

**Minutes of the Board of Commissioners  
Multnomah Building, Board Room 100  
501 SE Hawthorne Blvd., Portland, Oregon  
Thursday, May 28, 2015**

**BUDGET WORK SESSION #9**

Chair Deborah Kafoury called the meeting to order at 9:40 a.m. with Vice-Chair Jules Bailey and Commissioners Loretta Smith and Diane McKeel present. Commissioner Judy Shiprack was excused.

Also attending were Jenny Madkour, County Attorney, and Marina Baker, Assistant Board Clerk.

[ALL CAPS TEXT IS THE BYPRODUCT OF CAPTIONING THIS PROGRAM.]

**BWS-9      FY 2016 Budget - General Fund Forecast Update.    Presenter: Mike Jaspin, County Economist.**

Mr. Jaspin: GOOD MORNING. MIKE JASPIN FROM THE BUDGET OFFICE. THIS MORNING, I AM HERE TO PRESENT YOU WITH OUR UPDATE TO THE FIVE-YEAR GENERAL FUND FORECAST, WE'RE SCHEDULED FOR AN HOUR, HOPEFULLY WE'LL ONLY TAKE HALF OF THAT, AT MOST. SO, A QUICK OVERVIEW OF WHAT I WILL COVER TODAY. WE'LL DO A BRIEF ECONOMIC OVERVIEW, LOOK AT WHERE THE CURRENT YEAR REVENUES ARE COMING IN, FOCUSED ON THREE ONES THAT HAVE CHANGED A BIT. THEN LOOK AT OUR ONE-TIME ONLY FUNDS FOR NEXT YEAR THAT ARE GENERATED FROM OUR CURRENT FISCAL YEAR, AND LOOK AT THE FIVE-YEAR GENERAL FUND FORECAST, AND WE WILL SHOW THAT IN FIVE SIMPLE ACTS, I HOPE. AND CHECKING THE CONTINGENCY, WALK THROUGH THE NORMAL FORECAST RISKS AND ISSUES, AND THEN DO A QUICK SUMMARY. SO NATIONALLY WE START -- THE COUNTY STARTED THE YEAR AGAIN, RATHER WEAK. WE HAVE HAD FLAT GDP, .2 OF A PERCENT, WE GET AN UPDATE TOMORROW AND MOST THINK IT WILL BE NEGATIVE.

THE TERM THAT SEEMS TO GET USED A LOT THESE DAYS IS TRANSITORY AND ONE REASON THAT PEOPLE ARE APPLYING TRANSITORY, THERE WAS A NUMBER OF FACTORS THAT IMPACTED THE ECONOMY, AND WE HAD UNUSUALLY COLD SNOW, UNUSUAL COLD AND SNOW WINTER IN THE NORTHEAST. WE HAD THE WEST COAST PORTS OF PORTLAND, ESSENTIALLY, COME TO A STANDSTILL FOR A WHILE. AND WE HAVE SEEN SLOWER MANUFACTURING DATA, BUT IT'S STILL POSITIVE BUT MOST OF THAT IS, ACTUALLY, DUE TO THE OIL INDUSTRY AS BIG PROJECTS ARE CANCELED OR PUT ON HOLD. SOME OF THIS IS ALSO DUE TO THE STRONG DOLLAR, WHICH MAKES IT CHEAPER FOR US TO IMPORT FROM ELSEWHERE, AND OTHER FOLKS TEND TO BUY MANUFACTURED GOODS FROM OTHER COUNTRIES

RATHER THAN US BECAUSE OF THE STRONG DOLLAR. BUT OVERALL, WE STILL ARE SEEING VERY STRONG EMPLOYMENT DATA, AND WE STILL EXPECT POSITIVE GROWTH AS WE GO THROUGH THE YEAR JUST NOT THE VERY ROBUST GROWTH THAT WE WOULD LIKE TO SEE. LOCALLY IN OREGON AND PORTLAND, WE CONTINUE TO SEE ABOVE AVERAGE GROWTH.

Mr. Jaspin: IF YOU LOOK AT THE UNIVERSITY OF OREGON ORIGINAL ECONOMIC INDICATORS, EVERY REGION FOR THE FIRST TIME IN A NUMBER OF YEARS IS GROWING AT OR ABOVE AVERAGE RATES, IN THE PORTLAND AREA, WE CONTINUE TO SEE HIGH TO SINGLE DIGIT PRICE APPRECIATION, THE S & P CAME OUT, AND WE'VE BEEN TRENDING 7% ON A YEAR OVER YEAR BASIS, WHAT'S MOST REMARKABLE IS THAT PENDING SALES ARE UP 28%, AND YOU WILL SEE THAT BACKING OUR RECORDING FEES A BIT LATER. EMPLOYMENT INCLUDING MANUFACTURING IS GROWING AT ABOUT A 3.2% CLIP, STATEWIDE, WHICH IS, ACTUALLY, A REMARKABLE RATE. UNEMPLOYMENT STATEWIDE HAS DECLINED TO 5.2%, AND IN PORTLAND, WE'RE BELOW 5%, AND YOU SAW THAT IN THE STATE'S REVENUE FORECAST LAST WEEK. OR A COUPLE WEEKS AGO, BECAUSE THE STATE IS SO DEPENDENT ON PERSONAL INCOME TAXES. OREGON'S UNEMPLOYMENT RATE IS, ACTUALLY, BELOW THE NATIONAL RATE FOR THE FIRST TIME IN ALMOST 20 YEARS, AND WE'RE FINALLY SEEING SIGNS OF WAGE GROWTH. ALBEIT NOT AS STRONG AS WE WOULD LIKE TO SEE, BUT THEY ARE STARTING TO EMERGE IN.

AT THE LOWER END WE HAVE SEEN THE WALMART'S AND THE TARGETS BEING FORCED, AND I THINK THAT IS PROBABLY THE RIGHT WORD BECAUSE LITERALLY THEY CANNOT GET QUALIFIED PEOPLE AND IT FACED HIGH TURNOVER LEVELS. AND AN INTERESTING NOTE, IN OREGON, IS, ACTUALLY, OUR CIVILIAN LABOR FORCE, IS FLAT TO DECLINING, WHICH IS A BIT UNUSUAL. WE DO EXPECT THAT TO CHANGE, BUT, AND YOU WILL SEE IN MIGRATION BUT AS THE UNEMPLOYMENT RATE HAS COME DOWN, THERE IS NOT A PULL TO KEEP PULLING PEOPLE FORWARD, IN THE STATE FORECAST, THEY MENTIONED THAT WE LITERALLY CAN'T GROW MUCH FASTER BECAUSE WE DON'T HAVE THE LABOR FORCE TO KEEP UP WITH THAT. TO THE DEGREE THAT WE HAVE A TIGHTER LABOR MARKET, THAT SHOULD HELP US TO PULL UP WAGES OVER THE LONGER TERM. SO, I WON'T WALK THROUGH ALL THESE GRAPHS, BUT I THINK THAT THEY ARE INSTRUCTIVE, FOR YOU TO HAVE AS A REFERENCE. THEY SHOW THE UNEMPLOYMENT RATE IN OREGON AND MULTNOMAH COUNTY, AND ALSO, THE EMPLOYMENT RATE IN BOTH THE COUNTY AND THE STATE, AND GENERALLY, IF YOU LOOK AT THE LEFT GRAPH DOWN IS GOOD, AND WE'VE BEEN TRENDING DOWN VERY STRONGLY OF LATE. AND ON THE RIGHT-HAND SIDE, UP IS GOOD, AND YOU CAN SEE EMPLOYMENT HAS BEEN TRENDING UP AT A VERY STEADY RATE AND STATEWIDE ACCELERATING.

Mr. Jaspin: I THINK THAT THIS GRAPH KIND OF TELLS THE STORY OF WHAT'S HAPPENED LOCALLY AND STATEWIDE. THE BLUE LINE REFLECTS THE YEAR

OVER YEAR CHANGE IN NON FARM EMPLOYMENT WITHIN THE COUNTY. AND YOU CAN SEE PRIOR TO THE RECESSION, WE WERE JUST CHUGGING ALONG AT A 2% GROWTH CLIP. WE HIT THE RECESSION. WE CAME OUT OF THE RECESSION AND BY ABOUT OCTOBER OF 2010, WE WERE GETTING CLOSE TO GROWING AT 2% AGAIN, AND IN 2014, WE GREW STRONGLY. THE RED LINE REPRESENTS THE STATEWIDE AVERAGE, AND YOU CAN SEE THE STATE STARTED TO FEEL THE IMPACT ON THE RECESSION FAR BEFORE THE COUNTY DID. WE BOTH CAME OUT OF THE RECESSION AT THE SAME TIME, BUT WHAT YOU WILL NOTICE IS STATEWIDE, EMPLOYMENT GREW MUCH SLOWER FROM 2010 INTO 2013, AND IN FACT, BECAUSE THE STATEWIDE AVERAGE, OBVIOUSLY, INCLUDES THE PORTLAND METRO REGION, IF YOU BACK THAT OUT, THE STATEWIDE ABSENT THE PORTLAND METRO REGION WAS NOT GROWING, AND WE TALKED ABOUT, AT THAT POINT, THE URBAN AREA IS GROWING BUT PLACES LIKE BEND, OR SOUTHERN OREGON WERE NOT.

WHAT'S REALLY INTERESTING NOW IS YOU CAN SEE THAT THE STATEWIDE AVERAGE IS GROWING FASTER THAN WE ARE -- LOCALLY AS YOU SEE PLACES LIKE BEND, KIND OF GOING BACK INTO A BOOM CYCLE, AND AGAIN, THIS IS KIND OF REALLY IMPACTS THE STATE FORECAST. BECAUSE OF THE PERSONAL INCOME TAX. I SHOWED THIS GRAPH BACK IN DECEMBER, BUT I THINK THAT IT'S WORTH UPDATING BECAUSE IT KIND OF SHOWS BOTH THE GOOD AND BAD SIDE OF WHERE WE ARE. ON THE GOOD SIDE, IT SHOWS HOW STRONG THE LABOR MARKET IS BECOMING, AND THIS GRAPH SHOWS THE FOUR-WEEK MOVING AVERAGE OF UNEMPLOYMENT, INITIAL UNEMPLOYMENT CLAIMS GOING BACK ALMOST 40 YEARS. ACTUALLY, I AM GETTING CLOSE TO 45 YEARS, AND WHAT YOU WILL SEE IS RIGHT NOW, WE ARE ESSENTIALLY AT A 40-YEAR LOW, IF YOU ADJUST IT FOR POPULATION. WE ARE AT A HISTORIC LOW IN TERMS OF THE GRAPH.

AND ESSENTIALLY, THIS REFLECTS THAT EMPLOYERS ARE NOT LAYING PEOPLE OFF, AND HOPEFULLY, OVER TIME, THAT MEANS THAT WE'LL SEE WAGE INCREASES AS PEOPLE FIGHT TO HOLD ONTO THEIR EMPLOYEES. BUT, THERE IS A DOWN SIDE TO THIS GRAPH, AND WHAT YOU WILL NOTICE IS WE USUALLY, WHEN WE HIT THE BOTTOM, OF THE INITIAL UNEMPLOYMENT CLAIMS, ABOUT 18 MONTHS TO TWO YEARS LATER, WE'RE IN THE BLUE SHADED AREAS, WHICH REPRESENT THE RECESSION. THERE IS NO ECONOMIC REASON THAT IT HAS TO BE 18 MONTHS TO TWO YEARS. HOWEVER, YOU CAN GO BACK THROUGH TIME AND FIND A PERIOD WHERE WE MOVED SIDWAYS FOR A DECADE, AND I THINK THAT TEMPER THE FORECAST AS WE THINK HOW TO PREPARE FOR A RECESSION THAT WILL INVARIABLY GET -- MY HOPE IS WE MOVE SIDWAYS FOR QUITE A WHILE SO WE DON'T HAVE TO DEAL WITH THE RECESSION.

Mr. Jaspin: BUT ON THE PLUS SIDE THE FORECAST FOR NEXT YEAR AND INTO 2017 IS PRETTY SAFE TO AGREE THAT WE DON'T SEE ANY SIGNS OF

RECESSION EMERGING RIGHT NOW. SO MOVING INTO A REVIEW OF THE CURRENT YEAR REVENUES, THIS IS THE CHART THAT WE ALWAYS USE, SO I WILL FOCUS YOUR ATTENTION ON THE MAY FORECAST CHANGE COLUMN, ABOUT THE MIDDLE OF THE PAGE THERE. WE'RE MAKING SOME MINOR TWEAKS TO THE FOUR REVENUE SOURCES, AND I WILL WALK THROUGH EACH OF THOSE IN MORE DETAIL, BUT BASICALLY, WE'RE GOING TO TWEAK THIS BUSINESS INCOME TAX UP A SMALL PERCENTAGE. THE MOTOR VEHICLE RENTAL TAX IS INCREASING A RELATIVELY SIGNIFICANT AMOUNT, AND THE RECORDING FEES WE'RE BUMPING UP DUE TO HIGHER VOLUME. THE MOST ANNOYING THING ABOUT THAT IS BACK IN OCTOBER WE PULLED IT DOWN BY 480,000, AND WE'RE INCREASING IT BACK ALMOST TO WHERE WE STARTED THE YEAR, SO SOMETIMES, YOU ARE BETTER OFF NOT TO LOOK AT THE MONTH TO MONTH AND CHECK IN AT THE END OF THE YEAR ABOUT HOW YOU DID. AND YOU WILL NOTICE DOWN AT THE BOTTOM, THAT WE'RE ADDING 225,000, AND THAT'S DUE TO THE TWO-YEAR REAUTHORIZATION OF THE SECURE SCHOOLS FUNDING, SO 1.7 MILLION, WHICH IS .4 OF A PERCENTAGE POINT.

SO THE TABLE BELOW SHOWS THE BIT COLLECTIONS FOR THE LAST EIGHT YEARS, YEAR TO DATE THROUGH APRIL. I WON'T GO THROUGH THAT IN DETAIL, BUT I WILL SAY THAT YEAR TO DATE WE'RE UP 21.1%, AND THAT IS DOWN FROM THE 35% OR SO THAT WE WERE AVERAGING THROUGH MOST OF THE YEAR. WE KNEW 35% WAS UNREALISTIC. SO WE ARE KIND OF CROSSING OUR FINGERS ABOUT HOW APRIL WOULD COME IN AND HOW THAT WOULD MODERATE THE RECOLLECTIONS. IF YOU LOOK AT MARCH AND APRIL, OUR RECOLLECTIONS ARE UP ABOUT 13.5% IN THE SAME VERSUS LAST YEAR. AND AS I SAID EARLIER WE'RE INCREASING THE FORECAST BY A HALF MILLION DOLLARS. WE'RE ESTIMATING WE'LL COLLECT 73 MILLION THIS YEAR. THAT WOULD REFLECT AN 18.1% INCREASE OVER LAST YEAR AND WOULD ALSO BE THE THIRD HIGHEST GROWTH RATE THAT WE HAVE HAD IN THE LAST 20 YEARS TO GIVE YOU A SENSE OF HOW STRONG THAT THEY HAVE BEEN. I THINK A PICTURE ILLUSTRATES IT BETTER.

THIS IS SIMILAR TO THE CHART THAT WE HAVE SHOWN BEFORE. THE BLUE LINE REPRESENTS YEAR OVER YEAR CHANGE IN COLLECTIONS, AND YOU CAN SEE THE ROLLER-COASTER RIDE. THE GREEN LINE REFLECTS OUR FORECAST FOR THIS YEAR AND FIVE YEARS SO YOU CAN SEE THE 18.1% JUMP, WHICH PUTS US ABOVE, SIGNIFICANTLY ABOVE THE RED LINE, WHICH IS A 20-YEAR COMPOUND AVERAGE GROWTH RATE. AND YOU CAN SEE WHERE THE GREEN LINE IS. I DON'T CALL IT A BUBBLE, BUT A BALLOON IS EXPANDING A BIT. I AM JUST LIKE WHAT WE HAVE SEEN LEADING UP TO THE DOTCOM BUST AND THE HOUSING RECESSION. AND IN CASE YOU ARE CURIOUS, THE SECOND HIGHEST GROWTH RATE WAS 20.9% DURING THE HOUSING BILL, AND WE COULD VERY EASILY FIND OURSELVES AT OR ECLIPSING THAT WHEN WE END THE YEAR.

Mr. Jaspin: THE LAST THING THAT I WANT TO POINT OUT IS HOW WE HAVE MODELED GOING FORWARD. GOING INTO NEXT YEAR, WE'RE ASSUMING A VERY MODEST 2% INCREASE, AND IN THE OUT YEARS WE'RE ASSUMING 1% TO 2% INCREASE. WHAT WE ARE TRYING TO MODEL AS WE GO FURTHER OUT THE LIKELIHOOD OF A RECESSION INCREASES. SO, IF WE CAN AVOID A RECESSION FOR A LONGER PERIOD OF TIME, WE WILL UNDERESTIMATE OUR REVENUES IN THE SHORT-TERM, BUT IF WE HAVE A RECESSION IN THE OUT-YEAR, WE WILL PROBABLY OVERESTIMATE OUR REVENUES, AND JUST BECAUSE PEOPLE ALWAYS LIKE TO COMPARE US TO THE CITY OF PORTLAND, THEY ARE, ALSO, FORECASTING RIGHT AROUND 1% TO 2% GOING FORWARD WHILE THE STATE IS PREDICTING A 10% DECLINE. MOVING ONTO MOTOR VEHICLE RENTAL TAXES. AS I SAID BEFORE, THE ROUGHLY CORRELATED WITH AIR TRAFFIC AT PDX, NOT PERFECTLY AS THIS GRAPH SHOWS, THE BLUE LINE REPRESENTS OUR YEAR OVER YEAR CHANGE IN MOTOR VEHICLE RENTAL TAXES. AND THE GREEN LINE REPRESENTS A YEAR OVER YEAR CHANGE IN DEPLANED TRAFFIC AT PDX.

YOU CAN FROM 2011, ALL THE WAY THROUGH 2014, WE HAVE HAD STRONG GROWTH IN TRAFFIC AT PDX, AND IT'S, ACTUALLY, BETTER GROWTH THAN WHAT WE SAW DURING THE HOUSING BUBBLE. AND THAT HAS CAUSED US TO, ON A NUMBER OF OCCASIONS INCREASED THE MOTOR VEHICLE RENTAL TAXES AND WHEN I WAS HERE IN MARCH, I THOUGHT THAT WE HAD OUR NUMBERS CALIBRATED PROPERLY, AND INDEED, IF WE LOOKED AT THE YEAR OVER YEAR CHANGE IN PASSENGER TRAFFIC AT PDX, IF YOU LOOK OVER TO THE RIGHT-HAND SIDE OF THE GRAPH, YOU CAN SEE THAT TRAFFIC, RATHER THAN GROWING AT 10%, IT'S, ACTUALLY, SHRUNK OVER THE WINTER MONTHS AND HAS BEEN RIGHT AROUND 1% TO 2%, SO WE EXPECTED THE MOTOR VEHICLE RENTAL TAX TO LEVEL OFF A BIT. HOWEVER, WHEN WE LOOKED AT THE FIRST QUARTER RESULTS IT WAS UP 8.1%, WHICH IT'S OK TO BE WRONG BUT IT'S NOT OK NOT TO BE ABLE TO UNDERSTAND WHY WE ARE OFF. SO, DIGGING A BIT LONGER, DEEPER, IT SEEMS SOME OF THE IMPACT IS DUE TO HIGHER RATES AS OPPOSED TO VOLUMES, AND SO THERE IS SOME ANECDOTAL EVIDENCE OF THAT. NOTHING THAT I CAN ISOLATE, AND SHOW VERY EASILY ON THE GRAPH. BUT WHEN YOU DIG DEEPER, THE INCREASE IS BEING DRIVEN BY A SINGLE RENTAL COMPANY.

SO, THEY ARE BIG ENOUGH THAT THEY ARE PROBABLY DRIVING THE PRICE INCREASES. SO, ALL THAT TO SAY IS WE'RE INCREASING OUR ESTIMATE FOR THE CURRENT YEAR BY 560,000, AND I MENTIONED THE PRICE ISSUE BECAUSE IT IS A COMPETITIVE MARKET, AND SOMETIMES, IF THEY HAVE GOT THE PRICES TOO HIGH THEY WILL COME DOWN OVER TIME, AND SINCE OUR REVENUES ARE BASED UPON A PERCENTAGE OF THE RENTAL RATE, OUR TAXES WOULD DECREASE A BIT. FINALLY, ONTO THE RECORDING FEES, I AM GOING TO FOCUS ON THE RED LINE, WHICH IS THE MONTHLY RECORDING FEES THROUGH APRIL. AS I SAID, WE PULLED THEM DOWN IN OUR DECEMBER FORECAST, WHICH WAS REALLY ONLY USING THE DATA THROUGH OK, AND

WE ARE A LITTLE BIT BELOW WHERE OUR FORECAST WAS, WHICH IS THE BLACK INDICATED LINE, AND EVEN INTO MARCH, WE WERE STILL TRENDING RIGHT WHERE WE THOUGHT THAT WE WERE GOING TO BE BASED ON THE REVISED FORECAST, BUT THEN THE SPRING SEASON CAME, AND ALONG AND WE HAVE SEEN A GOOD VOLUME GROWTH. ONE OF THE CONCERNS GOING INTO THIS YEAR WAS INVENTORY.

Mr. Jaspin: ESSENTIALLY, WE HAVE SEEN PRICES, YOU KNOW, AS I SAID EARLIER GROWING 7%, BUT WE JUST HAVEN'T SEEN PEOPLE SELLING BECAUSE THEY HAVE TO GO AND FIND ANOTHER HOME AND HOME, AFFORDABLE, AS YOU KNOW, IS BECOMING A GREATER ISSUE, SO THE STRENGTH IS, ACTUALLY, A POSITIVE SIGN. IT PROBABLY REFLECTS HOPEFULLY WE'RE SEEING A FEW MORE FIRST-TIME BUYERS COME BACK INTO THE MARKET, AND ALSO, PEOPLE FINALLY HAVE ENOUGH POSITIVE EQUITY THAT THEY CAN SELL. SO, WHERE DOES ALL THIS LEAVE US FOR ONE-TIME ONLY FUNDS GOING INTO 2016 THAT WE HAVE LEFT OVER FROM THE CURRENT FISCAL YEAR? SO, WHEN WE ARE HERE IN MARCH, THE NUMBER WAS 29.9 MILLION. AND OUR EARLIER FORECAST DETAIL THAT IN GORY DETAIL SO I WON'T GO THROUGH THAT AGAIN, WE TAKE THE \$1.7 MILLION INCREASE IN REVENUE. SOME OF THAT WE HAVE TO TRANSFER TO THE EAST COUNTY CITIES. AND THEN AS YOU WILL SEE IN A BIT WE'RE INCREASING OUR REVENUE ESTIMATES FOR THE UPCOMING YEAR SO WE NEED TO ADJUST THE RESERVES.

SO YOU DO THAT MATH AND WE ARE LEFT WITH ABOUT \$31.4 MILLION OF ONE-TIME ONLY MONEY GOING INTO NEXT YEAR. BUT WHAT I SUSPECT YOU WANT TO KNOW IS HOW MUCH NEW ONE-TIME ONLY MONEY WE HAVE. SO TO DO THAT MATH, YOU TAKE THOSE FOUR NUMBERS, AND THAT GETS YOU TO 1.47 MILLION. AND THEN YOU NEED TO SUBTRACT OFF THE SECURE RURAL SCHOOLS PIECE BECAUSE WE KNEW THAT WAS REAUTHORIZED WHEN THE CHAIR PREPARED HER BUDGET, SO IT'S INCLUDED AS ONE-TIME ONLY MONEY IN THE PROPOSED BUDGET. SO THAT LEAVES YOU WITH ABOUT ONE AND A QUARTER MILLION OF NEW ONE-TIME ONLY MONEY FROM 2015 TO USE IN 2016. SO MOVING ON TO 2016, AND THE FIVE-YEAR FORECAST. AS I SAID EARLIER I WILL DO THIS IN FIVE ACTS BECAUSE THERE IS A LOT OF DATA ON THIS TABLE THAT IS BUILT, THE ONLY WAY TO LOOK AT THIS WHERE WE STARTED AND WHERE WE ARE TODAY. SO MY ACTS ARE DOWN ON THE RIGHT HAND.

SO THE FIRST ACT IS WHERE WE WERE IN THE MARCH FORECAST. SO, AS YOU WILL RECALL, WE HAD A 24.4 MILLION POSITIVE GAP IN MARCH. AND THAT DECLINED OVER TIME TO 10.8 MILLION POSITIVE GAP IN 2020. SO THAT MOVES US ONTO THE NEXT ACT, WHICH IS A PROPOSED BUDGET. AND SO AS YOU CAN SEE, THE PROPOSED BUDGET ADDED 9.1 MILLION OF ONGOING FUNDS. AND THEN TREATED THE REMAINING 15.3 MILLION AS ONE-TIME ONLY MONEY, SO, AS YOU KNOW, WE HAVE ABOUT 46 MILLION OF ONE-TIME ONLY

MONEY IN THE 2016 BUDGET, SO IF YOU TAKE THAT 15.3 AND ADD IT TO THE 30 MILLION OR SO WE TALKED ABOUT EARLIER, THAT'S HOW YOU GET TO THE 46 MILLION. AND YOU CAN SEE THAT REVENUE GAP GOES FROM 15.3 MILLION DOWN TO, ESSENTIALLY, ZERO OR 15,000 IN 2020, AND HENCE, WHEN WE SAY WE BALANCED FOUR OR FIVE YEARS, THAT'S WHY WE SAY WE BOUNCED FOR FIVE YEARS. SO MOVING ONTO THE THIRD ACT WHERE WE ARE FOR THE MAY REVENUE FORECAST, AND I AM NOT GOING TO GO THROUGH THIS IN GORY DETAIL. ESSENTIALLY, WE HAVE BUMPED UP A NUMBER OF THE REVENUES WE TALKED ABOUT EARLIER, AND THE ONLY ONE THAT I WILL CALL OUT JUST BECAUSE YOU MIGHT BE INTERESTED IN IT IS A VIDEO LOTTERY, AND THAT IS, ESSENTIALLY, A ONE-TIME ONLY BUMP BECAUSE THEY ARE REPLACING THE TERMINALS.

Mr. Jaspin: IT IS CLEAR THERE HAS BEEN A NOVELTY EFFECT SO VIDEO LOTTERY SALES HAVE GONE UP BUT WE ARE ASSUMING THAT IT'S A ONE-TIME ONLY BUMP, SO THAT -- AND YOU CAN SEE THAT ADDS 1.6 MILLION OF NEW REVENUE FOR 2016, AND IN THE OUT YEARS IT'S ABOUT 800,000 GIVE OR TAKE. SO THAT GETS US THROUGH THE MAY REVENUE FORECAST, AND BEFORE WE MOVE ONTO THE PERS ACT, WE NEED TO TAKE A BRIEF INTERMISSION AND DO A BIT OF MATH. THE 1.6 MILLION WE NEED TO BACK OUT THE TIMBER PAYMENTS AS WELL BECAUSE THOSE WERE INCLUDED IN THE BUDGET, AND SOME OF THAT, THOSE FUNDS NEED TO GET TRANSFERRED TO THE EAST COUNTY CITIES. SO THAT LEAVES YOU WITH 1.33 MILLION OF NEW MONEY FOR 2016, IN ADDITION TO THE 1.25 MILLION I MENTIONED EARLIER.

SO ONTO PERS, SO A COUPLE OF CAVEATS HERE. AS YOU KNOW, THE SUPREME COURT ESSENTIALLY INVALIDATED ABOUT 90% OF THE REFORMS, THAT MEANS THAT THERE IS ABOUT A 5 BILLION WORTH OF THE REFORMS WERE UNDONE. THE PERS BOARD MEETS TOMORROW, AND THEY ARE GOING TO GO THROUGH THAT IN DETAIL, AND IF YOU GO TO THE PERS WEBSITE THEY HAVE THE PRIMARY ACTUARIAL STUDIES OUT THERE. THEY ARE NOW -- THE WAY THAT I MODELED THIS IS ASSUMING THE IMPACT WOULD BE ABOUT 4.5% OF PAYROLL, IF YOU LOOK AT THE ACTUARIAL STUDIES, IT LOOKS LIKE IT'S GOING TO BE ON THE UNFUNDED LIABILITY SIDE. IT WILL BE 4.4% BUT WHEN YOU START DIVIDING IT INTO THE SCHOOL POLL, VERSUS THE LOCAL GOVERNMENT, IT WILL BE, I THINK, 3.8, 4% FOR US, AND THERE WILL BE SOME COLORING, AND ONGOING -- AT THIS POINT IN TIME I DON'T THINK THAT WHETHER IT'S COLORED OR THE UNCOLORED RATE IS AS IMPORTANT AS THE MAGNITUDE FOR THE UNPLANNING PURPOSES. THE OTHER CAVEAT THAT I WANT TO MAKE IS, UNLESS THE PORT, PERS BOARD DOES SOMETHING TO START CHANGING THE RATES FOR 2016, TECHNICALLY OUR RATES -- FOR 2017, THE RATES WOULD NOT GO UP UNTIL 2018 BUT THE LONGER YOU WAIT THE MORE THEY HAVE TO GO UP.

Mr. Jaspin: I INCLUDED A BUMP-UP IN 2017 MORE FOR ILLUSTRATIVE PURPOSES THAN ANYTHING ELSE, SO ALL THAT SAID, THE IMPACT ON THE GENERAL FUND IS ABOUT 7.6 MILLION, IN 2017 AND INCREASES TO 8.5 MILLION IN 2020. SO, IF YOU TAKE THAT EXPENDITURE INCREASE AND OFFSET IT BY THE REVENUE INCREASES, IN 2017 WE'RE MAKING THE FORECAST OR REDUCING THE GAP BY 6.8 MILLION OR IN THE OUT YEARS, \$7.7 MILLION WHEN YOU GET TO 2020. THAT GETS US THROUGH THE PERS IMPACT AND WE HAVE A BRIEFING SCHEDULE, I BELIEVE, ON JUNE 10 TO GO THROUGH IT IN MORE DETAIL. SO, OUR FINAL ACT IS WHERE ARE WE, ACTUALLY, TODAY? SO THAT'S THE FINAL TWO LINES. SO FOR NEXT YEAR AS I SAID, WE HAVE 1.33 MILLION. THE GAP FOR 2017 IS STILL A POSITIVE 6.3 MILLION EVEN IF YOU WERE TO KIND OF PREEMPTIVELY INCREASE THE PERSONAL PERS RATES, AND IN 2018, IT'S 2.3 MILLION, AND WHICH, ESSENTIALLY, IS ZERO BECAUSE THAT'S A THIRD OF A PERCENT. AND WHAT THAT MEANS IS THAT 1.3 MILLION OF ADDITIONAL MONEY YOU HAVE NEXT YEAR, WE CAN PROBABLY SUSTAIN FOR TWO OR THREE YEARS, ASSUMING EVERY ASSUMPTION WE HAVE IN THE FORECAST IS CORRECT, WHICH IS NOT GOING TO HAPPEN. AND AS YOU GET INTO THE OUT YEARS, IN 2020, WE HAVE A NEGATIVE GAP OF ABOUT 7.7 MILLION.

ANOTHER WAY TO SAY THAT IS ON THE NEXT FIVE YEARS, WE WOULD NEED TO TAKE OUT ROUGHLY 7.7 MILLION OF EXPENDITURES OR FINE 7.7 AS EFFICIENCIES OR 7.7 MILLION OF NEW REVENUE. I DO WANT TO MAKE THE POINT THAT THIS IS 1.6%. IT'S A VERY SMALL PERCENTAGE OF ALMOST A HALF A BILLION DOLLARS BUDGE, AND WE'RE LOOKING AT FIVE YEARS OUT, SO IT'S NOT SOMETHING TO BE PANICKED ABOUT. I THINK THIS DOES SHOW THE BENEFIT OF US PLANNING FOR FIVE YEARS, ESSENTIALLY, MEANS THAT EVEN WHEN WE GET SOMETHING LIKE THE PERS RULING WE'RE STILL BALANCED FOR A SOLID THREE YEARS. AND THE OTHER POINT THAT I WANT TO MAKE IS WE WOULD STILL HAVE, EVEN IF YOU PREEMPTIVELY START INCREASING THE PERS RATE NEXT YEAR, YOU WOULD STILL HAVE A SURPLUS OF 6.3 MILLION, WHICH WE WOULD PROBABLY TREAT AS ONE-TIME ONLY MONEY, AND IF WE DON'T PREEMPTIVELY RAISE THE PERS RATES, YOU ARE TALKING NEARLY 13 MILLION OF ONE-TIME ONLY MONEY. SO WE HAVE TIME TO ADDRESS THE PERS' ISSUE.

Commissioner Smith: Smith: I HAVE A QUESTION BEFORE YOU GO OFF THIS. SO IS IT POSSIBLE TO USE THE RESERVES TO PAY FOR THAT, FOR THE PERS?

Mr. Jaspin: WE WILL GO OVER THAT IN MORE DETAIL ON JUNE 10 BUT THE ONE THING IS, THE IMPORTANT THING TO KNOW ABOUT THE PERS RESERVES IN OUR BOND FUND IS OUR PAYMENT ESCALATES OVER TIME. IT'S NOT LIKE THE MORTGAGE WHERE YOU PAY THE SAME AMOUNT EVERY YEAR, OUR PAYMENT INCREASES OVER TIME, AND SO RIGHT NOW WE CHARGED THE DEPARTMENTS, OR 6.25 PERCENTAGE POINTS, I BELIEVE, OF PAYROLL, SO PART OF THAT RESERVE IS -- SO WE DON'T HAVE TO INCREASE THAT

PERCENTAGE OVER TIME. WE WOULD DRAWDOWN THAT RESERVE TO BE ZERO WHEN WE PAY OFF THE PERS BOND IN THE 2030, IF MEMORY SERVES ME CORRECTLY. WE CAN DO SOME BUFF EVERYTHING IN THE SHORT-TERM BECAUSE WE'RE NOT LEGALLY REQUIRED TO HAVE THE 70 MILLION OR SO, AND THAT'S ONE THING THAT WE CAN TALK ABOUT, AND TO GIVE YOU AN EXAMPLE, IS IF WE BUMP DROP THE RATE NEXT YEAR SAY 3%, PUT IT IN THAT RESERVE FUND, AND THEN IN THE YEARS WHEN THE PERS RATES OFFICIALLY GO UP, WE DON'T HAVE TO INCREASE OUR RATE AS MUCH BECAUSE WE CAN USE THE BALANCE WE ACCUMULATED TO ONLY INCREASE 3% RATHER THAN THE 4%. SO, WE HAVE --

Commissioners Smith: SO ON JUNE 5 YOU ARE GOING TO GIVE US OPTIONS OF OPPORTUNITIES?

Mr. Jaspin: I NEED TO PLOT THAT OUT, BUT YES.

Commissioner Smith: THANK YOU.

Mr. Jaspin: SO JUST A QUICK RECAP TO MAKE SURE THAT WE'RE ALL STILL ON THE SAME PAGE, SO WE DID NOT CHANGE OUR ECONOMIC OUTLOOK AT ALL. WE HAVE 1.3 MILLION OF ADDITIONAL RESOURCES FOR 2016. WE CAN ONLY SUPPORT THOSE FOR TWO OR THREE YEARS. WE WOULD RECOMMEND TREATING THESE AS ONE-TIME ONLY. AND THIS IS IN ADDITION TO THE 1.25 MILLION OF ONE-TIME ONLY FUNDS NOTED EARLIER. SO, THAT YIELDS ABOUT 2.6 MILLION DEPENDING ON HOW YOU ROUND THE NEW MONEY FOR 2016. FINALLY, WE TALKED ABOUT THE PERS BACK ON THE GENERAL FUND, JUST KEEP IN MIND THAT THE IMPACT ON THE OTHER FUNDS WILL BE ROUGHLY \$8.3 MILLION, AND SOME OF THAT WILL BE BORN BY THE LIBRARY DISTRICT, BUT OTHER PARTS WILL BE BORN BY FUNDS THAT WILL FEEL LIKE THE GENERAL FUND, THE 1145, FUNDS, AND PLEASE KEEP IN MIND THAT THESE ARE MORE ORDER OF MAGNITUDE AS OPPOSED TO PRECISE NUMBERS.

FINALLY, WE'RE BALANCED OVER THREE YEARS, SO THE EASIEST WAY TO CHARACTERIZE THIS FORECAST IS THAT IN THE SHORT-TERM WE'RE MARGINALLY BETTER AND IN THE LONG-TERM WE'RE A BIT WORSE OFF. SO, HERE'S ALL THE GORY NUMBERS, WHICH ARE PURELY FOR REFERENCE. SO I WANT TO TALK BRIEFLY ABOUT THE GENERAL FUND CONTINGENCY. I AM NOT GOING TO WALK THROUGH THE NUMBERS. I WILL JUST STATE THAT OUR GENERAL FUND CONTINGENCY BALANCE IS 3 MILLION, UNLESS THERE IS A CONTINGENCY REQUEST IN THE NEXT FOUR WEEKS HERE. ALL THAT MONEY WOULD ROLL OVER TO NEXT YEAR. WE HAVE NOT ASSUMED ANY OF IT IN ANY OF THE FORECAST, SO YOU WOULD HAVE AN ADDITIONAL 3 MILLION OF ONE-TIME ONLY MONEY TO USE IN 2016 IF YOU SO CHOOSE. SO WE ALWAYS WALK THROUGH THE FORECAST RISKS AND UNCERTAINTY AND WE ARE FLAGGING THE PERS AS A BIG ONE. SOMETIMES THEY DO COME TRUE. I DON'T WANT TO WALK THROUGH THE USUAL SUSPECTS, WHICH ARE EVERYTHING FROM

WHAT WILL HAPPEN WITH GREECE OVER THE NEXT FOUR OR FIVE WEEKS. DO YOU WANT TO ADD A FEW NEW ONES? THE DROUGHT IS ONE THAT I THINK THAT'S ON EVERYBODY'S MIND, AND IT WON'T IMPACT US AS MUCH AS SOME OTHER JURISDICTIONS. BUT WHAT I REALLY WANT TO COUCH THE RISK UNCERTAINTY IS NOT ANY ONE RISK OR UNCERTAINTY BUT RATHER, KIND OF THE CONFLUENCE AND, I THINK OF THEM AS THREE, MAYBE FOUR BIG ONES.

Mr. Jaspin: WE HAVE THE PERS RULING, WHICH WE HAVE TO DIGEST OVER THE NEXT THREE OR FOUR YEARS, AND WE HAVE TO FIGURE OUT HOW TO FUND THE DOWNTOWN COURTHOUSE, WHICH WE MADE A HUGE STRIDE TOWARDS DOING THIS YEAR. AT SOME POINT, WE'RE GOING TO HAVE A RECESSION THAT WILL IMPACT OUR REVENUES, THE REVENUES THAT WE GET FROM THE STATE, BUT PROBABLY AS IMPORTANT AS ANYTHING ELSE, PERS IS 75, 80% FUNDED BY INVESTMENT EARNINGS. SO, THAT WOULD MAKE OUR PERS' LIABILITY WORSE AND HEALTH CARE, WE CAN THINK OF IN TWO BROADCAST SLOTS. ONE IS A COST TO PROVIDE HEALTH CARE TO OUR EMPLOYEES, AND THE OTHER IS AS A PROVIDER OF HEALTH CARE TO MEMBERS OF THE COMMUNITY AND THE REVENUES THAT WE GET FROM THE STATE.

HEALTH CARE CONFIRMATION IS, IN MY BOOK, IN THE EARLY INNINGS, AND BUMPS AND PLUSES AND MINUSES AS WE WALK THROUGH. SO, THE WAY TO THINK ABOUT THESE IS WE CAN, DEALING WITH ANY ONE OF THEM IS, ACTUALLY, RELATIVELY EASY FOR US. WE JUST DON'T WANT TO DEAL WITH ALL FOUR SIMULTANEOUSLY IN A SINGLE YEAR. SO IN SUMMARY, OUR GENERAL FUND FORECAST IS INCREASED BY 1.7 MILLION FOR THE CURRENT FISCAL YEAR, WHICH NETS ABOUT 1.25 FOR NEXT YEAR, AND THE GENERAL FUND CONTINGENCY HAS AN ALLOCATED 3 MILLION BALANCE. WE HAVE ADDITIONAL GENERAL FUND RESOURCES FOR 2016 OF 1.3 MILLION, AND THE PERS IMPACT IN TOTAL IS GOING TO BE IN THE NEIGHBORHOOD OF 16 MILLION, IT COULD BE 14 MILLION, IT COULD BE 17 MILLION. AND THE APPROVED BUDGET THAT YOU ARE DELIBERATING OVER IS A BALANCE OF ROUGHLY THREE YEARS, AND WE HAVE THE MAJOR UNCERTAINTIES THAT YOU ARE WELL AWARE OF, SO WITH THAT, IF THERE IS ANY FINAL QUESTIONS, I WOULD BE HAPPY TO ANSWER THEM.

Chair Kafoury: QUESTIONS?

Commissioner Smith: I HAVE A QUESTION, SO IT'S BALANCED OVER THREE YEARS WITH THE NEW DEVELOPMENTS ON THE FORECAST INSTEAD OF THE FIVE YEARS?

Mr. Jaspin: WHICH I DO WANT TO POINT OUT THAT I DON'T THINK THAT WE EVER REALLY BALANCED IT LONGER THAN THREE YEARS IN THE 17, 17 YEARS OR SO THAT I'VE BEEN HERE. SO, ACTUALLY, SUBMITTING A BUDGET, OR A PROPOSED BUDGET THAT WAS FIVE YEARS, AND EVEN ADOPTING ONE THAT

WAS THREE YEARS, IS STILL, YOU KNOW, KIND OF A HIGH LEVEL OF ACHIEVEMENT.

Chair Kafoury: NOT GOOD ENOUGH, MIKE. WE WANT THE BEST. [LAUGHTER] THANK YOU. ANY OTHER QUESTIONS OR COMMENTS? YOU WERE FASTER THAN HALF AN HOUR.

Mr. Jaspin: GREAT.

Chair Kafoury: THANK YOU. ALL RIGHT. DID YOU HAVE A QUESTION?

Vice-Chair Bailey: NOT A QUESTION ON THIS.

Chair Kafoury: OK.

Vice-Chair Bailey: BUT BEFORE WE FINISH.

Chair Kafoury: OK. THANK YOU.

Vice-Chair Bailey: SINCE WE'RE IN A BUDGET WORKSHOP AND WE'RE HEADED INTO A WEEKEND, WE DON'T HAVE ONE TOMORROW I HAVE ONE MORE ITEM I WOULD LIKE TO PUT ON THE TABLE. IT SEEMS AS GOOD OF A TIME AS ANY, SO THE OREGON HEALTHY TEEN RELATIONSHIP ACT OF 2012 ADDRESSES THE ISSUE OF TEEN DATING VIOLENCE ESPECIALLY IN OUR SCHOOLS, AND NATIONALLY ONE IN TEN ADOLESCENCE REPORT BEING A VICTIM OF PHYSICAL ABUSE AND LEARNING ABOUT HEALTHY RELATIONSHIPS IS A LONG-TERM INVESTMENT THAT CAN SHAPE HEALTHY ADULT RELATIONSHIPS AND REDUCE OUR COSTS OVER TIME. AND PORTLAND PUBLIC SCHOOLS, THE LARGEST SCHOOL DISTRICT IN THE STATE IS WORKING WITH MULTNOMAH COUNTY AND COMMUNITY ADVOCATES TO IMPLEMENT THE LAW WITH A PARTICULAR FOCUS ON LGBTQ INCLUSIVITY AND HEALTHY RELATIONSHIPS, AND PARTNERS INCLUDE RAPHAEL HOUSE, VOLUNTEERS OF AMERICA, HOME FREE, OREGON SEXUAL ASSAULT TASK FORCE, THE Q CENTER AND OTHER NONPROFITS IN CONJUNCTION WITH PORTLAND PUBLIC SCHOOLS AND MULTNOMAH COUNTY.

WE HAVE A WORK GROUP TO FULLY IMPLEMENT THE LAW AND IN CONJUNCTION WITH PORTLAND PUBLIC SCHOOLS, I WOULD LIKE TO PROPOSE THAT WE SHARE COST WITH THEM ON 1.0 FTE TEACHER ON SPECIAL ASSIGNMENT, OR TOSA, AT PPS TO DEVELOP CURRICULUM COMMUNITY NEEDS ASSESSMENT, TRAIN AND ASSIST TEACHERS IN THE CLASSROOM AND DEVELOP RESOURCES APPROPRIATE TO DEVELOPMENTAL EXPERIENCES RELATED TO GENDER AND SEXUAL ASSAULT IN GRADES 7-12. OUR PORTION OF THE COST FOR THIS TOSA WOULD BE \$80,000 ONGOING.

Commissioner Smith: MADAM CHAIR, I HAVE A BUDGET NOTE TO PROPOSE, AND I WILL GIVE THIS TO YOU, BUDGET DEPARTMENT, AFTER THE MEETING. I WOULD LIKE TO PROPOSE A BUDGET NOTE TO FACILITIES THAT WILL REQUIRE FACILITIES TO BID OUT A FEASIBILITY STUDY OVER THE SUMMER OF 2015, AND THIS WILL INFORM THE BOARD OF POSSIBLE DEVELOPMENT FOR PRIVATE USE OR PUBLIC PRIVATE PARTNERSHIP OPPORTUNITIES, OF THE WALNUT PARK HEALTH CLINIC. THIS NOTE WILL REQUIRE THE FACILITIES TO USE EXISTING RESOURCES, AND AS YOU KNOW, ON THE CAPITAL PLAN, THE ONE PARK HEALTH CLINIC, IS ON THEIR LIST AS A PRIORITY PROJECT, AND BIDS SHOULD NOT BE MORE THAN 100K. AND AS I SAID BEFORE THE REPORT OF FINDINGS SHOULD BE GIVEN TO THE BOARD OF COUNTY COMMISSIONERS BY THE END OF DECEMBER 2015.

Chair Kafoury: ANY OTHERS? ANY OTHER QUESTIONS? ALL RIGHT. WELL, THANK YOU FOR JOINING US TODAY, AND WE WILL SEE YOU AGAIN NEXT WEEK.

### **ADJOURNMENT**

The meeting was adjourned at 10:47 a.m.

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Submitted by:  
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Board of County Commissioners  
Multnomah County