



FY 2018 General Fund 5-Year Forecast Update

*Presentation to the
Board of County Commissioners*

Multnomah County Budget Office
March 9, 2017
www.multco.us/budget

Overview

- **Economic Overview**
 - ✓ National Economic Conditions
 - ✓ Oregon & Multnomah County Employment Info
- **FY 2017 Revenue Review**
 - ✓ BIT
 - ✓ Recording Fees
 - ✓ Marijuana
- **FY 2018 General Fund 5-Year Forecast**
 - ✓ FY 2018 Forecast & 5-Year Outlook
 - ✓ Significant Changes
 - ✓ Expenditure Assumptions – CPI
- **FY 2018 One-Time-Only Funds**
- **FY 2017 General Fund Contingency Update**
- **Forecast Risks & Issues**
- **Summary & Questions**



Overview

■ Financial Policies Call for 5-year General Fund Forecast

- ✓ Basic Revenue & Expenditures
- ✓ Evaluate financial risk, services that can be sustained, variables impacting revenue, one-time-only funds and recommended uses, ability to support capital investments

■ Modeling

- ✓ Economic Conditions → Specific County Economic Activities → Tax Revenues
- ✓ Impacts of Federal, State, and Local Laws & Policies
- ✓ Contractual Obligations (Labor contract, PERS, IGAs) and Operational Assumptions

■ Increased Uncertainty

- ✓ Continued strong economy, but in late stage of economic expansion (business cycle)
- ✓ Federal Budgets & Policies
- ✓ Oregon State Budget

■ Balancing Strong Economy & Revenues Today with Potential Weakness in Out Years

- ✓ Providing for financial resiliency and a foundation for future operations
- ✓ Providing for services today

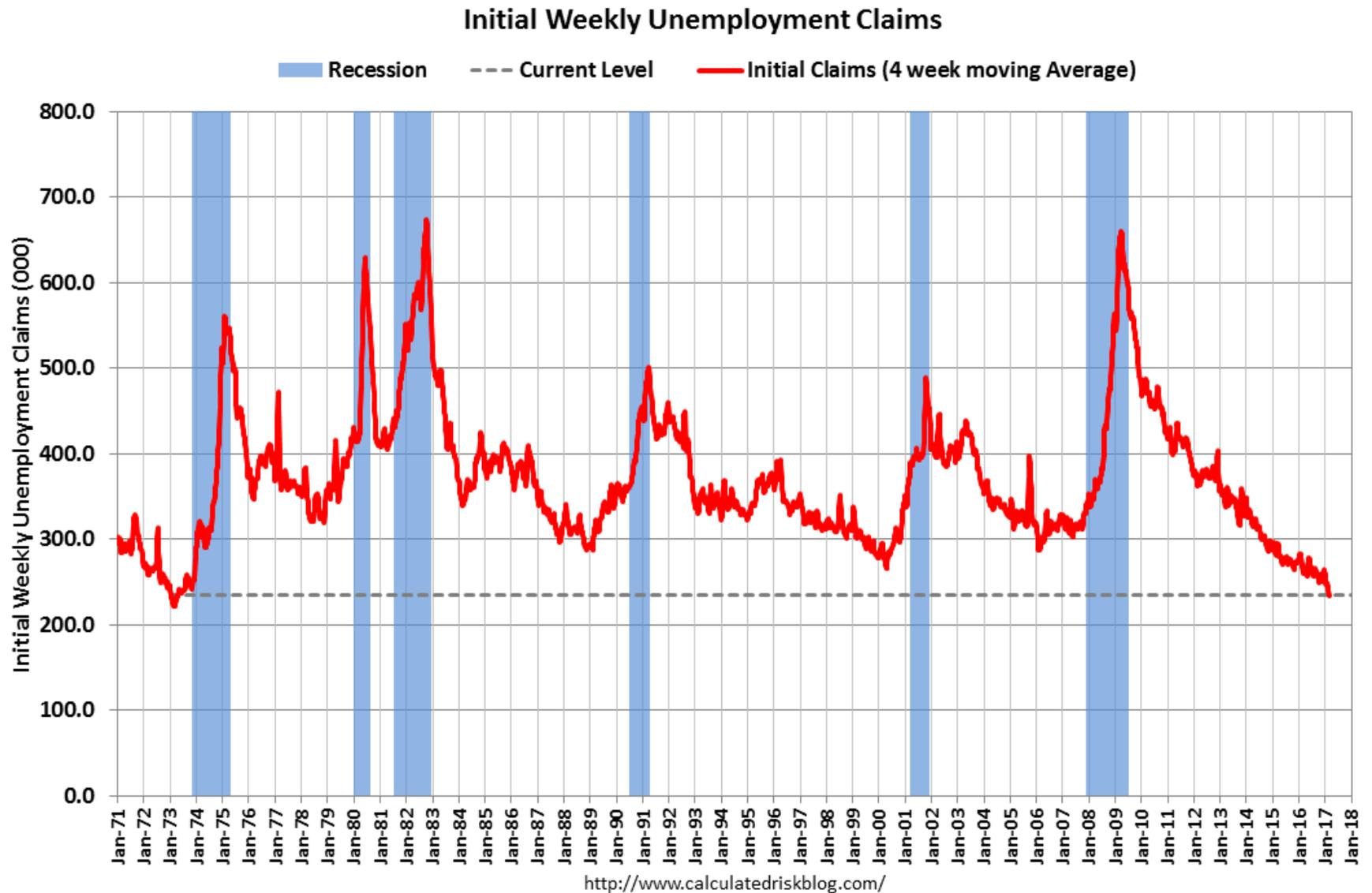


Economic Overview

- U.S. growth has been modest, but sustained
 - ✓ GDP quarterly growth of 0.8%, 1.4%, 3.5%, and 1.9% in 2016 (1.6% for year)
 - ✓ Recovery in Energy Sector removes source of economic drag
- Local employment data positive but little room for additional growth
 - ✓ Increased wage growth at all income levels
- Inflation returning to normal levels
 - ✓ Fed expected to raise interest rates at regular intervals
 - ✓ Stronger dollar and impact on manufacturing
- Policy Uncertainty at the Federal Level
 - ✓ Health Care and Tax Code Changes
 - ✓ Changes to Trade Policies
 - ✓ Immigration Policy Changes
 - ✓ Regulatory Changes

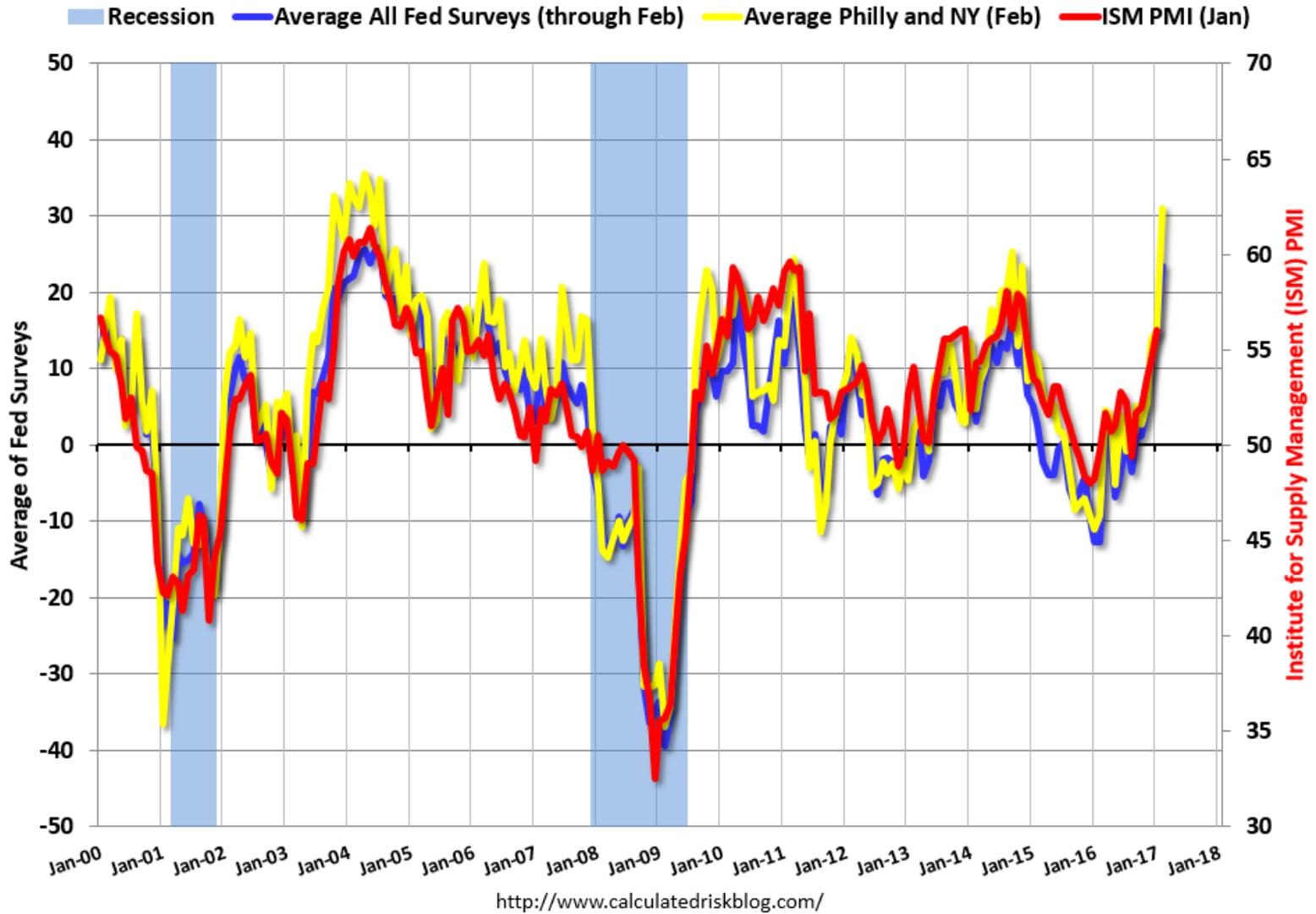


Economic Overview

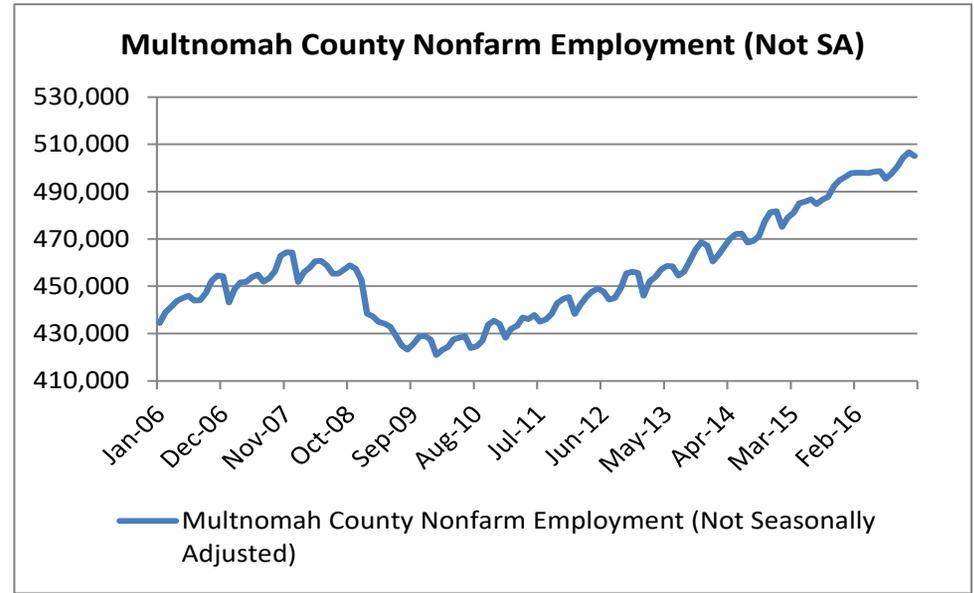
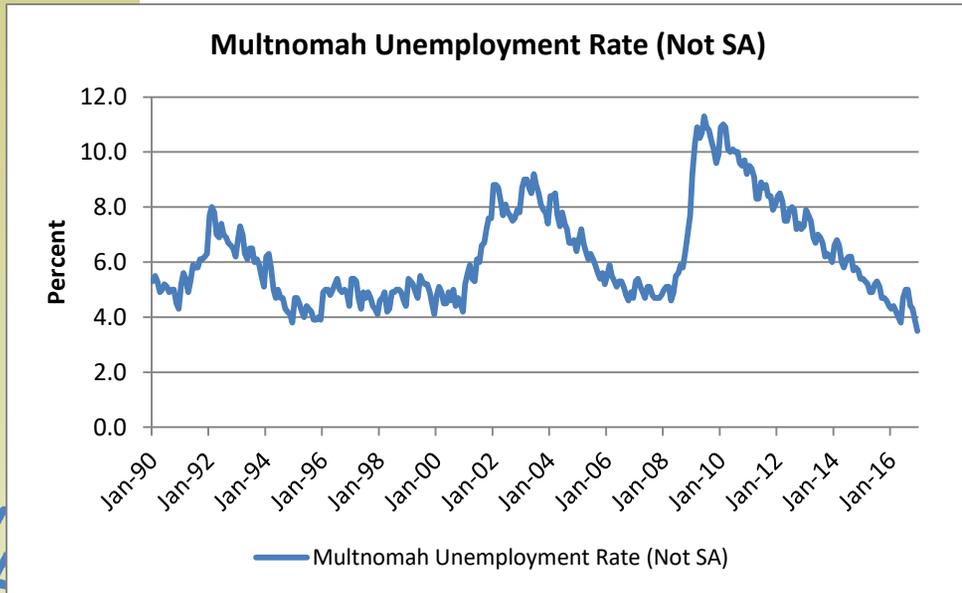
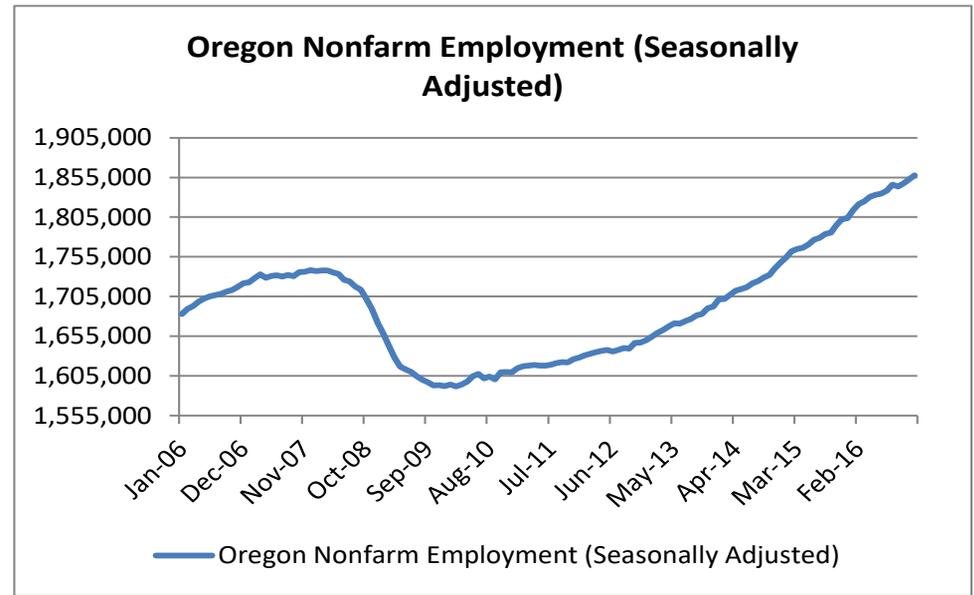
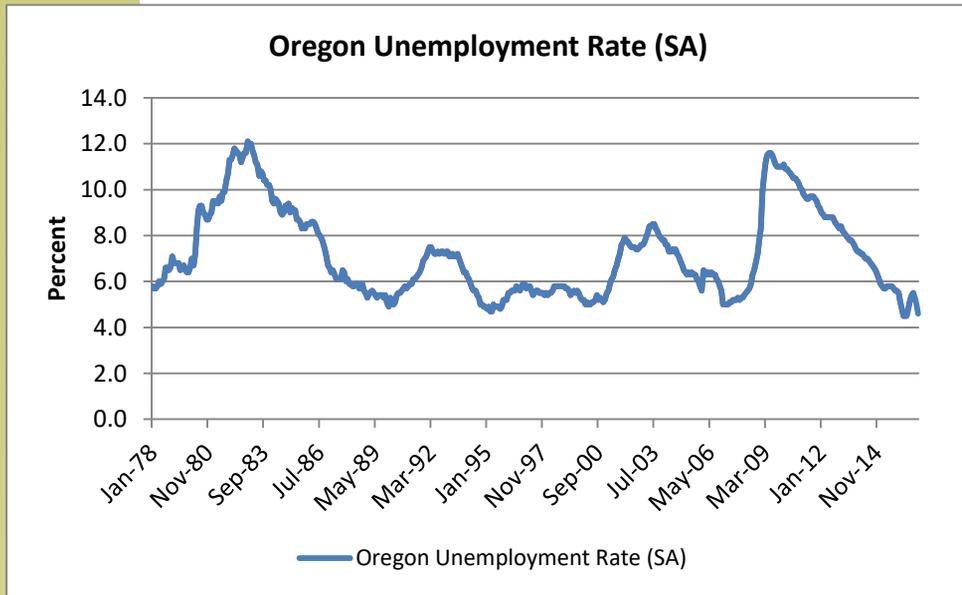


Economic Overview

ISM Purchasing Managers' Index (PMI) and Fed Manufacturing Surveys

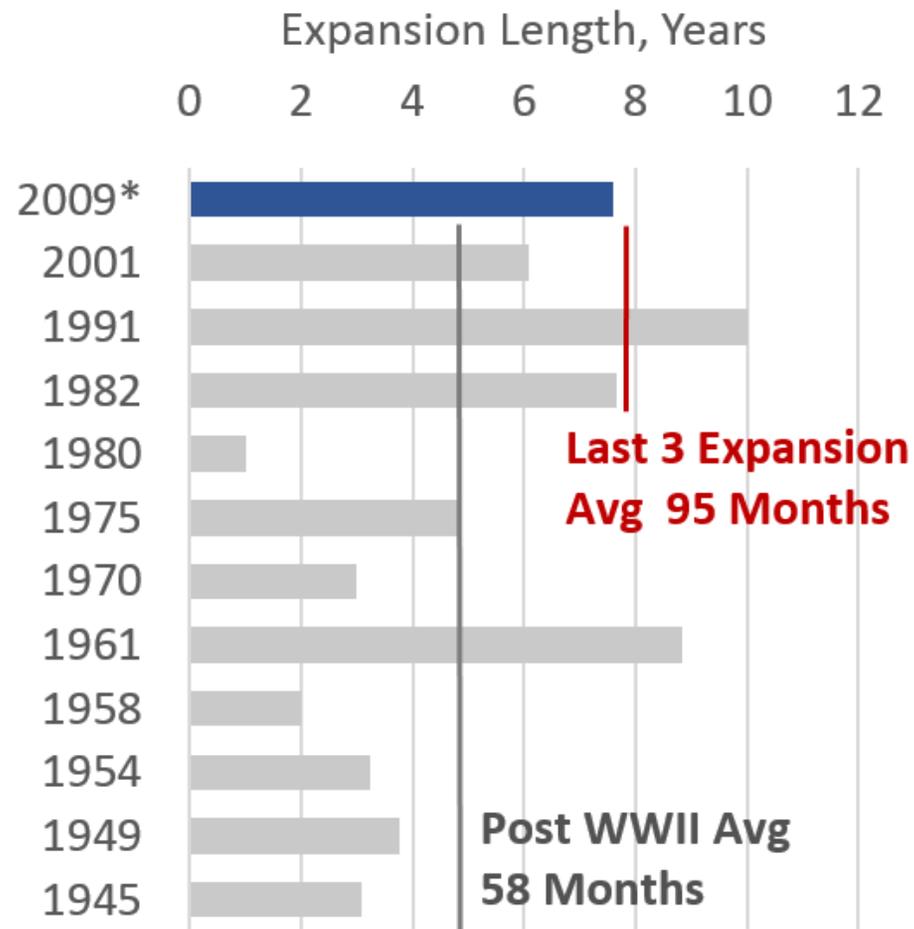


Economic Overview



Economic Overview

Postwar U.S. Expansions



* Current expansion through January 2017

Source: NBER, Oregon Office of Economic Analysis



FY 2017 Revenue Review

FY 2017 Revenue Review

	Adopted ¹	October Forecast Change	March Forecast Change	May Forecast Change	Net Change From Adopted	Note
Property Taxes	279,060,801	753,892	0		753,892	AV growth 0.27% higher than forecast; Increased collection rate by 0.4%
Business Income Taxes	79,623,954	0	3,507,346		3,507,346	4.4% increase from Adopted
Motor Vehicle Rental Taxes	28,218,313	2,216,266	0		2,216,266	PDX passenger up 7.3% in first 3 months of FY 2017
US Marshal/BM 73/BOP	3,707,295	515,004	0		515,004	Beds increased from 70 to 81 per day
State Shared						
Video Lottery	5,330,000	0	0		0	New Casino Impact in FY 2018 (next year)
Liquor	4,251,767	0	0		0	
Cigarette	676,801	0	0		0	
Marijuana	0	600,000	(600,000)		0	Funds not disbursed until OLCC loan repayment
Amusement	173,000	0	0		0	
Recording Fees/CAFFA Grant	8,010,656	341,229	252,771		594,000	Recording Fees Actuals 13% above Forecast
Indirect						
Departmental	17,458,771	0	0		0	
Central Indirect/Svc Reimburse	11,554,717	0	0		0	
All Other	25,499,265	0	0		0	
FY 17 Revenue Adjustments ²	463,565,340	4,426,391	3,160,117	0	7,586,508	
% of Revenue		0.95%	0.68%	0.00%	1.64%	

1. Excludes BWC, FQHC wraparound revenues, prospective health payments, and Tax Title: Affordable Housing but includes Video Lottery.

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



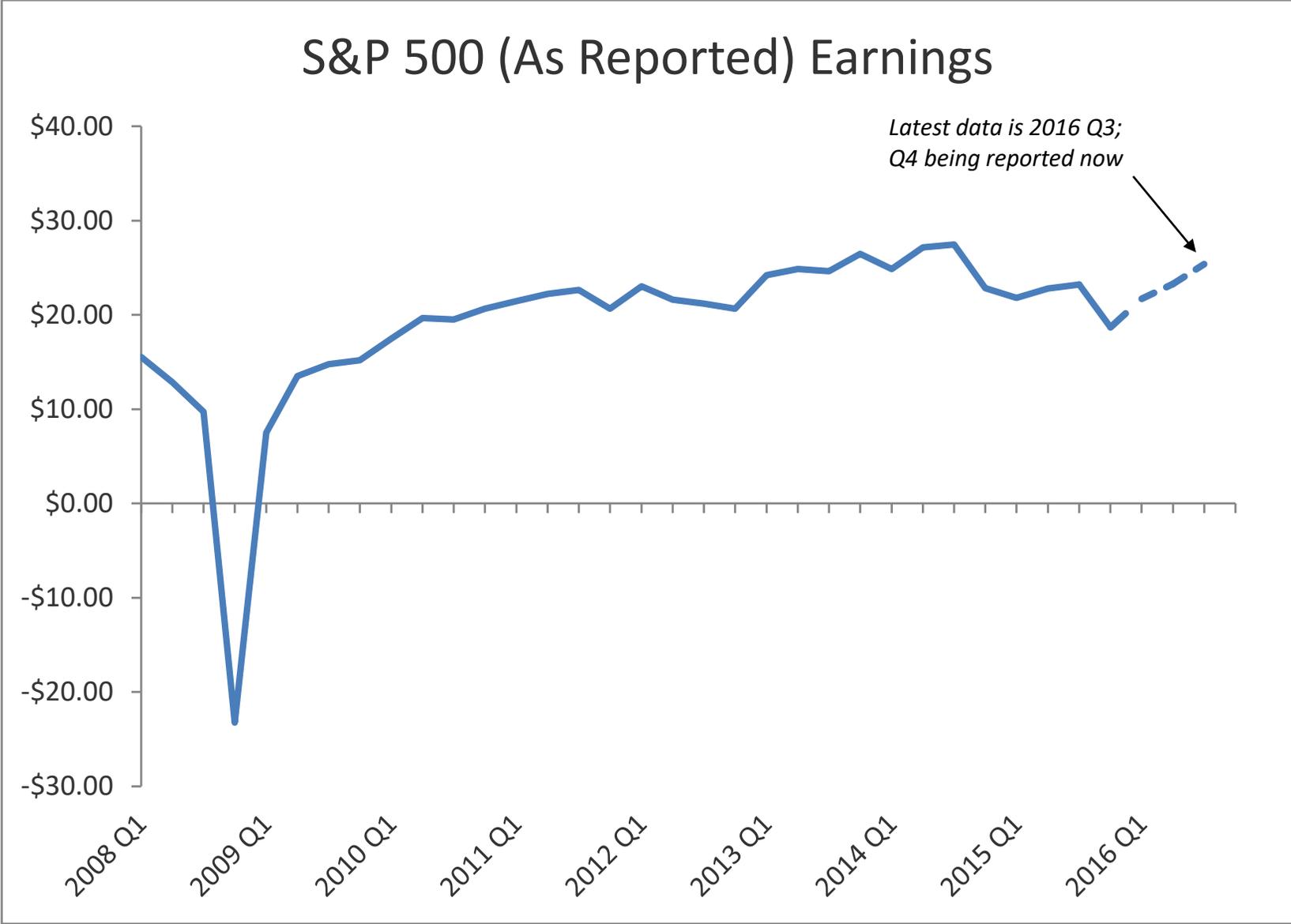
FY 2017 Revenue Review

BIT Collections Fiscal Year-to-Date Through February

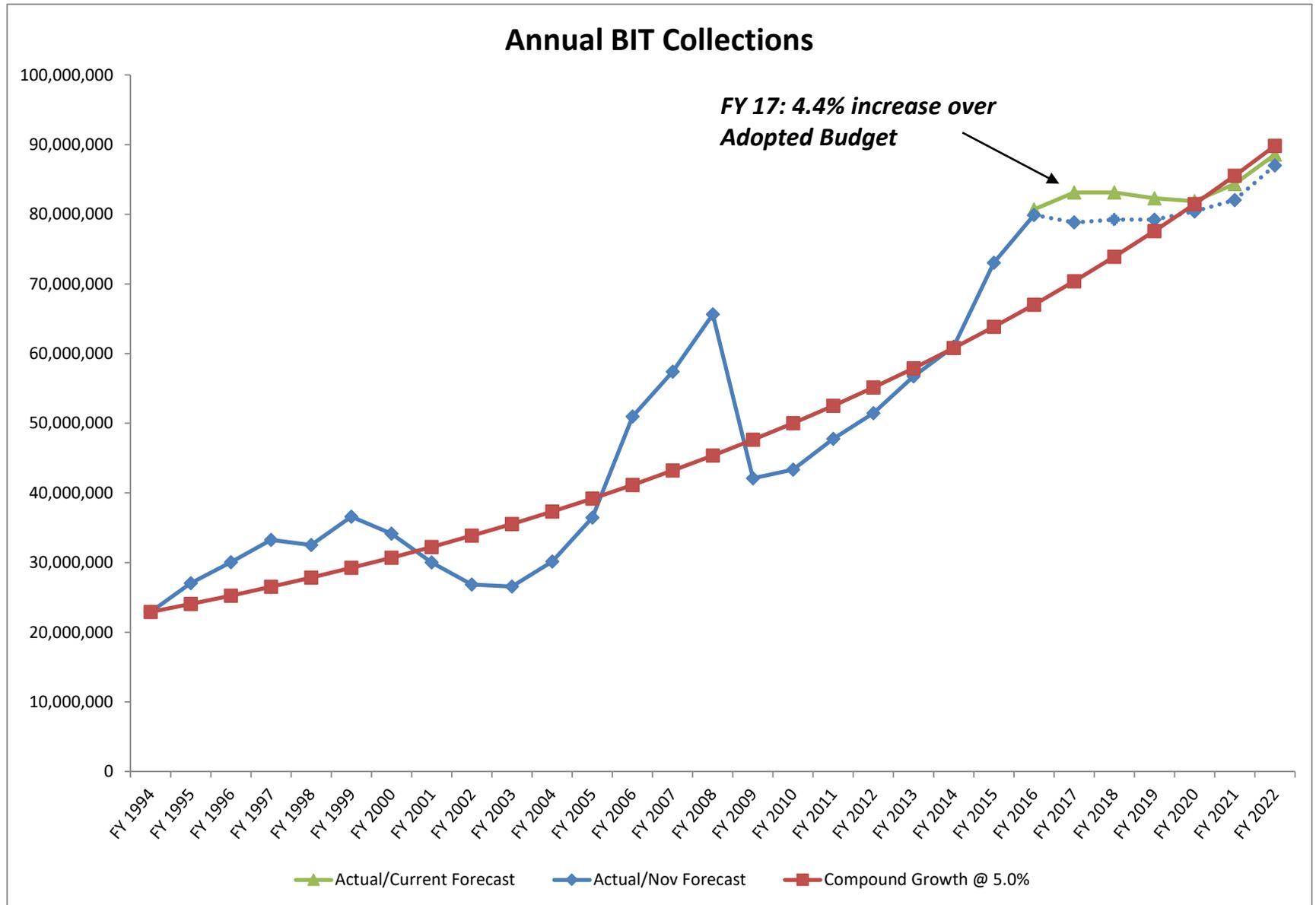
	FY 13	FY 14	FY 15	FY 16	FY 17	FY 17 vs. FY 16
Quarterly	19,260,347	19,371,834	26,118,461	27,776,338	26,635,050	-4.1%
Yearly	5,247,925	5,160,759	5,985,777	7,821,015	10,699,689	36.8%
Refund/Interest	2,783,165	3,012,454	3,116,127	3,102,498	3,232,861	4.2%
NSF Check	139,589	22,777	54,691	169,597	300,963	77.5%
Total	21,585,517	21,497,362	28,933,419	32,325,258	33,800,915	4.6%
<i>Actual or Budget</i>	<i>58,750,000</i>	<i>61,800,000</i>	<i>73,825,000</i>	<i>80,710,000</i>	<i>79,632,954</i>	
<i>March Forecast</i>					<i>83,131,300</i>	



FY 2017 Revenue Review

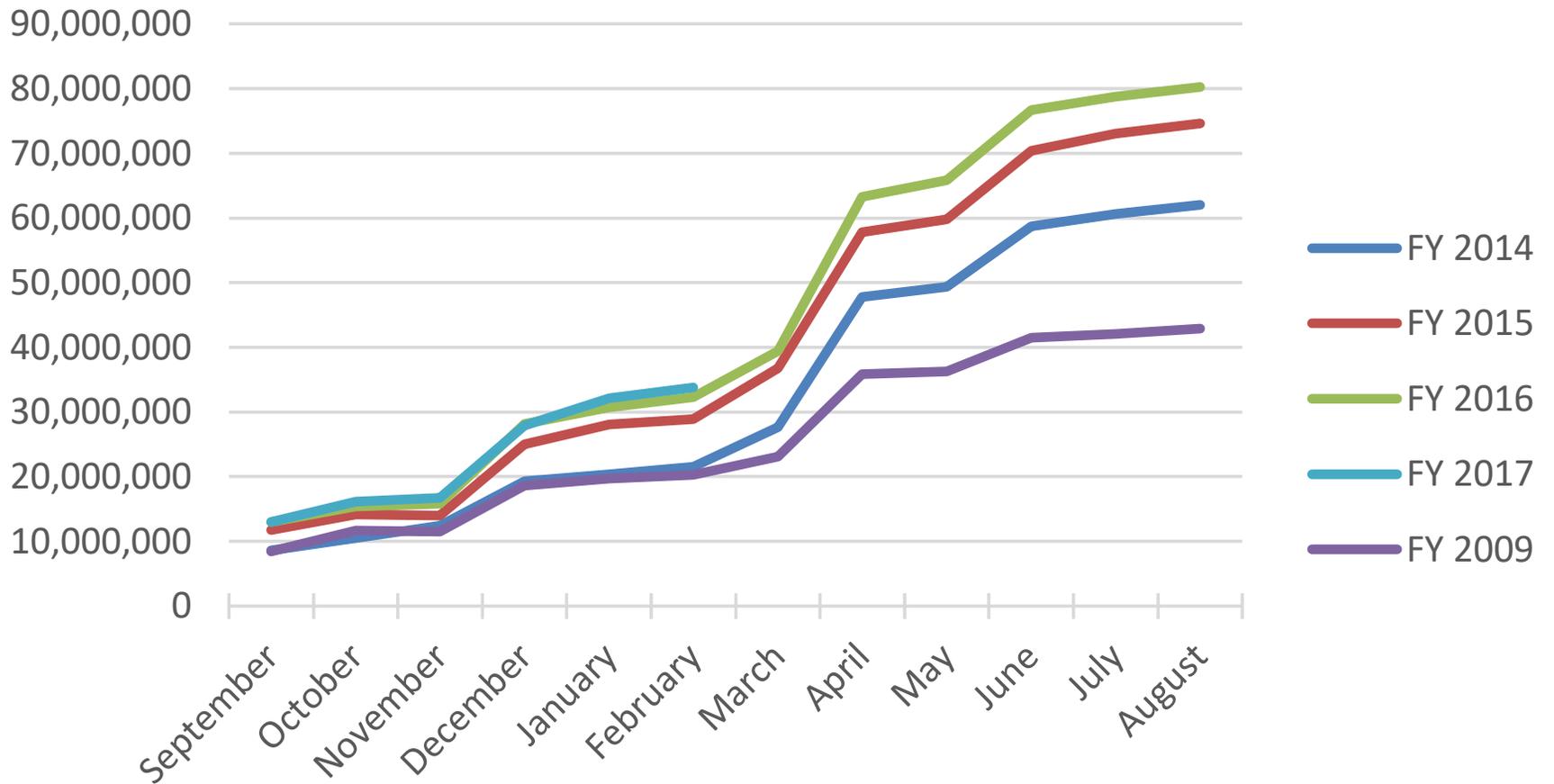


FY 2017 Revenue Review



FY 2017 Revenue Review

Cumulative BIT Collections by Year



5-Year General Fund Forecast

- Forecast assumes average to slightly better than average economic growth in the Portland Metro area with increasing employment. Property values are projected to continue growing but a slower rate than in 2016.
- Significant changes – Increased BIT and JOHS Ongoing to IGA Level
- Revenues are greater than current expenditures, but expenditures grow faster than revenues and by year-five (FY 2022) are roughly equal.
- Without additional commitments, current programs can be supported over 5 years

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

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Revenues	484,706,748	496,960,033	509,284,391	525,399,126	542,665,814
Expenditures¹	458,003,205	477,741,157	498,595,933	522,058,487	543,558,652
Surplus/(Deficit)	26,703,543	19,218,876	10,688,458	3,340,639	(892,838)
<i>Change in Surplus from Prior Year</i>		<i>(7,484,667)</i>	<i>(8,530,418)</i>	<i>(7,347,819)</i>	<i>(4,233,477)</i>
<i>Surplus/(Deficit) is this % of Expenditures</i>	5.83%	4.02%	2.14%	0.64%	-0.16%
<i>Note: Revenues/Expenditures include video lottery, but excludes reserves, FQHC wraparound and prospective health payments</i>					



5-Year General Fund Forecast

Table 2: Changes to Ongoing General Fund Revenues and Impact on the Expenditure/Revenue Gap

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Rev/Exp Gap - November 2016 Forecast	23,707,935	16,966,502	9,879,073	1,783,015	(1,777,004)
Changes to Revenues - March Forecast					
BIT	3,109,226	2,277,913	666,082	1,498,289	744,735
Recording Fees	208,026	210,107	212,208	214,330	216,473
Total Revenue Change	3,317,252	2,488,020	878,290	1,712,619	961,208
Less BIT Transfer to East County Cities	(321,644)	(235,646)	(68,905)	(154,995)	(77,042)
CPI Adjustment	n/a	n/a	n/a	n/a	n/a
Net Revenue/Expenditure Change	2,995,608	2,252,374	809,385	1,557,624	884,166
Rev/Exp Gap - March 2017 Forecast	26,703,543	19,218,876	10,688,458	3,340,639	(892,838)
Less Additional Debt Payments and Ongoing Operations					
Courthouse Debt	(5,078,457)	(5,078,457)	(5,078,457)	(5,078,457)	(5,078,457)
Health HQ Debt	(2,990,529)	(2,990,529)	(2,990,529)	(2,990,529)	(2,990,529)
ERP Debt & Incremental Cost ¹	(2,765,796)	(3,175,877)	(3,205,376)	(3,176,014)	(3,087,279)
JOHS to IGA Level	(3,501,911)	(3,580,704)	(3,661,270)	(3,743,648)	(3,827,880)
Net Additional Obligations	(14,336,693)	(14,825,567)	(14,935,632)	(14,988,648)	(14,984,145)
Rev/Exp Gap - March 2017 Forecast w Debt	12,366,850	4,393,309	(4,247,174)	(11,648,009)	(15,876,983)

¹ERP Costs assume the \$950,000 East County Data Center debt payment is re-programmed to offset ERP debt costs.



5-Year General Fund Forecast

Major General Fund Revenue Sources ¹

	Adopted FY 2017	Forecast FY 2017 ²	Forecast FY 2018	Forecast FY 2019	Forecast FY 2020	Forecast FY 2021	Forecast FY 2022
Property Taxes	279,060,801	279,843,033	291,218,093	302,157,997	312,704,177	324,112,272	334,599,624
Business Income Taxes	79,623,954	83,131,300	83,131,300	82,299,987	81,888,487	84,345,142	88,562,399
Motor Vehicle Rental Taxes	28,218,313	30,434,579	31,043,271	31,664,136	32,297,419	32,943,367	33,602,235
US Marshal (& BM 37)	3,707,295	4,193,029	4,146,572	4,146,572	4,146,572	4,146,572	4,146,572
Recording Fees/CAFFA Grant	8,010,656	8,604,656	8,745,072	8,888,252	9,034,257	9,183,150	9,334,996
State Shared	10,431,568	10,431,568	9,489,155	9,802,978	10,114,788	10,439,107	10,776,435
Indirect & Service Reimbrs.	29,013,488	29,013,488	29,833,644	30,719,795	31,633,500	32,575,620	33,547,043
	438,066,075	445,651,653	457,607,107	469,679,717	481,819,200	497,745,230	514,569,304
% of Total Revenue	94.5%	94.6%	94.4%	94.5%	94.6%	94.7%	94.8%
All Other General Fund	25,499,265	25,499,265	27,099,641	27,280,316	27,465,191	27,653,896	28,096,510
Total	463,565,340	471,150,918	484,706,748	496,960,033	509,284,391	525,399,126	542,665,814
% Change in Ongoing Revenue		1.64%	2.88%	2.53%	2.48%	3.16%	3.29%
AV Growth	3.80%	4.07%	4.00%	3.60%	3.50%	3.50%	3.25%
Compression	3.80%	3.79%	3.50%	3.25%	3.10%	3.00%	3.00%
BIT Growth	-0.8% ³	4.4% ⁴	0.00%	-1.00%	-0.50%	3.00%	5.00%

1. Excludes BWC, FQHC wraparound revenues, prospective health payments, but includes video lottery revenues.

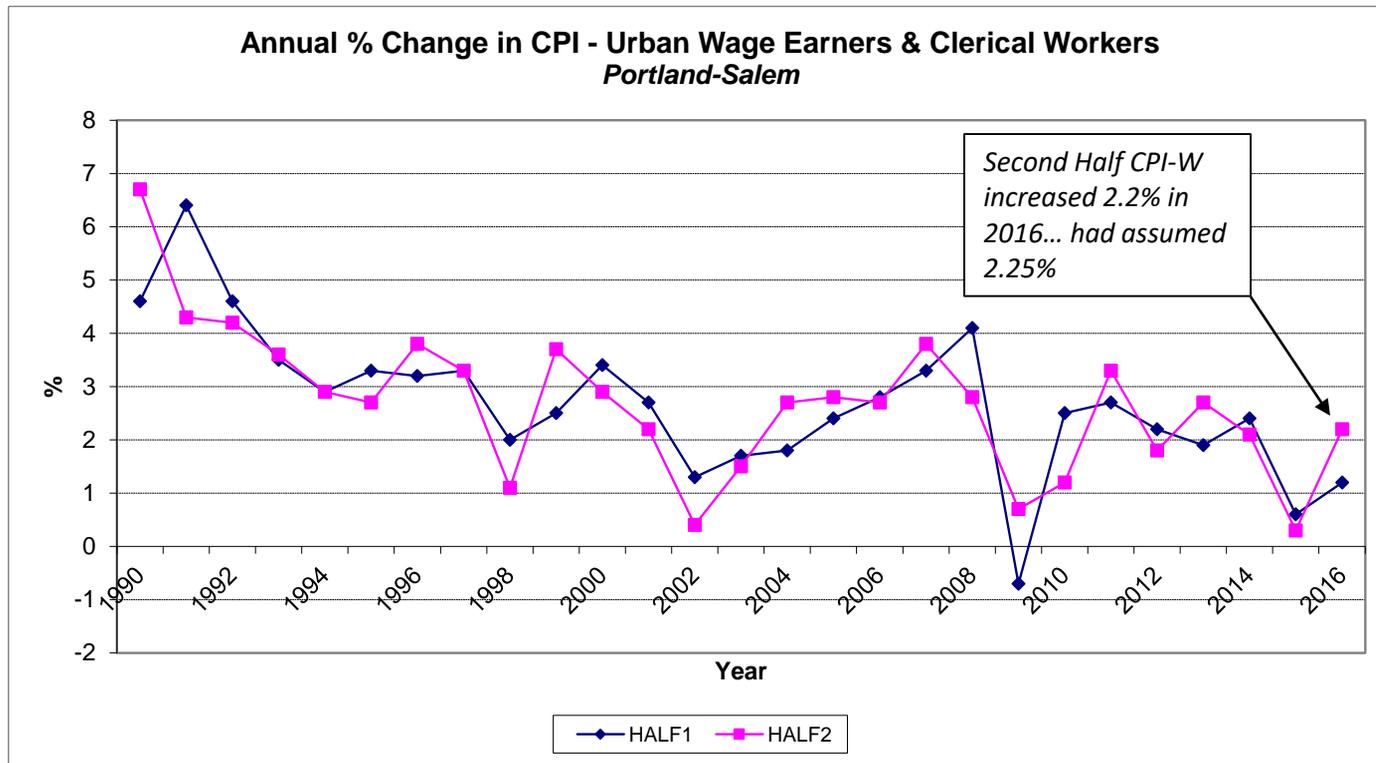
2. Not adjusted for revenue adjustments directly offset by expenditure changes.

3. Reflects growth from May forecasted FY 2016 actual collections.

4. Reflects growth from FY 2017 adopted budget.



5-Year General Fund Forecast



- 2016 Second-Half Portland CPI-W rose 2.2% vs. assumed growth of 2.25%
- Cost of Living Adjustment (COLAs) for FY 2018 tied to this index
- No adjustments required based on CPI-W actual



FY 2018 OTO Funds

General Fund FY 2017 Beginning Working Capital & FY 2018 OTO ^{1, 2}

OTO Funds for FY 2018 per November Forecast	24,400,521
Plus Higher FY 2017 Revenue <i>(in March Forecast)</i>	3,160,117
Less BIT Transfer to East County Cities	(377,678)
Less Amount to Maintain Reserves	<u>(621,845)</u>
OTO Funds for FY 2018 as March Forecast	26,561,115
<i>50% Dedicated to County Facility Projects per Board Policy</i>	<i>13,280,558</i>
<i>Remaining 50% to be Allocated</i>	<i>13,280,558</i>
If no new programs are added in FY 2018 and assuming debt & ERP	<u>12,366,850</u>
OTO Funds for FY 2018 With Policy Assumptions	38,927,965
<i>50% Dedicated to County Facility Projects per Board Policy</i>	<i>19,463,983</i>
<i>Remaining 50% to be Allocated</i>	<i>19,463,983</i>

1. Assumes the FY 2017 General Fund Contingency is fully spent in FY 2017.
2. Assumes departments fully spend their FY 2017 appropriation.
3. Adjusted for additional restricted County Clerk BWC and Prospective Health Payments (\$3.7 million).



FY 2017 Contingency Update

FY 2017 General Fund Contingency Update

General Fund 'Regular' Contingency	1,250,000
Additional Contingency	<u>23,724</u>
	1,273,724
Plus Indirect from grants & misc.	<u>71,855</u>
Remaining Non-Earmarked Contingency	1,345,579

Earmark - Mental Health Crisis	629,532	
Earmark - Dorm 4 & 5 Funding	303,194	Earmark per Board Budget Note (\$505,320 Released 12/8/2016)
Earmark - LEAD - Jail Diversion	0	Earmark per Board Budget Note (Released 12/8/2016)
Earmark - Nurses at Inverness	0	Earmark per Board Budget Note (Released 10/20/2016)
BIT Reserve (in General Fund Contingency)	<u>7,962,395</u>	
Total General Fund Contingency	10,240,700	

***Unallocated Contingency for use in FY 2017
or could be rolled over to FY 2018***

1,345,579

Reflects non-earmarked balance

*Note: The forecast assumes the General Fund Contingency will be fully spent, with the exception of the BIT Reserve, which is 'rolled over' to FY 2018.
Excludes funds reserved for FY 2018 and FY 2019.*



Forecast Risks, Uncertainties & Issues

- Housing affordability/homelessness
- Wage Pressures – PERS, open labor contracts, health care
- Federal policy/budget issues & economic implications
- Oregon Legislative session and State budget shortfall
- Geopolitical
- A confluence of risks, uncertainties, and issues
 - ✓ PERS
 - ✓ Downtown Courthouse & other capital project funding
 - ✓ Timing of next recession – revenue & PERS earnings impacts
 - ✓ Inflation and monetary policy changes
 - ✓ Health Care – costs for employee coverage and revenues/costs associated as a provider of health care services



Summary

- FY 2017 General Fund revenue forecast increased \$3.2 million (0.7%) for a total change of \$7.6 million (1.64%) from adopted budget.
- FY 2017 General Fund contingency balance of \$1.3 million (unallocated)
- FY 2018 projected General Fund resources exceed the cost of current services levels by \$12.4 million, but fall short by \$15.9 million in FY 2022
- No new, ongoing programs can be supported over long-term absent additional revenues or reallocation of existing resources.
- FY 2018 General Fund one-time-only resources of \$26.6 million
 - ✓ Another \$12.4 million of OTO available if FY 2018 surplus treated as OTO to balance over 2-3 years, for a total of \$38.9 million
- Major risks, uncertainties, and issues include:
 - ✓ PERS
 - ✓ Policy and economic implications of Federal Policy Changes
 - ✓ State budget and legislative session

