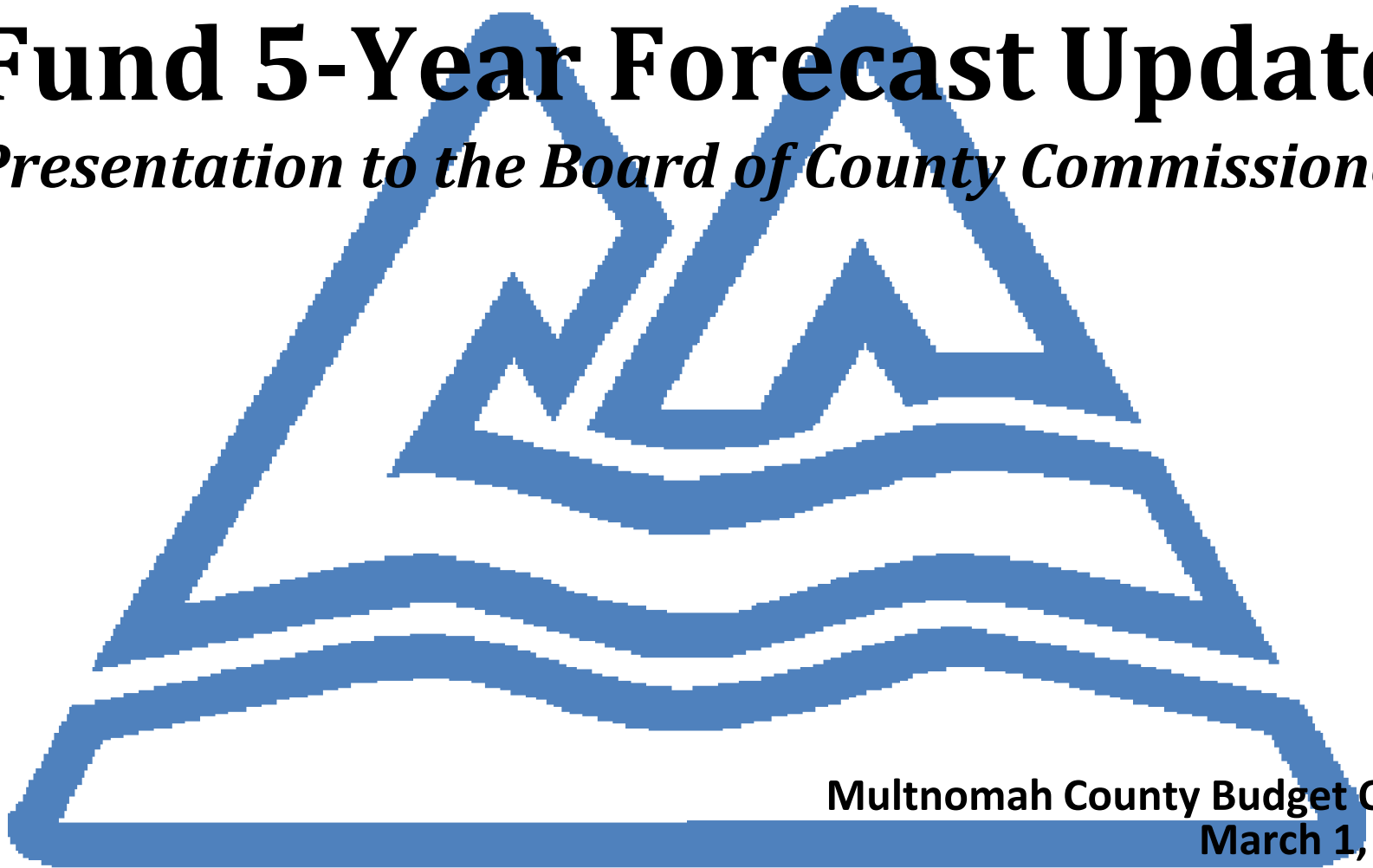


# **FY 2013 General Fund 5-Year Forecast Update**

*Presentation to the Board of County Commissioners*



**Multnomah County Budget Office**  
**March 1, 2012**

**[www.multco.us/budget](http://www.multco.us/budget)**

# Overview

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- **Economic Overview**
- **FY 2012 Revenue Review**
  - ✓ BIT
  - ✓ USM
- **FY 2013 One-Time-Only Funds**
- **FY 2012 General Fund Contingency**
- **FY 2013 General Fund 5-Year Forecast**
  - ✓ 5-Year Revenue Outlook
  - ✓ What Revenues Have Changed & Revenue/Expenditure Gap
  - ✓ Expenditure Assumptions
    - Cost Drivers
    - CPI/COLA
- **Forecast Risks & Issues**
- **Summary & Questions**



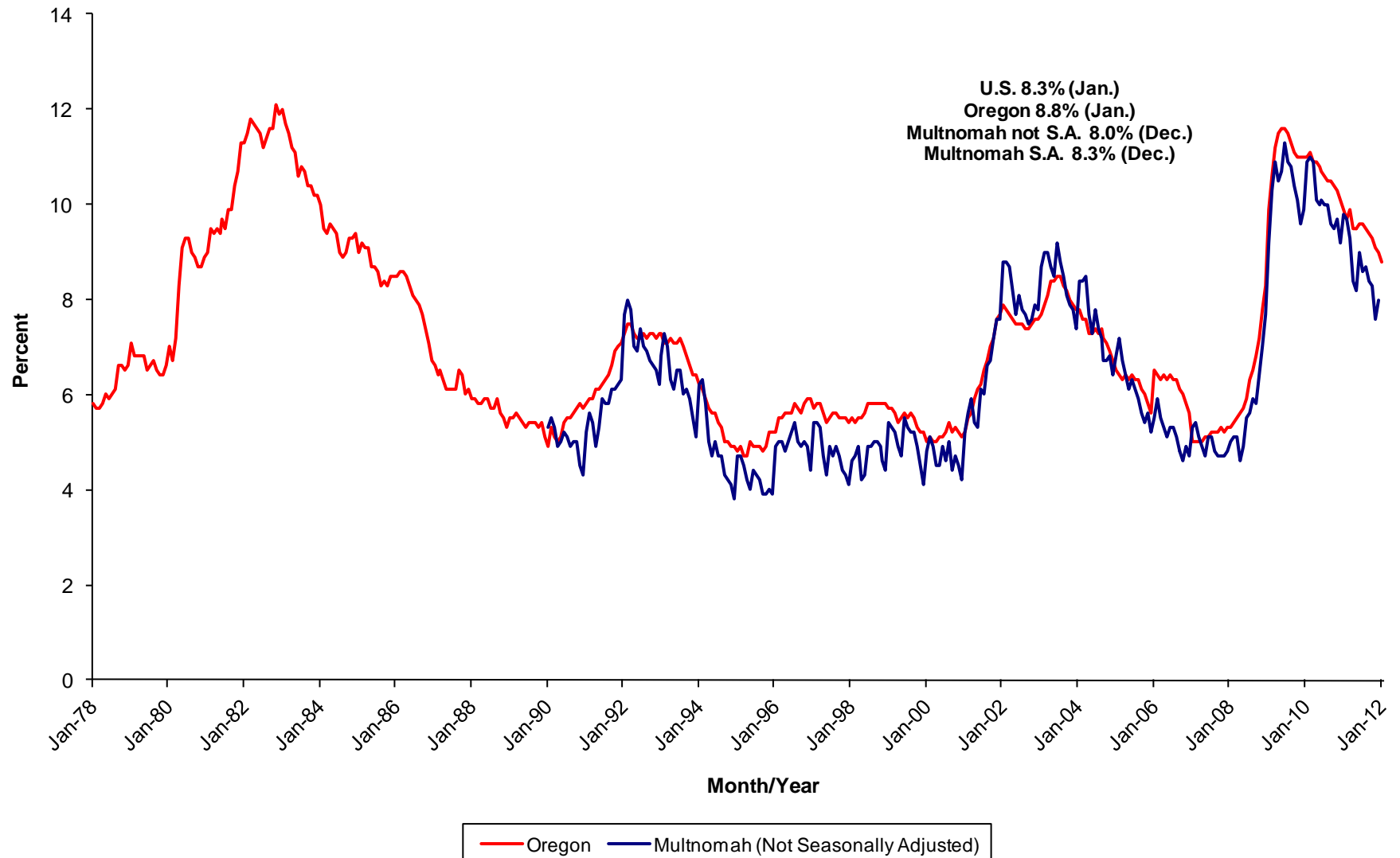
# Economic Overview

- A stabilized economy with anemic to modest growth with intermittent headwinds.
  - GDP – Ten quarters of growth
    - ✓ 2011 Q1 = 0.4%, Q2 = 1.3%, Q3 = 1.8%, and Q4 = 3.0%
    - ✓ Oil prices, European debt, extension of unemployment benefits/Soc. Sec. tax/doc fix
  - Labor Markets
    - ✓ U.S. weekly unemployment claims – 4-week moving average @ 359,000
    - ✓ Oregon January Y-o-Y jobs up 11,000 (0.7%) but 5,600 less public sector
  - Housing
    - ✓ New starts @ annual rate of 699,000 (vs. record low of 477,000 and peak of 2 million plus)... Increasing investment in multi-family housing.
    - ✓ 10.7 million (22.1%) of properties w/ mortgage have negative equity (CoreLogic Q3); for Oregon it is 118,854 or 17.0%.
  - Industrial Production
    - ✓ Continued improvement... For January, capacity utilization @ 78.5%, which is 1.8% points below 1972 to 2010 average.
  - **There remains excess capacity and slack with weak demand as balance sheet repair continues...**
- Forecast continues to assume a sluggish recovery with anemic to modest growth that will be protracted and uneven.



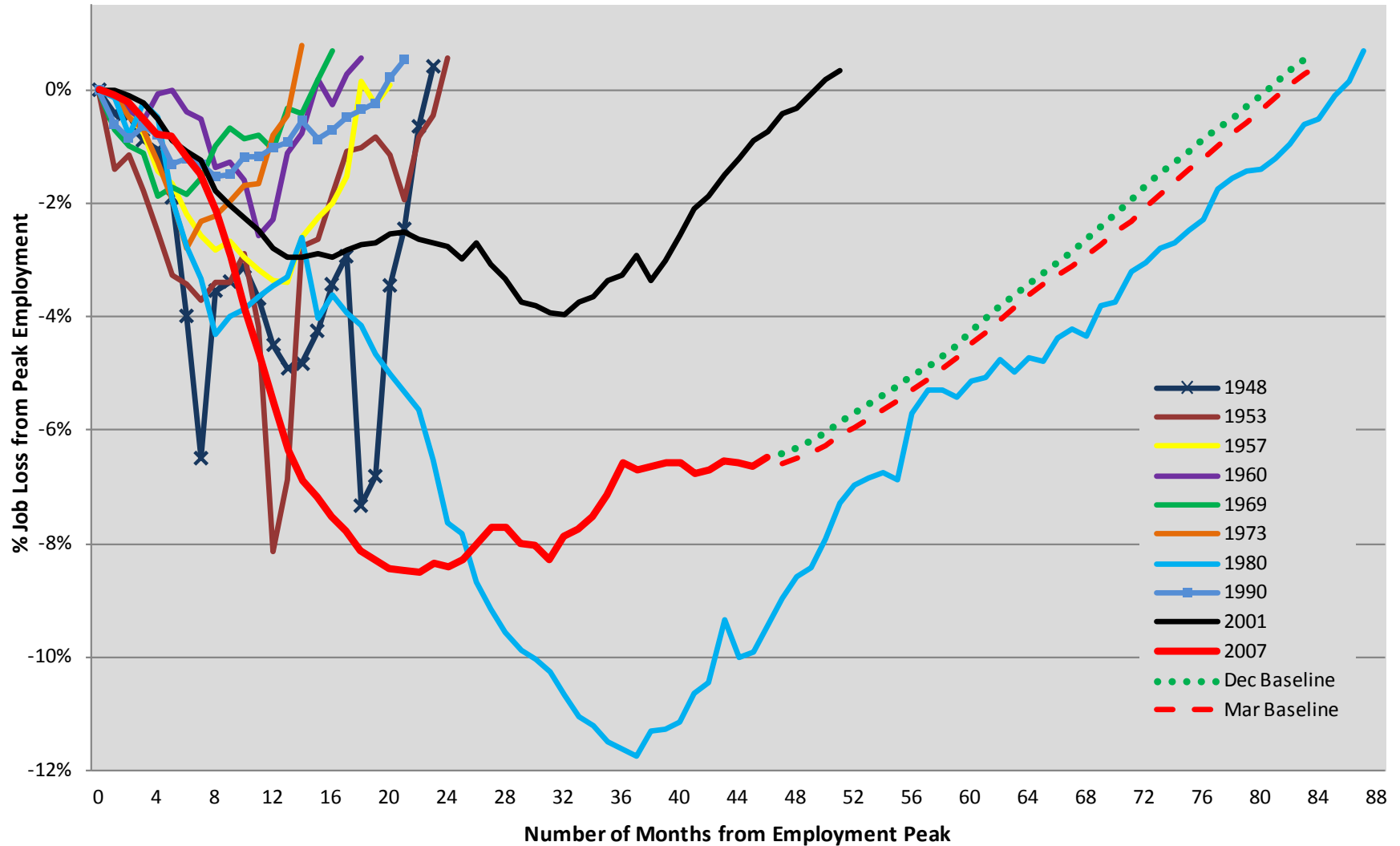
# Economic Overview

## Oregon & Multnomah County Unemployment Rates



# Economic Overview

## Oregon Employment Loss by Recession

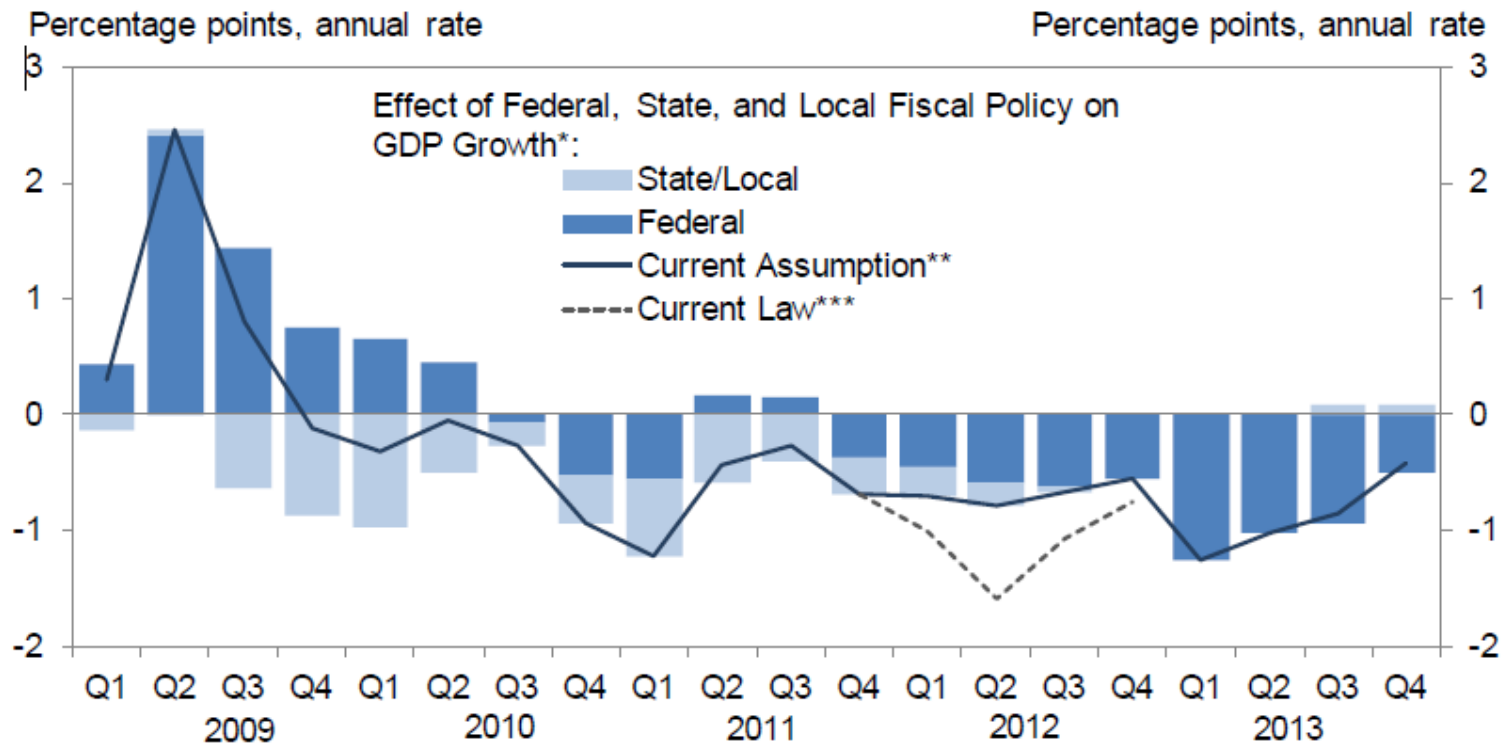


Source: Oregon Office of Economic Analysis



# Economic Overview

## A Slight Drag from Fiscal Tightening...



\* Excludes second round effects.

\*\* Current assumption: Payroll tax cut extended through 2012; unemployment benefits extended through 2012 (max benefit phased down to 79 weeks); 2001/2003 tax cuts extended through 2013; automatic spending cuts do not take effect.

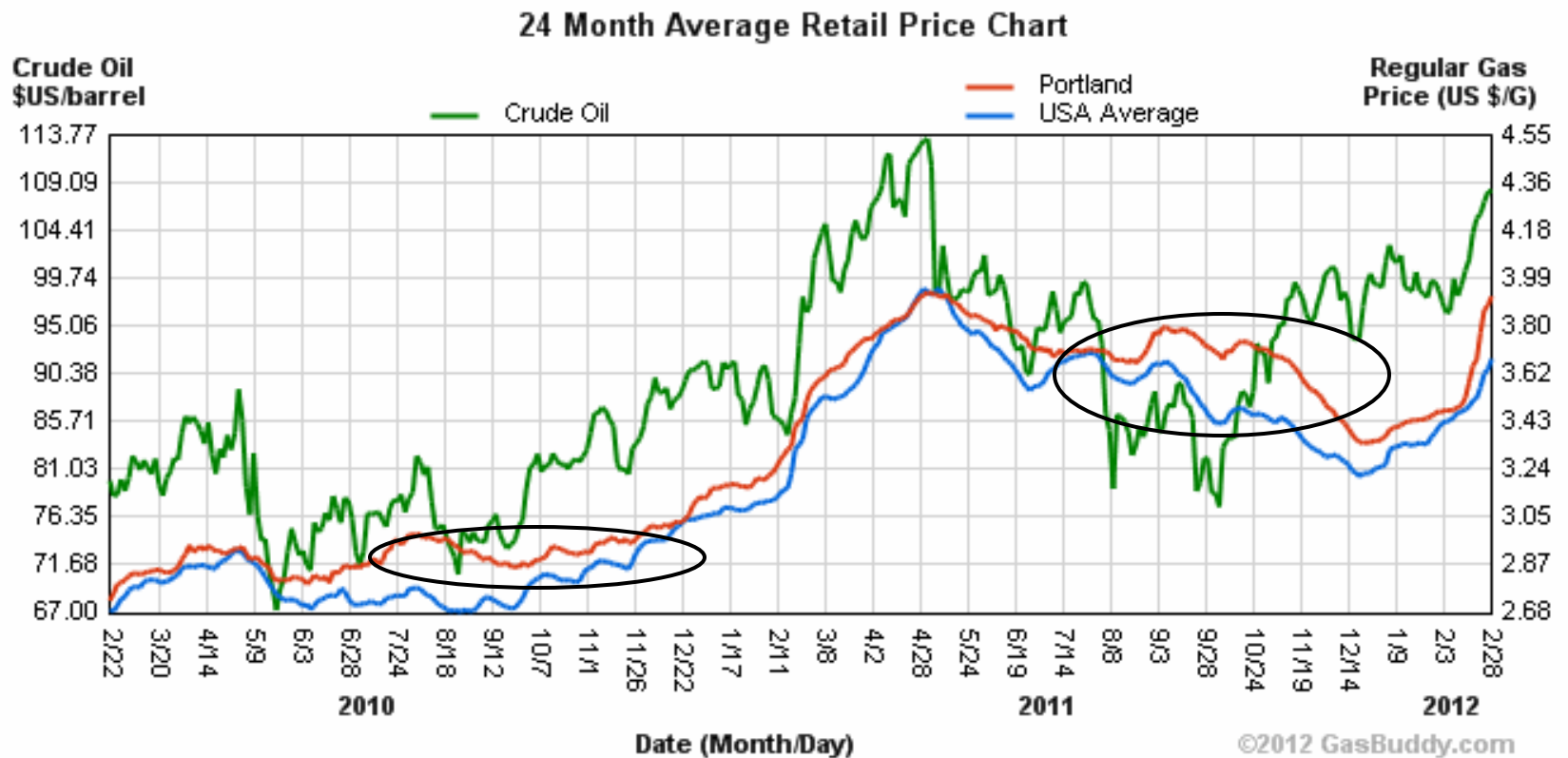
\*\*\* Current law reflects extension of payroll tax cut and unemployment benefits through Feb. 2012, followed by expiration.

Source: GS Global ECS Research.

Source: Goldman Sachs -- <http://www.charlotteeconclub.org/2012%20FEB%2015%20Hatzius%20PP.pdf>



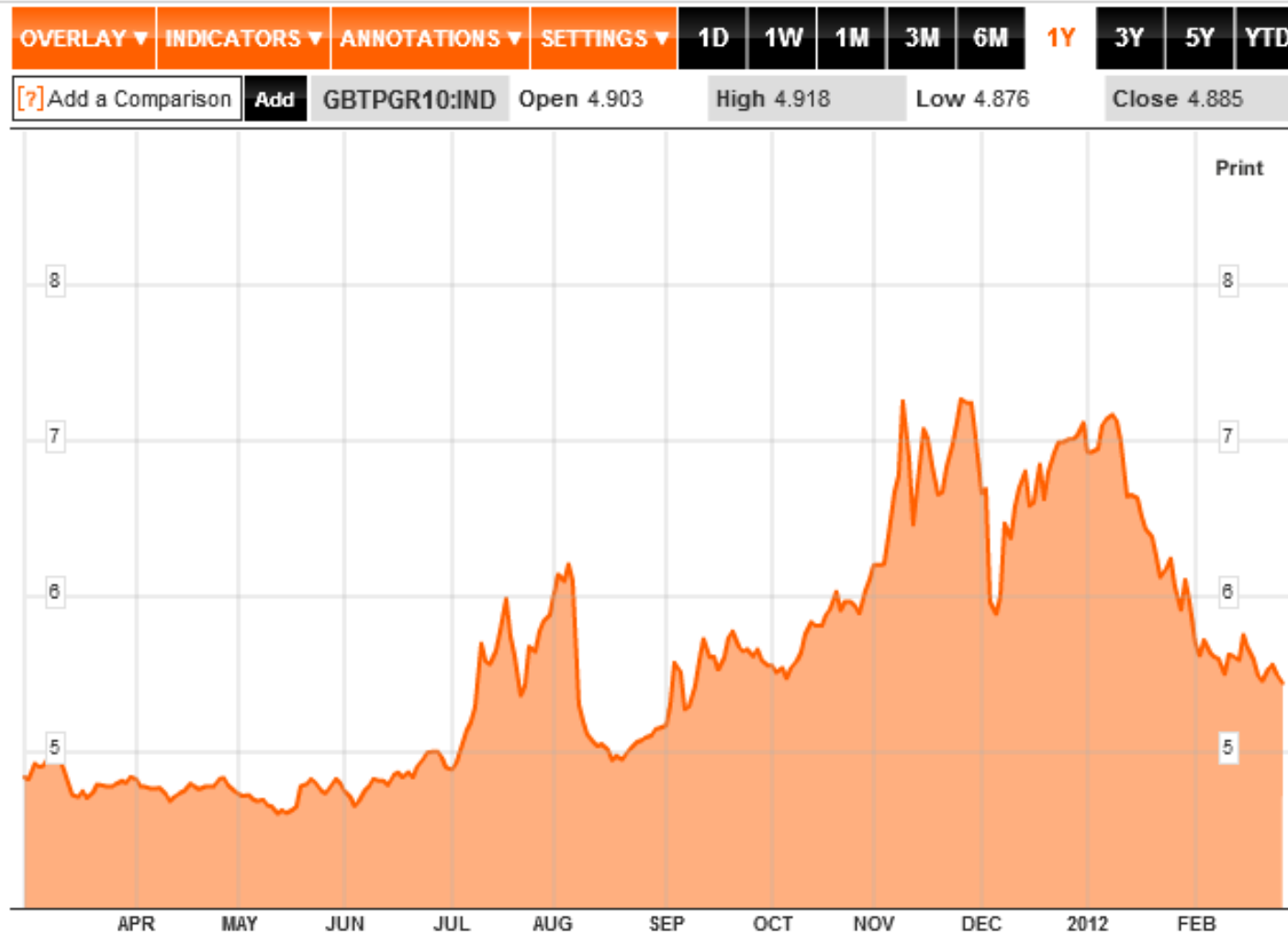
# Economic Overview



Source: GasBuddy.com 2/28/2012

# Economic Overview

## Interactive Stock Chart for Italy Govt Bonds 10 Year Gross Yield (GBTPGR10)



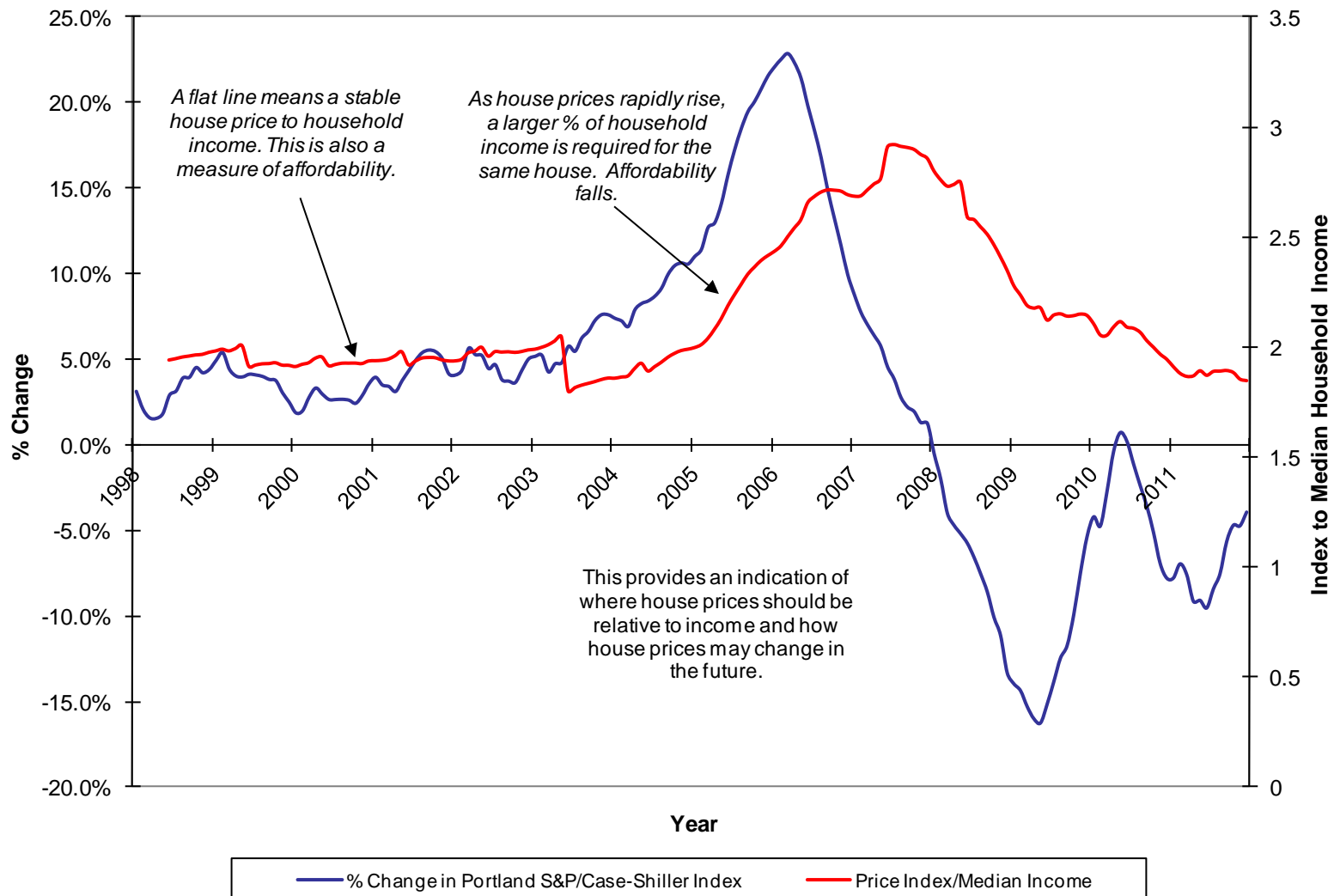
Source: Bloomberg 2/28/2012





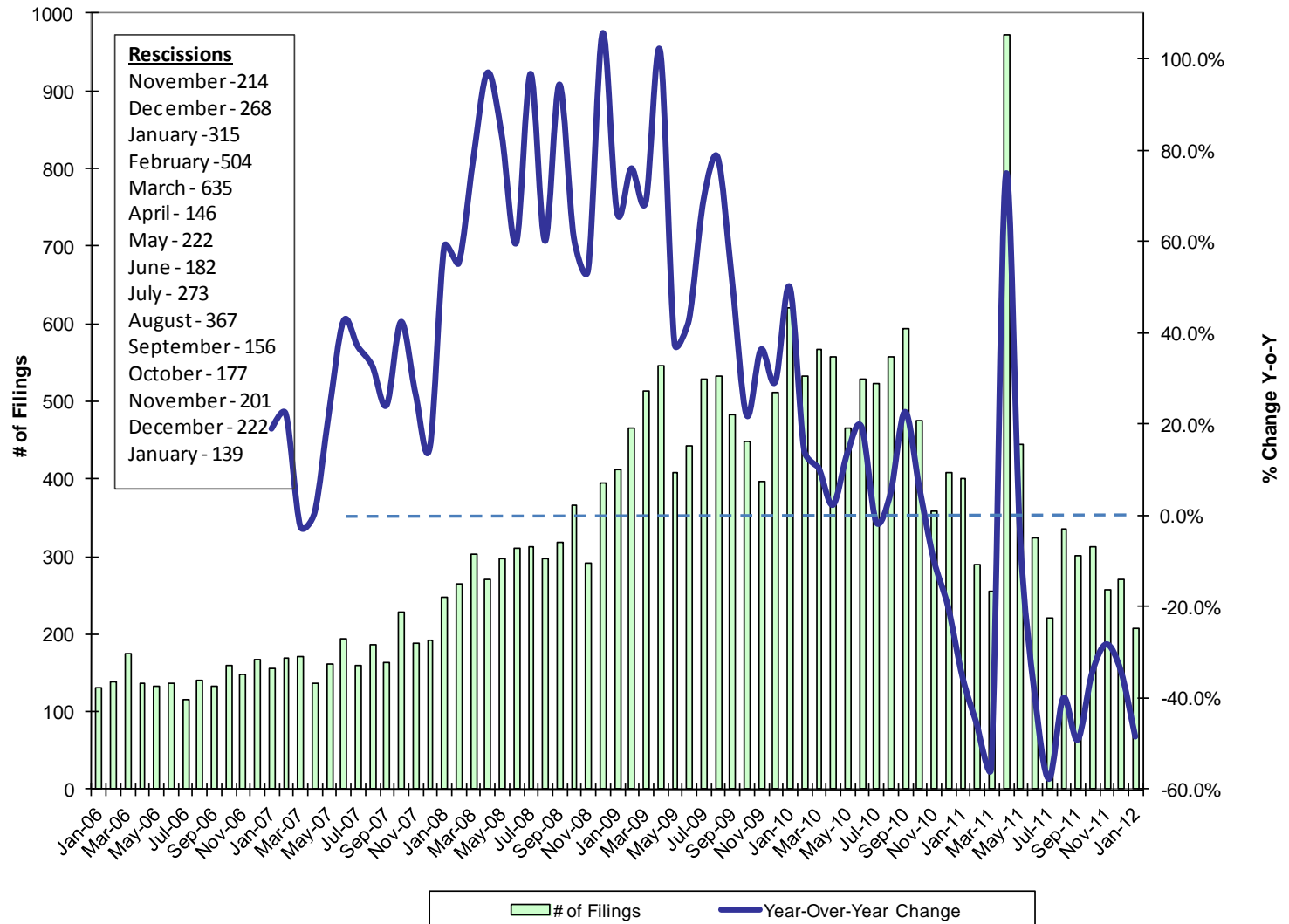
# Economic Overview

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



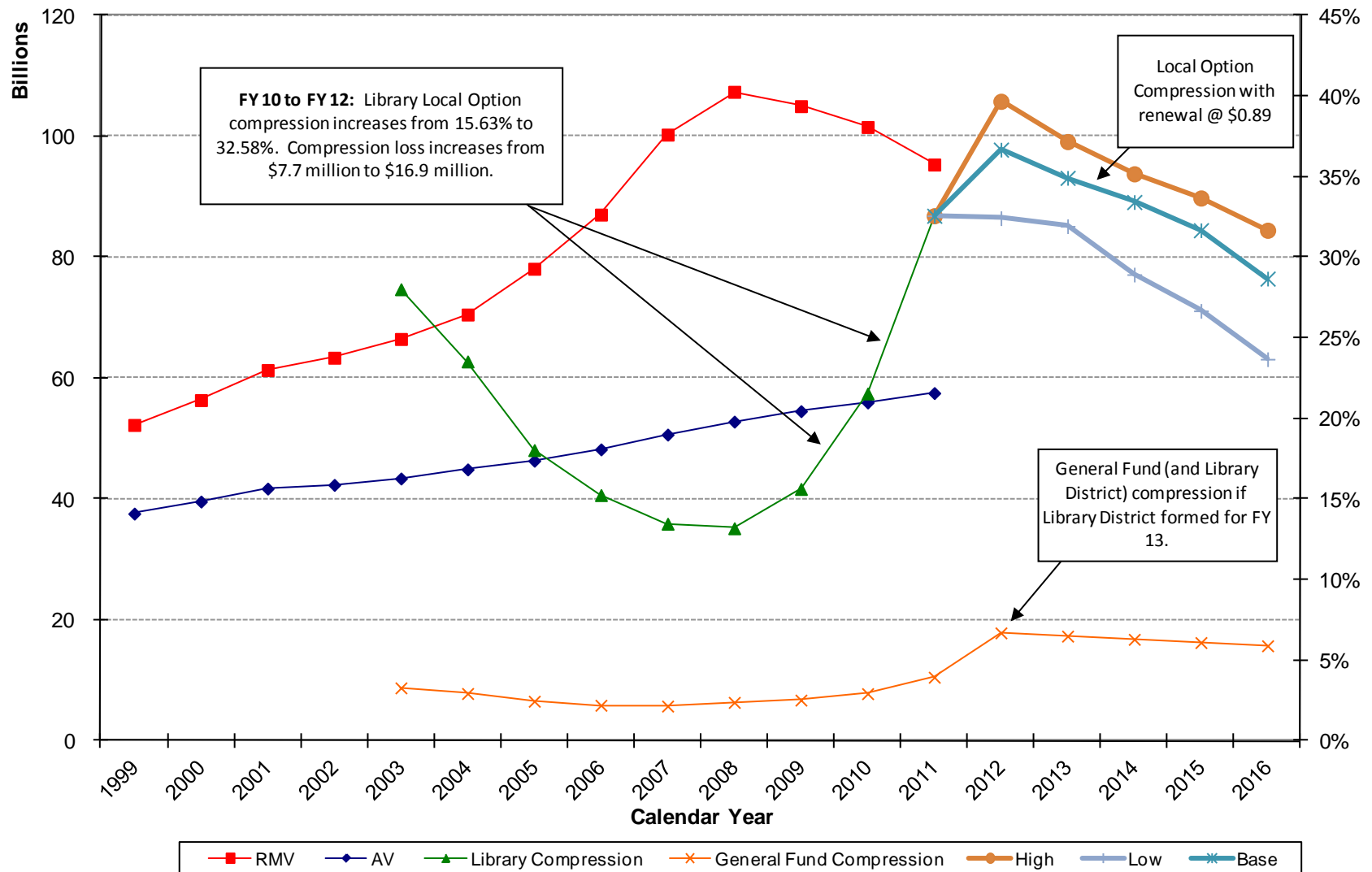
# Economic Overview

Notice of Default Filings in Multnomah County & Year-Over-Year % Change Thru January



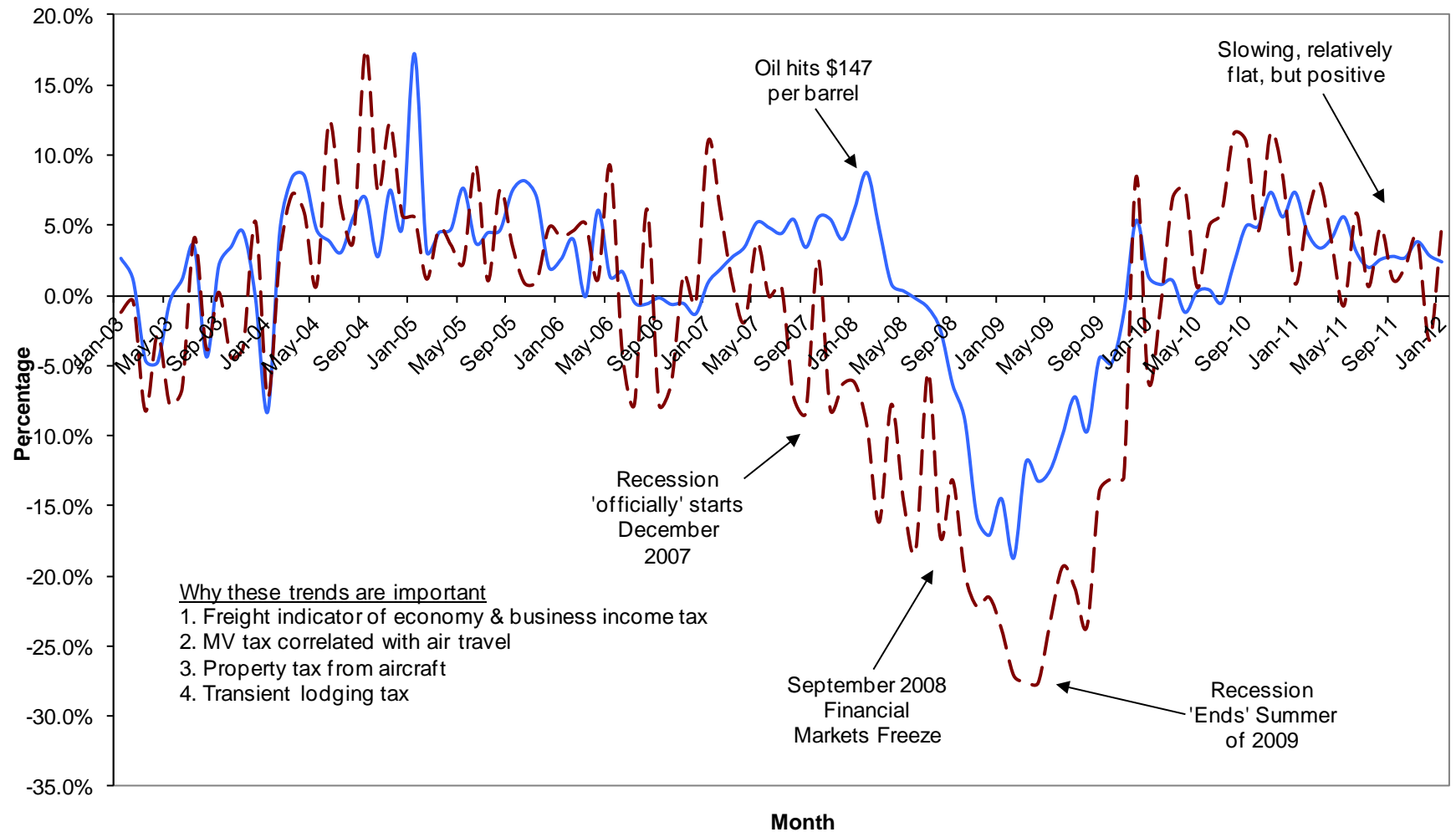
# 5-Year General Fund Revenue Forecast

## Multnomah County AV, RMV, and Compression



# Economic Overview

Year-Over-Year Change in Passengers & Freight at PDX (Thru January)



— Change in Domestic Deplaned Passengers

- - - Change in Total Enplaned & Deplaned Air Freight

# FY 2012 Revenue Review

	Adopted <sup>1</sup>	October Forecast Change	February Forecast Change	Net Change From Adopted	Note
Property Taxes	233,404,887	(585,317)	0	(585,317)	Actual AV 2.78% vs. budgeted 2.85%; Actual Compression 3.95% vs. Budget of 3.45%; Decrease Discount/Delinq from 5.88% to 5.70%.
Business Income Taxes	48,825,000	1,220,625	0	1,220,625	FY 2011 Actual \$48.57 million; Increase to 3.0% growth from FY 11 with weakening in second half of FY 12.
Motor Vehicle Rental Taxes	18,512,639	0	(113,072)	(113,072)	Watch for potentially weakening; 4.14% growth from FY 11 actual. <b>Feb: Lower to 3.5% growth.</b>
US Marshal	6,584,597	(702,278)	(825,161)	(1,527,439)	Budget = 140 beds/day; FY 2011 Average = 128; FY 2012 to date average = 122.7; Oct -Assume 125/day for FY 2012. <b>Feb: Assume 100/day remainder of year. (See graph.)</b>
BM 73	0	0	292,396	292,396	
State Shared			0		
Video Lottery	4,974,750	0	0	0	Technically in separate fund.
Liquor	3,332,923	0	(273,697)	(273,697)	Implies 12% growth from FY 11 actual... Review in Feb. <b>Feb: Lower to trend.</b>
Cigarette	704,034	0	0	0	
Amusement	175,000	0	0	0	
Recording Fees/CAFFA Grant	8,249,282	(1,200,000)	(100,000)	(1,300,000)	Recording Fees continued Spring weakness... Lower aggressively to \$300,000/month; Similar to FY 10 levels. (See graph.) <b>Feb: Lower CAFFA.</b>
Indirect					
Departmental	10,948,555	0	0	0	
Central Indirect/Svc Reimburse	7,614,707	0	0	0	
All Other	17,469,267	135,000	(338,212)	(203,212)	Animal control fees up; Traffic fines down. <b>Feb: SIP CSF down; lower Secure Schools/Timber payment.</b>
<b>FY 12 Revenue Adjustments <sup>2</sup></b>	<b>360,795,641</b>	<b>(1,131,970)</b>	<b>(1,357,746)</b>	<b>(2,489,716)</b>	
<b>% of Revenue</b>		<b>-0.31%</b>	<b>-0.38%</b>	<b>-0.69%</b>	
<b>% of Revenue (w/o USM)</b>		<b>-0.12%</b>	<b>-0.15%</b>	<b>-0.27%</b>	

1. Excludes BWC, Ambulance Fees, and FQHC wraparound revenues.

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



# FY 2012 Revenue Review

## BIT Collections Fiscal Year-to-Date Through October

	FY 08	FY 09	FY 10	FY 11	FY 12	FY 12 vs. FY 08	FY 12 vs. FY 11
Quarterly	9,953,262	8,998,390	6,769,017	7,827,270	8,299,954	-16.6%	6.0%
Yearly	3,012,871	3,282,278	3,529,173	2,205,929	2,828,830	-6.1%	28.2%
Refund/Interest	580,529	579,433	1,127,342	865,622	509,115	-12.3%	-41.2%
NSF Check	5,077	6,685	46,554	46,632	4,452	-12.3%	-90.5%
<b>Total</b>	<b>12,380,526</b>	<b>11,694,551</b>	<b>9,124,294</b>	<b>9,120,946</b>	<b>10,615,216</b>	<b>-14.3%</b>	<b>16.4%</b>
<i>Actual or Budget</i>	<i>65,650,000</i>	<i>42,900,000</i>	<i>44,150,000</i>	<i>48,570,000</i>	<i>48,825,000 Budget</i> <i>50,045,625 Forecast</i>		

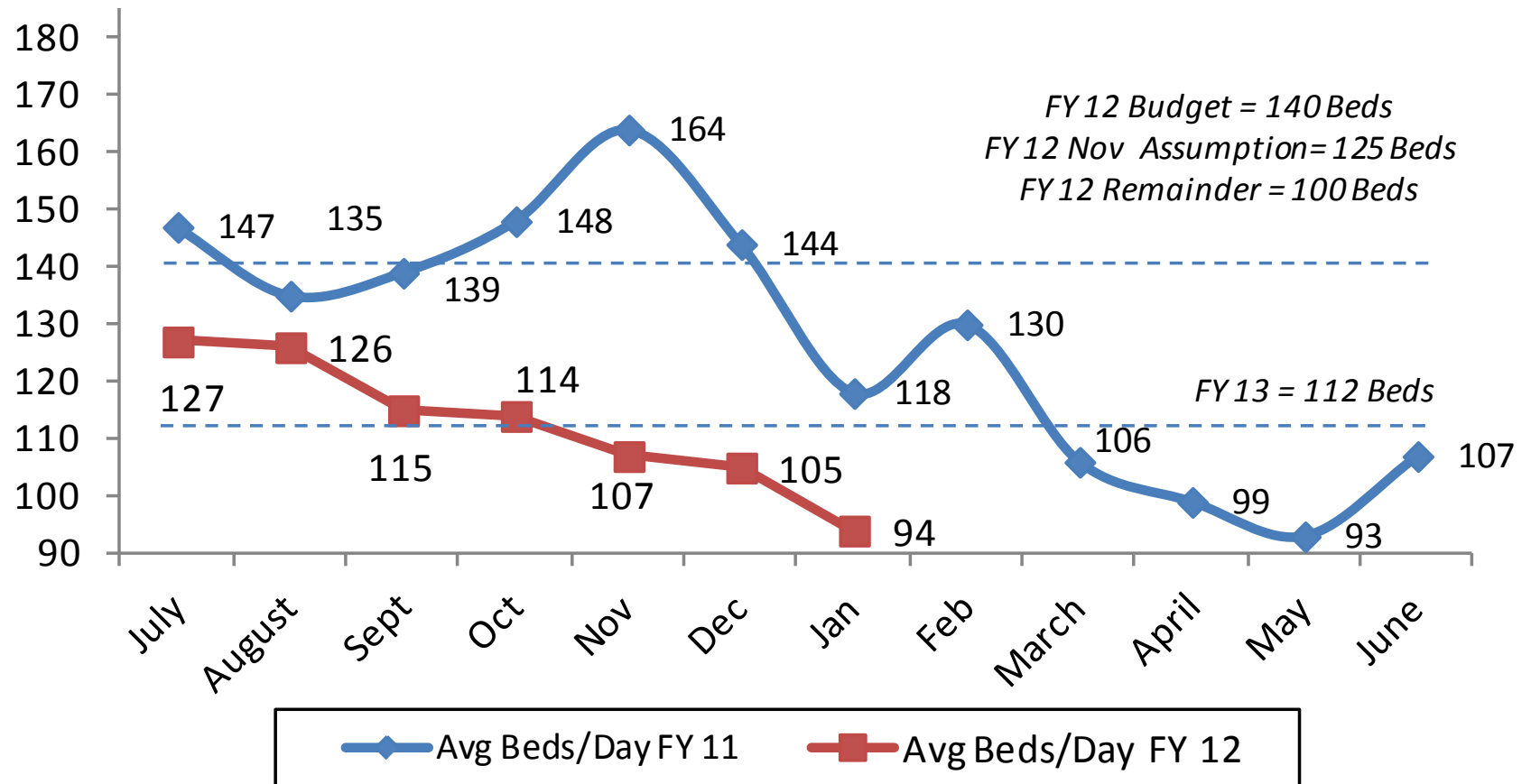
## BIT Collections Fiscal Year-to-Date Through January

	FY 08	FY 09	FY 10	FY 11	FY 12	FY 12 vs. FY 08	FY 12 vs. FY 11
Quarterly	20,625,939	19,233,717	15,603,196	16,577,282	17,346,554	-15.9%	4.6%
Yearly	6,136,276	5,080,710	6,433,250	4,552,057	4,286,013	-30.2%	-5.8%
Refund/Interest	2,122,669	4,574,843	4,811,720	2,532,357	1,962,141	-7.6%	-22.5%
NSF Check	25,496	40,003	80,084	104,248	19,773	-22.4%	-81.0%
<b>Total</b>	<b>24,614,049</b>	<b>19,699,581</b>	<b>17,144,642</b>	<b>18,492,734</b>	<b>19,650,654</b>	<b>-20.2%</b>	<b>6.3%</b>
<i>Actual or Budget</i>	<i>65,650,000</i>	<i>42,900,000</i>	<i>44,150,000</i>	<i>48,570,000</i>	<i>48,825,000 Budget</i> <i>50,045,625 Forecast</i>		



# FY 2012 Revenue Review

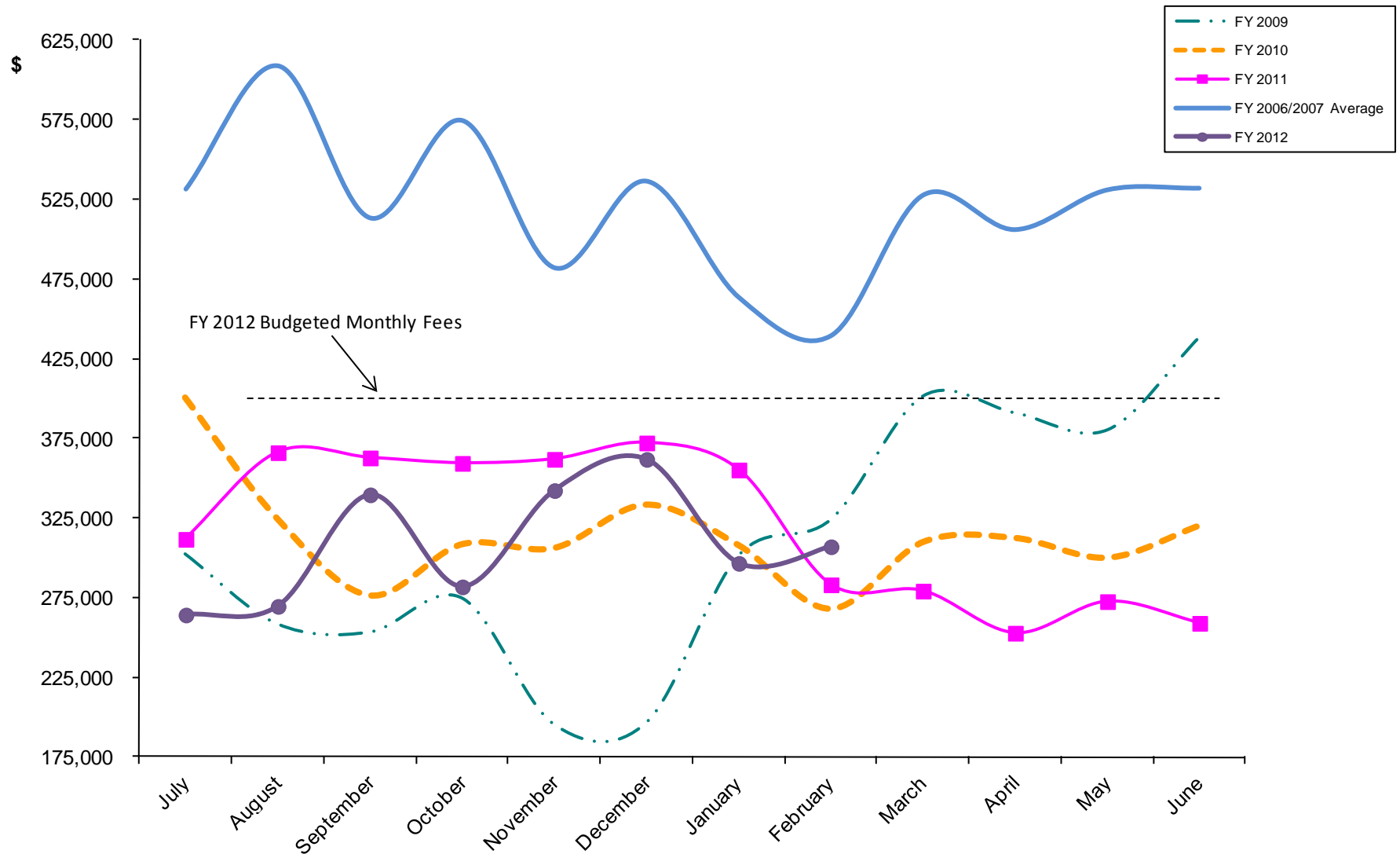
## USM Avg Beds/Day



# FY 2012 Revenue Review

## Monthly Recording Fees (Thru February)

*February Estimated*





# FY 2012 Contingency & FY 2013 OTO Funds

## One-Time-Only Funds Available for FY 2013<sup>1, 2</sup>

Additional FY 2012 BWC (OTO)	14,760,503
Less Lower FY 2012 Revenue ( <i>in November Forecast</i> )	(1,131,970)
Less Amount to Maintain Reserves @ Policy Level	<u>(1,251,921)</u>
<b>OTO Funds for FY 2013 per November Forecast</b>	<b>12,376,612</b>
Less Lower FY 2012 Revenue (in March Forecast)	(1,357,746)
Less Library OTO Commitment per Resolution 2012-004	(10,000,000)
Less OTO Offer 91008B - Presidential Election	<u>(335,323)</u>
<b>Net OTO Available for FY 2013 per Current Forecast</b>	<b>683,543</b>

1. Assumes the FY 2012 General Fund Contingency is fully spent in FY 2012.
2. Assumes departments fully spend their FY 2012 appropriation.



# FY 2012 Contingency & FY 2013 OTO Funds

## FY 2012 General Fund Contingency Update

General Fund 'Regular' Contingency	1,250,000
Additional Contingency	<u>500,000</u>
	<b>1,750,000</b>
Less NonD-04 Winter Shelter	<b>(787,833)</b>
Net all General Contingency Adjustments	<u>171,717</u>
<b>Remaining Non-Earmarked Contingency</b>	<b>1,133,884</b>

**OTO State Ramp Down Funds** **2,142,572**

**Ongoing State Ramp Down Funds** **0**

Radio Replacement	135,245
IT Innovation & Investment Fund Contingency	1,500,000
Black Women for Peace	50,000
Sexual Exploitation of Children - Victim Beds	0
SCAAP Grant	0

BIT Reserve (in General Fund Contingency) 4,882,500

**Total General Fund Contingency** **9,844,201**

Remaining balance from \$4,229,675 set aside

\$1.6 million fully used

Remaining Balance from Radio Replacement & EM Communications Set-aside

Pending Budget System Cost... see Board amendment 14

Earmark per Board Amendment 7

Earmark per Board Amendment 3 (Amount of \$258,420 used)

Available resources of \$400,599 transferred 2/16/2012

**Unallocated Contingency + Radio Balance**  
**+ Remaining OTO State Ramp Down Funds**

**3,411,701**

*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 13.*



# 5-Year General Fund Revenue Forecast

## Major General Fund Revenue Sources <sup>1</sup>

	Adopted FY 2012	Forecast FY 2012 <sup>2</sup>	Forecast FY 2013	Forecast FY 2014	Forecast FY 2015	Forecast FY 2016	Forecast FY 2017
Property Taxes	233,404,887	232,819,570	239,282,898	248,096,863	257,010,364	266,696,267	276,813,353
Business Income Taxes	48,825,000	50,045,625	52,047,450	55,170,297	59,032,218	63,754,795	68,217,631
Motor Vehicle Rental Taxes	18,512,639	18,399,567	19,068,018	19,640,059	20,229,260	20,836,138	21,461,222
US Marshal (& BM 37)	6,584,597	5,349,554	4,767,125	4,837,139	4,909,253	4,983,531	5,060,037
Recording Fees/CAFFA Grant	8,249,282	6,949,282	7,838,268	8,148,633	8,460,406	8,773,614	8,908,286
State Shared	9,186,707	8,913,010	9,237,964	9,609,383	9,834,273	10,065,682	10,303,780
Indirect & Service Reimbrs.	18,563,262	18,563,262	18,283,542	18,866,675	19,468,526	20,089,700	20,730,822
	<b>343,326,374</b>	<b>341,039,870</b>	<b>350,525,265</b>	<b>364,369,049</b>	<b>378,944,300</b>	<b>395,199,727</b>	<b>411,495,131</b>
<b>% of Total Revenue</b>	<b>95.2%</b>	<b>95.2%</b>	<b>95.6%</b>	<b>95.7%</b>	<b>95.9%</b>	<b>96.0%</b>	<b>96.1%</b>
All Other General Fund	17,469,267	17,266,055	16,011,013	16,191,324	16,255,042	16,442,268	16,513,103
<b>Total</b>	<b>360,795,641</b>	<b>358,305,925</b>	<b>366,536,278</b>	<b>380,560,373</b>	<b>395,199,342</b>	<b>411,641,995</b>	<b>428,008,234</b>
% Change in Ongoing Revenue		-0.69%	2.30%	3.83%	3.85%	4.16%	3.98%
AV Growth	2.85%	2.78%	2.85%	3.25%	3.50%	3.70%	3.60%
Compression	3.45%	3.95%	4.35%	3.95%	3.80%	3.70%	3.50%
BIT Growth	0.53%	3.04%	4.00%	6.00%	7.00%	8.00%	7.00%

1. Excludes BWC, ambulance fees, and FQHC wraparound revenues, but includes video lottery revenues.

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



# 5-Year General Fund Revenue Forecast

## Changes to Ongoing General Fund Revenues and Impact on the Expenditure/Revenue Gap

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Revenues	368,908,918	382,980,721	397,668,830	414,162,096	430,580,468
Expenditures	370,795,328	385,930,656	403,206,693	422,554,180	442,854,105
<b>Rev/Exp Gap - November 2011 Forecast</b>	<b>(1,886,410)</b>	<b>(2,949,935)</b>	<b>(5,537,863)</b>	<b>(8,392,084)</b>	<b>(12,273,637)</b>
<b>Gap Growth from Prior Year</b>		<b>(1,063,525)</b>	<b>(2,587,928)</b>	<b>(2,854,221)</b>	<b>(3,881,553)</b>

### Changes to Revenues

US Marshal	(849,915)	(875,412)	(901,675)	(928,725)	(956,587)
BM 73	180,000	180,000	180,000	180,000	180,000
Liquor Tax	(281,908)	(290,365)	(299,076)	(308,048)	(317,290)
Central Indirect	(782,361)	(782,361)	(782,361)	(782,361)	(782,361)
Other	(89,708)	(92,399)	(95,171)	(98,026)	(100,967)
<b>Net Change</b>	<b>(1,823,892)</b>	<b>(1,860,538)</b>	<b>(1,898,283)</b>	<b>(1,937,161)</b>	<b>(1,977,205)</b>

<b>Rev/Exp Gap - March 2012 Forecast</b>	<b>(3,710,302)</b>	<b>(4,810,473)</b>	<b>(7,436,146)</b>	<b>(10,329,245)</b>	<b>(14,250,842)</b>
<b>Gap Growth from Prior Year</b>		<b>(1,100,171)</b>	<b>(2,625,673)</b>	<b>(2,893,099)</b>	<b>(3,921,597)</b>

<b>Deficit is this % of Expenditures</b>	<b>1.00%</b>	<b>1.25%</b>	<b>1.84%</b>	<b>2.44%</b>	<b>3.22%</b>
<b>Gap growth per Year as % of GF Expenditures</b>		<b>0.29%</b>	<b>0.65%</b>	<b>0.68%</b>	<b>0.89%</b>

Note: Revenues/Expenditures do not include reserves, includes video lottery, but excludes Ambulance and FQHC wraparound.



# Expenditure Assumptions

## ■ Cost Drivers for FY 2013:

---

Inflation	3.25%	Second Half Portland CPI-W
Labor Costs	3.23%	(Prior assumption was 5.25%)
COLA	1.60%	Dependent on Unit & Contract Status
Step/Merit	1.51%	Dependent on Unit Demographics
Medical/Dental	4.50%	was assumed to increase by 8%
PERS	0.00%	was assumed to increase 0.25% of base pay
Retiree Medical	0.00%	
Liability/Unemployment/Admin	0.00%	
Materials and Services	2.50%	
Internal Services	9.39%	Increase driven by use of IT BWC (fund balance) in FY 2012, asset preservation & capital charges covered by one-time-only General Fund support in FY 2012, and fuel/transportation inflation.

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## ■ Cost Drive Notes (for General Fund only)

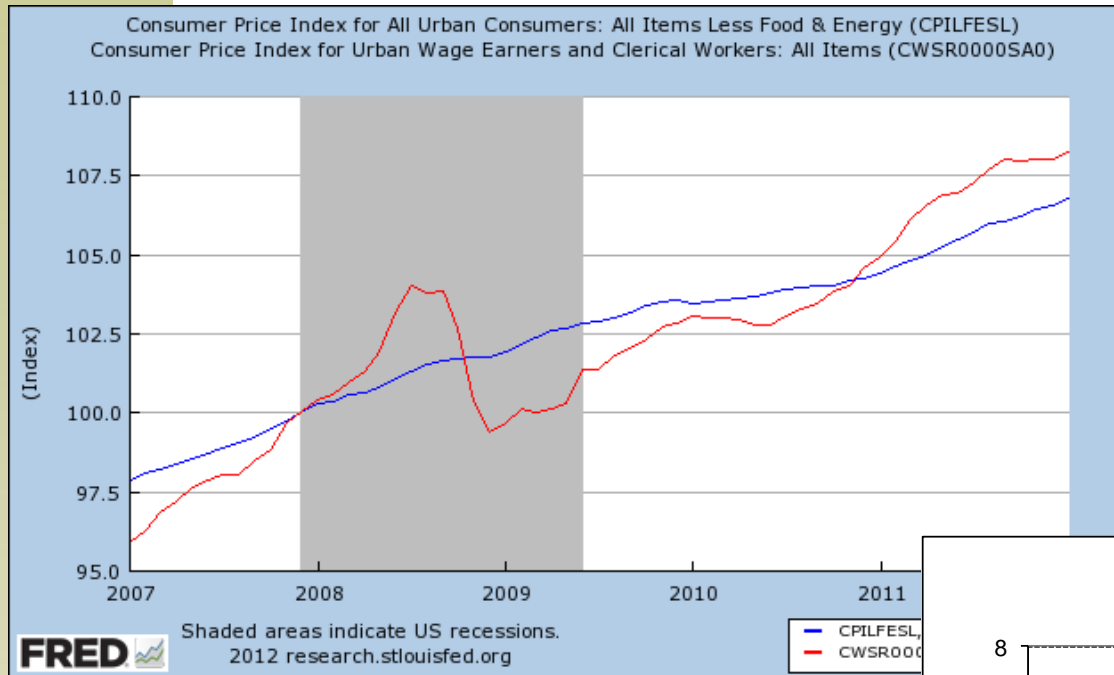
- ✓ A 1% increase in base pay = approximately \$1.84 million
- ✓ A 7% increase in medical/dental rates = approximately \$1.92 million
- ✓ A 1% (of base pay) increase in PERS rates = roughly \$1.37 million

## ■ Reserve & Contingency Assumptions

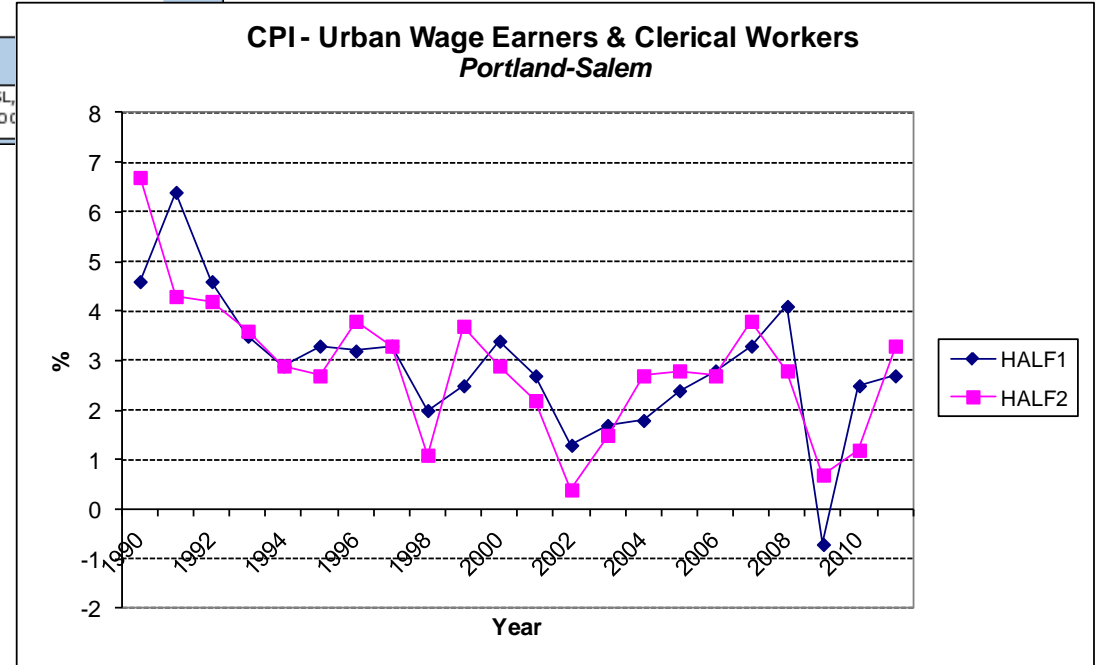
- ✓ General Fund Contingency - \$1.25 million
- ✓ General Fund Reserve – 10% of 'corporate' revenues
- ✓ BIT Reserve – 10% of BIT revenues



# Expenditure Assumptions



Second Half CPI-W  
Increased 3.30% vs.  
Forecast of 3.25%



# Forecast Risks & Issues

- A weaker economy and continued house price decline
  - ✓ Property tax compression
  - ✓ BIT – (somewhat buffered by estimate and reserve)
  - ✓ Impact on State revenues
- Inflation – CPI impacts on labor costs
- Federal fiscal policy
  - ✓ “Super”-committee
  - ✓ Federal deficit & contracting fiscal policy
  - ✓ November 2012 election
- European sovereign debt issues
- Oil prices and Middle East unrest
- State and Local
  - State budget and service re-designs
  - Library local option expiration
  - Labor cost (OPEB, PERS, open contracts, etc.)



# Summary

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- FY 2012 General Fund revenues down an additional \$1.36 million (0.38%) for a total of \$2.49 million (0.69%) for the fiscal year.
- FY 2013 General Fund operating deficit up by \$1.82 million to \$371 million or 1% of expenditures.
- FY 2013 to FY 2017 deficit still ranges from \$1.1 million to \$3.9 million per year or \$14.3 million (3.22%) in total.
- FY 2013 One-Time-Only resources down to \$0.68 million from \$12.4 million after Library commitment.
- FY 2012 General Fund contingency balance of \$3.4 million (unallocated).
- FY 2013 budget process will feel more difficult than FY 2012.
- Major risks to economy and revenue outside of our control.
- Questions?

