



FY 2026 General Fund Forecast

Presented to the Multnomah County
Board of County Commissioners

November 19, 2024

Central Budget Office



Agenda

1

Economic Overview

2

Revenues

3

Expenses

4

5-Year Forecast

5

OTO/Contingency/Risks

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

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenues	753,001,418	781,171,978	814,986,507	843,236,951	872,625,422
Expenditures	773,464,287	805,319,921	848,615,296	881,002,260	919,034,619
Ongoing Surplus/(Deficit)	(20,462,869)	(24,147,942)	(33,628,789)	(37,765,309)	(46,409,196)
TIF* District Foregone Revenue	(763,707)	(1,890,325)	(3,445,179)	(4,663,154)	(6,012,770)
November Forecast with TIF District Impact	(21,226,576)	(26,038,267)	(37,073,968)	(42,428,463)	(52,421,966)
Expected Deficit After Balancing FY 2026	0	(3,962,628)	(14,115,303)	(18,551,452)	(27,589,874)

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

*Tax Increment Financing (TIF) subsidizes capital improvements using the increased tax revenue created by those improvements, usually in commercial areas

Economic Overview

1 Rate Reductions and “Soft Landing”

2 National Economic Indicators signaling more growth

3 Locally, weak employment and strong income growth

4 Development expected to continue to be low



An aerial photograph of a city skyline, likely Portland, Oregon, featuring a large bridge under construction over a river. The bridge's steel structure is prominent in the foreground, with a red and green tower section. The city buildings in the background include a mix of modern glass-fronted structures and older brick buildings. The sky is blue with scattered white clouds. A semi-transparent white banner is overlaid across the middle of the image, containing the word "Revenues" in a blue, sans-serif font.

Revenues

FY 2025 Revenue Review

	FY 2025 Adopted ¹	November Forecast Change	Note
Property Taxes	403,868,961	1,788,416	Lower compression
Business Income Taxes (BIT)	162,953,555	0	
Motor Vehicle Rental Taxes (MVRT)	36,735,757	1,964,425	Strong PDX Traffic
US Marshal	3,676,250	(2,025,750)	Reduce Assumption to 20 Beds
State Shared ²	14,053,629	0	
Recording Fees/CAFFA Grant	5,534,156	0	
Indirect			
Departmental	46,146,925	0	
Central Indirect/ Svc Reimburse	11,892,809	0	
All Other	53,637,156	0	
FY 2025 Revenue Adjustments³	738,499,198	1,727,091	
% of Revenue		0.23%	

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

2. State Shared includes Liquor, Cigarette, Marijuana, Video Lottery, and Amusement

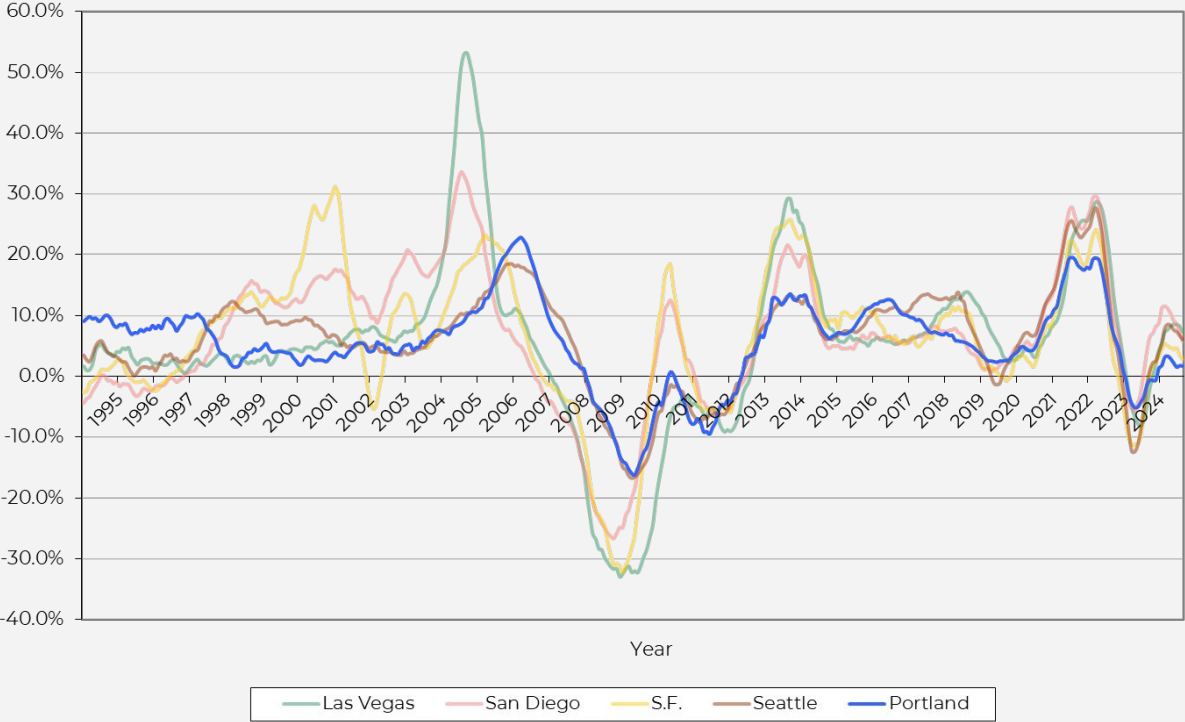
3. Not adjusted for revenue adjustments directly offset by expenditure changes

Property Tax (63.5% of Discretionary CGF)

Case Shiller Home Price Index

Monthly Year-Over-Year % Change

Based on S&P/Case-Shiller Home Price Index Thru August 2024



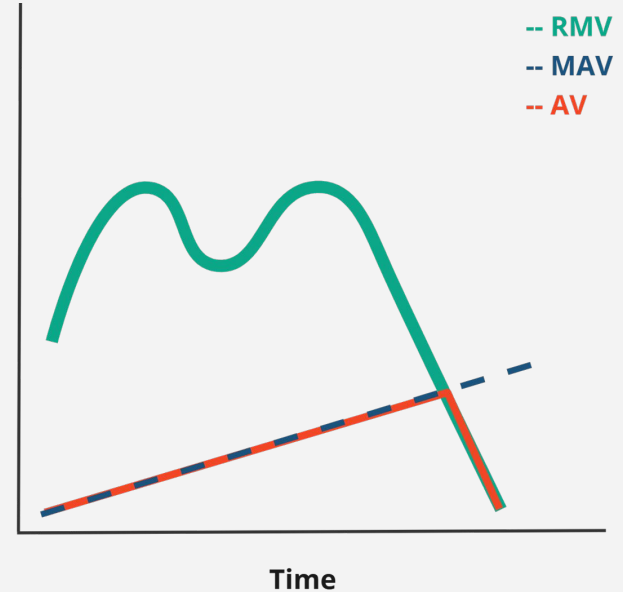
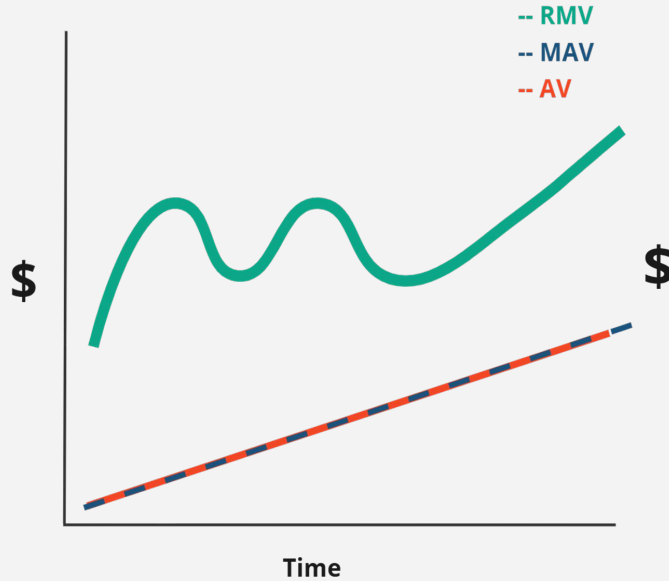
Residential Property is 59.2% of Total AV

Property Tax

Downtown Property Values

Tax Rate is applied to Assessed Value (AV). AV is the lesser of Real Market Value (RMV) and Maximum Assessed Value (MAV). MAV = AV for the vast majority of Multnomah County properties.

Rapid decline in Downtown RMVs is (in some cases) enough to pull down AV.



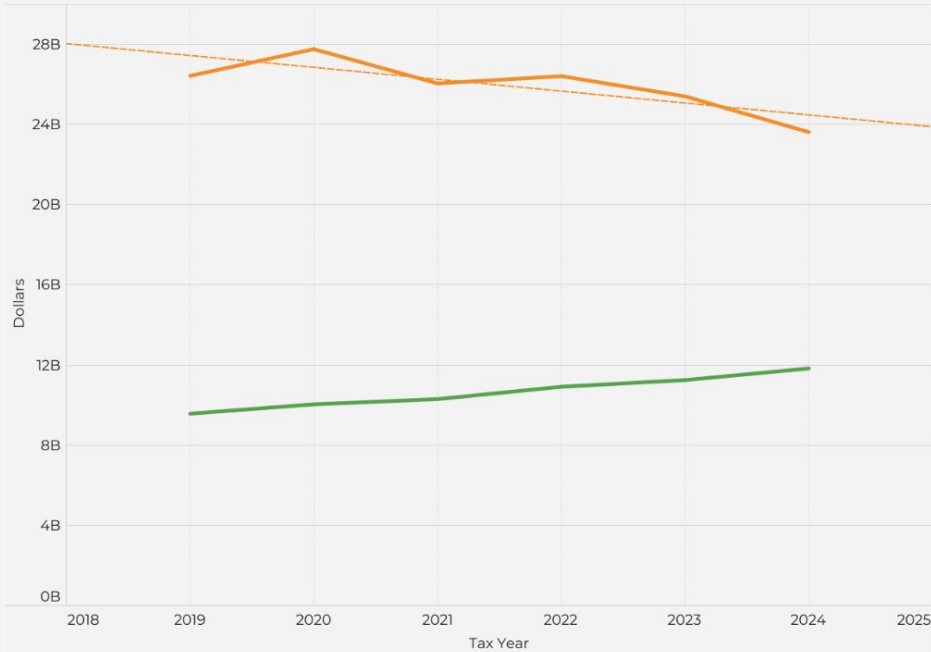
miro

Property Tax

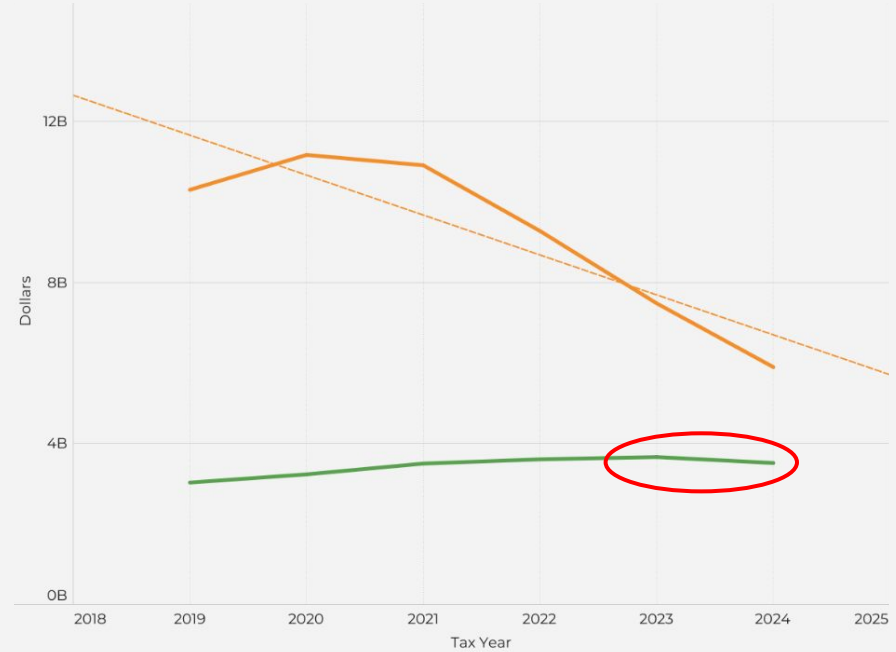
Downtown Property Values

- Real Market Value (RMV)
- Assessed Value (AV)

Trends for Non-Office Properties



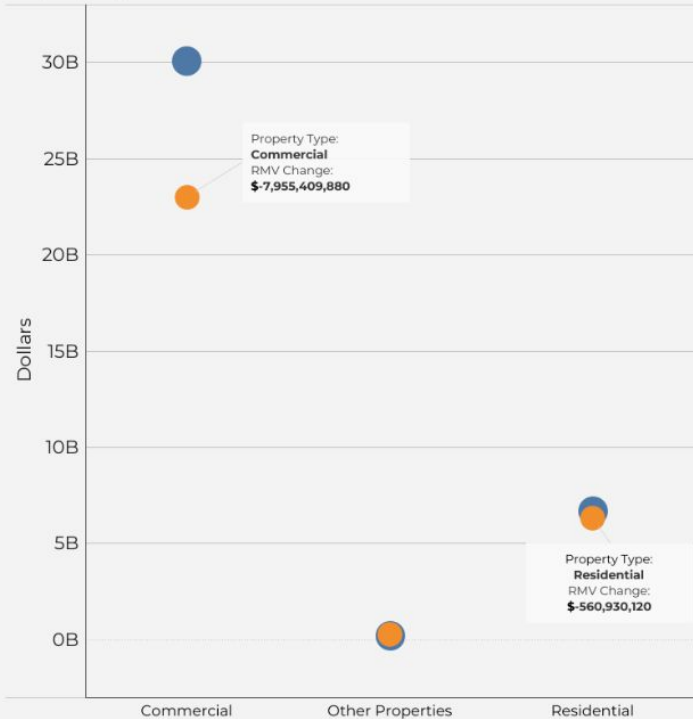
Trends for Office Properties



Property Tax

Downtown Property Values

Property Type Real Market Value

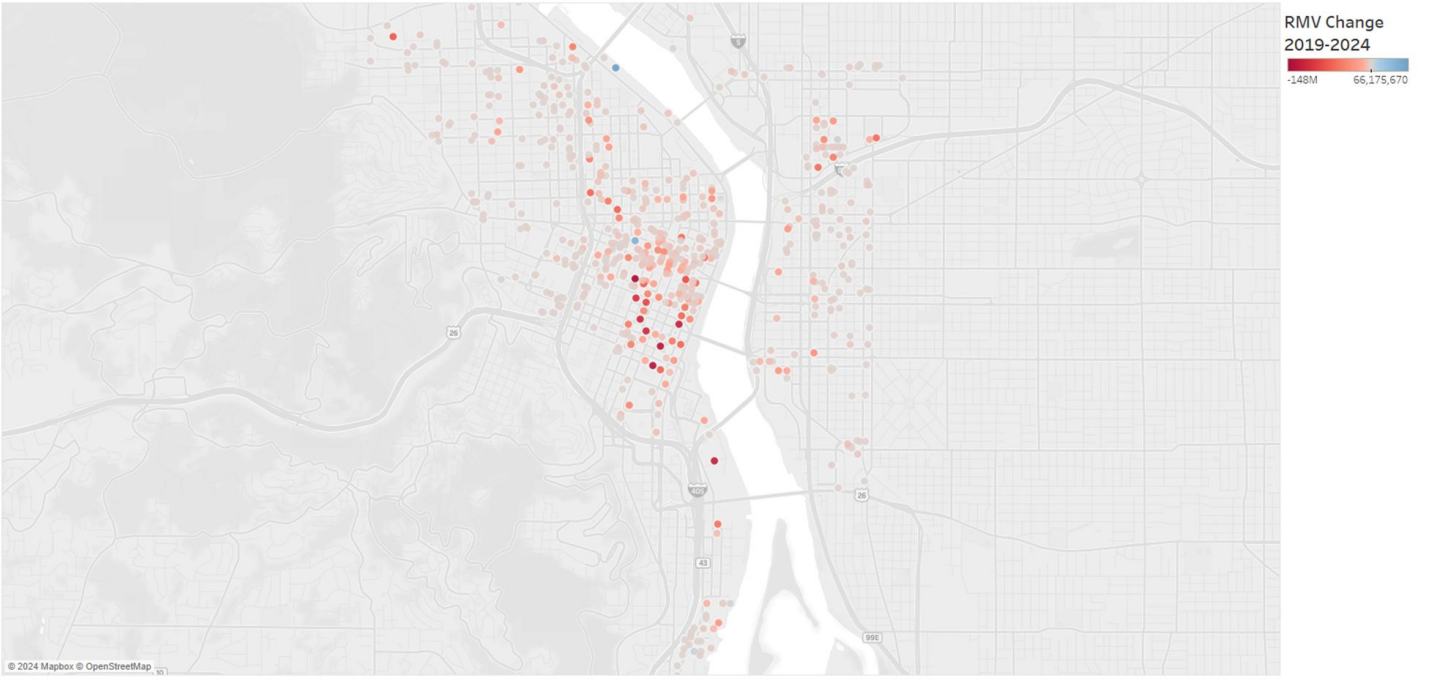


Office Property Real Market Value



Property Tax

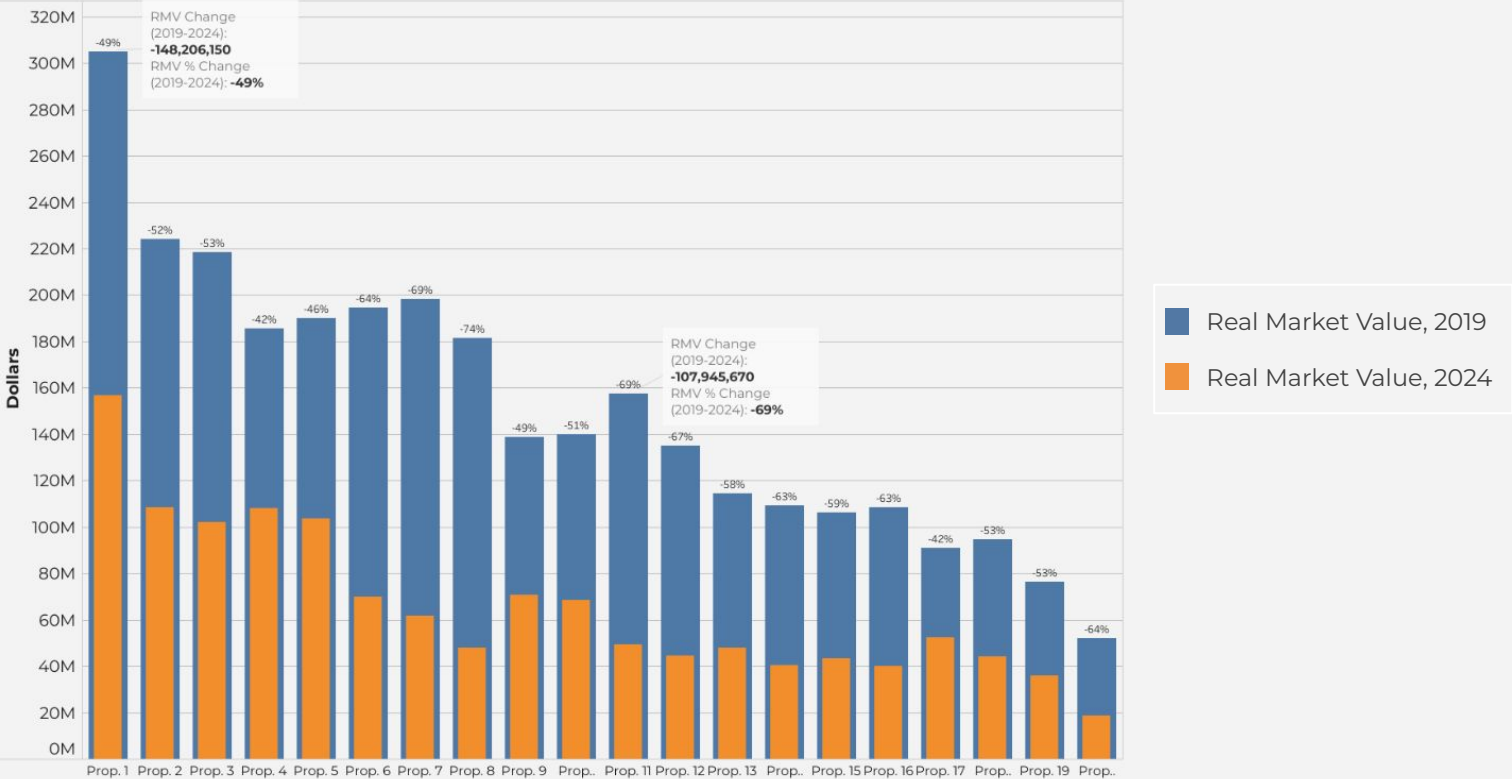
Map of Downtown Impacts



Biggest impacts concentrated in the center of downtown

Property Tax

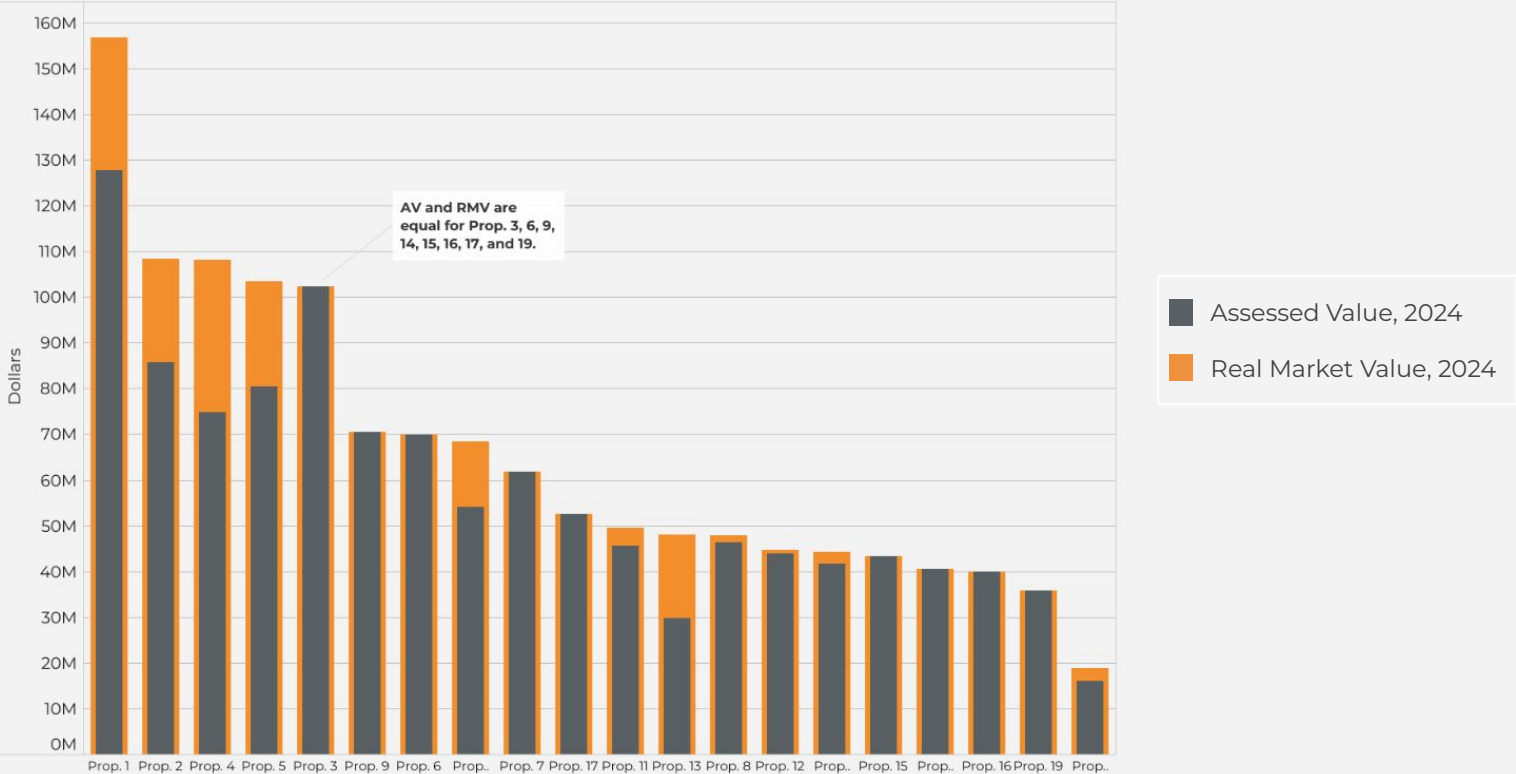
Real Market Value for 20 highest-value office properties has fallen since 2019



- Real Market Value, 2019
- Real Market Value, 2024

Property Tax

For many offices, Real Market Value is near or equal to Assessed Value in 2024



Business Income Tax (BIT) (26.0% of Discretionary CGF)

US Corporate Profits

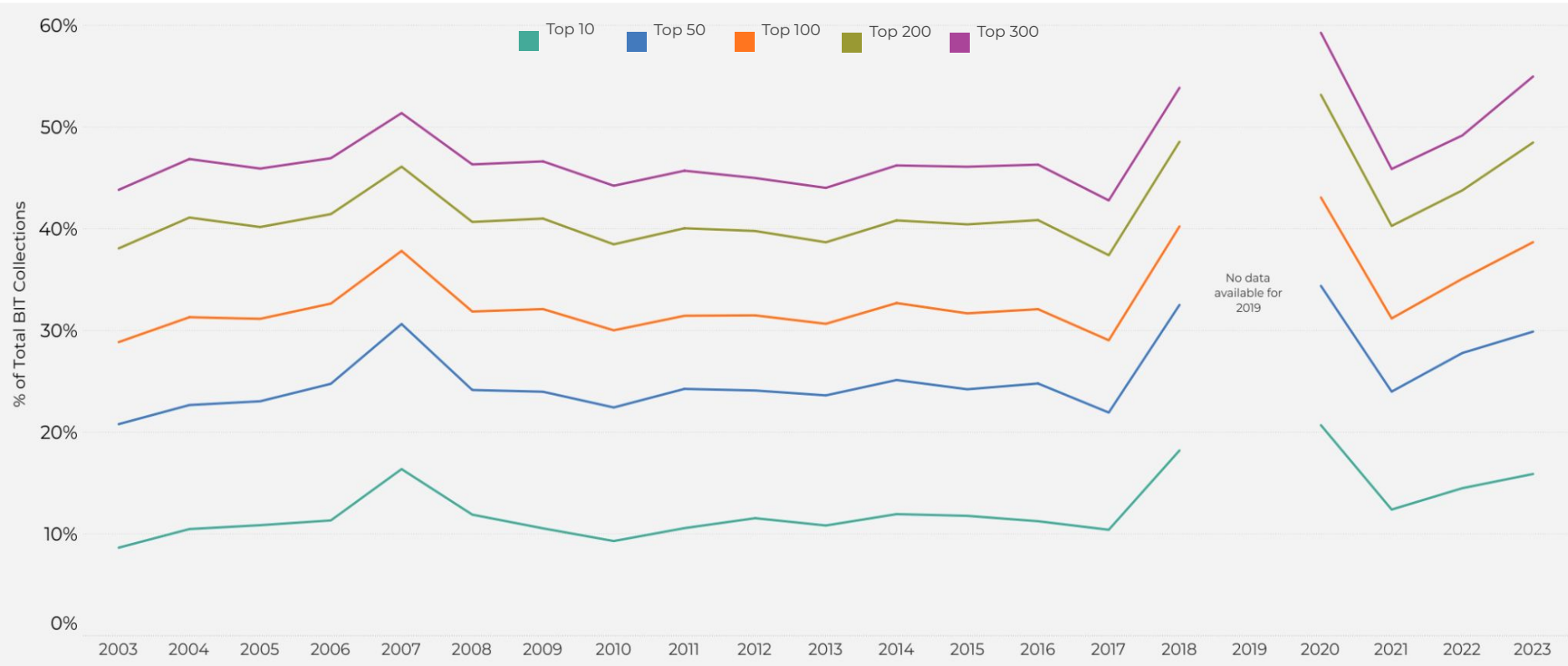


BIT payments are based on Net Income and correlated with US Corporate Profits

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

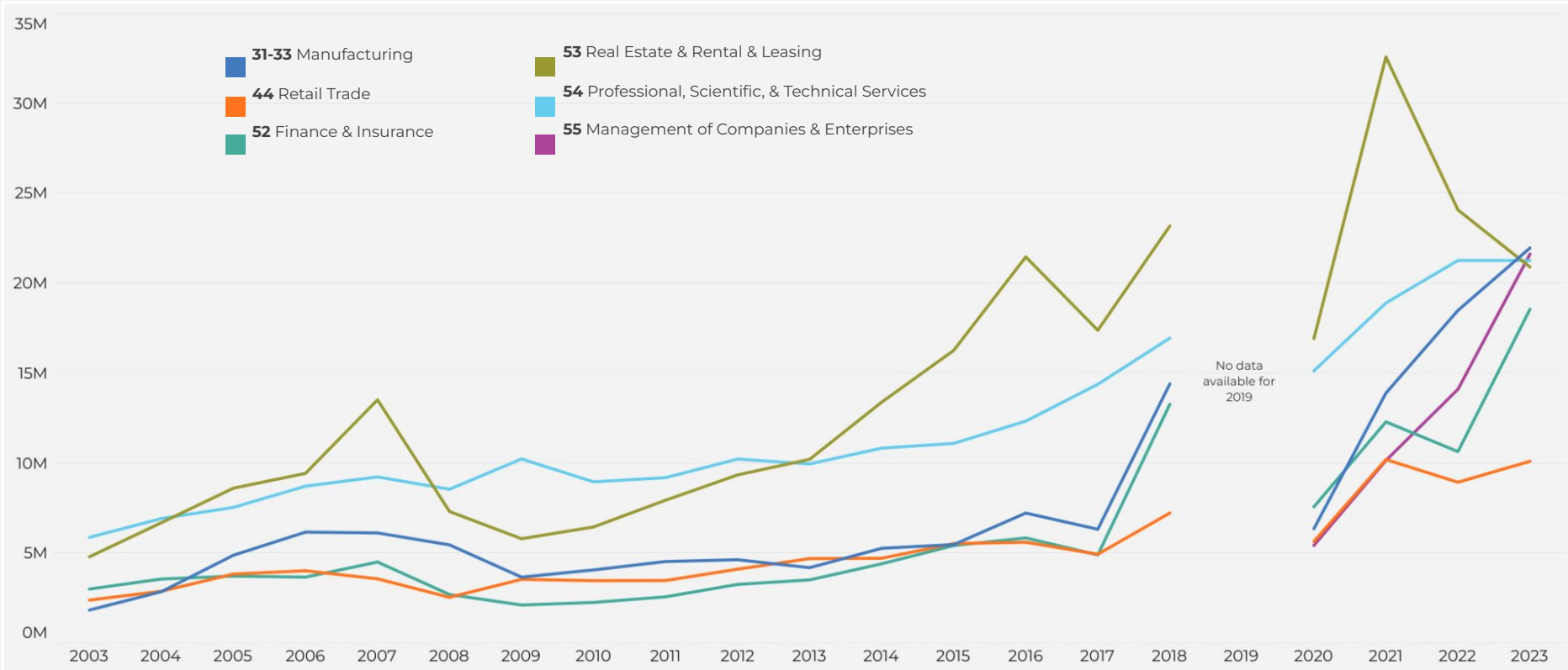
Business Income Tax (BIT)

Share of Payments by Tier



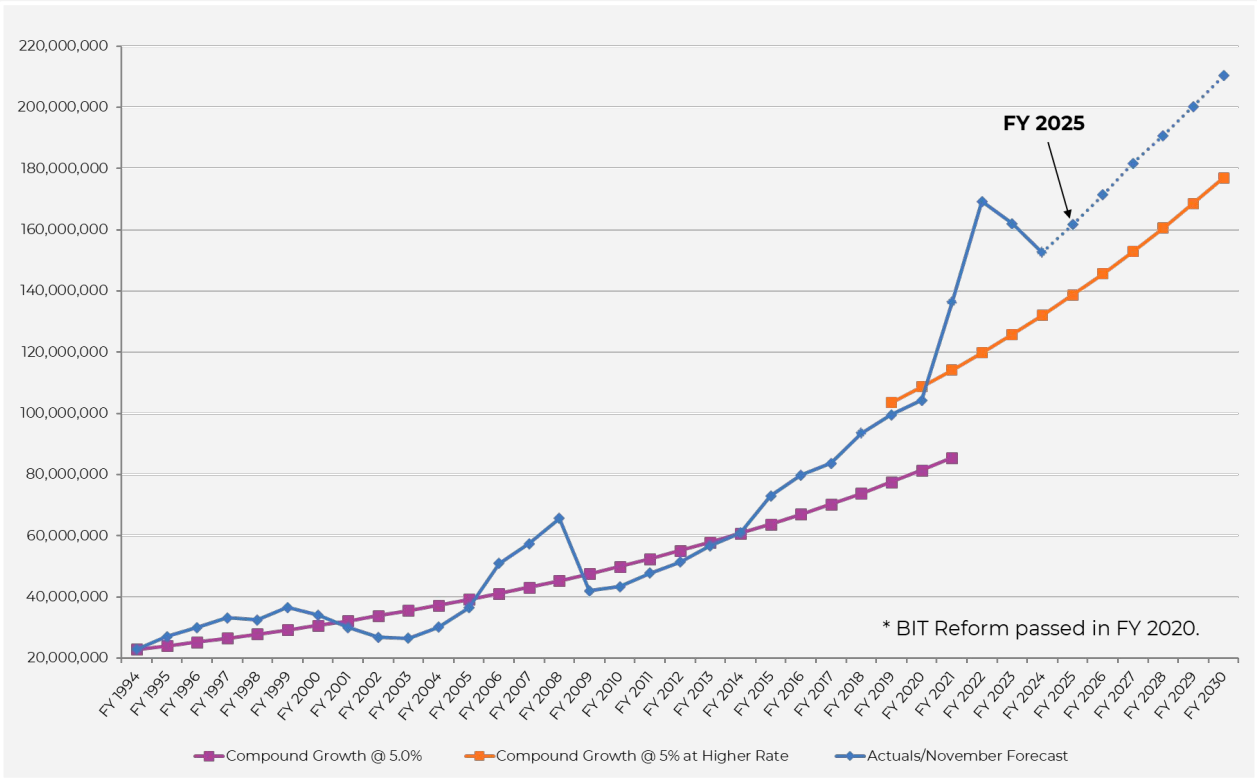
Business Income Tax (BIT)

Top 6 Industries by Tax Year



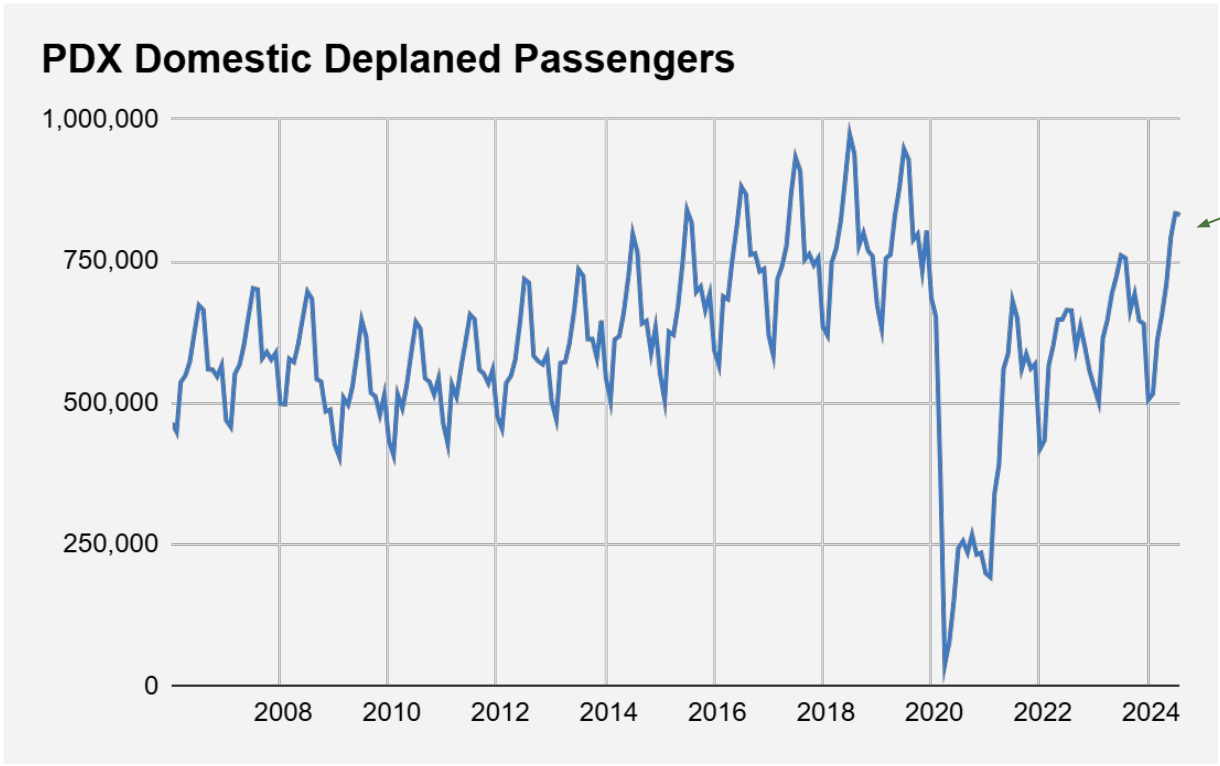
Business Income Tax (BIT)

Annual BIT Collections: History and Forecast



Motor Vehicle Rental Tax (MVRT) (5.9% of Discretionary CGF)

Domestic flights into PDX have increased since the pandemic

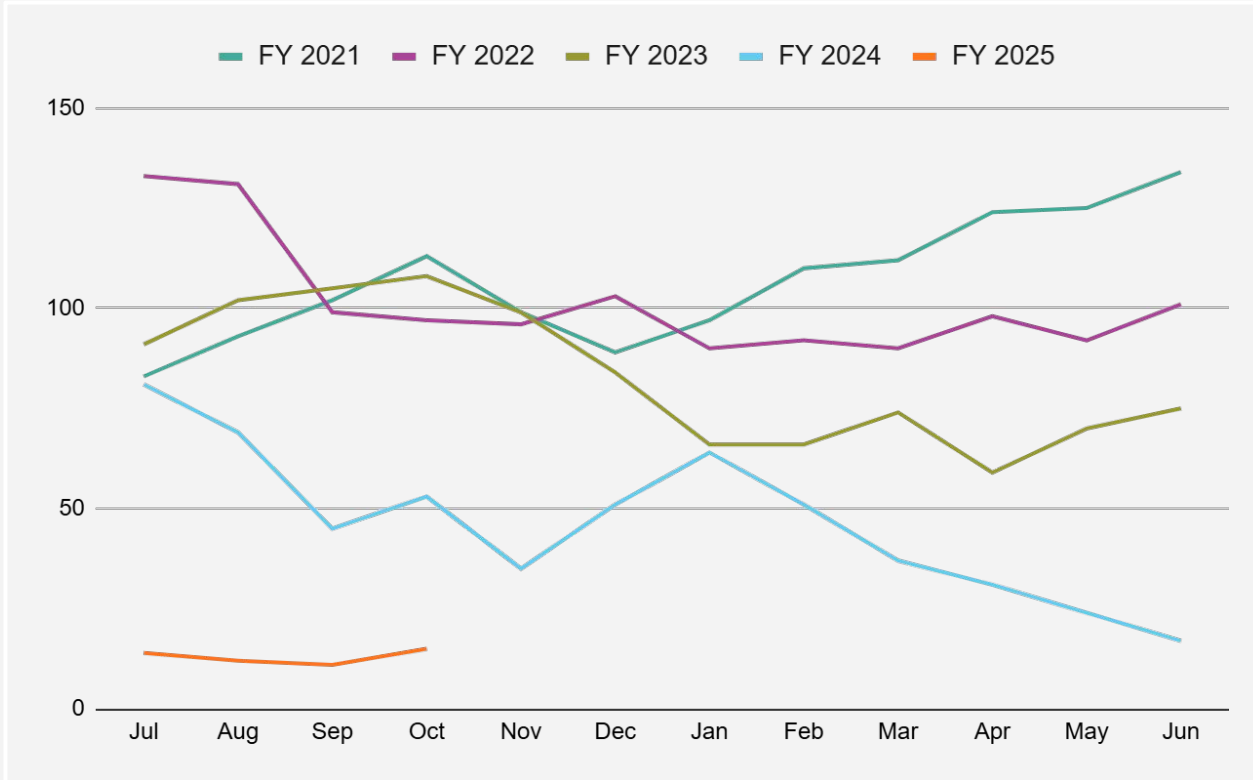


Local deplaning rates are recovering, though they remain below pre-pandemic levels

Source: Port of Portland

Monthly US Marshal (USM) Average Bed Usage

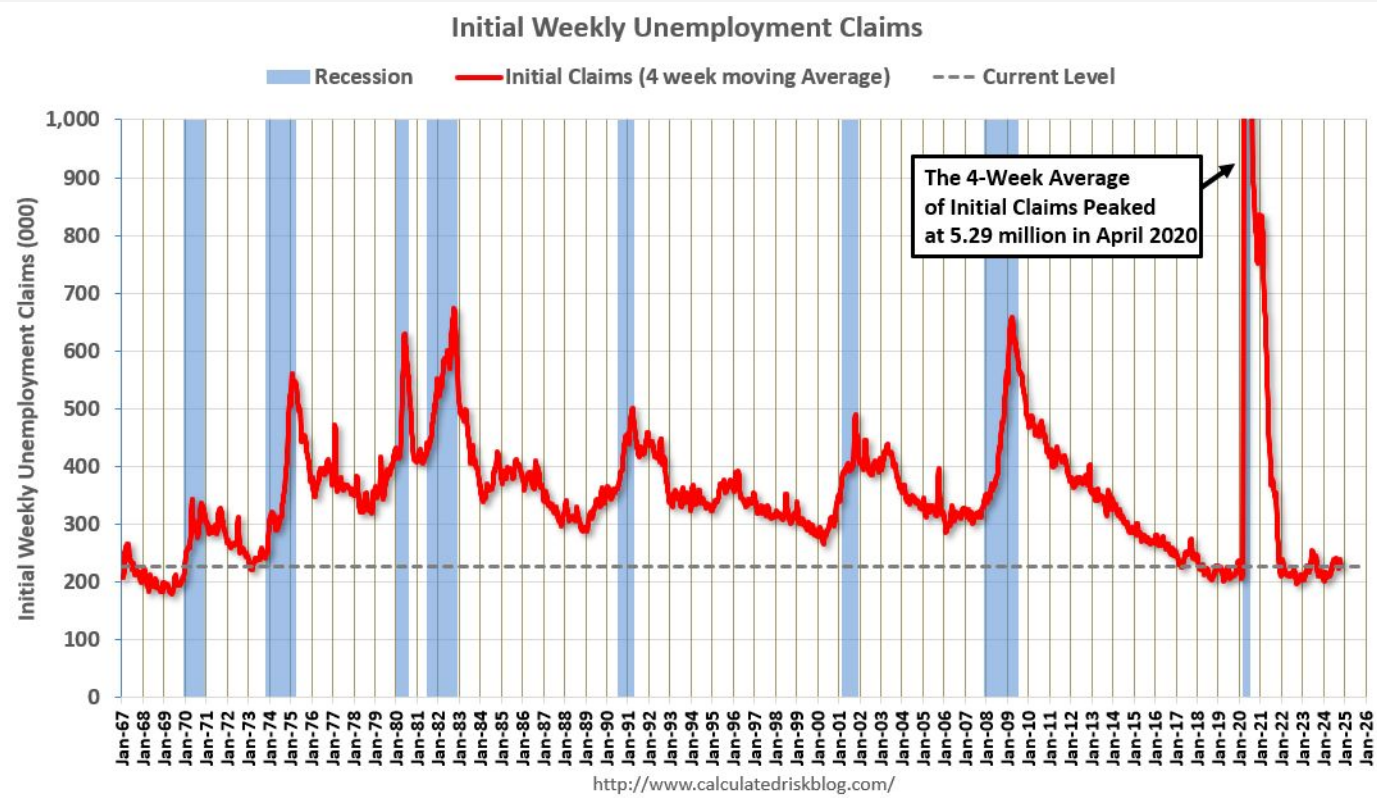
Average bed usage is down compared to previous years



Decline in US Marshal bed usage began in mid-FY 2023. Previous long-term assumption was 95 beds/night.

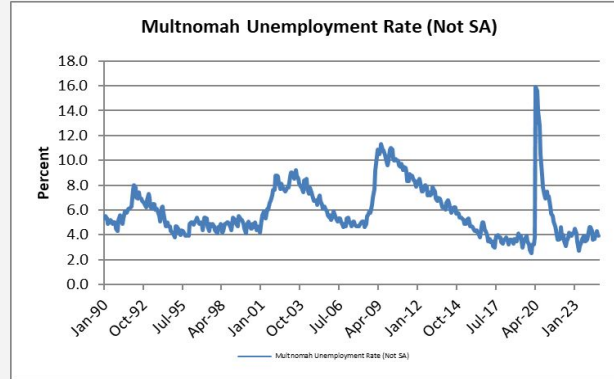
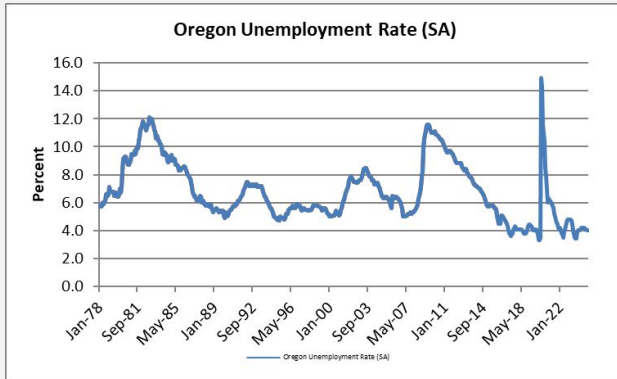
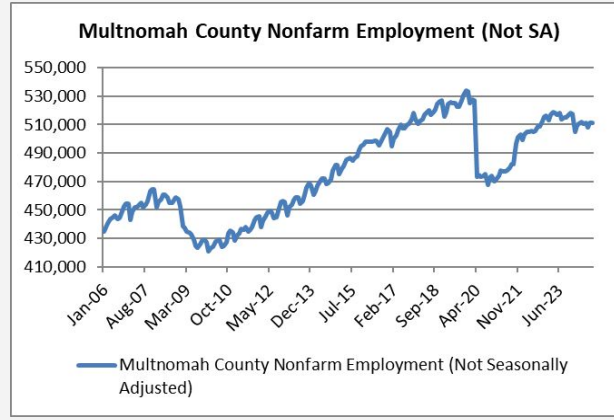
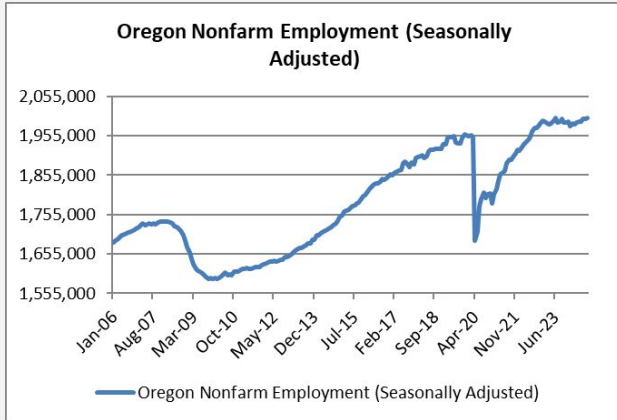
Economic Overview

Initial Weekly Unemployment Claims



Economic Overview

County and State Employment



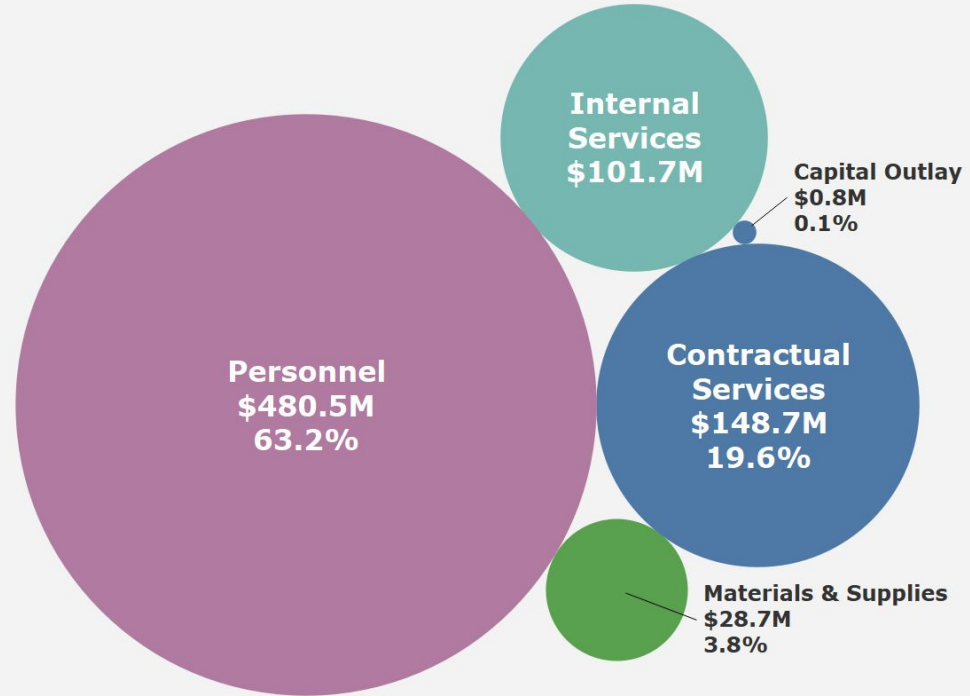
An aerial photograph of a city skyline, likely Portland, Oregon, featuring a large bridge under construction over a river. The bridge's steel truss structure is prominent in the foreground. In the background, several modern high-rise buildings are visible, including a prominent one with a glass facade and another with a red brick facade. The sky is blue with scattered white clouds. A semi-transparent white box is overlaid on the lower left portion of the image, containing the word "Expenses" in a blue sans-serif font.

Expenses

FY 2026 Expenses

Cost Drivers

Personnel/Labor Costs (change in rates)	5.72%
COLA	2.70%
Step/Merit/Contract Changes	1.72%
Medical/Dental	5.00%
PERS	2.62%
Retiree Medical	-0.50%
Liability/Workers Comp/ TriMet	0.11%
Materials and Supplies	2.70%
Contractual Services	2.70%
Internal Services	7.04%



FY 2025 General Fund Expenses

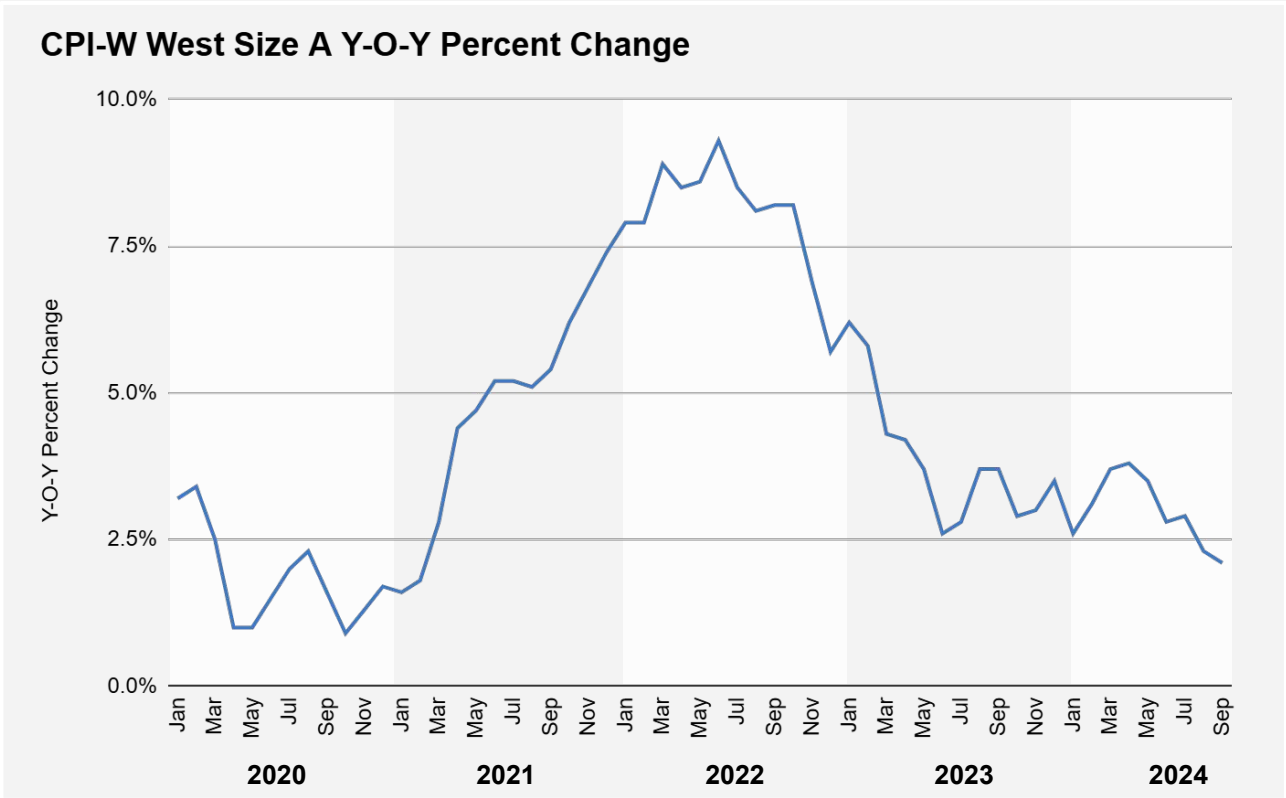
FY 2026 Expenses

Cost Drivers (continued)

General Fund Cost Driver Notes	A 1% increase in base pay = approx. \$4.1 million
	A 4% increase in medical/dental rates = approx. \$2.3 million
	A 1% (of base pay) increase in PERS = roughly \$2.9 million
Reserve & Contingency Assumptions	General Fund Contingency: \$1.45 million
	BIT Reserve: 12% of BIT revenues (\$19.6 million)
	General Fund Reserve: 12% of corporate revenues (\$75.1 million)

FY 2026 Expenses

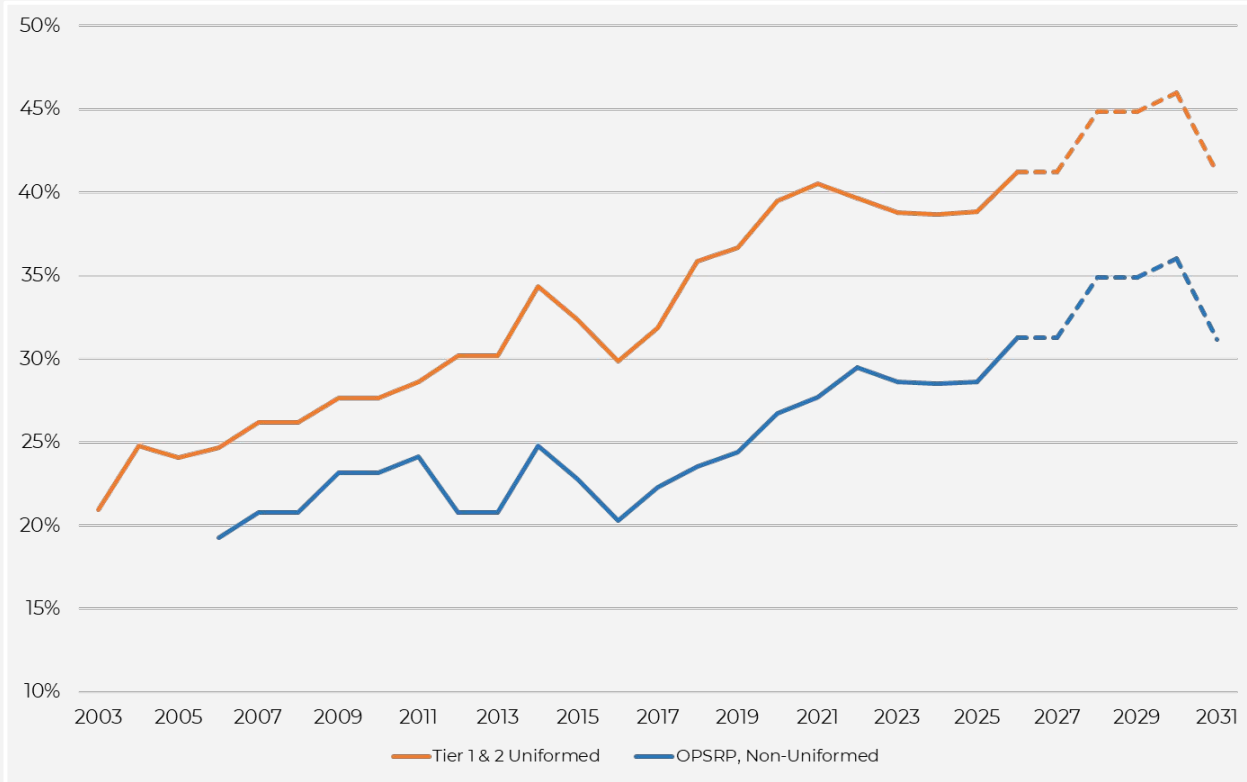
Inflation



Inflation much improved, but needs to go and stay lower to put County on a more sustainable path.

FY 2026 Expenses

PERS Rate Assumptions



Multico Employee
PERS Stats ^{1,2}

83% OPSRP
12% Tier 2
5% Tier 1

14% Uniformed
86% Non Uniformed

1. PERS Tiers are based on actual employees (as of Spring 2024 Total of 5,875)

2. Uniformed vs. Non Uniformed is based on Adopted FTE (Total of 5,968 FTE)



Five-Year Forecast

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

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenues	753,001,418	781,171,978	814,986,507	843,236,951	872,625,422
Expenditures	773,464,287	805,319,921	848,615,296	881,002,260	919,034,619
Ongoing Surplus/(Deficit)	(20,462,869)	(24,147,942)	(33,628,789)	(37,765,309)	(46,409,196)
TIF* District Foregone Revenue	(763,707)	(1,890,325)	(3,445,179)	(4,663,154)	(6,012,770)
November Forecast with TIF District Impact	(21,226,576)	(26,038,267)	(37,073,968)	(42,428,463)	(52,421,966)
Expected Deficit After Balancing FY 2026	0	(3,962,628)	(14,115,303)	(18,551,452)	(27,589,874)

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

*Tax Increment Financing (TIF) subsidizes capital improvements using the increased tax revenue created by those improvements, usually in commercial areas



One-Time-Only (OTO) Contingency, and Risks

Table 2: General Fund FY 2025 Beginning Working Capital & FY 2026 OTO ^{1, 2}

Year-End as of November 5, 2024

FY 2025 Actual Beginning Balance ³	179,419,217
FY 2025 Budgeted Beginning Balance	144,997,438
Additional FY 2025 BWC (OTO)	34,151,779
<i>Plus</i> Additional FY 2025 Revenues	1,727,091
<i>Plus</i> Remaining ARP Interest	2,623,829
<i>Less</i> Amount to Maintain FY 2026 Reserves at Board Policy Level	<u>(3,406,561)</u>
OTO Funds for FY 2026 per Nov. Forecast	35,096,138
<i>50% Dedicated to County Facility/IT Projects per Board Policy</i>	17,548,069
<i>Remaining 50% to be Allocated</i>	17,548,069

Includes **\$26.1 million** (3.5%) of departmental underspending

1. Assumes the FY 2025 General Fund Contingency is fully spent in FY 2025.

2. Assumes departments fully spend their FY 2025 appropriation.

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

FY 2025 One-Time-Only (OTO) Program Offers

Assumed to not continue into FY 2026

One-Time-Only Programs

Offer/Activity

10007B - Public Records Software	300,000
10009C - Transforming Justice - Cully Reimagining Justice Project	150,000
10010B - OCI - Policy & Training Coordinator	132,500
10010C - Community Budget Advisory Committee (CBAC) Stipends	42,000
10010D - Civic Engagement Leadership Training	130,000
10011B - Improved Access and Transparency for Board Materials and Procedures	100,000
10018B - Food Access Focus	200,000
10018C - Ross Island Lagoon Mixing Channel Project	150,000
10030 - Employee Retention Incentive Payments - Year 3	287,000
10031 - Elected Official Office Transition	100,000
10032 - Community Vitality and Economic Opportunity Grant Pilot Program	250,000
15002D - IT - IT Consulting & MS Teams Voice - OTO	185,000
15015B - Victim Assistance Program - 1.00 Program Specialist Position	136,126
15101B - Expand Juvenile Unit by 1.00 DDA	205,568
15201B - Unit C - Gun Violence Case Backlog	289,331
15207A - MCDA Access Attorney Program (MAAP)	848,473
15207B - MAAP - Restoration of 2.00 DDAs	509,600
15301C - Organized Retail Theft Task Force	438,110

FY 2025 One-Time-Only (OTO) Program Offers

Assumed to not continue into FY 2026

One-Time-Only Programs

Offer/Activity

15301D - Auto Theft Task Force	438,110
15301E - Expand Unit A/B by 1.00 DDA, 1.00 Legal Assistant, and 1.00 Data Analyst	441,000
15403B - Body Worn Cameras - Expansion	776,683
25003 - Newcomer Support Services Pilot	1,267,000
25121B - YFS - Climate Resilience	152,948
25121C - YFS - Cooling Kits for Summertime	50,000
25131D - YFS - Record and Fee Expungement Program (Project Reset)	325,000
25131E - YFS - Eviction Prevention: In Courtroom Support	330,000
25133B - YFS - Emergency Rent Assistance	3,643,160
25133C - YFS - Eviction Prevention	3,308,738
25146 - YFS - SUN Community Schools: Family Resource Navigators	3,000,000
25147B - YFS - Food Security / Pantry Enhancement	180,000
30208B - Safety off the Streets - Emergency Shelter Strategic Investment Expansion	17,500,000
30208C - Safety off the Streets - Emergency Shelter Strategic Investment - Shelter NOFA	1,000,000
40000B - Overdose Prevention & Response	1,302,776
40000D - Behavioral Health System Transformation - Comprehensive Local Plan	250,000
40004B - Ambulance Service Plan	756,768
40007B - Restaurant Inspections Restoration	1,153,733
40010E - Restore STD Clinic Services	350,000
40037B - Gas Powered Leaf Blowers	80,000
40044B - Supplemental Data Sets Partnership with DCA	400,000
40080B - Gun Violence Impacted Families Behavioral Health Team	1,222,614
40105C - Downtown Addiction Services Pilot	170,749

FY 2025 One-Time-Only (OTO) Program Offers

Assumed to not continue into FY 2026

One-Time-Only Programs

Offer/Activity

50067B - Expand CHI Early Intervention & Diversion Services	330,000
60215B - Human Resources Expansion	450,000
60520B - Additional Detective	240,000
60555B - Additional Gun Dispossession Deputy - One Time Only	217,706
60200 - Utilities Increase	238,648
72044B - Regional Construction Workforce Diversity Funder Collaborative	200,000
72049B - DCM/NonD Human Resources Team Increased Capacity for NonD	190,000
72064 - Countywide Strategic Planning	250,000
72065 - Multnomah County Managers Conference	114,000
72066 - DCM Tax Title Reserve Fund	5,000,000
72068 - Recruitment and Retention Campaign	310,000
90008B - Animal Health Professional Services	300,000
90009B - Charter Reform RCV Voting Support	132,957
90010B - Presidential Election	180,000
90010D - Ranked Choice Voting One Time Only	576,419
90010E - Elections - Special Elections	700,000
90010G - Voters Pamphlet	127,000
90018B - Phase 3 ADA Ramps	2,615,000
90021B - Zoning Code Improvement Project	140,000

FY 2025 One-Time-Only (OTO) Program Offers

Assumed to not continue into FY 2026

Cash Transfers and Earmarks

<u>Offer/Activity</u>	
95000 - Juvenile Justice Complex Security Foyer (78244)	1,000,000
95000 - Hansen Complex Deconstruction (78240)	150,000
95000 - DCHS Workflow Software (78339)	500,000
95000 - Enterprise Resource Planning Historical Data Retention (78340)	1,000,000
95000 - Justice Center Electrical System Upgrade - Bus Duct Replacement - Phase 2 (78233B)	3,812,900
95000 - Network Access Control (78337)	310,000
95000 - New Animal Services Facility - Design Phase (78234)	3,110,421
95000 - Public Website and Digital Services Transformation (78332B)	1,500,000
95000 - Facilities Vance Property Master Plan (78210B)	100,000
Fund 10050 - Public Campaign Finance	500,000
Hansen Deconstruction	550,000

FY 2025 Contingency Update

Contingency

General Fund “Regular” Contingency	1,450,000
Additional Contingency	32,019
Remaining Non-Earmarked Contingency	1,482,019

Earmarked Contingency

Earmark - Public Campaign Finance Earmark (Fund 10050)	500,000
Earmark - Hansen Deconstruction	550,000
Total Earmarked Contingency	1,050,000

Total General Fund Contingency **2,532,019**

BIT Reserve @ 12% (in General Fund Contingency)	19,554,427
Total General Fund Contingency	22,086,446

Note: The forecast assumes the General Fund Contingency will be fully spent, with the exception of the Reserves, which is “rolled over” to FY 2026.

Risks

1 Open Labor Contracts

2 How much further will downtown property values fall?

3 Election: Tariffs, Inflation, Labor Force, and Corporate Profits





Updates and the FY 2026 Budget Process

The Budget Times

07/01/2024

Multnomah County, Oregon

Edition: FY 2025

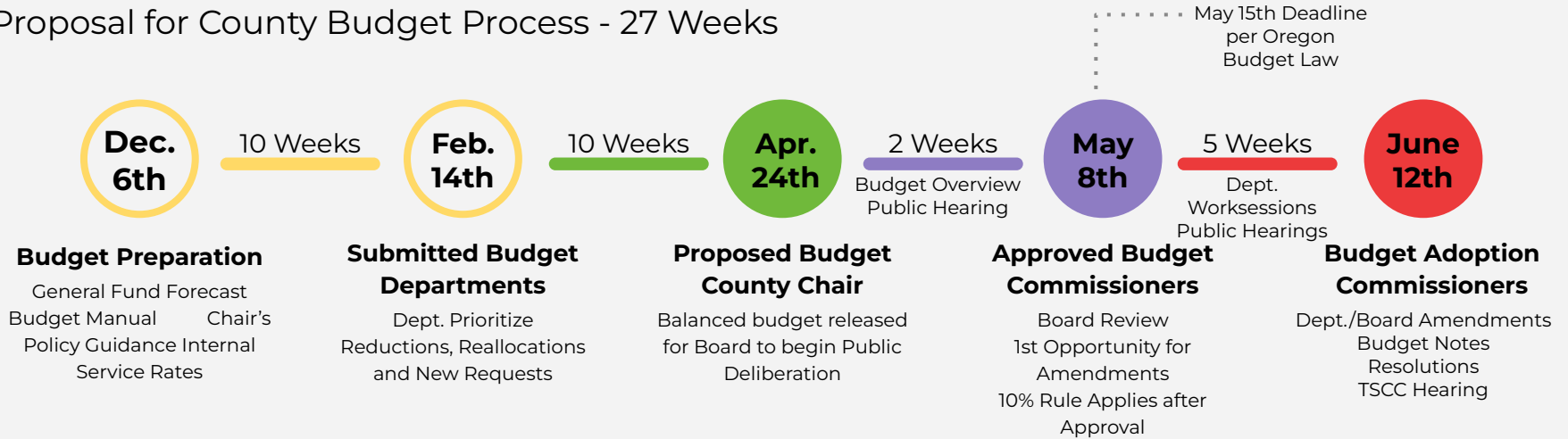
“MultCo Earns Highest National Honors for Budget”



A panel of independent reviewers awarded MultCo the FY 2025 Distinguished Budget Award from the Government Finance Officers Association. In addition, MultCo **received special recognition for the Budget Process**. Special recognition is given when all three reviewers give the highest possible score in a category.

FY 2026 Budget Milestones

Proposal for County Budget Process - 27 Weeks



Questions?