

Multnomah County Five Year Forecast General Fund Expenditure/Revenue

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 1999-00 totals slightly more than **\$296 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 at bay.

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 **\$38 million** in FY 99-00, or about 14% of General Fund revenue. This revenue source has, historically, been very difficult to forecast. Over the past five years the annual change in the BIT has ranged from a growth rate of 21% to a decrease of 3%.

Because the BIT accounts for such a large share of the General Fund we have initiated analysis to determine why collections have been so volatile. It is a revenue source that should have a strong correlation to the level of economic activity in the Portland metropolitan area. Interestingly, while BIT receipts have fluctuated over the past few years the Motor Vehicle Rental tax, which is forecast to generate **\$12.2 million** in FY 99-00, has grown at an average rate of more than ten percent.

Although most indicators would seem to point to continued economic growth, it is unlikely the regional economy will sustain the explosive growth levels witnessed over the past four or five years. The State of Oregon's most recent economic forecast suggests a modest slowdown in business activity through the end of the year. It should be noted, though, that this forecast also suggests Oregon's economy will continue to expand and it should continue to exceed the national average over the next four to five years. This appears to be consistent with other economic forecasts as well as anecdotal evidence of growth in Portland and the I-5 corridor.

There are also some uncertainties surrounding the status of the economies of some of the state's large trading partners, which have become critical to the state's economy. Asia, for example, 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 3.5% to 5% 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 analysis warrants.

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 the second half of 1997 to the comparable period in 1998 was only slightly more than one percent - this level of revenue growth should be sufficient to provide for funding at current service levels. General Fund expenditures have been forecast to grow at about 3.5% annually over the next five years. This reflects an assumption that inflation will remain moderate (less than 2.5%) and provides for additional costs associated with changes in PERS funding.

The Pro Forma on the following pages details the General Fund revenue and expenditure forecast through FY 2003-04. The "FY 99-00 Adopted" column reflects the budget adopted by the Board of County Commissioners on June 24, 1999. The Pro Forma indicates that the County will be able to maintain existing programs within the forecast revenue stream but there will be very little, if any, discretionary revenue with which to expand existing programs or implement new programs.

Two issues which will have a significant impact on the County's financial position are:

- ⇒ Current service levels include programs supported with one time only revenue; ongoing revenue sources need to be identified if we wish to continue those programs.
- ⇒ This Pro Forma assumes no new funding for expanded programs/facilities associated with the former Public Safety Levy.

These issues are awaiting resolution as we prepare the for the FY 00-01 budget. Planning is ongoing (particularly with regard to public safety funding) but there are too many possible outcomes to develop meaningful assumptions at this point.

Questions regarding the figures and assumptions used in preparing this forecast should be directed to Mark Campbell in the Budget & Quality Office.

General Fund Pro Forma

| | FY 99-00 Adopted | FY 99-00 Forecast | FY 00-01 Forecast | FY 01-02 Forecast | FY 02-03 Forecast | FY 03-04 Forecast |
|----------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| BEGINNING WORKING CAPITAL | \$ 27,987,772 | \$ 27,987,772 | \$ 21,353,736 | \$ 16,860,471 | \$ 8,692,161 | \$ 1,662,694 |
| Reappropriated Carryover | 0 | 0 | 0 | 0 | 0 | 0 |
| Uncommitted Carryover | 18,347,772 | 18,347,772 | 11,713,736 | 5,720,471 | (2,447,839) | (9,477,306) |
| 5% Revenue Reserve | 9,150,000 | 9,150,000 | 9,150,000 | 10,650,000 | 10,650,000 | 10,650,000 |
| Inventory Reserve | 490,000 | 490,000 | 490,000 | 490,000 | 490,000 | 490,000 |
| General Fund Sources | | | | | | |
| TAXES | 205,975,163 | 205,975,163 | 214,429,965 | 223,174,317 | 232,283,763 | 241,852,880 |
| Property Taxes | | | | | | |
| Current Year | 150,912,623 | 150,912,623 | 157,783,964 | 164,095,323 | 170,659,136 | 177,485,501 |
| Prior Years | 3,650,148 | 3,650,148 | 3,594,090 | 3,626,719 | 3,710,664 | 3,825,472 |
| Other (Penalty/Interest) | 797,998 | 797,998 | 790,060 | 799,740 | 819,673 | 845,828 |
| Total Property Taxes | 155,360,769 | 155,360,769 | 162,168,114 | 168,521,782 | 175,189,472 | 182,156,801 |
| Business Income Tax | 38,339,500 | 38,339,500 | 39,068,975 | 40,472,829 | 41,853,742 | 43,315,123 |
| Motor Vehicle Rental Tax | 12,239,759 | 12,239,759 | 13,157,741 | 14,144,571 | 15,205,414 | 16,345,820 |
| Other Taxes | 35,135 | 35,135 | 35,135 | 35,135 | 35,135 | 35,135 |
| INTERGOVERNMENTAL | 19,480,755 | 19,391,240 | 19,254,736 | 19,521,043 | 19,795,625 | 20,078,744 |
| SB 1145 | 0 | 0 | 0 | 0 | 0 | 0 |
| US Marshal (Jail Beds) | 5,174,605 | 5,174,605 | 4,750,000 | 4,750,000 | 4,750,000 | 4,750,000 |
| Video Lottery | 3,525,901 | 3,525,901 | 3,649,308 | 3,777,033 | 3,909,229 | 4,046,052 |
| Liquor Tax Sharing | 1,605,956 | 1,605,956 | 1,646,104 | 1,687,257 | 1,729,438 | 1,772,674 |
| Juvenile Detention | 2,204,969 | 2,204,969 | 2,266,510 | 2,329,897 | 2,395,185 | 2,462,433 |
| Cigarette Tax Sharing | 1,127,591 | 1,127,591 | 1,155,781 | 1,184,675 | 1,214,292 | 1,244,649 |
| O&C Grant | 735,662 | 735,662 | 735,662 | 735,662 | 735,662 | 735,662 |
| Other Intergovernmental | 5,106,071 | 5,016,556 | 5,051,371 | 5,056,519 | 5,061,818 | 5,067,273 |
| LICENSES & PERMITS | 1,843,770 | 1,843,770 | 1,917,795 | 1,985,307 | 2,055,519 | 2,128,540 |
| Environmental Health | 1,497,270 | 1,497,270 | 1,560,155 | 1,620,761 | 1,683,792 | 1,749,344 |
| Other Licenses & Permits | 346,500 | 346,500 | 357,640 | 364,546 | 371,727 | 379,197 |
| SERVICE CHARGES | 7,076,657 | 7,215,762 | 7,441,780 | 7,509,081 | 7,526,219 | 7,372,277 |
| Health Department | | | | | | |
| Ambulance Fees | 844,054 | 844,054 | 891,299 | 907,857 | 924,995 | 942,733 |
| Other Health | 425,766 | 425,766 | 425,766 | 425,766 | 425,766 | 425,766 |
| Total Health | 1,269,820 | 1,269,820 | 1,317,065 | 1,333,623 | 1,350,761 | 1,368,499 |

General Fund Pro Forma

| | FY 99-00 Adopted | FY 99-00 Forecast | FY 00-01 Forecast | FY 01-02 Forecast | FY 02-03 Forecast | FY 03-04 Forecast |
|----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Public Safety | | | | | | |
| MCRC Room & Board | 436,800 | 436,800 | 436,800 | 436,800 | 436,800 | 436,800 |
| Civil Process | 220,000 | 220,000 | 220,000 | 220,000 | 220,000 | 220,000 |
| Other Public Safety | 149,572 | 149,572 | 88,072 | 88,072 | 88,072 | 88,072 |
| Total Public Safety | 806,372 | 806,372 | 744,872 | 744,872 | 744,872 | 744,872 |
| Assessment & Taxation | | | | | | |
| Recording Fees | 3,300,335 | 3,300,335 | 3,382,843 | 3,433,586 | 3,433,586 | 3,261,907 |
| Other A & T | 128,000 | 128,000 | 75,000 | 75,000 | 75,000 | 75,000 |
| Total A & T | 3,428,335 | 3,428,335 | 3,457,843 | 3,508,586 | 3,508,586 | 3,336,907 |
| Elections | 897,330 | 897,330 | 1,109,500 | 1,109,500 | 1,109,500 | 1,109,500 |
| Other Service Charges | 674,800 | 813,905 | 812,500 | 812,500 | 812,500 | 812,500 |
| INTEREST | 3,603,000 | 3,603,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 |
| SERVICE REIMBURSEMENTS | 26,520,965 | 26,520,965 | 27,847,013 | 29,100,129 | 30,264,134 | 31,323,379 |
| Indirect Costs | | | | | | |
| Road Fund | 713,502 | 713,502 | 749,177 | 782,890 | 814,206 | 842,703 |
| Federal/State Fund | 12,972,750 | 12,972,750 | 13,621,388 | 14,234,350 | 14,803,724 | 15,321,854 |
| Library Levy Fund | 2,472,419 | 2,472,419 | 2,596,040 | 2,712,862 | 2,821,376 | 2,920,124 |
| Jail Levy Fund | 5,051,547 | 5,051,547 | 5,304,124 | 5,542,810 | 5,764,522 | 5,966,281 |
| A & T Fund | 441,464 | 441,464 | 463,537 | 484,396 | 503,772 | 521,404 |
| Care Oregon Fund | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Indirect Costs | 1,859,521 | 1,859,521 | 1,952,497 | 2,040,359 | 2,121,974 | 2,196,243 |
| Total Indirect Costs | 23,511,203 | 23,511,203 | 24,686,763 | 25,797,667 | 26,829,574 | 27,768,609 |
| Other Service Reimbursements | 3,009,762 | 3,009,762 | 3,160,250 | 3,302,461 | 3,434,560 | 3,554,769 |
| CASH TRANSFERS | 2,416,321 | 2,416,321 | 1,850,000 | 1,850,000 | 1,850,000 | 1,850,000 |
| Animal Control | 1,824,321 | 1,824,321 | 1,850,000 | 1,850,000 | 1,850,000 | 1,850,000 |
| Library Bond Sinking | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Cash Transfers | 592,000 | 592,000 | 0 | 0 | 0 | 0 |
| MISCELLANEOUS REVENUE | 1,191,342 | 1,191,342 | 1,213,457 | 1,246,542 | 1,286,357 | 1,331,218 |
| Total GF Sources | \$ 268,107,973 | \$ 268,157,563 | \$ 277,454,746 | \$ 287,886,420 | \$ 298,561,618 | \$ 309,437,037 |

General Fund Pro Forma

| | FY 99-00 Adopted | FY 99-00 Forecast | FY 00-01 Forecast | FY 01-02 Forecast | FY 02-03 Forecast | FY 03-04 Forecast |
|--------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| General Fund Uses | | | | | | |
| Community & Family Services | \$ 34,337,407 | \$ 32,620,537 | \$ 33,699,588 | \$ 34,710,576 | \$ 35,751,893 | \$ 36,824,450 |
| Aging Services | 5,670,597 | 5,387,067 | 5,271,423 | 5,830,053 | 6,007,661 | 6,190,734 |
| Health Department | 42,765,050 | 40,631,486 | 42,437,934 | 44,208,792 | 45,561,171 | 46,955,335 |
| Community Justice | 36,755,248 | 34,921,095 | 33,849,837 | 37,678,101 | 38,829,097 | 40,016,142 |
| District Attorney | 14,386,783 | 13,669,974 | 14,788,076 | 15,217,186 | 15,718,621 | 16,236,858 |
| Sheriff's Office | 51,169,048 | 48,613,583 | 51,865,551 | 53,960,946 | 55,713,695 | 57,524,406 |
| Environmental Services | 20,596,568 | 19,571,328 | 19,884,142 | 21,137,157 | 21,770,963 | 22,424,137 |
| Nondepartmental | 15,792,835 | 15,004,348 | 15,585,241 | 16,144,533 | 16,590,488 | 17,049,044 |
| Support Services | 13,245,535 | 12,585,918 | 12,943,199 | 13,570,991 | 13,980,093 | 14,401,881 |
| Overall County | 42,168,088 | 32,528,088 | 34,297,781 | 35,641,406 | 37,051,504 | 38,525,008 |
| Library | 15,743,828 | 15,743,828 | 16,075,239 | 16,704,990 | 17,365,898 | 18,056,524 |
| Total GF Uses | \$ 292,630,987 | \$ 271,277,251 | \$ 280,698,011 | \$ 294,804,729 | \$ 304,341,085 | \$ 314,204,519 |
| Available Contingency Account | 3,464,758 | 3,464,758 | 1,250,000 | 1,250,000 | 1,250,000 | 1,250,000 |
| Excess/(Deficit) | | | | | | |
| Sources Over Uses | (27,987,772) | (6,584,446) | (4,493,265) | (8,168,310) | (7,029,467) | (6,017,481) |
| Ending Working Capital | \$ - | \$ 21,403,326 | \$ 16,860,471 | \$ 8,692,161 | \$ 1,662,694 | \$ (4,354,788) |
| Uncommitted Carryover | (9,640,000) | 11,763,326 | 5,720,471 | (3,947,839) | (12,477,306) | (19,994,788) |
| 5% Revenue Reserve | 9,150,000 | 9,150,000 | 10,650,000 | 12,150,000 | 13,650,000 | 15,150,000 |
| Inventory Reserve | 490,000 | 490,000 | 490,000 | 490,000 | 490,000 | 490,000 |
| Total Requirements | \$ 296,095,745 | \$ 296,145,335 | \$ 298,808,481 | \$ 304,746,890 | \$ 307,253,778 | \$ 311,099,731 |

