



FY 2019 General Fund 5-Year Forecast Update

*Presentation to the
Board of County Commissioners*

Multnomah County Budget Office
May 22, 2018
www.multco.us/budget

Overview

- **Economic Overview**
 - ✓ National Economic Conditions
 - ✓ Oregon & Multnomah County Employment Info
- **FY 2018 Revenue Review**
 - ✓ Business Income Tax (BIT)
- **FY 2019 General Fund 5-Year Forecast**
 - ✓ FY 2019 Forecast & 5-Year Outlook
- **FY 2018 General Fund Contingency Update**
- **Forecast Risks & Issues**
- **Summary & Questions**

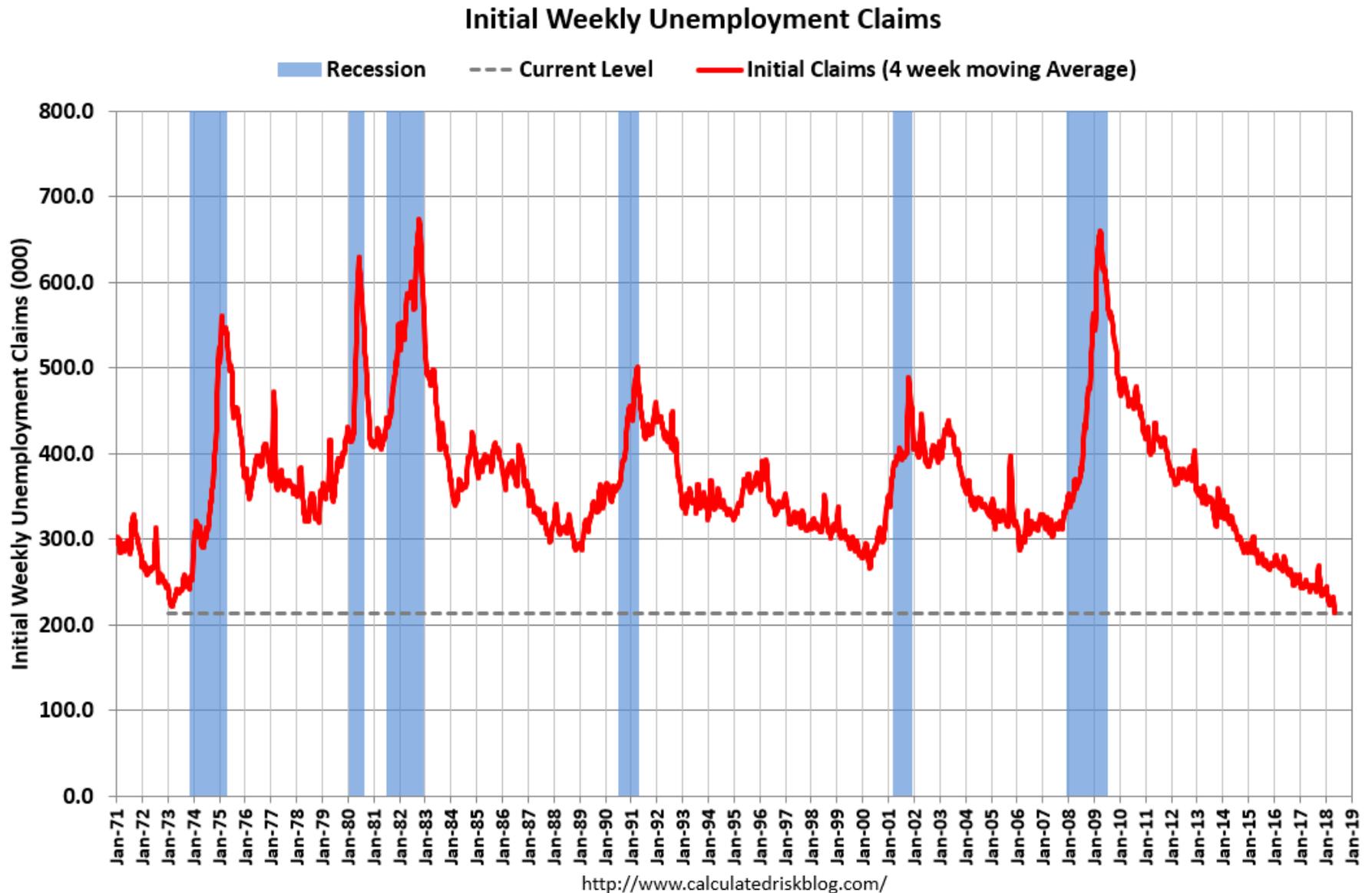


Overview

- **Business Income Tax – Reducing FY 2018 by \$2.0 million**
 - ✓ Forecasting \$87 million for FY 2018
 - ✓ Up from our Adopted BIT budget of \$84.5 million, but...
 - ✓ \$2 million below our March forecast of \$89 million
- **These Funds Were Assumed in FY 2019 as OTO**
- **Covering the Shortfall**
 - ✓ Departmental Underspending (we assume Departments fully spend their appropriation)
 - ✓ BIT Reserve
 - ✓ Collections and other revenues could still come in higher
 - ✓ Other Options – using General Fund Contingency
- **Recommend Covering with Departmental Underspending/BIT Reserve**
- **Impact** – Likely to have \$8 to \$10 million of OTO rather than \$10 to \$12 in FY 2020 million due to Departmental underspending or ‘refilling’ BIT Reserve

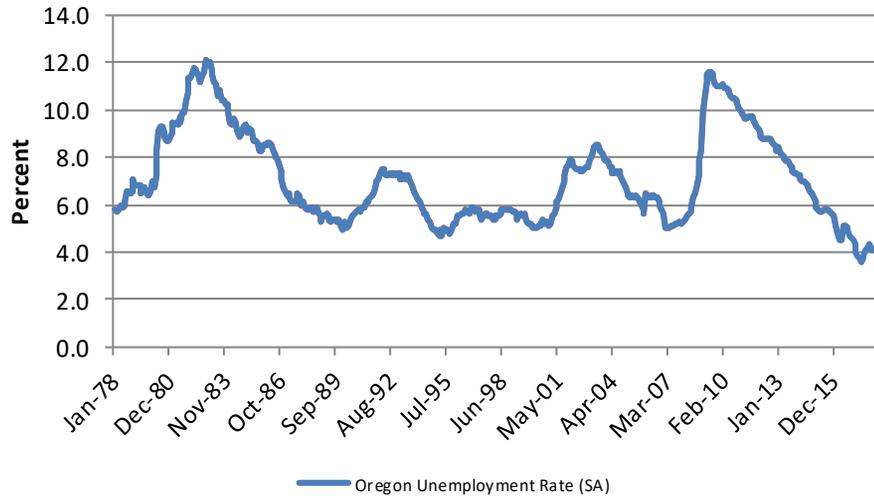


Economic Overview

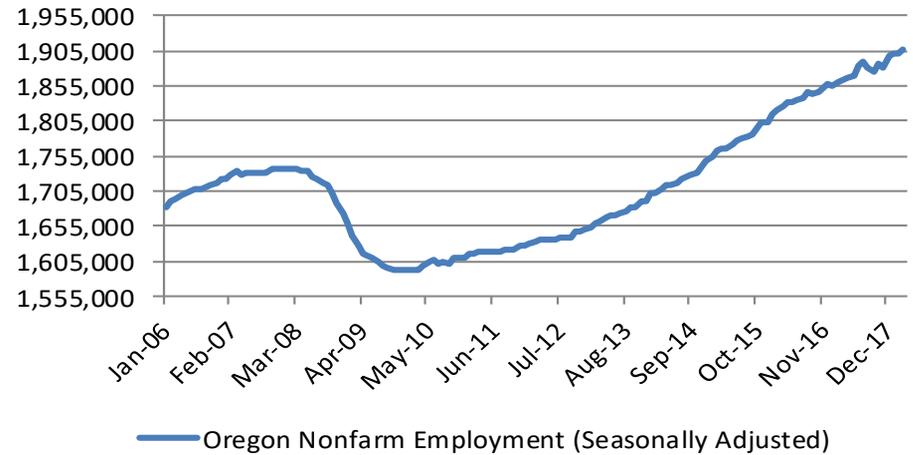


Economic Overview

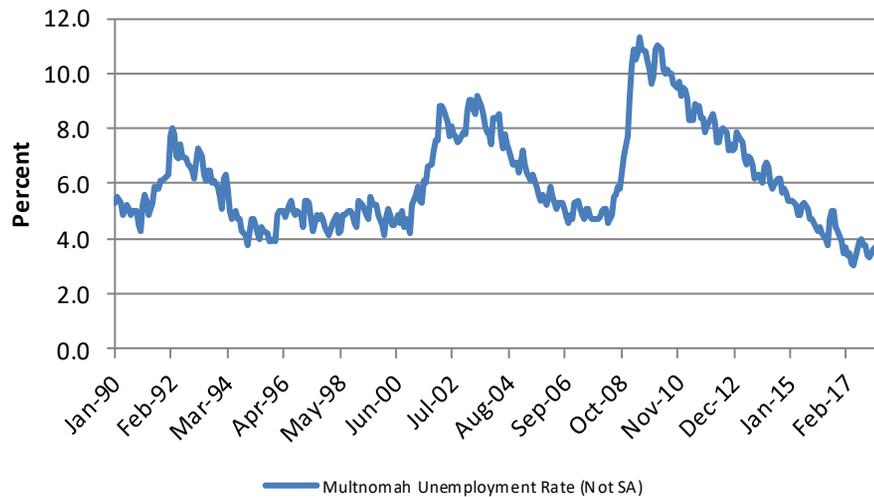
Oregon Unemployment Rate (SA)



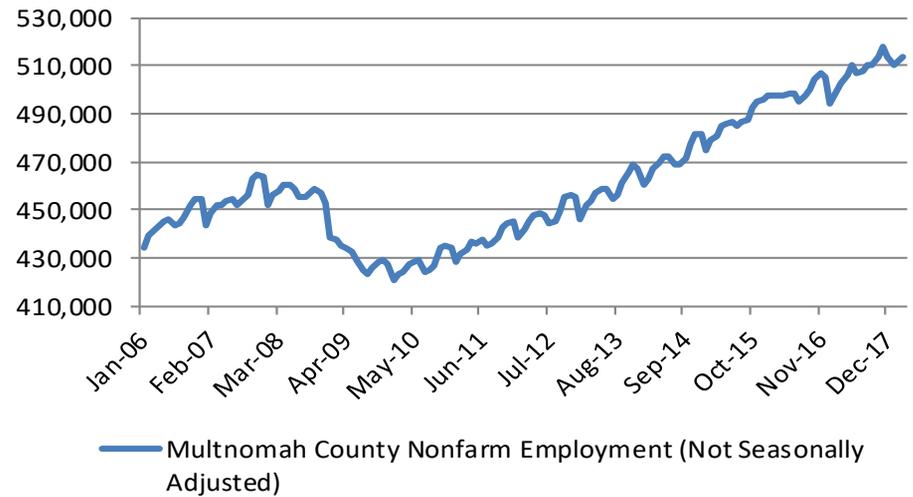
Oregon Nonfarm Employment (Seasonally Adjusted)



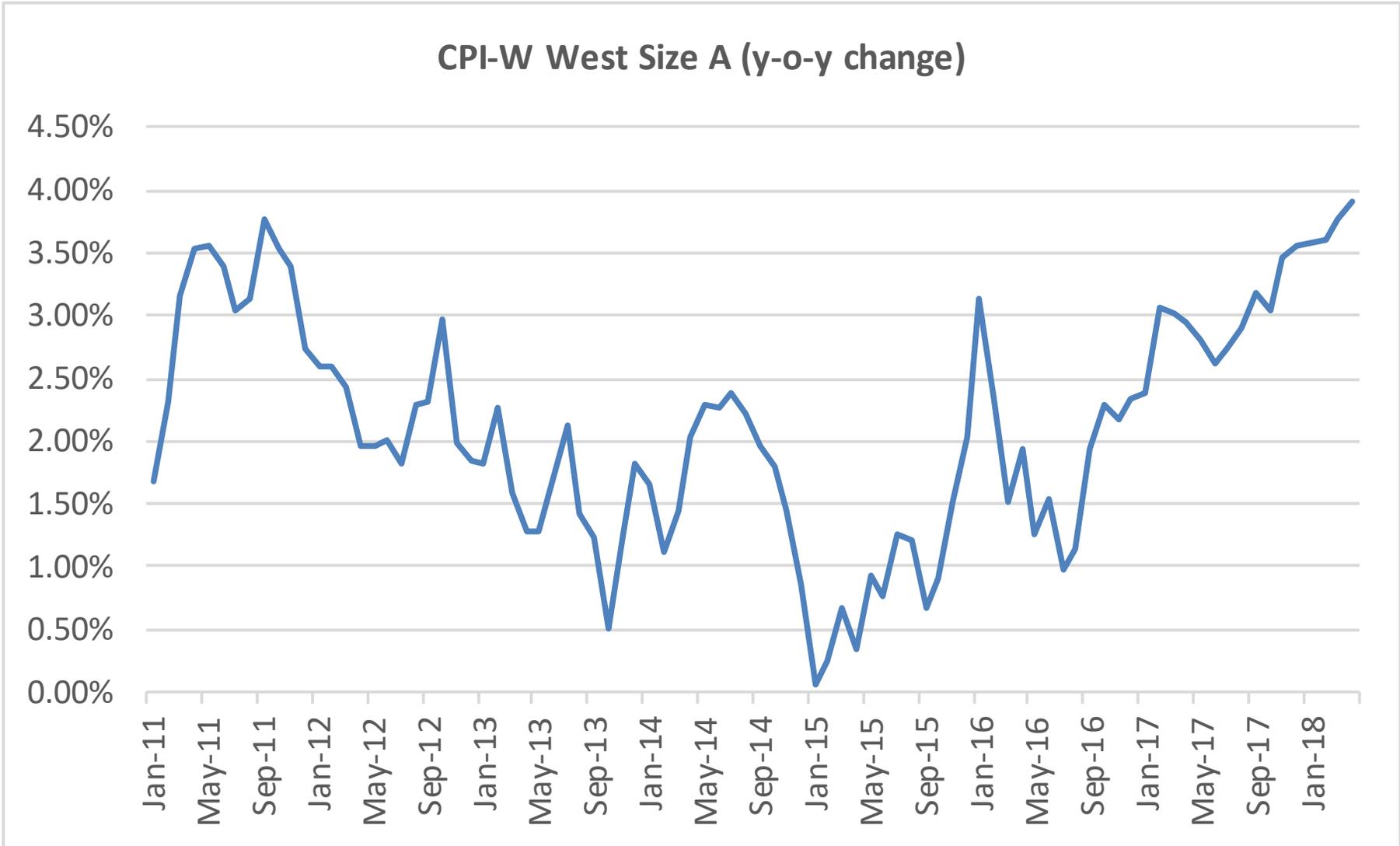
Multnomah Unemployment Rate (Not SA)



Multnomah County Nonfarm Employment (Not SA)



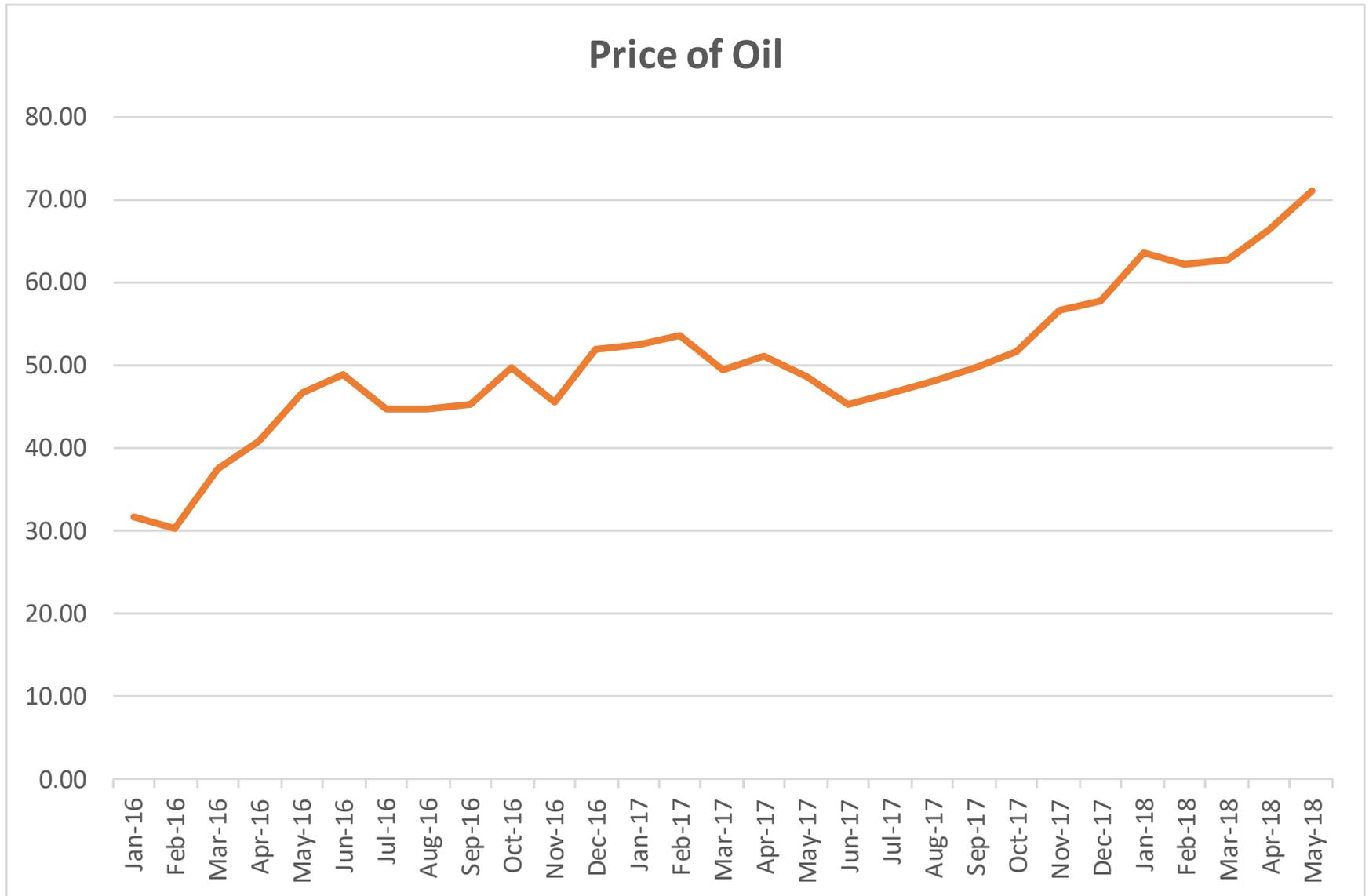
Economic Overview



Source: BLS



Economic Overview



Source: West Texas Intermediate, Federal Reserve Bank of St. Louis



FY 2018 Revenue Review

	Adopted ¹	October Forecast Change	March Forecast Change	May Forecast Change	Net Change From Adopted	Note
Property Taxes	291,218,541	1,013,164	0	0	1,013,164	
Business Income Taxes	84,500,000	0	4,500,000	(2,000,000)	2,500,000	
Motor Vehicle Rental Taxes	31,043,271	(737,392)	0	0	(737,392)	Slower PDX Traffic Growth
US Marshal/BM 73/BOP	3,942,774	234,093	374,548	0	608,641	Assuming monthly average of 93 beds
State Shared						
Video Lottery	4,654,250	345,750	0	0	345,750	La Center Casino impact less than expected
Liquor	4,429,253	0	0	0	0	
Cigarette	666,649	0	0	0	0	
Marijuana	1,200,000	1,700,254	0	0	1,700,254	Includes FY 2017 retroactive payment (OTO) and FY 2018 ongoing changes
Amusement	173,000	0	0	0	0	
Recording Fees/CAFFA Grant	8,745,072	(234,728)	(605,072)	0	(839,800)	Slowing activity and refinancing
Indirect						
Departmental	19,313,503	0	0	0	0	
Central Indirect/Svc Reimburse	12,158,266	0	0	0	0	
All Other	28,156,500	0	0	0	0	
FY 18 Revenue Adjustments ²	490,201,079	2,321,141	4,269,476	(2,000,000)	4,590,617	
% of Revenue		0.47%	0.87%	-0.41%	0.94%	

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.



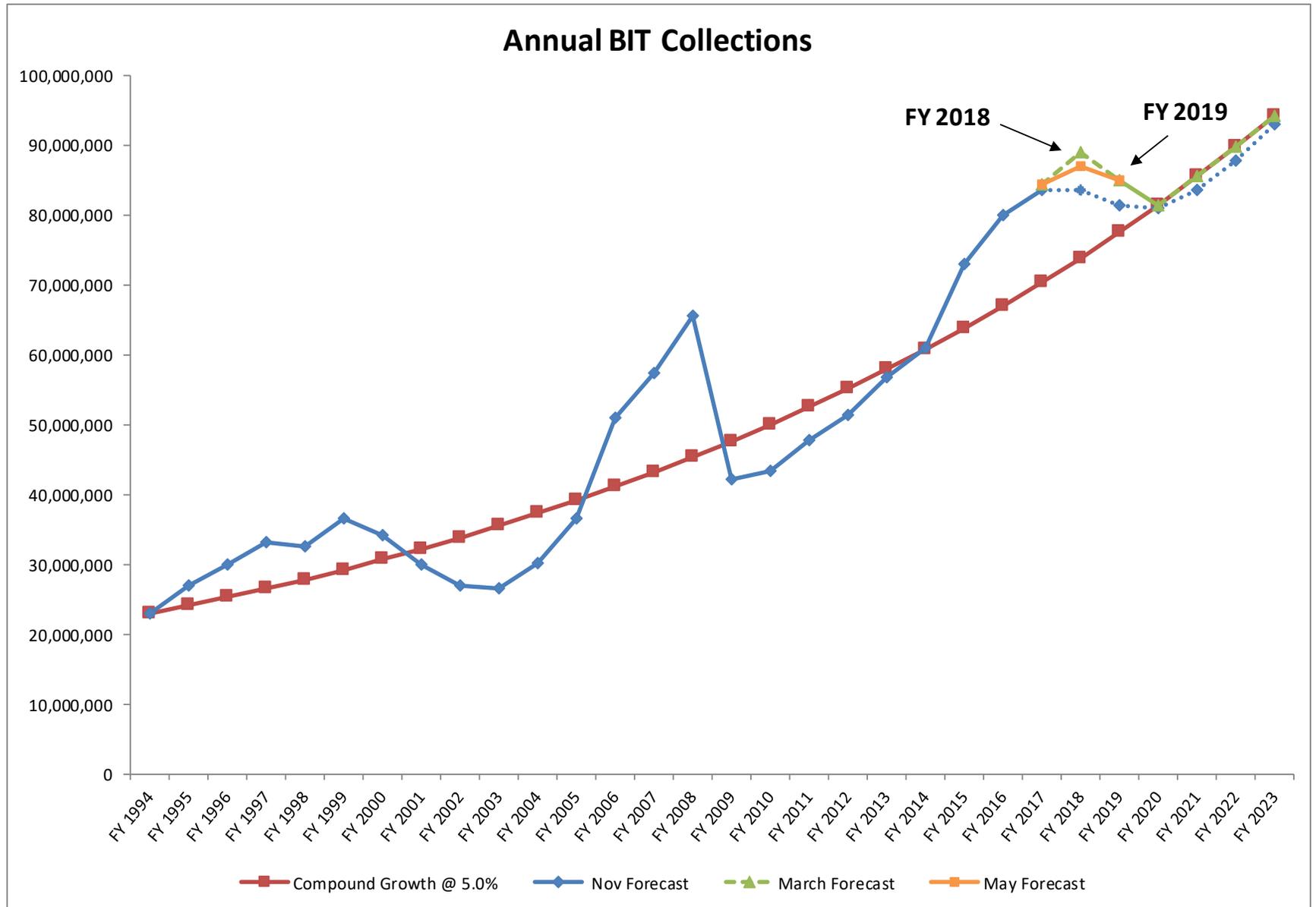
FY 2018 Revenue Review

BIT Collections Fiscal Year-to-Date Through April

	FY 14	FY 15	FY 16	FY 17	FY 18	FY 18 vs. FY 17
Quarterly	27,092,478	34,824,091	34,909,656	34,399,192	35,534,161	3.3%
Yearly	23,925,905	26,971,820	33,797,605	36,543,316	37,703,918	3.2%
Refund/Interest	3,194,452	3,694,125	5,194,257	3,743,323	4,243,780	13.4%
NSF Check	55,161	257,331	238,014	313,430	152,263	-51.4%
Total	47,768,770	57,844,455	63,274,989	66,885,755	68,842,036	2.9%
<i>Actual or Budget</i>	<i>61,800,000</i>	<i>73,825,000</i>	<i>80,710,000</i>	<i>84,450,000</i>	<i>84,500,000</i>	
<i>March Forecast</i>					<i>89,000,000</i>	
<i>May Forecast</i>					<i>87,000,000</i>	



FY 2018 Revenue Review



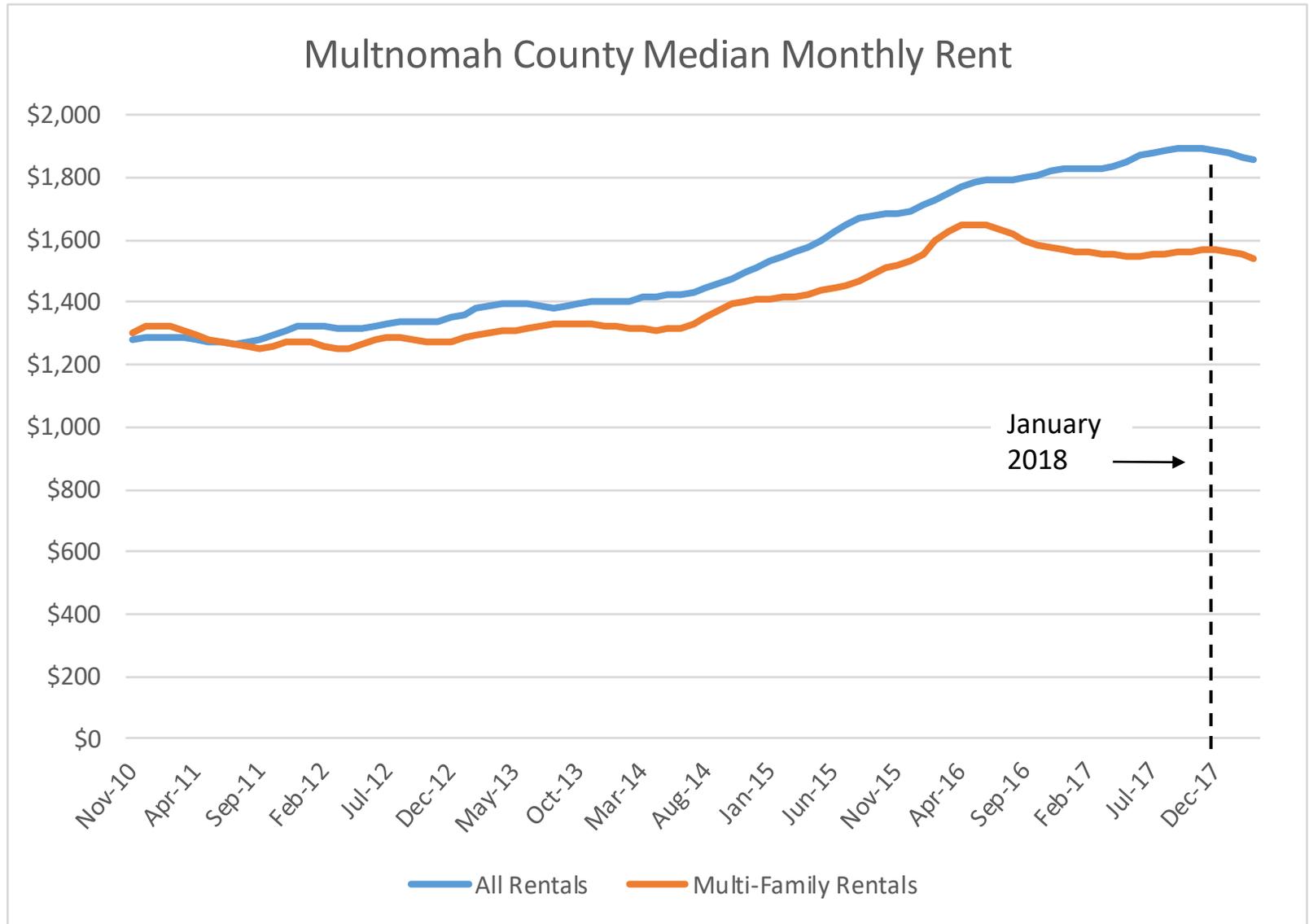
FY 2018 Revenue Review



Note: Tax Year 2017 results are preliminary



FY 2018 Revenue Review



Source: Zillow



5-Year General Fund Forecast

- Forecast continues to assume that BIT revenues are near peak for this cycle, and anticipated to revert to long-term trend.
- Updated to reflect decisions included in Chair's Proposed budget.
- FY 2020 deficit of \$7.4 million, growing to \$26.7 million in FY 2023.

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

	FY 2020	FY 2021	FY 2022	FY 2023
Revenues	514,156,237	531,114,323	548,561,120	566,608,243
Expenditures	525,129,596	550,517,978	573,473,518	597,444,296
Surplus/(Deficit)	(10,973,358)	(19,403,655)	(24,912,398)	(30,836,053)
Net Adjustment in Chair's Budget	3,600,000	3,780,000	3,962,574	4,146,041
Updated Revenue/Expenditure Gap	(7,373,358)	(15,623,655)	(20,949,824)	(26,690,012)
<i>Change in Surplus from Prior Year</i>	<i>(10,434,198)</i>	<i>(8,250,297)</i>	<i>(5,326,168)</i>	<i>(5,740,188)</i>
<i>Surplus/(Deficit) is this % of Expenditures</i>	<i>-1.40%</i>	<i>-2.84%</i>	<i>-3.65%</i>	<i>-4.47%</i>
<i>Note: Revenues/Expenditures include video lottery, but excludes reserves, FQHC wraparound and prospective health payments</i>				



5-Year General Fund Forecast

Major General Fund Revenue Sources ¹

	Adopted FY 2018	Forecast FY 2018 ²	Forecast FY 2019	Forecast FY 2020	Forecast FY 2021	Forecast FY 2022	Forecast FY 2023
Property Taxes	291,218,093	292,231,705	304,223,486	313,751,128	325,065,194	335,586,460	346,419,919
Business Income Taxes	84,500,000	87,000,000	85,000,000	81,466,077	85,539,381	89,816,350	94,307,168
Motor Vehicle Rental Taxes	31,043,271	30,305,879	30,911,997	31,530,237	32,160,841	32,804,058	33,460,139
US Marshal (& BM 37)	3,942,774	4,551,415	4,409,573	4,409,573	4,409,573	4,409,573	4,409,573
Recording Fees/CAFFA Grant	8,757,704	7,917,904	8,136,802	8,318,643	8,504,599	8,694,763	8,889,233
State Shared	10,523,152	13,169,156	12,197,332	12,565,312	12,947,051	13,343,076	13,753,934
Indirect & Service Reimbrs.	31,471,769	31,471,769	32,401,998	33,361,086	34,349,933	35,369,464	36,413,138
	461,456,763	466,647,828	477,281,188	485,402,056	502,976,572	520,023,744	537,653,104
% of Total Revenue	94.1%	94.5%	94.4%	94.5%	94.6%	94.7%	94.9%
All Other General Fund	28,744,316	27,415,868	28,170,740	28,331,771	28,496,024	28,913,561	29,084,447
Total	490,201,079	494,063,696	505,451,928	513,733,827	531,472,596	548,937,305	566,737,551
% Change in Ongoing Revenue		0.79%	2.31%	1.64%	3.45%	3.29%	3.24%
AV Growth	4.00%	4.77%	4.00%	3.50%	3.50%	3.25%	3.25%
Compression	3.50%	3.86%	3.85%	3.85%	3.85%	3.85%	3.85%
BIT Growth	0.00%	2.96%	-2.30%	-4.16%	5.00%	5.00%	5.00%

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.



FY 2018 Contingency Update

Contingency

General Fund 'Regular' Contingency	1,250,000
Additional Contingency (includes GO Bond Sinking Fund remainder)	107,096
Less	
MCSO Local 88 Settlement	(34,534)
MCSO MCCDA Settlement	(589,603)
MCSO Justice Reinvestment Deputy	(76,182)
<i>Eagle Creek Fire Expenses*</i>	(256,840)
<i>DA Prosecuting Attorneys Settlement*</i>	(369,607)
<i>DA Local 88 Settlement and Market Adjustment*</i>	(94,117)
Remaining Non-Earmarked Contingency	(63,787)

Earmarks

State/Fed Ramp Down	2,474,585
Earmark - OPI Restoration	250,000
Less	
State/Fed Rampdown - Total from Mid-Year Rebalance (October 2017)	(727,486)
<i>MCSO Preliminary Hearings*</i>	(224,099)
Remaining State/Fed Ramp-Down and OPI Restoration	1,773,000

Unallocated Contingency and State/Fed Ramp Down funds for use in FY 2018 or to be rolled over to FY 2019

1,709,213

BIT Reserve @ 10% (in General Fund Contingency)	8,500,000
Total General Fund Contingency	10,209,213

**Forthcoming Contingency requests*

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 2019



Forecast Risks, Uncertainties & Issues

- Inflation and labor costs
- Timing of changes in development cycle and local rents
- Upcoming ballot measures (e.g. food tax ban)
- Housing affordability/homelessness
- Policy & economic implications of Federal gov't actions
- Climate change and geopolitics
- A confluence of risks, uncertainties, and issues
 - ✓ PERS
 - ✓ Timing of next recession
 - ✓ Inflation and monetary policy changes
 - ✓ Health Care – costs for employee coverage and revenues/costs as a provider of health care services



Summary

- FY 2018 General Fund revenue forecast decreased \$2.0 million (-0.41%) for a total change of \$4.6 million (0.94%) from the Adopted budget.
- FY 2018 General Fund contingency balance of \$2.7 million
 - ✓ Additional \$0.9 million still to be requested, leaving \$1.9 million available
- BIT expected to return to long-term trend.
- FY 2019 Proposed budget is balanced, but deficits begin in FY 2020
 - ✓ Deficit grows to \$26.7 million by FY 2023
 - ✓ Approximately \$25-30 million of new revenue or program reductions needed over next 5-years versus year-by-year reductions.
- Major risks, uncertainties, and issues include:
 - ✓ Labor Costs – Inflation, PERs, etc.,
 - ✓ Phase of development cycle

