



FY 2020 General Fund 5-Year Forecast Update

*Presentation to the
Board of County Commissioners*

Multnomah County Budget Office
May 21, 2019
www.multco.us/budget

Agenda

- **Overview**
- **Economic Overview**
 - ✓ National Economic Conditions
 - ✓ Oregon & Multnomah County Employment Info
 - ✓ Inflation
- **FY 2019 Revenue Review**
 - ✓ BIT
- **FY 2020 General Fund 5-Year Forecast**
 - ✓ FY 2019 Forecast & 5-Year Outlook
 - ✓ Planning Assumptions and Examples
 - ✓ Summary of Deficit Under Various Assumptions
- **FY 2019 General Fund Contingency Update**
- **Forecast Risks & Issues**
- **Summary & Questions**

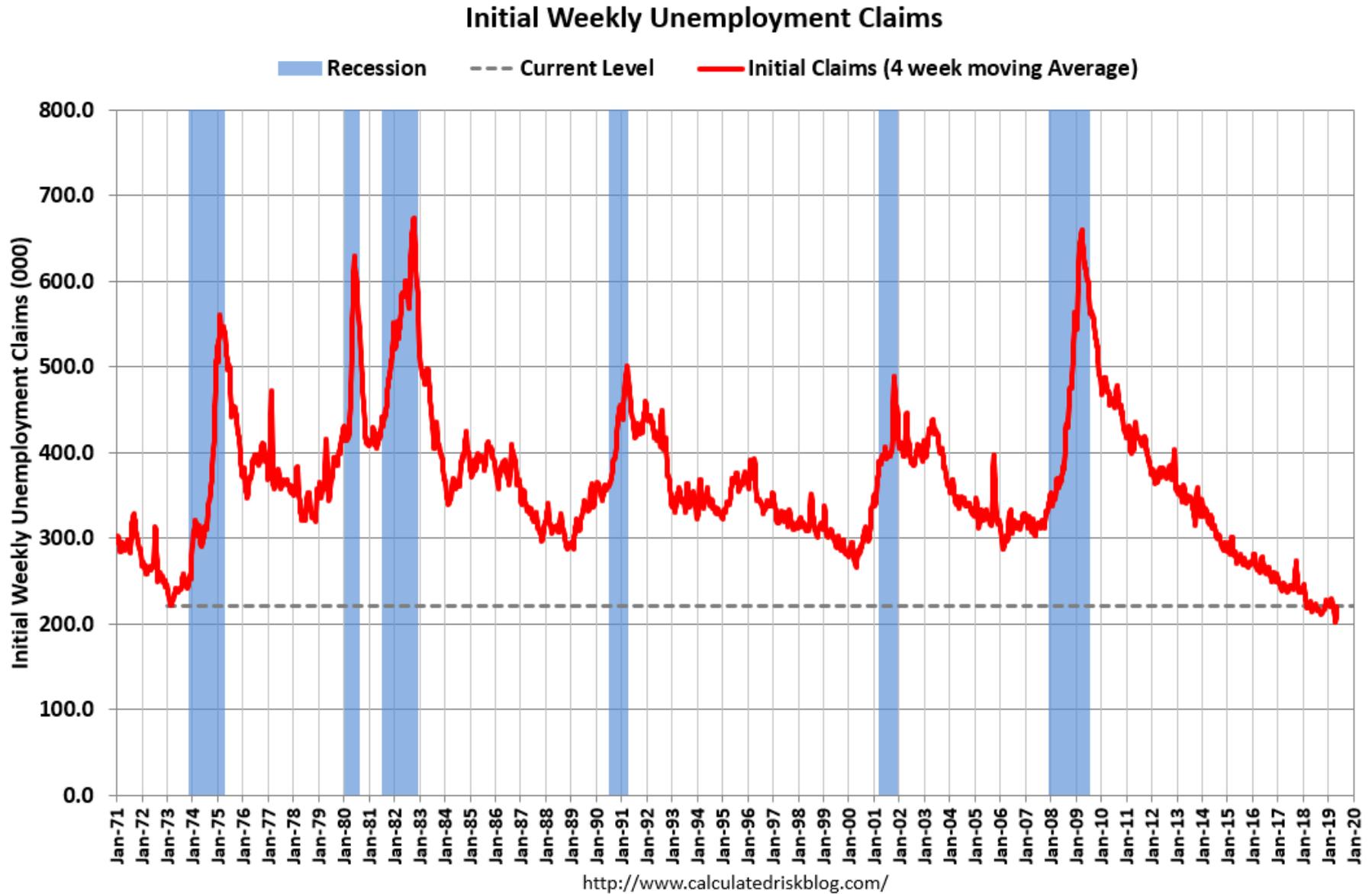


Overview

- **Significant Business Income Tax Increase**
 - ✓ FY 2019 up \$10 million to \$101.5 million
 - ✓ FY 2020 up \$6 million, split between ongoing and OTO
 - ✓ Out years up \$3 million, assumed to be ongoing
- **Modest Increase in Labor Cost Forecast**
 - ✓ PERS Legislative Bill SB 1049 Impacts
- **No Ability to Support Ongoing Spending**
- **Small Window to Use OTO to Buffer Future Reductions**
 - ✓ Dependent on ‘spreading’ OTO over multiple years
 - ✓ County financial situation different than in FY 2017, when balanced over 3-years
- **Managing Risk and Preserving Flexibility**
- **Last Year at this Time...**
 - ✓ Forecast down \$2.0 million, but ended up \$4.4 million
 - ✓ Net change was \$6.4 million



Economic Overview



Economic Overview

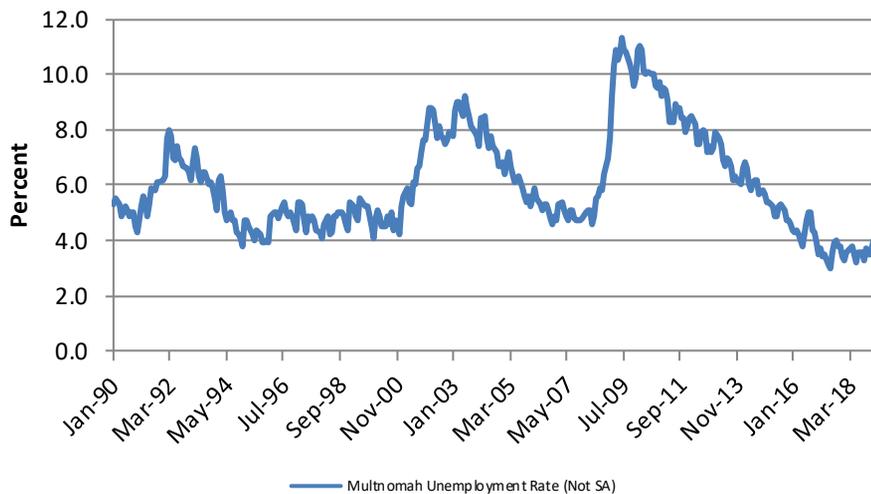
Oregon Unemployment Rate (SA)



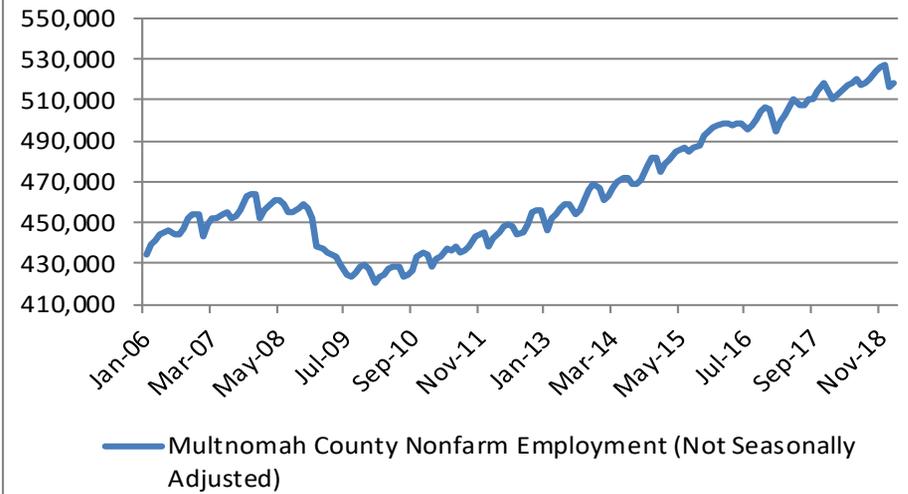
Oregon Nonfarm Employment (Seasonally Adjusted)



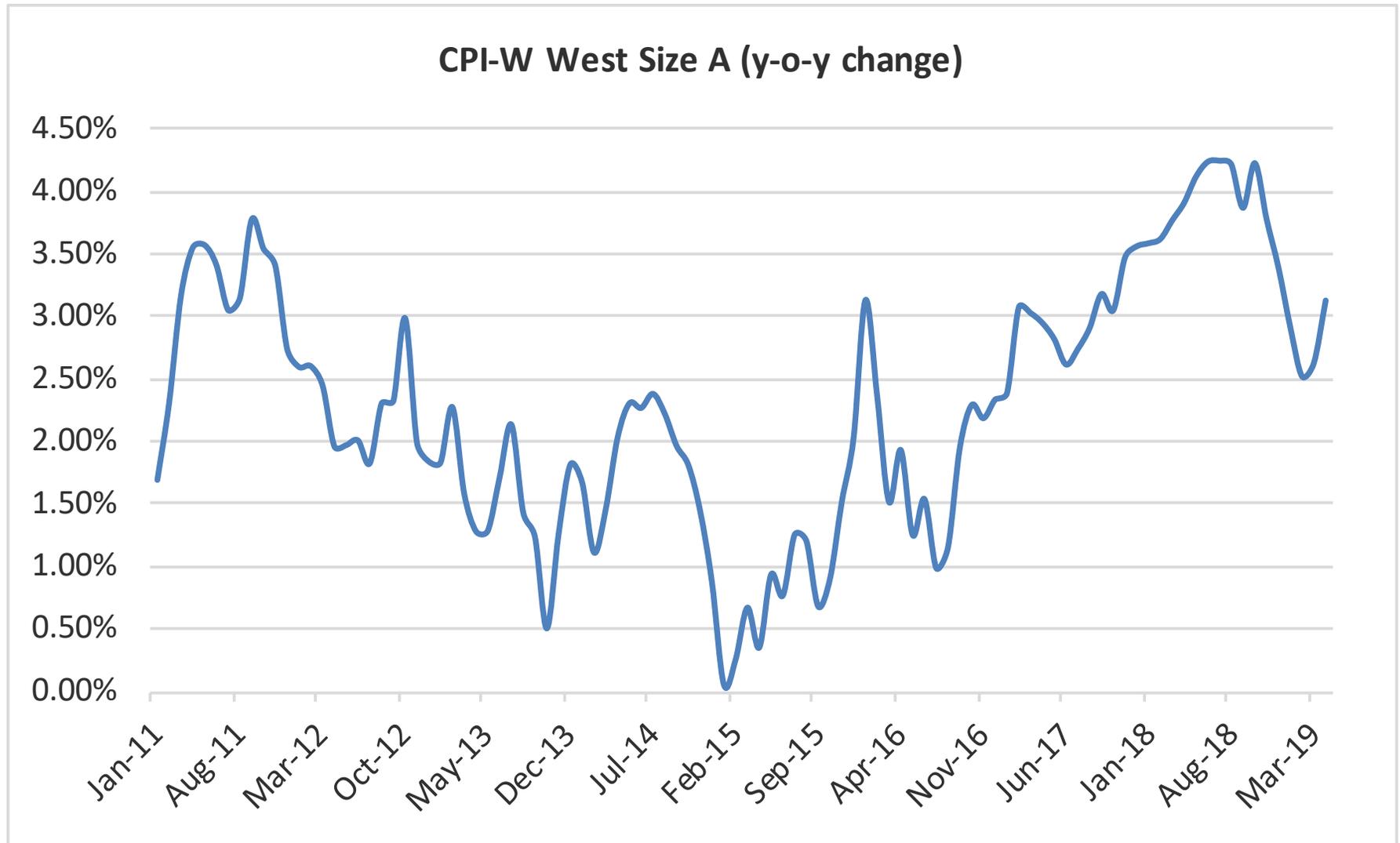
Multnomah Unemployment Rate (Not SA)



Multnomah County Nonfarm Employment (Not SA)



Economic Overview



FY 2019 Revenue Review

FY 2019 Revenue Review

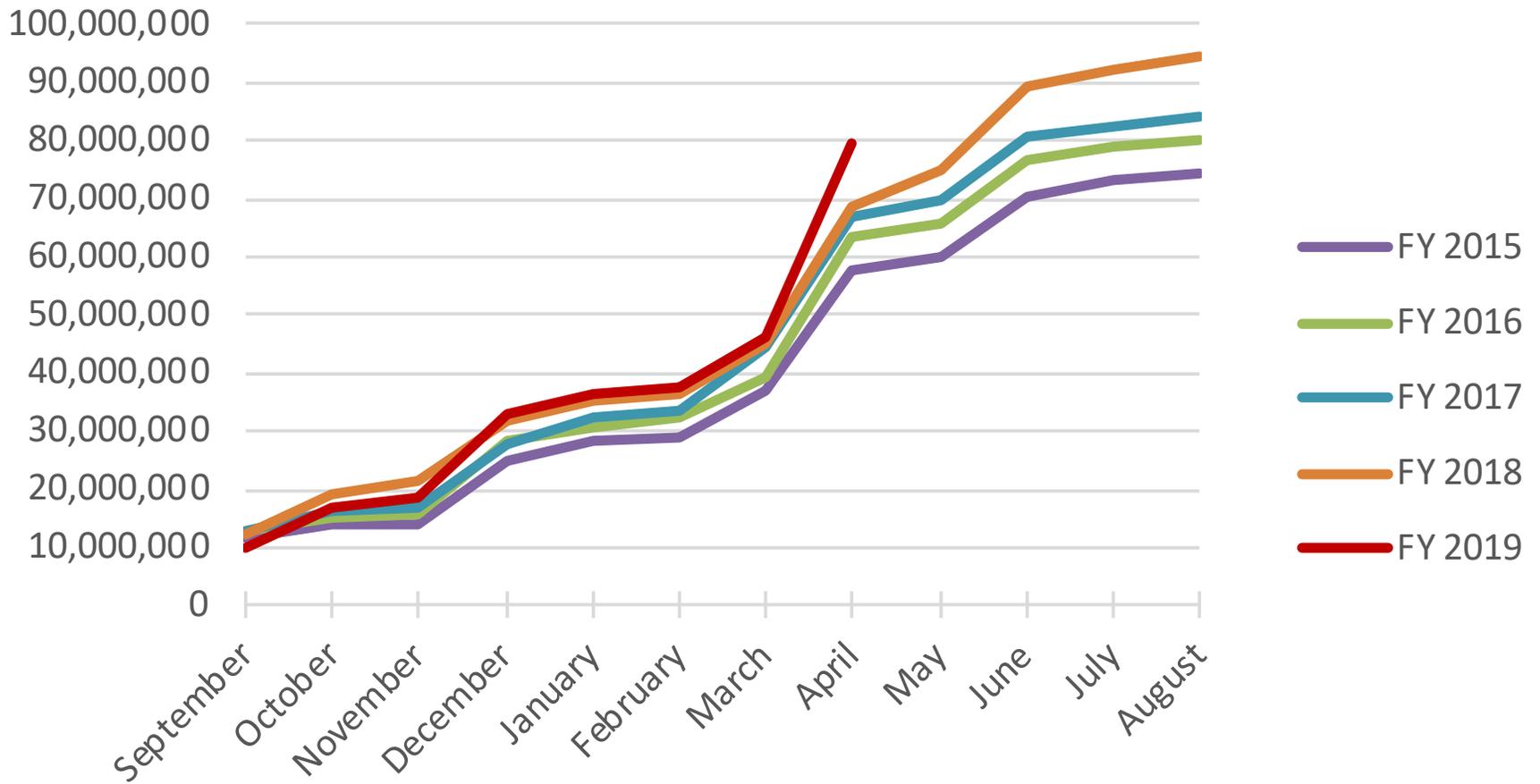
	Adopted ¹	October Forecast Change	March Forecast Change	May Forecast Change	Net Change From Adopted	Note
Property Taxes	304,223,486	(1,484,528)	0	0	(1,484,528)	Lower than expected AV Growth
Business Income Taxes	85,000,000	2,500,000	4,000,000	10,000,000	16,500,000	Federal Tax Reform Adjustment and OTO Payments
Motor Vehicle Rental Taxes	30,911,997	0	0	0	0	
US Marshal/BM 73/BOP	4,265,994	374,548	515,004	0	889,552	Increased from 85 to 93 to 104 beds in previous forecasts
State Shared						
Video Lottery	5,125,000	0	0	0	0	
Liquor	4,628,569	0	0	0	0	
Cigarette	668,102	0	0	0	0	
Marijuana	1,612,683	0	0	0	0	
Amusement	173,000	0	0	0	0	
Recording Fees/CAFFA Grant	8,123,854	0	(1,250,000)	0	(1,250,000)	
Indirect						
Departmental	22,874,140	0	0	0	0	
Central Indirect/Svc Reimburse	12,640,064	0	0	0	0	
All Other	31,028,031	0	0	0	0	
FY 19 Revenue Adjustments ²	511,274,920	1,390,020	3,265,004	10,000,000	14,655,024	
% of Revenue		0.27%	0.64%	1.96%	2.87%	

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 2019 Revenue Review

Cumulative BIT Collections by Year



FY 2019 Revenue Review

BIT Collections Fiscal Year-to-Date Through April

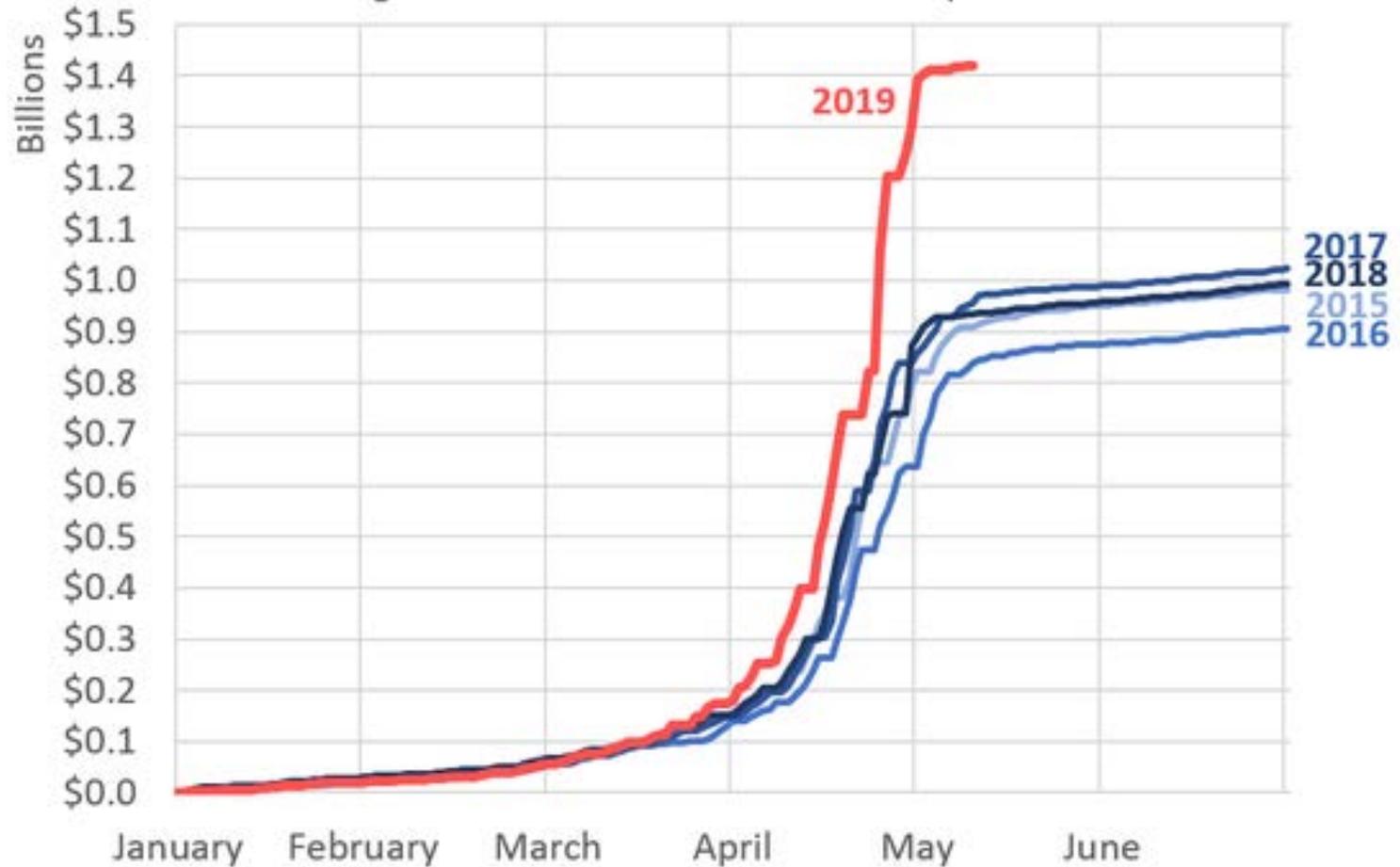
	FY 15	FY 16	FY 17	FY 18	FY 19	FY 19 vs. FY 18
Quarterly	34,824,091	34,909,656	34,399,192	35,534,161	39,948,597	12.4%
Yearly	26,971,820	33,797,605	36,543,316	37,703,918	45,114,362	19.7%
Refund/Interest	3,694,125	5,194,257	3,743,323	4,243,780	5,531,029	30.3%
NSF Check	257,331	238,014	313,430	171,505	443,118	158.4%
Total	57,844,455	63,274,989	66,885,755	68,822,794	79,088,813	14.9%
<i>Actual or Budget</i>	<i>73,825,000</i>	<i>80,710,000</i>	<i>84,450,000</i>	<i>93,400,000</i>	<i>85,000,000</i>	
<i>November Forecast</i>					<i>87,500,000</i>	
<i>March Forecast</i>					<i>91,500,000</i>	



FY 2019 Revenue Review

Record Year-End Payments

Oregon Cumulative Personal Income Tax Payments



Latest Data: May 10, 2019 | Source: Oregon Dept of Revenue, Oregon Office of Economic Analysis



FY 2019 Revenue Review

■ What Explains the Increase?

✓ Large OTO Payments

- Single Company
- Single Property Transaction

✓ Federal Tax Considerations

- Ongoing base increase
- OTO repatriation of overseas funds
- Ongoing recognition of overseas income
- OTO shifting of payments from 2017 to 2018 (implications for 2019?)
- October Extension and Overpayments

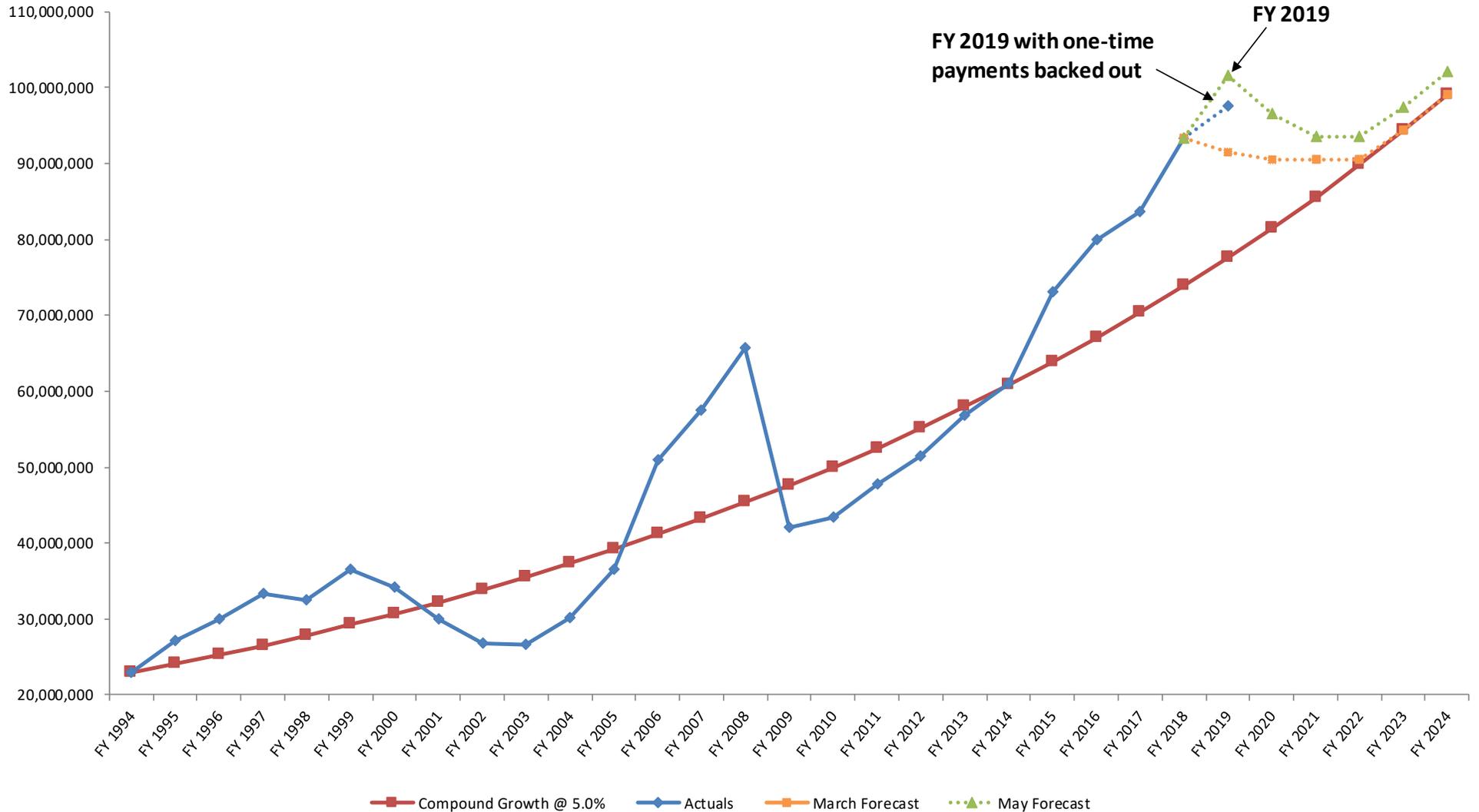


FY 2019 Revenue Review



FY 2019 Revenue Review

Annual BIT Collections



5-Year General Fund Forecast

May 2019 Forecast - Additional BIT

	Additional Ongoing	Additional OTO
FY 2019*	-	10,000,000
FY 2020	3,000,000	3,000,000
FY 2021	3,000,000	-
FY 2022	3,000,000	-
FY 2023	3,000,000	-
FY 2024	3,000,000	-
Less FY 19 East County Payment		(1,000,000)
Less Amount to Fully Fund Reserves		(1,200,000)
Total OTO Available for after FY 2019 East County Payment and Funding Reserves		10,800,000

* FY 2019 revenue is \$3 million in ongoing and \$7 million in one-time revenues. All considered one-time because of timing.



5-Year General Fund Forecast

Major General Fund Revenue Sources ¹

	Adopted FY 2019	Forecast FY 2019 ²	Forecast FY 2020	Forecast FY 2021	Forecast FY 2022	Forecast FY 2023	Forecast FY 2024
Property Taxes	304,223,486	302,738,958	312,747,581	322,340,565	332,378,196	343,289,696	354,380,990
Business Income Taxes	85,000,000	101,500,000	96,537,500	93,537,500	93,537,500	97,358,110	102,076,016
Motor Vehicle Rental Taxes	30,911,997	30,911,997	31,530,237	32,160,841	32,804,058	33,460,139	34,129,342
US Marshal (& BM 37)	4,265,994	5,155,546	4,640,542	4,640,542	4,640,542	4,640,542	4,640,542
Recording Fees/CAFFA Grant	8,123,854	6,873,854	7,029,122	7,540,206	8,051,290	8,562,374	9,073,459
State Shared	12,207,354	12,207,354	12,575,183	12,956,774	13,352,654	13,763,368	14,189,435
Indirect & Service Reimbrs.	35,514,204	35,514,204	36,596,635	37,701,261	38,840,115	40,014,262	41,224,800
	480,246,889	494,901,913	501,656,800	510,877,689	523,604,355	541,088,491	559,714,584
% of Total Revenue	93.9%	94.1%	93.8%	93.9%	93.9%	94.0%	94.2%
All Other General Fund	31,028,031	31,028,031	33,288,849	33,471,062	33,993,507	34,271,400	34,554,848
Total	511,274,920	525,929,944	534,945,649	544,348,751	557,597,862	575,359,891	594,269,432
% Change in Ongoing Revenue		2.87%	1.71%	1.76%	2.43%	3.19%	3.29%
AV Growth	4.00%	3.15%	3.50%	3.40%	3.25%	3.25%	3.25%
Compression	3.85%	3.66%	3.66%	3.85%	3.85%	3.85%	3.85%
BIT Growth	0.00%	8.67%	-4.89%	-3.11%	0.00%	4.08%	4.85%

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.



5-Year General Fund Forecast

- Significant increase in BIT revenues based on OTO collections and ongoing tax law changes, not underlying economics.
- Updated to reflect decisions in the Chair's Proposed budget.
- No ability to support ongoing spending.
- FY 2024 deficit shrinks from \$34 million to \$28 million.
- FY 2021 deficit was \$15.3 million... now \$3.0 to \$12.3 million depending on assumptions.
- Planning assumptions & examples
 - ✓ Example 1a: Spend Additional Funds as Ongoing Starting in FY 2020
 - ✓ Example 1b: Spend Additional Funds as Ongoing w/'Regular' OTO Use in FY 2020
 - ✓ **Planning Assumption: Maximize Deficit Reduction over 2 Years**
 - ✓ Alt Planning Asmpt.: Maximize Deficit Reduction over 2 Years w/\$1 million Ongoing
 - ✓ Example 2: Maximize Deficit Reduction over 4 Years



5-Year General Fund Forecast

Example 1A: Spend in FY 2020 as Ongoing

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
March Forecast Deficit	(3,583,645)	(15,309,669)	(26,856,812)	(30,937,245)	(34,132,352)
Net Adjustment from Chair's Proposed	3,583,645	3,772,145	3,989,420	4,150,992	4,317,031
Updated Deficit	0	(11,537,524)	(22,867,392)	(26,786,253)	(29,815,321)
Ongoing BIT Adjustment	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Convert One-Time BIT to Ongoing <i>(\$10.8/5 = \$2.16 million per year)</i>	2,160,000	2,160,000	2,160,000	2,160,000	2,160,000
Less East County Payment	(600,000)	(300,000)	(300,000)	(300,000)	(300,000)
Post-BIT Updated Deficit	4,560,000	(6,677,524)	(18,007,392)	(21,926,253)	(24,955,321)
COLA/Inflation, Wage Pressure, PERS		(800,000)	(846,080)	(880,346)	(915,560)
Add Ongoing Expenditures	(4,560,000)	(4,799,856)	(5,076,328)	(5,281,919)	(5,493,196)
Final Deficit	0	(12,277,380)	(23,929,799)	(28,088,518)	(31,364,076)



5-Year General Fund Forecast

Example 1B: Spend in FY 2020 as Ongoing (w/'Regular' OTO Use)

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
March Forecast Deficit	(3,583,645)	(15,309,669)	(26,856,812)	(30,937,245)	(34,132,352)
Net Adjustment from Chair's Proposed	3,583,645	3,772,145	3,989,420	4,150,992	4,317,031
Updated Deficit	0	(11,537,524)	(22,867,392)	(26,786,253)	(29,815,321)
Ongoing BIT Adjustment	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Less East County Payment	(600,000)	(300,000)	(300,000)	(300,000)	(300,000)
Post-BIT Updated Deficit	2,400,000	(8,837,524)	(20,167,392)	(24,086,253)	(27,115,321)
COLA/Inflation, Wage Pressure, PERS		(800,000)	(846,080)	(880,346)	(915,560)
Add Ongoing Expenditures	(2,400,000)	(2,526,240)	(2,671,751)	(2,779,957)	(2,891,156)
Final Deficit	0	(12,163,764)	(23,685,223)	(27,746,557)	(30,922,036)
OTO		\$10.8 million			
50% to Allocate to Facilities Capital per Board Policy		\$5.4 million			
50% to Allocate for Services or Capital		\$5.4 million			



5-Year General Fund Forecast

Planning Assumption: Maximize Deficit Reduction Over 2 Years

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
March Forecast Deficit	(3,583,645)	(15,309,669)	(26,856,812)	(30,937,245)	(34,132,352)
Net Adjustment from Chair's Proposed	3,583,645	3,772,145	3,989,420	4,150,992	4,317,031
Updated Deficit	0	(11,537,524)	(22,867,392)	(26,786,253)	(29,815,321)
Ongoing BIT Adjustment	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Spread FY 2020 Ongoing Over FY 2021-2022	(3,000,000)	1,500,000	1,500,000	-	-
Convert One-Time BIT to Ongoing (3 Years) <i>(\$10.8/3 = \$3.6 million per year)</i>	3,600,000	3,600,000	3,600,000	-	-
Use FY 2020 OTO to balance future years	(3,000,000)	1,500,000	1,500,000	-	-
Less East County Payment	(600,000)	(300,000)	(300,000)	(300,000)	(300,000)
Post-BIT Updated Deficit	0	(2,237,524)	(13,567,392)	(24,086,253)	(27,115,321)
COLA/Inflation, Wage Pressure, PERS Add Ongoing Expenditures		(800,000)	(846,080)	(880,346)	(915,560)
Final Deficit	0	(3,037,524)	(14,413,472)	(24,966,599)	(28,030,881)



5-Year General Fund Forecast

General Fund Deficit Under Various Assumptions

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Example 1A: Spend in FY 2020 as Ongoing	0	(12,277,380)	(23,929,799)	(28,088,518)	(31,364,076)
Example 1B: Spend in FY 2020 as Ongoing (w/'Regular' OTO Use)	0	(12,163,764)	(23,685,223)	(27,746,557)	(30,922,036)
Planning Assumption: Maximize Deficit Reduction Over 2 Year	0	(3,037,524)	(14,413,472)	(24,966,599)	(28,030,881)
Alt Planning Assumption: Maximize Deficit Reduction Over 2 Years (w/\$1 million ongoing added)	0	(4,590,124)	(16,026,701)	(26,124,915)	(29,235,529)
Example 2: Maximize Deficit Reduction Over 4 Years	0	(6,337,524)	(17,713,472)	(21,666,599)	(24,730,881)



5-Year General Fund Forecast

- Why the Use the Planning Assumption?
 - ✓ Limits downside forecast/economic risk going in FY 2021
 - ✓ Deficit is closer to our forecast margin of error
 - ✓ No ability to support on ongoing programs – doesn't start or restore programs & positions that will likely be cut in FY 2021
 - ✓ Preserves flexibility
 - Spending on services vs. capital
 - Time to spread OTO over could be adjusted
 - ✓ Possible bridge to PERS/SB 1049 in FY 2022 or additional revenue
 - ✓ Organizational capacity & morale
 - ✓ Little reason to stretch beyond FY 2022 – deficit too large, too many uncertainties, and reduces buffering in FY 2021 too much



FY 2019 Contingency Update

General Fund Contingency Update

Contingency

General Fund 'Regular' Contingency	1,500,000
Additional Contingency	<u>16,375</u>

Unallocated Contingency Available to be Rolled Over to FY 2020 **1,516,375**

Earmarked Contingency

Earmark - Municipal Broadband Feasibility Study	150,000	On 5/23 Board Agenda
Earmark - Counterpoint Outpatient Program	0	Earmark Released 9/27/2018
Earmark - Legal Services for Employment and Housing Barriers	<u>0</u>	Earmark Released 9/20/2018
Total General Fund Contingency	1,666,375	

BIT Reserve @ 10% (in General Fund Contingency)	<u>8,500,000</u>
Total General Fund Contingency	10,166,375

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 2020



Forecast Risks, Uncertainties & Issues

- Wage pressures – inflation and PERS
- State Legislative session
 - ✓ SB 1049
 - ✓ Funding for Programs
- Federal tax reform adjustments
- Construction/Development cycle changes
 - ✓ AV growth
 - ✓ BIT revenues
- A confluence of risks, uncertainties, and issues
 - ✓ Timing of next recession
 - ✓ PERS
 - ✓ Inflation and monetary policy changes
 - ✓ Structural deficit



Summary

- FY 2019 General Fund revenue forecast increased \$10.0 million (2.0%)
- FY 2019 General Fund contingency balance of \$1.5 million (unallocated)
- Significant increase in OTO and ongoing BIT revenues (with uncertainty regarding mix of OTO/Ongoing and impact of Federal tax law changes).
- FY 2020 Proposed budget is balanced, but deficits remain in the out-years of the forecast.
 - ✓ Under the “**Planning Assumption**,” FY 2021 deficit reduced from \$15.3 million to \$3.0 million and the FY 2022 deficit reduced from \$26.9 million to \$14.4 million.
 - ✓ Under all assumptions, \$25 to \$31 million of new revenue or program reductions needed over next 5 years.
- Major risks, uncertainties, and issues include:
 - ✓ Inflation and PERS
 - ✓ Recession timing



Appendix

Alt Planning Assumption: Maximize Deficit Reduction Over 2 Years (w/\$1 million ongoing added)

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
March Forecast Deficit	(3,583,645)	(15,309,669)	(26,856,812)	(30,937,245)	(34,132,352)
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Updated Deficit	0	(11,537,524)	(22,867,392)	(26,786,253)	(29,815,321)
Ongoing BIT Adjustment	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Spread FY 2020 Ongoing Over FY 2021-2022	(2,000,000)	1,000,000	1,000,000	-	-
Convert One-Time BIT to Ongoing (3 Years) <i>(\$10.8/3 = \$3.6 million per year)</i>	3,600,000	3,600,000	3,600,000	-	-
Use FY 2020 OTO to balance future years	(3,000,000)	1,500,000	1,500,000	-	-
Less East County Payment	(600,000)	(300,000)	(300,000)	(300,000)	(300,000)
Post-BIT Updated Deficit	1,000,000	(2,737,524)	(14,067,392)	(24,086,253)	(27,115,321)
COLA/Inflation, Wage Pressure, PERS		(800,000)	(846,080)	(880,346)	(915,560)
Add Ongoing Expenditures	(1,000,000)	(1,052,600)	(1,113,230)	(1,158,316)	(1,204,648)
Final Deficit	0	(4,590,124)	(16,026,701)	(26,124,915)	(29,235,529)



Appendix

Example 2: Maximize Deficit Reduction Over 4 Years

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
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Net Adjustment from Chair's Proposed	3,583,645	3,772,145	3,989,420	4,150,992	4,317,031
Updated Deficit	0	(11,537,524)	(22,867,392)	(26,786,253)	(29,815,321)
Ongoing BIT Adjustment	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Spread FY 2020 Ongoing Over FY 2021-2024	(3,000,000)	750,000	750,000	750,000	750,000
Convert One-Time BIT to Ongoing (5 Years) <i>(\$10.8/5 = \$2.16 million per year)</i>	2,160,000	2,160,000	2,160,000	2,160,000	2,160,000
Use FY 2020 OTO to balance future years	(1,560,000)	390,000	390,000	390,000	390,000
Less East County Payment	(600,000)	(300,000)	(300,000)	(300,000)	(300,000)
Post-BIT Updated Deficit	0	(5,537,524)	(16,867,392)	(20,786,253)	(23,815,321)
COLA/Inflation, Wage Pressure, PERS Add Ongoing Expenditures		(800,000)	(846,080)	(880,346)	(915,560)
Final Deficit	0	(6,337,524)	(17,713,472)	(21,666,599)	(24,730,881)

