



# FY 2024 General Fund 5-Year Forecast Update

Presented to the  
Board of County Commissioners

Multnomah County  
November 15, 2022

Located at: [www.multco.us/budget](http://www.multco.us/budget)

# Agenda

---

- Financial Context and Overview
- Economic Overview
  - Interest Rates
  - Incomes
- FY 2023 Revenue Review
  - Property Tax
  - BIT
  - MVRT
- FY 2024 General Fund 5-Year Forecast
  - Including Expenditure Assumptions – Cost Drivers, COLA, PERS
- 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
Revenues <sup>1</sup>	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)

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

- Significant Decrease in Forecasted Surplus from Spring
  - Personnel Cost Increases (Closed Contracts)
  - Offset by Changes to BIT and Property Tax Assumptions
- Risk of Recession and Inflation Uncertainty
- End of ARP



# Economic Overview

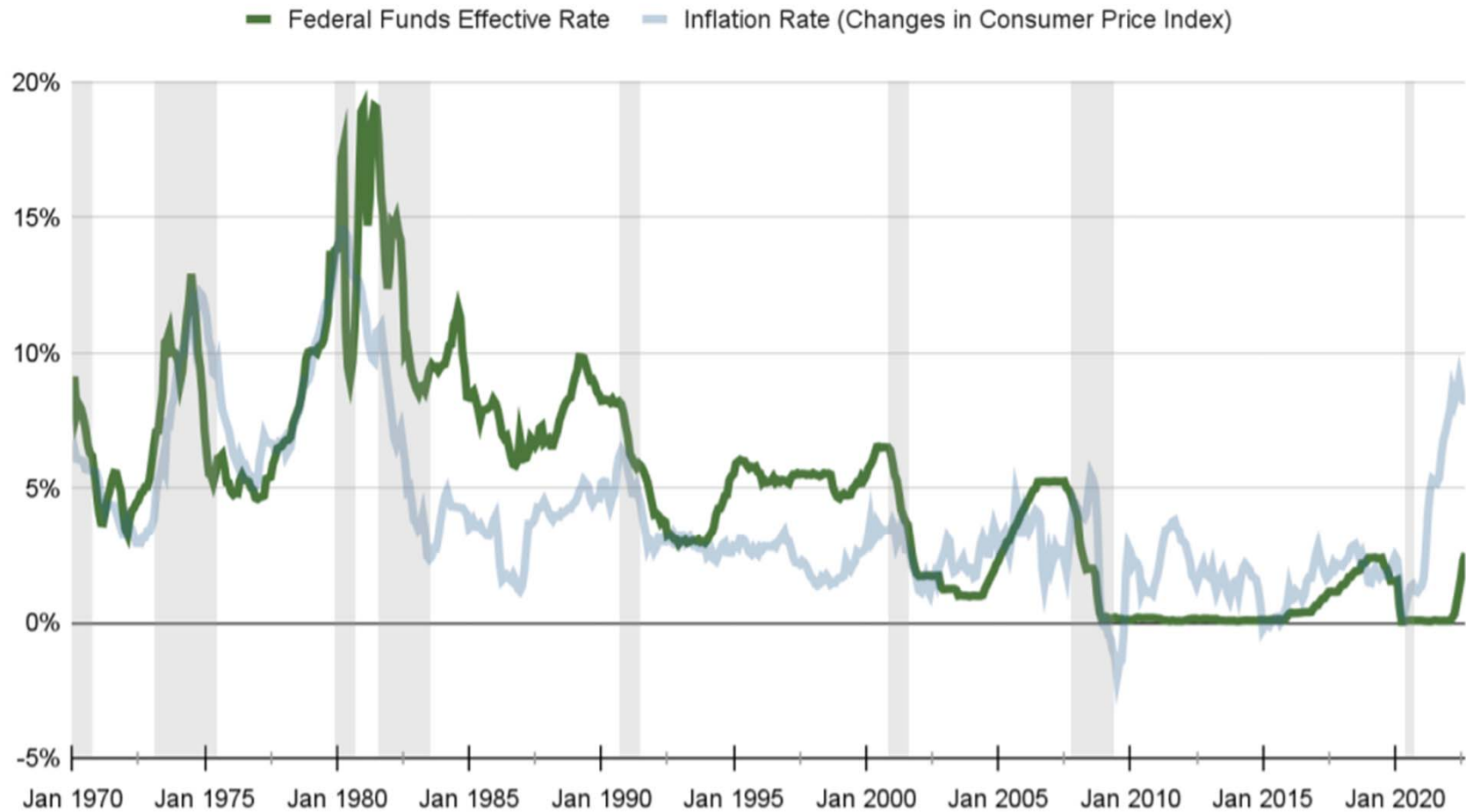
---

- Inflation becoming broad-based.
  - Federal Reserve has dropped “soft landing” from messaging
- Real household incomes still increasing and excess savings remain elevated.
- Locally, employment growth now exceeding comparable metro areas
- Uncertainty
  - Inflation
  - Recession
  - Corporate Profits



# Economic Overview

## Federal Funds Effective Rate and Inflation



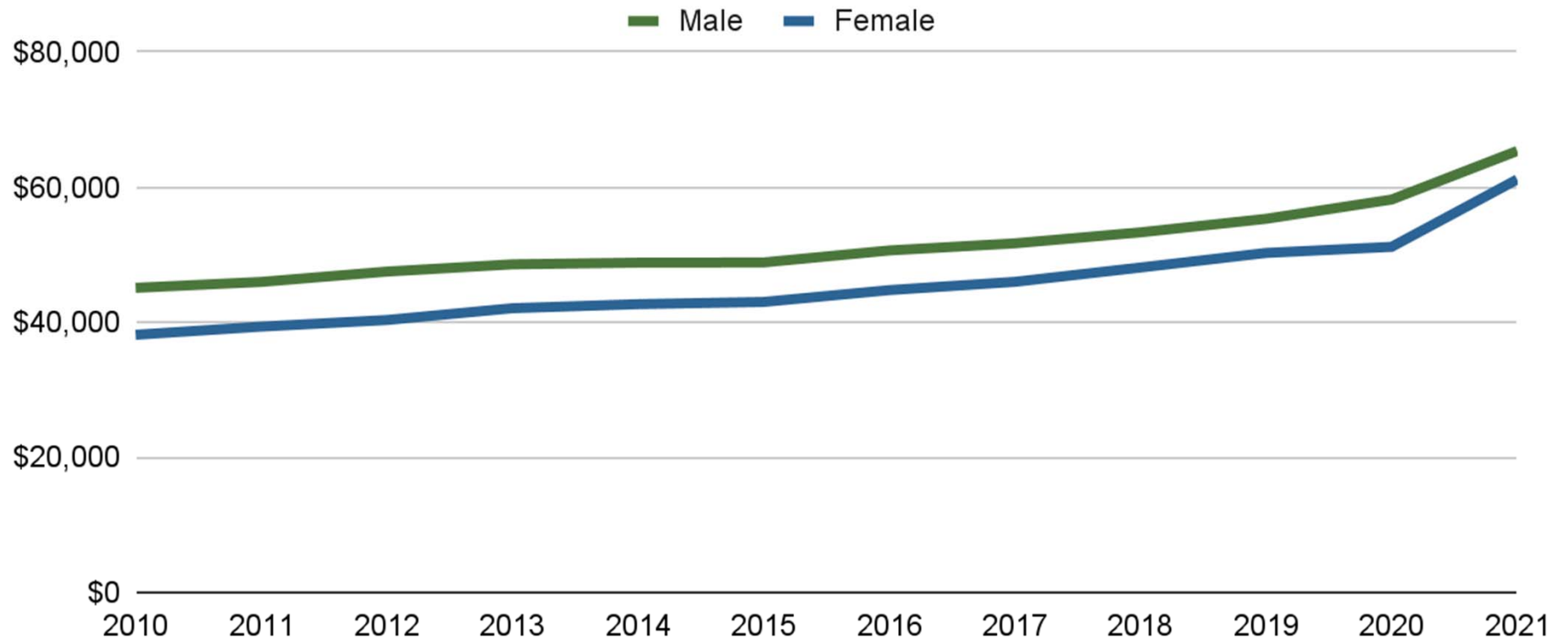
Sources: Board of Governors of the Federal Reserve System (US); U.S. Bureau of Labor Statistics via FRED Economic Data



# Economic Overview

---

## Median Yearly Earnings for Full-Time, Year-Round Workers in Multnomah County



Median annual earning increases for both male and female workers.

Source: American Community Survey



# Economic Overview

## Annual Household Income for Family with Own Children Under the Age of 18 in Multnomah County

● Married-Couple Families ● Male Householders, no spouse present ● Female Householders, no spouse present

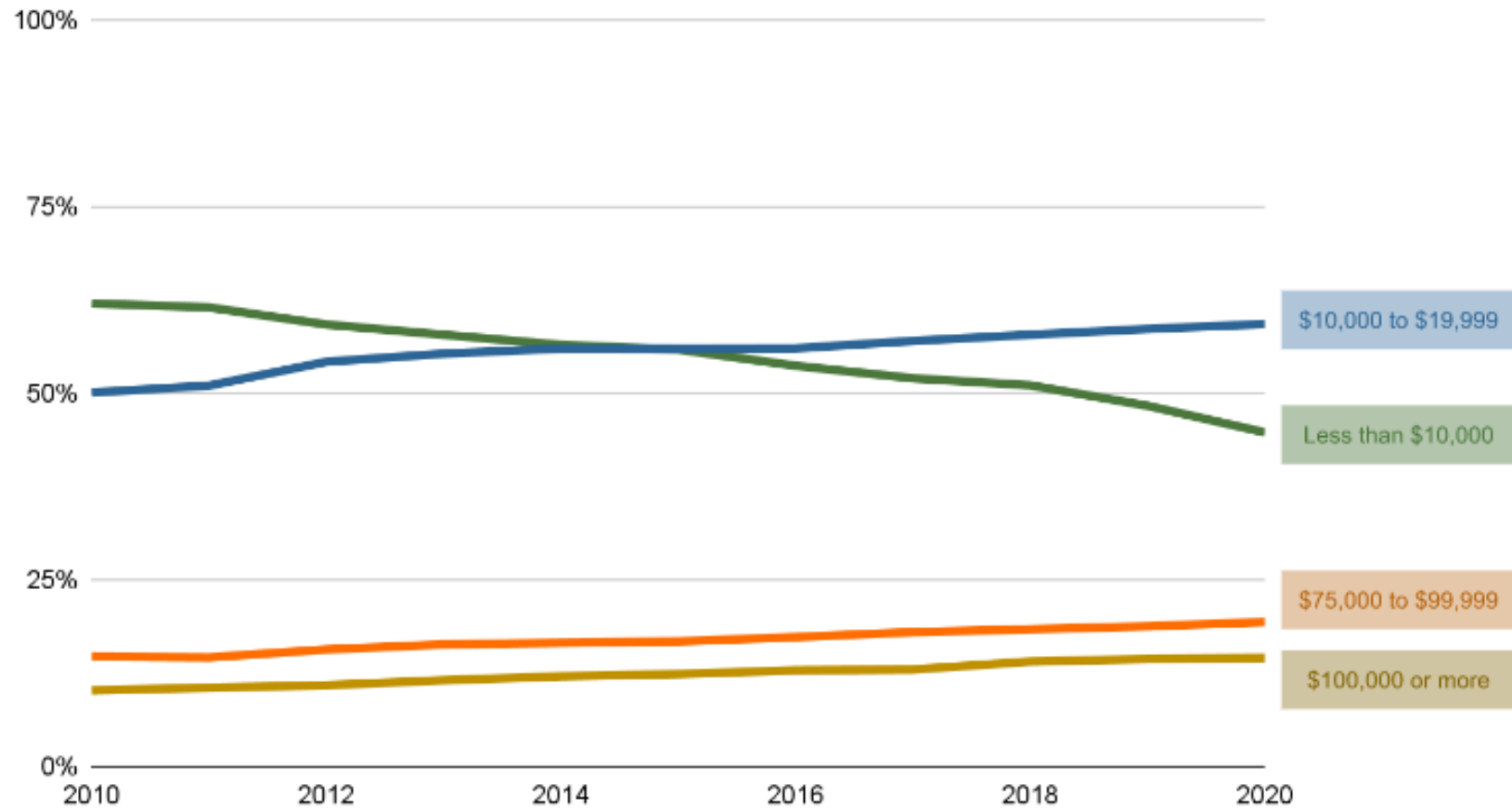


Source: American Community Survey



# Economic Overview

Median Gross Rent as Percentage of Median Household Income for the Two Top and Bottom Income Ranges in Multnomah County



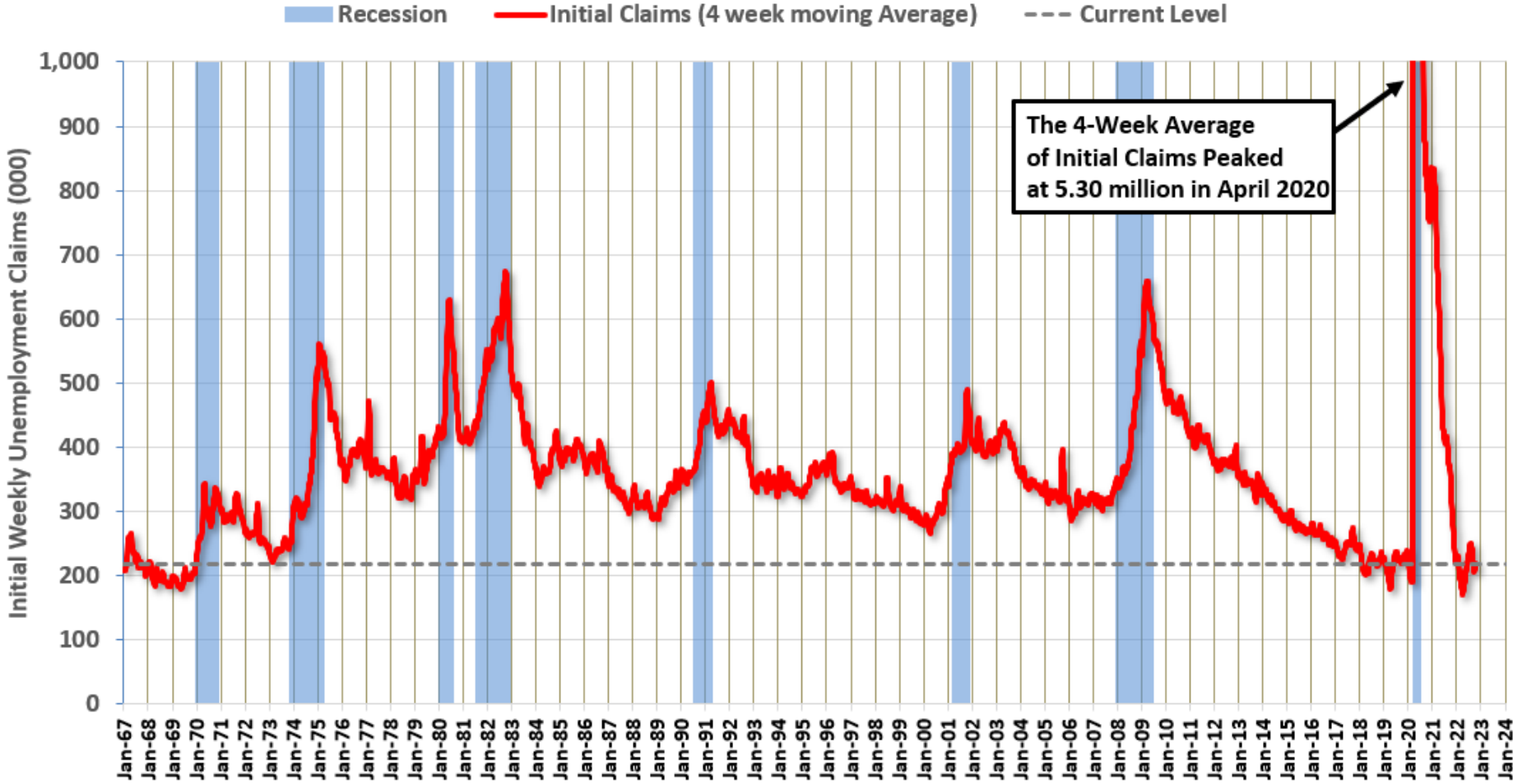
Source: American Community Survey





# Economic Overview

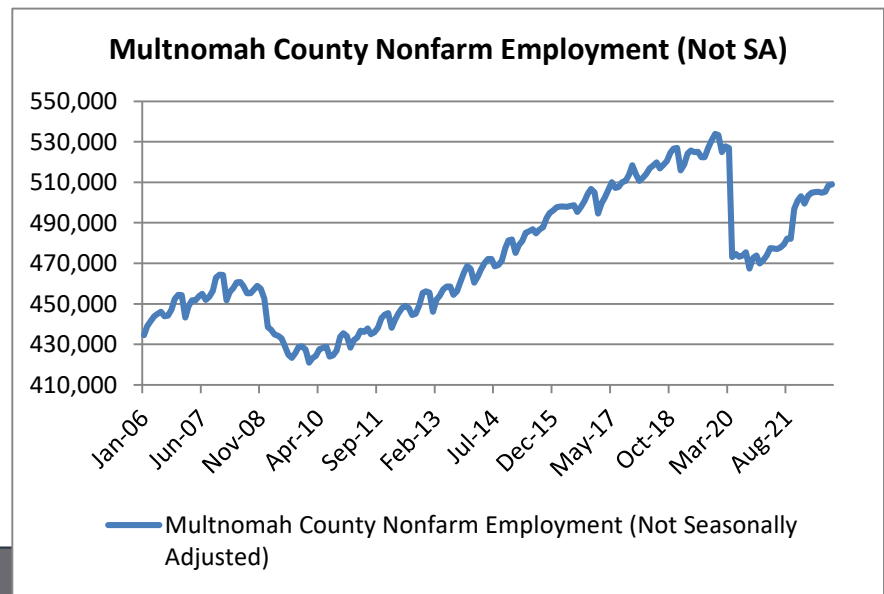
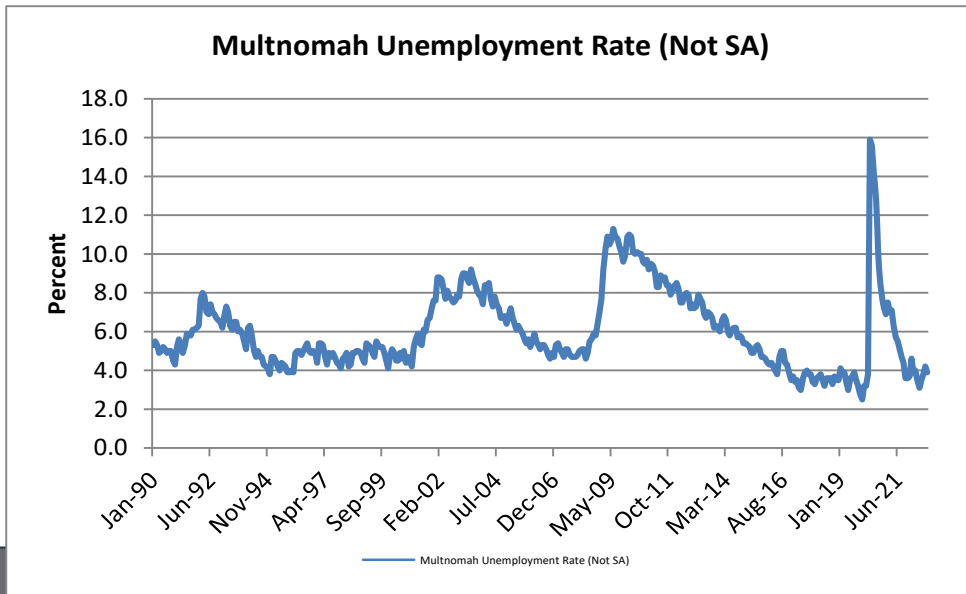
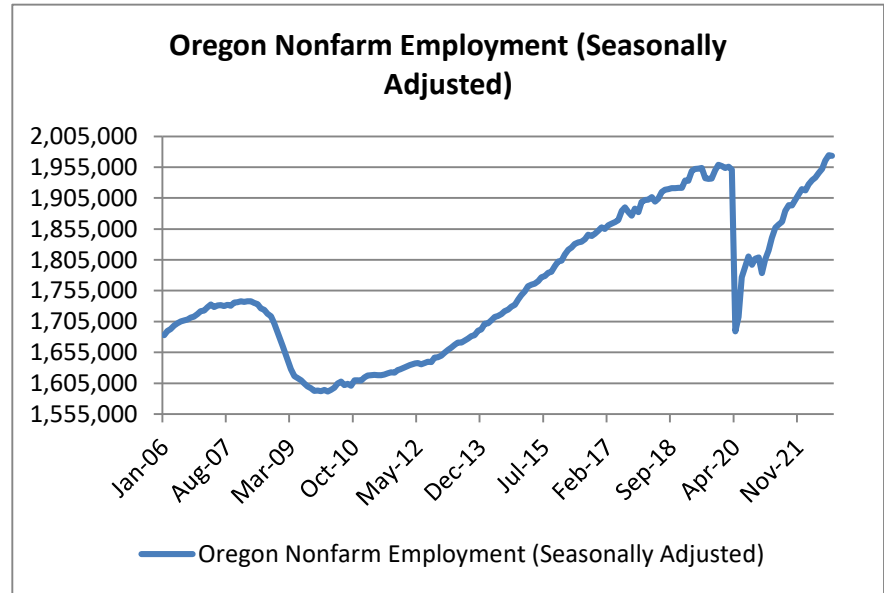
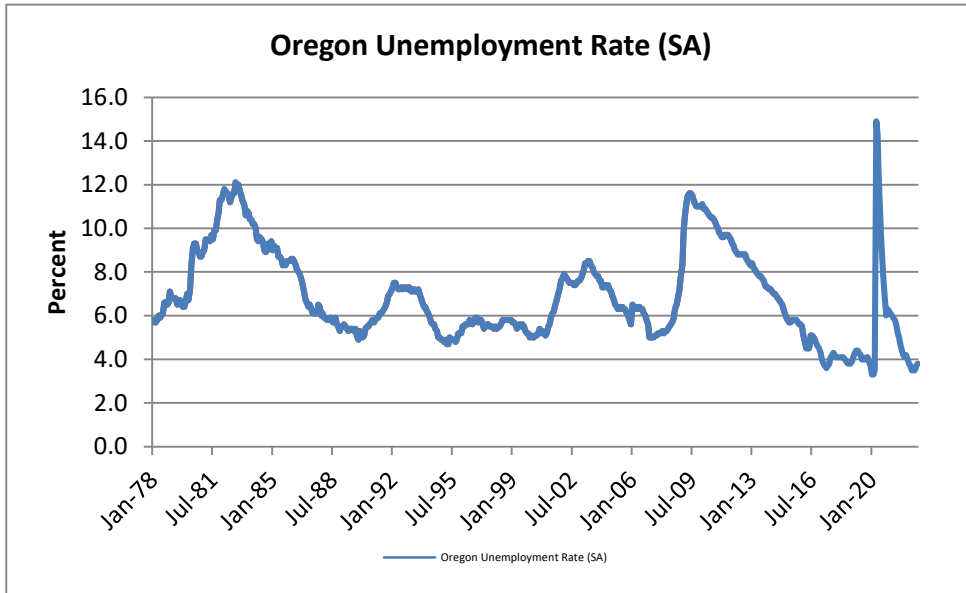
### Initial Weekly Unemployment Claims



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



# Economic Overview



# FY 2023 Revenue Review

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

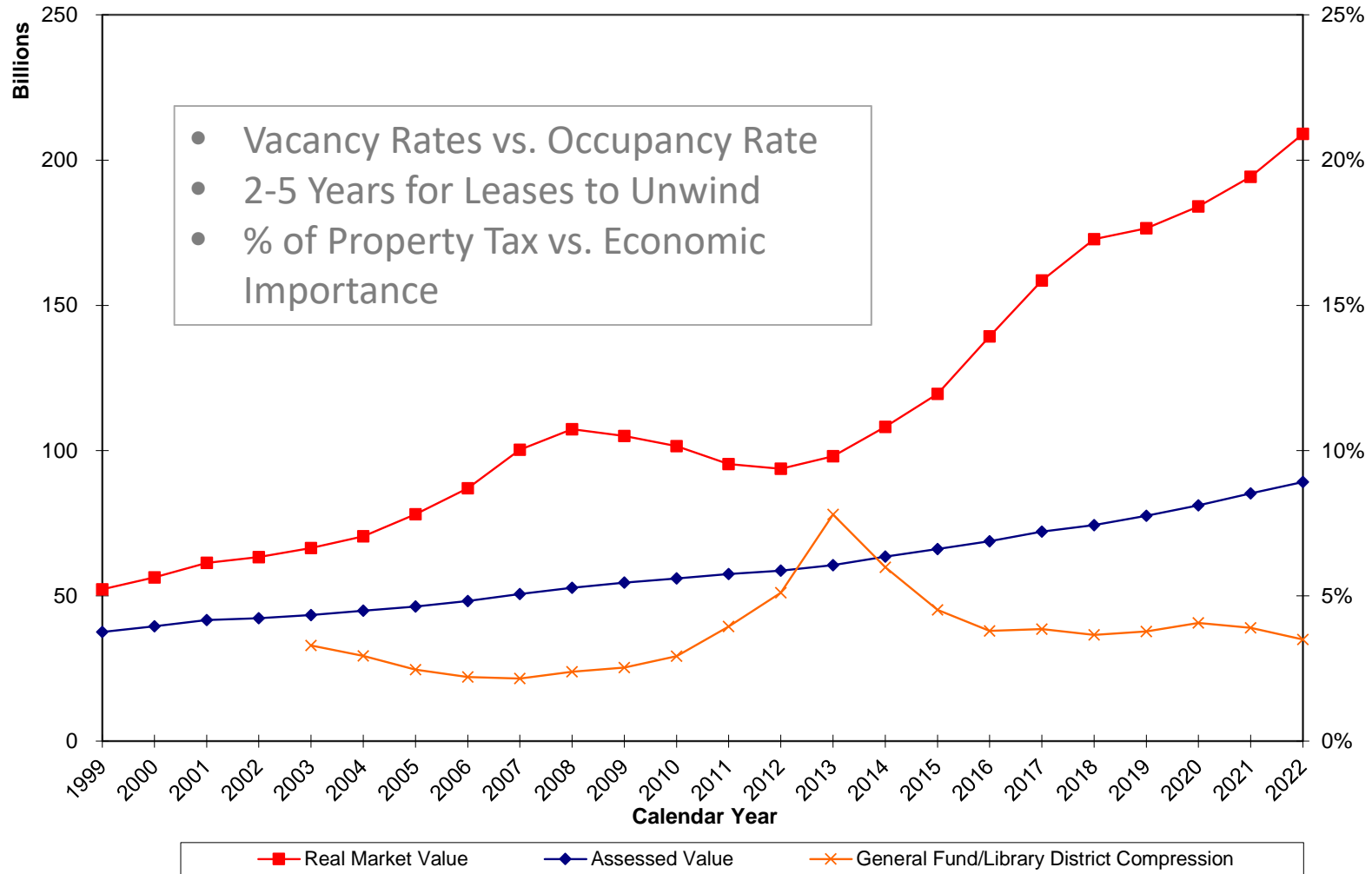
1. Excludes BWC and Tax Title: Affordable Housing but includes Video Lottery.

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



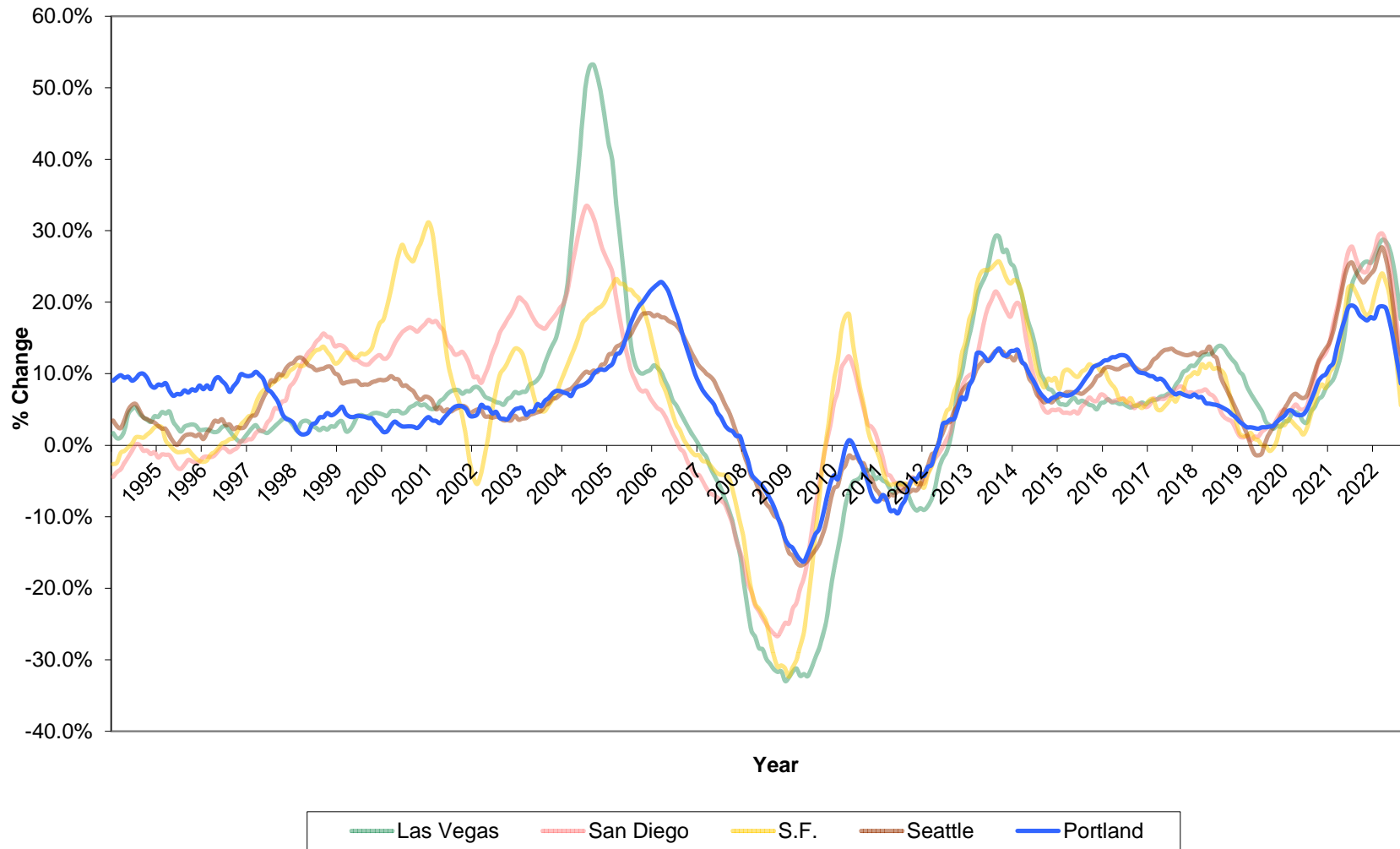
# FY 2023 Revenue Review

Multnomah County Assessed Value, Real Market Value, and Compression

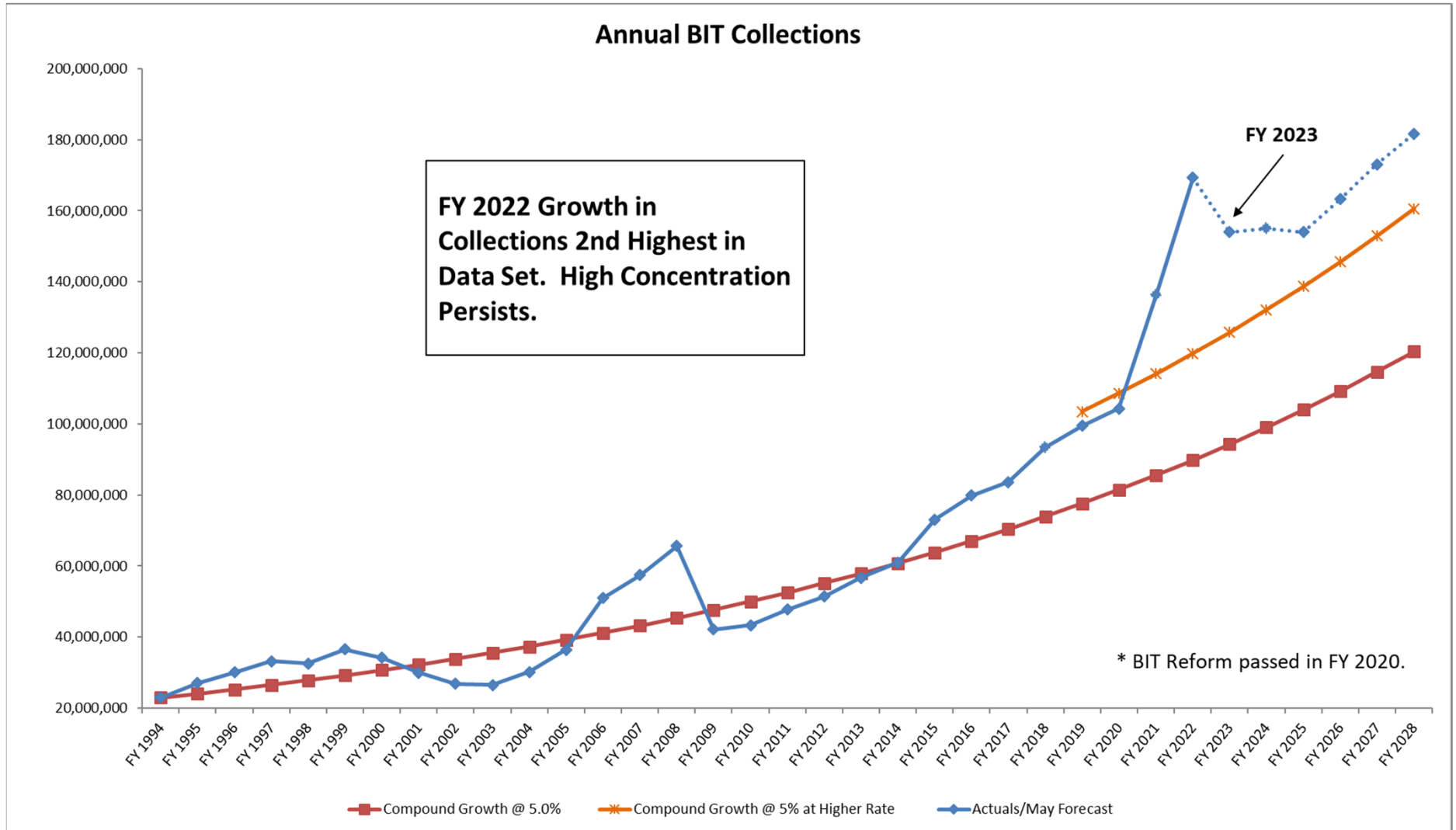


# FY 2022 Revenue Review

**Monthly Year-Over-Year % Change**  
*Based on S&P/Case-Shiller Home Price Index Thru August 2022*



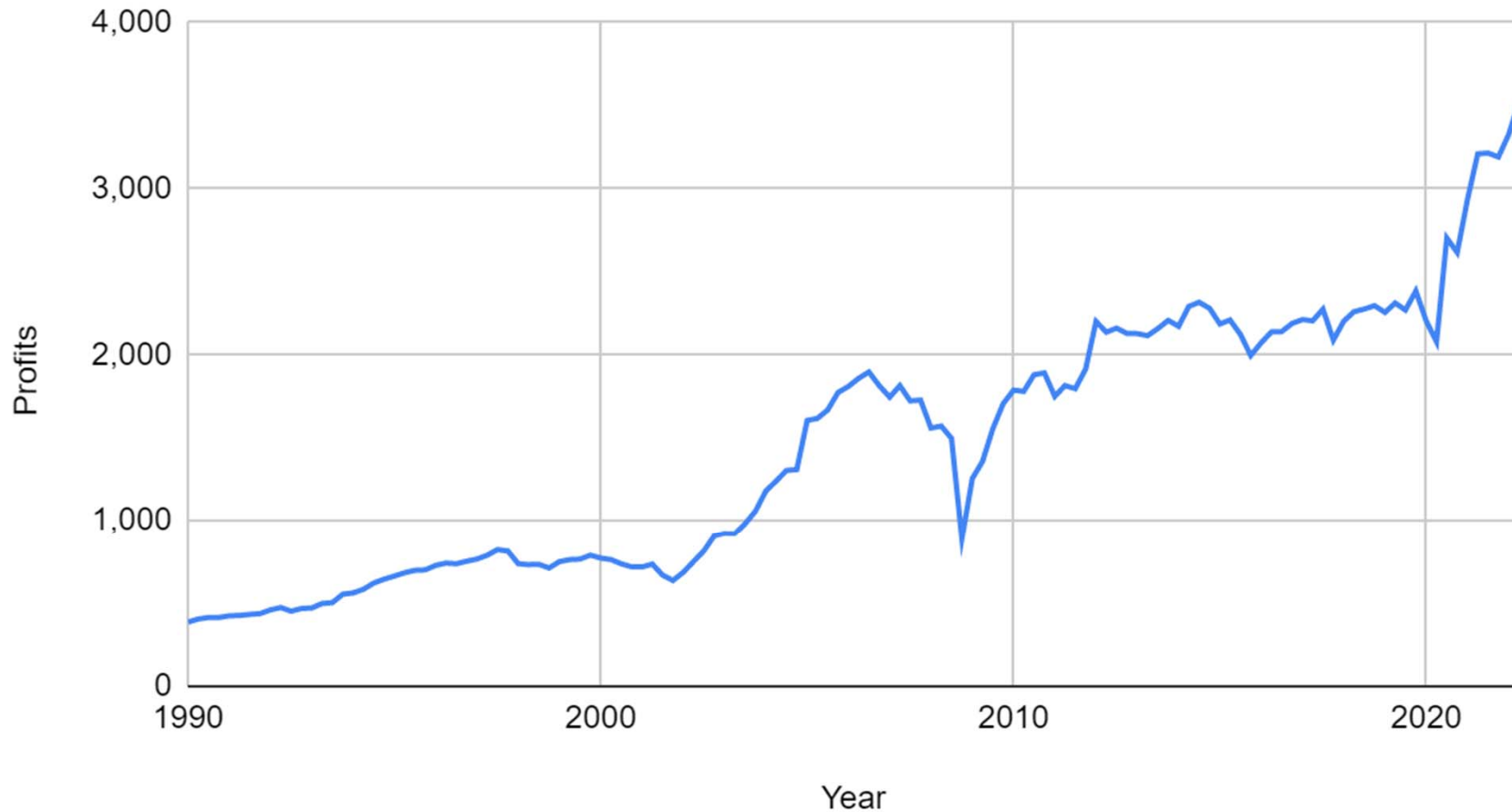
# FY 2023 Revenue Review



# FY 2023 Revenue Review

---

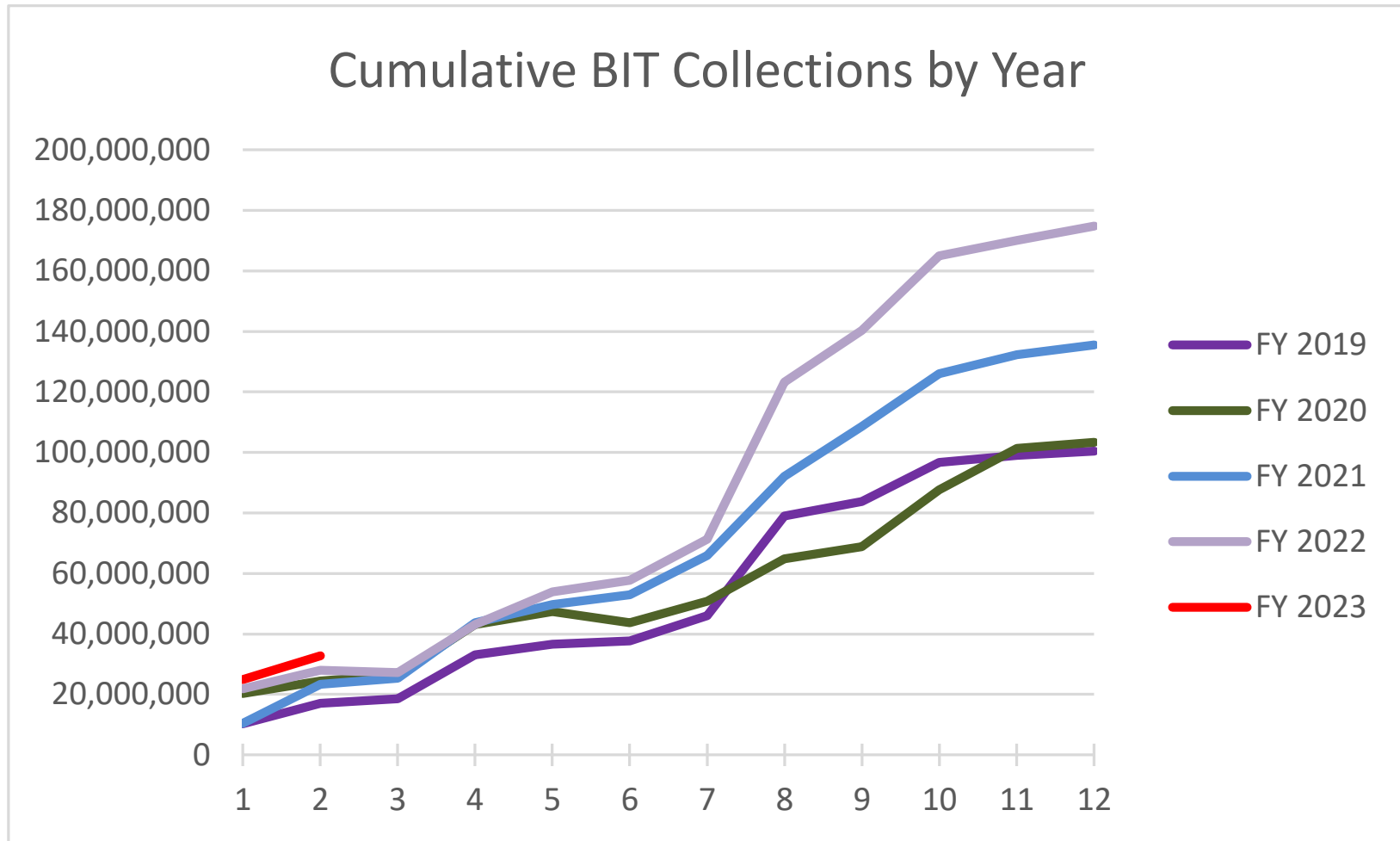
## US Corporate Profits (Pre-Tax)



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



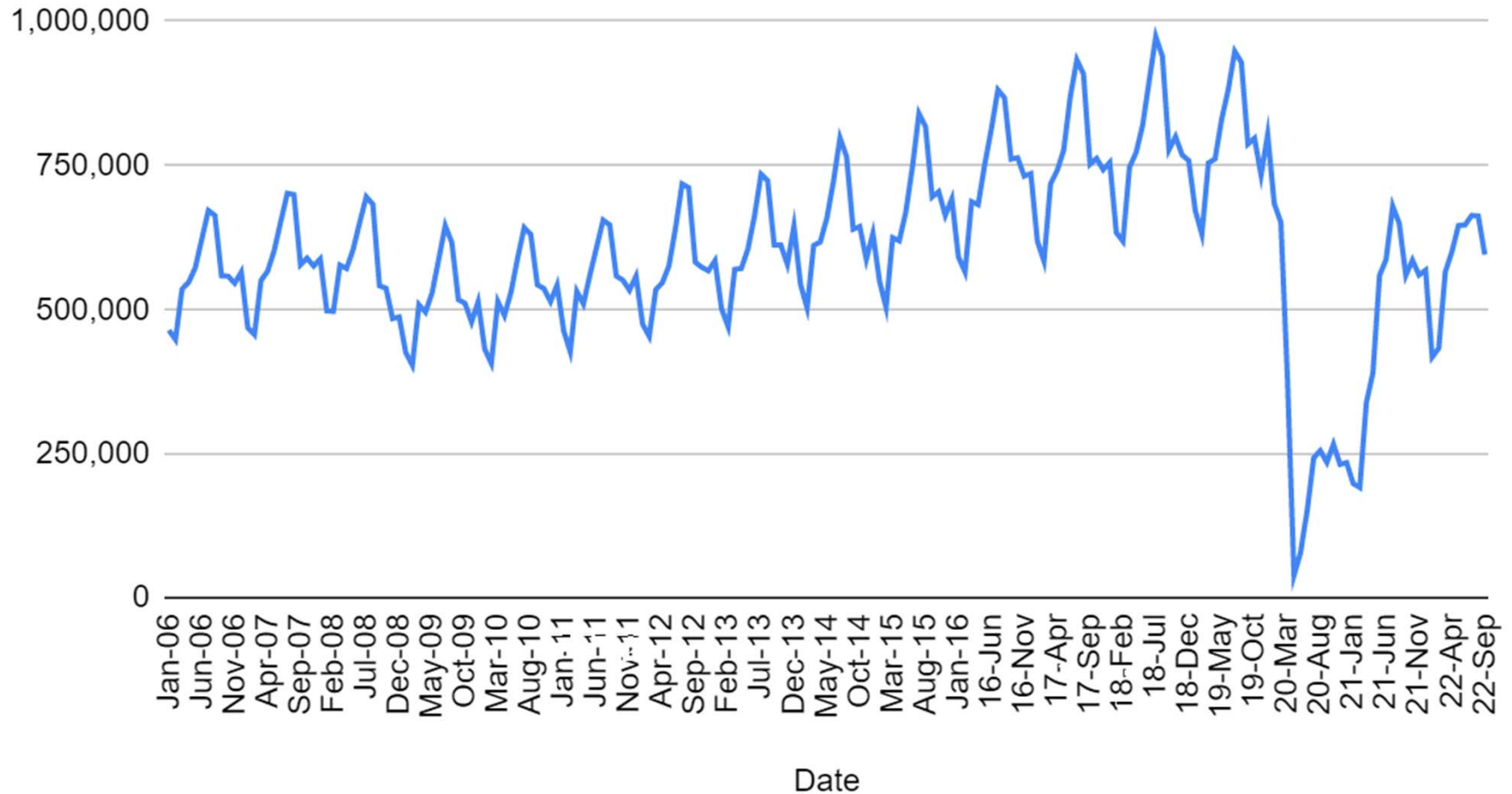
# FY 2023 Revenue Review



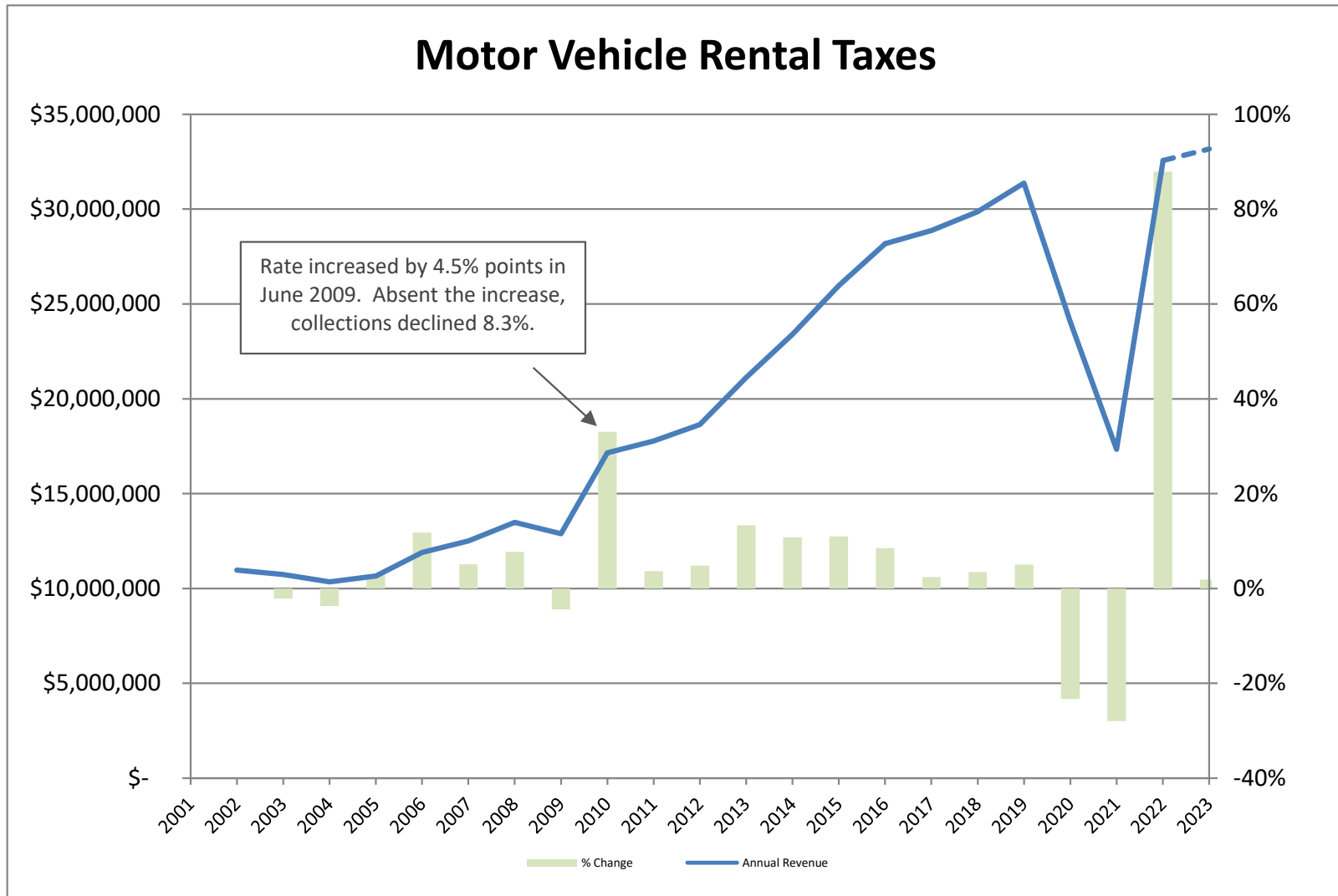


# FY 2023 Revenue Review

## PDX Domestic Deplaned Passengers



# FY 2023 Revenue Review



# 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
Revenues <sup>1</sup>	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
<b>Ongoing Surplus/(Deficit)</b>	<b>(88,068)</b>	<b>3,025,738</b>	<b>866,270</b>	<b>1,147,985</b>	<b>(9,024,865)</b>
<b>BHRC Ongoing Funding Gap</b>	<b>(2,500,000)</b>	<b>(5,650,000)</b>	<b>(5,876,000)</b>	<b>(6,111,040)</b>	<b>(6,355,482)</b>
<b>November Forecast with BHRC</b>	<b>(2,588,068)</b>	<b>(2,624,262)</b>	<b>(5,009,730)</b>	<b>(4,963,055)</b>	<b>(15,380,347)</b>

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

- Incorporates Bargaining Impacts (ONA partially included)
  - 5% COLA in FY 2023 and FY 2024
  - Market Adjustments and Premium Increases
- ERP Debt Paid Off (w/ OTO) One-Year Early
- Recently Updated BHRC Estimates



# 5-Year General Fund Forecast

## Major General Fund Revenue Sources <sup>1</sup>

	Adopted FY 2023	Forecast FY 2023 <sup>2</sup>	Forecast FY 2024	Forecast FY 2025	Forecast FY 2026	Forecast FY 2027	Forecast FY 2028
Property Taxes	354,218,237	364,483,786	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	154,000,000	163,240,000	173,034,400	181,686,120
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	6,250,000	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
	<b>598,804,367</b>	<b>623,863,397</b>	<b>640,547,415</b>	<b>672,191,466</b>	<b>697,168,410</b>	<b>723,925,664</b>	<b>749,503,194</b>
<b>% of Total Revenue</b>	<b>95.6%</b>	<b>95.7%</b>	<b>95.3%</b>	<b>95.5%</b>	<b>95.6%</b>	<b>95.7%</b>	<b>95.8%</b>
All Other General Fund	27,843,533	27,801,033	30,294,237	30,597,263	31,158,916	31,866,872	32,588,941
<b>Total</b>	<b>626,647,900</b>	<b>651,964,430</b>	<b>672,116,652</b>	<b>704,076,479</b>	<b>729,283,575</b>	<b>756,275,443</b>	<b>782,092,135</b>
% 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%	-0.69%	6.00%	6.00%	5.00%

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

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



# Expenditure Assumptions

---

## Cost Drivers for FY 2024:

---

Labor Costs (Change in rates)	8.65%	ONA not yet fully incorporated
COLA	5.79%	Dependent on Unit & Contract Status. 5% COLA in FY 2024 and Increase from 4% to 5% in FY 2023 (4.00% Last Year)
Step/Merit/Contract Adjustment	3.39%	Dependent on Unit Demographics. Includes Market Adjustments and Impacts on Base Wages (1.40% Last Year)
Medical/Dental	6.00%	Was assumed to increase by 6.00% (2.00% Last Year)
PERS	-0.12%	Was assumed to increase by 0.75%
Retiree Medical	0.00%	
Liability/Workers Comp/TriMet	0.21%	Includes Security and TriMet
Materials and Services	5.00%	
Contractual Services	5.00%	Every 1% increase is approximately \$700,000
Internal Services	1.60%	Would be 6.3% without ERP Early Payment

---

### **General Fund Cost Driver Notes**

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

A 4% increase in medical/dental rates = approximately \$1.9 million

A 1% (of base pay) increase in PERS = roughly \$2.5 million

### **Reserve & Contingency Assumptions**

---

**General Fund Contingency** - \$2.0 million

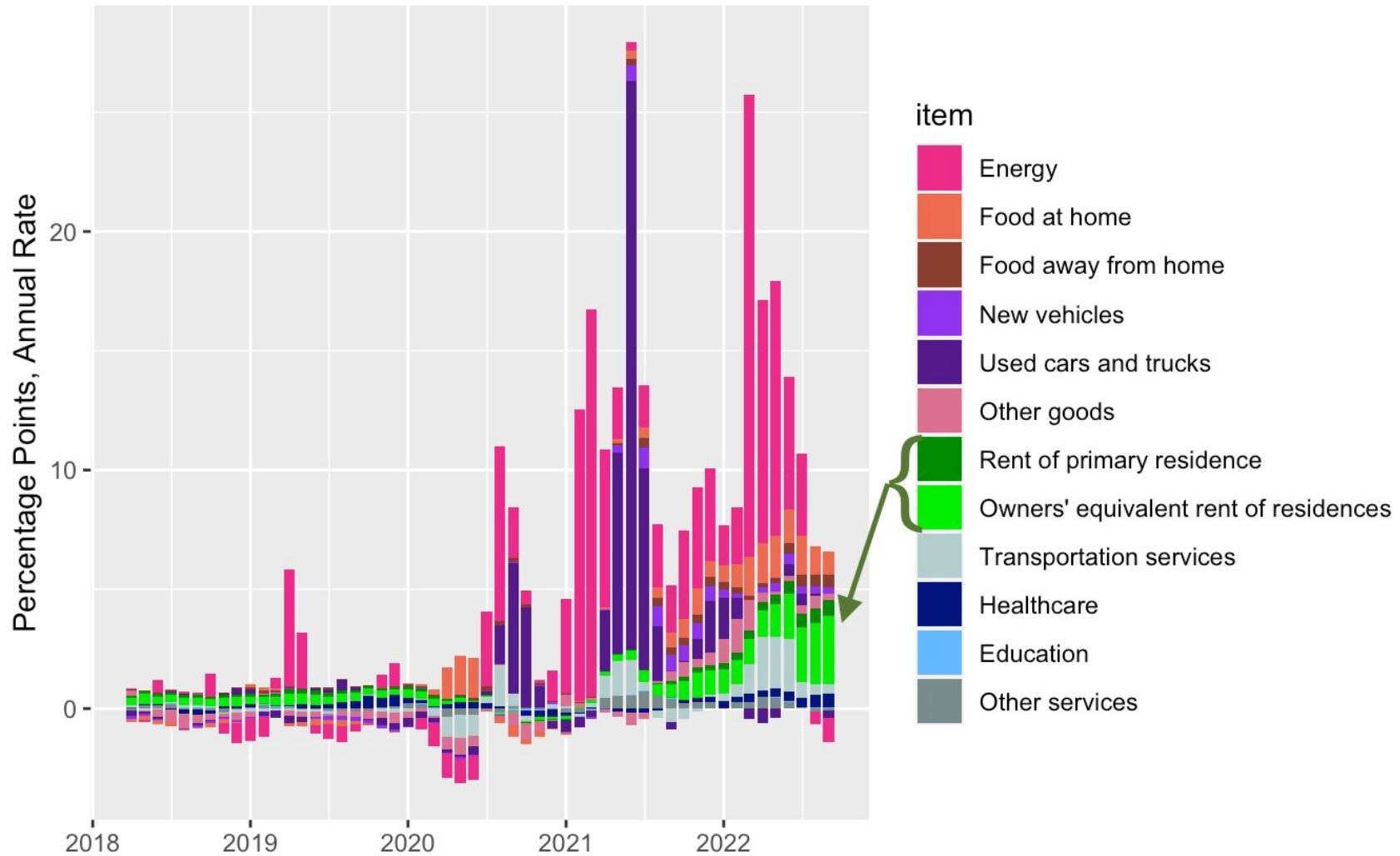
**BIT Reserve** - 11% of BIT revenues (\$15.0 million)

**General Fund Reserve** - 11% of corporate revenues (\$59.2 million)



# Expenditure Assumptions

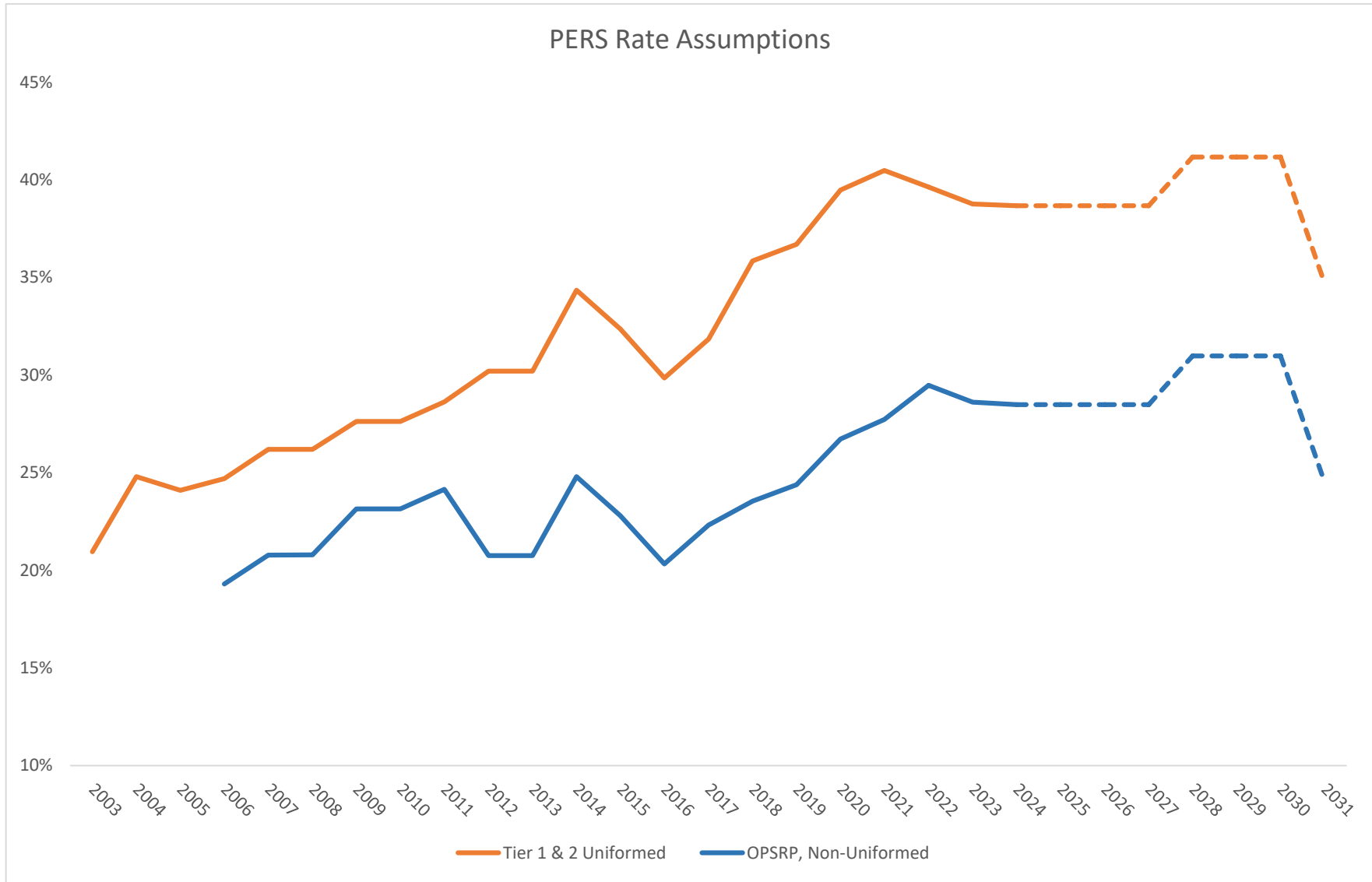
Contributions to 3-Month Inflation over 2% Baseline



Source: JW Mason (@JWMason1), Bureau of Labor Statistics



# Expenditure Assumptions



# Expenditure Assumptions

---

- Programs, Cash Transfers, and earmarks funded on a one-time-only basis in FY 2023 Budget that are assumed to not continue in FY 2024.

## One-Time-Only Programs

### Offer/Activity

---

10005B - Auditor Software	100,000
10007D - Public Records Software	200,000
10009C - Transforming Justice Implementation	250,000
10010B - Charter Review Committee Support	50,000
10010C - Policy & Training Coordinator	80,000
10017C - WESP Update Planning and Engagement	200,000
10018B - Climate Justice by Design	50,000
10018D - Supporting Community Resilience in East County	175,000
10020B - RACC - Cultural Planning Process	25,000
10021B - Courthouse Security	165,000
10031 - Community Capacity Expansion: Physical Infrastructure	5,000,000
10033 - Elected Official Office Transitions	550,000
10034 - Reimagine Safety	100,000
10036 - Reproductive Health Access	200,000
10040B - Resolution & Development Coordinator Pilot	190,000
25000D - Economic Justice Project (EJP)	117,000
25026B - ADVSD Public Guardian/Conservator Data System	161,844
25121B - YFS - Cooling Support	1,270,740





# Expenditure Assumptions

---

25121C - YFS - Wood Stove Replacement	274,292
25131D - YFS - Expungement and Legal Services Days	250,000
25133B - YFS - Homeshare - Connect to Rooms in Private Homes	250,000
25136B - YFS - Refugee Resettlement Agencies - Support for I-693	250,000
25160C - YFS - Data and Evaluation Services: SUN Community Schools Database Setup	95,000
25160D - YFS - DSVCO Data and Evaluation Services HMIS Setup	25,000
30005D - Equity-Focused System Development & Capacity Building - Hiring & Retention	250,000
30010 - Strategic Capital Investments	15,000,000
30200B - Safety off the Streets - LGBTQIA2S+ Housing Forum & Engagement	50,000
30200C - Safety off the Streets - Outreach and Engagement Staff	150,000
30202D - Safety off the Streets - Alternative Shelter System Coordination & Assessment	250,000
30208A-B - Safety off the Streets - Emergency Shelter Strategic Investment	12,400,000
30210B - Safety on the Streets - Navigation & Service Coordination Expansion	2,675,000
30400F - Supportive Housing - Transitional Housing Expansion	84,600
40000F - Rockwood Health Center Capital Improvement	2,000,000
40008D - Vector Control Evaluation	100,000
40012C - Community Primary Care Expansion	90,000
40040C - Behavioral Health Billing Support	242,082
40052C - New Medical Examiner- Vehicle	27,000
40096C - Future Generations Collaborative	15,000
40108 - IT: IT Business System Analyst	690,852
50041B - Mental Health Treatment Outreach Program	762,973
50051B - Juvenile Detention Building Improvements	3,200,000



# Expenditure Assumptions

---

60500B - Encryption Package for MCSO Radios	352,082
60557 - Property Retrofit	116,400
72000B - DCM Director's Office - COO Professional Services	50,000
72005B - FRM Purchasing - MMP Contracts + Optimization	250,000
72005D - FRM Purchasing - Contracting Redesign/Process Improvement	140,000
72008B - FRM Motor Vehicle Tax	175,000
72013 - Capital Planning	150,000
72017B - Recruiter Training & Capacity Building	622,000
72044B - Regional Construction Workforce Diversity Funder Collaborative	200,000
72053 - Workday Support - Review & Recommend	1,000,000
72054 - HCM Workday Support Data Mart	215,000
72055 - Contractor Capacity Review	250,000
72057 - Small Business Repair Fund East County	110,000
78003B - Countywide Safety and Security Infrastructure	1,000,000
78200B - Facilities Administration Position	126,452
78203B - Facilities Transition to Electric Powered Landscaping	100,000
90004 - Vance Vision Next Steps	250,000
90010C - Elections Capacity - Ballot Production	300,000
90010D - Limited Duration Voter Education & Outreach	123,593
90010E - Elections Oregon Centralized Voter Registration Implementation	143,566
90011 - Public Campaign Finance Report	75,000
90014 - Levee Ready Columbia (IGA Obligation)*	50,000
90018B - Construction of Tier 1 ADA Ramps*	1,450,000
90021B - Land Use Planning Code Equity Analysis and Update	500,000
90021C - Land Use Planning Capacity Building Resources for On-call Support	100,000



# Expenditure Assumptions

---

## Cash Transfers and Earmarks

### Offer/Activity

---

95000 - Walnut Park Renovation (78235)	200,000
95000 - Facilities Operations and Maintenance Position (78202B)	123,621
95000 - IT Innovation and Investment Projects (78301A)	2,000,000
95000 - SQL Server Upgrade Phase 2 (78301H)	300,000
95000 - CEDARS Replacement (78330)	5,000,000
95000 - Financial Data Mart (78329)	400,000
95000 - Food Handler Software Replacement (78301F)	250,000
95000 - Red Cap and Lawlog (78301G)	250,000
95000 - IT General Government Applications Services (78311B)	75,000
95000 - Justice Center Critical Electric Upgrade (78233B)	1,200,000
95000 - Additional PERS Side Account (10028)	25,000,000
~ MCSO Body Worn Cameras	500,000
~ BHRC Contingency	2,775,000
~ Add'l Contingency for COVID-19 Uncertainty	2,000,000
~Contingency for Future Labor Increases	4,173,325
~ CGF Reserve/Future Financial Planning	5,383,530
~ BIT Reserve/Future Financial Planning	1,360,000



# FY 2024 OTO Funds

## General Fund FY 2023 Beginning Working Capital & FY 2024 OTO <sup>1,2</sup>

*Year-End as of November 1, 2022*

FY 2023 Beginning Balance <sup>3</sup>	245,669,604
FY 2023 Budgeted Beginning Balance	<u>172,891,050</u>
<b>Additional FY 2023 BWC (OTO)</b>	<b>72,778,554</b>
Less Two Years (FY 2023/2024) Retention Incentives (Represented) <sup>4</sup>	(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) <sup>4</sup>	(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 Additional FY 2023 BIT Revenues	16,850,000
Less Amount for BIT East County Cities Payment	(1,432,250)
Plus Additional FY 2023 Property Tax Revenues	10,655,549
Less Additional FY 2023 Forecast Adjustments	(1,932,708)
Less Amount to Maintain FY 2024 Reserves at Board Policy Level	<u>(6,719,852)</u>
<b>OTO Funds for FY 2024 per November Forecast</b>	<b>56,360,569</b>
<i>50% Dedicated to County Facility/IT Projects per Board Policy</i>	28,180,285
<i>Remaining 50% to be Allocated</i>	28,180,285

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	98,033
Contingency for Labor Contracts	4,173,325
Additional Contingency for Uncertainty	<u>2,000,000</u>
<b>Remaining Non-Earmarked Contingency</b>	<b>8,271,358</b>

## Earmarked Contingency

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

<b>Total General Fund Contingency</b>	<b>11,546,358</b>
---------------------------------------	-------------------

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>
<b>Total General Fund Contingency</b>	<b>31,889,888</b>

*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 increased \$25.2 million (3.98%)
- FY 2023 General Fund contingency balance of \$8.3 million (unallocated)
- Deficit of \$2.6 million forecast for FY 2024
  - Becomes deficit of \$15.4 million by FY 2028
- FY 2023 General Fund OTO resources of \$56.4 million
  - \$28.2 million for facility/IT projects (per Board policy)
  - \$28.2 million to be allocated
- Major risks, uncertainties, and issues include:
  - Recession
  - Inflation



# Questions

---

