



FY 2016 General Fund 5-Year Forecast

*Presentation to the
Board of County Commissioners*

Multnomah County Budget Office
December 4, 2014
www.multco.us/budget

Overview

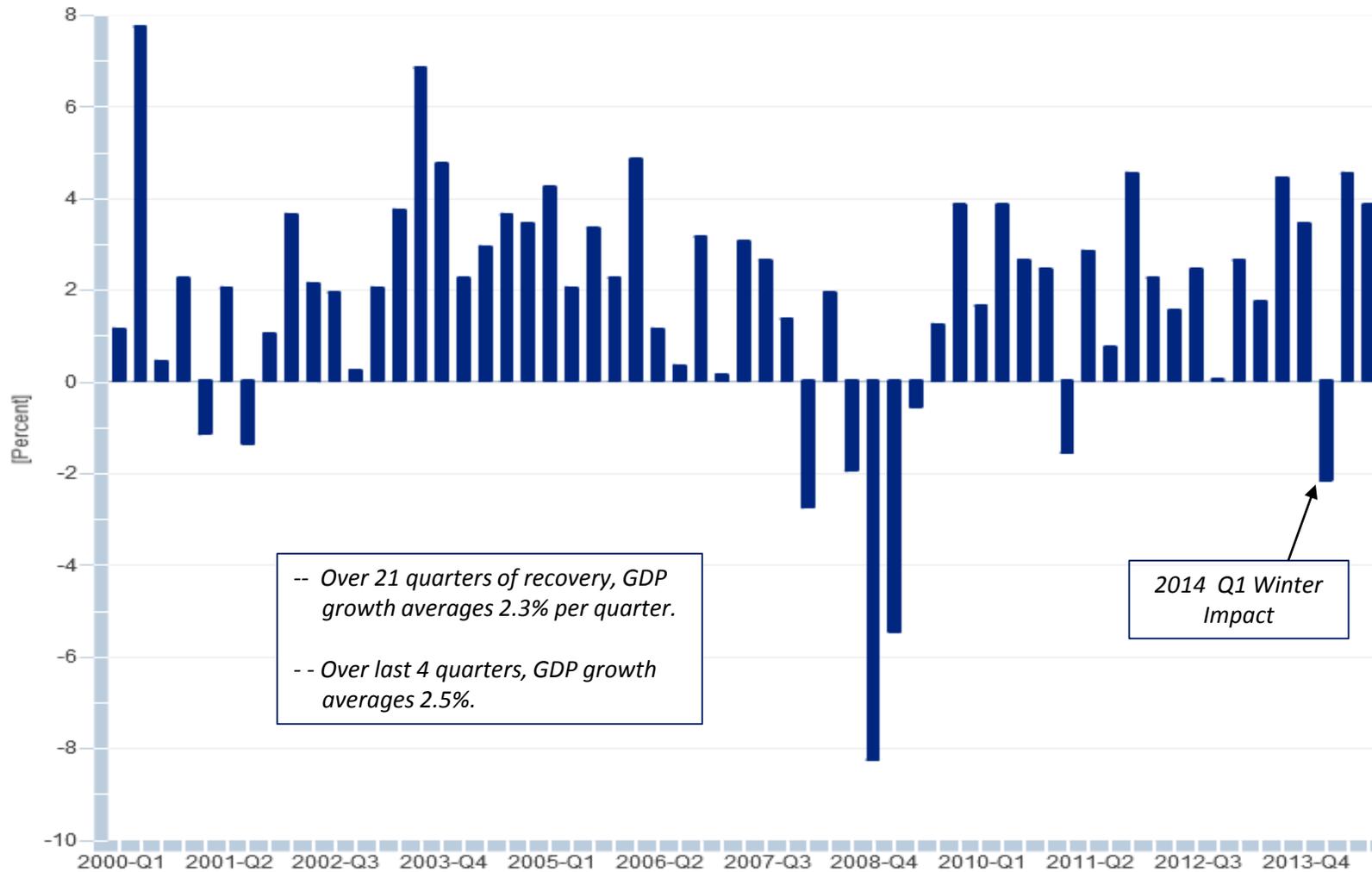
- **Economic Overview**
 - ✓ National Economic Conditions
 - ✓ Oregon & Multnomah County Employment Info
 - ✓ Local Housing Market
- **FY 2015 Revenue Review**
 - ✓ BIT & USM
- **FY 2016 General Fund 5-Year Forecast**
 - ✓ FY 2015 Forecast
 - ✓ 5-Year Revenue Outlook
 - ✓ Significant Changes to Forecast
 - ✓ Expenditure Assumptions
- **FY 2016 One-Time-Only Funds**
- **FY 2015 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 25, 2014 - Next Release Date December 23, 2014



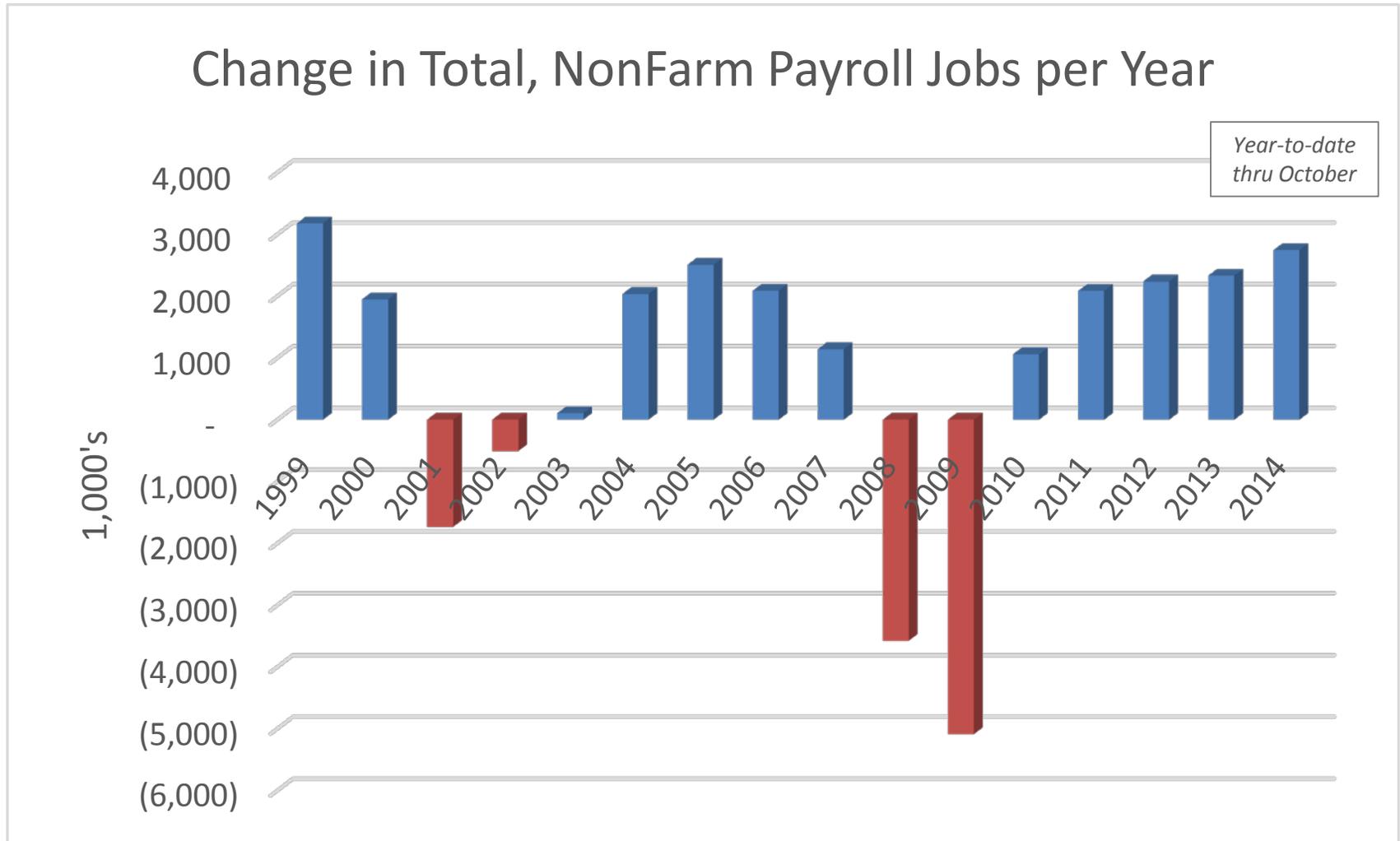
-- Over 21 quarters of recovery, GDP growth averages 2.3% per quarter.
 -- Over last 4 quarters, GDP growth averages 2.5%.

2014 Q1 Winter Impact

● Gross domestic product
 Source: U.S. Bureau of Economic Analysis

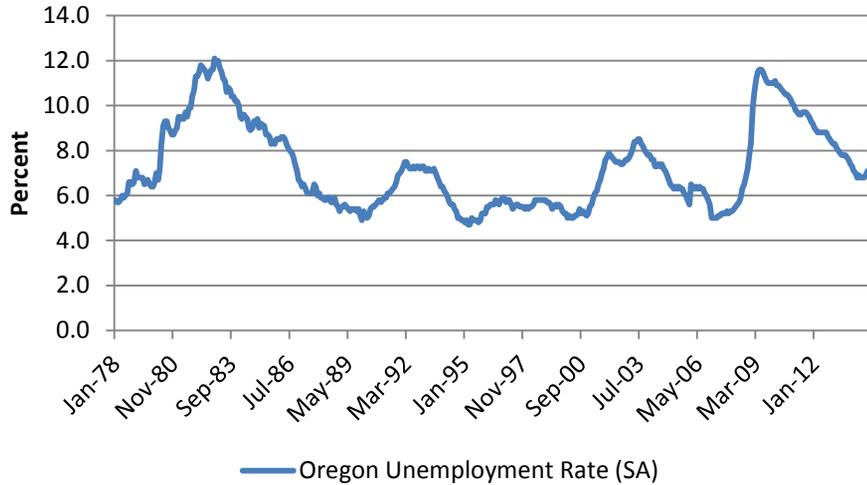


Economic Overview

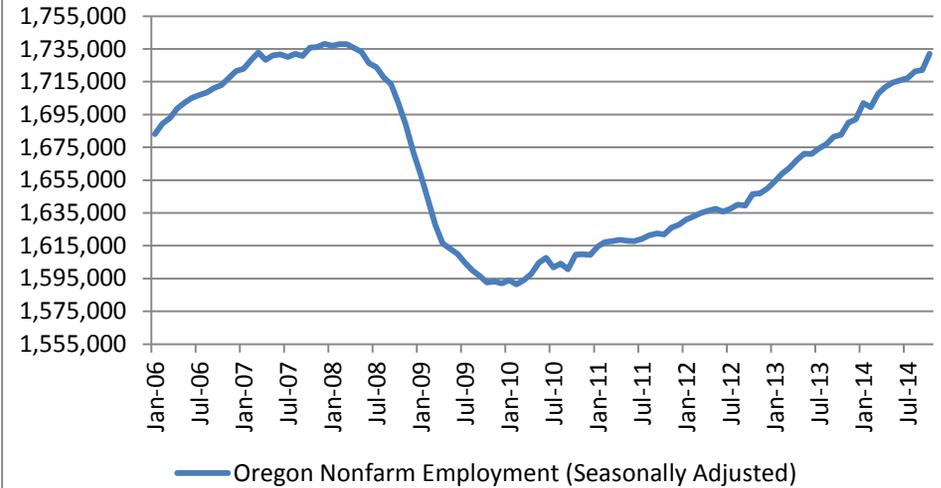


Economic Overview

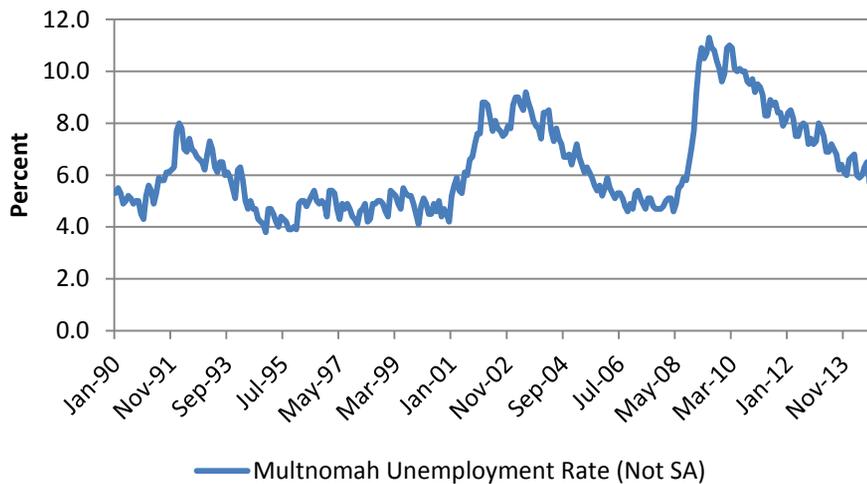
Oregon Unemployment Rate (SA)



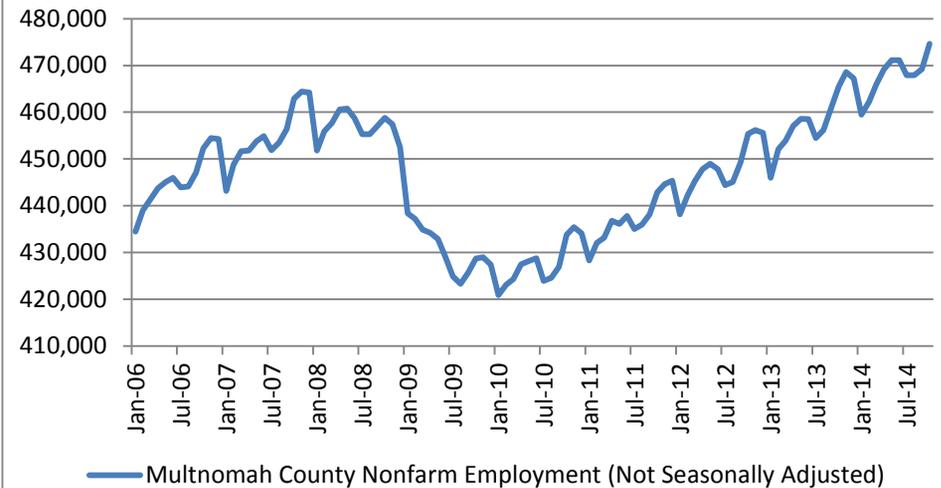
Oregon Nonfarm Employment (Seasonally Adjusted)



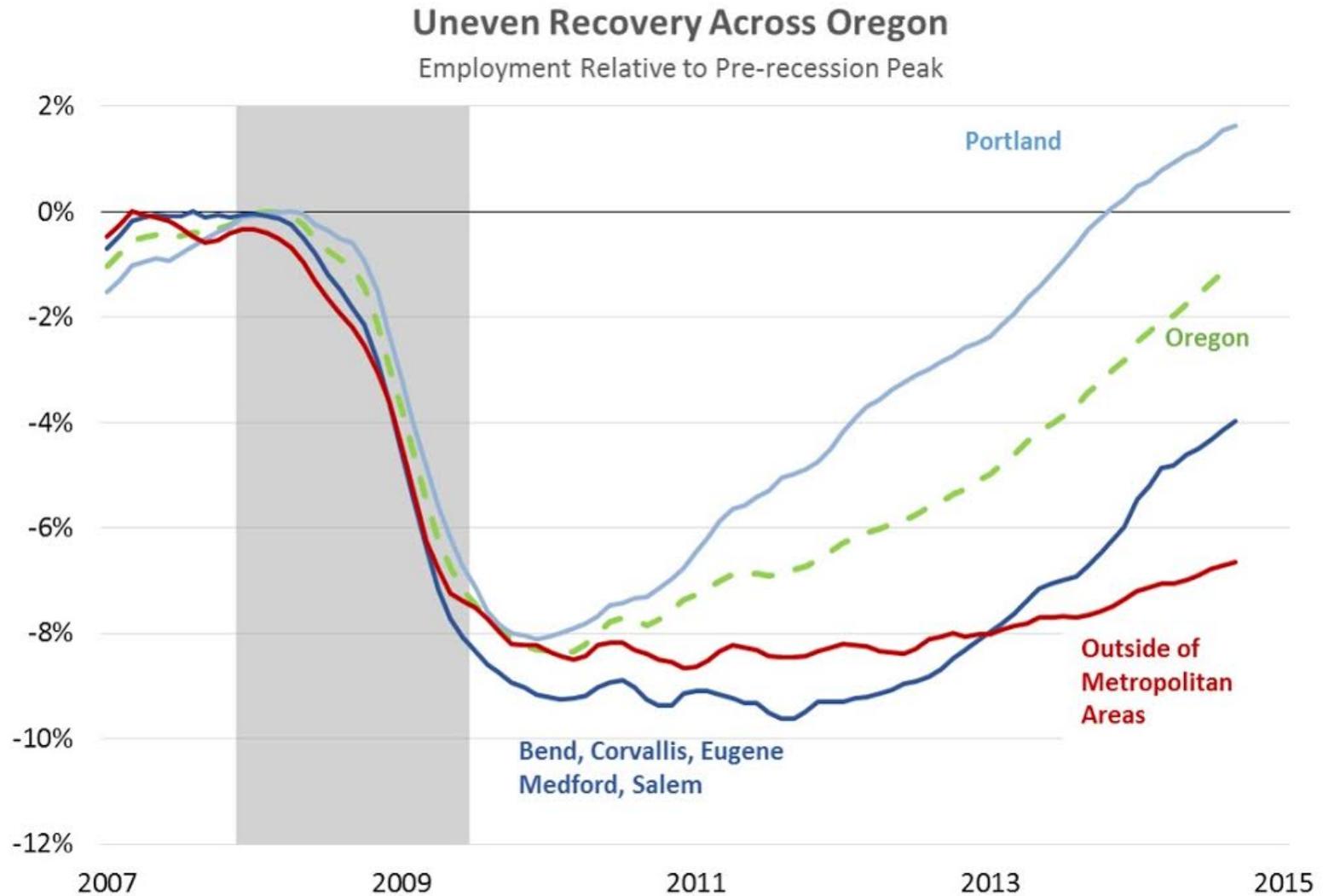
Multnomah Unemployment Rate (Not SA)



Multnomah County Nonfarm Employment (Not SA)



Economic Overview



Source: Oregon Office of Economic Analysis, "Economic and Revenue Outlook: December 2014", November 13, 2014.



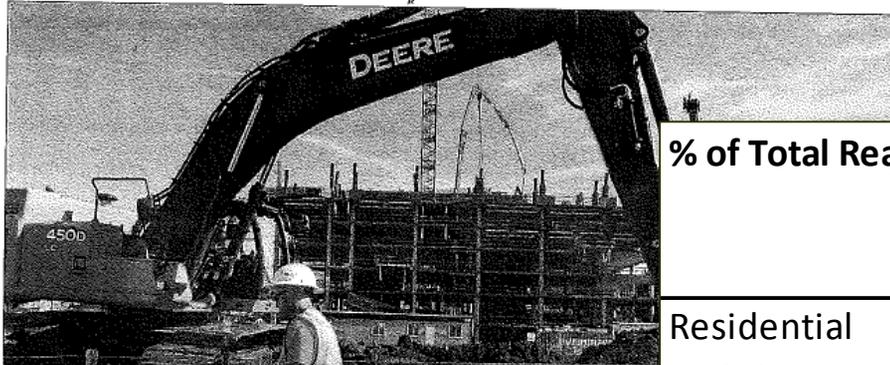
Economic Overview

Multifamily party still raging

2014 shaping up as busiest year in decades for apartment permits in Multnomah County

By SHELBY KING
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At a breakfast event presented by Multifamily NW last week, speaker Greg Frick of HFO Investment Real Estate wondered aloud what multifamily investors and brokers have been wondering since the boom in new construction began: When will it end?



Daily Journal of Commerce, 10/20/2014

% of Total Real Market Value

	2007	2014	2014 Growth
Residential	63.6%	61.8%	13.1%
Multihousing	4.8%	6.8%	14.1%

Set to build up another superblock

More than 1,000 apartments are planned as part of massive Lloyd District development

By SHELBY KING
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Developers seeking to add 1 million additional square feet of apartments to a Northeast Portland superblock have applied for an early assistance meeting with the Portland Bureau of Development Services.

now in the initial planning stages," American Assets Trust CEO John Chamberlain said during a Wednesday morning conference call with investors. "The timing of this phase will follow the completion and stabilization of Hassalo on Eighth. Our preliminary estimate is that we'll be putting shovels in the ground in the third quarter of 2016."

Currently, the superblock has four office buildings and an open-air plaza.

Plans drawn up by Portland-based GBD Architects and submitted to BDS last month show two 10-story towers, a 20-story tower and a 32-story tower. The four buildings would hold 1,030 market-rate apartments, approximately 36,000 square feet of retail space and



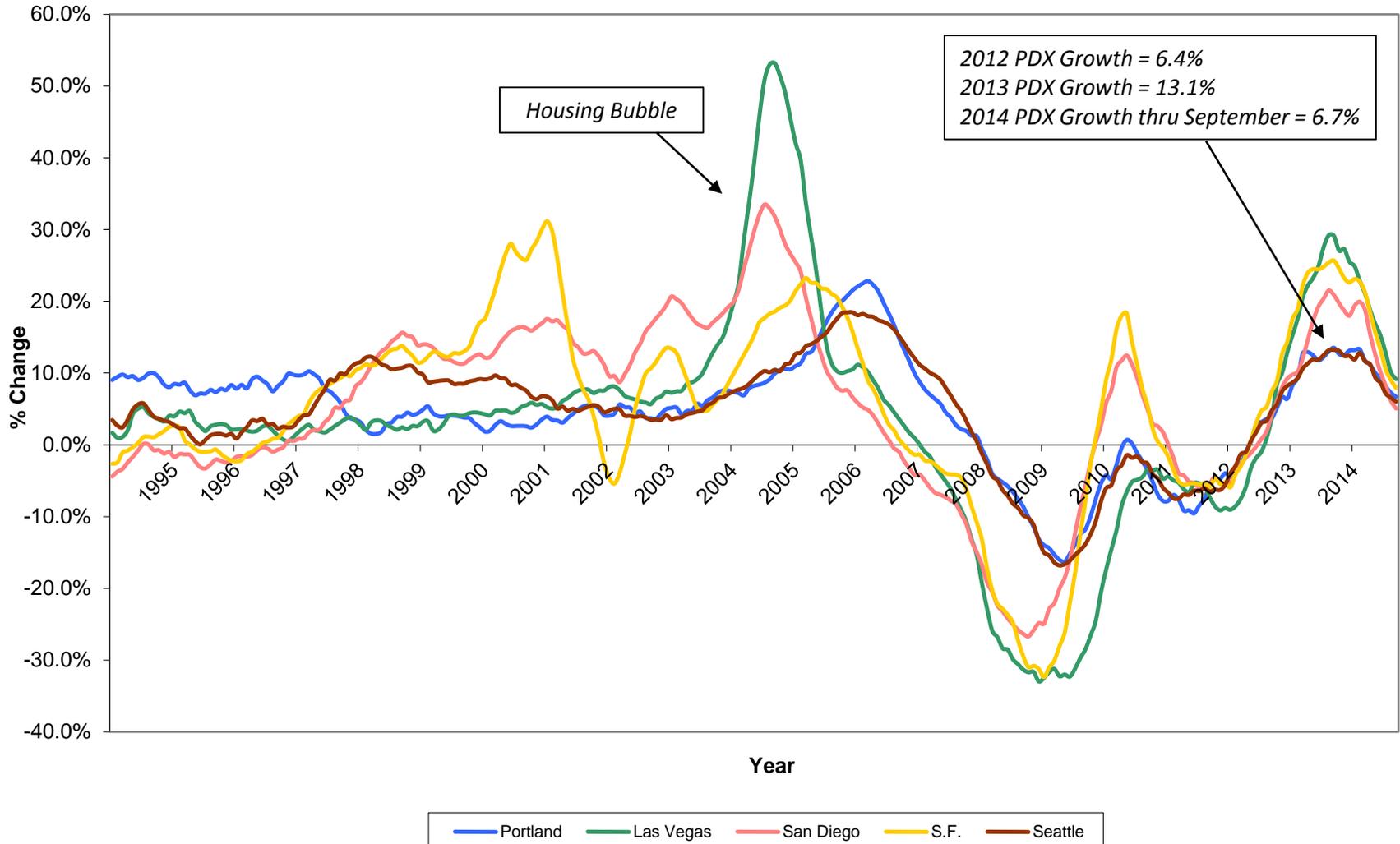
Courtesy of city of Portland
A second Lloyd District superblock development, including 1,030

Daily Journal of Commerce, 11/7/2014



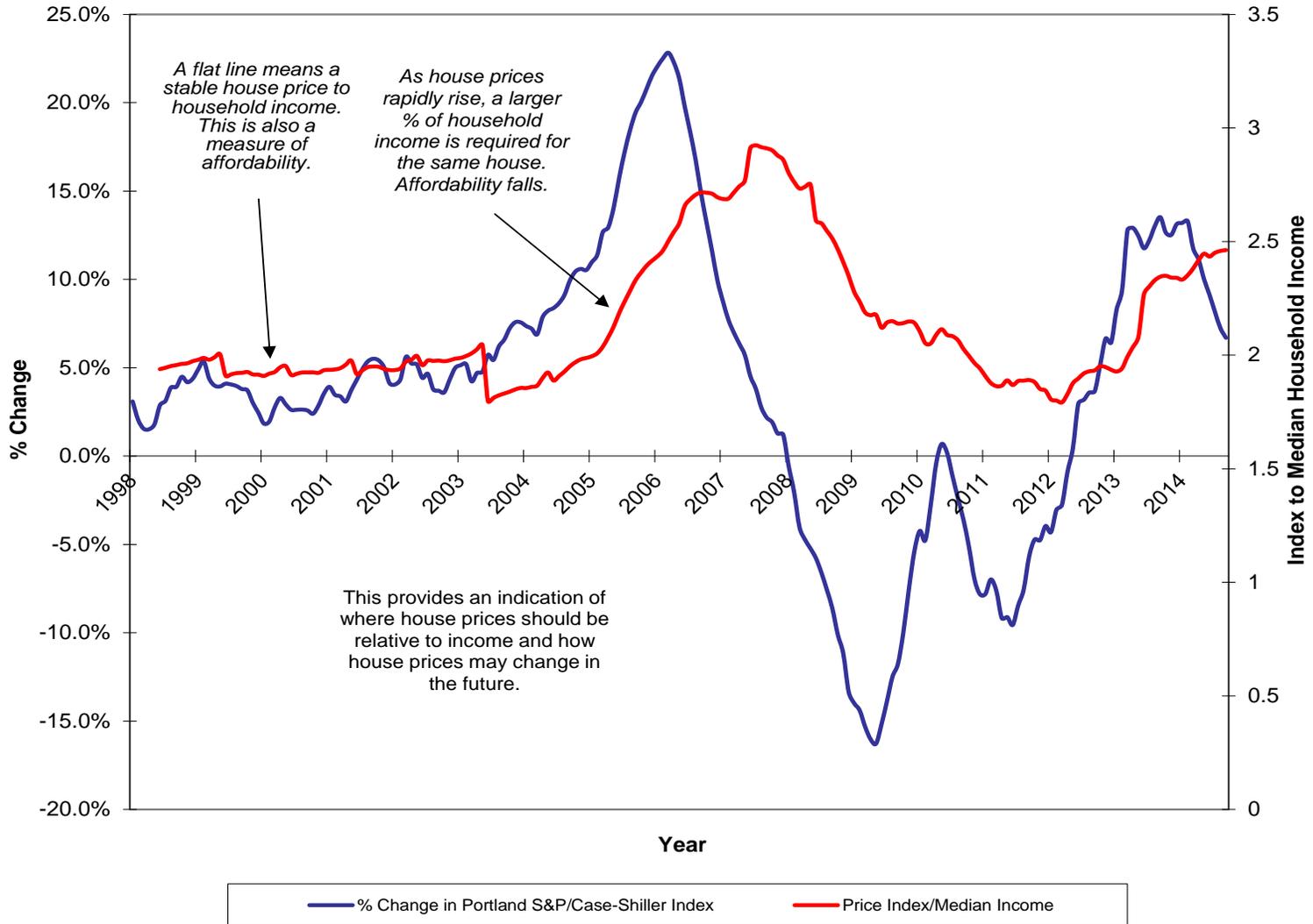
Economic Overview

Monthly Year-Over-Year % Change
 Based on S&P/Case-Shiller Home Price Index Thru September 2014



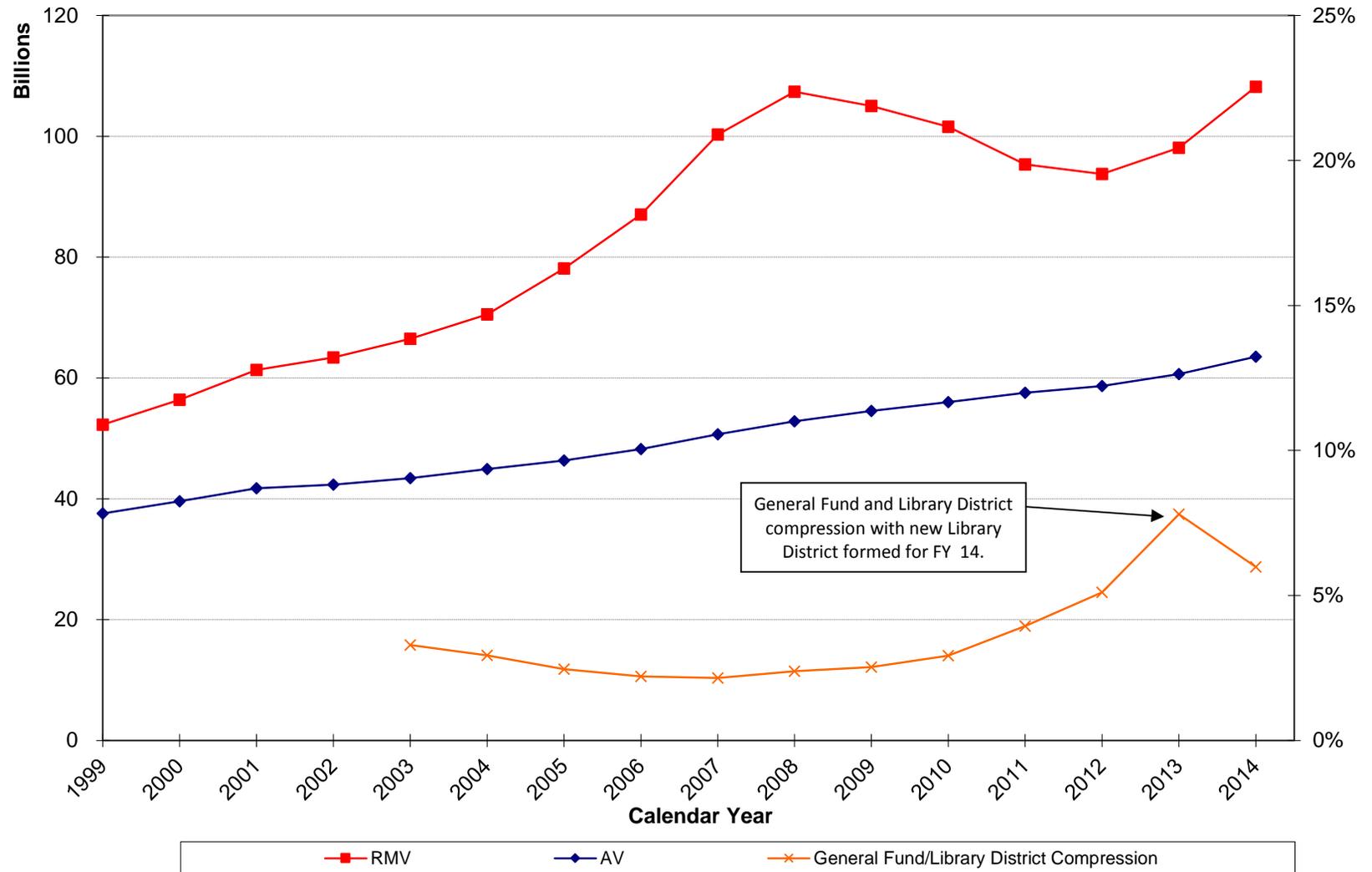
Economic Overview

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



Economic Overview

Multnomah County AV, RMV, and Compression



FY 2015 Revenue Review

	Adopted ¹	October Forecast Change	Net Change From Adopted	Note
Property Taxes	248,487,752	4,154,767	4,154,767	Compression 5.99% vs. budgeted 7.05% and down from 7.80%; AV growth 4.78% vs. 4.15% budgeted.
Business Income Taxes	62,987,023	4,065,977	4,065,977	FY 13 to FY 14 growth = 5.2%; FY 15 growth at 8.5%
Motor Vehicle Rental Taxes	22,949,642	1,620,996	1,620,996	FY 14 actual collections \$23.4 million, up 10.8%
US Marshal/BM 73/BOP	4,865,296	(468,185)	(468,185)	See graph... Reduce from 95 beds to 85 beds
State Shared				
Video Lottery	4,678,943	0	0	
Liquor	3,699,602	152,840	152,840	
Cigarette	708,669	(22,386)	(22,386)	
Amusement	171,000	0	0	
Recording Fees/CAFFA Grant	7,230,000	(480,000)	(480,000)	
Indirect				
Departmental	12,418,539	0	0	
Central Indirect/Svc Reimburse	11,892,632	0	0	
All Other	21,760,279	(528,155)	(528,155)	Due to SIP/CSF and Criminal Fees/Circuit Court
FY 15 Revenue Adjustments ²	401,849,377	8,495,854	8,495,854	
% of Revenue		2.11%	2.11%	

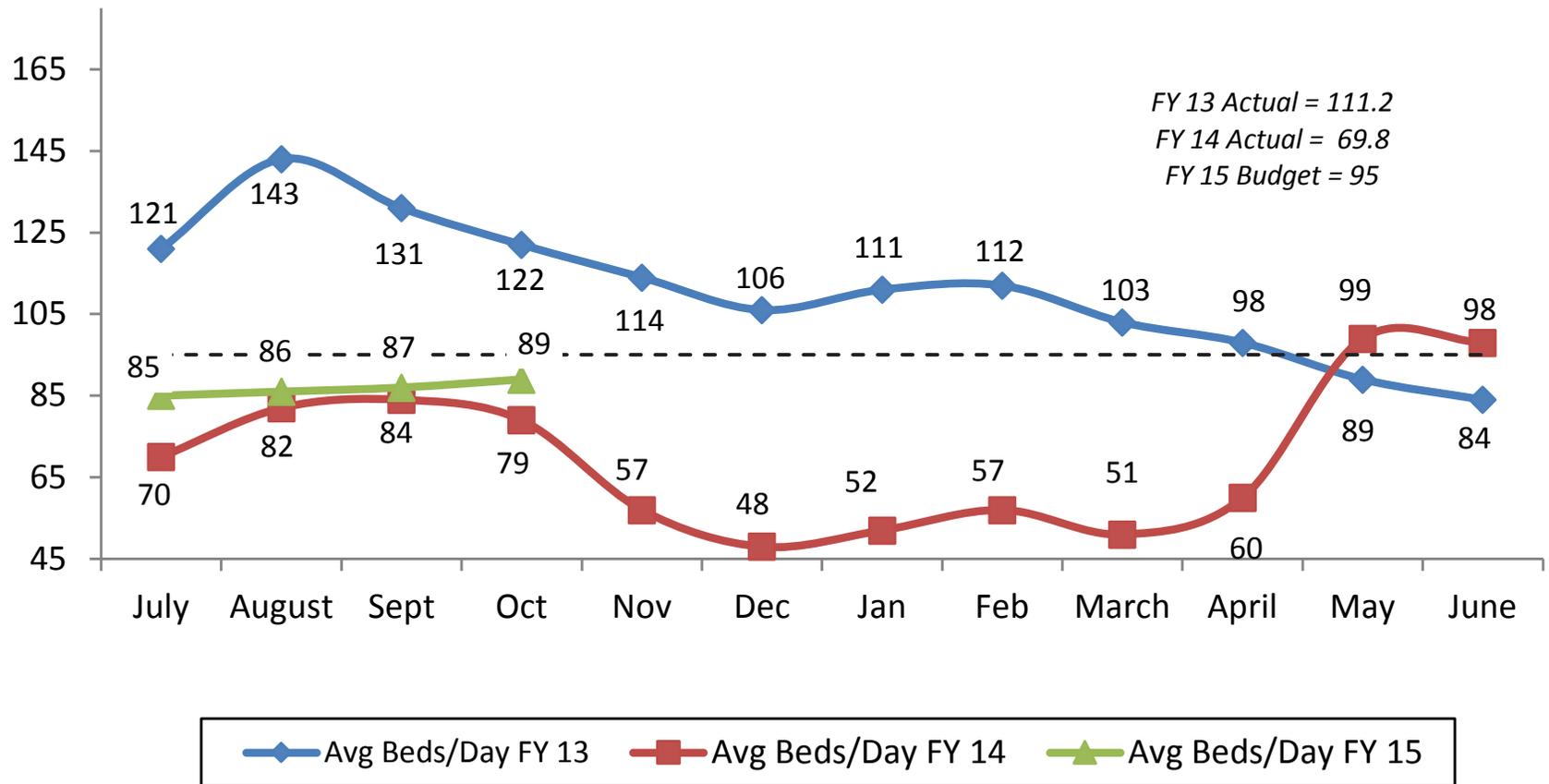
1. Excludes BWC, FQHC wraparound revenues, and prospective health payments, but includes Video Lottery.

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

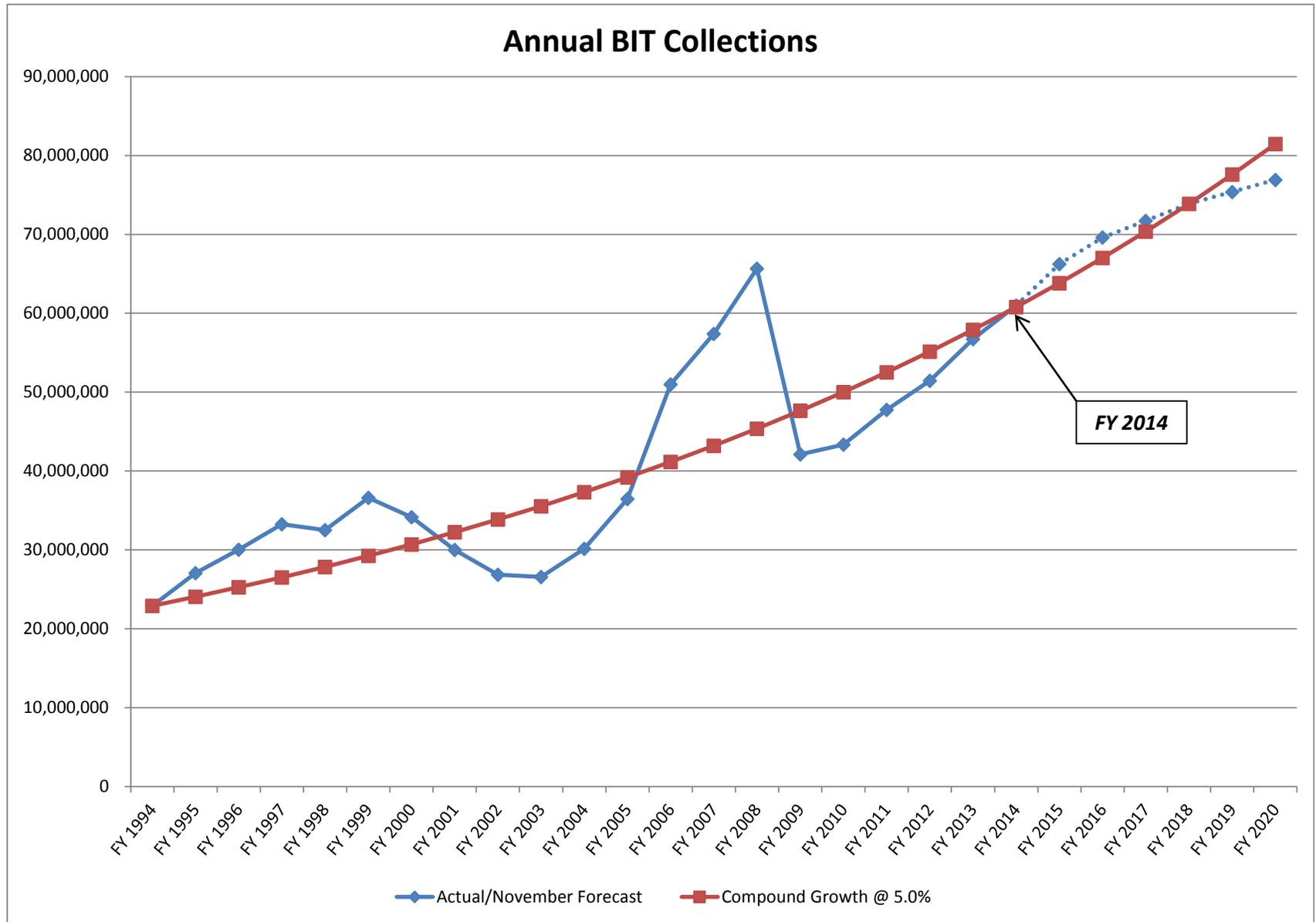


FY 2015 Revenue Review

USM Avg Beds/Day



FY 2015 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
 - ✓ Stronger revenues (Property Tax, BIT and Motor Vehicle Rental Tax)
- Forecasted Revenues Greater than Expenditures in Short-Term
 - ✓ Lower labor costs and above average revenue growth drive short-term result
 - ✓ Over longer-term (starting in FY 2018), costs once again grow faster than revenues.
 - ✓ Can Support \$7.7 million of additional expenditures over the next 5-years.

Forecasted Ongoing General Fund Expenditures, Revenues, and Balance

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Revenues	426,385,112	440,197,390	454,713,680	469,126,469	483,618,951
Expenditures	407,934,616	421,594,532	438,972,035	457,144,755	474,457,307
Surplus/(Deficit)	18,450,496	18,602,858	15,741,645	11,981,714	9,161,644
Surplus Growth from Prior Year		152,362	(2,861,213)	(3,759,931)	(2,820,070)
<i>Surplus/Deficit is this % of Expenditures</i>	4.52%	4.41%	3.59%	2.62%	1.93%
<i>Note: Revenues/Expenditures include video lottery, but excludes reserves, FQHC wraparound and prospective health payments</i>					



5-Year General Fund Revenue Forecast

Major General Fund Revenue Sources ¹

	Adopted FY 2015	Forecast FY 2015 ²	Forecast FY 2016	Forecast FY 2017	Forecast FY 2018	Forecast FY 2019	Forecast FY 2020
Property Taxes	248,487,752	252,642,519	263,742,607	273,721,678	284,014,785	295,081,539	306,141,808
Business Income Taxes	62,987,023	67,053,000	70,405,650	72,517,820	74,693,354	76,187,221	77,710,966
Motor Vehicle Rental Taxes	22,949,642	24,570,638	25,184,904	25,688,602	26,202,374	26,726,422	27,260,950
US Marshal (& BM 37)	4,865,296	4,397,111	4,397,111	4,397,111	4,397,111	4,397,111	4,397,111
Recording Fees/CAFFA Grant	7,230,000	6,750,000	7,036,250	7,274,656	7,547,773	7,832,279	8,128,689
State Shared	9,254,271	9,407,111	9,720,649	9,989,238	10,267,541	10,555,884	10,854,611
Indirect & Service Reimbrs.	24,311,171	24,311,172	24,853,147	25,446,917	26,059,548	26,691,645	27,343,832
	380,085,155	389,131,551	405,340,318	419,036,022	433,182,486	447,472,101	461,837,967
% of Total Revenue	94.6%	94.8%	95.1%	95.2%	95.3%	95.4%	95.5%
All Other General Fund	21,764,222	21,213,681	21,044,794	21,161,368	21,531,194	21,654,368	21,780,984
Total	401,849,377	410,345,232	426,385,112	440,197,390	454,713,680	469,126,469	483,618,951
% Change in Ongoing Revenue		2.11%	3.91%	3.24%	3.30%	3.17%	3.09%
AV Growth	4.15%	4.78%	3.90%	3.60%	3.60%	3.60%	3.50%
Compression	7.05%	5.99%	5.50%	5.25%	5.00%	4.75%	4.50%
BIT Growth	7.20% ³	8.5% ⁴	5.00%	3.00%	3.00%	2.00%	2.00%

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 May forecasted FY 2014 actual collections.

4. Reflects growth from FY 2014 actual collections.



5-Year General Fund Forecast

Significant Changes in FY 2016 Forecast

(Or, What caused the FY 2016 Surplus)

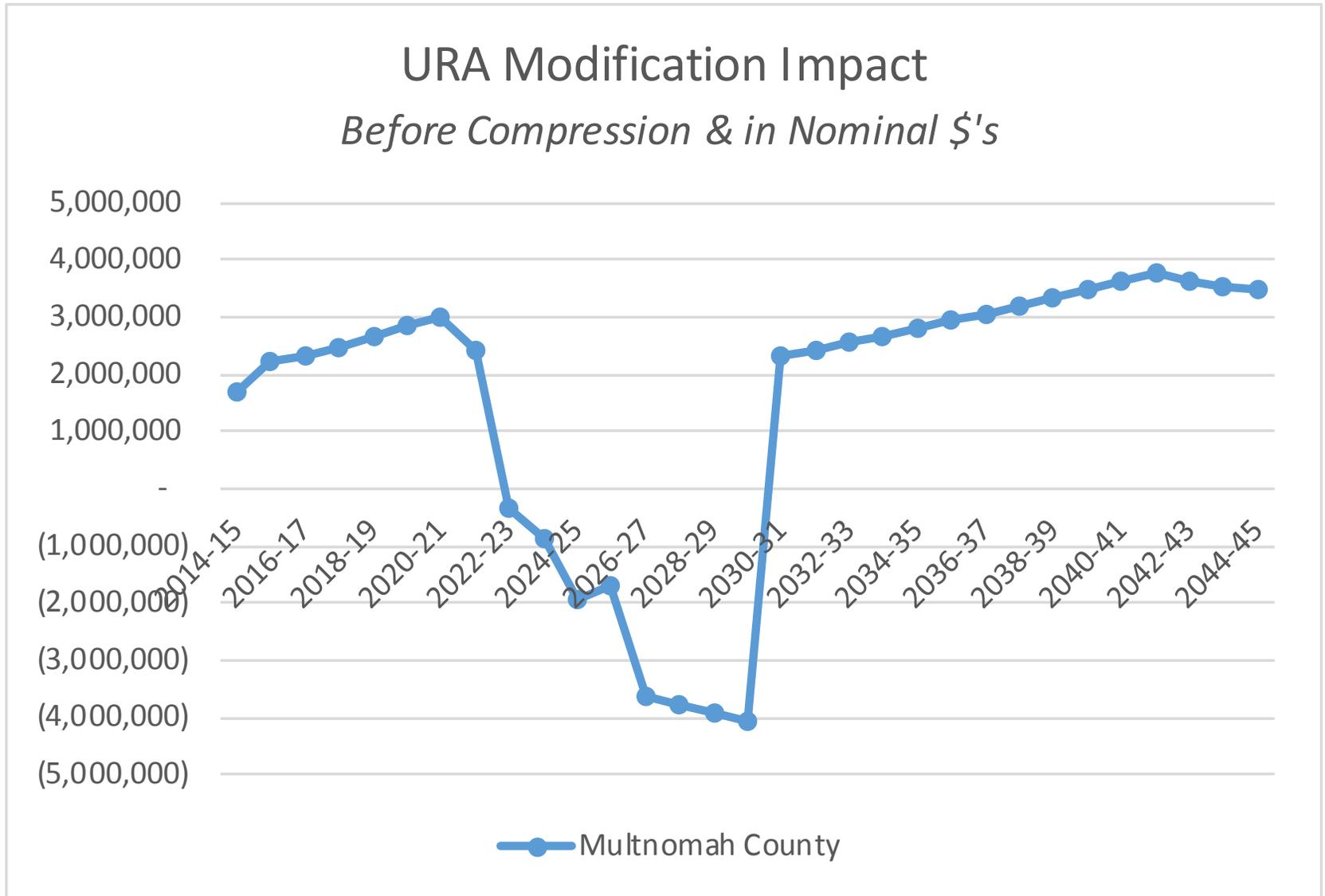
	Amount (Millions)
FY 2015 Surplus Treated as One-Time-Only to Balance	4.20
Lower PERS and Medical/Dental Costs	3.50
Property Tax <i>(roughly \$2.2 million attributable to URA amendments)</i>	6.79
Business Income Tax	4.42
Motor Vehicle Rental Tax	1.66
Other Revenues & Expenditures	<u>(2.12)</u>
Net FY 2016 Balance	18.45

For Context... General Fund impact of PERS reforms not being upheld is \$8.7 million.



5-Year General Fund Forecast

URA Modification Impact
Before Compression & in Nominal \$'s



Expenditure Assumptions

- Cost Drivers for FY 2016:

Inflation	2.20%	Second Half Portland CPI-W
Labor Costs (Change in rates)	2.71%	(Prior assumption was 3.97%)
COLA	2.20%	Dependent on Unit & Contract Status
Step/Merit	1.57%	Dependent on Unit Demographics
Medical/Dental	0.00%	Was assumed to increase by 6%
PERS	-0.85%	Was assumed to be 0%
Retiree Medical	0.00%	
Liability/Unemployment/Admin	0.00%	
Materials and Services	2.20%	
Internal Services	2.89%	

- Cost Driver Notes (for General Fund only)

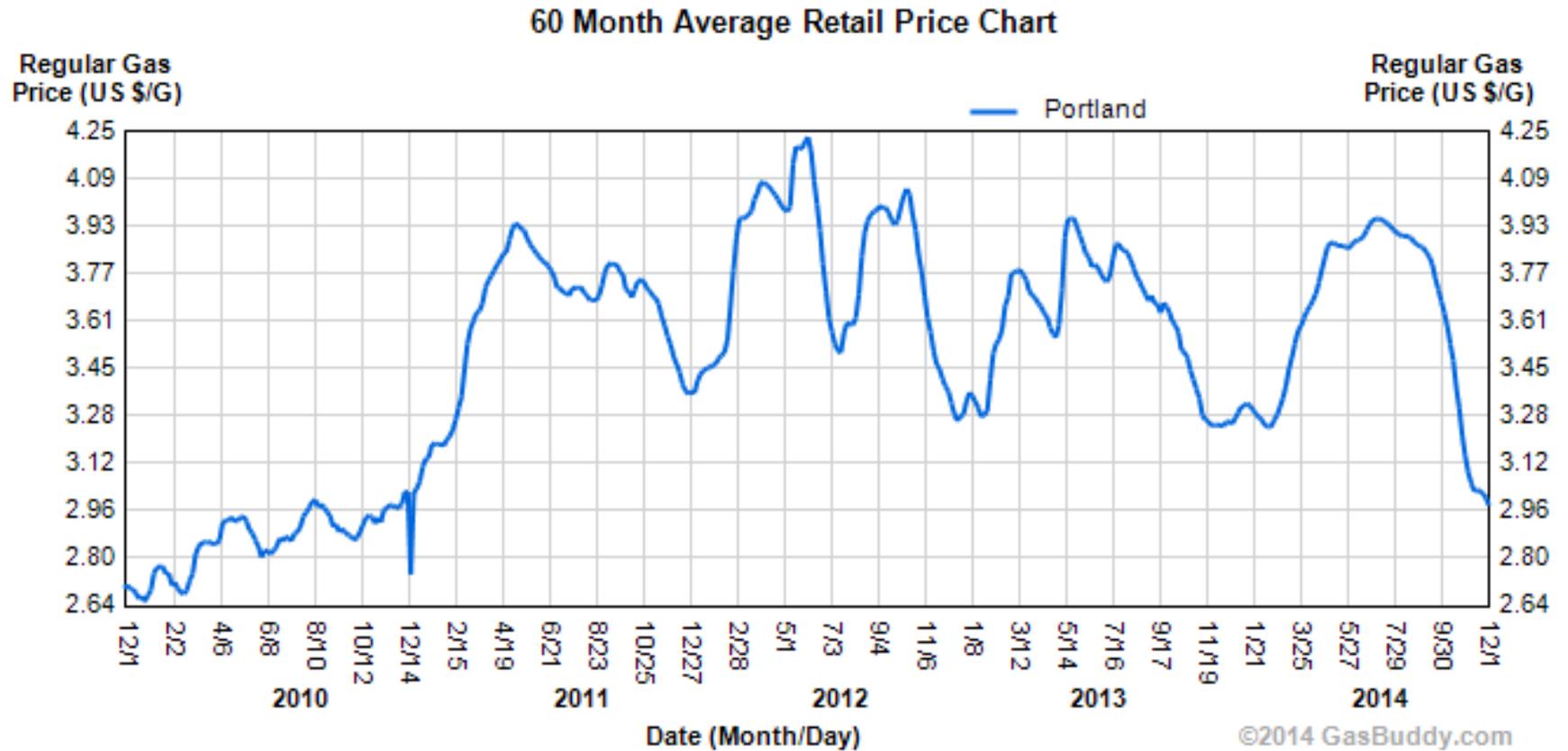
- ✓ A 1% increase in base pay = approximately \$2.3 million
- ✓ A 6% increase in medical/dental rates = approximately \$2.0 million
- ✓ A 1% (of base pay) increase in PERS rates = roughly \$1.7 million

- Reserve & Contingency Assumptions:

- ✓ General Fund Contingency - \$1.25 million.
- ✓ General Fund Reserve – 10% of ‘corporate’ revenues.
- ✓ BIT Reserve – 10% of BIT Revenues (\$7.0 million)



Expenditure Assumptions



Expenditure Assumptions

- Programs, Cash Transfers, and Earmarks funded on a one-time-only basis in FY 2015 Budget that are assumed to not continue in FY 2016:

One-Time-Only Programs

Offer/Activity

10009B - DSS - Justice Funding (OTO)	205,336
10013 - Emergency Management Kits (OTO)	71,225
10018B - Office of Sustainability - Food Summit/Interwine (OTO)	33,500
10029 - Summerworks Internship Program (OTO)	370,000
10030 - RDPO - Matching Funds for Regional Disaster Preparedness Organization (OTO)	38,200
10031 - Emergency Management - Radios (OTO)	40,000
15002B - Server Virtualization (OTO)	75,000
25133C - Streetroots: Rose City Resource Guide (OTO)	10,000
25136B - MH and Addictions Engagement Services (OTO)	471,000
25139A - Anti-Poverty Services (Day Labor) (OTO)	10,000
25139C - AP - Computers for Head Start Graduates (OTO)	20,000
25143 - SUN Service System Admin - Evaluation Carryover (OTO)	40,000
40008B - Vector Prevention & Code Enforce. Replacement Boat (OTO)	49,000
40032B - Medical Coding ICD 10 Training (OTO)	194,112
40050D - Corrections Health -Hospital Services for Inmates (OTO)	439,000
40051E - Corrections Health - Eligibility Screening & Nursing (OTO)	210,556
40059 - Mental Health Pilot - Corrections Health (OTO)	385,820
50041 - Mental Health Pilot - Supportive Housing (OTO)	365,000
60004 - MCSO Additional Hiring Process Backgrounders (OTO)	175,134
60023A - MCSO Crisis Intervention - Patrol Enhanced (OTO)	81,100
72003C - FRM Economic Development East Portland Action (OTO)	50,000



Expenditure Assumptions

One-Time-Only Programs (Continued)

Offer/Activity

72025B - DART County Clerk (OTO)	226,000
91026 - Upgraded Ballot Tally System (OTO)	500,000
91027 - Land Use Comprehensive Plan Update (OTO)	586,000
91030 - Veterinary Services (OTO)	197,316
91031 - Pedestrian Crossing (OTO)	40,000

Cash Transfers and Earmarks

Offer/Activity

95000 - To Health Headquarters Fund	1,000,000
95000 - To Downtown Courthouse Fund	2,300,000
95000 - To Capital Improvement Fund - Columbia River Boathouse	100,000
95000 - To Capital Improvement Fund - Animal Services facility renovations	700,000
95000 - To Information Technology Fund - Continuity of Operations	600,000
95000 - To Information Technology Fund - VOIP/Network Convergence	1,139,000
95000 - To Financed Projects Fund - A&T System Replacement	1,500,000
95000 - To Capital Debt Retirement Fund - Debt Payments	1,800,000
Earmark - Runoff Election Set-aside	400,000
Earmark - MH Jail Diversion Efforts & Study	100,000
Earmark - Sandy River Delta Clean-up, Outreach, & Restoration	60,000
Earmark - Addressing Socio-Economic Disparities	1,000,000



Expenditure Assumptions

- Other Programmatic Assumptions:

Programs/Activities from FY 2015 Utilizing One-Time-Only Resources, Assumed to be Continued in FY 2016

Offer/Activity

15018B - Service Coordination Team - Deputy District Attorney	141,529
25075B - School Based Mental Health Services (SBMH) - Cultural Outreach Scale-up	61,000



FY 2016 OTO Funds

General Fund FY 2014 Ending Balance, Budgeted FY 2015 BWC, and FY 2016 OTO^{1, 2}

Year-End as of October 24, 2014

FY 2014 Ending Balance ³	71,027,695
FY 2015 Budgeted BWC	51,142,534
Additional FY 2015 BWC (OTO)	19,885,161
Less Amount to Maintain BIT Reserve @ 10%	(741,863)
Less Amount to Maintain Reserves @ Policy Level	(2,686,263)
Plus Video Lottery BWC (<i>above budget</i>)	76,609
Plus Higher FY 2015 Revenue (<i>in Fall Forecast</i>)	8,495,854
OTO Funds for FY 2016 (or FY 2015)	25,029,498
50% Dedicated to County Facility Projects per Board Policy	12,514,749
Remaining 50% to be Allocated	12,514,749

- \$4.5 million higher 'corp.' revenue
- \$1.4 million unused contingency
- \$12.3 million departmental underspending
- \$1.7 million other revenue & expense

1. Assumes the FY 2015 General Fund Contingency is fully spent in FY 2015.
2. Assumes departments fully spend their FY 2015 appropriation.
3. Adjusted for additional restricted County Clerk BWC and Prospective Health Payments.



FY 2015 Contingency Update

FY 2015 General Fund Contingency Update

General Fund 'Regular' Contingency	1,250,000	
Additional Contingency	<u>1,268,872</u>	
	2,518,872	
Plus Indirect from grants & misc.	<u>75,740</u>	
Remaining Non-Earmarked Contingency	2,594,612	
Runoff Election Set-aside	400,000	Earmark
Earmark - Evaluation & Investigation of MH Jail Diversion Efforts	100,000	Earmark per Board Budget Note
Earmark - Sandy River Delta Clean-up, Outreach, & Restoration	60,000	Earmark per Board Budget Note
Earmark - Socio-Economic Disparities	0	Earmark per Board Budget Note (Released 9/11/2014)
BIT Reserve (in General Fund Contingency)	<u>6,298,702</u>	
Total General Fund Contingency	9,453,314	
<i>Unallocated Contingency for use in FY 2015 or could be rolled over to FY 2016</i>	2,994,612	<i>Reflects non-earmarked balance and runoff set-aside</i>

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 2016.

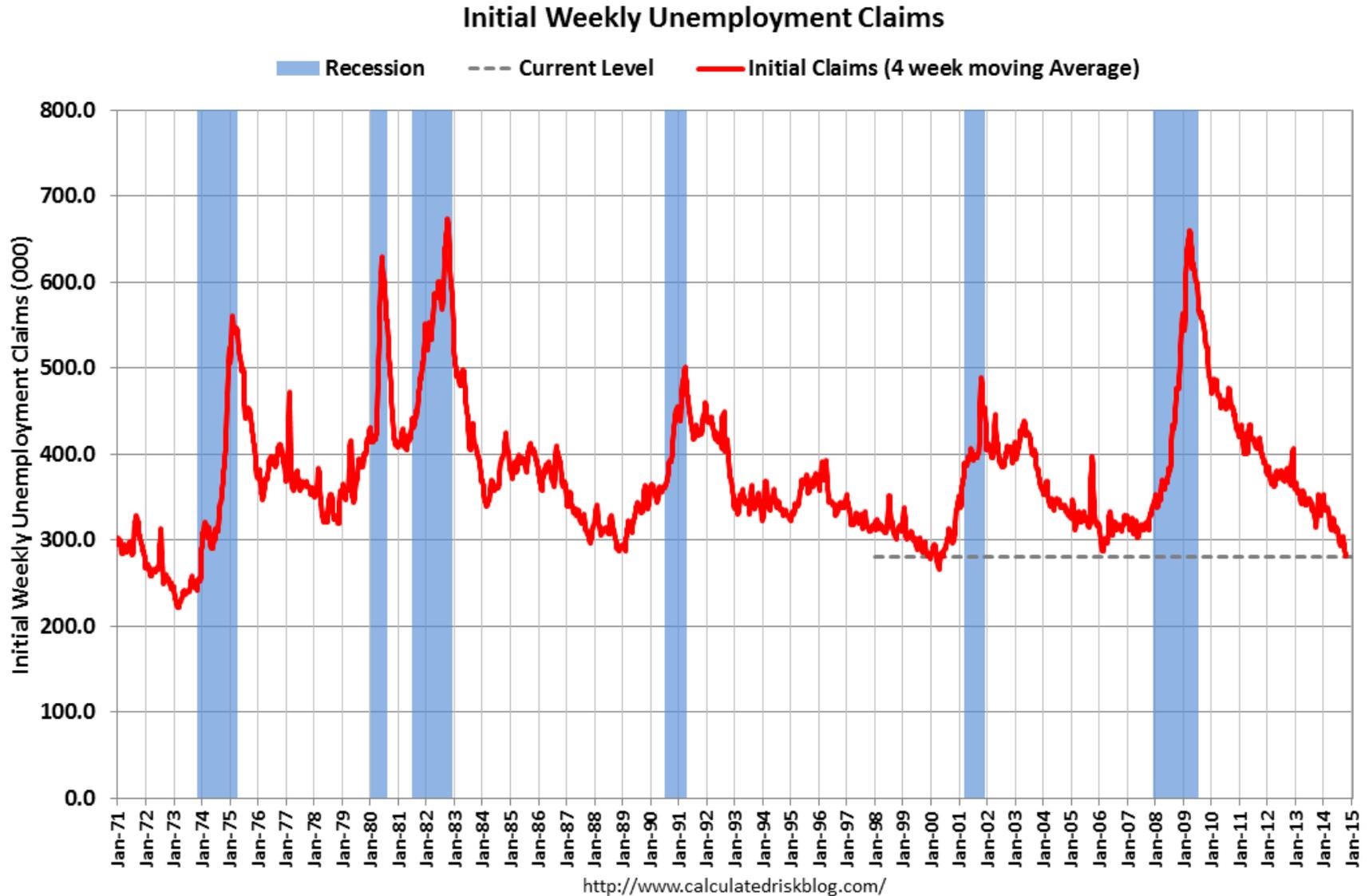


Forecast Risks, Uncertainties & Issues

- 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.) and Ukraine/Russia
- State and Local
 - ✓ State budget/legislation and service re-designs
 - ✓ Labor costs (OPEB, PERS & legal challenges, medical costs, open contracts, etc.)



Forecast Risks, Uncertainties & Issues



Summary

- FY 2015 General Fund revenue forecast increased \$8.5 million (2.1%)
- FY 2015 General Fund contingency balance of \$3.0 million (unallocated)
- FY 2016 projected General Fund resources exceed the projected cost of current service levels by \$18.5 million
 - ✓ Can support \$7.7 million of new spending of ongoing over 5-year forecast period
- FY 2016 General Fund one-time-only resources of \$25.0 million
 - ✓ \$12.5 million for Facilities Capital and \$12.5 million to allocate
 - ✓ Another \$10.7 million of OTO available if balance over 5-years for \$35.7 million
- In FY 2018, expenditures begin growing faster than revenues (i.e., if balance over 2-years, reductions will required in FY 2018)
- Major risks include:
 - ✓ Status of PERS reforms (i.e., legal challenges)
 - ✓ Timing of Federal Reserve actions and next recession

