



FY 2019 General Fund 5-Year Forecast

*Presentation to the
Board of County Commissioners*

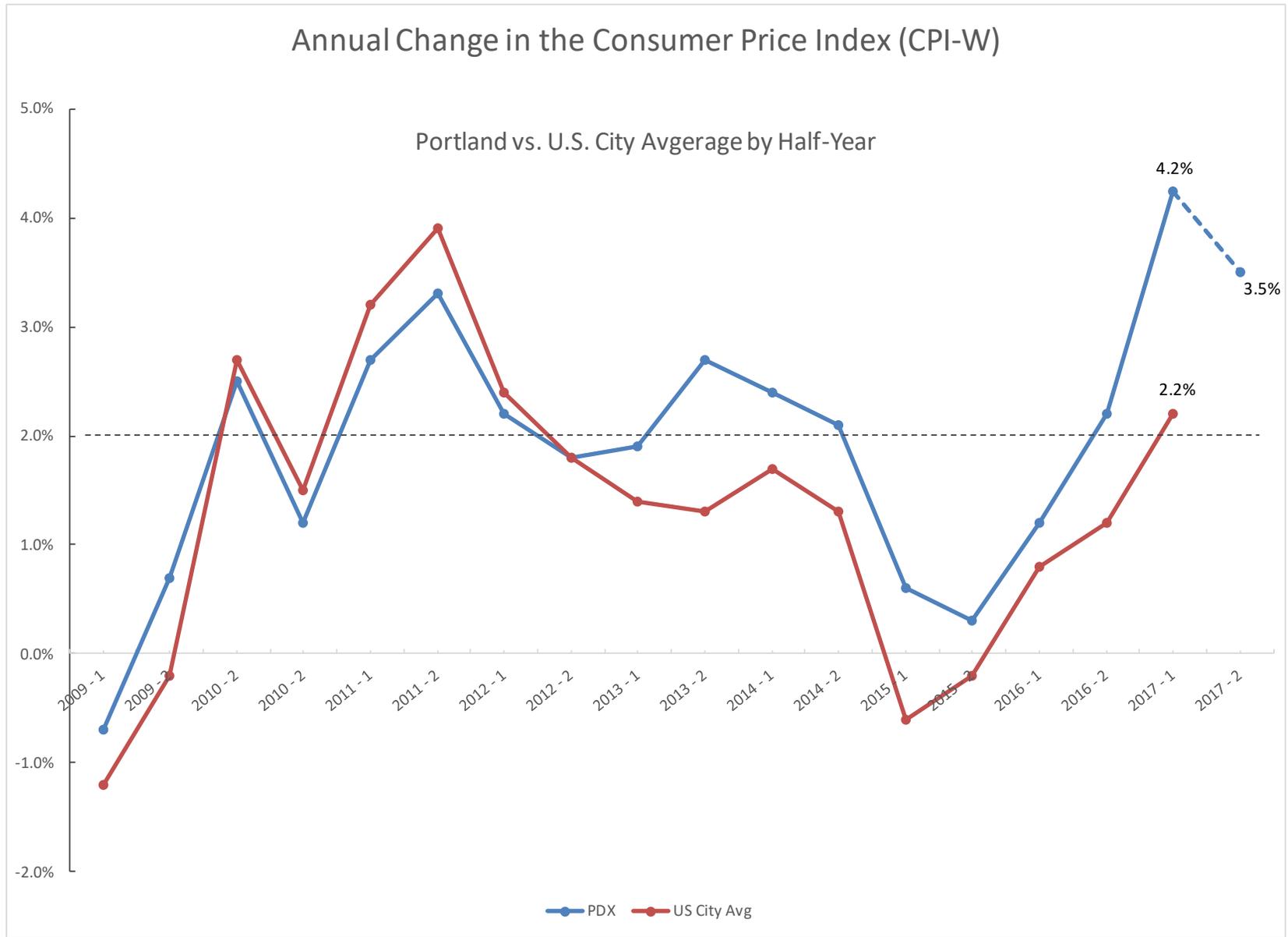
Multnomah County Budget Office
November 9, 2017
www.multco.us/budget

Overview

- **Contradictions & Financial Context**
- **Economic Overview**
 - ✓ National Economic Conditions
 - ✓ Oregon & Multnomah County Employment Info
 - ✓ Local Housing Market
- **FY 2018 Revenue Review**
 - ✓ Property Tax
 - ✓ BIT
 - ✓ MVRT
- **FY 2019 General Fund 5-Year Forecast**
 - ✓ FY 2018 Forecast & 5-Year Outlook
 - ✓ Expenditure Assumptions – Cost Drivers, PERS, Etc.,
- **FY 2019 One-Time-Only Funds**
- **FY 2018 General Fund Contingency Update**
- **Forecast Risks & Issues**
- **Summary & Questions**



Contradictions & Context



Contradictions & Context



Real Market Value increase based on S&P CoreLogic Case-Shiller Portland Home Price Index for 2016.



Contradictions & Context



- Multifamily RMV up 33.7% & AV 17.6%
- New Multifamily Change Property Ratio = 33%
- Example: \$10 million project goes on the tax roll @ \$3.3 million... County tax = \$13,903 (after discount)
- FY 18 Multifamily Values
 - ✓ RMV = \$16.5 billion
 - ✓ AV = \$5.5 billion

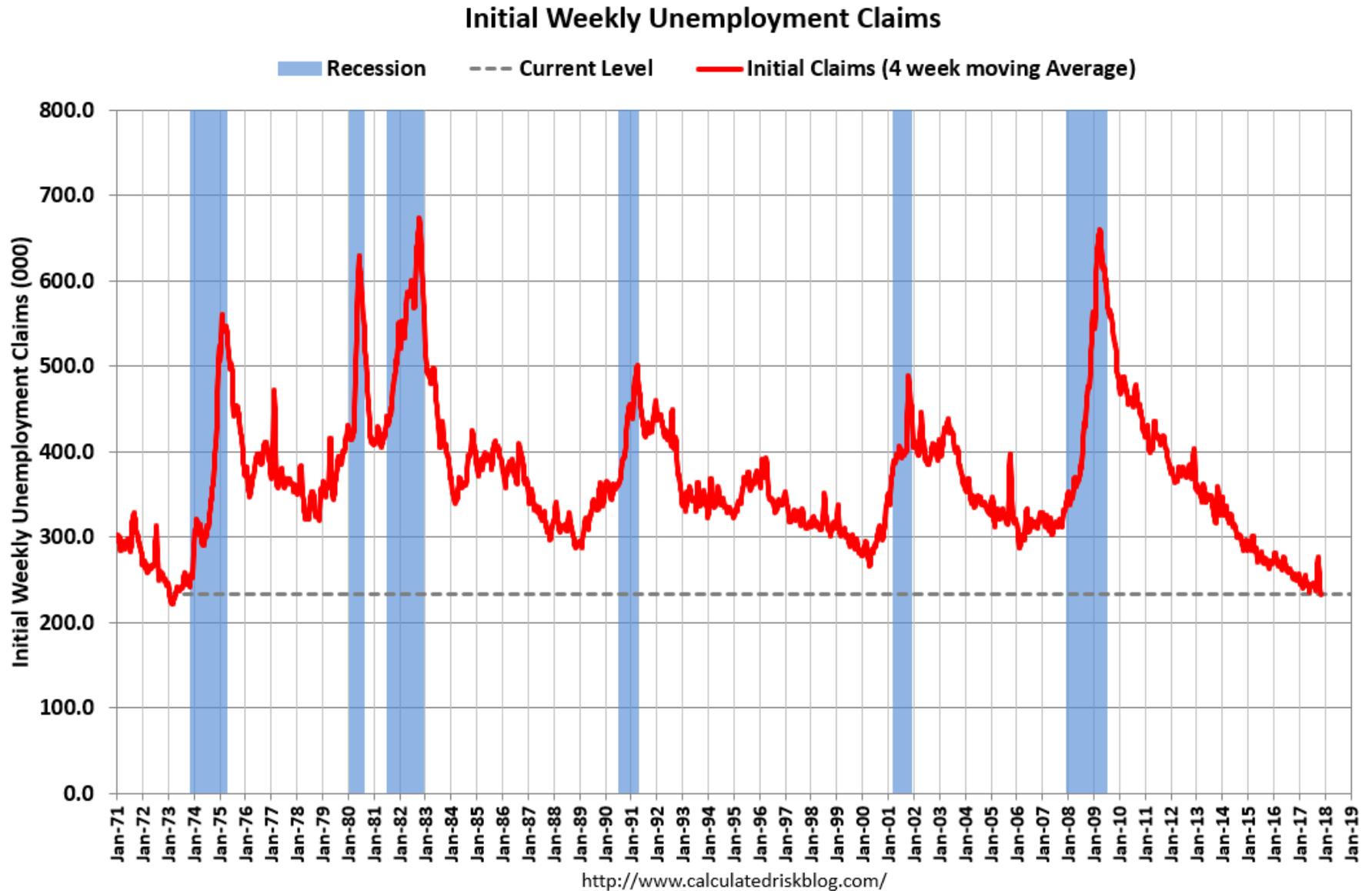


Economic Overview

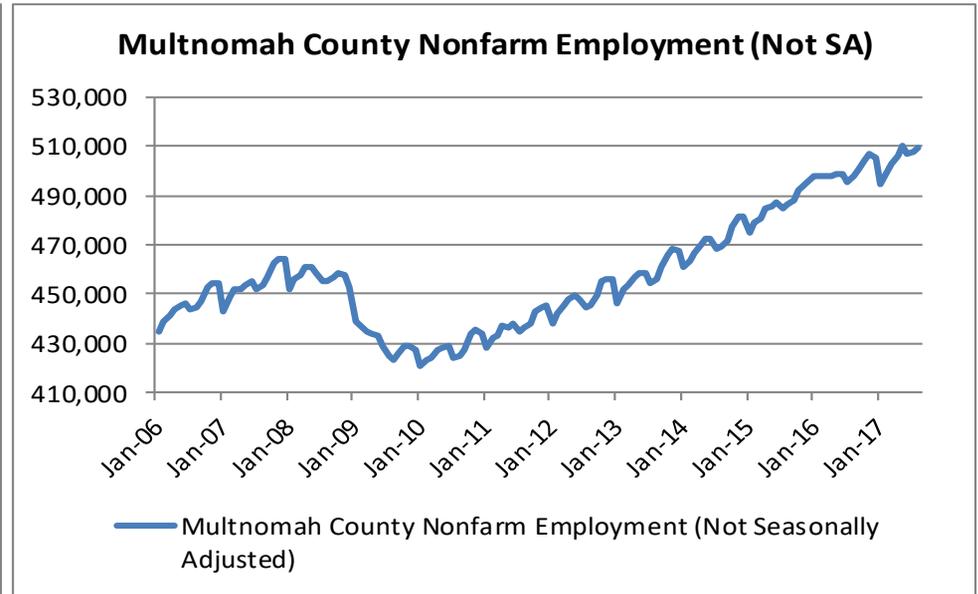
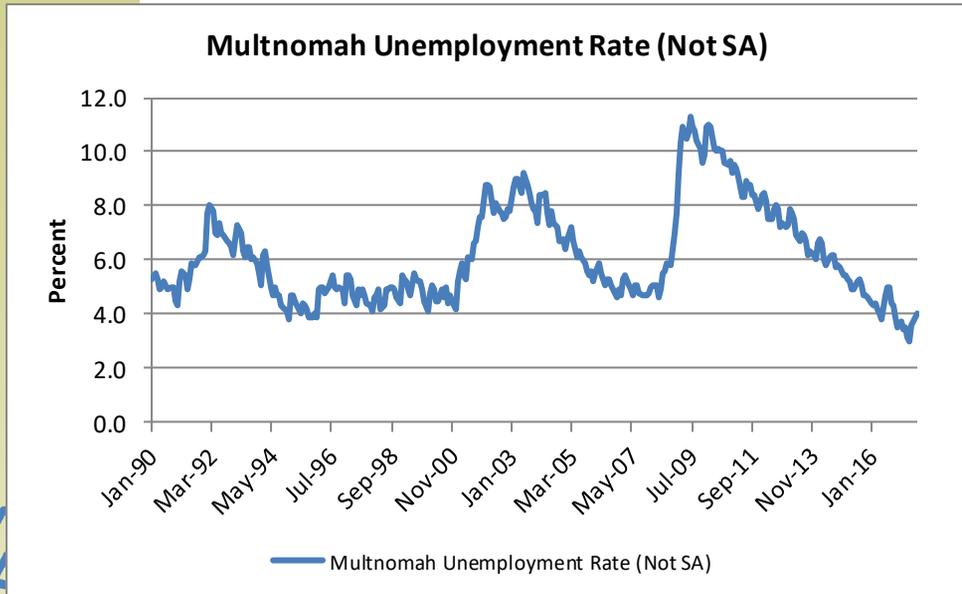
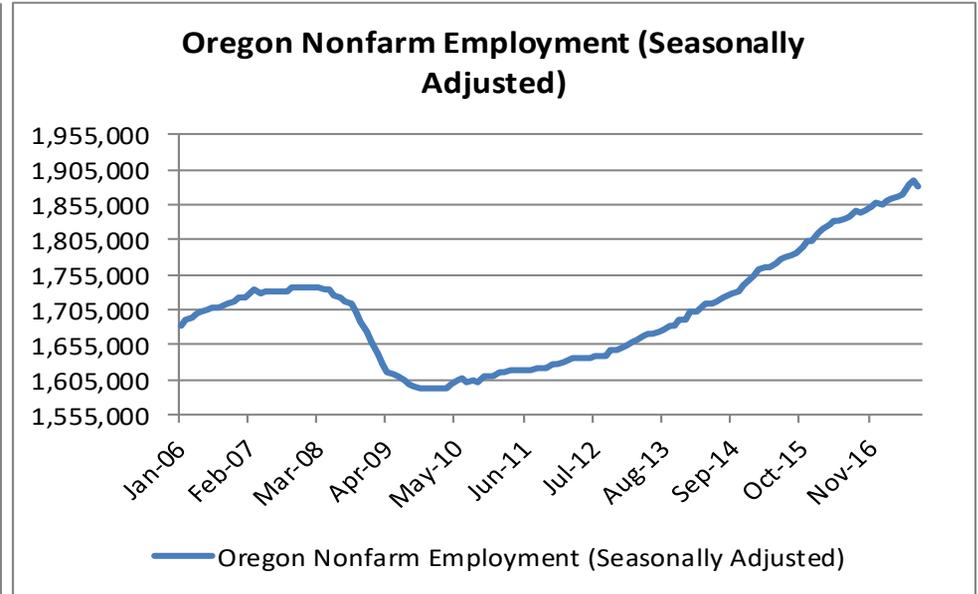
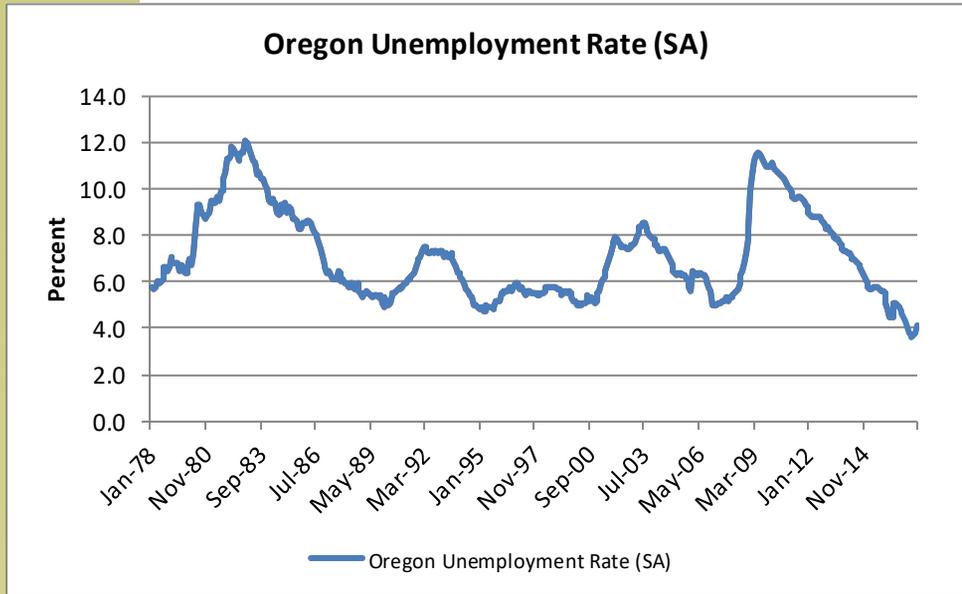
- U.S. growth has been sustained and is forecast to improve further during the year
 - GDP growth of 1.2%, 3.1%, and 3.0% in the first 3 quarters
- Employment data positive but little room for additional growth
 - ✓ Oregon employment at record highs
 - ✓ Increased wage growth
- Low inflation at national level, but rising inflation locally
- Policy uncertainty
 - ✓ Tax policy
 - ✓ Health care changes
 - ✓ Immigration policy changes (and workforce implications)
 - ✓ Higher interest rates
 - ✓ Regulatory changes



Economic Overview



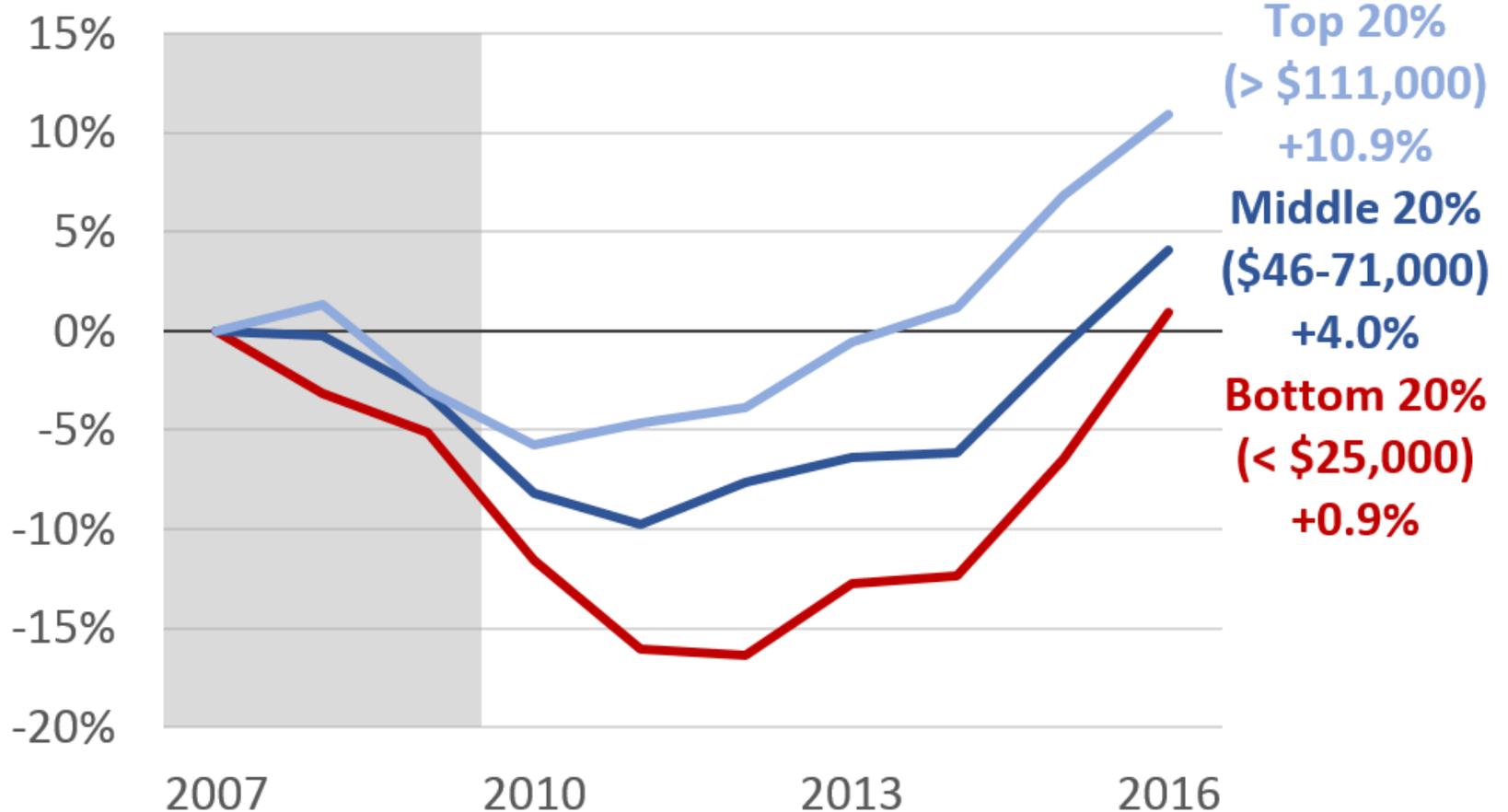
Economic Overview



Economic Overview

Oregon Household Incomes Rising

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

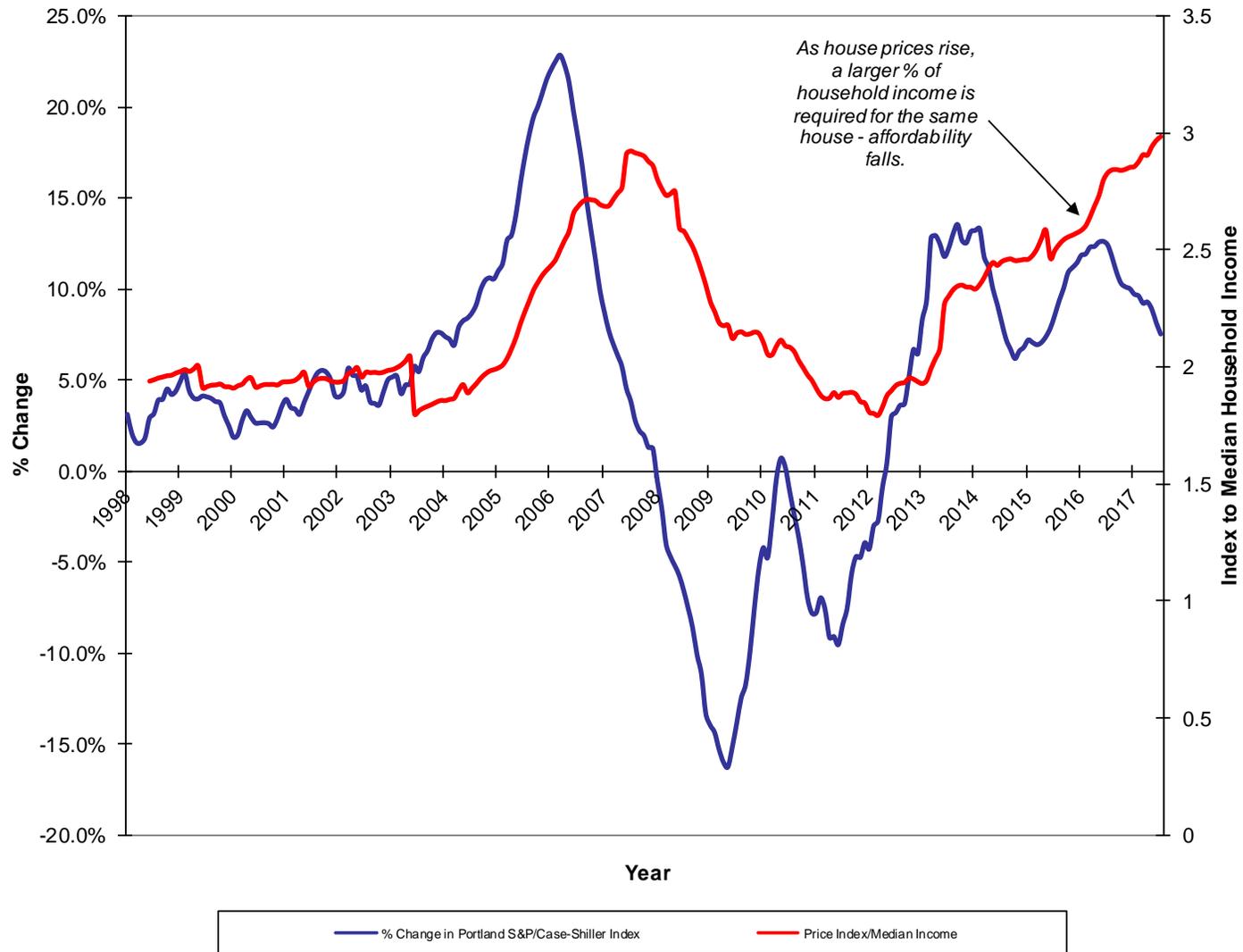


Inflation adjusted using PCE deflator. | Source: BEA, Census, Oregon Office of Economic Analysis



Economic Overview

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



FY 2018 Revenue Review

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			1,013,164	AV growth 0.77% higher than forecast; compression up to 3.86% vs. a forecasted decline to 3.50%
Business Income Taxes	84,500,000	0			0	
Motor Vehicle Rental Taxes	31,043,271	(737,392)			(737,392)	Weaker FY 2017 Q4 collections; slowing PDX traffic
US Marshal/BM 73/BOP	3,942,774	234,093			234,093	Assumed monthly average now 85 beds
State Shared						
Video Lottery	4,654,250	345,750			345,750	La Center Casino impact less than expected
Liquor	4,429,253	0			0	
Cigarette	666,649	0			0	
Marijuana	1,200,000	1,700,254			1,700,254	Adjusted based on actual revenues. Includes both FY 2017 retroactive payment (OTO) and FY 2018 ongoing changes
Amusement	173,000	0			0	
Recording Fees/CAFFA Grant	8,745,072	(234,728)			(234,728)	
Indirect						
Departmental	19,313,503	0			0	
Central Indirect/Svc Reimburse	12,158,266	0			0	
All Other	28,156,500	0			0	
FY 18 Revenue Adjustments ²	490,201,079	2,321,141	0	0	2,321,141	
% of Revenue		0.47%	0.00%	0.00%	0.47%	

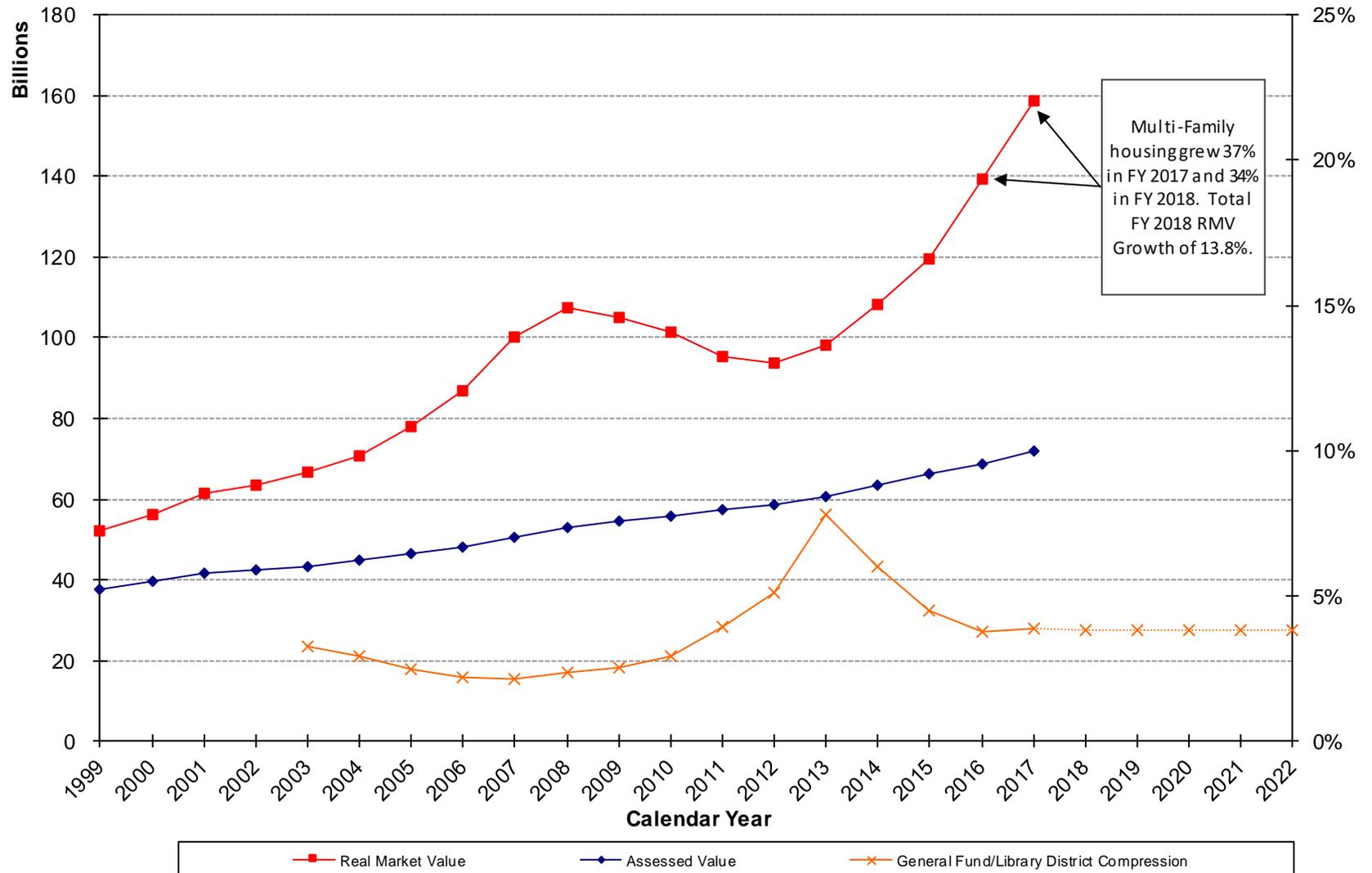
1. Excludes BWC, FQHC wraparound revenues, prospective health payments, and Tax Title: Affordable Housing but includes Video Lottery.

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



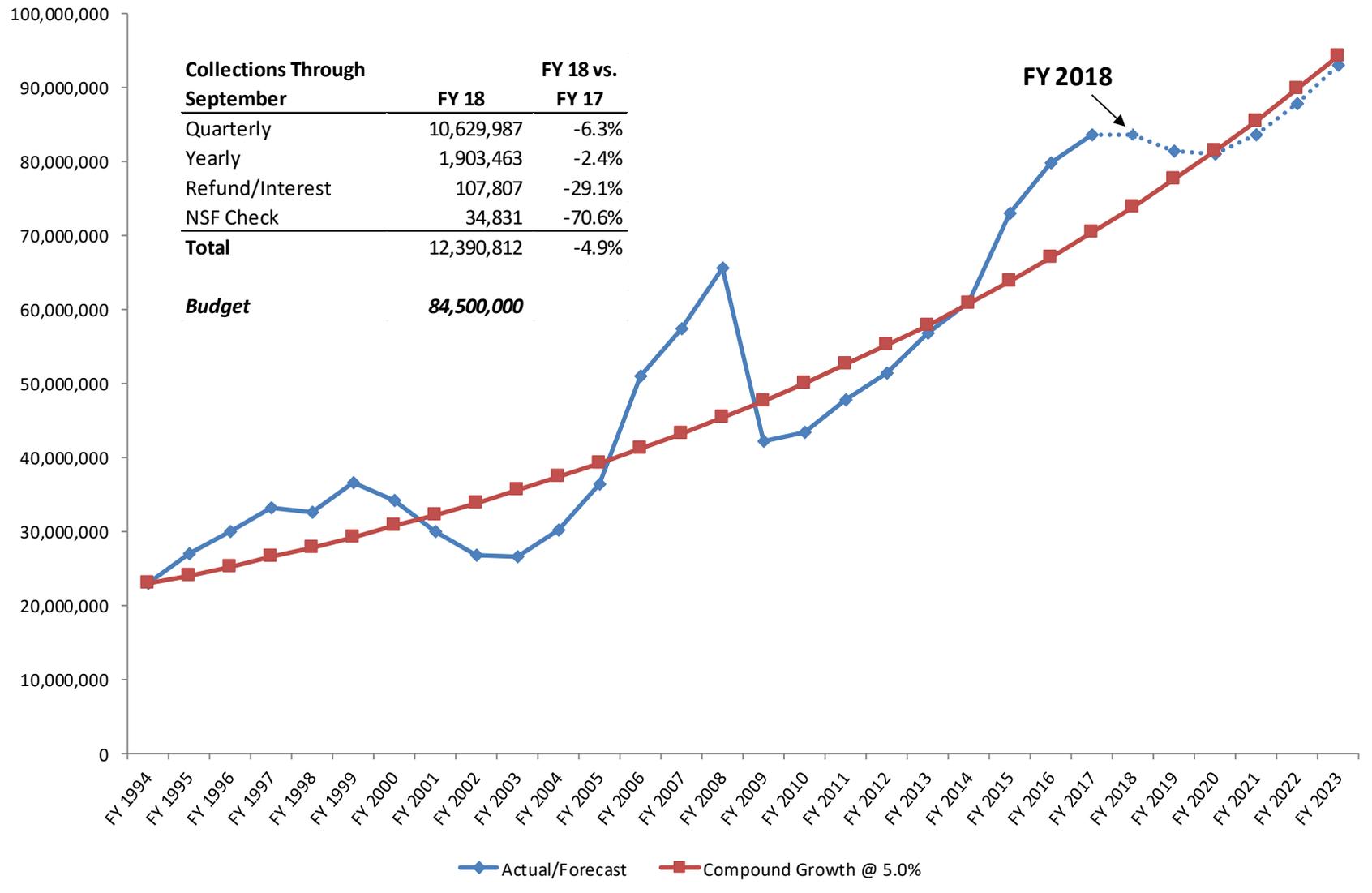
FY 2018 Revenue Review

Multnomah County Assessed Value, Real Market Value, and Compression



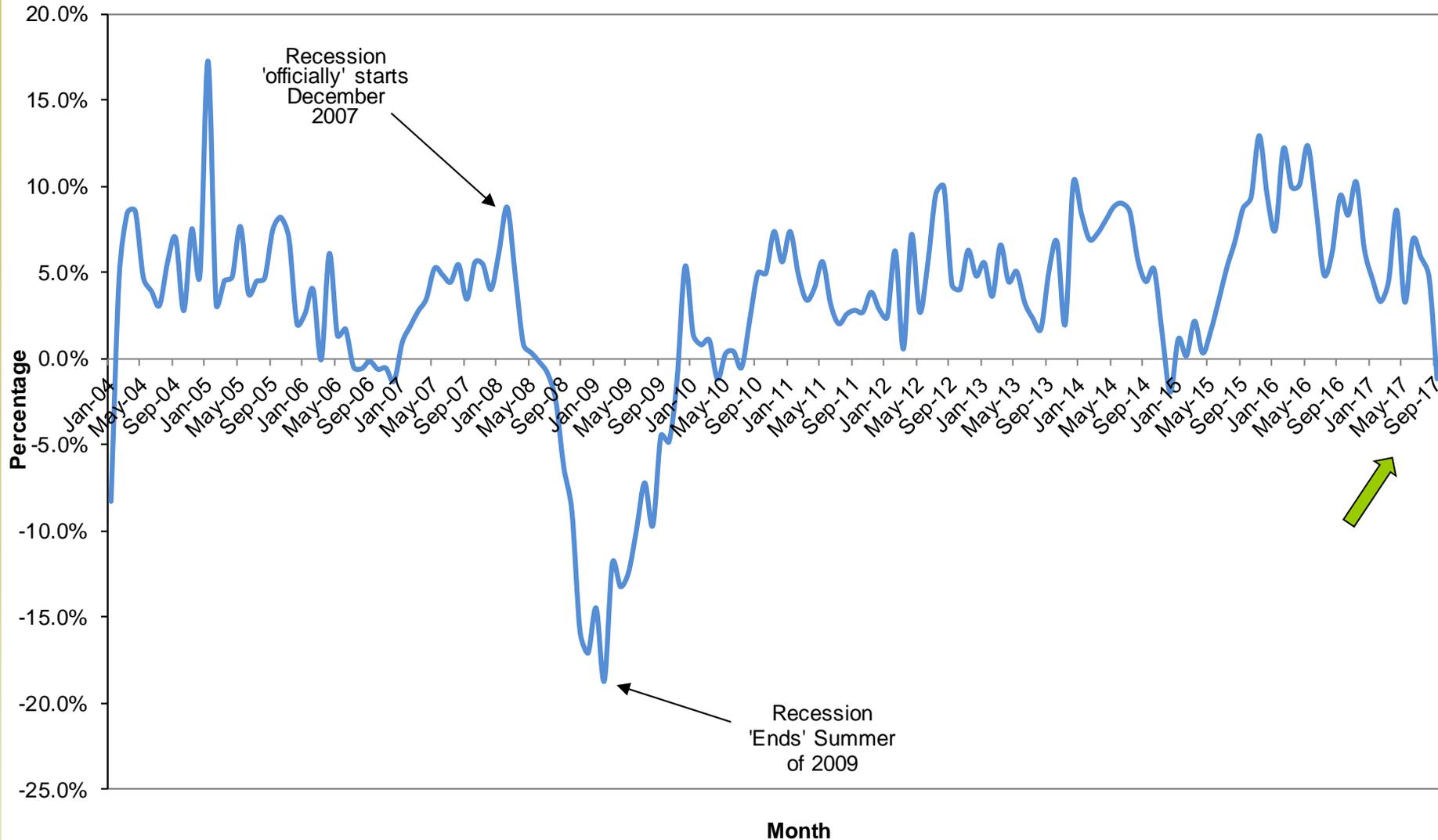
FY 2018 Revenue Review

Annual BIT Collections



FY 2018 Revenue Review

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



5-Year General Fund Forecast

- Forecast assumes that property values will continue to grow in the mid-single digits in the near term. Employment is at record levels but employment and economic growth is expected to slow due to labor supply constraints.
- Significant changes – Marijuana Revenues and Personnel Costs.
- Revenues just cover current expenditures for FY 2019, significant deficits are forecast starting in FY 2020.
- New, ongoing programs cannot be supported.

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

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Revenues	503,279,238	514,645,676	530,728,670	548,093,270	566,674,743
Expenditures	499,605,110	521,728,458	547,039,564	569,919,378	593,813,281
Surplus/(Deficit)	3,674,128	(7,082,781)	(16,310,894)	(21,826,108)	(27,138,538)
<i>Change in Surplus from Prior Year</i>		<i>(10,756,909)</i>	<i>(9,228,113)</i>	<i>(5,515,213)</i>	<i>(5,312,430)</i>
<i>Surplus/(Deficit) is this % of Expenditures</i>	0.74%	-1.36%	-2.98%	-3.83%	-4.57%
<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	84,500,000	82,299,987	81,888,487	84,345,142	88,562,399	93,876,143
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	4,176,867	4,409,573	4,409,573	4,409,573	4,409,573	4,409,573
Recording Fees/CAFFA Grant	8,757,704	8,522,976	8,664,125	8,808,082	8,954,912	9,104,679	9,257,450
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	464,378,352	475,108,498	486,313,905	502,232,646	519,179,709	537,590,296
% of Total Revenue	94.1%	94.4%	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	491,794,220	503,279,238	514,645,676	530,728,670	548,093,270	566,674,743
% Change in Ongoing Revenue		0.32%	2.34%	2.26%	3.13%	3.27%	3.39%
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%	0.00%	-2.60%	-0.50%	3.00%	5.00%	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.



Expenditure Assumptions

- Cost Drivers for FY 2019:

Inflation	3.50%	Second Half Portland CPI-W
Labor Costs (Change in rates)	5.69%	Prior assumption was 5.10%
COLA	3.50%	Dependent on Unit & Contract Status
Step/Merit/Contract Adjustment	2.00%	Dependent on Unit Demographics.
Medical/Dental	6.50%	Was assumed to increase by 6.00%
PERS	0.85%	Was assumed to increase by 1.75%
Retiree Medical	0.00%	
Liability/Workers Comp/TriMet	-0.50%	
Materials and Services	3.50%	
Internal Services	7.06%	

- Cost Driver Notes (*for General Fund*)

- ✓ A 1% increase in base pay = \$3.1 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 - \$1.5 million
- ✓ General Fund Reserve – 10% of ‘corporate’ revenues
- ✓ BIT Reserve – 10% of BIT Revenues (\$8.30 Million)



5-Year General Fund Forecast

- Open Labor Contracts (*79% of Total FTE*)
 - ✓ AFSCME Local 88 (*3,192.6 FTE*)
 - ✓ FOPPO (*128.7 FTE*)
 - ✓ MCCDA (*433.9 FTE*)
 - ✓ ONA (*193.7 FTE*) (*wage re-opener/market adjustment*)
 - ✓ Prosecuting Attorneys (*73.9 FTE*)
- Capital and Debt
 - ✓ Assumptions updated after debt is issued
- Ballot Measure 101 – Healthcare Insurance Premiums for Medicaid Referendum



Expenditure Assumptions - PERS

December 31, 2015 Valuation

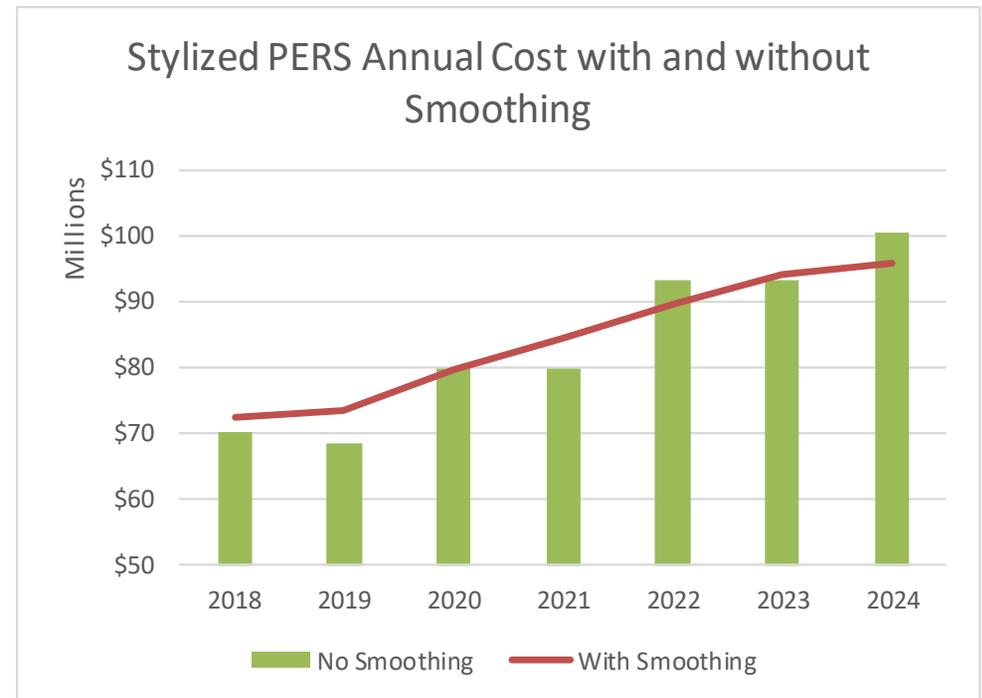
- ✓ Multnomah County's Net UAL increased from \$89.2 million (Pre-Moro, Dec 2013) to \$540 million. County's December 31, 2016 valuation expected shortly.

Major Sources of Increase in Unfunded Actuarial Liability (UAL)

- ✓ *Moro* adjustments to projected benefits, prior assumed earnings reductions, and earnings
- ✓ Upcoming – PERS Board reduced assumed earnings rate from 7.50% to 7.20% (\$2.3 billion)
- ✓ Upcoming – Impact of collared rates (\$1.1 billion)
- ✓ Current system-wide UAL = \$25.3 billion before side accounts or 69% funded

Planning for the Increase and Assumptions

- ✓ Collared PERS rates up 5.00% of payroll for next biennium (FY 2020)
- ✓ An 0.85% internal increase of payroll in FY 2019 plus impacts of side accounts address just less than half our FY 2020 increase
- ✓ Plan for steady increases of 1.25% to 1.80% through 5-year forecast, continuing into FY 2024



Expenditure Assumptions

- Programs, Cash Transfers, and Earmarks funded on a one-time-only basis in FY 2018 Budget that are assumed to not continue in FY 2019:

One-Time-Only Programs

<u>Offer/Activity</u>	
10018A - Office of Sustainability (Air Quality Report)	40,000
10018B - Environmental Justice Summit	15,000
10029A - SummerWorks - \$50,000 Carryover	50,000
10029C - SummerWorks Additional 100 Slots	275,000
10029D - SummerWorks - High Risk Youth	125,000
10052M - Family Shelter Youth Activities	100,000
10053D - Homeless Families (Part II)	846,418
10053L - Local Long Term Rental Vouchers	175,000
10055B - Eviction Pilot	200,000
10057 - Tax Title Affordable Housing	4,683,640
15012 - CRIMES Replacement	414,308
15106B - Portland Building Relocation	140,178
25035B - ADVSD RFP Transition Support	114,000
25048B - YFS - LGBTQ Economic Empowerment	68,000
25133B - YFS - Housing Stabilization Team	250,000
25134 - YFS - Thriving Communities	75,000
25134B - YFS - Thriving Communities Expansion	100,000
25136B - YFS - MSI - Workforce Development for Women in East County	75,000
25136C - YFS - MSI - Immigration Legal Defense Services	100,000
25139C - YFS -Multnomah Stability Initiative - Financial Stability	150,000



Expenditure Assumptions

One-Time-Only Programs (Continued)

Offer/Activity

25159A - YFS - Youth and Family Stability Support	209,257
25161 - YFS - SUN Innovative Services	75,000
25162 - YFS - Family of Friends Mentoring Project	25,000
40004B - Ambulance Service Plan Consulting Services	100,000
40017B - North Portland Dental Expansion Carryover	1,800,000
40018B - Women, Infants, and Children (WIC) Redesign	240,505
40024B - East County School Based Health Center Development	200,000
40055B - Baby Booster Partnership	42,000
40061C - Syringe Collection Expansion	30,000
40077B - Supplemental Treatment & Rx Funding for the Uninsured	150,000
40085B - Law Enforcement Assisted Diversion (LEAD)	750,000
50028B - Londer Learning Center - Rampdown	333,313
50032B - Adult Community Healing Initiative	326,299
50040 - Alternatives to Misdemeanor Bench Probation - Pilot	250,000
50065B - CHI Early Intervention & Community Connection - culturally specific	90,000
60046 - MCDC Detention Electronics	390,000
60083A - Safety Net - Homeless Outreach (HOPE)	207,602
72013 - Capital Asset Strategic Planning	100,000
72025B - DART County Clerk Carryover	211,000
72036 - DART Residential Development Program	635,648
72041 - A Home for Everyone Capital Investments Carryover	1,175,000
72042 - Mental Health System Mapping	60,000
72043 - Inclusive Start-UP Investment Project	150,000
91010D - Elections Equipment - Sorter	350,000



Expenditure Assumptions

One-Time-Only Programs (Continued)

Offer/Activity

91013B - Safe Routes to School Flashers	100,000
91014 - Levee Ready Columbia	146,883
91018B - Road Capital Improvement Plan Update	400,000

Cash Transfers and Earmarks

Offer/Activity

95000 - To Facilities Management Fund (78222) (Multnomah Building Seismic Study)	100,000
95000 - Facilities Management Fund (78224) (Yeon-Vance Site Assessment)	100,000
95000 - Capital Debt Retirement Fund (10026) (Downtown Courthouse debt service)	5,078,457
95000 - Capital Debt Retirement Fund (10026) (Health Department HQ debt service)	2,990,529
95000 - Downtown Courthouse Capital Fund (78212) (Downtown Courthouse replacement)	18,000,000
95000 - Health Headquarters Capital Fund (78214) (Health HQ replacement)	7,000,000
95000 - Information Technology Capital Fund (78319) (CRIMES replacement)	300,000
95000 - Capital Improvement Fund (78205) (MCDC Detention Electronics)	3,819,155
Federal/State Ramp-Down Set Aside	2,474,585
Earmark - OPI Restoration	250,000



FY 2019 OTO Funds

General Fund FY 2018 Beginning Working Capital & FY 2019 OTO ^{1,2} Year-End as of October 23, 2017

FY 2018 Beginning Balance ³	93,648,838	
FY 2018 Budgeted Beginning Balance	<u>79,454,853</u>	
Additional FY 2018 BWC (OTO)	14,193,985	← \$13.9 million departmental underspending
Plus Additional FY 2018 Revenue (current year)	2,321,141	
Adjustment to Maintain BIT Reserve @ 10%	220,001	
Less Amount to Maintain Reserves @ Policy Level	<u>(1,177,759)</u>	
OTO Funds for FY 2019 per November Forecast	15,557,368	
<i>50% Dedicated to County Facility Projects per Board Policy</i>	<i>7,778,684</i>	
<i>Remaining 50% to be Allocated</i>	<i>7,778,684</i>	
If no new programs are added in FY 2019	<u>3,674,128</u>	
OTO Funds for FY 2019 With Policy Assumptions	19,231,496	
<i>50% Dedicated to County Facility Projects per Board Policy</i>	<i>9,615,748</i>	
<i>Remaining 50% to be Allocated</i>	<i>9,615,748</i>	

1. Assumes the FY 2017 General Fund Contingency is fully spent in FY 2018.
2. Assumes departments fully spend their FY 2018 appropriation.
3. Adjusted for additional restricted County Clerk BWC, Prospective Health Payments, and Tax Title: Affordable Housing.



FY 2018 Contingency Update

General Fund Contingency Update

Contingency

General Fund 'Regular' Contingency	1,250,000
Additional Contingency	98,358
Remaining Non-Earmarked Contingency	1,348,358

Earmarks

State/Fed Ramp Down	2,474,585
Earmark - OPI Restoration	250,000

Less

State/Fed Rampdown - HD Tobacco Prevention	(111,494)
State/Fed Rampdown - HD Chronic Disease and Vioence Prevention	(100,000)
State/Fed Rampdown - HD Mental Health Residential Services	(100,296)
State/Fed Rampdown - HD AMHI	(280,000)
State/Fed Rampdown - DA Sexual Assualt Kit Project	(78,000)
State/Fed Rampdown - DA Neighborhood DA	(57,696)
Remaining State/Fed Ramp-Down and OPI Restoration	1,997,099

BIT Reserve @ 10% (in General Fund Contingency)	8,450,000
Total General Fund Contingency	11,795,457

<i>Unallocated Contingency and State/Fed Ramp Down funds for use in FY 2018 or to be rolled over to FY 2019</i>	3,345,457
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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

- Wage Pressures – PERS and open labor contracts
- Ballot Measure 101 – Healthcare Insurance Premiums for Medicaid Referendum
- Housing affordability/homelessness
- Policy & economic implications of Federal gov't actions
- Climate change and geopolitics
- A confluence of risks, uncertainties, and issues
 - ✓ PERS
 - ✓ Downtown Courthouse & other capital project funding
 - ✓ Timing of next recession
 - ✓ Inflation and monetary policy changes
 - ✓ Health Care – costs for employee coverage and revenues/costs associated as a provider of health care services



Summary

- FY 2018 General Fund revenue forecast increased \$2.3 million (0.47%)
- FY 2018 General Fund contingency balance of \$1.3 million (unallocated)
 - ✓ Plus \$2.0 million remaining from State/Fed Ramp-down and OPI Restoration
- Revenues just cover costs of current programs in FY 2019
- No new, ongoing programs can be supported in FY 2019 absent additional revenues or reallocation of existing resources
 - ✓ Deficit grows to \$27.1 million by FY 2023
 - ✓ \$25 to \$30 million of new revenue or program reductions needed over next 5-years versus year-by-year reductions.
- FY 2019 General Fund one-time-only resources of \$19.2 million, assuming no new programs are started.
- Major risks, uncertainties, and issues include:
 - ✓ Open Labor Contracts and associated costs (including PERS)
 - ✓ Downtown Courthouse and other capital project funding

