

Multnomah County General Fund – Five Year Forecast

The outlook for the County's General Fund over the next five years calls for steady, if unspectacular, revenue growth. Local government revenues in Oregon have been constrained in the 1990's by two citizen initiated property tax limitation measures – Measure 5, passed in 1990 and Measure 47, passed in 1996 and enacted into law under the provisions of Measure 50. Total General Fund revenue in FY 1998-99 totals slightly less than **\$286 million**. Property taxes, which account for roughly 55% of total discretionary revenue, are statutorily limited to 3% annual growth.

The overall revenue picture, thus, is constrained to a large degree by this limitation. Two significant changes occurred with passage of Measure 47 and its companion Measure 50:

- ⇒ Property Tax levying capacity was cut by approximately 17% statewide and
- ⇒ A "permanent rate" was established for each taxing jurisdiction.

Local government's ability to generate additional tax revenue is further constrained by a provision in Measure 47 which requires that a majority of all eligible voters cast an affirmative ballot in favor of any new "local option" levies. Please see the Appendix section of this document for a more detailed discussion of how tax limitation impacts Multnomah County.

This forecast assumes that Property Tax revenue will grow by its statutory limit each year. The forecast also assumes that an additional half percent (approximately \$750,000) will be generated due to new construction and improvements. For the immediate future, this level of property tax growth should be sufficient to provide for ongoing expenditure requirements so long as inflation remains in the range of two to three percent.

Other significant revenues in the General Fund include the Business Income Tax (BIT), Motor Vehicle Rental Tax and Intergovernmental Sources. The BIT is the second largest single source of income in the County's revenue stream. It accounts for roughly **\$47 million** in FY 98-99. It should be noted, however, that approximately \$10 million of that total represents the forecast receipts from a temporary tax increase, referred by the Board of County Commissioners and passed by the voters of Multnomah County in May, 1998. The ongoing BIT rate is 1.45% of net income derived from any business activity within the county. An additional, temporary rate of .5% will be collected for one year, the receipts of which are dedicated to public schools within Multnomah County.

The BIT accounts for about 14% of General Fund revenue. It is a revenue source that serves as a strong indicator of economic activity in the Portland metropolitan area. Likewise, the Motor Vehicle Rental tax, which is forecast to generate **\$11.5 million** in FY 98-99, is also sensitive to economic conditions. As the regional economy has undergone rapid expansion over the past several years, these sources have experienced growth in excess of ten percent annually.

Although most indicators would seem to point to continued growth, it is likely that the regional economy will not continue to grow at the pace witnessed over the past four or five years. The State of Oregon's most recent economic forecast suggests a slowdown in business activity – although, interestingly, personal income growth in the state is expected to remain strong. This seems to be an indication that individual consumption has replaced business investment as the engine driving economic growth.

There are also some uncertainties surrounding the status of Asian economies, which have become critical to the state's economy. Asia is overwhelmingly the largest export market for Oregon's agricultural and forest products industries. Of more pertinent interest, however, may be the impact that the further deterioration of Asian economic conditions will have on the high technology sector.

While a slowdown in the rate of economic growth is likely to have some impact on the County's revenue stream it is difficult at this point to perceive how, or in which revenue sources, that impact will be felt. This forecast takes a moderate approach to growth in both the BIT and Motor Vehicle Rental Tax. BIT growth has been forecast at a modest 4% annual rate of increase, while the Motor Vehicle Rental Tax is expected to grow by about 7.5% a year. These assumptions will be revisited as more detailed economic information becomes available.

Intergovernmental revenue sources have been forecast to remain relatively flat. This reflects a growing concern that constraints at other levels of government will eventually trickle down to the local level. Most of the General Fund revenue received in this category comes from the rental of bed space at adult and juvenile corrections facilities. State shared revenue, in the form of Video Lottery receipts and so-called "sin" taxes (cigarette and liquor), accounts for roughly \$5.5 million. These sources are expected to grow slower than other tax revenue, perhaps an indication that recent tax increases have had the effect of changing consumption patterns.

Overall revenue growth is forecast at between 3% and 3.5% percent over the next few years. If inflation remains at its current low levels – the change in national CPI from March 1997 to March 1998 was only slightly more than 1.25% - this level of revenue growth should be sufficient to provide for funding at current service levels. If these assumptions are correct, the Pro Forma on the following pages indicates that the General Fund will generate a balance **of between \$.8 million and \$4 million** which could be used to expand existing, or initiate new, programs or as "backfill" for unanticipated revenue shortfalls.

General Fund Pro Forma

	FY 97-98 CYE	FY 98-99 Adopted	FY 99-00 Forecast	FY 00-01 Forecast	FY 01-02 Forecast	FY 02-03 Forecast
BEGINNING WORKING CAPITAL	\$ 23,299,201	\$ 24,729,804	\$ 19,243,294	\$ 20,061,371	\$ 20,813,844	\$ 23,261,768
Reappropriated Carryover	0	0	0	0	0	0
Uncommitted Carryover	15,159,201	16,589,804	9,603,294	8,921,371	8,173,844	9,121,768
5% Revenue Reserve	7,650,000	7,650,000	9,150,000	10,650,000	12,150,000	13,650,000
Inventory Reserve	490,000	490,000	490,000	490,000	490,000	490,000
General Fund Sources						
TAXES	140,575,727	204,990,674	203,542,002	211,038,715	219,593,259	228,529,781
Property Taxes						
Current Year	92,003,297	141,632,856	146,590,005	151,720,656	157,789,482	164,101,061
Prior Years	2,067,589	3,616,785	3,833,793	4,063,820	4,307,649	4,566,108
Other (Penalty/Interest)	666,688	1,030,752	1,092,596	1,158,152	1,227,641	1,301,300
Total Property Taxes	94,737,574	146,280,393	151,516,394	156,942,628	163,324,772	169,968,469
Business Income Tax	35,250,300	47,064,984	39,510,121	40,642,925	41,809,713	43,011,504
Motor Vehicle Rental Tax	10,547,745	11,602,520	12,472,709	13,408,162	14,413,774	15,494,807
Other Taxes	40,108	42,777	42,777	45,000	45,000	55,000
INTERGOVERNMENTAL	15,687,711	17,813,908	16,027,705	16,193,315	16,474,040	16,652,244
US Marshal (Jail Beds)	4,597,978	4,926,405	4,750,000	4,750,000	4,750,000	4,750,000
Video Lottery	3,244,010	3,341,331	3,487,311	3,591,931	3,748,859	3,861,326
Liquor Tax Sharing	1,753,209	1,718,832	1,744,614	1,770,784	1,797,345	1,824,306
Juvenile Detention	1,571,396	1,482,232	1,371,449	1,411,842	1,453,448	1,496,301
Cigarette Tax Sharing	1,187,512	1,125,733	1,125,733	1,125,733	1,125,733	1,125,733
O&C Grant	765,894	735,662	765,894	735,662	765,894	735,662
Other Intergovernmental	2,567,712	4,483,713	2,782,703	2,807,363	2,832,760	2,858,917
LICENSES & PERMITS	1,815,775	1,805,659	1,875,654	1,941,481	2,009,940	2,081,137
Environmental Health	1,573,721	1,571,860	1,634,734	1,700,124	1,768,129	1,838,854
Other Licenses & Permits	242,054	233,799	240,920	241,357	241,811	242,284
SERVICE CHARGES	7,351,897	7,012,103	6,813,351	6,828,843	6,844,878	6,861,474
Health Department						
Ambulance Fees	789,538	647,679	712,648	728,140	744,175	760,771
Other Health	293,539	393,583	372,817	372,817	372,817	372,817
Total Health	1,083,077	1,041,262	1,085,465	1,100,957	1,116,992	1,133,588

General Fund Pro Forma

	FY 97-98 CYE	FY 98-99 Adopted	FY 99-00 Forecast	FY 00-01 Forecast	FY 01-02 Forecast	FY 02-03 Forecast
Public Safety						
MCRC Room & Board	400,000	500,000	500,000	500,000	500,000	500,000
Civil Process	250,000	280,000	280,000	280,000	280,000	280,000
Other Public Safety	148,882	172,386	111,386	111,386	111,386	111,386
Total Public Safety	798,882	952,386	891,386	891,386	891,386	891,386
Assessment & Taxation						
Recording Fees	2,754,704	2,785,000	2,900,000	2,900,000	2,900,000	2,900,000
Other A & T	45,121	82,500	75,000	75,000	75,000	75,000
Total A & T	2,799,825	2,867,500	2,975,000	2,975,000	2,975,000	2,975,000
Elections	909,995	996,371	1,109,500	1,109,500	1,109,500	1,109,500
Other Service Charges	1,760,118	1,154,584	752,000	752,000	752,000	752,000
INTEREST	3,000,000	3,095,000	3,500,000	3,500,000	3,500,000	3,500,000
SERVICE REIMBURSEMENTS	18,967,937	23,934,223	24,559,337	25,400,939	26,271,997	27,173,541
Indirect Costs						
Road Fund	643,352	0	0	0	0	0
Federal/State Fund	10,205,936	0	0	0	0	0
Library Levy Fund	1,454,528	0	0	0	0	0
Jail Levy Fund	2,814,670	0	0	0	0	0
A & T Fund	374,885	0	0	0	0	0
Care Oregon Fund	0	0	0	0	0	0
Other Indirect Costs	1,050,029	0	0	0	0	0
Total Indirect Costs	16,543,399	0	0	0	0	0
Other Service Reimbursements	2,424,539	23,934,223	24,559,337	25,400,939	26,271,997	27,173,541
CASH TRANSFERS	3,745,519	1,523,995	1,450,000	1,450,000	1,450,000	1,450,000
Animal Control	1,428,519	1,523,995	1,450,000	1,450,000	1,450,000	1,450,000
Library Bond Sinking	2,317,000	0	0	0	0	0
Road Fund	0	0	0	0	0	0
Other Cash Transfers	0	0	0	0	0	0
MISCELLANEOUS REVENUE	773,151	816,995	857,496	883,372	917,779	958,584
Total GF Sources	191,917,717	260,992,557	258,625,545	267,236,665	277,061,893	287,206,762

General Fund Pro Forma

	FY 97-98 CYE	FY 98-99 Adopted	FY 99-00 Forecast	FY 00-01 Forecast	FY 01-02 Forecast	FY 02-03 Forecast
General Fund Uses						
Community & Family Services	\$ 22,206,746	\$ 28,613,353	\$ 25,753,179	\$ 26,661,109	\$ 27,460,943	\$ 28,284,771
Aging Services	4,269,287	4,886,911	4,932,821	5,102,720	5,258,581	5,426,384
Health Department	32,924,110	41,844,764	42,243,452	43,710,584	45,047,247	46,474,869
Community Justice	26,613,864	36,815,222	37,149,425	38,395,114	39,571,002	40,876,455
District Attorney	12,151,471	13,361,707	13,504,597	13,966,899	14,426,562	14,958,301
Sheriff's Office	44,141,235	67,513,558	68,192,504	70,538,596	72,774,842	75,268,836
Environmental Services	19,283,536	18,545,404	18,208,509	18,827,707	19,397,026	20,012,587
Nondepartmental	14,622,871	30,270,694	17,885,805	18,453,659	18,958,950	19,494,873
Support Services	9,415,660	11,493,084	10,402,281	10,744,362	11,070,371	11,436,500
Overall County	0	2,573,503	0	0	0	0
Library	6,364,424	17,752,325	18,284,895	18,833,442	19,398,445	19,680,692
Total GF Uses	\$ 191,993,204	\$ 273,670,525	\$ 256,557,468	\$ 265,234,192	\$ 273,363,969	\$ 281,914,268
Available Contingency Account	0	3,911,836	1,250,000	1,250,000	1,250,000	1,250,000
Excess/(Deficit)						
Sources Over Uses	(75,487)	(16,589,804)	818,076	752,473	2,447,924	4,042,495
Ending Working Capital	\$ 23,223,714	\$ 8,140,000	\$ 20,061,371	\$ 20,813,844	\$ 23,261,768	\$ 27,304,262
Uncommitted Carryover	15,083,714	0	10,421,371	9,673,844	10,621,768	13,164,262
5% Revenue Reserve	7,650,000	7,650,000	9,150,000	10,650,000	12,150,000	13,650,000
Inventory Reserve	490,000	490,000	490,000	490,000	490,000	490,000
Total Requirements	\$ 215,216,918	\$ 285,722,361	\$ 277,868,839	\$ 287,298,036	\$ 297,875,737	\$ 310,468,530