



General Fund Revenue Update

*Presentation to the Board of County
Commissioners*

Multnomah County Budget Office

May 14, 2009

Introduction

- Economic Overview
- FY 2009 & FY 2010 General Fund Revenue Update
 - Property Tax
 - Business Income Tax
 - Motor Vehicle Rental Tax
 - Recording Fees/CAFFA Grant
 - State Shared Revenues
 - Interest Earnings
 - FY 2009 Ending Balance & One-Time-Only Funds for FY 2010
 - Forecast Risks
- Summary & Questions



Economic Overview

■ National

- ✓ Credit Markets & Financial Sector
- ✓ Severe Recession (Retail sales, industrial production, unemployment, inflation/energy prices, transportation sector)

■ State

- ✓ Employment & income taxes

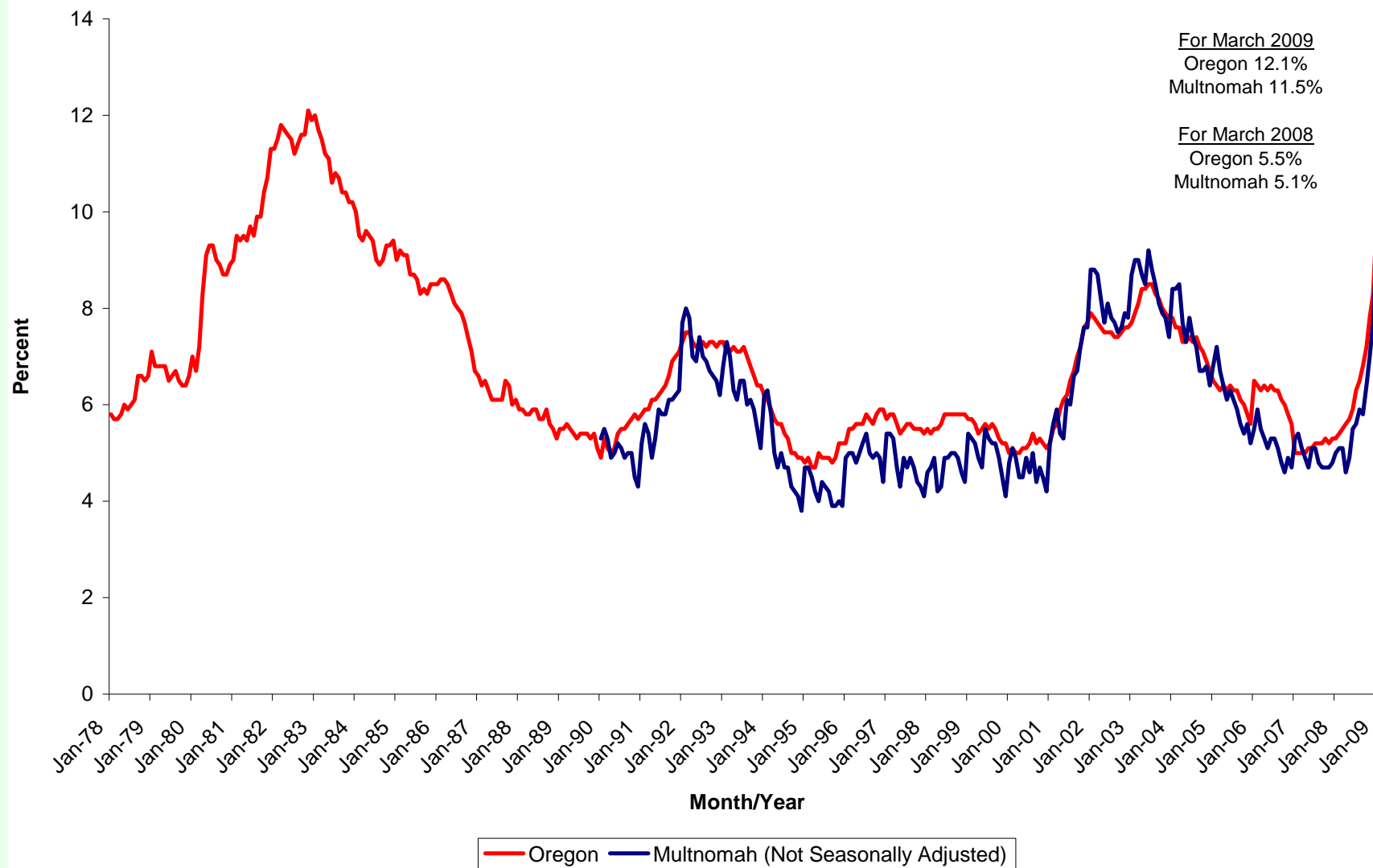
■ Local

- ✓ Housing (prices, defaults, recording fees, builder bankruptcy, bank failures)
- ✓ Unemployment

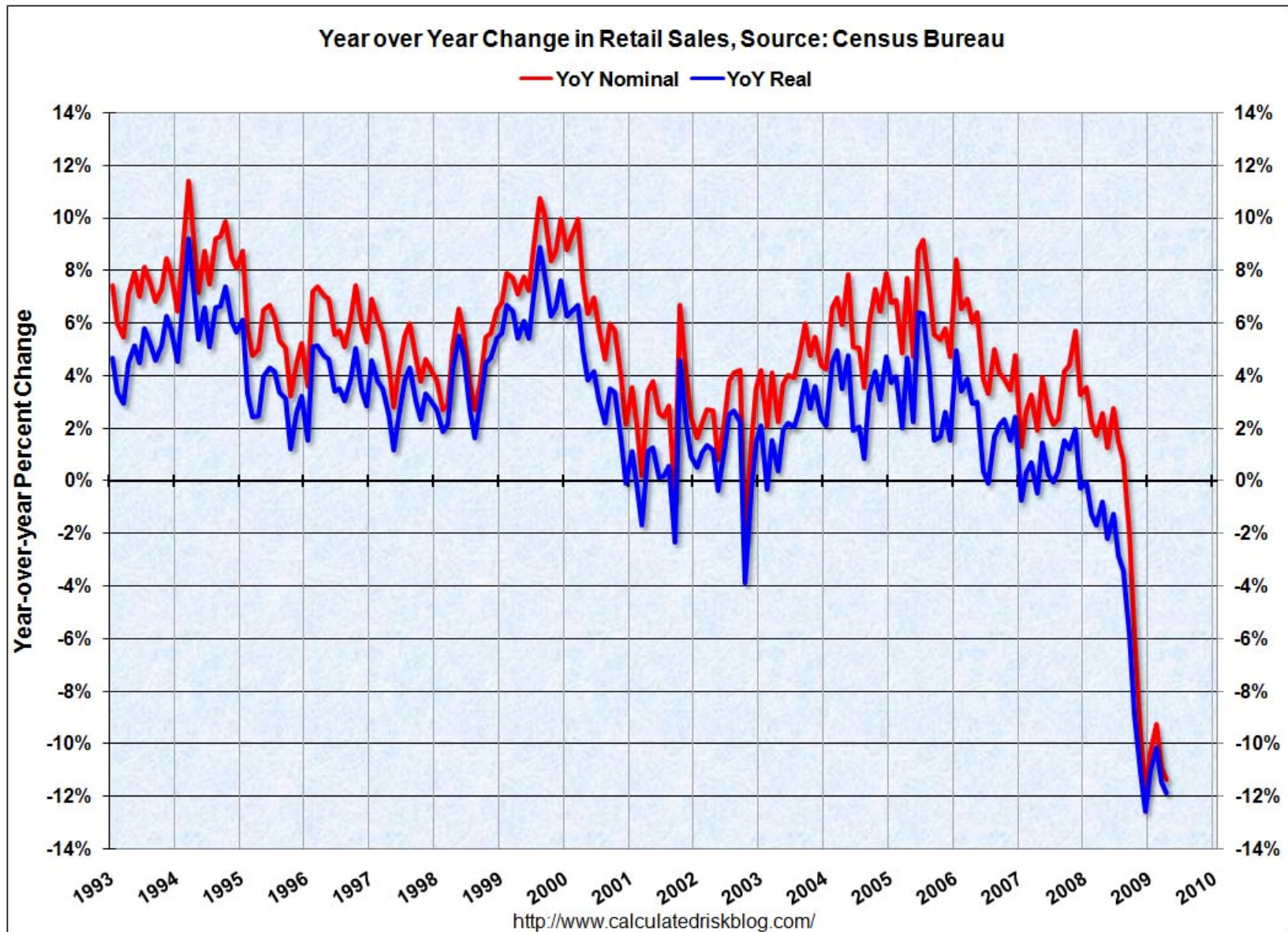


Economic Overview

Oregon & Multnomah County Unemployment Rates

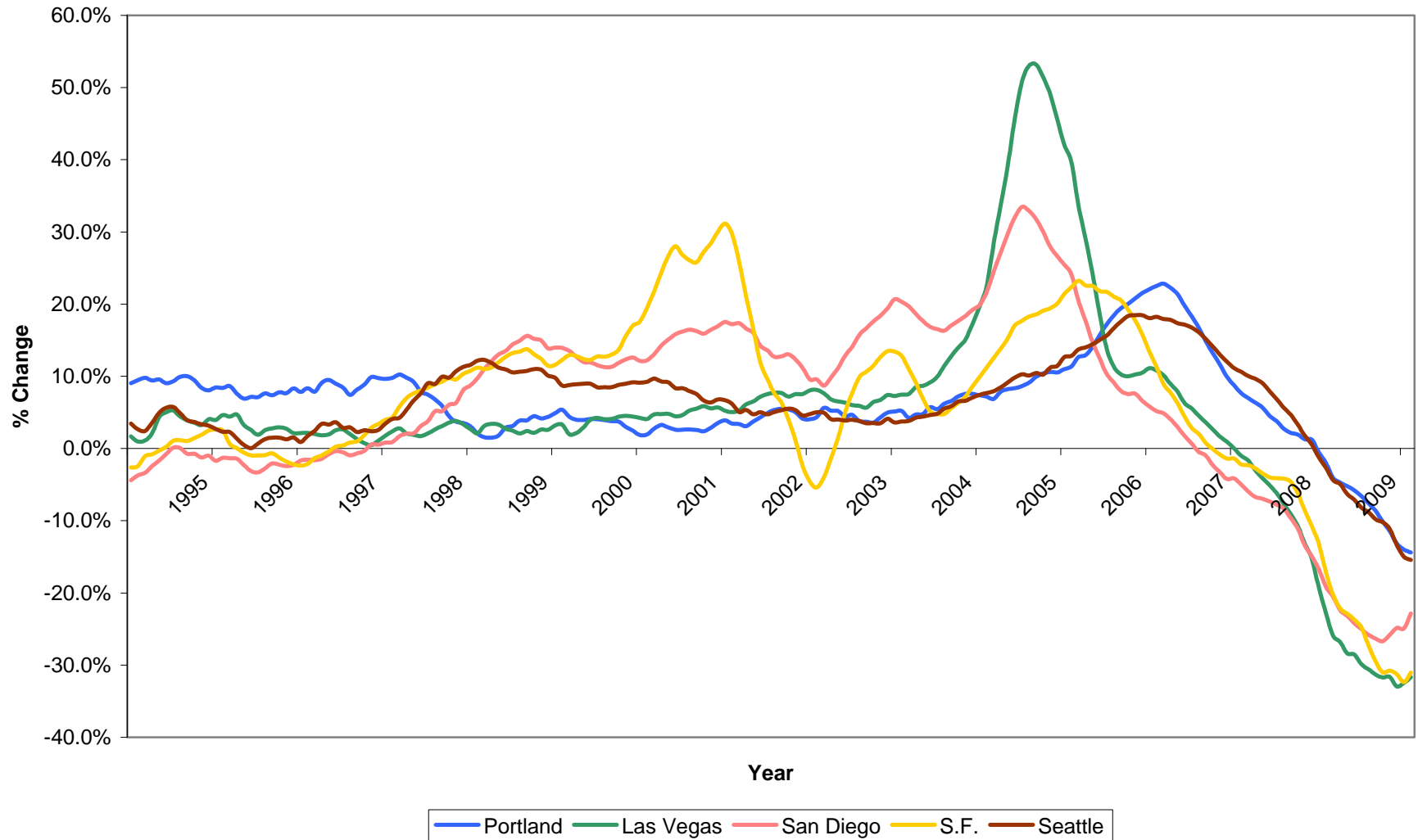


Economic Overview



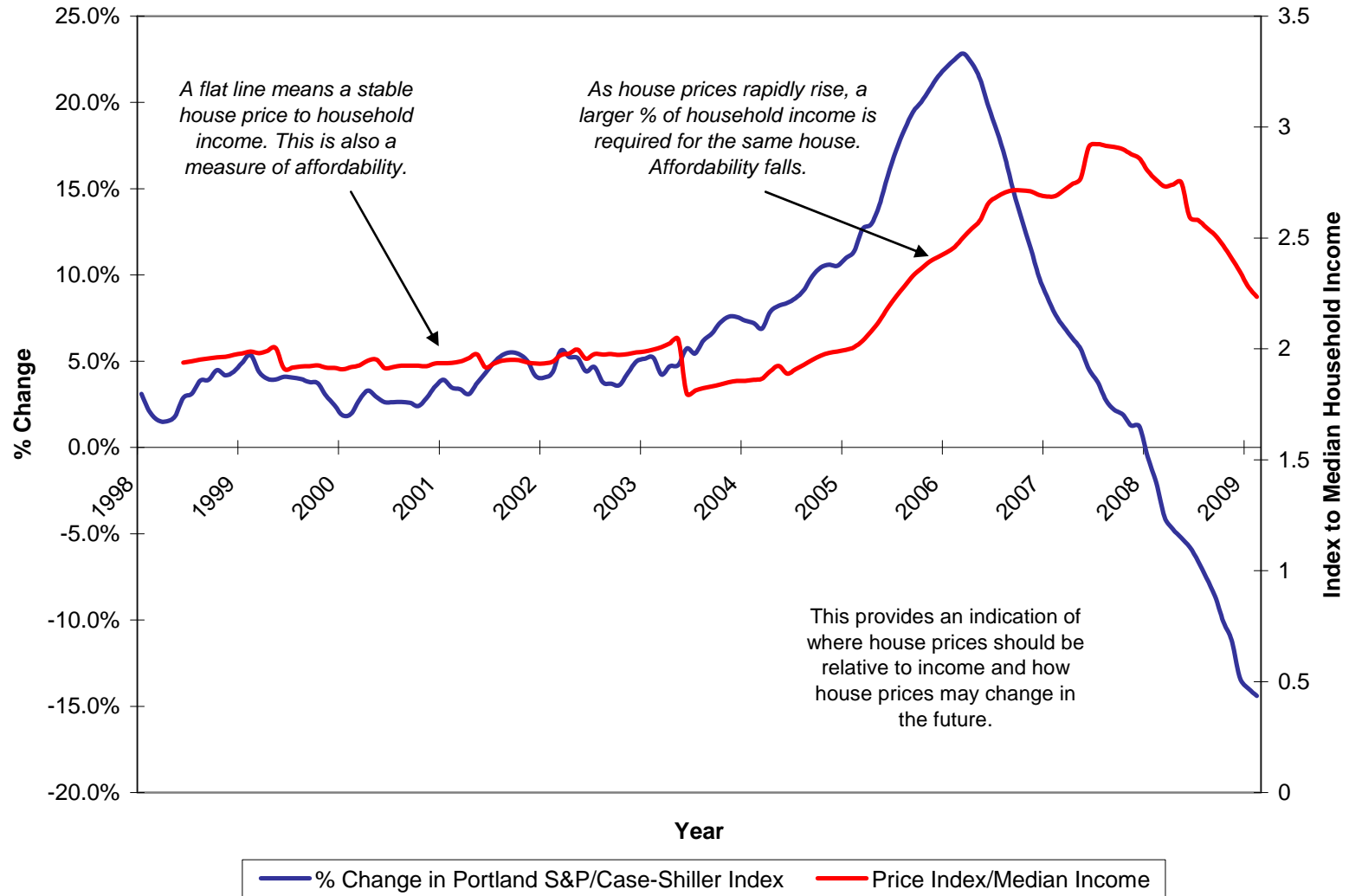
Economic Overview

Monthly Year-Over-Year % Change
Based on S&P/Case-Shiller Home Price Index Thru February 2009



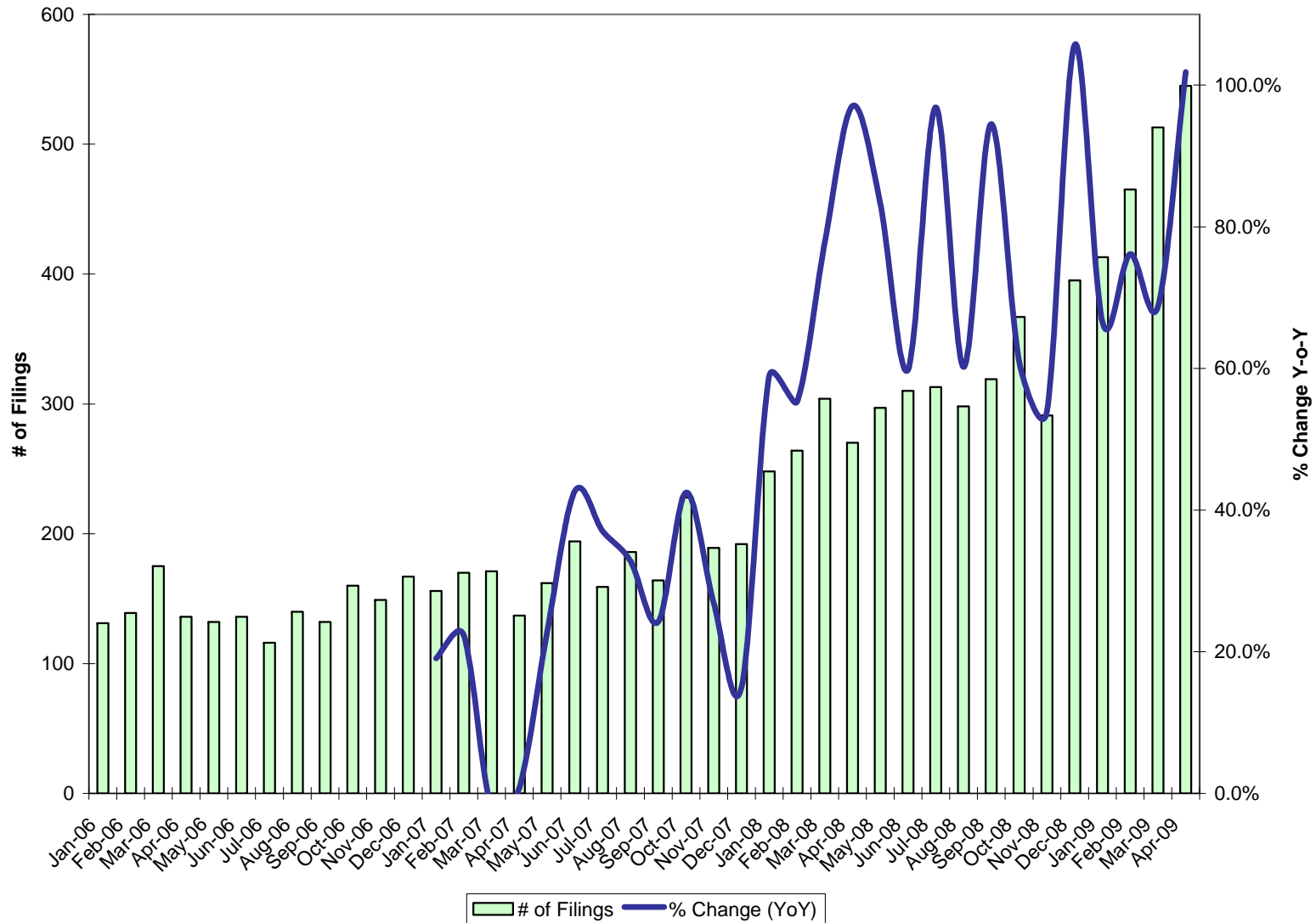
Economic Overview

**% Change in Portland S&P/Case-Shiller House Price Index and
Index to Median Household Income**



Economic Overview

Default Filings in Multnomah County & Year-Over-Year % Change (Thru April)



Economic Overview

- What is unusual is that this is a balance-sheet driven recession, centered on the damaged financial condition of both households and banks.
– *Roger Altman, Deputy Treasury Secretary in the Clinton Administration*
- Some people mistook the end of "cliff diving" for "green shoots" and started predicting a "V-shaped" recovery. Although the worst of the declines is probably over, an immaculate recovery seems very unlikely.
– *CalculatedRisk*
- The inescapable fact is that the U.S. consumer is faced with daunting fundamentals. Wage and salary income growth has evaporated, credit is very tight, home prices continue to decline, financial asset values have been decimated, and household balance sheets are generally a wreck.
– *Joshua Shapiro, MFR Inc.*
- The FY 2010 forecast assumes a severe recession with rising unemployment, tight credit, falling real estate values, and general uncertainty and fear.
– *February 2009 General Fund Forecast*



General Fund Revenue Forecast

Major General Fund Revenue Sources

Excludes ITAX Revenue & Beginning Working Capital (BWC)

	FY 08 Actual	FY 09 Adopted	FY 09 February Forecast	FY 09 May Forecast	Change	FY 10 Approved	FY 10 May Forecast	Change
Property Tax	210,236,714	215,402,002	217,149,799	216,465,764	(684,035)	221,248,041	221,248,041	0
Business Income Tax	65,650,000	55,664,744	45,850,500	45,850,500	0	42,528,000	42,528,000	0
Motor Vehicle Rental Tax (10%)	13,481,426	13,212,272	13,212,272	12,590,030	(622,242)	12,672,540	11,998,469	(674,071)
Motor Vehicle Rental Tax (4.5%)						<u>4,740,000</u>	<u>5,399,311</u>	<u>659,311</u>
						17,412,540	17,397,780	(14,760)
Recording Fees/CAFFA Grant	8,155,190	8,338,200	6,103,200	6,653,200	550,000	6,720,000	6,720,000	0
State Shared Revenues	9,597,728	9,966,817	9,035,754	8,337,169	(698,585)	9,197,470	9,197,470	0
US Marshal Per Diem	5,938,140	5,803,125	6,978,683	6,978,683		9,237,000	9,237,000	
Interest Earnings	5,072,730	4,960,000	1,900,000	1,475,000	(425,000)	2,260,000	2,260,000	
	318,131,928	313,347,160	300,230,208	298,350,346	(1,879,862)	308,603,051	308,588,291	(14,760)
All Other General Fund	29,422,412	31,658,094	31,398,311	31,398,311		33,347,924	33,347,924	
Total	347,554,340	345,005,254	331,628,519	329,748,657	(1,879,862)	341,950,975	341,936,215	(14,760)

Adjust for State Video Lottery - Economic Development Reduction 600,000
Adjust for Difference between assumed and actual early retirement cost 355,940

Net Reduction in Ending Balance or OTO Funds for FY 2010 (923,922)

Notes:

1. State Shared Revenues include Video Lottery and OLCC, Cigarette, and Amusement Device Taxes
2. All Other General Fund excludes ITAX Revenue and Beginning Working Capital (BWC); FY 10 adjusted for GASB Statement No. 54 transaction
3. Not Adjusted for BIT Administration Cost Accounting Change



FY 2009 & 2010 BIT Estimates

- FY 2009 BIT Collections – Thru April

	YTD Thru April	Year End Forecast
Quarterly	-9.67%	
Yearly	-40.51%	
Refunds	50.61%	
Overall %	-31.59%	-31.00%
Overall \$	(\$16,318,550)	(\$20,599,500)
Collections	\$35,906,734	\$45,850,500

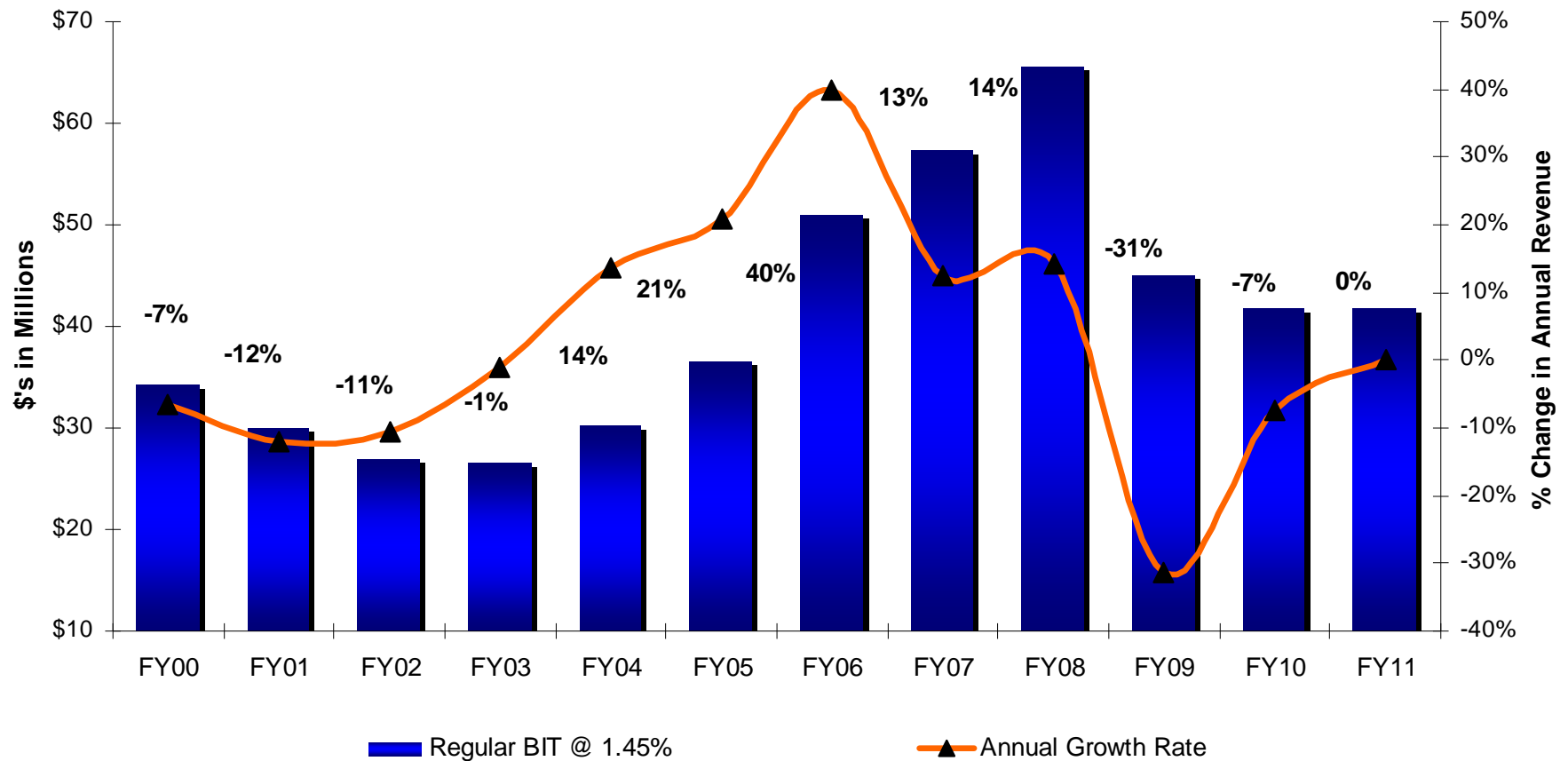
- Historical, fiscal year-end variance based on April YTD actual collections implies year-end variance of +/- \$2.5 million.
- FY 2010 Approved Budget assumes \$42.5 million in BIT collections, or a 36% drop from FY 2008 actual and a 7% drop from FY 2009 Forecast.
- No Change to FY 2009 or FY 2010 forecast.



Annual BIT Collections

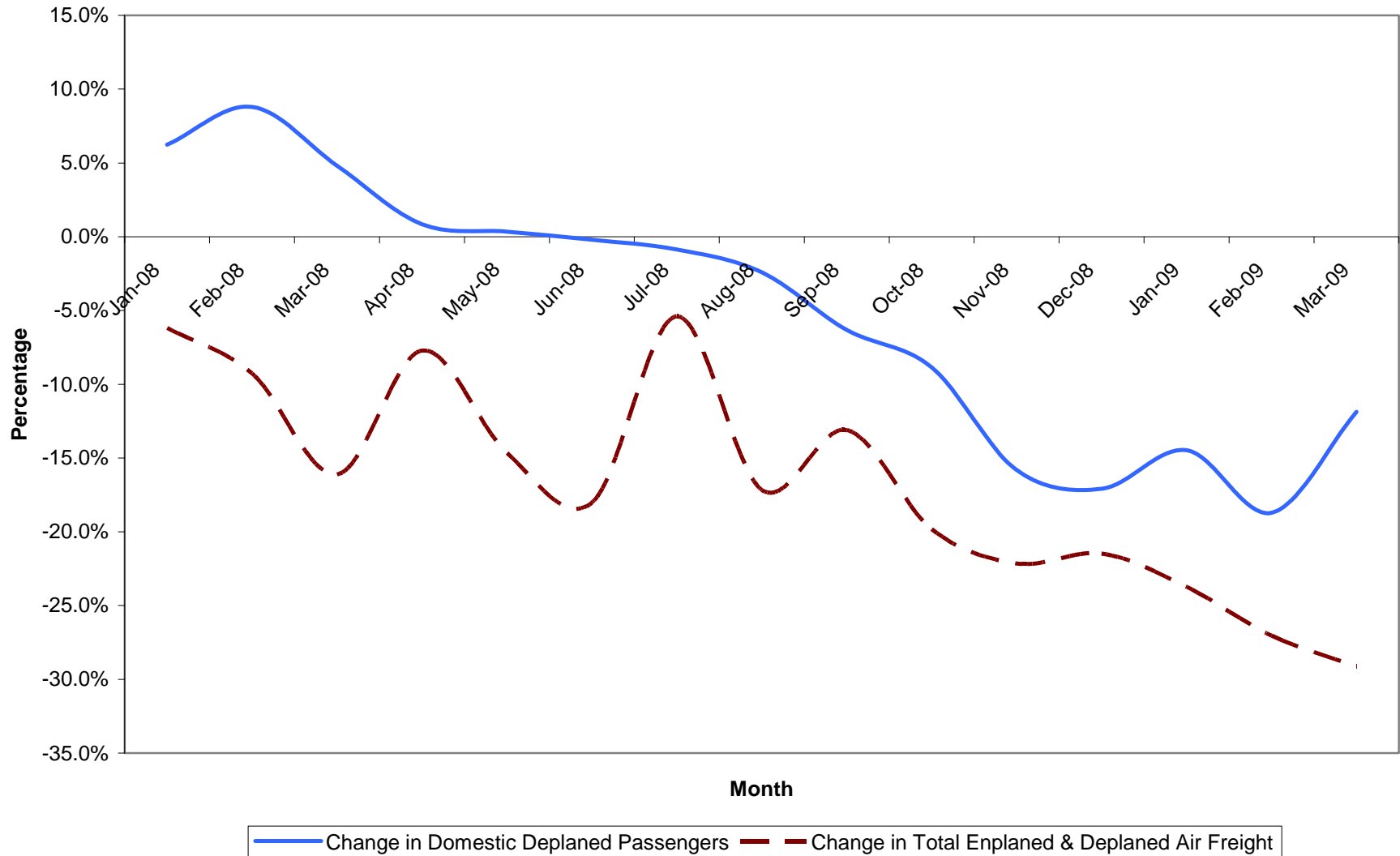
Annual BIT Collections

(FY 2000 to FY 2008 Actuals; FY 2009 Estimated; FY 2010 & 11 Forecast)



PDX Passenger & Freight Statistics

Year-Over-Year Change in Passengers & Freight at PDX



FY 2009 & 2010 MVRT Estimates

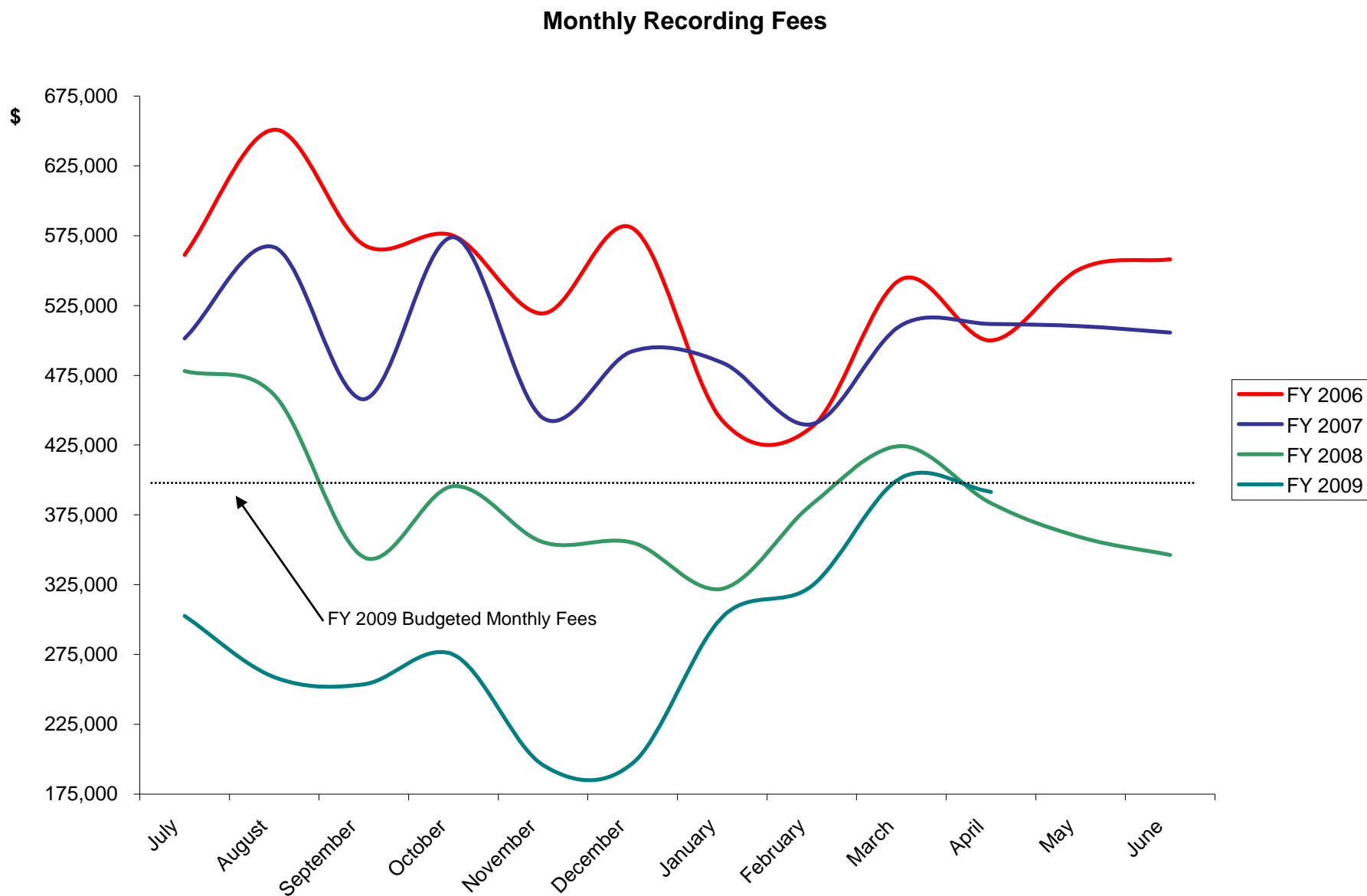
- FY 2009 Motor Vehicle Rental Tax (MVRT) Collections
 - ✓ Q1 – Up 6.2%
 - ✓ Q2 – Down 13.5%
 - ✓ Q3 – Down 14%
 - ✓ Q4 – Down 14% (Forecast)
 - ✓ Full year collections forecast at \$12,590,030, down \$622,242 from Adopted/February forecast of \$13,212,272.
- FY 2010 MVRT Forecast
 - ✓ Assumes 11% reduction from FY 2008 actual collections

	FY 10 Approved	FY 10 May Forecast	Change
MVRT (10%)	12,672,540	11,998,469	(674,071)
MVRT (4.5%)	4,740,000	5,399,311	659,311
	17,412,540	17,397,780	(14,760)

- FY 2009 Forecast reduced by \$622,242. FY 2010 forecast unchanged.



Monthly Recording Fees



General Fund Revenue Forecast

Major General Fund Revenue Sources

Excludes ITAX Revenue & Beginning Working Capital (BWC)

	FY 08 Actual	FY 09 Adopted	FY 09 February Forecast	FY 09 May Forecast	Change	FY 10 Approved	FY 10 May Forecast	Change
Property Tax	210,236,714	215,402,002	217,149,799	216,465,764	(684,035)	221,248,041	221,248,041	0
Business Income Tax	65,650,000	55,664,744	45,850,500	45,850,500	0	42,528,000	42,528,000	0
Motor Vehicle Rental Tax (10%)	13,481,426	13,212,272	13,212,272	12,590,030	(622,242)	12,672,540	11,998,469	(674,071)
Motor Vehicle Rental Tax (4.5%)						<u>4,740,000</u>	<u>5,399,311</u>	<u>659,311</u>
						17,412,540	17,397,780	(14,760)
Recording Fees/CAFFA Grant	8,155,190	8,338,200	6,103,200	6,653,200	550,000	6,720,000	6,720,000	0
State Shared Revenues	9,597,728	9,966,817	9,035,754	8,337,169	(698,585)	9,197,470	9,197,470	0
US Marshal Per Diem	5,938,140	5,803,125	6,978,683	6,978,683		9,237,000	9,237,000	
Interest Earnings	5,072,730	4,960,000	1,900,000	1,475,000	(425,000)	2,260,000	2,260,000	
	318,131,928	313,347,160	300,230,208	298,350,346	(1,879,862)	308,603,051	308,588,291	(14,760)
All Other General Fund	29,422,412	31,658,094	31,398,311	31,398,311		33,347,924	33,347,924	
Total	347,554,340	345,005,254	331,628,519	329,748,657	(1,879,862)	341,950,975	341,936,215	(14,760)

Adjust for State Video Lottery - Economic Development Reduction 600,000
Adjust for Difference between assumed and actual early retirement cost 355,940

Net Reduction in Ending Balance or OTO Funds for FY 2010 (923,922)

Notes:

1. State Shared Revenues include Video Lottery and OLCC, Cigarette, and Amusement Device Taxes
2. All Other General Fund excludes ITAX Revenue and Beginning Working Capital (BWC); FY 10 adjusted for GASB Statement No. 54 transaction
3. Not Adjusted for BIT Administration Cost Accounting Change



Adjustments to FY 2009 Ending Balance

Adjustments to Ending Balance/OTO Funds for FY 2010 Since February Forecast

(Excludes \$932,922 due to May Forecast of Property Taxes, MVRT, State Revenues, and Interest)

Less McCoy Building Repairs (BM DCM 08)	(1,850,000)
Less Wapato O&M Funds (BM DCM 08)	(285,000)
Less Hansen Building Repairs (BM DCM 08)	(500,000)
Less DCJ Sanction Options	(153,371)
Less Temporary State Backfill/Rampdown DCJ/MCSO	(644,102)
Less Courthouse Repairs	(3,700,000)
Less Early Retirement Program	(144,060)
Less Video Lottery - Economic Development Reduction	(600,000)
Plus Complete Count Census 2010 Carryover	25,000
Plus Local 88 Class Comp Balance Carryover	810,000
<u>Less General Fund Reserve increase for MVRT</u>	<u>(474,000)</u>
	(7,515,533)



Forecast Risks

- Economic conditions continue to worsen
 - ✓ BIT
 - ✓ Length and severity of recession – property tax compression.
- State Budget Impacts on General Fund



Summary

- Continued severe recession with “L-Shaped” recovery
- FY 2009 revenues are forecast to be \$923,000 lower, resulting in BWC for FY 2010 to be correspondingly lower
- No change in FY 2010 revenues (other than BWC)
- Downside risk to revenue forecast – economy, state impacts, and increasing property tax compression.
- Questions?
- More info @ www.co.multnomah.or.us/BudgetFY2010

