



FY 2016 General Fund 5-Year Forecast Update

*Presentation to the
Board of County Commissioners*

Multnomah County Budget Office
May 28, 2015
www.multco.us/budget

Overview

- **Economic Overview**
 - ✓ Oregon & Multnomah County Employment Info
- **FY 2015 Revenue Review**
 - ✓ BIT
 - ✓ Motor Vehicle Rental Tax
 - ✓ Recording Fees
- **FY 2016 One-Time-Only Funds**
- **FY 2016 General Fund 5-Year Forecast**
 - ✓ FY 2016 Forecast
 - ✓ 5-Year Revenue Outlook
 - ✓ Financial Planning Implications
- **FY 2015 General Fund Contingency Update**
- **Forecast Risks & Issues**
- **Summary & Questions**



Economic Overview

- Nationally, a weak start to the year (again), with flat GDP growth
 - ✓ Unusually cold and snow winter in the Northeast
 - ✓ Labor disputes at West Coast ports
 - ✓ Slower manufacturing (but still positive)
 - ✓ Strong dollar
 - ✓ Employment data still strong

- Oregon and Portland continue above average growth
 - ✓ All regions of Oregon growing at or above average rates
 - ✓ Mid to high single-digit house price appreciation with pending sales up 28% YTD
 - ✓ Employment (including manufacturing) growing 3.2% year-over-year statewide
 - ✓ Unemployment statewide decline to 5.2% in April and 4.8% in Multnomah County
 - ✓ Oregon's unemployment rate below the national rate for 1st time since 1996
 - ✓ Signs of wage growth
 - ✓ An interesting note – a flat to declining civilian labor force

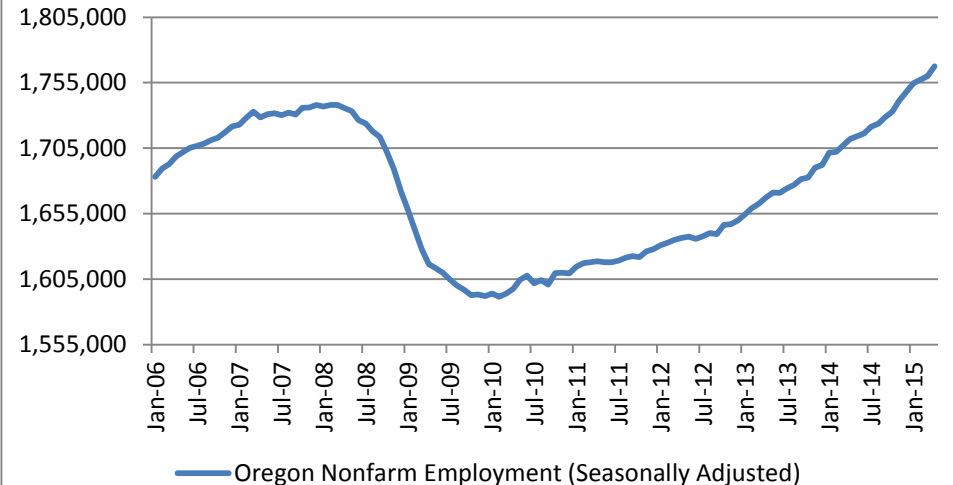


Economic Overview

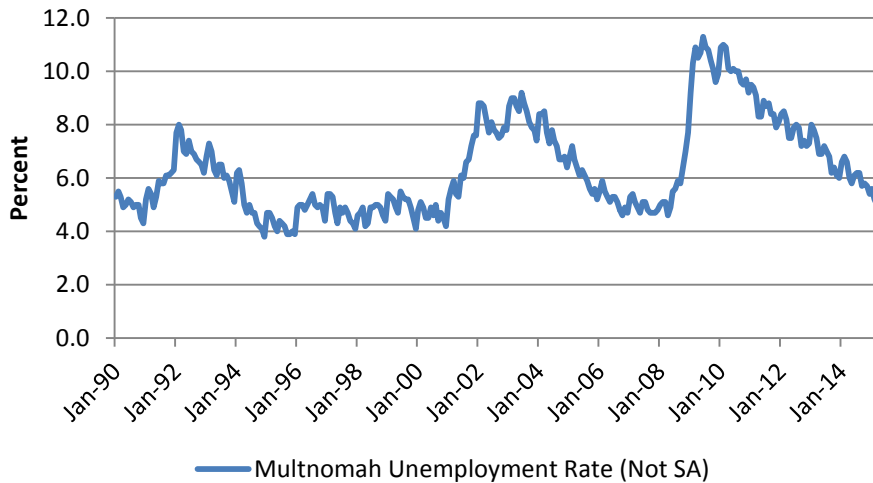
Oregon Unemployment Rate (SA)



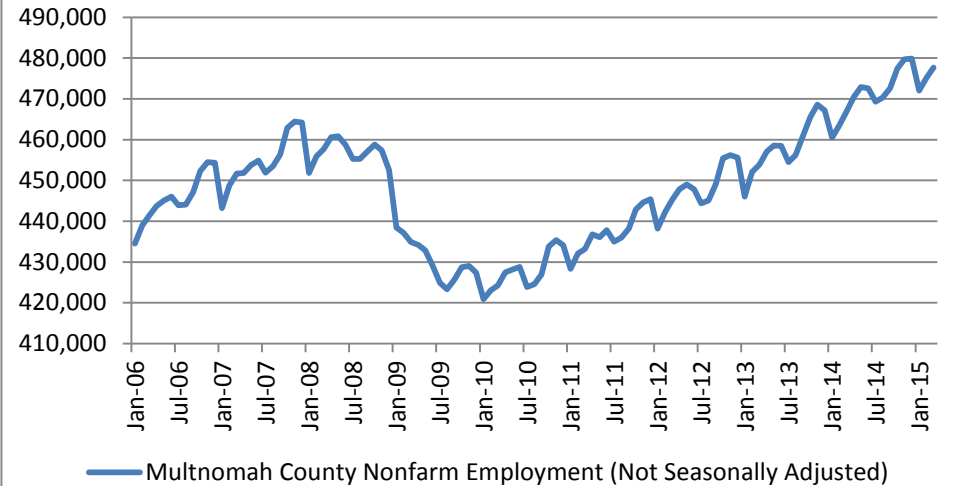
Oregon Nonfarm Employment (Seasonally Adjusted)



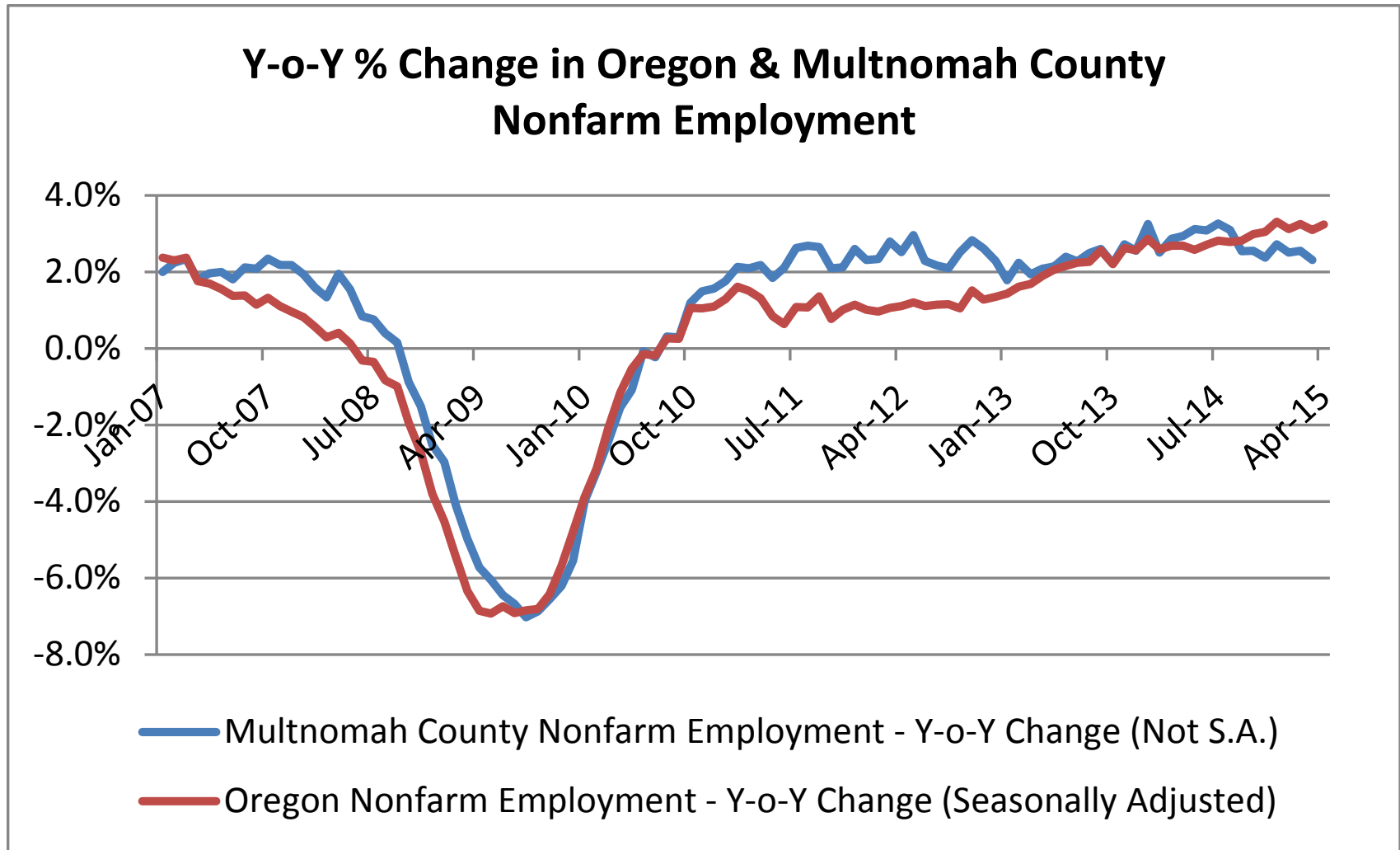
Multnomah Unemployment Rate (Not SA)



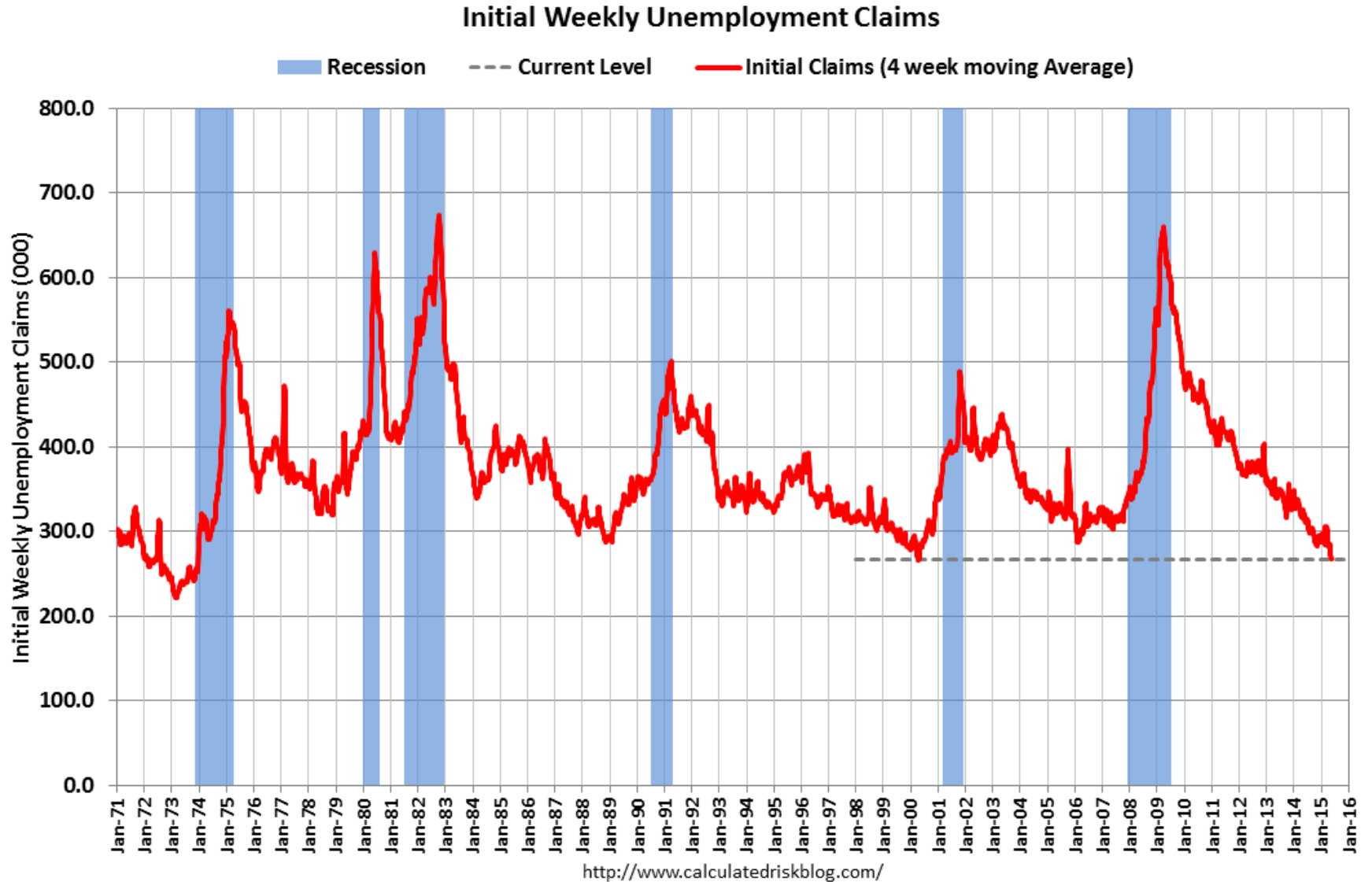
Multnomah County Nonfarm Employment (Not SA)



Economic Overview



Economic Overview



FY 2015 Revenue Review

FY 2015 Revenue Review

	Adopted ¹	October Forecast Change	March Forecast Change	May Forecast Change	Net Change From Adopted	Note
Property Taxes	248,487,752	4,154,767	0	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	500,000	10,012,977	FY 13 to FY 14 growth = 5.2%; FY 15 growth at 18.1%
Motor Vehicle Rental Taxes	22,949,642	1,620,996	468,012	561,350	2,650,358	FY 14 actual collections \$23.4 million, up 10.8%
US Marshal/BM 73/BOP	4,865,296	(468,185)	(374,548)	0	(842,733)	Reduced from 95 beds to 77 beds
State Shared						
Video Lottery	4,678,943	0	0	0	0	
Liquor	3,699,602	152,840	0	0	152,840	
Cigarette	708,669	(22,386)	0	0	(22,386)	
Amusement	171,000	0	0	0	0	
Recording Fees/CAFFA Grant	7,230,000	(480,000)	0	413,705	(66,295)	Strong March and April homes sales
Indirect						
Departmental	12,418,539	0	0	0	0	
Central Indirect/Svc Reimburse	11,892,632	0	663,542	0	663,542	
All Other	21,760,279	(528,155)	0	225,000	(303,155)	May increase due to Secure Schools funding
FY 15 Revenue Adjustments ²	401,849,377	8,495,854	6,204,006	1,700,055	16,399,915	
% of Revenue		2.11%	1.54%	0.42%	4.08%	

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

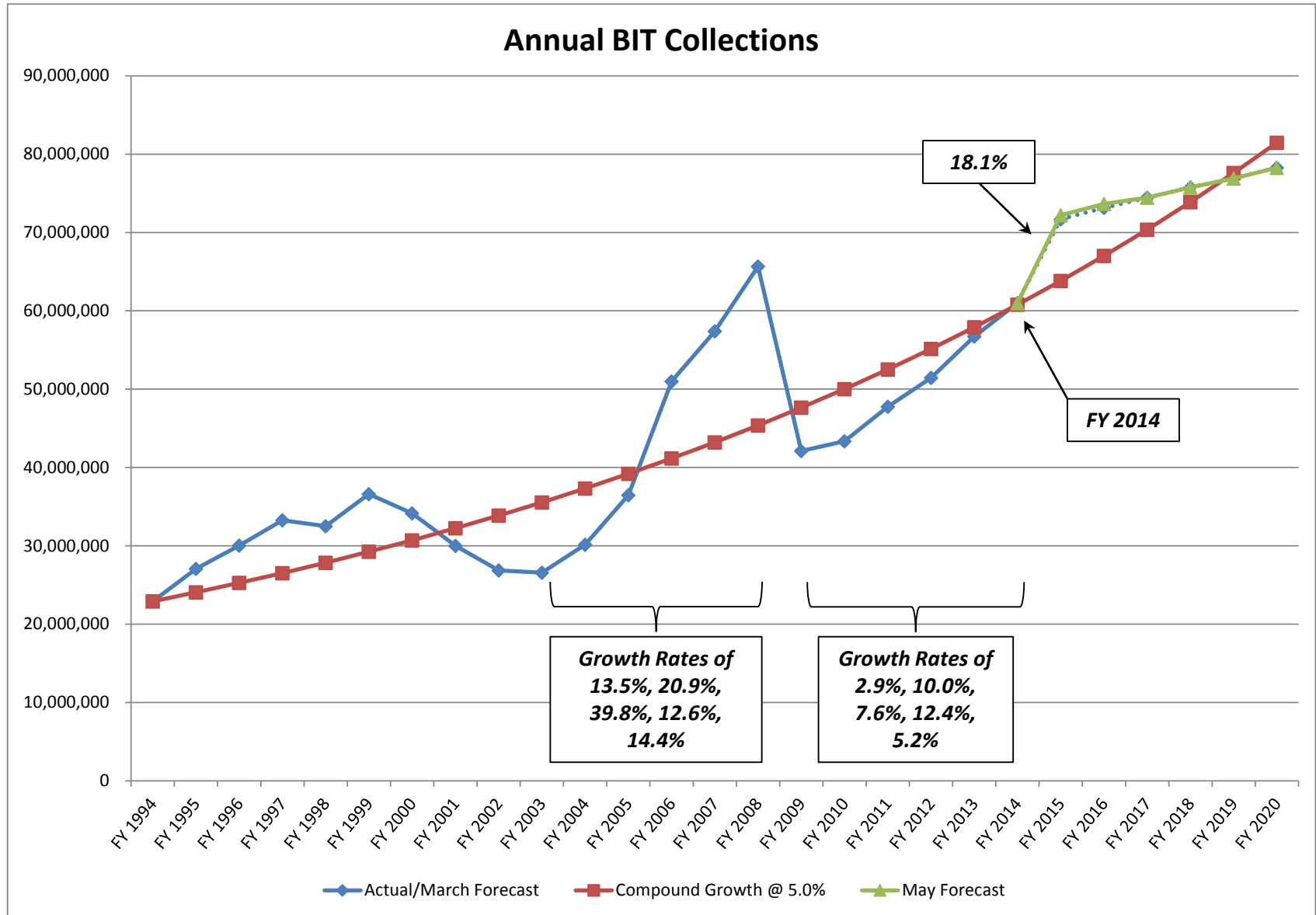
- BIT collections fiscal-year-to-date up 21.1% vs. last year, but down from the 35% year over year increase seen through most of FY 2015.
- March & April collections up 13.5% vs. same period last year.
- Increasing FY 2015 forecast a very modest \$0.5 million to \$73.0 million.
- An 18.1% increase would represent the 3rd highest growth rate in over 20 years.

BIT Collections Fiscal Year-to-Date Through April

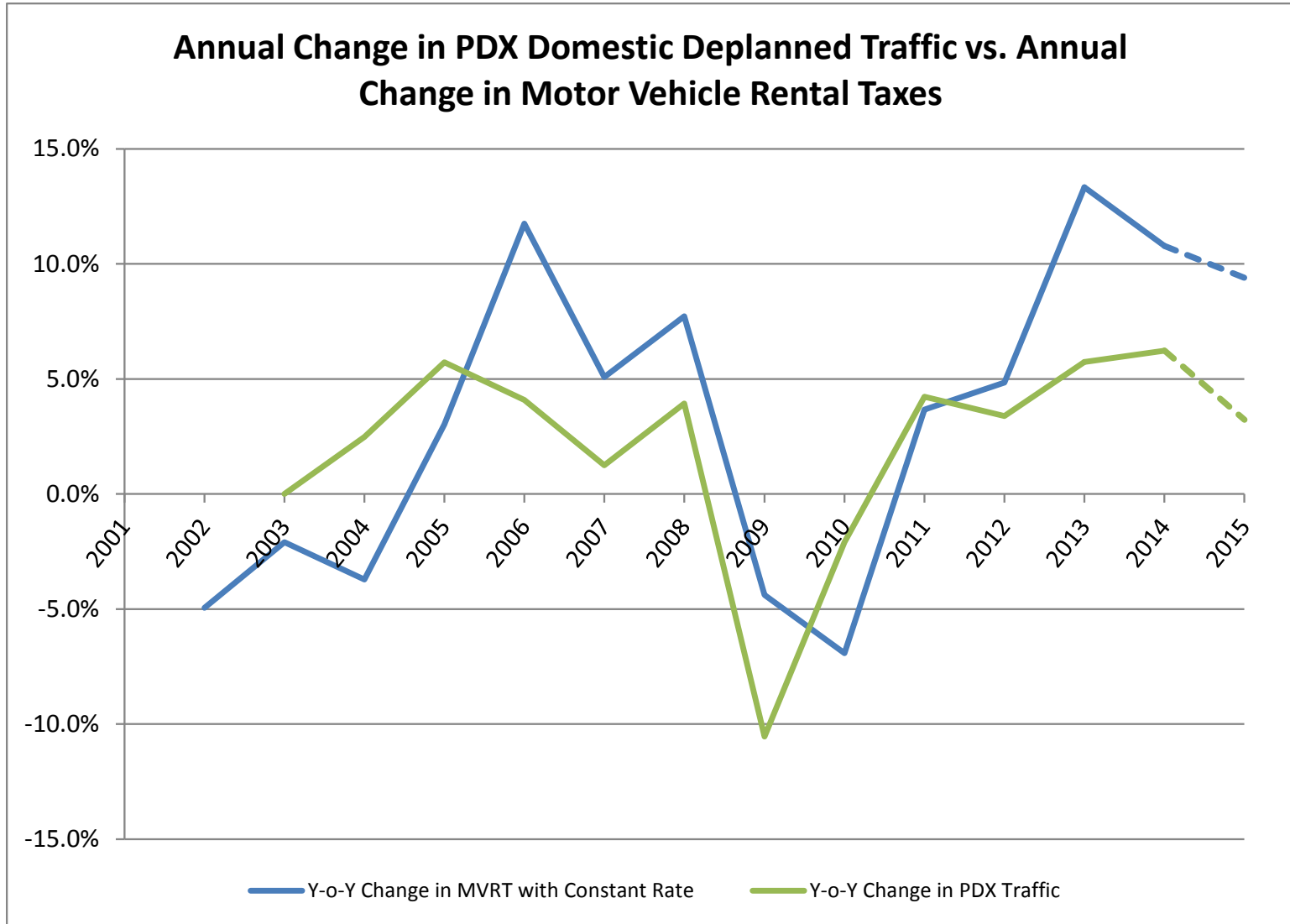
	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15	FY 15 vs. FY 08	FY 15 vs. FY 14
Quarterly	26,719,905	24,137,164	20,891,819	22,839,682	24,259,527	25,760,434	27,092,478	34,824,091	30.3%	28.5%
Yearly	29,167,734	17,350,855	19,660,911	18,009,441	20,439,995	23,125,156	23,925,905	26,971,820	-7.5%	12.7%
Refund/Interest	3,668,895	5,527,628	6,055,532	3,119,079	2,658,193	3,854,370	3,194,452	3,686,024	0.5%	15.4%
NSF Check	76,746	72,283	91,923	126,567	26,644	381,316	55,161	257,331	235.3%	366.5%
Total	52,141,997	35,888,109	34,405,275	37,603,477	42,014,684	44,649,905	47,768,770	57,852,556	11.0%	21.1%
<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> <i>73,000,000</i> <i>May Forecast</i>		



FY 2015 Revenue Review

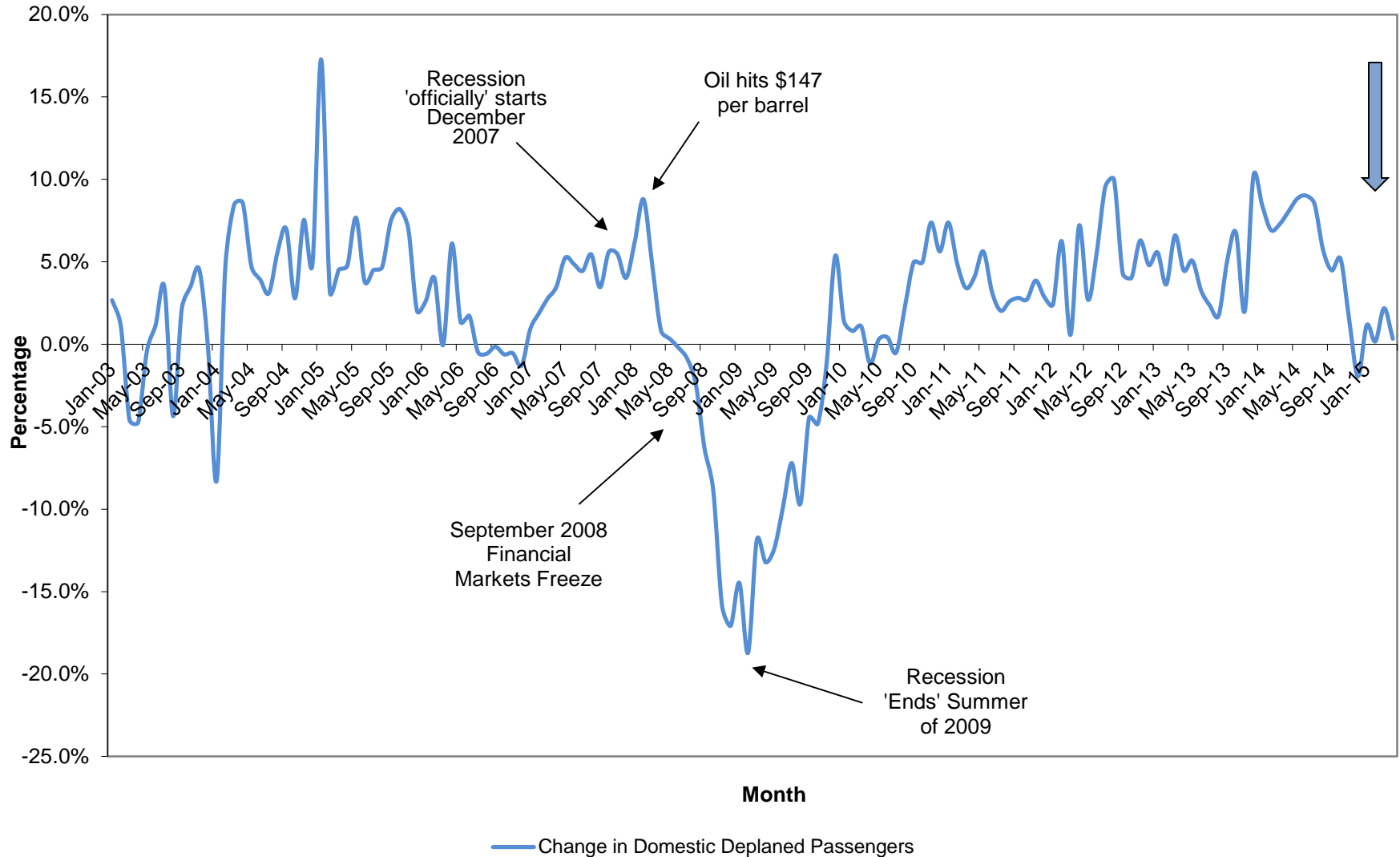


FY 2015 Revenue Review



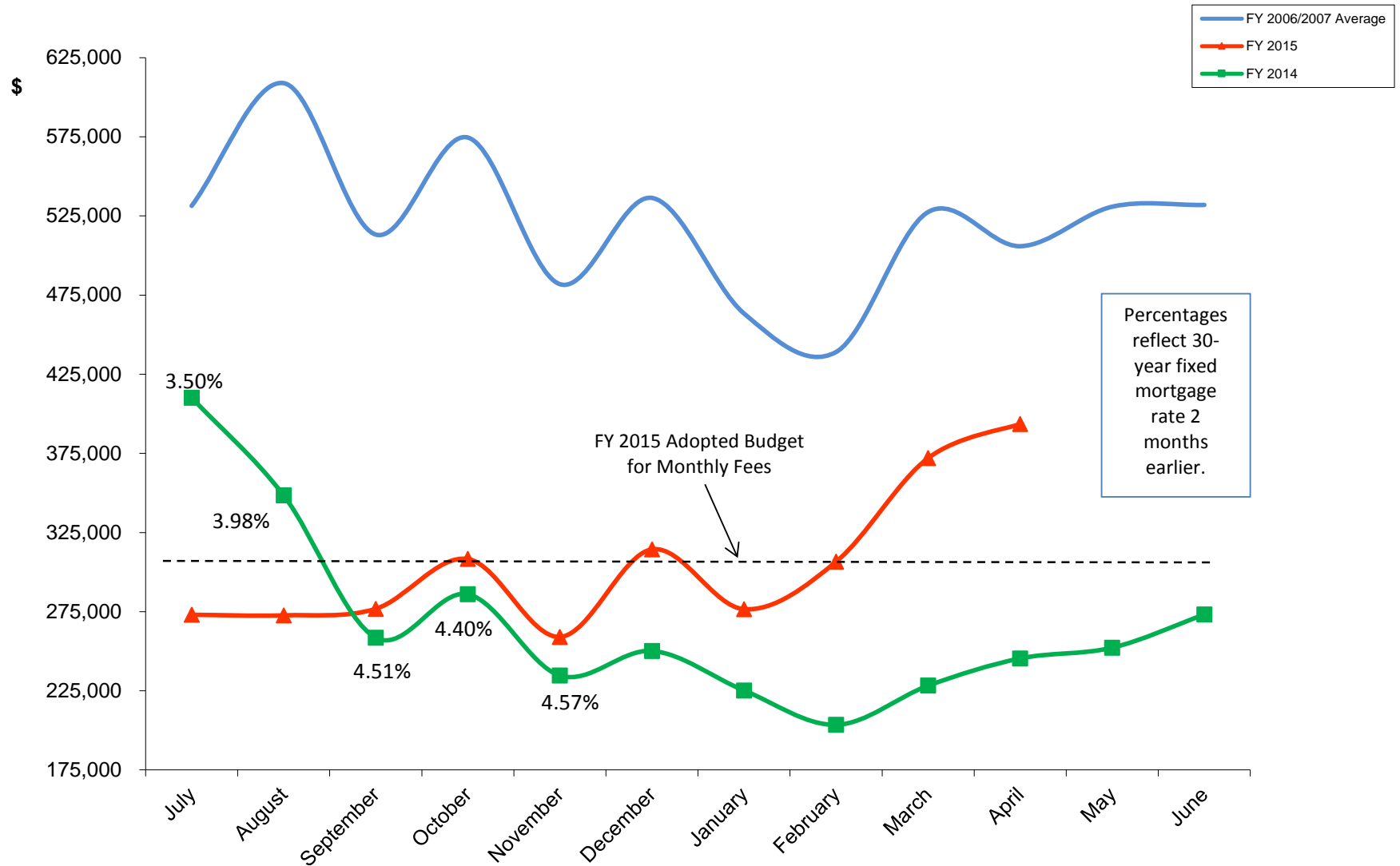
FY 2015 Revenue Review

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



FY 2015 Revenue Review

Monthly Recording Fees (Thru April)



FY 2016 OTO Funds

FY 2016 OTO General Fund from 2015 and Prior Years^{1, 2}

OTO Funds for FY 2016 per March Forecast	29,912,663	
Additional Revenue per May Forecast	1,700,055	}
Less Additional BIT Transfer to East County Cities	(51,724)	
Less Amount to Maintain BIT Reserve @ 10%	(51,000)	
Less Amount to Maintain Reserves @ Policy Level	(118,538)	
OTO Funds for FY 2016	31,391,456	
50% Dedicated to County Facility Projects per Board Policy	15,695,728	
Remaining 50% to be Allocated	15,695,728	
	1,478,793	←
Less SRS in Proposed	(225,000)	
Net New OTO	1,253,793	

1. Assumes the FY 2015 General Fund Contingency is fully spent in FY 2015.
2. Assumes departments fully spend their FY 2015 appropriation.



5-Year General Fund Forecast

Changes to Ongoing General Fund Revenues and Impact on the Expenditure/Revenue Gap

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	
Revenues	432,665,173	444,423,955	457,468,746	471,234,801	485,418,003	} March Forecast
Expenditures	408,301,273	421,876,564	439,165,229	457,302,212	474,597,816	
Rev/Exp Gap - March 2015 Forecast	24,363,900	22,547,391	18,303,517	13,932,589	10,820,187	
Less Ongoing Added in Proposed	(9,100,000)	(9,474,010)	(9,908,867)	(10,373,593)	(10,805,134)	} Proposed
Rev/Exp Gap Based on Proposed	15,263,900	13,073,381	8,394,650	3,558,996	15,053	
Changes to Revenues - May Forecast						
BIT	510,000	0	0	0	0	} May Revenue Forecast
Motor Vehicle Rental Tax	575,384	586,891	598,629	610,602	622,814	
Recording Fees	200,000	161,000	169,050	177,503	186,378	
Secure Schools/Timber	225,000	0	0	0	0	
Video Lottery	100,000	0	0	0	0	
Total Revenue Change	1,610,384	747,891	767,679	788,105	809,192	
Less Timber Payments (OTO in Proposed)	(225,000)					} PERS Impact
Less BIT Transfer to East County Cities	(52,759)					
Less PERS Increase (@4.5% of payroll)	0	(7,572,023)	(7,882,476)	(8,205,657)	(8,542,089)	
Net Revenue/Expenditure Change	1,332,625	(6,824,132)	(7,114,797)	(7,417,552)	(7,732,897)	
Rev/Exp Gap - May 2015 Forecast		6,249,249	1,279,853	(3,858,556)	(7,717,844)	} Today
Surplus/(Deficit) is this % of Expenditures		1.48%	0.29%	-0.84%	-1.63%	

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



5-Year General Fund Forecast

A quick re-cap...

- No change in economic outlook
- \$1.3 million of additional resources for FY 2016
 - ✓ Can only support ongoing additions for 2 to 3 years
 - ✓ Recommend treating as one-time-only
 - ✓ This is in addition to the \$1.25 million of OTO fund from 2015 noted earlier
- PERS Impacts: \$7.6 million General Fund & \$8.3 million Other Funds for FY 2017
 - ✓ Assumes 4.50% of payroll increase... precise impact and timing still to be determined
- Balanced over 3-years rather than 5-years
- FY 2016 forecast marginally better, longer-term forecast significantly worse
- While dollar amounts may seem large, as a percentage, FY 2017 to FY 2020 surplus ranges from positive 1.5% to negative 1.6% of expenditures



5-Year General Fund 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	73,000,000	74,460,000	75,244,125	76,560,897	77,709,311	79,069,224
Motor Vehicle Rental Taxes	22,949,642	25,600,000	26,240,000	26,764,800	27,300,096	27,846,098	28,403,020
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	7,163,705	7,236,250	7,435,656	7,716,823	8,009,782	8,315,067
State Shared	9,254,271	9,407,111	9,820,649	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
	380,085,155	396,810,611	413,005,763	424,010,478	436,705,231	450,368,538	464,446,211
% of Total Revenue	94.6%	94.9%	95.1%	95.2%	95.3%	95.4%	95.5%
All Other General Fund	21,764,222	21,438,681	21,269,794	21,161,368	21,531,194	21,654,368	21,780,984
Total	401,849,377	418,249,292	434,275,557	445,171,846	458,236,425	472,022,906	486,227,195
% Change in Ongoing Revenue		4.08%	3.83%	2.51%	2.93%	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% ³	18.1% ⁴	2.00%	1.05%	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.



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	
Less DCHS-53: Home for Everyone	(370,000)	
Plus Indirect from grants & misc.	<u>479,354</u>	
Remaining Non-Earmarked Contingency	2,628,226	
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>	
Total General Fund Contingency	9,326,928	
Unallocated Contingency for use in FY 2015 or could be rolled over to FY 2016	3,028,226	<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

- The usual suspects...
 - ✓ A weaker economy and slower house price appreciation
 - ✓ Federal fiscal and monetary policy (timing & impacts of tightening)
 - ✓ Inflation – CPI impacts on labor costs
 - ✓ European sovereign debt & economic issues
 - ✓ Geopolitical – Middle East and Ukraine/Russia
- A few ‘new’ ones...
 - ✓ Drought & Climate Change
- A confluence of risks, uncertainties, and issues
 - ✓ PERS ruling
 - ✓ Downtown Courthouse funding
 - ✓ Recession – Revenue impact & PERS investment earnings
 - ✓ Health Care
 - Cost to County for Employees
 - Health Care Reform and revenues to County to provide services



Summary

- FY 2015 General Fund revenue forecast increased \$1.7 million (0.4%)
 - ✓ Net \$1.25 million of OTO Funds for FY 2016
- FY 2015 General Fund contingency balance of \$3.0 million (unallocated)
- Additional \$1.3 million General Fund resources in FY 2016
 - ✓ Can only support ongoing additions for 2 to 3 years
- PERS Impacts: \$7.6 million General Fund & \$8.3 million Other Funds for FY 2017
- Approved Budget balanced over 3-years rather than 5-years
- FY 2016 forecast marginally better, longer-term forecast significantly worse
- Major risks, uncertainties, and issues include:
 - ✓ PERS ruling and Health Care costs
 - ✓ Timing of Federal Reserve actions and next recession
 - ✓ Downtown Courthouse funding

