

# FY 2016 General Fund 5-Year Forecast Update

*Presentation to the  
Board of County Commissioners*

Multnomah County Budget Office  
March 12, 2015  
[www.multco.us/budget](http://www.multco.us/budget)

# Overview

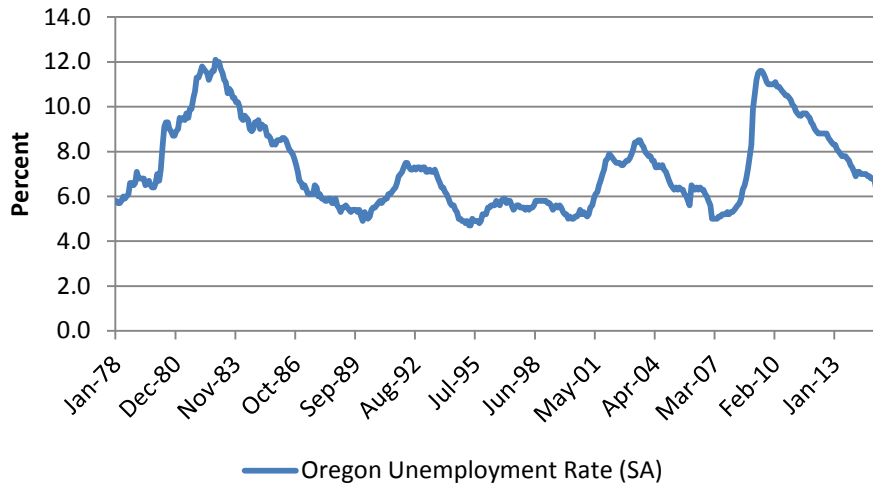
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- **Economic Overview**
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- **FY 2015 Revenue Review**
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- **FY 2016 One-Time-Only Funds**
- **FY 2016 General Fund 5-Year Forecast**
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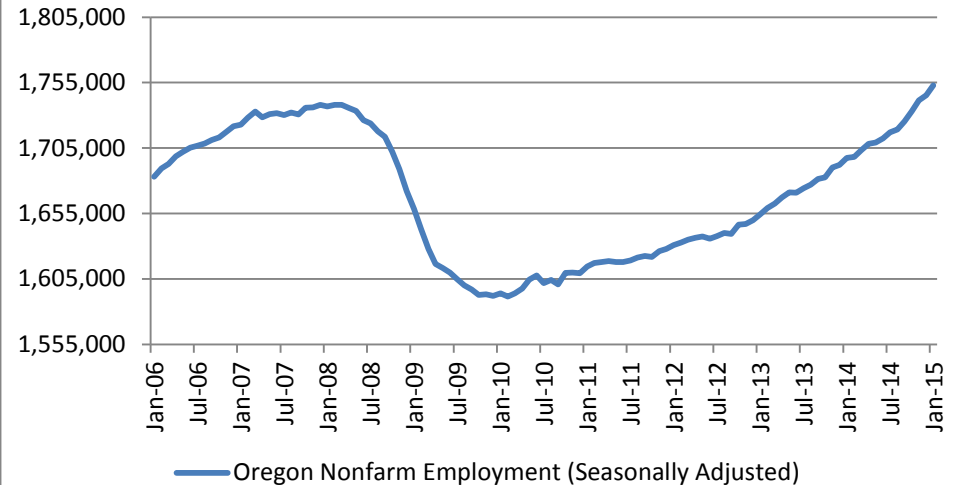


# Economic Overview

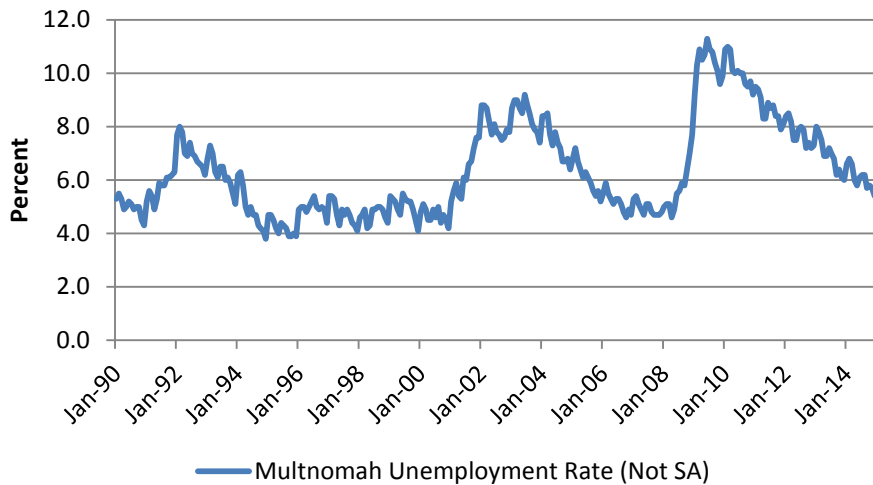
**Oregon Unemployment Rate (SA)**



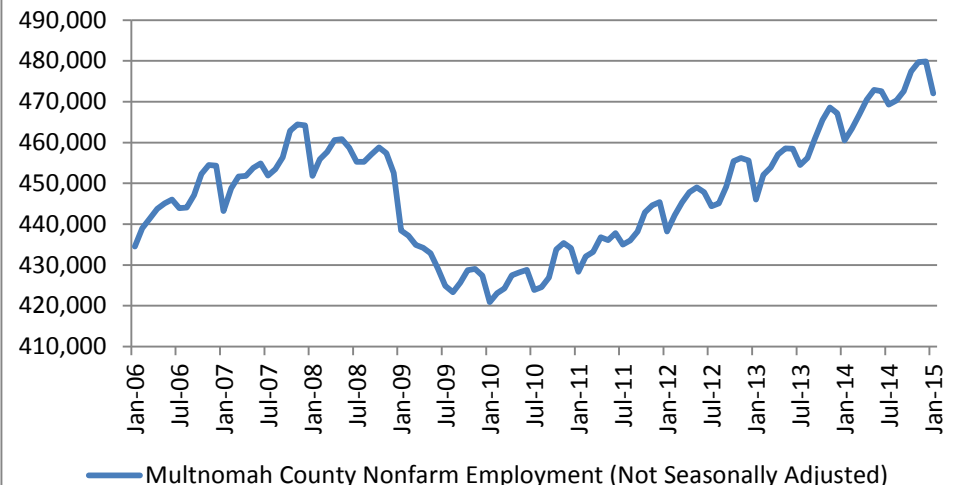
**Oregon Nonfarm Employment (Seasonally Adjusted)**



**Multnomah Unemployment Rate (Not SA)**

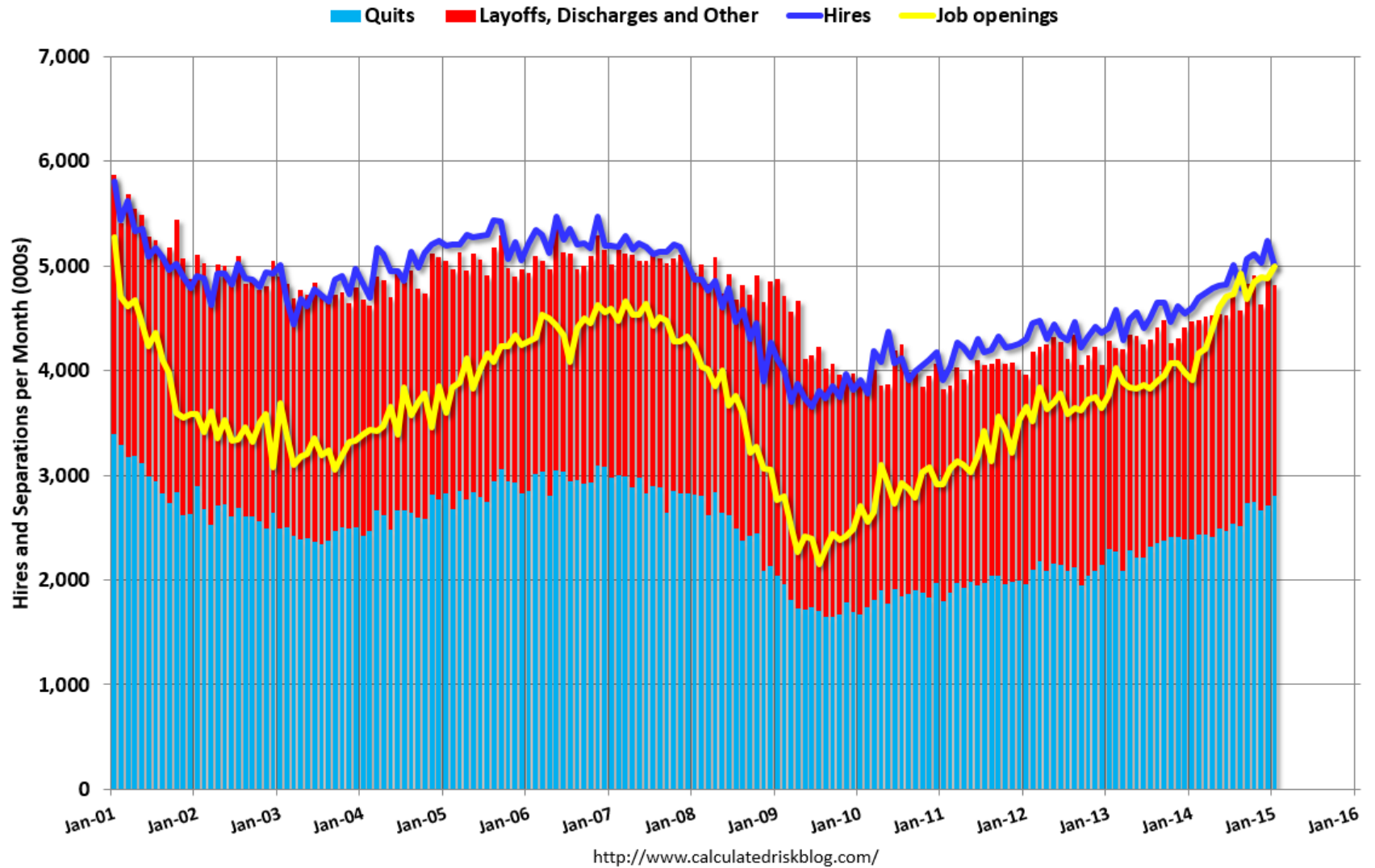


**Multnomah County Nonfarm Employment (Not SA)**



# Economic Overview

Hires and Separations Monthly (SA) from  
Job Openings and Labor Turnover Survey (JOLTS), Source: BLS



# FY 2015 Revenue Review

## FY 2015 Revenue Review

	Adopted <sup>1</sup>	October Forecast Change	March Forecast Change	Net Change From Adopted	Note
Property Taxes	248,487,752	4,154,767	0	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	5,447,000	9,512,977	FY 13 to FY 14 growth = 5.2%; FY 15 growth at 17.3%
Motor Vehicle Rental Taxes	22,949,642	1,620,996	468,012	2,089,008	FY 14 actual collections \$23.4 million, up 10.8%
US Marshal/BM 73/BOP	4,865,296	(468,185)	(374,548)	(842,733)	See graph... Reduce from 95 beds to 77 beds
State Shared					
Video Lottery	4,678,943	0	0	0	
Liquor	3,699,602	152,840	0	152,840	
Cigarette	708,669	(22,386)	0	(22,386)	
Amusement	171,000	0	0	0	
Recording Fees/CAFFA Grant	7,230,000	(480,000)	0	(480,000)	
Indirect					
Departmental	12,418,539	0	0	0	
Central Indirect/Svc Reimburse	11,892,632	0	663,542	663,542	
All Other	21,760,279	(528,155)	0	(528,155)	Due to SIP/CSF and Criminal Fees/Circuit Court
<b>FY 15 Revenue Adjustments <sup>2</sup></b>	<b>401,849,377</b>	<b>8,495,854</b>	<b>6,204,006</b>	<b>14,699,860</b>	
<b>% of Revenue</b>		<b>2.11%</b>	<b>1.54%</b>	<b>3.66%</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.



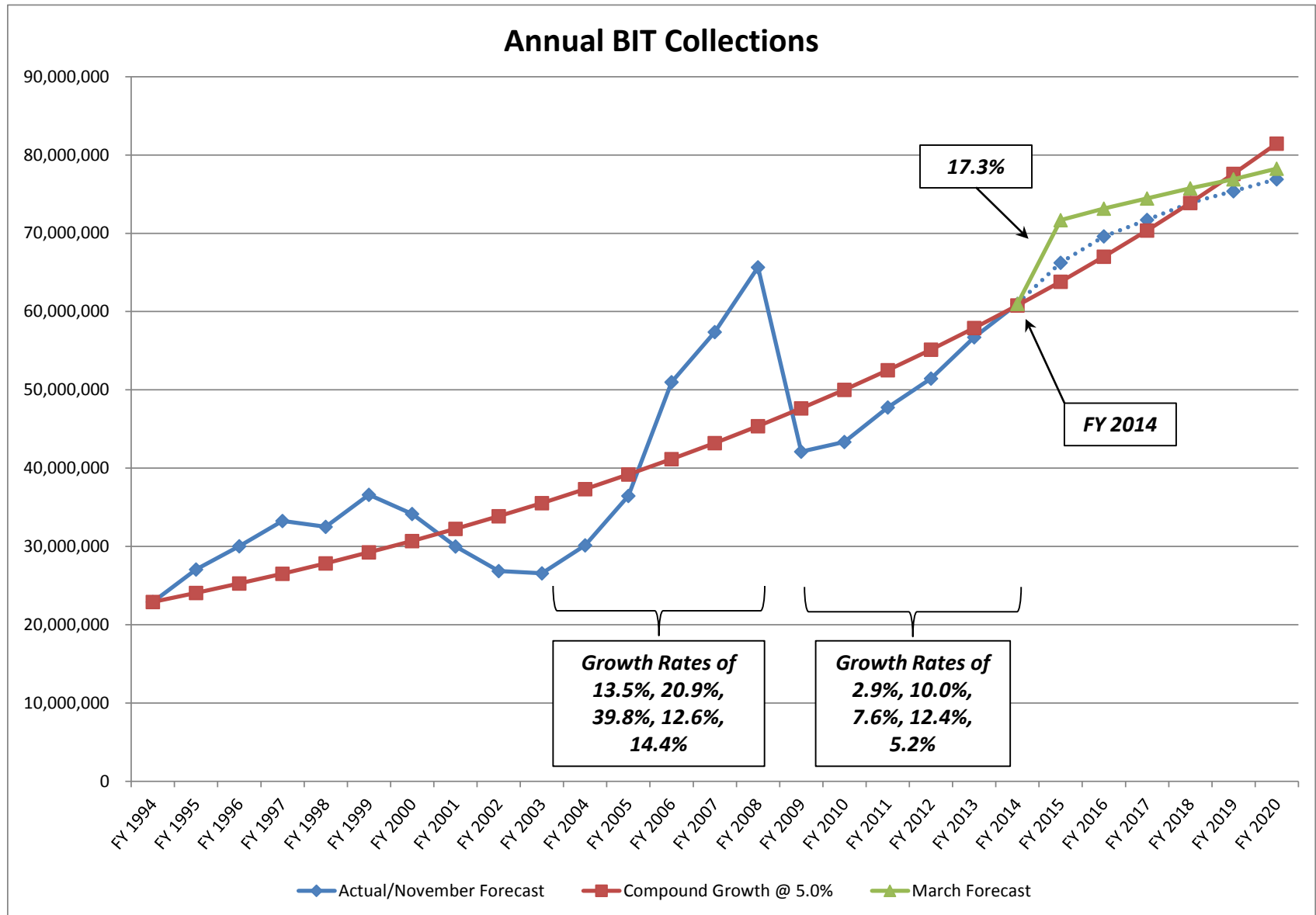
# FY 2015 Revenue Review

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

	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15	FY 15 vs. FY 08	FY 15 vs. FY 14
Quarterly	21,132,270	19,605,610	16,002,035	16,824,843	17,703,368	19,260,347	19,371,834	26,118,461	23.6%	34.8%
Yearly	6,676,064	5,687,830	7,403,558	5,236,959	5,246,967	5,247,925	5,160,759	5,986,610	-10.3%	16.0%
Refund/Interest	2,868,519	4,931,749	5,425,796	2,532,357	2,149,092	2,783,165	3,012,454	3,116,127	8.6%	3.4%
NSF Check	38,322	40,900	80,084	106,150	22,913	139,589	22,777	53,392	39.3%	134.4%
<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>28,935,551</b>	<b>16.2%</b>	<b>34.6%</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>61,800,000</i>	<i>62,987,023</i>		
								<i>67,053,000</i>	<i>October Forecast</i>	
								<i>72,500,000</i>	<i>March Forecast</i>	

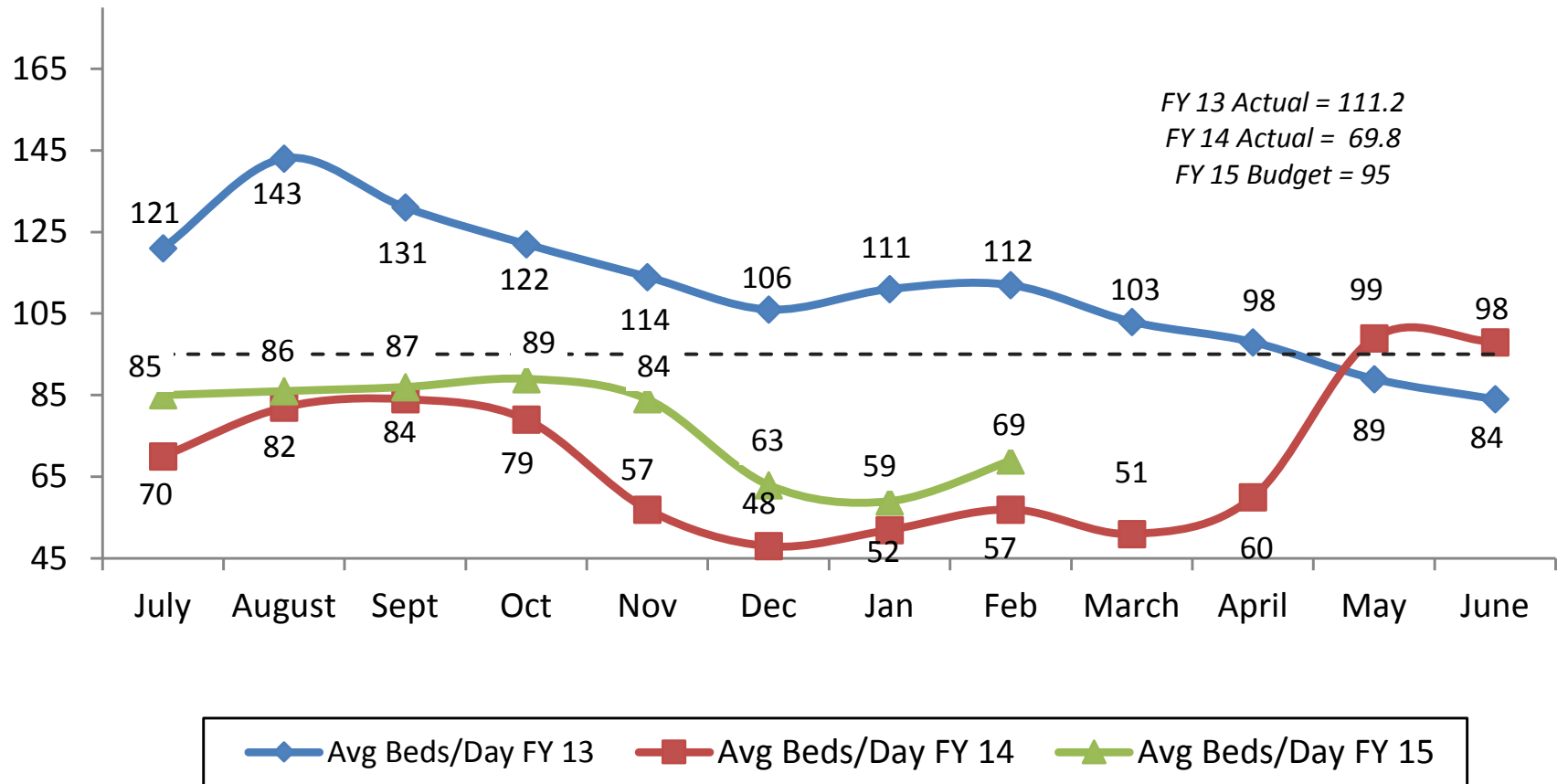


# FY 2015 Revenue Review



# FY 2015 Revenue Review

## USM Avg Beds/Day





# FY 2016 OTO Funds

## General Fund FY 2014 Ending Balance, Budgeted FY 2015 BWC, and FY 2016 OTO<sup>1, 2</sup> Year-End as of October 24, 2014

FY 2014 Ending Balance <sup>3</sup>	71,027,695
FY 2015 Budgeted BWC	51,142,534
<b>Additional FY 2015 BWC (OTO)</b>	<b>19,885,161</b>
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
<b>OTO Funds for FY 2016 per Oct/Dec Forecast</b>	<b>25,029,498</b>
Additional Revenue per March Forecast	6,204,006
Less Additional BIT Transfer to East County Cities	(564,000)
Less Amount to Maintain BIT Reserve @ 10%	(354,435)
Less Amount to Maintain Reserves @ Policy Level	(402,406)
<b>OTO Funds for FY 2016</b>	<b>29,912,663</b>
<b>50% Dedicated to County Facility Projects per Board Policy</b>	<b>14,956,332</b>
<b>Remaining 50% to be Allocated</b>	<b>14,956,332</b>



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.



# 5-Year General Fund Forecast

- Forecast assumes average to 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 December Forecast
  - ✓ Stronger Business Income Tax
  - ✓ Increased Central Indirect Cost Recovery
- Forecasted Revenues Greater than Current Service Level Expenditures
  - ✓ Below average labor cost growth and above average revenue growth drive result.
  - ✓ Over longer-term (starting in FY 2017), costs once again grow faster than revenues.
  - ✓ Can Support \$9.1 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
<b>Revenues</b>	432,665,173	444,423,955	457,468,746	471,234,801	485,418,003
<b>Expenditures</b>	408,301,273	421,876,564	439,165,229	457,302,212	474,597,816
<b>Surplus/(Deficit)</b>	<b>24,363,900</b>	<b>22,547,391</b>	<b>18,303,517</b>	<b>13,932,589</b>	<b>10,820,187</b>
<b>Surplus Growth from Prior Year</b>		<b>(1,816,509)</b>	<b>(4,243,874)</b>	<b>(4,370,928)</b>	<b>(3,112,402)</b>
<i>Surplus/Deficit is this % of Expenditures</i>	5.97%	5.34%	4.17%	3.05%	2.28%
<i>Note: Revenues/Expenditures include video lottery, but excludes reserves, FQHC wraparound and prospective health payments</i>					



# 5-Year General Fund Forecast

## Significant Changes in FY 2016 Forecast

*(Amounts shown reflect change)*

BIT		3,544,350
Motor Vehicle Rental Tax (MVRT)		479,712
Indirect <i>(Administrative Charges to Grants)</i>		2,490,092
Higher Rate (from 2.34% to 2.71%)	1,379,253	
Increased Grants on Which to Charge	971,541	
Higher Assumed Collection Rate	139,298	
US Marshall Bed Rental (Reduced from 85 to 80)		<u>(234,734)</u>
<b>Net FY 2016 Revenue Change</b>		<b>6,279,420</b>
Less BIT Transfer to East County Cities		<u>(366,657)</u>
<b>Net Change in Discretionary Funds</b>		<b>5,912,763</b>

*Note: Reflects 1.45% Increase in Revenues from prior forecast.*



# 5-Year General Fund Forecast

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

	Adopted FY 2015	Forecast FY 2015 <sup>2</sup>	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	72,500,000	73,950,000	75,244,125	76,560,897	77,709,311	79,069,224
Motor Vehicle Rental Taxes	22,949,642	25,038,650	25,664,616	26,177,909	26,701,467	27,235,496	27,780,206
US Marshal (& BM 37)	4,865,296	4,022,562	4,163,018	4,163,018	4,163,018	4,163,018	4,163,018
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	24,974,714	27,343,239	26,691,963	26,682,071	27,002,906	27,499,463
	<b>380,085,155</b>	<b>395,335,556</b>	<b>411,620,379</b>	<b>423,262,587</b>	<b>435,937,552</b>	<b>449,580,433</b>	<b>463,637,019</b>
<b>% of Total Revenue</b>	<b>94.6%</b>	<b>94.9%</b>	<b>95.1%</b>	<b>95.2%</b>	<b>95.3%</b>	<b>95.4%</b>	<b>95.5%</b>
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
<b>Total</b>	<b>401,849,377</b>	<b>416,549,237</b>	<b>432,665,173</b>	<b>444,423,955</b>	<b>457,468,746</b>	<b>471,234,801</b>	<b>485,418,003</b>
% Change in Ongoing Revenue		3.66%	3.87%	2.72%	2.94%	3.01%	3.01%
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% <sup>3</sup>	17.3% <sup>4</sup>	2.00%	1.75%	1.75%	1.50%	1.75%

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

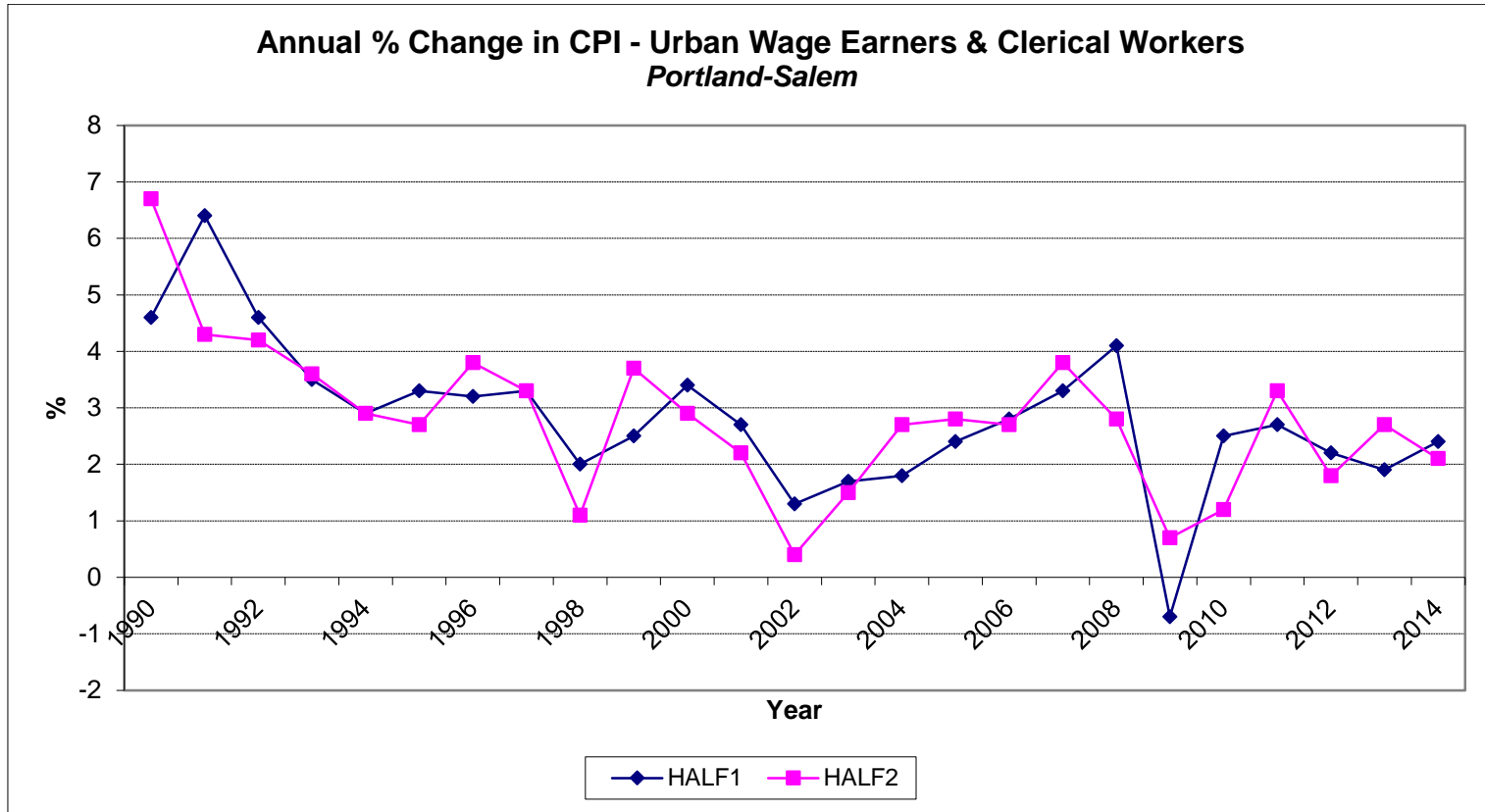
2. Not adjusted for revenue adjustments directly offset by expenditure changes.

3. Reflects growth from May forecasted FY 2014 actual collections.

4. Reflects growth from FY 2014 actual collections.



# 5-Year General Fund Forecast



- 2014 Second-Half Portland CPI-W rose 2.1% vs. assumed growth of 2.2%
- Cost of Living Adjustments (COLAs) tied to this index
- No impact on forecast



# 5-Year General Fund Forecast

- County has no formal policy regarding balancing the budget over anytime period other than the legally required 1-year period.
- Very Significant Risk (Guarantee) of future reductions if all funds treated as ongoing.
  - ✓ Only \$9.1 million of new or expanded programs can be supported over five years.
  - ✓ (Note: If PERS reforms not upheld, impact to General Fund is roughly \$8.7 million.)
- What does balancing over a 5-year time period look like?
  - ✓ \$24.4 million of additional FY 2016 funds treated as \$9.1 million ongoing & \$15.3 million OTO.
  - ✓ Creates additional, but diminishing OTO in out years. Integration with Capital plans?
  - ✓ Combined with the \$30 million of OTO from FY 2015, results in \$45.2 million of OTO Funds in FY 2016.

<b>Additional Ongoing &amp; OTO if Balance over 5-Year Time Period</b>					
	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
<b>Ongoing</b>	9,100,000	0	0	0	0
<b>One-Time-Only (From 5-yr balance)</b>	15,263,900	13,073,381	8,394,650	3,558,996	0
<b>One-Time-Only - Capital (From FY 2015)</b>	14,956,332				
<b>One-Time-Only - to Allocate (From FY 2015)</b>	14,956,332				
<b>Total One-Time-Only</b>	<b>45,176,564</b>	<b>13,073,381</b>	<b>8,394,650</b>	<b>3,558,996</b>	<b>0</b>
<b>Total Additional Funds</b>	<b>54,276,564</b>				



# FY 2015 Contingency Update

## FY 2015 General Fund Contingency Update

General Fund 'Regular' Contingency	1,250,000	
Additional Contingency	<u>1,268,872</u>	
	<b>2,518,872</b>	
Plus Indirect from grants & misc.	<u>422,767</u>	(No Contingency requests other than for earmarked funds.)
<b>Remaining Non-Earmarked Contingency</b>	<b>2,941,639</b>	
Runoff Election Set-aside	400,000	Earmark
Earmark - Evaluation & Investigation of MH Jail Diversion Efforts	0	Earmark per Board Budget Note (Released 12/4/2014)
Earmark - Sandy River Delta Clean-up, Outreach, & Restoration	0	Earmark per Board Budget Note (Released 12/4/2014)
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>	
<b>Total General Fund Contingency</b>	<b>9,640,341</b>	
<b><i>Unallocated Contingency for use in FY 2015 or could be rolled over to FY 2016</i></b>	<b>3,341,639</b>	<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.)





# Summary

- FY 2015 General Fund revenue forecast increased \$6.2 million (1.5%) and \$14.7 million (3.7% ) in total.
- FY 2015 General Fund contingency balance of \$3.4 million (unallocated)
- FY 2016 projected General Fund resources exceed the projected cost of current service levels by \$24.4 million (up \$5.9 million from December)
  - ✓ Can support \$9.1 million of new spending of ongoing over 5-year forecast period
- FY 2016 General Fund one-time-only resources of \$30.0 million
  - ✓ \$15.0 million for Facilities Capital and \$15.0 million to allocate
  - ✓ Another \$15.3 million of OTO available if balance over 5-years for \$45.2 million
- In FY 2017, expenditures begin growing faster than revenues (i.e., if balance over 1-year, reductions will required in FY 2017)
- Major risks include:
  - ✓ Status of PERS reforms (i.e., legal challenges)
  - ✓ Timing of Federal Reserve actions and next recession

