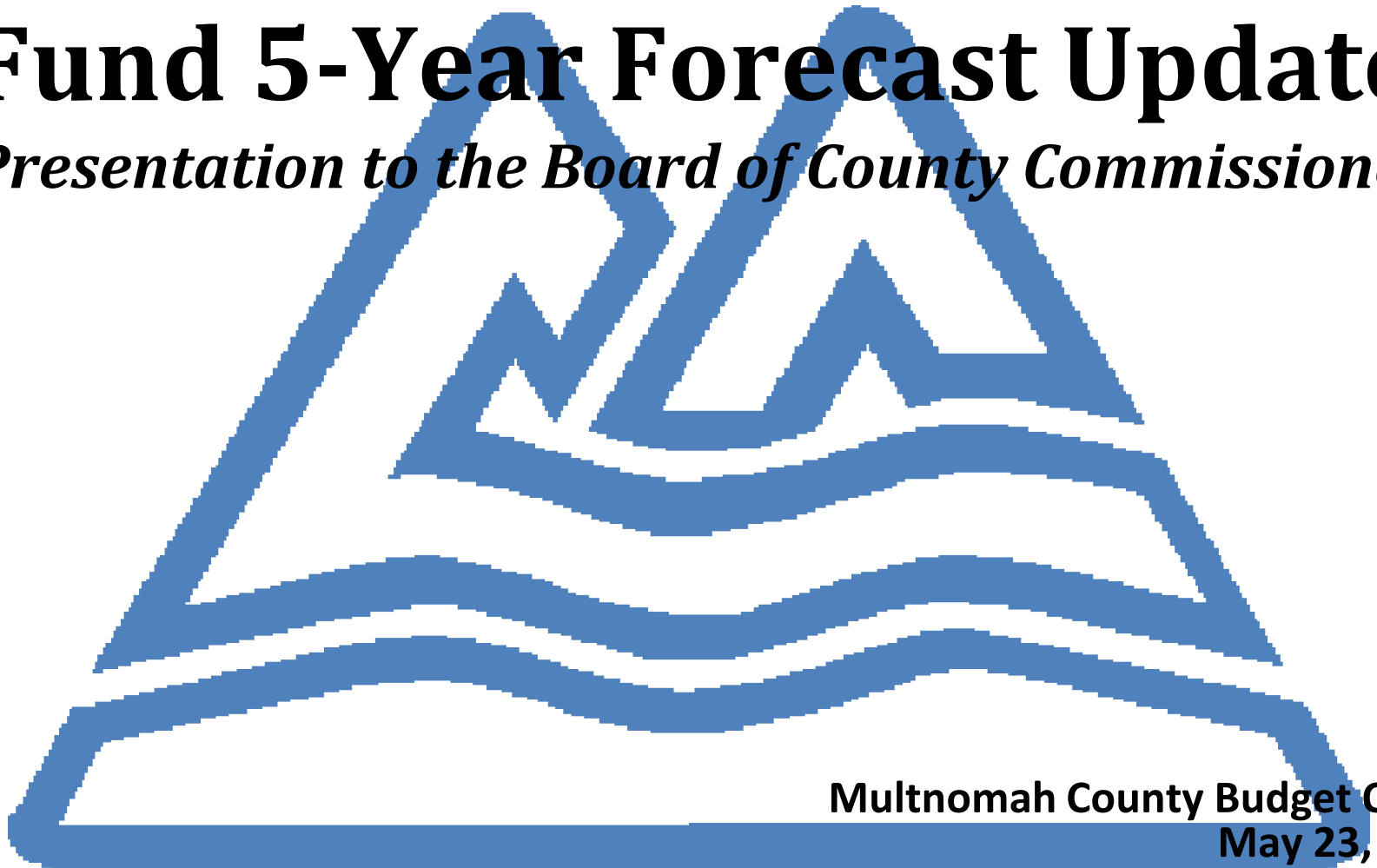


FY 2014 General

Fund 5-Year Forecast Update

Presentation to the Board of County Commissioners



Multnomah County Budget Office
May 23, 2013

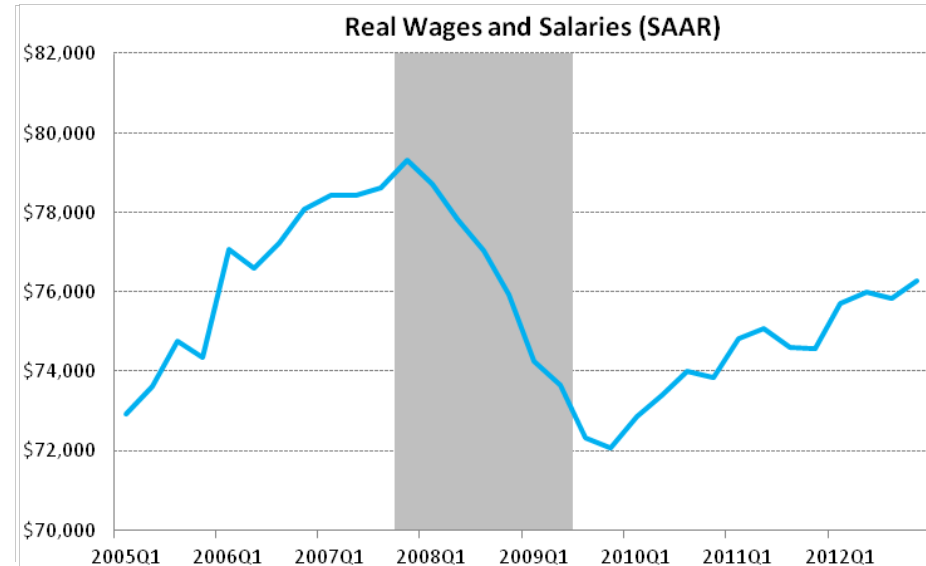
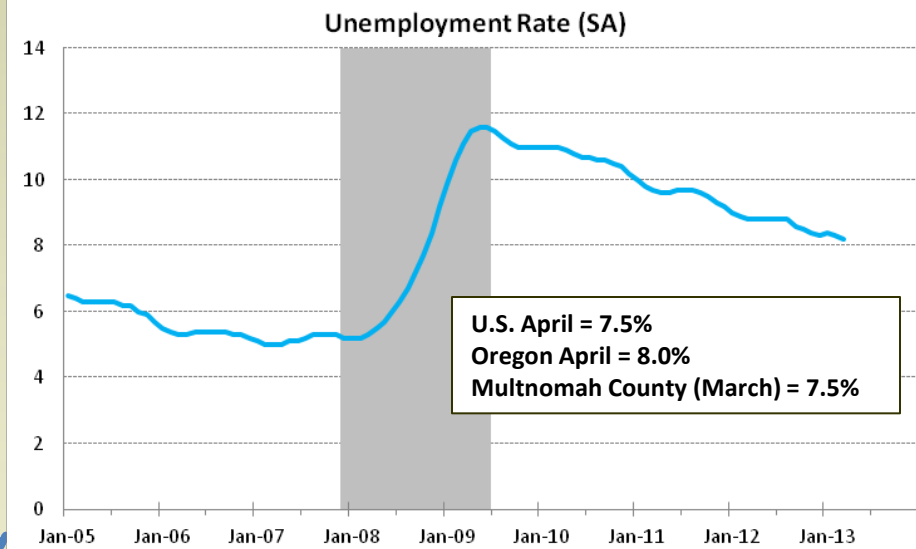
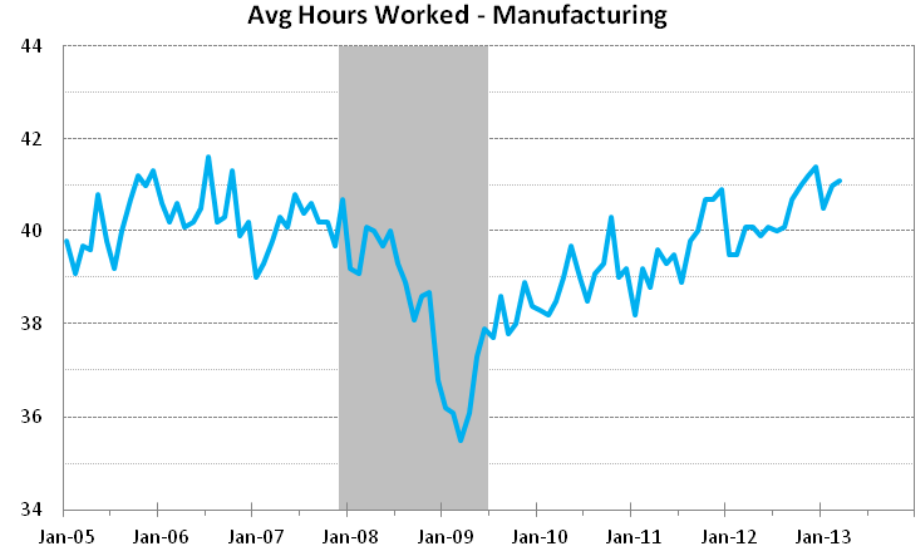
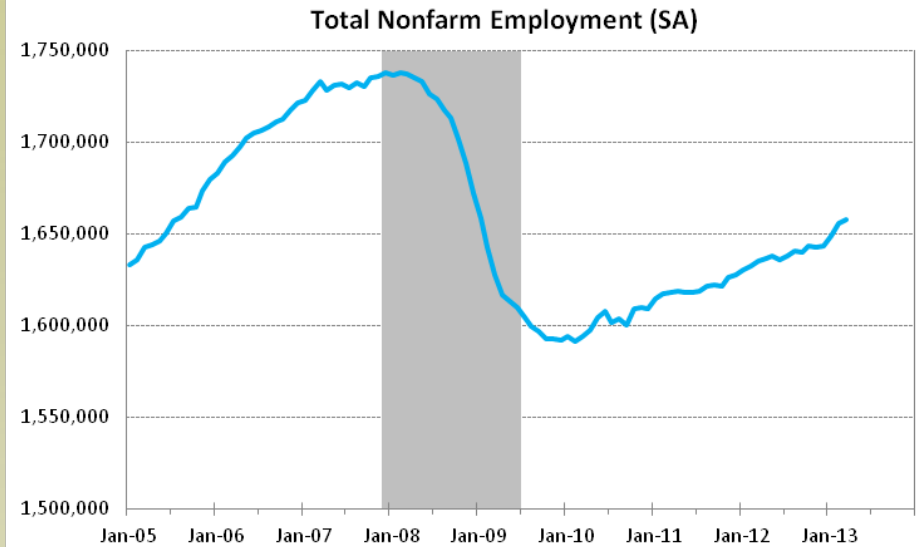
www.multco.us/budget

Overview

- **Economic Overview**
 - ✓ Oregon Conditions
 - ✓ A Brief Story – Employment, Federal Spending, Housing, and Interest Rates
 - ✓ Local Housing Market
 - ✓ Additional Information in Appendix
- **FY 2013 Revenue Review**
 - ✓ BIT
- **FY 2013 General Fund Contingency Update**
- **FY 2014 One-Time-Only Funds**
- **FY 2014 General Fund 5-Year Forecast**
 - ✓ 5-Year Revenue Outlook
 - ✓ Expenditure Notes
- **Forecast Risks & Issues**
- **Summary & Questions**



Economic Overview - Oregon



Source: Oregon Office of Economic Analysis, Oregon Economic & Revenue Outlook, May 16, 2013.



Economic Overview

Board of Governors of the Federal Reserve System

Federal Open Market Committee Press Release

Release Date: May 1, 2013

*...**economic activity has been expanding at a moderate pace.** Labor market conditions have shown some improvement in recent months, ... but the **unemployment rate remains elevated.***

*...Household spending and business fixed investment advanced, and **the housing sector has strengthened further,***

*...but **fiscal policy is restraining economic growth.***

*...**Inflation** has been running somewhat **below the Committee's longer-run objective***

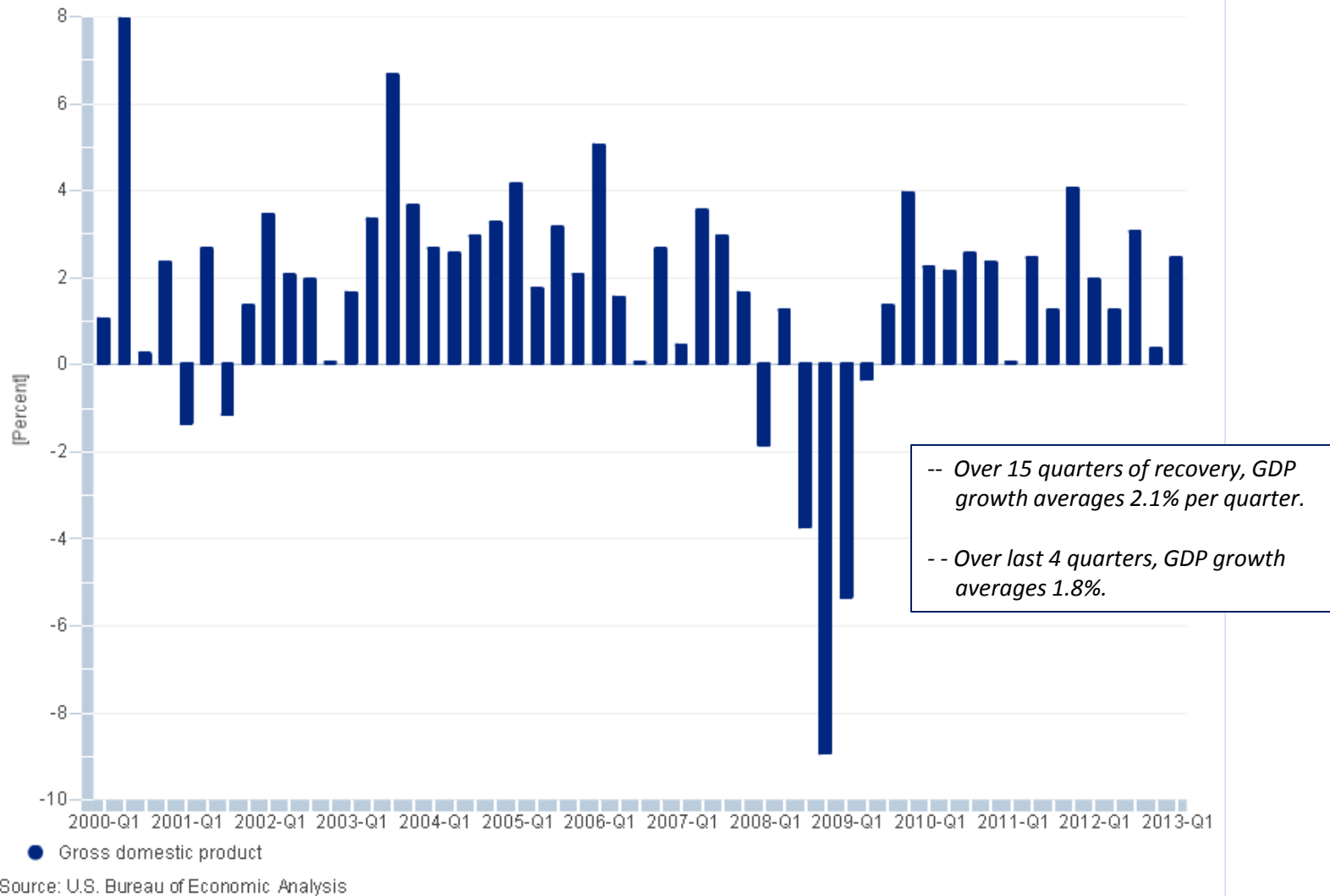
*...Continue purchasing additional agency mortgage-backed securities at a pace of **\$40 billion** per month and longer-term Treasury securities at a pace of **\$45 billion** per month.*



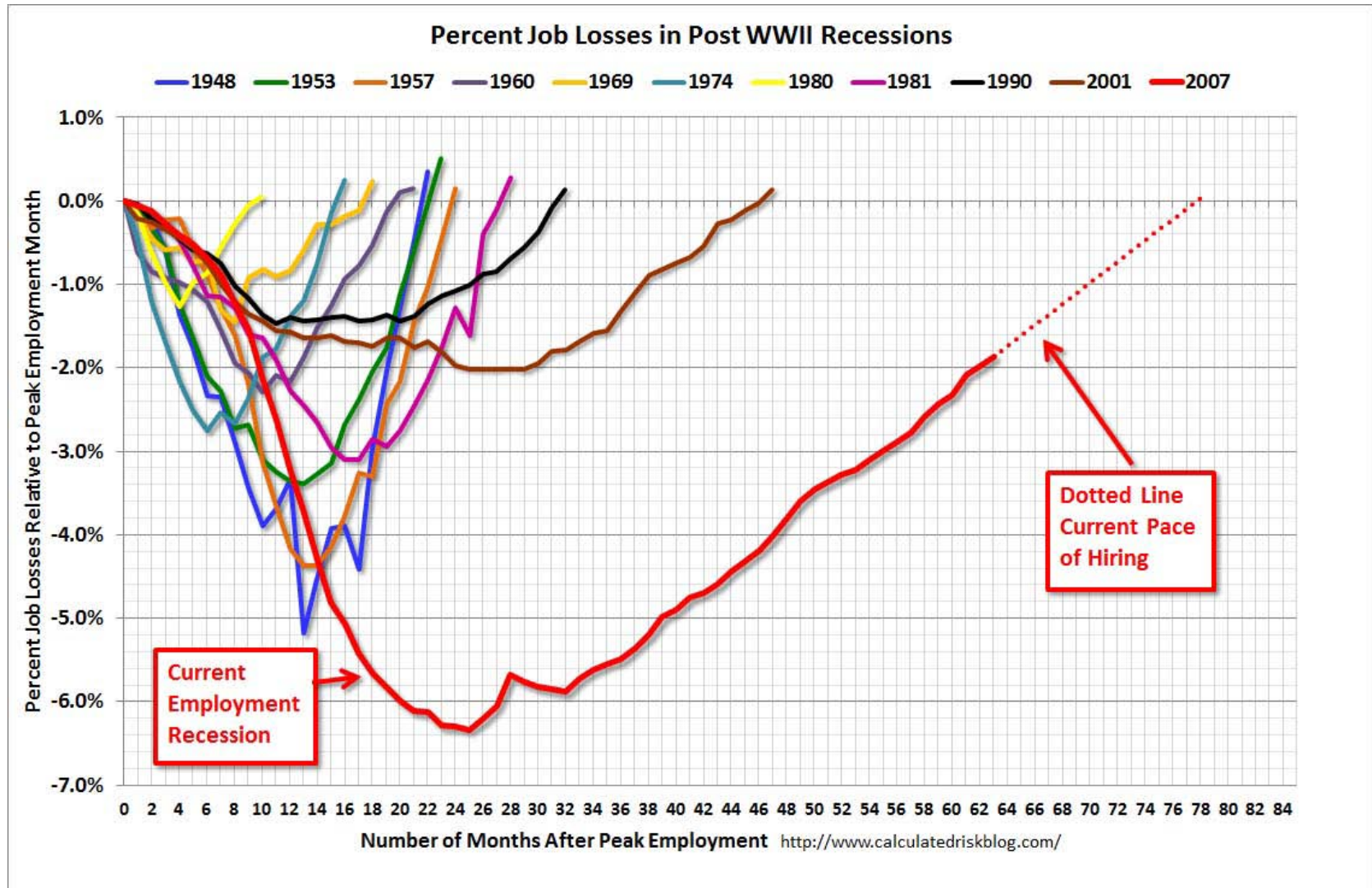
Economic Overview

Table 1.1.1. Percent Change From Preceding Period in Real Gross Domestic Product

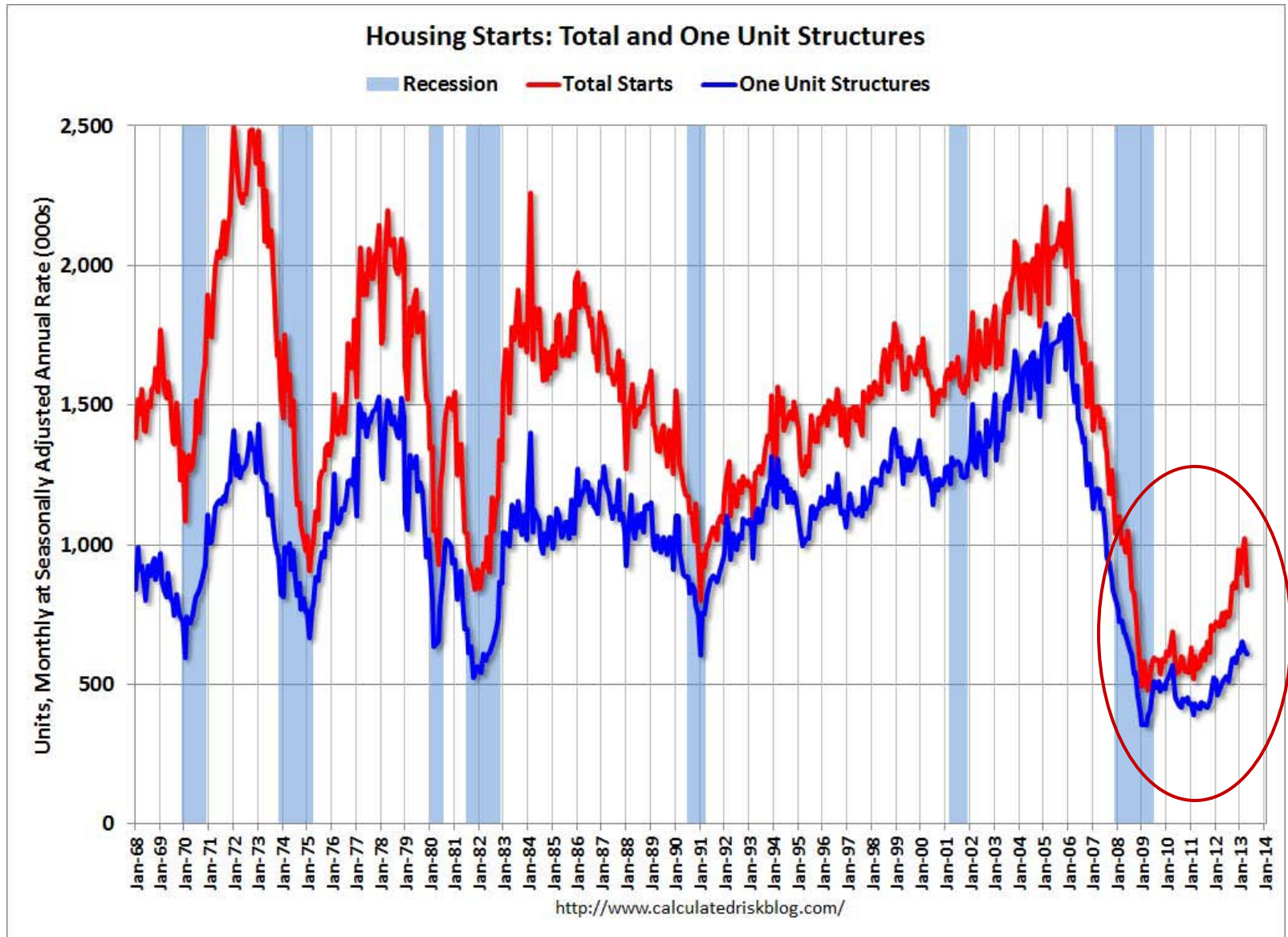
Last Revised on: April 26, 2013 - Next Release Date May 30, 2013



Economic Overview



Economic Overview

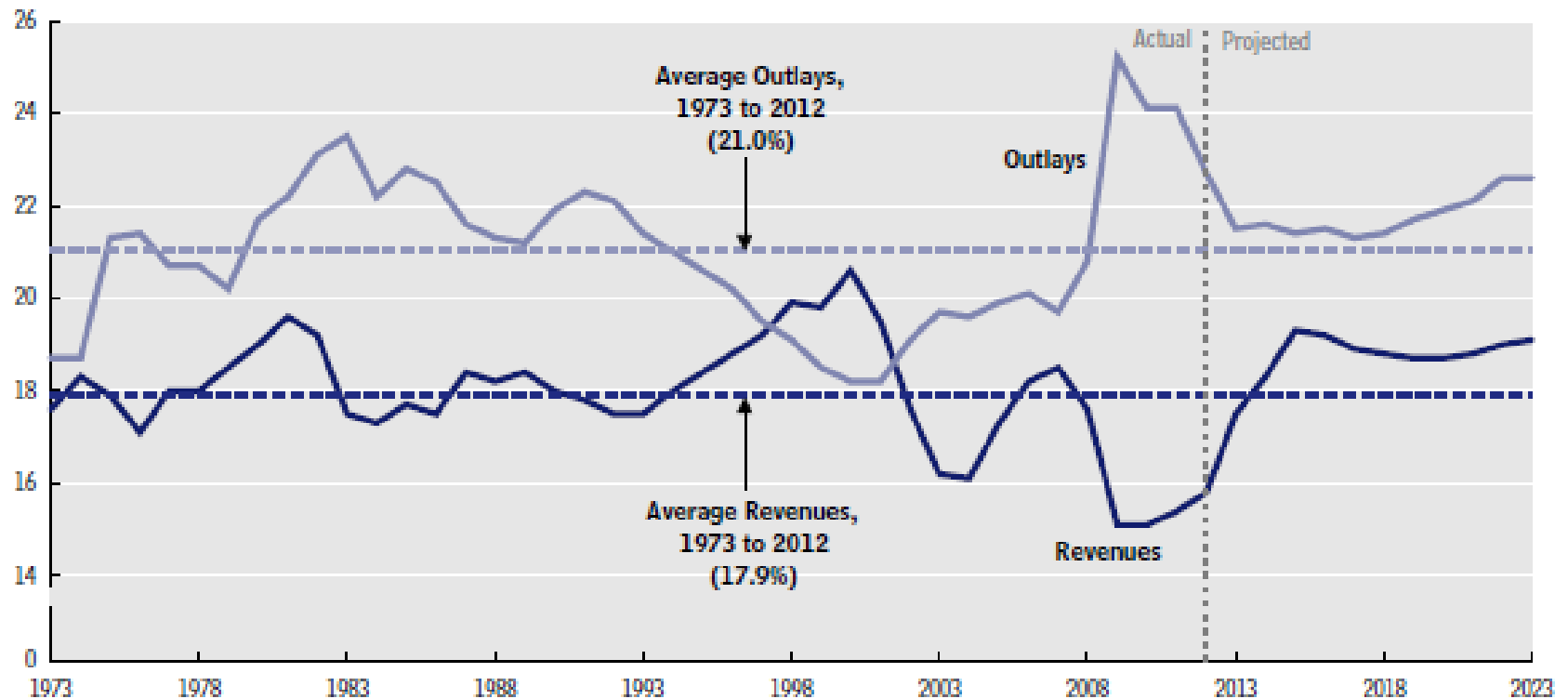


Economic Overview – Federal Rev/Exp

Figure 1.

Total Revenues and Outlays

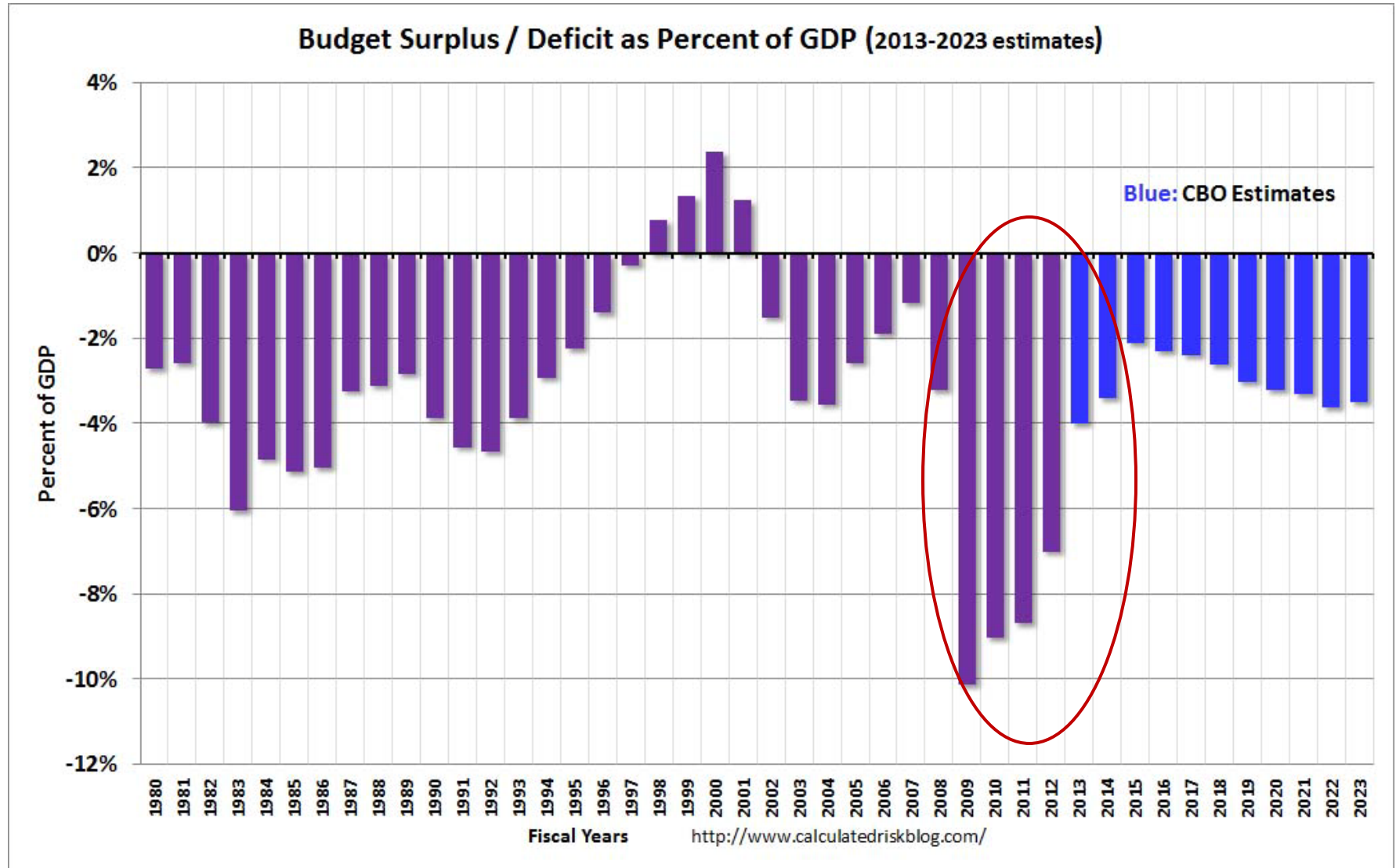
(Percentage of gross domestic product)



Source: Congressional Budget Office – Updated Budget Projections: Fiscal Years 2013 to 2023. May 2013.

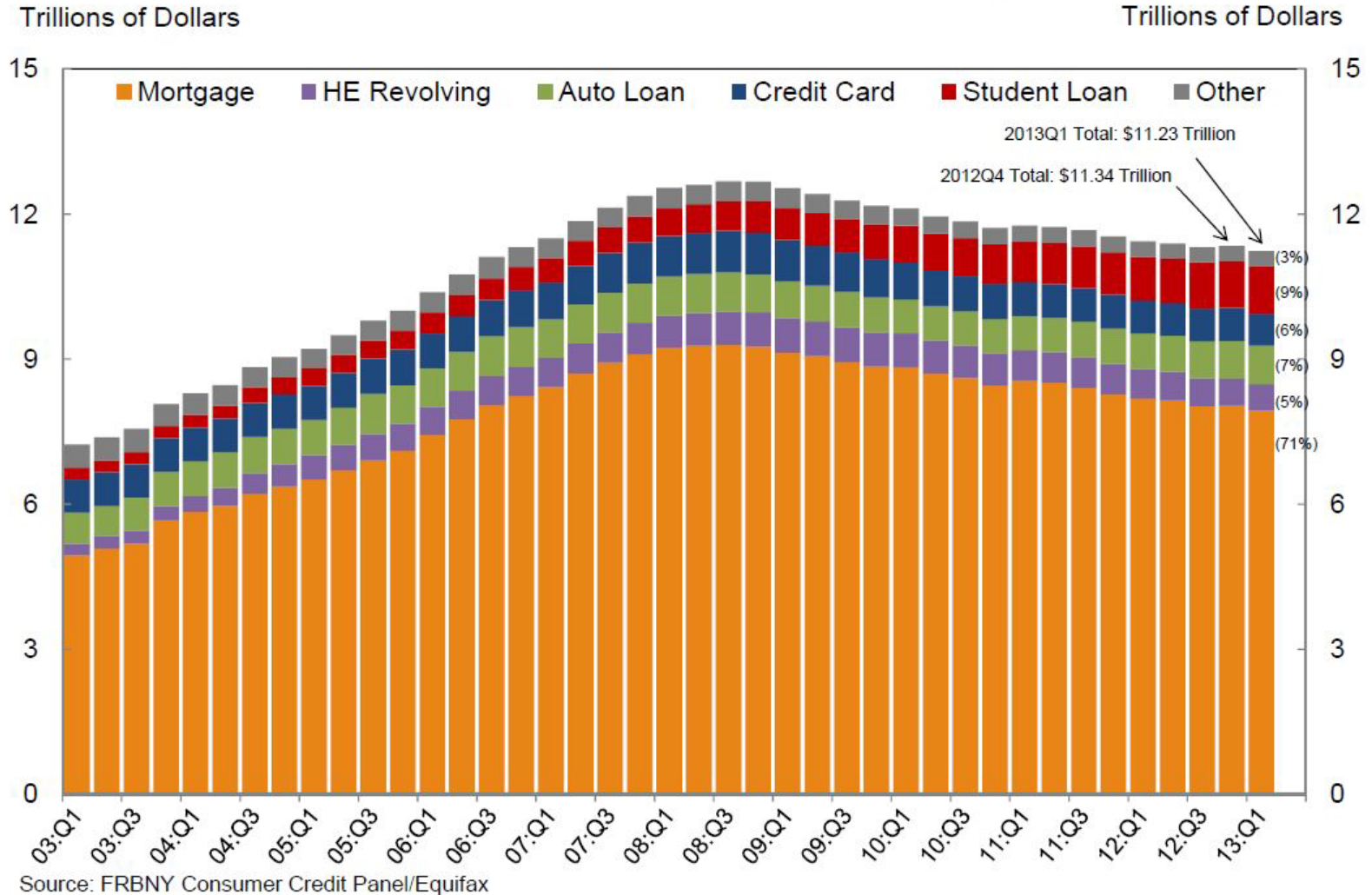


Economic Overview



Economic Overview

Total Debt Balance and its Composition

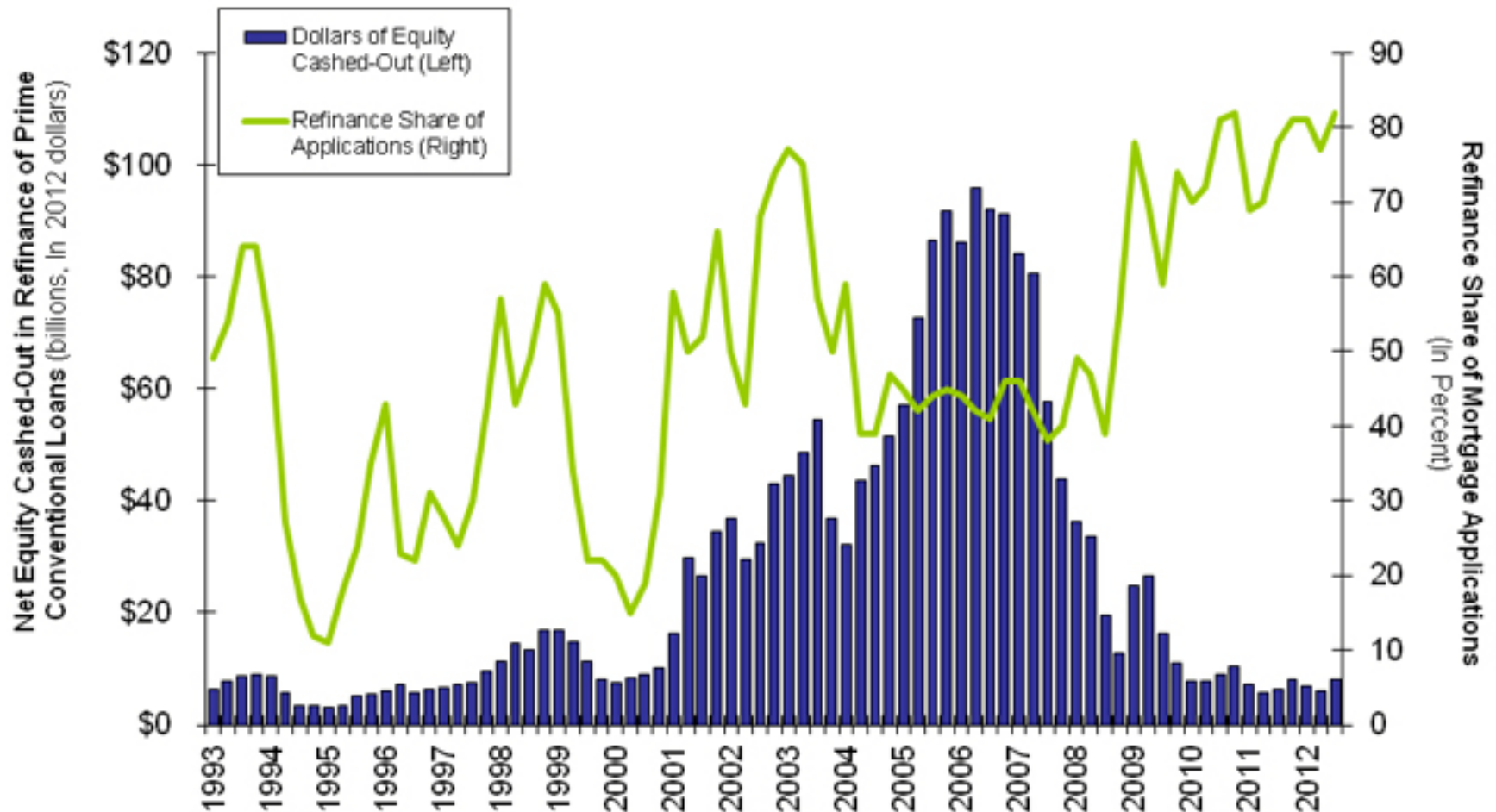


Economic Overview

**Freddie Mac Primary Mortgage Market Survey®
Conventional, Conforming 30-Year Fixed Rate Mortgage Series Since 1971**



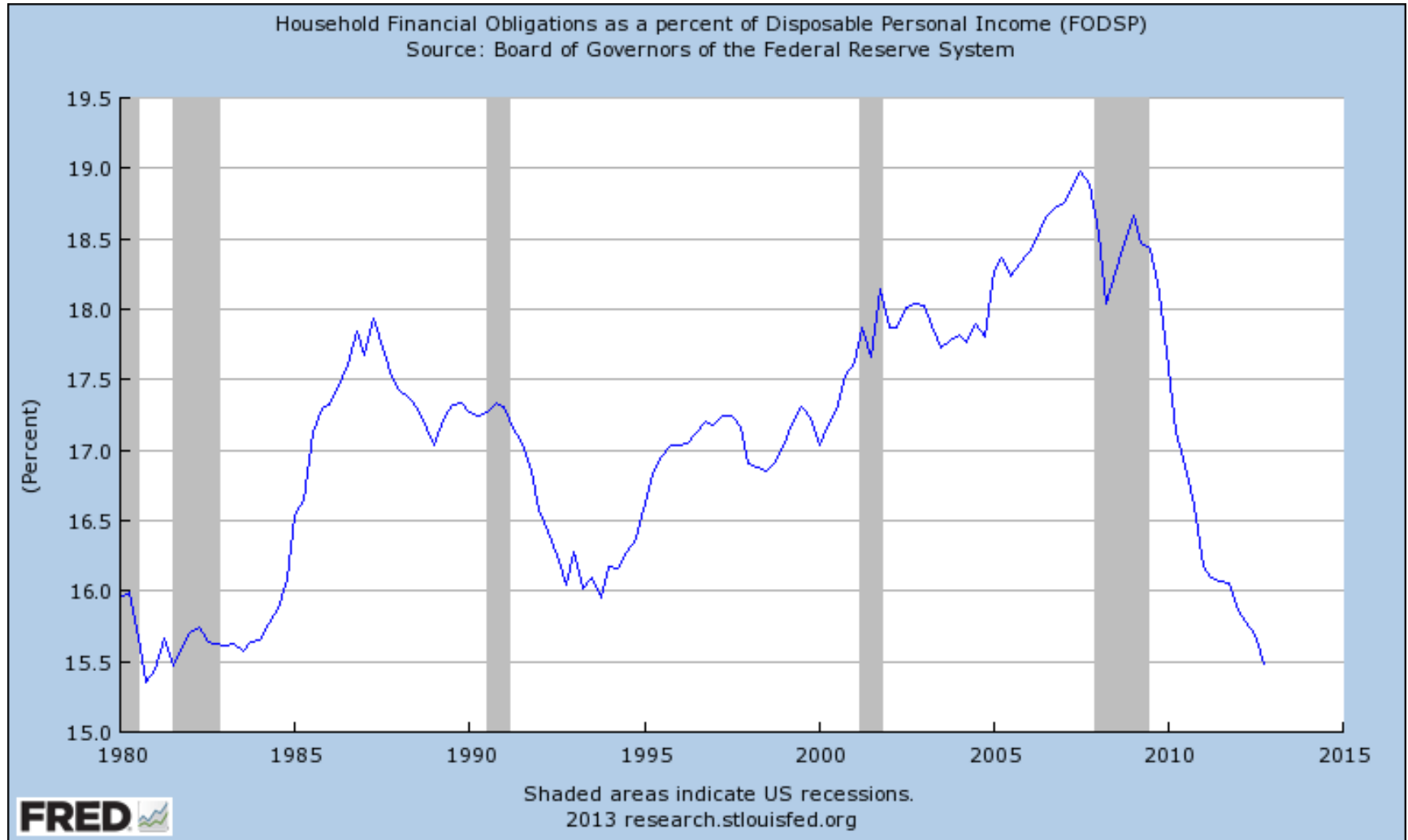
Economic Overview



Source: Freddie Mac, Bureau of Labor Statistics (Consumer Price Index)
 Fourth Quarter 2012, Equity cashed-out adjusted for inflation.



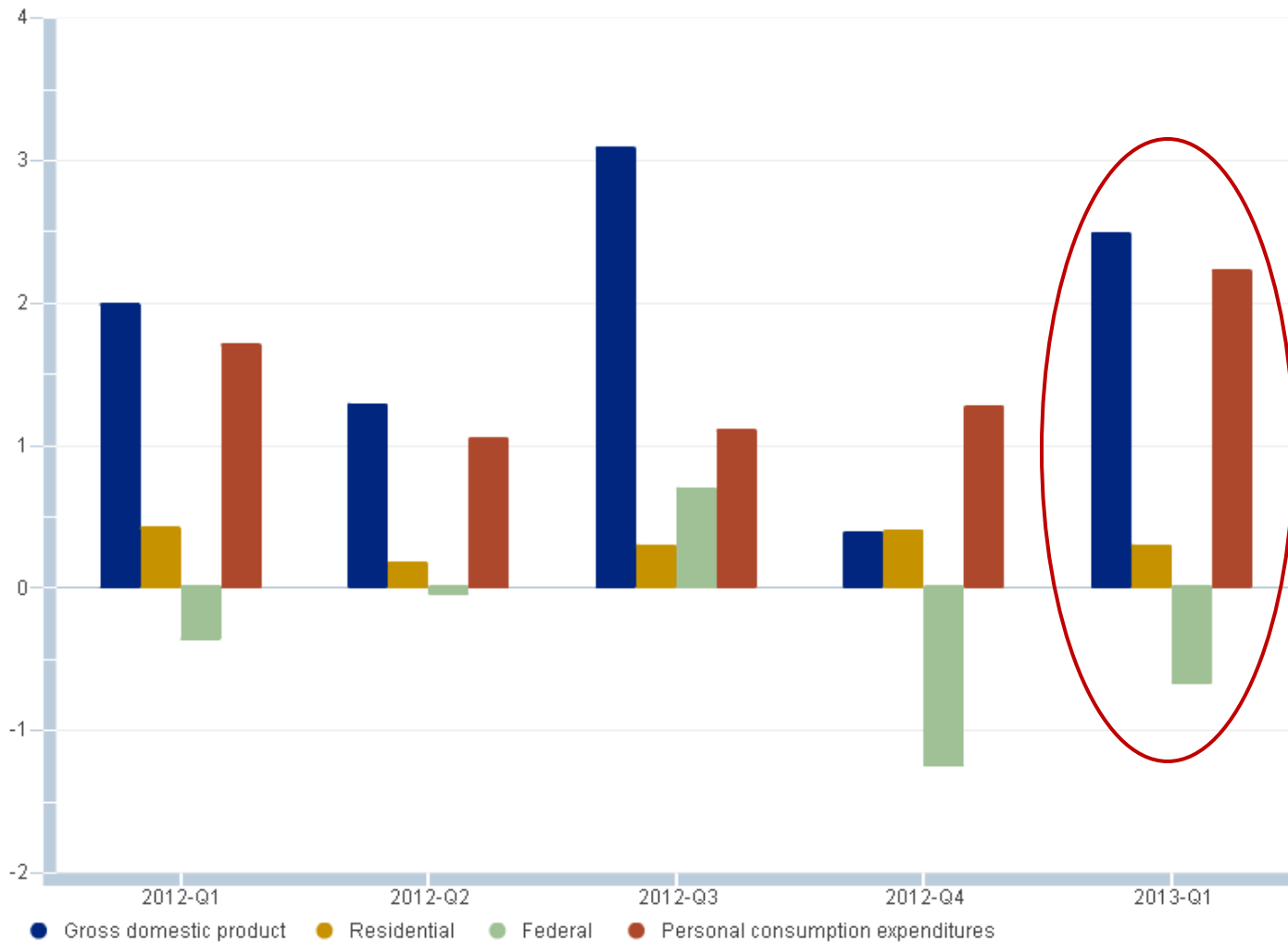
Economic Overview



Economic Overview

Table 1.1.2. Contributions to Percent Change in Real Gross Domestic Product

Last Revised on: April 26, 2013 - Next Release Date May 30, 2013

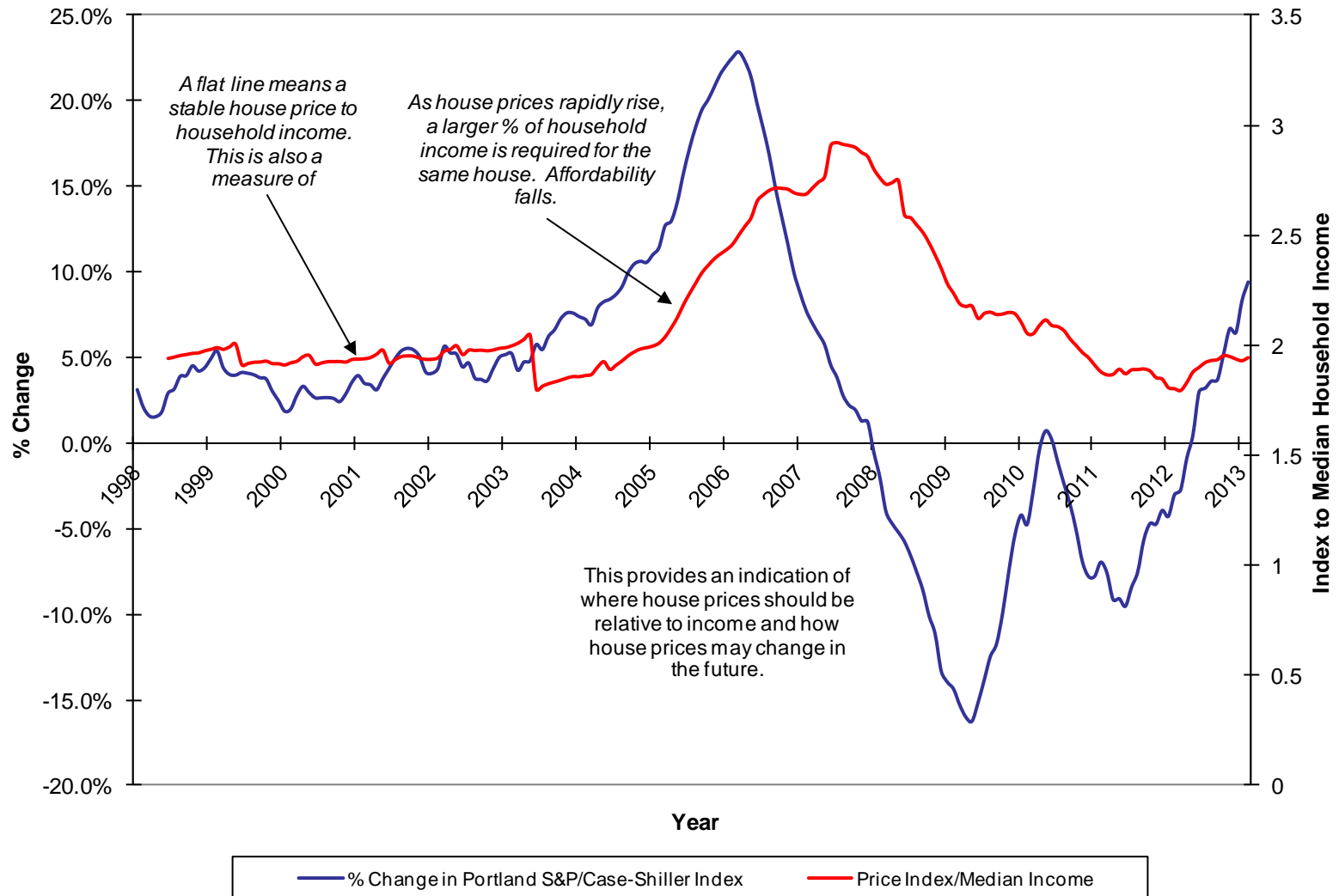


Source: U.S. Bureau of Economic Analysis



Economic Overview

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



Economic Overview

Examples of House Price Change for Calendar Year 2012 & Early 2013

Case-Shiller	Dec 2012	Feb 2013
Portland MSA (Y-o-Y)	6.4%	9.4%

FNC Residential Price Index	Dec 2012
Portland MSA (Y-o-Y)	5.5%

Zillow	Dec 2012	March 2013
Portland Metro (Y-o-Y)	7.7%	
City of Portland (Y-o-Y)	8.8%	11.8%
Alameda (Y-o-Y)	14.8%	11.2%
Hillsdale (Y-o-Y)	7.7%	10.2%
Kenton (Y-o-Y)	5.8%	8.4%
Southwest Hills (Y-o-Y)	11.2%	13.2%

RMLS	Dec 2012	April 2013
Portland Metro - Median (YTD - December)	4.4%	10.9%
Portland Metro - Average (YTD - December)	6.3%	9.1%
N Portland (141) -Average (Rolling 12 month)	3.4%	6.8%
NE Portland (142) -Average (Rolling 12 month)	8.0%	12.0%
SE Portland (143) -Average (Rolling 12 month)	7.4%	12.7%
W Portland (148) -Average (Rolling 12 month)	7.2%	10.2%
Gresham/Troutdale (144) -Average (Rolling 12 month)	-0.4%	5.1%



FY 2013 Revenue Review

	Adopted ¹	October Forecast Change	May Forecast Change	Net Change From Adopted	Note
Property Taxes	239,282,899	(3,490,668)	741,975	(2,748,693)	AV growth 1.97% vs. budgeted 2.85%; Compression 5.11% vs. budgeted 4.35%; Higher FY 13 collection rate
Business Income Taxes	54,419,811	0	0	0	Up 6.3% thru April vs. Adopted budget of 4.15%
Motor Vehicle Rental Taxes	19,068,018	0	967,902	967,902	Strong fall revenues
US Marshal/BM 73/BOP	5,473,678	0	0	0	
State Shared			0		
Video Lottery	5,223,488	0	0	0	
Liquor	3,151,003	271,198	0	271,198	Increase due to WA Initiative 1183
Cigarette	693,473	34,080	0	34,080	
Amusement	170,000	0	0	0	
Recording Fees/CAFFA Grant	7,838,269	0	431,733	431,733	Increased MultCo % and delinquent interest
Indirect			0		
Departmental	10,705,763	0	0	0	
Central Indirect/Svc Reimburse	10,868,104	0	0	0	
All Other	20,391,127	174,225	(475,000)	(300,775)	SIP/CSF & Timber/Secure Schools/ Animal Service Fees
FY 13 Revenue Adjustments ²	377,285,633	(3,011,165)	1,666,610	(1,344,555)	
% of Revenue		-0.80%	0.44%	-0.36%	

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

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



FY 2013 Revenue Review

- BIT Collections Year-to-Date Through April:

BIT Collections Fiscal Year-to-Date Through April								
	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 13 vs. FY 08	FY 13 vs. FY 12
Quarterly	26,719,905	24,137,164	20,891,819	22,839,682	24,259,527	25,760,434	-3.6%	6.2%
Yearly	29,167,734	17,350,855	19,660,911	18,009,441	20,439,995	23,125,156	-20.7%	13.1%
Refund/Interest	3,668,895	5,527,628	6,055,532	3,119,079	2,658,193	3,854,370	5.1%	45.0%
NSF Check	76,746	72,283	91,923	126,567	26,644	376,510	390.6%	1313.1%
Total	52,141,997	35,888,109	34,405,275	37,603,477	42,014,684	44,654,710	-14.4%	6.3%
<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>		

- BIT up 6.3% fiscal-year-to-date vs. budget/forecast of 4.15%
- ‘Unearned’ Credits running 28% higher than prior years
- Appendix contains additional information on other revenue sources



FY 2013 Contingency Update

FY 2013 General Fund Contingency Update

General Fund 'Regular' Contingency	1,250,000	
Additional Contingency	<u>2,123,896</u>	
	3,373,896	
Less HD-01 Coordinated Care Org	(38,393)	
Less NonD-06 Homeless Families	(191,091)	
Less NonD-10 SUN Food Pantries	(38,000)	
Less NonD-11 Homeless Vets Housing	(10,000)	
Less NonD-13 Mobile Playground Program	(16,500)	
Less Over-1 DSA Contract	(115,078)	
Net All Other General Contingency Adjustments	<u>48,225</u>	
Remaining Non-Earmarked Contingency	3,013,059	
Less Contingency assumed to be unspent & rolled over to FY 2014	<u>(1,800,000)</u>	
Unallocated Contingency for available for use in FY 2013	1,213,059	
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	0	Earmark per Board Budget Note (Amount of \$239,005 used)
BIT Reserve (in General Fund Contingency)	<u>4,328,124</u>	
Total General Fund Contingency	6,754,242	

Note: The forecast assumes the General Fund Contingency will be fully spent, with the exception of the BIT Reserve & \$1.8 million, which is 'rolled over' to FY 2014.



FY 2014 OTO Funds

- One-Time-Only General Fund Resources Available for FY 2014 ^{1, 2, 3}

Additional FY 2013 BWC (OTO)	12,483,020
Less Lower FY 2013 Revenue (<i>in Fall Forecast</i>)	(3,011,165)
Less Amount to Maintain BIT Reserve @ 10%	(1,453,980)
Less Amount to Maintain Reserves @ Policy Level	<u>(1,216,871)</u>
OTO Funds for FY 2014 (or FY 2013) per November Forecast	6,801,004
Plus Library Year 2 & 3 OTO Contribution	6,559,204
Plus Higher FY 2013 Revenue (<i>in Current Forecast</i>)	1,666,610
Plus Net Lower Reserve Requirement	<u>642,253</u>
Net OTO Available for FY 2014 per Current Forecast	15,669,071
Plus Assumed FY 13 Contingency Unspent & Carried Over to FY 14	<u>1,800,000</u>
	17,469,071

1. Assumes the FY 2013 General Fund Contingency is fully spent in FY 2013 except for \$1.8 million.
2. Assumes departments fully spend their FY 2013 appropriation.
3. Adjusted for additional restricted County Clerk BWC and Law Library funds.

- Note: Additional General Fund Contingency of \$413,691 in Program Offer 95000 is not available for FY 2014



5-Year General Fund Revenue Forecast

- Forecast assumes more of the same – a protracted and uneven recovery. Or, slow and steady if one ignores the bumps and headwinds.
- Few changes from December Forecast
 - ✓ Incorporates formation of Library District, but impact relatively unchanged
 - ✓ See page 10 of Budget Director’s message or December forecast for more detail
 - ✓ Stronger Motor Vehicle Rental Tax
- Forecasted Revenues and Expenditures Balanced
 - ✓ Balanced for 3-years if additional contingency considered ongoing; 5-years if OTO
 - ✓ Dependent on decreasing property tax compression and, overall, above average revenue growth

Forecasted General Fund Expenditures and Revenues

FY	Revenues	Expenditures	"Additional" OTO Contingency	Balance	Operating Gap <i>(if additional funds spent ongoing basis)</i>
FY 14	380,547,420	378,447,420	2,100,000	0	0
FY 15	395,762,731	392,768,420		2,994,311	894,311
FY 16	411,415,815	408,439,292		2,976,523	(17,788)
FY 17	426,377,451	424,748,193		1,629,258	(1,365,053)
FY 18	441,339,631	441,361,630		(21,999)	(3,016,310)

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



5-Year General Fund Revenue Forecast

Major General Fund Revenue Sources ¹

	Adopted FY 2013	Forecast FY 2013 ²	Forecast/ Approved FY 2014	Forecast FY 2015	Forecast FY 2016	Forecast FY 2017	Forecast FY 2018
Property Taxes	239,282,899	236,534,206	237,435,780	247,389,287	257,568,964	267,478,924	277,498,292
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	20,035,920	20,436,638	20,845,371	21,262,279	21,687,524	22,121,275
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	8,270,000	8,510,000	8,829,000	9,149,580	9,291,772	9,435,607
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
	356,894,506	355,850,724	361,392,343	376,490,913	392,023,962	406,862,174	421,697,445
% of Total Revenue	94.6%	94.7%	95.0%	95.1%	95.3%	95.4%	95.5%
All Other General Fund	20,391,127	20,090,354	19,155,077	19,271,818	19,391,853	19,515,277	19,642,186
Total	377,285,633	375,941,078	380,547,420	395,762,731	411,415,815	426,377,451	441,339,631
% Change in Ongoing Revenue		-0.36%	1.23%	4.00%	3.96%	3.64%	3.51%
AV Growth	2.85%	1.97%	3.25%	3.50%	3.70%	3.60%	3.60%
Compression	4.35%	5.11%	7.40%	6.65%	6.25%	6.00%	5.85%
BIT Growth	4.15%	4.15%	6.25%	6.40%	6.30%	5.50%	5.00%

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

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



Expenditure Notes...

- Approved Budget assumes net PERS (rate & bond cost) increase of 4.10% of payroll (i.e., no PERS reform)... each 1% increase = \$1.6 million CGF cost
- How would SB 822 impact the County? An example...

PERS SLGRP Average Base Employer Rates Following the 2008 Investment Losses (State and Local Government Rate Pool)				
	2011-13 Biennium	2013-15 Biennium	2015-17 Biennium	Subsequent Biennia
Pre-SB 822	15.1%	19.7%	21.9%	~24.1%
Effect of SB 822 Benefit Changes	---	17.2%	19.4%	~21.6%
Effect of SB 822 Benefit Changes & Budget Note	---	15.3%	19.7%	~21.9%

Source: Senate Bill 822 – Potential Impact to PERS Employer Rates, April 2013, PERS.

- Unfunded liability as of December 2011 - \$291.8 million
 - ✓ Will be less due to 2012 earnings
- Legal uncertainty & flexibility with PERS Bond Fund
- Actuarial Analysis of Senate Bill 822:
 - http://www.oregon.gov/pers/docs/general_information/sb_822_%20letter_analysis.pdf



Expenditure Notes...

- Forecast does not account for Multnomah County/City of Portland agreement for preserving community services.
 - ✓ Amendment package required/forthcoming
- Health Department/Countywide Amendment of \$74,000 returning unused balance from electronic dental records project.
- Modeling of 'Cadillac' health insurance tax in final years of forecast
 - ✓ Will be incorporated into Fall forecast
- Cost Driver Notes (for General Fund only)
 - ✓ A 1% increase in base pay = approximately \$2.17 million
 - ✓ A 7% increase in medical/dental rates = approximately \$1.97 million
 - ✓ A 1% (of base pay) increase in PERS rates = roughly \$1.6 million



Forecast Risks & Issues

- A weaker economy and slower house price appreciation
 - ✓ Property tax compression
 - ✓ BIT (buffered by reserve)
- Inflation – CPI impacts on labor costs
- Federal fiscal and monetary policy
 - ✓ Debt ceiling & contracting fiscal policy
 - ✓ Timing & impacts of monetary tightening
- European sovereign debt & economic issues
- Middle East unrest
- State and Local
 - State budget/legislation and service re-designs
 - Library District compression impact estimate
 - Labor costs (OPEB, PERS, medical costs, open contracts, etc.)



Summary

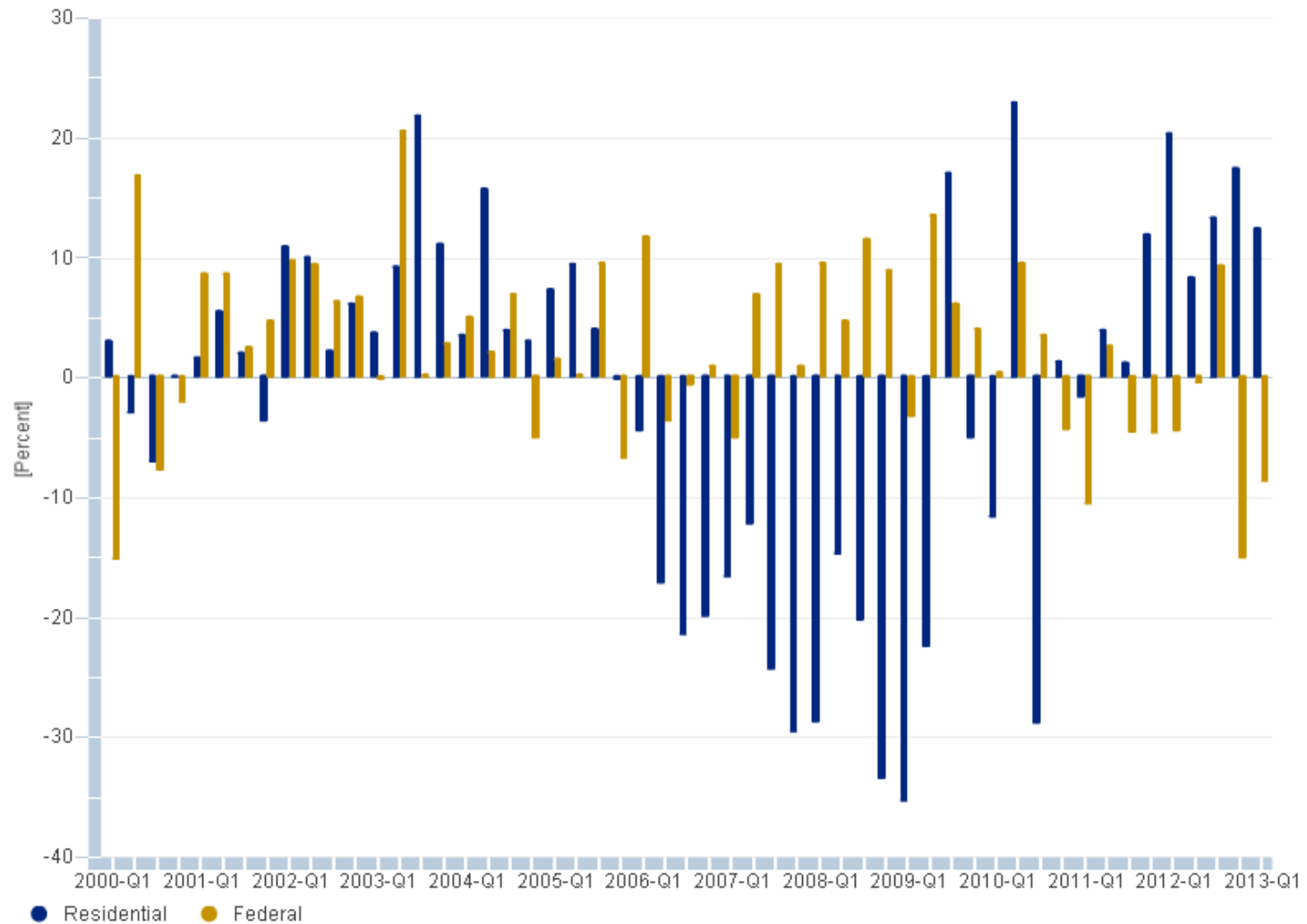
- FY 2013 General Fund revenue forecast increased \$1.67 million (0.44%) but down a total of \$1.34 million (0.36%) for the fiscal year.
 - ✓ No Board action needed.
- FY 2013 General Fund contingency balance of \$1.2 million (unallocated).
 - ✓ Available as OTO for FY 2014 if not spent in FY 2013.
- FY 2014 General Fund One-Time-Only resources of \$17.5 million and are fully allocated.
- FY 2014 General Fund balanced.
- General Fund balanced for 3 to 5 years depending on use of \$2.1 million contingency set-aside.
- Major risks to economy and revenue outside of our control.
- Questions?



Appendix

Table 1.1.1. Percent Change From Preceding Period in Real Gross Domestic Product

Last Revised on: April 26, 2013 - Next Release Date May 30, 2013

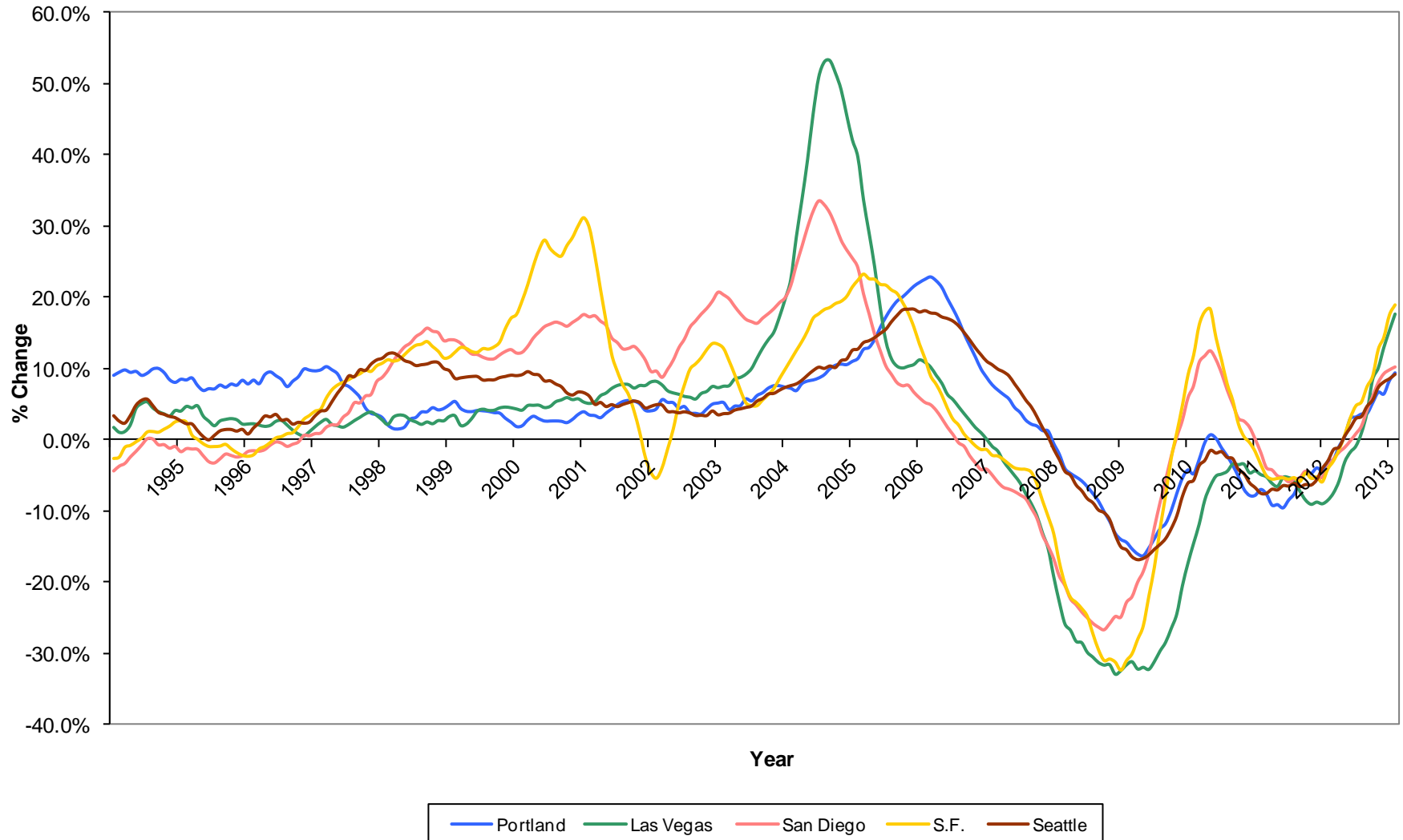


Source: U.S. Bureau of Economic Analysis



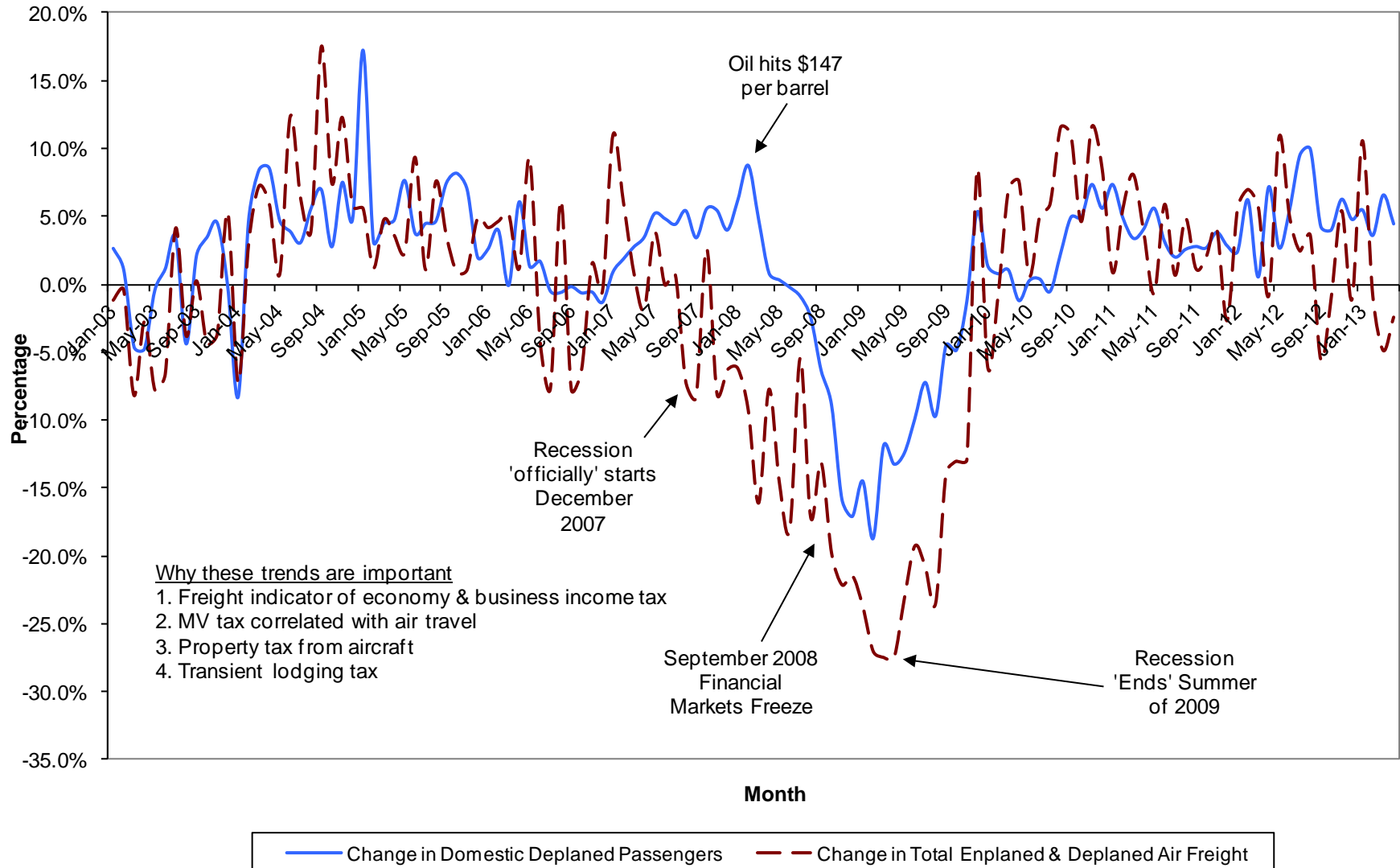
Appendix

Monthly Year-Over-Year % Change
Based on S&P/Case-Shiller Home Price Index Thru February 2013



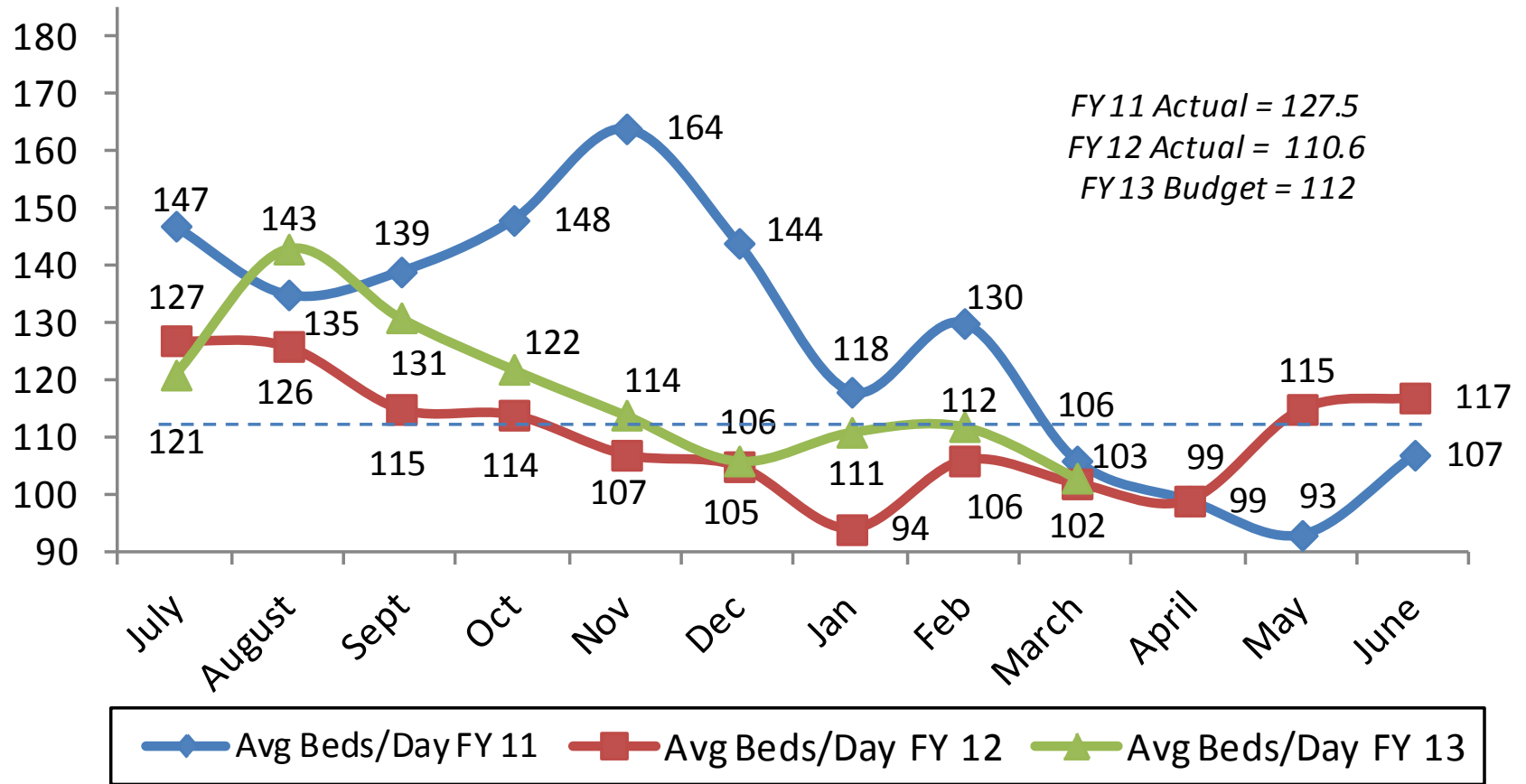
Appendix

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



Appendix

USM Avg Beds/Day



Appendix

Monthly Recording Fees (Thru April)

