



FY 2023 General Fund 5-Year Forecast Update

Presented to the
Board of County Commissioners

Multnomah County
March 10, 2022

Located at: www.multco.us/budget

Agenda

- Financial Context and Overview
- Economic Overview
 - Employment
- FY 2022 Revenue Review
 - BIT
- FY 2023 General Fund 5-Year Forecast
 - Expenditure Assumptions: Inflation
- FY 2023 One-Time-Only Funds
- FY 2022 General Fund Contingency Update
- Forecast Risks and Issues
- Summary and Questions



Budget Calendar Update

- **March 4th**: Submitted Budget Released and Department Transmittal Letters posted online.
- **May 5th**: Chair's Proposed Budget Released
- **May 9th – May 31st**: Work Sessions, Amendments, and Community Hearings
- **June 1st**: TSCC Hearing
- **June 16th**: Adopt the Budget



Financial Context

Forecasted Ongoing General Fund Balance

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
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

- Small Adjustments to the Forecast
- Increased FY 2024 Inflation Assumption
- BIT collections strong but refunds remain at high level
- Risks:
 - Path of BIT
 - Inflation and Open Labor Contracts



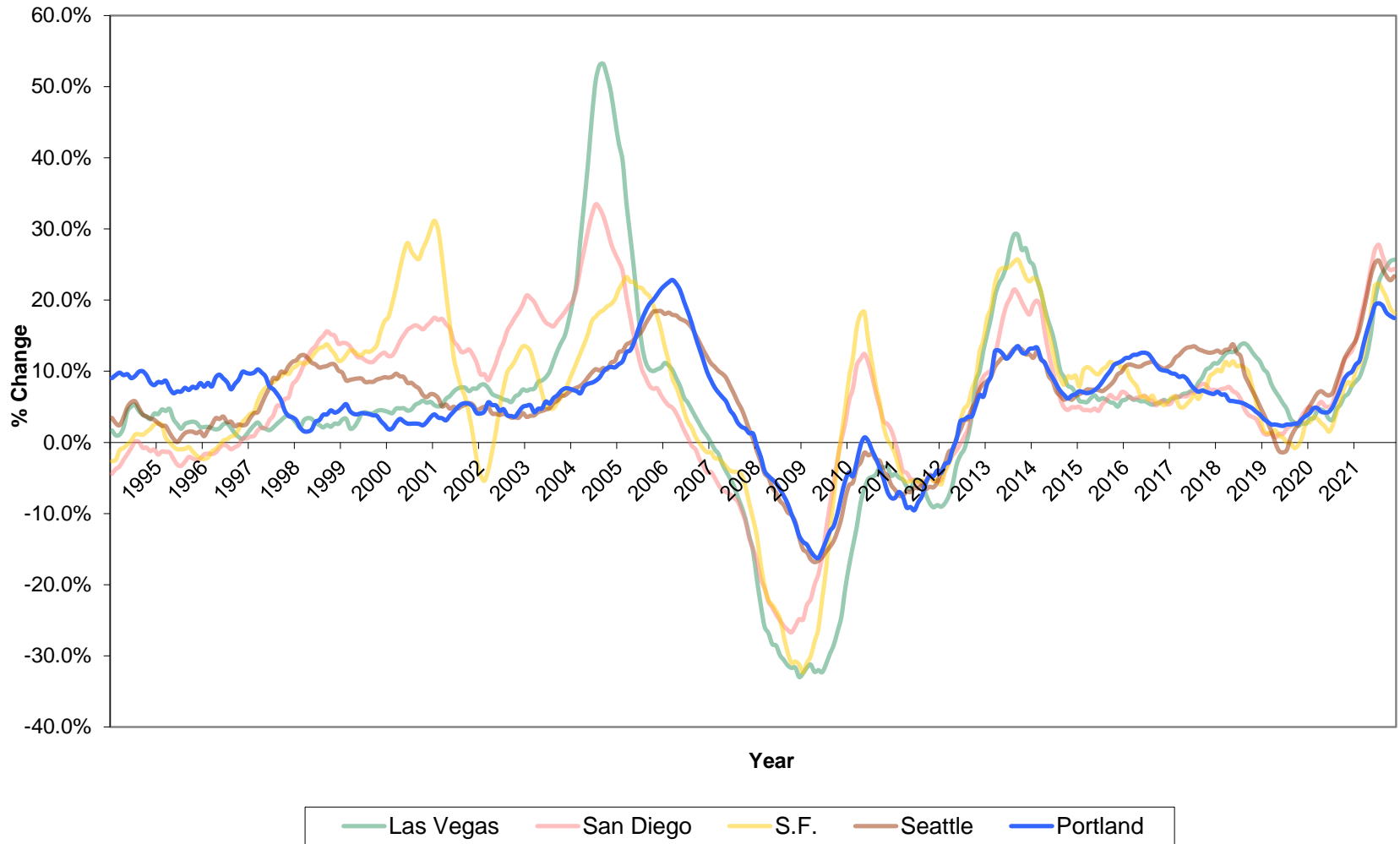
Economic Overview

- COVID-19 Continues to Cause Economic Disruption
 - Transition to Endemic Phase
 - Consumer Gets the Final Say
- Fast Economic Growth Undercut by Inflation
- Portland Housing and Rents (Biggest Y-O-Y increase in listed rents in country)
- Uncertainty
 - Inflation and Fed Action
 - Ukraine (Potentially Inflationary and Contractionary)
 - Sustainability of Corporate Profits



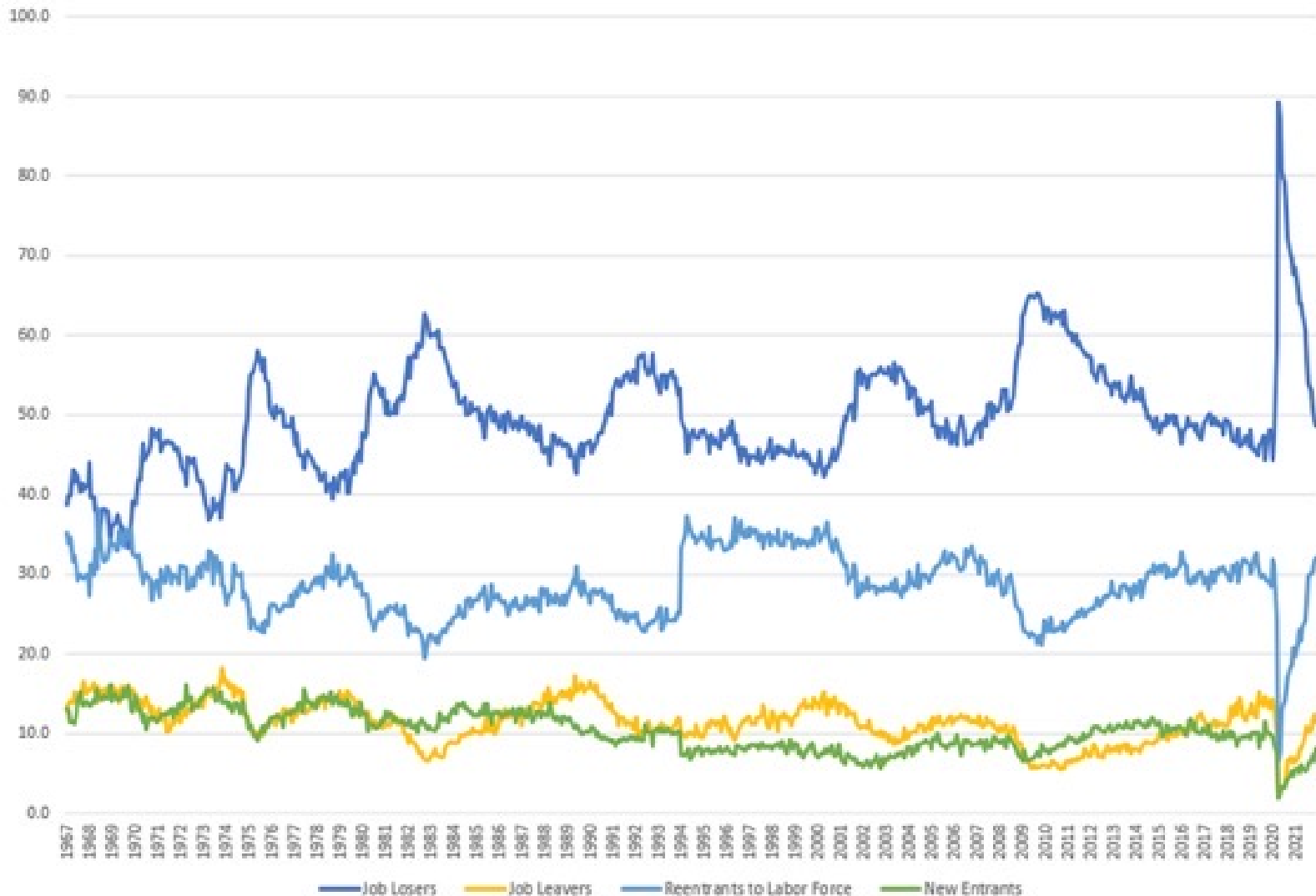
Economic Overview

Monthly Year-Over-Year % Change
Based on S&P/Case-Shiller Home Price Index Thru November 2021



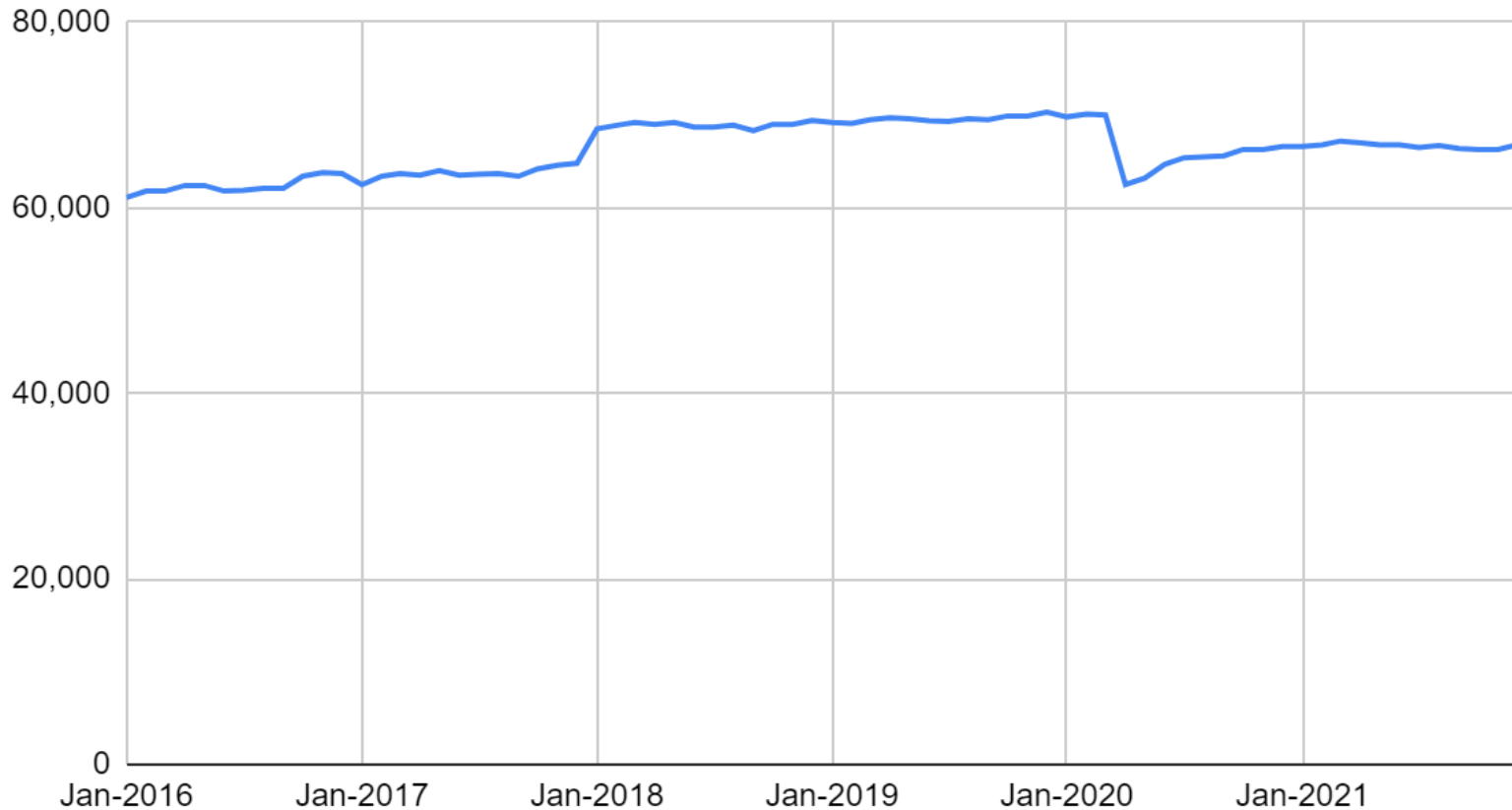
Economic Overview

Share of the Unemployed: Job Losers, Job Leavers, Reentrants, New Entrants



Economic Overview

MultCo Health Care and Social Assistance Employment

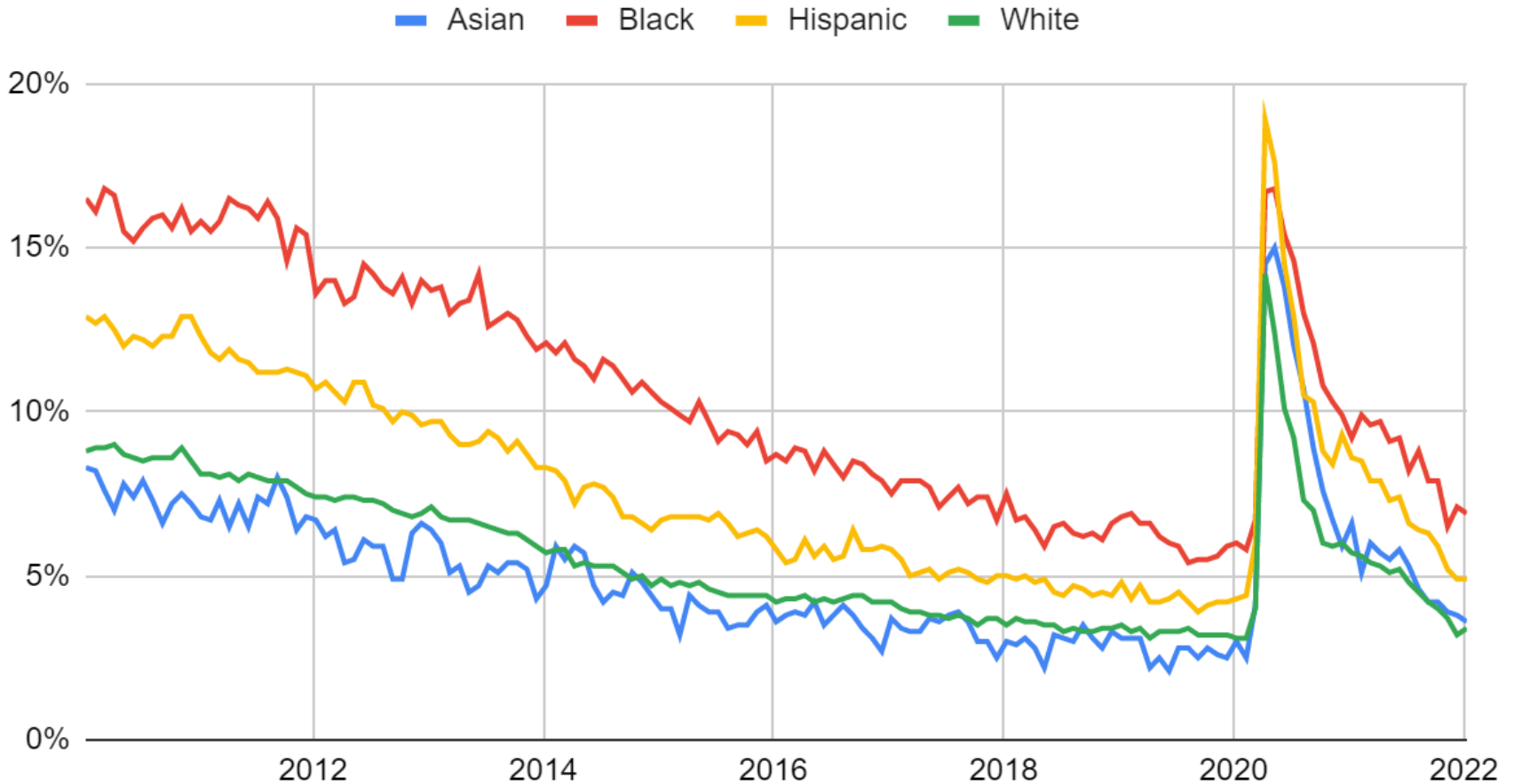


Health Care and Social Assistance Employment Remains 5% below Pre-Pandemic Level



Economic Overview

Unemployment Rate by Race/Ethnicity



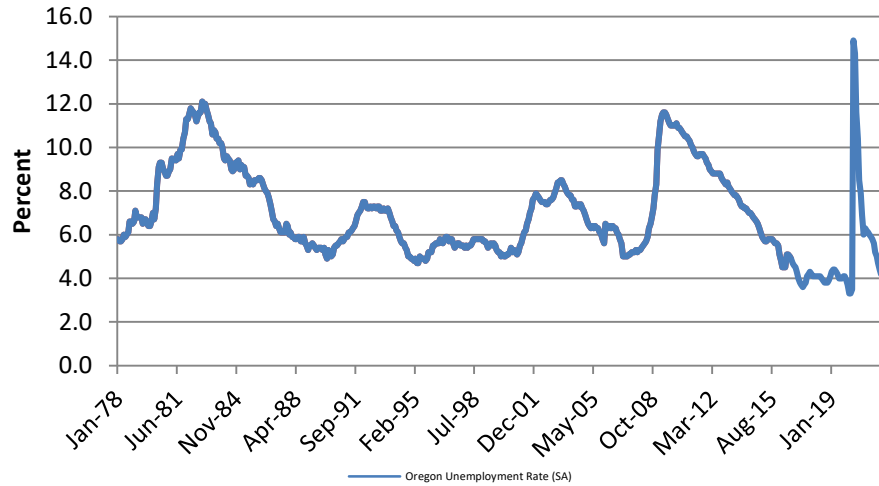
Source: Bureau of Labor Statistics

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

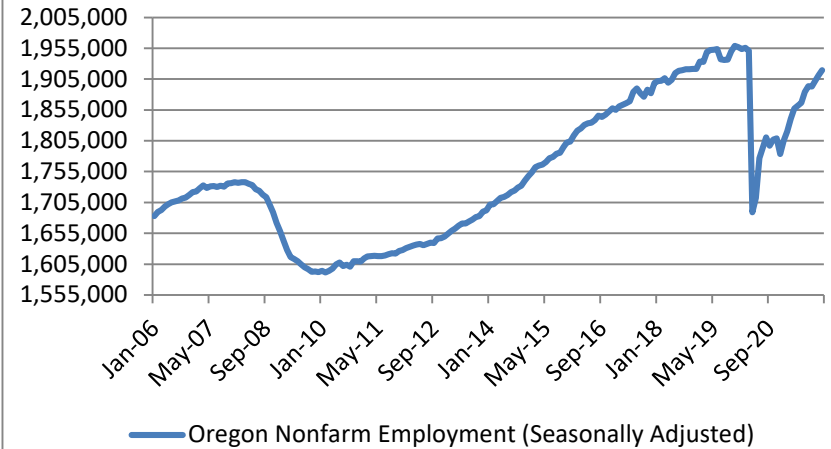


Economic Overview

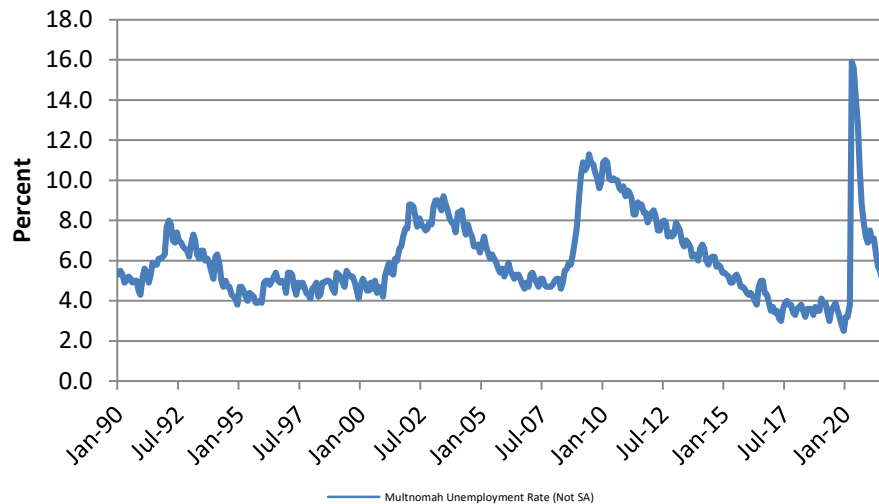
Oregon Unemployment Rate (SA)



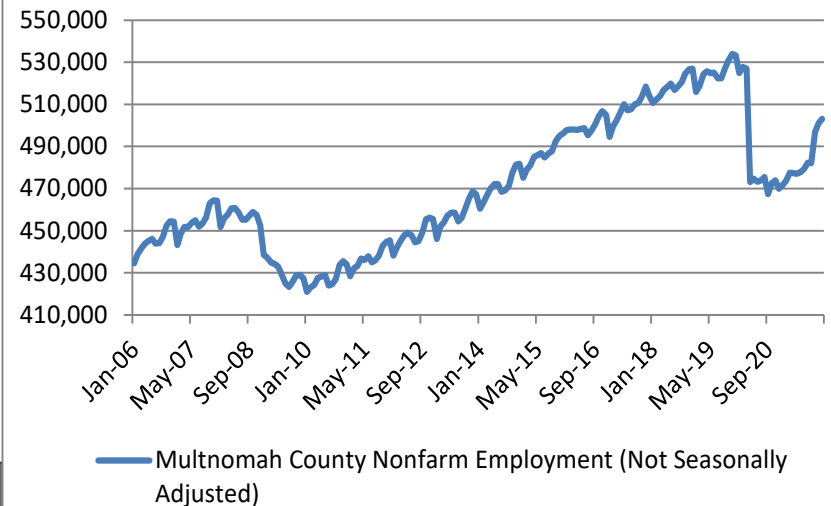
Oregon Nonfarm Employment (Seasonally Adjusted)



Multnomah Unemployment Rate (Not SA)



Multnomah County Nonfarm Employment (Not SA)



FY 2022 Revenue Review

	Adopted ¹	November Forecast Change	March Forecast Change	May Forecast Change	Net Change From Adopted	Note
Property Taxes	335,936,853	5,431,926	900,000		6,331,926	Early River District URA Return/Penalties
Business Income Taxes	113,300,000	29,753,799	0		29,753,799	Fed'l support and pulling forward income
Motor Vehicle Rental Taxes	25,000,000	0	2,500,000		2,500,000	Collections looking "normal"
US Marshal/BM 73/BOP	6,077,250	540,200	0		540,200	High Usage at beginning of year
State Shared					0	
Video Lottery	6,093,382	206,618	0		206,618	Return to normal growth
Liquor	5,281,966	0	0		0	
Cigarette	611,242	0	0		0	
Marijuana	1,000,000	0	0		0	
Amusement	173,000	0	0		0	
Recording Fees/CAFFA Grant	8,204,161	750,000	0		750,000	
Indirect					0	
Departmental	25,544,980	0	0		0	
Central Indirect/Svc Reimburse	16,982,480	0	0		0	
All Other	27,921,591	0	0		0	
FY 22 Revenue Adjustments ²	572,126,905	36,682,543	3,400,000	0	40,082,543	
% of Revenue		6.41%	0.59%	0.00%	7.01%	

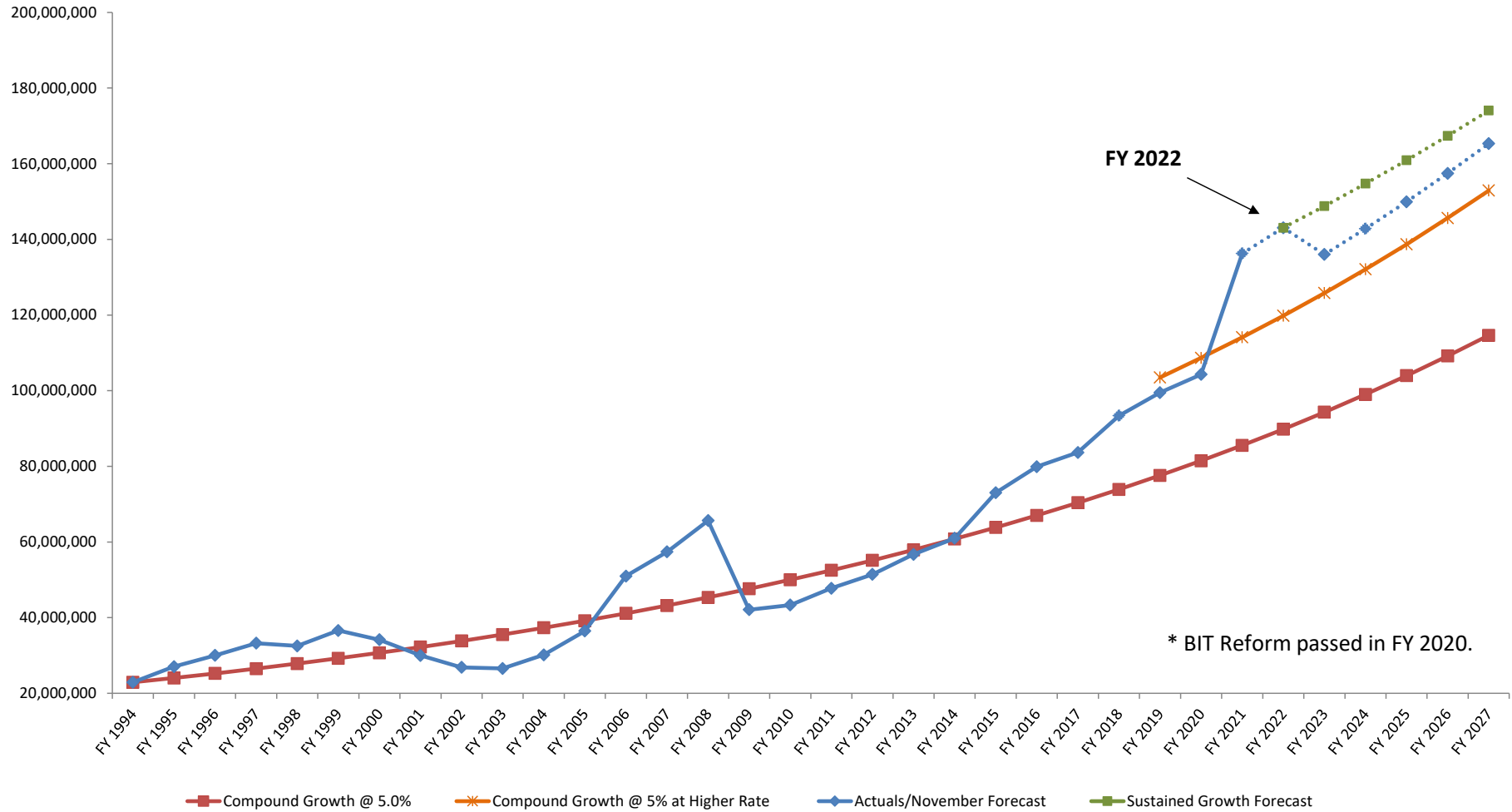
1. Excludes BWC, FQHC wraparound revenues, prospective health payments, and Tax Title: Affordable Housing but includes Video Lottery.

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



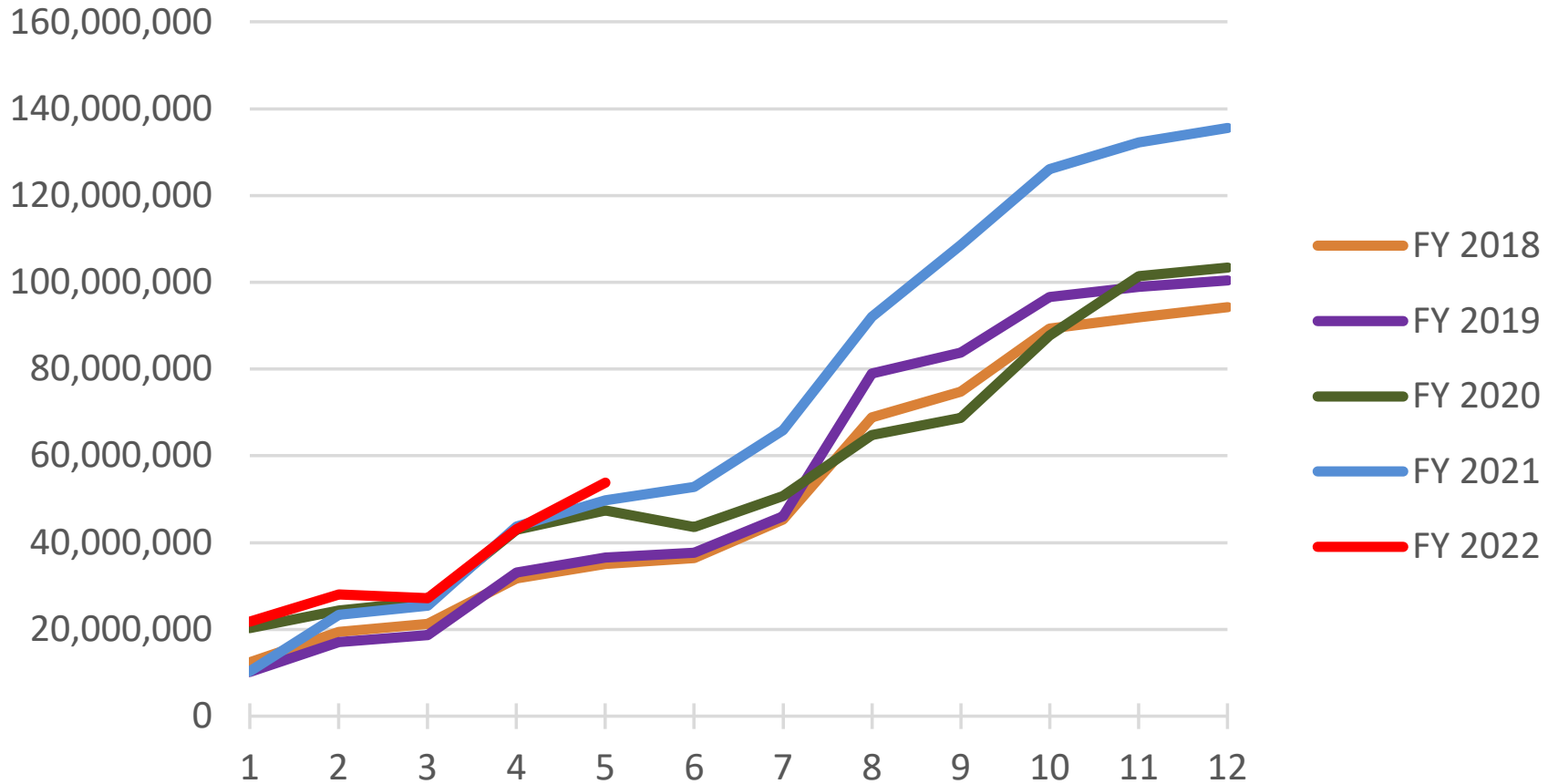
FY 2022 Revenue Review

Annual BIT Collections

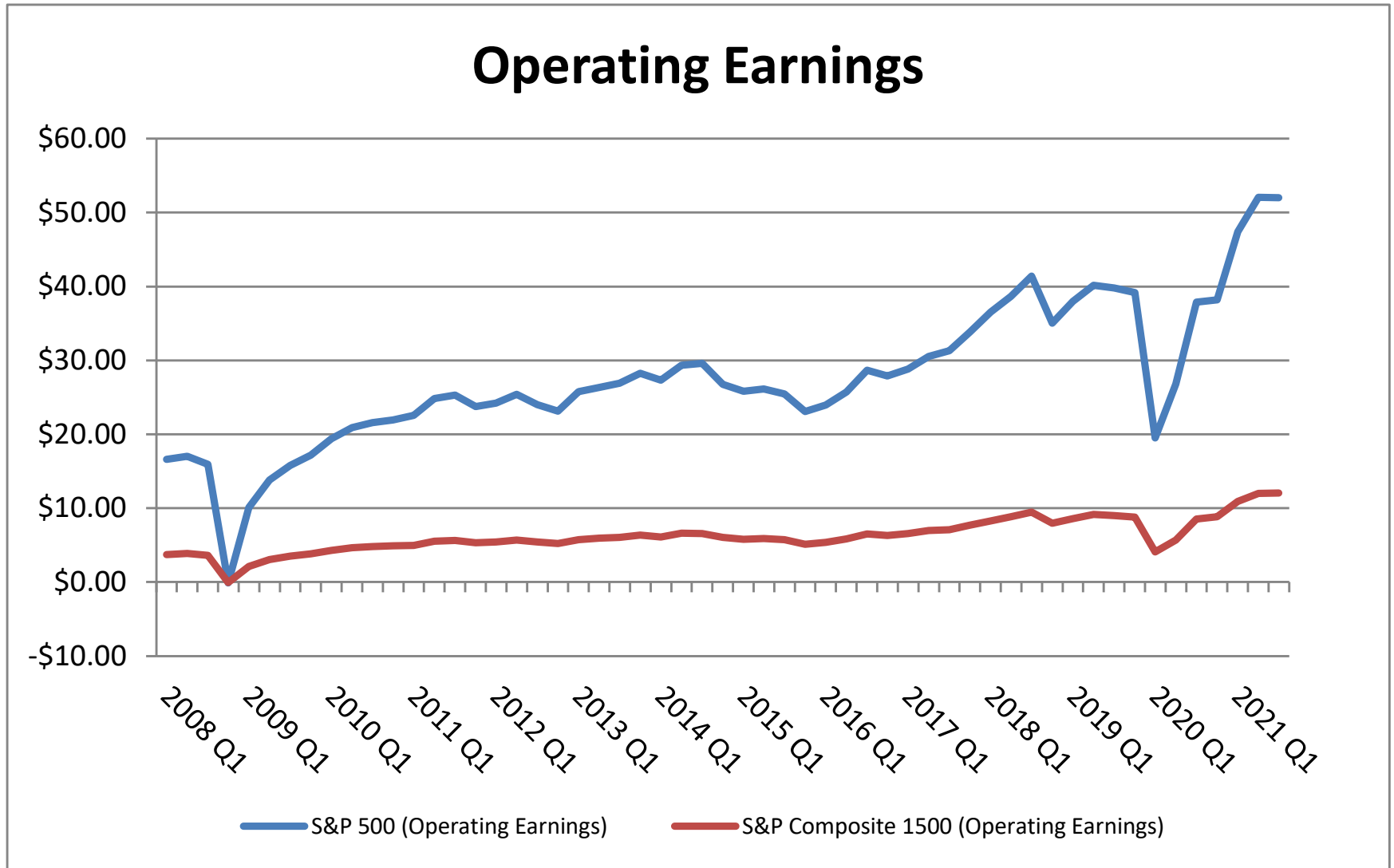


FY 2022 Revenue Review

Cumulative BIT Collections by Year



FY 2022 Revenue Review



FY 2022 Revenue Review

Corporate Excise Taxes

\$ millions, 12 month sum

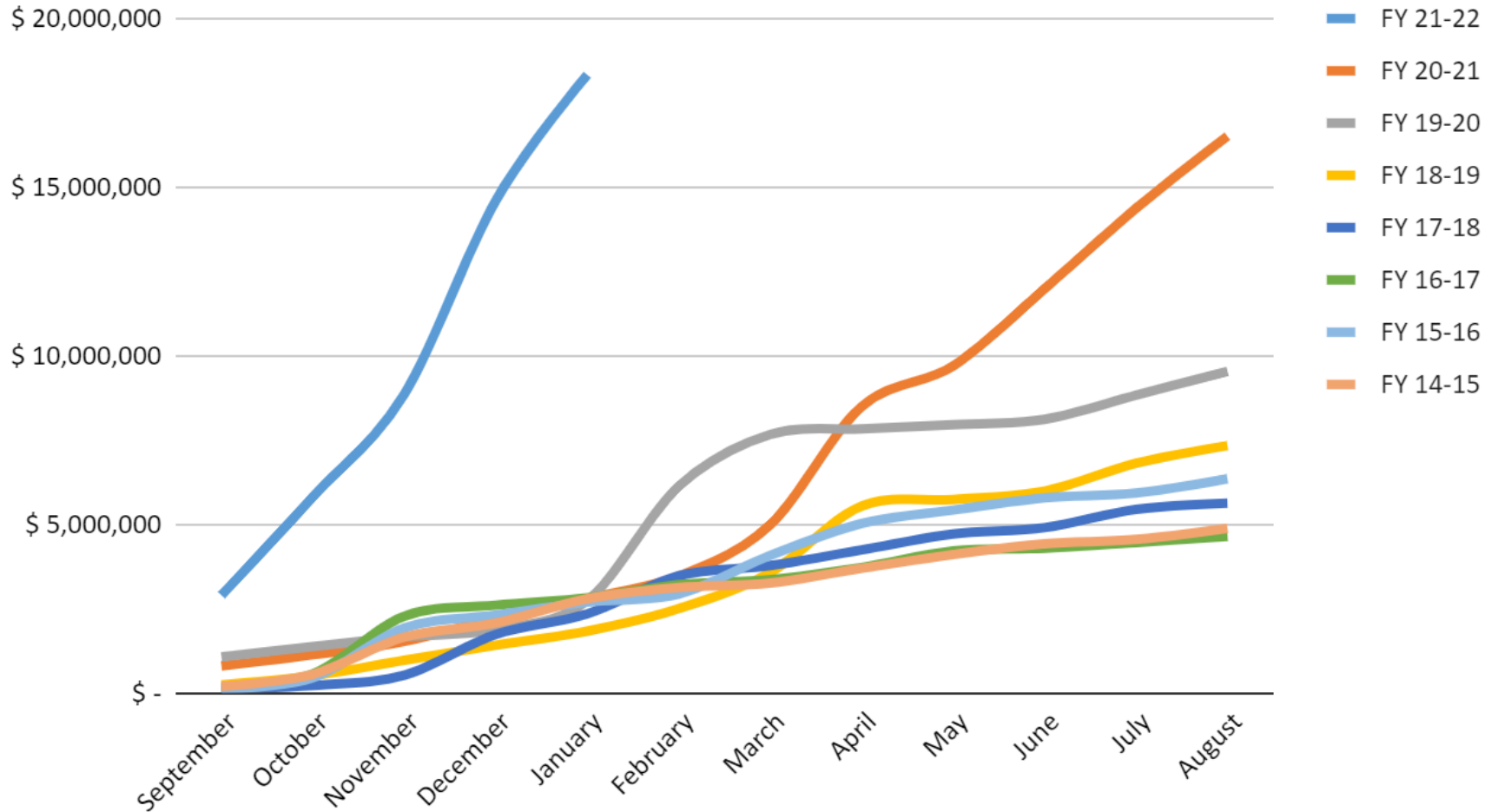


Source: Oregon Dept. of Revenue, Oregon Office of Economic Analysis



FY 2022 Revenue Review

Cumulative BIT Refunds by Year



5-Year General Fund 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
Available Ongoing	14,737,687	-	18,901,372	-	-



5-Year General Fund Forecast

Major General Fund Revenue Sources ¹

	Adopted FY 2022	Forecast FY 2022 ²	Forecast FY 2023 ³	Forecast FY 2024	Forecast FY 2025	Forecast FY 2026	Forecast FY 2027
Property Taxes	335,936,853	342,268,779	355,793,237	367,274,852	400,480,757	413,314,248	426,666,569
Business Income Taxes	113,300,000	143,053,799	136,000,000	142,800,000	149,940,000	157,437,000	165,308,850
Motor Vehicle Rental Taxes	25,000,000	27,500,000	33,000,000	33,660,000	34,333,200	35,019,864	35,720,261
US Marshal (& BM 37)	6,521,151	7,277,431	6,858,776	6,858,776	6,521,151	6,521,151	6,521,151
Recording Fees/CAFFA Grant	8,204,161	8,954,161	9,029,265	9,225,247	9,425,533	9,630,220	9,839,403
State Shared	13,159,590	13,366,208	13,752,228	14,153,019	14,569,158	15,001,248	15,449,916
Indirect & Service Reimbrs.	42,527,460	42,411,777	43,887,814	45,210,821	46,575,001	47,981,640	49,432,066
	544,649,215	584,832,155	598,321,320	619,182,715	661,844,799	684,905,371	708,938,217
% of Total Revenue	96.2%	97.0%	95.9%	95.6%	95.8%	95.9%	96.0%
All Other General Fund	21,384,308	17,477,690	24,036,978	27,186,606	27,825,594	28,520,645	29,229,563
Total	566,033,523	602,609,845	623,633,298	647,657,071	690,626,642	713,908,921	738,167,780
% Change in Ongoing Revenue		6.46%	3.49%	3.85%	6.63%	3.37%	3.40%
<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>	-16.84%	5.00%	-4.93%	5.00%	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.

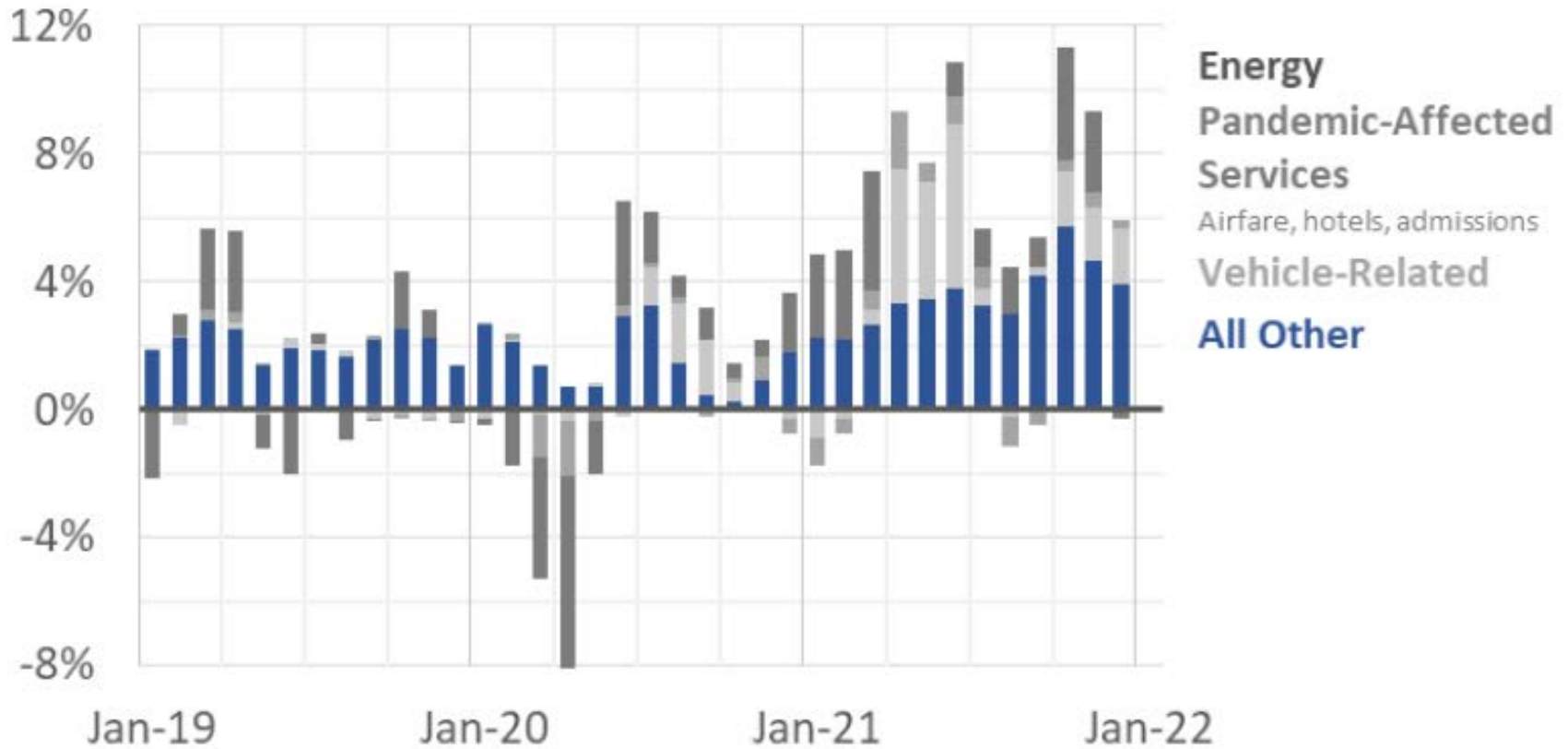
3. Incorporates impact of URAs ending and returning AV to tax roll.



Expenditure Assumptions - Inflation

Inflation Running Above Target

Month-over-Month Change at Annualized Rate



Data: Consumer Price Index, All Items | Latest: December 2021 | Source: BLS, CEA, Oregon Office of Economic Analysis



Expenditure Assumptions - Inflation

- Inflation Broadening but Still Pandemic Effects
 - Wages, rents, and energy can spread inflation.
- Fed signaling they are committed to addressing inflation.
- Tradeoff: Historical relationship between inflation and unemployment rate (Phillips Curve)
 - Tight labor market could offset this.
- Ukraine: Increase energy prices while slowing economic growth.
 - Makes the Fed's job harder



Expenditure Assumptions - Inflation Scenario

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	605,210,686	631,535,112	651,304,610	674,251,906	697,800,661
Ongoing Surplus/(Deficit)	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)
Add'l 1% Increase in Each Year		(3,578,969)	(7,666,468)	(12,179,777)	(17,060,981)
High Inflation Forecast	19,322,612	11,795,386	29,725,963	25,438,130	21,154,756
Available Ongoing	11,106,766		7,134,120		



FY 2023 OTO Funds

General Fund FY 2022 Beginning Working Capital & FY 2023 OTO^{1,2} Year-End as of September 30, 2021

FY 2022 Beginning Balance ³	173,347,039
FY 2022 Budgeted Beginning Balance	<u>92,520,297</u>
Additional FY 2022 BWC (OTO)	80,826,742
Less FY 2021 BIT used in FY 2022	<u>(30,401,964)</u>
Adjusted Additional FY 2022 BWC (OTO)	50,424,778
Plus Additional BIT Revenues	29,753,799
Less Amount for BIT East County Cities Payment	(2,529,073)
Plus Additional FY 2022 Forecast Adjustments	6,928,744
Less Amount to Maintain Reserves at Board Policy Level	(7,188,665)
<i>Add'l PERS Side Account⁴</i>	<i>(25,000,000)</i>
<i>CGF Reserve Incremental Increase</i>	<i>(5,379,656)</i>
<i>BIT Reserve Incremental Increase</i>	<i><u>(1,360,000)</u></i>
OTO Funds for FY 2023 per November Forecast	45,649,927
Plus Additional Property Tax Revenue	900,000
Plus Additional MVRT Revenue	2,500,000
Less Amount to Maintain Reserves at Board Policy Level	<u>(90,000)</u>
OTO Funds for FY 2023 per March Forecast	48,959,927
FY 2023 Treated as OTO to Balance	4,584,925
Total OTO Funds for FY 2023	53,544,852
<i>50% Dedicated to County Facility Projects per Board Policy</i>	<i>26,772,426</i>
<i>Remaining 50% to be Allocated</i>	<i>26,772,426</i>



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**

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



Forecast Risks, Uncertainties, and Issues

- COVID-19 – Duration and intensity of disruption
 - Impact on revenues
 - Demand for County services and End of ARP
- BIT and Inflation
 - Fed Action and Ukraine
 - Approach to risk
- Economic Recovery
 - Housing and Rents
 - Employment and Capacity
 - Return to work
- Personnel Costs
 - 7 open labor contracts



Summary

- FY 2022 General Fund revenue forecast increased \$3.4 million (0.59%)
- FY 2022 General Fund contingency balance of \$2.7 million (unallocated)
- Surplus of \$19.3 million forecast for FY 2023
 - Becomes surplus of \$38.2 million by FY 2027
- FY 2023 General Fund OTO resources of \$53.7 million
 - \$26.8 million for facility projects (per Board policy)
 - \$26.8 million to be allocated
- Major risks, uncertainties, and issues include:
 - COVID-19 Mitigation and Recovery
 - Inflation



Questions

