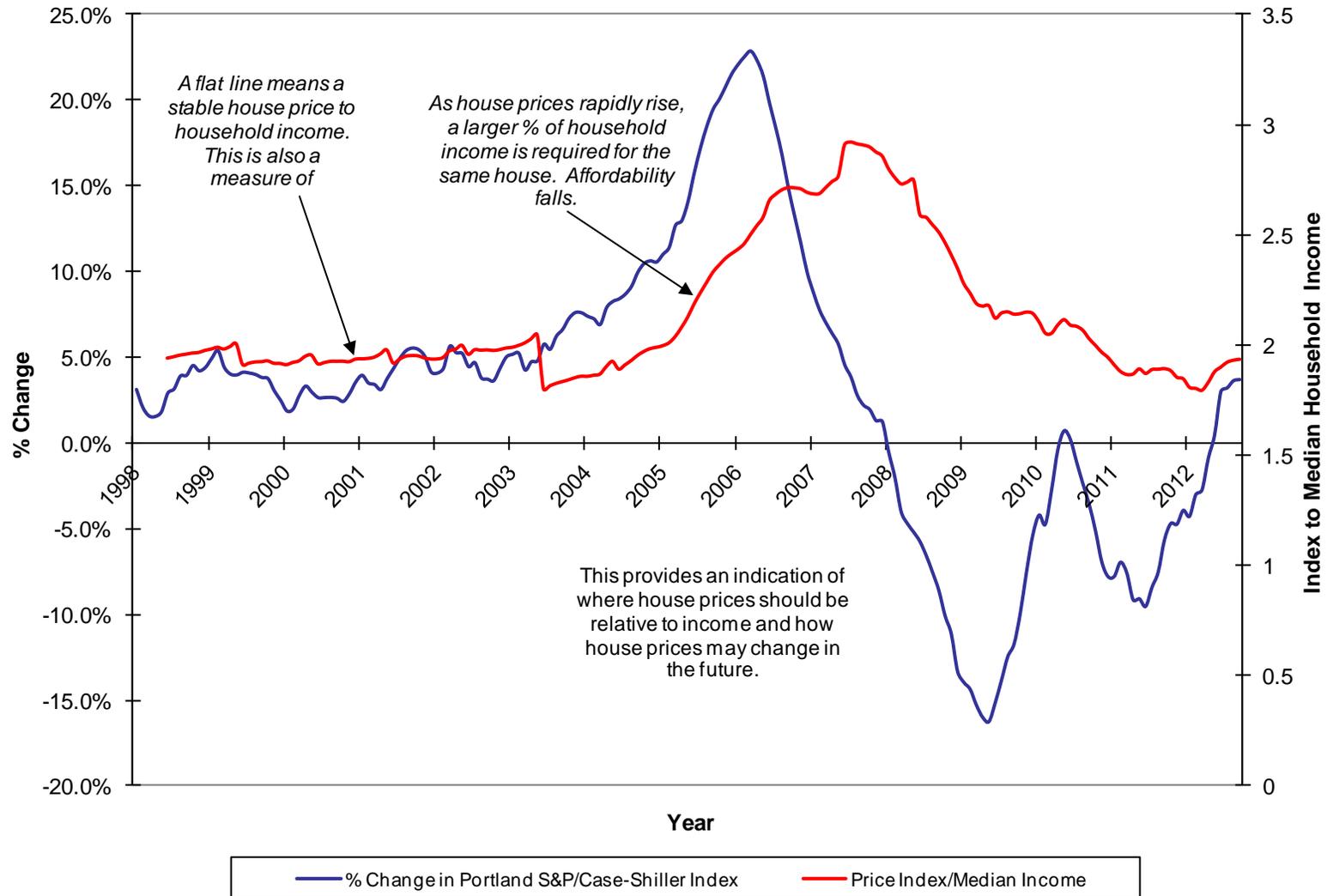
# Economic Overview

**Monthly Year-Over-Year % Change**  
*Based on S&P/Case-Shiller Home Price Index Thru September 2012*



# Economic Overview

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



# FY 2013 Revenue Review

	<b>Adopted <sup>1</sup></b>	<b>October Forecast Change</b>	<b>Net Change From Adopted</b>	<b>Note</b>
Property Taxes	239,282,899	(3,490,668)	(3,490,668)	AV growth 1.97% vs. budgeted 2.85%; Compression 5.11% vs. budgeted 4.35%
Business Income Taxes	54,419,811	0	0	Thru November trending flat with FY 2012
Motor Vehicle Rental Taxes	19,068,018	0	0	
US Marshal/BM 73/BOP	5,473,678	0	0	See graph
State Shared				
Video Lottery	5,223,488	0	0	
Liquor	3,151,003	271,198	271,198	Increase due to WA Initiative 1183; See graphic
Cigarette	693,473	34,080	34,080	
Amusement	170,000	0	0	
Recording Fees/CAFFA Grant	7,838,269	0	0	
Indirect				
Departmental	10,705,763	0	0	
Central Indirect/Svc Reimburse	10,868,104	0	0	
All Other	20,391,127	174,225	174,225	SIP/CSF & Timber/Secure Schools
<b>FY 13 Revenue Adjustments <sup>2</sup></b>	<b>377,285,633</b>	<b>(3,011,165)</b>	<b>(3,011,165)</b>	
<b>% of Revenue</b>		<b>-0.80%</b>	<b>-0.80%</b>	

1. Excludes BWC and FQHC wraparound revenues, but includes Video Lottery.
2. Not adjusted for revenue adjustments directly offset by expenditure changes.



# FY 2013 Revenue Review

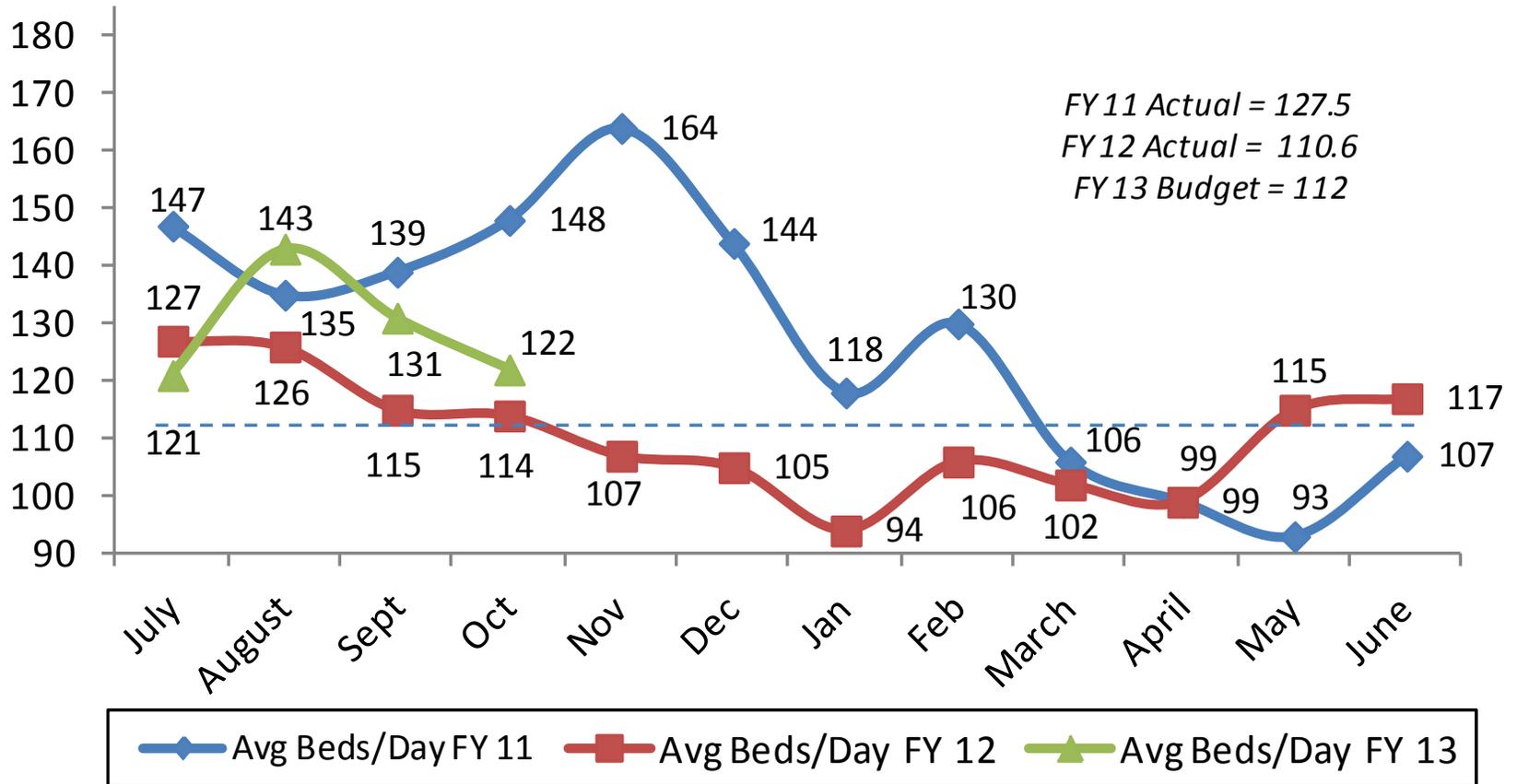
## BIT Collections Fiscal Year-to-Date Through November

	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 13 vs. FY 08	FY 13 vs. FY 12
Quarterly	10,596,189	9,646,040	7,186,980	8,353,669	8,838,098	9,038,228	-14.7%	2.3%
Yearly	4,177,605	3,617,052	4,109,114	2,807,931	3,654,567	2,973,538	-28.8%	-18.6%
Refund/Interest	1,006,941	1,736,573	1,674,049	1,488,660	1,107,596	711,372	-29.4%	-35.8%
NSF Check	17,748	25,393	47,577	54,043	9,223	15,888	-10.5%	72.3%
<b>Total</b>	<b>13,749,104</b>	<b>11,501,126</b>	<b>9,574,468</b>	<b>9,618,897</b>	<b>11,375,846</b>	<b>11,284,507</b>	<b>-17.9%</b>	<b>-0.8%</b>
<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>52,250,000</i>	<i>54,419,811</i>		



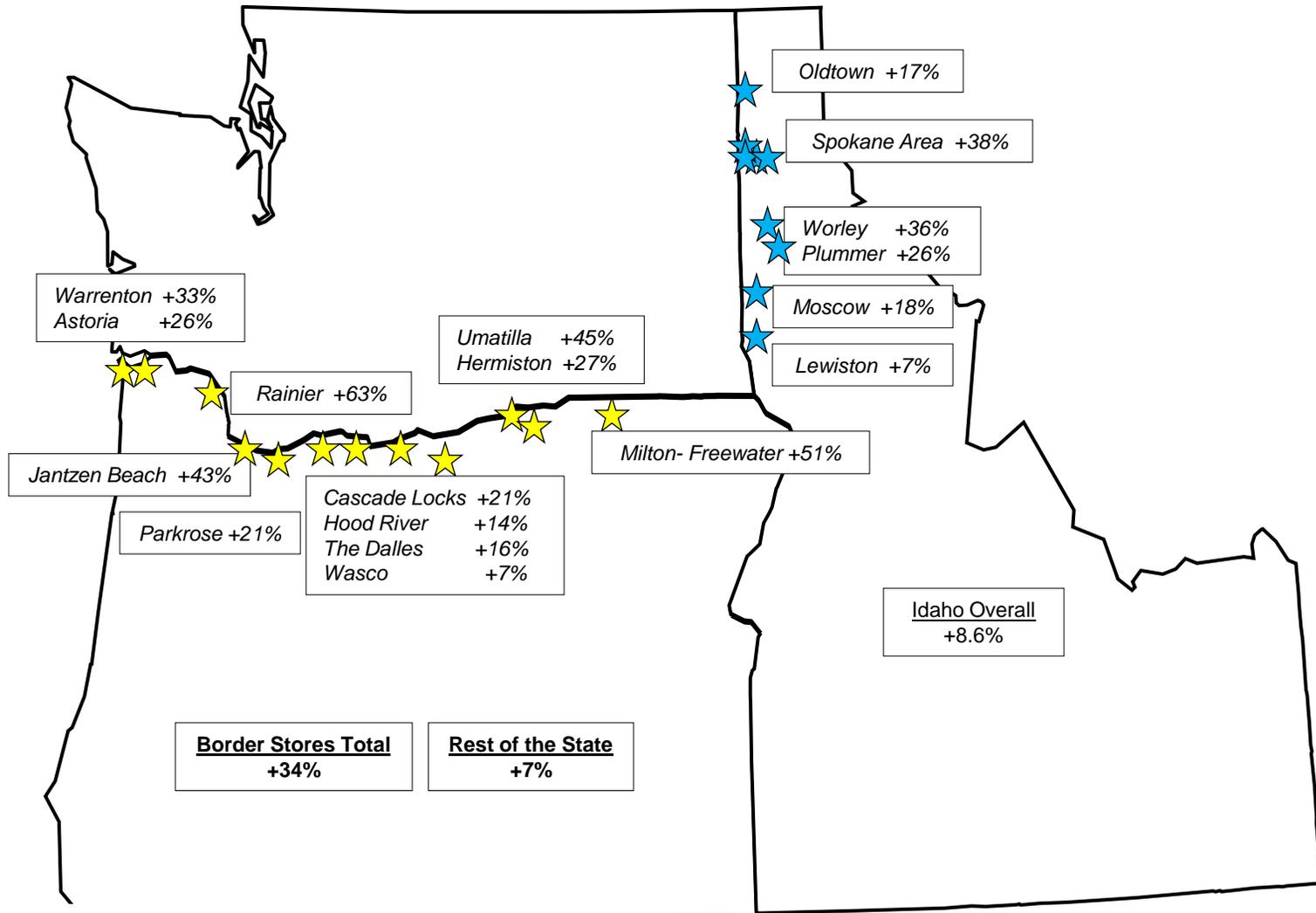
# FY 2013 Revenue Review

## USM Avg Beds/Day



# FY 2013 Revenue Review

## Liquor Store Sales, June – October 2012



Source: Oregon Office of Economic Analysis



# 5-Year General Fund Outlook

- Forecast assumes the protracted and uneven recovery continues (slow and steady if one ignores the monthly or quarterly bumps). Property values stabilizing to growing modestly.
- FY 2014 ongoing gap between revenues and expenditures is \$5.2 million 1.3% of expenditures.
  - ✓ FY 2015 and FY 2016 balanced; FY 2017 and FY 2018 gap starts growing at just under half a percent again.
- Significant changes from the May forecast
  - ✓ Lower property taxes – higher compression and lower AV growth, mostly in FY 2013
  - ✓ Labor costs project to grow at 5.1% vs. 6.7% in May, offsetting lower property taxes

## 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 14	391,856,358	386,649,603	5,206,755	1.33%	5,206,755	1.33%	40,656,857
FY 15	406,637,124	401,802,638	4,834,486	1.19%	-372,269	-0.09%	35,822,371
FY 16	422,781,556	417,615,308	5,166,248	1.22%	331,762	0.08%	30,656,123
FY 17	439,578,224	432,875,822	6,702,402	1.52%	1,536,154	0.35%	23,953,721
FY 18	456,694,060	447,861,700	8,832,360	1.93%	2,129,958	0.47%	15,121,361

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



# 5-Year General Fund Revenue Forecast

## Major General Fund Revenue Sources <sup>1</sup>

	Adopted FY 2013	Forecast FY 2013 <sup>2</sup>	Forecast FY 2014	Forecast FY 2015	Forecast FY 2016	Forecast FY 2017	Forecast FY 2018
Property Taxes	239,282,899	235,792,231	244,654,890	254,372,879	264,529,545	274,546,062	284,386,712
Business Income Taxes	54,419,811	54,419,811	57,821,049	61,521,596	65,397,457	68,994,317	72,444,033
Motor Vehicle Rental Taxes	19,068,018	19,068,018	19,640,059	20,229,260	20,836,138	21,461,222	22,105,059
US Marshal (& BM 37)	5,473,678	5,473,678	5,473,678	5,473,678	5,473,678	5,473,678	5,473,678
Recording Fees/CAFFA Grant	7,838,269	7,838,269	8,148,634	8,460,407	8,773,615	8,908,288	9,044,453
State Shared	9,237,964	9,543,242	9,647,619	9,855,015	10,069,477	10,291,179	10,520,304
Indirect & Service Reimbrs.	21,573,867	21,573,867	22,067,579	22,576,966	23,102,527	23,644,780	24,204,256
	<b>356,894,506</b>	<b>353,709,116</b>	<b>367,453,508</b>	<b>382,489,801</b>	<b>398,182,437</b>	<b>413,319,526</b>	<b>428,178,495</b>
<b>% of Total Revenue</b>	<b>94.6%</b>	<b>94.5%</b>	<b>95.0%</b>	<b>95.2%</b>	<b>95.3%</b>	<b>95.5%</b>	<b>95.6%</b>
All Other General Fund	20,391,127	20,565,352	19,196,095	19,312,837	19,432,871	19,556,296	19,683,205
<b>Total</b>	<b>377,285,633</b>	<b>374,274,468</b>	<b>386,649,603</b>	<b>401,802,638</b>	<b>417,615,308</b>	<b>432,875,822</b>	<b>447,861,700</b>
% Change in Ongoing Revenue		-0.80%	3.31%	3.92%	3.94%	3.65%	3.46%
AV Growth	2.85%	1.97%	3.25%	3.50%	3.70%	3.60%	3.60%
Compression	4.35%	5.11%	4.50%	4.00%	3.70%	3.50%	3.50%
BIT Growth	4.15%	4.15%	6.25%	6.40%	6.30%	5.50%	5.00%

1. Excludes BWC and FQHC wraparound revenues, but includes video lottery revenues.

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



# Expenditure Assumptions

- Programs, Cash Transfers, and Earmarks funded on a one-time-only basis in the Adopted FY 2013 Budget that are assumed to not continue in FY 2014:

## One-Time-Only Programs

<u>Offer/Activity</u>	
10034A - Office of Sustainability - AmeriCorps/Food Summit (OTO)	20,000
10035B - Summer Youth Connect (OTO)	100,000
10036 - Climate Adaptation Planning Project (OTO)	42,318
10037 - Continuity of Operations Planning (OTO)	54,486
10038 - Disaster Preparedness for Vulnerable Populations (OTO)	42,318
10039 - Rosewood Initiative (OTO)	70,000
Multiple - DA's ITAR Balance (OTO)	60,000
25027 - ADS Administration - Medicaid Match Funding (OTO)	154,000
25028 - Bed Bug Mitigation (OTO)	121,000
25059 - Peer-run Supported Employment Center (OTO)	80,000
25080 - Adult Addictions Continuum - Project Network (OTO)	250,000
25133B - HSVP - Short-Term Rent Assistance (OTO)	500,000
25133D - Streetroots (OTO)	20,000
25135 - Commercial Sexual Exploitation of Children - Victims System of Care (OTO)	420,000
25139A -Anti-Poverty Services - Tax Preparation & Internet Access for Low Income Families (OTO)	40,000
25153 - Cultural Specific Parent Engagement (OTO)	50,000
40013A - Healthy Start Initiative (OTO)	270,000
40013B - General Field Nursing (OTO)	208,814
40052B - Medical Examiner (OTO)	73,520
50008B - DCJ Response to Commercial Sexual Exploitation of Children - Collaboration Specialist (C	93,068
50033 - Juvenile Culturally Specific Intervention (OTO)	300,000



# Expenditure Assumptions

## One-Time-Only Programs (Continued)

### Offer/Activity

50041A - Employment Transition Services for Gang Members (OTO)	65,000
50059 - Facilities Transition (OTO)	122,115
50061 - ASD State Funding Bridge (OTO)	508,265
60041H - MCIJ Dorm 4 (OTO) <sup>1</sup>	633,302
72025B - DCM DART County Clerk (OTO)	456,636
78043B - Administrative Hub Contracts Transition (OTO)	103,442
91004 - Apartment Cat Trap-Neuter-Return Program (OTO)	103,771
91008B - Presidential Election (OTO)	335,323
91024 - Safe Routes to School (OTO)	30,000
91023 - Green Infrastructure - Fish Passage (OTO)	35,000

## Cash Transfers and Earmarks

### Offer/Activity

95000 - Library Cash Transfer (OTO)	10,000,000
95000 - ITAB Cash Transfer (OTO)	1,500,000
Additional, Non-earmarked Contingency (OTO)	2,123,896
Earmark - MCSO Hiring & Training	239,005
Earmark - SE Health Clinic (see Budget Note)	802,015
Earmark - Metamorphosis (see Budget Note)	265,000

<sup>1</sup> OTO funding for Dorm 4 will be absorbed and funded ongoing within MCSO's appropriation in FY 2014.



# Expenditure Assumptions

- Cost Drivers for FY 2014:

---

Inflation	2.25%	Second Half Portland CPI-W
Labor Costs	5.09%	(Prior assumption was 6.70%)
COLA	2.25%	Dependent on Unit & Contract Status
Step/Merit	1.45%	Dependent on Unit Demographics
Medical/Dental	0.00%	Was assumed to increase by 6%
PERS	4.10%	Average of 4.35% less PERS Bond reduction of 0.25%
Retiree Medical	0.00%	
Liability/Unemployment/Admin	-1.00%	
Materials and Services	2.25%	
Internal Services	3.98%	

---

- Cost Driver Notes (for General Fund only)

- ✓ A 1% increase in base pay = approximately \$2.17 million
- ✓ A 6% increase in medical/dental rates = approximately \$1.97 million
- ✓ A 1% (of base pay) increase in PERS = roughly \$1.6 million

- Reserve & Contingency Assumptions:

- ✓ General Fund Contingency - \$1.25 million.
- ✓ General Fund Reserve – 10% of ‘corporate’ revenues.
- ✓ BIT Reserve – 10% of BIT Revenues (\$5.8 million).



# FY 2013 Contingency Update

## FY 2013 General Fund Contingency Update

General Fund 'Regular' Contingency	1,250,000
Additional Contingency	2,123,896
	<u>3,373,896</u>
Less HD-01 Coordinated Care Org	(38,393)
Less NonD-06 Homeless Families	(191,091)
Net all General Contingency Adjustments	<u>822</u>
<b>Remaining Non-Earmarked Contingency</b>	<b>3,145,234</b>

SE Health Clinic	0	Earmark per Board Budget Note (Amount of \$802,000 used)
Metamorphosis	0	Earmark per Board Budget Note (Amount of \$265,000 used)
MCSO Corrections Deputy Hiring & Training	239,005	Earmark per Board Budget Note
BIT Reserve (in General Fund Contingency)	<u>4,328,124</u>	
<b>Total General Fund Contingency</b>	<b>7,712,363</b>	

***Unallocated Contingency for use in FY 2013  
or could be rolled over to FY 2014***

**3,145,234**

*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 2014.*



# FY 2014 OTO Funds

## General Fund FY 2012 Ending Balance, Budgeted FY 2013 BWC, and FY 2014 OTO<sup>1,2</sup> *Year-End of October 27, 2012*

FY 2012 Ending Balance <sup>3</sup>	67,406,343
FY 2013 Budgeted BWC	<u>54,923,323</u>
<b>Additional FY 2013 BWC (OTO)</b>	<b>12,483,020</b>
Less Lower FY 2013 Revenue ( <i>in Fall Forecast</i> )	<u>(3,011,165)</u>
Less Amount to Maintain BIT Reserve @ 10%	<u>(1,453,980)</u>
Less Amount to Maintain Reserves @ Policy Level	<u>(1,216,871)</u>
<b>OTO Funds for FY 2014 (or FY 2013)</b>	<b>6,801,004</b>

1. Assumes the FY 2013 General Fund Contingency is fully spent in FY 2013.
2. Assumes departments fully spend their FY 2013 appropriation.
3. Adjusted for additional restricted County Clerk BWC and Law Library funds.



# Library District Formation Impact

## Impact of Library District Formation on the General Fund Forecast

FY 2014 Assumed General Fund Library Contribution <sup>1</sup>	15,325,560
Increased Compression on General Fund <sup>2</sup>	7,631,194
Reduce Impact by Discount/Delinq Factor	412,084
Less Net Reduction to the General Fund	<u>(7,219,110)</u>
<b>Net Additional Ongoing General Fund</b>	<b>8,106,450</b>
FY 2013 OTO 3-Year General Fund Commitment to Library Fund	10,000,000
Less Year One OTO Contribution	<u>(3,440,796)</u>
<b>Additional General Fund One-Time-Only Resources</b>	<b>6,559,204</b>

*Note: Assumes Library District 'Contracts' with County to Operate Library 'As-Is'.*

- 1. Assumes the FY 2013 General Fund contribution plus 3%.*
- 2. Assumes compression increases from 4.50% without the district to 7.40% with the District and FPD&R adjustments.*



# Forecast Risks & Issues

- A weaker economy and stalled property value growth
  - ✓ Property tax compression
  - ✓ BIT – (currently within error, but below budget)
  - ✓ Impact on State revenues
- Inflation – CPI impacts on labor costs (less so....)
- Federal fiscal policy
  - ✓ Federal fiscal “cliff/slope” & contracting fiscal policy
  - ✓ Federal debt limit
- European sovereign debt & structural issues
- Middle East unrest
- State and Local
  - State budget and service re-designs
  - Labor cost (OPEB, PERS, etc.)



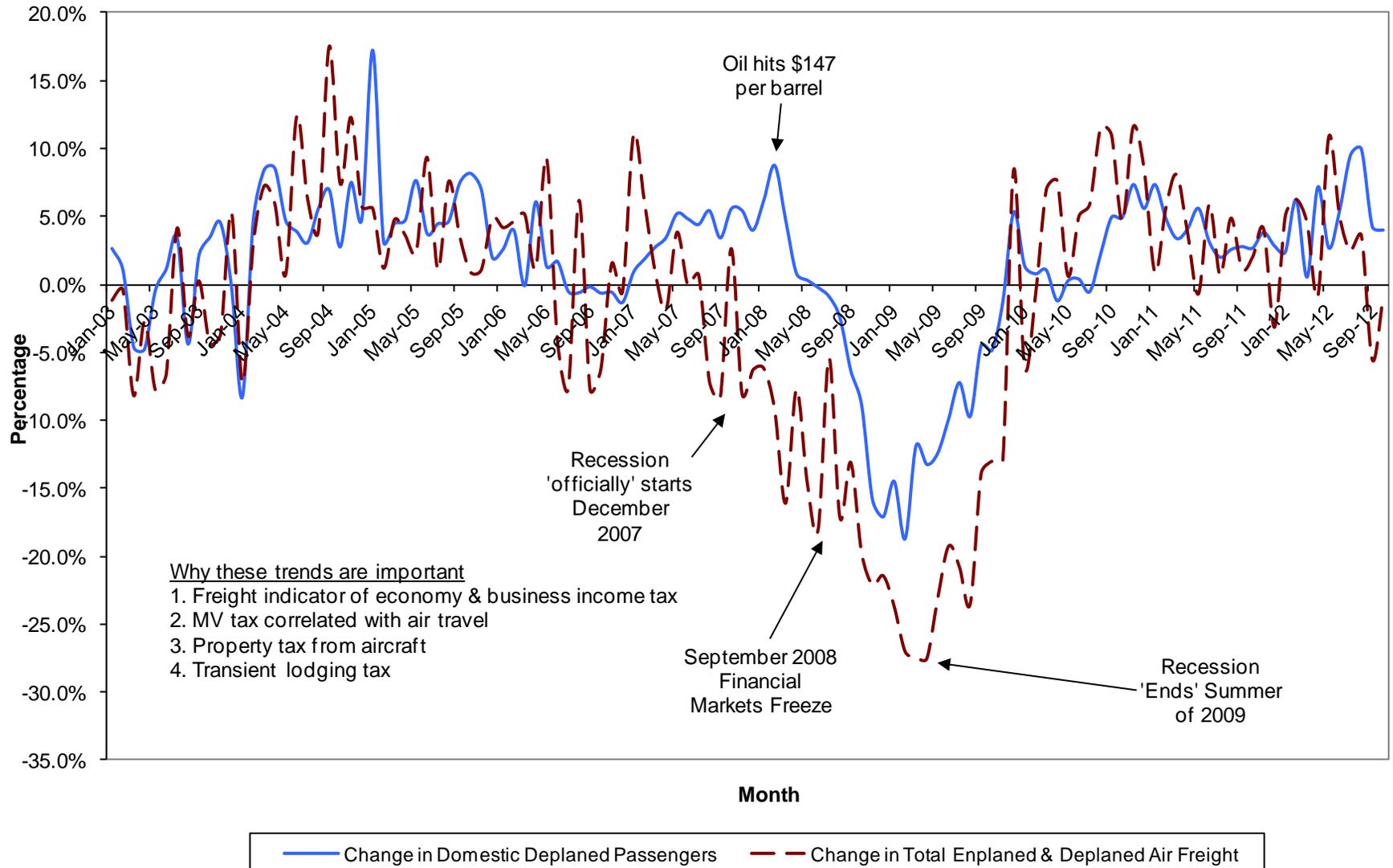
# Summary

- FY 2013 (current year) General Fund revenues \$3.0 million or 0.8% below Adopted Budget.
  - ✓ No action required.
- FY 2014 operating deficit of \$5.2 million or 1.33% of General Fund expenditures (*before reduced Library spending due to District passage*).
  - ✓ Library District formation results in a net \$8.1 million to offset the \$5.2 million deficit.
  - ✓ \$8.1 million subject to large estimation variance and is before any mitigation spending.
- FY 2014 One-Time-Only resources of \$13.4 million.
  - ✓ \$6.8 million from additional FY 2013 BWC, less revenue shortfall and reserve policy maintenance.
  - ✓ \$6.6 million from Year 2 & 3 of Library OTO commitment if District not passed.
- FY 2013 General Fund contingency balance of \$3.1 million (unallocated).
- FY 2015 and 2016 General Fund roughly balanced.
- Questions?

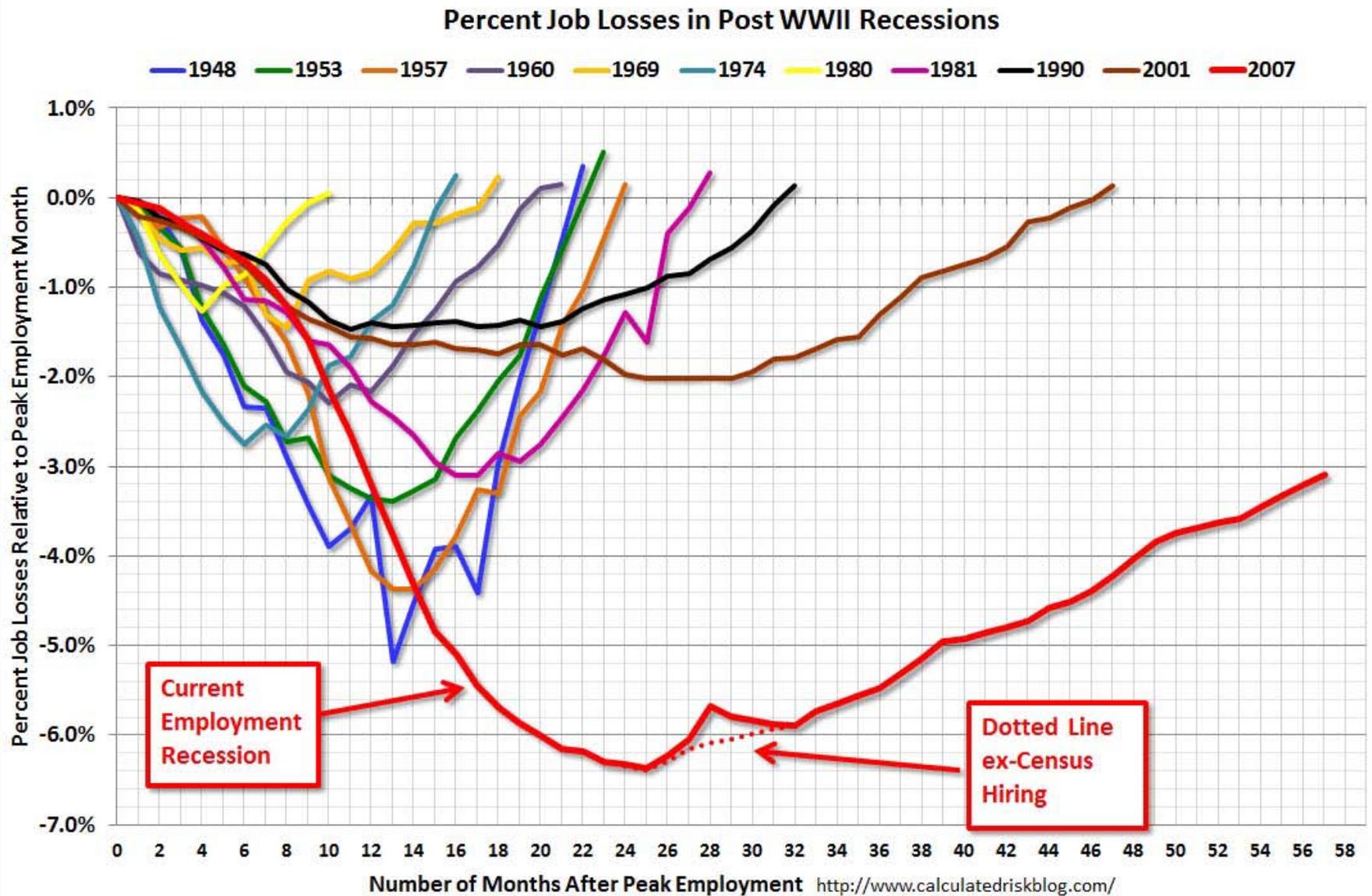


# Appendix

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



# Appendix



# Appendix

## Monthly Recording Fees (Thru November)

