



General Fund Forecast Update

*Presentation to the Board of County
Commissioners*

Multnomah County Budget Office

February 17, 2009

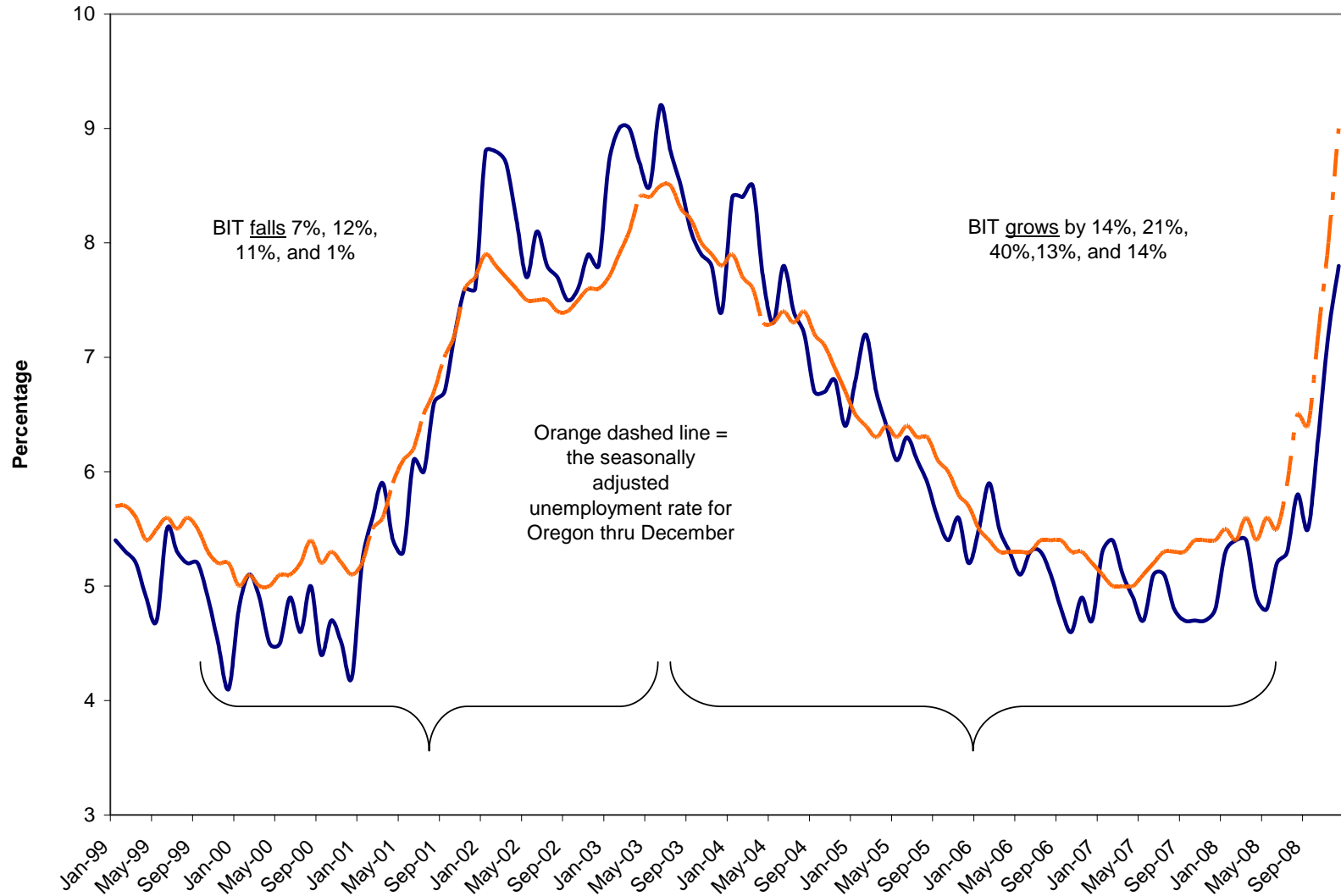
Introduction

- FY 2009 -- The Bad & Not So Bad...
 - FY 2009 BIT Collections & Forecast
 - FY 2009 Ending Balance & One-Time-Only Funds for FY 2010
- Economic Overview
- FY 2010 General Fund Forecast
 - Operating Deficit Overview
 - Revenues
 - Expenditure Assumptions
 - ✓ No Change from October Forecast
 - ✓ CPI/COLA
 - Forecast Risks & Issues
- Summary & Questions



Unemployment Rate & BIT

Unemployment Rate - Multnomah County
 (Thru December 2008 - Not Seasonally Adjusted)



FY 2009 BIT Collections

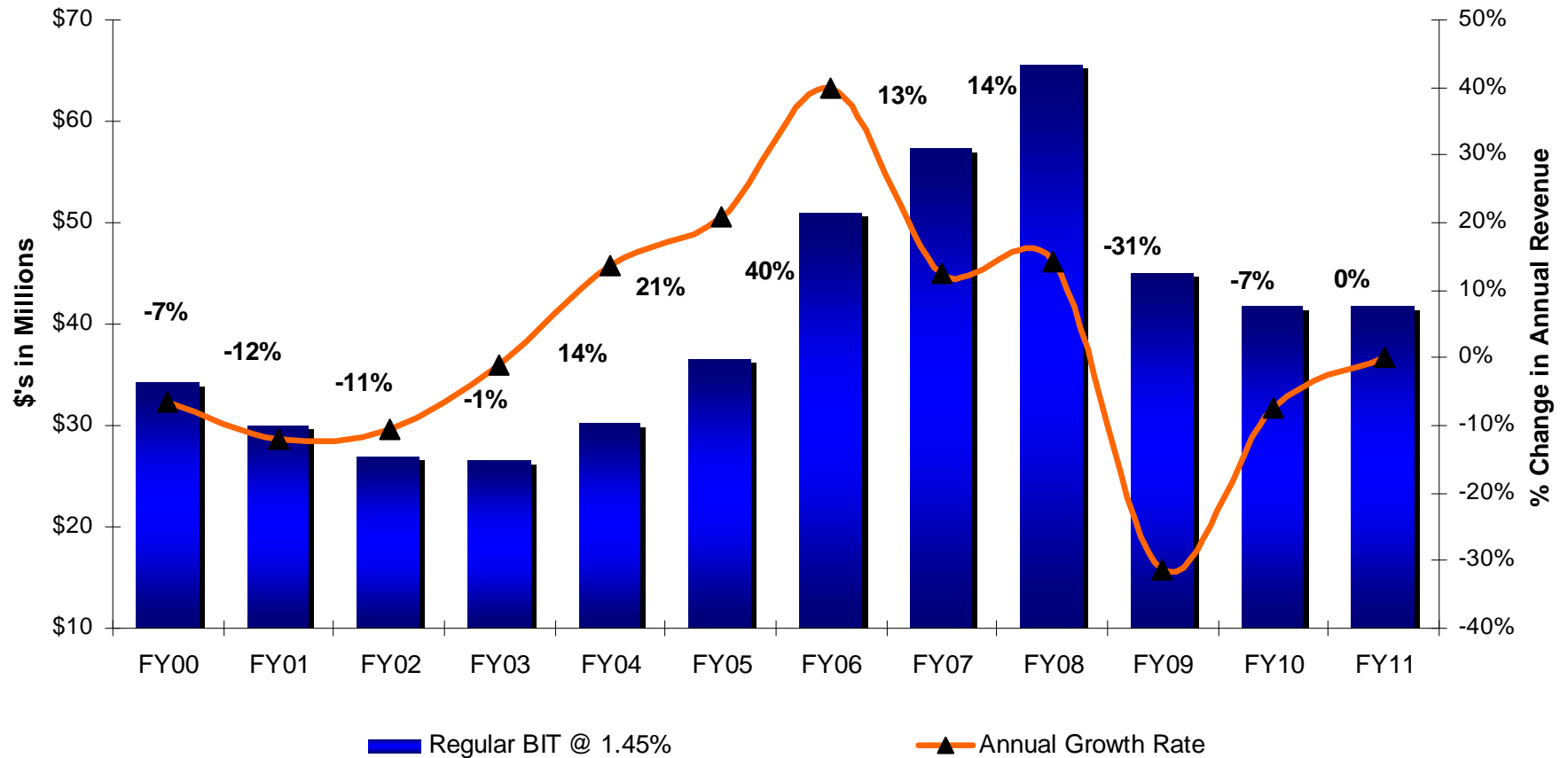
- FY 2009 BIT Collections – Thru January
 - ✓ Quarterly – Down 6.8%
 - ✓ Yearly – Down 17.2%
 - ✓ Refunds – Up 182.7%
 - ✓ Overall – Down 26.2%
 - ✓ Overall – Down \$6.4 million
- FY 2009 Budget Assumed 16% Drop (\$10.8 million)
- Now Assuming 31% Drop (\$20.6 million)
- Will Update after April Returns



Annual BIT Collections

Annual BIT Collections

(FY 2000 to FY 2008 Actuals; FY 2009 Estimated; FY 2010 & 11 Forecast)



FY 2009 Ending Balance

	Amount
Additional BWC in FY 09 (from FY 08)	8,928,428
Wapato Contingency (less \$338,546 for MCDC)	5,795,268
<u>Revenue</u>	
Property Tax	1,747,797
BIT	(9,814,244)
Timber/Secure Schools	1,112,989
Video Lottery	(931,063)
US Marshal	1,175,558
	(6,708,963)
<u>Other Revenue</u>	
CAFFA/A&T Supplement	(300,000)
Recording Fees	(1,935,000)
City of Portland/Chronic Offender	(914,000)
Interest Earnings	(3,060,000)
Less TRAN costs	880,000
Revenue Reserve	3,000,000
	(2,329,000)
Departmental Spending Targets (<i>expenditure side</i>)	10,258,367
Other (A&T, Passports, BIT Payments, etc.)	984,064
General Fund FY 2009 Ending Balance (excluding reserve)	16,928,164
Lower Reserves to 10% per Board Financial Policy	1,086,348
Total OTO Funds Available for FY 2010	18,014,512



Economic Overview

■ National

- ✓ Credit Markets & Financial Sector
- ✓ Weakening economy (Retail sales, industrial production, unemployment, inflation/energy prices, transportation sector)

■ State

- ✓ Employment & income taxes

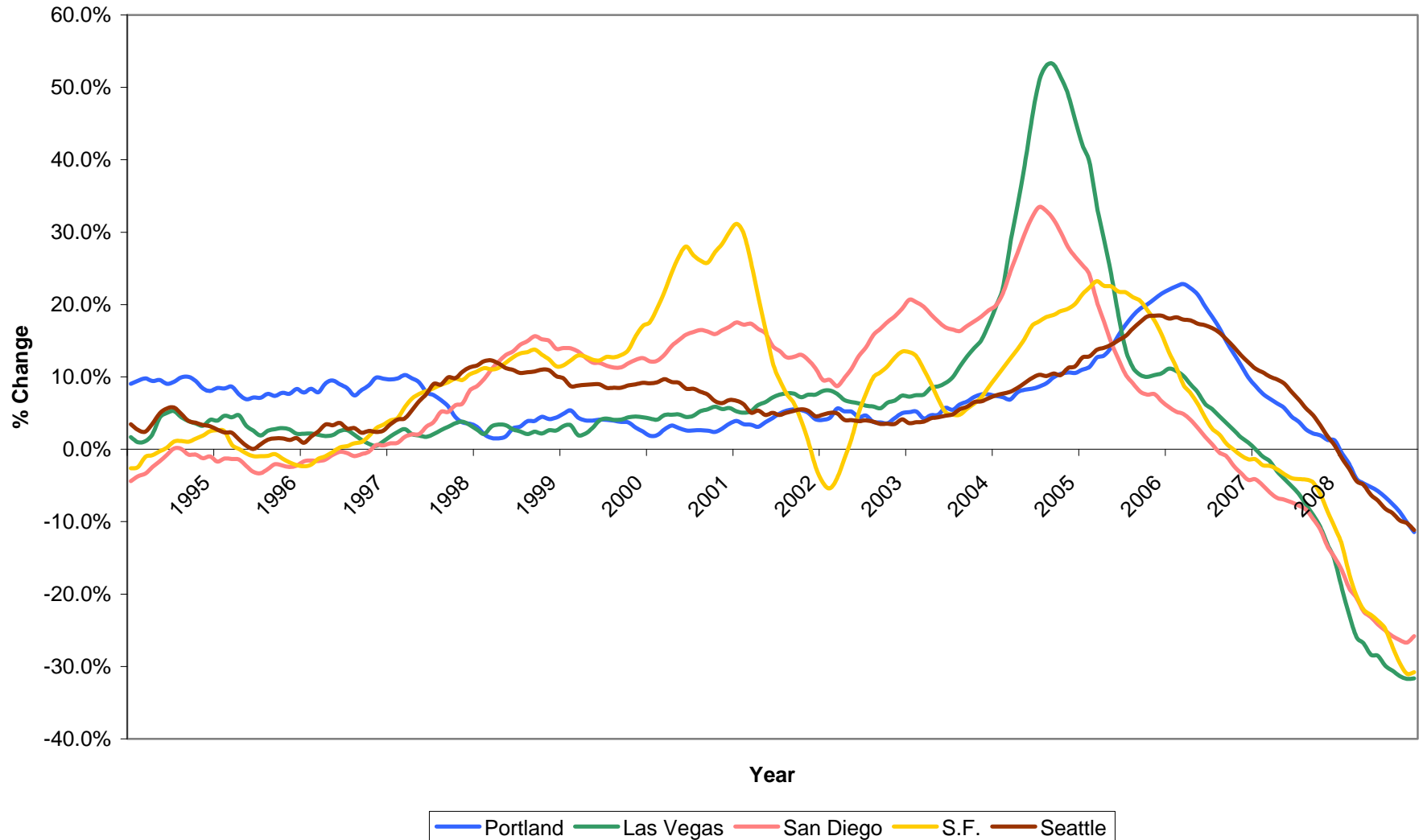
■ Local

- ✓ Housing (prices, defaults, recording fees, builder bankruptcy, bank failures)
- ✓ Unemployment



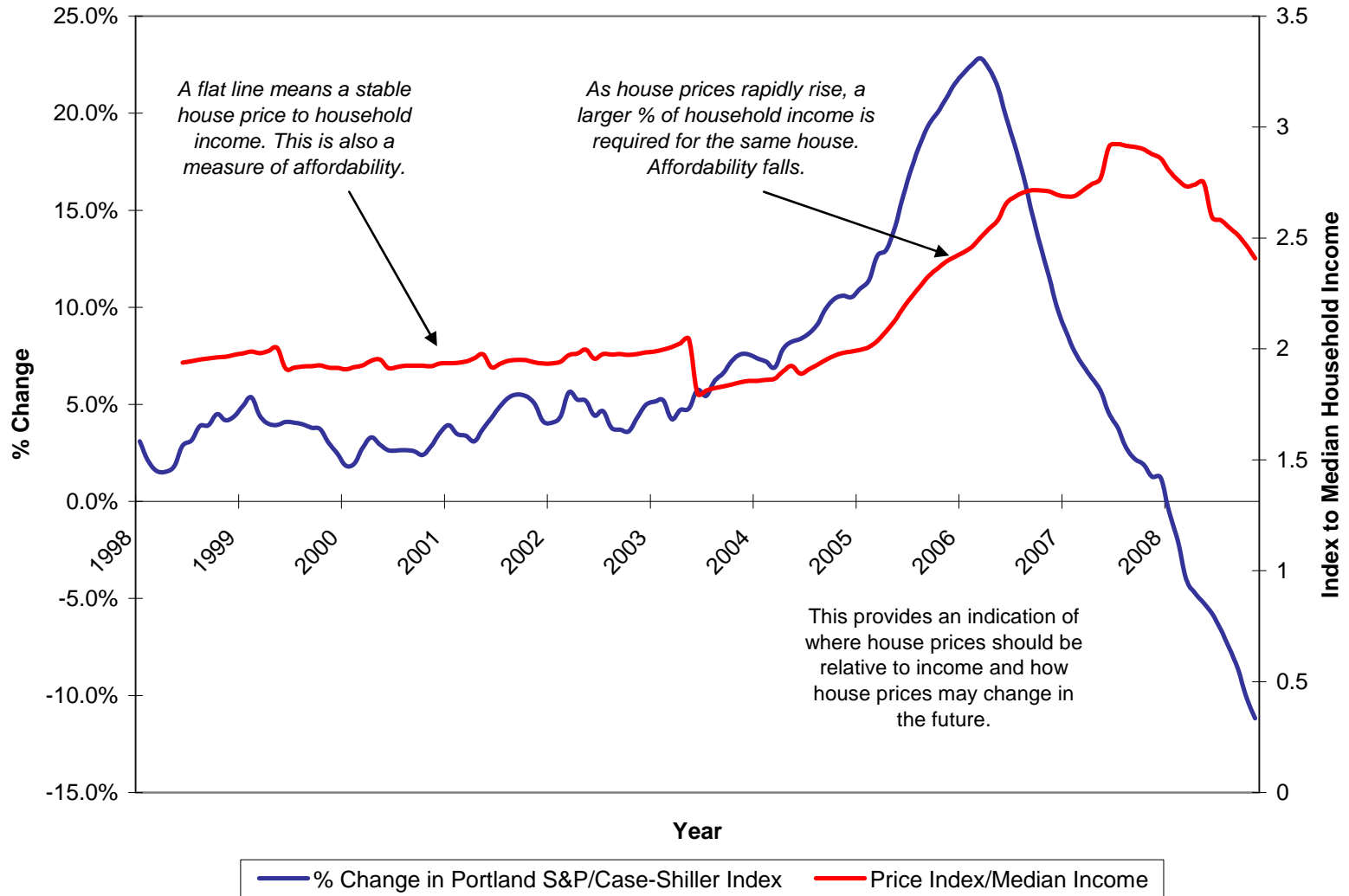
Economic Overview

Monthly Year-Over-Year % Change
Based on S&P/Case-Shiller Home Price Index Thru November 2008



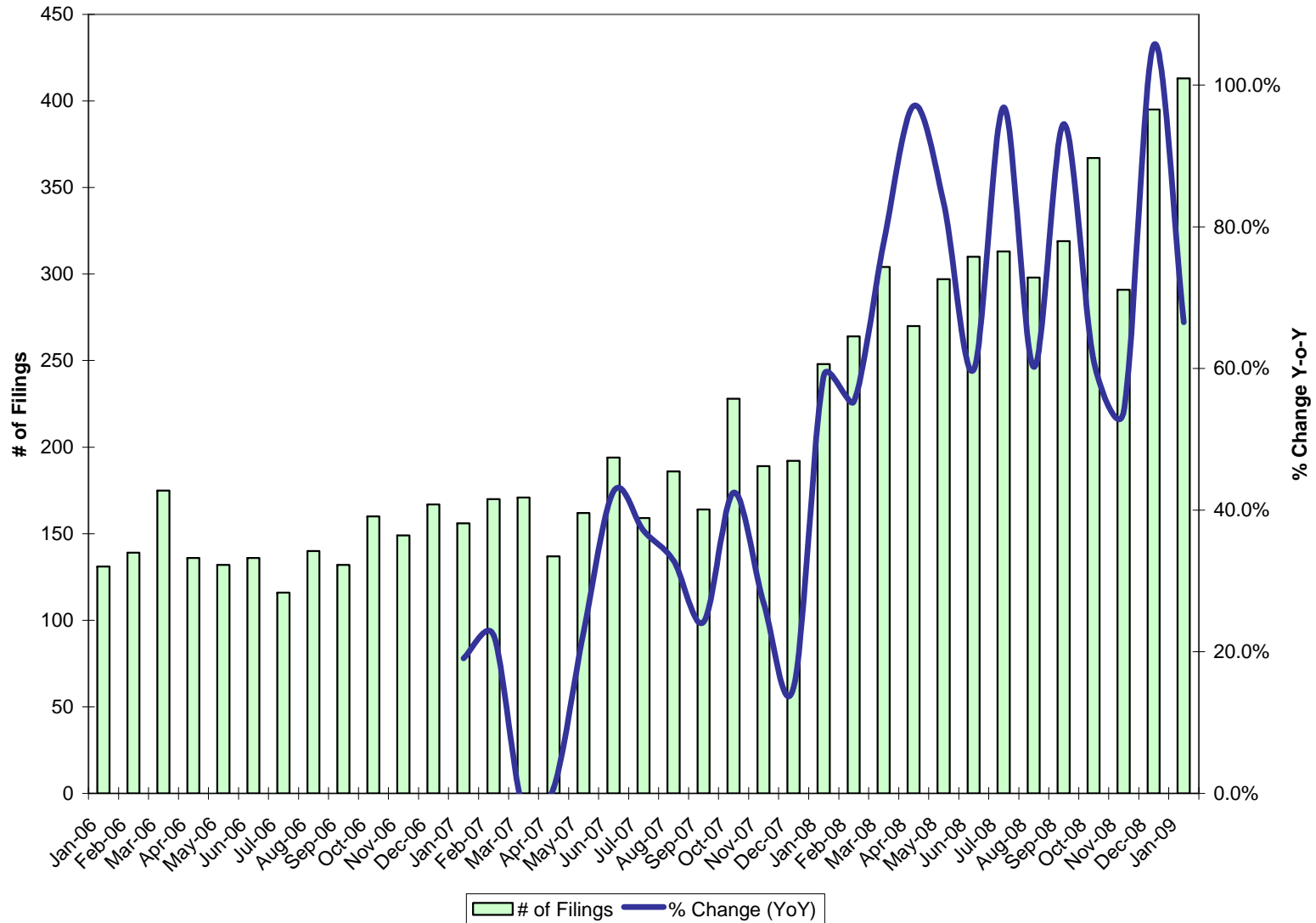
Economic Overview

% Change in Portland S&P/Case-Shiller House Price Index and Index to Median Household Income



Economic Overview

Default Filings in Multnomah County & Year-Over-Year % Change (Thru January)



FY 2010 General Fund Forecast

- The FY 2010 forecast assumes a severe recession with rising unemployment, tight credit, falling real estate values, and general uncertainty and fear.
- Ongoing gap between revenues and expenditures of **\$36.5 million**.
- Explained by:
 - ✓ Reduced Revenues (\$19.0 million)
 - ✓ An ongoing structural deficit (\$5.3 million)
 - ✓ OTO funds in FY 09 supporting ongoing programs (\$4.2 million)
 - ✓ Additional FY 09 spending & annualized program costs (\$4.3 million)
 - ✓ Higher personnel costs (\$3.7 million)



Operating Deficits

- FY 2010 operating deficit equals \$36.5 million
- FY 2011 operating deficit grows to \$45.9 million
- Change in forecast driven mainly by BIT, with Property Tax and Lottery accounting for remainder
- Does not include State or Federal Impacts

General Fund Operating Deficits for FY 2010 & 2011

	October Base <i>(Moderate Recession)</i>	October Pessimistic <i>(More Severe Recession)</i>	February 2009
FY 2010 Operating Deficit	23,857,487	28,870,849	36,533,909
FY 2011 Operating Deficit	30,132,862	35,317,799	45,866,066

Note: FY 2011 operating deficit assumes no action taken in FY 2010



General Fund Revenue Forecast

- FY 2010 ongoing General Fund Revenues \$332.5 million.
 - ✓ Property Tax (66.5%) - \$221.2 million
 - ✓ BIT (12.8%) - \$42.5 million
 - ✓ Motor Vehicle Rental Tax (3.8%) - \$12.7 million
 - ✓ Video Lottery, Liquor & Cigarette Tax (2.8%) - \$9.2 million
 - ✓ A&T Recording/CAFFA (2.0%) - \$6.7 million
 - ✓ Other – Indirect (\$13.0 million), US Marshal (125 beds), Juvenile Detention, City of Portland Chronic Offender



General Fund Revenue Forecast

Major General Fund Revenue Sources

Excludes ITAX Revenue & Beginning Working Capital (BWC)

	Actual FY 2008	Adopted FY 2009	Forecast FY 2009	Forecast FY 2010	Forecast FY 2011	Forecast FY 2012
Property Taxes	\$ 210,236,715	\$ 215,402,002	\$ 217,149,799	\$ 221,248,041	\$ 226,553,162	\$ 235,058,839
Business Income Tax ³	65,650,000	55,664,744	45,850,500	42,528,000	42,528,000	44,654,400
Motor Vehicle Rental	13,481,426	13,212,272	13,212,272	12,672,540	12,989,354	13,379,034
Recording Fees/CAFFA Grant	8,155,190	8,338,200	6,103,200	6,720,000	7,560,000	7,921,200
State Shared Revenues ¹	9,597,728	9,966,817	9,035,754	9,197,471	9,362,528	9,545,244
US Marshal Per Diem	5,938,140	5,803,125	6,978,683	5,917,188	6,091,703	6,271,454
Interest Earnings	5,072,730	4,960,000	1,900,000	2,150,000	2,193,000	2,236,860
Timber/Secure Schools Act	1,388,216	0	1,112,989	1,001,690	902,758	556,495
	\$ 319,520,145	\$ 313,347,160	\$ 301,343,197	\$ 301,434,929	\$ 308,180,504	\$ 319,623,525
All Other General Fund ²	28,034,196	31,658,094	30,285,322	31,029,264	31,680,264	28,955,130
Total	\$ 347,554,341	\$ 345,005,254	\$ 331,628,519	\$ 332,464,193	\$ 339,860,768	\$ 348,578,655
% of Total Revenue	91.93%	90.82%	90.87%	90.67%	90.68%	91.69%
% Change in Ongoing Revenue		-0.73%	-3.88%	0.25%	2.22%	2.57%

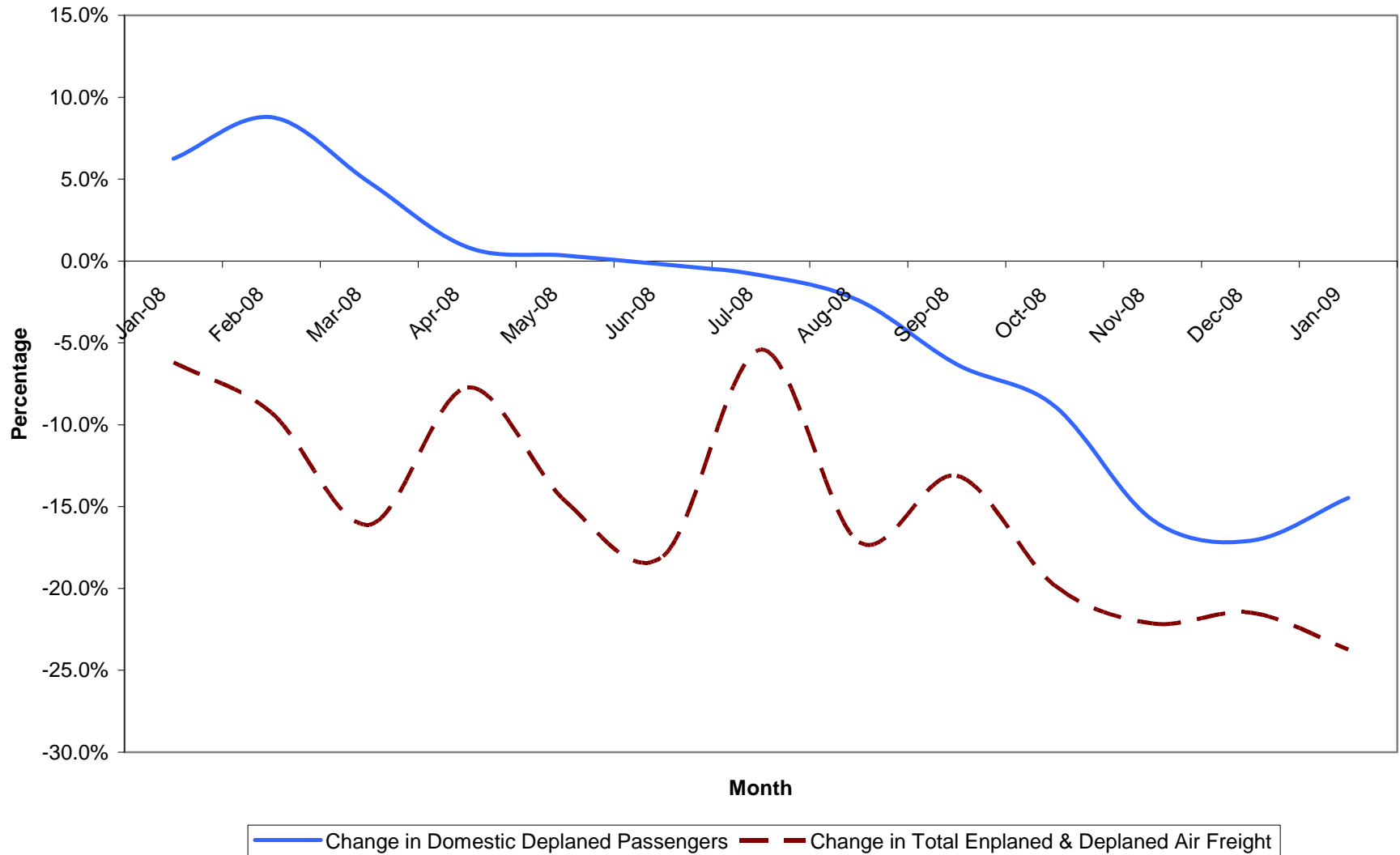
Notes:

1. State Shared Revenues include Video Lottery and OLCC, Cigarette, and Amusement Device Taxes
2. All Other General Fund Exclude ITAX Revenue and Beginning Working Capital (BWC)
3. Not Adjusted for BIT Administration Cost Accounting Change



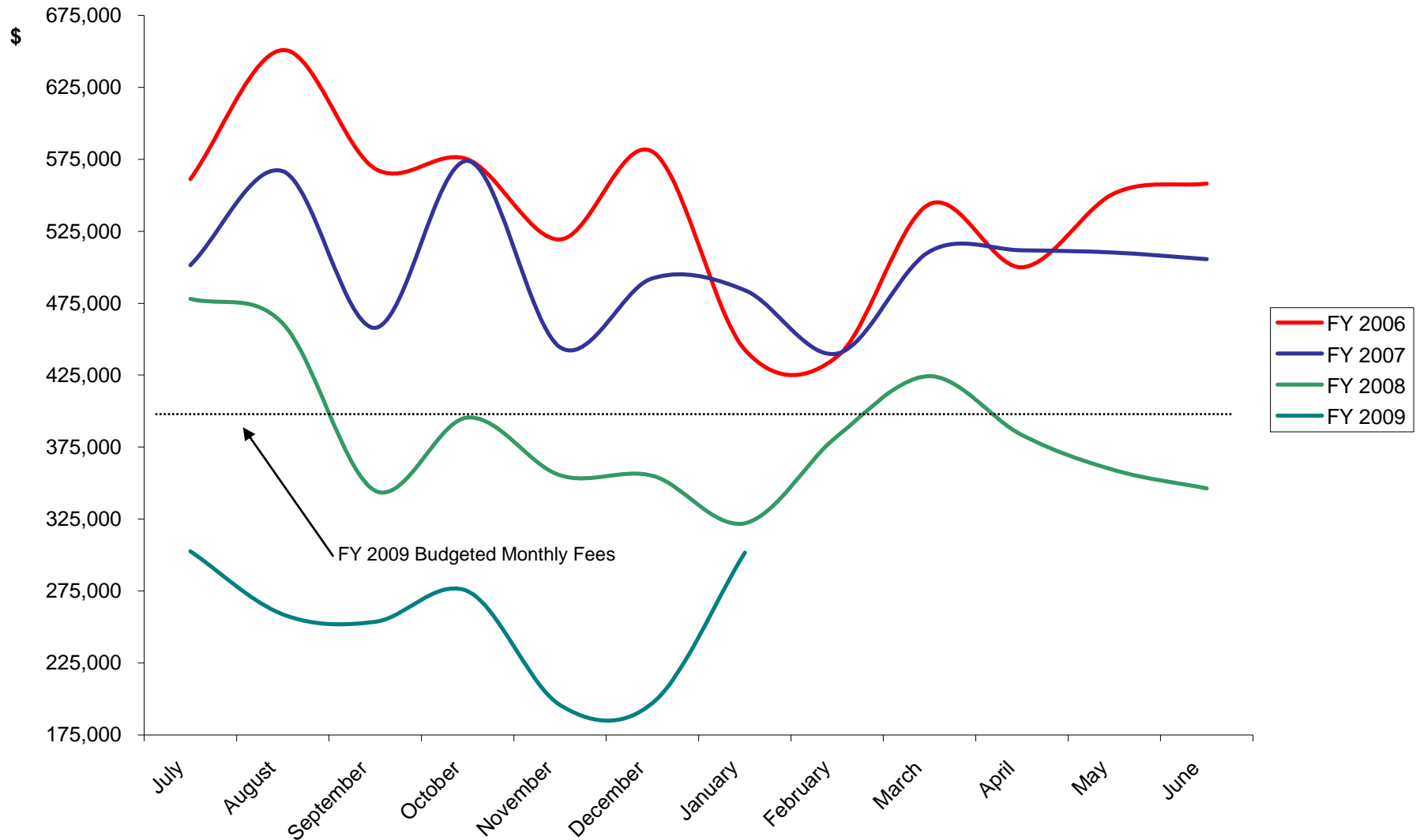
PDX Passenger & Freight Statistics

Year-Over-Year Change in Passengers & Freight at PDX



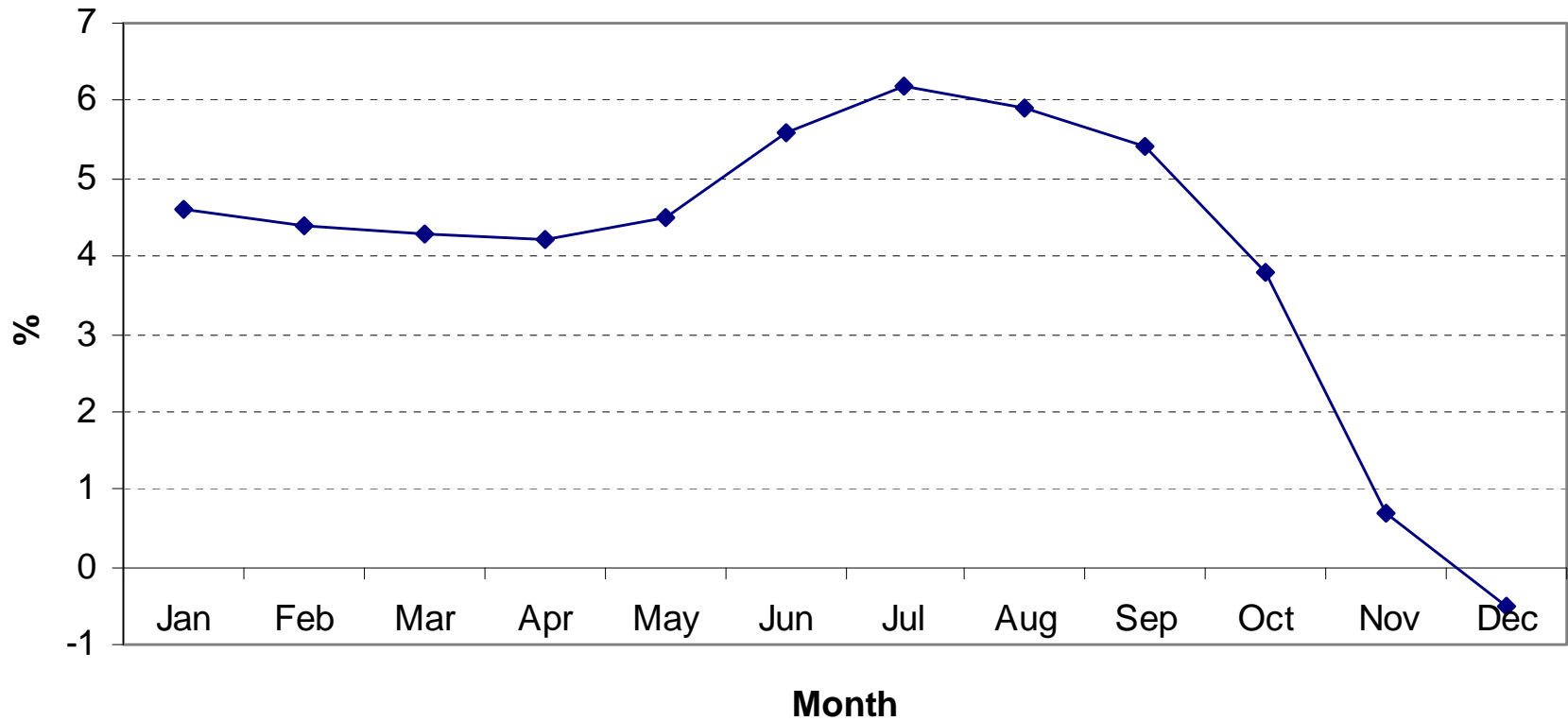
Monthly Recording Fees

Monthly Recording Fees



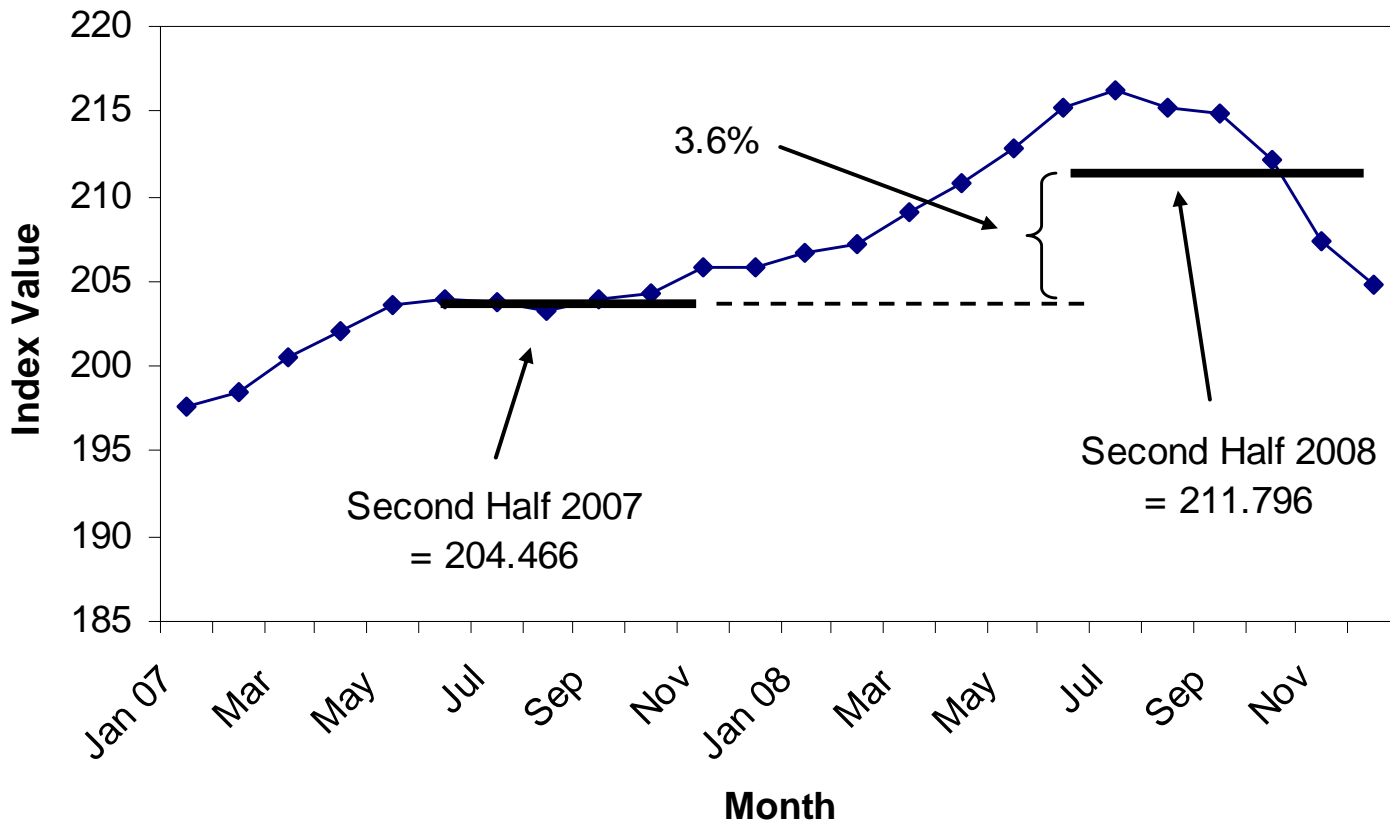
Expenditure Assumptions - CPI

Year-over-Year Percentage Change in the CPI - Urban Wage Earners & Clerical Workers for 2008
U.S. City Average - Not Seasonally Adjusted



Expenditure Assumptions – CPI/COLA

CPI - Urban Wage Earners and Clerical Workers 2007-2008
U.S. City Average - Not Seasonally Adjusted



Forecast Risks & Issues

- Economic conditions continue to worsen
 - ✓ BIT
 - ✓ Length and severity of recession – property tax compression.
 - ✓ FY 2009 State budget impacts & OTO resources for FY 2010
- State Budget
- Internal/Local Issues
 - ✓ A&T IT System Financing
 - ✓ East County Justice Center
 - ✓ Wapato
 - ✓ Bridge Loan Repayment
 - ✓ Retiree Benefits Liability
 - ✓ Others



Summary

- FY 2009 budget okay
 - ✓ Lower BIT & Lottery collections.
 - ✓ Offset by additional BWC, Departmental under spending, and not using Wapato Contingency funds.
 - ✓ Roughly \$18 million of OTO funds from FY 2009 available for FY 2010.
- FY 2010 operating deficit of \$36.5 million.
- FY 2011 operating deficit likely to be \$45.9 million.
- Downside risk to revenue forecast – economy, state impacts, and increasing property tax compression.
- Questions?
- More info @ www.co.multnomah.or.us/BudgetFY2010

