



# FY 2021 General Fund 5-Year Forecast Update

*Presentation to the  
Board of County Commissioners*

Multnomah County Budget Office  
May 12, 2020  
[www.multco.us/budget](http://www.multco.us/budget)

# Agenda

---

- **Forecast Overview**
  - ✓ Path of Recovery
- **Economic Overview**
  - ✓ Still-Developing Recession
- **FY 2020 Revenue Review**
  - ✓ MVRT
- **FY 2021 Forecast**
  - ✓ Changes Since March
  - ✓ How Did We Balance?
  - ✓ Additional Changes
- **Major Revenues Overview and Outlook**
- **FY 2020 General Fund Contingency Update**
- **Forecast Risks & Issues**
- **Summary & Questions**



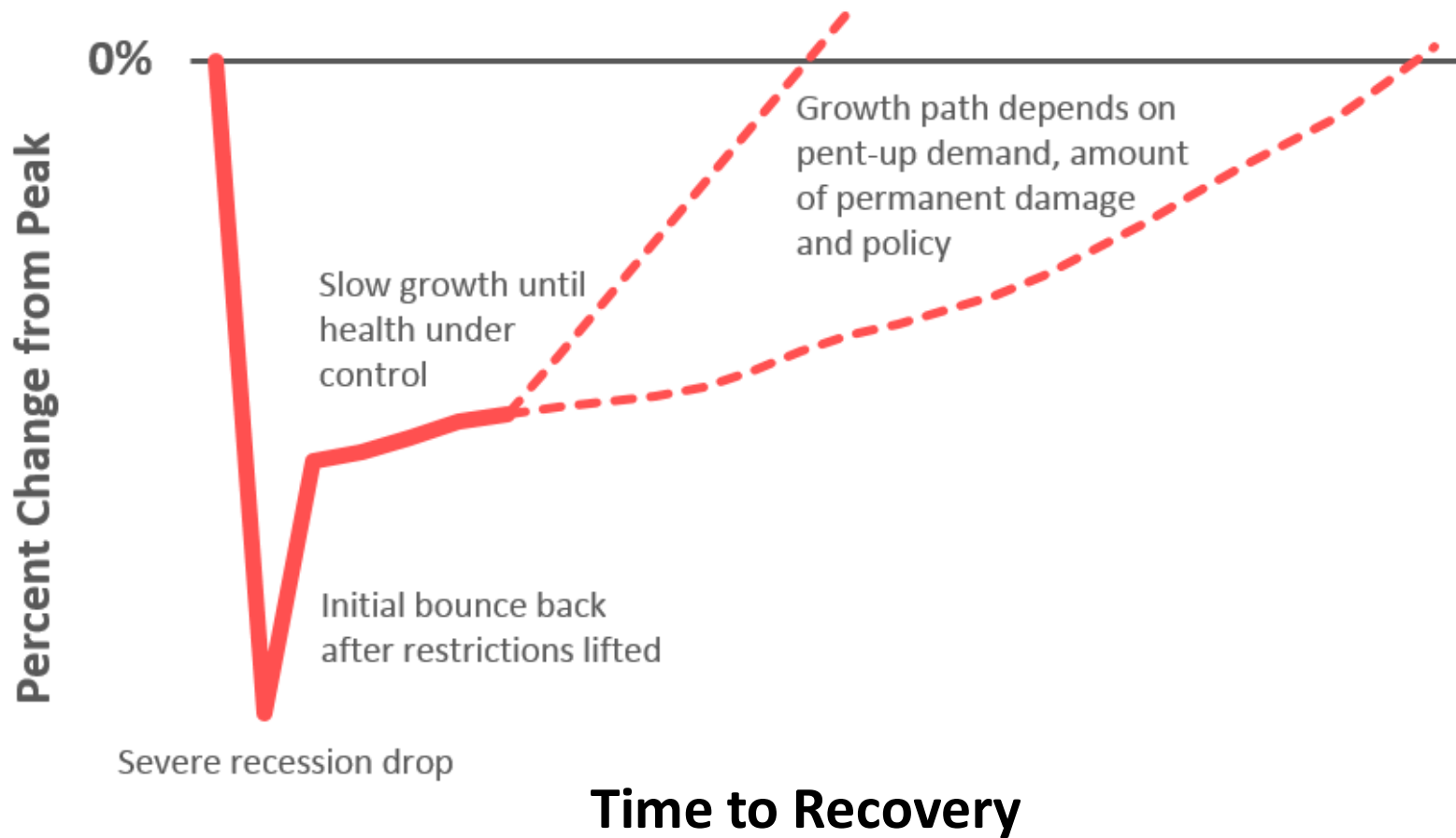
# Forecast Overview

- Economy continues to have a COVID-19 problem, with secondary problems resulting from economic contraction.
  - ✓ Economy does not return to “normal” until people feel confident in COVID-19 management strategy.
  - ✓ CBO forecasting ~10% unemployment in December 2021.
- FY 2020 Changes - \$3.3 million reduction in MVRT
  - ✓ No action required.
- FY 2021 Changes - \$3.2 million reduction in MVRT
  - ✓ Board will need to find additional savings to balance Adopted
  - ✓ Does not incorporate potential for future revenue declines, increases in programmatic needs, or State funding impacts.
- Planning/Future Expectations
  - ✓ Could need additional reductions in FY 2022.



# Economic Recovery

## COVID-19: The Square Root Recovery?



Source: Oregon Office of Economic Analysis



# Economic Overview

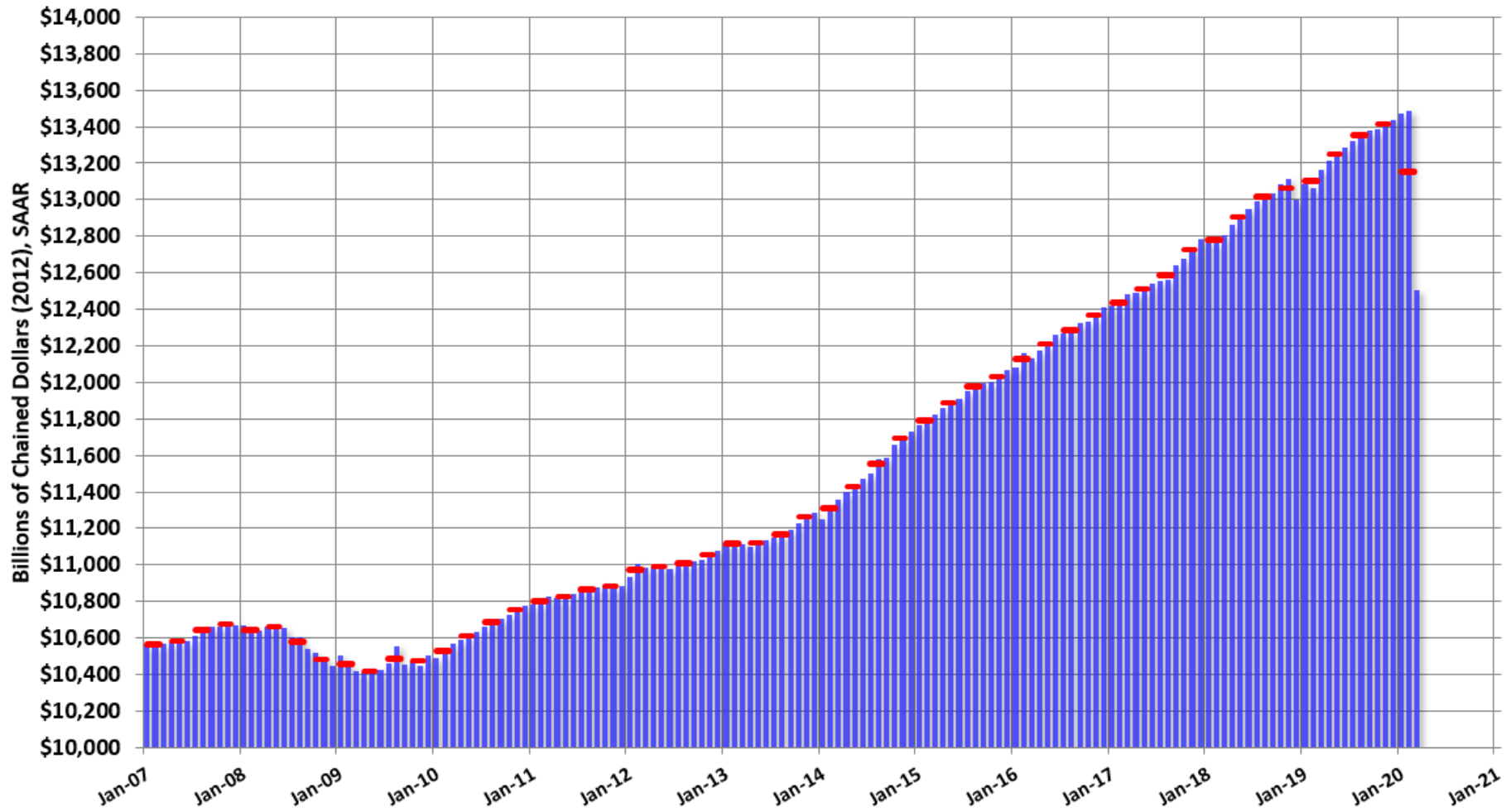
- April jobs report 20.5 million jobs lost and a national unemployment rate of 14.7% (probably closer to 20%).
- Q1 annualized GDP decline of -4.8%. Q2 annualized decline expected to be as much as -30%.
  - ✓ Consumption spending down with healthcare sector experiencing large declines.
- Through the end of April, approximately 4 million mortgages were in forbearance (7.7% of mortgages), but remains a source of longer-term concern.\*
- Uncertainty:
  - ✓ COVID-19 containment and re-opening
  - ✓ Consumer behavior and regional variation
  - ✓ Federal Government Stimulus (Households/Firms/Other Gov't)
  - ✓ 2020 Election

*\*Source: Black Knight Mortgage Monitor*



# Economic Overview

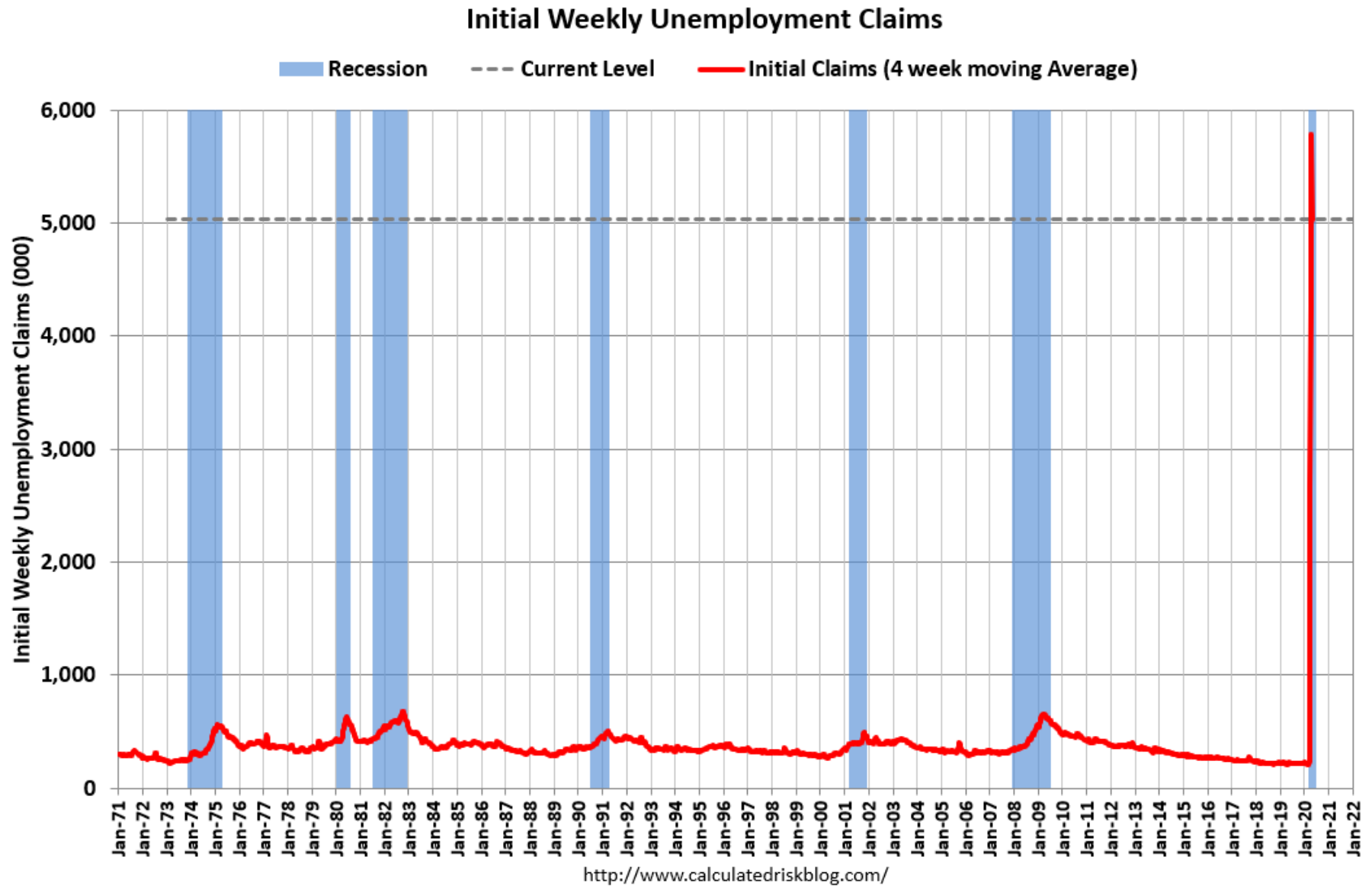
## Real Personal Consumption Expenditures (PCE)



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

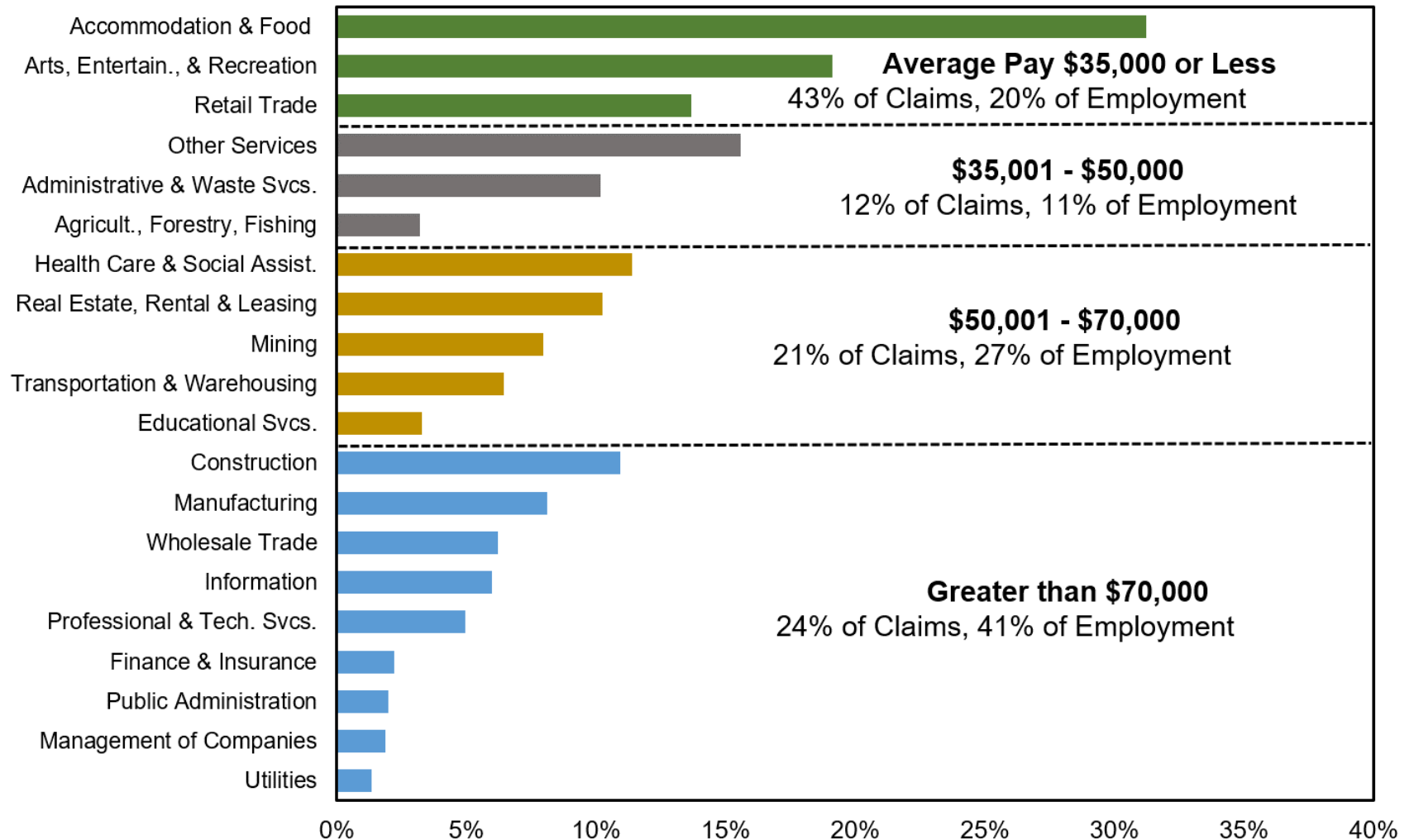


# Economic Overview



# Economic Overview

## Initial Claims as a Share of Industry Employment Portland Metropolitan Area, Oregon Portion



Source: Oregon Employment Department, initial Unemployment Insurance claims processed in the six weeks ending April 25, 2020.





# Economic Overview

## Unemployment rate by race



Note: For civilian Americans, seasonally adjusted. White, black and Asian categories are not exclusive of Hispanic ethnicity.

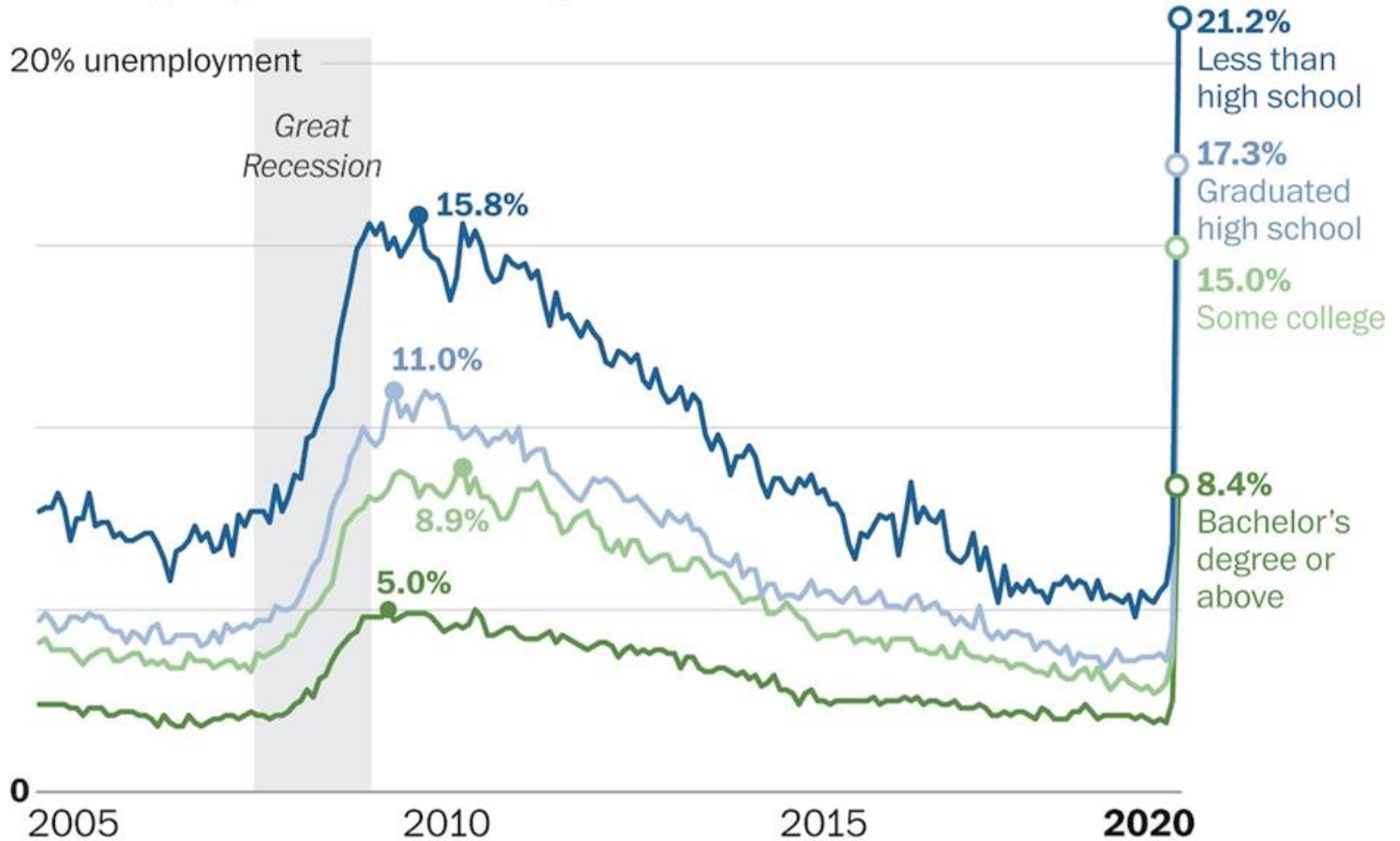
Source: Labor Department

THE WASHINGTON POST



# Economic Overview

## Unemployment rate by education level



Note: For civilian Americans age 25 and older, seasonally adjusted

Source: Labor Department

THE WASHINGTON POST



# FY 2020 Revenue Review

	Adopted <sup>1</sup>	October Forecast Change	March/COVID Forecast Change	May Forecast Change	Net Change From Adopted	Note
Property Taxes	312,832,471	989,177	500,000	0	1,489,177	Higher AV Growth partially offset by higher compression; Higher penalties
Business Income Taxes	96,537,500	0	(1,400,000)	0	(1,400,000)	Initial recession response
Motor Vehicle Rental Taxes	31,530,237	469,763	(6,500,000)	(3,250,000)	(9,280,237)	Covid-19 Airline Impacts
US Marshal/BM 73/BOP	5,120,560	769,901	0	0	769,901	
State Shared						
Video Lottery	5,253,125	0	846,875	0	846,875	
Liquor	4,836,855	0	0	0	0	
Cigarette	658,080	0	0	0	0	
Marijuana	1,654,123	345,877	0	0	345,877	Higher sales and stabilized Multnomah County Share
Amusement	173,000	0	0	0	0	
Recording Fees/CAFFA Grant	7,029,122	(177,108)	1,300,000	0	1,122,892	Refinances
Indirect						
Departmental	23,271,751	0	0	0	0	
Central Indirect/Svc Reimburse	13,324,884	0	0	0	0	
All Other	34,326,502	(1,000,000)	(300,000)	0	(1,300,000)	Reduction in Interest Earnings/Animal Services Fees
<b>FY 20 Revenue Adjustments <sup>2</sup></b>	<b>536,548,210</b>	<b>1,397,610</b>	<b>(5,553,125)</b>	<b>(3,250,000)</b>	<b>(7,405,515)</b>	
<b>% of Revenue</b>		<b>0.26%</b>	<b>-1.03%</b>	<b>-0.61%</b>	<b>-1.38%</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 2021 – Since We Left You...

**March Forecast** (7,827,691)

## Post-Forecast Adjustment

Existing BIT (20,578,250)

New BIT Reform Revenue (8,306,130)

MVRT (4,896,602)

Video Lottery (1,500,000)

Net OTO Adjustment (2,232,719)

**Total Deficit for Chair's Budget** (45,341,392)

- 24% Net Decline in BIT Revenues
- 20% Net Decline in MVRT Revenues
- Assumes No Q4 Video Lottery Payment
- Net FY 2020 Revenue Adjustment of \$2.2 Million



# How Did We Balance?

## Deficit

March Forecast Deficit	(7,827,691)
Post-Forecast Covid Adjustment	(37,513,701)
<b>Total Deficit</b>	<b>(45,341,392)</b>

Additional Programmatic Needs (12,391,440)

**Total Budget Gap to Fill (57,732,832)**

## Actions Taken to Close the Gap

### *Increased Revenue*

BIT Adjustment (net of Owners Comp, Gross Receipts adjustments, and transfer to East County Cities) 29,640,658

### *Programmatic Reductions*

2% Constraint applied to Dept. Current Service Level 7,745,534

Merit Freeze for Non-Represented making more than 3,407,161

\$100,000/Non-Represented COLA Freeze

Additional Programmatic Reductions 1,113,000

*OTO Resources Used to Balance* 15,826,479

**Total 57,732,832**



# FY 2021 – May Forecast Update

**Chair's Proposed Budget Balanced** **0**

## **May Forecast Revenue Adjustments**

MVRT (30% Net Decline) **(3,200,000)**

## **Future Expense Adjustments**

COVID-19 Programmatic Needs TBD - \$

Critical Programs Cut by State TBD - \$

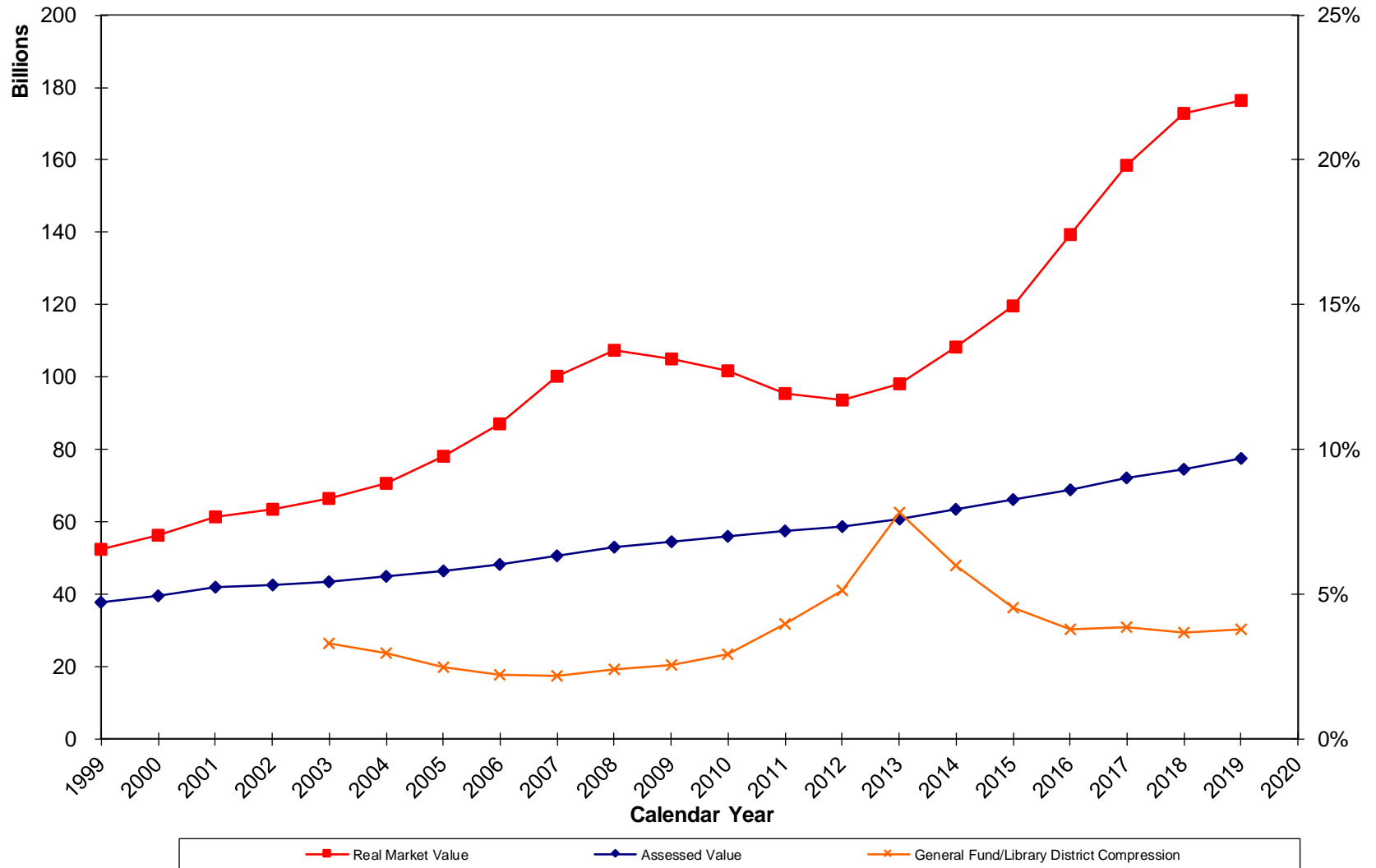
**Total Deficit for Adopted Budget** **(3,200,000)**

- COVID-19 programmatic needs still in development, but FY 2021 and FY 2022 costs could be significant.
- State cuts unknown but expectation is 8% across the board cuts for the biennium (or 17% in FY 2021).



# Revenue Review – Property Tax

Multnomah County Assessed Value, Real Market Value, and Compression



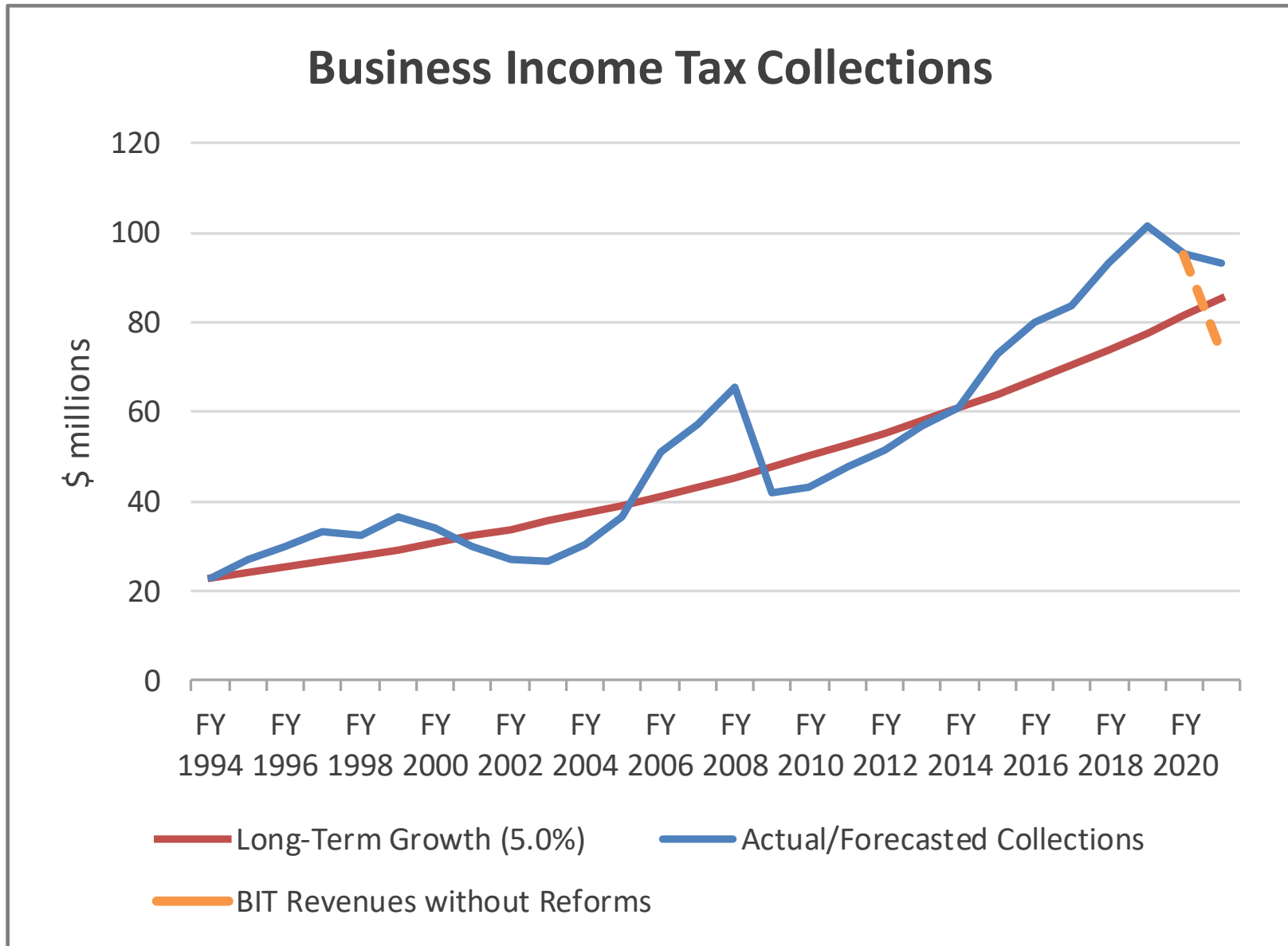
# Revenue Review – Property Tax

- FY 2021 – Delinquency:
  - ✓ Current forecast approximately 1% below Great Recession peak
- FY 2022 – Compression:
  - ✓ Expected decline in Real Market Value, causing increase in compression.
  - ✓ Extent of property value decline and more modeling needed
- FY 2023 – AV Growth:
  - ✓ Projects underway will be finished.
  - ✓ BDS seeing permit decline/planning for worse



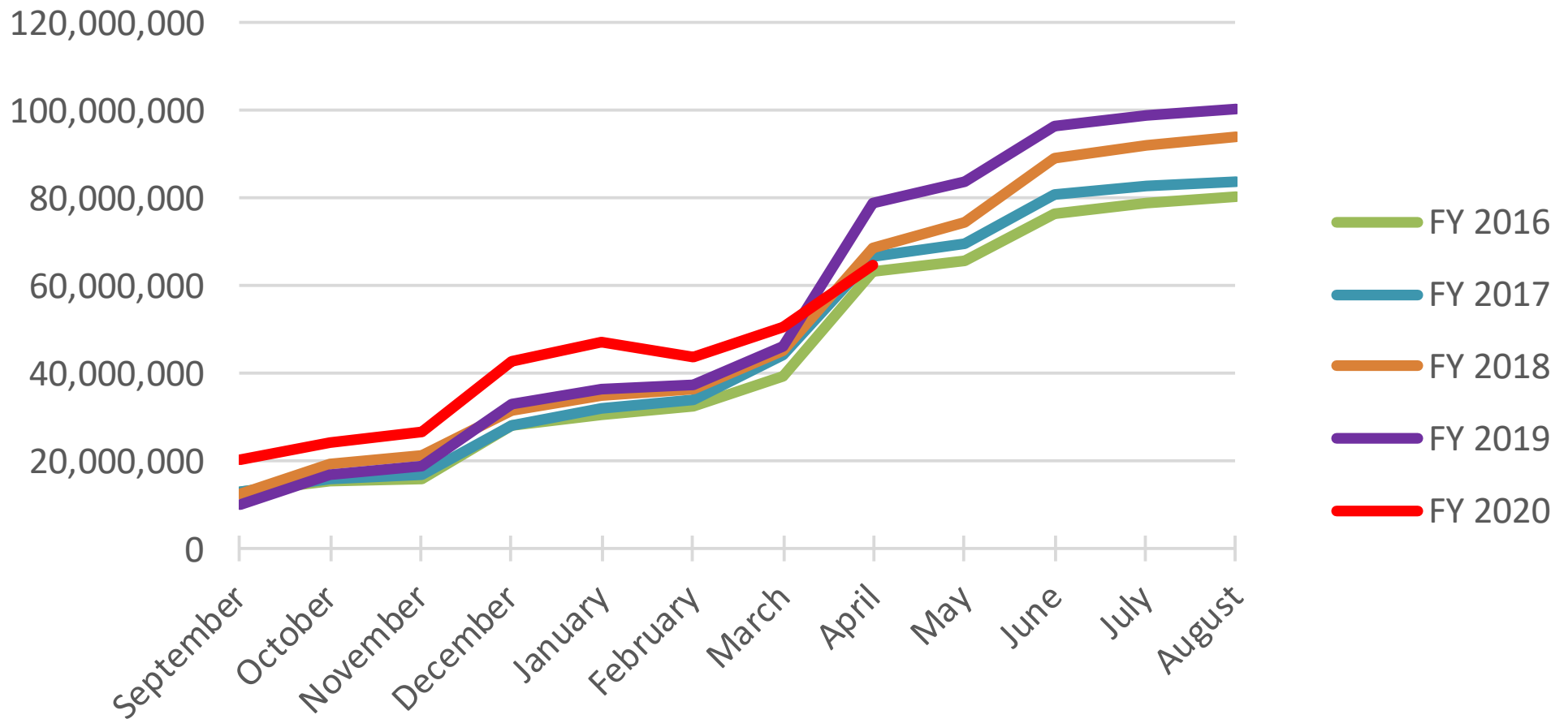


# Revenue Review - BIT



# Revenue Review - BIT

## Cumulative BIT Collections by Year



# Revenue Review - BIT

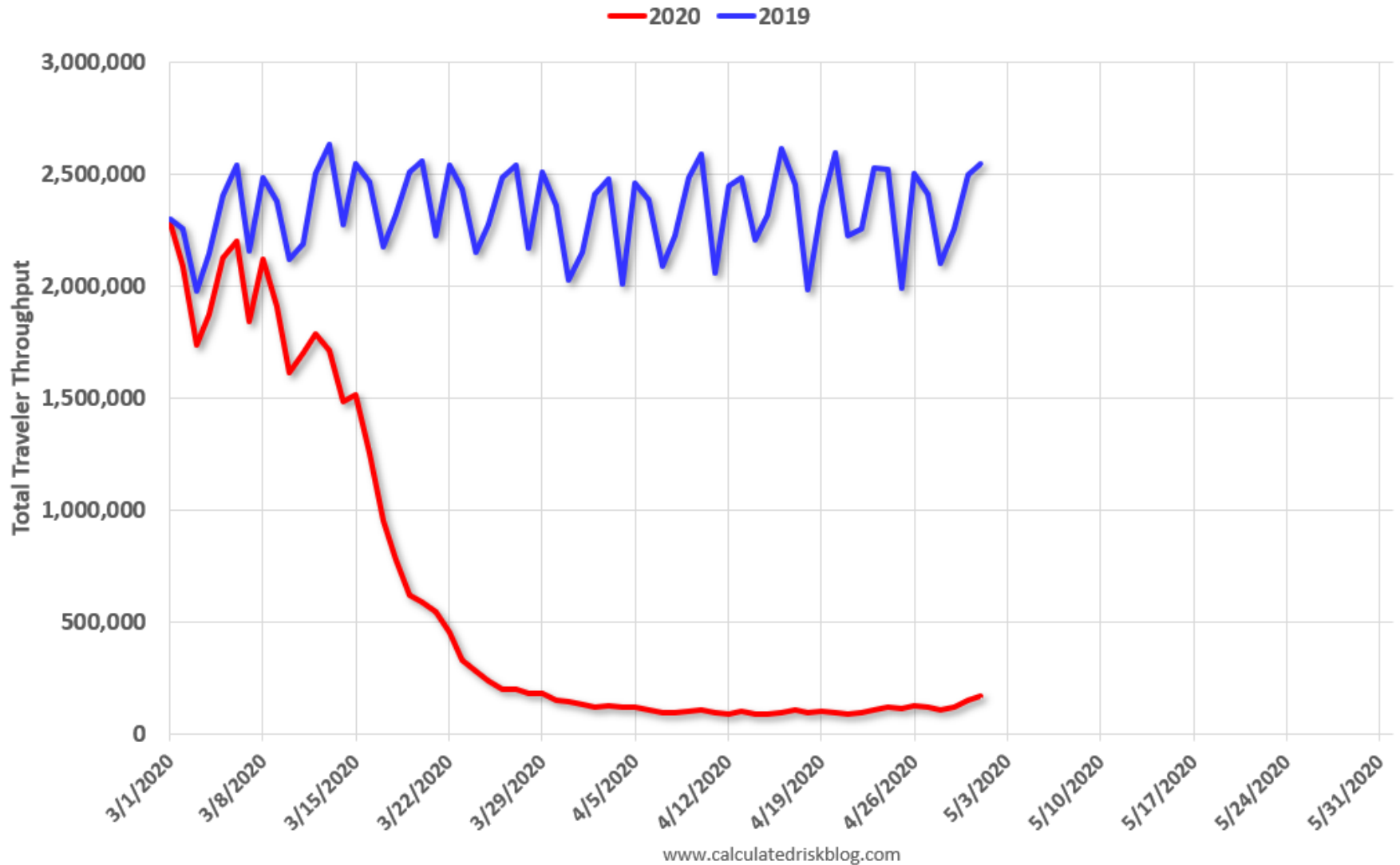
- Assuming severe recession in FY 2021
- Uncertainty and imperfect data
- Timing:
  - ✓ 36% drop in one year during Great Recession, but built up to that for 18 months.
  - ✓ Great Recession impacted financial sector, but trade volume is offsetting financial sector losses now.
  - ✓ Will take time for full impact to show up in tax data.
  - ✓ FY 2020 payments pushed into FY 2021.
  - ✓ Could see additional decline in FY 2022.

## CARES Act impact on Net Income



# Revenue Review - MVRT

TSA checkpoint travel numbers for 2020 and 2019



# Revenue Review - MVRT

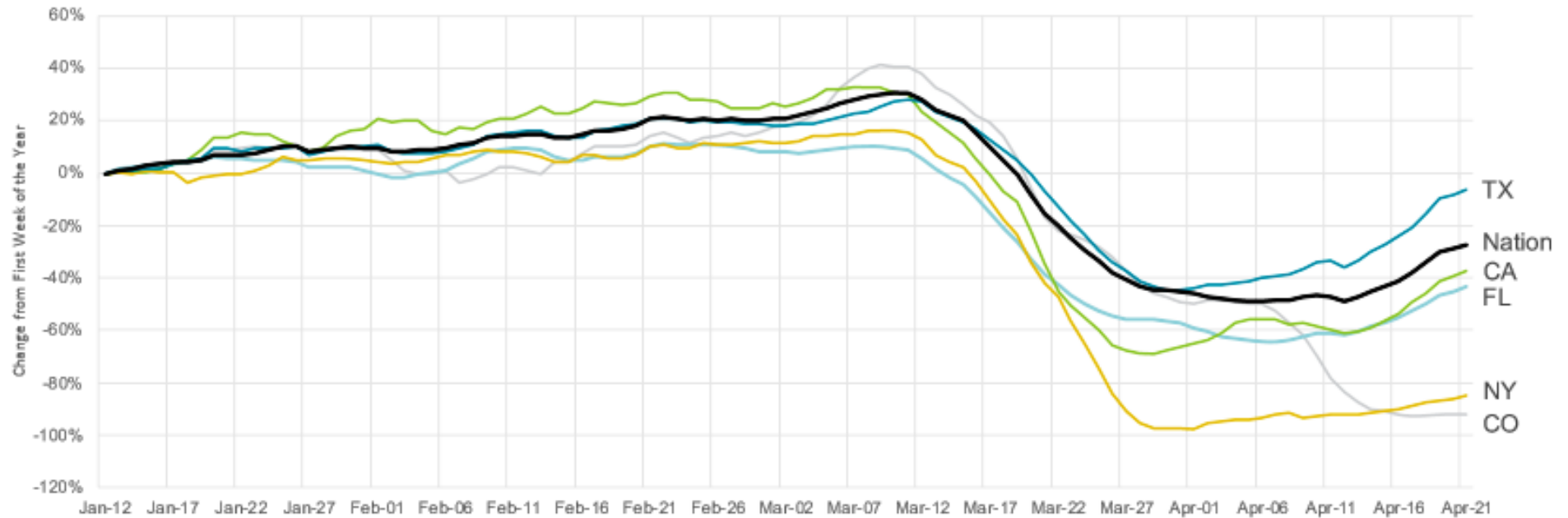
- PDX air traffic continues to be down 90-95% y-o-y
  - ✓ Airlines planning to operate at lower levels for extended period of time.
- Moves concurrently with the economy
- Rental cars used by locals and delivery companies
- Path of recovery highly dependent on virus containment
- Long-term risk?
  - ✓ Permanent re-thinking of work travel?
  - ✓ Conferences?



# Revenue Review – Recording Fees

## IMPACT OF COVID-19 ON REAL ESTATE SHOWINGS

WEEKLY SHOWINGS NORMALIZED TO THE FIRST CALENDAR WEEK OF JANUARY, 7-DAY MOVING AVERAGE.



Source: ShowingTime



# 5-Year General Fund Forecast

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

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

- By FY 2024/2025, expect to be back to normal revenue levels.
- Benefits of PERS Side Accounts, BIT Reform, OTO to avoid debt, and other sound financial/budgeting practices are ongoing.



# 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
<b>Remaining Non-Earmarked Contingency</b>	<b>240,537</b>	

### Earmarked Contingency

Earmark - Preschool for All	100,000	
Earmark - SE Health Clinic	6,000,000	Potential \$0.9 million request in May
Earmark - Behavioral Health Resource Center	8,750,000	\$2.2 million approved on 10/24
Earmark - Corporate Broadband Network Infrastructure Replacement	1,000,000	
<b>Total General Fund Contingency</b>	<b>16,090,537</b>	

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

*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
- State Legislative impacts and Federal level of support
  - ✓ Further Stimulus for Local governments? Ability to offset revenue losses?
  - ✓ Duration of need for expanded County service
- Severity of BIT decline and timing of impacts
  - ✓ Also, duration of travel disruption and impact on MVRT
- 2020 Election
- A confluence of risks, uncertainties, and issues (we're in it)
  - ✓ Personnel costs
  - ✓ Severity of recession/Covid-19
  - ✓ State/Fed Funding



# Summary

---

- FY 2020 General Fund revenue forecast decreased \$3.3 million (-0.61%)
- FY 2020 General Fund contingency balance of \$0.2 million (unallocated)
- Deficit of \$3.2 million for FY 2021 following MVRT adjustment (after closing \$58 million funding gap)
  - ✓ Used OTO to balance so no OTO from “regular” sources
  - ✓ Does not include increased expenditures from COVID-19 response or impacts of State reductions.
- Forecast Uncertainties and Planning:
  - ✓ Realistic, data-driven, pro-active assumptions
  - ✓ Fully-funded reserves
  - ✓ Push decisions into normal FY 2022 budget process
- Major risks, uncertainties, and issues include:
  - ✓ Duration/Intensity of Covid-19 impacts
  - ✓ Additional revenue declines

