



**FY 2012 General
Fund 5-Year Forecast Update**
*Presentation to the Board of County
Commissioners*

Multnomah County Budget Office

March 3, 2011

Introduction

- Economic Overview
- FY 2011 Review
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- FY 2012 General Fund 5-Year Forecast
 - 5-Year Outlook
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 - Indirect
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 - ✓ No Change from October
 - ✓ CPI/COLA Update
- Forecast Risks & Issues
- Summary & Questions



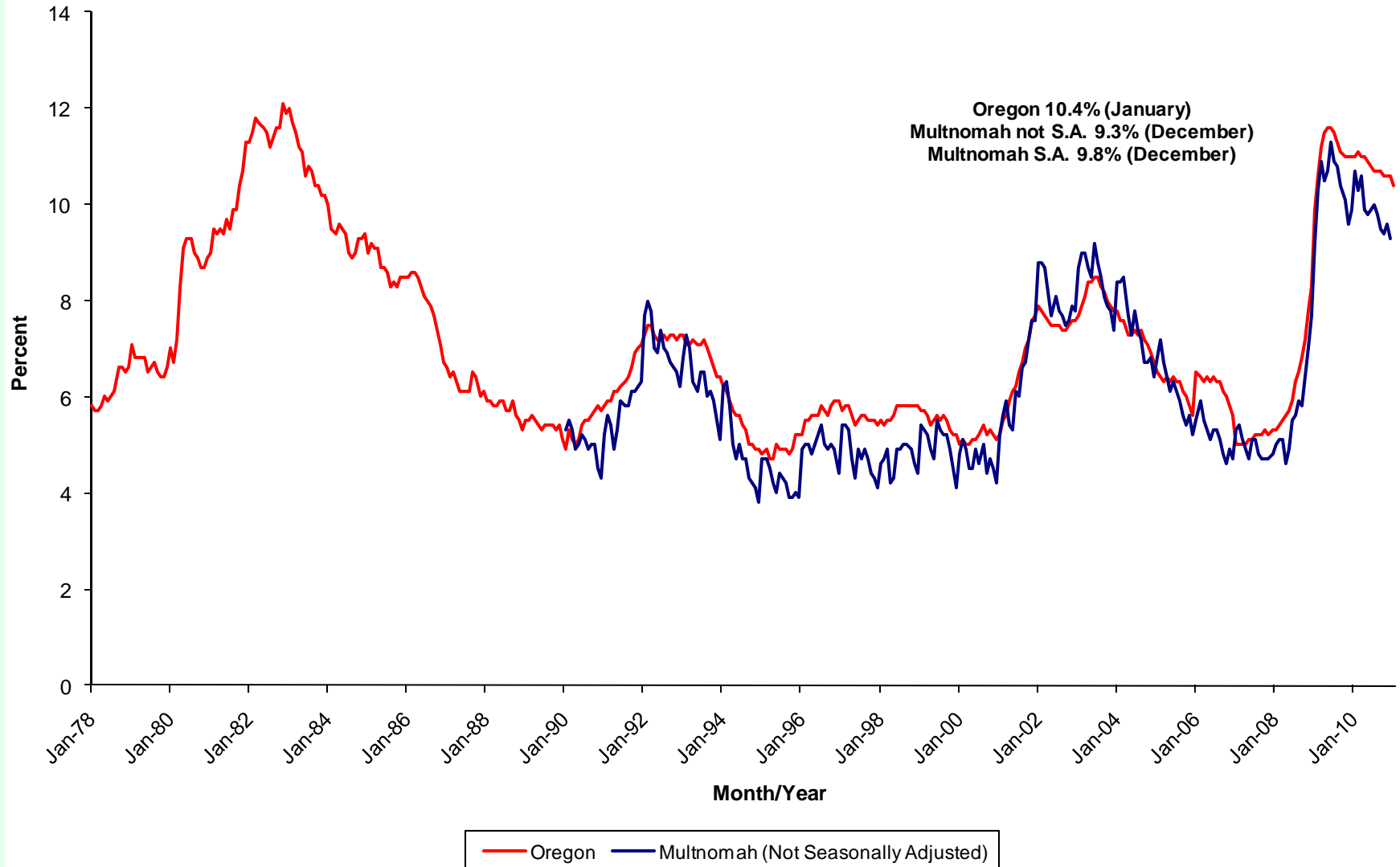
Economic Overview

- A stabilized economy with anemic growth...
 - GDP – Six quarters of growth
 - ✓ 2010 Q3 = 2.6% and Q4 = 2.8%
 - ✓ Slower growth than end of 2009/beginning of 2010... federal stimulus spending on downward vs. upward trajectory, local & state layoffs offset private hiring.
 - ✓ Insufficient growth to significantly draw down unemployment rates.
 - Labor Markets
 - ✓ Weekly Unemployment Claims – 4-week moving average @ 402,000, which is down from 600,000 plus, now below peak levels seen in the last two recessions.
 - Housing
 - ✓ New starts @ annual rate of 596,000 (vs. record low of 477,000 and peak of 2 million plus)
 - Industrial production & transportation
 - ✓ Growth, but still depressed... utilization rate @ 76.1%, which is 4.4% percentage points below average from 1972 to 2009... steady rebound in auto sales.
 - **There is still excess capacity with weak demand** (Personal consumption expenditures (PCE) have been increasing, but real PCE declined in January, and savings increased... consumer deleveraging/saving continues).
- Forecast continues to assume a weak recovery with anemic growth that will be protracted and uneven.

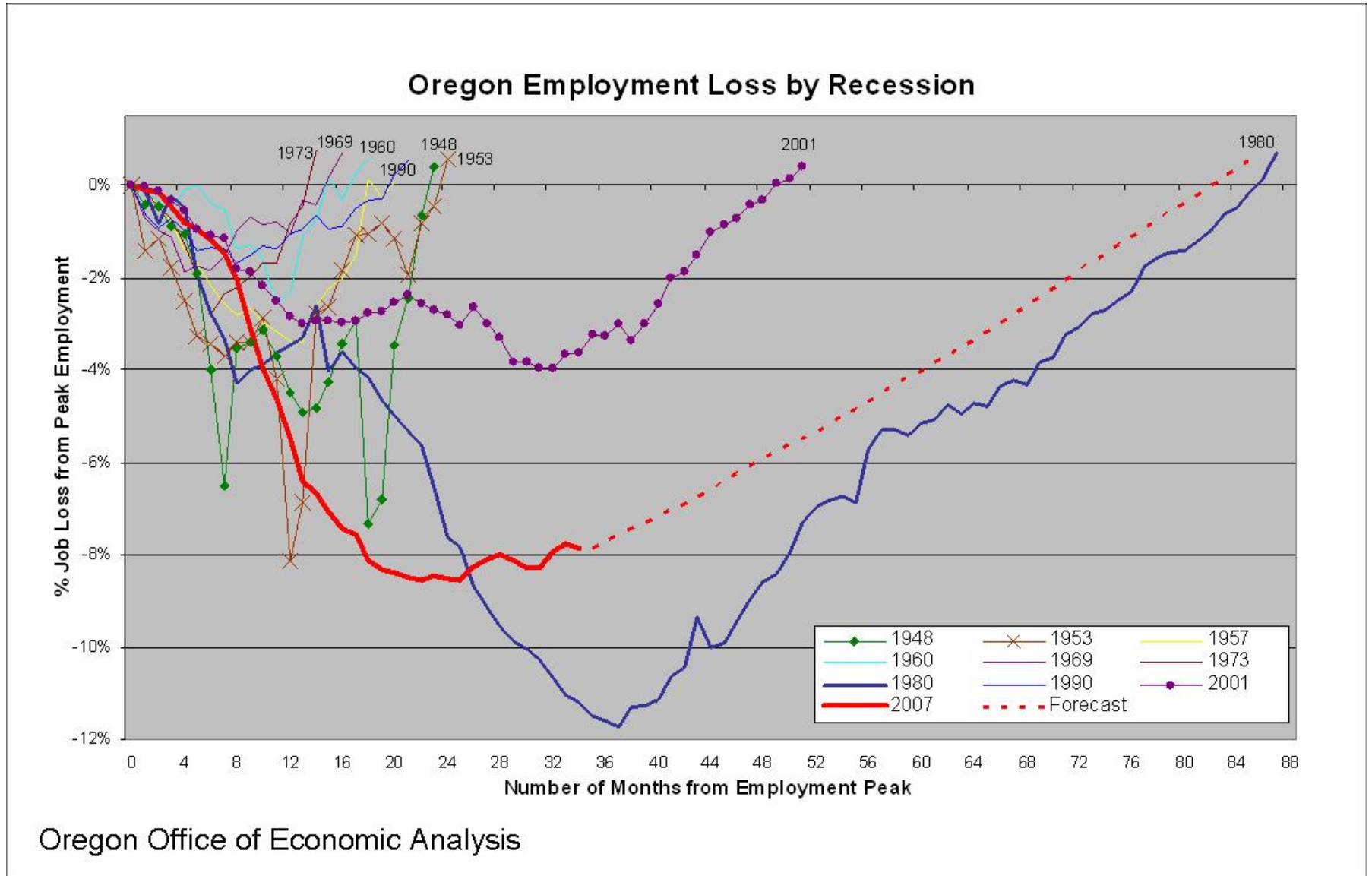


Economic Overview

Oregon & Multnomah County Unemployment Rates



Economic Overview

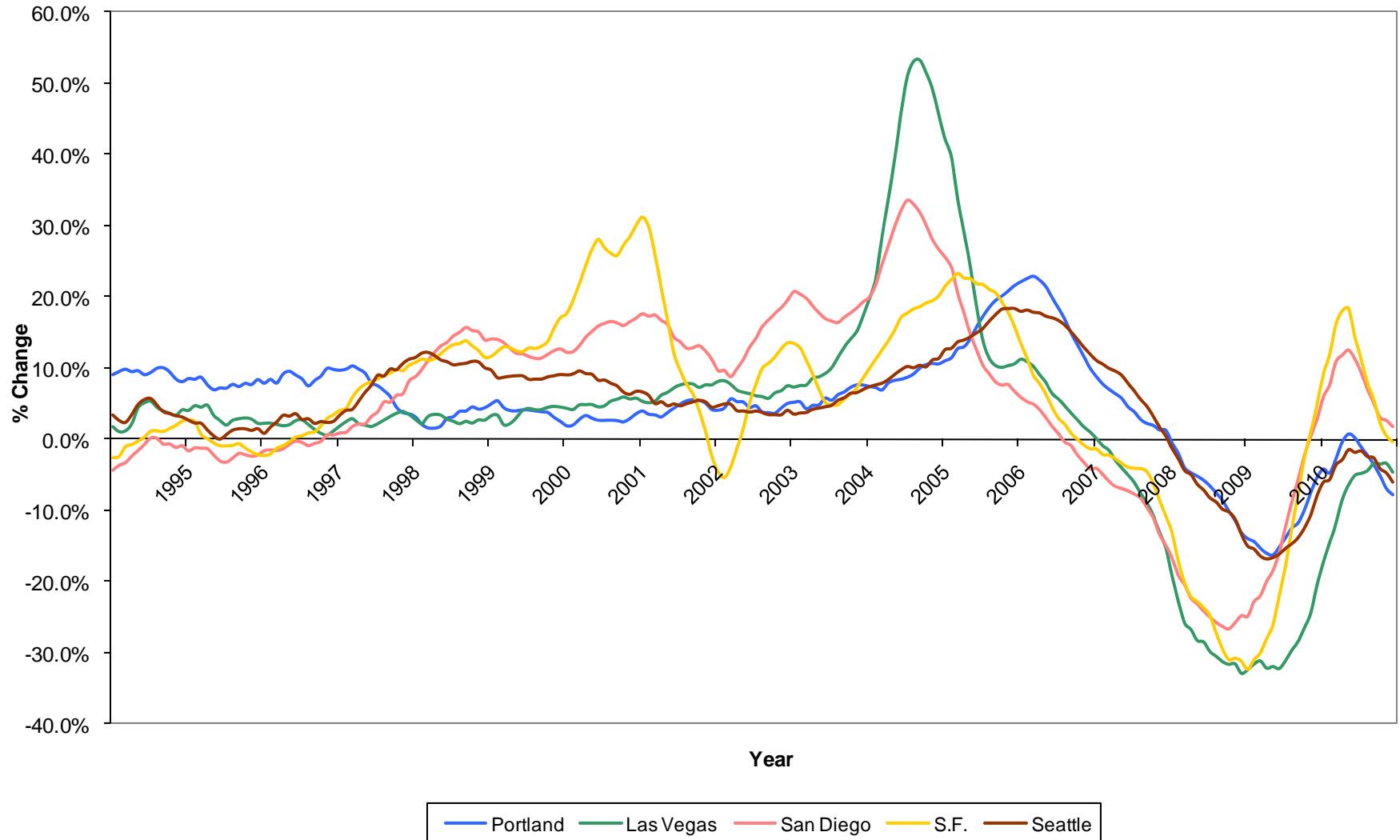


Oregon Office of Economic Analysis



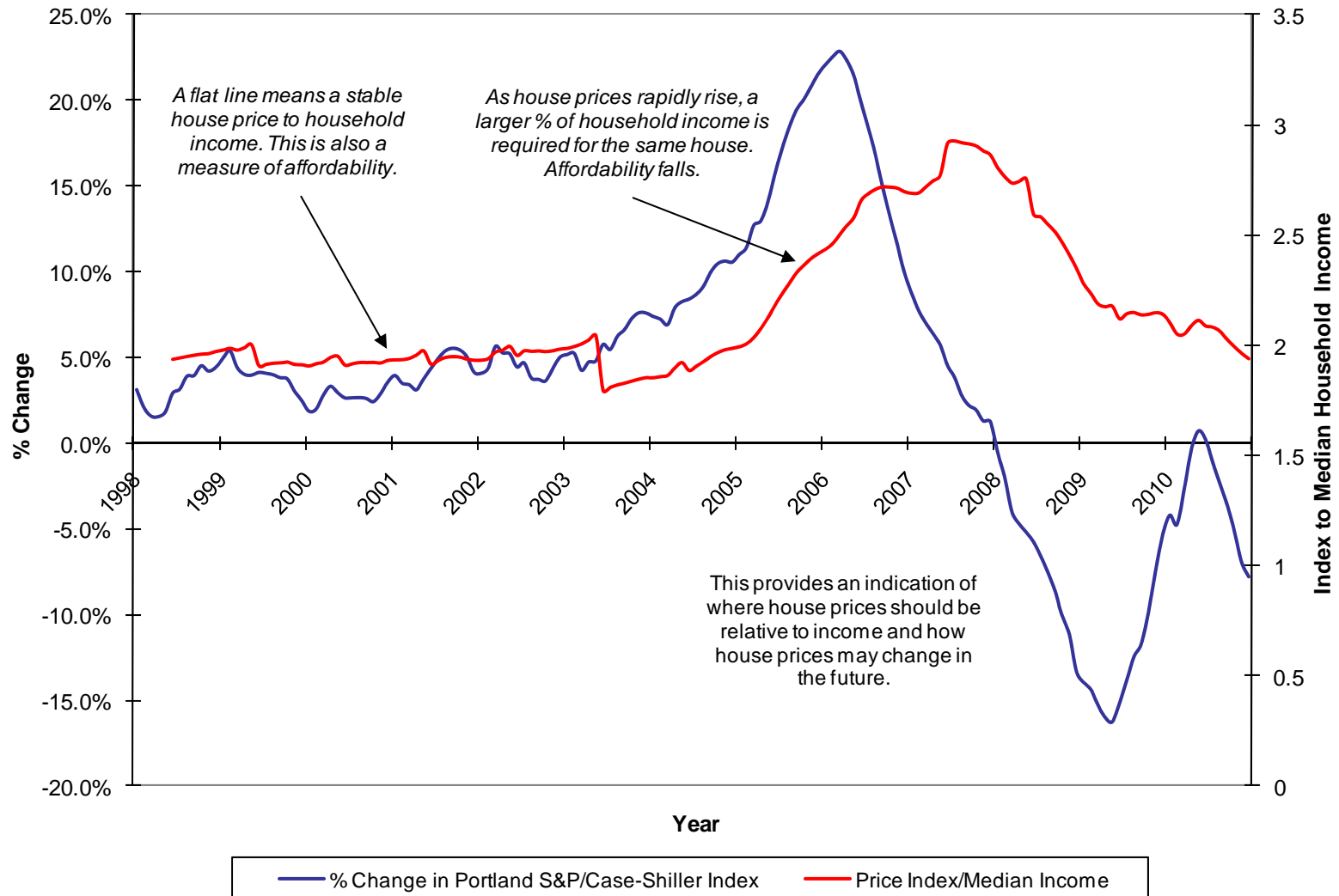
Economic Overview

Monthly Year-Over-Year % Change
Based on S&P/Case-Shiller Home Price Index Thru December 2010



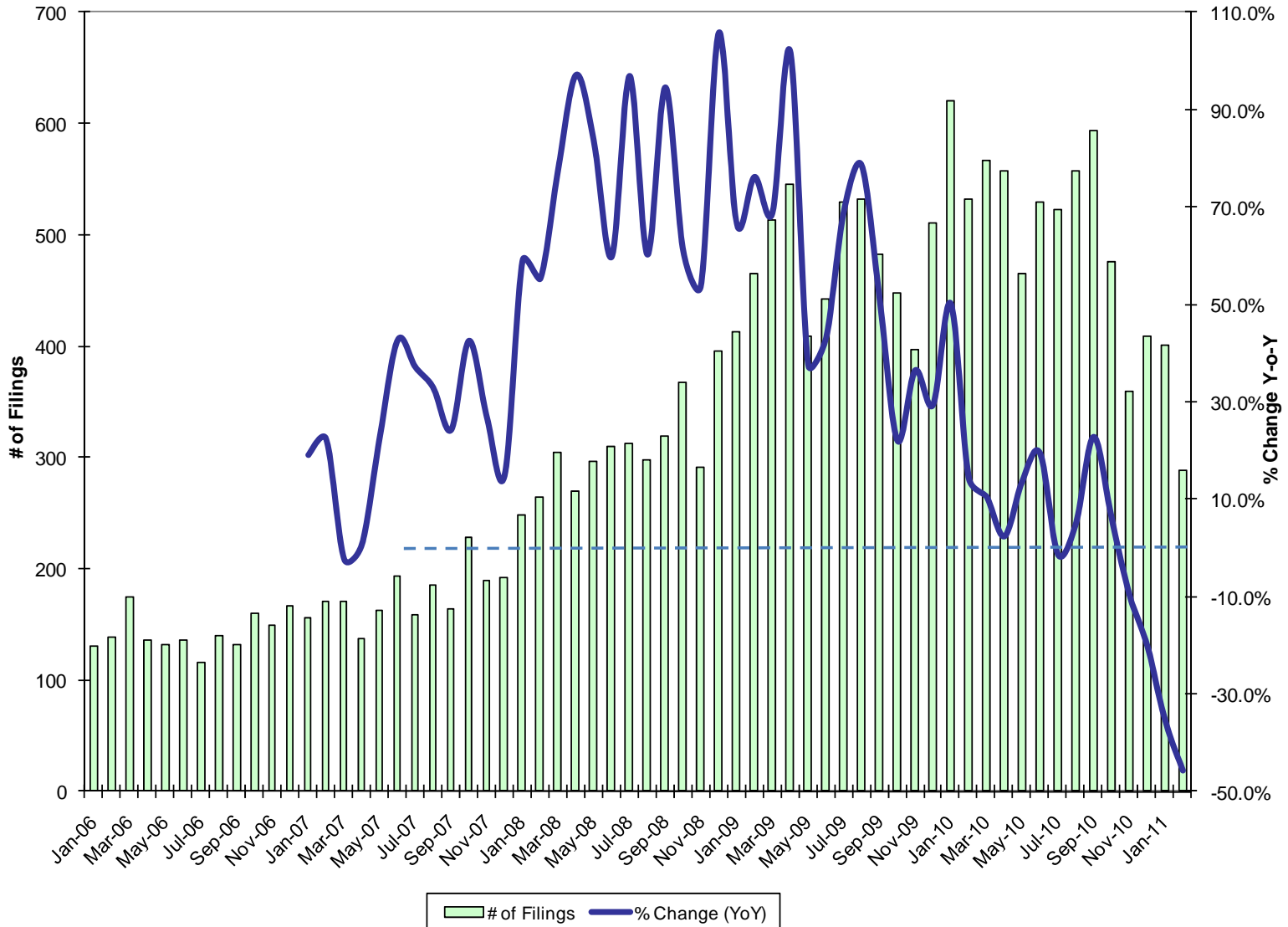
Economic Overview

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



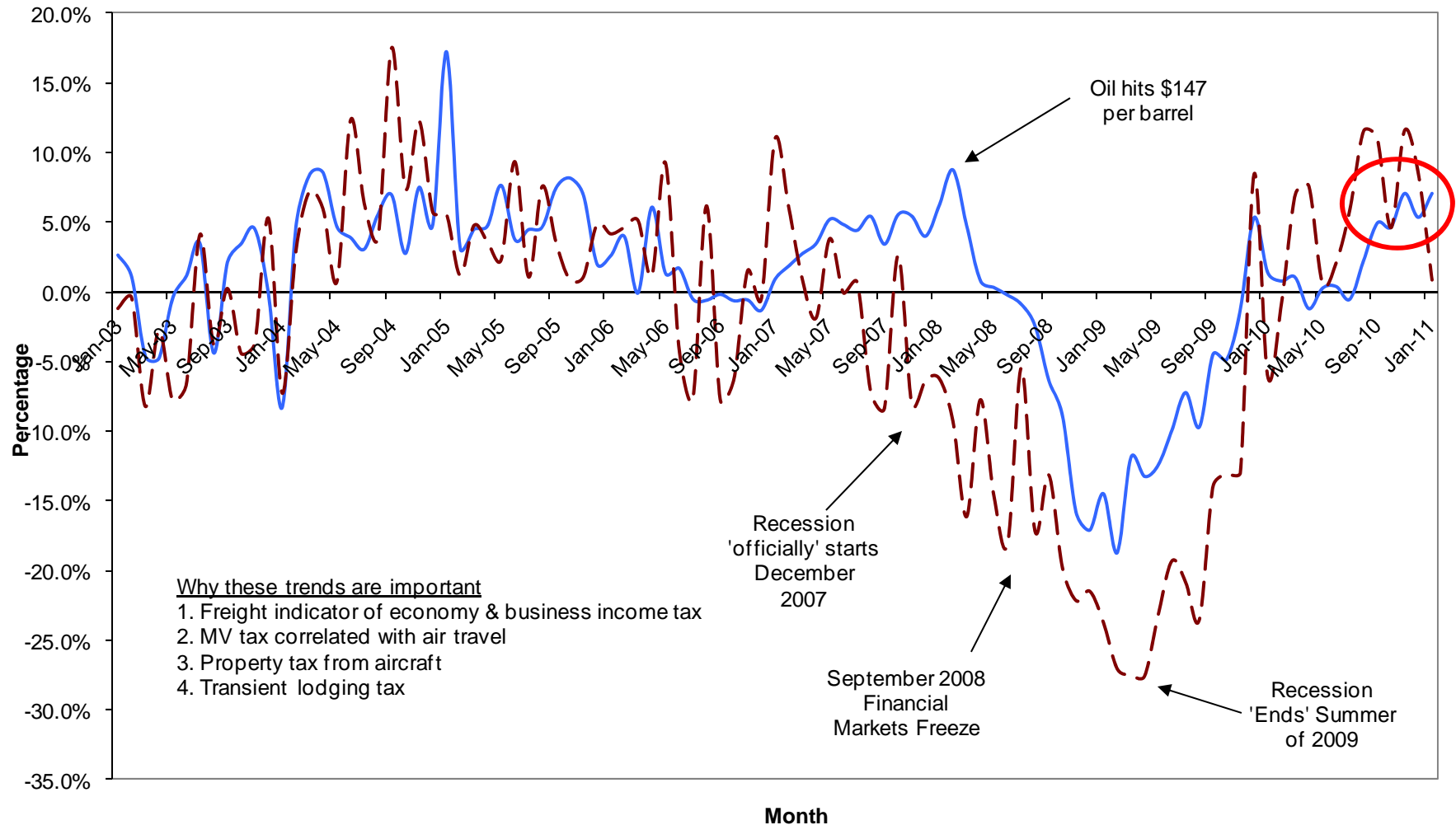
Economic Overview

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



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 2011 Review & OTO Funds

	Adopted ¹	October Forecast Change	February Forecast Change	Net Change From Adopted	Note
Property Taxes	228,530,991	(377,023)	630,369	253,346	Actual AV 2.64% vs. budgeted 2.75%; Actual Compression 2.93% vs. Budget of 3.25%; Increase Discount/Delinq from 5.5% to 5.88% for Comcast Reserve. Current & prior year actual higher, interest/penalties lower.
Business Income Taxes	42,263,000	4,237,000	0	4,237,000	FY 2010 4.46% higher than forecast; FY 2010 Actual to FY 2011 Revised = 5.3% increase; Net increase = 10%
Motor Vehicle Rental Taxes	17,847,854	(185,285)	224,039	38,754	
US Marshal	6,519,700	0	0	0	Budget = 140 beds/day; Averaging 142
State Shared				0	
Video Lottery	4,095,000	0	0	0	
Liquor	2,889,150	0	346,698	346,698	
Cigarette	748,329	(33,574)	0	(33,574)	
Amusement	175,000	0	0	0	
Recording Fees/CAFFA Grant	7,750,000	0	0	0	
Indirect					
Departmental	9,832,672	0	0	0	Current trend \$9 million; \$830,000 low.
Central Indirect/Svc Reimburse	6,241,385	0	0	0	Current Central indirect trend \$450,000 low.
All Other	18,637,879	0	(865,200)	(865,200)	Interest earnings lower.
FY 11 Revenue Adjustments ²	345,530,960	3,641,118	335,906	3,977,024	
% of Revenue		1.05%	0.10%	1.15%	

1. Excludes BWC and ITAX Revenue.

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



FY 2011 Review & OTO Funds

BIT Collections Fiscal Year-to-Date Through February

	FY 08	FY 09	FY 10	FY 11	FY 11 vs. FY 08	FY 11 vs. FY 10
Quarterly	21,132,270	19,605,610	16,002,035	16,824,843	-20.4%	5.1%
Yearly	6,676,064	5,687,830	7,403,558	5,236,959	-21.6%	-29.3%
Refund/Interest	2,868,519	4,931,749	5,425,796	2,532,357	-11.7%	-53.3%
NSF Check	38,322	40,900	80,084	105,257	174.7%	31.4%
Total	24,901,493	20,320,792	17,899,714	19,424,187	-22.0%	8.5%
<i>Actual or Budget</i>	<i>65,650,000</i>	<i>42,900,000</i>	<i>44,150,000</i>	<i>42,263,000 Budget</i> <i>46,500,000 Forecast</i>		



FY 2011 Review & OTO Funds

General Fund Contingency

General Fund 'Regular' Contingency	1,250,000
Additional Contingency (Non-earmark & above 'regular' contingency)	638,958
TOTAL Available Contingency	1,888,958

Board Earmarks

- Pet Adoption Center	75,000
- Non-Profit Hotel (was offer 25121)	413,507
- Backpack Program (was part of offer 25147)	48,957
- Executive/Management Class Comp Study (was offer 72061)	200,000
- Mental Health Peer Clubhouse & Strengthening Families (25065 & 25087)	388,300
- Working Smart Initiative (was offer 10033)	217,907
BIT Reserve (in General Fund Contingency)	4,000,000
TOTAL Earmarked Contingency	5,343,671

Available Contingency	1,888,958
Earmarked Contingency	5,343,671
Total FY 11 Adopted Budget Contingency	7,232,629



FY 2011 Review & OTO Funds

Uses and Adjustments to Contingency During FY 11

- Horman Search/Investigation DA (MCSO-01)	(196,034)
- Gang Violence (DCJ-03)	(116,750)
- Domestic Violence (NOND-05)	(60,741)
- Horman Search/Investigation MCSO (MCSO-07)	(209,656)
- Housing Stabilization (NOND-09)	(318,500)
- Supplemental Budget	391,241
- Bed Bug Treatment Support & Assistance w/Dentures (NonD-12)	(102,510)
- Miscellaneous	(1,014)
TOTAL Uses and Adjustments to Contingency	(613,964)

Less BIT Reserve (assumed not used and rolled over to FY 12) 4,000,000

Remaining Contingency for FY 11 (*assumed spent and not available for FY 12*) 2,618,665



FY 2011 Review & OTO Funds

OTO¹ Spending & Net Available for FY 2012

Available Per October Forecast²	20,229,137
Less...	
Add to General Fund Reserve to maintain @ 10%	1,217,798
Roll-over BIT Reserve	4,000,000
Add to BIT Reserve to set @ 10%	882,500
ITAX	<u>664,458</u>
	6,764,756
Net Available Per October Forecast...	13,464,381
Less increase reserve to maintain 10% for higher MVRT & Liquor Taxes	-58,898
Less East County Debt Service (will need 1 payment)	-350,000
Plus additional FY 11 revenue per February forecast	335,906
Net Available Per Current Forecast...	13,391,389

- 1. Assumes the General Fund Contingency and all Board Earmarks are fully spent in FY 2011 and departments spend their full appropriation.
 - Departmental spending forecasts received with budget request project 1.33% underspending.
 - Budget Office modeling through January projects 1.45% to 1.80% underspending.*
- 2. See page 23 of November 9, 2010 Board presentation for details.*



5 Year General Fund Revenue Forecast

Major General Fund Revenue Sources ¹

	Adopted FY 2011	Forecast FY 2011 ²	Forecast FY 2012	Forecast FY 2013	Forecast FY 2014	Forecast FY 2015	Forecast FY 2016
Property Taxes	228,530,991	228,784,337	233,404,887	241,555,302	250,821,340	259,714,968	268,696,598
Business Income Taxes	42,263,000	46,500,000	48,825,000	51,266,250	53,829,563	58,135,928	62,786,802
Motor Vehicle Rental Taxes	17,847,854	17,886,608	18,512,639	19,438,271	20,021,419	20,622,062	21,240,724
US Marshal	6,519,700	6,519,700	6,615,996	6,811,475	7,012,820	7,220,204	7,433,810
Recording Fees/CAFFA Grant	7,750,000	7,750,000	8,475,000	8,958,750	9,035,925	9,114,644	9,194,936
State Shared	7,907,479	7,873,905	9,186,707	9,524,873	9,904,749	10,138,349	10,378,731
Indirect & Service Reimbrs.	16,074,057	16,074,057	16,464,697	16,940,004	17,430,429	17,936,453	18,458,577
	326,893,081	331,388,607	341,484,926	354,494,925	368,056,245	382,882,608	398,190,178
% of Total Revenue	94.6%	94.8%	95.2%	95.5%	95.6%	95.8%	95.9%
All Other General Fund	18,637,879	18,119,377	17,065,248	16,662,246	16,783,673	16,940,879	17,069,968
Total	345,530,960	349,507,984	358,550,174	371,157,171	384,839,918	399,823,487	415,260,146
% Change in Ongoing Revenue		1.15%	2.59%	3.52%	3.69%	3.89%	3.86%
<i>AV Growth</i>	2.75%	2.64%	2.85%	3.25%	3.50%	3.50%	3.50%
<i>Compression</i>	3.25%	2.93%	3.45%	3.60%	3.30%	3.25%	3.25%
<i>BIT Growth</i>	0.00%	10.03%	5.00%	5.00%	5.00%	8.00%	8.00%

1. Excludes BWC and ITAX Revenue.

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



5-Year General Fund Outlook

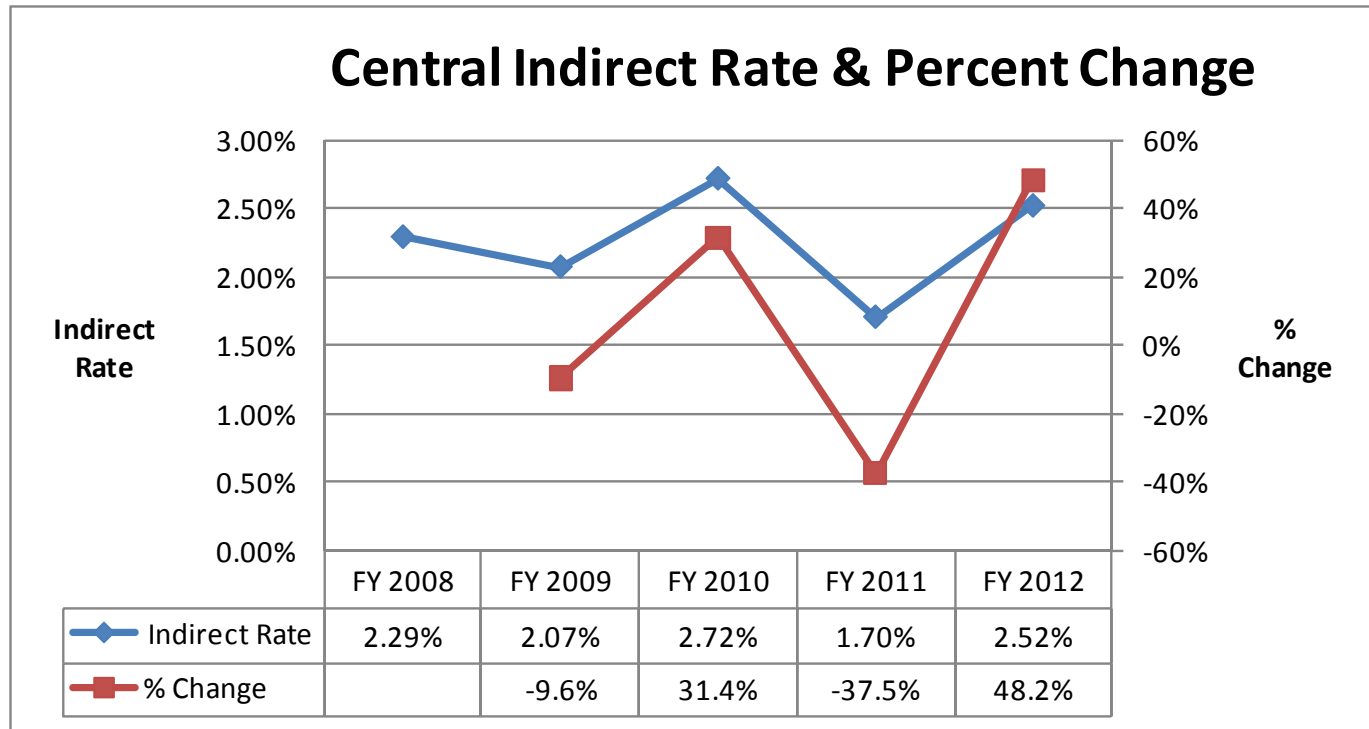
Changes to Ongoing Revenues and Impact on the Expenditure/Revenue Gap

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Motor Vehicle Rental Tax	231,880	60,667	62,486	64,361	66,292
Liquor Tax	357,098	367,812	378,846	390,211	401,918
Other	350,257	365,593	381,393	397,664	414,423
Net Change	939,235	794,072	822,725	852,236	882,633
Rev/Exp Gap - October 2010 Forecast	(5,330,281)	(9,178,346)	(13,416,537)	(16,409,902)	(20,007,602)
Rev/Exp Gap - February 2011 Forecast	(4,391,046)	(8,384,274)	(12,593,812)	(15,557,666)	(19,124,969)
<i>Gap Growth from Prior Year</i>		(3,993,228)	(4,209,538)	(2,963,854)	(3,567,303)
Less Management/Exec COLA/Merit Savings	1,500,000				
Less if City of PDX Contributes to CATC Gap	500,000				
Estimated General Fund Exp/Rev Gap	(2,391,046)				
<i>Central Indirect Impacts</i>		2,000,000 +/-			



5-Year General Fund Forecast

- Central Indirect primarily recovers the General Fund cost of HR, Finance, Budget, and the Auditors Office from Non-County General Fund revenue sources (i.e., grants).
- Dramatic swings caused by under/over adjustments required due to changes in the net assets of Internal Service Funds (i.e., IT, Facilities, etc.)
- Our cognizant Federal agency (HHS) has given us permission to not include the under/over adjustment starting in our FY 12 rates.



Forecast Assumptions

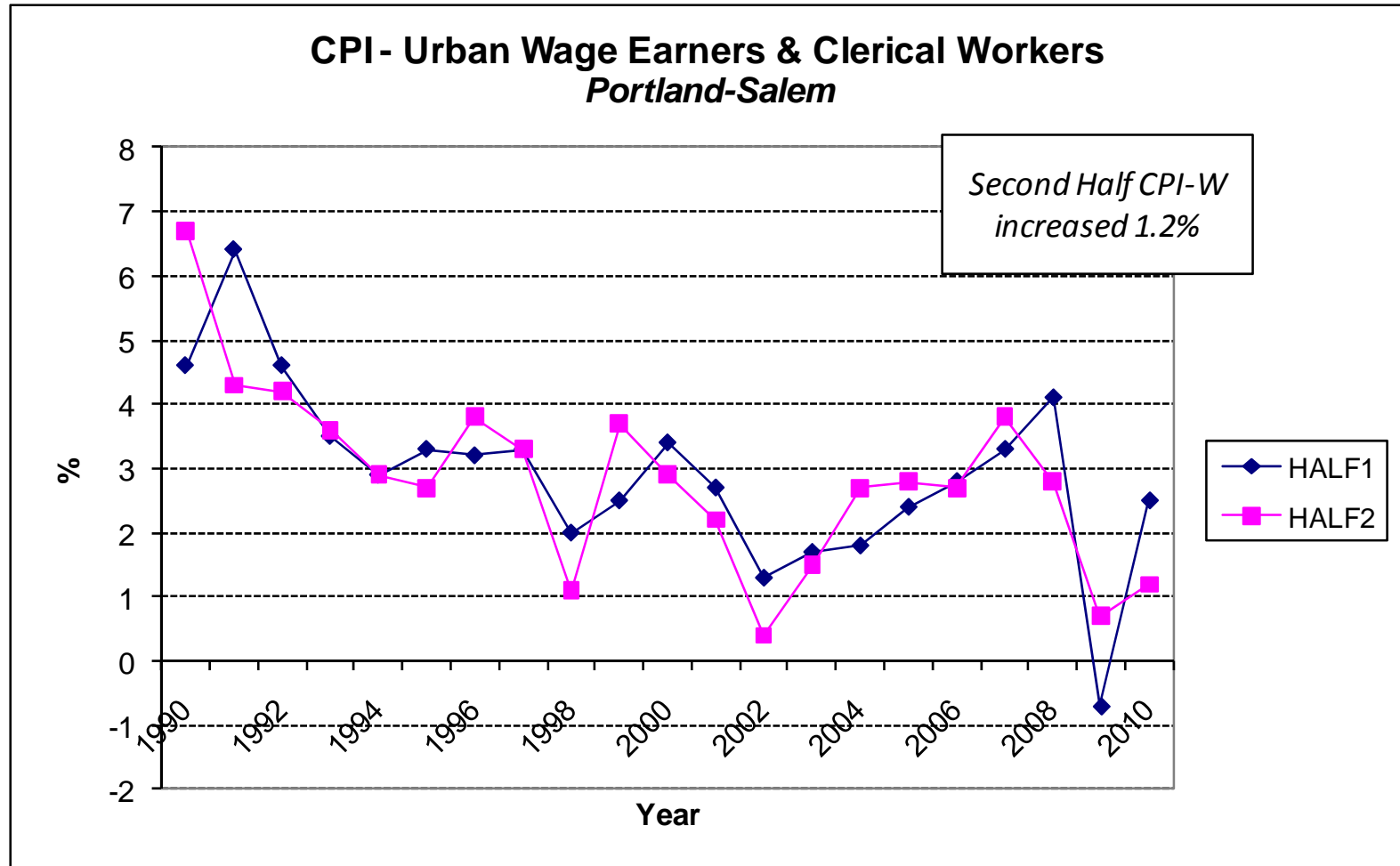
- Assumes
 - ✓ No ongoing backfill of state programs
 - ✓ No structural changed in revenues
 - ✓ No new or expanded General Fund programs, except:
 - East County Court Facilities debt & operating cost
 - Crisis Assessment and Treatment Center operating costs as noted

- Personnel costs
 - ✓ Growth for FY 2012 = 3.71%
 - ✓ COLA amount dependent on unit & contract status (2% floor or 1.5%)
 - ✓ COLA & merit freeze for management estimated to save \$1.5 million in the General Fund and \$3.4 for all funds
 - ✓ See page 20 of November 9, 2010 for more detail

- Reserves & Contingencies
 - ✓ General Fund Reserve – 10% of 'Corporate' Revenues
 - ✓ BIT Reserve – 10% of BIT Revenues
 - ✓ General Fund Contingency - \$1.25 million



Expenditure Assumptions



Forecast Risks & Issues

- Economy weakens and recovery falters
 - ✓ BIT
 - ✓ Property Tax Compression
- Limited Federal Reserve (monetary) policy tools left & little/no political will for further fiscal stimulus (contracting fiscal policy)
- External shocks & ability to respond (i.e., Oil Prices, European debt)
- State of Oregon budgetary impacts
 - ✓ Financial
 - ✓ Economic
 - ✓ Other States & Local Jurisdictions
- Internal/local issues (& uncertainties)
 - ✓ Open Labor Contracts
 - ✓ Retiree Benefits Liability
 - ✓ Health Care and Health Costs



Summary

- FY 2011 General Fund ongoing revenues essentially unchanged from last forecast... still up 1.15% or \$4.0 million vs. Adopted Budget – driven by increased BIT forecast.
- FY 2012 operating deficit down by \$0.9 million to \$4.4 million (1.2%).
- FY 2013 to FY 2016 – annual operating deficit grows \$3.0 million to \$4.2 million per year or 1.0% of revenues.
 - ✓ Total 5-year gap is \$19.1 million or 4.8% of revenue.
 - ✓ Any one year within forecast error.
- OTO resources for FY 2012 of \$13.4 million.
- Major risks to revenue & cost estimates... many that are outside our influence.
- Questions?
- More Info: www.co.multnomah.or.us/budget

