



FY 2017 General Fund 5-Year Forecast Update

*Presentation to the
Board of County Commissioners*

Multnomah County Budget Office
March 10, 2016
www.multco.us/budget

Overview

- **Economic Overview**
 - ✓ Economic Conditions
 - ✓ Manufacturing vs. Non-Manufacturing
 - ✓ Oregon & Multnomah County Employment Info
- **FY 2016 Revenue Review**
 - ✓ BIT
- **FY 2017 General Fund 5-Year Forecast**
 - ✓ FY 2017 Forecast & 5-Year Outlook
 - ✓ Significant Changes to Forecast
 - ✓ 5-Year Forecast with Debt Service for Courthouse & Health Headquarters
 - ✓ CPI-W and COLA
- **FY 2017 One-Time-Only Funds**
- **FY 2016 General Fund Contingency Update**
- **Forecast Risks & Issues**
- **Summary & Questions**



Economic Overview

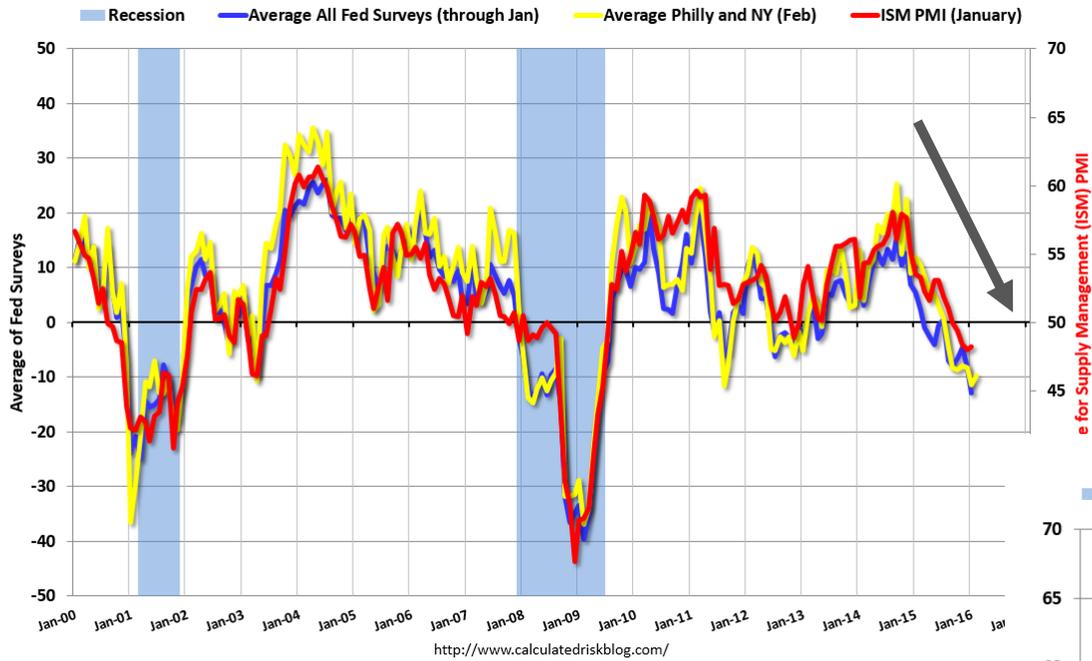
- More of the same...
- ‘Average’, if uneven, economic growth at national level
 - ✓ GDP growth of 0.6%, 3.9%, 2.0%, and 1.0% per quarter in 2015, or 2.4% for the full year.
 - ✓ At national level 172,000 in jobs added in January and 242,000 in February.
- U.S. growth impacted by:
 1. Slower growth in China and globally
 2. Oil price* collapse and falling commodity prices, which are stabilizing
 3. Strong dollar
 4. Weak manufacturing sector
- Low to Modest Inflation (*despite tightening labor market*)
- Employment Data Positive

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

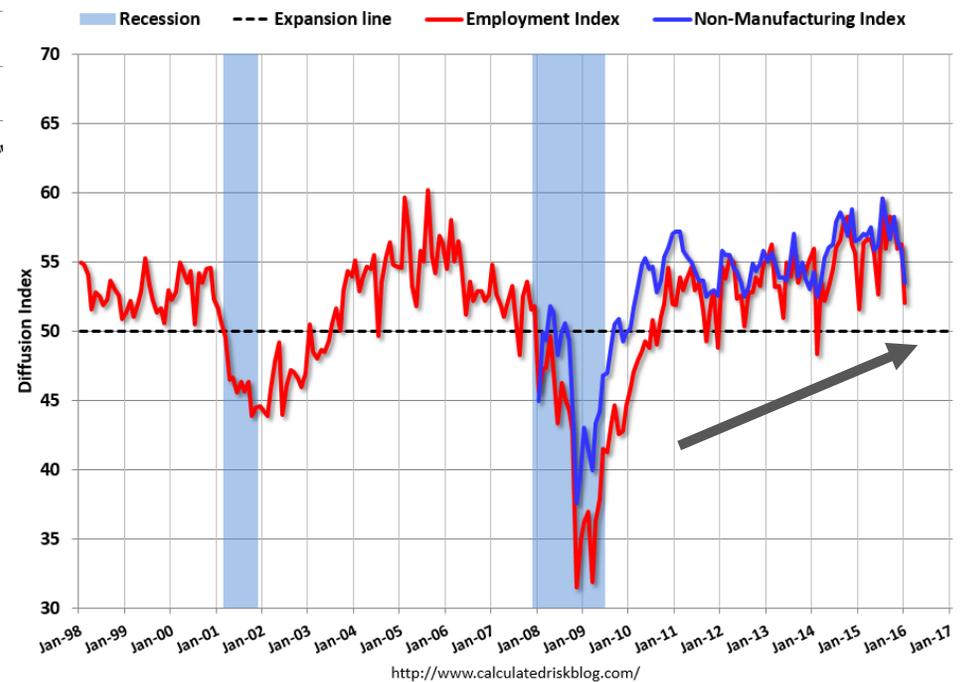


Economic Overview

ISM Purchasing Managers' Index (PMI) and Fed Manufacturing Surveys



ISM Non-Manufacturing and Employment Diffusion Indexes

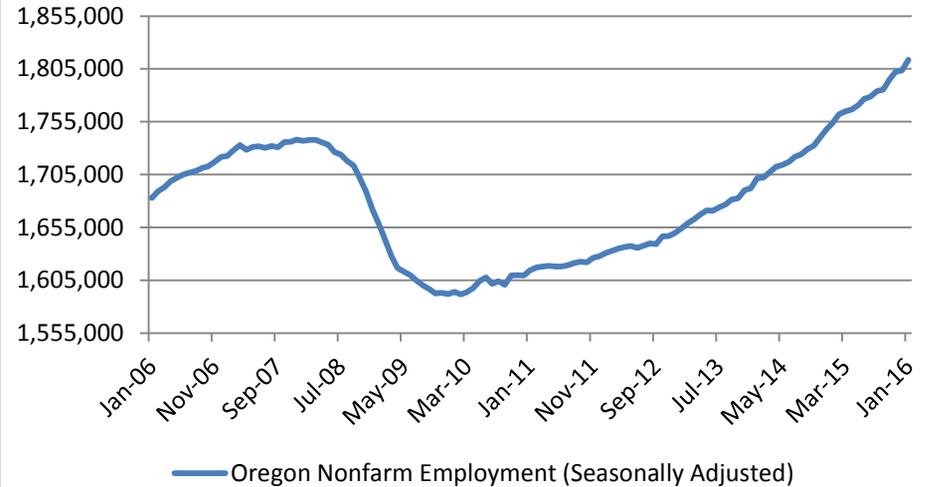


Economic Overview

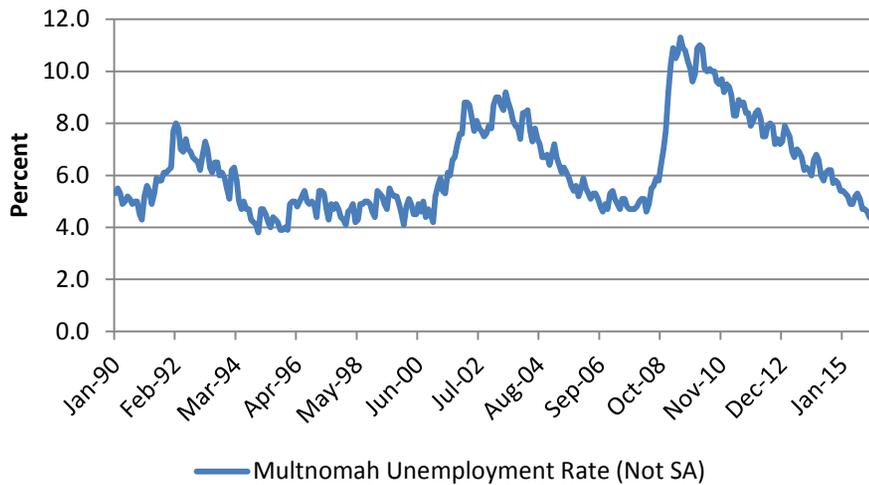
Oregon Unemployment Rate (SA)



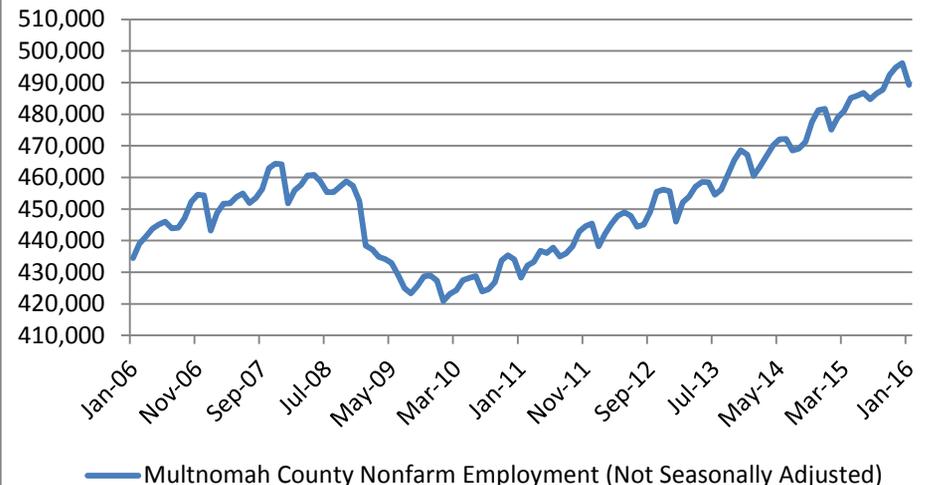
Oregon Nonfarm Employment (Seasonally Adjusted)



Multnomah Unemployment Rate (Not SA)



Multnomah County Nonfarm Employment (Not SA)



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	0		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	3,794,500		3,794,500	
Motor Vehicle Rental Taxes	26,240,000	770,626	519,435		1,290,061	Strong PDX traffic growth; lower oil/airfare prices
US Marshal/BM 73/BOP	4,056,397	(469,469)	0		(469,469)	Reduced from 80 beds to 70 beds
State Shared						
Video Lottery	4,895,916	0	304,084		304,084	
Liquor	4,045,064	0	0		0	
Cigarette	673,587	0	0		0	
Amusement	171,000	0	0		0	
Recording Fees/CAFFA Grant	7,236,250	600,000	0		600,000	Strong volumes
Indirect						
Departmental	18,434,750	0	0		0	
Central Indirect/Svc Reimburse	14,579,194	0	0		0	
All Other	24,548,902	0	0		0	
FY 16 Revenue Adjustments ²	443,083,667	4,342,099	4,618,019	0	8,960,118	
% of Revenue		0.98%	1.04%	0.00%	2.02%	

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.



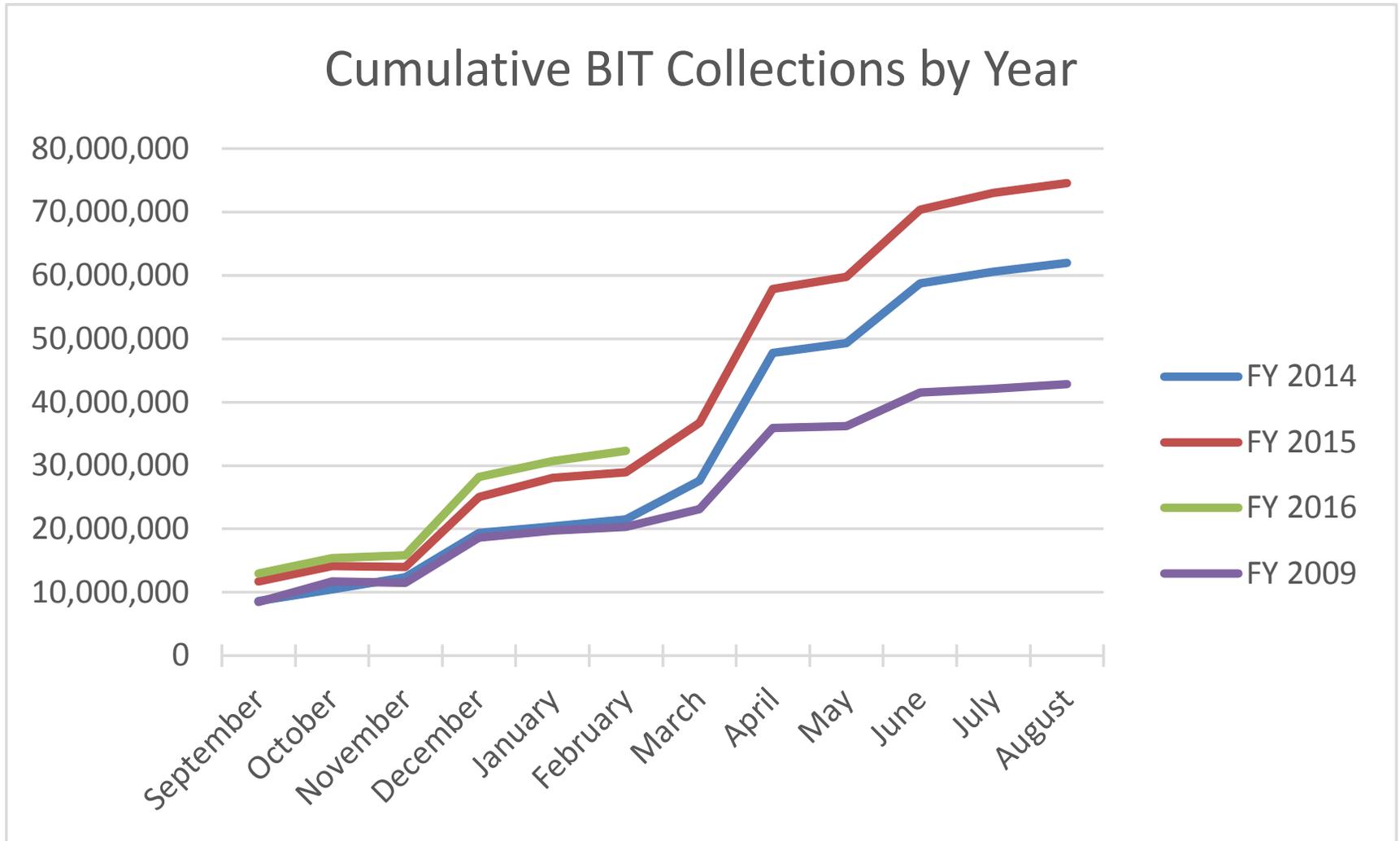
FY 2016 Revenue Review

BIT Collections Fiscal Year-to-Date Through February

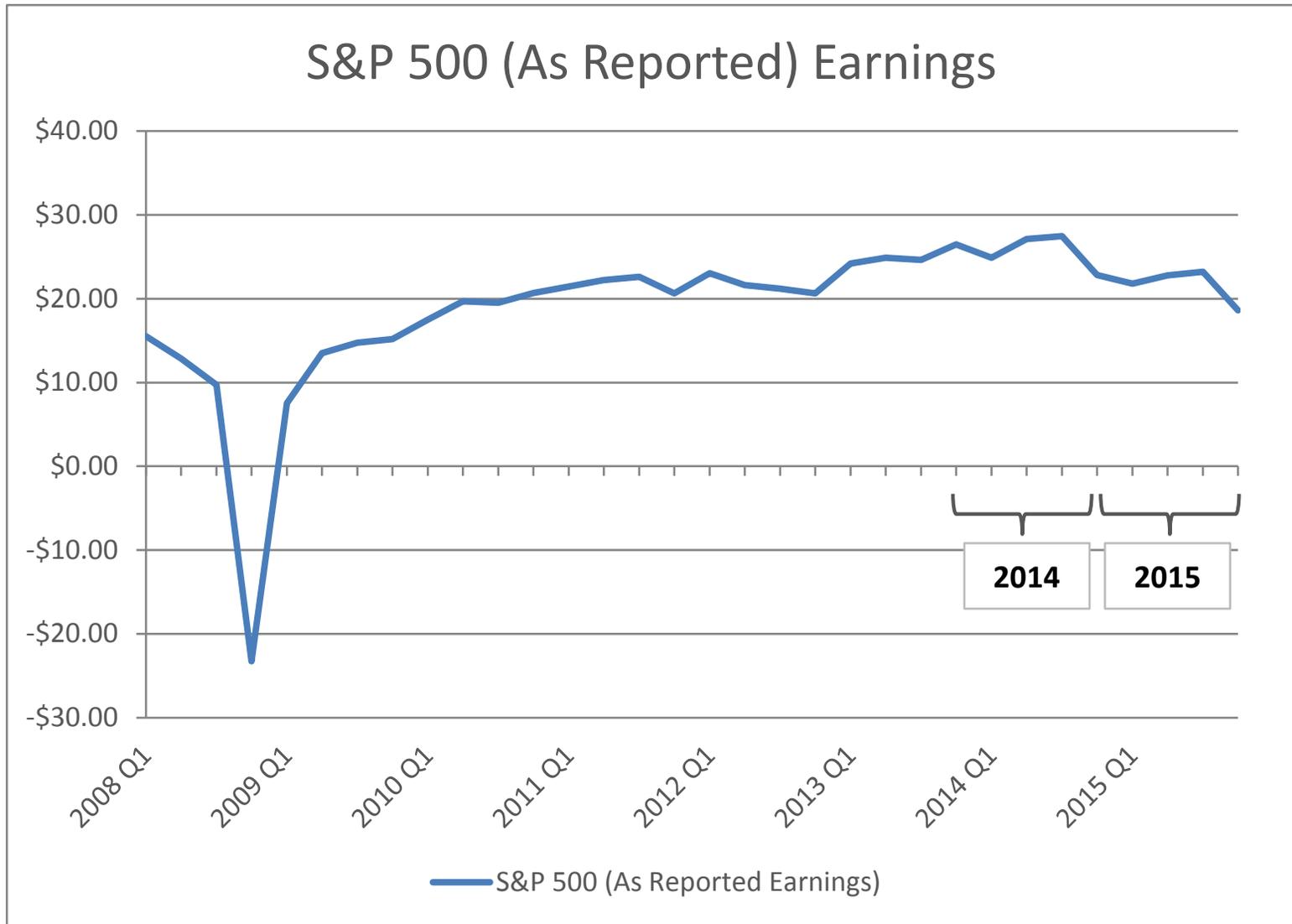
	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16	FY 16 vs. FY 08	FY 16 vs. FY 15
Quarterly	21,132,270	19,605,610	16,002,035	16,824,843	17,703,368	19,260,347	19,371,834	26,118,461	27,776,338	31.4%	6.3%
Yearly	6,676,064	5,687,830	7,403,558	5,236,959	5,246,967	5,247,925	5,160,759	5,985,777	7,821,015	17.2%	30.7%
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	3,102,498	8.2%	-0.4%
NSF Check	38,322	40,900	80,084	106,150	22,913	139,589	22,777	54,691	169,597	342.6%	210.1%
Total	24,901,493	20,320,792	17,899,714	19,423,295	20,778,329	21,585,517	21,497,362	28,933,419	32,325,258	29.8%	11.7%
<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>73,825,000</i>	<i>74,460,000</i> <i>78,254,500 March Forecast</i>		



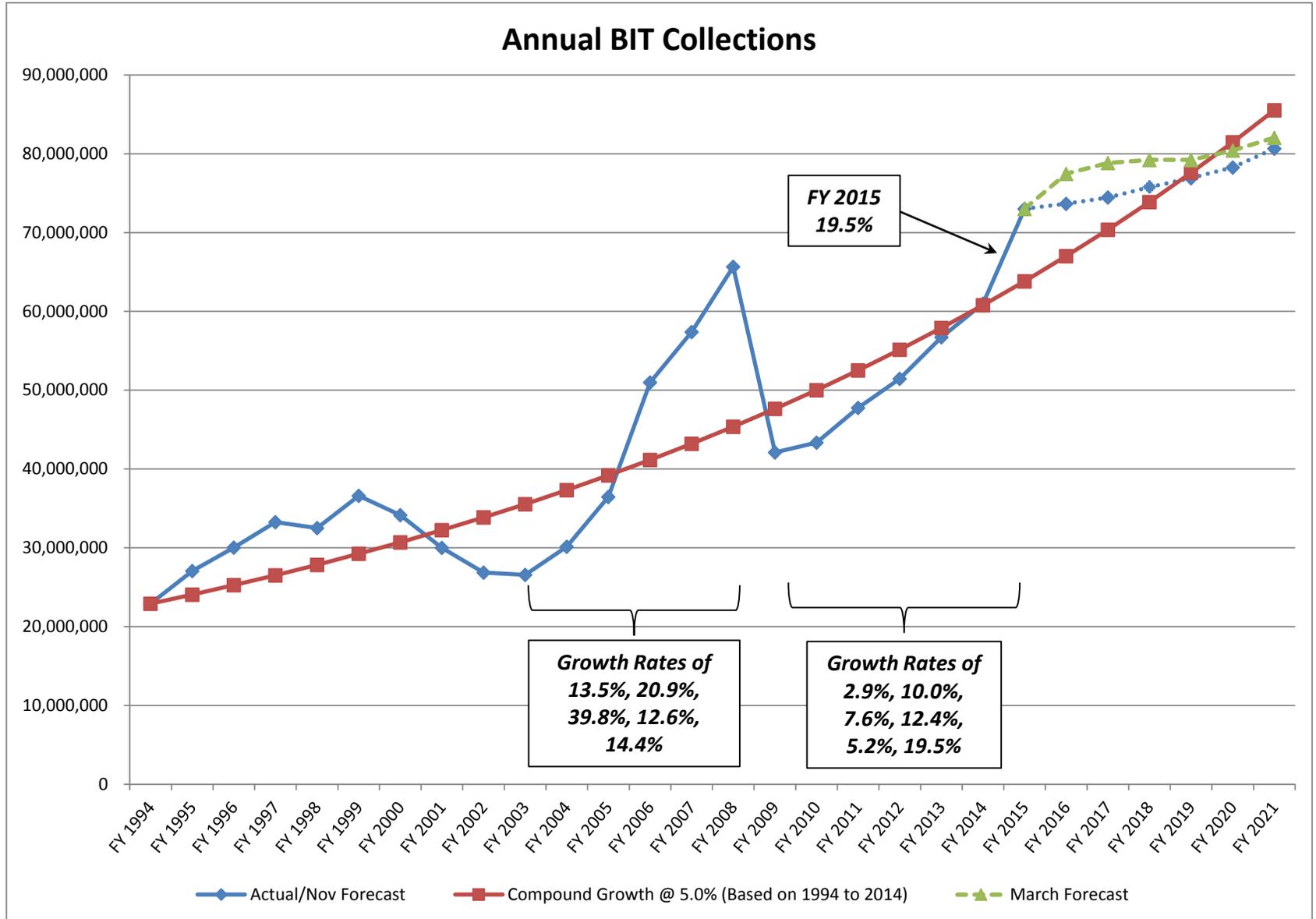
FY 2016 Revenue Review



FY 2016 Revenue Review



FY 2016 Revenue Review



5-Year General Fund Forecast

- Forecast continues to assume 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 – Business Income Tax revenue & Courthouse Assumptions
- Same Story as in December – 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

Table 1: Forecasted Ongoing General Fund Expenditures, Revenues, and Balance

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Revenues	466,025,738	479,282,942	492,901,602	507,370,088	522,545,899
Expenditures	444,722,129	463,161,513	481,826,602	503,271,474	524,344,472
Surplus/(Deficit)	21,303,609	16,121,429	11,075,000	4,098,614	(1,798,573)
<i>Change in Surplus from Prior Year</i>		<i>(5,182,180)</i>	<i>(5,046,429)</i>	<i>(6,976,386)</i>	<i>(5,897,187)</i>
<i>Surplus/(Deficit) is this % of Expenditures</i>	4.79%	3.48%	2.30%	0.81%	-0.34%

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



5-Year General Fund Forecast

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

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Rev/Exp Gap - November 2015 Forecast	16,415,156	12,038,760	8,005,000	1,149,709	(4,097,064)
Changes to Revenues - March Forecast					
BIT	4,379,829	3,461,176	2,312,763	2,153,181	1,405,552
Motor Vehicle Rental Tax	532,421	543,070	553,930	565,009	576,310
Video Lottery	414,186	424,541	435,154	446,033	457,184
Total Revenue Change	5,326,436	4,428,787	3,301,847	3,164,223	2,439,046
Less BIT Transfer to East County Cities	(437,983)	(346,118)	(231,276)	(215,318)	(140,555)
CPI Adjustment	n/a	n/a	n/a	n/a	n/a
Net Revenue/Expenditure Change	4,888,453	4,082,669	3,070,571	2,948,905	2,298,491
Rev/Exp Gap - March 2016 Forecast	21,303,609	16,121,429	11,075,571	4,098,614	(1,798,573)
Less Additional Debt Payments ¹					
Courthouse Debt		(7,676,838)	(7,676,838)	(7,676,838)	(7,676,838)
Health HQ Debt		(2,761,370)	(2,761,370)	(2,761,370)	(2,761,370)
Net Additional Debt Payments		(10,438,208)	(10,438,208)	(10,438,208)	(10,438,208)
Rev/Exp Gap - March 2016 Forecast w Debt	21,303,609	5,683,221	637,363	(6,339,594)	(12,236,781)

1. Debt issuance moved up one year; increased Courthouse cost from \$250 to \$300 million.



5-Year General Fund Forecast

- Base 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 2017, and repayments starting in FY 2018.
- 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.

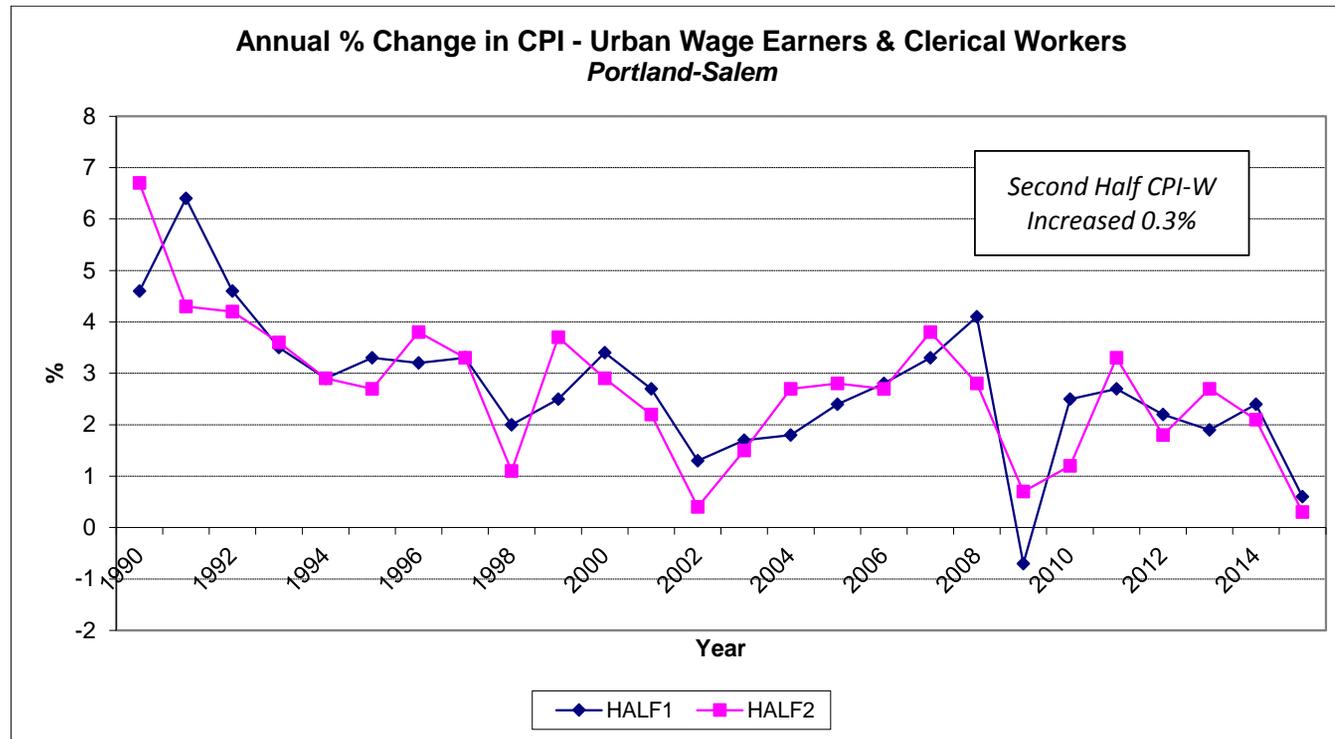
Table 2: General Fund Ongoing Balance with Additional Estimated Debt Payments

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Surplus/(Deficit) (from Table 1)	21,303,609	16,121,429	11,075,000	4,098,614	(1,798,573)
Courthouse Debt		(7,676,838)	(7,676,838)	(7,676,838)	(7,676,838)
Health HQ Debt		(2,761,370)	(2,761,370)	(2,761,370)	(2,761,370)
Surplus/(Deficit)	21,303,609	5,683,221	636,792	(6,339,594)	(12,236,781)

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



5-Year General Fund Forecast



- 2015 Second-Half Portland CPI-W rose 0.3% vs assumed growth of 1.6%
- Cost of Living Adjustments (COLAs) for FY 2017 tied to this index
- All but one labor contract has COLA floor of 1%
- Lower than assumed COLA saves \$1.4 million in the General Fund and \$1.6 million in Other Funds
- Assuming savings used to cover wage/market adjustments currently under negotiation per labor contracts and higher PERS costs.



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	78,254,500	79,623,954	80,022,073	80,022,660	81,222,405	82,846,852
Motor Vehicle Rental Taxes	26,240,000	27,530,061	28,218,313	28,782,679	29,358,332	29,905,499	30,544,410
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	10,089,651	10,431,568	10,764,208	11,111,067	11,472,754	11,849,907
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	427,494,883	441,498,799	454,372,001	467,837,229	482,108,030	497,163,598
% of Total Revenue	94.5%	94.6%	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	452,043,785	466,025,738	479,282,942	492,901,602	507,370,088	522,545,899
% Change in Ongoing Revenue		2.02%	3.09%	2.84%	2.84%	2.94%	2.99%
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	6.00% ⁴	1.75%	0.50%	0.00%	1.50%	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 2015 actual collections.

4. Reflects growth from FY 2015 actual collections.



FY 2017 OTO Funds

General Fund FY 2016 Beginning Working Capital & FY 2017 OTO ^{1,2}

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
Plus Higher FY 2016 Revenue (<i>in March Forecast</i>)	4,618,019
Transient Lodging Tax Settlement	1,782,345
Less BIT Transfer to East County Cities	(379,450)
OTO Funds for FY 2017 as March Forecast	23,836,584
<i>50% Dedicated to County Facility Projects per Board Policy</i>	11,918,292
<i>Remaining 50% to be Allocated</i>	11,918,292
Not Included Above:	
MERS Settlement	6,121,642
Tax Title for Housing	2,500,000

- \$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>103,483</u>	
Remaining Non-Earmarked Contingency	1,657,176	
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	9,103,176	

***Unallocated Contingency for use in FY 2016
or could be rolled over to FY 2017***

1,657,176

Reflects non-earmarked balance

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, Ukraine/Russia, North Korea
- Plus the ‘new’ ones...
 - ✓ Climate Change 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 \$4.6 million (1.0%)
- FY 2016 General Fund contingency balance of \$1.7 million (unallocated)
- FY 2017 projected General Fund resources exceed the cost of current services levels by \$21.3 million, but fall short by \$1.8 million in FY 2021
 - ✓ Shortfall larger (\$12.2 million in FY 2021) 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 \$23.8 million
 - ✓ \$11.9 million for facilities capital and \$11.9 to allocate
 - ✓ Another \$21.3 million of OTO available if FY 2017 surplus treated as OTO for a total of **\$45.1 million**

