



FY 2018 General Fund 5-Year Forecast

*Presentation to the
Board of County Commissioners*

Multnomah County Budget Office
November 22, 2016
www.multco.us/budget

Overview

- **Economic Overview**
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 - ✓ Oregon & Multnomah County Employment Info
 - ✓ Local Housing Market
- **FY 2017 Revenue Review**
 - ✓ Property Tax
 - ✓ BIT
 - ✓ Motor Vehicle Rental Tax
- **FY 2018 General Fund 5-Year Forecast**
 - ✓ FY 2018 Forecast & 5-Year Outlook
 - ✓ Significant Changes
 - ✓ Expenditure Assumptions – Cost Drivers, PERS, Etc.,
- **FY 2018 One-Time-Only Funds**
- **FY 2017 General Fund Contingency Update**
- **Forecast Risks & Issues**
- **Summary & Questions**

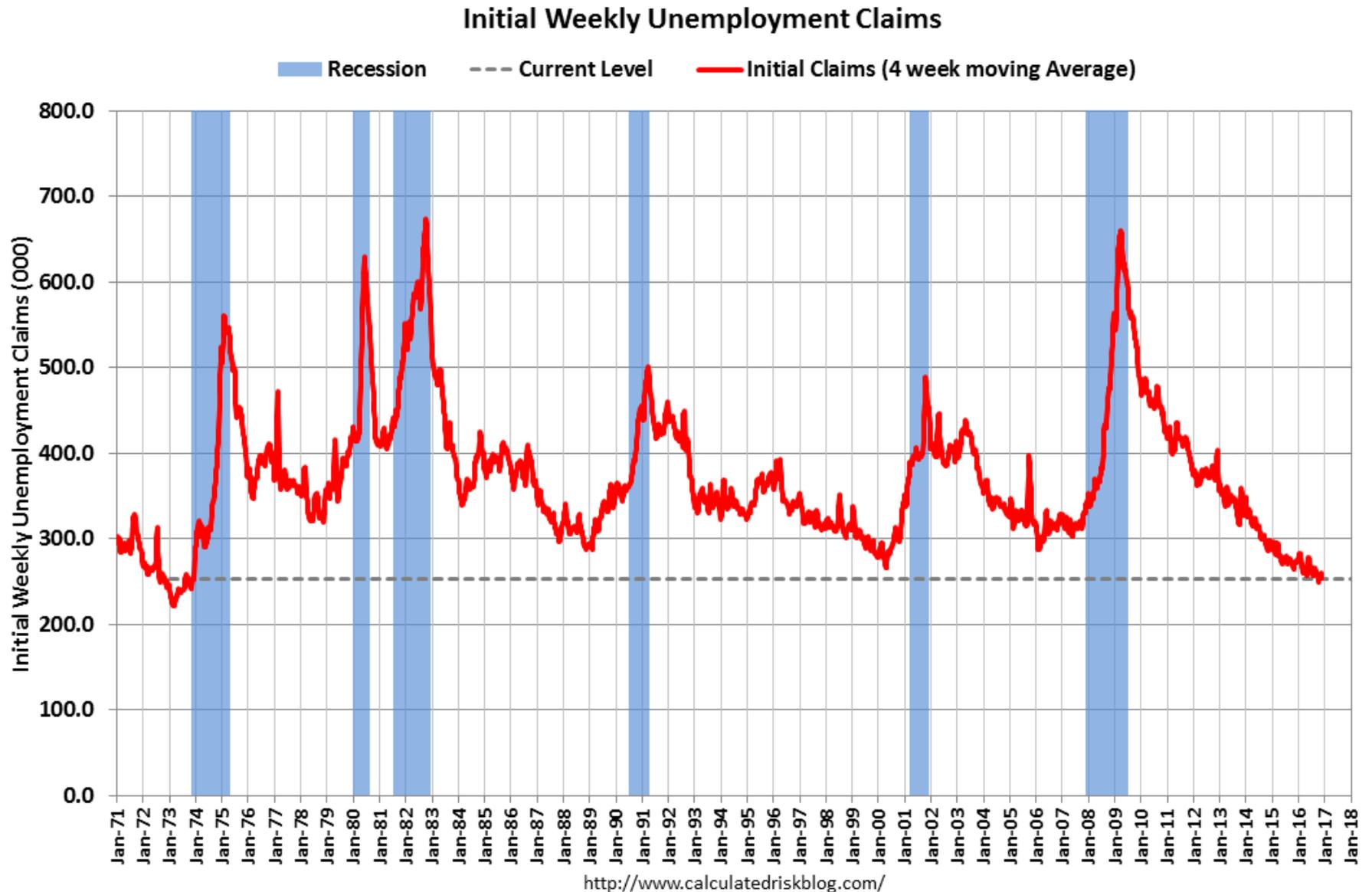


Economic Overview

- U.S. growth has been modest, but sustained, and has improved during the year
 - GDP growth of 0.8%, 1.4%, and 2.9% in the first 3 quarters
- Employment data positive but little room for additional growth
 - ✓ Oregon at or near full employment
 - ✓ Increased wage growth
- Stabilization of energy prices and continued strong dollar
- Uncertainty related to new Presidential administration & Congress
 - ✓ Possible economic boost in the short-term if fiscal stimulus package is passed.
 - ✓ Medium term risks include:
 - Changes to Trade Policies
 - Immigration Policy Changes
 - Higher Interest Rates and a Stronger Dollar
 - Regulatory Changes



Economic Overview



Economic Overview

Oregon Unemployment Rate (SA)



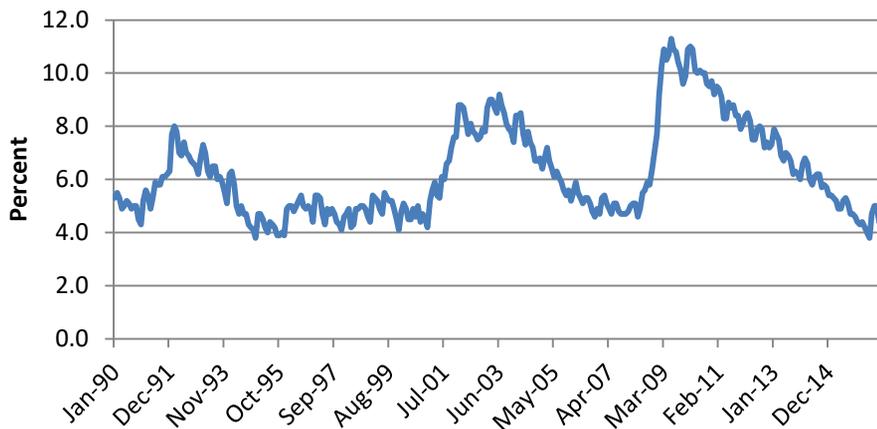
— Oregon Unemployment Rate (SA) — Oregon Unemployment Rate (SA)

Oregon Nonfarm Employment (Seasonally Adjusted)



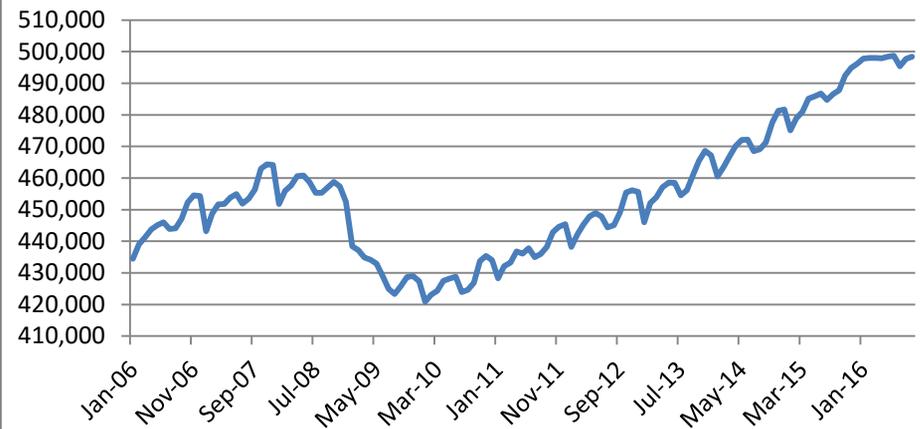
— Oregon Nonfarm Employment (Seasonally Adjusted)

Multnomah Unemployment Rate (Not SA)



— Multnomah Unemployment Rate (Not SA)

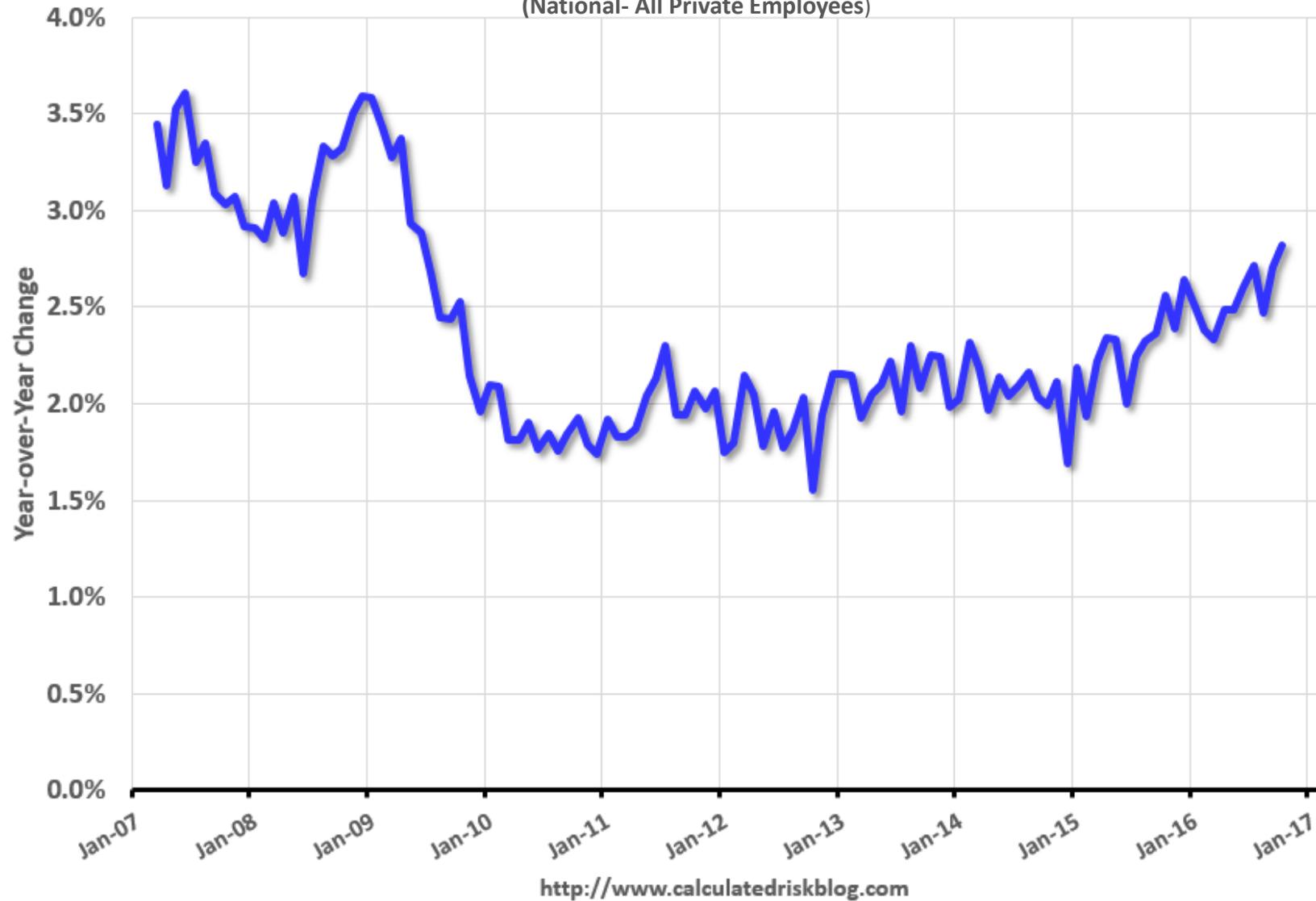
Multnomah County Nonfarm Employment (Not SA)



— Multnomah County Nonfarm Employment (Not Seasonally Adjusted)

Economic Overview

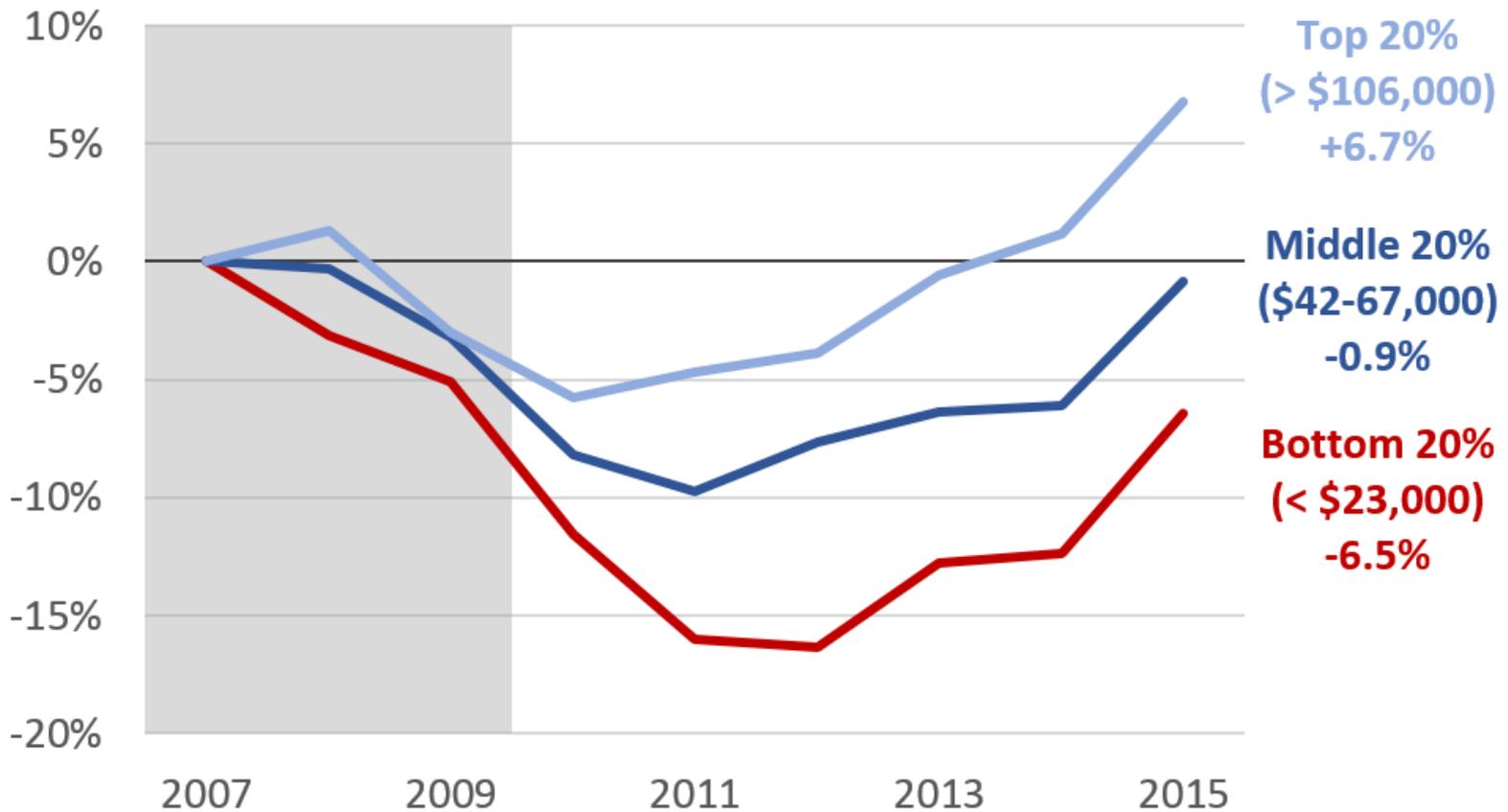
Average Hourly Earning of all Employees, Year-over-year Change
(National- All Private Employees)



Economic Overview

Oregon Household Incomes Rising

Inflation-Adjusted Change in Average Household Income
by Select Quintiles Since 2007

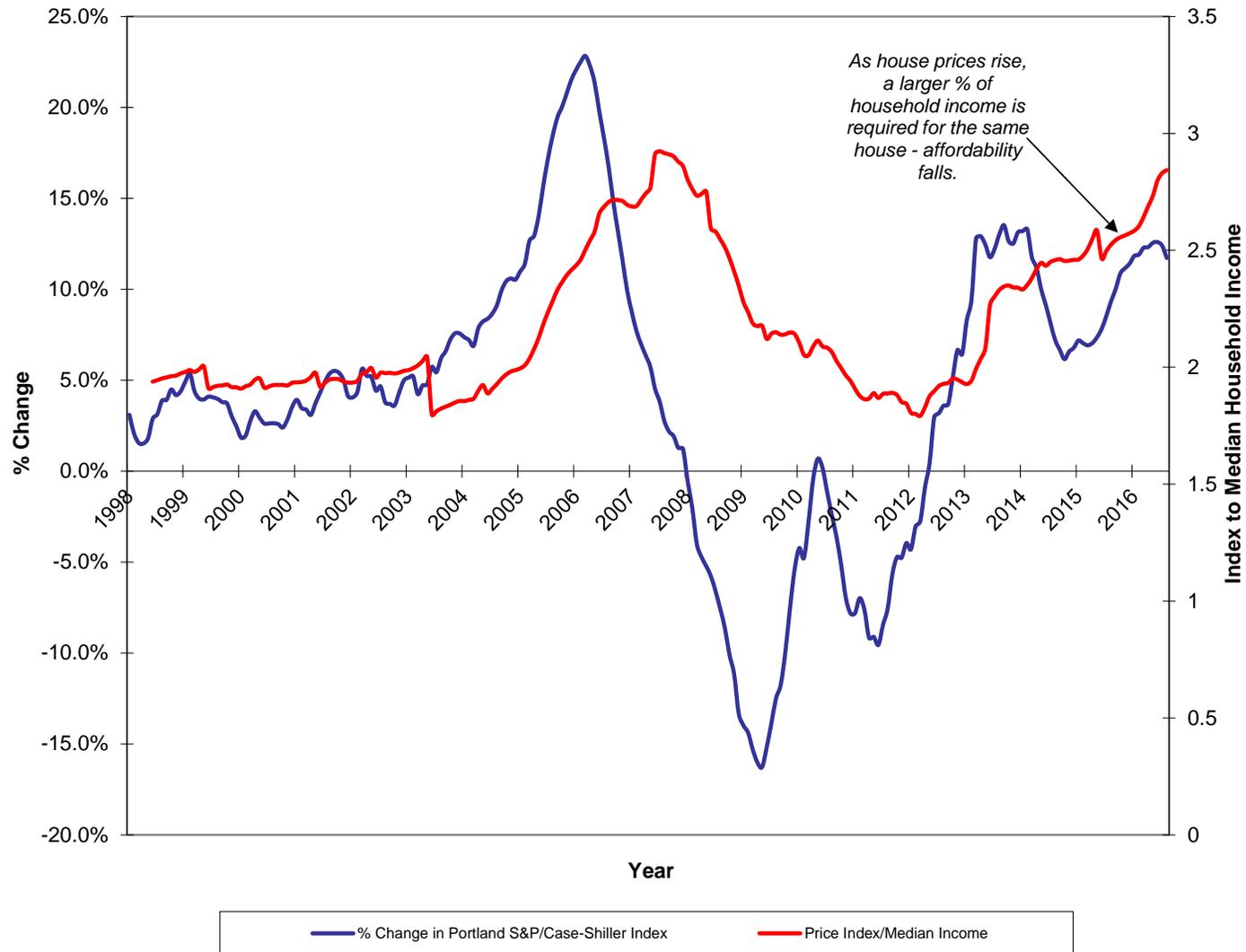


Inflation adjusted using PCE deflator. | Source: BEA, Census, Oregon Office of Economic Analysis



Economic Overview

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



FY 2017 Revenue Review

FY 2017 Revenue Review

	Adopted¹	October Forecast Change	March Forecast Change	May Forecast Change	Net Change From Adopted	Note
Property Taxes	279,060,801	753,892			753,892	AV growth 0.27% higher than forecast; Increased collection rate by 0.4%
Business Income Taxes	79,623,954	0			0	
Motor Vehicle Rental Taxes	28,218,313	2,216,266			2,216,266	PDX passenger up 7.3% in first 3 months of FY 2017
US Marshal/BM 73/BOP	3,707,295	515,004			515,004	Beds increased from 70 to 81 per day
State Shared						
Video Lottery	5,200,000	0			0	New Casino Impact in FY 2018 (next year)
Liquor	4,251,767	0			0	
Cigarette	676,801	0			0	
Marijuana	0	600,000			600,000	
Amusement	173,000	0			0	
Recording Fees/CAFFA Grant	8,010,656	341,229			341,229	
Indirect						
Departmental	17,458,771	0			0	
Central Indirect/Svc Reimburse	11,554,717	0			0	
All Other	25,499,265	0			0	
FY 17 Revenue Adjustments²	463,435,340	4,426,391	0	0	4,426,391	
% of Revenue		0.96%	0.00%	0.00%	0.96%	

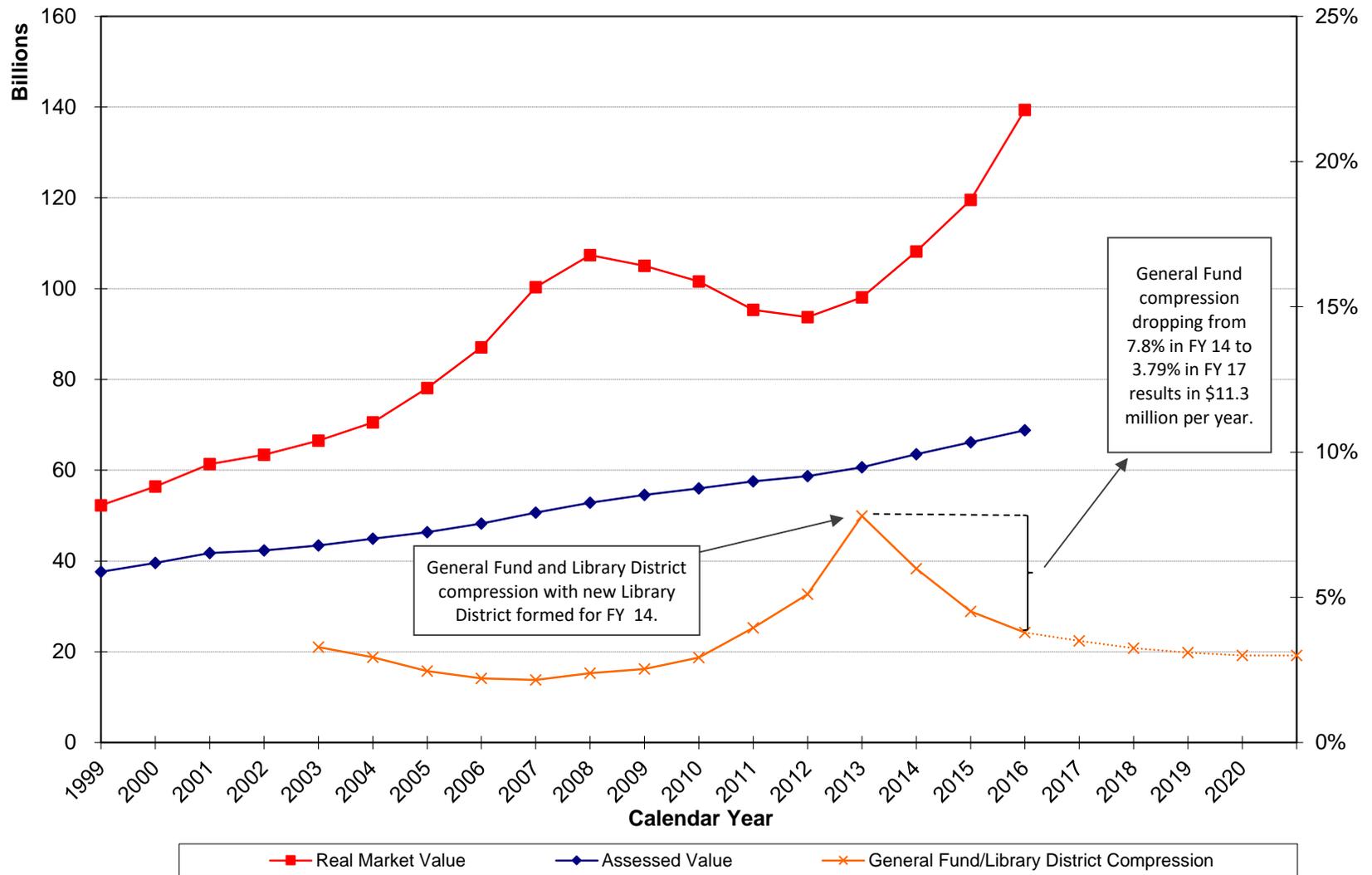
1. Excludes BWC, FQHC wraparound revenues, prospective health payments, and Tax Title: Affordable Housing but includes Video Lottery.

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



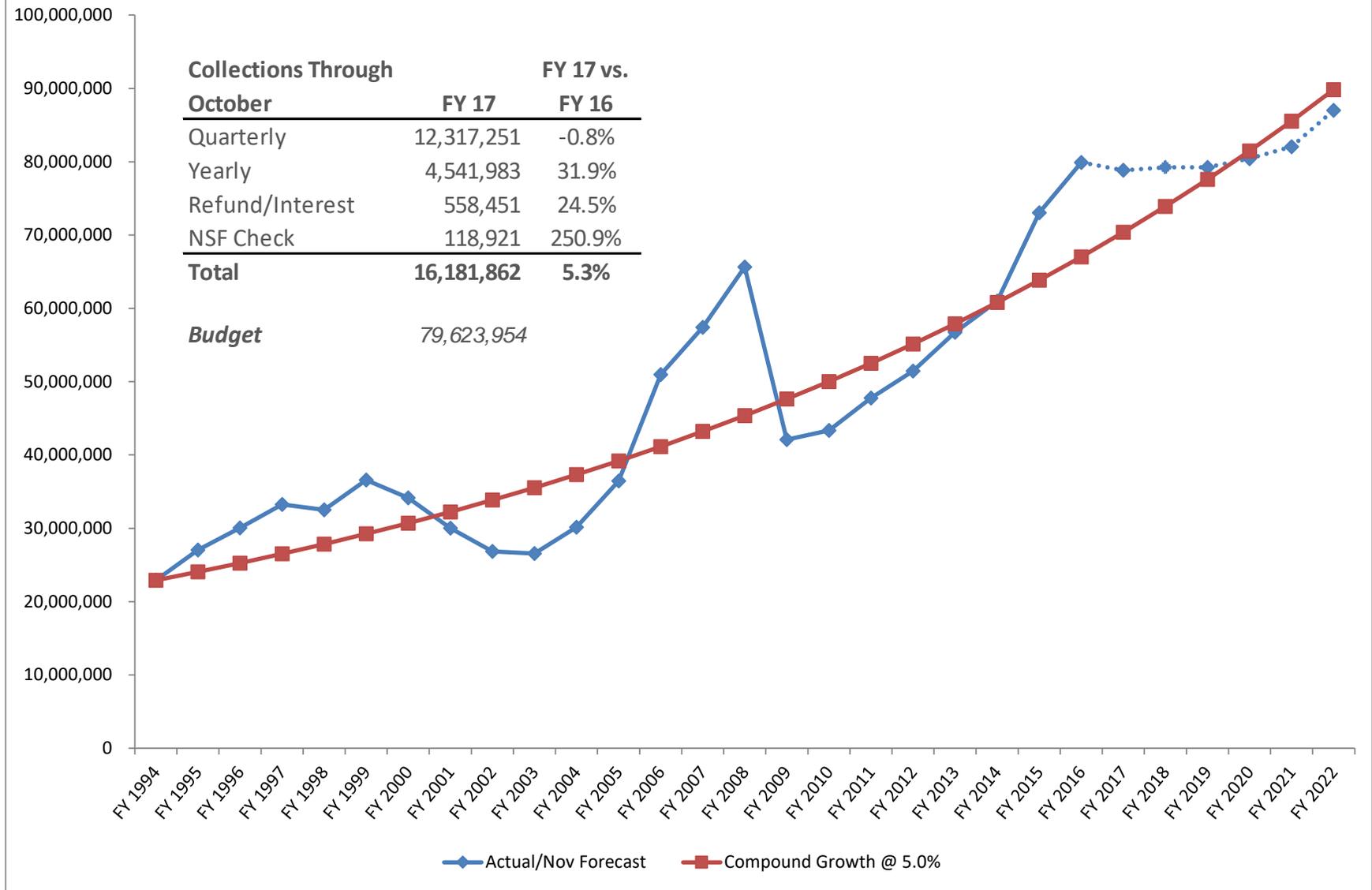
FY 2017 Revenue Review

Multnomah County Assessed Value, Real Market Value, and Compression



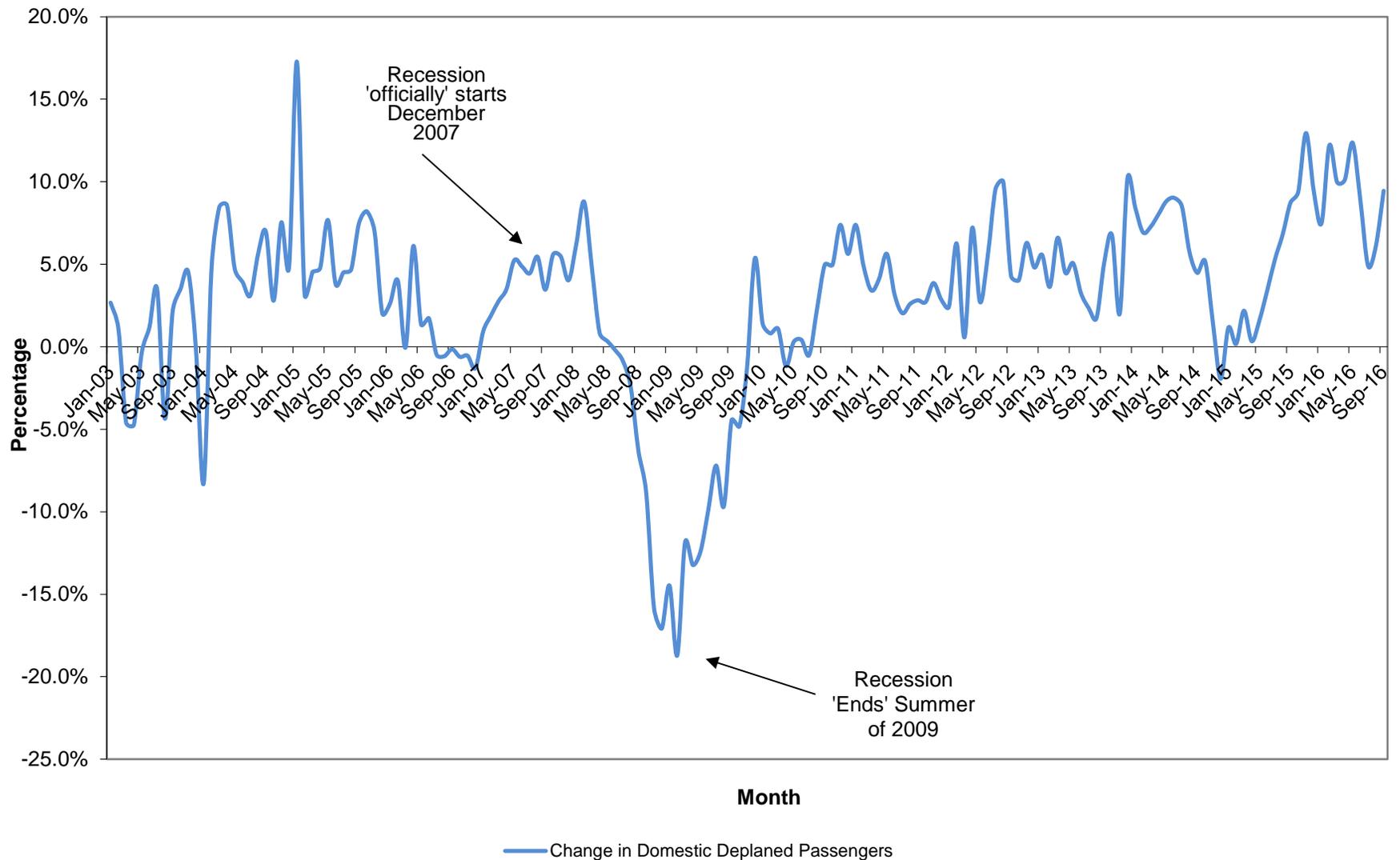
FY 2017 Revenue Review

Annual BIT Collections

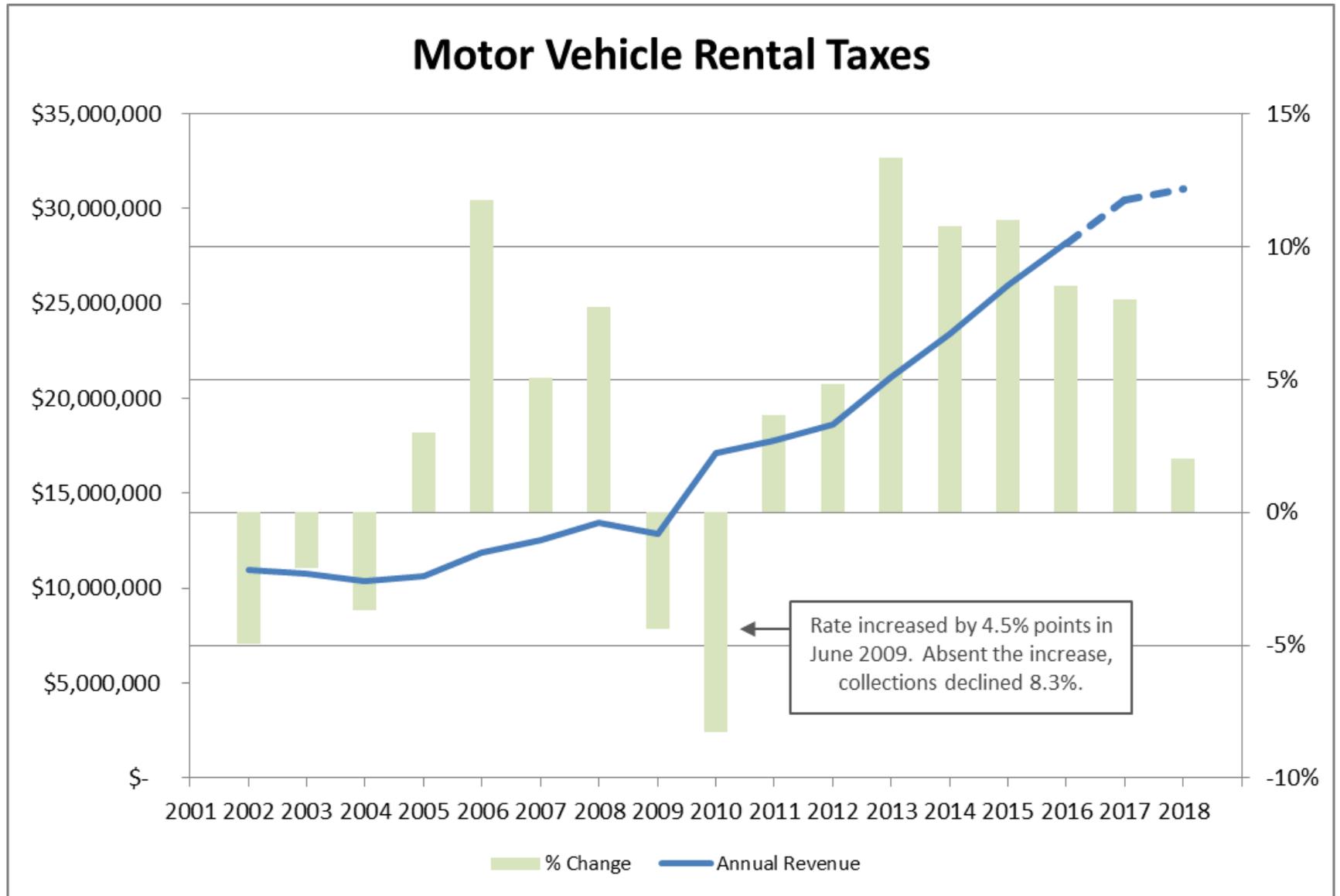


FY 2017 Revenue Review

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



FY 2017 Revenue Review



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 2016.
- Significant changes – Increased Property Tax and MVRT Revenues
- Revenues are greater than current expenditures, but expenditures grow faster than revenues and by year-five (FY 2022) are roughly equal.
- Without debt payments, County can support current programs over five years.

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

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Revenues	481,389,047	494,472,013	508,406,101	523,686,507	541,704,606
Expenditures¹	457,640,376	477,505,511	498,402,855	521,735,445	543,481,610
Surplus/(Deficit)	23,748,671	16,966,502	10,003,246	1,951,062	(1,777,004)
<i>Change in Surplus from Prior Year</i>		<i>(6,782,169)</i>	<i>(6,963,256)</i>	<i>(8,052,184)</i>	<i>(3,728,066)</i>
<i>Surplus/(Deficit) is this % of Expenditures</i>	5.19%	3.55%	2.01%	0.37%	-0.33%
<i>Note: Revenues/Expenditures include video lottery, but excludes reserves, FQHC wraparound and prospective health payments</i>					



5-Year General Fund Forecast

- Adding debt payments associated with construction of the Downtown Courthouse, Health Department Headquarters, and ERP reduces the surplus/increases the deficit.
- Table 2 below reflects General Fund impacts and the ERP cost will also impact other funds by a similar amount.
- Current programs and anticipated debt service can be supported through FY 2020.
- Covering the cost of current programs and the additional debt would require lower labor cost growth, additional revenues, absence of a recession, or the use of OTO funds to buy down debt.

Table 2: General Fund Ongoing Balance with Additional Debt Payments & ERP Costs

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Surplus/(Deficit) (from Table 1)	23,748,671	16,966,502	10,003,246	1,951,062	(1,777,004)
Courthouse Debt ¹	(5,078,457)	(5,078,457)	(5,078,457)	(5,078,457)	(5,078,457)
Health HQ Debt ¹	(2,990,529)	(2,990,529)	(2,990,529)	(2,990,529)	(2,990,529)
ERP Debt & Incremental Cost ^{2,3}	(3,240,796)	(3,650,877)	(3,680,376)	(3,651,014)	(3,562,279)
Surplus/(Deficit)	12,438,889	5,246,639	(1,746,116)	(9,768,938)	(13,408,269)

1. Reflects current estimated borrowing requirements and funds borrowed with a 30-year term @ 4%.
 2. Reflects General Fund share of ERP costs.
 3. Does **not** assume expiring East County Data Center debt payments are re-programmed to offset ERP debt costs. Reprogramming those funds reduces the debt payment by \$950,000 with \$475,000 going to the General Fund.



5-Year General Fund Forecast

Major General Fund Revenue Sources ¹

	Adopted FY 2017	Forecast FY 2017 ²	Forecast FY 2018	Forecast FY 2019	Forecast FY 2020	Forecast FY 2021	Forecast FY 2022
Property Taxes	279,060,801	279,814,693	291,218,093	302,157,997	312,704,177	324,112,272	334,599,624
Business Income Taxes	79,623,954	79,623,954	80,022,074	80,022,074	81,222,405	82,846,853	87,817,664
Motor Vehicle Rental Taxes	28,218,313	30,434,579	31,043,271	31,664,136	32,297,419	32,943,367	33,602,235
US Marshal (& BM 37)	3,707,295	4,193,029	4,146,572	4,146,572	4,146,572	4,146,572	4,146,572
Recording Fees/CAFFA Grant	8,010,656	8,351,885	8,537,046	8,678,145	8,822,049	8,968,820	9,118,522
State Shared	10,301,568	10,901,568	9,489,155	9,802,978	10,114,788	10,439,107	10,776,435
Indirect & Service Reimbrs.	29,013,488	29,013,488	29,833,644	30,719,795	31,633,500	32,575,620	33,547,043
	437,936,075	442,333,196	454,289,855	467,191,697	480,940,910	496,032,611	513,608,095
% of Total Revenue	94.5%	94.5%	94.4%	94.5%	94.6%	94.7%	94.8%
All Other General Fund	25,499,265	25,499,266	27,099,192	27,280,316	27,465,191	27,653,896	28,023,511
Total	463,435,340	467,832,462	481,389,047	494,472,013	508,406,101	523,686,507	541,631,606
% Change in Ongoing Revenue		0.95%	2.90%	2.72%	2.82%	3.01%	3.43%
AV Growth	3.80%	4.07%	4.00%	3.60%	3.50%	3.50%	3.25%
Compression	3.80%	3.79%	3.50%	3.25%	3.10%	3.00%	3.00%
BIT Growth	-0.8% ³	-0.8% ⁴	0.50%	0.00%	1.50%	2.00%	6.00%

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 2016 actual collections.

4. Reflects growth from FY 2016 actual collections.



5-Year General Fund Forecast

Why Is There an Operating Surplus in the FY 2018 Forecast?

	Amount (Millions)
FY 2017 Surplus Treated as One-Time-Only to Balance	17.14
Lower PERS Increase (<i>0.3% of payroll based on high COLA estimate in FY 2016</i>)	0.57
Motor Vehicle Rental Tax	2.26
Property Tax (<i>higher assessed value growth</i>)	1.69
Marijuana Tax Revenue	0.60
USM Beds (<i>Increased from 70 beds to 80</i>)	0.47
Recording Fees	0.35
Video Lottery Reduction (<i>La Center Casino opens Spring 2017</i>)	(0.81)
Other Revenues & Expenditures	1.48
Courthouse Debt	(5.08)
Health HQ Debt	(2.99)
ERP Debt & Incremental Cost	(3.24)
Net FY 2018 Balance	12.44



Expenditure Assumptions

- Cost Drivers for FY 2018:

Inflation	2.25%	Second Half Portland CPI-W
Labor Costs (Change in rates)	4.73%	Prior assumption was 4.79%
COLA	2.25%	Dependent on Unit & Contract Status
Step/Merit	1.67%	Dependent on Unit Demographics
Medical/Dental	4.00%	Was assumed to increase by 6%
PERS	1.55%	Was assumed to increase by 1.25%
Retiree Medical	0.00%	
Liability/Workers Comp/TriMet	-0.15%	
Materials and Services	2.25%	
Internal Services	3.73%	

- Cost Driver Notes (*for General Fund*)

- ✓ A 1% increase in base pay = \$2.6 million
- ✓ A 4% increase in medical/dental rates = \$1.6 million
- ✓ A 1% (of base pay) increase in PERS rates = roughly \$2 million

- Reserve & Contingency Assumptions

- ✓ General Fund Contingency - \$1.25 million
- ✓ General Fund Reserve – 10% of ‘corporate’ revenues
- ✓ BIT Reserve – 10% of BIT Revenues (\$8 Million)



Expenditure Assumptions - PERS

■ December 31, 2015 Valuation

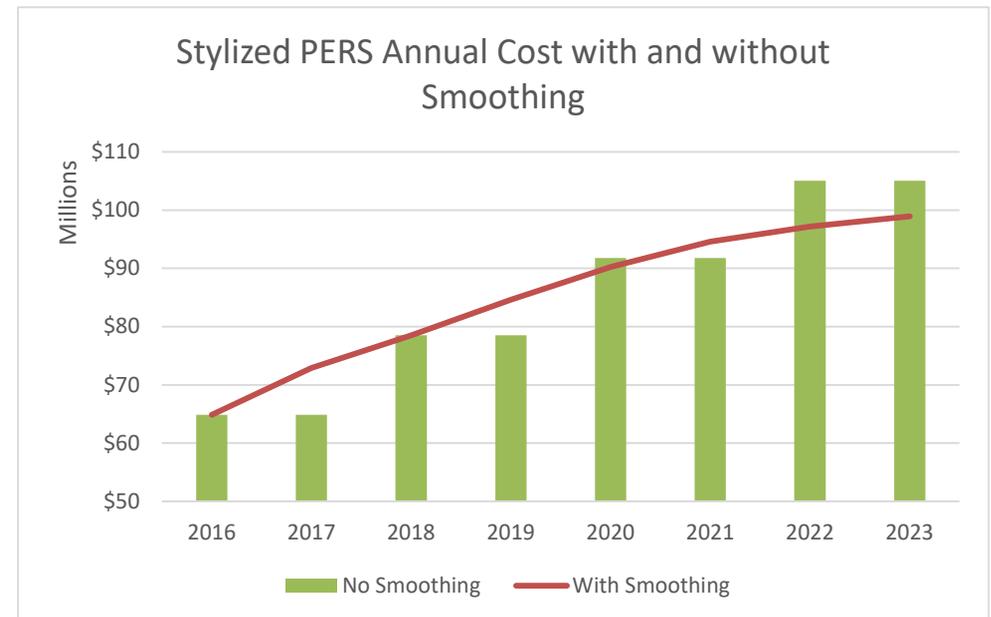
- ✓ Multnomah County's Net UAL increased from \$89.2 million (Pre-Moro, Dec 2013) to \$540 million

■ Sources of Increase in Unfunded Actuarial Liability (UAL)

- ✓ *Moro* adjustments to projected benefits
- ✓ Reduced assumed earnings rate to 7.50%
- ✓ Updated mortality assumptions
- ✓ Impact from lower earnings in 2015

■ Planning for the Increase and Assumptions

- ✓ PERS rates up 3.85% of payroll
- ✓ A 2.3% of payroll increase in FY 2017 to begin "smoothing", so net increase to departments is 1.55%
- ✓ Planned for steady increases of 0.5% to 1.75% through 5-year forecast, continuing into FY 2023



Expenditure Assumptions

- Programs, Cash Transfers, and Earmarks funded on a one-time-only basis in FY 2017 Budget that are assumed to not continue in FY 2018:

One-Time-Only Programs

<u>Offer/Activity</u>	
10009C - DSS-J Evaluation and System Upgrade	825,000
10011 - National Organization of Black County Officials Conference Support	75,000
10017A - Office of Diversity and Equity - 1.00 FTE	148,000
10018B - Promoting Opportunities for Disadvantaged, Minority, and Women Owned Business in the CPACE Market	60,000
10018C - School Kids Breathing Easy: Preventing Exposure to Toxins by Fixing Dirty Diesel School Buses	73,954
10029A - SummerWorks Support	50,000
10031 - County Commissioner Office Transitions	150,000
10060B - Joint Office System Support Services	243,244
10062B - Rapid Rehousing - Expanded Services	4,487,500
10064 - Eviction Prevention - Expanded Services	160,000
10065 - Diversion - Expanded Services	440,000
10066 - Recovery Oriented Services and Engagement (ROSE)	470,000
15012 - CRIMES Replacement	270,030
25003 - Economic Opportunity Initiative	225,000
25006 - Food Policy - SNAP Eligibility	103,744
25020C - Oregon Project Independence Wait List	400,000
25115B - Benefit Recovery Program - Benefits Services	250,000
25137 - Promise Neighborhoods Technical Assistance	50,000
25138 - Runaway Youth Services (RYS)	25,000
25139B - Multnomah Stability Initiative - Employment Services	250,000
25139D - Multnomah Stability Initiative - Computers	20,000



Expenditure Assumptions

One-Time-Only Programs (Continued)

Offer/Activity

25140B - Rosewood Community Safety Initiative	65,000
25145C - Culturally Specific Art for School-Aged Children	50,000
25147B - Growing Gardens	36,000
25154 - SUN Youth Substance Abuse Prevention Services	130,000
25159B - School Attendance Supports: Expand Services	240,000
25160 - SUN Innovative Services	250,000
40004B - Ambulance Service Plan Consulting Services	100,000
40011C - Overdose Prevention Strategy	176,703
40011D - HIV Pre-Exposure Prophylaxis Strategy (PrEP)	104,217
40012B - Employment Support Services for People Living with HIV/AIDS & Transgender Individuals	153,000
40017B - North Portland Dental Expansion	1,800,000
40038C - Community Health Worker Training Carryover	100,000
40092 - Community Primary Care Expansion	500,000
40093 - Mental Health Screening at MCDL Booking - Pilot	400,000
50019B - Adult Forensics - OTO	97,780
50067 - School Based Restorative Justice - OTO	114,000
60041H - MCIJ East Escort Post	209,452
60041I - MCIJ Dorm 5	101,064
60041J - MCIJ Dorm 4	295,868
72025B - DART County Clerk Carryover	164,000
72040 - Tax Title: Affordable Housing (Fund 10030)	2,500,000
72041 - A Home for Everyone Capital Investments	5,000,000
72041 - A Home for Everyone Capital Investments MERS	2,400,000
91006C - Animal Services Field Officer OTO Moving/Renovation	200,000
91008B - Presidential Elections	335,000



Expenditure Assumptions

One-Time-Only Programs (Continued)

Offer/Activity

91008C - Elections Voter Education & Outreach	89,800
91013B - Safe Routes to School Flashers	100,000
91023 - Levee Ready Columbia (in 1519)	450,000
91026 - Cully Neighborhood Park Development	70,000
91027 - Land Use Comprehensive Plan Update (in 1519)	250,000

Cash Transfers and Earmarks

Offer/Activity

95000 - To Downtown Courthouse Fund (78218)	19,900,000
95000 - Hansen Building Replacement (78220)	3,000,000
95000 - DCJ Mid County Facility (78220)	6,750,000
95000 - MCDC Detention Electronics (78221)	100,000
95000 - CRIMES Replacement (78319)	1,479,456
Earmark - Mental Health Crisis	629,532
Earmark - LEAD Jail Diversion Project	800,000
Earmark - MCIJ Nurses	250,000
Earmark - Additional Jail Beds at MCIJ	808,514



FY 2018 OTO Funds

General Fund FY 2017 Beginning Working Capital & FY 2018 OTO^{1, 2}

Year-End as of October 25, 2016

FY 2017 Beginning Balance ³	101,276,784
FY 2017 Budgeted Beginning Balance	<u>80,869,107</u>
Additional FY 2017 BWC (OTO)	20,407,677
Plus Additional Revenue (above budget)	4,426,391
Plus Video Lottery (above budget)	181,742
Less Amount to Maintain BIT Reserve @ 10%	(39,812)
Less Amount to Maintain Reserves @ Policy Level	(1,489,872)
OTO to Ongoing Adjustment	<u>914,395</u>
OTO Funds for FY 2018 per November Forecast	24,400,521
<i>50% Dedicated to County Facility Projects per Board Policy</i>	12,200,261
<i>Remaining 50% to be Allocated</i>	12,200,261
If no new programs are added in FY 2018 and assuming debt & ERP	<u>12,438,889</u>
OTO Funds for FY 2018 With Policy Assumptions	36,839,410
<i>50% Dedicated to County Facility Projects per Board Policy</i>	18,419,705
<i>Remaining 50% to be Allocated</i>	18,419,705

- \$1 million higher corporate revenue (Property Tax, BIT, MVRT, US Marshal)
- \$15 million departmental underspending

1. Assumes the FY 2017 General Fund Contingency is fully spent in FY 2017.

2. Assumes departments fully spend their FY 2017 appropriation.

3. Adjusted for additional restricted County Clerk BWC, Prospective Health Payments, and Tax Title: Affordable Housing.



FY 2017 Contingency Update

FY 2017 General Fund Contingency Update

General Fund 'Regular' Contingency	1,250,000	
Additional Contingency	<u>23,724</u>	
	1,273,724	
Plus Indirect from grants & misc.	<u>11,732</u>	
Remaining Non-Earmarked Contingency	1,285,456	
Earmark - Mental Health Crisis	629,532	
Earmark - Dorm 4 & 5 Funding	808,514	
Earmark - LEAD - Jail Diversion	800,000	
Earmark - Nurses at Inverness	0	Earmark per Board Budget Note (Released 10/20/2016)
BIT Reserve (in General Fund Contingency)	<u>7,962,395</u>	
Total General Fund Contingency	11,485,897	

***Unallocated Contingency for use in FY 2017
or could be rolled over to FY 2018***

1,285,456 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 2018. Excludes funds reserved for FY 2018 and FY 2019.



Forecast Risks, Uncertainties & Issues

- Housing affordability/homelessness
- Wage Pressures – PERS, open labor contracts, health care
- Policy & economic implications of new President/Congress
- Oregon Legislative session and State budget shortfall
- Climate change
- Geopolitical
- A confluence of risks, uncertainties, and issues
 - ✓ PERS
 - ✓ Downtown Courthouse & other capital project funding
 - ✓ Timing of next recession – revenue & PERS earnings impacts
 - ✓ Inflation and monetary policy changes
 - ✓ Health Care – costs for employee coverage and revenues/costs associated as a provider of health care services

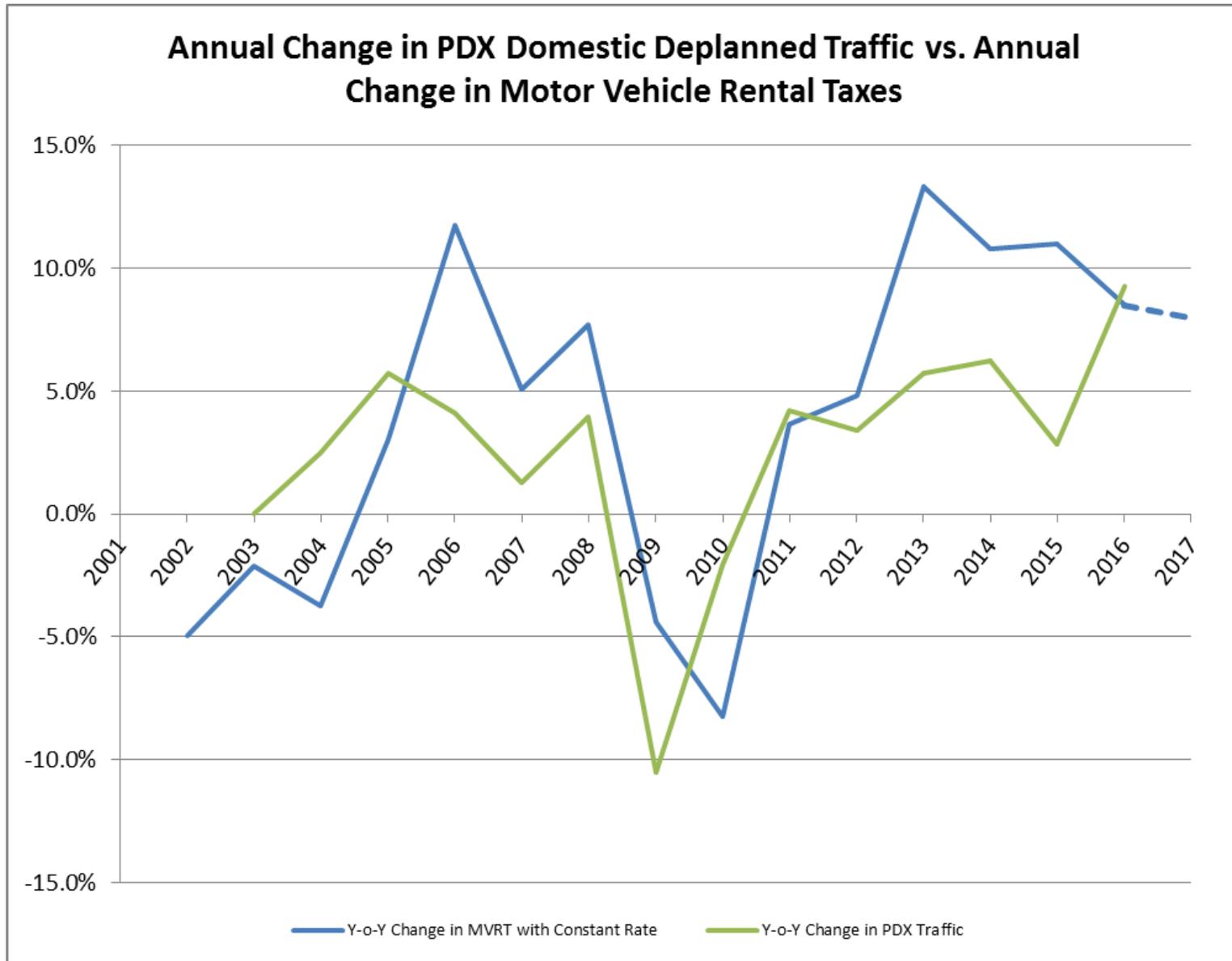


Summary

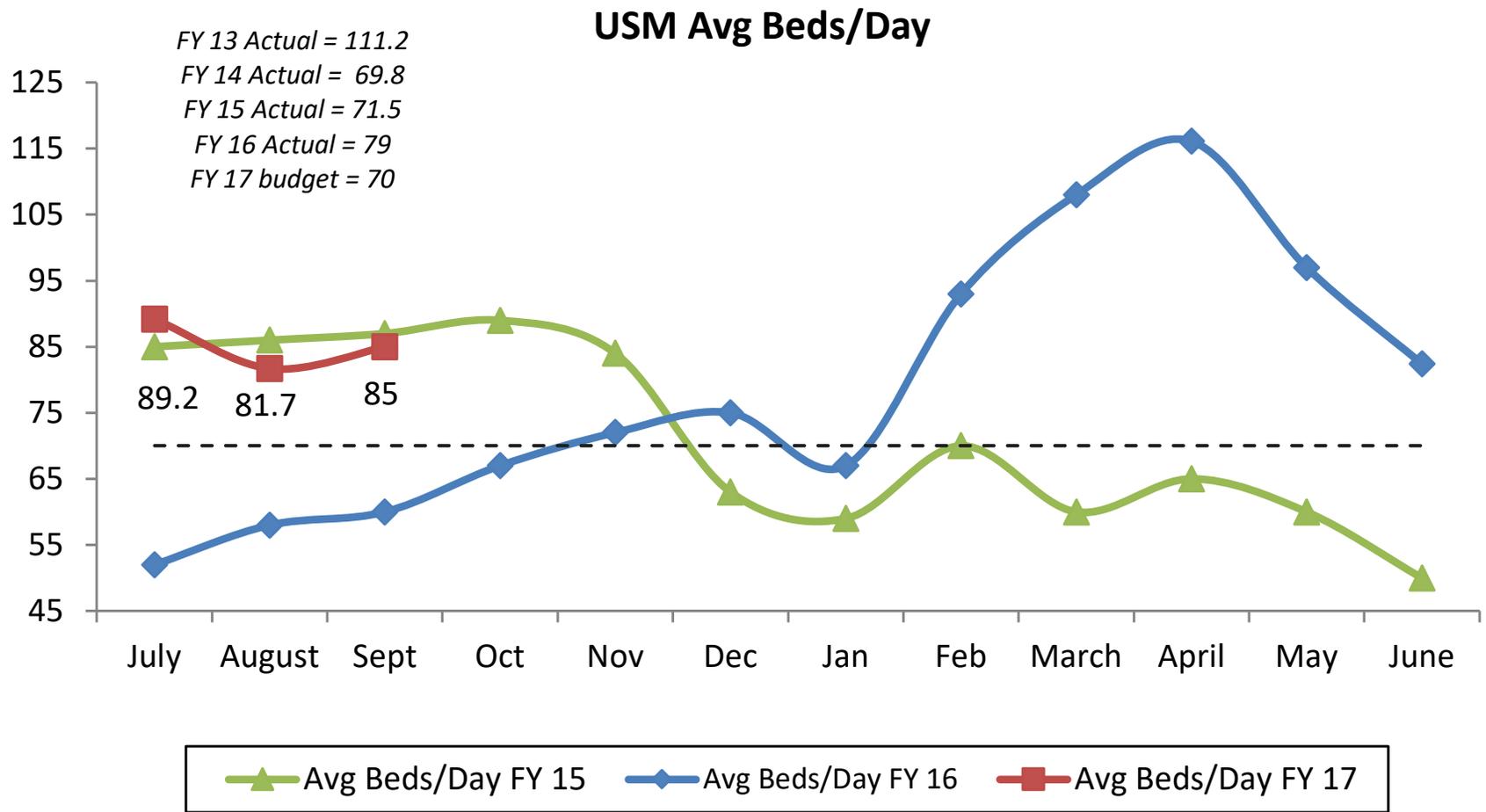
- FY 2017 General Fund revenue forecast increased \$4.4 million (1.0%)
- FY 2017 General Fund contingency balance of \$1.3 million (unallocated)
- FY 2018 projected General Fund resources exceed the cost of current services levels by \$12.4 million, but fall short by \$13.4 million in FY 2022
 - ✓ Shortfall assumes 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 2018 General Fund one-time-only resources of \$24.4 million
 - ✓ \$12.2 million for facilities capital and \$12.2 to allocate
 - ✓ Another \$12.4 million of OTO available if FY 2017 surplus treated as OTO for a total of \$36.8 million
- Major risks, uncertainties, and issues include:
 - ✓ PERS
 - ✓ Policy & economic implications of new President/Congress
 - ✓ Downtown Courthouse and other capital project funding



Appendix

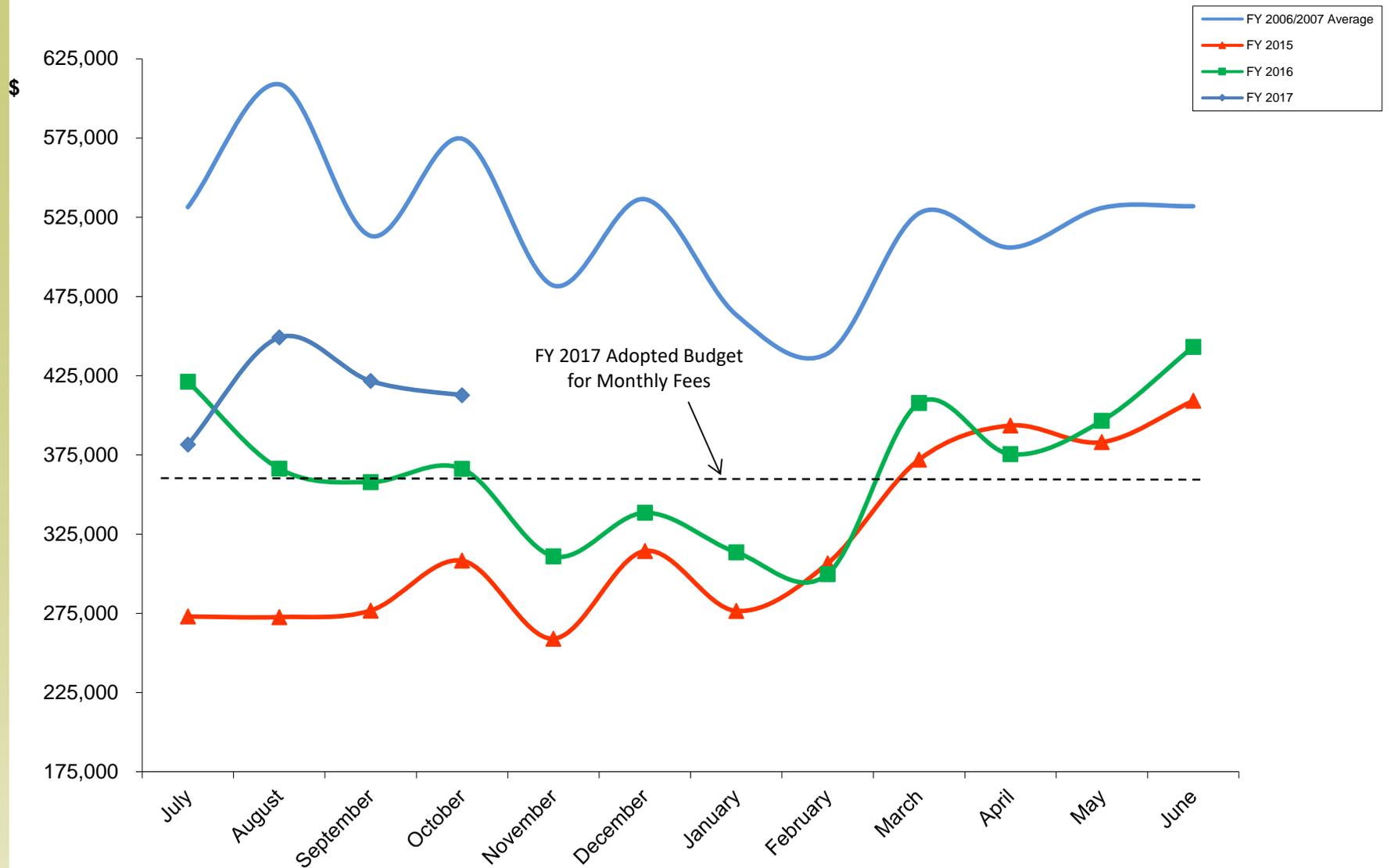


Appendix



Appendix

Monthly Recording Fees (Thru October)



Appendix

- Video Lottery
 - ✓ La Center Casino opening in Spring 2017
 - ✓ Expected to draw Oregonians and stop Washingtonians from crossing border
 - ✓ Reduced FY 2018 forecasted revenues by \$810,000 in anticipation of lower sales
- Marijuana Tax
 - ✓ Multnomah County home to 36% of Recreational/Medical Licenses and 5% of Producer/Processor/Wholesale Licenses (20.9% composite)
 - ✓ Additional \$600,000 in FY 2018 revenues

