

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 2024 General Fund 5-Year Forecast Update

Presented to the
Board of County Commissioners

Multnomah County
March 9, 2023

Located at: www.multco.us/budget

Agenda

- Financial Context and Overview
- Economic Overview
 - Interest Rates
 - Population
- FY 2023 Revenue Review
 - BIT
 - Recording Fees
- FY 2024 General Fund 5-Year Forecast
 - Including Expenditure Assumptions
- FY 2024 One-Time-Only Funds
- FY 2023 General Fund Contingency Update
- Forecast Risks and Issues
- Summary and Questions



Financial Context

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

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Revenues¹	672,116,652	704,076,479	729,283,575	756,275,443	782,092,135
Expenditures	672,204,720	701,050,741	728,417,305	755,127,457	791,117,000
Ongoing Surplus/(Deficit)	(88,068)	3,025,738	866,270	1,147,985	(9,024,865)
BHRC Ongoing Funding Gap	(2,500,000)	(5,650,000)	(5,876,000)	(6,111,040)	(6,355,482)
November Forecast with BHRC	(2,588,068)	(2,624,262)	(5,009,730)	(4,963,055)	(15,380,347)
<i>BIT Revenue Change</i>	0	8,824,745	7,725,983	6,479,882	6,803,876
<i>FY 2025 COLA Increase to 3.5%</i>	0	(1,820,646)	(1,893,472)	(1,969,211)	(2,047,979)
March Forecast with BHRC	(2,588,068)	4,379,837	822,781	(452,383)	(10,624,450)

Note: Revenues/Expenditures include video lottery, but excludes reserves and one-time resources

- Relatively small adjustments to forecast
- Federal Reserve, Rates, and Recession
 - Short- and Medium-Term Implications
- Personnel cost assumptions

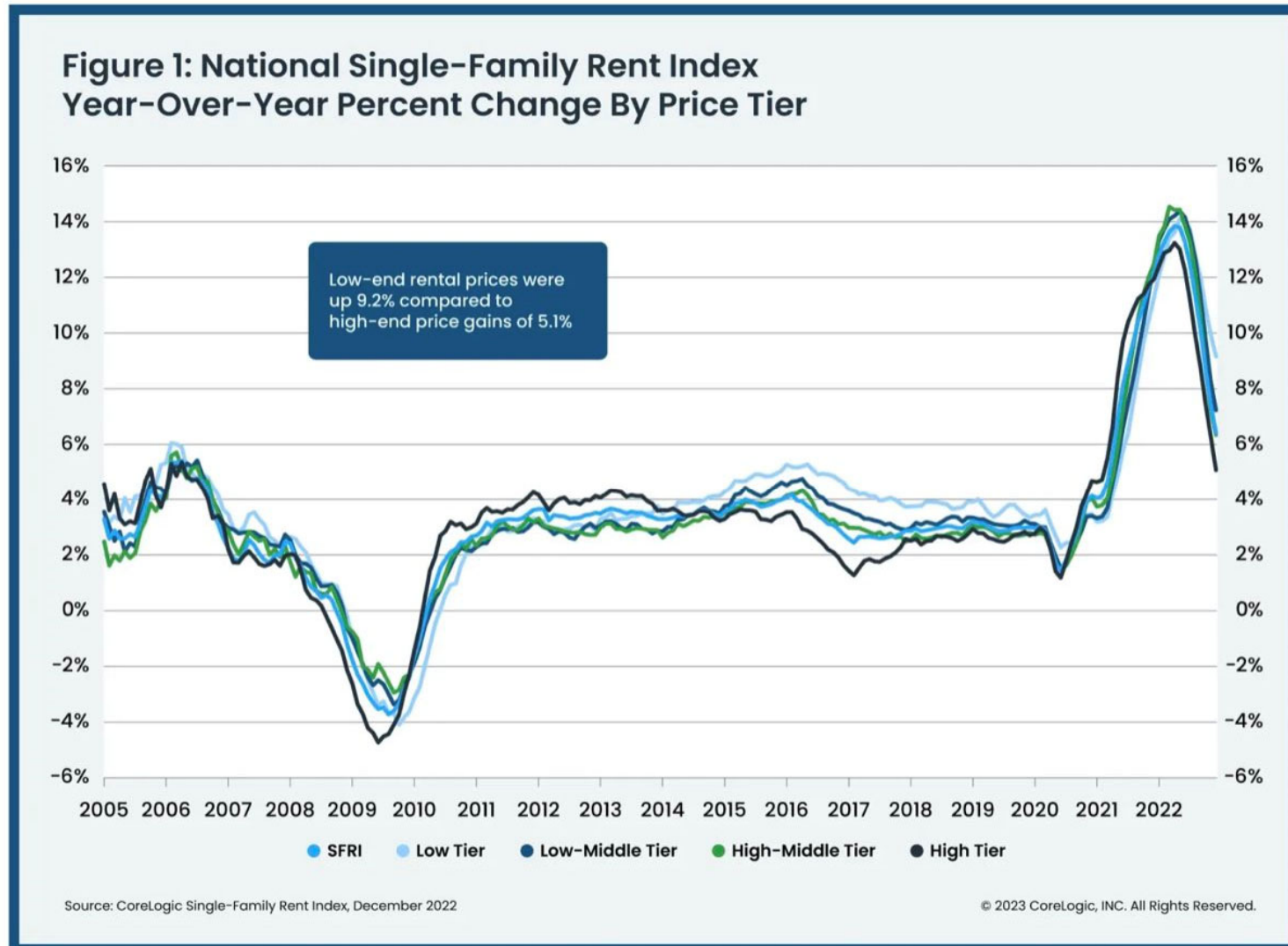


Economic Overview

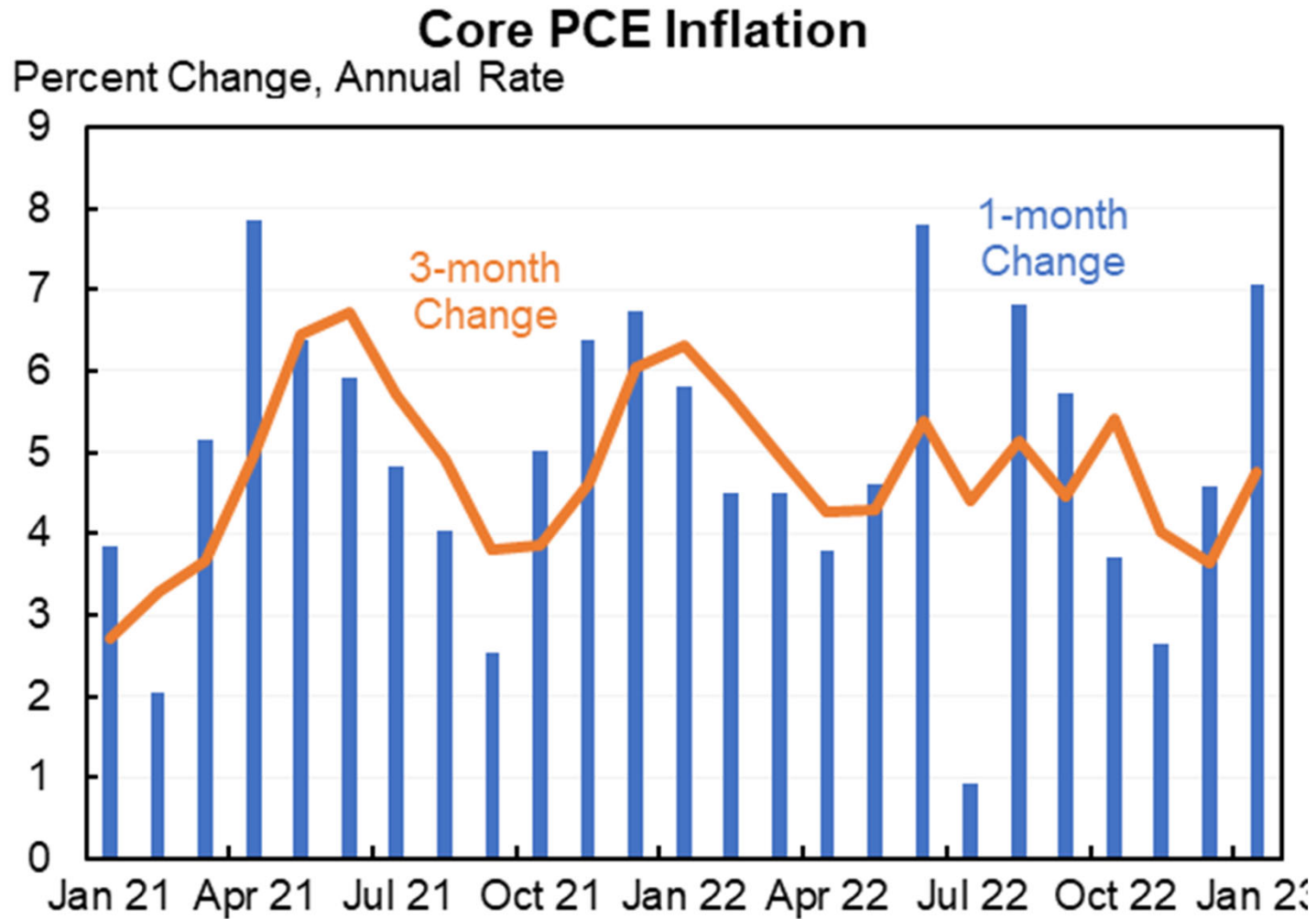
- Federal Reserve showing mixed signals over last couple of weeks
 - Labor Market still hot
 - Inflation slowing but what about core?
- Three Options:
 - Inflation on sustainable path, soft landing
 - Core inflation still strong, resume rate increases and recession risk rises
 - Inflation slows, but not all the way and inflation target adjusts up
- Macroeconomy vs. MultCo Drivers



Economic Overview



Economic Overview



Source: Bureau of Economic Analysis via Macrobond; author's calculations.

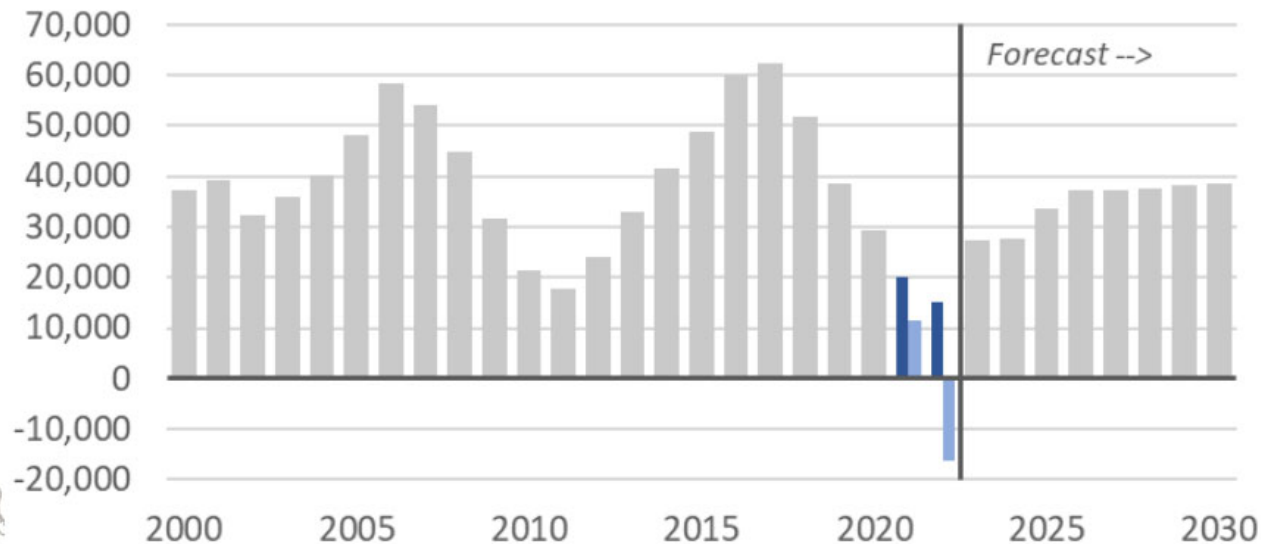


Economic Overview

Oregon Pandemic Population Growth

Annual change in total state population

OEA History and Forecast, [Portland State Estimates](#), [Census Bureau Estimates](#)



Source: Census, Portland State Population Research Center, Oregon Office of Economic Analysis

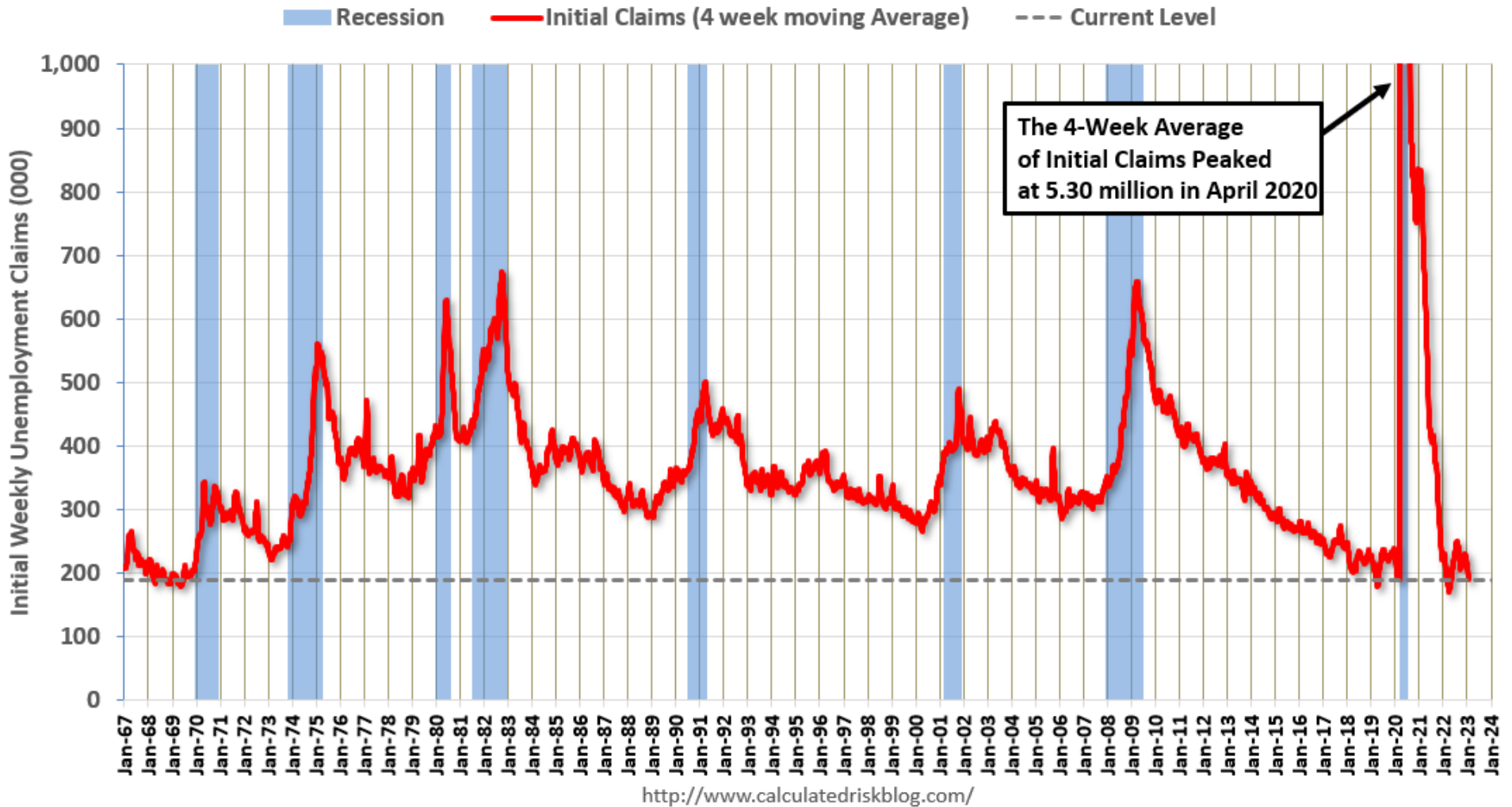


- Primary reason Oregon grows faster than U.S.
 - Local businesses can hire and expand at faster rate
- Weakness has been in urban cores of large metros nationwide
- Forecast
 - Migration has historically been pro-cyclical
 - Surrendered driver licenses at Oregon DMVs are strong
 - Deaths are rising, and birthrate is very low



Economic Overview

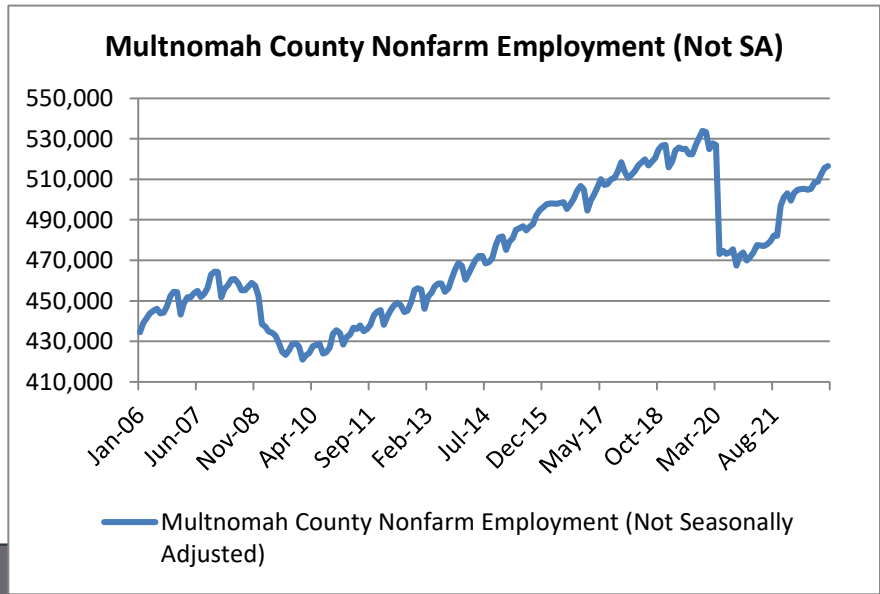
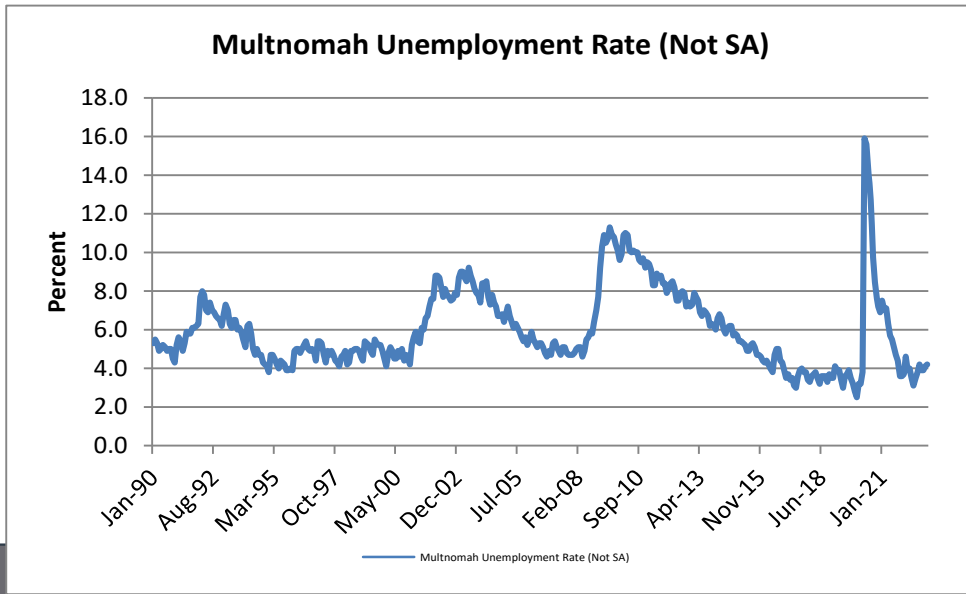
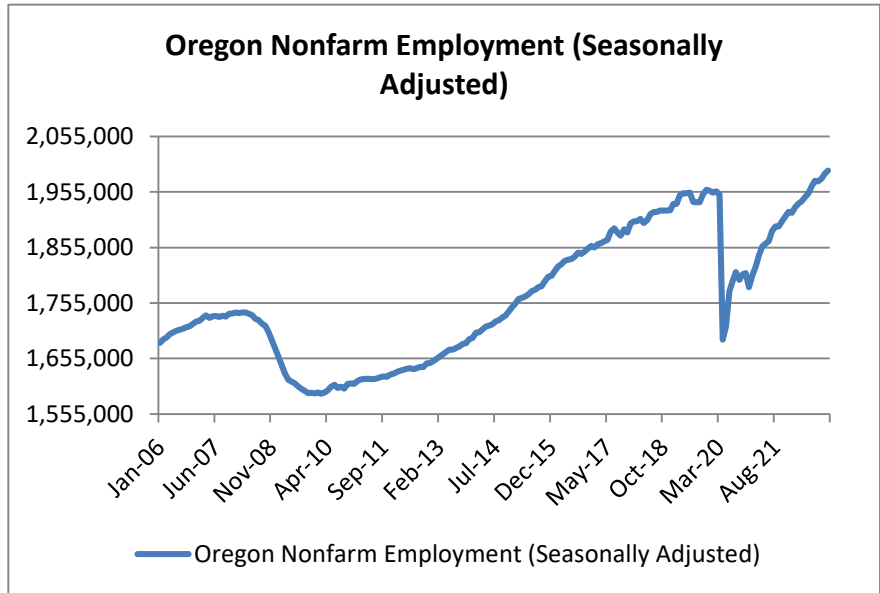
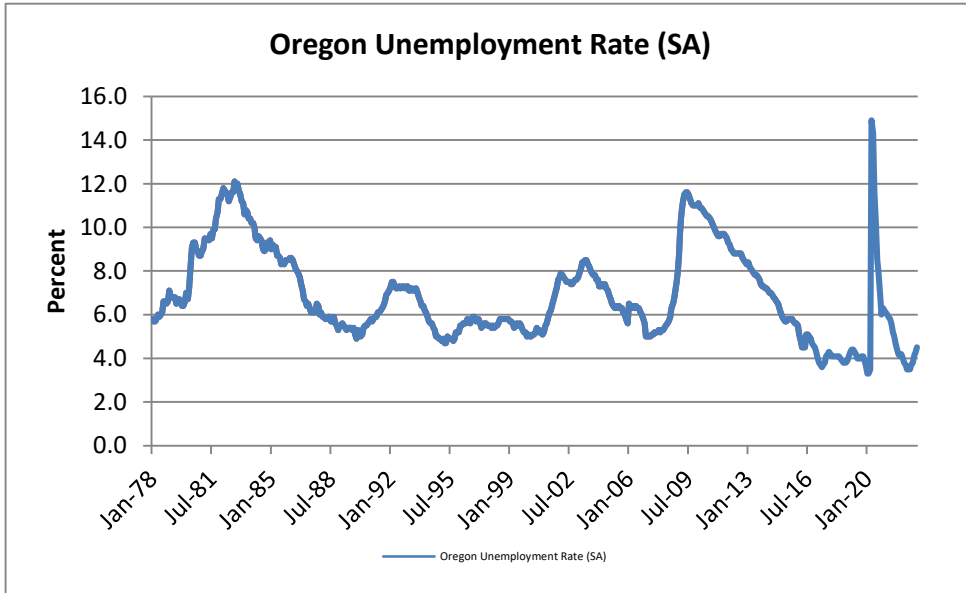
Initial Weekly Unemployment Claims



Source: Department of Labor



Economic Overview



FY 2023 Revenue Review

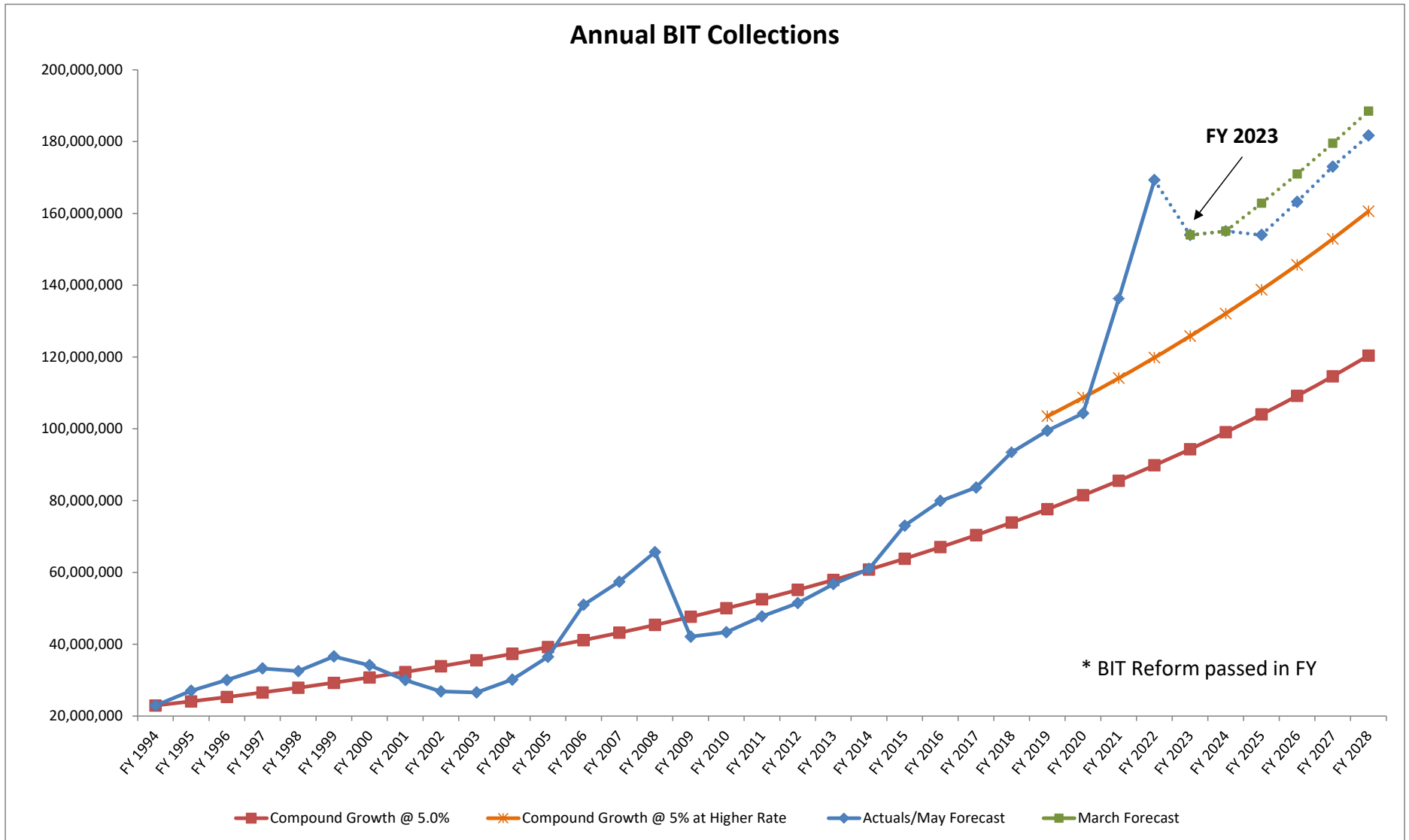
	Adopted ¹	November Forecast Change	March Forecast Change	May Forecast Change	Net Change From Adopted	Note
Property Taxes	354,218,237	10,265,549	(3,000,000)		7,265,549	Higher AV/Lower Compression, Reduced Delinquency Assumption (from 5.5% to 4.5%)
Business Income Taxes	137,150,000	16,850,000	0		16,850,000	Pressure on Corp Profits
Motor Vehicle Rental Taxes	33,175,000	0	0		0	
US Marshal/BM 73/BOP	6,571,733	0	0		0	
State Shared					0	
Video Lottery	6,457,500	(257,500)	0		(257,500)	
Liquor	5,519,654	(219,654)	0		(219,654)	
Cigarette	602,073	0	0		0	
Marijuana	1,000,000	0	0		0	
Amusement	173,000	0	0		0	
Recording Fees/CAFFA Grant	7,829,365	(1,579,365)	(1,000,000)		(2,579,365)	Higher Interest Rates Decreasing Affordability
Indirect					0	
Departmental	28,186,238	0	0		0	
Central Indirect/Svc Reimburse	17,921,567	0	0		0	
All Other	34,301,033	124,875	0		124,875	Interest
FY 23 Revenue Adjustments ²	633,105,400	25,183,905	(4,000,000)	0	21,183,905	
% of Revenue		3.98%	-0.63%	0.00%	3.35%	

1. Excludes BWC and Tax Title: Affordable Housing but includes Video Lottery.

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

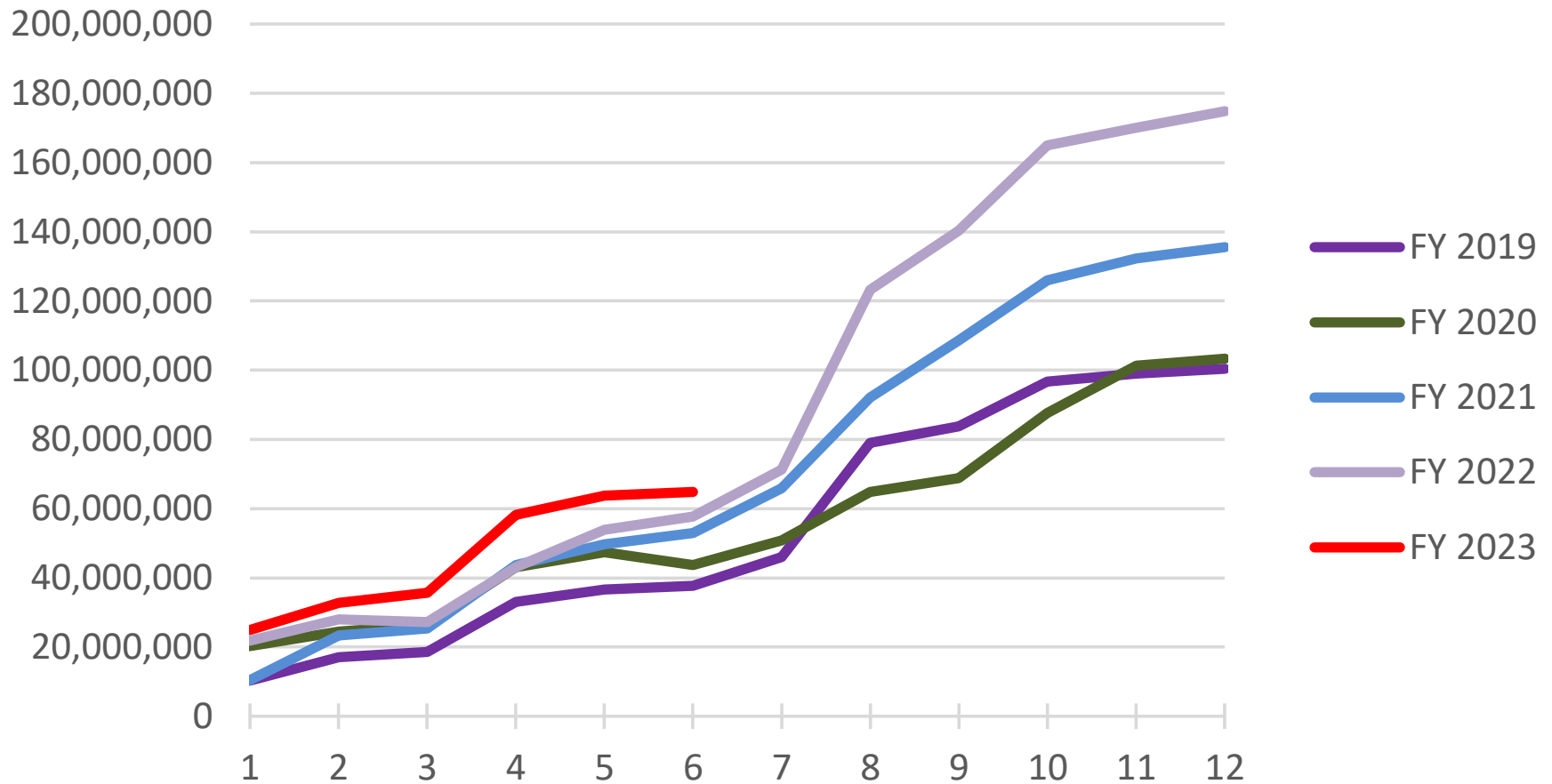


FY 2023 Revenue Review



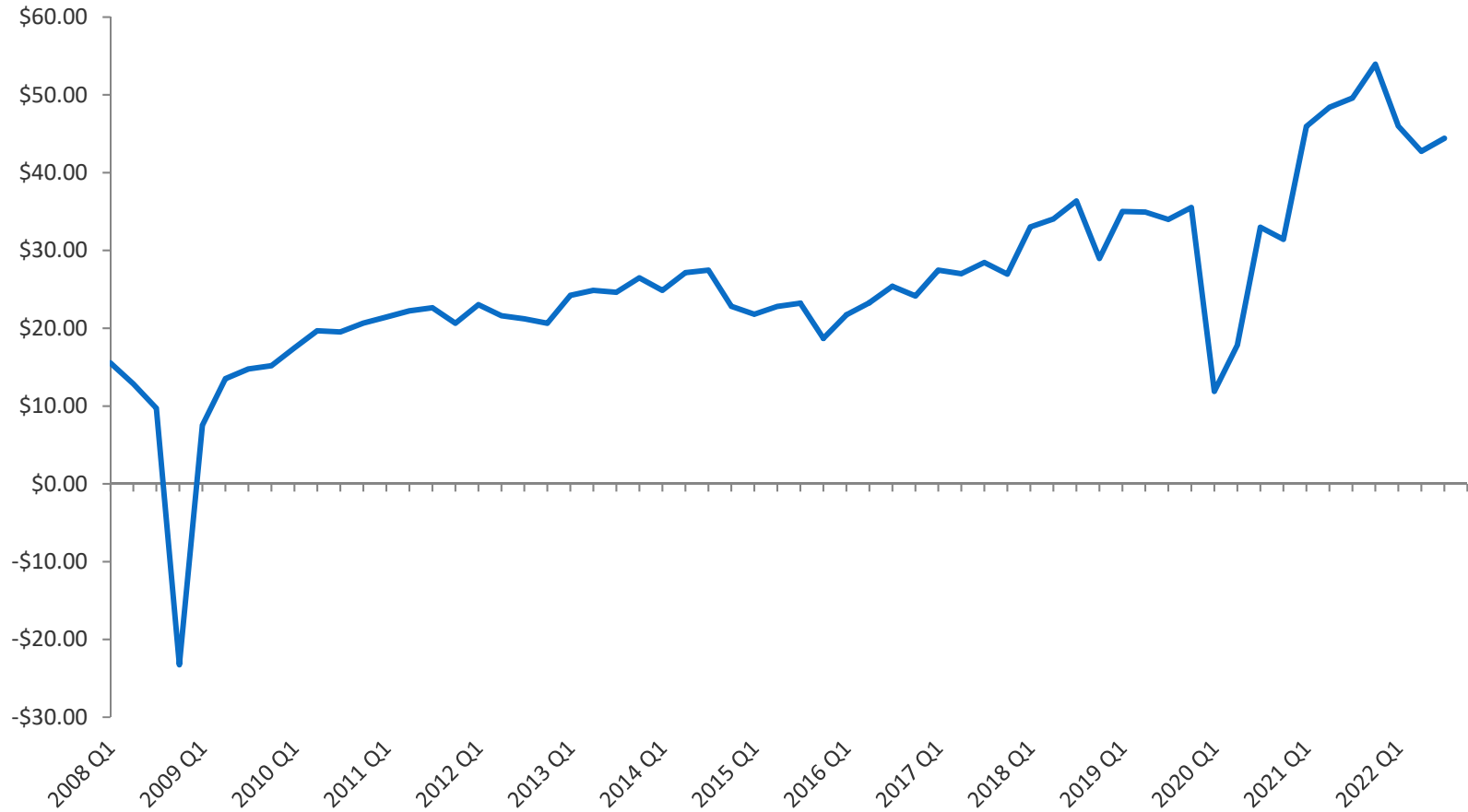
FY 2023 Revenue Review

Cumulative BIT Collections by Year



FY 2023 Revenue Review

S&P 500 (As Reported) Earnings



FY 2023 Revenue Review

US Corporate Profits (Pre-Tax)

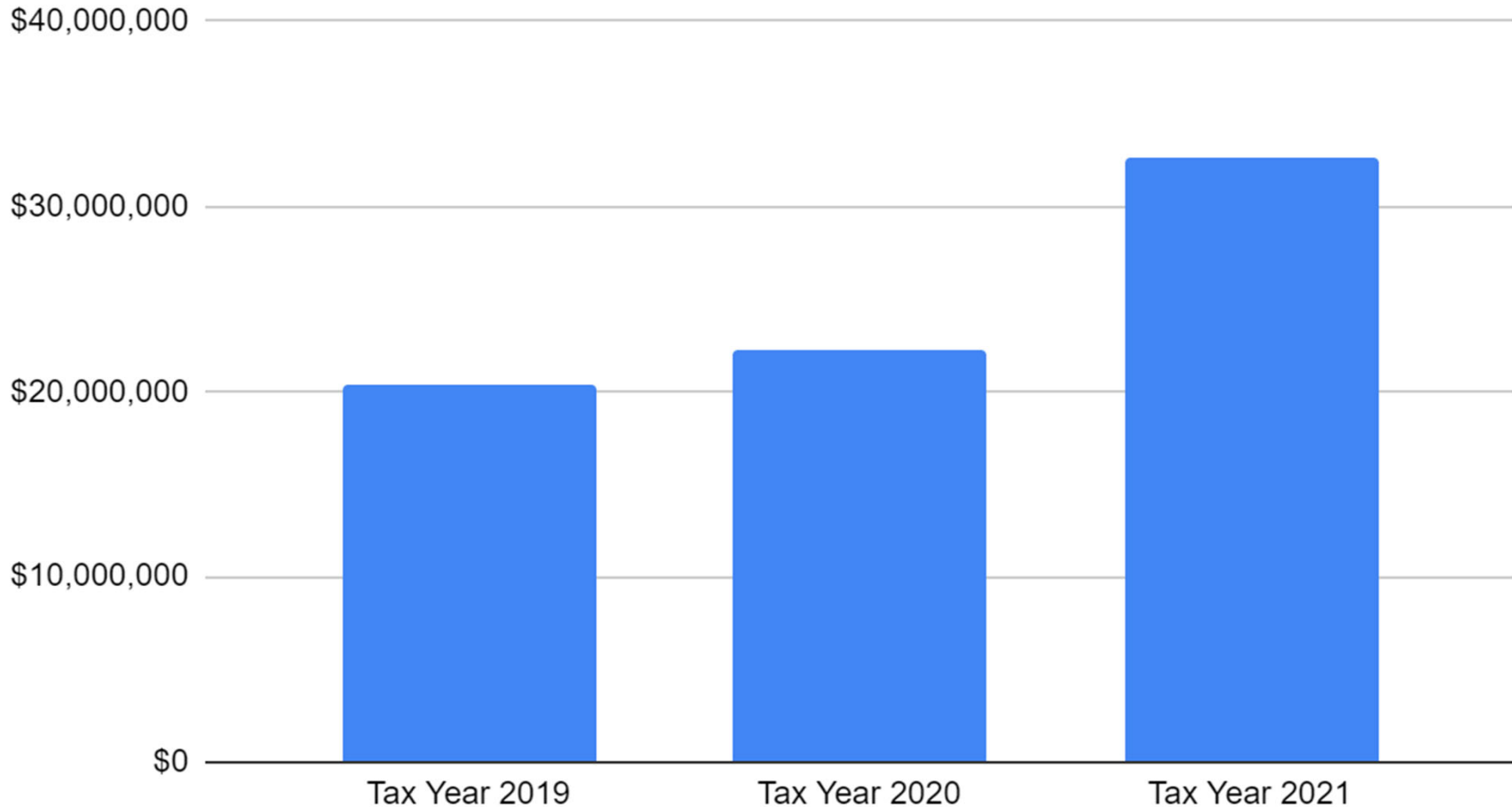


Source: St. Louis Federal Reserve (FRED), Bureau of Economic Analysis



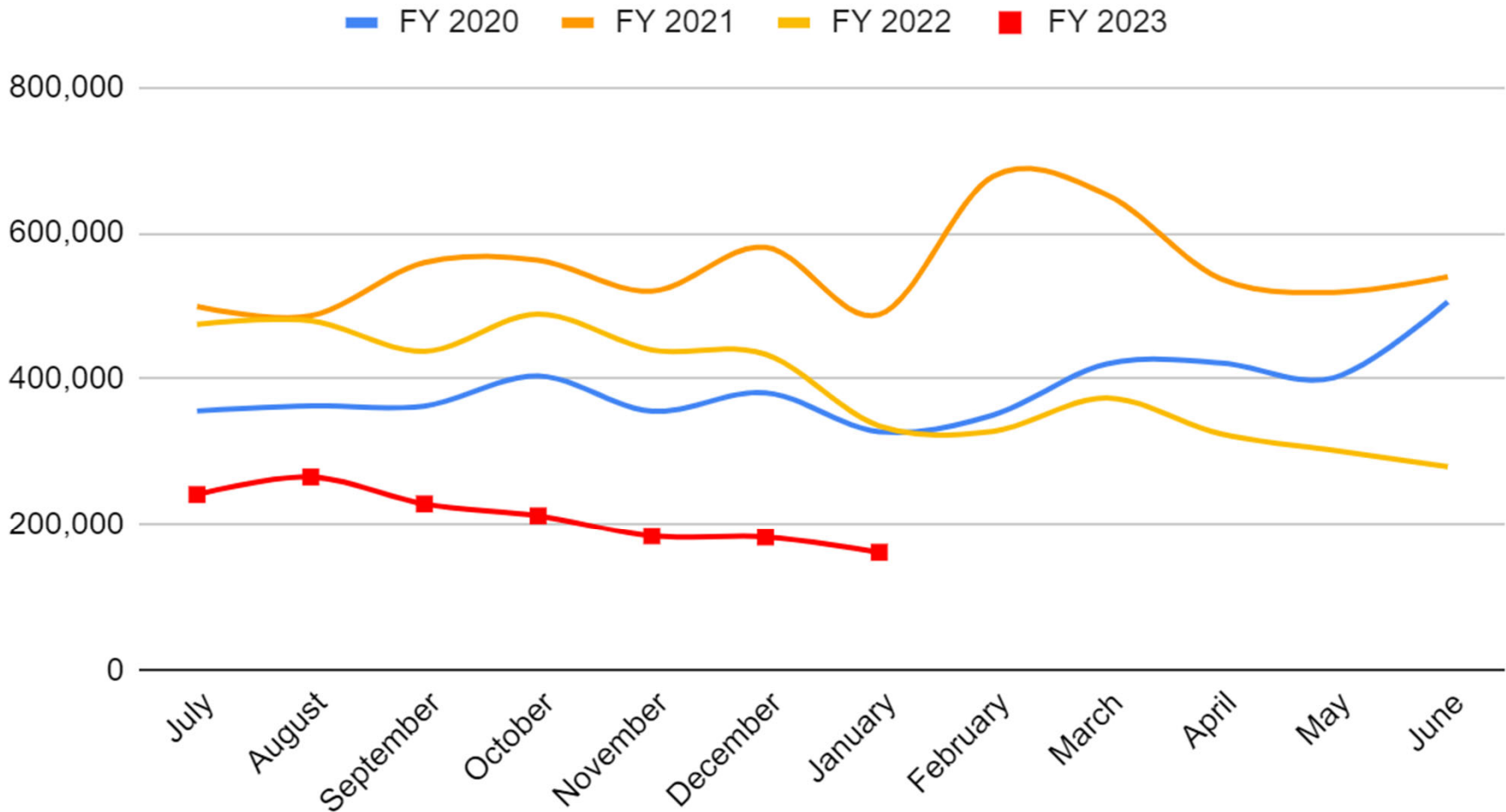
FY 2023 Revenue Review

BIT Real Estate Rental and Leasing Revenue (NAICS 53)



FY 2023 Revenue Review

Monthly Recording Fees (through January)



5-Year General Fund Forecast

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

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Revenues¹	672,116,652	704,076,479	729,283,575	756,275,443	782,092,135
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BHRC Ongoing Funding Gap	(2,500,000)	(5,650,000)	(5,876,000)	(6,111,040)	(6,355,482)
November Forecast with BHRC	(2,588,068)	(2,624,262)	(5,009,730)	(4,963,055)	(15,380,347)
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<i>FY 2025 COLA Increase to 3.5%</i>	0	(1,820,646)	(1,893,472)	(1,969,211)	(2,047,979)
March Forecast with BHRC	(2,588,068)	4,379,837	822,781	(452,383)	(10,624,450)

Note: Revenues/Expenditures include video lottery, but excludes reserves and one-time resources

- BIT returns to growth one year earlier
- Inflation remains higher for longer
- Path forward dictated by Federal Reserve response



5-Year General Fund Forecast

	Adopted FY 2023	Forecast FY 2023 ²	Forecast FY 2024	Forecast FY 2025	Forecast FY 2026	Forecast FY 2027	Forecast FY 2028
Property Taxes	354,218,237	361,483,786	376,834,752	406,609,219	419,293,731	432,832,927	446,850,543
Business Income Taxes	137,150,000	154,000,000	155,071,186	162,824,745	170,965,983	179,514,281	188,489,996
Motor Vehicle Rental Taxes	33,175,000	33,175,000	33,838,500	34,515,270	35,205,575	35,909,687	36,627,881
US Marshal (& BM 37)	6,571,733	6,571,733	6,571,733	6,571,733	6,571,733	6,571,733	6,571,733
Recording Fees/CAFFA Grant	7,829,365	5,250,000	6,388,250	6,823,356	7,296,880	8,066,127	8,242,075
State Shared	13,752,227	13,275,073	13,481,542	13,880,629	14,295,033	14,725,357	15,172,228
Indirect & Service Reimbrs.	46,107,805	46,107,805	48,361,453	49,791,259	51,265,457	52,785,433	54,352,614
	598,804,367	619,863,397	640,547,415	681,016,211	704,894,393	730,405,545	756,307,070
% of Total Revenue	95.6%	95.1%	95.3%	96.7%	96.7%	96.6%	96.7%
All Other General Fund	27,843,533	31,801,033	30,294,237	21,772,518	23,432,933	25,386,991	25,785,065
Total	626,647,900	651,964,430	672,116,652	704,076,479	729,283,575	756,275,443	782,092,135
% Change in Ongoing Revenue		4.04%	3.09%	4.76%	3.58%	3.70%	3.41%
AV Growth	3.55%	4.56%	4.45%	8.20%	3.10%	3.25%	3.25%
Compression	4.10%	3.50%	4.10%	4.25%	4.25%	4.25%	4.25%
BIT Growth	-21.58%	-11.94%	0.70%	5.00%	5.00%	5.00%	5.00%

1. Excludes BWC and OTO resources, but includes video lottery revenues.

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



FY 2024 OTO Funds

General Fund FY 2023 Beginning Working Capital & FY 2024 OTO^{1, 2}

Year-End as of November 1, 2022

FY 2023 Beginning Balance ³	245,669,604
FY 2023 Budgeted Beginning Balance	172,891,050
Additional FY 2023 BWC (OTO)	72,778,554
Less Two Years (FY 2023/2024) Retention Incentives (Represented) ⁴	(23,576,995)
Less Two Years (FY 2023/FY 2024) Retention Incentives to Settled Contracts	(1,834,965)
Less Two Years (FY 2023/2024) Retention Incentives (Non-Represented) ⁴	(6,000,305)
FY 2023 Retention Incentives Covered by ARP (One Year)	6,944,609
Less Amount to "Bridge" FY 2024 Deficit	(2,588,068)
Less Amount to Pay Off ERP Debt Early	(6,783,000)
Plus November FY 2023 Forecast Adjustments	24,140,591
Less March Property Tax Adjustment	(3,000,000)
Less March Recording Fee Adjustment	(1,000,000)
Less Amount to Maintain FY 2024 Reserves at Board Policy Level	(6,719,852)
OTO Funds for FY 2024 per November Forecast	52,360,569
<i>50% Dedicated to County Facility/IT Projects per Board Policy</i>	<i>26,180,285</i>
<i>Remaining 50% to be Allocated</i>	<i>26,180,285</i>

1. Assumes the FY 2023 General Fund Contingency is fully spent in FY 2023.

2. Assumes departments fully spend their FY 2023 appropriation.

3. Adjusted for additional restricted County Clerk BWC, and Tax Title: Affordable Housing.

4. Excludes Library Employees



FY 2023 Contingency Update

Contingency

General Fund 'Regular' Contingency	2,000,000
Additional Contingency	137,411
Contingency for Labor Contracts	4,173,325
Additional Contingency for Uncertainty	2,000,000
Auditor's Office Ombudsperson	<u>(100,500)</u>
Remaining Non-Earmarked Contingency	8,210,236

Approved by Board 2/2/2023

Earmarked Contingency

Earmark - Body Worn Cameras	500,000
Earmark - Behavioral Health Resource Center	<u>2,775,000</u>
Total Earmarked Contingency	3,275,000

Total General Fund Contingency	11,485,236
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BIT Reserve @ 10% (in General Fund Contingency)	13,600,000
Increasing CGF Reserve to 11%	5,383,530
Increasing BIT Reserve to 11%	<u>1,360,000</u>
Total General Fund Contingency	31,828,766

Note: The forecast assumes the General Fund Contingency will be fully spent, with the exception of the Reserves, which is 'rolled over' to FY 2024



Forecast Risks, Uncertainties, and Issues

- Inflation and Federal Reserve Response
 - Path of rate increases
- Risk of Recession
 - Timing and intensity
 - State funding
 - Impacts on employment
 - Development Cycle
 - Demand for County services
 - PERS
- Telework
 - Local economy
 - Revenue impact
 - Downtown Core



Summary

- FY 2023 General Fund revenue forecast decreased \$4.0 million (0.6%)
- FY 2023 General Fund contingency balance of \$8.2 million (unallocated)
- Deficit of \$2.6 million forecast for FY 2024
 - Becomes deficit of \$10.5 million by FY 2028
- FY 2023 General Fund OTO resources of \$52.4 million
 - \$26.2 million for facility/IT projects (per Board policy)
 - \$26.2 million to be allocated
- Major risks, uncertainties, and issues include:
 - Interest Rates and Recession
 - Inflation



Questions



Budget Process

