



# FY 2020 General Fund 5-Year Forecast

*Presentation to the  
Board of County Commissioners*

Multnomah County Budget Office  
November 8, 2018  
[www.multco.us/budget](http://www.multco.us/budget)

# Agenda

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- **Financial Context & Three Questions**
- **Economic Overview**
  - ✓ National Economic Conditions
  - ✓ Oregon & Multnomah County Employment Info
  - ✓ Income Growth
- **FY 2019 Revenue Review**
  - ✓ Property Tax
  - ✓ BIT
  - ✓ Motor Vehicle Rental Tax
- **FY 2020 General Fund 5-Year Forecast**
  - ✓ FY 2019 Forecast & 5-Year Outlook
  - ✓ Expenditure Assumptions – Cost Drivers, PERS, Etc.,
- **FY 2020 One-Time-Only Funds**
- **FY 2019 General Fund Contingency Update**
- **Forecast Risks & Issues**
- **Summary & Questions**



# Financial Context

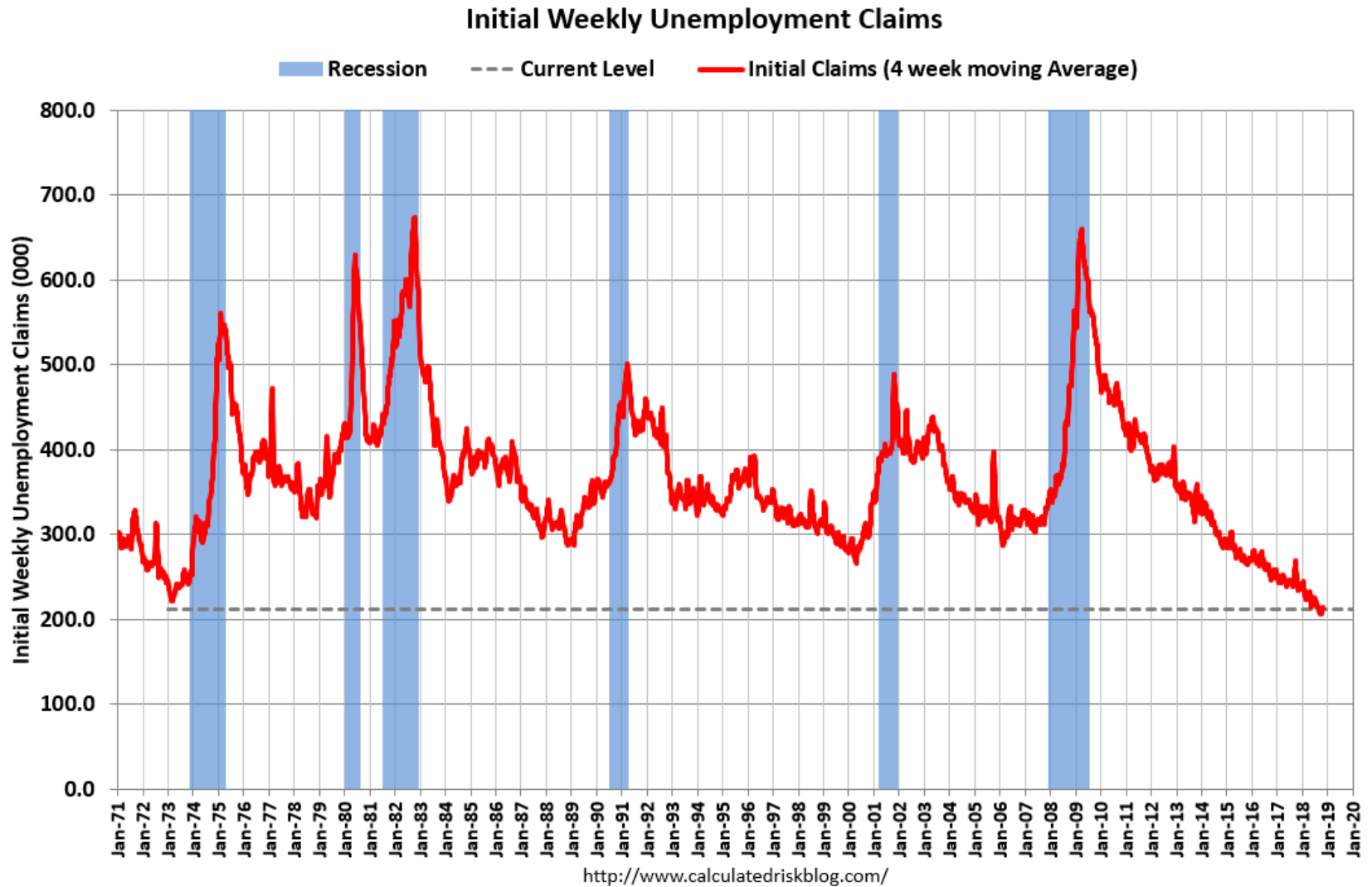
- **Is There Still a Structural Deficit?**
- **Personnel Costs Up 6.59%**
  - ✓ CPI/COLA at 4.0%
  - ✓ Net Internal PERS Increase at 2.2%
- **Property Tax - Assessed Value Growth at 3.15%**
  - ✓ Assessed Value (AV) of a residential property up 3% per Oregon Constitution
  - ✓ Change Property Ratio (i.e., that value that goes on the tax roll)
    - Multifamily Property = 35%
    - Residential = 49%
- **The General Fund Structural Deficit**

Table 1: General Fund Surplus/(Deficit)

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
FY 2017 Forecast (Nov 2015)	16,415,156	12,038,760	431,284	(6,424,007)	(11,670,780)			
FY 2020 Forecast (Nov 2018)				(5,907,395)	(18,815,600)	(26,832,651)	(30,624,677)	(34,132,352)
Surplus/(Deficit) is this % of Expenditures	3.69%	2.60%	1.66%	-1.11%	-3.38%	-4.62%	-5.08%	-5.46%

# Financial Context

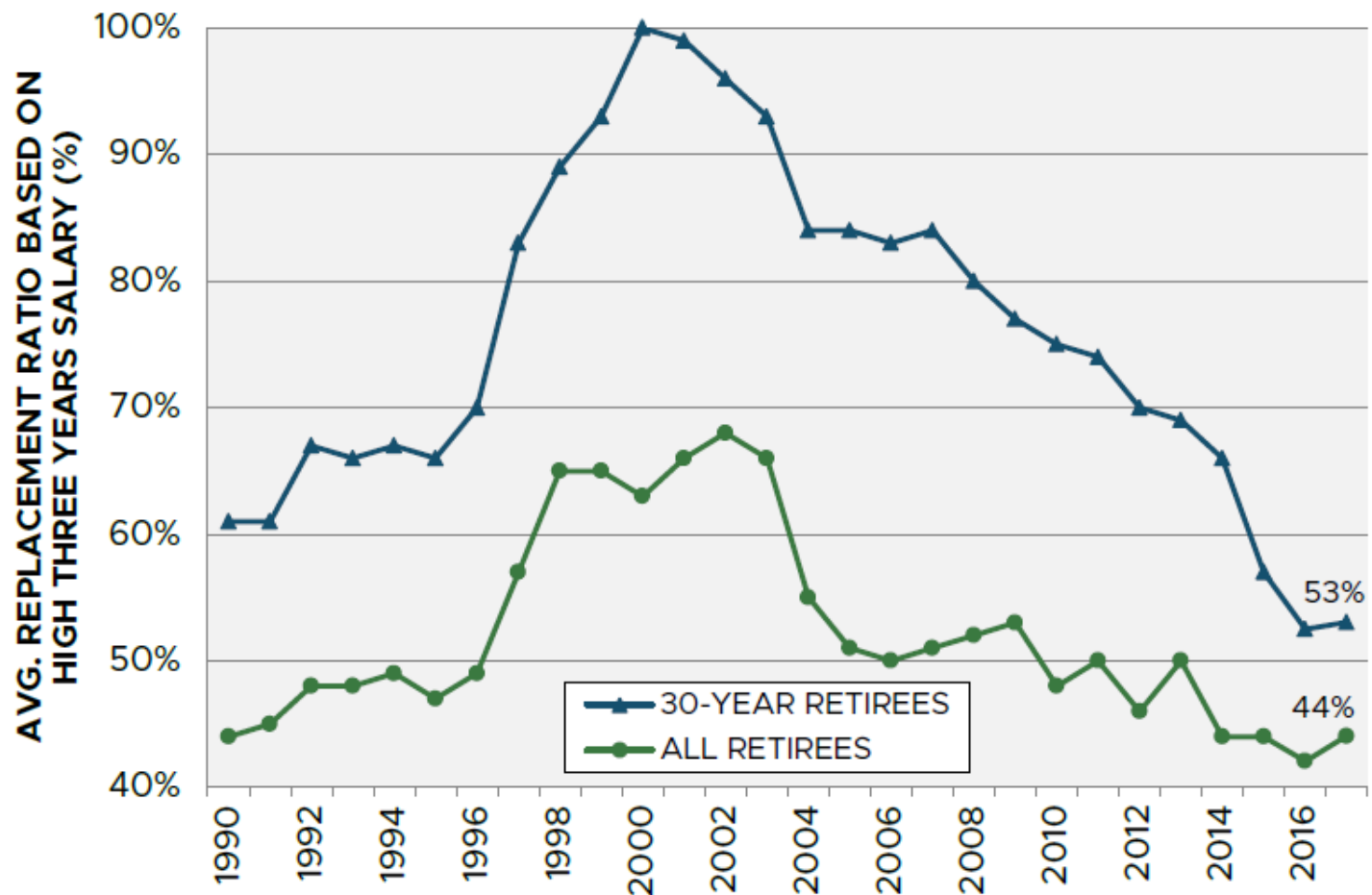
- **How Long Will the Economic Expansion Last?**



# Financial Context

- Will Our PERS Rates Level Out and Decline at Some Point?

Tier One/Tier Two replacement ratio trends (data from PERS' Replacement Ratio Study)



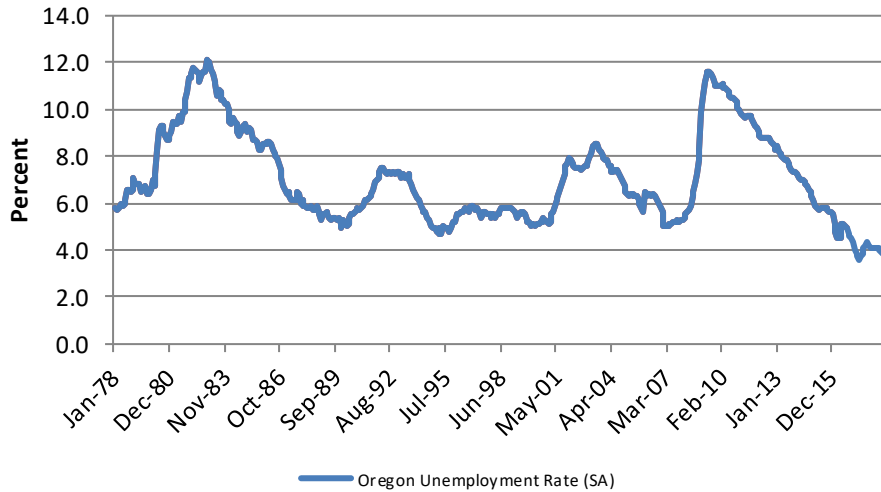
# Economic Overview

- U.S. growth has been sustained, and the Federal Reserve is forecasting continued strong growth through the end of the year.
  - ✓ GDP growth of 2.1%, 4.2%, and 3.5% in the first 3 quarters
- Unemployment rate remains at lowest level in decades.
  - ✓ Oregon employment at record highs, but growth continues to slow
  - ✓ Increased wage growth
- Inflation increasing both nationally and locally; Fed expected to continue raising rates
- Uncertainty
  - ✓ Federal deficit: future cuts/tax increases or constrained recession response
  - ✓ Immigration policy changes (and workforce implications)
  - ✓ Higher interest rates
  - ✓ Regulatory changes

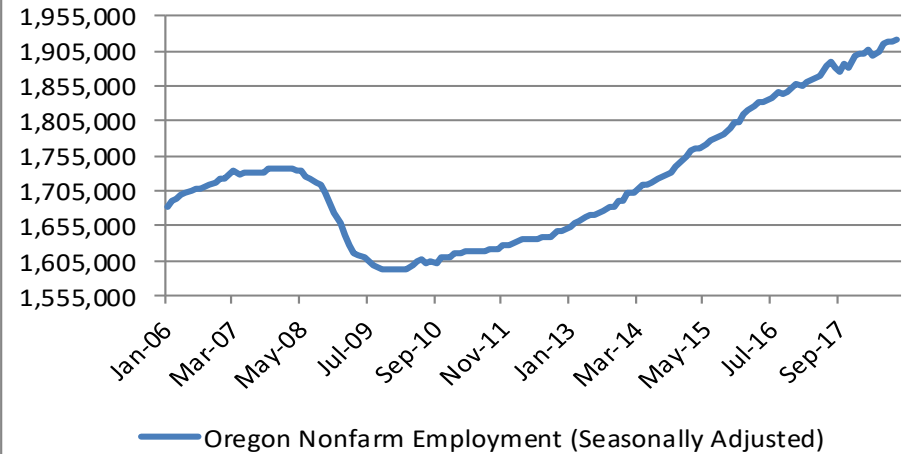


# Economic Overview

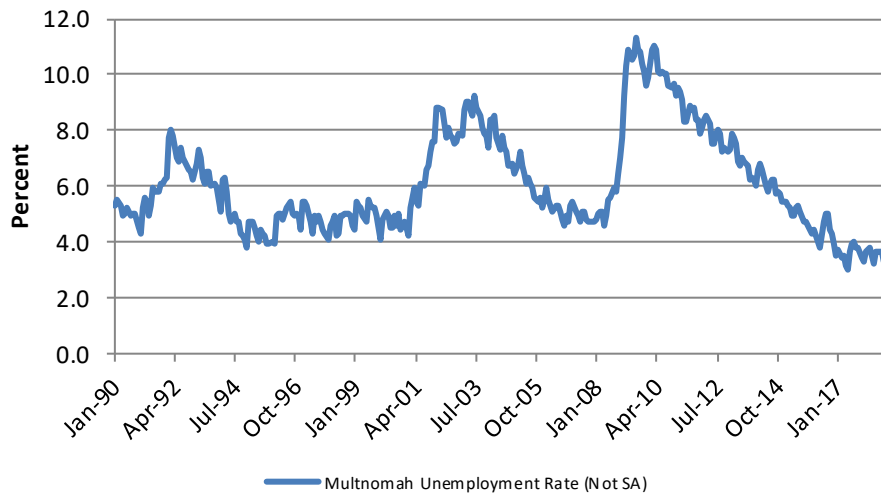
**Oregon Unemployment Rate (SA)**



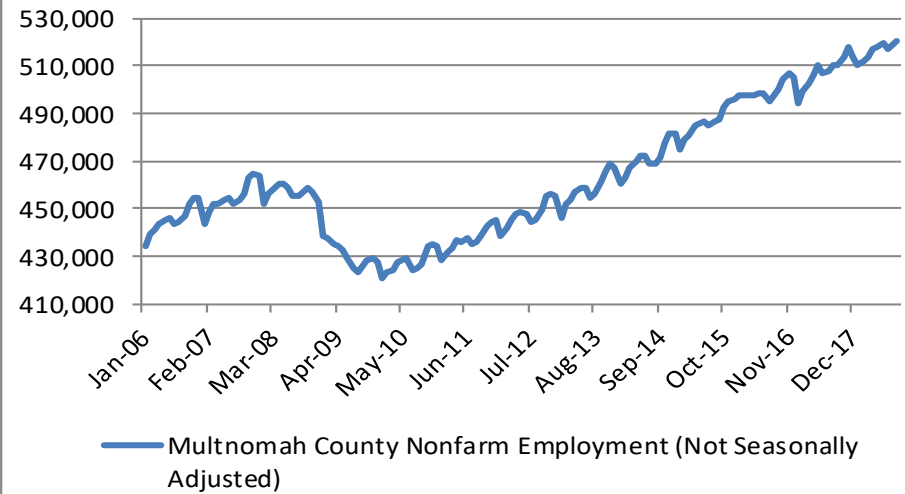
**Oregon Nonfarm Employment (Seasonally Adjusted)**



**Multnomah Unemployment Rate (Not SA)**



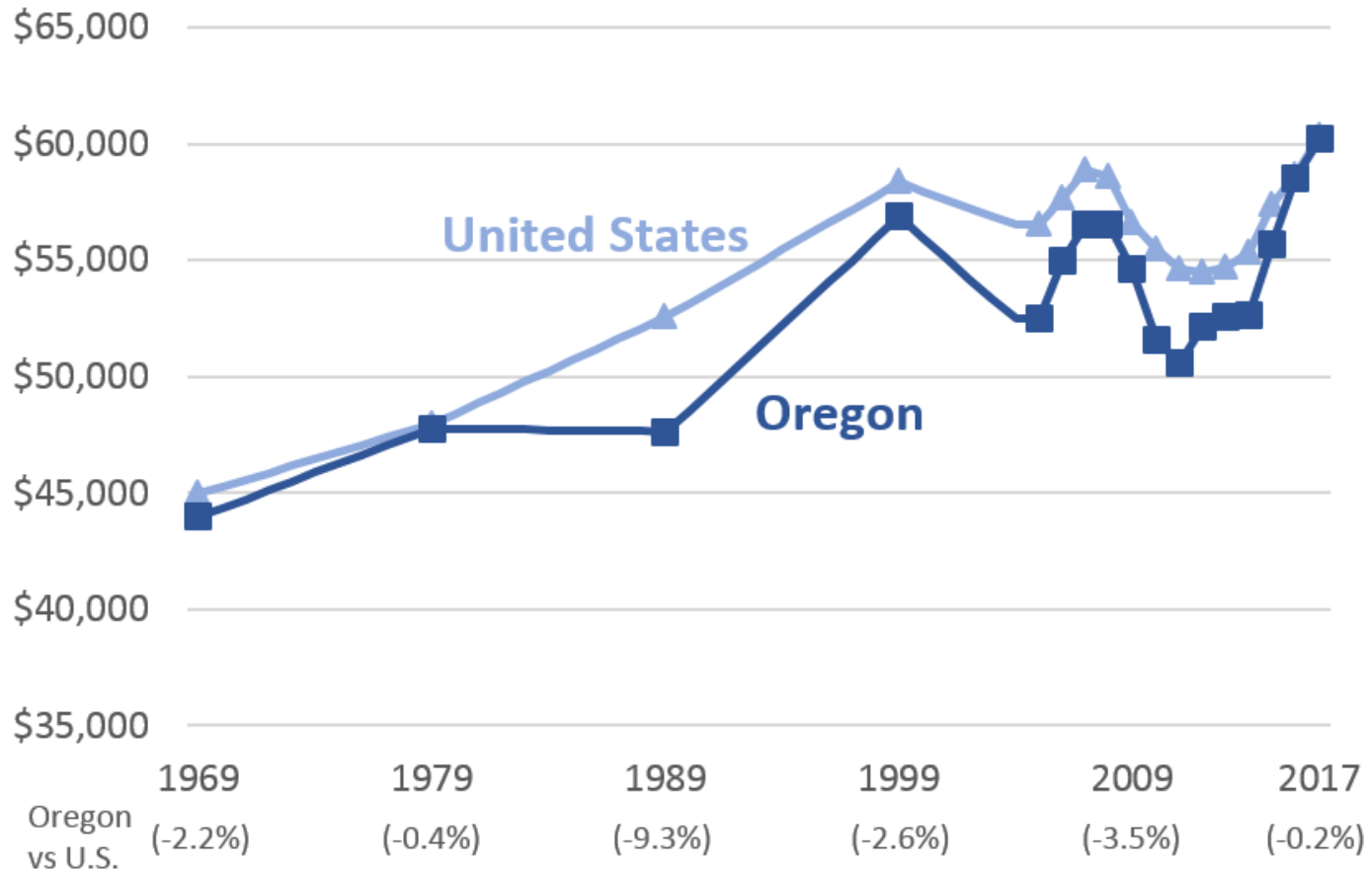
**Multnomah County Nonfarm Employment (Not SA)**



# Economic Overview

## Median Household Income

Inflation-Adjusted, PCE Deflator



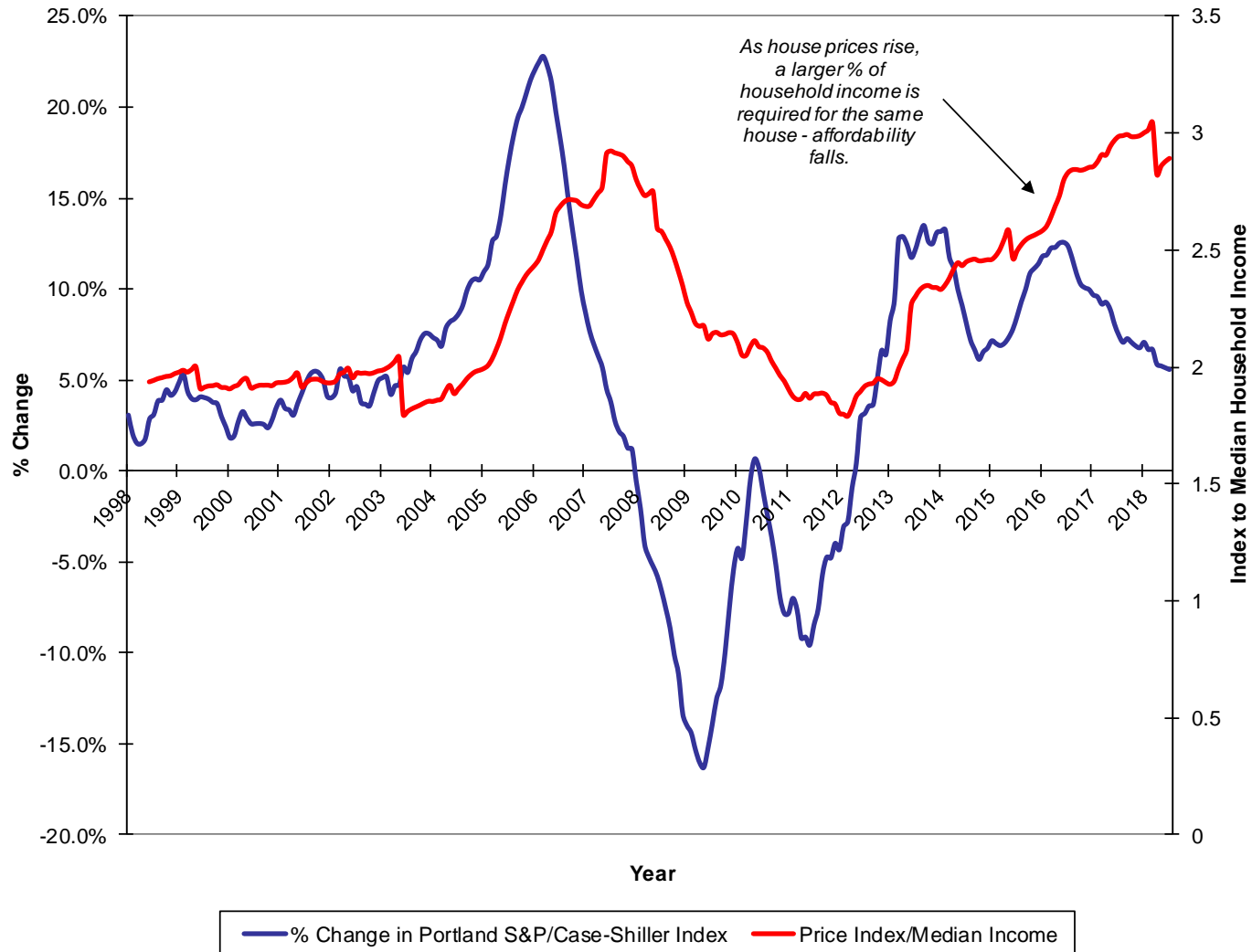
Data: 1970, 1980, 1990, 2000 Decennial Census, 2005-2017 American Community Survey; Inflation adjustment uses the Personal Consumption Expenditure (PCE) deflator | Source: BEA, Census, Oregon Office of Economic Analysis



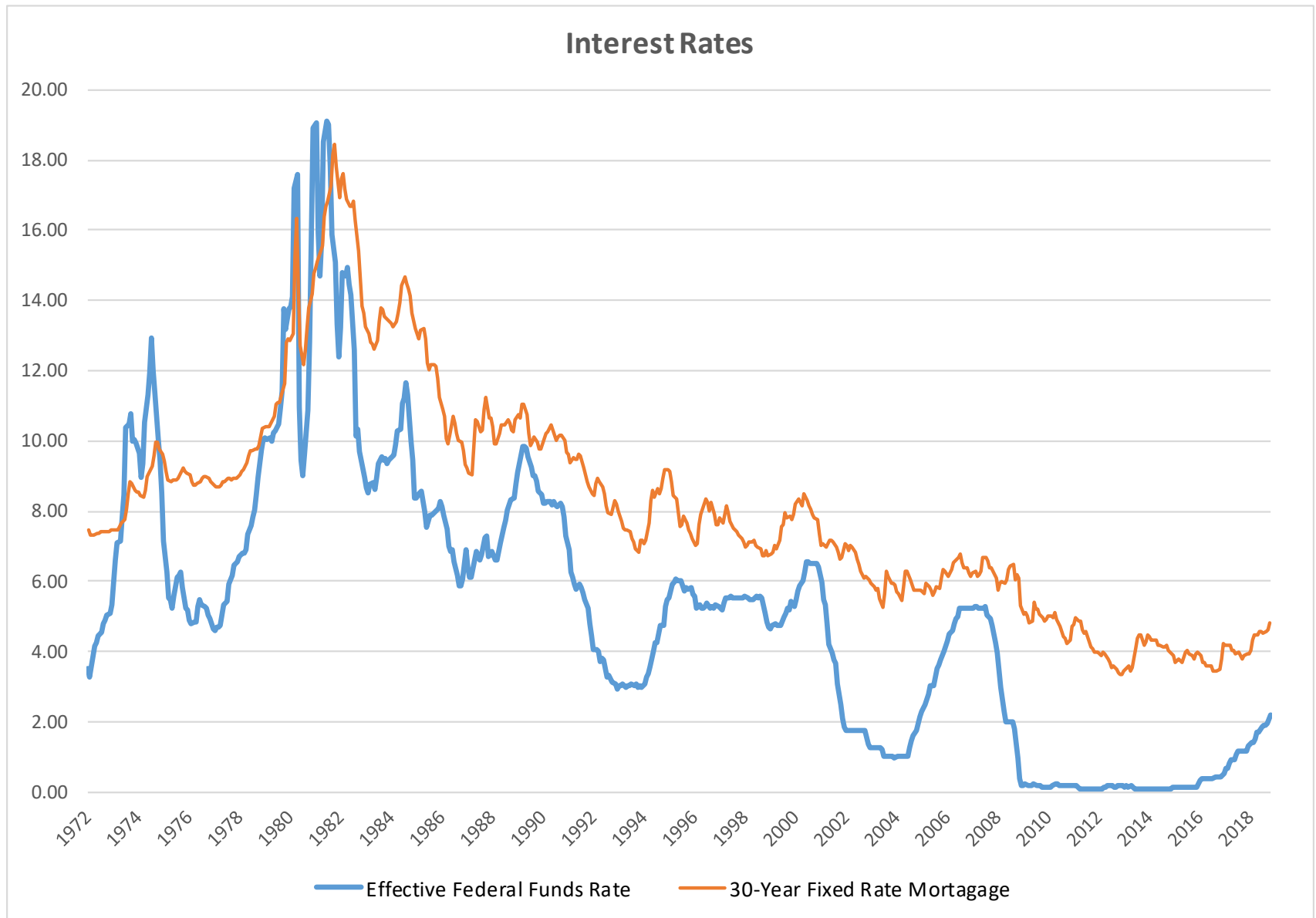


# Economic Overview

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



# Economic Overview



# FY 2019 Revenue Review

## FY 2019 Revenue Review

	Adopted <sup>1</sup>	October Forecast Change	March Forecast Change	May Forecast Change	Net Change From Adopted	Note
Property Taxes	304,223,486	(1,484,528)			(1,484,528)	Lower than expected AV Growth
Business Income Taxes	85,000,000	2,500,000			2,500,000	
Motor Vehicle Rental Taxes	30,911,997	0			0	
US Marshal/BM 73/BOP	4,265,994	374,548			374,548	Increased from 85 to 93 beds
State Shared						
Video Lottery	5,125,000	0			0	
Liquor	4,628,569	0			0	
Cigarette	668,102	0			0	
Marijuana	1,612,683	0			0	
Amusement	173,000	0			0	
Recording Fees/CAFFA Grant	8,123,854	0			0	
Indirect						
Departmental	22,874,140	0			0	
Central Indirect/Svc Reimburse	12,640,064	0			0	
All Other	31,028,031	0			0	
<b>FY 19 Revenue Adjustments<sup>2</sup></b>	<b>511,274,920</b>	<b>1,390,020</b>	<b>0</b>	<b>0</b>	<b>1,390,020</b>	
<b>% of Revenue</b>		<b>0.27%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.27%</b>	

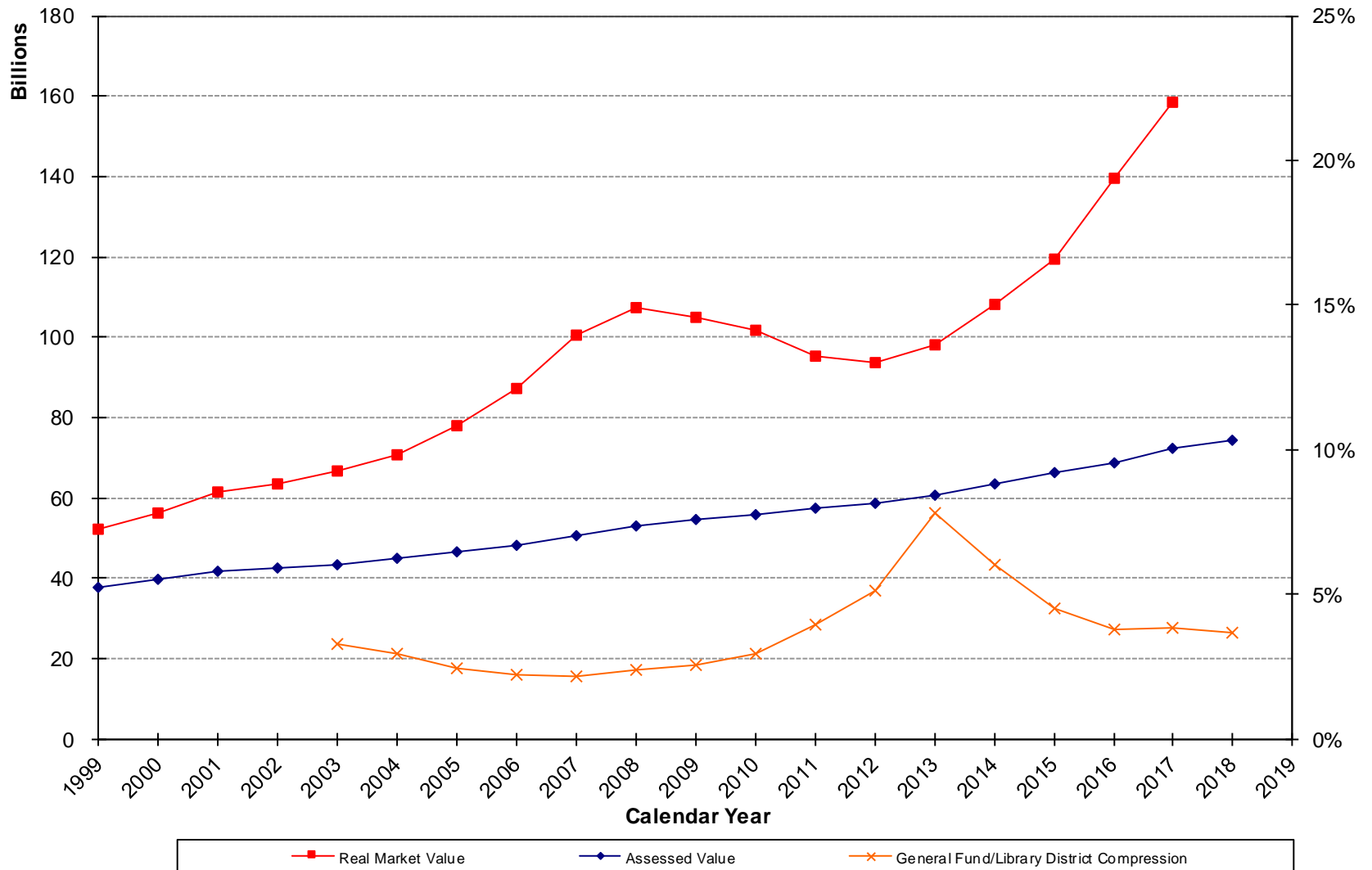
1. Excludes BWC, FQHC wraparound revenues, prospective health payments, and Tax Title: Affordable Housing but includes Video Lottery.

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



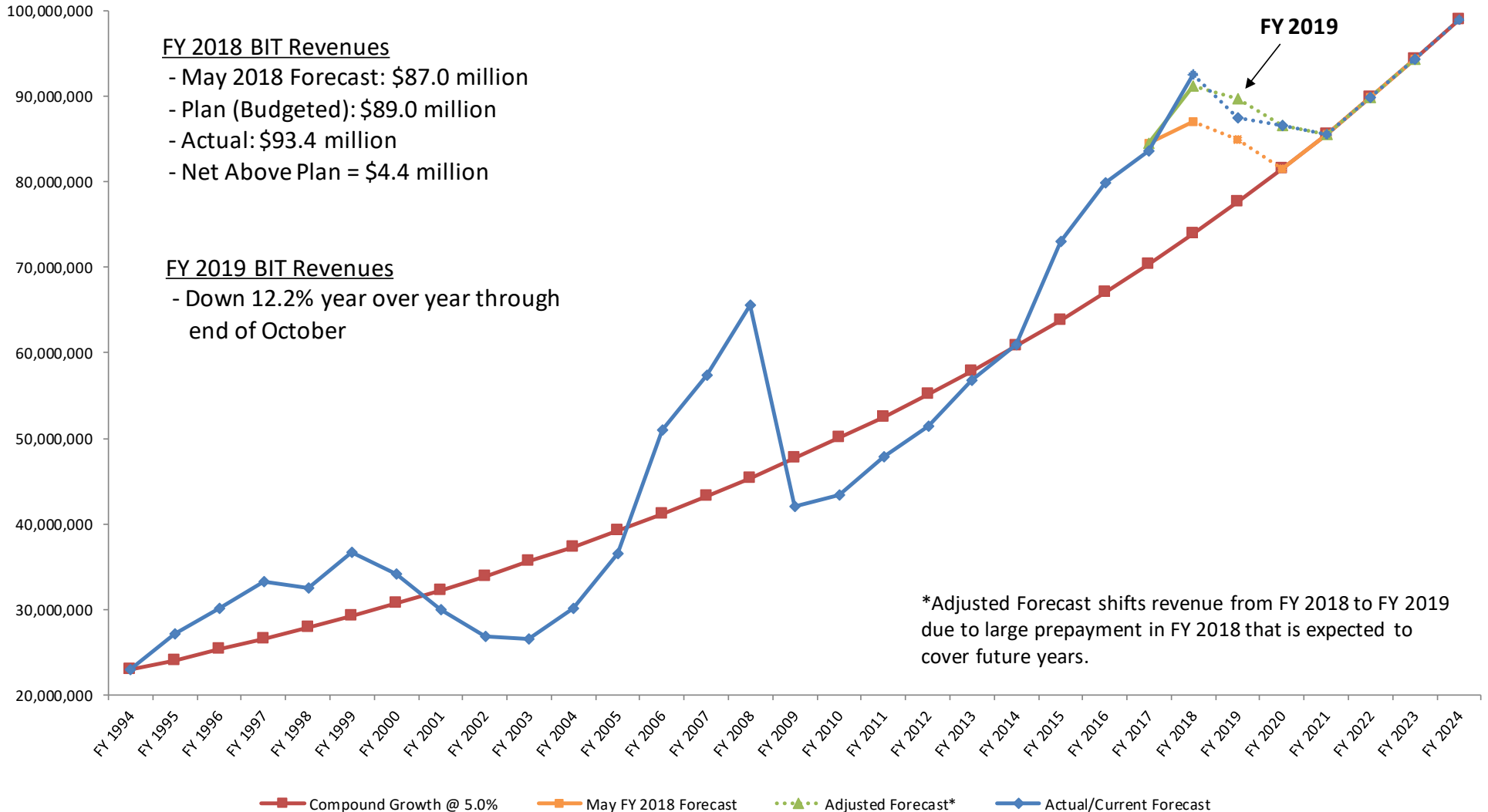
# FY 2019 Revenue Review

## Multnomah County Assessed Value, Real Market Value, and Compression

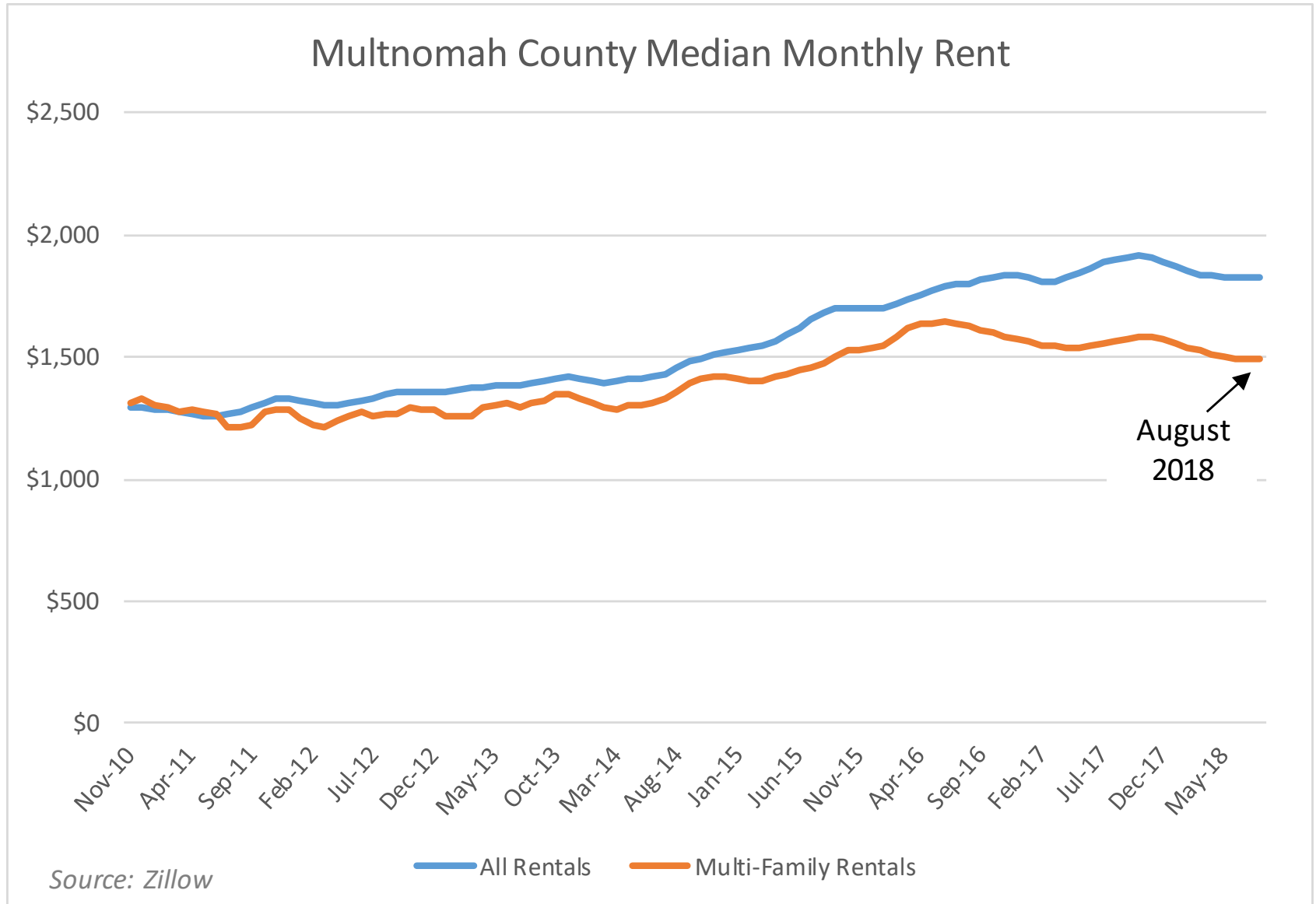


# FY 2019 Revenue Review

## Annual BIT Collections

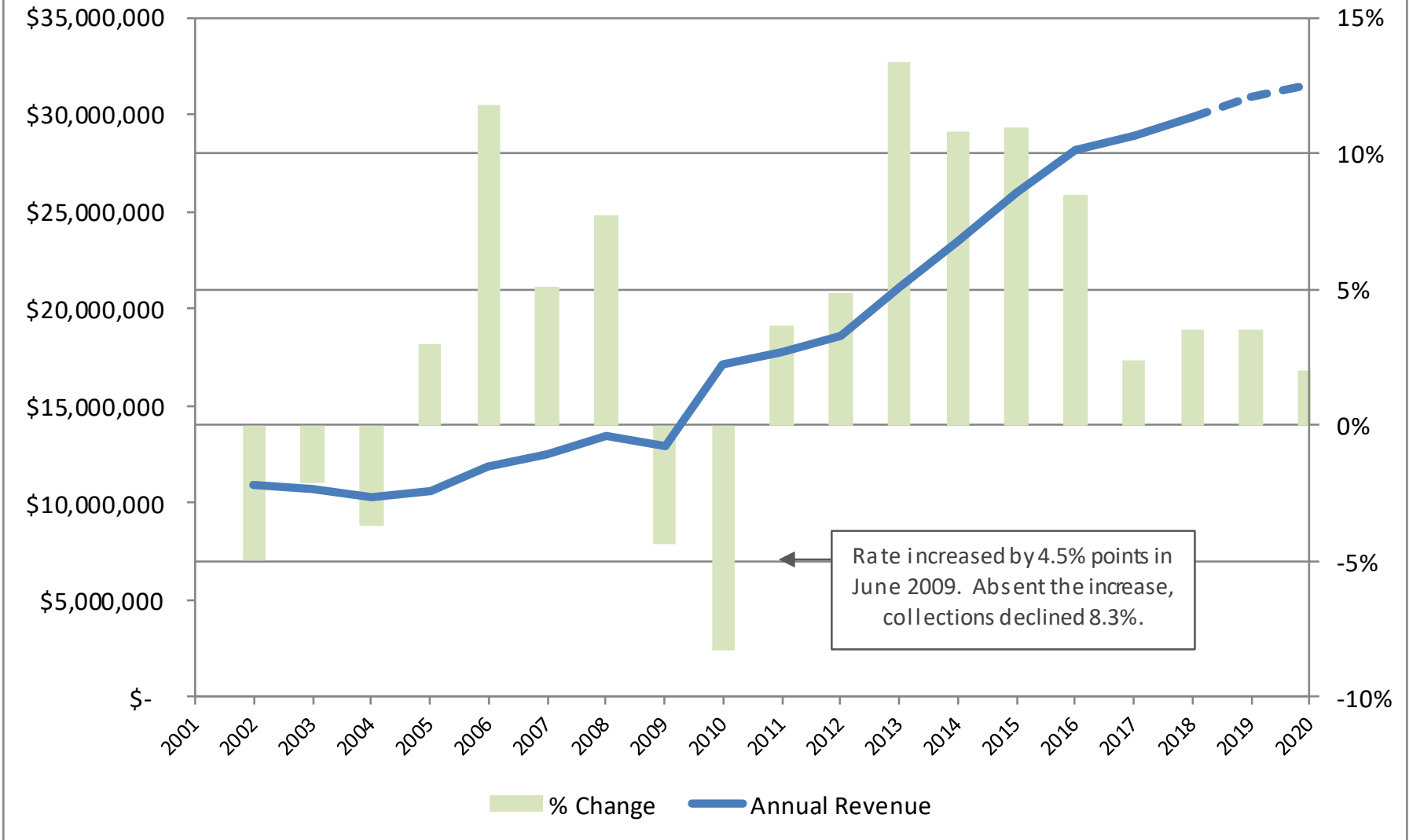


# FY 2019 Revenue Review

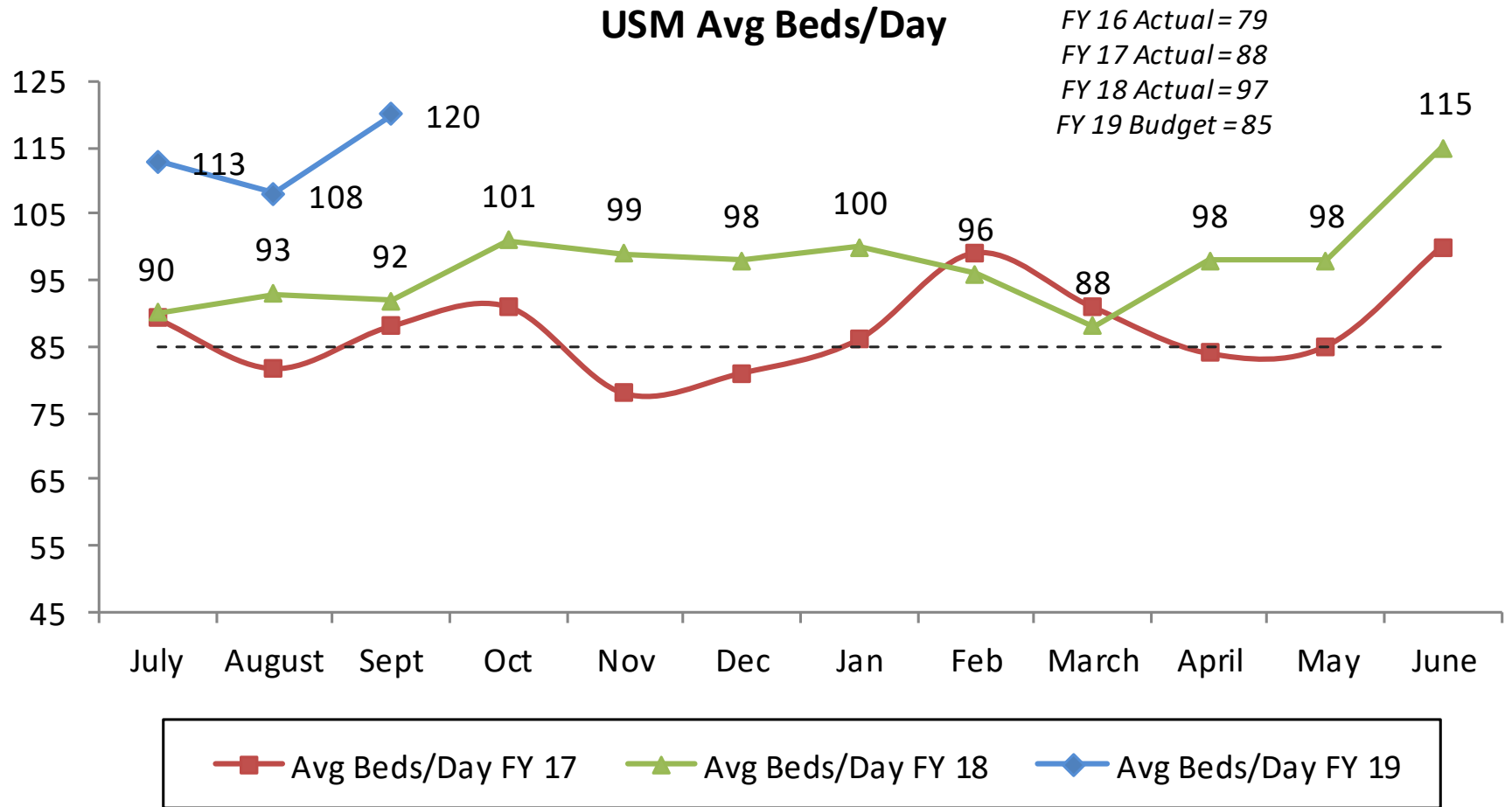


# FY 2019 Revenue Review

## Motor Vehicle Rental Taxes



# FY 2019 Revenue Review





# 5-Year General Fund Forecast

- Forecast assumes that property values will continue to grow but at a slower rate, and that we are in a mature stage of the business cycle.
- Significant changes – BIT and COLA/CPI (approximately \$4.5 million in new revenues and costs, respectively).
- Forecasted expenditures will exceed revenues in FY 2020, with increasing deficits in the out years of the forecast due to the structural deficit. Deficit grows by approximately 1% per year.

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

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
<b>Revenues</b>	526,221,899	537,347,629	554,554,758	572,672,457	591,269,432
<b>Expenditures</b>	532,129,294	556,163,229	581,387,409	603,297,134	625,401,784
<b>Surplus/(Deficit)</b>	<b>(5,907,395)</b>	<b>(18,815,600)</b>	<b>(26,832,651)</b>	<b>(30,624,677)</b>	<b>(34,132,352)</b>
<i>Change in Surplus from Prior Year</i>		<i>(12,908,205)</i>	<i>(8,017,051)</i>	<i>(3,792,026)</i>	<i>(3,507,675)</i>
<i>Surplus/(Deficit) is this % of Expenditures</i>	-1.11%	-3.38%	-4.62%	-5.08%	-5.46%

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



# 5-Year General Fund Forecast

## Major General Fund Revenue Sources <sup>1</sup>

	Adopted FY 2019	Forecast FY 2019 <sup>2</sup>	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	87,500,000	86,537,500	85,585,588	89,864,867	94,358,110	99,076,016
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	4,640,542	4,640,542	4,640,542	4,640,542	4,640,542	4,640,542
Recording Fees/CAFFA Grant	8,123,854	8,123,854	8,305,372	8,490,996	8,680,820	8,874,941	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
	<b>480,246,889</b>	<b>481,636,909</b>	<b>492,933,050</b>	<b>503,876,567</b>	<b>520,561,252</b>	<b>538,401,058</b>	<b>556,714,584</b>
<b>% of Total Revenue</b>	<b>93.9%</b>	<b>93.9%</b>	<b>93.7%</b>	<b>93.8%</b>	<b>93.9%</b>	<b>94.0%</b>	<b>94.2%</b>
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
<b>Total</b>	<b>511,274,920</b>	<b>512,664,940</b>	<b>526,221,899</b>	<b>537,347,629</b>	<b>554,554,759</b>	<b>572,672,458</b>	<b>591,269,432</b>
% Change in Ongoing Revenue		0.27%	2.64%	2.11%	3.20%	3.27%	3.25%
<i>AV Growth</i>	4.00%	3.15%	3.50%	3.40%	3.25%	3.25%	3.25%
<i>Compression</i>	3.85%	3.66%	3.66%	3.85%	3.85%	3.85%	3.85%
<i>BIT Growth</i>	0.00%	6.32%	-1.10%	-1.10%	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.



# Expenditure Assumptions

- Cost Drivers for FY 2020:

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Inflation	4.00%	Second Half West Size-A CPI-W
Labor Costs (Change in rates)	6.59%	Prior assumption was 5.14%
COLA	4.00%	Dependent on Unit & Contract Status
Step/Merit/Contract Adjustment	1.85%	Dependent on Unit Demographics.
Medical/Dental	2.00%	Was assumed to increase by 6.00%
PERS	2.22%	Assumes 4th Side Account
Retiree Medical	0.00%	
Liability/Workers Comp/TriMet	0.01%	
Materials and Services	2.50%	
Contractual Services	4.00%	Every 1% increase is approximately \$700,000
Internal Services	5.07%	

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- Cost Driver Notes (*for General Fund*)

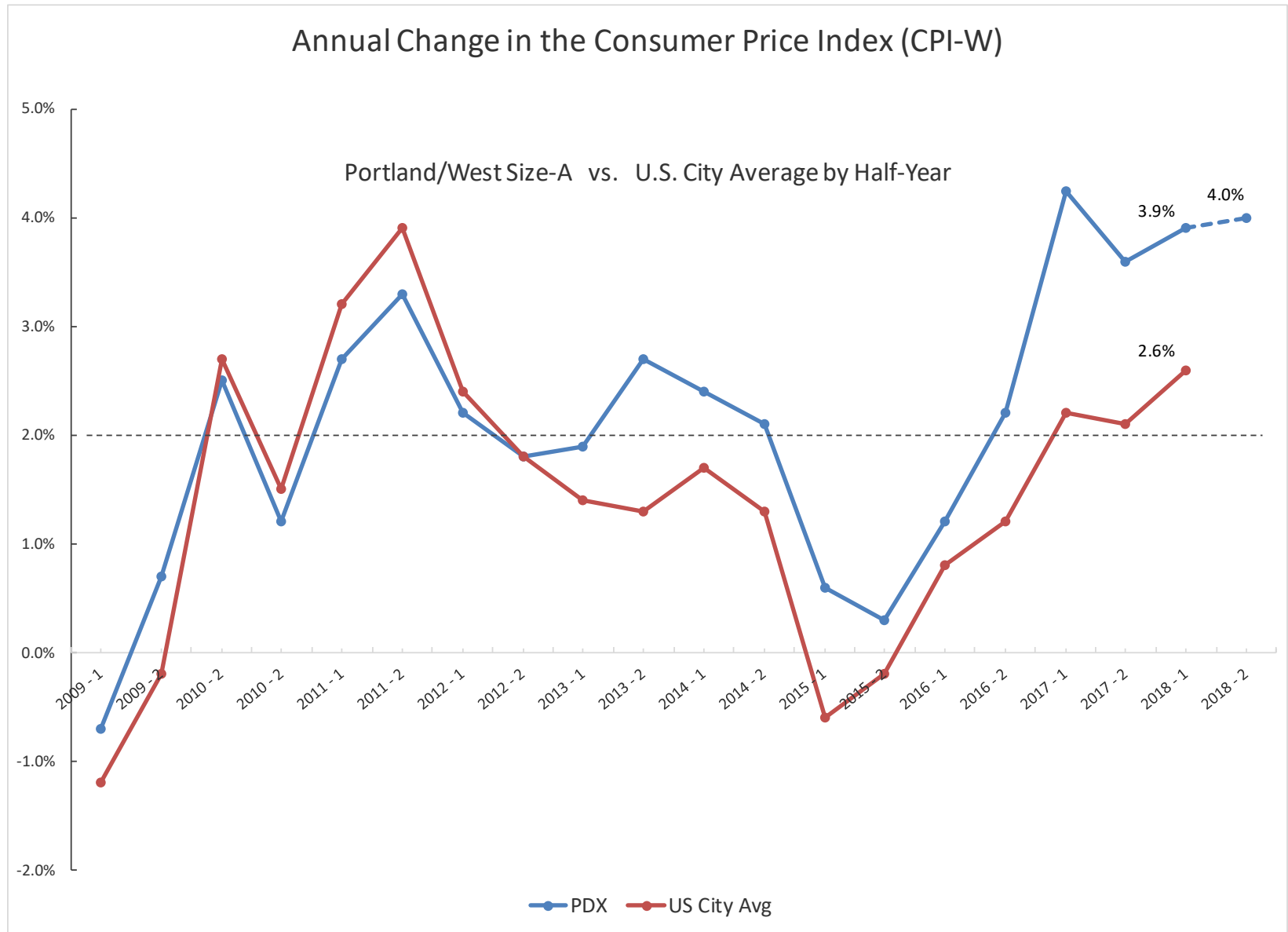
- ✓ A 1% increase in base pay = \$3.5 million
- ✓ A 4% increase in medical/dental rates = \$1.7 million
- ✓ A 1% (of base pay) increase in PERS rates = roughly \$2 million

- Reserve & Contingency Assumptions

- ✓ General Fund Contingency - \$1.5 million
- ✓ General Fund Reserve – 10% of ‘corporate’ revenues (\$44.7 million)
- ✓ BIT Reserve – 10% of BIT Revenues (\$8.7 Million)



# Expenditure Assumptions



# Expenditure Assumptions - PERS

- December 31, 2017 Valuation

- ✓ Multnomah County's Net UAL is \$553 million (was \$89.2 million pre-*Moro*, Dec 2013)

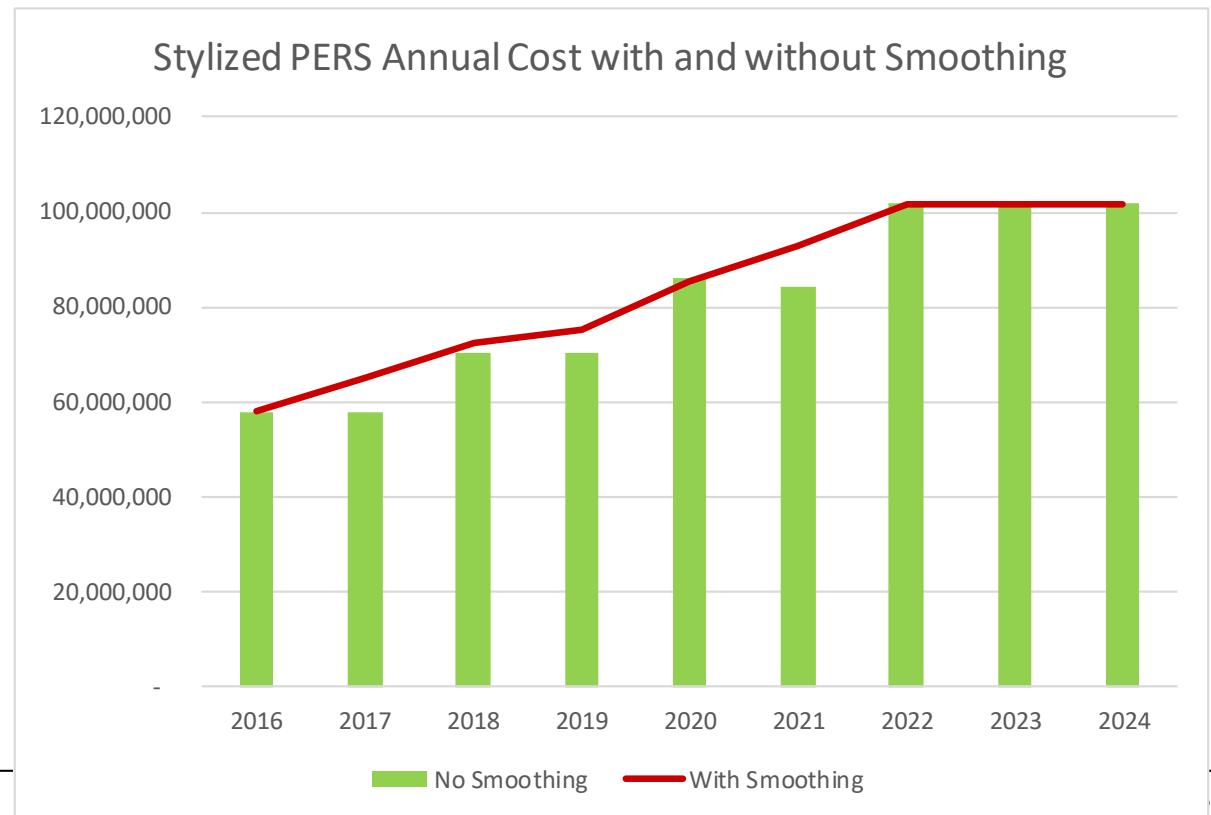
- Planning Assumptions

- ✓ Comcast Settlement (County and Library District) and "smoothing" collections used to fund 4th PERS Side Account of \$25 million
- ✓ Net internal increase of 2.22%; would have been a 4.44% biennium to biennium increase

- ✓ Current assumption is rates will increase an additional 3.5-4% with last increase occurring in FY 2022

- ✓ Stock market performance will affect number and magnitude of remaining increases

- ✓ Rates flat until forecasted decline in FY 2031



# Expenditure Assumptions

- ERP Support Costs
  - ✓ \$1.25 million ongoing and \$1.25 million OTO
- Comcast Settlement and 4<sup>th</sup> PERS Side Account (\$25 million)
- Building Sale Proceeds
  - ✓ Courthouse sale proceeds used to avoid second debt issuance, saving \$0.8 million in currently budgeted, ongoing debt service expenditures
  - ✓ \$5 million from McCoy proceeds used to buy-down \$1 million of HD HQ debt per year for five years (consistent with FAC-1)
- Labor Contracts
- OTO



# Expenditure Assumptions

- Programs, Cash Transfers, and Earmarks funded on a one-time-only basis in FY 2019 Budget that are assumed to not continue in FY 2020:

## One-Time-Only Programs

<u>Offer/Activity</u>	
10016B - Government Relations - East County Economic Development	50,000
10029A - SummerWorks - \$50,000 Carryover	50,000
10029D - SummerWorks - High Risk Youth	132,250
10031 - Elected Official Office Transitions	67,000
10053A - Housing Placement & Retention - Gresham Community Volunteer Coordinator	50,000
10053C - Housing Placement & Retention - Homeless Families	404,323
10056B - Employment Programs - Expanded Housing Assistance	100,000
10058 - Emergency Shelter Strategic Investment	5,000,000
15012 - CRIMES Replacement	158,844
15307B - Sexual Assault Kit Backlog Elimination Project	182,233
25136 - YFS - Legal Aid for Immigrant & Refugee Communities - Part I	160,000
25136B - YFS - Legal Aid for Immigrant & Refugee Communities - Part II	340,000
25139B - YFS - Culturally Specific Asset Building	100,000
25144 - YFS - Support 3 to PhD	319,000
25153 - YFS - Universal Preschool Study/Taskforce	100,000
25162 - YFS - Family of Friends Mentoring Project	25,000
40010B - Immunizations Clinic Redesign	151,446
40024B - Student Health Centers Transition Planning	111,586
40048B - Pacific Islander Community Equity Study	175,000
40061B - Safe Sharps Disposal	143,756



# Expenditure Assumptions

## One-Time-Only Programs (Continued)

### Offer/Activity

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40074B - Mental Health Residential Services Restoration	65,000
40084B - Culturally Responsive LGBTQ MH Services	50,000
40085B - Law Enforcement Assisted Diversion (LEAD)	750,000
40095 - Capital for Development of Substance Abuse Treatment Center	350,000
50002 - DCJ Business Applications & Technology - (Case Companion)	80,000
50041 - Justice for Families - Supervised Parenting Time	358,761
60315 - MCDC Detention Electronics	390,000
60316 - MCDC Suicide Prevention - Cell Lighting & Window Covers	50,000
60521 - In-Jail Human Trafficking	191,108
60540 - Homeless Outreach and Programs Engagement (HOPE)	315,497
72000B - Organizational Development	284,998
72000C - Workforce Strategic Equity Plan	250,000
72005 - FRM Purchasing - METRO Workforce Equity	25,000
72025B - DART County Clerk Carryover	150,000
72036 - DART Residential Development Program	760,225
72042 - Mental Health System Analysis Follow-Up	100,000
91007A - Animal Services Animal Care	250,000
91014 - Levee Ready Columbia (Video Lottery)	149,824
91018B - Road Capital Improvement Plan Update (yr 2 of 2) (Video Lottery)	200,000





# Expenditure Assumptions

## Cash Transfers and Earmarks

### Offer/Activity

95000 - Vance Property Master Plan (Facilities Management Fund 78224)	150,000
95000 - Facilities Staff for Shelter Transition (Facilities Management Fund 78225)	137,215
95000 - Sheriff Boat House Repairs (Capital Improvement Fund 78227)	1,036,728
95000 - MCDC Suicide Prevention (Capital Improvement Fund 78228)	950,000
95000 - CRIMES Replacement (Information Technology Capital Fund 78319)	300,000
95000 - Supportive Housing Fund (Wapato Transfer)	5,000,000
95000 - Downtown Courthouse Capital Fund (78212)	14,000,000
Earmark - Municipal Broadband Feasibility Study	150,000
Earmark - Counterpoint Outpatient Program	50,000
Earmark - Legal Services for Employment and Housing Barriers	100,000



# FY 2020 OTO Funds

## General Fund FY 2019 Beginning Working Capital & FY 2020 OTO <sup>1, 2</sup>

Year-End as of October 23, 2018

FY 2019 Beginning Balance <sup>3</sup>	91,751,635
FY 2019 Budgeted Beginning Balance	<u>76,484,097</u>
<b>Additional FY 2019 BWC (OTO)</b>	<b>15,267,538</b>
Less Reduction in Property Tax Forecast in FY 2019 (current year)	<b>(1,484,528)</b>
Plus Additional USM Revenue in FY 2019 Revenue (current year)	374,548
Plus Additional BIT in FY 2019 Revenue (current year)	2,500,000
Less Payment to East County Cities	<b>(250,000)</b>
Less Amount to Maintain Reserves @ Policy Level	<b>(500,000)</b>
<b>OTO Funds for FY 2019 per November Forecast</b>	<b>15,907,558</b>
<b>50% Dedicated to County Facility Projects per Board Policy</b>	<b>7,953,779</b>
<i>Remaining 50% to be Allocated</i>	7,953,779
<i>Assumed ERP OTO Support</i>	<b>(1,250,000)</b>
<b>Remaining OTO to be Allocated</b>	<b>6,703,779</b>

- \$8.7 million departmental underspending
- \$4.4 million in additional BIT revenues

1. Assumes the FY 2019 General Fund Contingency is fully spent in FY 2019.
2. Assumes departments fully spend their FY 2019 appropriation.
3. Adjusted for additional restricted County Clerk BWC, Prospective Health Payments, and Tax Title: Affordable Housing.



# FY 2019 Contingency Update

## Contingency

General Fund 'Regular' Contingency	1,500,000
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## Earmarked Contingency

Earmark - Municipal Broadband Feasibility Study	150,000
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Earmark - Counterpoint Outpatient Program	0	Earmark Released 9/27/2018
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Earmark - Legal Services for Employment and Housing Barriers	0	Earmark Released 9/20/2018
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<b>Total General Fund Contingency</b>	<b>1,650,000</b>
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BIT Reserve @ 10% (in General Fund Contingency)	8,500,000
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<b>Total General Fund Contingency</b>	<b>10,150,000</b>
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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 2020*



# Forecast Risks, Uncertainties & Issues

- Wage pressures – inflation and PERS
- State Legislative session and uncertainty at Federal level
- Construction/Development cycle changes
  - ✓ AV growth
  - ✓ BIT revenues
- Impacts of rising interest rates
- 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 associated as a provider of health care services
  - ✓ Structural Deficit



# Summary

- FY 2019 General Fund revenue forecast increased \$1.4 million (0.27%)
- FY 2019 General Fund contingency balance of \$1.5 million (unallocated)
- Deficit of \$5.9 million forecast for FY 2020.
  - ✓ Deficit grows to \$34.1 million by FY 2024
  - ✓ \$30 to \$35 million of new revenue or program reductions needed over next 5-years
- FY 2020 General Fund one-time-only resources of \$15.9 million.
  - ✓ \$8.0 million for facility projects (per Board policy)
  - ✓ \$6.7 million to be allocated (after adjusting for OTO ERP Support)
- Major risks, uncertainties, and issues include:
  - ✓ Inflation and PERS
  - ✓ Recession timing

