



FY 2022 General Fund 5-Year Forecast Update

Presented to the
Board of County Commissioners

Multnomah County
November 5, 2020

Located at: www.multco.us/budget

Agenda

- Financial Context and Overview
- Economic Overview
 - State of COVID-19 Fallout and Federal Relief
 - Employment
- FY 2021 Revenue Review
 - Property Tax
 - BIT
 - MVRT
- FY 2022 General Fund 5-Year Forecast
 - Including Expenditure Assumptions – Cost Drivers, COLA, PERS
- FY 2022 One-Time-Only Funds
- FY 2021 General Fund Contingency Update
- Forecast Risks and Issues
- Summary and Questions



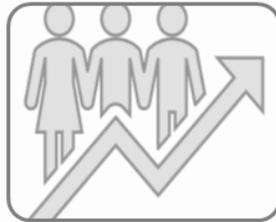
The Budget Process

COUNTY BUDGET PROCESS TIMELINE



November

Release the **General Fund Forecast** to determine how much funding is available



December

Department budget **planning**



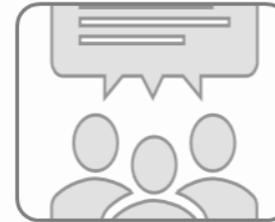
February

Departments submit a **"requested"** budget to County Chair for consideration



March-April

Chair develops & releases **Executive Budget**
Board Approves



April - May

Board deliberation, worksessions and Community Engagement



May-June

Board amends and **Adopts** the fiscal year budget



Financial Context

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

| | FY 2022 | FY 2023 | FY 2024 | FY 2025 | FY 2026 |
|--|---------------------|------------------|-------------------|-------------------|-------------------|
| Revenues¹ | 560,111,683 | 607,678,377 | 642,408,097 | 680,581,427 | 710,456,589 |
| Expenditures | 575,860,775 | 597,682,946 | 618,208,493 | 638,155,453 | 663,060,876 |
| Ongoing Surplus/(Deficit) | (15,749,093) | 9,995,431 | 24,199,603 | 42,425,973 | 47,395,712 |
| BIT Carryover to Offset Deficit | 6,600,000 | | | | |
| Adjusted | | | | | |
| Revenue/Expenditure Gap | (9,149,093) | 9,995,431 | 24,199,603 | 42,425,973 | 47,395,712 |

- FY 2022 revenue recovery not enough to offset \$19 million of OTO used to offset shortfall in FY 2021.
- Economic recovery and URA dissolution behind significant economic growth in out years.
- Uncertainties include ongoing COVID-19 response requirements and Federal support.

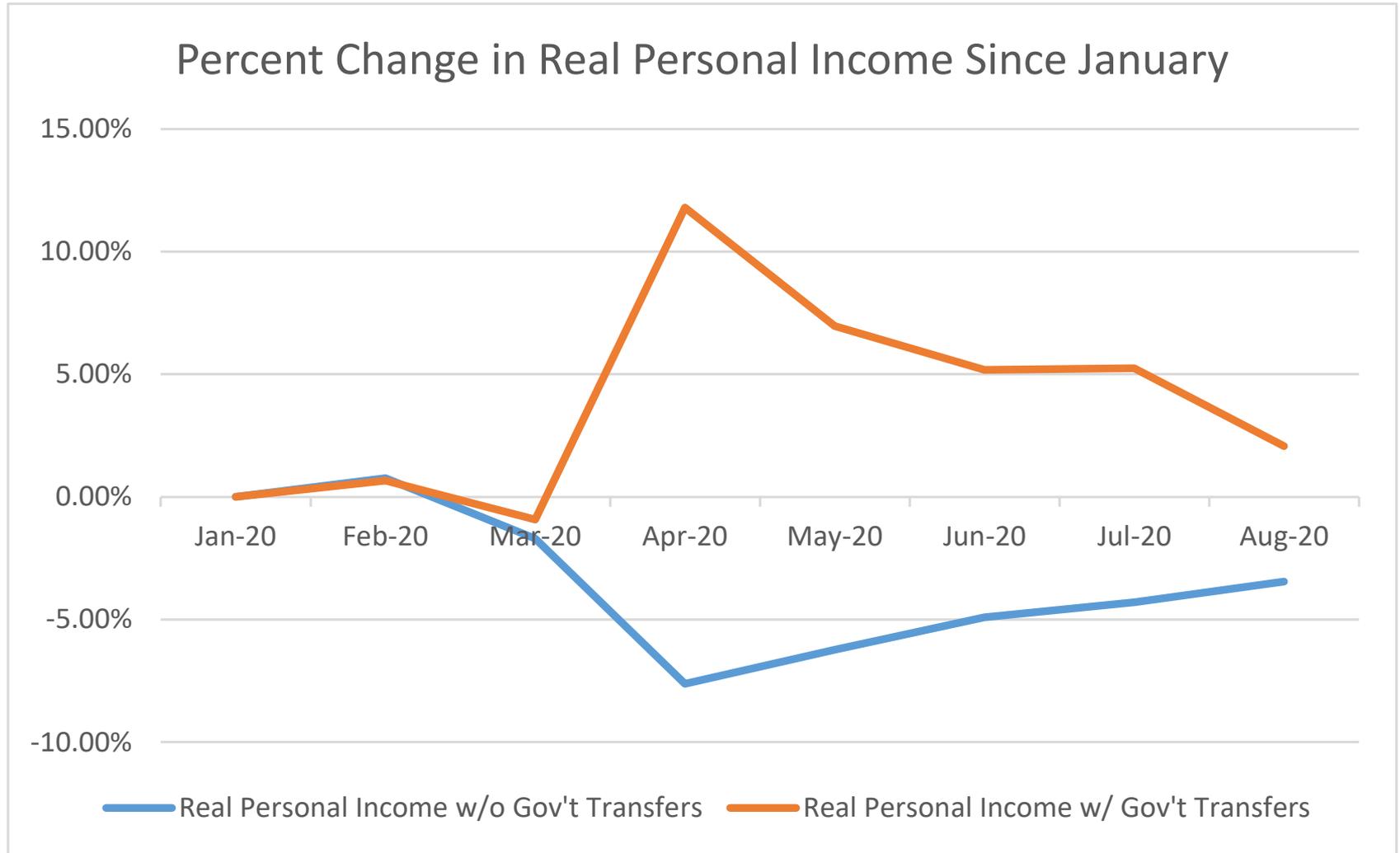


Economic Overview

- Economic Recovery has been more robust than most economists expected, but concerns remain.
 - COVID-19 remains the limiting factor. Future path of recovery highly dependent on virus mitigation.
- “K-Shaped” Recovery for households and firms
- Impact of expiration of Federal support still working through system.
- Uncertainty
 - Election results and further Federal relief
 - Consumer behavior and regional variation
 - Long-term impacts on migration and development



Economic Overview

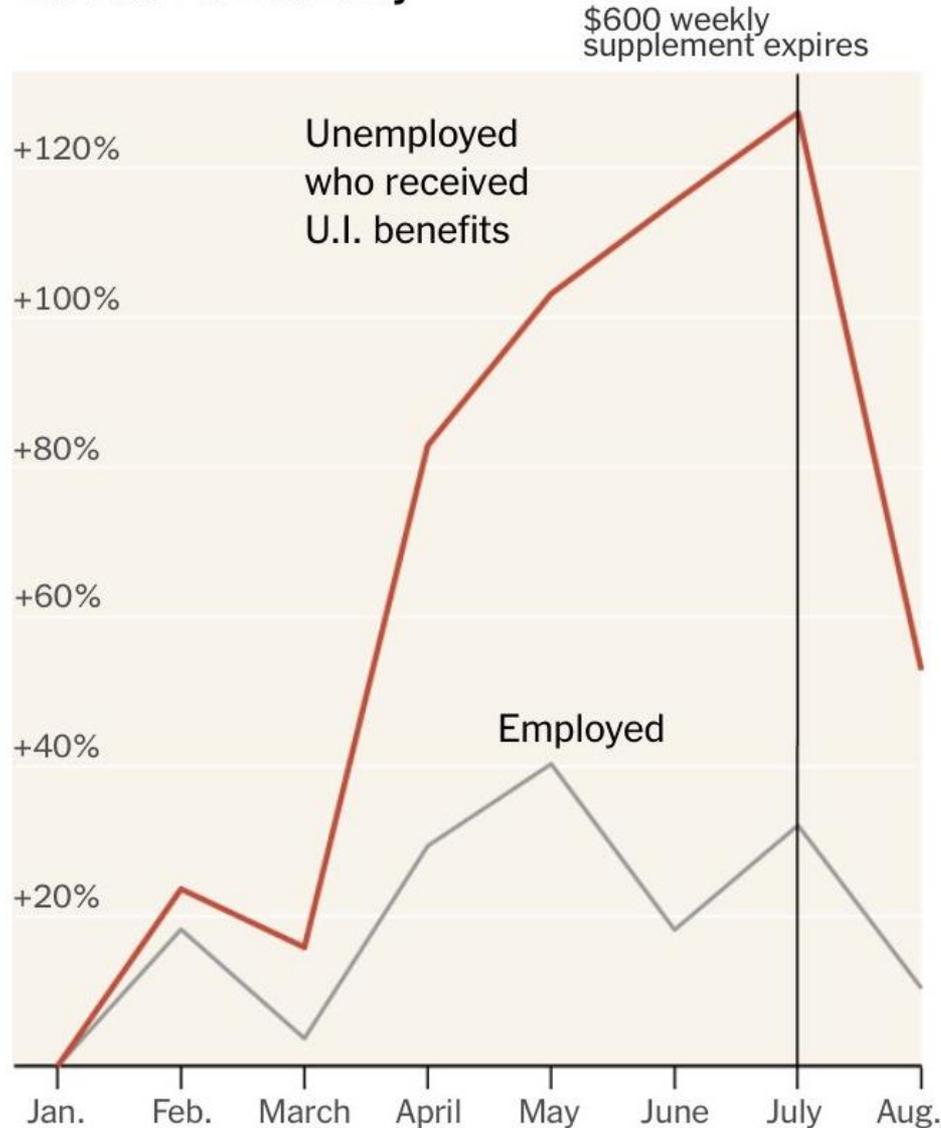


Source: Federal Reserve Bank of St. Louis



Economic Overview

Change in Median Checking Account Balance From January

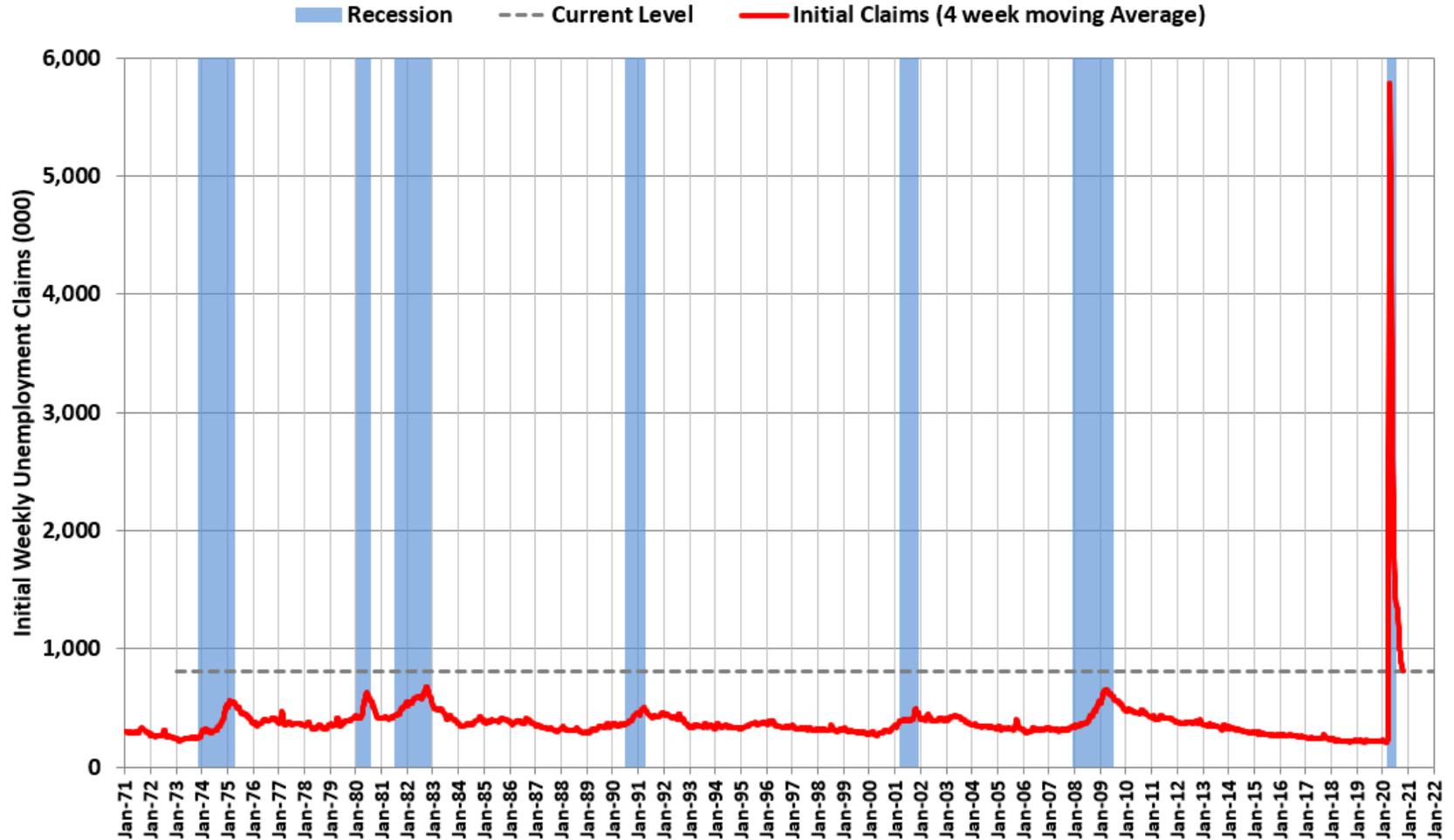


Note: End of month balances. The analysis only includes the unemployed who received unemployment insurance benefits through direct deposit. Households with multiple checking accounts are added together. Source: JPMorgan Chase Institute



Economic Overview

Initial Weekly Unemployment Claims



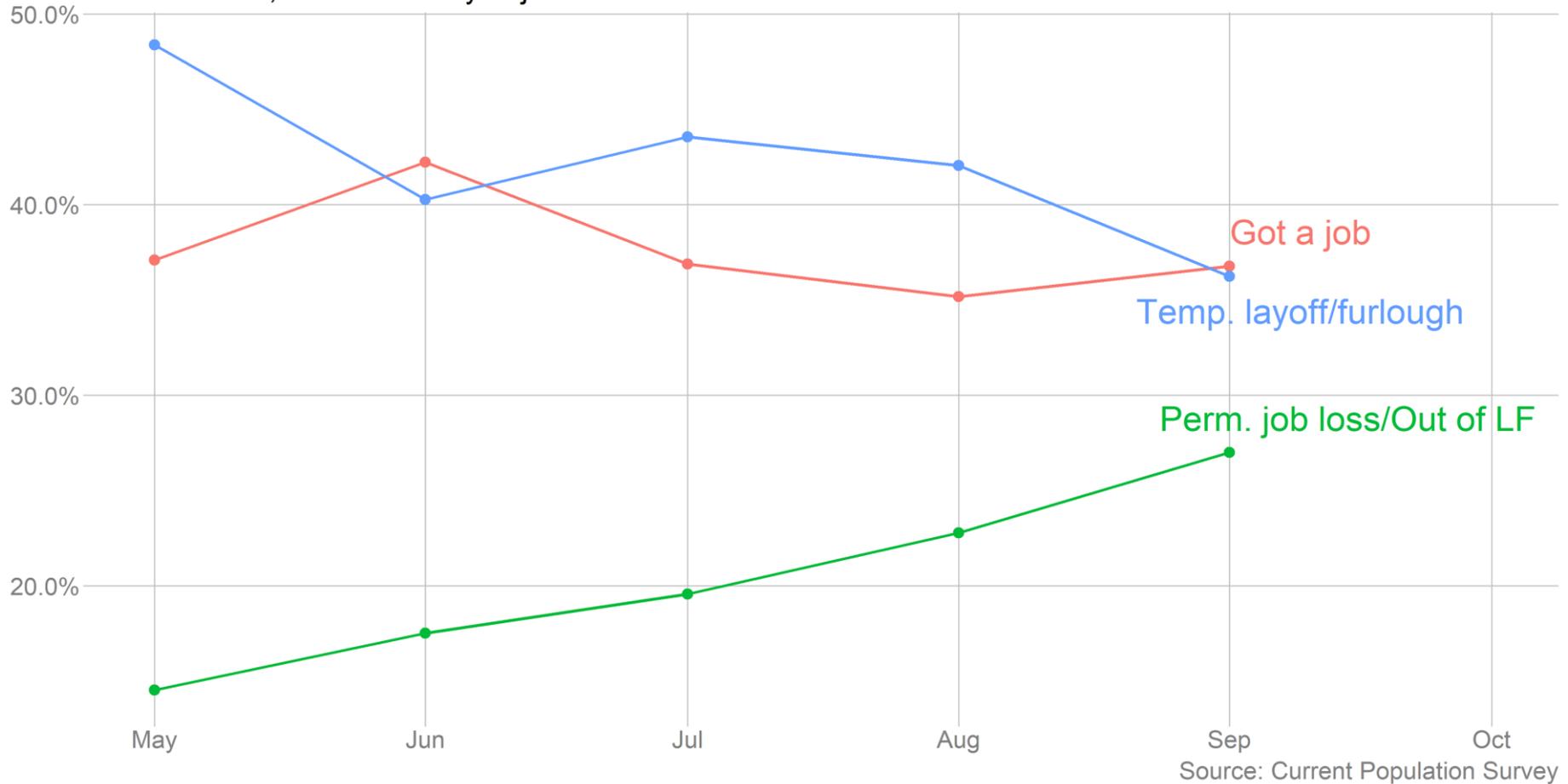
<http://www.calculatedriskblog.com/>



Economic Overview

Flows out of temporary unemployment, by next month status

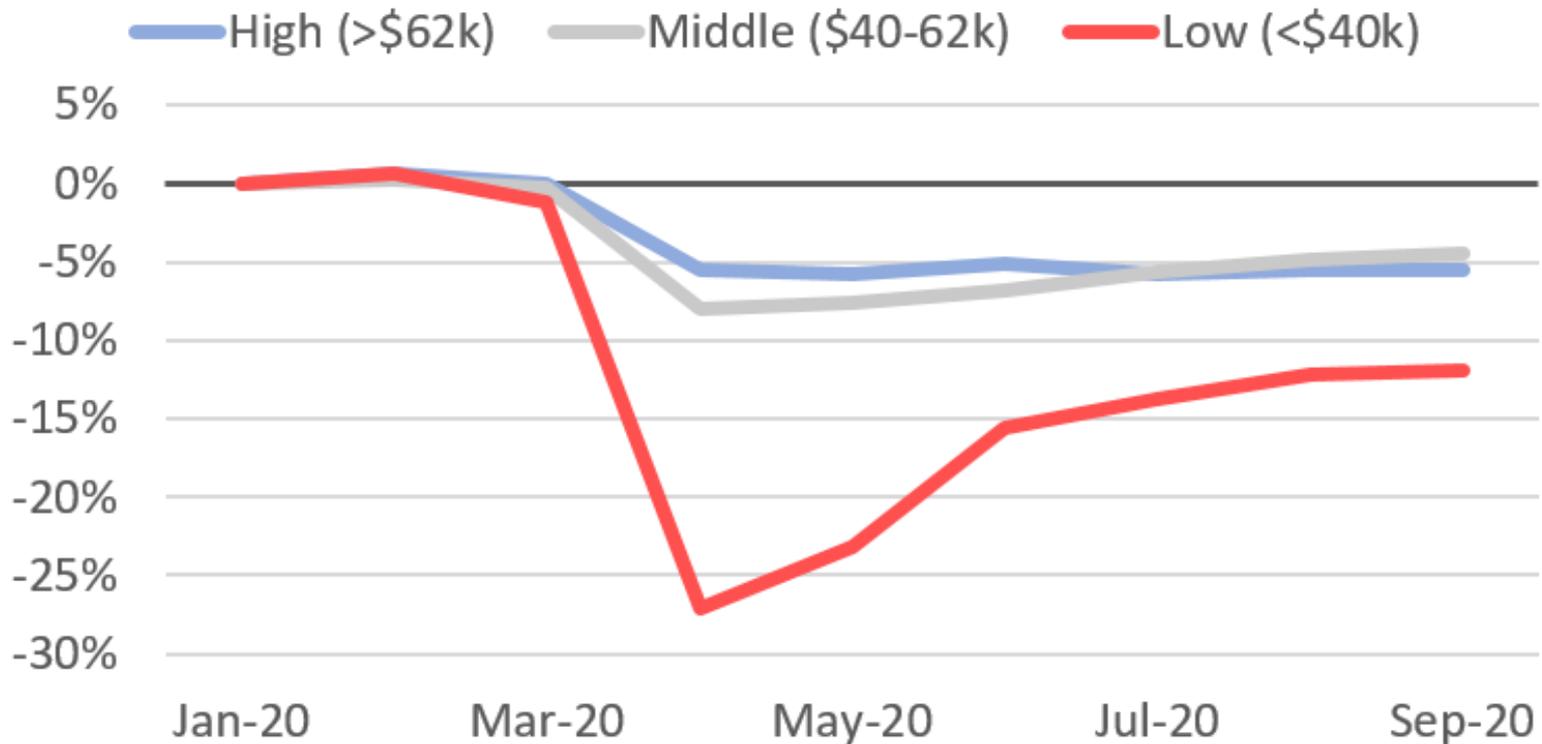
Share of total, not seasonally adjusted



Economic Overview

Oregon Employment by Wage

Percent Change Since January 2020, Terciles Based on Industry Average Wage

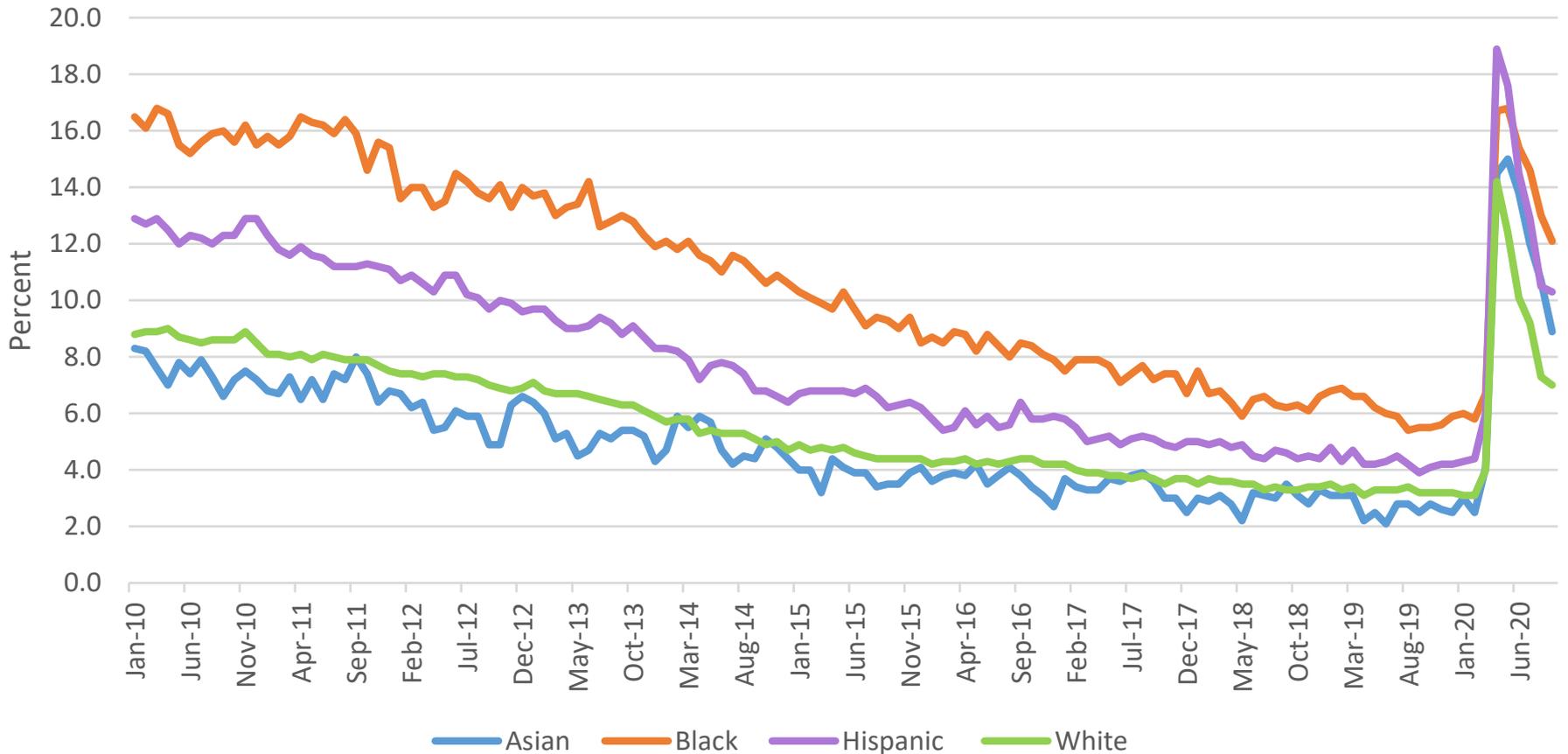


Source: Oregon Employment Department, Oregon Office of Economic Analysis



Economic Overview

Unemployment Rate by Race/Ethnicity



Source: Bureau of Labor Statistics

Note: Race and Ethnicity are combined in one graph. There are likely individuals that show up in multiple categories.

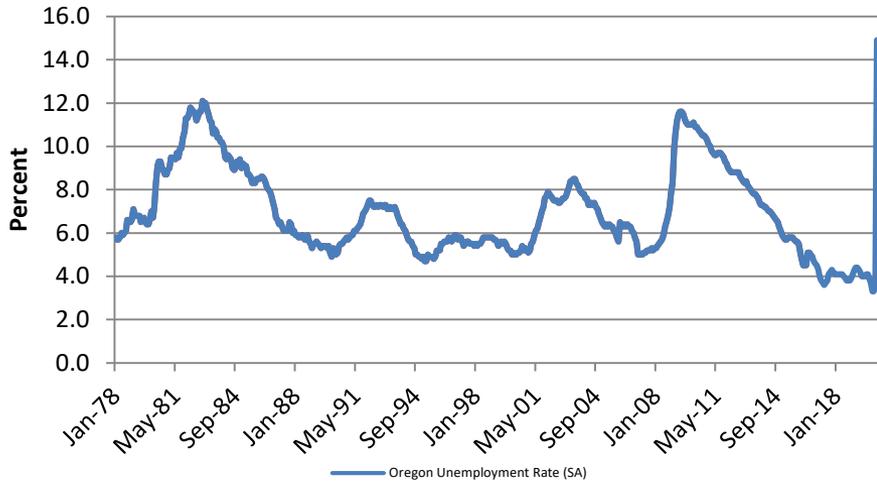


Economic Overview



Economic Overview

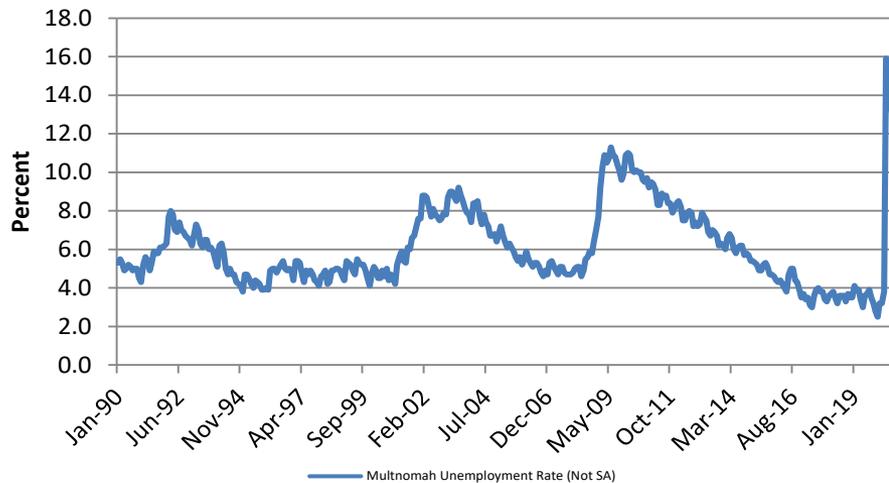
Oregon Unemployment Rate (SA)



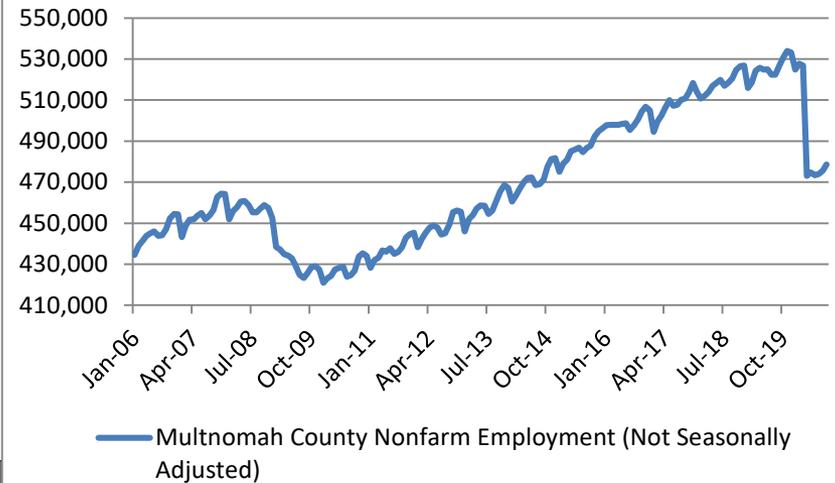
Oregon Nonfarm Employment (Seasonally Adjusted)



Multnomah Unemployment Rate (Not SA)



Multnomah County Nonfarm Employment (Not SA)



FY 2021 Revenue Review

| | Adopted ¹ | November Forecast Change | March Forecast Change | May Forecast Change | Net Change From Adopted | Note |
|---|-----------------------------|---|--------------------------------------|------------------------------------|--|--|
| Property Taxes | 324,535,080 | (1,088,694) | | | (1,088,694) | Higher AV, Higher Compression, Higher Delinquency |
| Business Income Taxes | 93,339,749 | 4,000,000 | | | 4,000,000 | Broader Base due to Fed'l Tax Reform and Performance of Top Payers |
| Motor Vehicle Rental Taxes | 22,914,403 | (6,200,000) | | | (6,200,000) | Continued Low Level of PDX Traffic |
| US Marshal/BM 73/BOP | 6,077,250 | 0 | | | 0 | |
| State Shared | | | | | | |
| Video Lottery | 4,629,375 | 550,000 | | | 550,000 | |
| Liquor | 5,054,513 | 0 | | | 0 | |
| Cigarette | 620,550 | 0 | | | 0 | |
| Marijuana | 2,149,923 | 350,077 | | | 350,077 | Increased Sales |
| Amusement | 173,000 | 0 | | | 0 | |
| Recording Fees/CAFFA Grant | 7,080,349 | 550,540 | | | 550,540 | Lower Interest Rates and Housing Activity |
| Indirect | | | | | | |
| Departmental | 24,243,067 | 0 | | | 0 | |
| Central Indirect/Svc Reimburse | 14,583,404 | 0 | | | 0 | |
| All Other | 38,131,218 | (5,712,623) | | | (5,712,623) | Health Inspections/Passports |
| FY 21 Revenue Adjustments ² | 543,531,881 | (7,550,700) | 0 | 0 | (7,550,700) | |
| % of Revenue | | -1.39% | 0.00% | 0.00% | -1.39% | |

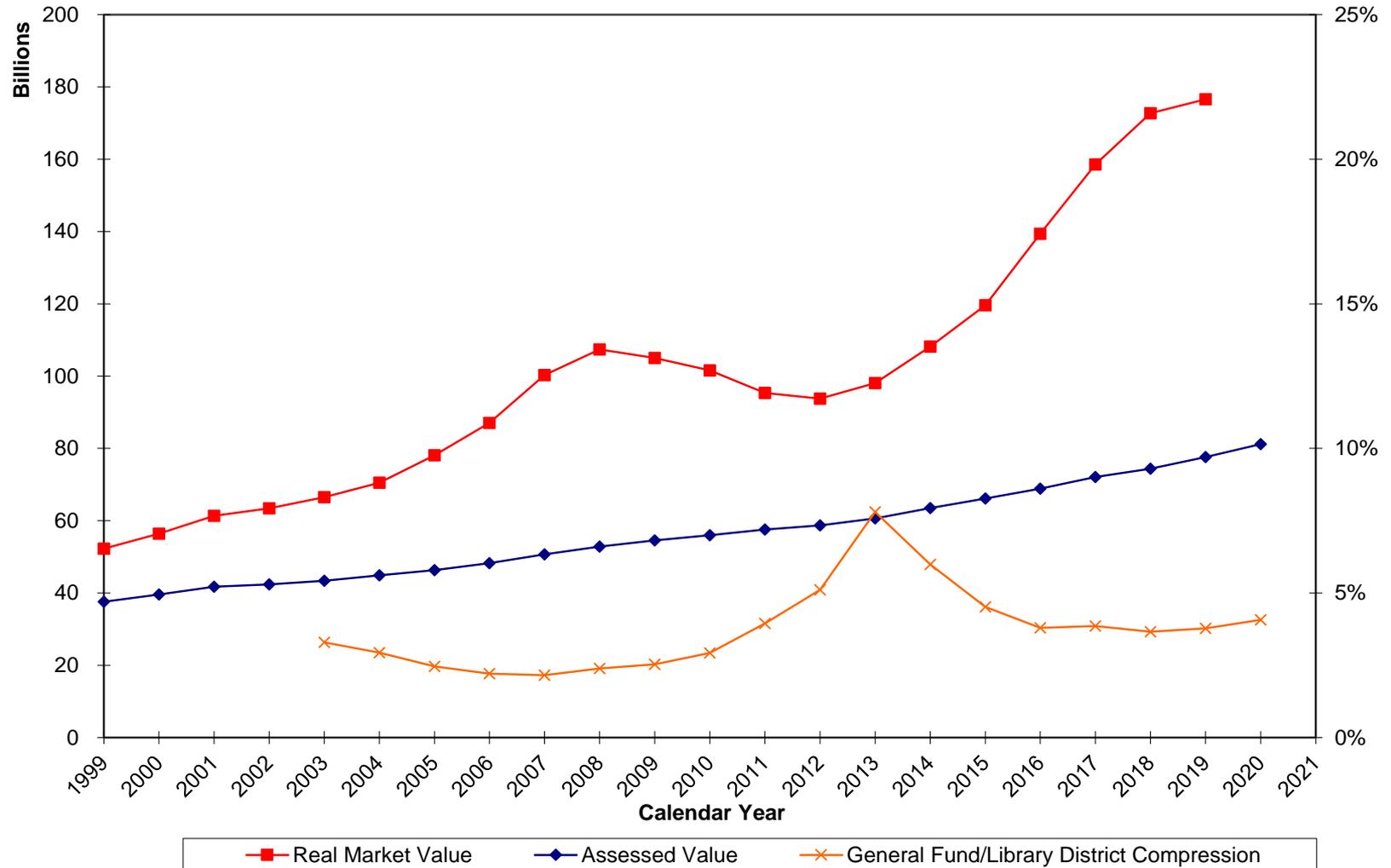
1. Excludes BWC, FQHC wraparound revenues, prospective health payments, and Tax Title: Affordable Housing but includes Video Lottery.

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



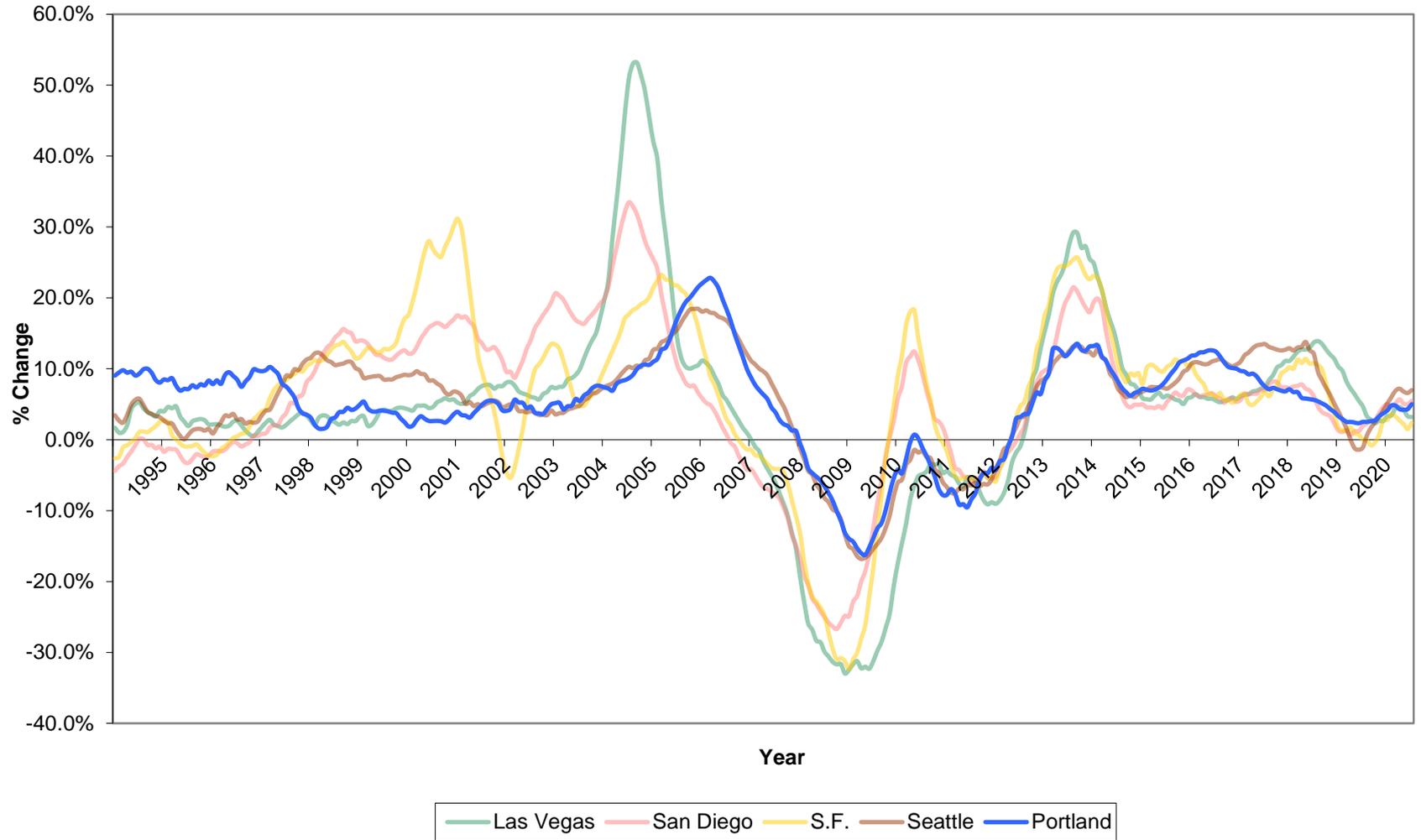
FY 2021 Revenue Review

Multnomah County Assessed Value, Real Market Value, and Compression

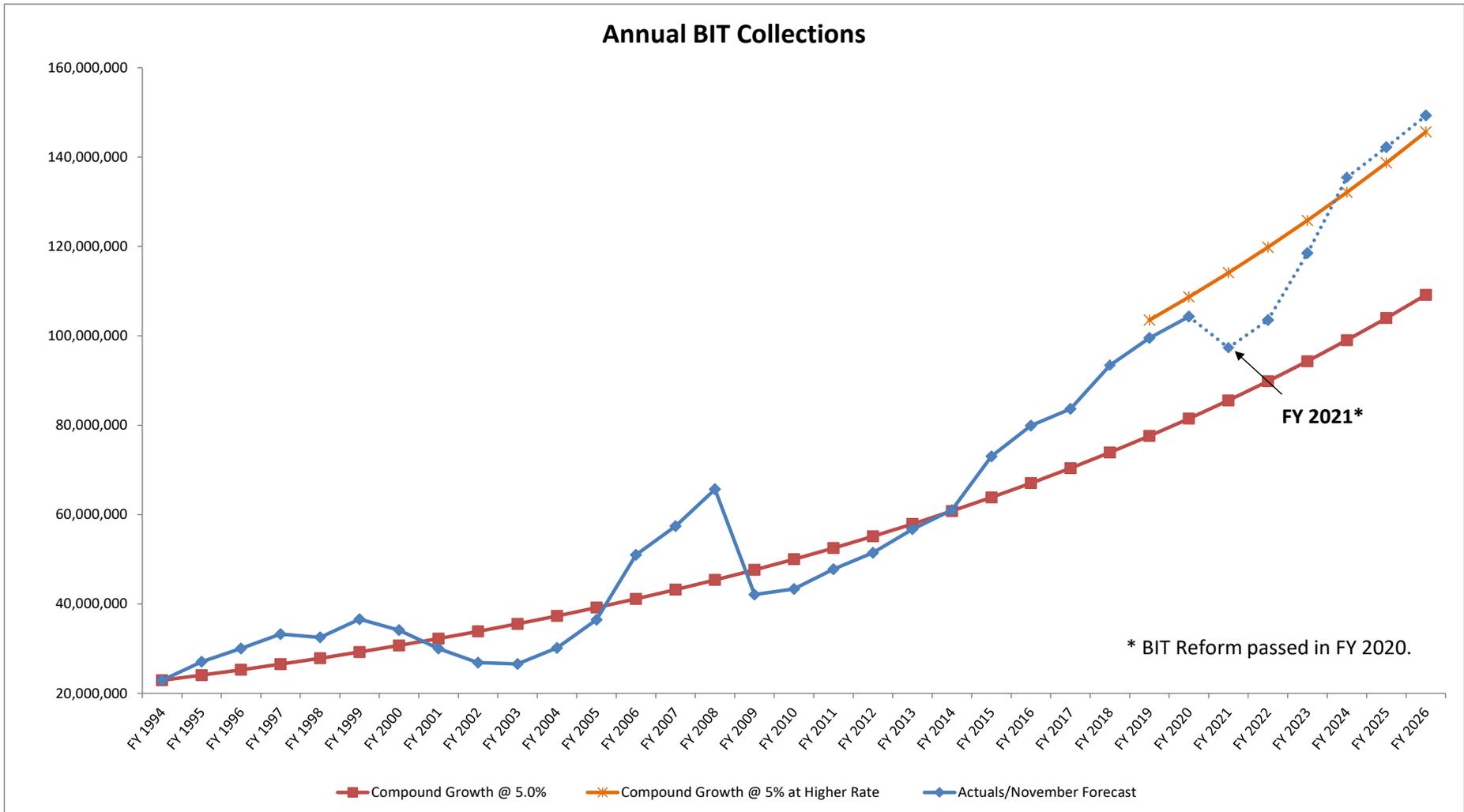


FY 2021 Revenue Review

Monthly Year-Over-Year % Change
Based on S&P/Case-Shiller Home Price Index Thru July 2020



FY 2021 Revenue Review



FY 2021 Revenue Review

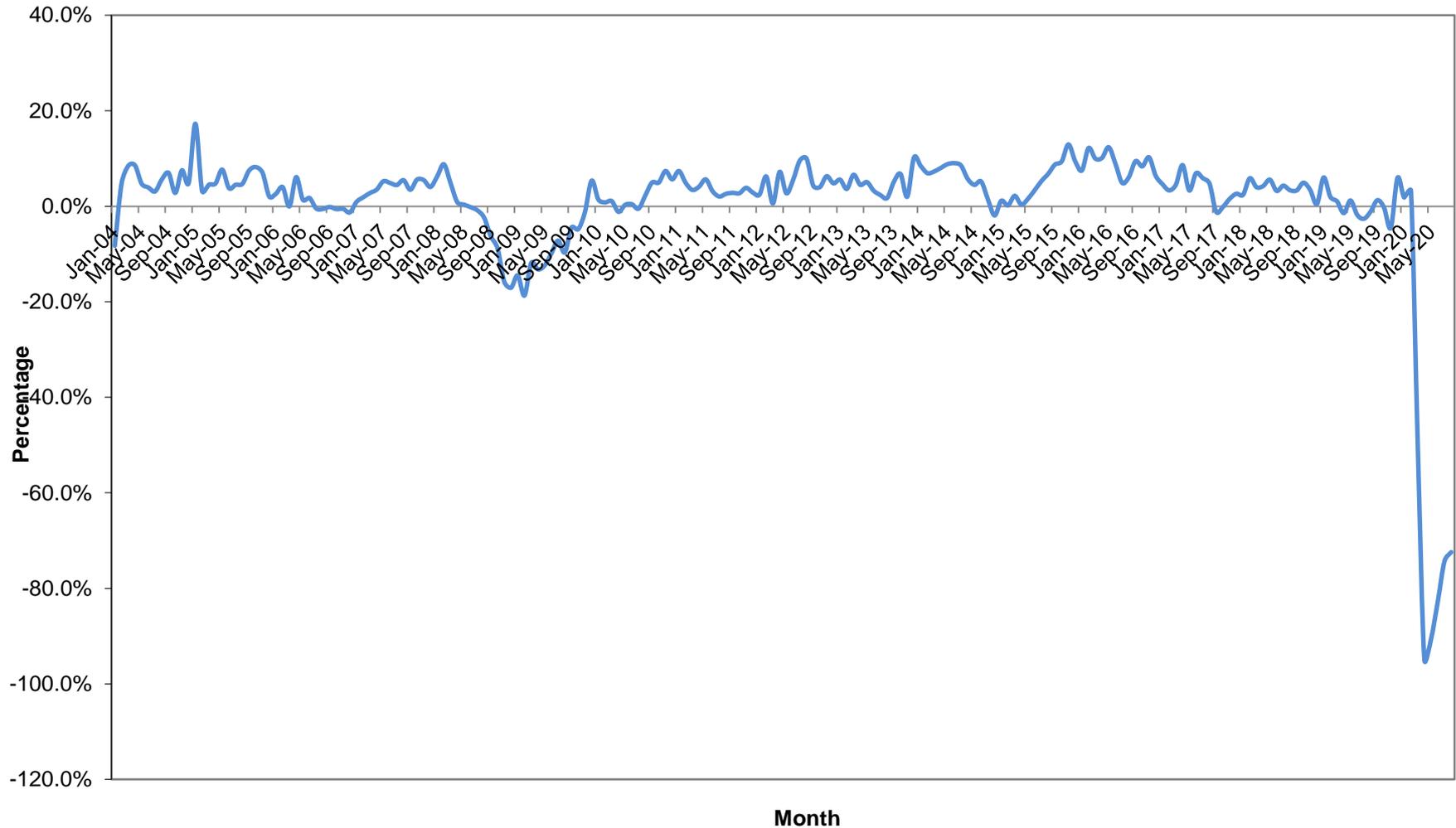
BIT Collections Fiscal Year-to-Date Through September

| | FY 16 | FY 17 | FY 18 | FY 19 | FY 20 | FY 21 | FY 21 vs. FY 20 |
|-------------------------|-------------------|-------------------|-------------------|-------------------|--------------------|-------------------|----------------------------|
| Quarterly | 11,327,685 | 11,347,902 | 10,629,987 | 8,239,632 | 17,017,524 | 11,269,463 | -33.8% |
| Yearly | 1,773,786 | 1,950,181 | 1,903,463 | 2,268,380 | 4,359,899 | (133,569) | -103.1% |
| Refund/Interest | 114,082 | 152,159 | 107,807 | 226,978 | 1,071,633 | 773,888 | -27.8% |
| NSF Check | (2,092) | 118,609 | 34,831 | 74,733 | 29,120 | 0 | -100.0% |
| Total | 12,989,481 | 13,027,315 | 12,390,812 | 10,206,302 | 20,276,669 | 10,362,007 | -48.9% |
| <i>Actual or Budget</i> | <i>80,710,000</i> | <i>84,450,000</i> | <i>93,400,000</i> | <i>99,500,000</i> | <i>104,300,000</i> | <i>93,339,749</i> | |



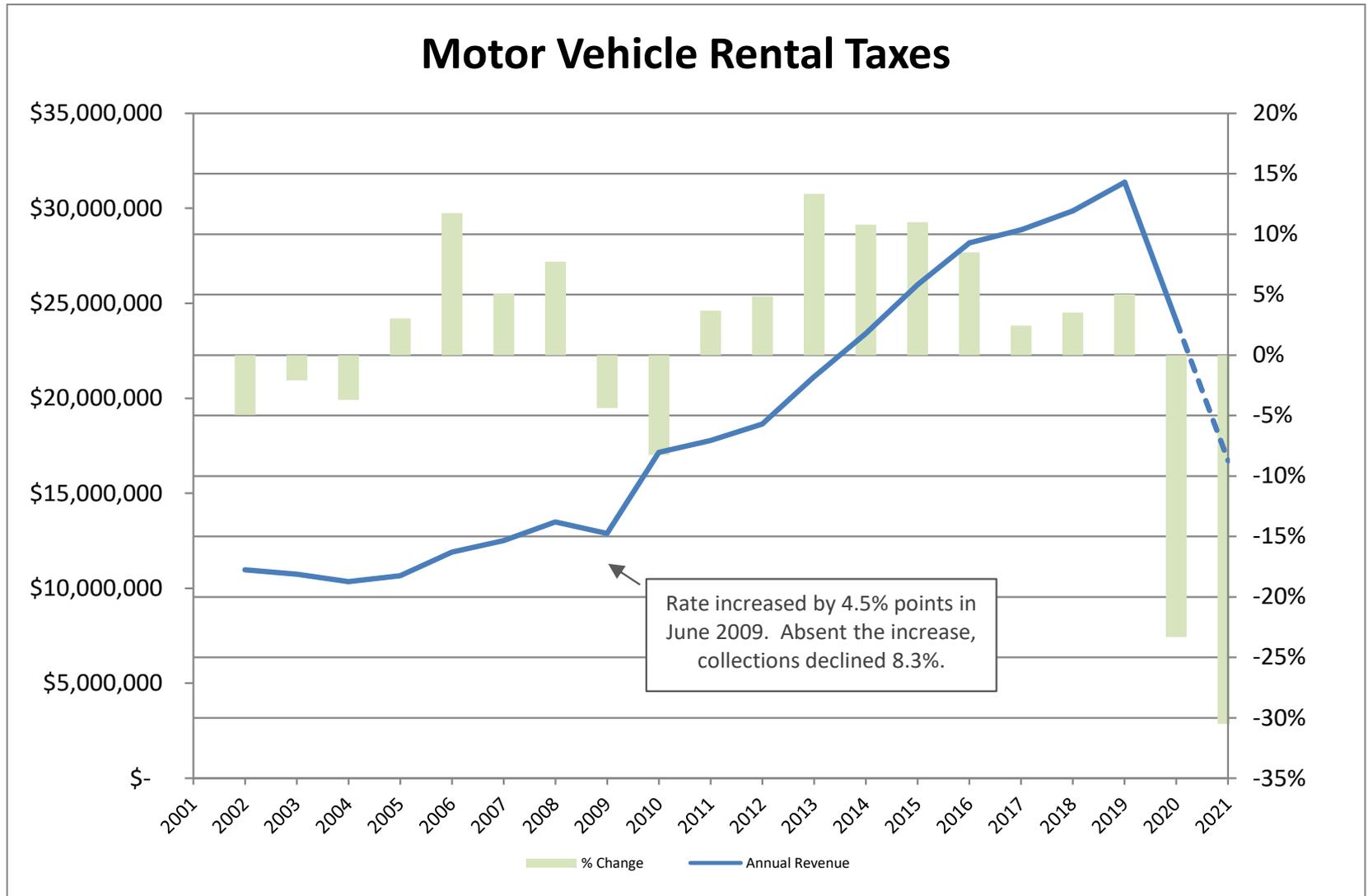
FY 2021 Revenue Review

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



FY 2021 Revenue Review

Motor Vehicle Rental Taxes



Forecast Revenue Risks

- Property Taxes:
 - Residential values remain high
 - Commercial property values
 - Development activity
- BIT:
 - Path of recovery
 - Tax treatment of PPP Funds
- MVRT:
 - Vaccine/COVID-19 mitigation
 - Future of business travel
- Fines/Fees



5-Year General Fund Forecast

- FY 2021 Adopted included \$19 million of OTO resources to cover shortfall.
 - Revenue recovery not strong enough to cover ongoing shortfall.
- Significant revenue growth in FY 2023 from BIT/MVRT recovery, URA dissolution.
- Uncertainty:
 - Ongoing COVID-19 response
 - Path of economic recovery



5-Year General Fund Forecast

Table 1: Forecasted Ongoing General Fund Balance

| | FY 2022 | FY 2023 | FY 2024 | FY 2025 | FY 2026 |
|--|---------------------|------------------|-------------------|-------------------|-------------------|
| Revenues | 560,111,683 | 598,552,965 | 632,222,153 | 655,784,017 | 680,174,784 |
| Expenditures | 575,860,775 | 597,682,946 | 618,208,493 | 638,155,453 | 663,060,876 |
| Ongoing Surplus/(Deficit) | (15,749,093) | 870,019 | 14,013,659 | 17,628,563 | 17,113,907 |
| OTO BIT Spread Out to Reduce Deficit | 6,600,000 | | | | |
| Expected AV Increase from URA Dissolution ¹ | | 9,125,412 | 10,185,944 | 24,797,410 | 30,281,805 |
| Net November Forecast | (9,149,093) | 9,995,431 | 24,199,603 | 42,425,973 | 47,395,712 |

Ongoing COVID-19 Related Costs (High Need)²

| | | | | | |
|--|---------------------|--------------------|-------------------|-------------------|-------------------|
| Mandated Ongoing COVID-19 Public Health Respons | (29,629,250) | (14,814,625) | (7,407,313) | | |
| COVID-19 Recession Economic Recovery | TBD | TBD | | | |
| November Forecast with Ongoing COVID-19 Estim | (38,778,343) | (4,819,194) | 16,792,291 | 42,425,973 | 47,395,712 |

Ongoing COVID-19 Related Costs (Intermediate Need)²

| | | | | | |
|--|---------------------|------------------|-------------------|-------------------|-------------------|
| Mandated Ongoing COVID-19 Public Health Respons | (14,814,625) | (7,407,313) | | | |
| COVID-19 Recession Economic Recovery | TBD | TBD | | | |
| November Forecast with Ongoing COVID-19 Estim | (23,963,718) | 2,588,119 | 24,199,603 | 42,425,973 | 47,395,712 |

¹Estimates based on current schedule for defeasement for individual URAs. Could be impacted by amendments or decisions related to debt issuance

²COVID-19 response activities that need to continue in FY 2022 would need to be transferred to CGF if additional Federal support is not available.



5-Year General Fund Forecast

Major General Fund Revenue Sources ¹

| | Adopted FY 2021 | Forecast FY 2021 ² | Forecast FY 2022 | Forecast FY 2023 ³ | Forecast FY 2024 | Forecast FY 2025 | Forecast FY 2026 |
|-----------------------------|--------------------|----------------------------------|---------------------|----------------------------------|---------------------|---------------------|---------------------|
| Property Taxes | 324,535,080 | 323,446,386 | 335,936,853 | 355,827,655 | 369,044,685 | 396,589,980 | 413,952,440 |
| Business Income Taxes | 93,339,749 | 97,339,749 | 103,500,000 | 118,500,000 | 135,419,438 | 142,190,410 | 149,299,931 |
| Motor Vehicle Rental Taxes | 22,914,403 | 16,714,403 | 25,000,000 | 33,000,000 | 33,660,000 | 34,333,200 | 35,019,864 |
| US Marshal (& BM 37) | 6,411,291 | 6,411,291 | 6,411,292 | 6,411,292 | 6,411,293 | 6,411,293 | 6,411,294 |
| Recording Fees/CAFFA Grant | 7,080,349 | 7,630,889 | 7,704,161 | 7,779,265 | 7,950,247 | 8,125,033 | 8,303,709 |
| State Shared | 12,627,361 | 13,527,438 | 14,784,590 | 15,296,695 | 15,830,003 | 16,385,419 | 16,963,885 |
| Indirect & Service Reimbrs. | 38,826,471 | 38,826,471 | 39,688,457 | 40,884,813 | 42,118,198 | 43,389,761 | 44,700,690 |
| | 505,734,704 | 503,896,627 | 533,025,353 | 577,699,720 | 610,433,864 | 647,425,096 | 674,651,813 |
| % of Total Revenue | 93.8% | 94.9% | 95.2% | 95.1% | 95.0% | 95.1% | 95.0% |
| All Other General Fund | 33,167,801 | 26,643,771 | 25,811,330 | 28,690,907 | 31,017,984 | 32,673,425 | 35,804,776 |
| Total | 538,902,505 | 530,840,398 | 560,111,683 | 607,678,377 | 642,408,097 | 680,581,427 | 710,456,589 |
| % Change in Ongoing Revenue | | -1.50% | 5.51% | 8.49% | 5.72% | 5.94% | 4.39% |
| <i>AV Growth</i> | 3.75% | 4.55% | 3.75% | 5.82% | 3.36% | 7.17% | 4.45% |
| <i>Compression</i> | 3.95% | 4.07% | 4.20% | 4.20% | 4.20% | 4.20% | 4.20% |
| <i>BIT Growth</i> | -10.51% | -6.67% | 6.33% | 14.49% | 14.28% | 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.

3. Incorporates impact of URAs ending and returning AV to tax roll.



Expenditure Assumptions

Cost Drivers for FY 2022:

| | | |
|--------------------------------|-------|---|
| Inflation | 1.90% | Second Half West Size-A CPI-W |
| Labor Costs (Change in rates) | 4.27% | Prior assumption was 4.99% |
| COLA | 1.90% | Dependent on Unit & Contract Status |
| Step/Merit/Contract Adjustment | 1.59% | Dependent on Unit Demographics. |
| Medical/Dental | 6.00% | Was assumed to increase by 6.00% |
| PERS | 0.81% | Was assumed to increase by 1.00% |
| Retiree Medical | 0.00% | |
| Liability/Workers Comp/TriMet | 0.11% | Includes Workers Comp and TriMet |
| Materials and Services | 1.90% | |
| Contractual Services | 1.90% | Every 1% increase is approximately \$700,000 |
| Internal Services | 4.27% | Will be updated based on DCA Constraint Process |

General Fund Cost Driver Notes

A 1% increase in base pay = approximately \$3.3 million

A 4% increase in medical/dental rates = approximately \$1.8 million

A 1% (of base pay) increase in PERS = roughly \$2.3 million

Reserve & Contingency Assumptions

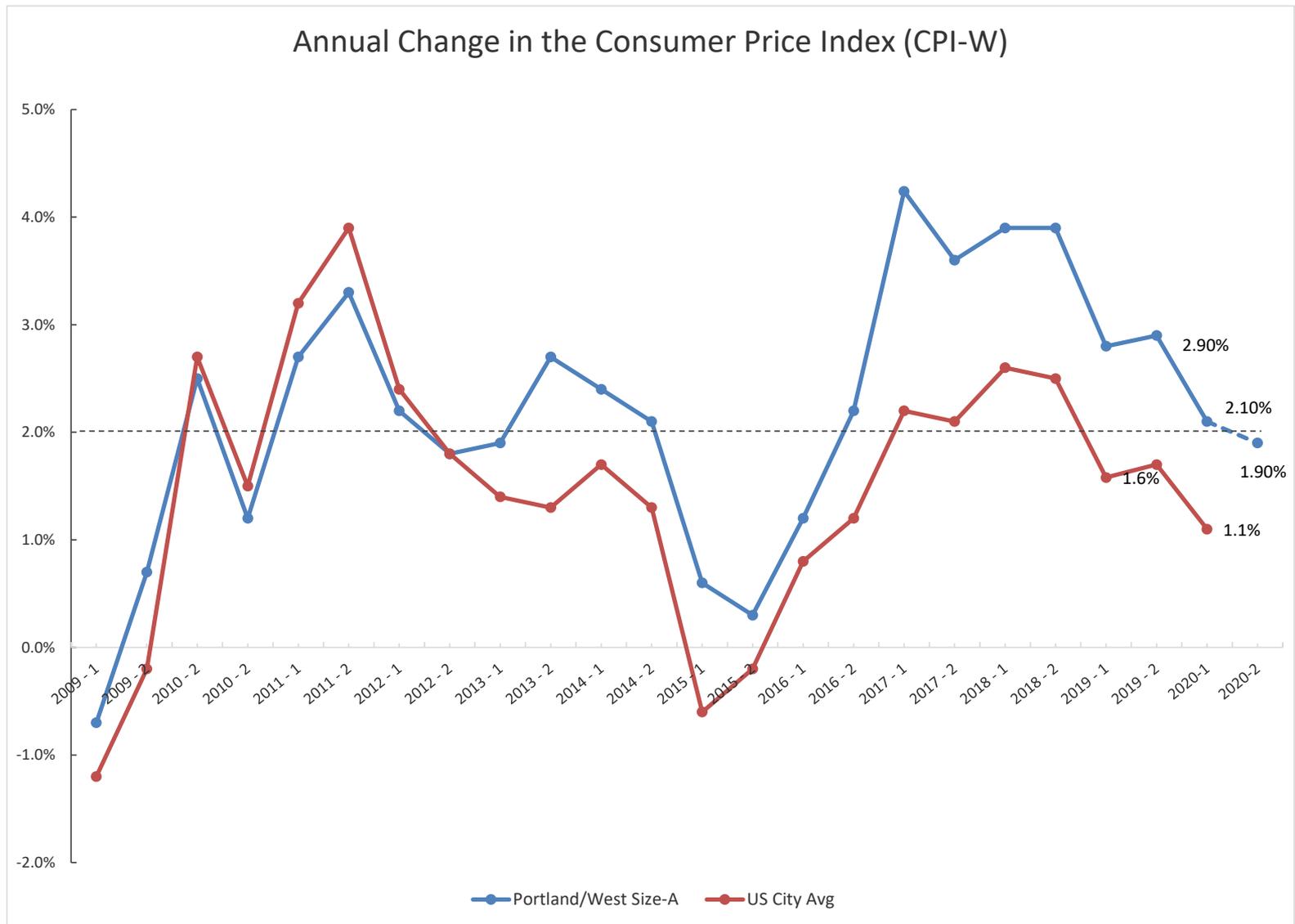
General Fund Contingency - \$1.5 million

BIT Reserve - 10% of BIT revenues (\$10.4 million)

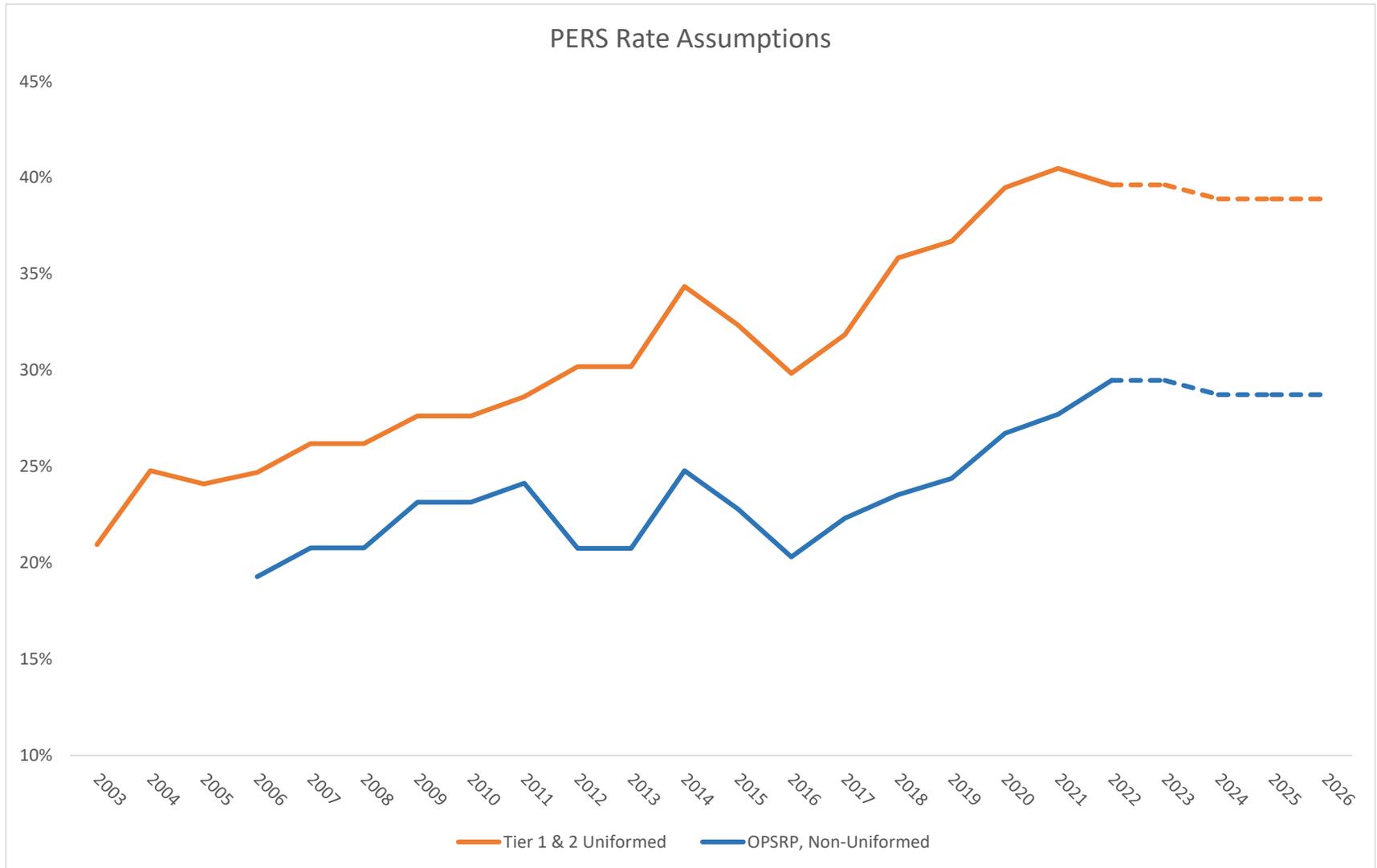
General Fund Reserve - 10% of corporate revenues (\$48.1 million)



Expenditure Assumptions



Expenditure Assumptions



Expenditure Assumptions

- Programs, Cash Transfers, and earmarks funded on a one-time-only basis in FY 2021 Budget that are assumed to not continue in FY 2022.

One-Time-Only Programs

Offer/Activity

| | |
|--|-----------|
| 10018B - Fossil Fuel Infrastructure Study, Phase I | 40,000 |
| 10027 - Neighborhood Prosperity Initiative | 600,000 |
| 10029 - Youth Opportunity & Workforce Development Program | 150,000 |
| 10035 - Complete Count Census 2020 | 135,000 |
| 10053L - Housing Placement & Retention - Family System OTO Rent Assistance Restoration | 435,000 |
| 10058 - Emergency Shelter Strategic Investment | 2,200,000 |
| 15017 - SB1008 Evaluations | 40,000 |
| 25050B - YFS - Domestic Violence Specific Immigration Legal Services at Gateway Center | 30,000 |
| 25153A - YFS - Preschool for All | 75,000 |
| 40024B - Reynolds Student Health Center Ramp Up | 156,991 |
| 50050B - Juvenile Detention Services Behavior Management Training | 90,000 |
| 60302 - Jail Radios | 500,000 |
| 60315 - MCDC Detention Electronics | 441,640 |
| 72025 - DART County Clerk Carryover | 48,410 |
| 90010B - Presidential Election | 450,000 |
| 90014 - Levee Ready Columbia (IGA Obligation) | 50,000 |



Expenditure Assumptions

Cash Transfers and Earmarks

Offer/Activity

| | |
|--|-----------|
| 95000 - Animal Control Fund (Animal Shelter FAC-1) (90007) | 300,000 |
| 95000 - Capital Improvement Fund (Justice Center Electrical Upgrade) (78233) | 135,000 |
| 95000 - Road Fund (Repay Road Fund for Edgefield Work) (91013) | 50,000 |
| Earmark - SE Health Clinic | 5,120,000 |
| Earmark - Bushong/Reception Center | 8,750,000 |
| Earmark - COVID-19 Contingency | 1,022,000 |



FY 2022 OTO Funds

General Fund FY 2021 Beginning Working Capital & FY 2022 OTO ^{1, 2}

Year-End as of September 30, 2020

| | |
|---|---------------------|
| FY 2021 Beginning Balance ³ | 117,401,389 |
| FY 2021 Budgeted Beginning Balance | <u>99,581,827</u> |
| Additional FY 2021 BWC (OTO) | 17,819,562 |
| Plus Additional BIT Revenues | 4,000,000 |
| Less Amount to Maintain BIT Reserve at Board Policy Level | (400,000) |
| Less Amount for BIT East County Cities Payment | (340,000) |
| Less Additional FY 2021 Forecast Adjustments | <u>(11,550,700)</u> |
| OTO Funds for FY 2021 per November Forecast | 9,528,862 |
| | |
| <i>50% Dedicated to County Facility Projects per Board Policy</i> | 4,764,431 |
| | |
| <i>Remaining 50% to be Allocated</i> | 4,764,431 |

1. Assumes the FY2021 General Fund Contingency is fully spent in FY2021.
2. Assumes departments fully spend their FY2021 appropriation.
3. Adjusted for additional restricted County Clerk BWC, Prospective Health Payments, and Tax Title: Affordable Housing.



FY 2021 Contingency Update

FY 2021 General Fund Contingency Update

Contingency

| | | |
|--|------------------|---------------------------|
| General Fund 'Regular' Contingency | 1,500,000 | |
| Additional Contingency | 139,837 | |
| COVID-19 Contingency | 1,022,000 | |
| Reimagine Oregon OTO Request | <u>(100,000)</u> | Approved by Board on 10/8 |
| Remaining Non-Earmarked Contingency | 2,561,837 | |

Earmarked Contingency

| | | |
|---|-------------------|--|
| Earmark - SE Health Clinic | 5,120,000 | |
| Earmark - Behavioral Health Resource Center | <u>8,750,000</u> | |
| Total Earmarked Contingency | 13,870,000 | |

Total General Fund Contingency **16,431,837**

| | | |
|---|-------------------|--|
| BIT Reserve @ 10% (in General Fund Contingency) | <u>9,333,975</u> | |
| Total General Fund Contingency | 25,765,812 | |

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 2022



Forecast Risks, Uncertainties, and Issues

- COVID-19 – Duration and intensity of disruption
 - Impact on revenues
 - Demand for County services
- Economic Recovery
 - Path of revenue recovery
 - Long-term implications for revenue growth
- Election Outcome
 - Opportunity for new Federal Relief package?
 - Tax Policy
- State Forecast
- Personnel Costs
 - Eight open labor contracts (72% of County)
 - Stock market returns and PERS rates



Summary

- FY 2021 General Fund revenue forecast decreased \$7.6 million (1.39%)
- FY 2021 General Fund contingency balance of \$2.6 million (unallocated)
- Deficit of \$9.2 million forecast for FY 2022
 - Does not include expenses related to ongoing COVID-19 response costs.
 - Becomes surplus of \$47.4 million by FY 2026
- FY 2022 General Fund OTO resources of \$9.5 million
 - \$4.8 million for facility projects (per Board policy)
 - \$4.8 million to be allocated
- Major risks, uncertainties, and issues include:
 - COVID-19 Mitigation and Recovery
 - Federal Policy



Questions

