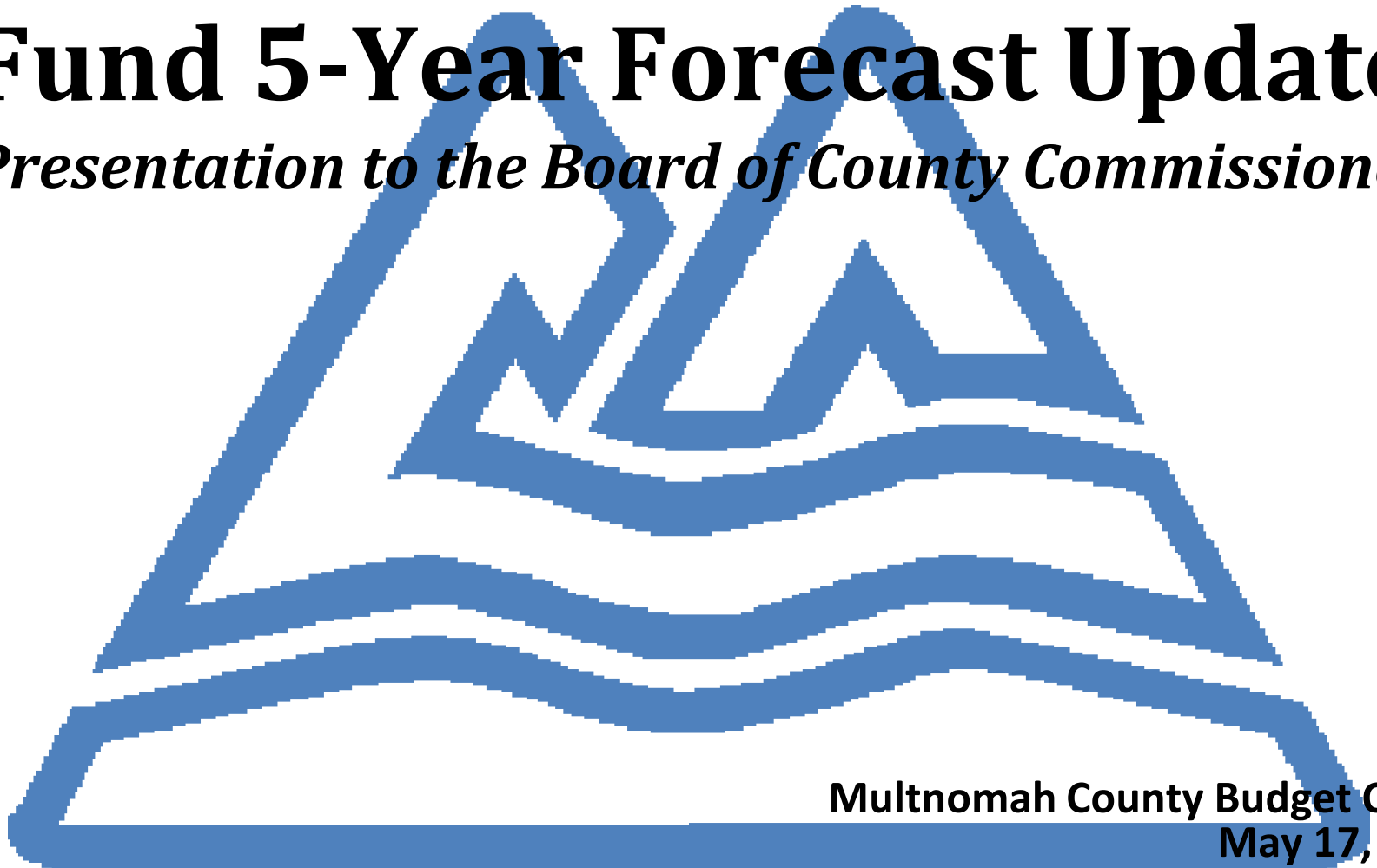


# FY 2013 General

# Fund 5-Year Forecast Update

*Presentation to the Board of County Commissioners*



Multnomah County Budget Office  
May 17, 2012

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

# Overview

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- **Economic Overview**
  - ✓ Additional Information in Appendix
- **FY 2012 Revenue Review**
  - ✓ BIT
  - ✓ USM
- **FY 2012 General Fund Contingency Update**
- **FY 2013 General Fund 5-Year Forecast**
  - ✓ 5-Year Revenue Outlook
  - ✓ Expenditures – Looking towards FY 2014
    - A side trip - PERS
    - Preliminary personnel cost update for FY 2014 and beyond
  - ✓ Updated Revenue/Expenditure Gap
- **Forecast Risks & Issues**
- **Summary & Questions**



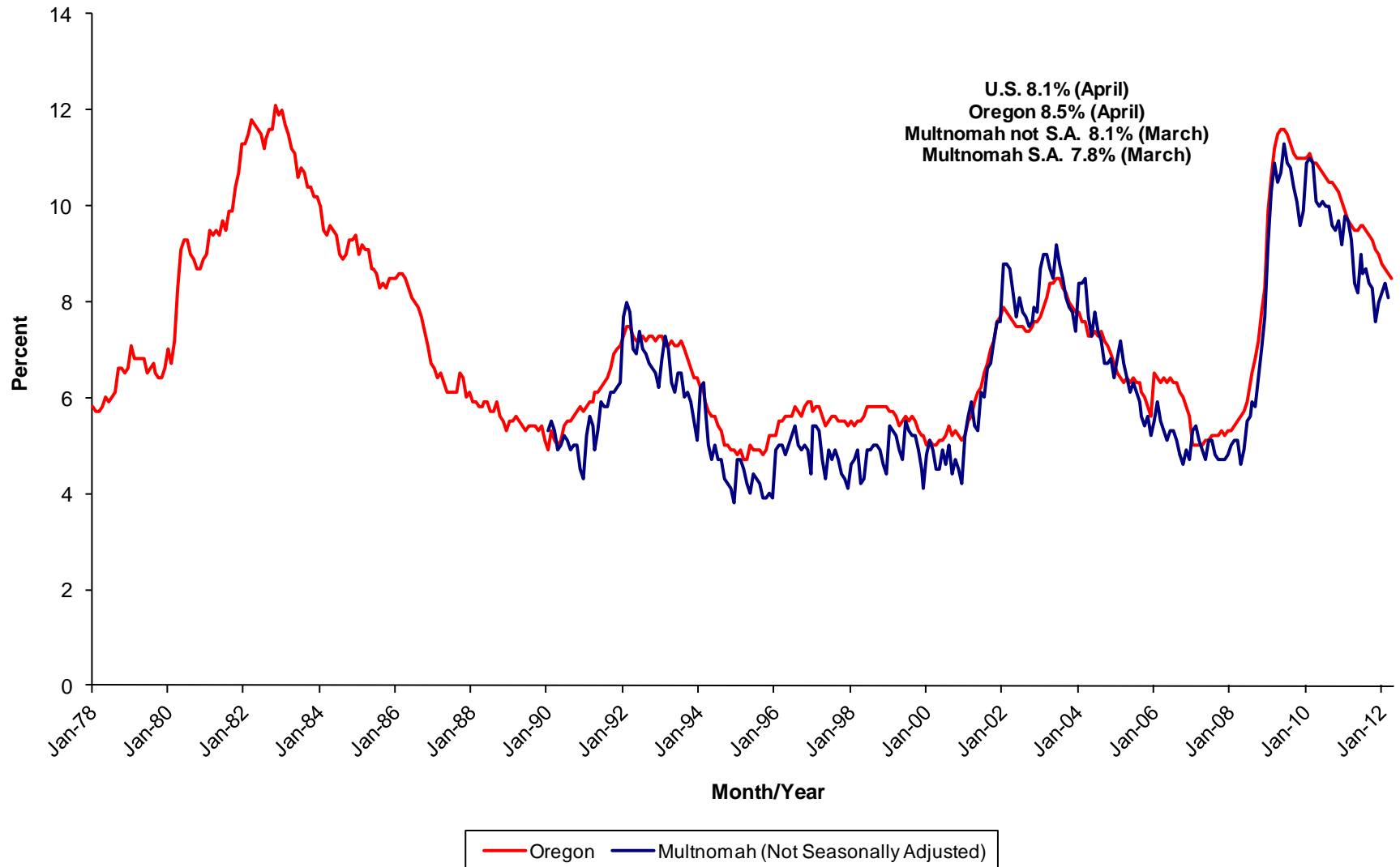
# Economic Overview

- A stabilized economy with anemic to modest growth with intermittent headwinds.
  - GDP – Eleven quarters of growth
    - ✓ 2011 Q1 = 0.4%, Q2 = 1.3%, Q3 = 1.8%, and Q4 = 3.0%; 2012 Q1 = 2.2%
    - ✓ European debt, extension of unemployment benefits/Soc. Sec. tax/doc fix
  - Labor Markets
    - ✓ U.S. weekly unemployment claims – 4-week moving average @ 379,000
    - ✓ Oregon April Y-o-Y jobs up 3,000 (0.2%) but 7,000 less public sector
  - Housing
    - ✓ New starts @ annual rate of 717,000 (vs. record low of 477,000 and peak of 2 million plus)... Increasing investment in multi-family housing.
    - ✓ 11.1million (22.8%) of properties w/ mortgage have negative equity (CoreLogic Q4); for Oregon it is 131,126 or 18.7%.
  - Industrial Production
    - ✓ Continued improvement... For April, capacity utilization @ 79.2%, which is 1.1% 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.

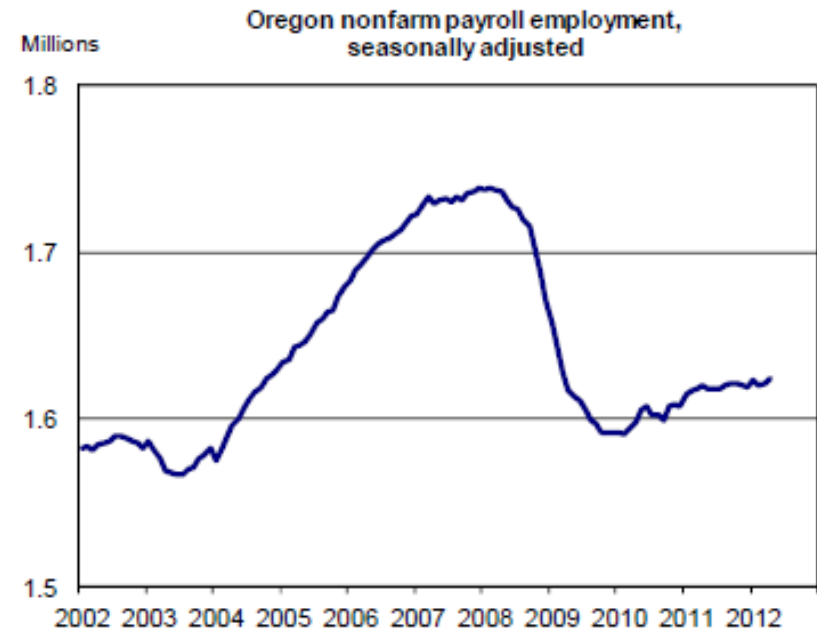
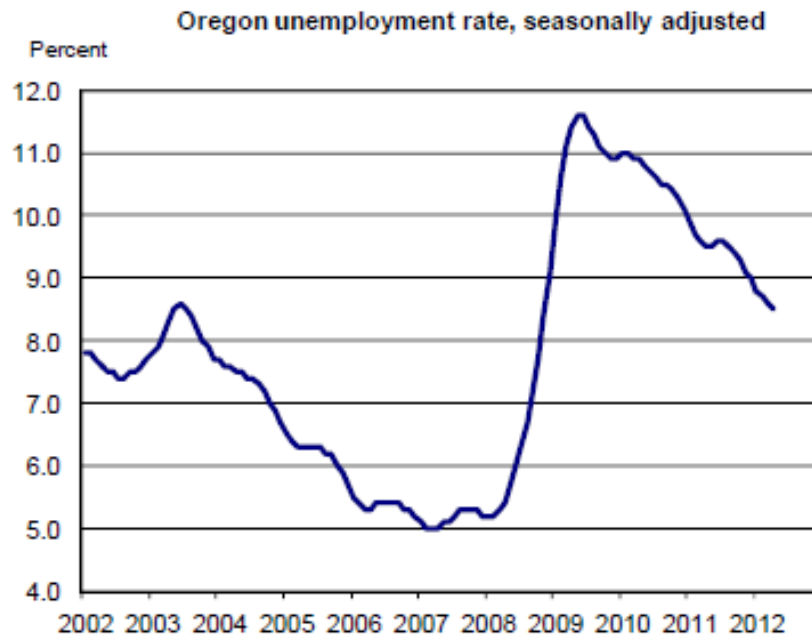


# Economic Overview

## Oregon & Multnomah County Unemployment Rates



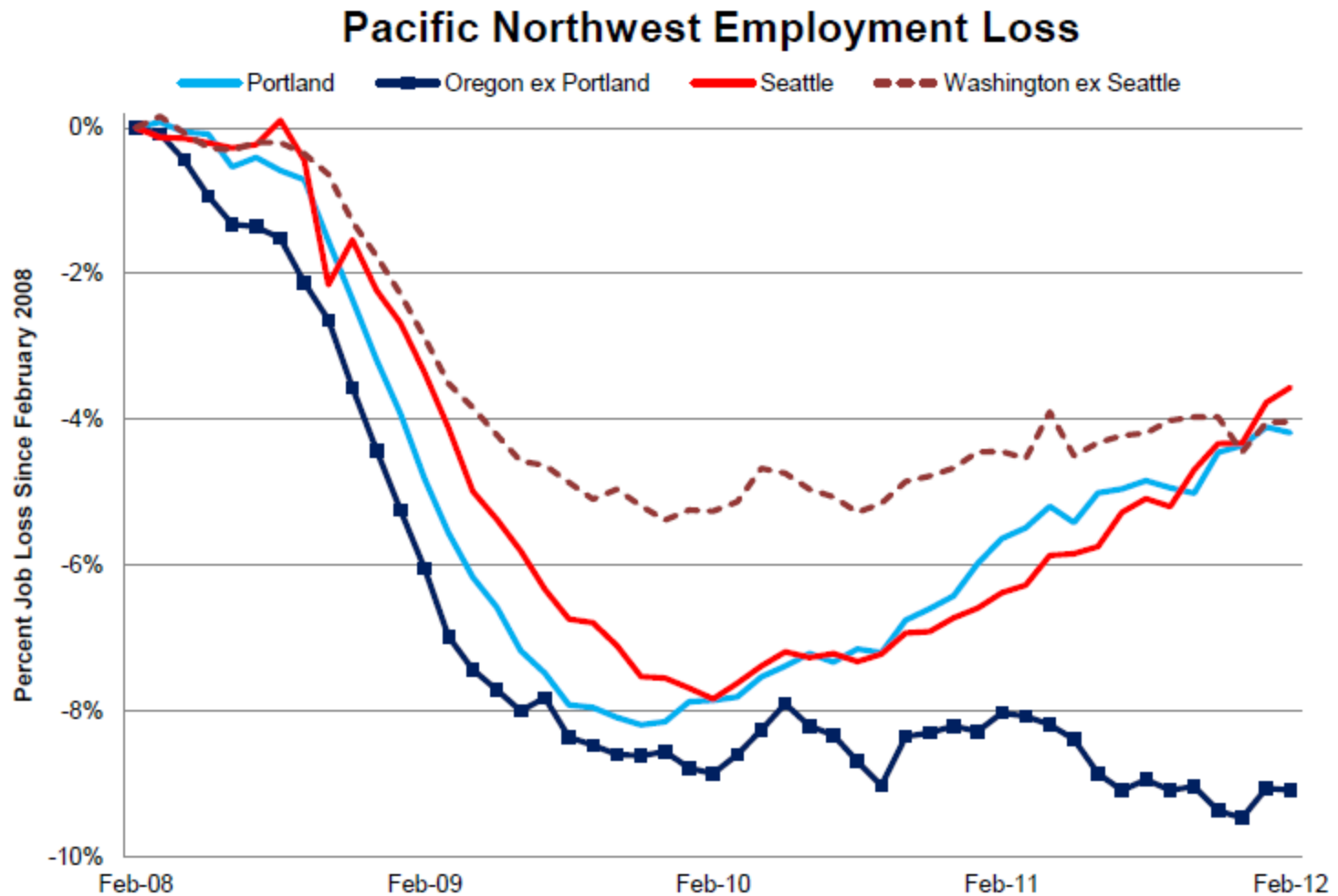
# Economic Overview



Source: Oregon April Unemployment/Employment Report, May 15, 2012.



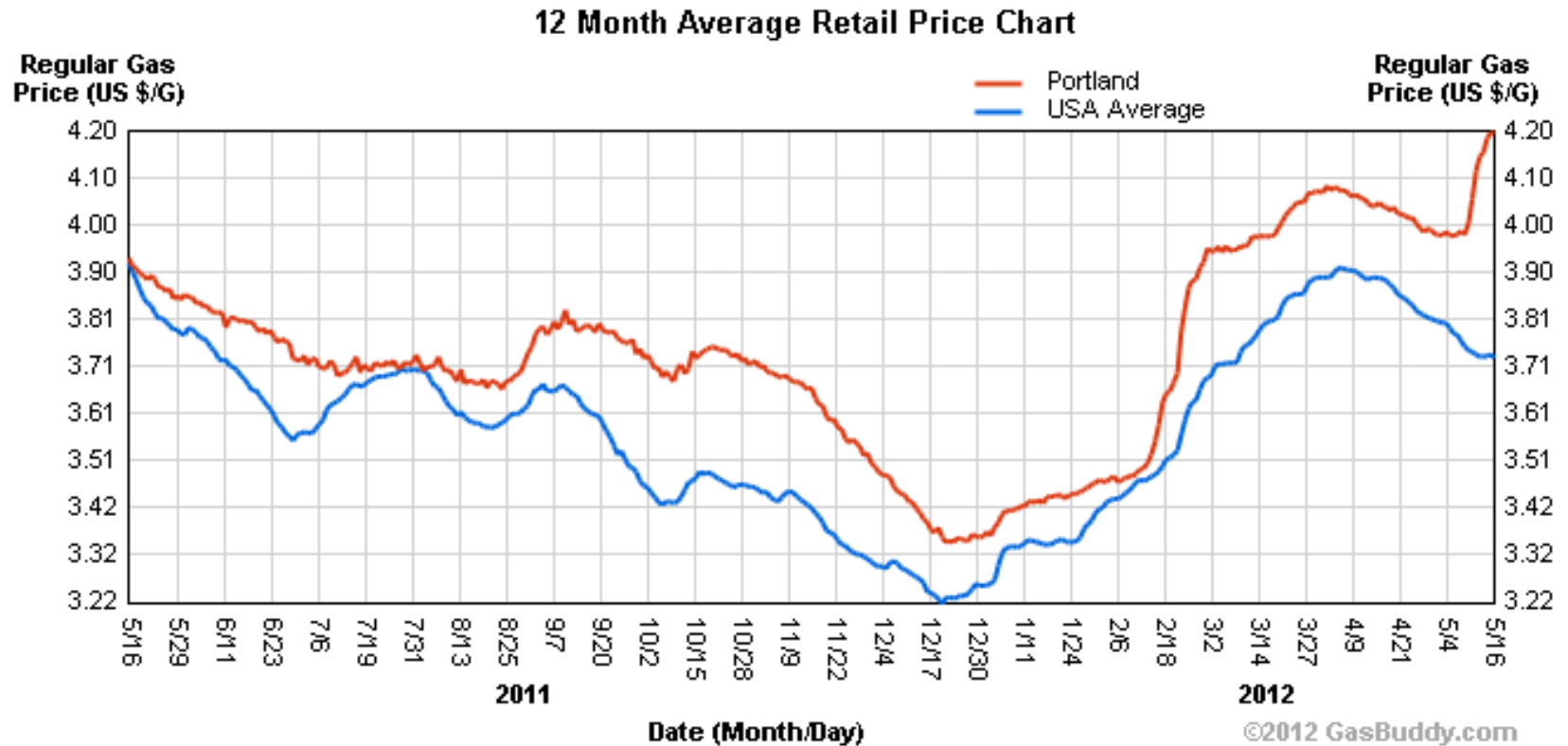
# Economic Overview



Source: Josh Lehner, OEA, *Where's My Recovery: A Look at County Level Employment in the Northwest*. Prepared for PNREC, May 17, 2012.  
<http://oregoneconomicanalysis.files.wordpress.com/2012/05/wheresmyrecovery.pdf>



# Economic Overview

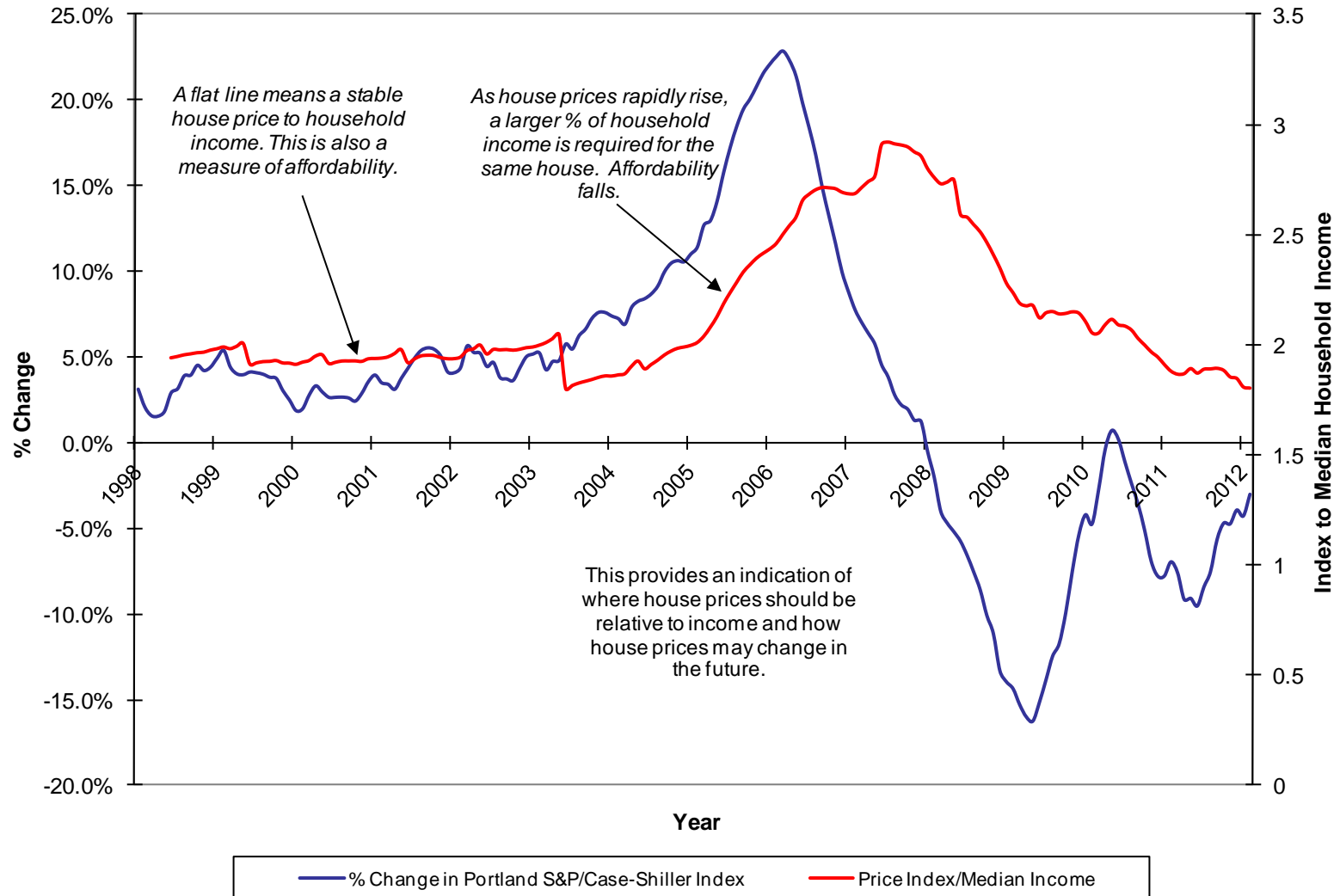


Source: GasBuddy.com 5/16/2012



# Economic Overview

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





# FY 2012 Revenue Review

	Adopted <sup>1</sup>	October Forecast Change	February Forecast Change	May Forecast Change	Net Change From Adopted	Note
Property Taxes	233,404,887	(585,317)	0	0	(585,317)	
Business Income Taxes	48,825,000	1,220,625	0	2,659,659	3,880,284	FY 2011 Actual \$48.57 million; October forecast - increase to 3.0% growth from FY 11 with weakening in second half of FY 12. <b>May forecast - increase growth to 8.51% from FY 11 actual based on April returns.</b>
Motor Vehicle Rental Taxes	18,512,639	0	(113,072)	0	(113,072)	
US Marshal	6,584,597	(702,278)	(825,161)	0	(1,527,439)	
BM 73	0	0	292,396	0	292,396	
State Shared						
Video Lottery	4,974,750	0	0	0	0	
Liquor	3,332,923	0	(273,697)	0	(273,697)	
Cigarette	704,034	0	0	0	0	
Amusement	175,000	0	0	0	0	
Recording Fees/CAFFA Grant	8,249,282	(1,200,000)	(100,000)	0	(1,300,000)	
Indirect						
Departmental	10,948,555	0	0	0	0	
Central Indirect/Svc Reimburse	7,614,707	0	0	0	0	
All Other	17,469,267	135,000	(338,212)	0	(203,212)	
<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>2,659,659</b>	<b>169,943</b>	
<b>% of Revenue</b>		<b>-0.31%</b>	<b>-0.38%</b>	<b>0.74%</b>	<b>0.05%</b>	
<b>% of Revenue (w/o USM)</b>		<b>-0.12%</b>	<b>-0.15%</b>	<b>0.74%</b>	<b>0.47%</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 Year-to-Date Through April:

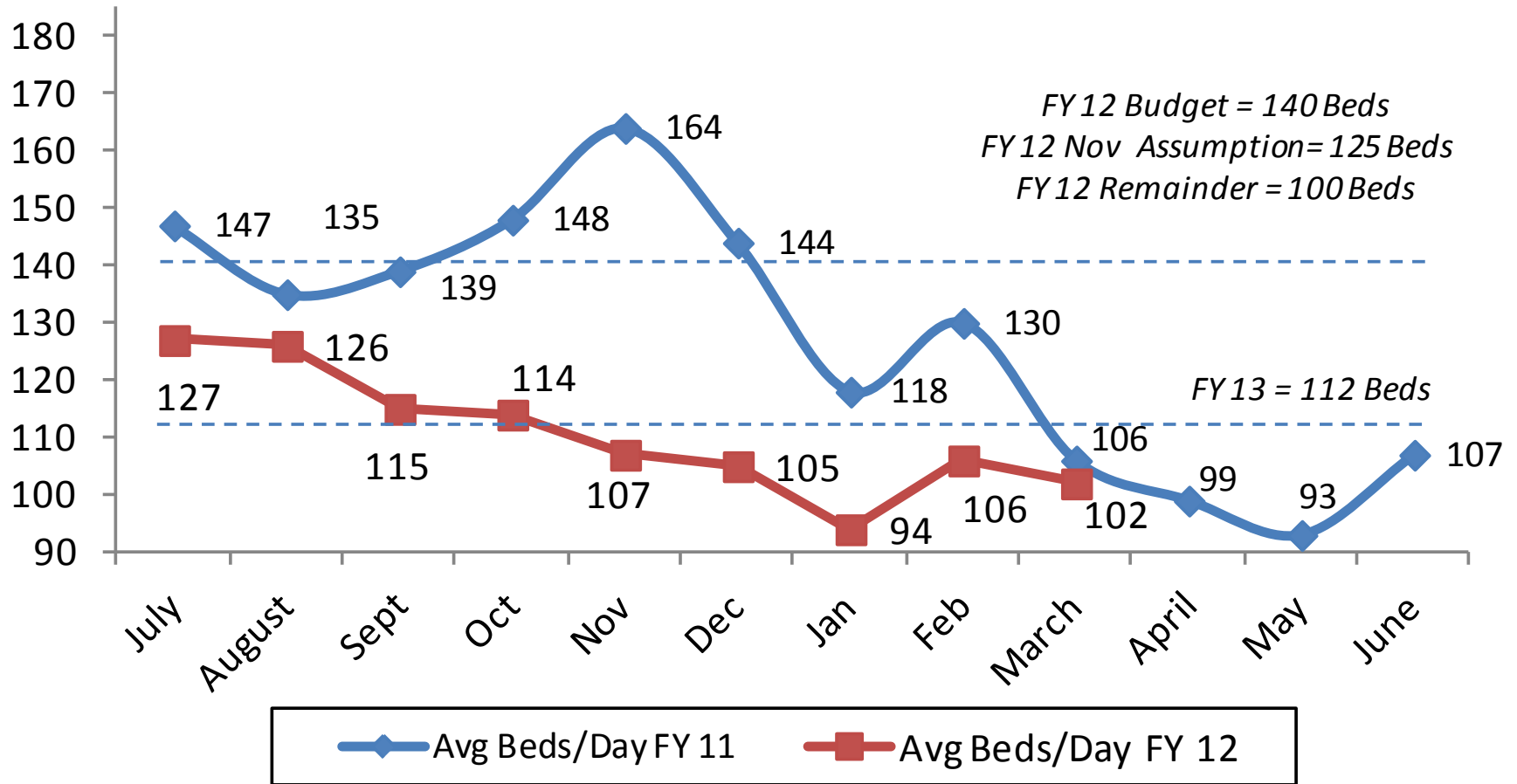
	<b>FY 08</b>	<b>FY 09</b>	<b>FY 10</b>	<b>FY 11</b>	<b>FY 12</b>	<b>FY 12 vs. FY 08</b>	<b>FY 12 vs. FY 11</b>
Quarterly	26,719,905	24,137,164	20,891,819	22,839,682	24,259,527	-9.2%	6.2%
Yearly	29,167,734	17,350,855	19,660,911	18,009,441	20,439,995	-29.9%	13.5%
Refund/Interest	3,668,895	5,527,628	6,055,532	3,119,079	2,658,902	-27.5%	-14.8%
NSF Check	76,746	72,283	91,923	126,567	24,787	-67.7%	-80.4%
<b>Total</b>	<b>52,141,997</b>	<b>35,888,109</b>	<b>34,405,275</b>	<b>37,603,477</b>	<b>42,015,833</b>	<b>-19.4%</b>	<b>11.7%</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 Forecast Increased from \$50.0 million to \$52.7 million
  - ✓ Net of payment to East County Cities, additional OTO General Fund = \$2.4 million
  - ✓ Reflects anticipated collections through August
  - ✓ Reflects faster return to 'normal' not long term increase
- For FY 2013 and Beyond
  - ✓ FY 2013 – Additional \$2.1 million 'OTO' (net of East County Cities)
  - ✓ FY 2014 – Additional \$2.4 million (net of East County Cities)
  - ✓ FY 2015 and beyond... see slide 13



# FY 2012 Revenue Review

## USM Avg Beds/Day



# FY 2012 Contingency Update

## FY 2012 General Fund Contingency Update

General Fund 'Regular' Contingency	1,250,000
Additional Contingency	500,000
	<b>1,750,000</b>
Less NonD-04 Winter Shelter	(787,833)
Less NonD-10 Project Network	(250,000)
Less MCSO-06 Hire & Train Correct. Deputies	(399,000)
Net all General Contingency Adjustments	216,293
<b>Remaining Non-Earmarked Contingency</b>	<b>529,460</b>

<b>OTO State Ramp Down Funds</b>	<b>2,142,572</b>	Remaining balance from \$4,229,675 set aside ( <i>\$ 1million of assumed for FY 2013</i> )
<b>Ongoing State Ramp Down Funds</b>	<b>0</b>	\$1.6 million fully used
Radio Replacement	135,245	Remaining Balance from Radio Replacement & EM Communications Set-aside
IT Innovation & Investment Fund Contingency	1,500,000	Earmark per Board Amendment 14 ( <b>Assumed to be transferred to IT Fund in FY 2013</b> )
Black Women for Peace	0	Earmark per Board Amendment 7 (Amount of \$50,000 used)
Sexual Exploitation of Children - Victim Beds	0	Earmark per Board Amendment 3 (Amount of \$258,420 used)
SCAAP Grant	0	Available resources of \$400,599 transferred 2/16/2012
BIT Reserve (in General Fund Contingency)	4,882,500	<b>FY 2013 Approved Budget assumes will not be used in FY 2012</b>
<b>Total General Fund Contingency</b>	<b>9,189,777</b>	

**Balance not allocated in FY 2012 or FY 2013** **1,807,277** **Equals: Unallocated Contingency + Radio Balance + Remaining OTO State Ramp Down Funds Less \$1 million assumed to be carried over for FY 2013.**



# 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 <sup>3</sup>	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	52,705,284	54,419,811	57,821,050	61,521,597	65,397,457	68,994,318
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	5,453,678	5,544,288	5,637,617	5,733,745	5,832,758
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>343,699,529</b>	<b>353,584,179</b>	<b>367,726,951</b>	<b>382,162,043</b>	<b>397,592,603</b>	<b>413,044,539</b>
<b>% of Total Revenue</b>	<b>95.2%</b>	<b>95.2%</b>	<b>95.8%</b>	<b>96.0%</b>	<b>96.1%</b>	<b>96.2%</b>	<b>96.3%</b>
All Other General Fund	17,469,267	17,266,055	15,324,460	15,484,175	15,526,678	15,692,054	15,740,382
<b>Total</b>	<b>360,795,641</b>	<b>360,965,584</b>	<b>368,908,639</b>	<b>383,211,126</b>	<b>397,688,721</b>	<b>413,284,657</b>	<b>428,784,921</b>
% Change in Ongoing Revenue		0.05%	2.20%	3.88%	3.78%	3.92%	3.75%
<i>AV Growth</i>	2.85%	2.78%	2.85%	3.25%	3.50%	3.70%	3.60%
<i>Compression</i>	3.45%	3.95%	4.35%	3.95%	3.80%	3.70%	3.50%
<i>BIT Growth</i>	0.53%	8.51%	3.25%	6.25%	6.40%	6.30%	5.50%

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.

3. Forecasted FY 2013 'All Other General Fund' & 'Indirect' not update to reflect Approved.



# Expenditures – PERS (In General)

- **Current avg. blended Tier 1 & 2/OPSRP Rate** (*excludes IAP*): **16.3%**
- **Projections for 2013-15**
  - ✓ December 31, 2010 valuation rate projection (from November 2011): 19.9%
  - ✓ Updated to reflect actual 2011 earnings (2.21% vs. 8%): **21.8%**
- **About half of current rates for benefits earned in current period; half for UAL.**
- **93% of accrued liabilities are for retirees, inactive, and Tier 1.**
- **Funded Status** (*at end of year*):
  - ✓ 2007 PERS funded at 112%
  - ✓ 2008 PERS funded at 80% due to 27% investment loss
  - ✓ 2010 PERS funded at 87% due to earnings of 19% and 12.5% in 2009 & 2010
  - ✓ 2011 PERS funded at 81% due to weak earnings of 2.21%
- **Investment earnings expected to provide 85% of PERS funding over long-term**
  - ✓ With assumed 8% earnings
- **Rate Collaring – Intended to ‘stabilize’ rate changes. Rates change:**
  - ✓ By up to 3% of payroll or 20% of previous rate if between 80% and 120% funded.
  - ✓ By up to 6% of payroll or 40% of previous base rate if less than 80% funded.



# Expenditures – Prelim. Personnel Costs

## General Fund Impacts of Preliminary FY 2014 Personnel Cost Update

		FY 13	FY 14	FY 15	FY 16	FY 17
<b>March 2012 Forecast Assumptions</b>	Personnel Cost	230,426,942	240,220,087	252,231,091	265,851,570	280,473,407
	% Increase		4.25%	5.00%	5.40%	5.50%
<b>Preliminary Updated Estimates</b>	Personnel Cost	230,426,942	245,865,547	257,273,709	268,465,115	279,311,105
	% Increase		6.70%	4.64%	4.35%	4.04%
<b>Change from March Forecast Assumptions</b>	Personnel Cost		5,645,460	5,042,617	2,613,544	(1,162,301)
	% Increase		2.45%	-0.36%	-1.05%	-1.46%

### Notes:

1. PERS rates/assumptions based on Nov 18, 2011 dated 12/31/2010 Actuarial Valuation Report plus 2% advice from April 18, 2012 e-mail from PERS re: Status report for new rates, less 1% of assumed smoothing and/or offset. Net rate increase used is 4.33% of payroll.
2. The PERS 2010 valuation report rate projections assumed 8% earnings for 2011. Actual earnings were 2.21%.
3. Final 2013-15 rates will be adopted by the PERS Board on Friday, September 28, 2012.
4. Medical/Dental costs assumed to increase by 5 to 6 percentage points per year.
5. FY 13 Personnel costs originally assumed to grow by 5.25%. Actual 3.23%.
6. Assumes no additional contribution to OPEB liability.
7. Excludes FQHC subfund related personnel costs of approximately \$24.5 million.



# 5-Year General Fund Forecast

## Changes to Ongoing General Fund Expenditure/Revenue Gap

	FY 13	FY 14	FY 15	FY 16	FY 17
March 2012 Forecast Gap Growth	0	(1,092,933)	(2,618,218)	(2,885,420)	(3,913,688)
March 2012 Cumulative Gap			(3,711,151)	(6,596,571)	(10,510,259)
Change in Gap Due to Prelim. FY 2014 Personnel Cost Update	0	(5,645,460)	(5,042,617)	(2,613,544)	1,162,301
Net BIT Adjustment	2,126,944	2,376,537	2,231,857	1,472,731	696,340
May 2012 Forecast Gap Growth	0	(4,361,856)	(5,428,978)	(4,026,233)	(2,055,047)
May 2012 Forecast Cumulative Gap			(9,790,834)	(13,817,068)	(15,872,114)
<i>Gap growth per Year as % of GF Expenditures</i>		-1.13%	-1.35%	-0.95%	-0.46%
<i>Cummulative Gap is this % of Expenditures</i>			-2.43%	-3.27%	-3.58%

### Notes:

1. Assumes FY 13 gap closed on ongoing basis.
2. Net BIT adjustment reflects both increased BIT revenues and increased transfers to the East County cities.
3. Excludes FQHC subfund related personnel costs of approximately \$24.5 million.





# Forecast Risks & Issues

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



# Recommendations Needing BCC Action

- Roll unallocated \$1.8 million FY 2012 CGF Contingency over to FY 2013 CGF Contingency.
  - ✓ Total contingency lower than in prior year & provides Board flexibility
  - ✓ Appropriation needed if Board wishes to spend the funds in FY 2013
- Place additional (OTO) FY 2013 BIT of \$2.1 million in CGF Contingency pending:
  - ✓ Property Tax Roll Certification (early October 2012)
  - ✓ PERS rates (September 28, 2012)
  - ✓ October General Fund Forecast
  - ✓ Addresses:
    - BIT Reserve @ 8% vs. 10%
    - Lower total contingency than in prior years
    - Provides Board flexibility
    - In same action, also add appropriation to transfer East County Cities share



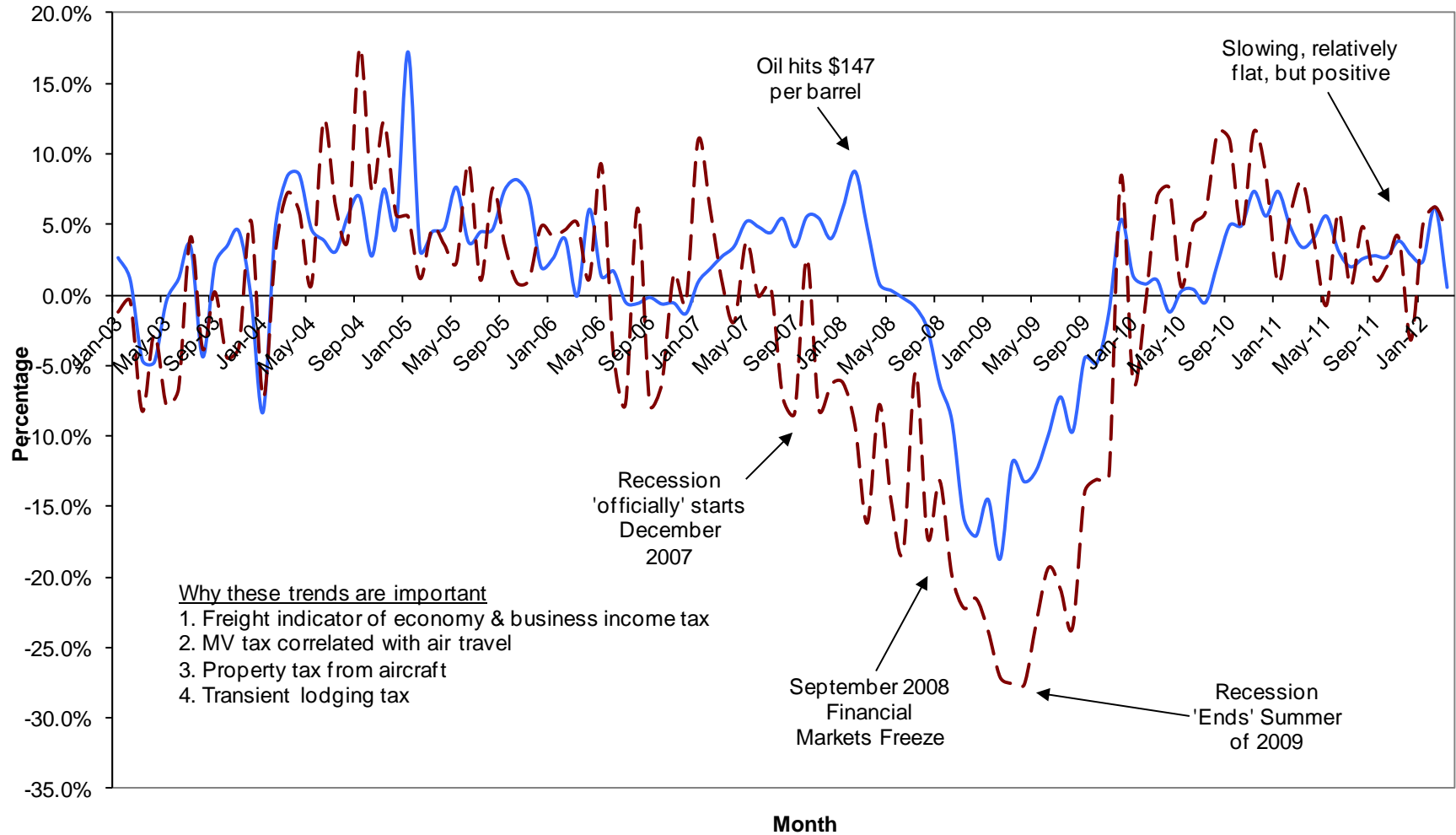
# Summary

- FY 2012 General Fund revenues up an additional \$2.7 million (0.74%) due to BIT collections.
  - ✓ For the fiscal year, up \$170,000 (0.05%)
- FY 2012 (unallocated) General Fund contingency at \$1.8 million.
  - ✓ Additional requests are forthcoming
- FY 2013 additional OTO of \$2.1 million due to BIT.
- FY 2014 Revenue/Expenditure gap of \$4.4 million or 1.13% of expenditures.
  - ✓ Grows between \$2.0 million and \$5.4 million per year through FY 2017
  - ✓ Faster personnel cost growth in short-term, due to PERs, is driving factor
  - ✓ Faster BIT return to 'normal' partially offsets
- Major risks to economy and revenue outside of our control.
- Questions?



# Appendix

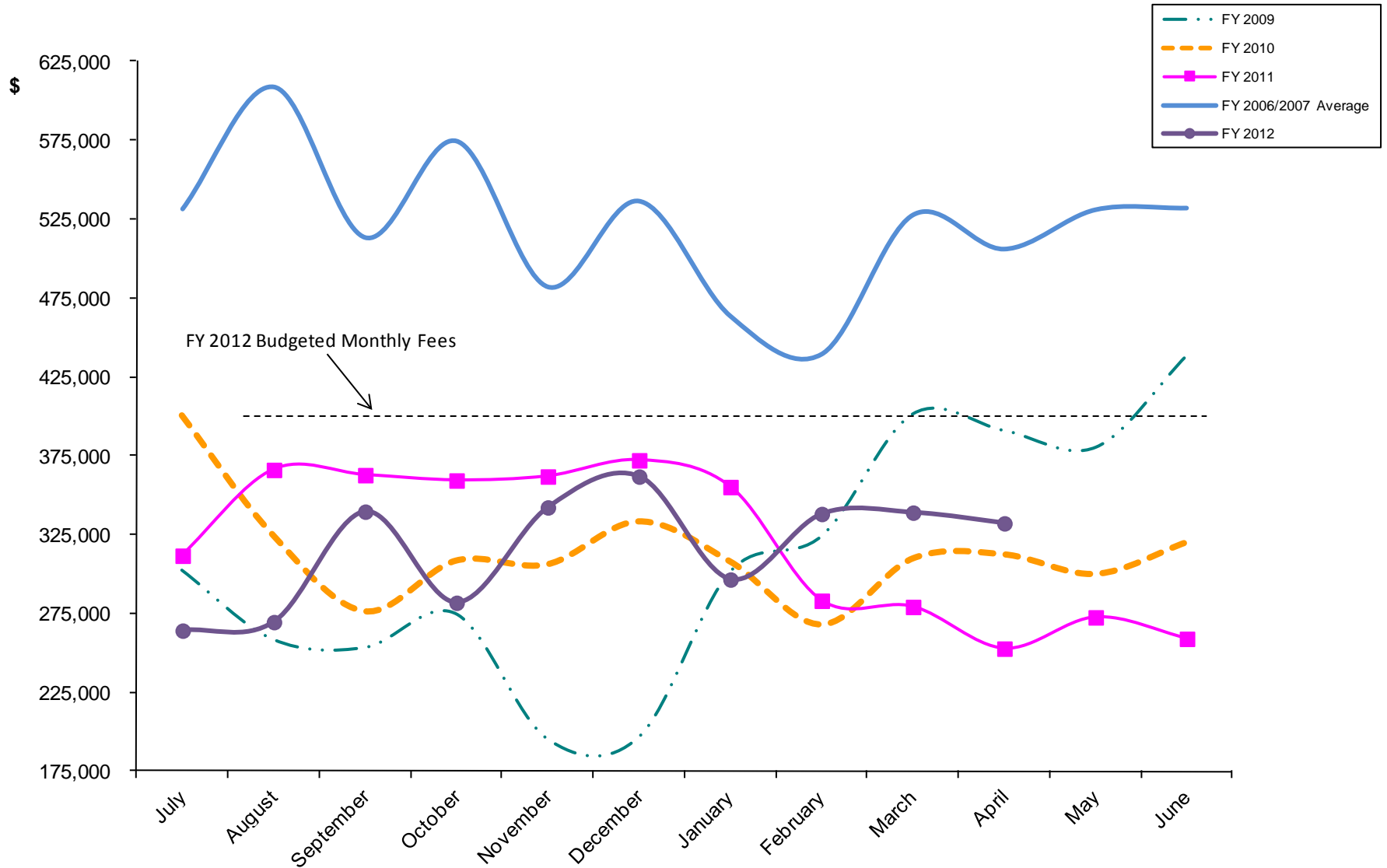
Year-Over-Year Change in Passengers & Freight at PDX (Thru March)



— Change in Domestic Deplaned Passengers    - - - Change in Total Enplaned & Deplaned Air Freight

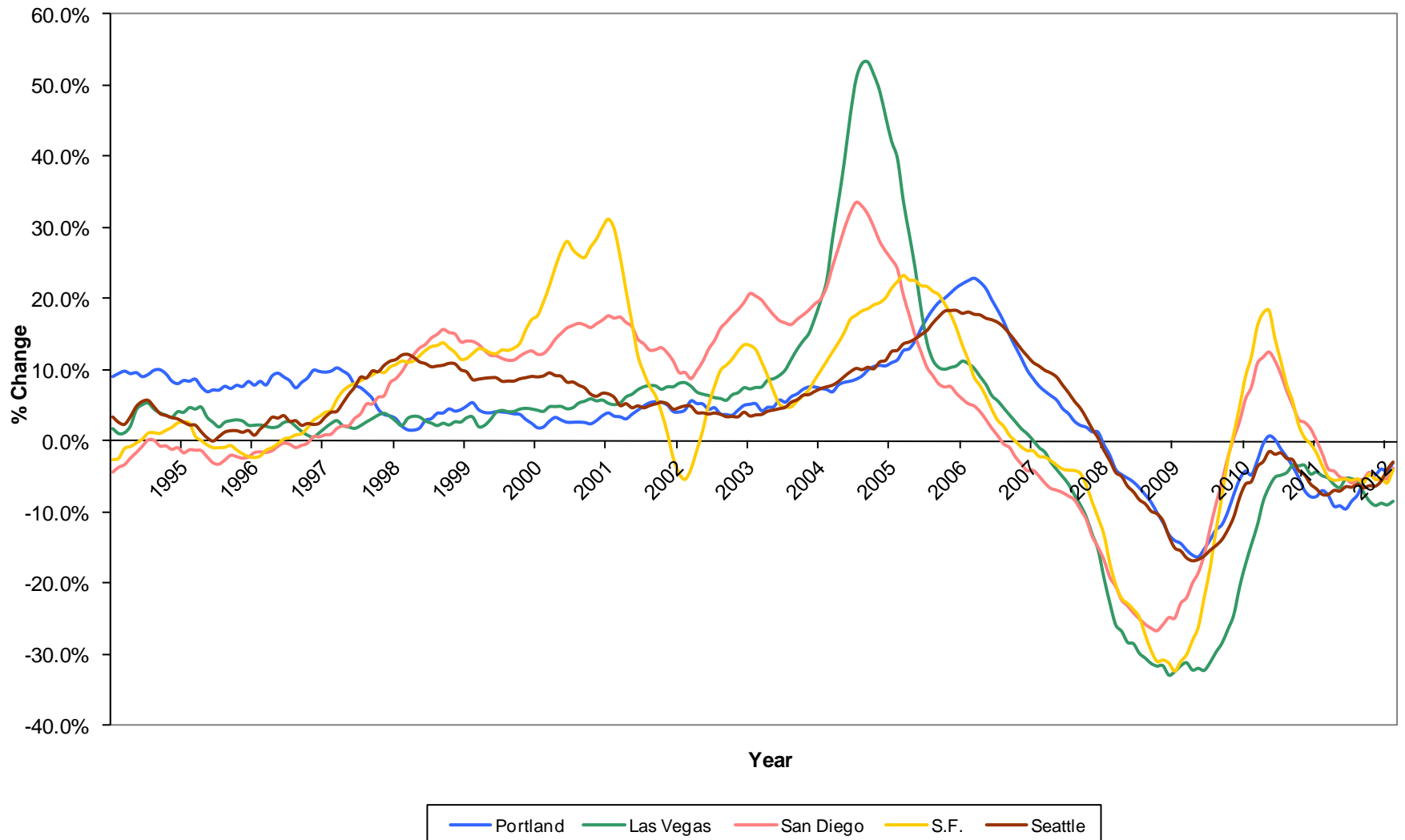
# Appendix

## Monthly Recording Fees (Thru April)



# Appendix

**Monthly Year-Over-Year % Change**  
*Based on S&P/Case-Shiller Home Price Index Thru February 2012*



# Appendix

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

