



FY 2017 General Fund 5-Year Forecast

*Presentation to the
Board of County Commissioners*

Multnomah County Budget Office
December 1, 2015
www.multco.us/budget

Overview

- **Economic Overview**
 - ✓ National Economic Conditions
 - ✓ Oregon & Multnomah County Employment Info
 - ✓ Local Housing Market
- **FY 2016 Revenue Review**
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 - ✓ BIT
 - ✓ Motor Vehicle Rental Tax
- **FY 2017 General Fund 5-Year Forecast**
 - ✓ FY 2017 Forecast & 5-Year Outlook
 - ✓ Significant Changes to Forecast
 - ✓ Expenditure Assumptions – Cost Drivers, PERS, Etc.,
- **FY 2017 One-Time-Only Funds**
- **FY 2016 General Fund Contingency Update**
- **Forecast Risks & Issues**
- **Summary & Questions**



Economic Overview

- 'Average', if uneven, economic growth at national level
 - ✓ GDP Growth of 0.6%, 3.9%, and 2.1% in the first 3 quarters
 - ✓ First Quarter impacted by unusually cold and snow winter in the Northeast and labor disputes at West Coast ports

- U.S. growth restrained (impacted) by:
 1. Slower growth in China and globally
 2. Oil price collapse and falling commodity prices*
 3. Strong dollar
 4. Weak manufacturing sector

- Low to Modest Inflation

- Employment Data Positive

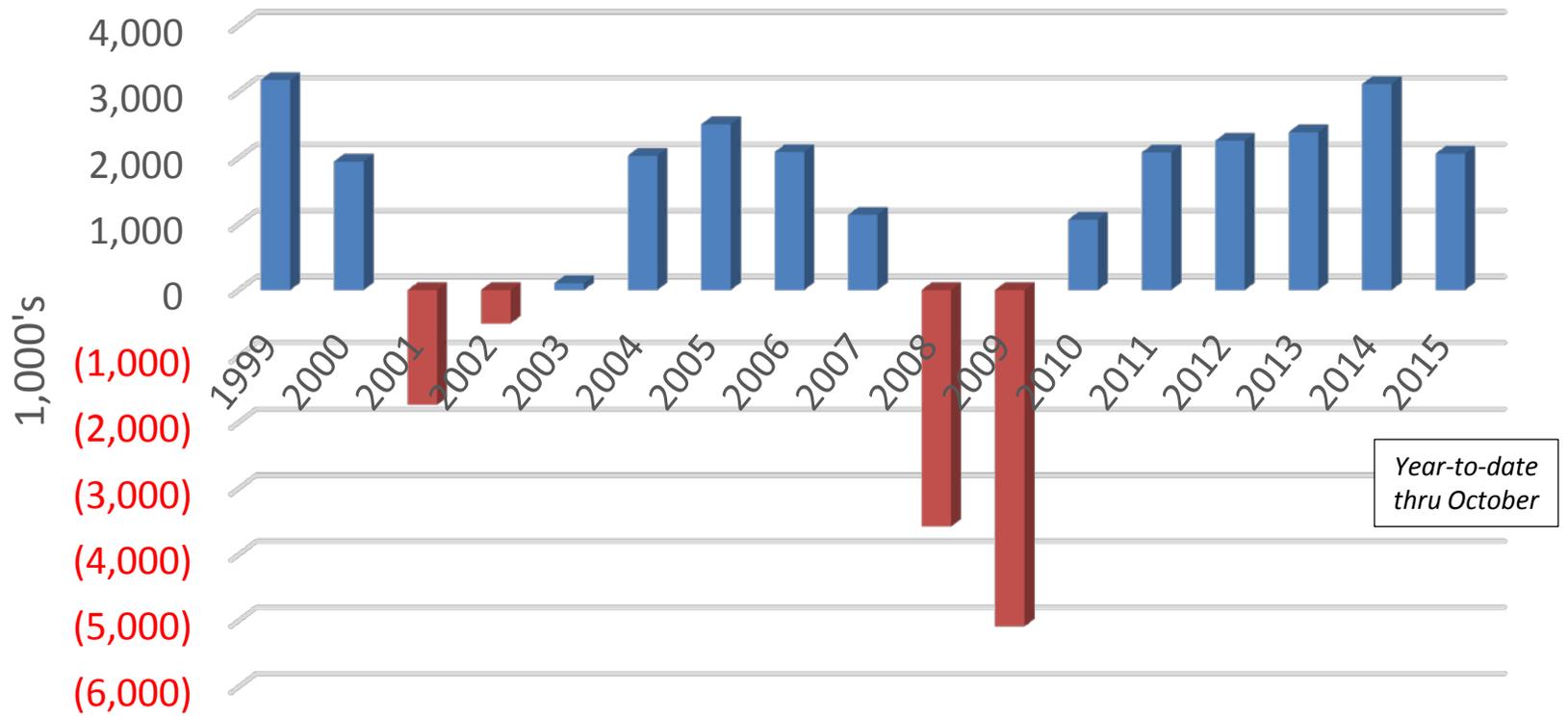
Institute for Supply Management Indices - October Survey		
	<u>Manufacturing</u>	<u>Non-Manufacturing</u>
NMI/PMI	50.1%	59.1%
Direction	Growing	Growing
Rate of Change	Slower	Faster
New Orders	52.90%	62.0%
Direction	Growing	Growing
Rate of Change	Faster	Faster
Employment	47.6%	59.2%
Direction	Contracting	Growing
Rate of Change	From Growing	Faster

*Lower energy prices are a positive in the long-term, but the short-term, negative impacts are concentrated and more observable.



Economic Overview

Change in Total, NonFarm U.S. Payroll Jobs per Year

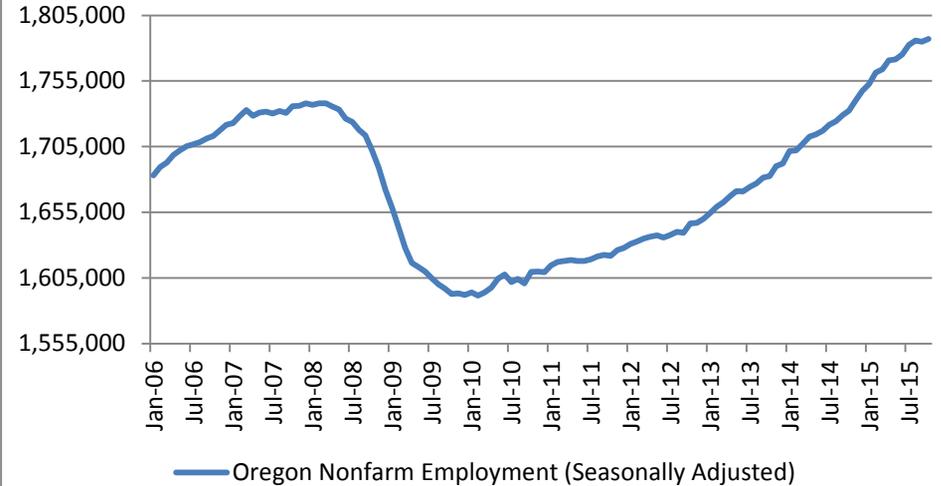


Economic Overview

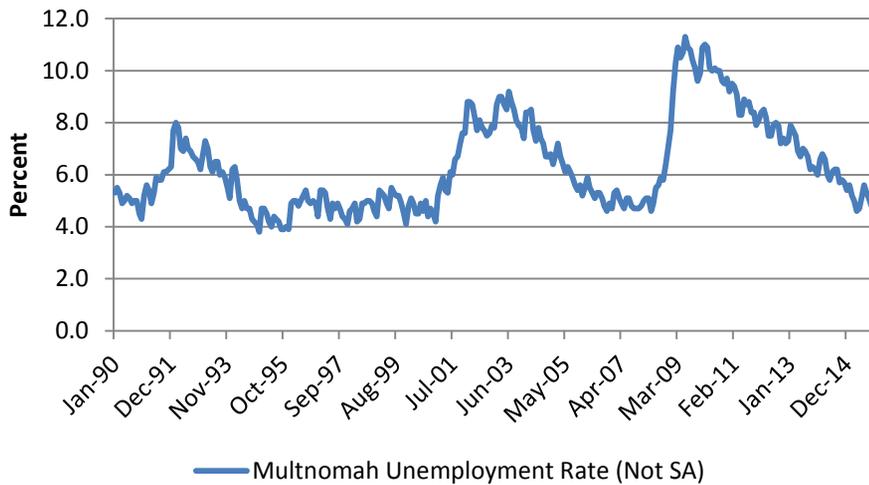
Oregon Unemployment Rate (SA)



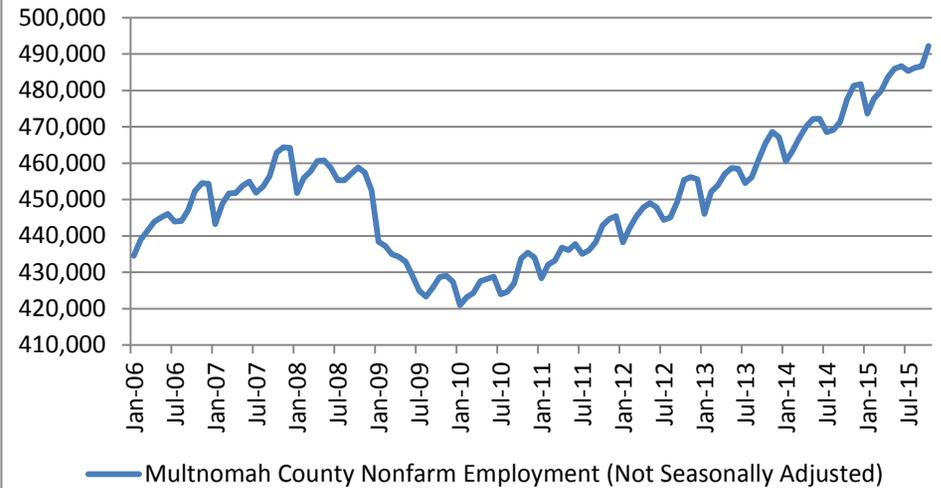
Oregon Nonfarm Employment (Seasonally Adjusted)



Multnomah Unemployment Rate (Not SA)

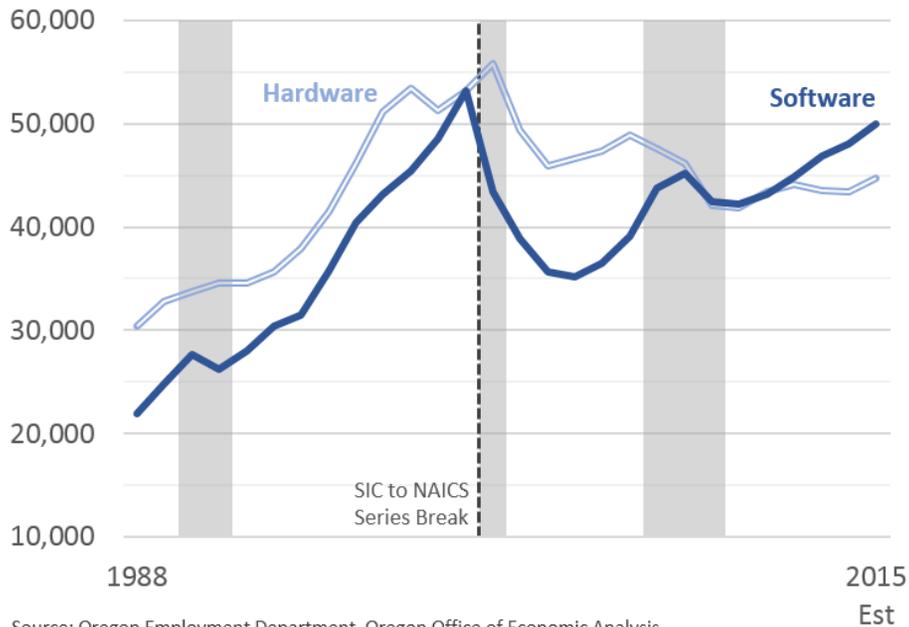


Multnomah County Nonfarm Employment (Not SA)



Economic Overview

Oregon High-Tech Employment

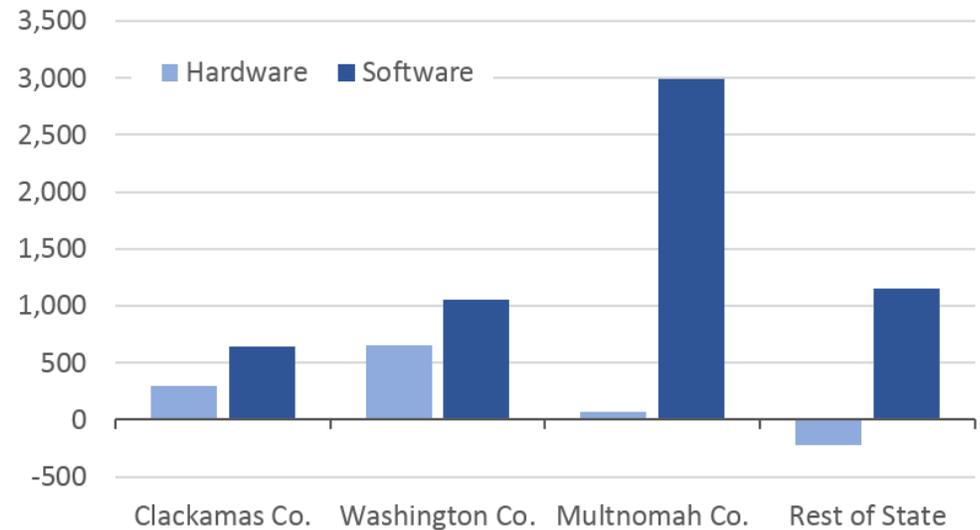


Source: Oregon Employment Department, Oregon Office of Economic Analysis

Hardware related high-tech employment growth relatively flat since the Great Recession, while software related high-tech employment growing. This software related high-tech employment growth is centered in Multnomah County.

Oregon Tech Employment

2012q1 - 2015q2, Seasonally Adjusted Change



Source: BLS, Oregon Employment Department, Oregon Office of Economic Analysis

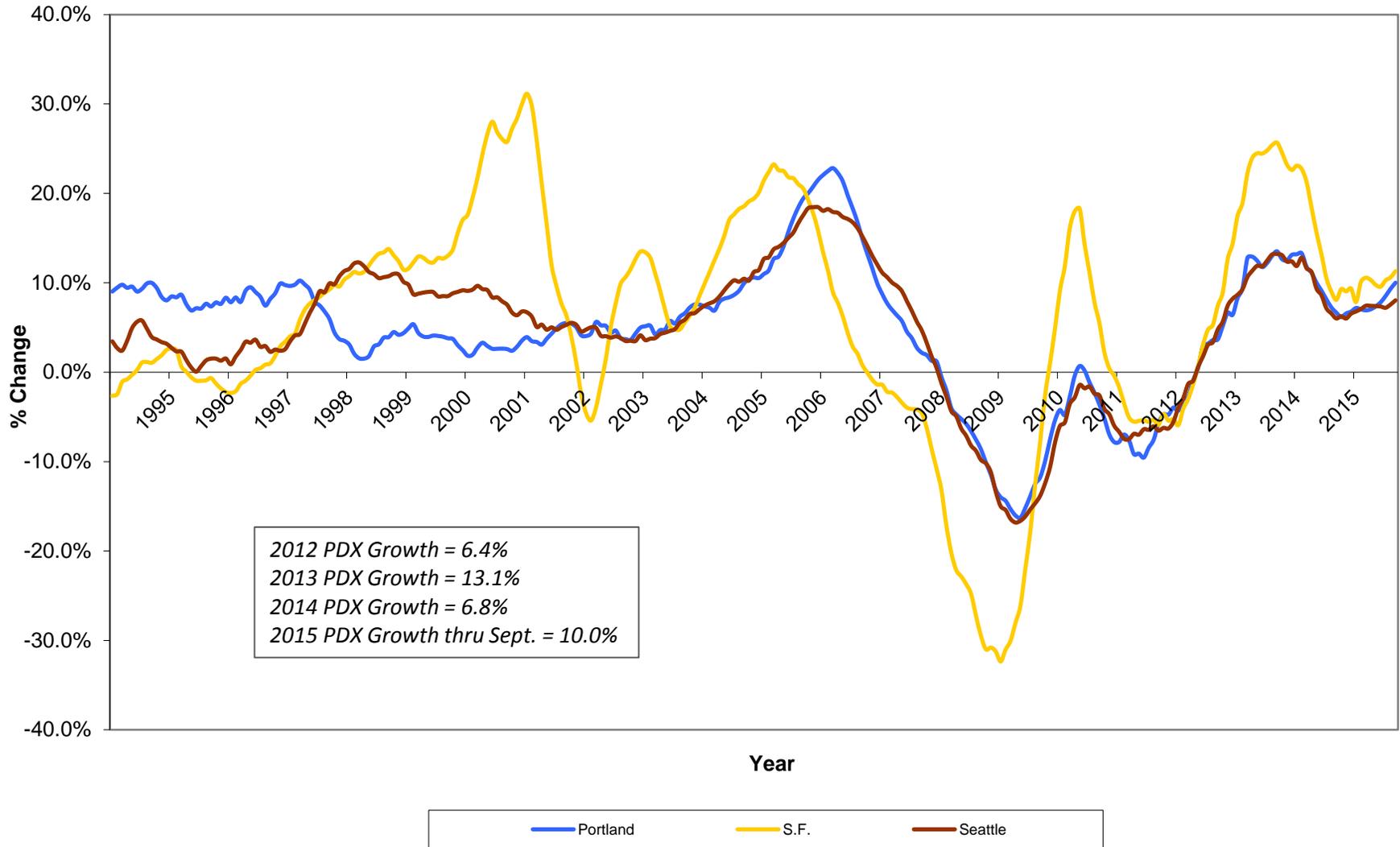
Yet, for perspective, roughly 6,500 'Accommodation and Food Service' jobs were added in Multnomah County during the same time period.

Source: Josh Lehner, Oregon Office of Economic Analysis blog posts – October 20 & November 24, 2015



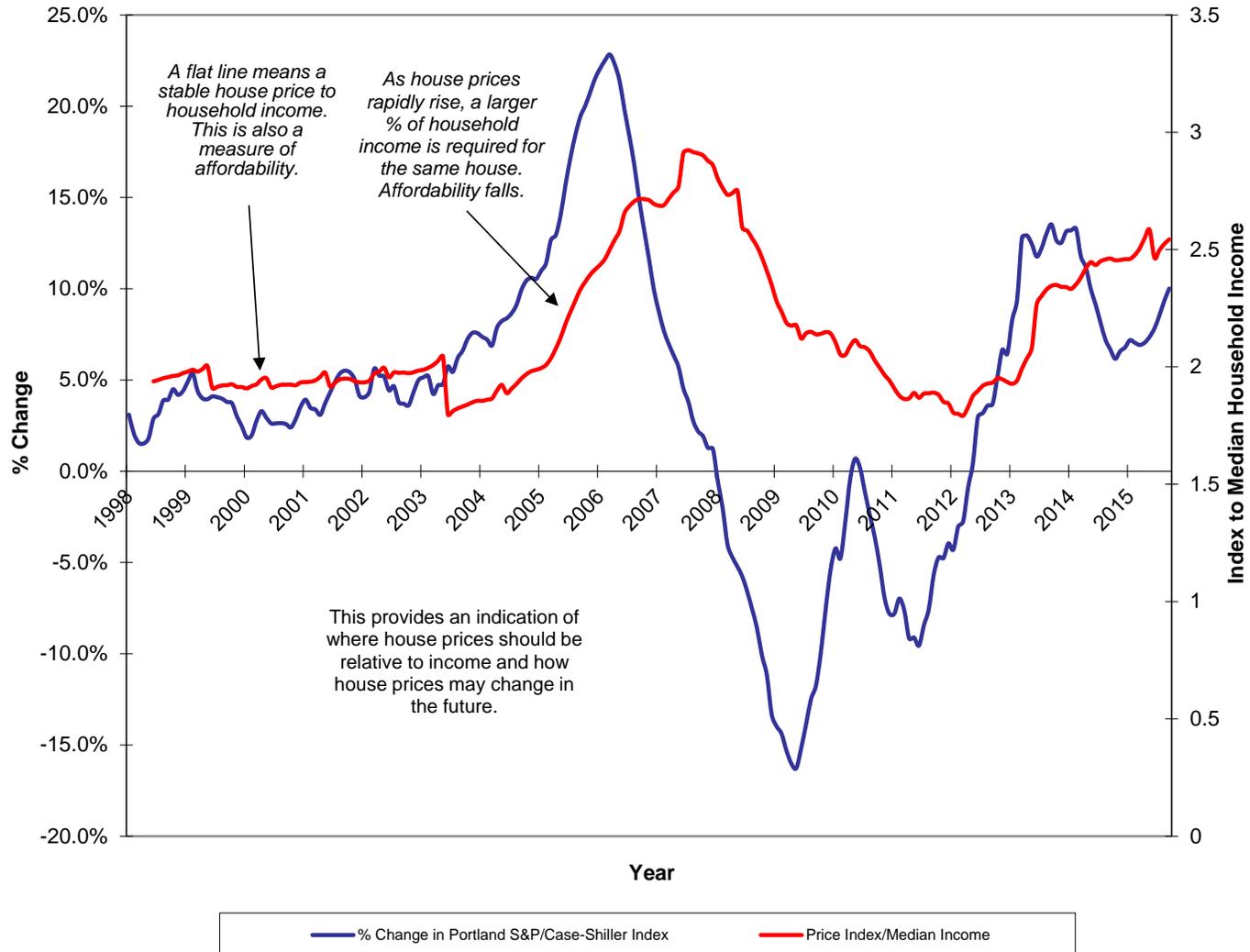
Economic Overview

Monthly Year-Over-Year % Change
Based on S&P/Case-Shiller Home Price Index Thru September 2015

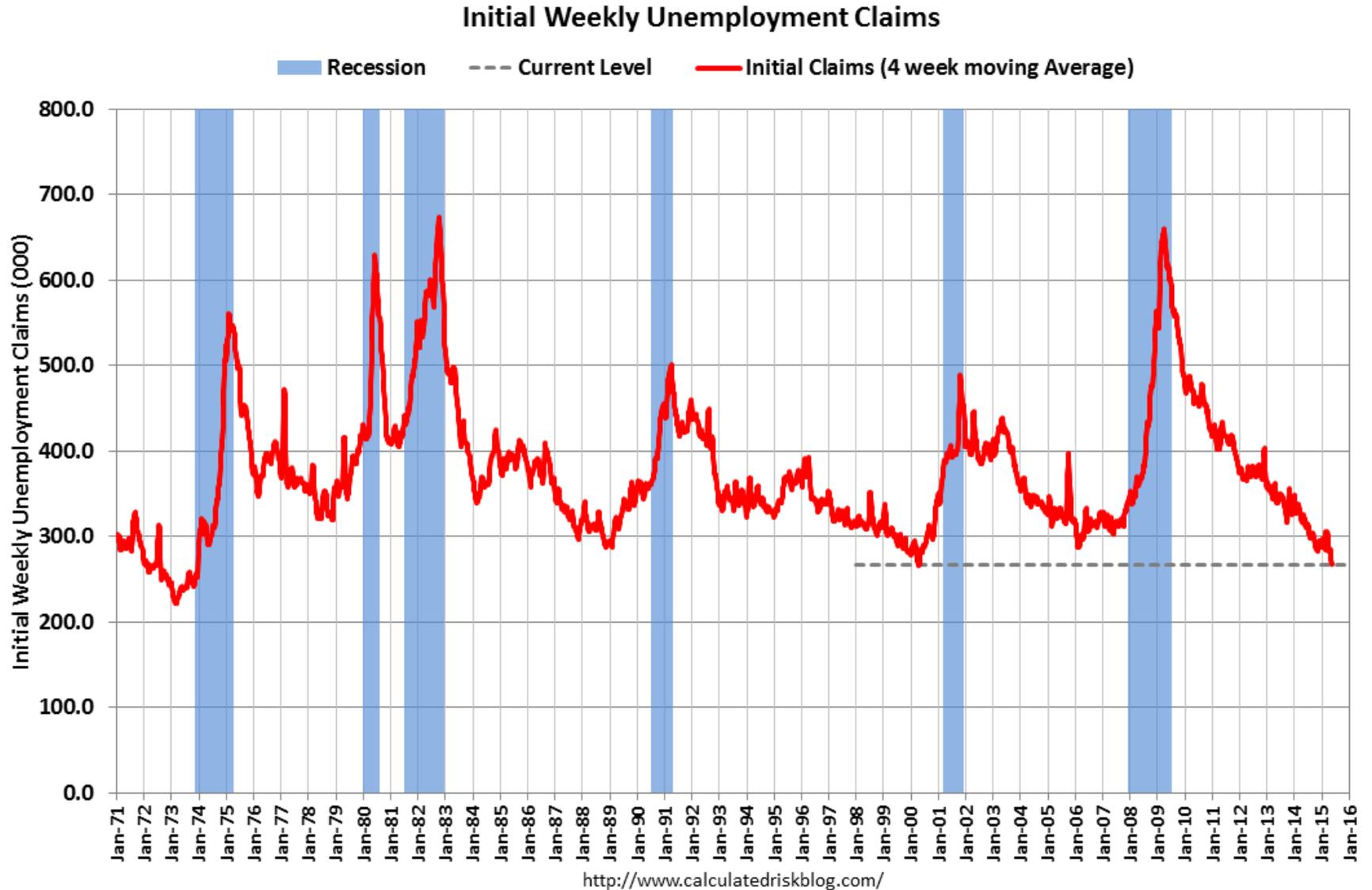


Economic Overview

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



Economic Overview



FY 2016 Revenue Review

FY 2016 Revenue Review

	Adopted ¹	October Forecast Change	March Forecast Change	May Forecast Change	Net Change From Adopted	Note
Property Taxes	263,742,607	3,440,942			3,440,942	Compression 4.52% vs. budgeted 5.50%; AV growth 4.13% vs. budgeted 3.90%.
Business Income Taxes	74,460,000	0			0	
Motor Vehicle Rental Taxes	26,240,000	770,626			770,626	Strong PDX traffic growth; lower oil/airfare prices
US Marshal/BM 73/BOP	4,056,397	(469,469)			(469,469)	Reduced from 80 beds to 70 beds
State Shared						
Video Lottery	4,895,916	0			0	
Liquor	4,045,064	0			0	
Cigarette	673,587	0			0	
Amusement	171,000	0			0	
Recording Fees/CAFFA Grant	7,236,250	600,000			600,000	Strong volumes (SE PDX up 19.2%; Gresham/Trousdale up 34.4%)
Indirect						
Departmental	18,434,750	0			0	
Central Indirect/Svc Reimburse	14,579,194	0			0	
All Other	24,548,902	0			0	
FY 16 Revenue Adjustments ²	443,083,667	4,342,099	0	0	4,342,099	
% of Revenue		0.98%	0.00%	0.00%	0.98%	

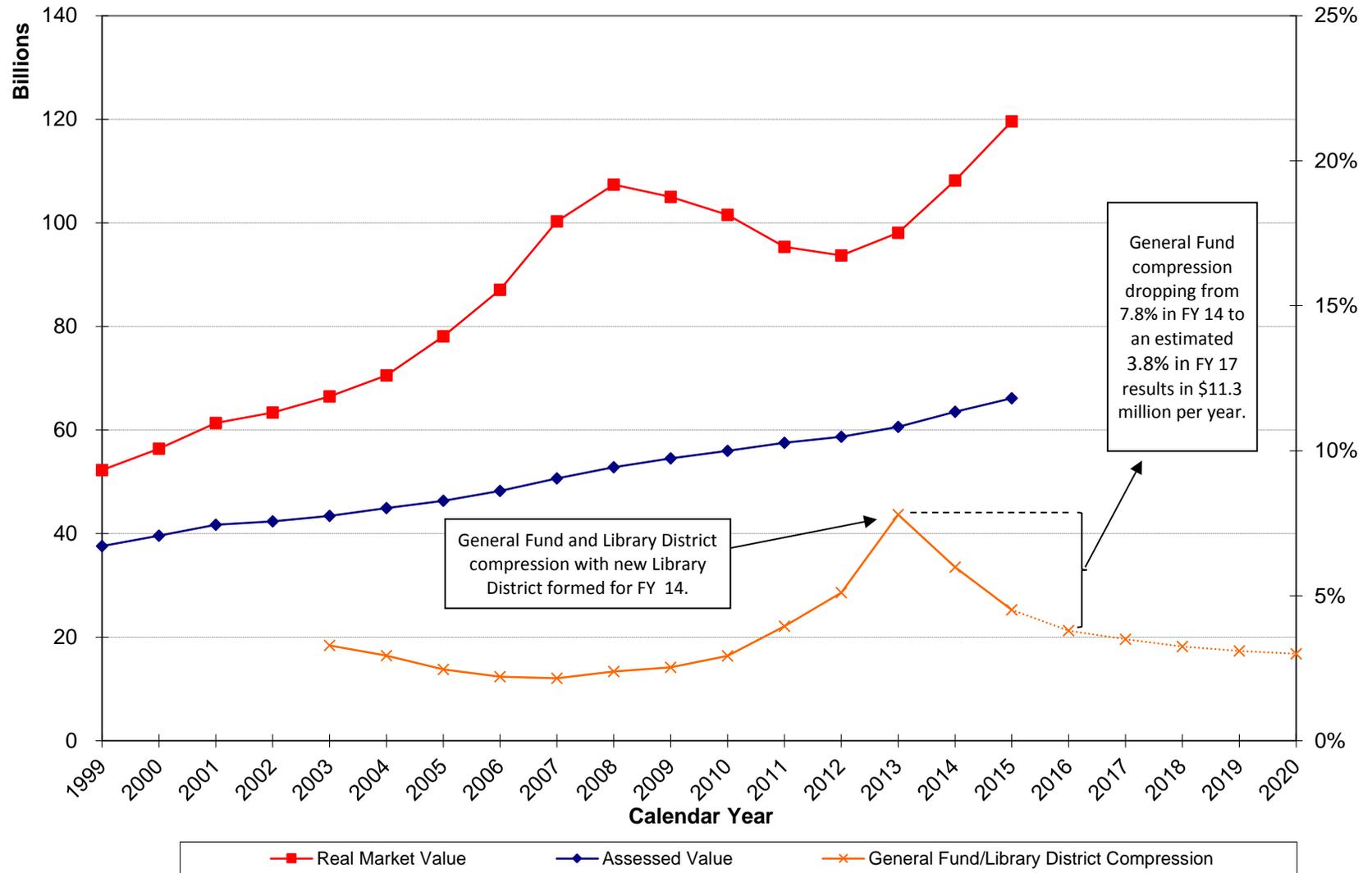
1. Excludes BWC, FQHC wraparound revenues, and prospective health payments, but includes Video Lottery.

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

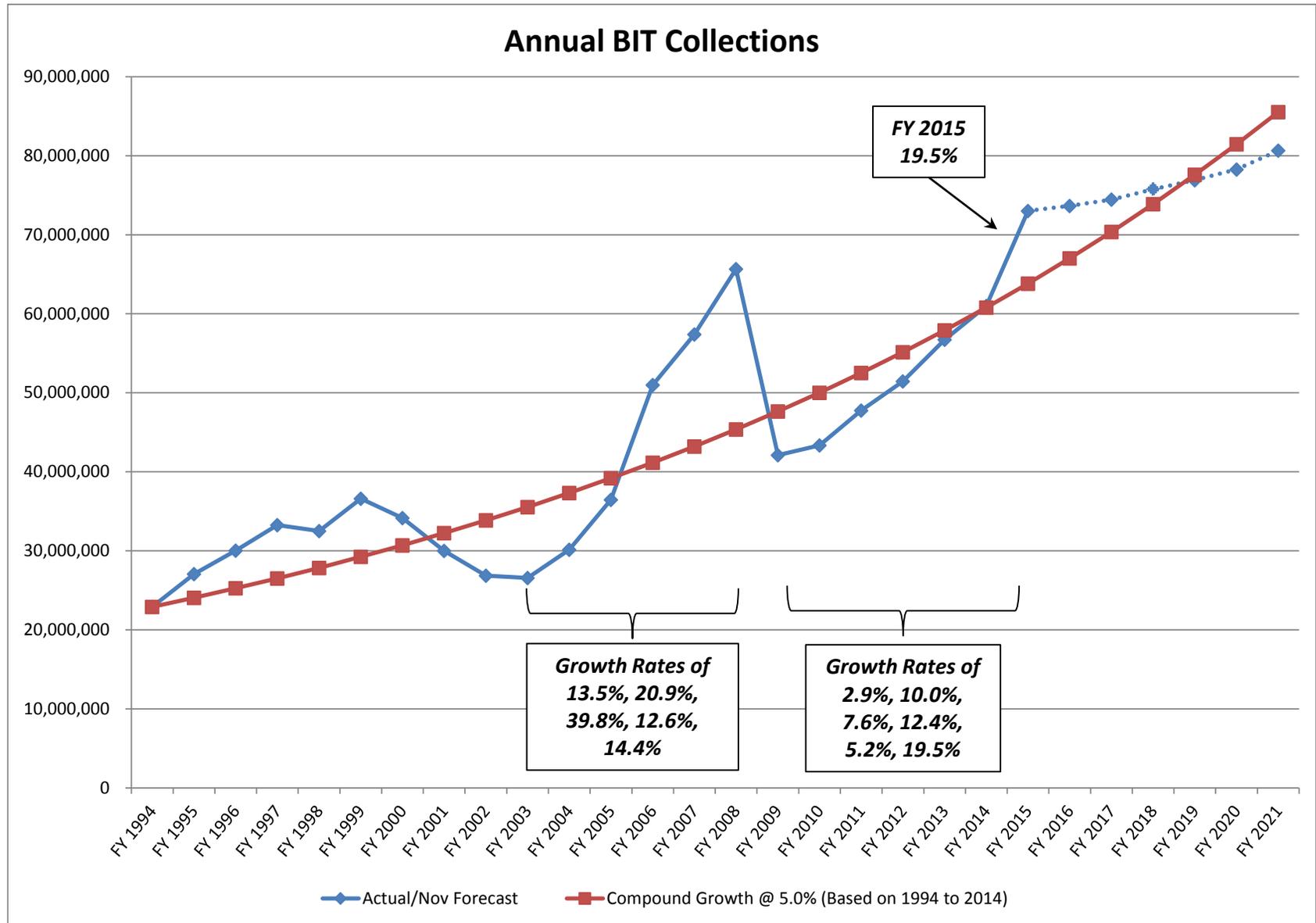


FY 2016 Revenue Review

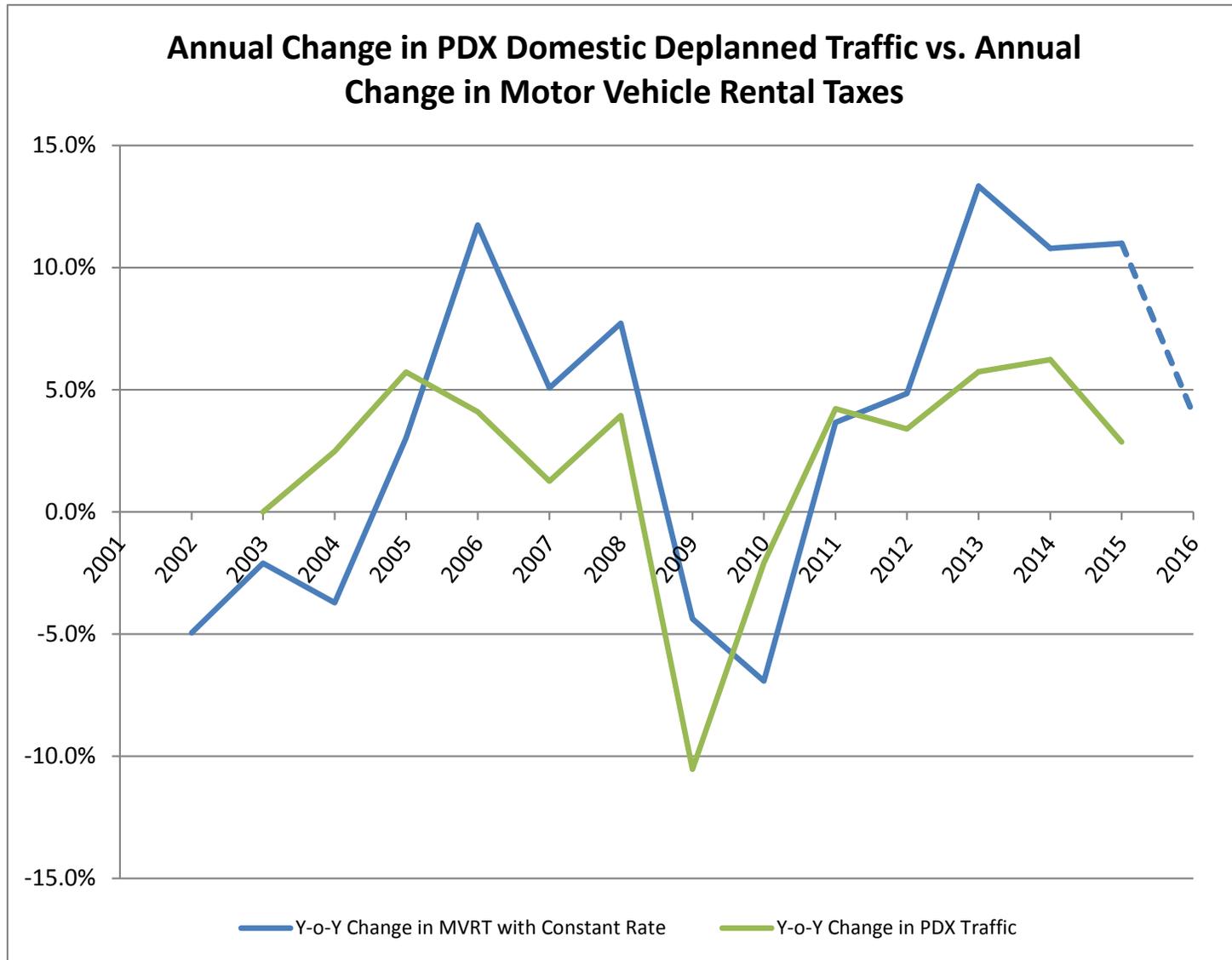
Multnomah County Assessed Value, Real Market Value, and Compression



FY 2016 Revenue Review

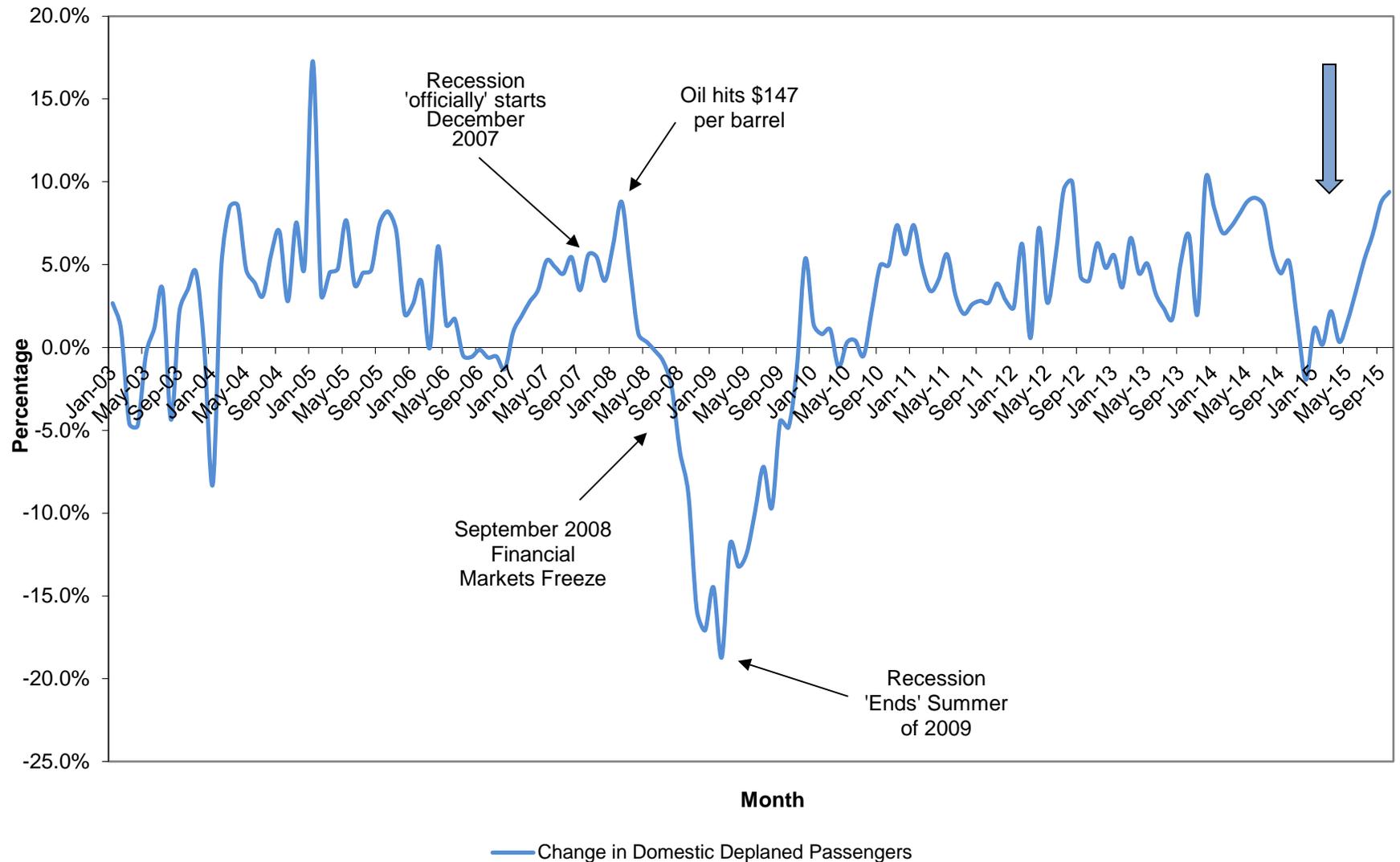


FY 2016 Revenue Review



FY 2016 Revenue Review

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



5-Year General Fund 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 a slower rate than in 2015.
- Significant changes – Increased Property Taxes, Lower CPI (COLA), Refined PERS #s
- Revenues greater than expenditures in short-term, but expenditures for current programs grow faster than revenues
- No ability to support new or enhanced programs over the next 5-years

Forecasted Ongoing General Fund Expenditures, Revenues, and Balance

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Revenues	460,699,302	474,854,155	489,599,755	504,205,865	520,106,853
Expenditures	444,284,146	462,815,395	481,594,755	503,056,156	524,203,917
Surplus/(Deficit)	16,415,156	12,038,760	8,005,000	1,149,709	(4,097,064)
<i>Change in Surplus from Prior Year</i>		<i>(4,376,396)</i>	<i>(4,033,760)</i>	<i>(6,855,291)</i>	<i>(5,246,773)</i>
<i>Surplus/(Deficit) is this % of Expenditures</i>	3.69%	2.60%	1.66%	0.23%	-0.78%

Note: Revenues/Expenditures include video lottery, but excludes reserves, FQHC wraparound and prospective health payments



5-Year General Fund Forecast

- Forecast does not assume any debt payments (or any increased/decreased operating costs) associated with construction of the Downtown Courthouse or new Health Department Headquarters.
- Table below reflects estimated debt payments based on current estimates, debt issuance in FY 2018, and repayments starting in FY 2019.
- Current programs and debt service can be supported through FY 2019.
- Covering the cost of current programs and the additional debt would require lower labor costs, additional revenues, or absence of a recession.

General Fund Ongoing Balance with Additional Estimated Debt Payments					
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Surplus/(Deficit)	16,415,156	12,038,760	8,005,000	1,149,709	(4,097,064)
Courthouse Debt			(4,812,346)	(4,812,346)	(4,812,346)
Health HQ Debt			(2,761,370)	(2,761,370)	(2,761,370)
Surplus/(Deficit)	16,415,156	12,038,760	431,284	(6,424,007)	(11,670,780)

Note: Reflects current estimated borrowing requirements and funds borrowed with a 30-year term @ 4%.



5-Year General Fund Forecast

Major General Fund Revenue Sources ¹

	Adopted FY 2016	Forecast FY 2016 ²	Forecast FY 2017	Forecast FY 2018	Forecast FY 2019	Forecast FY 2020	Forecast FY 2021
Property Taxes	263,742,607	267,183,549	279,060,800	289,530,062	300,906,113	311,867,251	323,045,193
Business Income Taxes	74,460,000	74,460,000	75,244,125	76,560,897	77,709,897	79,069,224	81,441,300
Motor Vehicle Rental Taxes	26,240,000	27,010,626	27,685,892	28,239,609	28,804,402	29,340,490	29,968,100
US Marshal (& BM 37)	4,056,397	3,586,928	3,694,833	3,694,833	3,694,833	3,694,833	3,694,833
Recording Fees/CAFFA Grant	7,236,250	7,836,250	8,010,656	8,188,993	8,371,348	8,557,816	8,748,489
State Shared	9,785,567	9,785,567	10,017,382	10,339,667	10,675,913	11,026,721	11,392,723
Indirect & Service Reimbrs.	33,013,944	33,013,944	32,458,675	33,389,153	34,372,876	35,387,472	36,433,914
	418,534,765	422,876,864	436,172,363	449,943,214	464,535,382	478,943,807	494,724,552
% of Total Revenue	94.5%	94.5%	94.7%	94.8%	94.9%	95.0%	95.1%
All Other General Fund	24,548,902	24,548,902	24,526,939	24,910,941	25,064,373	25,262,058	25,382,301
Total	443,083,667	447,425,766	460,699,302	474,854,155	489,599,755	504,205,865	520,106,853
% Change in Ongoing Revenue		0.98%	2.97%	3.07%	3.11%	2.98%	3.15%
AV Growth	3.90%	4.13%	3.80%	3.60%	3.60%	3.50%	3.50%
Compression	5.50%	4.52%	3.80%	3.50%	3.25%	3.10%	3.00%
BIT Growth	2.0% ³	0.86% ⁴	1.75%	1.75%	1.50%	1.75%	3.00%

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 2015 actual collections.

4. Reflects growth from FY 2015 actual collections.



5-Year General Fund Forecast

Why Is There an Operating Surplus in the FY 2017 Forecast?

	Amount (Millions)
FY 2016 Surplus Treated as One-Time-Only to Balance	12.49
Net PERS Increase (<i>2% of payroll to start 'smoothing'</i>)	(3.36)
Lower COLA (Portland CPI @ 1.6%)	2.33
Property Tax (<i>Lower compression, higher AV, lower delinquency</i>)	5.34
Motor Vehicle Rental Tax	0.92
Other Revenues & Expenditures (<i>mostly USM and Indirect</i>)	<u>(1.30)</u>
Net FY 2017 Balance	16.42



Expenditure Assumptions

- Cost Drivers for FY 2017:

Inflation	1.60%	Second Half Portland CPI-W
Labor Costs (Change in rates)	4.97%	(Prior assumption was 4.11%; Pre-PERS ruling)
COLA	1.61%	Dependent on Unit & Contract Status
Step/Merit	1.85%	Dependent on Unit Demographics
Medical/Dental	6.00%	Was assumed to increase by 5%
PERS	2.00%	Was assumed to be 0%
Retiree Medical	0.00%	
Liability/Unemployment/Admin	0.02%	Tri-Met Increase
Materials and Services	1.60%	
Internal Services	3.73%	

- Cost Driver Notes (*for General Fund*)

- ✓ A 1% increase in base pay = \$2.6 million
- ✓ A 6% increase in medical/dental rates = \$2.2 million
- ✓ A 1% (of base pay) increase in PERS rates = \$1.9 million

- Reserve & Contingency Assumptions

- ✓ General Fund Contingency - \$1.25 million
- ✓ General Fund Reserve – 10% of ‘corporate’ revenues
- ✓ BIT Reserve – 10% of BIT Revenues (\$7.5 million)



Expenditure Assumptions - PERS

- December 31, 2014 Advisory Valuation – Change from December 31, 2013
- Sources of Increase in Unfunded Actuarial Liability (UAL) (*System-wide*)
 - ✓ *Moro* adjustments to projected benefits - \$5.1 billion
 - ✓ Reduced assumed earnings rate from 7.75% to 7.50% - \$1.7 billion
 - ✓ Update mortality assumptions - \$1.8 billion
 - ✓ Other assumption and experience changes - \$0.9 billion
 - ✓ Does NOT include any impact for current lower earnings in 2015
- Implications -
 - ✓ System Funded Status (excluding side accounts) drops from 86% to 76%
 - ✓ Uncollared Weighted System-Wide Increase 8.8% of payroll starting in our FY 2018
 - ✓ Collared Weighted System-Wide Increase 3.28% of payroll starting in our FY 2018

 - ✓ *Multnomah County's Net UAL increased from \$89.2 million to \$379.9 million*
- Planning for the Increase and Assumptions
 - ✓ A 2% of payroll increase in FY 2017 to begin 'smoothing' rate increases that begin in FY 2018
 - ✓ Steady increases of 0.50% to 1.25% through 5-year forecast, continuing into FY 2022

Sources: Milliman, November 2015 Advisory Valuation – Multnomah County & Milliman, September 25, 2015 PERS Board Meeting Presentation



Expenditure Assumptions

- Programs, Cash Transfers, and Earmarks funded on a one-time-only basis in FY 2016 Budget that are assumed to not continue in FY 2017:

One-Time-Only Programs

<u>Offer/Activity</u>	
10020B - RACC: Right Brain Initiative (OTO)	75,000
10029B - SummerWorks Expanded Internship Program (OTO)	250,000
10030A - A Home for Everyone Initiative (OTO)	255,440
10030B - A Home for Everyone: Program Evaluation (OTO)	50,000
25020B - Senior Hunger Initiative (OTO)	261,000
25026B - Public Guardian/Conservator Expansion (OTO)	95,558
25133B - HSVP Streetroots (OTO)	20,000
25138 - Runaway Youth Services (OTO)	25,000
25139C - Computers for Head Start Graduates (OTO)	20,000
25139E - Economic Opportunity Initiative (OTO)	175,000
25145E - SUN Community Schools Expansion - N. Gresham Elementary (OTO)	35,000
25145F - SUN Enhancement Pilot David Douglas (OTO)	94,000
25159B - School Attendance Support: Expand Services (OTO)	575,000
40012B - HIV Grant Backfill (OTO)	153,000
40024B - School Based Health Centers - Medical Van (OTO)	120,000
40038B - Violence Prevention Initiatives/STRYVE (OTO)	323,000
40038C - Training Community Health Workers for Immigrant and Refugee Community (OTO)	140,000
40047B - Fresh and Healthy Food Project (OTO)	65,000
40055B - Headstart Nursing Program (OTO)	79,000
40069C - Psychiatric Emergency Room (OTO)	3,000,000
40074B - Mental Health and Affordable Housing Units (OTO)	250,000



Expenditure Assumptions

One-Time-Only Programs (Continued)

Offer/Activity

50011 - Recovery System of Care - Rosewood Safety Initiative (OTO)	65,000
50065C - Community Healing Initiative - Mentoring (OTO)	220,000
60090 - Suicide Prevention Projects - Vent Covers (OTO)	148,717
60059 - Troutdale Services - Car purchase (Carryover)	160,000
60059 - Troutdale Services - Facility Lease (Carryover)	228,000
72040 - Inclusive Start-Up Investment Project (OTO)	500,000
72017B - Job Rotation (OTO)	153,380
72025B - DART County Clerk Carryover	152,000
72040 - A Home for Everyone Capital Funding (OTO)	5,000,000
91007C - Animal Services Foster Rescue (OTO)	90,000
91008A - Elections (carryover)	500,000
91025 - Safe Routes to Schools (OTO)	150,000
91026 - Cully Neighborhood Park Development (OTO)	70,000
91027 - Land Use Comprehensive Plan Update (OTO)	597,181

Cash Transfers and Earmarks

Offer/Activity

95000 - To Downtown Courthouse Fund	28,120,000
95000 - To Asset Preservation Fund - Juvenile Justice Complex Lighting	810,000
95000 - To Asset Preservation Fund - Inverness Jail - Water Efficiency	1,496,627
95000 - To Capital Improvement Fund - Vent Cover Replacement	555,557
95000 - To Capital Improvement Fund - Hansen Building Relocation	500,000
95000 - To Capital Improvement Fund - Yeon - AG Fuel Tanks Installation	450,000



Expenditure Assumptions

Cash Transfers and Earmarks (Continued)

Offer/Activity

95000 - To Capital Improvement Fund - Yeon Annex - Reception and Lobby Redesign	165,000
95000 - To Information Technology Fund - CRIMES Replacement Study/Scoping	100,000
95000 - To Information Technology Fund - Network Convergence - Courthouse	706,000
95000 - To Information Technology Fund - Network Convergence - Justice Center	375,000
95000 - To Information Technology Fund - Network Convergence - Hansen Building	344,000
95000 - To Information Technology Fund - Cybersecurity	1,725,000
95000 - To Fleet Management Fund - Fleet Fuel Management	250,000
95000 - To Capital Debt Retirement Fund - Debt Payments	1,400,000
Earmark - Food Policy Position	125,000
Earmark - Levee Re-Certification	500,000



FY 2017 OTO Funds

General Fund FY 2016 Beginning Working Capital & FY 2017 OTO^{1, 2} Year-End as of October 9, 2015

FY 2016 Beginning Balance ³	95,229,694
FY 2016 Budgeted Beginning Balance	80,269,749
Additional FY 2016 BWC (OTO)	14,959,945
Less Amount to Maintain BIT Reserve @ 10%	(78,413)
Less Amount to Maintain Reserves @ Policy Level	(1,780,385)
Plus Video Lottery BWC (<i>above budget</i>)	372,424
Plus Higher FY 2016 Revenue (<i>in Fall Forecast</i>)	4,342,099
OTO Funds for FY 2017 per Oct/Dec Forecast	17,815,670
50% Dedicated to County Facility Projects per Board Policy	8,907,835
Remaining 50% to be Allocated	8,907,835

- \$1.4 million higher corporate revenue (*Property Tax, BIT, MVRT, US Marshal*)
- \$13.7 million departmental underspending

1. Assumes the FY 2016 General Fund Contingency is fully spent in FY 2016.
2. Assumes departments fully spend their FY 2016 appropriation.
3. Adjusted for additional restricted County Clerk BWC and Prospective Health Payments (\$3.7 million).



FY 2016 Contingency Update

FY 2016 General Fund Contingency Update

General Fund 'Regular' Contingency	1,250,000	
Additional Contingency	<u>303,693</u>	
	1,553,693	
Plus Indirect from grants & misc.	<u>20,467</u>	
Remaining Non-Earmarked Contingency	1,574,160	
Earmark - Food Policy Position	0	Earmark per Board Budget Note (Released 9/3/2015)
Earmark - Levee Re-Certification	0	Earmark per Board Budget Note (Released 8/20/2015)
BIT Reserve (in General Fund Contingency)	<u>7,446,000</u>	
Total General Fund Contingency	9,020,160	
<i>Unallocated Contingency for use in FY 2016 or could be rolled over to FY 2017</i>	1,574,160	<i>Reflects non-earmarked balance</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 2017.



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...
 - ✓ Climate Change, El Nino, and Homelessness/Housing
- A confluence of risks, uncertainties, and issues
 - ✓ PERS
 - ✓ Downtown Courthouse & other capital project funding
 - ✓ Recession – Revenue impact & PERS investment earnings
 - ✓ Health Care
 - Cost to County for Employees
 - Health Care Reform and revenues to County to provide services



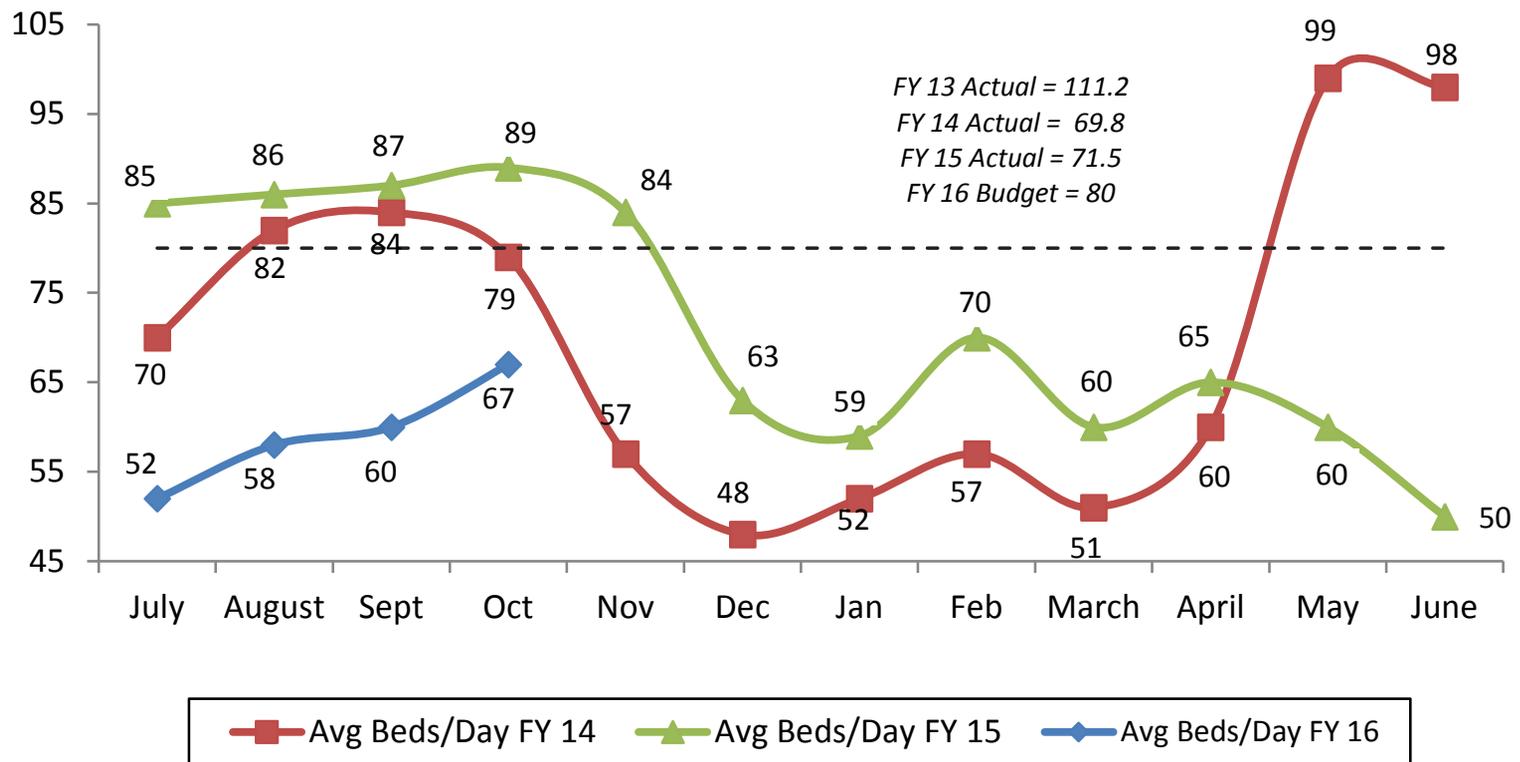
Summary

- FY 2016 General Fund revenue forecast increased \$4.3 million (1.0%)
- FY 2016 General Fund contingency balance of \$1.6 million (unallocated)
- FY 2017 projected General Fund resources exceed the cost of current services levels by \$16.4 million, but fall short by \$4.1 million in FY 2021
 - ✓ Shortfall larger when accounting for possible debt issuance supported by General Fund
- No new, ongoing programs can be supported over long-term absent additional revenues or reallocation of existing resources.
- FY 2017 General Fund one-time-only resources of \$17.8 million
 - ✓ \$8.9 million for facilities capital and \$8.9 to allocate
 - ✓ Another \$16.4 million of OTO available if FY 2017 surplus treated as OTO for a total of \$34.2 million
- Major risks, uncertainties, and issues include:
 - ✓ PERS
 - ✓ Timing of the next recession
 - ✓ Downtown Courthouse and other capital project funding



Appendix

USM Avg Beds/Day



Appendix

Monthly Recording Fees (Thru October)

