



FY 2023 General Fund 5-Year Forecast Update

Presented to the
Board of County Commissioners

Multnomah County
November 23, 2021

Located at: www.multco.us/budget

Agenda

- Financial Context and Overview
- Economic Overview
 - Employment
- FY 2022 Revenue Review
 - Property Tax
 - BIT
 - MVRT
- FY 2023 General Fund 5-Year Forecast
 - Including Expenditure Assumptions – Cost Drivers, COLA, PERS
- FY 2023 One-Time-Only Funds
- FY 2022 General Fund Contingency Update
- Forecast Risks and Issues
- Summary and Questions



Financial Context

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

- URA impacts in FY 2023 and FY 2025
- BIT reform fully incorporated
- Higher inflation in FY 2023 and FY 2024
- COVID-19 impacts and continued uncertainty around path of recovery

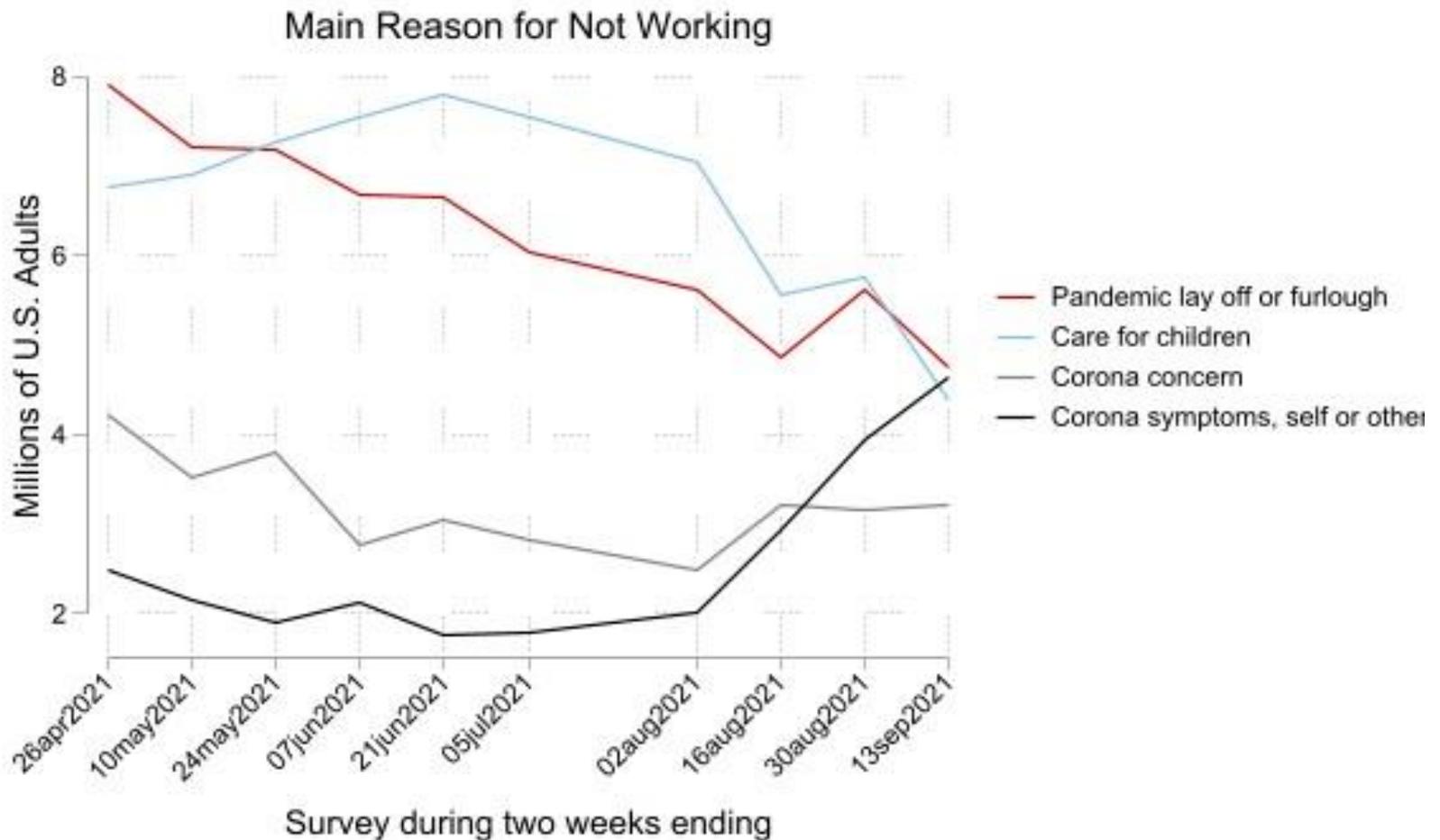


Economic Overview

- COVID-19 remains the limiting factor. Future path of recovery highly dependent on virus mitigation.
- Recovery constrained by ongoing labor market and supply chain issues.
- Continued evidence of two-tiered recovery (for both households and businesses)
- Uncertainty
 - Inflation
 - Federal legislation and tax policy
 - Recovery of urban centers



Economic Overview

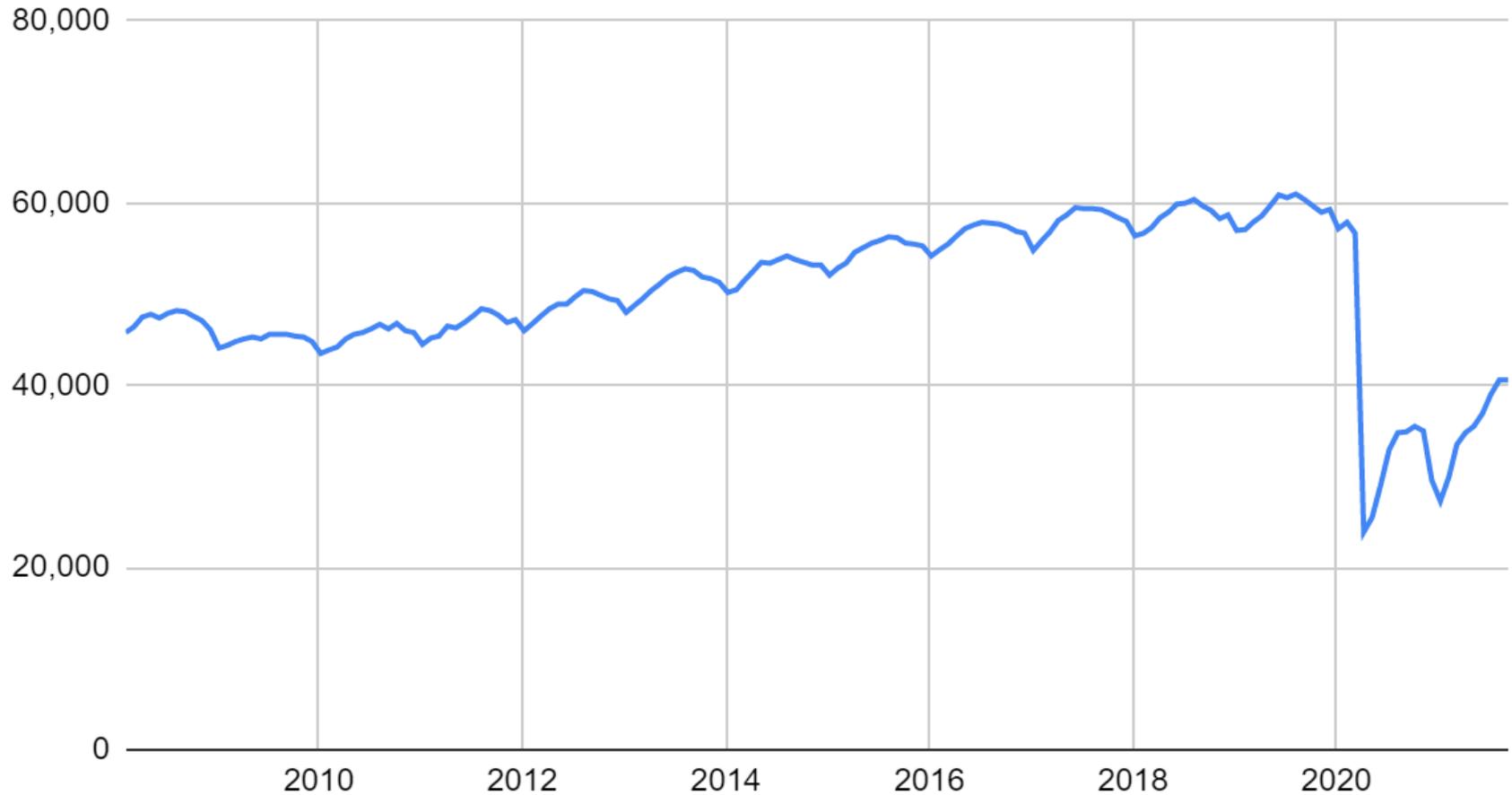


U.S. Census Household Pulse Survey, Employment Table 3. Graph @aaronsojourner.



Economic Overview

Multnomah County Leisure and Hospitality Employment

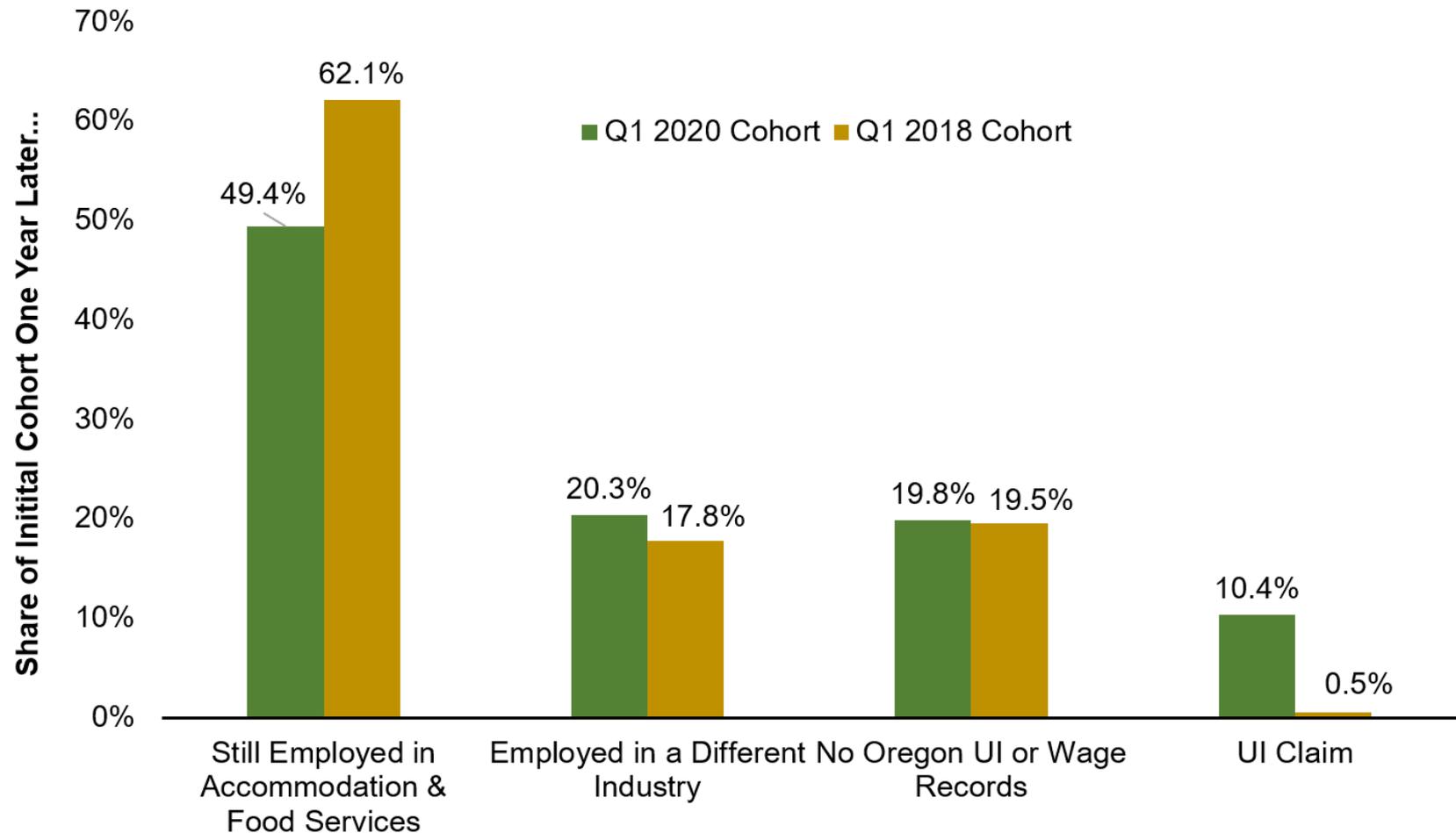


Source: Oregon Employment Department



Economic Overview

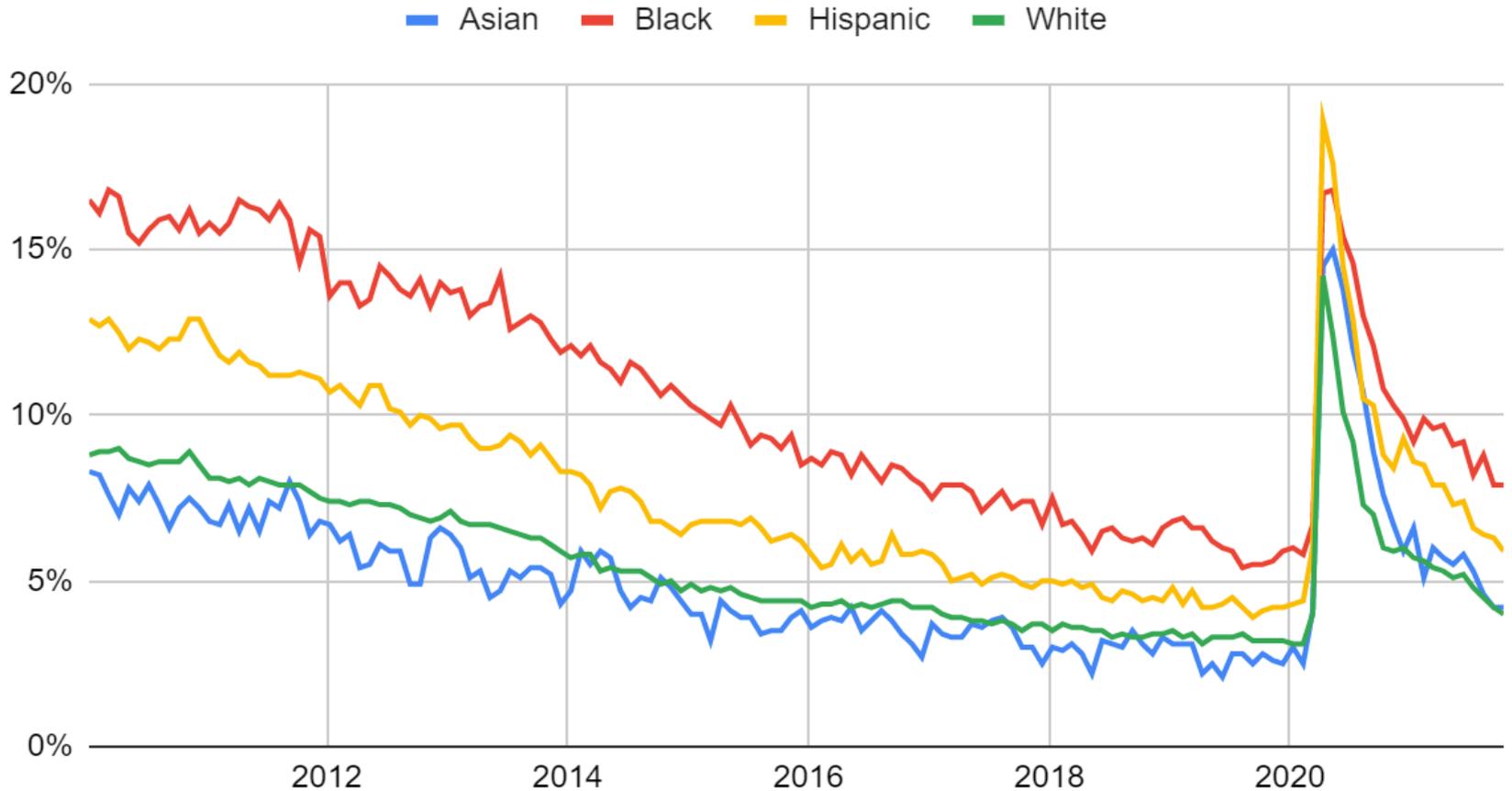
The COVID-Impacted Cohort Changed Industry More Often than Pre-Pandemic Cohort



Source: Oregon Employment Department

Economic Overview

Unemployment Rate by Race/Ethnicity



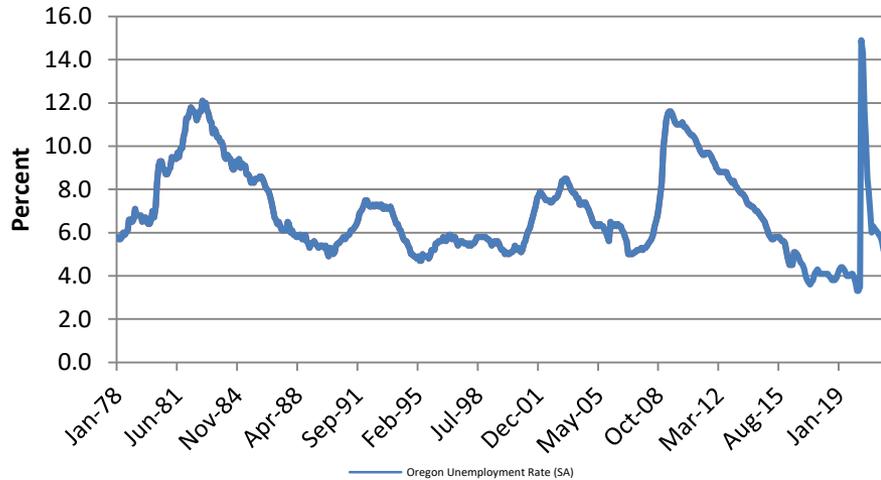
Source: Bureau of Labor Statistics

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



Economic Overview

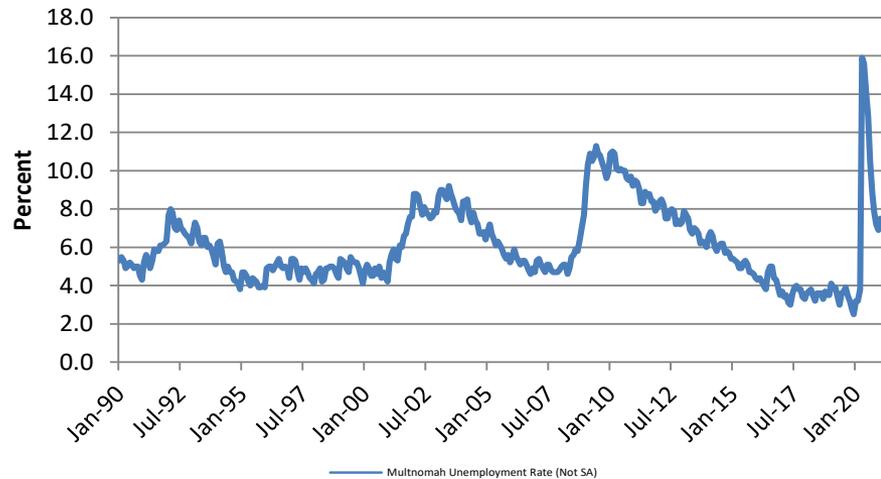
Oregon Unemployment Rate (SA)



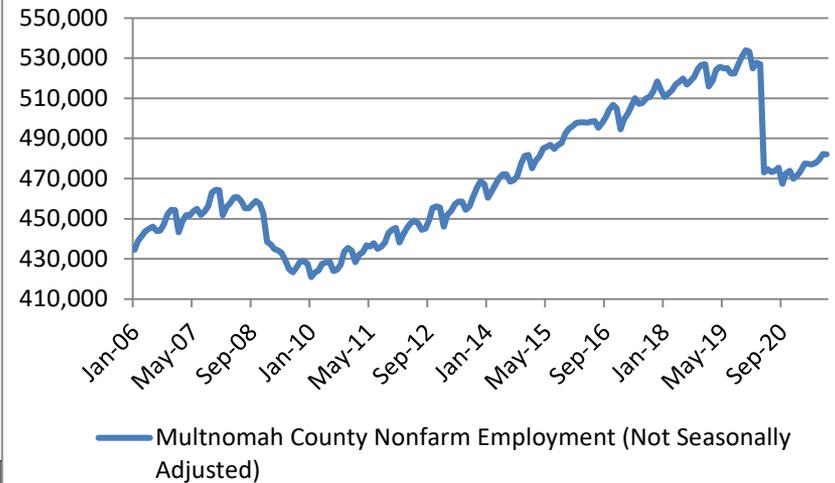
Oregon Nonfarm Employment (Seasonally Adjusted)



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

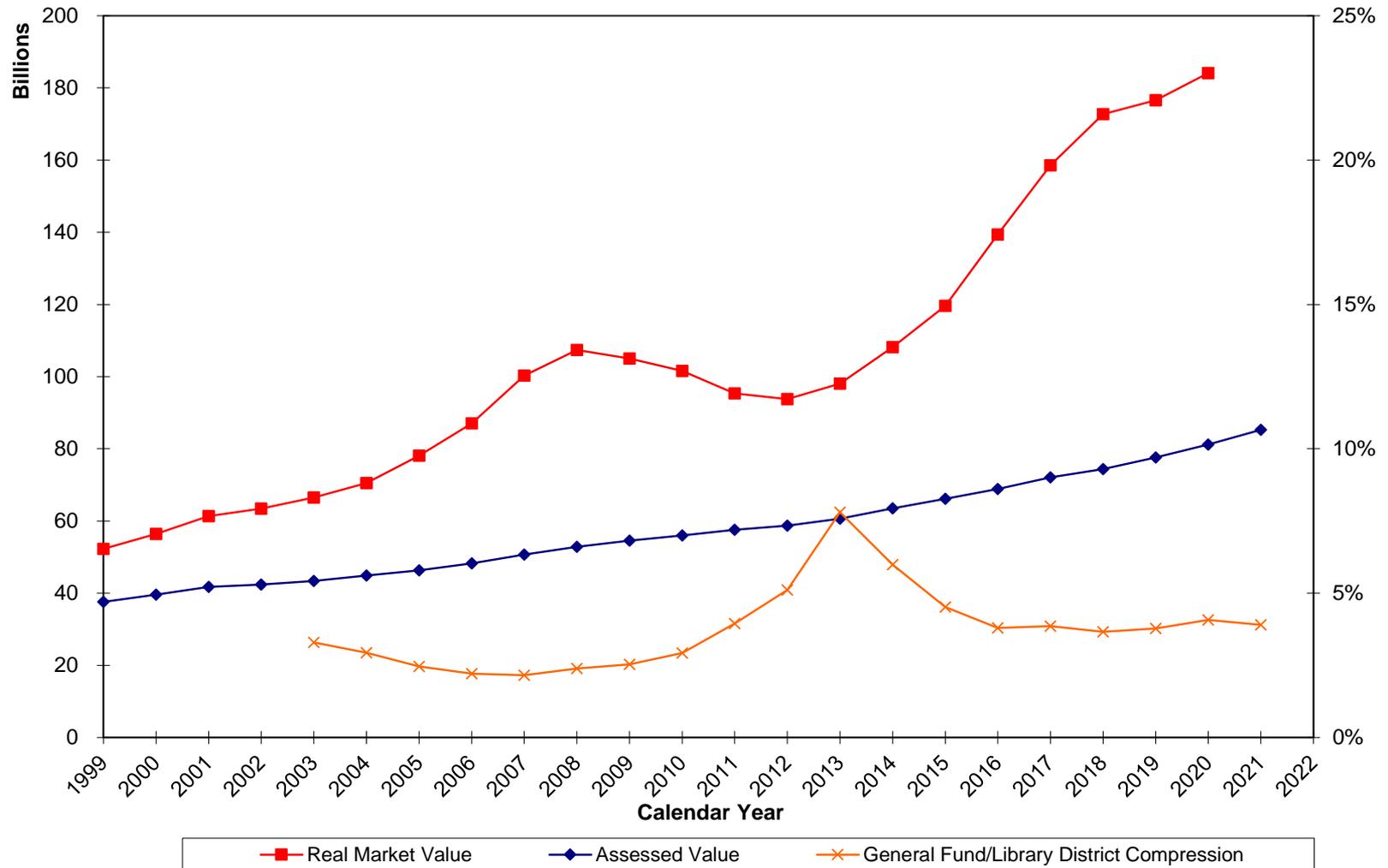
1. Excludes BWC, FQHC wraparound revenues, prospective health payments, and Tax Title: Affordable Housing but includes Video Lottery.

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



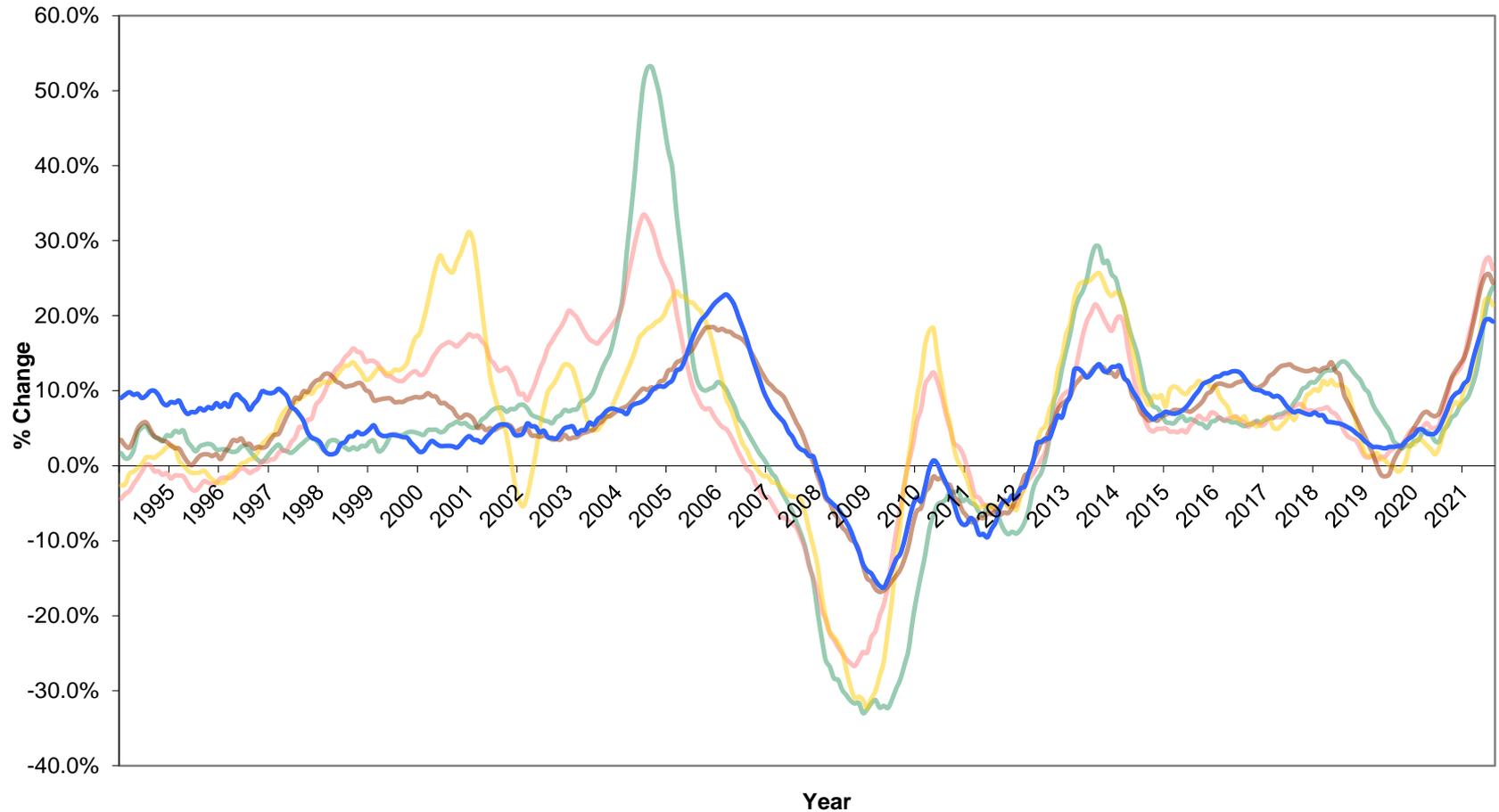
FY 2022 Revenue Review

Multnomah County Assessed Value, Real Market Value, and Compression



FY 2022 Revenue Review

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

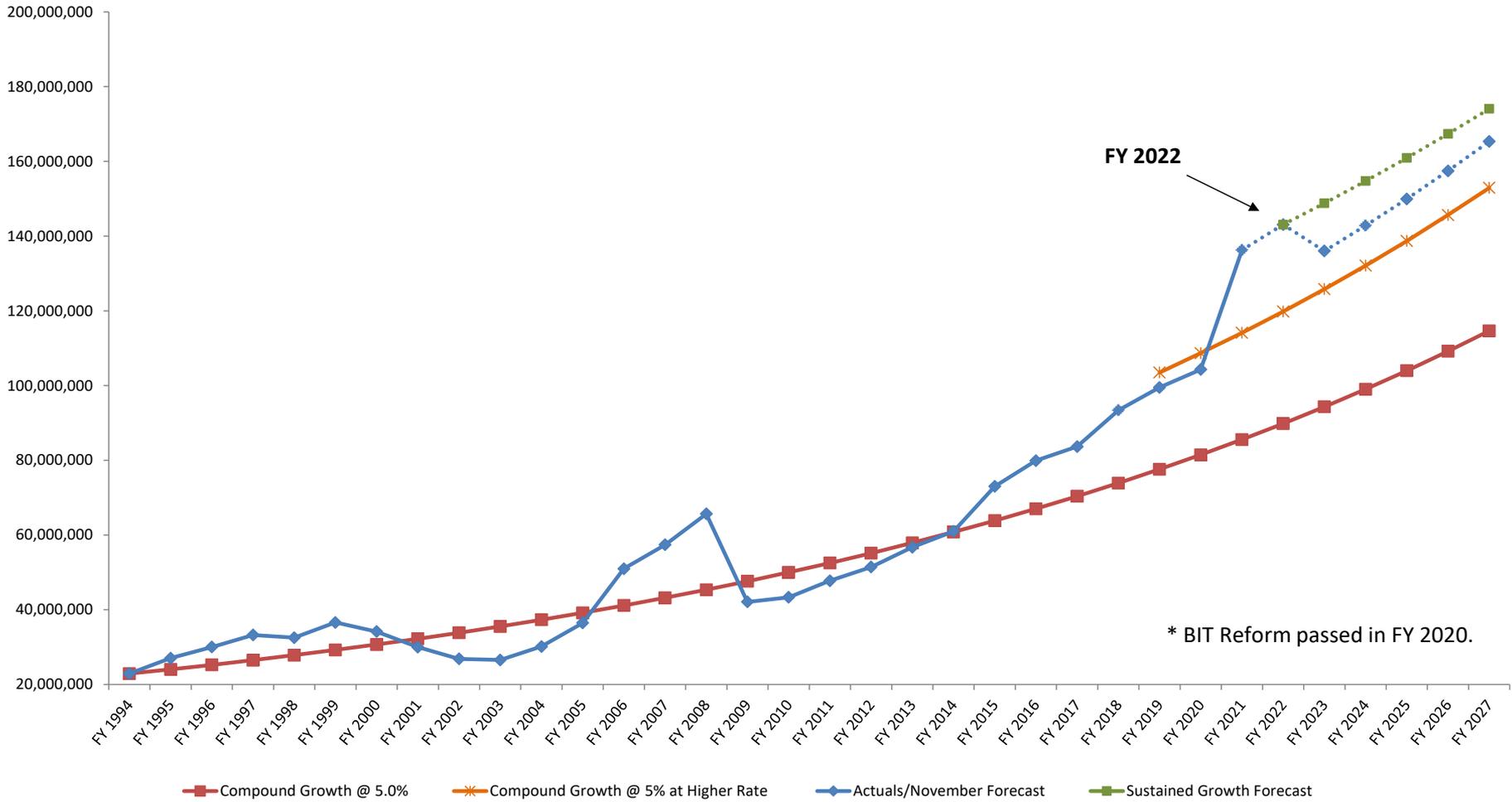


— Las Vegas — San Diego — S.F. — Seattle — Portland



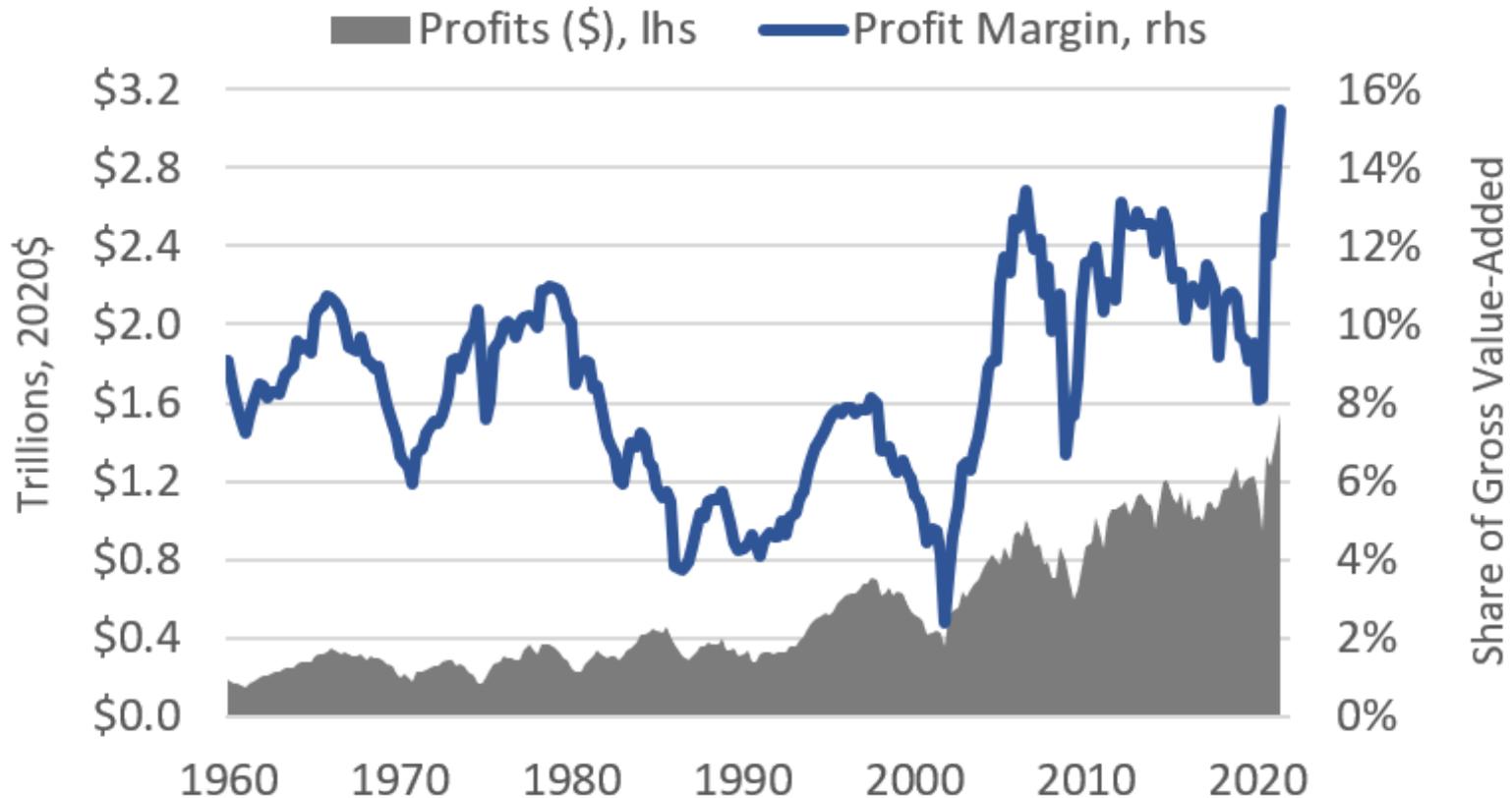
FY 2022 Revenue Review

Annual BIT Collections



FY 2022 Revenue Review

U.S. Corporate Profits



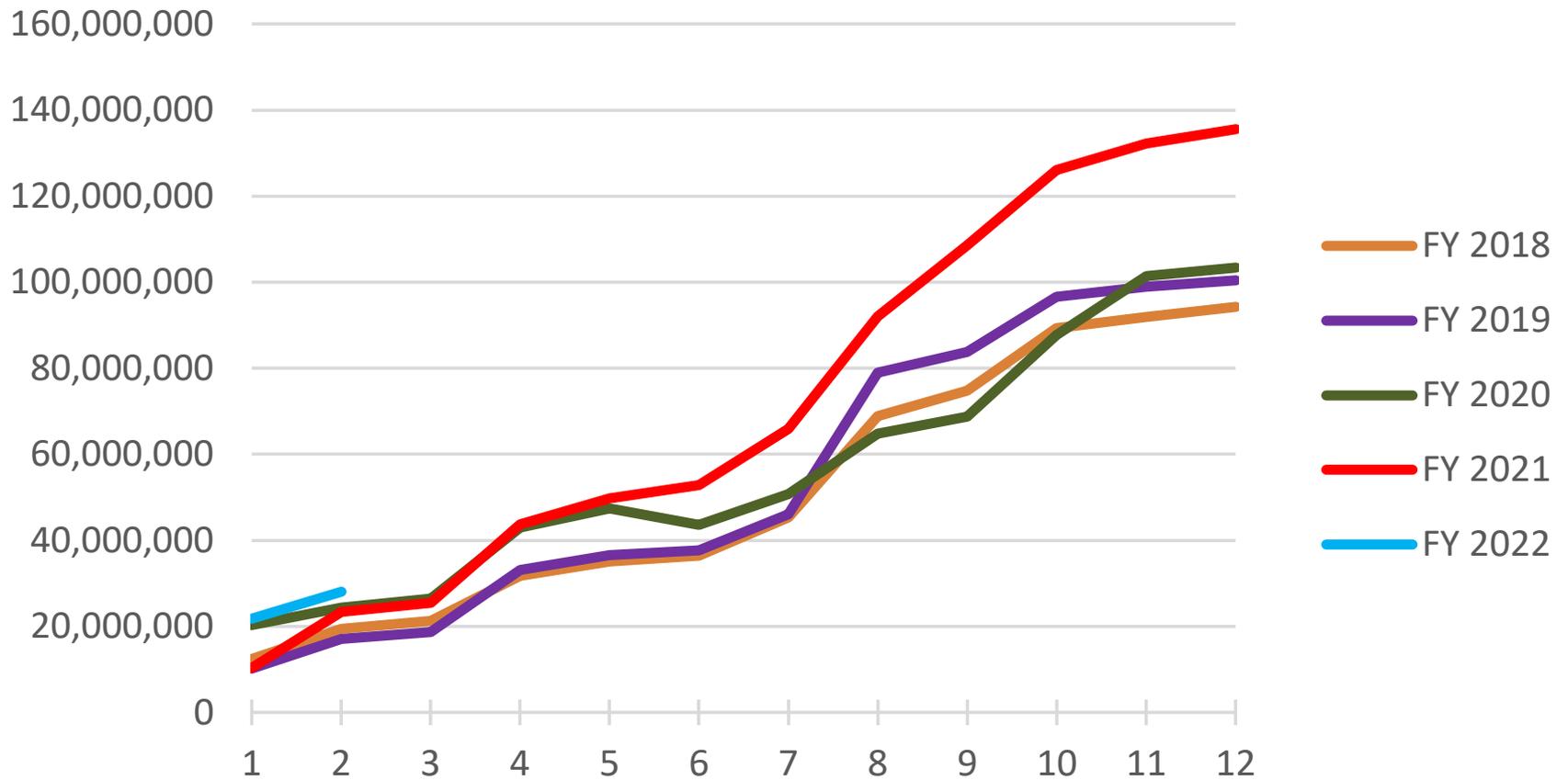
Profit margin defined as after-tax profits as share of gross value-added for nonfinancial corporate businesses

Source: BEA, Oregon Office of Economic Analysis



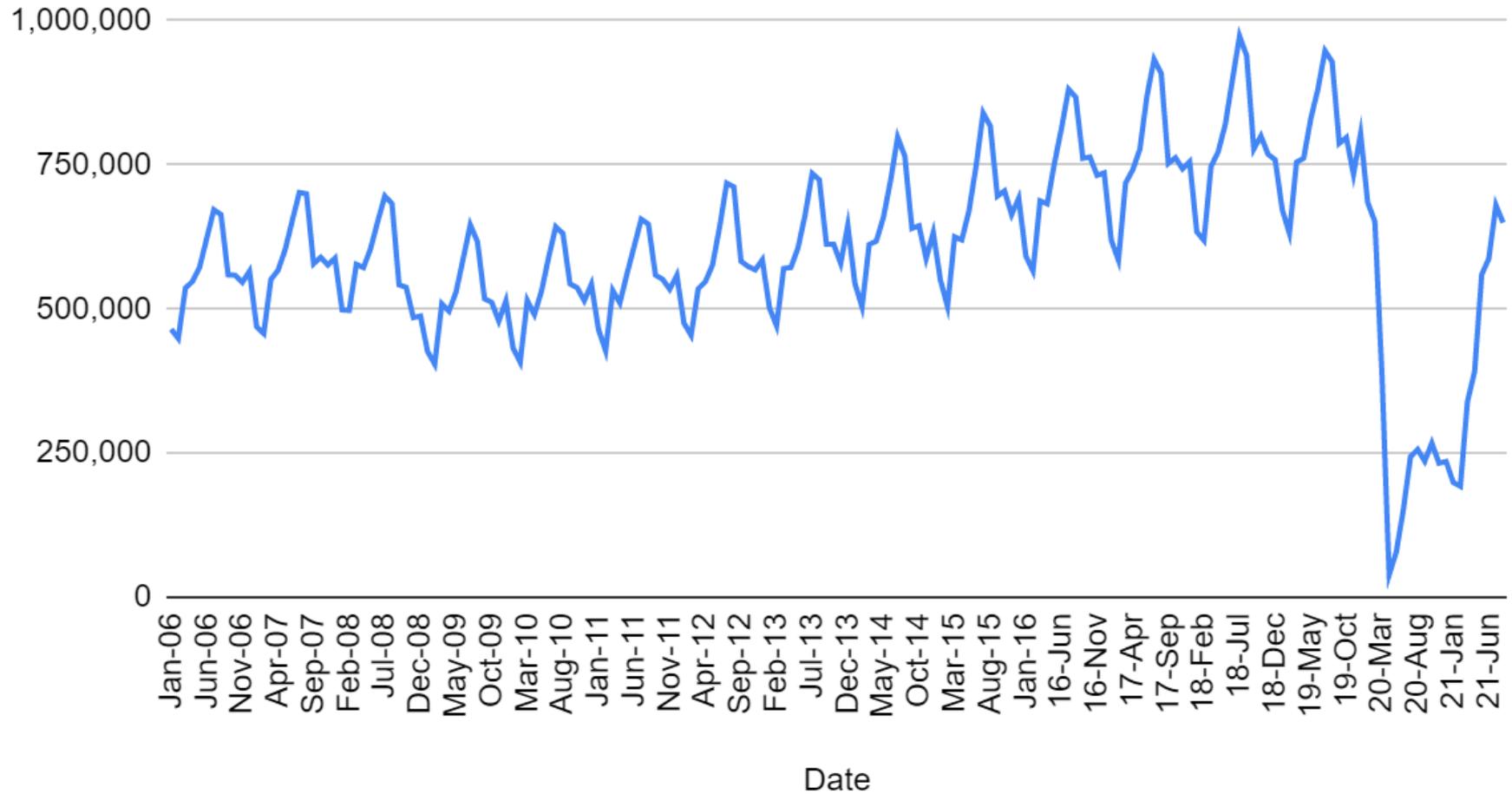
FY 2022 Revenue Review

Cumulative BIT Collections by Year



FY 2022 Revenue Review

PDX Domestic Deplaned Passengers

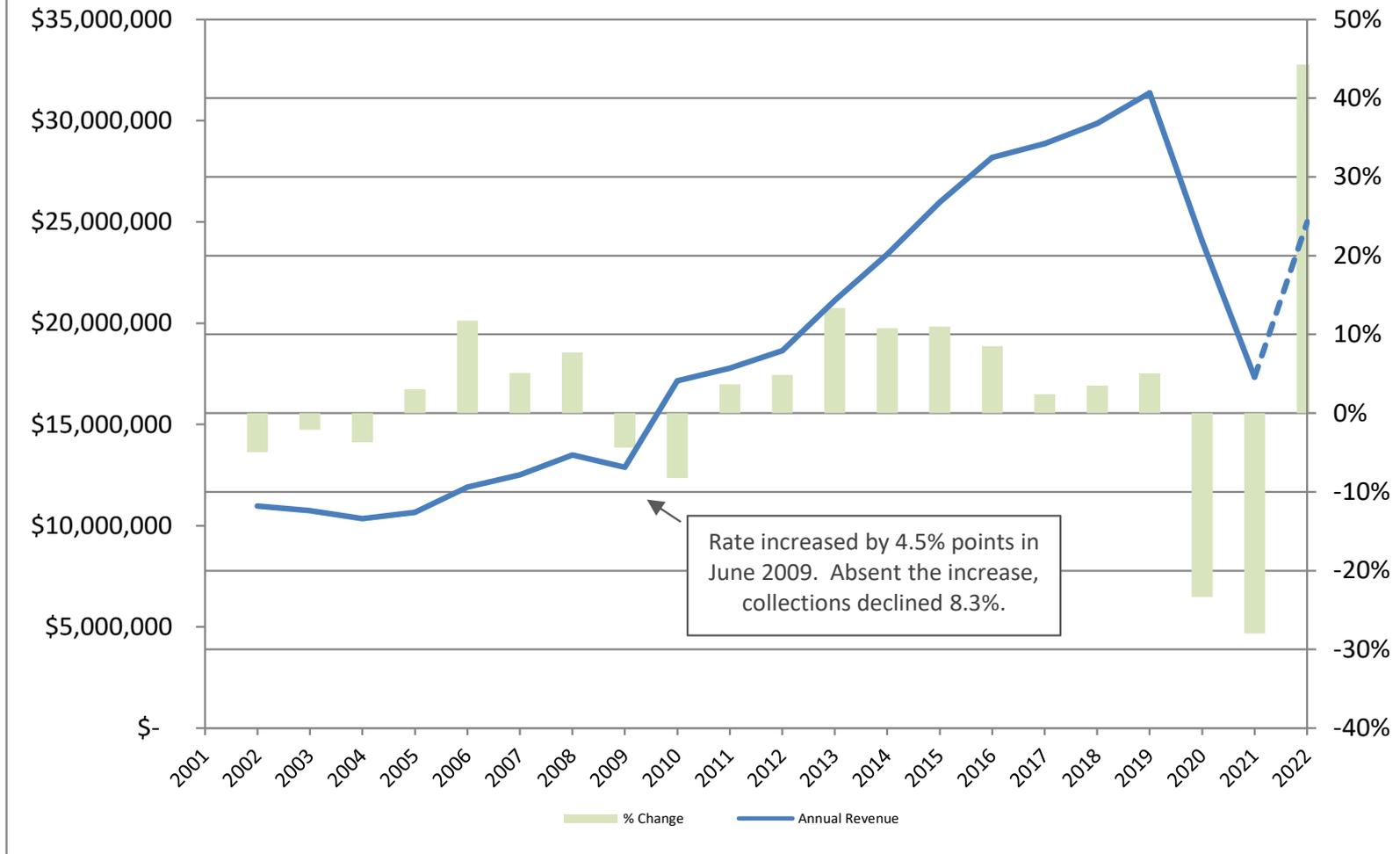


Source: Port of Portland



FY 2022 Revenue Review

Motor Vehicle Rental Taxes



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
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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

- Major URAs returning AV to tax roll in FY 2023 and FY 2025.
- Impact of BIT Reform
- Assumes higher inflation in FY 2023 and FY 2024.
- Does not include Year 2 of ARP funding.



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	341,368,779	353,818,237	366,374,852	399,580,757	412,414,248	425,766,569
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	25,000,000	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	581,432,155	596,346,320	618,282,715	660,944,799	684,005,371	708,038,217
% of Total Revenue	96.2%	96.5%	95.6%	95.5%	95.7%	95.8%	95.9%
All Other General Fund	21,384,308	20,877,690	26,011,978	28,086,606	28,725,594	29,420,645	30,129,563
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%
AV Growth	3.75%	4.55%	3.75%	5.82%	3.36%	7.17%	4.45%
Compression	3.95%	4.07%	4.20%	4.20%	4.20%	4.20%	4.20%
BIT Growth	-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

Cost Drivers for FY 2023:

Inflation	4.00%	Second Half West Size-A CPI-W
Labor Costs (Change in rates)	4.32%	Prior assumption was 4.21%
COLA	4.00%	Dependent on Unit & Contract Status
Step/Merit/Contract Adjustment	1.40%	Dependent on Unit Demographics.
Medical/Dental	2.00%	Was assumed to increase by 6.00%
PERS	-0.86%	Was assumed to increase by 0.00%
Retiree Medical	0.00%	
Liability/Workers Comp/TriMet	0.01%	Includes Workers Comp and TriMet
Materials and Services	4.00%	
Contractual Services	4.00%	Every 1% increase is approximately \$700,000
Internal Services	5.33%	Includes Adjustment for Add'l Inflation/Expansion

General Fund Cost Driver Notes

A 1% increase in base pay = approximately \$3.4 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

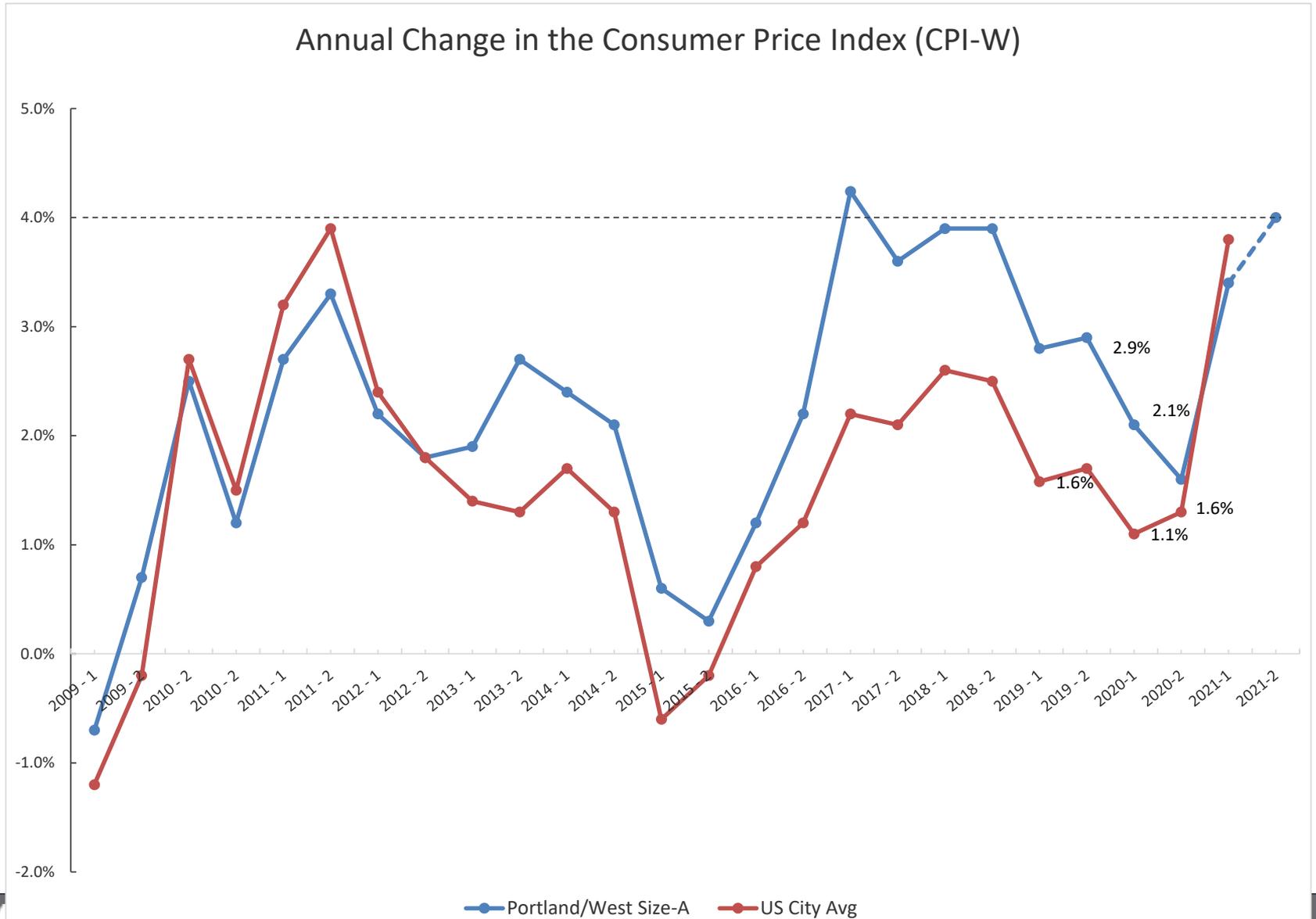
General Fund Contingency - \$1.5 million

BIT Reserve - 10% of BIT revenues (\$11.3 million)

General Fund Reserve - 10% of corporate revenues (\$48.9 million)



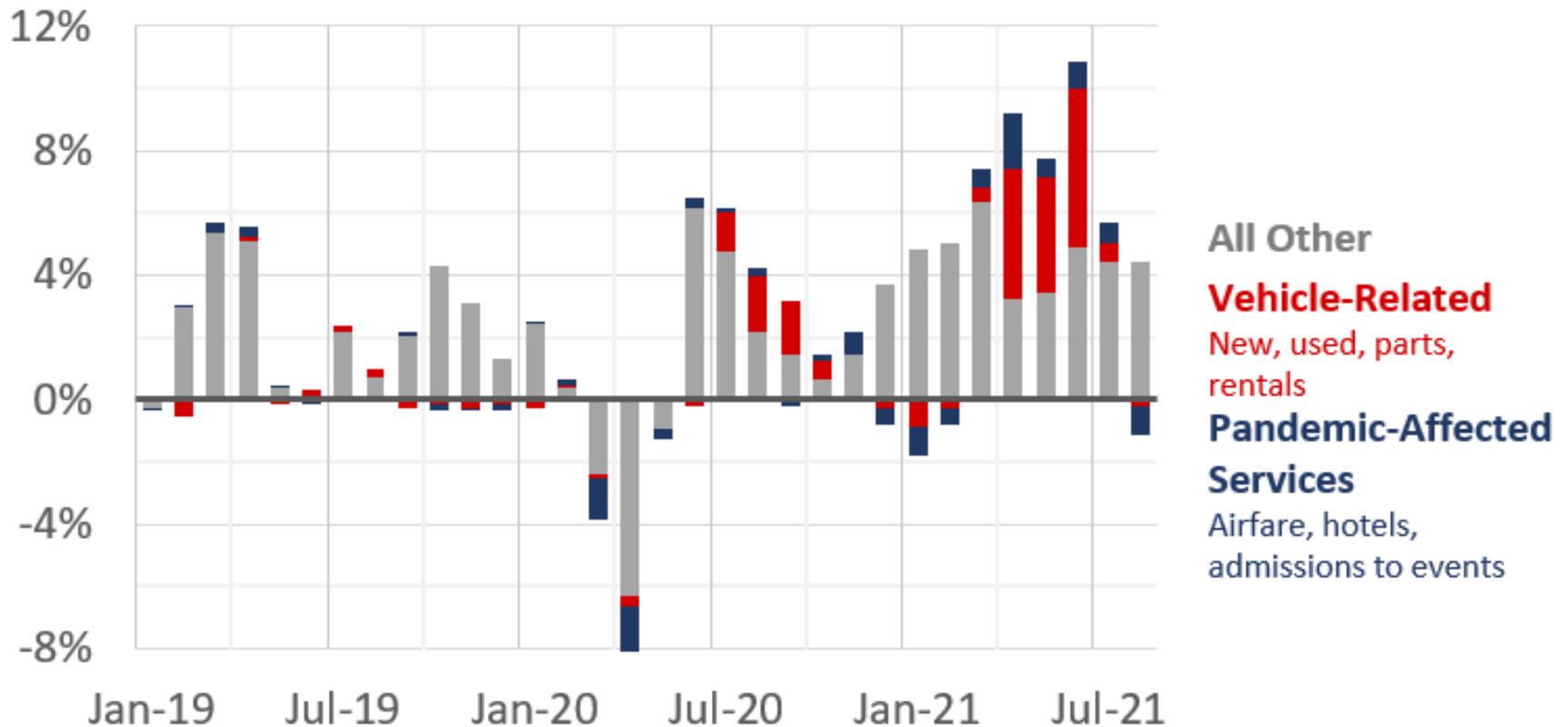
Expenditure Assumptions



Expenditure Assumptions

Inflation Running Above Target

Month-over-Month Change at Annualized Rate



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

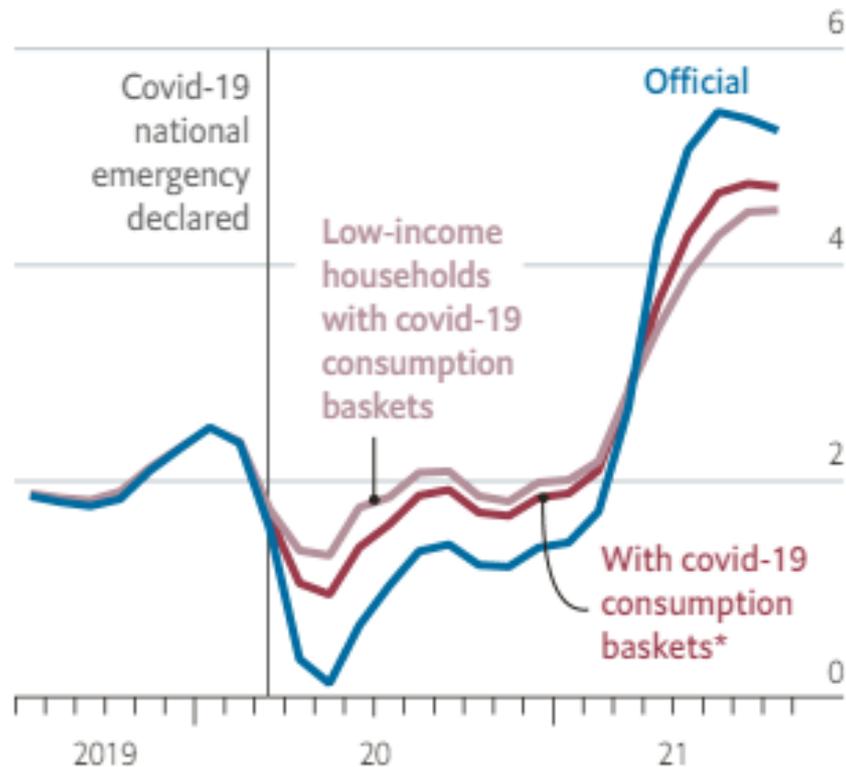


Expenditure Assumptions

A weighting game

United States, consumer-price index (CPI)

% increase on a year earlier

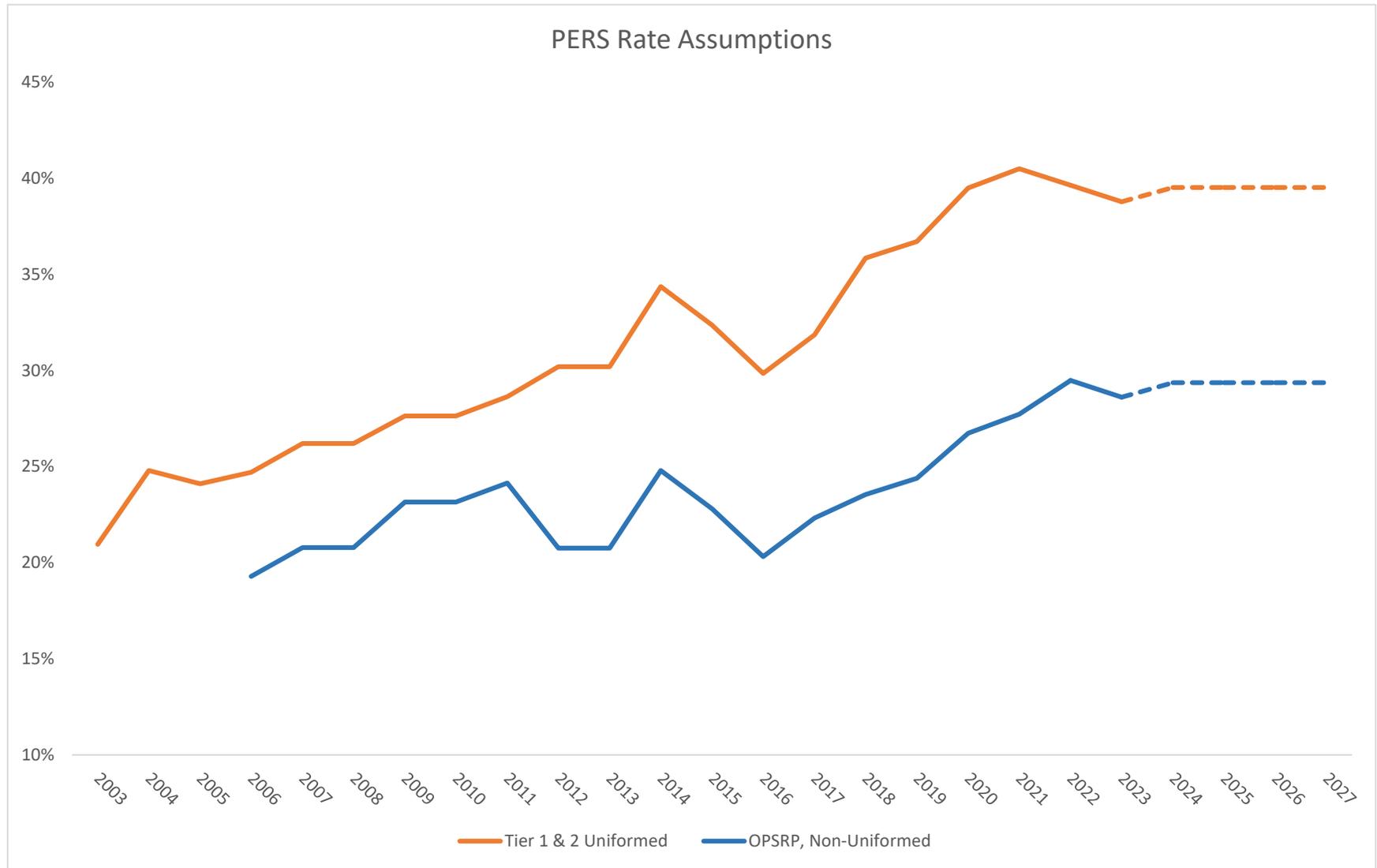


*Based on real-time spending data

Source: Harvard University



Expenditure Assumptions



Expenditure Assumptions

- Programs, Cash Transfers, and earmarks funded on a one-time-only basis in FY 2022 Budget that are assumed to not continue in FY 2023.

One-Time-Only Programs

<u>Offer/Activity</u>	
10010B - Charter Review Committee Support	132,810
10029B - Youth Opportunity and Workforce Development - Restoration	140,000
10029C - Youth Opportunity & Workforce Development - OTO Restoration	155,000
10030 - Black Economic Prosperity Initiative	25,000
10031 - Community Capacity Expansion: Physical Infrastructure	1,500,000
10035 - Neighborhood Prosperity Initiative	225,000
15021B - Justice Integrity Unit Expansion	260,000
25032B - ADVSD HIV Aging Support	250,000
25131C - YFS - Legal Services Day Program Expansion	211,000
25156C - YFS - Beinestar Social Services East County Service Site Expansion	125,000
30208A - Safety Off the Streets - Emergency Shelter Strategic Investment	2,050,000
40000C - Mapping Study - Services for Immigrant and Refugee Communities	100,000
40037B - Environmental Health - Air Quality and Wood Smoke Curtailment	160,000
40085D - Law Enforcement Assisted Diversion (LEAD) Transition	252,000
40199P - ARP-Demonstration Project for Neighborhood Focused Violence Prevention	131,000
50051B - Juvenile Detention Center Renovation	204,000
50000C - Ballot Measure 110 Transition	550,000
60315 - MCDC Detention Electronics	60,000
72017B - College to County Interns - Expansion	261,661
78000B - Digital Access Coordinator	150,000
78210B - Facilities Strategic Planning and Projects ¹	30,000
90014 - Levee Ready Columbia (IGA Obligation) ¹	50,000
90007B - Portland Audubon Society Wildlife Care Center Project Support	100,000



Expenditure Assumptions

Cash Transfers and Earmarks

Offer/Activity

95000 - DCHS Long-Term Care Eligibility Tracking System (78301C)	395,000
95000 - DCHS Non-Medical Transport and EP&R System Replacements (78301E)	205,000
95000 - SQL Server Upgrade and Migration (78301D)	245,000
95000 - South East Health Center Capital Project	2,420,000
SE Health Clinic	500,000
Behavioral Health Resource Center	13,700,000
State Funding Ramp-down and Unknowns	1,000,000



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	171,247,039
FY 2022 Budgeted Beginning Balance	<u>92,520,297</u>
Additional FY 2022 BWC (OTO)	78,726,742
Less FY 2021 BIT used in FY 2022	<u>(30,401,964)</u>
Adjusted Additional FY 2022 BWC (OTO)	48,324,778
Plus Additional BIT Revenues	29,753,799
Less Amount for BIT East County Cities Payment	<u>(2,529,073)</u>
Plus Additional FY 2022 Forecast Adjustments	6,928,744
Less Amount to Maintain Reserves at Board Policy Level	<u>(7,188,665)</u>
<i>Add'l PERS Side Account ⁴</i>	<u>(25,000,000)</u>
<i>CGF Reserve Incremental Increase</i>	<u>(5,379,656)</u>
<i>BIT Reserve Incremental Increase</i>	<u>(1,360,000)</u>
OTO Funds for FY 2023 per November Forecast	43,549,927

FY 2023 Treated as OTO to Balance	3,030,250
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Total OTO Funds for FY 2023	46,580,177
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<i>50% Dedicated to County Facility Projects per Board Policy</i>	23,290,089
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<i>Remaining 50% to be Allocated</i>	23,290,089
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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
- Economic Recovery
 - Path of revenue recovery
 - Long-term implications for revenue growth
 - Portland-specific reputation issues
 - Return to work
- Federal Legislation
 - Programs and Tax Policy
- Personnel Costs
 - 7 open labor contracts
 - Inflation



Summary

- FY 2022 General Fund revenue forecast increased \$36.7 million (6.41%)
- FY 2022 General Fund contingency balance of \$2.7 million (unallocated)
- Surplus of \$18.4 million forecast for FY 2023
 - Becomes surplus of \$40.4 million by FY 2027
- FY 2023 General Fund OTO resources of \$46.6 million
 - \$23.3 million for facility projects (per Board policy)
 - \$23.3 million to be allocated
- Major risks, uncertainties, and issues include:
 - COVID-19 Mitigation and Recovery
 - Inflation



Questions

