



FY 2015 General Fund 5-Year Forecast

*Presentation to the
Board of County Commissioners*

Multnomah County Budget Office
November 14, 2013
www.multco.us/budget

Overview

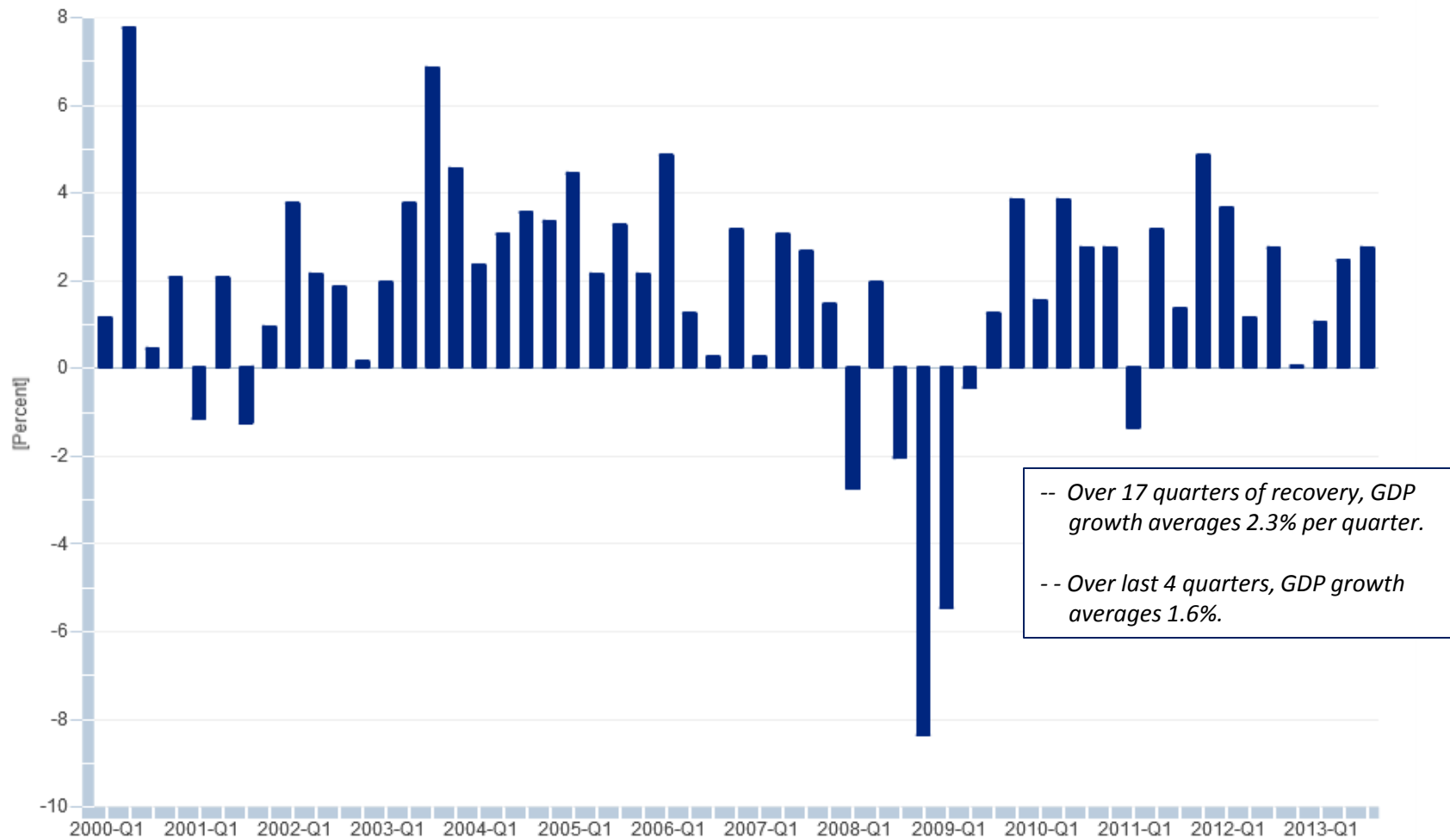
- **Economic Overview**
 - ✓ National Economic Conditions
 - ✓ Oregon & Multnomah County Employment Info
 - ✓ Local Housing Market
 - ✓ Additional Information in Appendix
- **FY 2014 Revenue Review**
 - ✓ BIT & USM
- **FY 2015 General Fund 5-Year Forecast**
 - ✓ FY 2015 Forecast
 - ✓ 5-Year Revenue Outlook
 - ✓ Significant Changes to Forecast
 - ✓ Expenditure Assumptions
- **FY 2015 One-Time-Only Funds**
- **FY 2014 General Fund Contingency Update**
- **Forecast Risks & Issues**
- **Summary & Questions**



Economic Overview

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

Last Revised on: November 07, 2013 - Next Release Date December 05, 2013

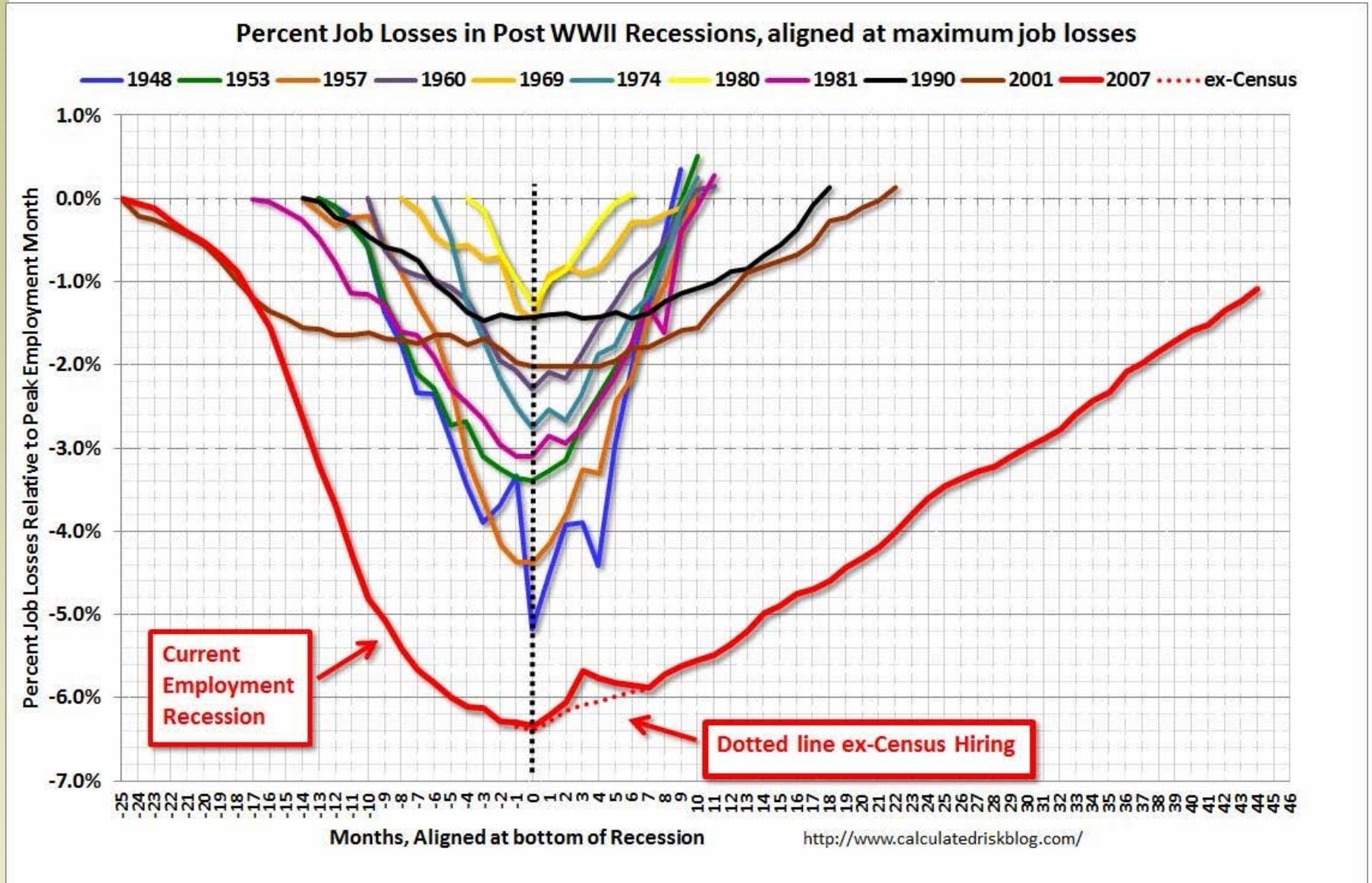


● Gross domestic product

Source: U.S. Bureau of Economic Analysis

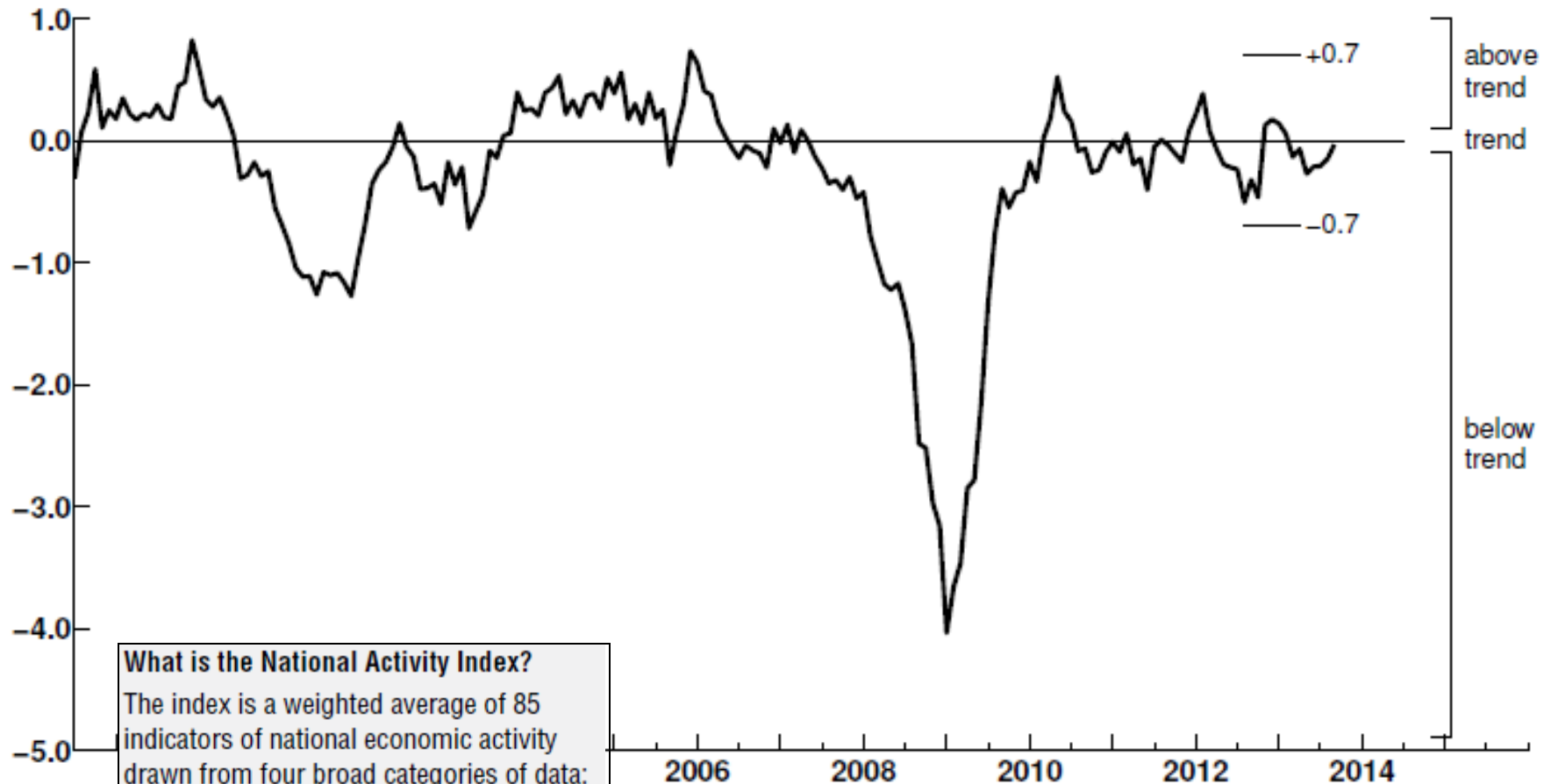


Economic Overview



Economic Overview

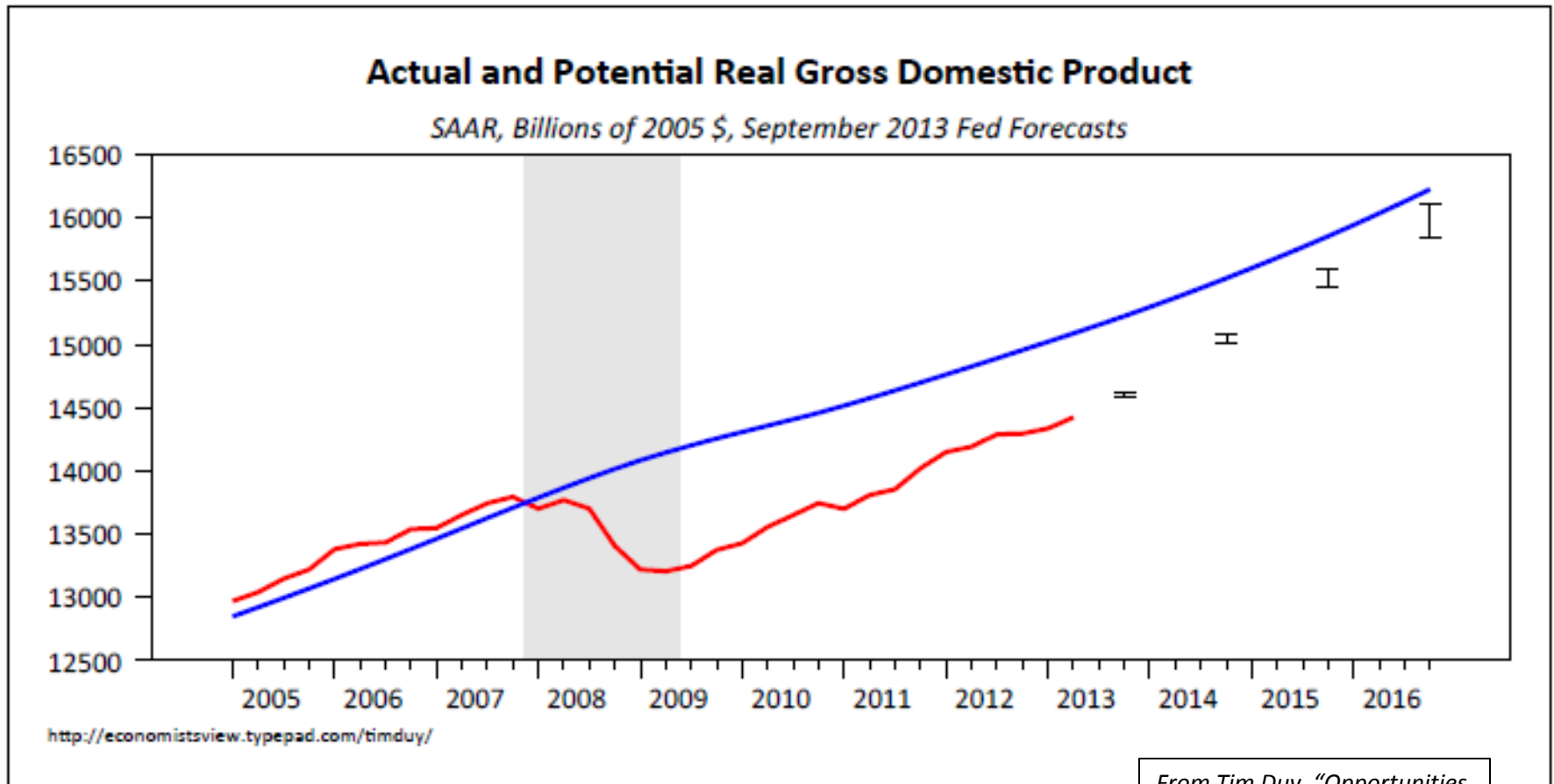
Chicago Fed National Activity Index, Three-Month Moving Average (CFNAI-MA3)



What is the National Activity Index?
The index is a weighted average of 85 indicators of national economic activity drawn from four broad categories of data: 1) production and income; 2) employment, unemployment, and hours; 3) personal consumption and housing; and 4) sales, orders, and inventories.



Economic Overview



From Tim Duy, "Opportunities and Challenges" presentation at Tenth Annual Oregon Economic Forum, Portland Oregon, October 24, 2013



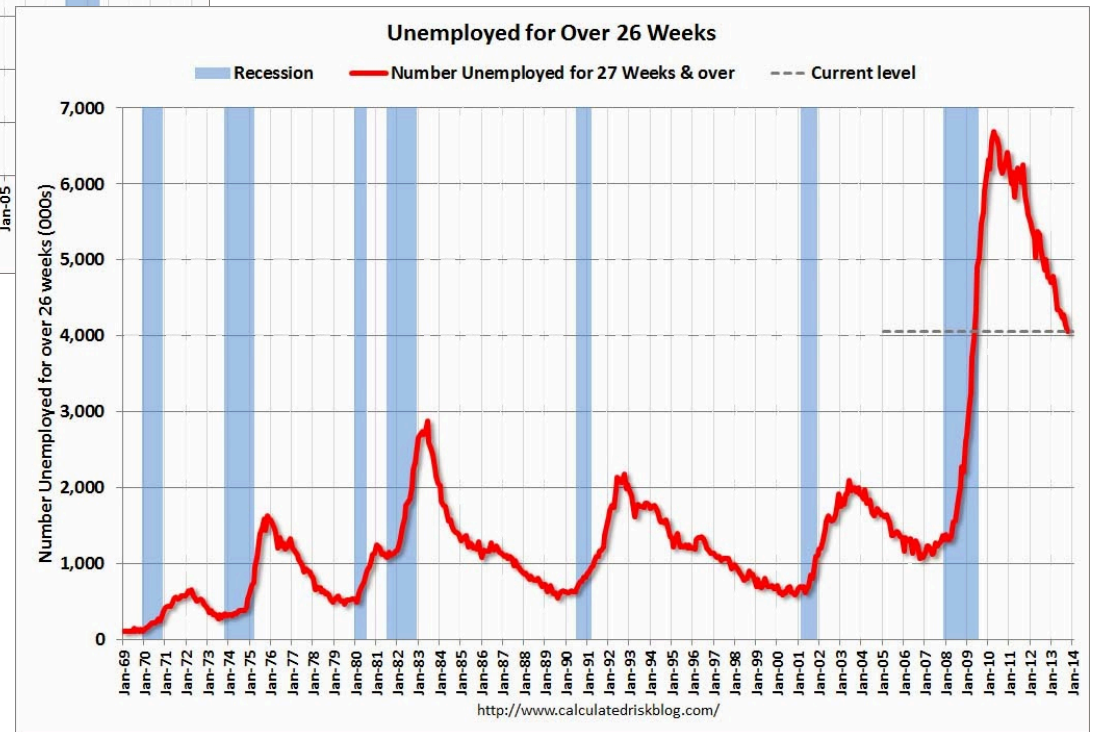
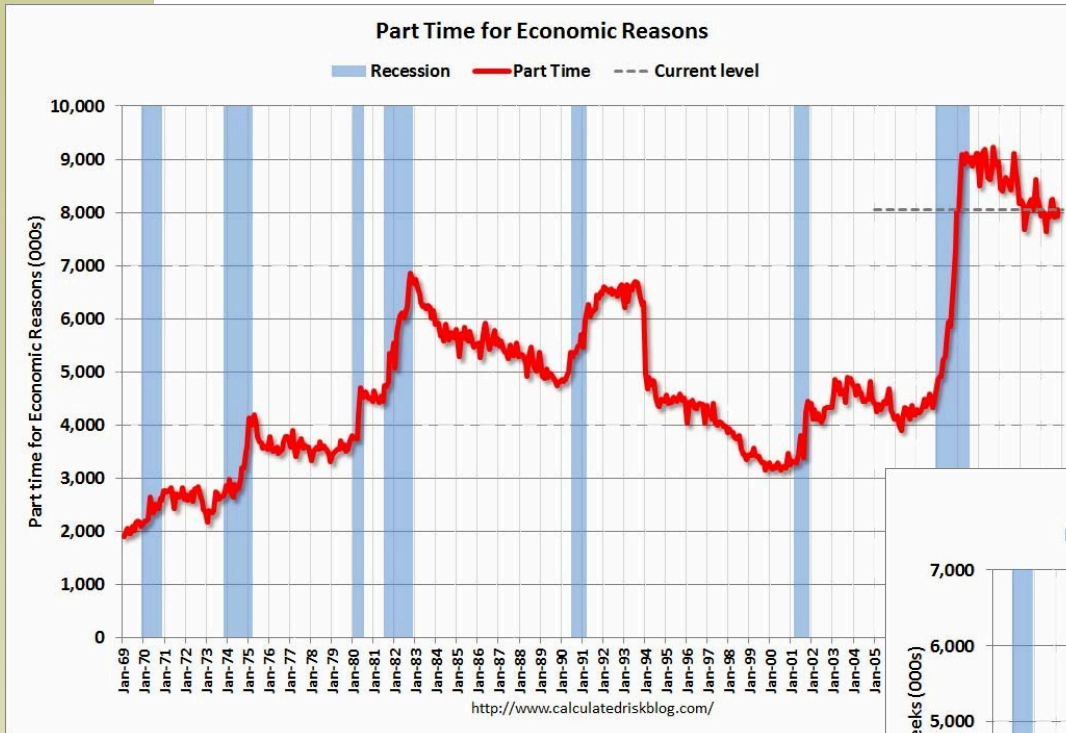
Economic Overview

An average (or stronger) economy in 2014 and 2015...

- Continued housing (residential investment) recovery
 - ✓ Household formation
- State & local governments no longer contracting
 - ✓ The middle socio-economic jobs (i.e., teachers, public safety)
- Household balance sheets in better shape
 - ✓ Total debt (student loans still a worry going forward)
 - ✓ Debt servicing requirements
- Federal fiscal contraction will be largely finished
- Fracking/domestic oil production & energy efficiency

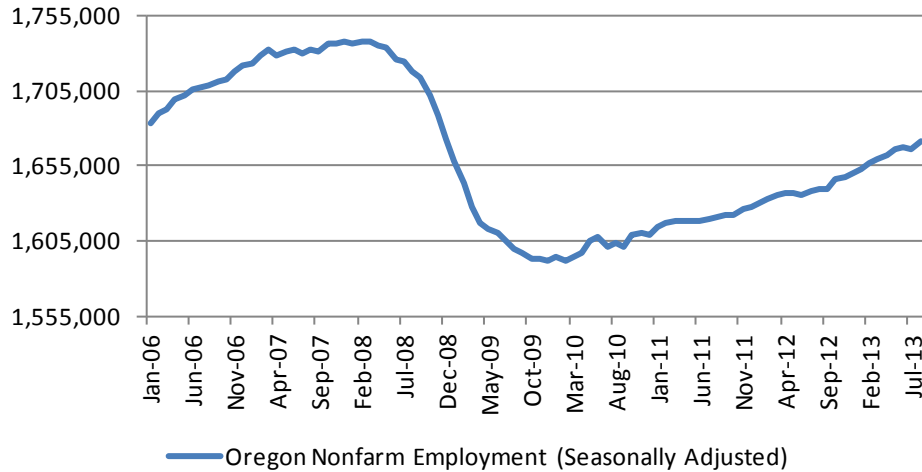


Economic Overview



Economic Overview

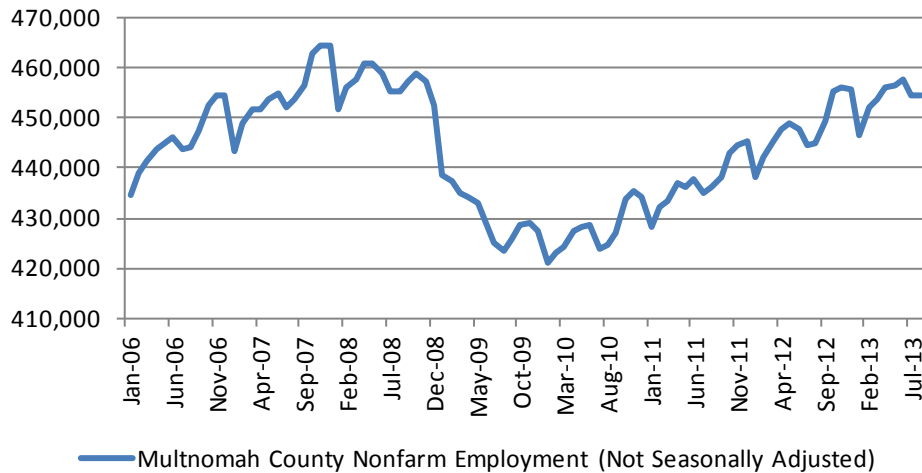
Oregon Nonfarm Employment (Seasonally Adjusted)



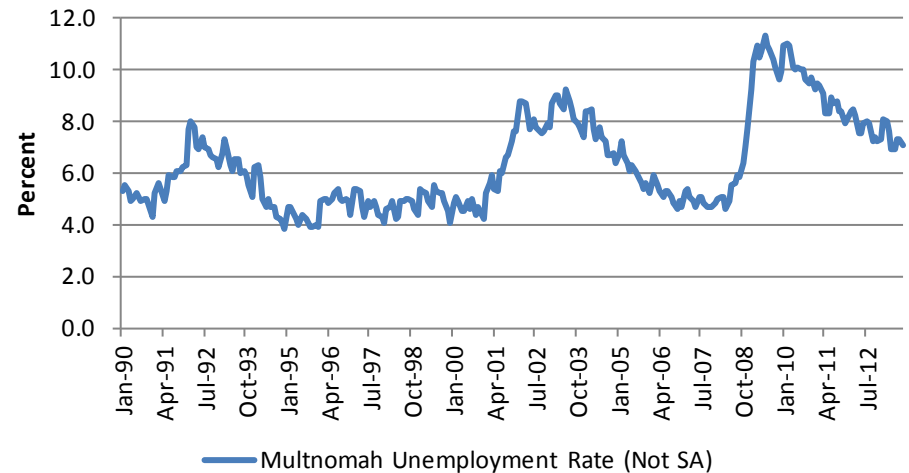
Oregon Unemployment Rate (SA)



Multnomah County Nonfarm Employment (Not SA)

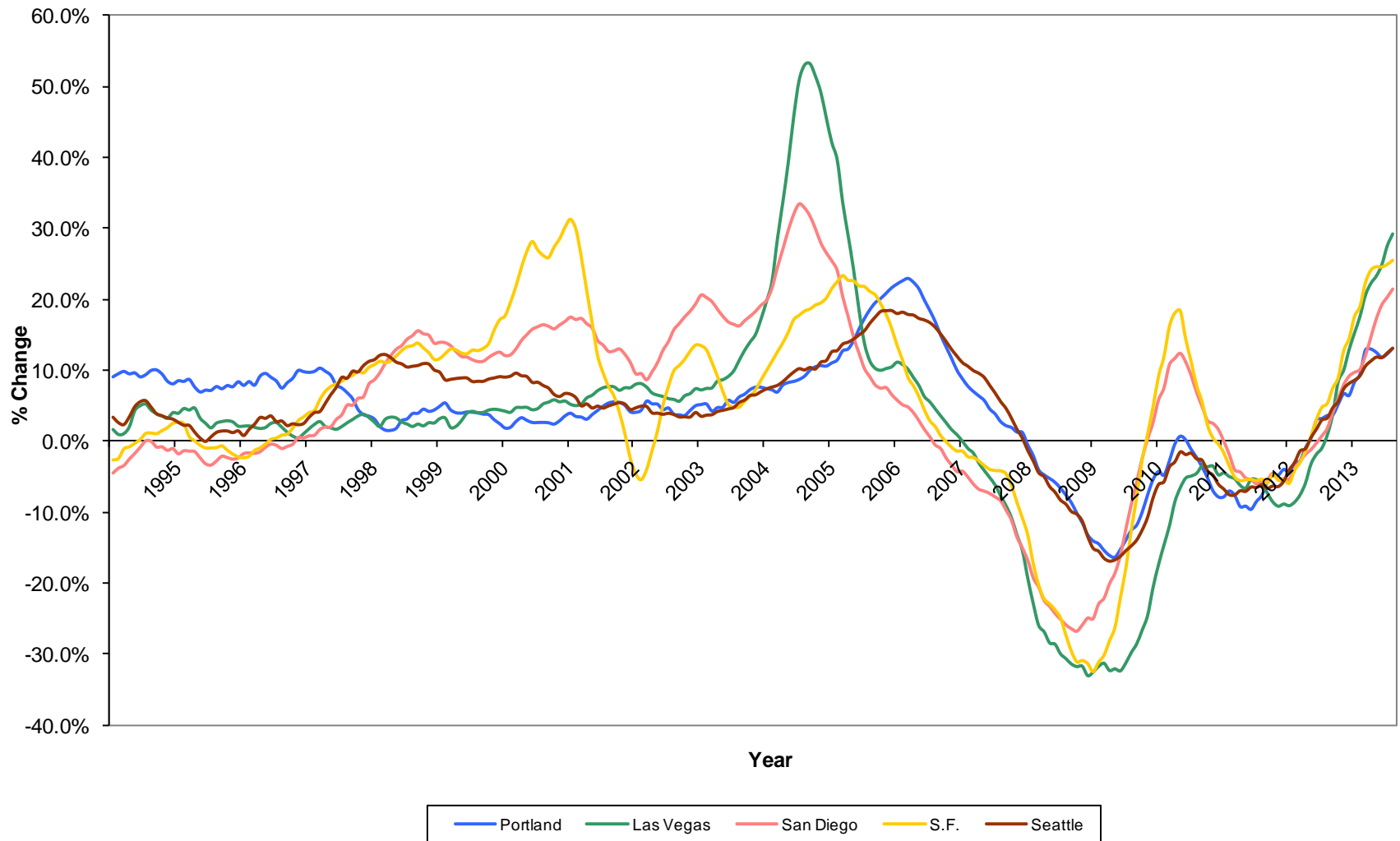


Multnomah Unemployment Rate (Not SA)



Economic Overview

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



Economic Overview

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

Case-Shiller	Dec 2012	Aug 2013
Portland MSA (Y-o-Y)	6.4%	13.0%

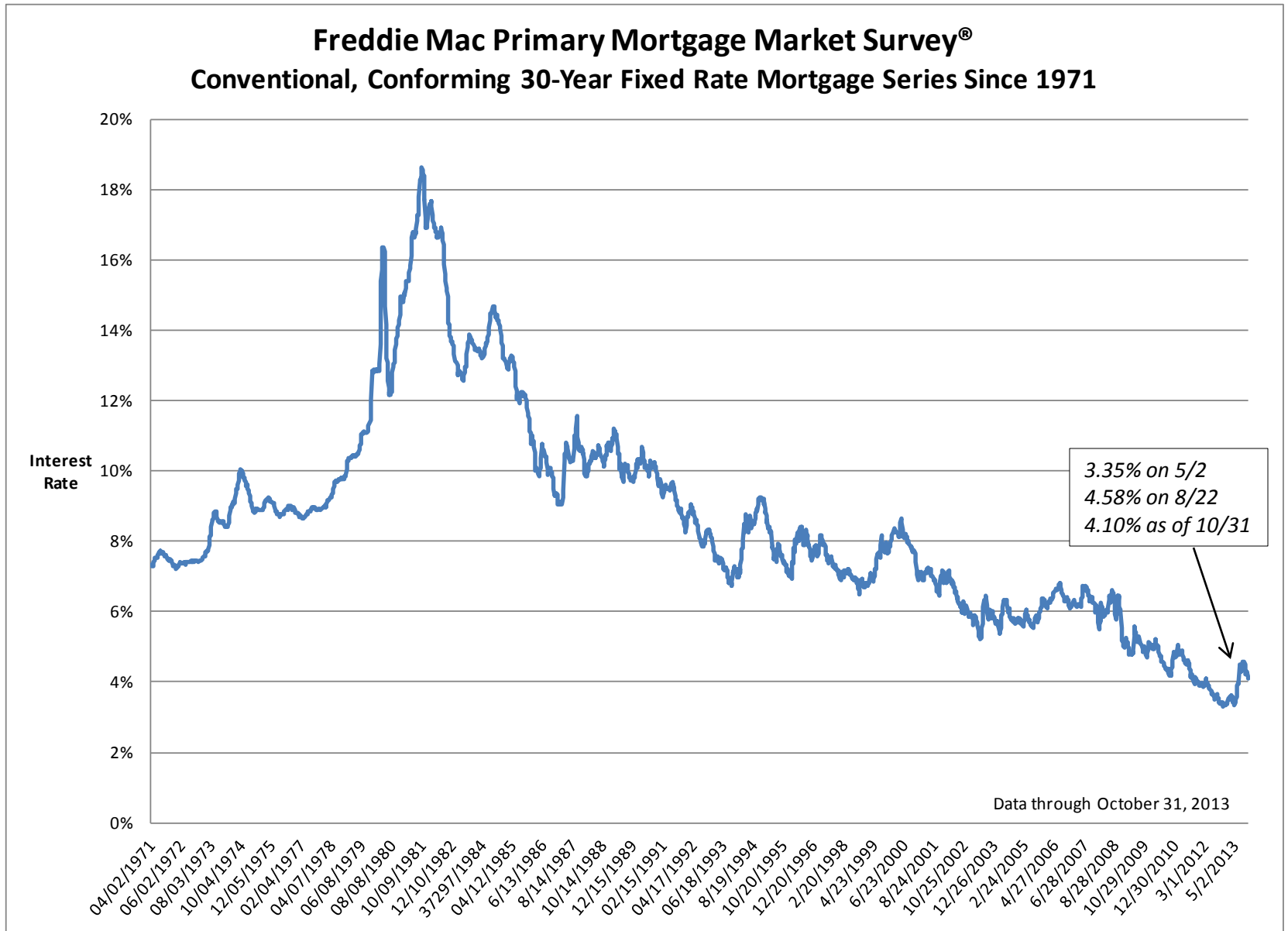
FNC Residential Price Index	Dec 2012	Oct 2013
Portland MSA (Y-o-Y)	5.5%	0.6%

Zillow	Dec 2012	Oct 2013
Portland Metro (Y-o-Y)	7.7%	15.6%
City of Portland (Y-o-Y)	8.8%	13.3%
Alameda (Y-o-Y)	14.8%	7.1%
Hillsdale (Y-o-Y)	7.7%	16.6%
Kenton (Y-o-Y)	5.8%	14.7%
Southwest Hills (Y-o-Y)	11.2%	10.6%

RMLS	Dec 2012	Sept 2013
Portland Metro - Median (YTD - December)	4.4%	15.0%
Portland Metro - Average (YTD - December)	6.3%	13.9%
N Portland (141) -Average (Rolling 12 month)	3.4%	12.8%
NE Portland (142) -Average (Rolling 12 month)	8.0%	13.7%
SE Portland (143) -Average (Rolling 12 month)	7.4%	15.4%
W Portland (148) -Average (Rolling 12 month)	7.2%	8.8%
Gresham/Troutdale (144) -Average (Rolling 12 month)	-0.4%	11.4%

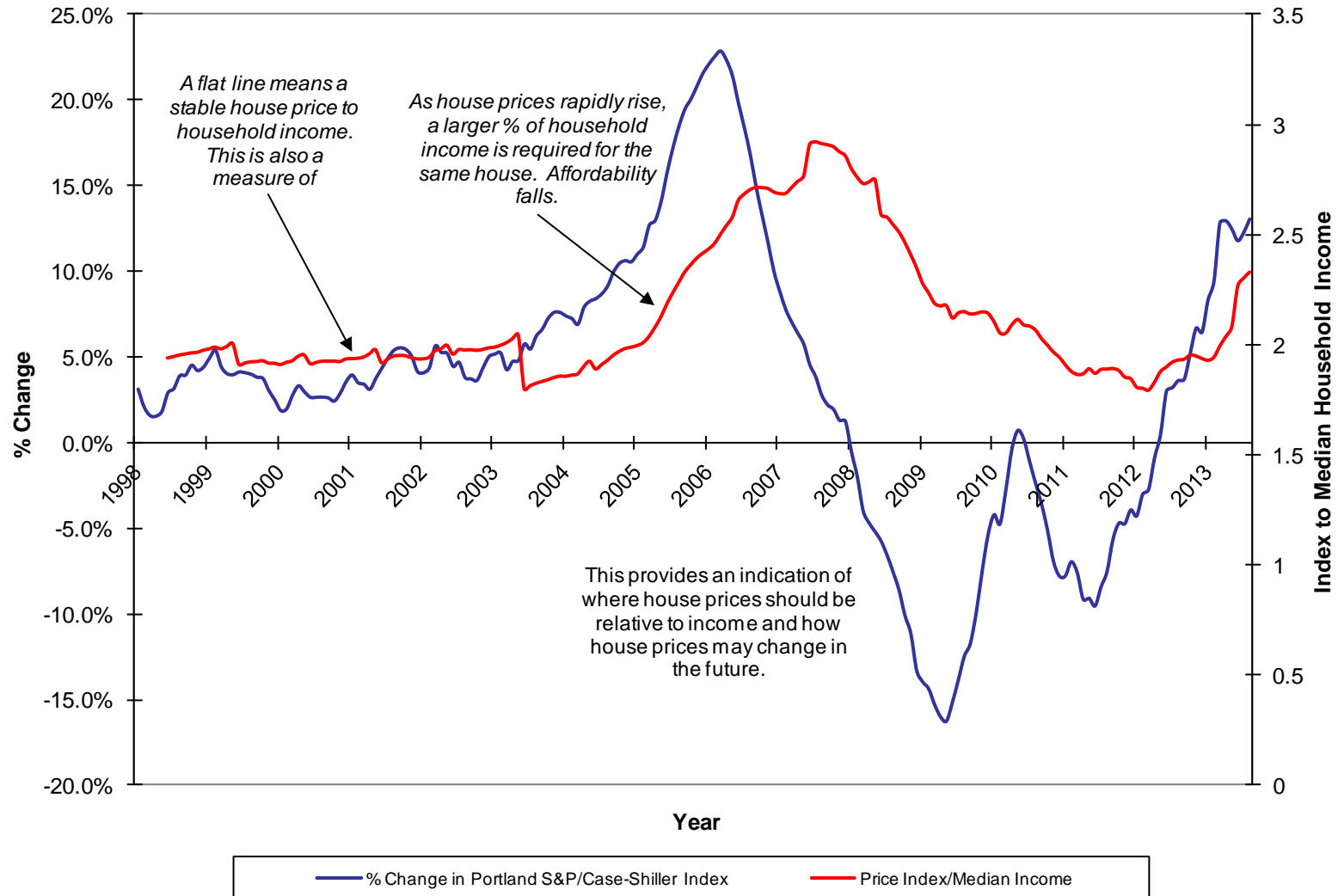


Economic Overview

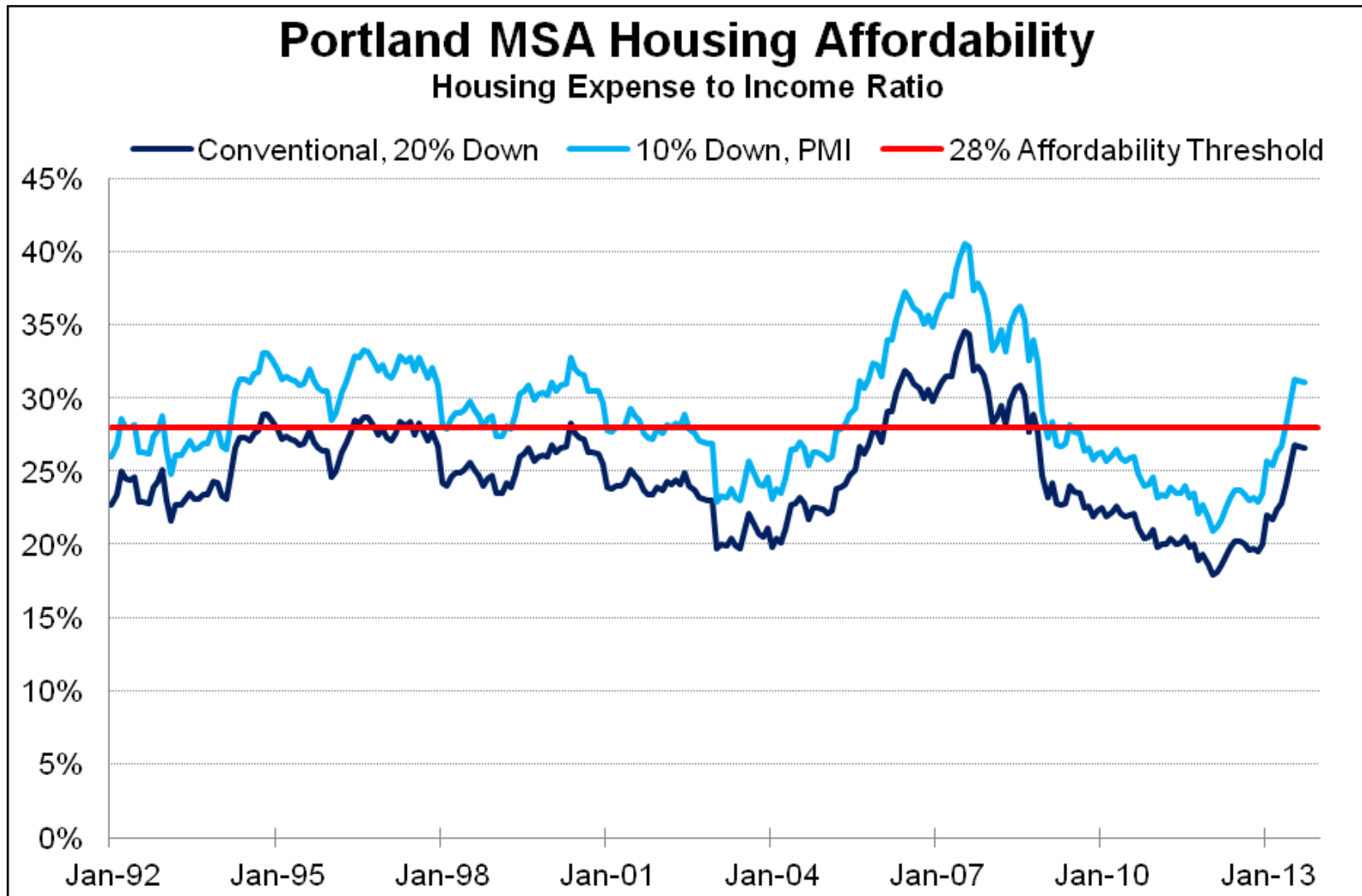


Economic Overview

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



Economic Overview



Source: Oregon Office of Economic Analysis, Blog Post "Quick Housing Update", October 17, 2013.



FY 2014 Revenue Review

	Adopted ¹	October Forecast Change	Net Change From Adopted	Note
Property Taxes	237,435,786	(1,290,013)	(1,290,013)	AV growth 3.31% vs. budgeted 3.25%; Compression 7.8% vs. budgeted 7.4%; Prior Year Taxes down \$767,814 due to higher FY 13 collections
Business Income Taxes	57,821,049	2,962,766	2,962,766	FY 12 to FY 13 growth = 10.1%; FY 14 growth at 7.8%
Motor Vehicle Rental Taxes	20,436,638	1,213,970	1,213,970	FY 13 actual collections \$21.1 million, up 13.3%
US Marshal/BM 73/BOP	5,473,678	(795,915)	(795,915)	See graph
State Shared				
Video Lottery	5,229,915	(429,915)	(429,915)	
Liquor	3,541,978	0	0	
Cigarette	705,726	0	0	
Amusement	170,000	0	0	
Recording Fees/CAFFA Grant	8,510,000	(510,000)	(510,000)	See graph in Appendix
Indirect				
Departmental	11,534,630	0	0	
Central Indirect/Svc Reimburse	11,174,861	0	0	
All Other	18,700,703	461,787	461,787	Timber/Secure Schools & VFT
FY 14 Revenue Adjustments ²	380,734,964	1,612,680	1,612,680	
% of Revenue		0.42%	0.42%	

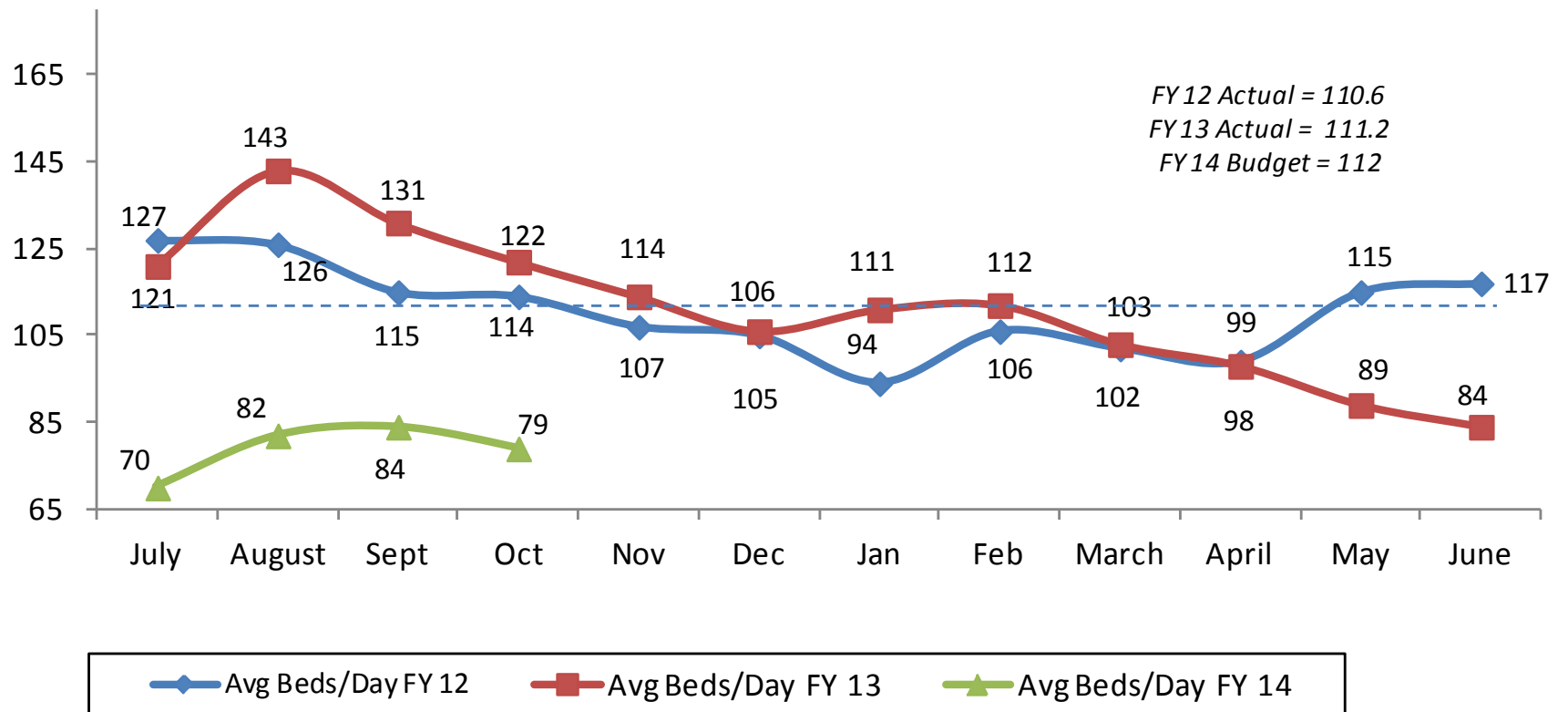
1. Excludes BWC, FQHC wraparound revenues, and prospective health payments, but includes Video Lottery.

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



FY 2014 Revenue Review

USM Avg Beds/Day



FY 2014 Revenue Review

BIT Collections Fiscal Year-to-Date Through September

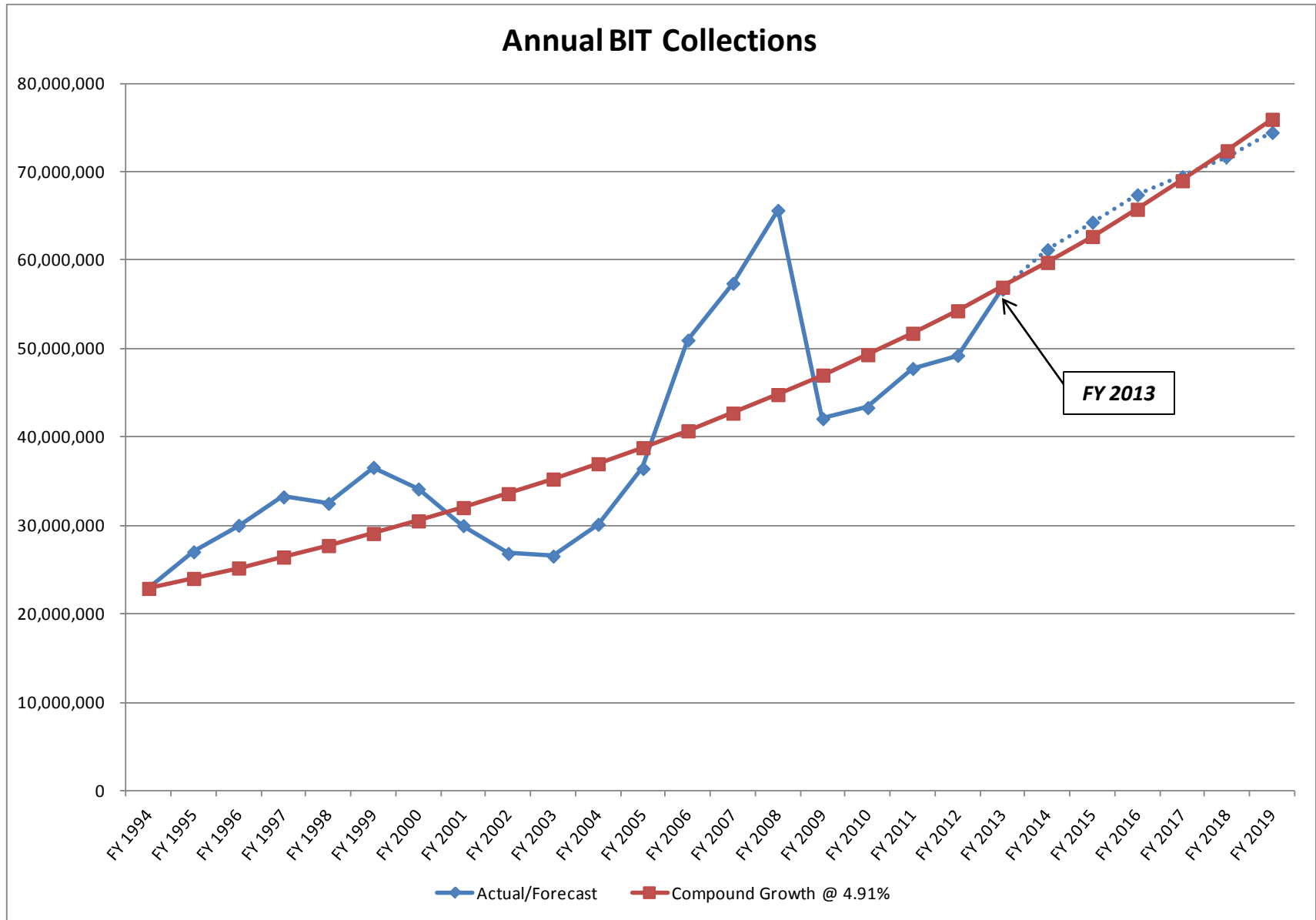
	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 14 vs. FY 08	FY 14 vs. FY 13
Quarterly	9,092,970	7,982,244	5,926,560	6,445,057	7,550,821	7,125,271	7,709,145	-15.2%	8.2%
Yearly	922,835	1,012,798	1,850,323	1,281,913	1,049,829	826,372	922,774	0.0%	11.7%
Refund/Interest	200,468	528,345	437,694	68,722	69,471	172,280	100	-100.0%	-99.9%
NSF Check	2,091	4,100	129	41,886	4,452	1,819	5,352	156.0%	194.3%
Total	9,813,245	8,462,598	7,339,060	7,616,362	8,526,728	7,777,544	8,626,467	-12.1%	10.9%
<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>58,750,000</i>	<i>57,821,049</i>		

BIT Collections Fiscal Year-to-Date Through October

	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 14 vs. FY 08	FY 14 vs. FY 13
Quarterly	9,953,262	8,998,390	6,769,017	7,827,270	8,299,954	8,316,752	8,521,769	-14.4%	2.5%
Yearly	3,012,871	3,282,278	3,529,173	2,205,929	2,828,830	2,592,484	2,694,038	-10.6%	3.9%
Refund/Interest	580,529	579,433	1,127,342	865,622	509,215	266,444	724,365	24.8%	171.9%
NSF Check	5,077	6,685	46,554	46,632	8,923	15,902	5,646	11.2%	-64.5%
Total	12,380,526	11,694,551	9,124,294	9,120,946	10,610,645	10,626,891	10,485,797	-15.3%	-1.3%
<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>58,750,000</i>	<i>57,821,049</i>		
							<i>60,783,815 Forecast</i>		



FY 2014 Revenue Review



5-Year General Fund Revenue Forecast

- Forecast assumes average to slightly better than average economic growth in the Portland Metro area with increasing employment. Property values are projected to continue growing but at a slower rate than in the past year.
- Significant changes from May Forecast
 - ✓ Lower labor cost growth due to PERS assumptions and Medical/Dental rates
 - ✓ Modestly stronger revenues (BIT and Motor Vehicle Rental Tax) partially offset by weaker USM revenues
- Forecasted Revenues Greater than Expenditures in Short-Term
 - ✓ Lower labor costs and slightly above average revenue growth drive short-term result
 - ✓ Over longer-term (starting in FY 2017), costs once again grow faster than revenues.

Forecasted General Fund Expenditures and Revenues

FY	Revenues	Expenditures	Operating Gap	Gap as % of Expenditures	Operating Gap <i>(if additional funds spent ongoing basis)</i>
FY 15	398,923,920	388,023,607	10,900,313	2.81%	0
FY 16	413,884,112	402,274,286	11,609,826	2.89%	298,571
FY 17	427,431,472	418,125,841	9,305,631	2.23%	(2,377,764)
FY 18	441,850,829	434,054,807	7,796,022	1.80%	(4,343,025)
FY 19	457,154,366	450,186,196	6,968,170	1.55%	(5,593,316)

*Note: Revenues/Expenditures do not include reserves, includes video lottery, but excludes FQHC wraparound and PCPCH.
If additional funds spent ongoing, additional costs inflated at same rate as other General Fund expenses.*



5-Year General Fund Revenue Forecast

Major General Fund Revenue Sources ¹

	Adopted FY 2014	Forecast FY 2014 ²	Forecast FY 2015	Forecast FY 2016	Forecast FY 2017	Forecast FY 2018	Forecast FY 2019
Property Taxes	237,435,786	236,145,773	246,655,166	256,868,218	266,768,987	277,126,771	287,787,056
Business Income Taxes	57,821,049	60,783,815	65,114,519	68,207,459	70,253,683	72,361,293	75,255,745
Motor Vehicle Rental Taxes	20,436,638	21,650,608	22,191,873	22,746,670	23,315,337	23,898,220	24,495,676
US Marshal (& BM 37)	5,473,678	4,677,763	4,677,762	4,677,762	4,677,762	4,677,762	4,677,762
Recording Fees/CAFFA Grant	8,510,000	8,000,000	8,349,000	8,609,580	8,751,772	8,955,607	9,161,119
State Shared	9,647,619	9,217,704	9,475,271	9,689,566	9,910,595	10,138,550	10,373,631
Indirect & Service Reimbrs.	22,709,491	22,709,491	23,219,237	23,726,466	24,274,340	24,839,619	25,422,861
	362,034,261	363,185,154	379,682,828	394,525,721	407,952,476	421,997,822	437,173,850
% of Total Revenue	95.1%	94.9%	95.2%	95.3%	95.4%	95.5%	95.6%
All Other General Fund	18,700,703	19,592,405	19,241,092	19,358,391	19,478,996	19,853,007	19,980,516
Total	380,734,964	382,777,559	398,923,920	413,884,112	427,431,472	441,850,829	457,154,366
% Change in Ongoing Revenue		0.54%	4.22%	3.75%	3.27%	3.37%	3.46%
AV Growth	3.25%	3.31%	3.50%	3.70%	3.60%	3.60%	3.60%
Compression	7.40%	7.80%	7.05%	6.65%	6.30%	6.05%	5.80%
BIT Growth	6.25%	7.78% ³	7.12%	5.02%	3.00%	3.00%	4.00%

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

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

3. Reflects growth from FY 2013 actual collections.



5-Year General Fund Forecast

Significant Changes in FY 2015 General Fund Forecast

Expenditures

	May - Assumed Growth Rate	Current - Assumed Growth Rate	Savings	
Personnel Costs	4.16%	1.65%		
COLA	2.50%	2.00%	1,140,000	
PERS	0.00%	-2.00%	3,320,000	
Medical	6.00%	0.00%	2,000,000	
Total Personnel Costs	277,418,555	270,958,555	6,460,000	2.33%

Revenues

	May Forecast	Current Forecast	Change	Change %
Property Tax	247,389,287	246,655,166	(734,121)	-0.30%
BIT	61,521,596	65,114,519	3,592,923	5.84%
MVRT	20,845,371	22,191,873	1,346,502	6.46%
Visitor Trust Distribution	0	500,000	500,000	n/a
USM	5,473,678	4,677,762	(795,916)	-14.54%
Recording/CAFFA	8,829,000	8,349,000	(480,000)	-5.44%
	344,058,932	347,488,320	3,429,388	1.00%

Total Change from above

9,889,388



Expenditure Assumptions

- Programs, Cash Transfers, and Earmarks funded on a one-time-only basis in FY 2014 Budget that are assumed to not continue in FY 2015:

One-Time-Only Programs

Offer/Activity

10015 - EM - Vulnerable Population Specialist (OTO)	106,122
10018A - Office of Sustainability - Food Summit (OTO)	20,000
10018B - Beginning Urban Farmer (OTO)	40,000
10018B - Zenger Farms Urban Grange (OTO)	50,000
10019B - Office of Economic Development - Microloans (OTO)	70,000
10029 - Summerworks Internship Program (OTO)	245,000
15002 - DA Tablet and Courthouse Wireless Project (OTO)	105,000
25000D - Director's Office - Health System Transformation (OTO)	109,090
25000E - Director's Office - Business System Analysis (OTO)	100,000
25020A - ADS Access & Early Intervention Services (Senior Centers) (OTO)	353,635
25111F - HFSES - Coordinated Entry for Homeless Families (OTO)	610,000
25133B - Short Term Rent Assistance (OTO)	1,500,000
25133C - HSVP - Street Roots (OTO)	20,000
25133F - Facility Based Transitional Housing (OTO)	238,009
25136B - HSY - MH and Addictions Engagement Services (OTO)	471,000
25139C - AP - Computers for Head Start Graduates (OTO)	20,000
25145A - SUN Community Schools (OTO)	185,380
25149A - REAP Summer Leadership Academy (OTO)	10,000
25156A - Bienestar Social Services - Cully Park Development (OTO)	50,000
25157 - SUN Long Term Evaluation (OTO)	50,000
25158 - SUN Early Learning HUB Development (OTO)	50,000



Expenditure Assumptions

One-Time-Only Programs (Continued)

Offer/Activity

25159 - East County Education Outcomes Support (OTO)	250,000
25160 - Capital Development at Earl Boyles (OTO)	500,000
25161 - Children's Center at Steven's Creek Crossing (OTO)	125,000
40000 - Health Department Leadership Team - Gov's Prevention & Wellness Demo (OTO)	50,000
40053 - Fresh and Healthy Food Project (OTO)	75,000
50012B - Juvenile Services Management - Intercept (OTO)	293,825
50047 - Londer Learning Center - GED Tutoring (OTO)	10,000
72025B - DART County Clerk (OTO)	361,000
91000 - Director's Office - Ombudsman Position (OTO)	120,000
91009 - Animal Service Workforce Study (OTO)	30,000
91025 - Sauvie Island Planning	60,000

Cash Transfers and Earmarks

Offer/Activity

95000 - To Capital Improvement Fund	8,586,646
95000 - To Asset Preservation Fund	275,000
95000 - To Asset Replacement Revolving Fund	226,000
95000 - To Information Technology Fund	1,500,000
95000 - To Fleet Management Fund	1,203,958
Earmark - Automatic Voter Registration (HB 3521)	30,000
Earmark - Federal/State setaside	1,000,000



Expenditure Assumptions

- Other Programmatic Assumptions:

Programs/Activities from FY 2014 Utilizing One-Time-Only Resources, Assumed to be Continued in FY 2015

Offer/Activity

72008 - FRM Treasury and Tax Administration (OTO) - (Additional for BIT collections)	200,000
25147 - Child & Family Hunger Relief - FY 2014 BudMod DCHS14-16 from CGF Contingency	61,000

General Fund Obligation to Capital Debt Retirement Fund (Fund 2002)

\$3.8 million of one-time-only funds contributed in FY 2015

\$1.0 million of ongoing funds contributed in FY 2015, 2016, 2017

Eliminated \$6.8 million debt service gap through FY 2020 -- Debt paid off 8/1/2019



Expenditure Assumptions

- Cost Drivers for FY 2015:

Inflation	2.00%	Second Half Portland CPI-W
Labor Costs (Change in rates)	1.65%	(Prior assumption was 4.16%)
COLA	2.00%	Dependent on Unit & Contract Status
Step/Merit	1.50%	Dependent on Unit Demographics
Medical/Dental	0.00%	Was assumed to increase by 6%
PERS	-2.00%	Was assumed to be 0%
Retiree Medical	0.00%	
Liability/Unemployment/Admin	-0.25%	
Materials and Services	2.00%	
Internal Services	2.27%	

- Cost Driver Notes (for General Fund only)

- ✓ A 1% increase in base pay = approximately \$2.3 million
- ✓ A 6% increase in medical/dental rates = approximately \$2.0 million
- ✓ A 1% (of base pay) increase in PERS rates = roughly \$1.7 million

- Reserve & Contingency Assumptions:

- ✓ General Fund Contingency - \$1.25 million.
- ✓ General Fund Reserve – 10% of ‘corporate’ revenues.
- ✓ BIT Reserve – 10% of BIT Revenues (\$6.5 million)



FY 2015 OTO Funds

General Fund FY 2013 Ending Balance, Budgeted FY 2014 BWC, and FY 2015 OTO^{1, 2} Year-End of October 24, 2013

FY 2013 Ending Balance ³	69,741,653
FY 2014 Budgeted BWC	55,781,575
Additional FY 2014 BWC (OTO)	13,960,078
Plus Higher FY 2014 Revenue (<i>in Fall Forecast</i>)	1,612,680
Less Amount to Maintain BIT Reserve @ 10%	(729,347)
Less Amount to Maintain Reserves @ Policy Level	(1,811,642)
Less FY 15 set-aside for run-off election	(400,000)
Plus Video Lottery BWC	408,765
Less Transfer to Capital Debt Retirement Fund	(3,800,000)
Plus Cascadia Loan Repayment	900,000
OTO Funds for FY 2015 (or FY 2014)	10,140,534

1. Assumes the FY 2014 General Fund Contingency is fully spent in FY 2014.
2. Assumes departments fully spend their FY 2014 appropriation.
3. Adjusted for additional restricted County Clerk BWC.



FY 2013 Ending Balance

Major Sources of Additional General Fund FY 2013 Ending Balance/FY 2014 BWC

Revenues

Property Tax	1,053,896	0.45%
BIT - 'Real'	3,111,986	5.72%
BIT - Cash Transfer Timing	1,218,203	2.24%
MVRT	<u>1,086,625</u>	5.42%
	6,470,710	
Plus Unused CGF Contingency	1,049,124	
Departmental Underspending, Adjusted for Department specific revenues	5,746,203	1.48%
Other Revenues and Expenditures	<u>694,041</u>	
	13,960,078	



FY 2014 Contingency Update

FY 2014 General Fund Contingency Update

General Fund 'Regular' Contingency	1,250,000
Additional Contingency	<u>15,205</u>
	1,265,205
Less DCHS-08 Lines for Life	(300,000)
Less DCHS-16 SUN Food Pantries	<u>(61,000)</u>
Remaining Non-Earmarked Contingency	904,205

Automatic Voter Registration (HB 3521)	30,000	Earmark per Board Budget Note
Set-aside to Address Federal/State Funding Issues	568,106	Earmark per Board Budget Note (Original Amount \$1 million)
MCSO Overtime Funds (Quarters 2, 3, and 4)	1,496,029	Earmark per Board Budget Note (After Q2 released)
BIT Reserve (in General Fund Contingency)	<u>5,782,105</u>	
Total General Fund Contingency	8,780,445	

***Unallocated Contingency for use in FY 2014
or could be rolled over to FY 2015*** **1,502,311**

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 2015.



Forecast Risks, Uncertainties & 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 & fiscal policy
 - ✓ **Timing & impacts of monetary tightening**
- European sovereign debt & economic issues
- Timing of the next recession?
- Middle East (Syria, Iran, etc.)
- State and Local
 - ✓ State budget/legislation and service re-designs
 - ✓ Labor costs (OPEB, PERS & **legal challenges**, medical costs, open contracts, etc.)



Summary

- FY 2014 General Fund revenue forecast increased \$1.6 million (0.4%)
- FY 2014 General Fund contingency balance of \$1.5 million (unallocated).
- FY 2015 General Fund one-time-only resources of \$10.1 million.
- FY 2015 projected General Fund resources exceed the projected cost of current service levels by \$10.9 million.
- In FY 2017, expenditures begin growing faster than revenues, resulting in revenues exceeding expenditures by \$7 million or 1.6% of expenditures (within forecast accuracy).
- Major risks include:
 - ✓ Status of PERS reforms (i.e., legal challenges)
 - ✓ Timing of Federal Reserve actions and next recession

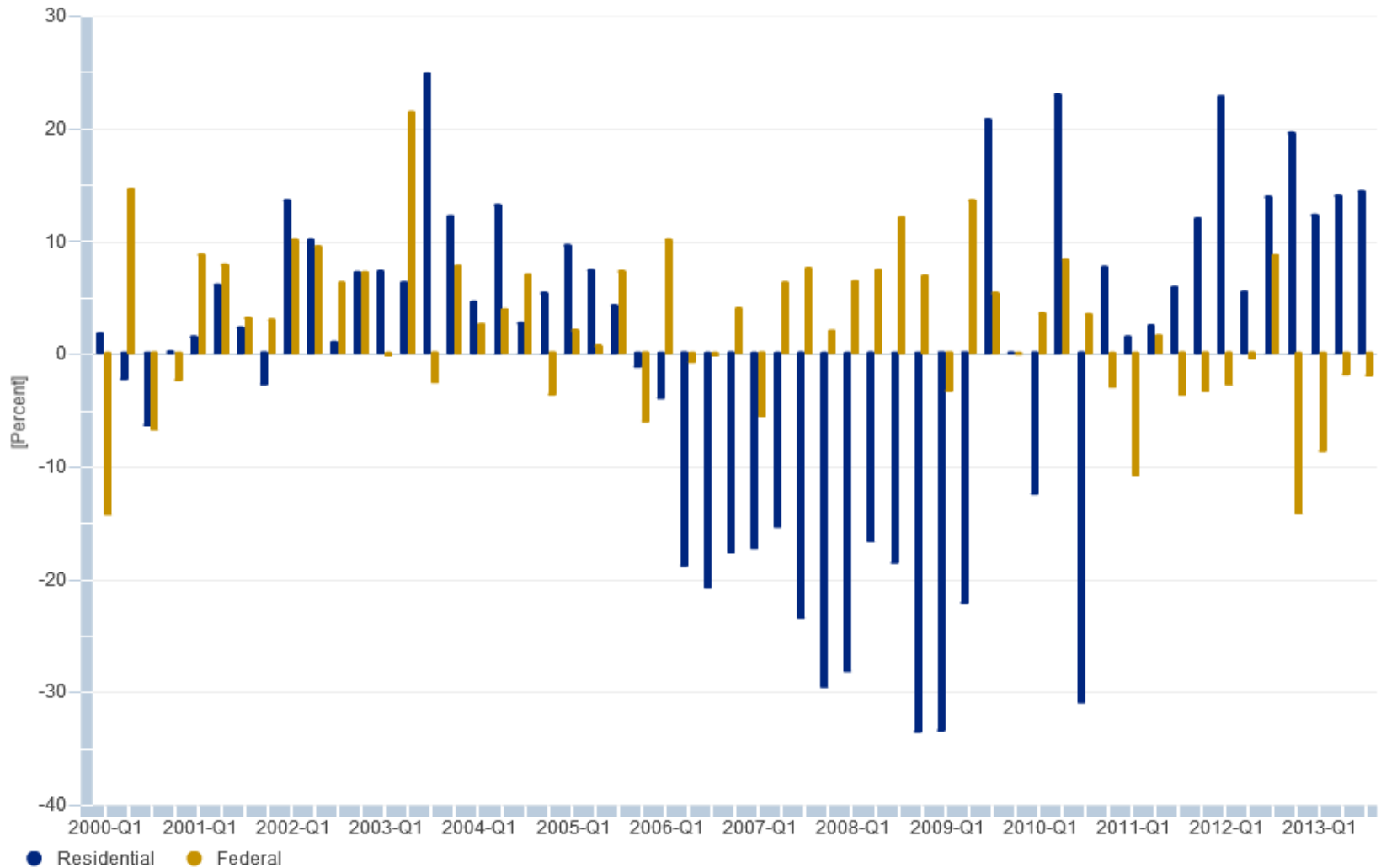
- Questions?



Appendix

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

Last Revised on: November 07, 2013 - Next Release Date December 05, 2013

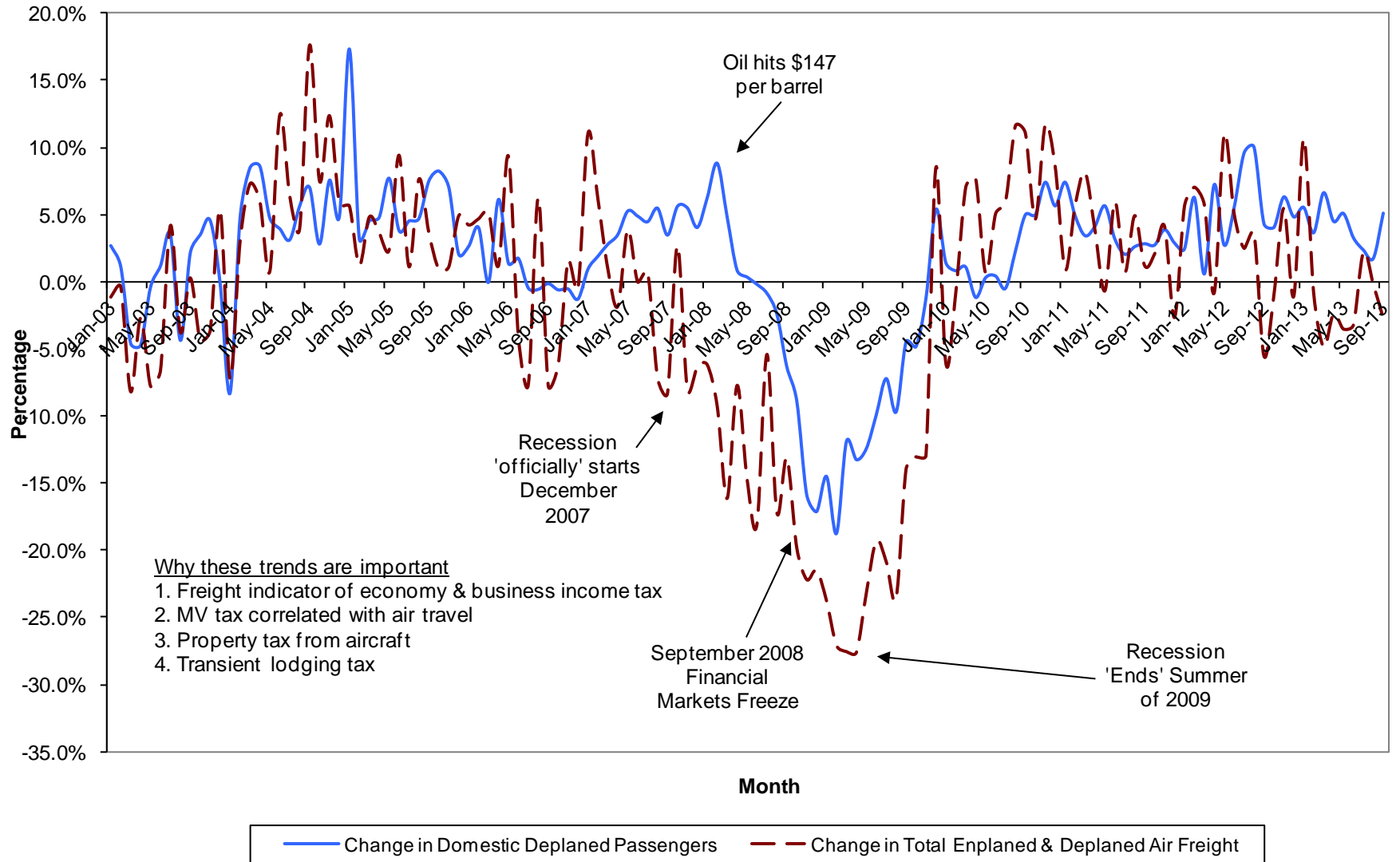


Source: U.S. Bureau of Economic Analysis



Appendix

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



Appendix

Monthly Recording Fees (Thru October)

