



# FY 2015 General Fund 5-Year Forecast Update

*Presentation to the  
Board of County Commissioners*

Multnomah County Budget Office  
March 13, 2014  
[www.multco.us/budget](http://www.multco.us/budget)

# Overview

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# Economic Overview

- Forecast continues to assume average to slightly better than average economic growth in the Portland Metro area.
- Recent economic data (especially at national level) distorted by weather.
- Key drivers remain:
  - ✓ Continued housing (residential investment) recovery
  - ✓ State & local governments no longer contracting
  - ✓ Household balance sheets in better shape
  - ✓ Federal fiscal contraction largely finished
- Recent economic data/charts not included in this presentation.



# FY 2014 Revenue Review

## FY 2014 Revenue Review

	Adopted <sup>1</sup>	October Forecast Change	March Forecast Change	Net Change From Adopted	Notes
Property Taxes	237,435,786	(1,290,013)	485,589	(804,424)	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; Reduced Delinq/Discount Rate
Business Income Taxes	57,821,049	2,962,766	(2,025,801)	936,965	FY 12 to FY 13 growth = 10.1%; FY 14 growth revised to 4.24% (after adjusting for cash flow)
Motor Vehicle Rental Taxes	20,436,638	1,213,970	316,839	1,530,809	FY 13 actual collections \$21.1 million, up 13.3%; Continued strength in FY 14
US Marshal/BM 73/BOP	5,473,678	(795,915)	(1,437,329)	(2,233,244)	See graph; Assumes 64.3 beds/day, down from 112 in Adopted Budget
State Shared					
Video Lottery	5,229,915	(429,915)	(235,178)	(665,093)	
Liquor	3,541,978	0	0	0	
Cigarette	705,726	0	0	0	
Amusement	170,000	0	0	0	
Recording Fees/CAFFA Grant	8,510,000	(510,000)	(800,000)	(1,310,000)	See graph
Indirect					
Departmental	11,534,630	0	0	0	
Central Indirect/Svc Reimburse	11,174,861	0	0	0	
All Other	18,700,703	461,787	0	461,787	Timber/Secure Schools & VFT
<b>FY 14 Revenue Adjustments <sup>2</sup></b>	<b>380,734,964</b>	<b>1,612,680</b>	<b>(3,695,880)</b>	<b>(2,083,200)</b>	
<b>% of Revenue</b>		<b>0.42%</b>	<b>-0.97%</b>	<b>-0.55%</b>	
<b>% of Revenue (Excluding USM)</b>		<b>0.64%</b> 	<b>-0.60%</b>	<b>0.04%</b>	

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

<b>BIT Collections Fiscal Year-to-Date Through February</b>								<b>FY 14 vs.</b>	<b>FY 14 vs.</b>
	<b>FY 08</b>	<b>FY 09</b>	<b>FY 10</b>	<b>FY 11</b>	<b>FY 12</b>	<b>FY 13</b>	<b>FY 14</b>	<b>FY 08</b>	<b>FY 13</b>
Quarterly	21,132,270	19,605,610	16,002,035	16,824,843	17,703,368	19,260,347	19,371,834	-8.3%	0.6%
Yearly	6,676,064	5,687,830	7,403,558	5,236,959	5,246,967	5,247,925	5,160,759	-22.7%	-1.7%
Refund/Interest	2,868,519	4,931,749	5,425,796	2,532,357	2,149,092	2,783,165	3,012,454	5.0%	8.2%
NSF Check	38,322	40,900	80,084	106,150	22,913	139,589	22,777	-40.6%	-83.7%
<b>Total</b>	<b>24,901,493</b>	<b>20,320,792</b>	<b>17,899,714</b>	<b>19,423,295</b>	<b>20,778,329</b>	<b>21,585,517</b>	<b>21,497,362</b>	<b>-13.7%</b>	<b>-0.4%</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>58,750,000</i>	<i>57,821,049</i>		
							<i>60,783,815</i>	<i>November Forecast</i>	
							<i>58,758,014</i>	<i>March Forecast</i>	

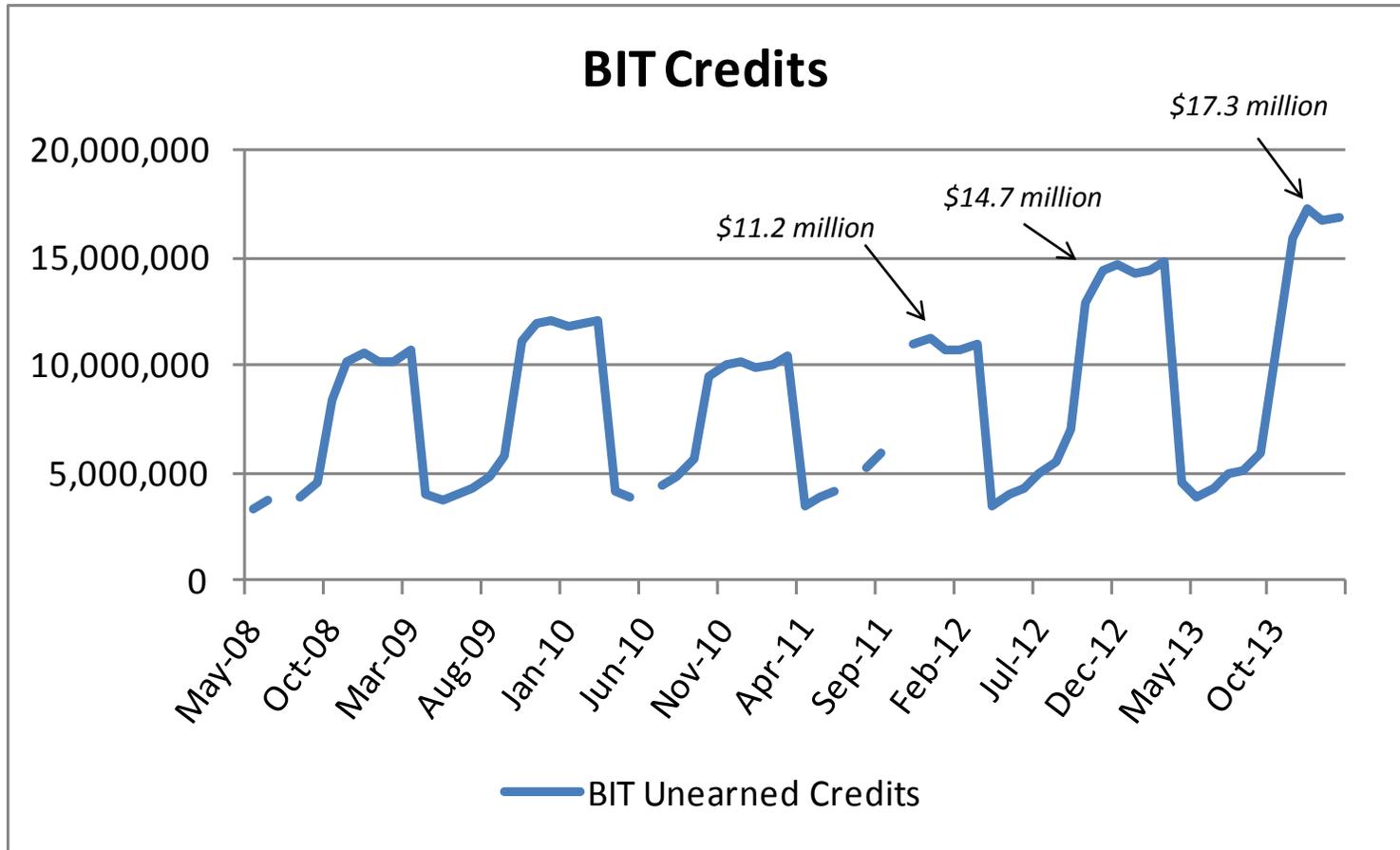
## Dec & Jan FY 2014 vs. Dec & Jan FY 2013

Quarterly	Down 8%	(\$9.6 m to \$8.8 m)
Yearly	Down 23%	(\$1.6 m to \$1.2 m)
Refund/Interest	Up 9%	(\$1.8 to \$2.0 m)

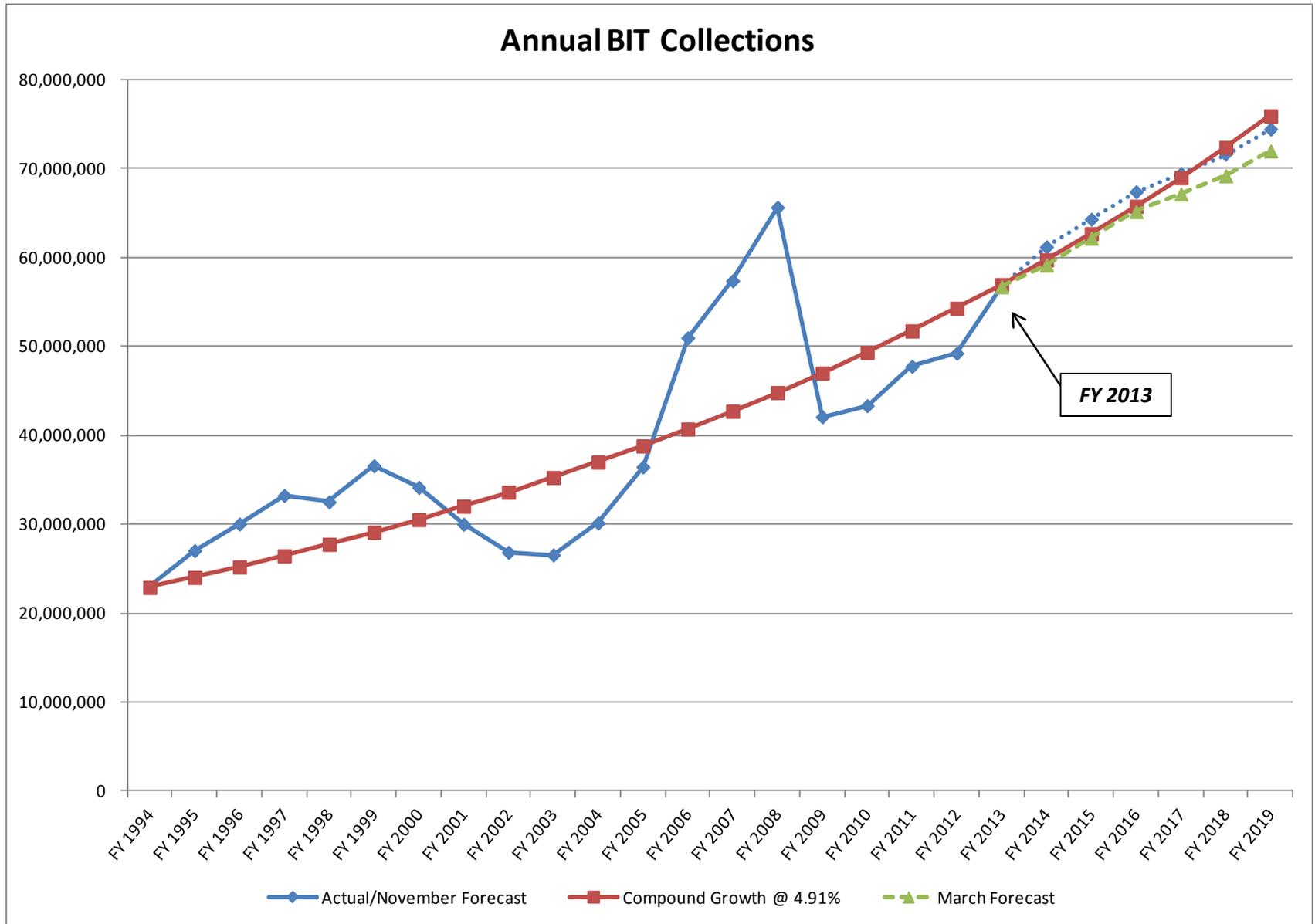
Note: FY 2013 actual reflects amount County received. \$1.2 million was due to cash transfer timing with the City of Portland, which collects the tax



# FY 2014 Revenue Review

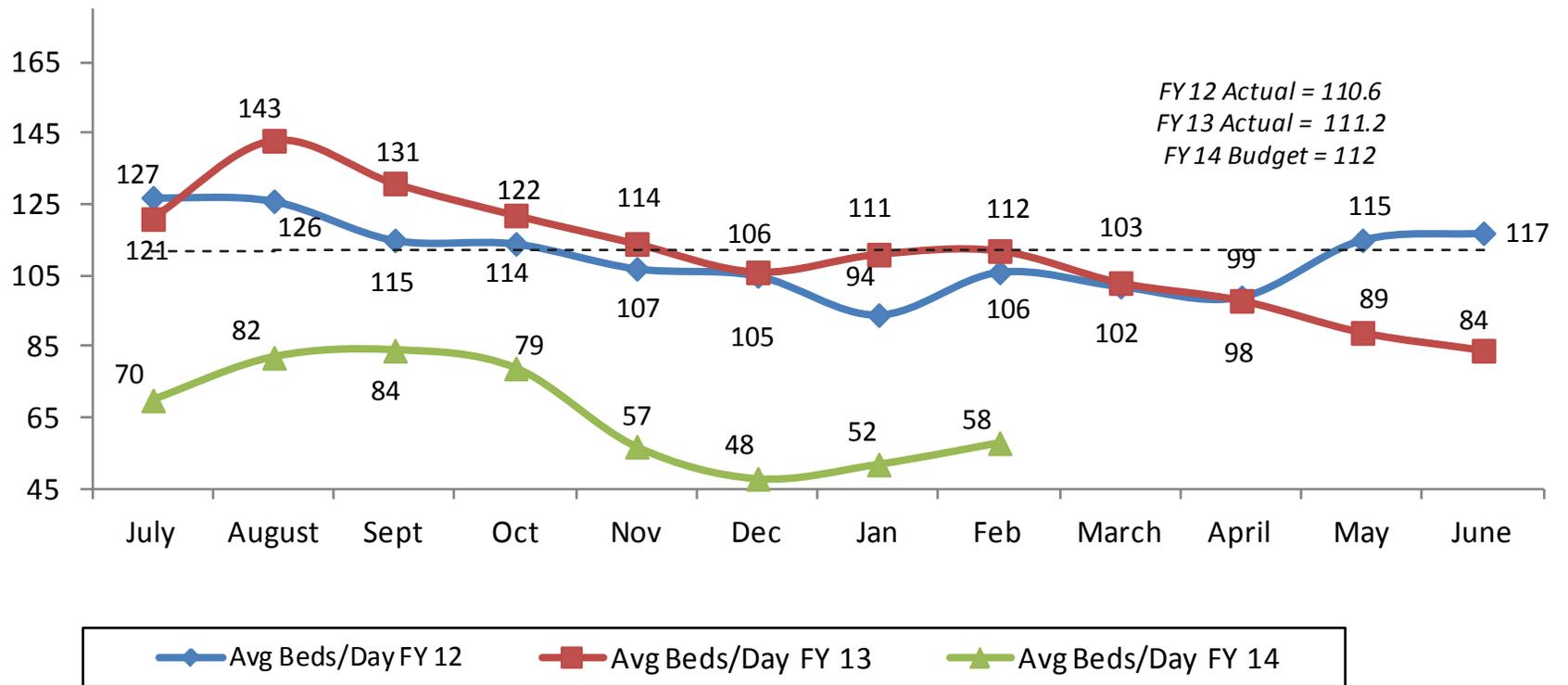


# FY 2014 Revenue Review



# FY 2014 Revenue Review

USM Avg Beds/Day



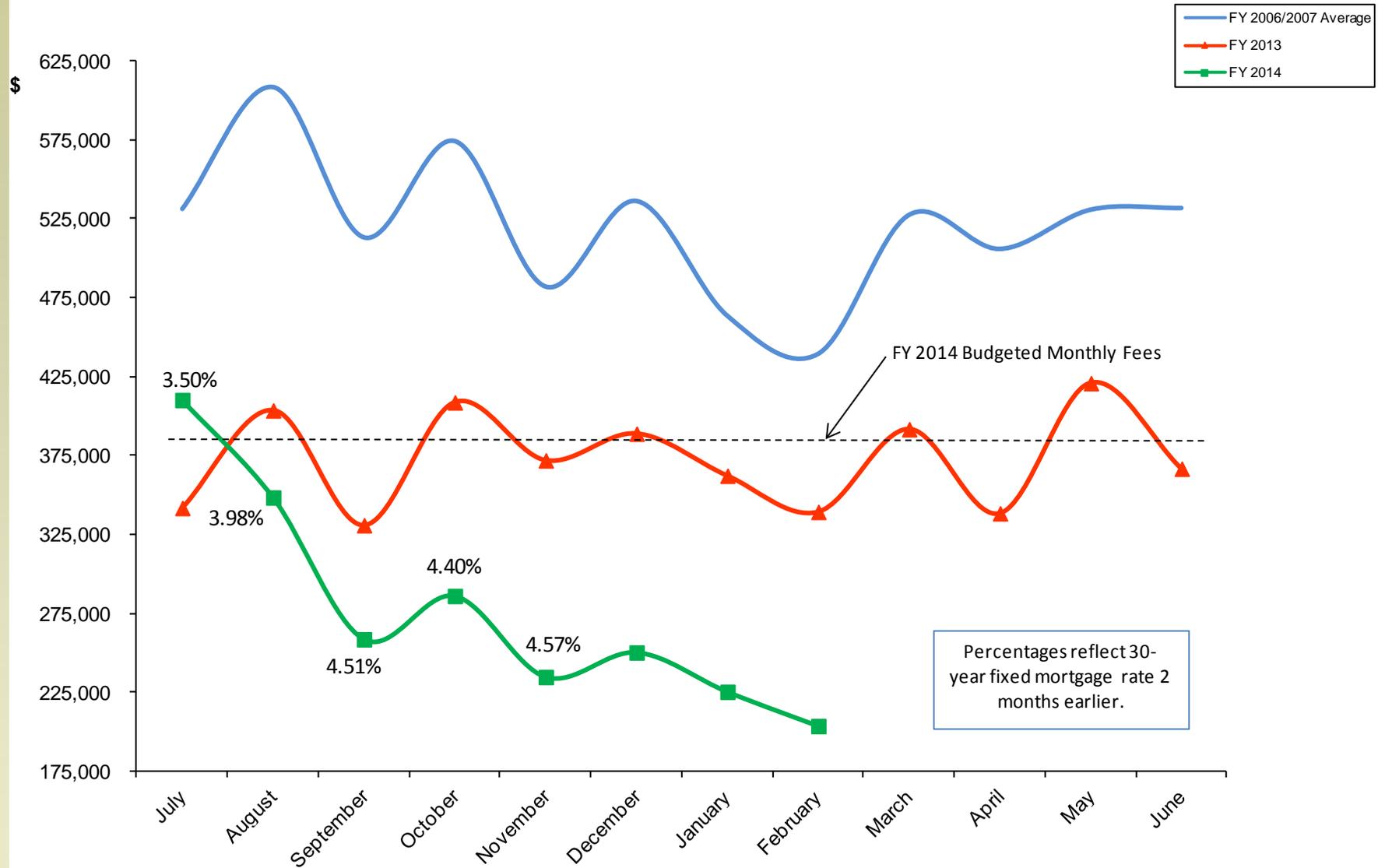
# FY 2014 Revenue Review

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



# FY 2014 Revenue Review

## Monthly Recording Fees (Thru February)



Percentages reflect 30-year fixed mortgage rate 2 months earlier.



# FY 2014 Revenue Review

## Documents Recorded

	November 2012	November 2013	Change
Trust Deed <i>(to secure loan)</i>	3,150	1,615	(1,535)
Warranty Deed <i>(transfer property unencumbered)</i>	1,164	1,194	30
Substitution of Trustee/Deed of Reconveyance <i>(releases property from securing loan)</i>	3,011	1,446	(1,565)
<b>Total Documents Recorded</b>	<b>14,725</b>	<b>10,852</b>	<b>(3,873)</b>



# Expenditure Assumptions

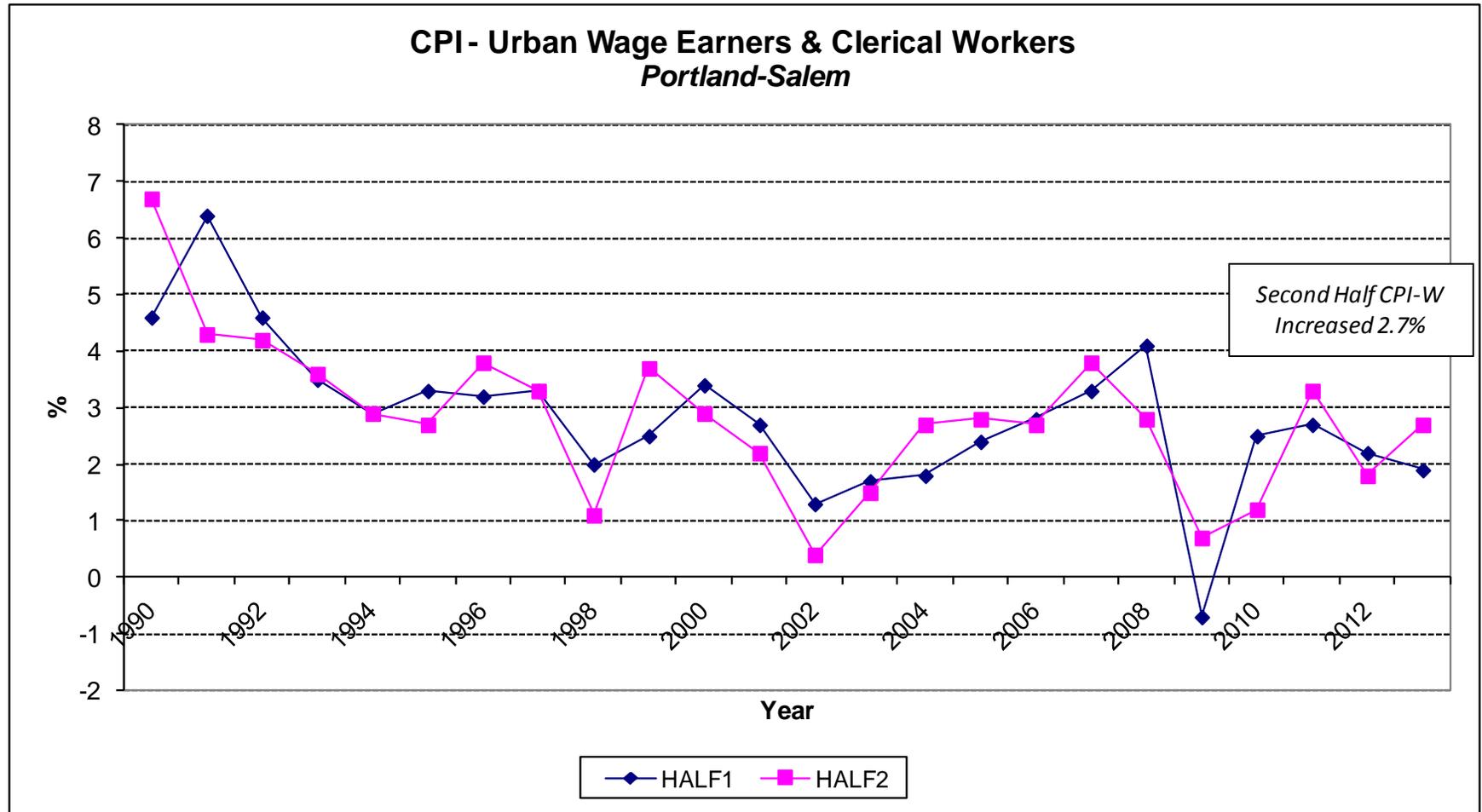
- Second-half Portland CPI-W rose 2.7% vs. assumed 2.0%
- Cost of Living Adjustments (COLAs) tied to this index
- Personnel costs for FY 2015 will grow at 2.24% vs. 1.65%
- Increased General Fund cost for FY 2015 is \$1.4 to \$1.5 million
- Increased Other Funds cost for FY 2015 is \$1.7 to \$1.8 million

## Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W)

	% Change 12 months ended Dec 2013
U.S. City Avg	1.5%
West City Avg	1.7%
West City Avg ( <i>greater than 1.5 million population</i> )	1.8%
West City Avg ( <i>less than 1.5 million population</i> )	1.4%
SF/Oakland/San Jose	2.6%
Seattle/Tacoma/Bremerton	1.5%
	% Change from 2nd half 2012
Phoenix	1.0%
Honolulu	1.4%
San Diego	1.7%
<b>Portland/Salem</b>	<b>2.7%</b>
Anchorage	3.9%



# Expenditure Assumptions



# 5-Year General Fund Revenue Forecast

- Significant changes from November Forecast
  - ✓ Higher CPI-W/COLA results in labor costs growing 2.24% vs. 1.65%
  - ✓ Weaker Business Income Tax and recording fee revenues partially offset by higher Motor Vehicle Rental Taxes
- Continued assumption of 95 USM beds/day
- Forecasted Revenues Greater than Expenditures FY 2015
  - ✓ Lower labor costs and average revenue growth drive short-term result
  - ✓ In FY 2016, costs begin growing faster than revenues, resulting in limited ability to support new or expanded ongoing programs.

## Forecasted General Fund Expenditures and Revenues

FY	Revenues	Expenditures	Operating Gap	Gap as % of Expenditures	Operating Gap	Operating Gap
					(if additional funds spent ongoing basis)	(if \$2.5 million added on ongoing basis to balance over 5-years.)
FY 15	396,696,713	388,423,607	8,273,106	2.13%	0	5,773,106
FY 16	411,272,675	403,674,286	7,598,389	1.88%	(986,613)	5,004,139
FY 17	424,879,171	419,525,841	5,353,330	1.28%	(3,514,119)	2,673,729
FY 18	438,981,331	436,454,807	2,526,524	0.58%	(6,686,755)	(257,581)
FY 19	454,319,087	451,586,196	2,732,891	0.61%	(6,801,010)	(148,101)

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 <sup>1</sup>

	Adopted FY 2014	Forecast FY 2014 <sup>2</sup>	Forecast FY 2015	Forecast FY 2016	Forecast FY 2017	Forecast FY 2018	Forecast FY 2019
Property Taxes	237,435,786	236,631,362	246,987,753	256,950,459	266,948,878	277,028,778	287,787,056
Business Income Taxes	57,821,049	58,758,014	62,987,023	65,978,907	67,958,274	69,997,022	72,796,903
Motor Vehicle Rental Taxes	20,436,638	21,967,447	22,516,633	23,079,549	23,656,538	24,247,951	24,854,150
US Marshal (& BM 37)	5,473,678	3,240,433	4,677,762	4,677,762	4,677,762	4,677,762	4,677,762
Recording Fees/CAFFA Grant	8,510,000	7,200,000	7,809,000	8,009,580	8,151,772	8,355,607	8,561,119
State Shared	9,647,619	8,982,526	9,258,214	9,491,562	9,732,611	9,981,585	10,238,720
Indirect & Service Reimbrs.	22,709,491	22,709,491	23,219,237	23,726,466	24,274,340	24,839,619	25,422,861
	<b>362,034,261</b>	<b>359,489,273</b>	<b>377,455,622</b>	<b>391,914,285</b>	<b>405,400,175</b>	<b>419,128,324</b>	<b>434,338,571</b>
<b>% of Total Revenue</b>	<b>95.1%</b>	<b>94.9%</b>	<b>95.1%</b>	<b>95.3%</b>	<b>95.4%</b>	<b>95.5%</b>	<b>95.6%</b>
All Other General Fund	18,700,703	19,162,490	19,241,091	19,358,390	19,478,996	19,853,007	19,980,516
<b>Total</b>	<b>380,734,964</b>	<b>378,651,763</b>	<b>396,696,713</b>	<b>411,272,675</b>	<b>424,879,171</b>	<b>438,981,331</b>	<b>454,319,087</b>
% Change in Ongoing Revenue		-0.55%	4.77%	3.67%	3.31%	3.32%	3.49%
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%	4.24% <sup>3</sup>	7.20%	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.



# FY 2015 OTO Funds

## General Fund FY 2013 Ending Balance, Budgeted FY 2014 BWC, and FY 2015 OTO<sup>1, 2</sup> Year-End of October 24, 2013

FY 2013 Ending Balance <sup>3</sup>	69,741,653	
FY 2014 Budgeted BWC	55,781,575	
<b>Additional FY 2014 BWC (OTO)</b>	<b>13,960,078</b>	
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	
<b>OTO Funds for FY 2015 per November Forecast</b>	<b>10,140,534</b>	
Less March Revenue Reduction	(3,695,880)	
Plus Lower Reserve Levels	381,470	
Plus FY 15 Ongoing used as OTO	0	5,773,106
<b>OTO Funds for FY 2015</b>	<b>6,826,124</b>	<b>12,599,230</b>
	(1-Yr Balance)	(5-Yr Balance)

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 2014 Contingency Update

## FY 2014 General Fund Contingency Update

General Fund 'Regular' Contingency	1,250,000
Additional Contingency	<u>15,205</u>
	<b>1,265,205</b>
Less DCHS-08 Lines for Life	(300,000)
Less DCHS-16 SUN Food Pantries	(61,000)
Less DCM-07 MCPAA Agreement	(278,910)
Plus Indirect from grants & misc.	<u>147,485</u>
<b>Remaining Non-Earmarked Contingency</b>	<b>772,780</b>

Automatic Voter Registration (HB 3521)	30,000	Earmark per Board Budget Note
Set-aside to Address Federal/State Funding Issues	468,106	Earmark per Board Budget Note (Original Amount \$1 million) (Reflects 431,894 from 'mid-year' plus 100,000 for Oregon Food Bank)
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>	
<b>Total General Fund Contingency</b>	<b>8,549,020</b>	

**Unallocated Contingency for use in FY 2014 or could be rolled over to FY 2015** **1,270,886** Reflects non-earmarked balance, voter registration earmark, and remaining set-aside for Fed/State issues.

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
- Timing & impacts of monetary policy tightening
- European sovereign debt & economic issues
- Timing of the next recession?
- Middle East (Syria, Iran, etc.); Chinese Economy; Russia/Ukraine
- State and Local
  - ✓ State budget/legislation and service re-designs
  - ✓ Labor costs (OPEB, PERS & legal challenges, medical costs, open contracts, etc.)
  - ✓ USM bed use assumptions



# Summary

- FY 2014 General Fund revenue forecast reduced \$3.7 million (1%)
  - ✓ Down \$2.1 million from adopted
  - ✓ No Board action required
- FY 2014 General Fund contingency balance of \$1.3 million (unallocated).
- FY 2015 projected General Fund resources exceed the projected cost of current service levels by \$8.3 million.
- FY 2015 General Fund one-time-only resources of \$6.8 million.
- In FY 2016, costs begin growing faster than revenues, resulting in limited ability to support new or expanded ongoing programs.
- Major risks include:
  - ✓ Status of PERS reforms (i.e., legal challenges)
  - ✓ USM bed use assumption and BIT
  - ✓ Timing of Federal Reserve actions and next recession

■ Questions?

