

# Multnomah County Budget Priority Setting Process



## *Forecast Assumptions*

- “Structural” Deficit Caused by Imbalance Between Ongoing Revenue and Cost to Maintain Existing Services
- Requires Budget Reductions Estimated @ \$6 - \$6.5 Million in FY 05-06
- ITAX Sunsets Following FY 05-06; No Replacement Revenue
- ITAX Funded Programs Estimated at \$35 - \$36 Million in FY 06-07

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## *ITAX Sunset The Situation Today*

	Current Year	Next Year	Year 3
	FY 04-05	FY 05-06	FY 06-07
Beginning Balance (BWC)	\$ 19.5	\$ 9.9	\$ 3.7
Revenue	305.7	310.4	281.2
Expenses	303.3	316.6	320.9
Excess/(Deficit)	2.4	(6.2)	(39.7)
Ending Balance	\$ 21.9	\$ 3.7	\$ (36.1)
(Less Reserve)	(12.0)		
Available for OTO Use	\$ 9.9		

- Revenue Available to Purchase Results

FY 05-06 = \$310.4 M

FY 06-07 = \$281.2 M

- “Structural Deficit”

FY 05-06 = \$6.2 M

FY 06-07 = \$3.7 M

- ITAX Funded Programs

FY 06-07 = \$36.0 M

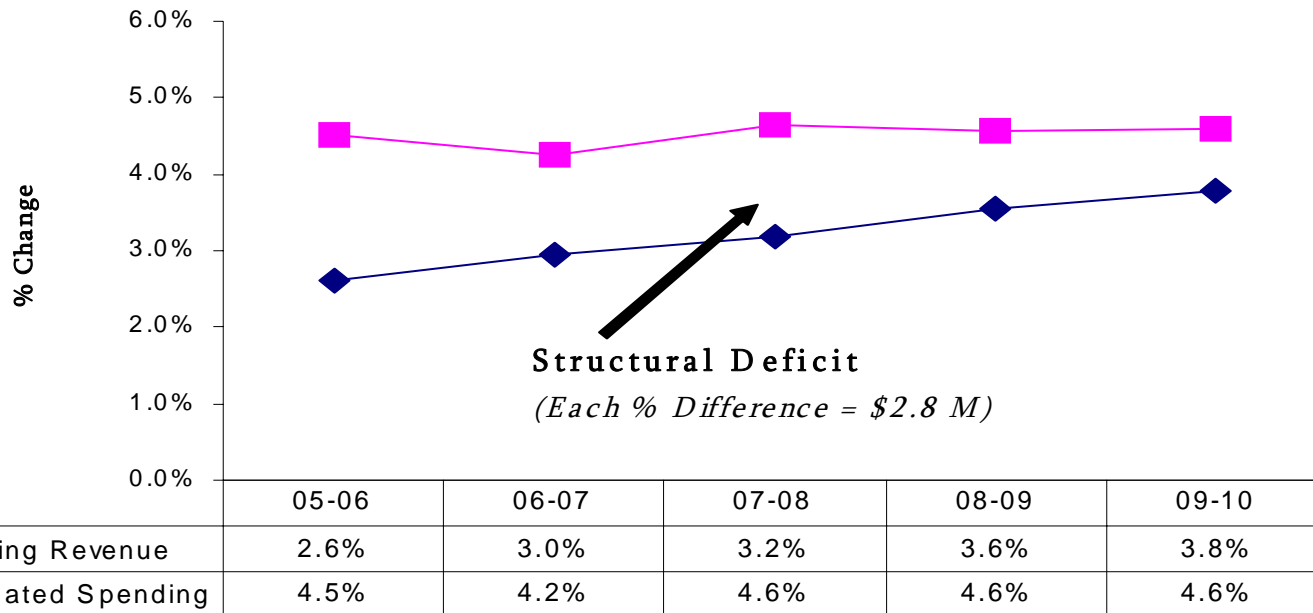
- GF Reserve Fully Funded

- OTO Revenue Available – Forecast Risks

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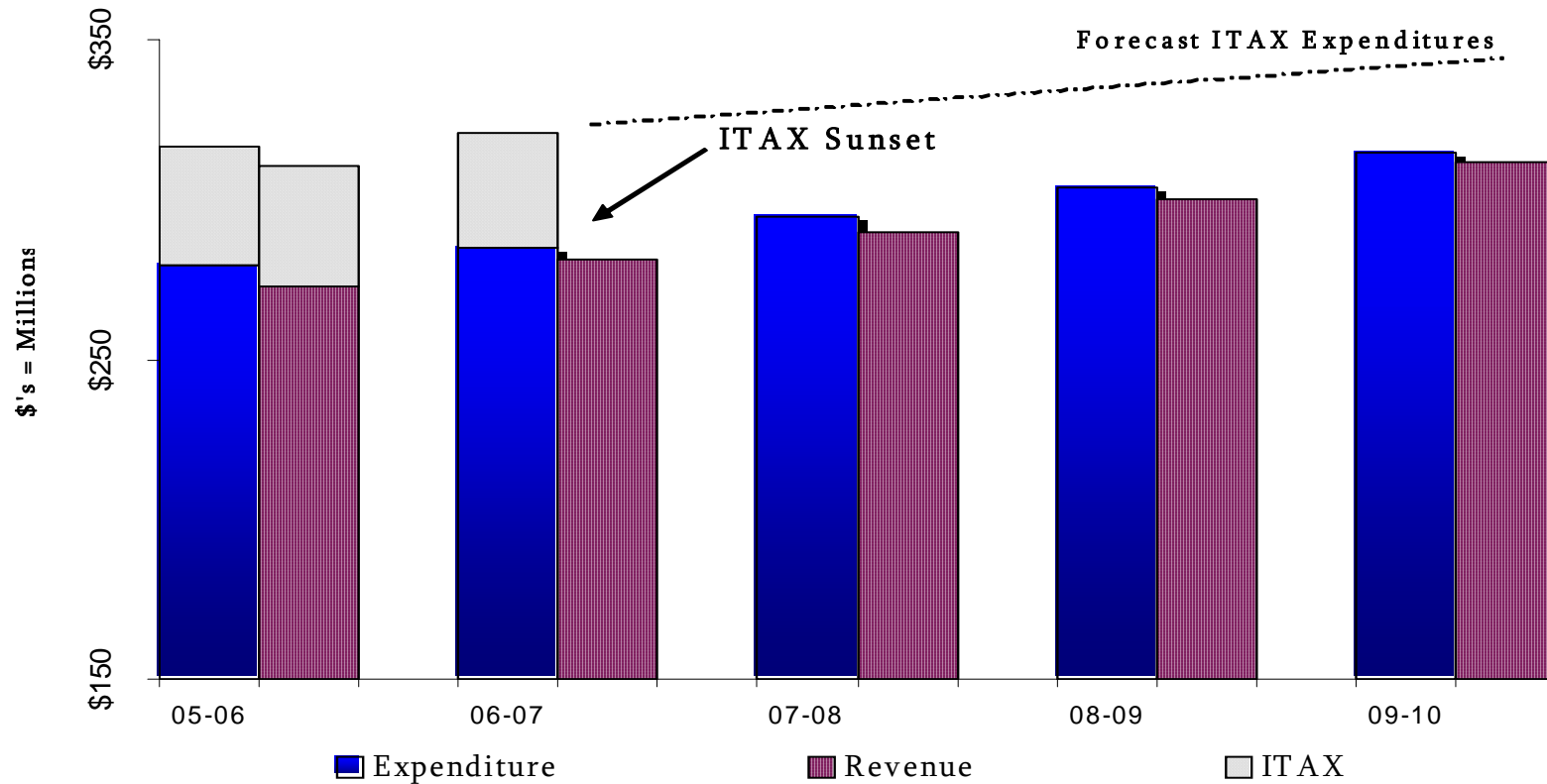
**Forecast General Fund Growth**  
*Excludes Personal Income Tax*



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## 5 Year General Fund Outlook



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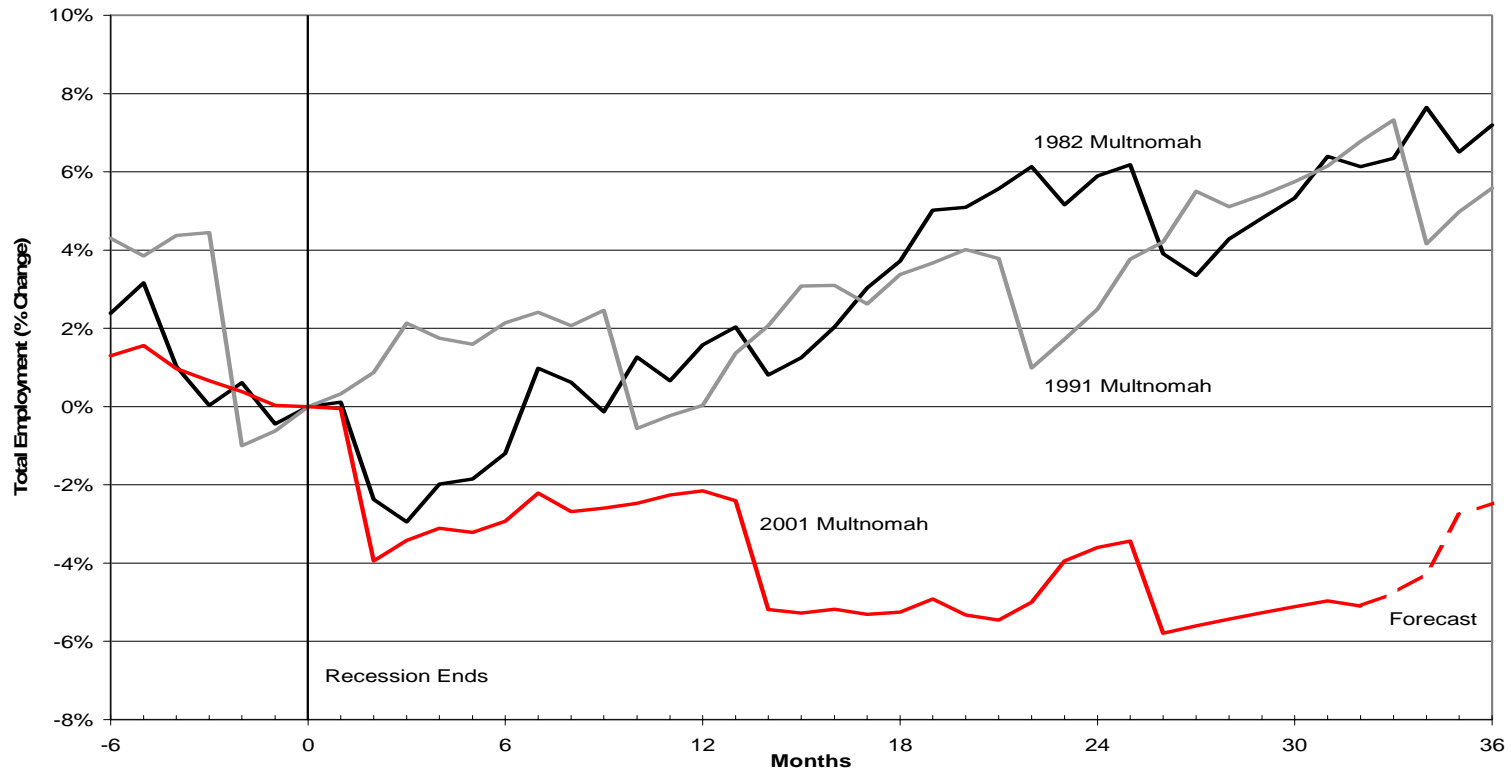
## Revenue Assumptions

- Property Tax Accounts for Over 2/3<sup>rd</sup> of General Fund
- Growth Dependent on Assessed Value Growth, Competing Levy Values, and Urban Renewal
- Forecast Estimates Average Value Growth @ 3% - 4% Annually
- Business Income Tax (BIT) Will Follow Economic Trends; ECONW Forecast Suggests a Bumpy Recovery
- Five Year Outlook Assumes Overall BIT Growth Between 1.5% - 3%
- All Other Revenue Sources Expected to Range From Flat (Conservative) to Keeping Pace w/ Inflation (Optimistic)

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*Total Employment as % Change From Recession End*  
Comparison of Three Recessionary Periods



Note: Recession ends based on NBER released dates: November 1982, March 1991, and November 2001.

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## *Expenditure Assumptions*

- Moderate Fluctuations in CPI; Forecast Assumes Inflation Does Not Exceed 3% Annually Over the Five Year Period
- Wages and Benefits Will Grow at More Than Double the Rate of Inflation
- Primary Cost Driver for Personal Services Will Continue to Be Cost of Benefits (PERS and Medical/Dental)
- GF “Commitments” Represent Between 20% - 25% of Current Expenditures
- Reserves are Fully Funded by End of FY 04-05

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## *Forecast Risks*

- State Budget Shortfall for FY 05-07 Biennium (\$1 Billion)
- Rate of Economic Recovery – Job Growth Still Lagging
- Unknown Impacts of Measure 37 Related to Land Use and Zoning
- Continued High Energy Costs and Their Dampening Effect on the Economy
- Impact of Federal Budget Deficits and the Administration's Shifting Emphasis to Homeland Security and Foreign Policy Initiatives



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## Summary of Options to Manage ITAX Sunset

		Annual Reduction Required		
		FY 05-06	FY 06-07	OTO Available
Option # 1	Balance FY 05-06 Budget	\$ 6.2	\$ 39.7	\$ 9.0
Option # 2	Cover Two Years of Structural Deficit	\$ 10.0	\$ 35.9	\$ 12.8
Option # 3	"Glide Path" to ITAX Sunset	\$ 15.9	\$ 30.0	\$ 18.7

Note: ITAX Programs Forecast to Cost Approximately \$3 Million per Month in FY 06-07