



FY 2021 General Fund 5-Year Forecast Update

*Presentation to the
Board of County Commissioners*

Multnomah County Budget Office
March 10, 2020
www.multco.us/budget

Agenda

- **Financial Context**

- ✓ Covid-19 Impacts
- ✓ Impacts of Covid-19 and Adjusting the BIT on our Forecast
- ✓ Planning for Covid-19

- **Economic Overview**

- ✓ National Economic Conditions
- ✓ Oregon & Multnomah County Employment Info

- **FY 2020 Revenue Review**

- ✓ BIT
- ✓ MVRT

- **FY 2021 General Fund 5-Year Forecast**

- **FY 2021 One-Time-Only Funds**

- **FY 2020 General Fund Contingency Update**

- **Forecast Risks & Issues**

- **Summary & Questions**



Reminder about the County's Finances

- **General Fund Corporate Reserve**

- ✓ 10% of Property Taxes, MVRT, BIT, etc.,
- ✓ Currently = \$46.7 million

- **BIT Reserve**

- ✓ An additional 10% of BIT revenues give historic volatility of BIT
- ✓ Currently = \$9.7 million

- **Sound Budgeting Practices**

- ✓ Assume Departments fully spend annual appropriations
- ✓ Reasonable revenue estimates

- **Low Debt Levels**

- **Addressing PERS and other Liabilities**

- ✓ Established 4 side-accounts & received \$8.6 million in State matching funds
- ✓ OPEB Liability – Funded @ 49%

- **Provides Time to Methodically Address Financial Challenges in a Thoughtful Manner**



Thinking About Covid-19 Impacts

■ Supply Side

- ✓ Disruption of supply chains resulting in reduced product/service availability
- ✓ Complex, global supply chains; availability of workers and substitute suppliers
- ✓ Potentially reduced corporate profits

■ Demand Side

- ✓ Reduced demand for travel, hotels, and services, like restaurants (domestic vs. int'l)
- ✓ Reduced demand for inputs, like oil and refined petroleum products
- ✓ Not driven by economic factors
- ✓ Impacts corporate profits (i.e., BIT) and motor vehicle rental tax

■ Transition from 'Isolated' Event to Broader Economy

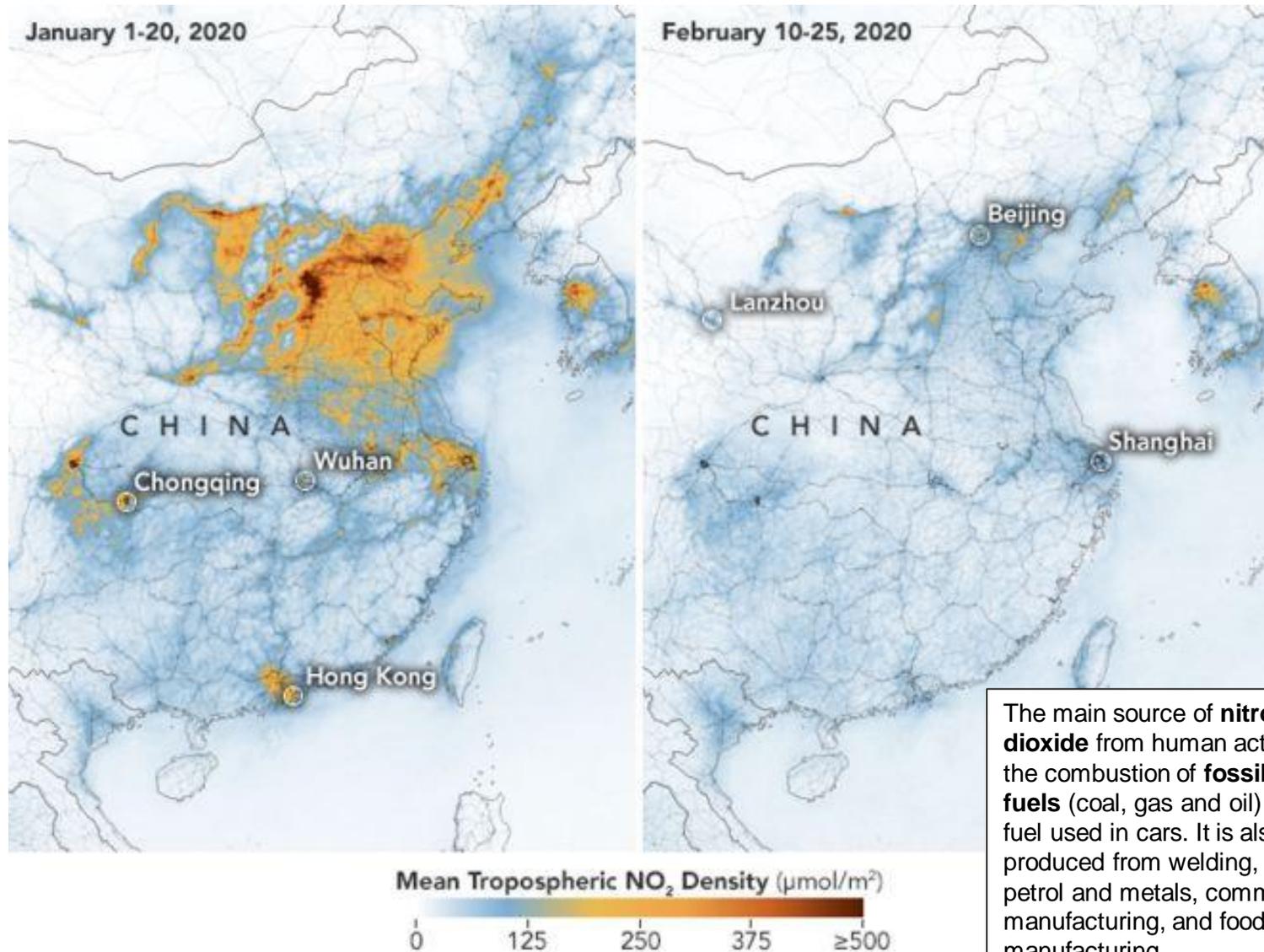
- ✓ Snowstorm or Hurricane-like event to longer-term economic event
- ✓ Short-term furlough to permanent layoffs of employees
- ✓ Impacts to business and personnel balance sheet (i.e, ability to re-pay loans)
- ✓ Begins to impact investment decisions and consumer spending

■ County Expenditure Needs

- ✓ Cost of services for our community
- ✓ Impacts to PERS costs, labor costs (inflation), interest revenues, etc.



Covid-19 Impacts on Economic Activity



The main source of **nitrogen dioxide** from human activities is the combustion of **fossil fuels** (coal, gas and oil) especially fuel used in cars. It is also produced from welding, refining of petrol and metals, commercial manufacturing, and food manufacturing.

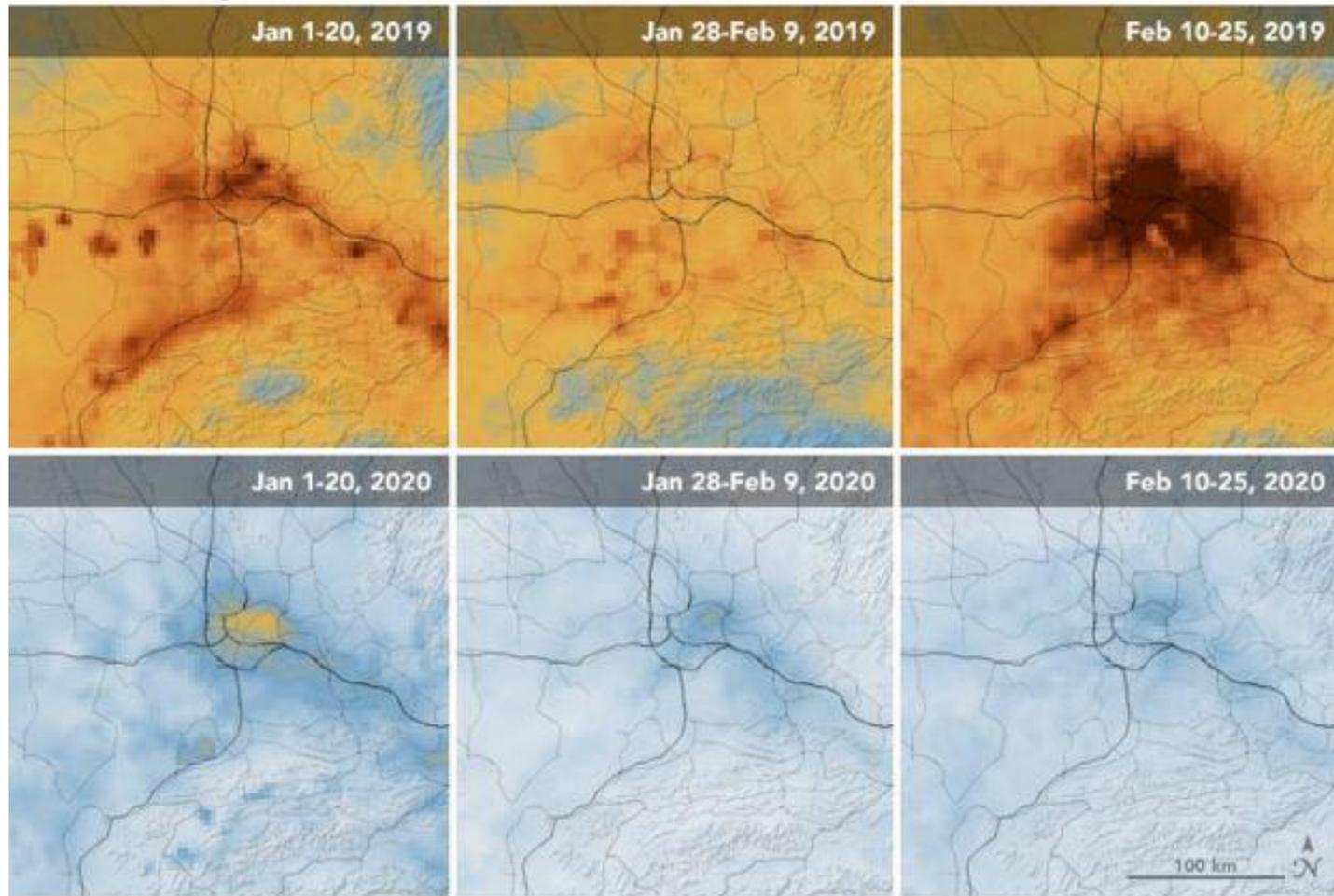
Source: NASA/BBC February 29, 2020



Covid-19 Impacts on Economic Activity

Pollutant Drops in Wuhan—and Does not Rebound

Unlike 2019, NO₂ levels in 2020 did not rise after the Chinese New Year.



Mean Tropospheric NO₂ Density ($\mu\text{mol}/\text{m}^2$)

0 125 250 375 ≥ 500

Source: NASA/BBC February 29, 2020



Forecast w/ Potential Covid-19 & BIT

Table 1: Forecasted Ongoing General Fund Balance under Various Assumptions

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
November Forecast	(3,184,067)	(12,174,156)	(20,104,087)	(21,385,801)	(21,740,782)
February Assumptions (Pre-Coronavirus Adjustment)	(2,899,941)	(12,863,519)	(20,875,118)	(22,387,933)	(22,913,072)
Hypothetical Coronavirus/Recession Impact Assuming a 10% Reduction in BIT and MVRT	(12,633,076)	(12,698,663)	(13,147,622)	(13,687,649)	(14,267,630)
March Forecast with Hypothetical Impact	(15,533,017)	(25,562,182)	(34,022,740)	(36,075,581)	(37,180,701)
Net Impact of Potential BIT Adjustments	29,640,658	29,640,658	30,848,236	32,343,119	33,960,275
March Forecast with BIT Adjustments and Hypothetical Coronavirus/Recession	14,107,641	4,078,476	(3,174,504)	(3,732,462)	(3,220,426)
Steady State after BIT Adjustments and No Coronavirus/Recession Impact	26,740,717	16,777,139	9,973,118	9,955,186	11,047,203

\$9.4 million



Planning for FY 2021 in Light of Covid-19

- **Dynamic and Rapidly Evolving Situation**
- **Goals for Planning**
 - ✓ Not overly pessimistic or optimistic
 - ✓ Avoid need for significant reductions after Chair's Proposed budget released
 - ✓ Avoid need for mid-year adjustment process
 - ✓ Maintain financial flexibility
- **Forecast Adjustments for FY 2021**
 - ✓ BIT reduced by 2% or \$1.9 million
 - ✓ MVRT reduced by 5% or \$1.6 million
 - ✓ MVRT reduced by 10% for remainder of FY 2020 or \$1.3 million
 - ✓ Interest earnings reduced by \$1.3 million
 - ✓ ***Net Reduction is \$5 million (1%), increasing deficit from \$2.9 million to \$7.8 million***
- **Reviewing Assumptions Frequently**
 - ✓ May see (need) different assumptions in the Chair's Budget
 - ✓ These adjustments reflect a modest impact – seems more likely to be worse
 - ✓ 10% BIT reserve available; deficit does not include impact of BIT adjustments



Economic Overview

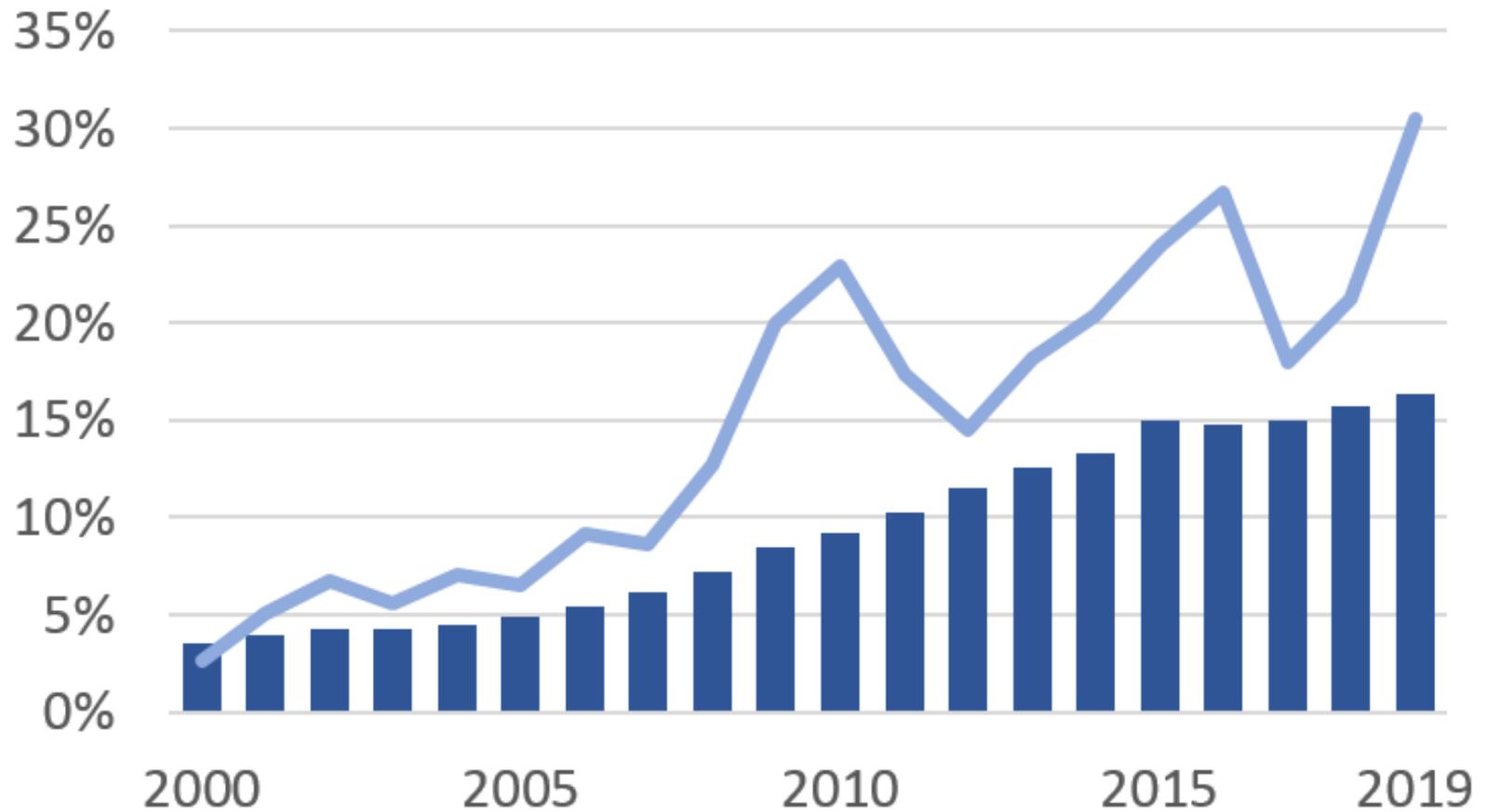
- February jobs report (273,000 jobs added) was strong but reflects pre-Covid-19 domestically.
- Unemployment rate remains low (3.5% nationally), but employment growth was already slowing.
 - ✓ Consumption spending maintaining economic growth
- Fed's emergency rate decrease intended to ensure liquidity and corporate access to capital (and ensure proper functioning of financial system). U.S. Gov't Bond Yields dropping as investors look for safe assets.
- Uncertainty
 - ✓ Government and Business response to Covid-19
 - ✓ Duration and intensity of Covid-19
 - ✓ Consumer Behavior
 - ✓ 2020 Election



Economic Overview

China's Rising Global Importance

Share of **World GDP** and **Oregon Export Values**



Source: IMF, WISERTrade, Oregon Office of Economic Analysis



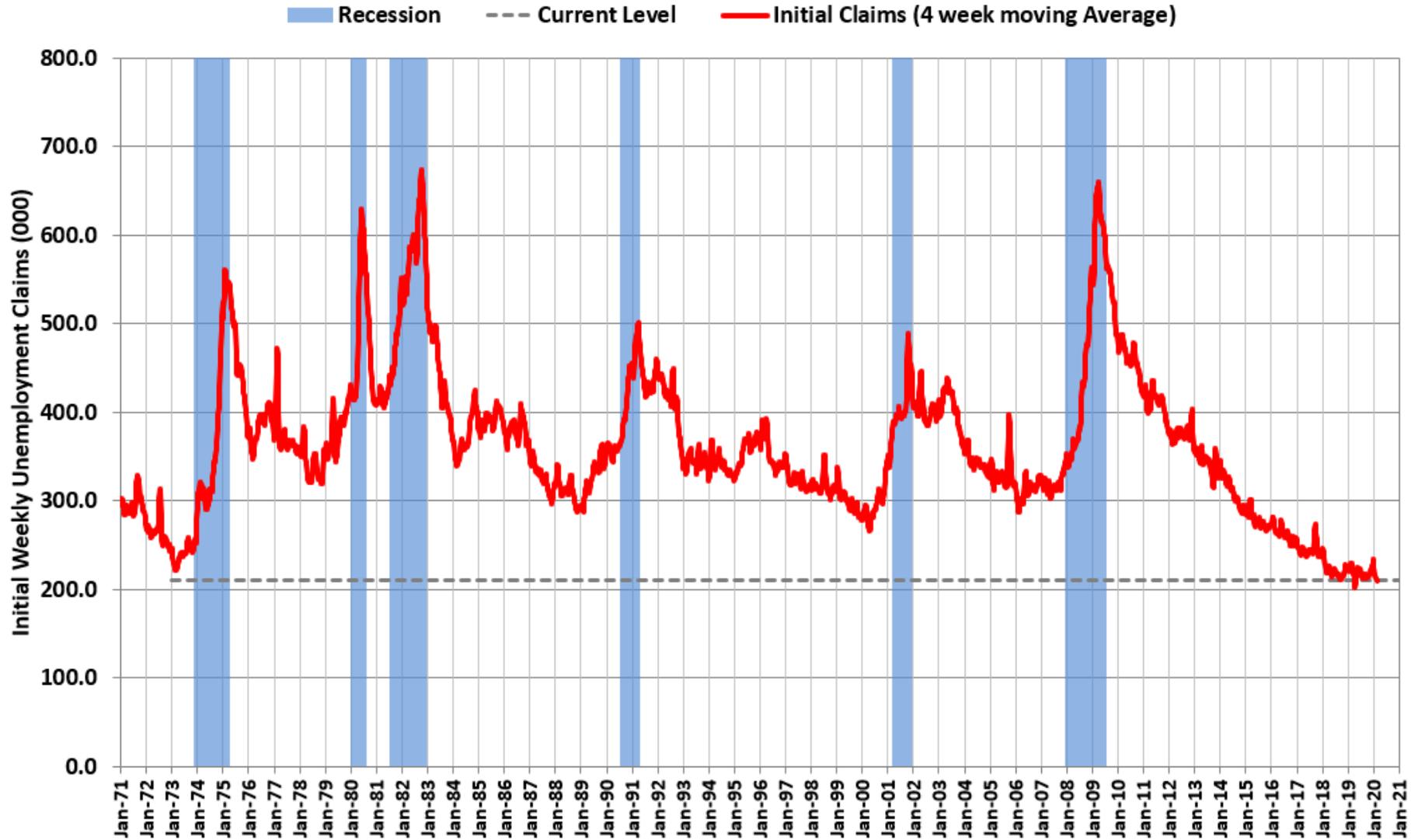
Economic Overview

Oil Prices, Dollars per Barrel



Economic Overview

Initial Weekly Unemployment Claims

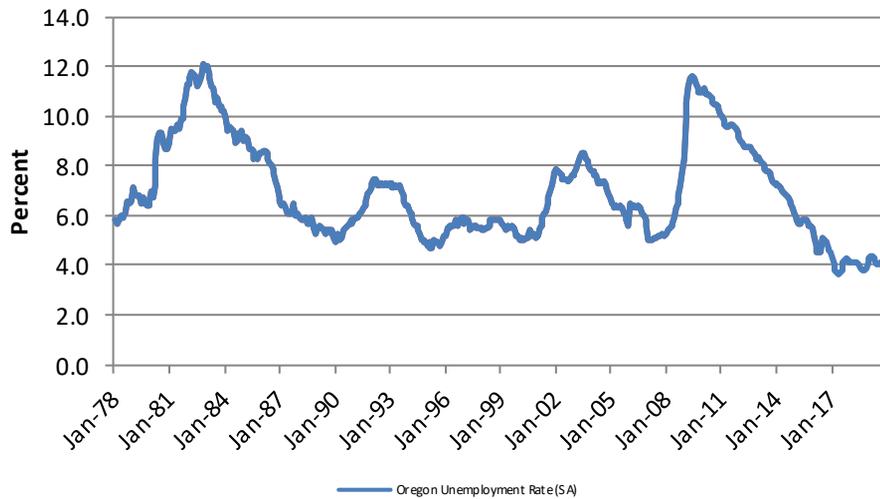


<http://www.calculatedriskblog.com/>



Economic Overview

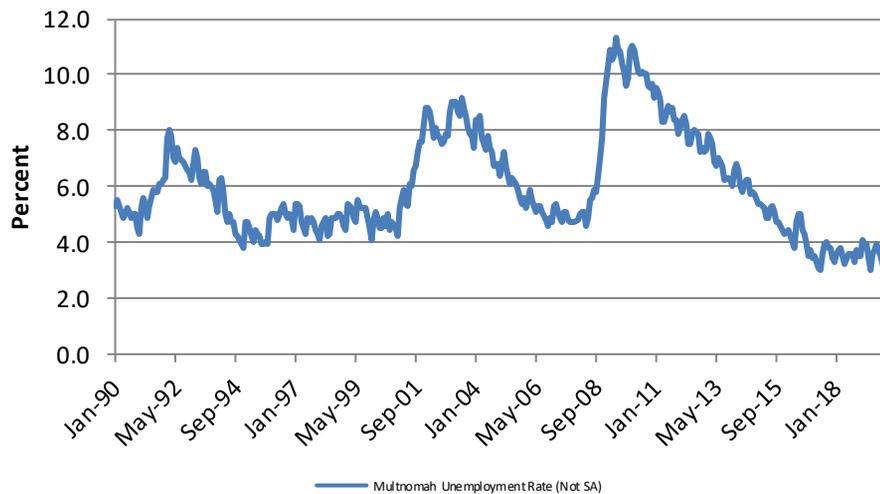
Oregon Unemployment Rate (SA)



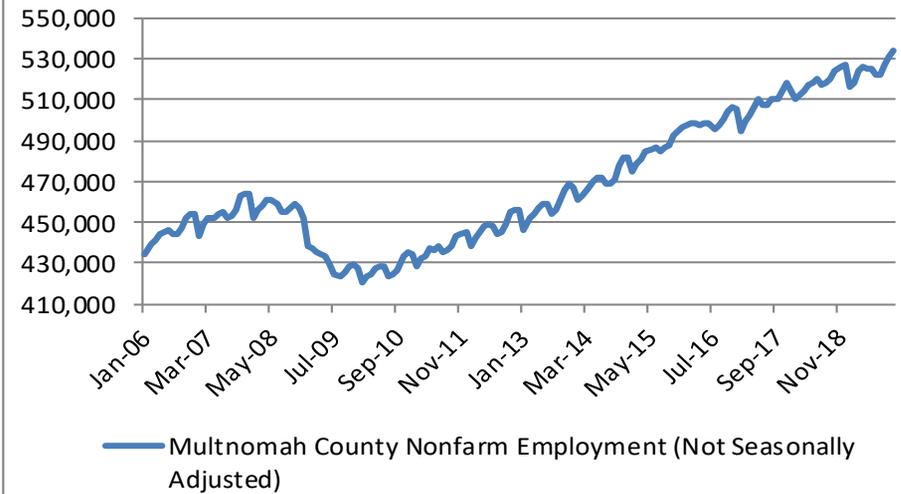
Oregon Nonfarm Employment (Seasonally Adjusted)



Multnomah Unemployment Rate (Not SA)



Multnomah County Nonfarm Employment (Not SA)



FY 2020 Revenue Review

	Adopted ¹	October Forecast Change	March Forecast Change	May Forecast Change	Net Change From Adopted	Note
Property Taxes	312,832,471	989,177	500,000		1,489,177	Higher AV Growth partially offset by higher compression; Higher penalties
Business Income Taxes	96,537,500				0	
Motor Vehicle Rental Taxes	31,530,237	469,763	(1,328,000)		(858,237)	Covid-19 Airline Impacts
US Marshal/BM 73/BOP	5,120,560	769,901			769,901	
State Shared						
Video Lottery	5,253,125	0	846,875		846,875	Strong employment and rising incomes
Liquor	4,836,855	0			0	
Cigarette	658,080	0			0	
Marijuana	1,654,123	345,877			345,877	Higher sales and stabilized Multnomah County Share
Amusement	173,000	0			0	
Recording Fees/CAFFA Grant	7,029,122	(177,108)	1,300,000		1,122,892	Refinances and pick up in home sales
Indirect						
Departmental	23,271,751	0			0	
Central Indirect/Svc Reimburse	13,324,884	0			0	
All Other	34,326,502	(1,000,000)	(300,000)		(1,300,000)	Reduction in Interest Earnings/Animal Services Fees
FY 20 Revenue Adjustments ²	536,548,210	1,397,610	1,018,875	0	2,416,485	
% of Revenue		0.26%	0.19%	0.00%	0.45%	

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.



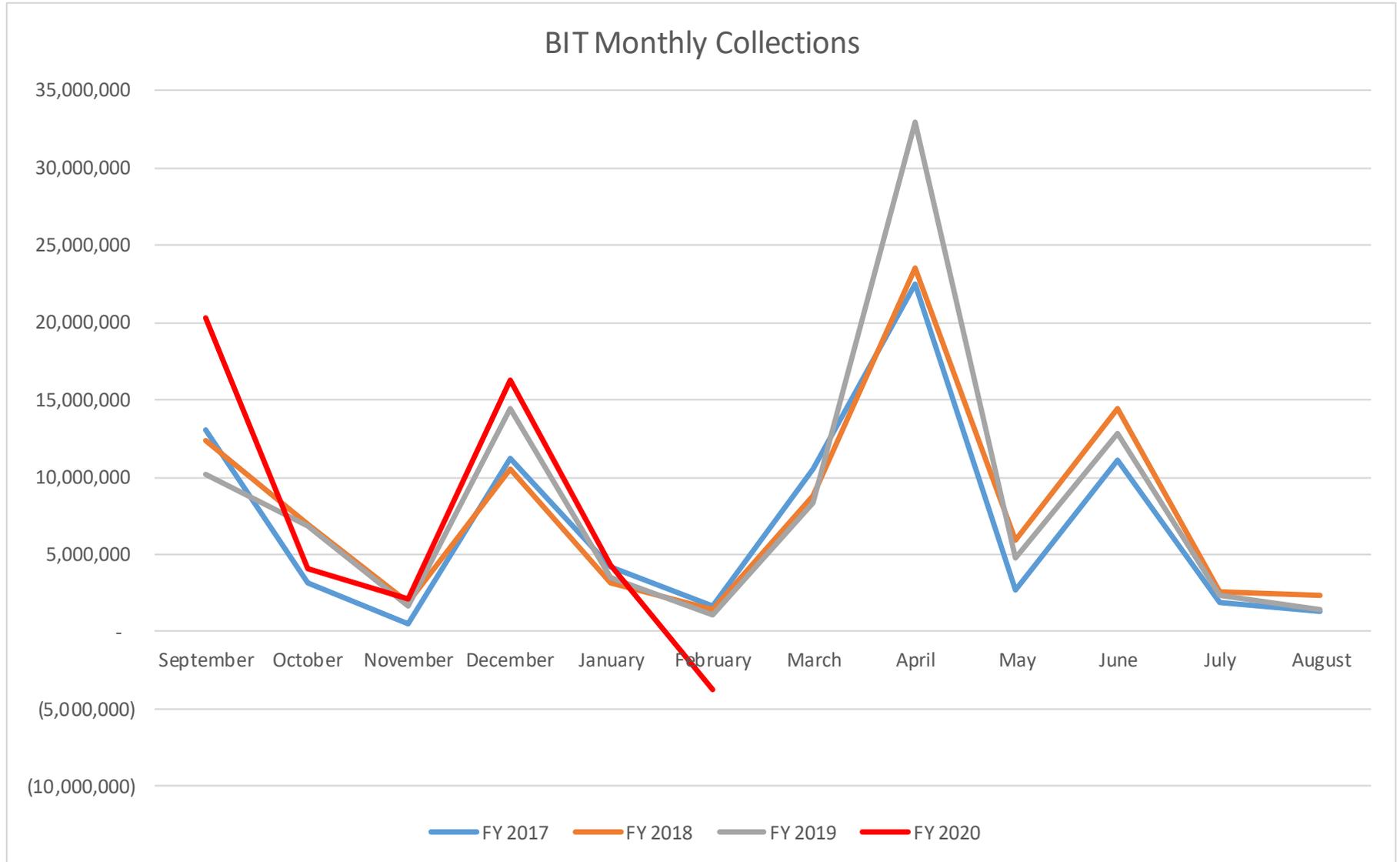
FY 2020 Revenue Review

BIT Collections Fiscal Year-to-Date Through February

	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 20 vs. FY 19
Quarterly	26,118,461	27,776,338	26,635,050	29,094,191	30,283,572	37,771,580	24.7%
Yearly	5,985,777	7,821,015	10,699,689	10,973,466	10,039,627	12,226,903	21.8%
Refund/Interest	3,116,127	3,102,498	3,232,861	3,476,202	2,488,580	6,142,391	146.8%
NSF Check	54,691	169,597	300,963	121,466	175,678	255,052	45.2%
Total	28,933,419	32,325,258	33,800,915	36,469,989	37,658,941	43,601,040	15.8%

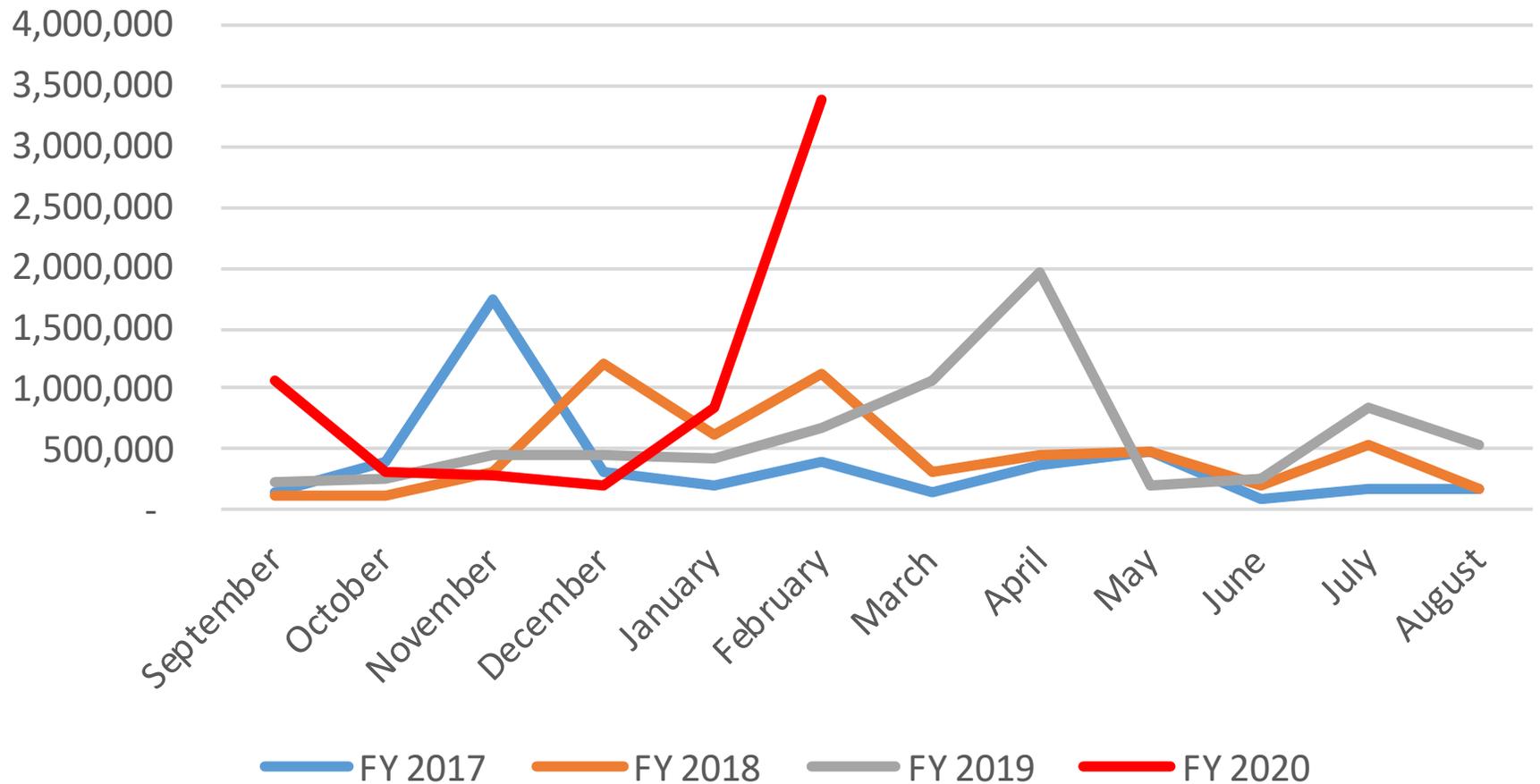


FY 2020 Revenue Review

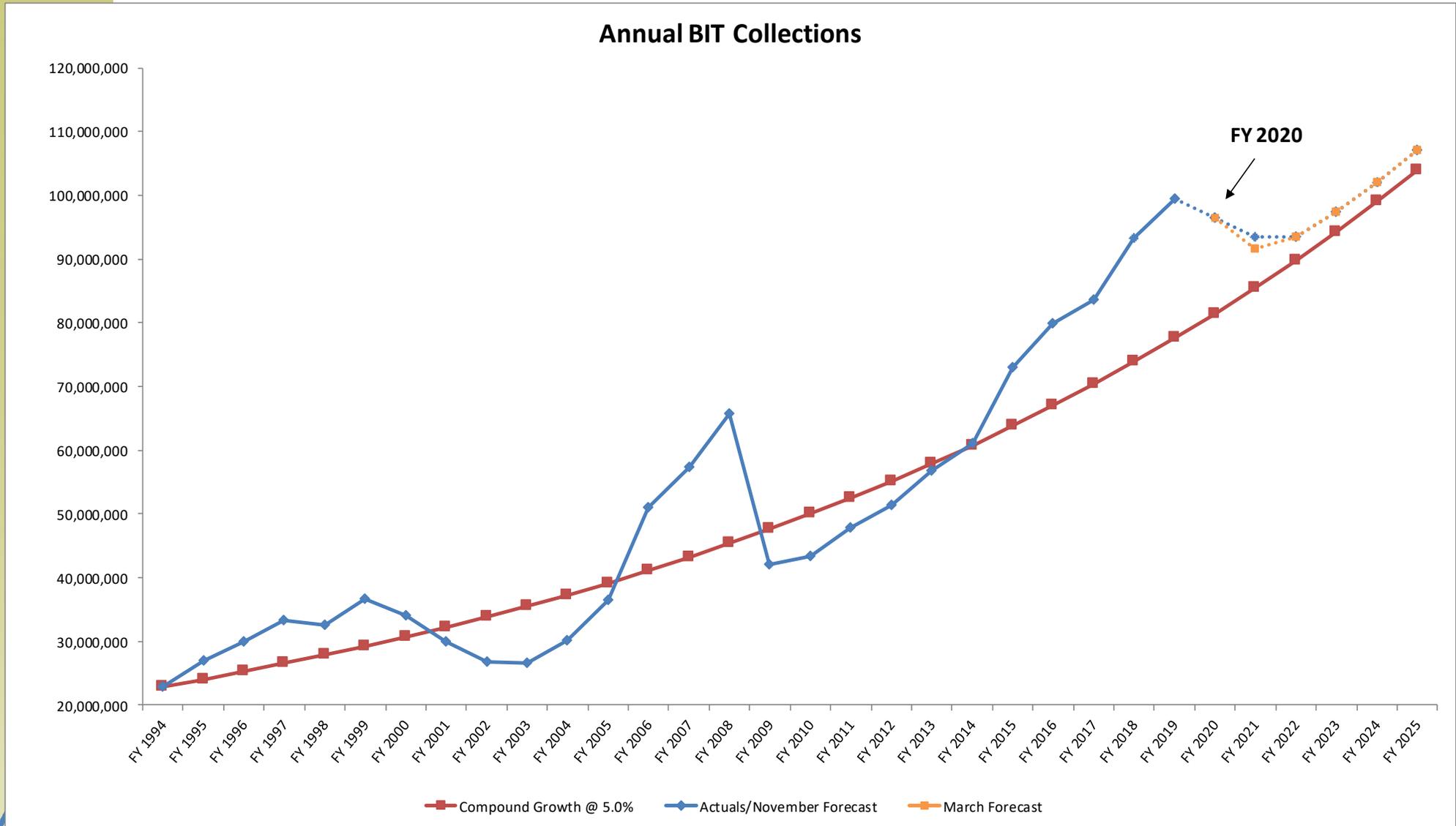


FY 2020 Revenue Review

BIT Monthly Refunds

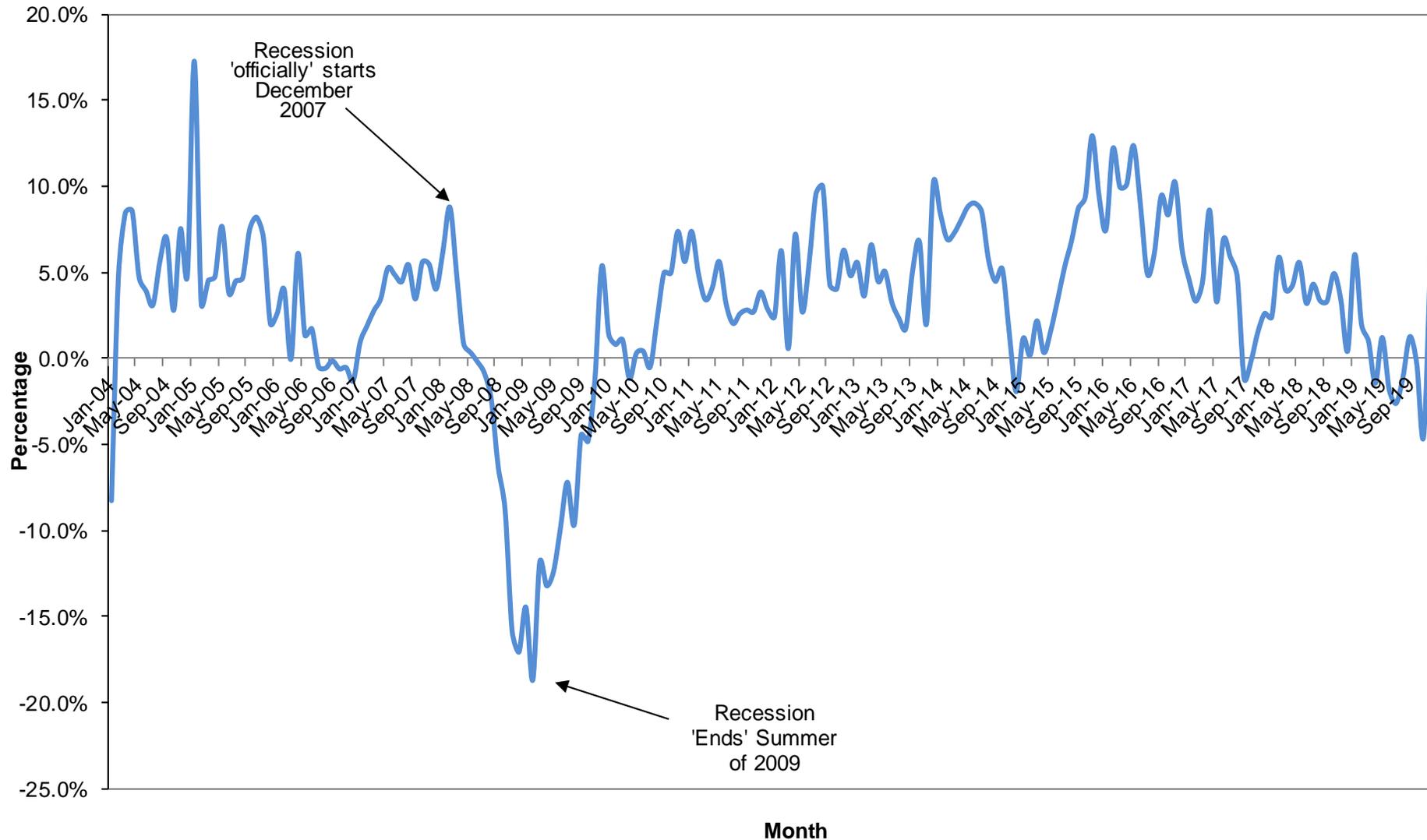


FY 2020 Revenue Review



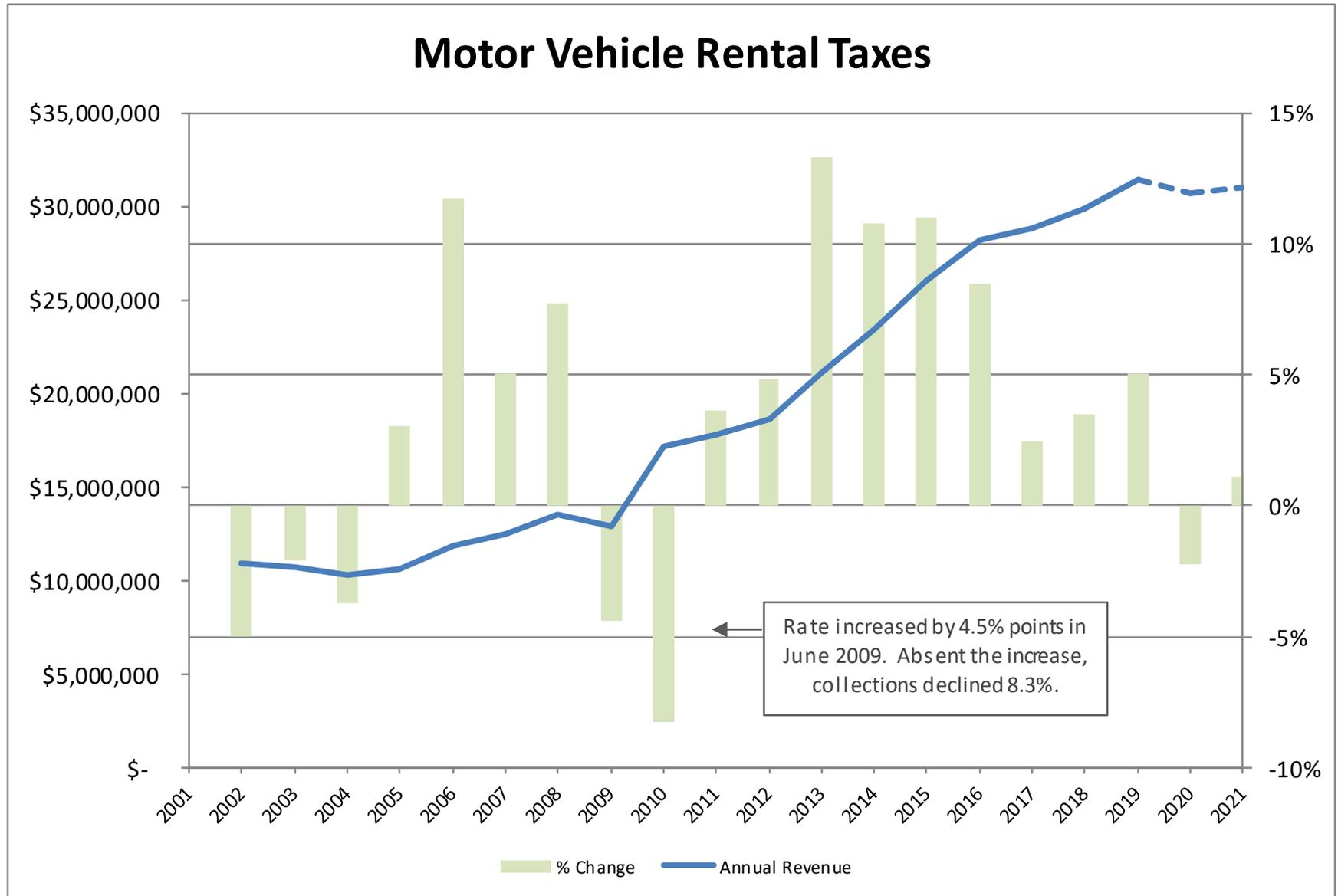
FY 2020 Revenue Review

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



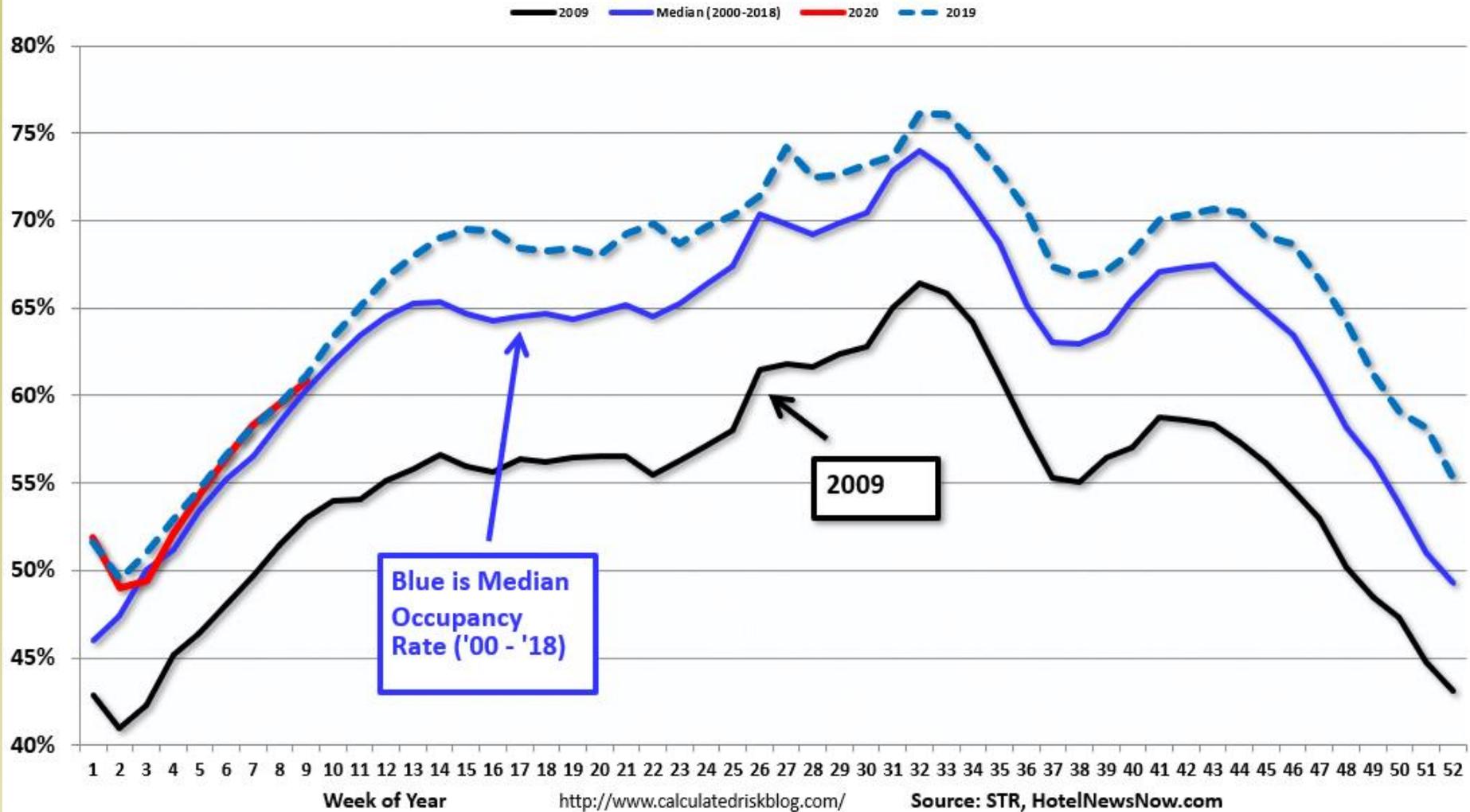
FY 2020 Revenue Review

Motor Vehicle Rental Taxes



FY 2020 Revenue Review

Hotel Occupancy Rate by Week of Year (4 week moving average)



5-Year General Fund Forecast

Table 2A: Forecasted Ongoing General Fund Balance

	FY 2021	FY 2022	FY 2023 ¹	FY 2024	FY 2025
November Forecast (Ongoing)	(9,784,067)	(18,774,156)	(20,104,087)	(21,385,801)	(21,740,782)
OTO BIT Spread Out to Reduce Deficit	6,600,000	6,600,000	-	-	-
Net November Forecast	(3,184,067)	(12,174,156)	(20,104,087)	(21,385,801)	(21,740,782)
Post-Forecast COLA Adjustment to 2.9%	(480,000)	(503,952)	(522,649)	(541,778)	(563,720)
State Paid Family and Medical Leave Law (HB 2005) ²		(929,069)	(967,761)	(1,005,801)	(1,045,356)
Recording Fees/CAFFA Adjustment	(82,749)	(124,389)	(166,029)	(357,669)	(475,361)
Video Lottery Adjustment	846,875	868,047	885,408	903,116	912,147
February Assumptions³	(2,899,941)	(12,863,519)	(20,875,118)	(22,387,933)	(22,913,072)
<u>Covid-19 Adjustments</u>					
BIT Adjustment	(1,870,750)				
Motor Vehicle Rental Tax Adjustment	(1,632,000)				
Video Lottery Adjustment	(150,000)				
Interest Adjustment	(1,275,000)	(1,287,750)	(956,249)	(482,906)	
March Forecast³	(7,827,691)	(14,151,269)	(21,831,367)	(22,870,838)	(22,913,072)



5-Year General Fund Forecast

Table 2B: Forecasted Ongoing General Fund Balance (w/ BIT Increase)

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
March Forecast	(7,827,691)	(14,151,269)	(21,831,367)	(22,870,838)	(22,913,072)
BIT Rate Increase (2.0%)	34,608,875	34,608,875	36,022,501	37,768,126	39,656,532
Gross Receipts Adjustment (\$50K - \$100K)	(2,100,000)	(2,100,000)	(2,187,442)	(2,293,444)	(2,408,116)
Owners Comp Adjustment	(1,951,496)	(1,951,496)	(2,032,754)	(2,131,260)	(2,237,823)
East County Payment (3% of new revenue)	(916,721)	(916,721)	(954,069)	(1,000,303)	(1,050,318)
March Forecast (with BIT Rate Change)	21,812,968	15,489,389	9,016,869	9,472,281	11,047,203

\$9.4 million ongoing
\$12.4 million OTO
\$21.8 million



¹Does not reflect Urban Renewal Districts releasing excess value due to dissolution, which should begin in FY 2023.

²State Family Leave: Assumes maximum rate of 0.4% on wages (CGF portion only)

³Does not include potential impacts of Open Labor Contracts



5-Year General Fund Forecast

Major General Fund Revenue Sources ¹

	Adopted FY 2020	Forecast FY 2020 ²	Forecast FY 2021	Forecast FY 2022	Forecast FY 2023	Forecast FY 2024	Forecast FY 2025
Property Taxes	312,832,471	314,321,648	324,867,847	335,924,133	346,929,362	358,132,347	369,711,331
Business Income Taxes ³	96,537,500	96,537,500	91,666,750	93,537,500	97,358,110	102,076,016	107,179,817
Motor Vehicle Rental Taxes	31,680,495	30,822,258	31,161,263	33,449,128	34,118,111	34,800,473	35,496,483
US Marshal (& BM 37)	5,120,560	5,732,184	6,445,510	6,445,510	6,445,510	6,445,510	6,445,510
Recording Fees/CAFFA Grant	7,029,122	8,329,122	7,257,457	7,726,901	8,196,345	8,515,790	8,597,977
State Shared	15,575,183	13,767,935	14,127,361	14,709,991	15,154,019	15,614,179	16,082,053
Indirect & Service Reimbrs.	36,698,623	36,698,623	38,029,420	39,160,093	40,325,768	41,527,531	42,766,505
	505,473,954	506,209,270	513,555,608	530,953,256	548,527,225	567,111,846	586,279,676
% of Total Revenue	94.2%	94.1%	93.4%	94.1%	94.3%	94.4%	94.5%
All Other General Fund	31,074,256	31,455,381	34,909,600	31,740,474	32,326,424	33,208,219	34,038,736
Total	536,548,210	537,964,651	549,740,208	563,981,480	581,809,898	600,802,971	620,318,412
% Change in Ongoing Revenue		0.26%	2.19%	2.59%	3.16%	3.26%	3.25%
AV Growth	3.50%	4.34%	3.75%	3.55%	3.25%	3.25%	3.25%
Compression	3.66%	3.78%	3.85%	3.85%	3.85%	3.85%	3.85%
BIT Growth	0.00%	-2.98%	-5.05%	2.04%	4.08%	4.85%	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.

3. Does not include BIT Adjustment



FY 2021 OTO Funds

General Fund FY 2020 Beginning Working Capital & FY 2021 OTO ^{1,2}

Year-End as of February 10, 2020

FY 2020 Beginning Balance ³	114,857,985
FY 2020 Budgeted Beginning Balance	<u>103,211,538</u>
Additional FY 2020 BWC (OTO)	11,646,447
Net Adjustment to FY 2020 Revenues	1,397,610
Less Amount to Maintain Reserves at Board Policy Level	<u>(139,761)</u>
OTO Funds for FY 2020 per November Forecast	12,904,296
Use BWC for JCSS Retroactive Payment	<u>(195,165)</u>
Eagle Creek Fire Reimbursement	217,628
Net Adjustment to FY 2020 Revenues (March) ⁴	1,018,875
Less Amount to Maintain Reserves at Board Policy Level	<u>(101,888)</u>
OTO Funds for FY 2020 per March Forecast	13,843,746
<i>50% Dedicated to County Facility Projects per Board Policy</i>	6,921,873
<i>Remaining 50% to be Allocated</i>	6,921,873
FY 21 'Surplus' Treated as OTO	12,406,416

\$26.3 million total

1. Assumes the FY 2020 General Fund Contingency is fully spent in FY 2020.
2. Assumes departments fully spend their FY 2020 appropriation.
3. Adjusted for additional restricted County Clerk BWC, Prospective Health Payments, and Tax Title: Affordable Housing.
4. Does not include OTO from FY 2020 BIT Adjustment used to increase FY 2021 BIT Reserve



FY 2020 Contingency Update

General Fund Contingency Update

Contingency

General Fund 'Regular' Contingency	1,500,000	
Additional Contingency	18,168	
Less Partial Year Jail Dorm Funding	(904,989)	Funded dorm through 3/15; approved on 8/29
Less Remainder of Year Jail Dorm Funding	(372,642)	Remainder of year; approved on 3/5
Remaining Non-Earmarked Contingency	240,537	

Earmarked Contingency

Earmark - Preschool for All	100,000	
Earmark - SE Health Clinic	6,000,000	Potential \$0.8 million request in March
Earmark - Behavioral Health Resource Center	8,750,000	\$2.2 million approved on 10/24
Earmark - Corporate Broadband Network Infrastructure Replacement	1,000,000	
Total General Fund Contingency	16,090,537	

BIT Reserve @ 10% (in General Fund Contingency)	9,653,750
Total General Fund Contingency	25,744,287

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 2021



Forecast Risks, Uncertainties & Issues

- Covid-19 - Duration/Intensity of disruption
 - ✓ Impact on Revenues
 - ✓ Demand for County Services
- Wage pressures – labor negotiations and PERS portfolio
- State Legislative impacts and uncertainty at Federal level
 - ✓ 1145 Funding and 2020 Election
- Revenues plateau at end of economic/developmental cycle
 - ✓ AV growth/BIT volatility
- A confluence of risks, uncertainties, and issues
 - ✓ Personnel costs
 - ✓ Timing of next recession/Covid-19
 - ✓ Inflation and monetary policy changes
 - ✓ State/Fed Funding



Summary

- FY 2020 General Fund revenue forecast increased \$1.0 million (0.19%)
- FY 2020 General Fund contingency balance of \$0.2 million (unallocated)
- ‘Surplus’ of \$21.8 million forecast for FY 2021 after BIT Adjustment.
 - ✓ If balanced over 5 years, \$9.4 million of Ongoing Available (12.4 OTO).
 - ✓ Significant risk in forecast due to Covid-19/Recession concerns
- FY 2021 General Fund one-time-only resources of \$26.3 million.
 - ✓ \$13.8 million in ‘regular’ OTO from higher BWC, revenue, etc.
 - \$6.5 million for facility projects (per Board policy)
 - \$6.5 million to be allocated
 - ✓ With additional \$12.4 million from FY 2021 ‘Surplus’ treated at OTO
- Major risks, uncertainties, and issues include:
 - ✓ Duration/Intensity of Covid-19 impacts
 - ✓ Personnel Costs/Wage Pressures

