



# FY 2025 General Fund 5-Year Forecast Update

Presented to the  
Board of County Commissioners

Multnomah County  
November 21, 2023

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

# Agenda

---

- Financial Context and Overview
- Economic Overview
  - Incomes
- FY 2024 Revenue Review
  - Property Tax
  - BIT
  - USM
- FY 2025 General Fund 5-Year Forecast
  - Including Expenditure Assumptions – Cost Drivers, COLA, PERS
- FY 2025 One-Time-Only Funds
- FY 2024 General Fund Contingency Update
- Forecast Risks and Issues
- Summary and Questions



# Financial Context

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Revenues	721,925,865	744,327,435	770,580,634	802,329,856	829,550,707
Expenditures	726,032,190	760,581,852	790,059,013	827,661,959	858,430,351
Ongoing Surplus/(Deficit)	(4,106,325)	(16,254,417)	(19,478,379)	(25,332,103)	(28,879,644)
SB 1145 Ongoing Funding Gap	(6,570,686)	(6,833,513)	(7,106,854)	(7,391,128)	(7,686,773)
BHRC Ongoing Funding Gap	(3,350,000)	(3,484,000)	(3,623,360)	(3,768,294)	(3,919,026)
<b>November Forecast with SB 1145 Backfill and BHRC</b>	<b>(14,027,010)</b>	<b>(26,571,930)</b>	<b>(30,208,593)</b>	<b>(36,491,525)</b>	<b>(40,485,443)</b>

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

- Structural Deficit
  - Declining RMV and low level of development
  - Inflation a little higher for a little longer
- Need >\$30 million/year in new revenue for CSL
- Acute drop vs. longer-term impact



# Economic Overview

---

- Inflation moving in the right direction.
  - Job growth slowing
- Real household incomes still increasing.
- Risk of recession in near-term lowering, but...
- Locally, development declining and employment growth has stalled.
  - Permitting activity
- Uncertainty
  - Property Values
  - Population



# Economic Overview

Figure 1. Change in median and mean family incomes, 2016–22 surveys

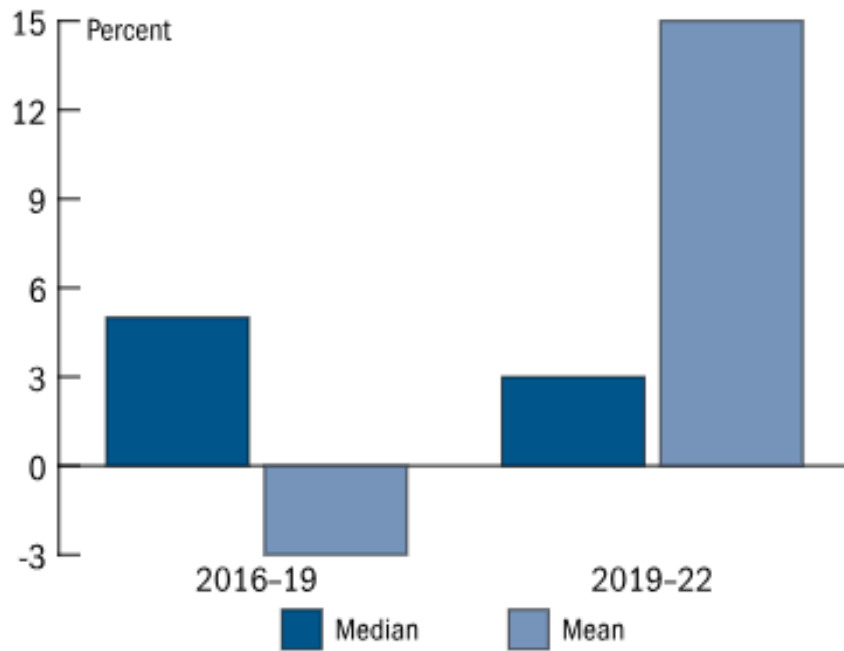
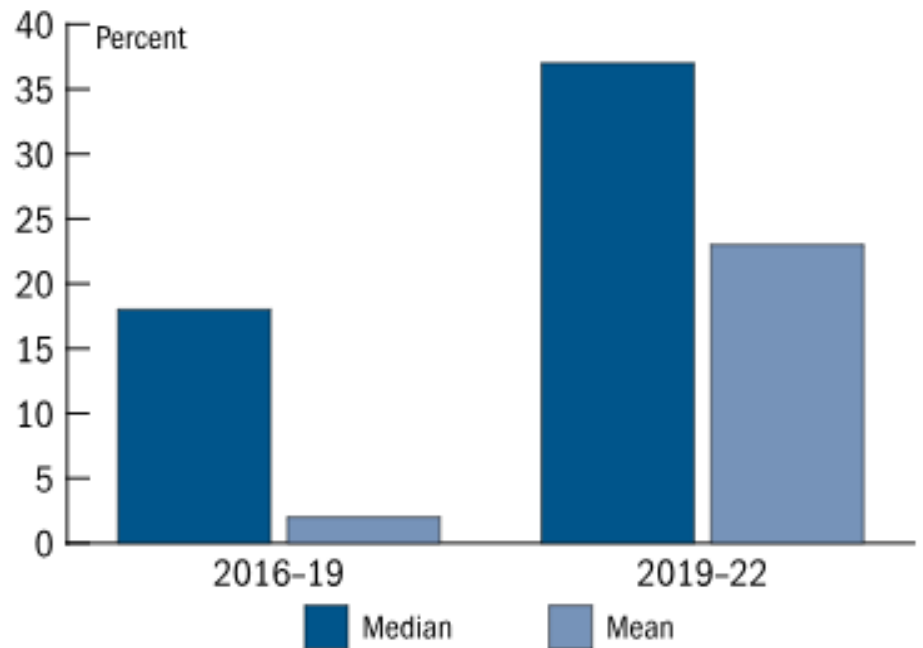


Figure 2. Change in median and mean family net worth, 2016–22 surveys

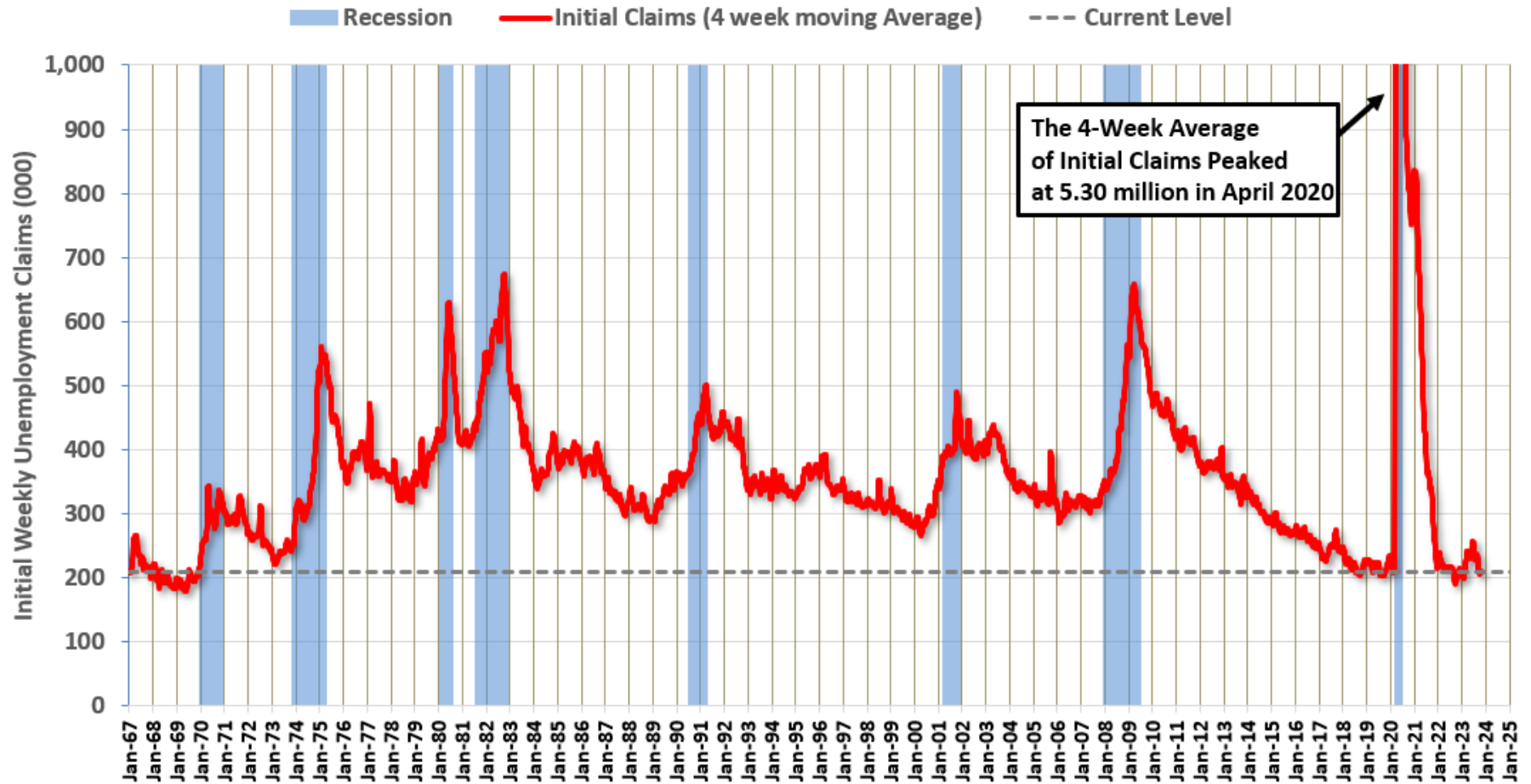


Source: Survey of Consumer Finances



# Economic Overview

## Initial Weekly Unemployment Claims



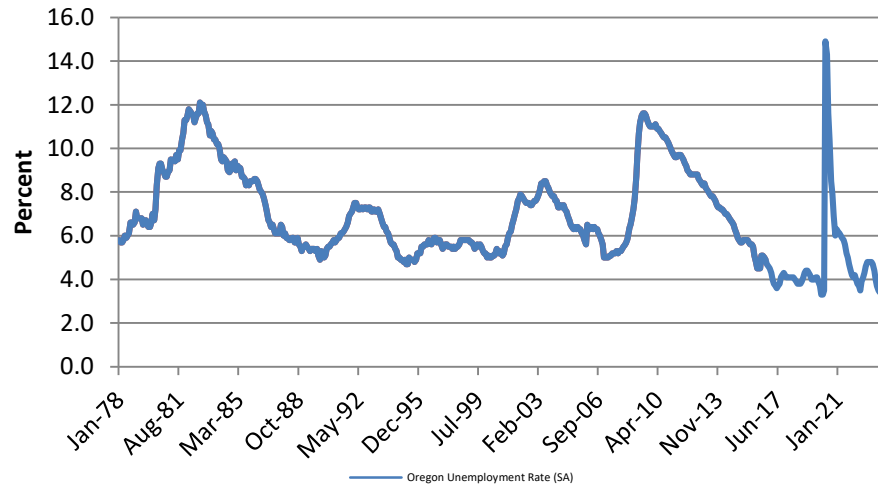
<http://www.calculatedriskblog.com/>

Source: Bureau of Labor Statistics

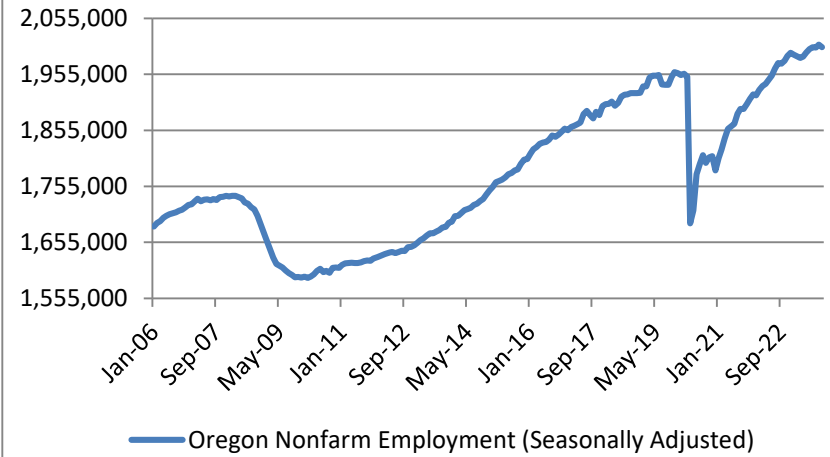


# Economic Overview

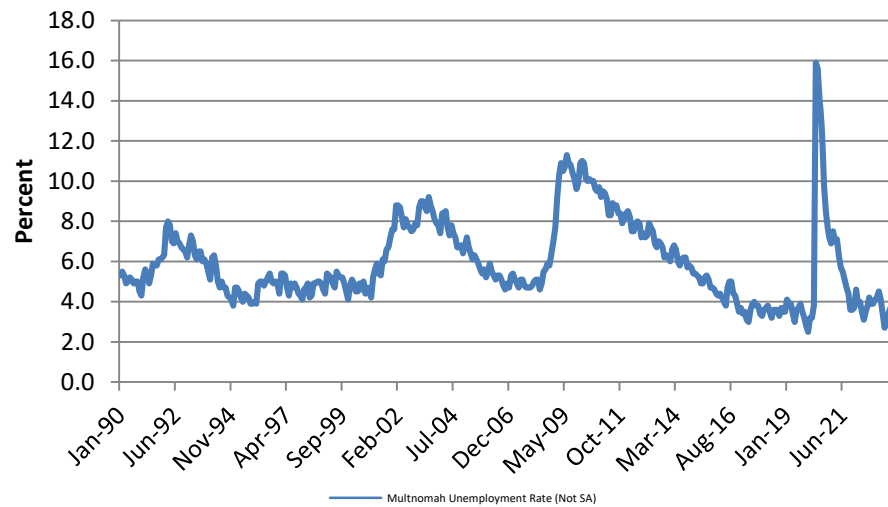
**Oregon Unemployment Rate (SA)**



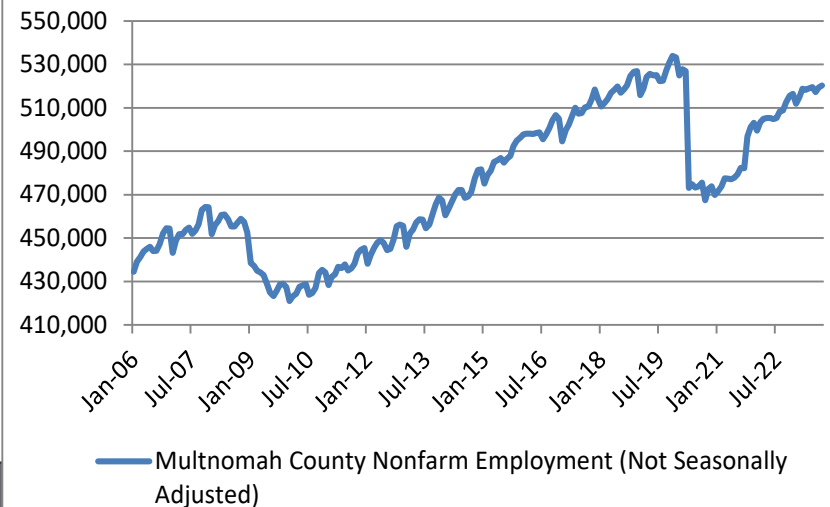
**Oregon Nonfarm Employment (Seasonally Adjusted)**



**Multnomah Unemployment Rate (Not SA)**



**Multnomah County Nonfarm Employment (Not SA)**



# FY 2024 Revenue Review

	Adopted <sup>1</sup>	November Forecast Change	March Forecast Change	May Forecast Change	Net Change From Adopted	Note
Property Taxes	388,686,560	4,429,621			4,429,621	Lower Compression
Business Income Taxes	155,071,186	0			0	
Motor Vehicle Rental Taxes	33,838,500	2,176,770			2,176,770	Increased Compliance
US Marshal/BM 73/BOP	6,614,875	(2,785,406)			(2,785,406)	Decrease in USM Bed Usage
State Shared						
Video Lottery	6,350,000	0			0	
Liquor	5,538,500	0			0	
Cigarette	593,042	0			0	
Marijuana	1,000,000	0			0	
Amusement	173,000	0			0	
Recording Fees/CAFFA Grant	7,829,365	(1,172,000)			(1,172,000)	Housing Activity Very Slow
Indirect						
Departmental	28,186,238	0			0	
Central Indirect/Svc Reimburse	17,921,567	0			0	
All Other	46,352,038	6,480,000			6,480,000	Interest
<b>FY 24 Revenue Adjustments<sup>2</sup></b>	<b>698,154,871</b>	<b>9,128,985</b>	<b>0</b>	<b>0</b>	<b>9,128,985</b>	
<b>% of Revenue</b>		<b>1.31%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>1.31%</b>	

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

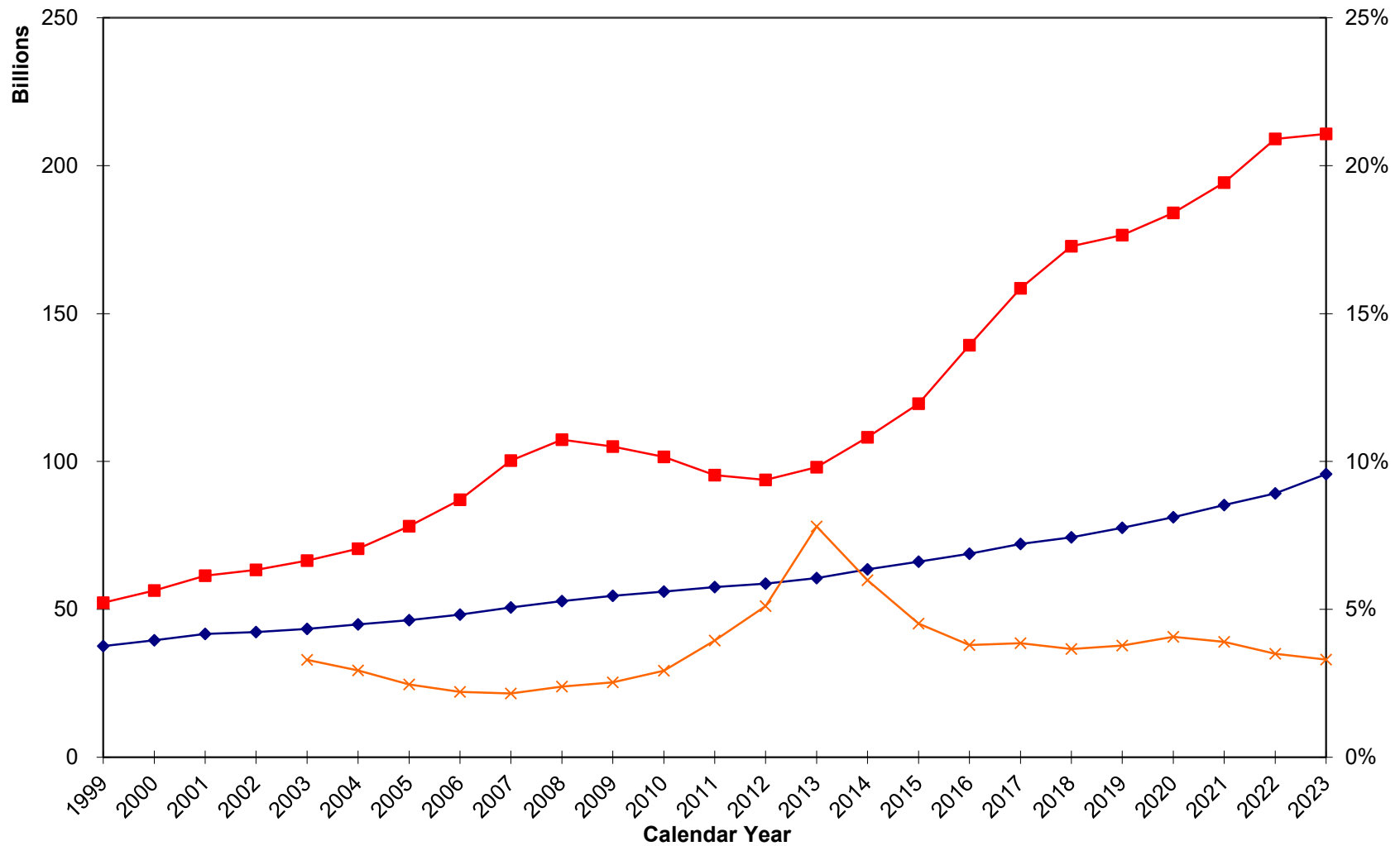
2. Not adjusted for revenue adjustments directly offset by expenditure changes.





# FY 2024 Revenue Review

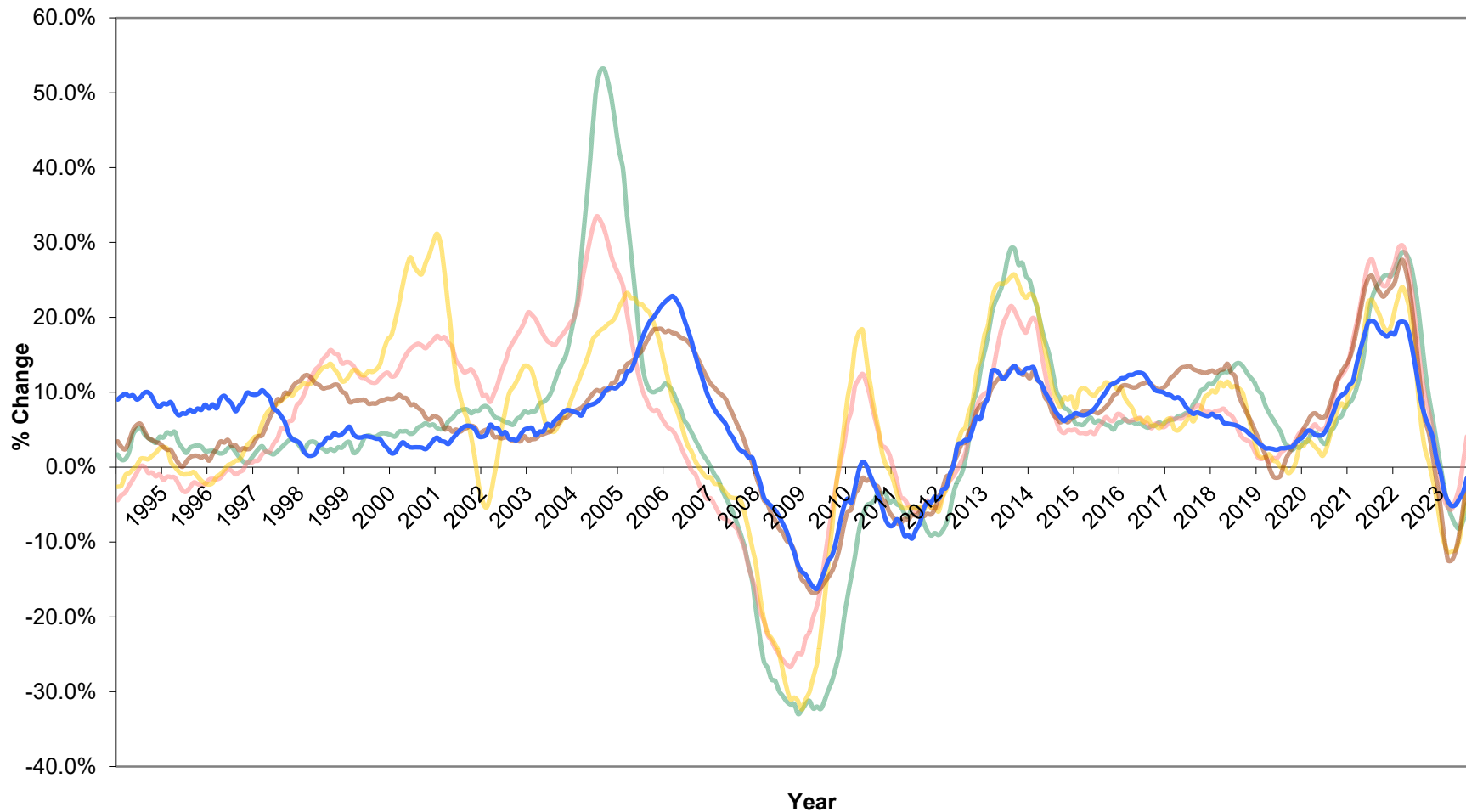
Multnomah County Assessed Value, Real Market Value, and Compression



■ Real Market Value     
 ◆ Assessed Value     
 × General Fund/Library District Compression

# FY 2024 Revenue Review

**Monthly Year-Over-Year % Change**  
*Based on S&P/Case-Shiller Home Price Index Thru August 2023*



Las Vegas San Diego S.F. Seattle Portland



# FY 2024 Revenue Review

---

- AV: lesser of the Maximum Assessed Value (MAV) and the Real Market Value (RMV)
  - MAV started as the 1995-1996 RMV less 10%.  
Cannot grow by more than 3% per year.
- Prior to 2023-2024 tax roll, downtown properties generally had RMVs well above AVs (typical AV/RMV ratio was ~0.35)
- Concern is that RMV falls enough to reduce AV
- Property Tax is ~2/3 of discretionary General Fund revenue for City and County



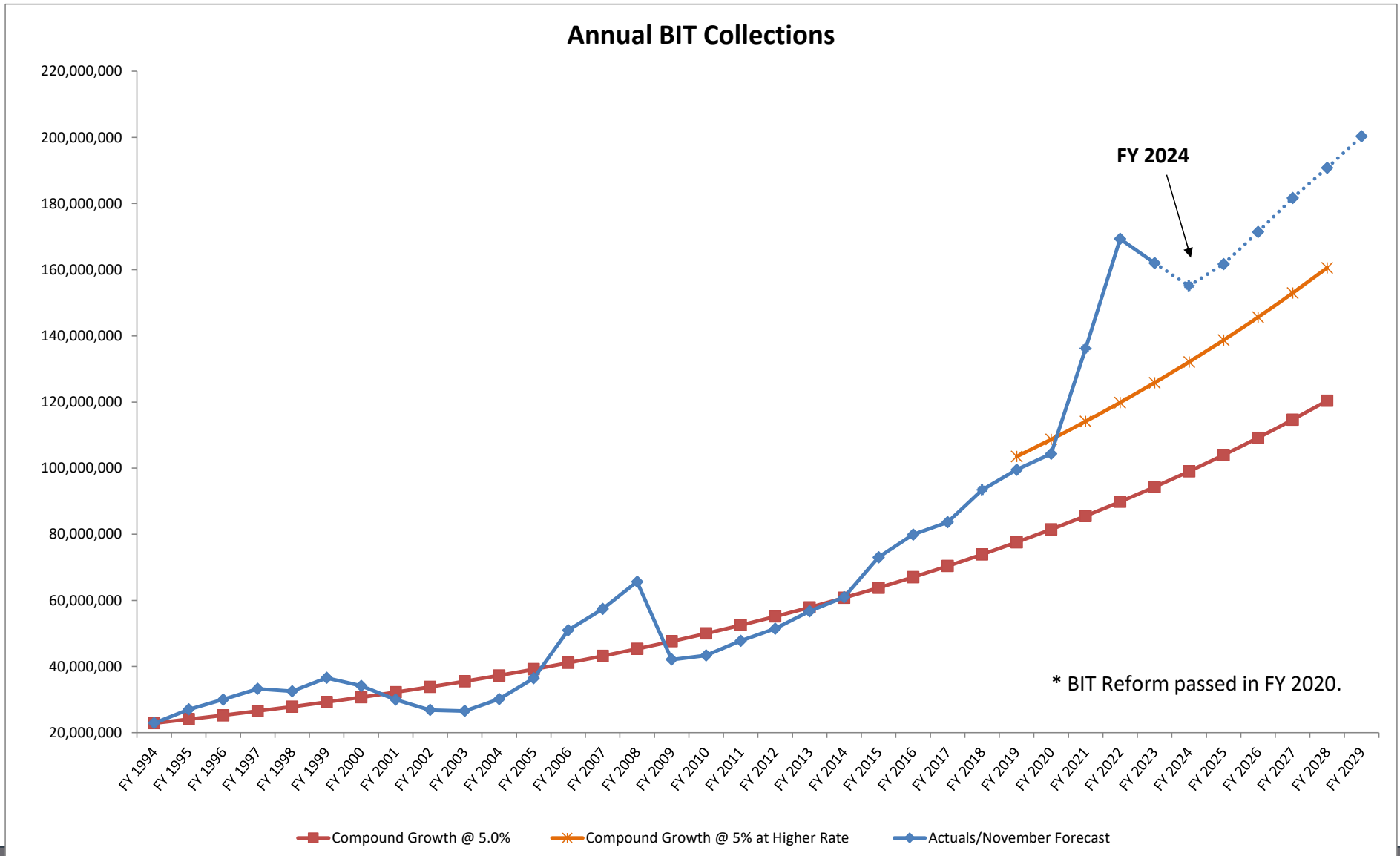
# FY 2024 Revenue Review

---

- Assessor's Property Value Model is driven by market transactions
  - Slow decline in model values due in part to lack of market transactions
- Distressed Sales are not market transactions
  - But could become model inputs
- Newest tax roll has ~30% decline in RMV of Downtown Commercial Property
  - Likely a multi-year process
  - MultCo AV Growth in current year without return of URA AV was 2.5% (very low)



# FY 2024 Revenue Review



# FY 2024 Revenue Review

---

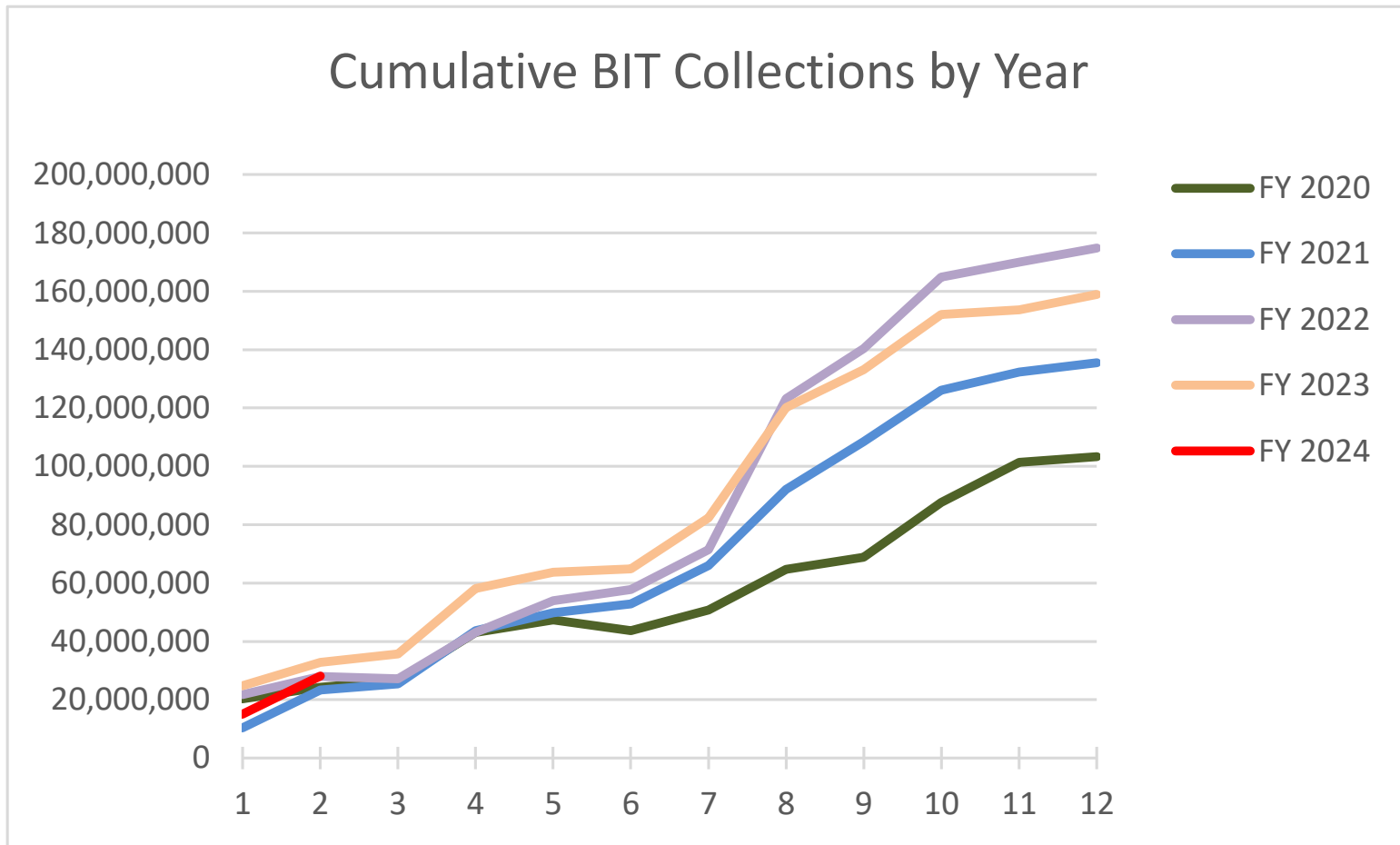
## US Corporate Profits (Pre-Tax)



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

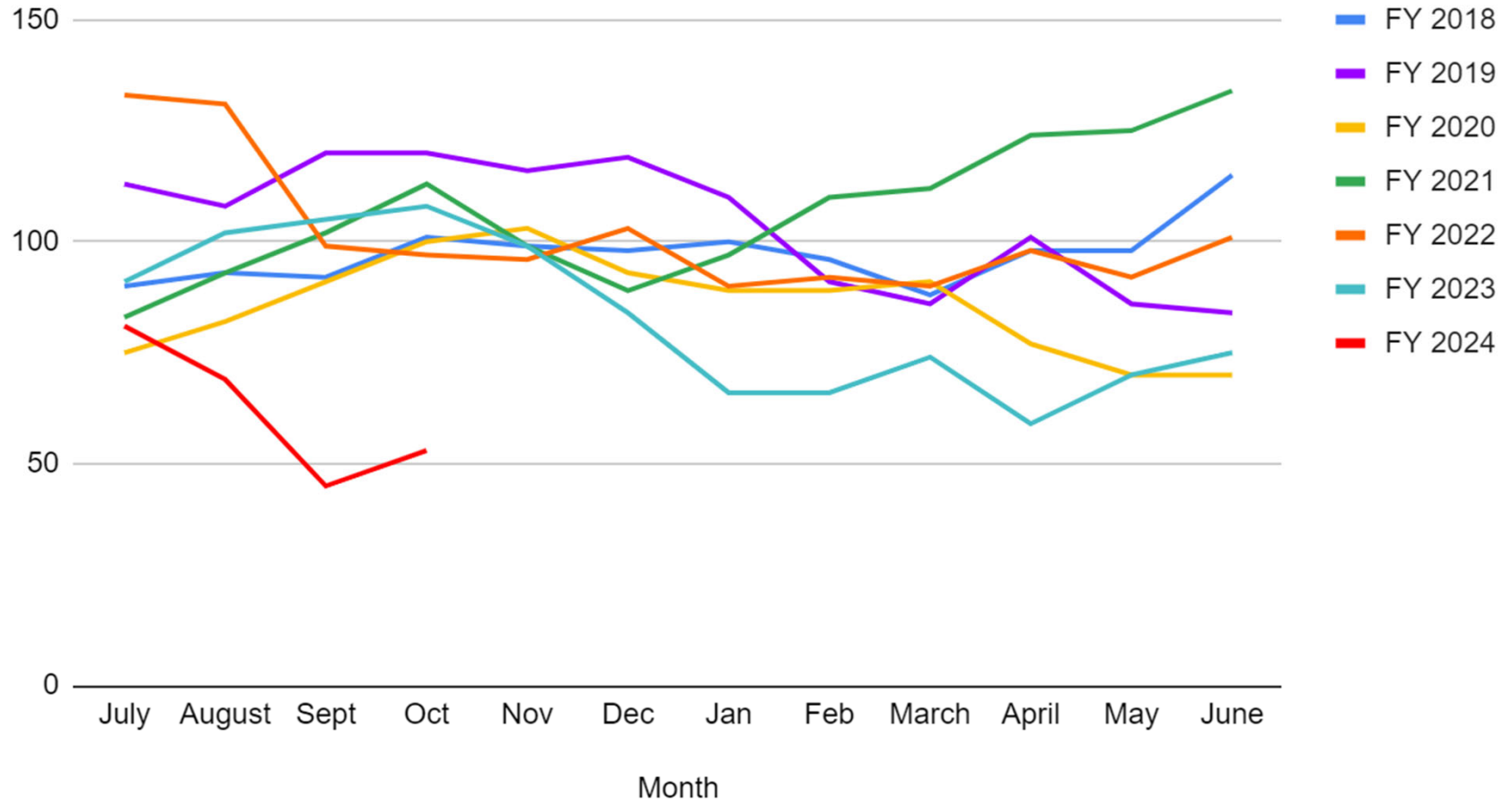


# FY 2024 Revenue Review



# FY 2024 Revenue Review

## Monthly USM Average Bed Usage





# 5-Year General Fund Forecast

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

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
<b>Revenues</b>	721,925,865	744,327,435	770,580,634	802,329,856	829,550,707
<b>Expenditures</b>	726,032,190	760,581,852	790,059,013	827,661,959	858,430,351
<b>Ongoing Surplus/(Deficit)</b>	<b>(4,106,325)</b>	<b>(16,254,417)</b>	<b>(19,478,379)</b>	<b>(25,332,103)</b>	<b>(28,879,644)</b>
<b>SB 1145 Ongoing Funding Gap</b>	<b>(6,570,686)</b>	<b>(6,833,513)</b>	<b>(7,106,854)</b>	<b>(7,391,128)</b>	<b>(7,686,773)</b>
<b>BHRC Ongoing Funding Gap</b>	<b>(3,350,000)</b>	<b>(3,484,000)</b>	<b>(3,623,360)</b>	<b>(3,768,294)</b>	<b>(3,919,026)</b>
<b>November Forecast with SB 1145 Backfill and BHRC</b>	<b>(14,027,010)</b>	<b>(26,571,930)</b>	<b>(30,208,593)</b>	<b>(36,491,525)</b>	<b>(40,485,443)</b>

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

- Positive: Interest Earnings and MVRT (compliance)
- Negative:
  - Property Tax (AV Growth)
  - Personnel Inflation Assumptions (COLA and PERS)
  - USM Beds, Recording Fees, Security Costs



# 5-Year General Fund Forecast

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

	Adopted FY 2024	Forecast FY 2024 <sup>2</sup>	Forecast FY 2025	Forecast FY 2026	Forecast FY 2027	Forecast FY 2028	Forecast FY 2029
Property Taxes	388,686,560	393,116,181	403,868,961	414,502,792	427,325,525	446,383,374	460,358,052
Business Income Taxes	155,071,186	155,071,186	161,700,000	171,402,000	181,686,120	190,770,426	200,308,947
Motor Vehicle Rental Taxes	33,838,500	36,015,270	36,735,575	37,470,287	38,219,693	38,984,086	39,763,768
US Marshal (& BM 37)	6,614,875	3,829,469	3,576,250	3,576,250	3,576,250	3,576,250	3,576,250
Recording Fees/CAFFA Grant	6,388,250	4,216,250	5,534,156	6,353,760	7,175,104	7,333,232	7,494,888
State Shared	13,654,542	13,654,542	14,053,629	14,498,033	14,946,657	15,412,499	15,896,243
Indirect & Service Reimbrs.	50,778,105	50,778,106	52,204,842	53,770,726	55,385,192	57,049,756	58,765,980
	<b>655,032,018</b>	<b>656,681,004</b>	<b>677,673,413</b>	<b>701,573,848</b>	<b>728,314,542</b>	<b>759,509,622</b>	<b>786,164,127</b>
<b>% of Total Revenue</b>	<b>94.7%</b>	<b>93.7%</b>	<b>93.9%</b>	<b>94.3%</b>	<b>94.5%</b>	<b>94.7%</b>	<b>94.8%</b>
All Other General Fund	36,772,853	43,952,852	42,977,453	41,465,837	41,309,843	42,337,328	43,386,579
<b>Total</b>	<b>691,804,871</b>	<b>700,933,856</b>	<b>721,925,865</b>	<b>744,327,435</b>	<b>770,580,634</b>	<b>802,329,856</b>	<b>829,550,707</b>
% Change in Ongoing Revenue		1.32%	2.99%	3.10%	3.53%	4.12%	3.39%
AV Growth			4.25%	2.93%	3.10%	4.50%	3.14%
Compression			4.00%	4.25%	4.25%	4.25%	4.25%
BIT Growth			4.27%	6.00%	6.00%	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.



# Expenditure Assumptions

## Cost Drivers for FY 2025:

---

Labor Costs (Change in rates)	5.70%	
COLA	3.72%	0.02% due to implementing JCSS contract. Underlying Step/Merit higher due to increases in public safety
Step/Merit/Contract Adjustment	1.88%	
Medical/Dental	7.00%	Was assumed to increase by 7.00%
PERS	0.15%	Reduction of 1.1% for PERS Bond Rate. Increase of 1.25% for PERS Rate
Retiree Medical	0.00%	
Liability/Workers Comp/TriMet	0.06%	Includes TriMet and General Liability
Materials and Services	3.70%	
Contractual Services	3.70%	Every 1% increase is approximately \$700,000
Internal Services	8.13%	Includes additional security costs

---

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

A 1% increase in base pay = approximately \$3.9 million

A 4% increase in medical/dental rates = approximately \$2.0 million

A 1% (of base pay) increase in PERS = roughly \$2.8 million

## Reserve & Contingency Assumptions

---

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

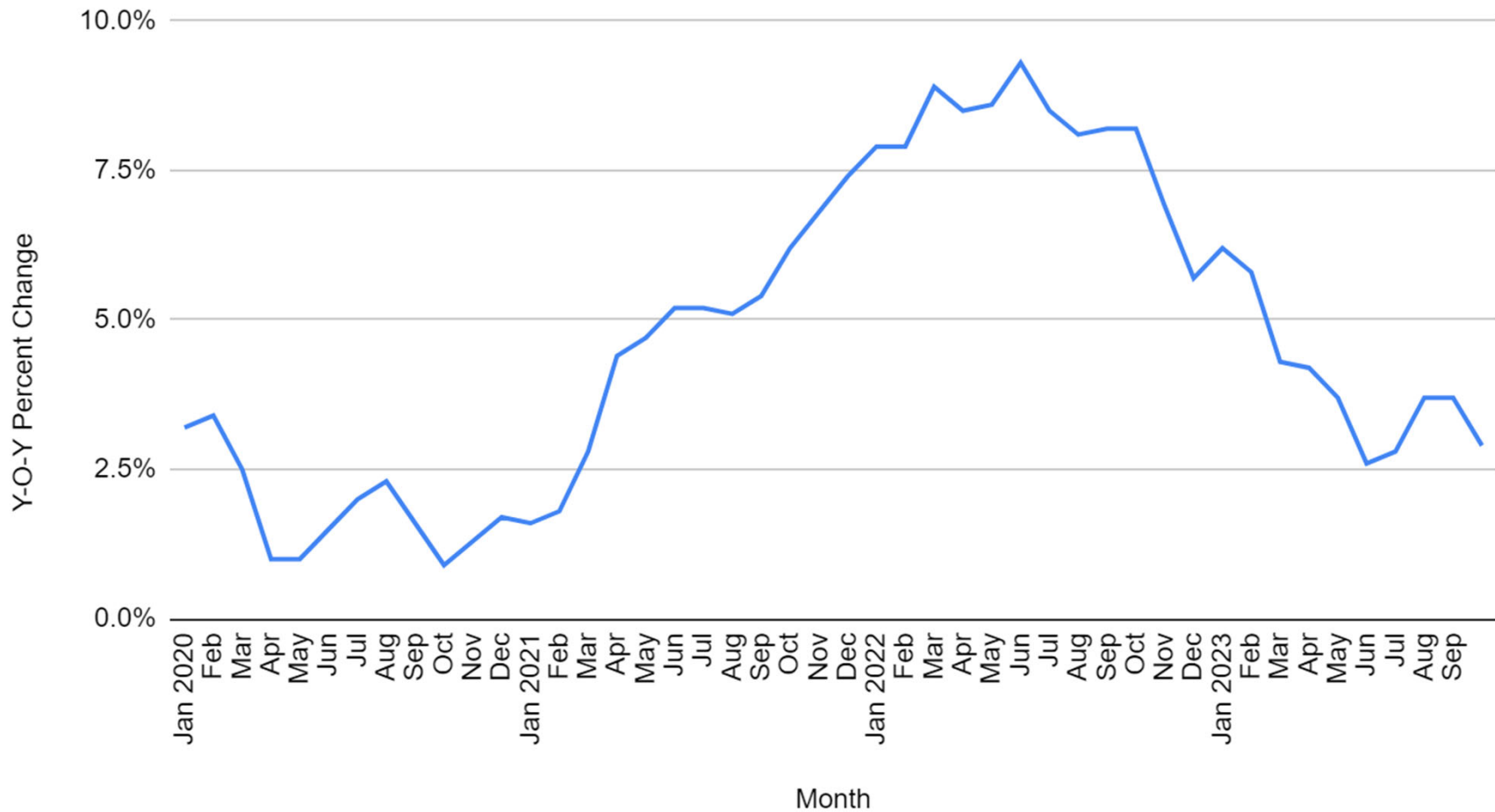
**BIT Reserve** - 12% of BIT revenues (\$18.6 million)

**General Fund Reserve** - 12% of corporate revenues (\$71.1 million)



# Expenditure Assumptions

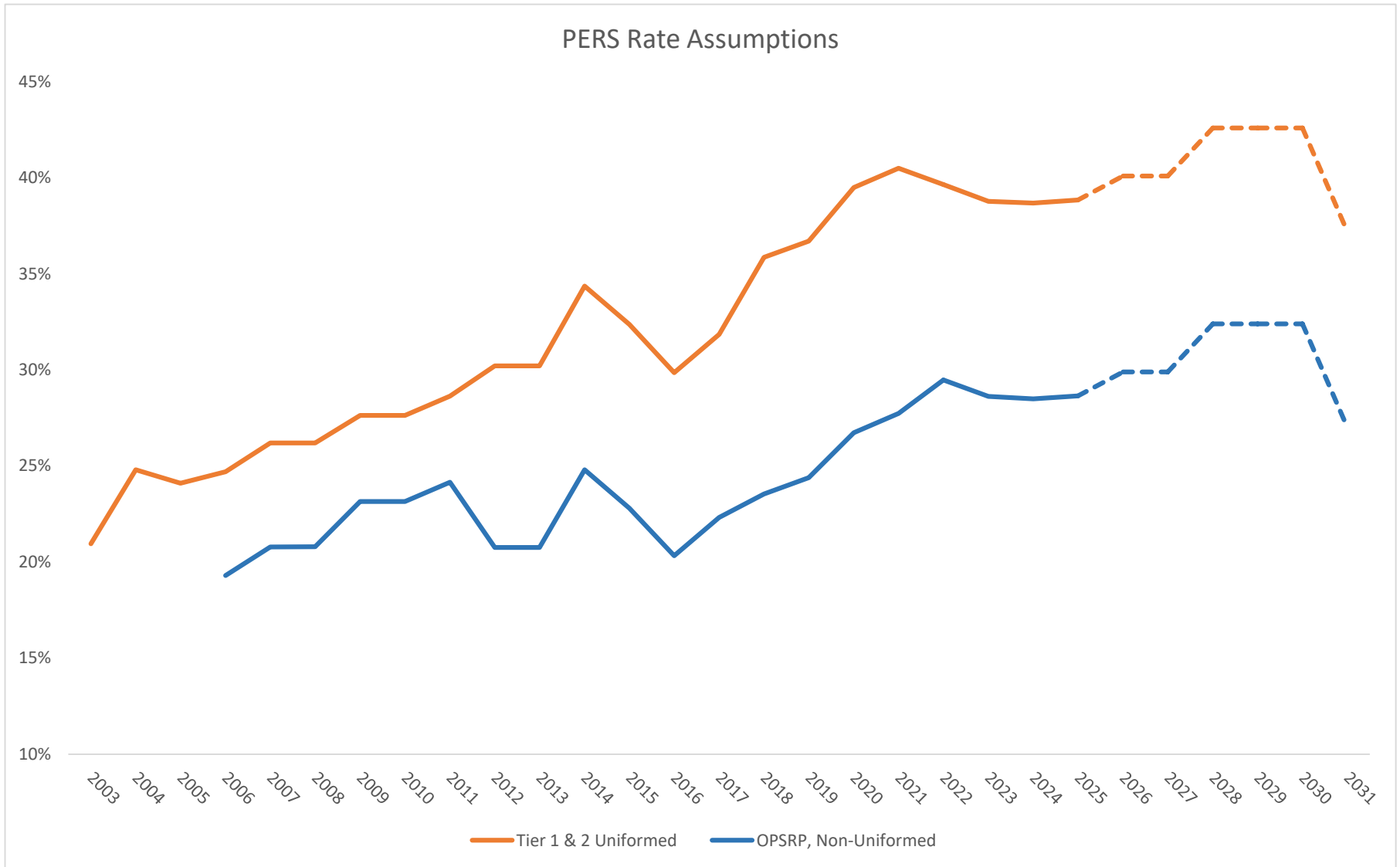
## CPI-W West Size A Y-O-Y Percent Change



Source: Bureau of Labor Statistics



# Expenditure Assumptions



# Expenditure Assumptions

---

- Programs, Cash Transfers, and earmarks funded on a one-time-only basis in FY 2024 Budget that are assumed to not continue in FY 2025.

## One-Time-Only Programs

<u>Offer/Activity</u>	
10000C - Countywide Visioning Renewal Process	250,000
10007B - Public Records Software	200,000
10009C - Transforming Justice Implementation	150,000
10009E - Diversion Planning and Development Pilot	120,000
10010B - OCI - Policy & Training Coordinator	122,000
10012B - Logistics & Warehouse	604,842
10012C - Logistics & Vehicles	772,000
10018B - Food Access Focus	400,000
10018C - Tree Memorial	32,200
10018D - Resilience Hub East County	250,000
10021B - Courthouse Security	191,100
10030 - Employee Retention Incentive Payments - Year 2	14,303,913
10031 - Elected Official Office Transition	20,000
10032 - Center for Tribal Nations	250,000
15002B - Information Technology - Case Tracking System - DCA Cash Transfer	643,257
15002C - Information Technology - Case Tracking System - OTO	916,251
15102B - Domestic Violence Case Management OTO	195,805
15207D - COMPASS Pilot Program	70,000
15301C - Organized Retail Theft Task Force	400,498
15301D - Auto Theft Task Force	400,498



# Expenditure Assumptions

---

15304C - Unit D - Gun Violence Case Management OTO	373,134
25000B - DCHS Economic Justice Project	150,000
25036B - ADVSD Older Adults in Home Care Needs	75,000
25121B - YFS - Woodstove Replacement	244,283
25131D - YFS - Expungement and Legal Services Days	262,500
25131E - YFS - Expungement and Legal Services Expansion	140,000
30005A - System-wide Investments in New & Expanding Organizations	1,050,000
30010 - Housing and Homeless Capital Fund	9,750,000
30100A - Coordinated Access Assessment Tool	100,000
30208A - Safety Off the Streets - Emergency Shelter Strategic Investment	1,800,000
30209 - COVID-19 Emergency Response - Shelter Operations	17,041,210
30210B - Safety on the Streets - Navigation & Service Coordination	899,553
30210C - COVID-19 Emergency Response - Culturally Specific Outreach	446,250
30400B - Supportive Housing	1,262,749
30500B - Benefits and Entitlements Specialist Team (BEST) Expansion	250,000
30600 - Employment Programs - Mobile Shower & Hygiene Response/Workforce Cleaning Brigade	1,982,448
40040D - Behavioral Health Finance Billing	228,142
40069B - Old Town Inreach	1,131,429
40069C - Family Crisis Stabilization Services Enhancements	150,000
40109 - Behavioral Health - Continuing COVID Response	586,793
40110 - Gun Violence Impacted Families Behavioral Health Team	1,229,587
40111 - Culturally Specific Mental Health Workforce Development	154,286
50027B - Pro-Social Recreation Programming	45,000
50032B - HEAT Unconditional Cash Stipend	100,000



# Expenditure Assumptions

---

50041 - DCJ Stabilization and Readiness Program (SARP)	703,965
50051B - Juvenile Justice Center - Safety & Security	175,000
72000B - County Charter Amendment Implementation	190,000
72017B - Recruiter Training & Capacity Building	511,500
72017D - Central HR Electronic Personnel Files	290,000
72044A - FRM Construction Diversity and Equity	1,945,402
72044B - Regional Construction Workforce Diversity Funder Collaborative Year 2 of 5)	200,000
72049B - DCM/NOND Human Resources Team - Increased Capacity	177,000
72053 - Workday Support - Review and Recommend	1,000,000
72055 - Contractor Capacity Review	125,000
72056B - Workplace Security - Security Operations Center	260,000
72057 - Small Business Repair Fund East County	115,000
72060 - Future of Work Planning	4,550,000
72061 - Labor Relations Expanded Support	215,000
72063 - Common Applications Enhancement	460,000
78003 - Countywide Safety and Security Infrastructure	500,000
90004 - Vance Vision Next Steps	150,000
90009A - Charter Reform Rank Choice Voting Implementation	463,000
90009B - Charter Reform Rank Choice Voting: Voter Education and Outreach Staffing	318,000
90010E - Elections - Special Elections (March and August)	700,000
90014 - Levee Ready Columbia (IGA Obligation)	50,000
90018B - Tier 2 ADA Ramps	1,735,000
90021C - Land Use Planning Capacity Building Resources for On-call Support	50,000





# Expenditure Assumptions

---

## Cash Transfers and Earmarks

### Offer/Activity

95000 - Capital Debt Retirement Fund (ERP Debt Payment) (10026)	6,783,000
95000 - Facilities Machine Guards (78202B)	445,000
95000 - Justice Center Electrical System Upgrade - Bus Duct Replacement Phase 2 (78233B)	1,510,000
95000 - Rockwood Community Health Center (78237, 78238, 78239)	3,572,285
95000 - Radio Replacement (Phase 2) (78304C)	1,400,000
95000 - Financial Data Mart Phase 2 (78329)	1,200,000
95000 - Website Digital Service Transformation Strategy (78332)	300,000
95000 - Health - Supplemental Data sets for Analytics and Reporting (78334)	400,000
95000 - Willamette Shelter Projects (78243)	975,000
Additional Contingency for Uncertainty	2,201,914
LEAD Diversion Pilot Implementation	200,000
Expanded Support for Shelter Partners	405,000
SB1145 Contingency Earmark	5,972,543
Moving DA to Uniformed PERS	700,000
Body Worn Cameras	726,000
BM 114 Contingency Earmark	203,826



# FY 2025 OTO Funds

## General Fund FY 2023 Beginning Working Capital & FY 2025 OTO<sup>1, 2</sup> Year-End as of November 1, 2023

FY 2024 Beginning Balance <sup>3</sup>	227,183,730
FY 2024 Budgeted Beginning Balance	<u>177,955,961</u>
<b>Additional FY 2024 BWC (OTO)</b>	<b>49,227,769</b>
Plus Additional FY 2024 Revenues	9,128,985
Less Amount to Maintain FY 2025 Reserves at Board Policy Level	<u>(4,345,458)</u>
<b>OTO Funds for FY 2025 per November Forecast</b>	<b>54,011,296</b>
<i>50% Dedicated to County Facility/IT Projects per Board Policy</i>	<i>27,005,648</i>
<i>Remaining 50% to be Allocated</i>	<i>27,005,648</i>

Includes \$37.0 million of departmental underspending, and 12.2 million in revenues above forecast (primarily BIT and Interest Earnings).

1. Assumes the FY 2024 General Fund Contingency is fully spent in FY 2024.
2. Assumes departments fully spend their FY 2024 appropriation.
3. Adjusted for additional restricted County Clerk BWC, and Tax Title: Affordable Housing.



# FY 2024 Contingency Update

---

## Contingency

General Fund 'Regular' Contingency	2,000,000	
Additional Contingency for Uncertainty	2,201,914	Includes \$327,000 for DCJ PPOs
Additional SB 1145 Contingency Request	(345,424)	Approved by Board 8/31/2023
Bybee Lakes Emergency Action	(1,500,000)	Approved by Board 9/7/2023
Auditor's Office Ombudsperson	(100,500)	Approved by Board 2/2/2023
<b>Remaining Non-Earmarked Contingency</b>	<b>2,255,990</b>	

## Earmarked Contingency

Earmark - Body Worn Cameras	137,596	Partial amount approved by Board 11/9/2023
Expanded Support for Shelter Program Partners	405,000	
SB 1145 Contingency Earmark	0	Approved by Board 8/31/2023
Moving DA to Uniformed PERS	352,257	Partial amount approved by Board 11/9/2023
BM 114	203,826	
LEAD Diversion Pilot Implementation	200,000	
<b>Total Earmarked Contingency</b>	<b>1,298,679</b>	

<b>Total General Fund Contingency</b>	<b>3,554,669</b>
---------------------------------------	------------------

BIT Reserve @ 10% (in General Fund Contingency)	18,608,542
<b>Total General Fund Contingency</b>	<b>22,163,211</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 2025*



# Forecast Risks, Uncertainties, and Issues

---

- Inflation and Fed Response
  - Moving in the right direction
  - Fed has signaled rates will remain higher for longer
  - Development
- Population
  - Long term impacts on all major revenues
- Downtown Recovery and Development
  - Property values
  - No office buildings or hotels
  - Tied to population growth
  - Assessment model
- Residential Property Values



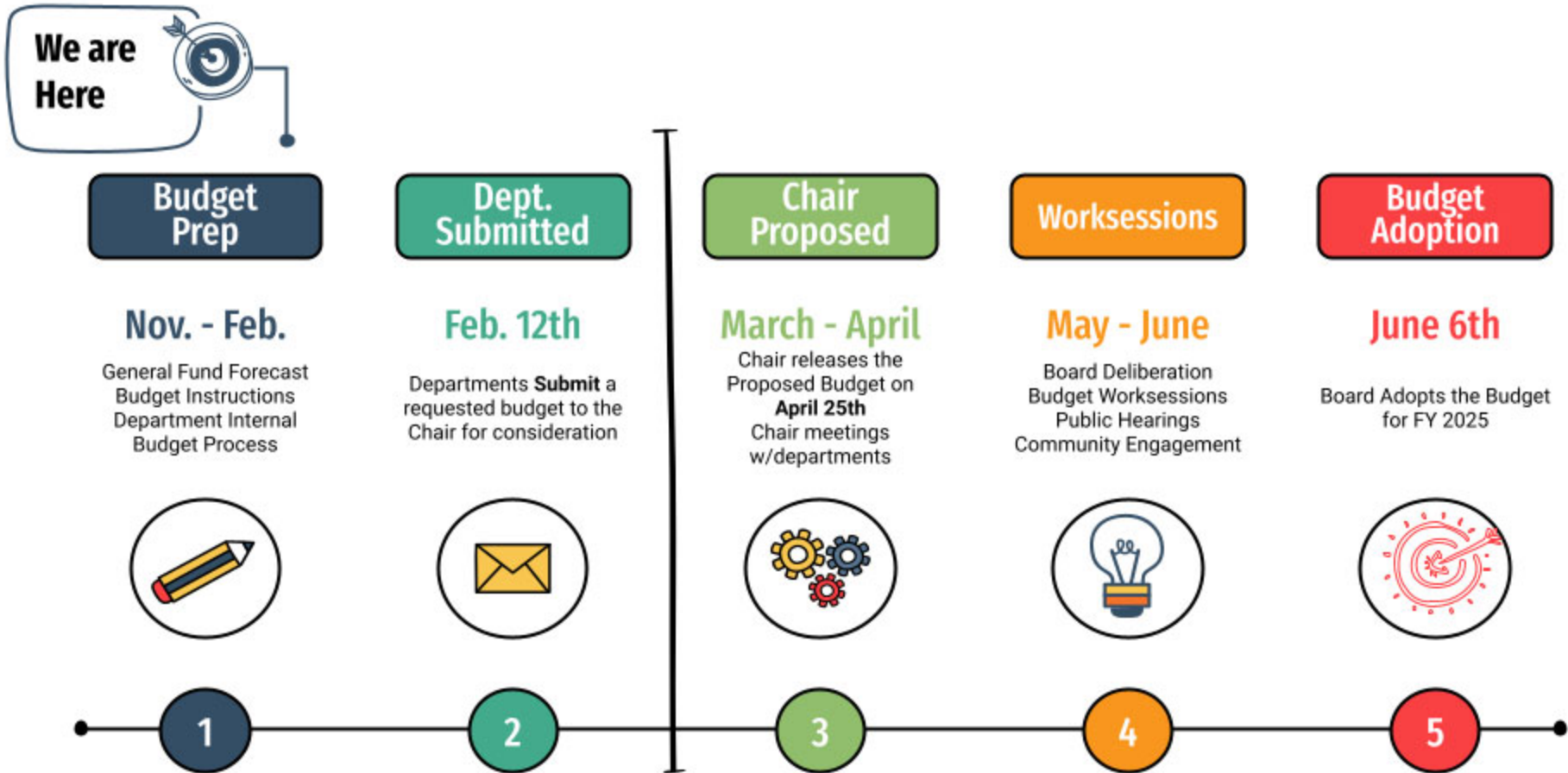
# Summary

---

- FY 2024 General Fund revenue forecast increased \$9.1 million (1.3%)
- FY 2024 General Fund contingency balance of \$2.3 million (unallocated)
- Deficit of \$14.0 million forecast for FY 2025
  - Includes both SB 1145 and BHRC ongoing funding gaps
  - Becomes deficit of \$40.5 million by FY 2029
- FY 2025 General Fund OTO resources of \$54.0 million
  - \$27.0 million for facility/IT projects (per Board policy)
  - \$27.0 million to be allocated
- Major risks, uncertainties, and issues include:
  - Property Values
  - Inflation



# FY 2025 Budget Milestones



# Questions

---

