Multnomah County
General Fund Forecast for FY 2009

Summary

The following document provides forecasted FY 2008 and FY 2009 General Fund revenues and expenditures. This forecast takes a reasonably conservative view of the regional economy. It should also be noted that there are still a few assumptions built into this forecast that rest on incomplete data. The current forecast has been developed over the past three months. It relies on year-end FY 2007 financial data as well as the FY 2008 budget as the basis for estimating future revenue and expenditure growth. It also takes anticipated Board actions into account in developing spending estimates for both FY 2008 and FY 2009.

This forecast offers a "most likely" scenario based on the adopted FY 2008 General Fund budget. We have not attempted to model other possible scenarios. We believe there are currently too many unknowns, both internal and external, to accurately address alternative scenarios at this time. We expect to deliver a forecast later in the year that will highlight long range prospects for the County's financial future.

This forecast suggests that, for FY 2009, there will be a gap of **<u>$18.7 million</u>** between ongoing revenues and ongoing expenditures in the General Fund. This is based on estimated ongoing revenues of <u>$342.1 million – an increase of 3.8% over actual FY 2007</u> revenue collections. However, it is only about 1.25% higher than forecasted FY 2008 revenues for reasons that will be described on the following pages. Current, ongoing expenditures, meanwhile, have been forecast to **grow by more than 5%** annually and are estimated to be $360.9 million in FY 2009.

There are several key assumptions made in developing these revenue and expenditure estimates. Those will be explained in greater detail on the following pages. In general, though, the following factors contribute to the estimated shortfall:

- A slowing in the local and regional economy;
- Rising labor costs, including employee healthcare benefits;
- Anticipated Board actions to increase ongoing spending with one-time-only resources.

A number of labor contracts have not been settled for FY 2008 which could have an impact on the assumptions related to payroll costs. The Board also has yet to allocate approximately $1.2 million worth of earmarked Contingency items. Forecast expenditures include provision for both of these factors. The slowing economy is evidenced most clearly in forecast Business Income Tax (BIT) revenue. Should BIT revenue exceed forecast collections it would have implications for the amount of ongoing and one-time-only revenue available in FY 2009.

Revenue Assumptions

Property Tax From Permanent Rate

The County has a permanent rate of $4.34 per thousand dollars of assessed valuation. Assessed value in Multnomah County exceeds $50 billion. Tax revenue collections, adjusted for constitutional limits and discounts/delinquencies are expected to total **$215 million, or approximately 65% of ongoing General Fund revenue,** in FY 2009.

Taxable values grew by *more than 5%* for FY 2008. This represents a significant adjustment to the revenue forecast. Value growth for FY 2008 had been estimated at 3.5% and the higher level of value growth will generate an **additional $3.2 million of ongoing revenue in FY 2009**.. The forecast for FY 2009 assumes that value growth will moderate and **average 3.5%** across all property classes and geographic areas of the county. It further assumes that 2.5% of the potential revenue yield ***(approximately $5.6 million)*** is lost as a result of Measure 5 and Measure 50 limits – an amount otherwise known as "compression".

The following chart summarizes Property Tax collections and assessed value growth over the past five years along with estimates for the current year and FY 2009:

	Tax Revenue	% AV Growth
FY 2003	$ 174,984,875	1.46%
FY 2004	178,580,294	2.50%
FY 2005	184,728,581	3.46%
FY 2006	192,007,398	3.20%
FY 2007	201,159,860	4.05%
FY 2008 (Estimate)	208,796,242	5.07%
FY 2009 (Forecast)	215,374,487	3.50%

For reference purposes, each **half percent change** in assessed value growth represents an increase/decrease of $1 million in forecast property tax collections.

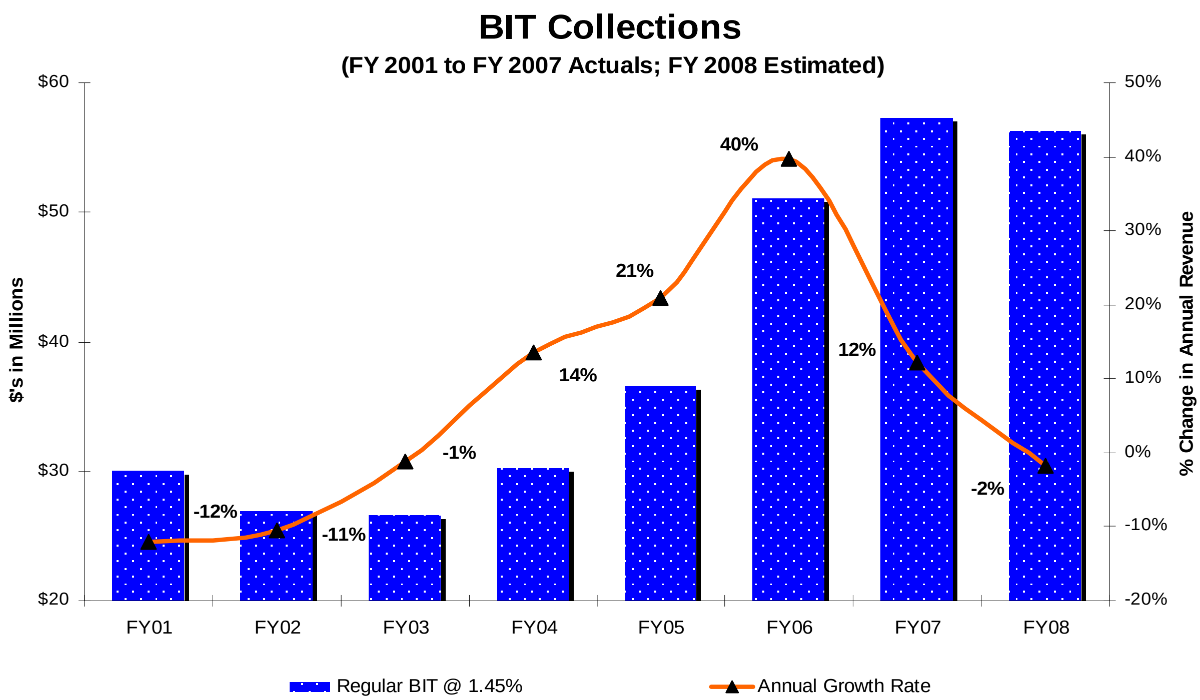
Business Income Tax (BIT)

The next largest source of revenue in the General Fund, the Business Income Tax (BIT), represents about 15% of forecast ongoing revenue. Year-over-year revenue collections have displayed a wide range of variability over the thirty year history of the BIT. As the figures below indicate, BIT growth has been explosive in the years following the economic downturn experienced in the early part of the decade.

	BIT Revenue	% Annual Growth
FY 2003	$ 26,491,000	-1.09%
FY 2004	30,286,000	13.52%
FY 2005	36,463,000	20.92%
FY 2006	50,980,000	39.81%
FY 2007	57,399,000	12.59%
FY 2008 (Estimate)	56,251,020	-2.00%
FY 2009 (Forecast)	54,844,744	-2.50%

At first glance, the estimate for FY 2008 may seem to be too low. However, it would not be unprecedented for BIT collections to drop below the previous year's collections. Recent month over month comparisons (i.e., comparing collections from September, 2007 to September, 2006) have shown a slowing trend. In addition, estimated, quarterly payments for the current tax year appear to be lagging approximately 3% - 5% behind the level recorded in the previous year.

The volatility of the BIT has been both a blessing and a curse to Multnomah County. The following chart highlights annual tax collections since FY 2001 and graphs them against the annual percentage change in revenue. As the chart indicates, we have recently been in a period of unprecedented BIT growth which also mirrors the changes that have occurred in the regional economy.



ECONW has developed a revenue forecast which takes a less cautious approach to the BIT. Those forecasts have been reasonably accurate over the past two years as shown in the data below. However, it is important to note, as pointed out in the most recent forecast document, that the ". . . small amount of historical data available and the volatility of many model variables create corresponding volatility in the forecast." In other words, ECONW believes that the model that has been created to forecast the BIT is accurate to a point and it relies fairly heavily on the state's forecast of corporate income.

BIT Forecast - Budget Office Compared to ECONorthwest

	Budget Office	ECONW	Actual
FY 2006	$ 49,225,000	$ 50,490,000	$ 50,980,000
FY 2007	57,500,000	59,165,000	57,399,000
FY 2008	56,251,020	59,398,482	
FY 2009	54,844,744	63,302,370	
FY 2010	56,490,087	68,520,814	

The variance between these revenue estimates represents the single biggest variable in this forecast. As you can see, the ECONW estimate ranges from **about $3 to $12 million higher per year** than the Budget Office forecast. The ECONW forecast does caution that the regional economy could be in for a period of slower, even negative, growth and this can be seen in their FY 2008 estimate. It is also unclear to what extent the BIT reform package, passed by the Board in April, will impact total revenue growth. The Budget Office forecast takes a more conservative view of both those factors.

Motor Vehicle Rental Tax

Multnomah County assesses a 12.5% tax on all vehicles rented within the county's boundaries. The first 10% is credited to the General Fund while the balance primarily supports debt service payments associated with METRO facility expansions and renovations. It is annually one of the five largest sources of revenue in the General Fund. Collections for FY 2007 came in at just over **$12.5 million** with forecast revenue growth expected to roughly keep pace with the rate of inflation.

Revenue from Motor Vehicle Rental Tax declined precipitously in the years following the 9/11 terrorist attacks. It has rebounded steadily, if not quite as spectacularly as the BIT, since then as the following table highlights:

	MVR Tax Revenue	% Annual Growth
FY 2003	$ 10,743,613	-2.10%
FY 2004	10,344,807	-3.71%
FY 2005	10,657,341	3.02%
FY 2006	11,909,379	11.75%
FY 2007	12,514,584	5.08%
FY 2008 (Estimate)	12,890,021	3.00%
FY 2009 (Forecast)	13,212,272	2.50%

Motor Vehicle Rental Tax collections are very closely related to the number of deplanements at Portland International Airport (PDX). As such, the tax tends to be very dependent upon the elasticity of travel costs. If, as forecast in some circles, travel costs continue to outpace personal income we may see some decline from the level of revenue expected in FY 2008 and FY 2009. The availability of alternative forms of transportation from the airport – most notably the airport MAX line – may also have some implications for future revenue growth.

A&T Revenues

Revenues received by the Assessment & Taxation Division (A&T) account for **about 3%** of total General Fund revenues. Two sources make up the bulk of that revenue. A&T operates under the terms of HB 2338, which created the County Assessment Function Funding Assistance (CAFFA) grant program. The grant program was an attempt by the State of Oregon to bring all 36 counties into compliance with property tax statutes and administrative rules.

Revenues are apportioned to each county relative to the size of their respective A&T budgets. Multnomah County's share of the total statewide pool has averaged about 16.5% over the past ten years. The revenue distributed to counties is generated through an excise fee on document recording and interest on delinquent tax payments. The revenue has varied over time due to changes in the document recording process and as a result of the fact that there tends to be fewer delinquent tax accounts.

	CAFFA Revenue	% Annual Growth
FY 2003	$ 4,293,021	4.64%
FY 2004	4,242,680	-1.17%
FY 2005	3,683,523	-13.18%
FY 2006	3,935,380	6.84%
FY 2007	3,613,743	-8.17%
FY 2008 (Estimate)	3,905,000	8.06%
FY 2009 (Forecast)	3,983,100	2.00%

Recording Fees account for the other source of revenue in this category. Recording Fees are established by the state (ORS 205.320) at fixed dollar amounts that are not subject to annual increases. In fact, the fee schedules have not been changed over the past five legislative sessions although the number of documents subject to the fee has increased.

Revenue from Recording Fees serves as a very good proxy value of activity in the local real estate market. The table below highlights the volatility of the Multnomah County real estate market, as demonstrated by revenue collections, over the past several years.

	Recording Fees	% Annual Growth
FY 2003	$ 6,847,343	41.41%
FY 2004	6,759,098	-1.29%
FY 2005	6,052,926	-10.45%
FY 2006	6,489,799	7.22%
FY 2007	5,999,508	-7.55%
FY 2008 (Estimate)	5,533,265	-7.77%
FY 2009 (Forecast)	5,000,000	-9.64%

The large increase from FY 2002 to FY 2003 requires an explanation. The 41% increase represents a combination of growth in the absolute number of property transactions and an increase in the number of document pages subject to the fees. The reduction in FY 2007 collections, as well as the further reductions forecast for FY 2008 and FY 2009, provides a clear indication that the region is in for a softening in real estate markets.

State Revenue Sharing

Counties receive undedicated funds from the State of Oregon through distribution formulas that are established in statute. Specifically, revenues come from the following sources:

- ♦ Video Lottery Proceeds
- ♦ Liquor Tax
- ♦ Cigarette Tax
- ♦ Amusement Device Tax

In total, these four sources make up **about 3%** of the General Fund. With the exception of video lottery revenues, these sources have remained fairly flat, or even declined, over the past several years. The introduction of line games to the Oregon lottery has spurred rapid growth in total video lottery proceeds. Collections have increased by *15% and 18%, respectively, over the past two years.*

	State Revenue Sharing	% Annual Growth
FY 2003	$ 6,155,753	-4.27%
FY 2004	7,548,832	22.63%
FY 2005	6,706,530	-11.16%
FY 2006	8,645,211	28.91%
FY 2007	9,499,969	9.89%
FY 2008 (Estimate)	9,792,374	3.08%
FY 2009 (Forecast)	9,966,817	1.78%

As a result of the extraordinary growth in Video Lottery revenues the forecast for FY 2008 and FY 2009 has been revised significantly. Estimated revenue collections reflect the higher level of collections recorded in FY 2007. If history is a reliable guide, we can expect this revenue to increase for two to three years before leveling off.

Other Revenue Considerations

Indirect Costs account for approximately **$13-$14 million**, or about 4% of total ongoing revenue. Revenue from Indirect Costs represents reimbursements from other funds for business services that are provided centrally. While this is fairly sizable portion of the General Fund it is important to note that it is entirely dependent upon the level of funding received from external sources. Federal and state revenues, in particular, are forecast to grow with the change in inflation as measured by the CPI.

This forecast assumes continued funding from the City of Portland for jail beds associated with "Project 57". That is estimated at **$1.3 million** in FY 2009 and each subsequent year of the forecast.

The federal timber payments program (officially known as the Secure Rural Schools and Community Self-Determination Act) was renewed by Congress for one year, although at a slightly lower level than counties have received in recent years. At this time we are assuming that Congress will not reauthorize the program beyond next year. The forecast assumes an **$800,000 reduction** in FY 2009 and beyond.

During deliberations on the FY 2008 budget the Sheriff's Office was in negotiations with the US Marshal's office to increase the per diem rate paid for housing federal prisoners. At this time the new agreement has not been signed so it is difficult to determine how much additional revenue will be received. However, this forecast assumes that USM holds will generate the budgeted amount of **$6.4 million** as a result of increased bed day usage. At that level the FY 2008 collections would roughly match the amount of revenue received in FY 2007.

The Willamette River Bridge Fund is scheduled to make a loan repayment to the General Fund in FY 2009 with a final payment due in FY 2011. This represents the payback schedule for an internal loan that was made in FY 2006 to offset increased construction costs associated with replacement of the Sauvie Island Bridge. The payment in FY 2009 is **established at $1.6 million** and it increases to $3 million in each of the following two years.

Spending Assumptions

All programs supported by the General Fund in FY 2008 are assumed to represent ongoing costs with the exception of the following:

One-Time-Only Requests
FY 2008 Adopted Summary by Program Offer

Prog #	Name	Dept.	FY 2008 General Fund Adopted
10039	Public Safety Plan	NonD	$ 133,000
25114	Bridges to Housing	DCHS	731,308
60058	MCSO - Post Factor Staffing Study	MCSO	108,580
72024A	MultStat	DCM	161,888
72055	Facilities Asset Preservation Loan Repayment	DCM	1,500,000
72084B	Executive & Management Classification/Compensation Study	DCM	150,000
72084C	Executive & Management Classification/Compensation Study Addition	DCM	150,000
72093	Maximize Federal Financial Participation	DCM	75,000
	Total One Time Only		**$ 3,009,776**

In addition, the Board earmarked slightly more than $3 million in the General Fund Contingency for programs that would mostly represent additional ongoing costs. These are listed below:

Board Earmarks		
Citizen Involvement Committee	$	50,000
Emergency Management		250,000
MCSO Furlough Supervision		663,216
Court Appearance Notification System		240,000
$1.5 million for Jail Beds		1,500,000
Two Deputy Sheriffs for Warrant Strike Force		254,149
DA for Warrant Resolution 6 months		58,000
Subtotal	$	3,015,365

It has been assumed that these costs will be allocated to departments at some point during the year. The Emergency Management earmark is the only item on the list that is not assumed at this time to represent an ongoing cost.

The Board approved a Contingency transfer to backfill state funding shortfalls that will add approximately $3.6 million to department spending in FY 2008. However, **only $900,000** associated with Oregon Project Independence and programs in Juvenile Justice represent recurring costs in FY 2009.

Portland CPI

The Portland CPI-W for the second half has been used as the proxy value for inflation. It is used as the basis for estimating changes in personnel costs and for estimating the change in the price of goods and services purchased by the County. Over the last few years we have experienced a period of low inflation and cost increases have generally been slightly lower than forecast.

The Portland CPI-W has been below 3% since FY 2000 but there is reason to believe that our cost environment may be changing. The first half Portland CPI-W grew by 3.35% over the first half of 2006. The national CPI-W has trended downward for the past two months and the expenditure forecast assumes growth will level out at 3% for FY 2009. Labor costs assume a 3% cost of living adjustment for all employees. However, costs for employee healthcare benefits are forecast to increase at about 7% anually and expenses for internal services are, likewise, estimated to rise at twice the rate of inflation.

As a rule of thumb, each one percent of variable costs in the General Fund equals approximately $3 million. In other words, if the Portland CPI-W came in at 2.5% rather than the forecast 3% it would trim $1.5 million from estimated FY 2009 costs. Table 2 highlights the change in the Portland CPI over the past dozen years.

Personnel Costs

Employee pay, fringe benefit, and insurance costs account for about 65% of General Fund spending. At this time the status of negotiations with several labor unions represents a very big unknown in the forecast. As noted above, personnel costs are forecast to rise with the Portland CPI-W in FY 2009. The Appendix contains a brief update on the current status of negotiations.

FY 2008 General Fund budgets assume a 2.7% cost of living adjustment. Costs associated with labor contracts have been modeled to assess what could happen if we ultimately negotiated a higher cost of living for FY 2008. A larger cost of living increase was assigned to units that are described as strike-prohibited. The additional payroll cost is forecast to be **$1.1 million** – or, about .5% higher than budgeted.

Overall, benefit costs are expected to increase moderately. PERS rates may increase – this forecast assumes a one half of one percent increase in average PERS rates – while some insurance rates, notably Liability Insurance, are forecast to decrease. Healthcare costs continue to rise at a level that exceeds the rate of inflation. When negotiations with the EBB were discontinued it was the goal of the County to institute a few plan design changes to slow the growth of employee medical costs.

Another unknown in this forecast relates to how healthcare benefits are negotiated with individual bargaining units. The County proposal to the unions suggested a savings of approximately $2 million per year. Because we will not be making any plan design changes in FY 2008 the rates that departments contribute to fund healthcare costs are likely set at too low a level. There are adequate reserves to cover the costs in FY 2008. This forecast assumes, though, that **rates need to be increased by 7%** in FY 2009 to compensate for the assumed savings that have not yet been realized.

Other Expense Categories

For the most part, all non-personnel costs are assumed to grow at the rate of inflation. This would include things like contracts, supplies, and education/training. To put this figure in perspective, a 3% increase in all of the Contractual Services (CS) and Materials & Supplies (MS) budgeted in FY 2008 translates to **approximately $2.2 million of additional costs** in FY 2009.

Other costs do not increase at the same rate as inflation. These are fairly limited in number and include things like debt service and the County's obligation to fund the Tax Supervising and Conservation Commission (TSCC). There are yet other costs that are forecast to grow at twice the rate of inflation. These are primarily internal services costs – Facilities, Information Technology, and Fleet – that are supported by the General Fund. That estimate may be conservative but recent experience suggests it is prudent to take such an approach for a couple of reasons.

First, the internal services bear a number of costs that are largely outside the County's ability to control them. The best example may be the portion of the Facilities billings that accounts for energy costs. Energy costs are forecast to grow at a much faster rate than general inflation and these costs are passed through to County departments based on actual usage.

The second reason has to do with commitments that have been made in the FY 2008 budget process. A number of new computer applications were purchased in the current budget. Those applications, once they are complete, will bear an additional cost for ongoing maintenance and support. At this point, a best guess is that the new applications will **increase IT costs by roughly one million dollars**.

In addition, we will need to revisit whether the rates currently in place for facilities and property management are adequate to maintain our buildings to established standards. The facilities maintenance budget has been stretched very tightly over the past few years and, increasingly, operations costs are being supported through the use of capital improvement funds. This situation is not sustainable in the long run. It may, therefore, be necessary to increase rates to accommodate an operating contingency. A general rule of thumb suggests that contingencies should be set at about 5% of operating expenses. For the Facilities Management Fund this would result in **an increase of about $1.2 million** that would need to be recovered through rates.

Other Cost Considerations

The General Fund reserve is scheduled to be **increased by $500,000** in FY 2009. This increase is necessary for the reserve to keep pace with the Financial & Budget Policy goals.

This forecast provides for continuation of the BIT revenue sharing agreement with the four east county cities. Based on estimated BIT revenues the cities will share approximately **$5.5 million** in FY 2009.

No ITAX related costs have been included in this forecast. The estimated **BWC includes about $3 million** that is attributable to the ITAX. This additional BWC is chiefly the result of underspending by County programs. Schools have received 70% of the total revenue collected. Therefore, we have assumed that the additional OTO revenue related to the ITAX is available for General Fund uses.

The General Fund transfer to the Library Fund is assumed to grow at 3% annually *regardless of the amount of revenue generated by the local option levy*. When the previous Board submitted the local option levy to the voters they committed to a stable level of General Fund support for the duration of the levy. This forecast assumes that the current Board will maintain that commitment.

No additional costs have been built into this forecast to account for future, potential debt obligations. However, an **$800,000 increase** in debt payments has been included to account for the first full year payment on the replacement for the A&T recording system. This represents the net additional cost that will be incurred – the difference between estimated annual payments and expected reimbursement revenues.

Assessment of One-Time-Only (OTO) Revenue

Although the books have not been officially closed on FY 2007 it appears at this point that the General Fund will end the year with **approximately $20 million in unallocated Beginning Working Capital (BWC)**. Unless the Board takes affirmative action to appropriate those funds in the current fiscal year the additional BWC will be available for use in FY 2009.

If FY 2008 revenue collections meet (or exceed) the current forecast and departments achieve savings approximating two percent of General Fund appropriations there could be **an additional $15-$20 million of one-time-only (OTO) revenue available in FY 2009**.

Together, this would result in a level of OTO revenue that, after accounting for the General Fund reserve requirement, would total **between $35-$40 million**. This forecast is based on the assumption that, ultimately, ongoing expenditures should balance to ongoing revenues. However, if the forecast OTO revenue is used to support ongoing programs, and based on the estimated ongoing shortfall of $18.7 million, we would be able to cover all forecast General Fund expenditures in FY 2009. However, the use of unanticipated revenue to fund ongoing programs does present some challenges in future years.

The County's *Financial & Budget Policies* states that:

> "It is the policy of the Board that the County will fund ongoing programs with ongoing revenue."

The policy further identifies the types of uses that OTO revenues should be applied to. We will be reviewing FY 2007 actual revenue and comparing those to FY 2008 year-to-date collections in order to determine how much of the additional BWC may represent an ongoing level of revenue. However, at this point we feel it is prudent to treat all of the unanticipated FY 2007 revenue as an OTO source.

As indicated earlier, the level of BIT revenue assumed in this forecast represents a significant variable. If BIT collections exceed the estimate for FY 2008 it would generate both additional carryover and, potentially, additional ongoing revenue that could be allocated to programs next year. The ECONW projection for FY 2008 is **about $3 million higher** than the Budget Office forecast and it is significantly higher in both FY 2009 and FY 2010.

Table 1 at the end of this report details the range of OTO revenue that could be available to support the FY 2009 budget.

Revenue growth that exceeded forecast levels accounted for the bulk of the $20 million of unanticipated BWC. A reasonably significant component of that total, however, was generated because departments spent less of their General Fund appropriation than had been anticipated. Overall departmental spending in FY 2007 was **approximately 3.3%** below the revised budget while the forecast developed last spring assumed that department spending would be about 1.2% lower than budgeted.

Compare Actual to Budgeted Expenditures

Actual Expenditures as of September 30th

	Current Budget	Actual Spending	Variance	% Over/Under
NonDepartmental	$ 33,194,864	$ 31,833,403	$ 1,361,461	4.10%
District Attorney	18,715,562	18,335,680	379,882	2.03%
School & Community Partnerships	16,212,725	15,886,531	326,194	2.01%
County Human Services	31,662,945	28,949,869	2,713,076	8.57%
Health Department	53,645,026	51,062,711	2,582,315	4.81%
Community Justice	48,648,099	47,096,482	1,551,617	3.19%
Sheriff's Office	93,934,594	92,060,137	1,874,457	2.00%
County Management	29,241,953	28,988,033	253,920	0.87%
Community Services	10,455,469	10,014,004	441,465	4.22%
Library	15,361,694	15,352,307	9,387	*N/A*
Totals	$ 351,072,931	$ 339,579,157	$ 11,493,774	3.27%

Several departments were close to, or within a historical range of, the forecast spending levels estimated in May. Those are the District Attorney, the Department of School and Community Partnerships, Department of Community Justice, and Department of Community Services.

At first glance the Sheriff's Office and Health Department appear to have achieved a higher level of savings than suggested by the previous forecast. However, both of those departments received rather large Contingency transfers in June. That spending was assumed as part of the forecast but it is now apparent that the transfers may not have been necessary. In fact, the Health Department would have overspent their budget – due largely to Corrections Health – had the Board not approved a Contingency transfer. However, the Primary Care "backfill" that was assumed as part of that transfer was not necessary as the department was able to recognize additional Medicaid revenue prior to the end of the year.

The NonDepartmental spending is artificially low because that primarily represents the ITAX payments to local school districts that were lower than forecast. The savings are offset to some extent by the fact that we had to absorb about $1 million in additional collection costs. This is reflected in the totals for County Management which had an unusually low level of savings in FY 2007.

The biggest overall impact to the bottom line comes from the Department of County Human Services which came in *nearly 9% lower than budget*. A large portion of the $2.7 million savings realized by the department represent costs shifted to external revenue sources that appear to be one-time-only in nature. In addition, the department requested a carryover of "Bridges to Housing Funds" that were reappropriated in FY 2008. So, the net savings in DCHS is closer to 6% but still much higher than historical averages.

Based on this expenditure analysis, overall department spending was **approximately $7 million lower than forecast**. It is likely that this represents one-time-only occurrences (particularly in the case of the Health Department and Sheriff's Office) and forecast FY 2009 expenditures have been built around this assumption.

Potential Uses of OTO Revenue

We have identified up to $20 million of OTO uses which are documented below. ***I will add narrative as to why we would recommend each one of these.***

Transfer to CIP/AP Funds		
East County Justice Center	$	2,300,000
Lincoln Building		1,000,000
Fund Reserve @ Level Assumed inStrategic Plan		800,000
Asset Preservation/Wapato		750,000
Subtotal - Capital	*$*	*4,850,000*
Other Uses		
Port City Debt Service		2,600,000
Contingency in Facilities Fund		1,200,000
Information Technology Innnovation		1,400,000
Retire Existing General Fund Debt		6,450,000
Restore BIT Stabilization Reserve		3,500,000
Subtotal - Other Uses	*$*	*15,150,000*
Total - Potential OTO Uses	**$**	**20,000,000**

Impact of General Fund Constraints

I will add narrative to describe a 3% constraint and why we are asking departments to take it.

Attachments:

Attachment "A" - General Fund Forecast Summary (3 Pages)
Table 1 – Summary of GF Revenue Available in FY 2009
Table 2 – Change in Portland CPI-W Since 1996
Status of Current Labor Contract Negotiations
Table 3 – Components of Estimated FY 2009 Spending
Detail of "Fixed Costs" by Department

ATTACHMENT A
General Fund Forecast Summary

	FY 07-08 Forecast	FY 08-09 Forecast	FY 09-10 Forecast	FY 10-11 Forecast	FY 11-12 Forecast	FY 12-13 Forecast
BEGINNING WORKING CAPITAL	**$ 60,100,945**	**$ 46,746,391**	**$ 28,057,094**	**$ 4,042,438**	**$ (27,803,499)**	**$ (70,608,576)**
Reappropriated Carryover	731,308	0	0	0	0	0
Uncommitted Carryover	44,998,154	32,746,391	13,005,488	(11,434,163)	(43,780,587)	(87,134,488)
5% Revenue Reserve	14,371,483	14,000,000	15,051,605	15,476,601	15,977,089	16,525,912
General Fund Sources						
TAXES	**283,937,283**	**283,431,504**	**292,981,673**	**301,681,144**	**311,864,986**	**322,674,256**
Property Taxes						
Current Year	203,480,938	209,880,402	217,226,216	223,676,163	231,504,829	239,607,498
Prior Years	3,998,906	4,137,312	4,325,636	4,500,967	4,671,665	4,842,414
Other (Penalty/Interest)	1,316,398	1,356,773	1,397,156	1,438,080	1,460,581	1,483,645
Total Property Taxes	**208,796,242**	**215,374,487**	**222,949,008**	**229,615,211**	**237,637,076**	**245,933,557**
Personal Income Tax	5,000,000	0	0	0	0	0
Business Income Tax	56,251,020	54,844,744	56,490,087	58,184,789	59,930,333	61,728,243
Motor Vehicle Rental Tax	12,890,021	13,212,272	13,542,579	13,881,143	14,297,577	15,012,456
O&C In Lieu of Tax	1,000,000	0	0	0	0	0
Other Taxes	0	0	0	0	0	0
INTERGOVERNMENTAL	**24,551,016**	**24,988,938**	**25,141,308**	**25,411,479**	**25,701,530**	**26,042,899**
US Marshal (Jail Beds)	6,399,638	6,399,638	6,399,638	6,399,638	6,399,638	6,399,638
CAFFA/A&T Supplement	3,905,000	3,983,100	4,062,762	4,144,017	4,226,898	4,311,436
Video Lottery	6,200,000	6,355,000	6,513,875	6,676,722	6,843,640	7,014,731
Liquor Tax Sharing	2,592,374	2,611,817	2,637,935	2,677,504	2,731,054	2,799,330
Juvenile Detention	2,198,505	2,498,505	2,498,505	2,498,505	2,498,505	2,498,505
Cigarette Tax Sharing	900,000	900,000	900,000	886,500	873,203	890,667
Other Intergovernmental	2,355,499	2,240,878	2,128,593	2,128,593	2,128,593	2,128,593
LICENSES & PERMITS	**2,868,977**	**2,868,977**	**2,868,977**	**2,868,977**	**2,868,977**	**2,868,977**
Environmental Health	2,488,372	2,488,372	2,488,372	2,488,372	2,488,372	2,488,372
Other Licenses & Permits	380,605	380,605	380,605	380,605	380,605	380,605
SERVICE CHARGES	**8,514,447**	**7,487,357**	**7,477,881**	**7,497,881**	**7,477,881**	**7,497,881**
Health Department						
Emergency Med Fees	0	0	0	0	0	0
Other Health	552,800	552,800	552,800	552,800	552,800	552,800
Total Health	**552,800**	**552,800**	**552,800**	**552,800**	**552,800**	**552,800**

ATTACHMENT A
General Fund Forecast Summary

	FY 07-08 Forecast	FY 08-09 Forecast	FY 09-10 Forecast	FY 10-11 Forecast	FY 11-12 Forecast	FY 12-13 Forecast
Public Safety						
MCRC Room & Board	0	0	0	0	0	0
Civil Process	309,000	309,000	309,000	309,000	309,000	309,000
Other Public Safety	405,887	352,887	335,887	355,887	335,887	355,887
Total Public Safety	**714,887**	**661,887**	**644,887**	**664,887**	**644,887**	**664,887**
Assessment & Taxation						
Recording Fees	5,533,265	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Other A & T	556,000	556,000	556,000	556,000	556,000	556,000
Total A & T	**6,089,265**	**5,556,000**	**5,556,000**	**5,556,000**	**5,556,000**	**5,556,000**
Elections	1,036,325	631,000	638,524	638,524	638,524	638,524
Other Service Charges	121,170	85,670	85,670	85,670	85,670	85,670
INTEREST	**5,000,000**	**4,750,000**	**4,512,500**	**4,286,875**	**4,072,531**	**4,153,982**
SERVICE REIMBURSEMENTS	**13,636,330**	**13,810,401**	**14,235,220**	**14,673,715**	**15,126,328**	**15,593,518**
Indirect Costs						
Road Fund	435,915	451,172	466,963	483,307	500,222	517,730
Federal/State Fund	3,425,562	3,433,289	3,553,454	3,677,825	3,806,548	3,939,778
Library Levy Fund	1,575,312	1,630,448	1,668,734	1,708,360	1,749,372	1,791,821
Other Indirect Costs	7,427,849	7,758,927	8,009,504	8,267,658	8,533,619	8,807,623
Total Indirect Costs	**12,864,638**	**13,273,835**	**13,698,654**	**14,137,149**	**14,589,763**	**15,056,952**
Other Service Reimbursements	771,692	536,566	536,566	536,566	536,566	536,566
CASH TRANSFERS	**2,067,000**	**3,017,000**	**4,217,000**	**4,470,000**	**1,217,000**	**1,217,000**
Animal Control	1,217,000	1,217,000	1,217,000	1,217,000	1,217,000	1,217,000
Other Cash Transfers	850,000	1,800,000	3,000,000	3,253,000	0	0
MISCELLANEOUS REVENUE	**1,450,905**	**1,450,905**	**1,441,905**	**1,441,905**	**1,441,905**	**1,441,905**
Total GF Sources	**$ 342,025,958**	**$ 341,805,081**	**$ 352,876,464**	**$ 362,331,976**	**$ 369,771,139**	**$ 381,490,418**

ATTACHMENT A
General Fund Forecast Summary

	FY 07-08 Forecast	FY 08-09 Forecast	FY 09-10 Forecast	FY 10-11 Forecast	FY 11-12 Forecast	FY 12-13 Forecast
General Fund Uses						
NonDepartmental	$ 21,577,837	$ 16,969,180	$ 17,668,399	$ 18,401,244	$ 19,485,835	$ 19,918,799
District Attorney	19,635,781	20,598,944	21,627,555	22,708,139	24,832,498	24,832,498
School & Comm'ty Partnerships	0	0	0	0	0	0
Human Services	44,823,482	46,058,129	47,803,593	49,620,618	51,440,017	53,330,588
Health Department	53,361,466	55,853,836	58,526,536	61,331,215	64,050,836	66,894,851
Community Justice	51,108,105	54,407,337	56,937,903	59,592,269	62,210,821	64,950,311
Sheriff's Office	96,065,165	103,948,619	109,140,205	114,594,912	119,857,214	125,365,749
County Management	33,366,614	32,073,803	33,550,627	35,198,559	36,869,945	38,623,845
Community Services	11,113,772	11,643,270	12,206,422	12,797,800	13,377,519	13,984,516
Library	15,812,876	16,287,262	16,775,880	17,279,157	17,797,531	18,331,457
Total GF Uses	**$ 346,865,098**	**$ 357,840,379**	**$ 374,237,119**	**$ 391,523,912**	**$ 409,922,216**	**$ 426,232,614**
Overall County/Contingency	**8,515,414**	**2,654,000**	**2,654,000**	**2,654,000**	**2,654,000**	**2,654,000**
Excess/(Deficit) Sources Over Uses	**$ (13,354,554)**	**$ (18,689,298)**	**$ (24,014,656)**	**$ (31,845,937)**	**$ (42,805,077)**	**$ (47,396,197)**
Ending Working Capital	**$ 46,746,391**	**$ 28,057,094**	**$ 4,042,438**	**$ (27,803,499)**	**$ (70,608,576)**	**$ (118,004,773)**
Uncommitted Carryover	32,374,908	14,057,094	(11,009,167)	(43,280,100)	(86,585,665)	(134,530,684)
5% Revenue Reserve	14,371,483	14,000,000	15,051,605	15,476,601	15,977,089	16,525,912
Total Requirements	**$ 402,126,903**	**$ 388,551,472**	**$ 380,933,557**	**$ 366,374,414**	**$ 341,967,640**	**$ 310,881,842**

Table 1
Summary of GF Revenue Available in FY 2009

		Conservative		Likely		Aggressive
Estimated BWC	$	41,272,456	$	44,741,107	$	52,209,758
(Less) Reserve		(14,000,000)		(14,000,000)		(14,000,000)
Available as OTO	$	27,272,456	$	30,741,107	$	38,209,758
Ongoing Expenditures	$	360,852,622	$	360,852,622	$	360,852,622
Ongoing Revenue		336,705,411		336,705,411		336,705,411
Ongoing Shortfall	$	24,147,211	$	24,147,211	$	24,147,211
OTO (From Above)		27,272,456		30,741,107		38,209,758
Net Reduction Required in FY 2009	**$**	**(3,125,245)**	**$**	**(6,593,896)**	**$**	**(14,062,547)**

Assumptions:

Conservative - FY 2008 Forecast Revenues and Budget Expenditures, No Adjustments for Underspending
Likely - FY 2008 Forecast Revenues and Departments Spend @ 99% of Appropriations
Aggressive - Increase Revenue for Higher BIT Estimate, Assume Departments Spend @ 98% of Appropriations

Table 2
Change in Portland CPI-W (2nd Half) Since FY 1996

Year	% Change
1995	2.66%
1996	3.85%
1997	3.32%
1998	1.11%
1999	3.73%
2000	2.95%
2001	2.23%
2002	0.45%
2003	1.51%
2004	2.75%
2005	2.78%
2006	2.65%

Contract Status as of October 15, 2007

MCPAA (Prosecuting Attorneys) – Contract in Place Until FY 2009

MCDSA (Deputy Sheriffs) – Contract in Place Until FY 2010

- FY 2008 -Reopener for Compensation, Health and Welfare, plus two additional articles each side
- FY 2009 – Reopener for wages only

AFSCME/Local 88 – Contract Settled September, 2007 for FY 2007 through FY 2011

Juvenile Custody Services Specialists – Contract Negotiations Ongoing

Sign Painters/Electricians/Operating Engineers (Trades) – Contract Negotiations Ongoing

MCCDA (Corrections Deputies) – Contract Runs Through FY 2010

- FY 2007 - in Mediation on reopeners (Compensation, Health and Welfare, plus two additional articles each side)
- FY 2008 – reopener for wages only
- FY 2009 – reopener for wages only

ONA (Oregon Nurses Association) – In Mediation October, 2007

FOPPO (Fraternal Order of Parole/Probation Officers) – In Mediation October, 2007

Table 3
Components of Estimated FY 2009 Spending

Estimated FY 2008 Ongoing Costs	$	295,723,220
Plus Inflation on Personnel		10,911,526
Plus Inflation on CS/M&S		1,899,073
Plus Inflation on Internal Services		2,432,432
Total - Ongoing Costs in FY 2009	**$**	**310,966,251**
Plus "Other" Expenses		41,620,073
Plus Add'l Annaulized FY 2008 Costs		5,612,298
Plus Contingency/Countywide Costs		2,654,000
Total Estimated FY 2009 Costs	**$**	**360,852,622**

Notes:

Inflation on Personnel Includes an **Additional $1.2 million** for Employee Medical/Dental Benefits
Other Expenses Are Identifed on Attached Detail Sheet
Additional Annualized Costs Include:
Board Earmarks - $2.75 Million
Annual Cost of State Backfill - $.9 Million
Net Additional Debt Service for A&T Project - $.8 Million

General Fund

FY 2009 Annualized Cost of "Fixed Costs"

FY 08-09		Total
Tax Supervising	$	279,344
Citizen Involvement Committee		133,024
BIT to East County Cities		5,484,474
State Mandated Expenses		3,419,246
TAN Interest		930,000
Assessment & Taxation		15,249,951
Transfers		
to Library		16,287,262
to Cap Debt Retirement		1,404,000
Contingency		1,250,000
Add'l Annual Expenses		5,484,893
Total (FY 08-09)	**$**	**49,922,195**

Additional Annual Expenses		Amount	Description
NonDepartmental	$	52,450	Citizen Involvement
Human Services		309,973	OPI Backfill
Community Justice		247,200	CANS Expansion
Community Justice		694,026	Juvenile Program Backfill
Sheriff's Office		266,856	Warrants Strike Force
Sheriff's Office		928,502	Furlough Supervision (Full Year)
Sheriff's Office		2,185,886	Additional Jail Beds (Full Year)
County Management		800,000	Net Additional Debt Service
Total - Add'l Annual Expenses	**$**	**5,484,893**	