

A stylized graphic on the left side of the page. It features two dark green mountain peaks with rounded tops. Below the mountains is a dark blue area representing water, with white wavy lines separating the mountains from the water and the water from the bottom. The entire graphic is set against a white background.

FY 2023 General Fund 5-Year Forecast Update

Presented to the
Board of County Commissioners

Multnomah County
June 1, 2022

Located at: www.multco.us/budget

Agenda

- Forecast Update and FY 2023 Changes
- Economic Overview
- FY 2022 Revenue Review
 - BIT
- Inflation
- FY 2023 General Fund 5-Year Forecast
 - Updated Inflation Scenarios
- Forecast Risks and Issues
- FY 2022 General Fund Contingency Update
- Summary and Questions



Financial Context

FY 2023 OTO Available

		Notes
FY 2022 BIT Increase	12,000,000	Assumes strong May, weakening June/July/Aug
Less East County Cities BIT Transfer	(1,020,000)	
Less FY 2022 Recording Fees Decrease	(1,100,000)	
Less FY 2023 Recording Fees Decrease	(1,200,000)	Use OTO to plug FY 2023 hole
Total OTO Available for FY 2023	8,680,000	

- BIT and Recording Fees
- Forecast Driven by BIT and Personnel Costs
- Risks:
 - Path of BIT
 - Inflation and Open Labor Contracts
 - Growing Risk of Recession



FY 2022 Revenue Review

	Adopted¹	November Forecast Change	March Forecast Change	May Forecast Change	Net Change From Adopted	Note
Property Taxes	335,936,853	5,431,926	900,000	0	6,331,926	Early River District URA Return/Penalties
Business Income Taxes	113,300,000	29,753,799	0	12,000,000	41,753,799	Fed'l support and pulling forward income
Motor Vehicle Rental Taxes	25,000,000	0	2,500,000	0	2,500,000	Collections looking "normal"
US Marshal/BM 73/BOP	6,077,250	540,200	0	0	540,200	High Usage at beginning of year
State Shared					0	
Video Lottery	6,093,382	206,618	0	0	206,618	Return to normal growth
Liquor	5,281,966	0	0	0	0	
Cigarette	611,242	0	0	0	0	
Marijuana	1,000,000	0	0	0	0	
Amusement	173,000	0	0	0	0	
Recording Fees/CAFFA Grant	8,204,161	750,000	0	(1,100,000)	(350,000)	Decline in home sales/refinance
Indirect					0	
Departmental	25,544,980	0	0	0	0	
Central Indirect/Svc Reimburse	16,982,480	0	0	0	0	
All Other	27,921,591	0	0	0	0	
FY 22 Revenue Adjustments²	572,126,905	36,682,543	3,400,000	10,900,000	50,982,543	
% of Revenue		6.41%	0.59%	1.91%	8.91%	

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.

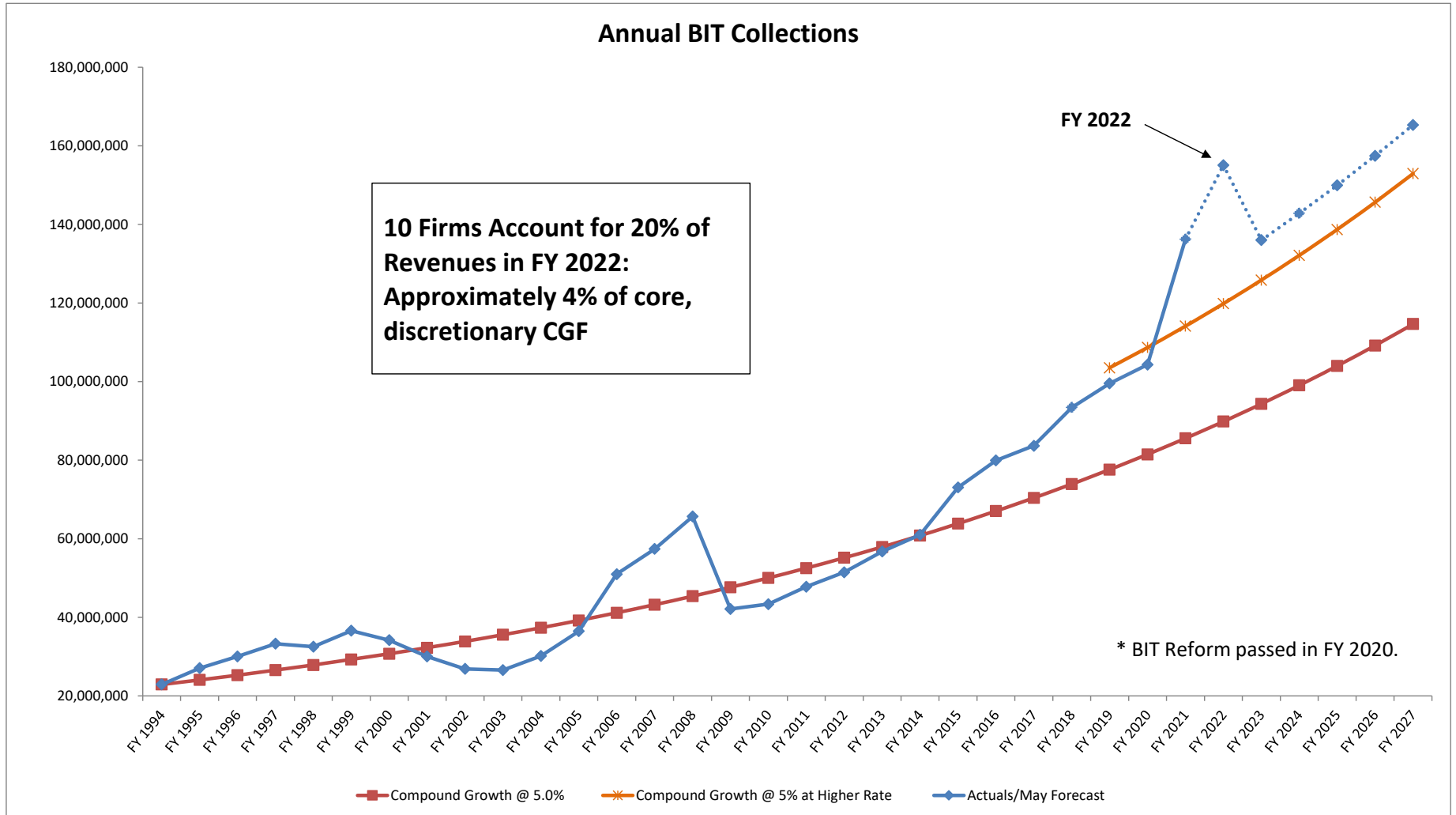


BIT – FY 2022 vs. FY 2023

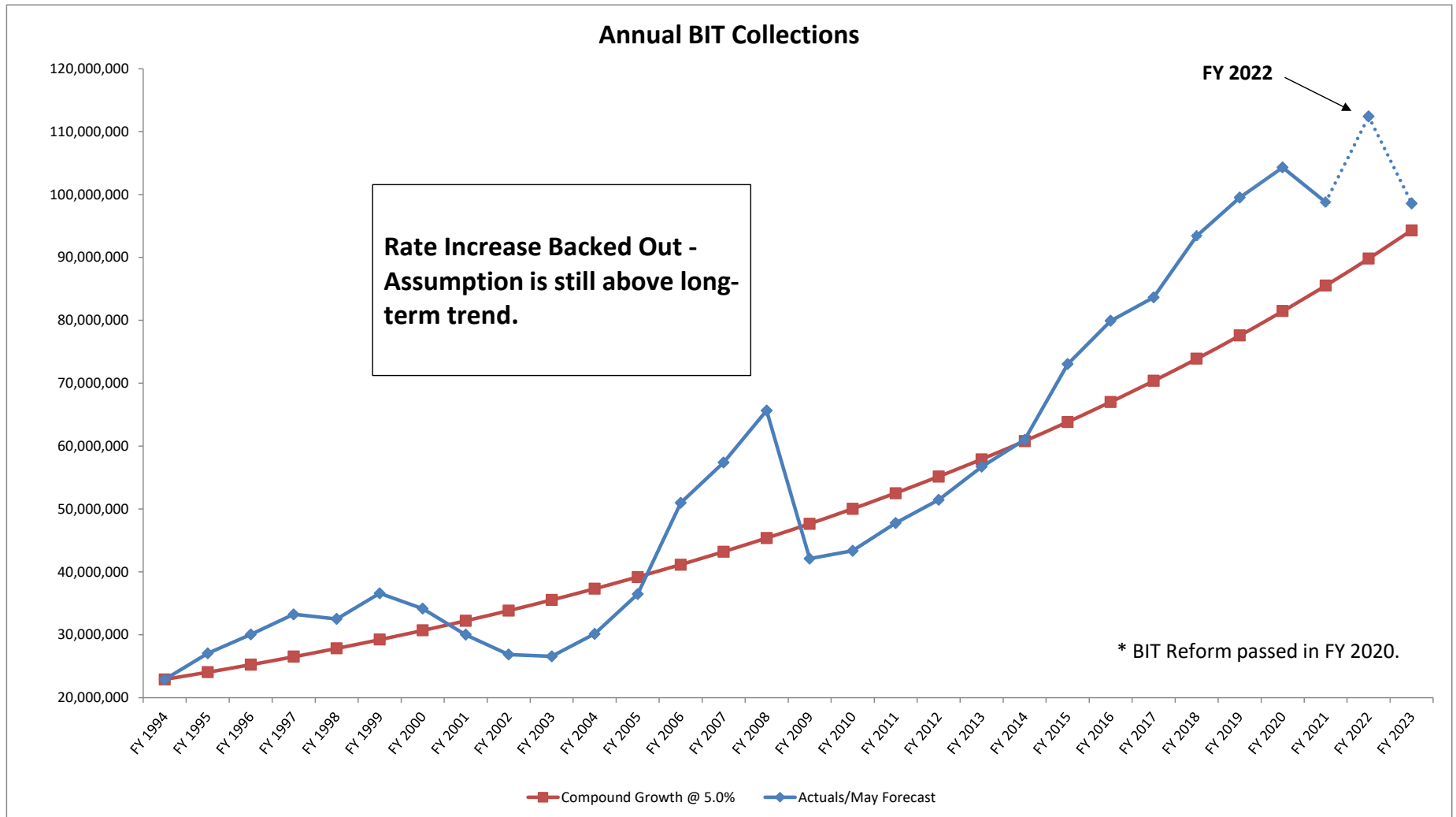
- Direct Federal Support and High Level of Household Savings
 - End of pandemic-era direct support
 - Decrease in savings, increase in credit card usage
 - Decline in consumer sentiment
- High Consumption + Expense Cuts = Profits
 - Reported earnings in key industries down
 - Increasing expenses
- Stock Market as flawed leading indicator
 - Reflecting earnings news
 - Assumptions around recession risk



FY 2022 Revenue Review

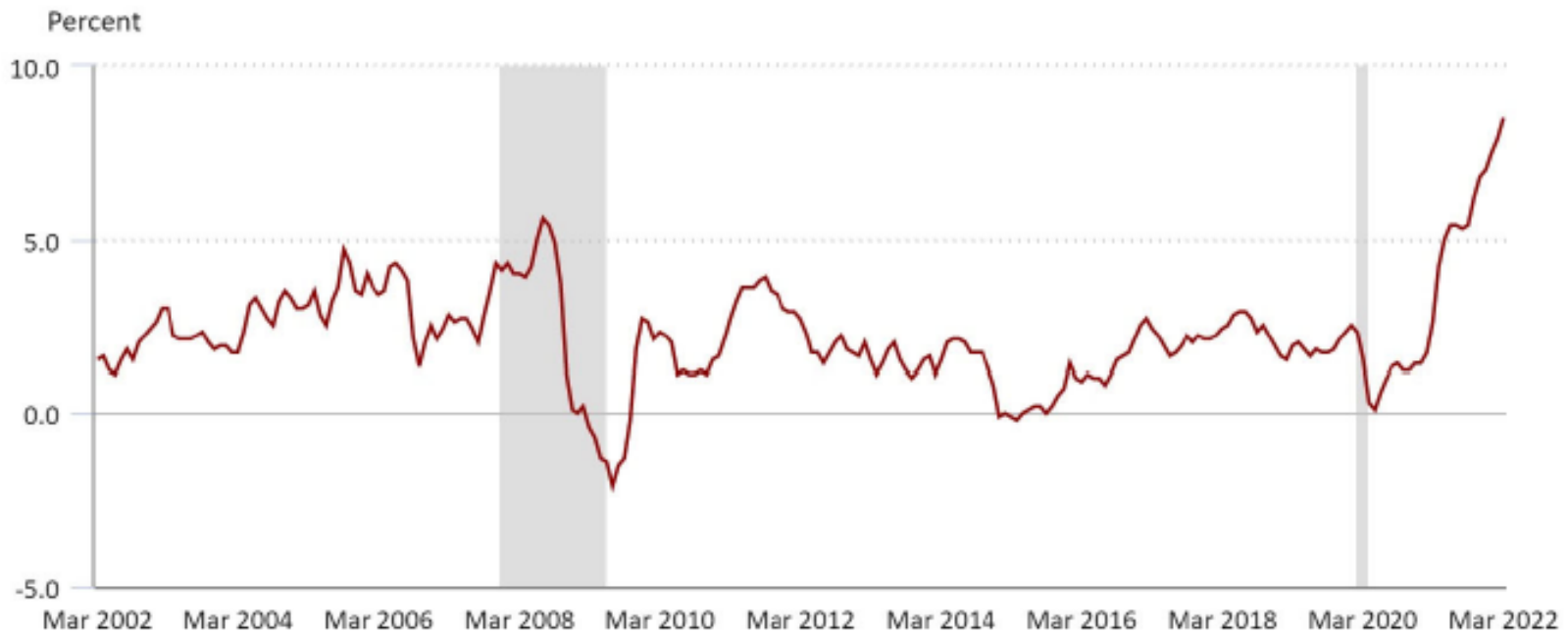


FY 2022 Revenue Review



Expenditure Assumptions - Inflation

12-month percentage change, Consumer Price Index, selected categories, not seasonally adjusted



Note: Shaded area represents recession, as determined by the National Bureau of Economic Research.

Source: U.S. Bureau of Labor Statistics.



Expenditure Assumptions - Inflation

- Current Assumption: Inflation remains high for FY 2024, before returning to normal.
- Inflation May Have Peaked
 - Energy/Food Uncertainty (Ukraine)
 - China's Zero-COVID Policy (Supply Chains)
- End of Summer/Early Fall Key
 - Lack of success increases risk of recession
- Tight labor market advantage
 - Constrained monetary/fiscal response tools



5-Year CGF Forecast

Forecasted Ongoing General Fund Balance

	FY 2023	FY 2024*	FY 2025	FY 2026	FY 2027
Revenues	623,633,298	647,657,071	690,626,642	713,908,921	738,167,780
Expenditures	604,210,686	630,492,612	650,217,804	673,118,910	696,619,513
Ongoing Surplus/(Deficit)	19,422,612	17,164,459	40,408,839	40,790,011	41,548,267
Expanded Homeless Services - Homeless Providers Workforce Retention	(1,000,000)	(1,042,500)	(1,086,806)	(1,132,996)	(1,181,148)
Adjusted November Forecast	18,422,612	16,121,959	39,322,032	39,657,015	40,367,119
FY 2024 URA Adjustment		1,075,000			
Property Tax Penalties Adjustment	900,000	900,000	900,000	900,000	900,000
FY 2024 COLA Increase		(2,722,604)	(2,829,602)	(2,939,108)	(3,051,382)
Adjusted March Forecast	19,322,612	15,374,355	37,392,430	37,617,907	38,215,737
Chair Adjustments	(19,322,612)	(15,374,355)	(16,093,923)	(16,818,149)	(17,574,966)
May Forecast (Post Chair's Proposed)	0	0	21,298,507	20,799,758	20,640,771

*End of ARP Funding



5-Year CGF Forecast – Inflation Scenarios

Personnel Inflation 1% Higher in Each Year

Forecasted Ongoing General Fund Balance

	FY 2023	FY 2024*	FY 2025	FY 2026	FY 2027
May Forecast (Post Chair's Proposed)	0	0	21,298,507	20,799,758	20,640,771
Add'l 1% Increase in Each Year		(3,578,969)	(7,666,468)	(12,179,777)	(17,060,981)
Increased Inflation Forecast		(3,578,969)	13,632,039	8,619,981	3,579,790

Personnel Inflation 2% Higher in Each Year

Forecasted Ongoing General Fund Balance

	FY 2023	FY 2024*	FY 2025	FY 2026	FY 2027
May Forecast (Post Chair's Proposed)	0	0	21,298,507	20,799,758	20,640,771
Add'l 2% Increase in Each Year		(7,157,938)	(15,332,936)	(24,359,554)	(34,121,962)
High Inflation Forecast		(7,157,938)	5,965,571	(3,559,796)	(13,481,191)

*End of ARP Funding



FY 2022 Contingency Update

Contingency

General Fund 'Regular' Contingency	1,500,000	
Additional Contingency	423,632	Largely due to Fed/State Rebalance
State Funding Ramp Down and Unknowns	1,000,000	
Small Business Relief Admin Support	<u>(205,000)</u>	Approved by Board 7/22
Remaining Non-Earmarked Contingency	2,718,632	

Earmarked Contingency

Earmark - SE Health Clinic	500,000	
Earmark - Behavioral Health Resource Center	0	Approved by Board 10/28
Reimagine Oregon	<u>80,000</u>	
Total Earmarked Contingency	580,000	

Total General Fund Contingency	3,298,632
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BIT Reserve @ 10% (in General Fund Contingency)	<u>11,330,000</u>
Total General Fund Contingency	14,628,632

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 2023



Summary

- FY 2022 General Fund revenue forecast increased \$10.9 million (1.91%)
- FY 2022 General Fund contingency balance of \$2.7 million (unallocated)
- FY 2023 Chair's Proposed Budget is Balanced
 - Becomes surplus of \$20.6 million by FY 2027
- \$8.7 million in OTO available to allocate in FY 2023
- Major risks, uncertainties, and issues include:
 - Inflation
 - Open Labor Contracts
 - End of ARP
 - BIT
 - Risk of Recession



Questions

