



FY 2011 General Fund 5-Year Forecast Update

*Presentation to the Board of County
Commissioners*

Multnomah County Budget Office
May 26, 2010

Introduction

- Economic Overview
- FY 2010 Revenue Review
 - BIT
- FY 2010 One-Time-Only Funds for FY 2011
- General Fund Reserve & Contingency for FY 2011
- Estimated Ongoing FY 2012 Revenue/Expenditure Gap
 - FY 2011 Actions
 - FY 2011 Ongoing Programs w/OTO
 - FY 2012 New/Annualized Costs
 - FY 2012-2015 Gap
 - Assumptions
- Forecast Risks & Issues
- Summary & Questions



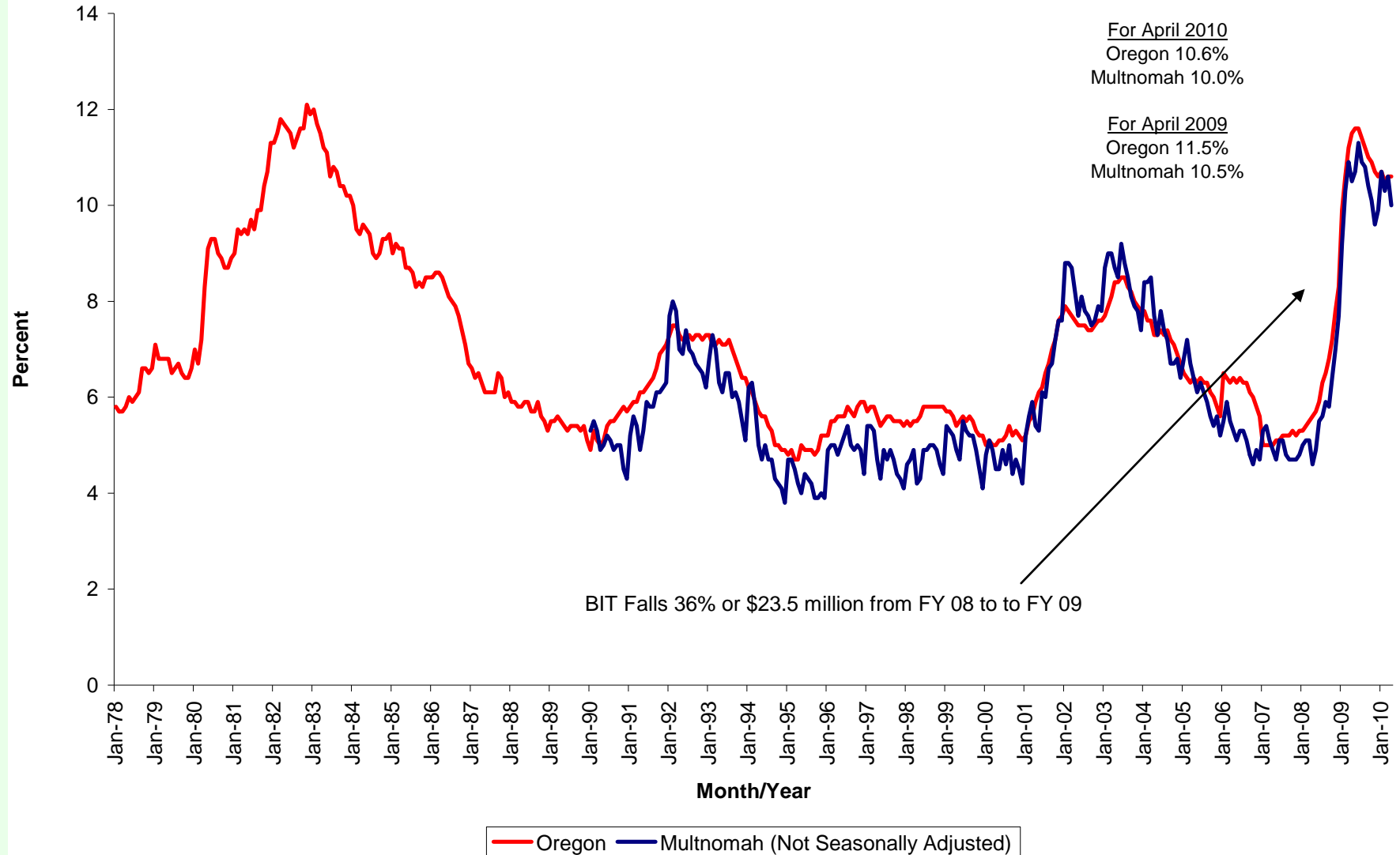
Economic Overview

- Stabilizing economy with technical end of recession in 2009.
 - U.S. GDP – 3 consecutive quarters of growth: 2009 Q3 = 2.2%, Q4 = 5.6%, and 2010 Q1 = 3.2%
 - ✓ But... expect weaker second half of 2010
 - ✓ Decline in Federal stimulus spending, end of inventory adjustment cycle, and weak residential investment.
 - Labor Markets – Employment, unemployment, work week, etc.
 - Housing
- Some recent trends...
 - Oregon Exports are up 41.2% for Q1 on a year over year basis. Computer & Electronics up 67.8% and accounts for 45.7% of total. Exports to China up 109.4% and Malaysia 169.3%. These two countries account for 40.2% of all exports.
 - New Home sales for March were 38,000 w/ seasonally adjusted annual rate of 411,000 (distorted # due to tax credit)... At peak, was 1.3 million. (Census Bureau)
 - National Health Expenditures are expected to be 17.3% of GDP in 2009 vs. 16.2% in 2008 and nearly 2 and half times as much than other developed OECD countries on a per capita basis in 2007. (Center for Medicare & Medicaid Services, pre-reform legislation, post-ARRA; OECD)
 - Weekly Unemployment Claims – 4-week moving average @ 453,500, which is down from 600,000 plus, but still near peak levels seen in the last two recessions.
- Forecast continues to assume a stabilizing national and local economy with a protracted and uneven recovery.

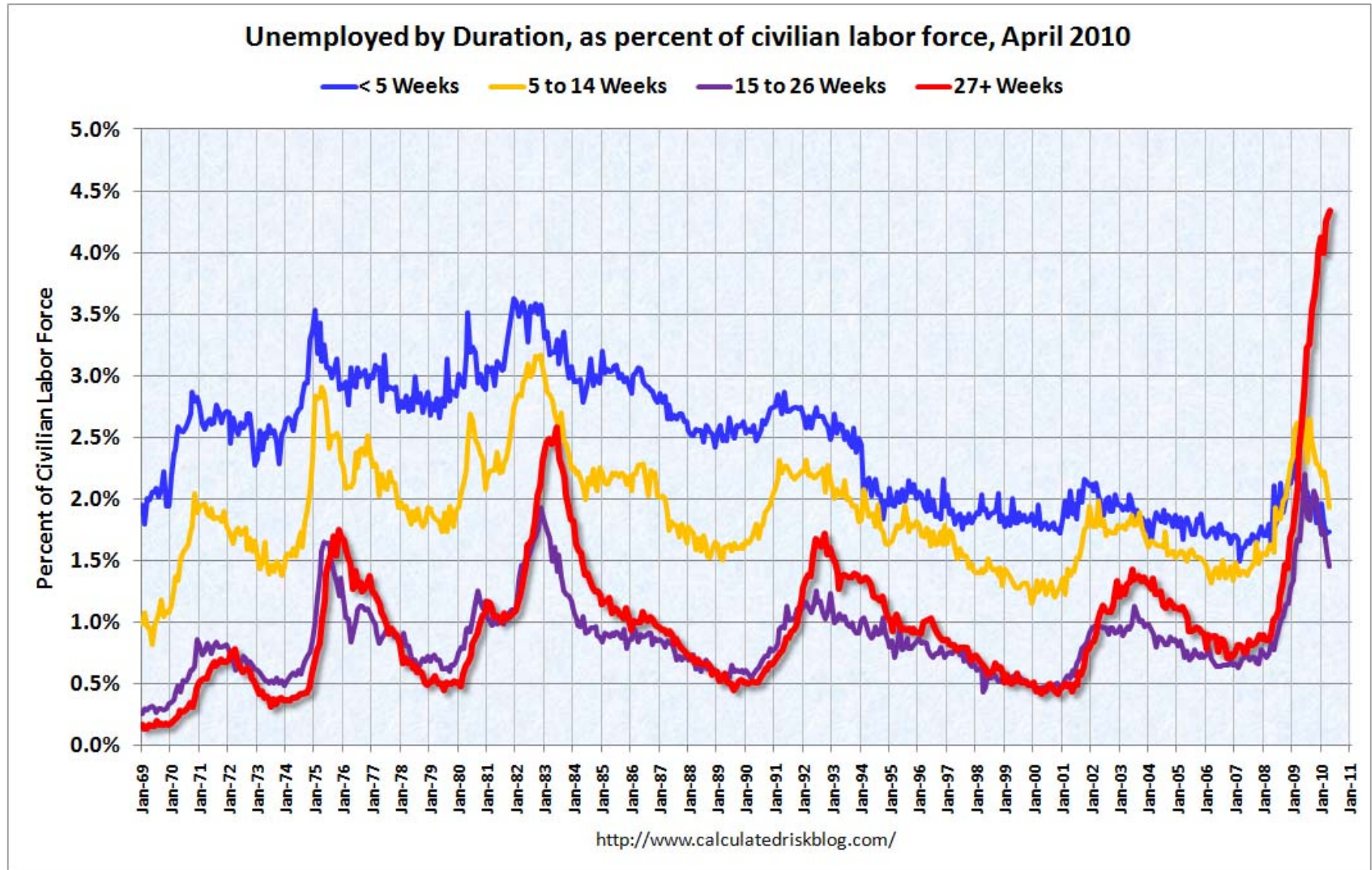


Economic Overview

Oregon & Multnomah County Unemployment Rates

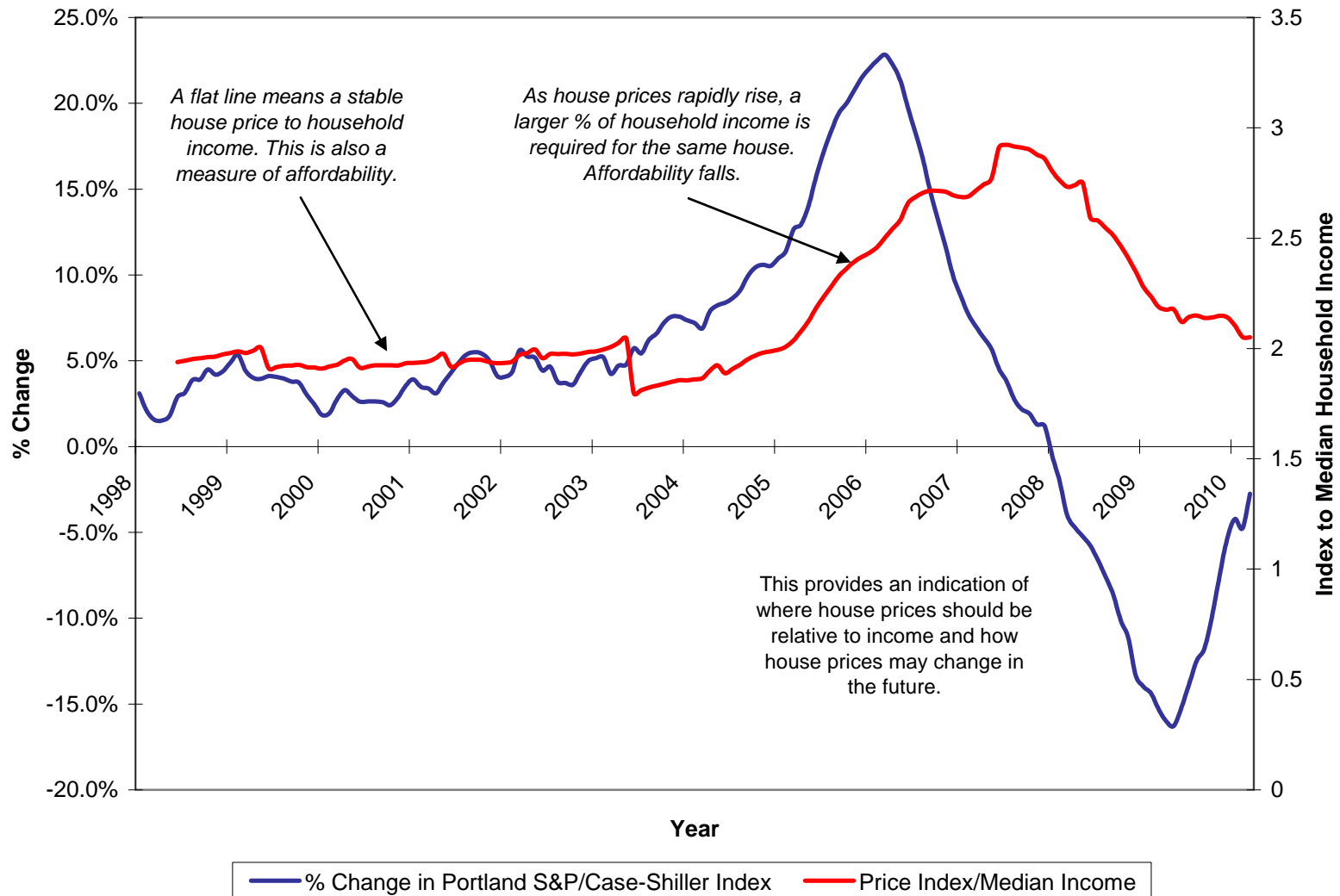


Economic Overview



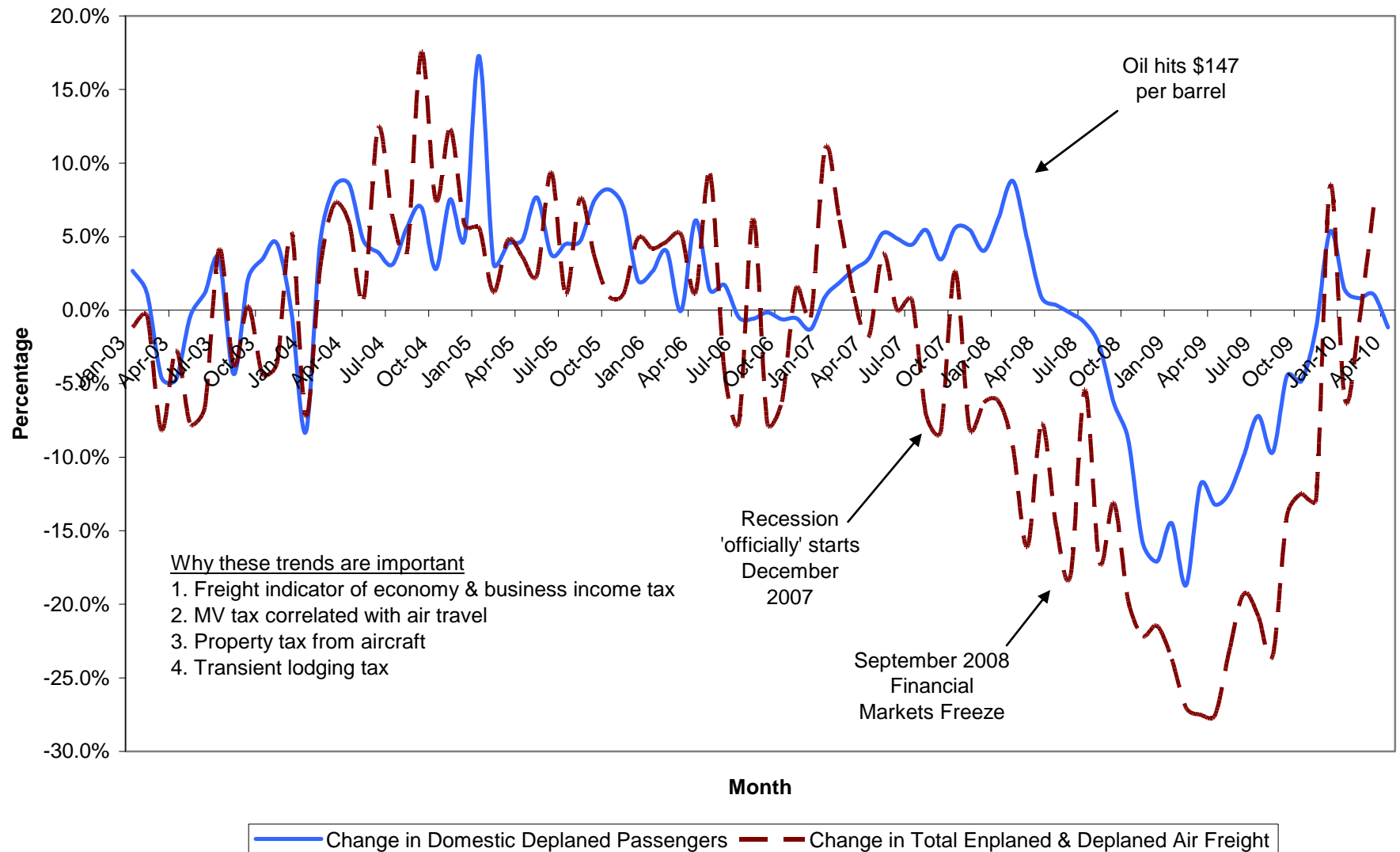
Economic Overview

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



Economic Overview

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



FY 2010 Revenue Review & OTO Funds

	Adopted ¹	October Forecast Change	February Forecast Change	May Forecast Change	Net Change From Adopted
Property Taxes	221,248,041	1,572,323	1,929,152	0	3,501,475
Business Income Taxes	42,528,000	0	(265,000)	0	(265,000)
Motor Vehicle Rental Taxes	17,412,540	0	0	0	0
US Marshal	9,225,000	(2,098,750)	0	0	(2,098,750)
State Shared					0
Video Lottery	5,559,535	0	(1,659,535)	0	(1,659,535)
Liquor	2,637,935	456,920	(289,855)	0	167,065
Cigarette	900,000	(140,276)		0	(140,276)
Amusement	100,000	75,000	0	0	75,000
Recording Fees/CAFFA Grant	7,242,500	250,000	0	0	250,000
City of Portland	1,170,678	(228,000)		0	(228,000)
Indirect					0
Departmental	8,721,000	0	0	0	0
Central Indirect/Svc Reimburse	7,548,132	0	(400,000)	0	(400,000)
Elections	1,173,750	(124,000)	0	0	(124,000)
All Other	15,019,735	0	0	(400,000)	(400,000)
FY 10 Revenue Adjustments ²	340,486,846	(236,783)	(685,238)	(400,000)	(1,322,021)
% of Revenue		-0.07%	-0.20%	-0.12%	-0.39%

1. Excludes BWC, ITAX Revenue, and General Reserve Fund Cash Transfer into General Fund.

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



FY 2010 Revenue Review & OTO Funds

BIT Collections Fiscal Year-to-Date Through April

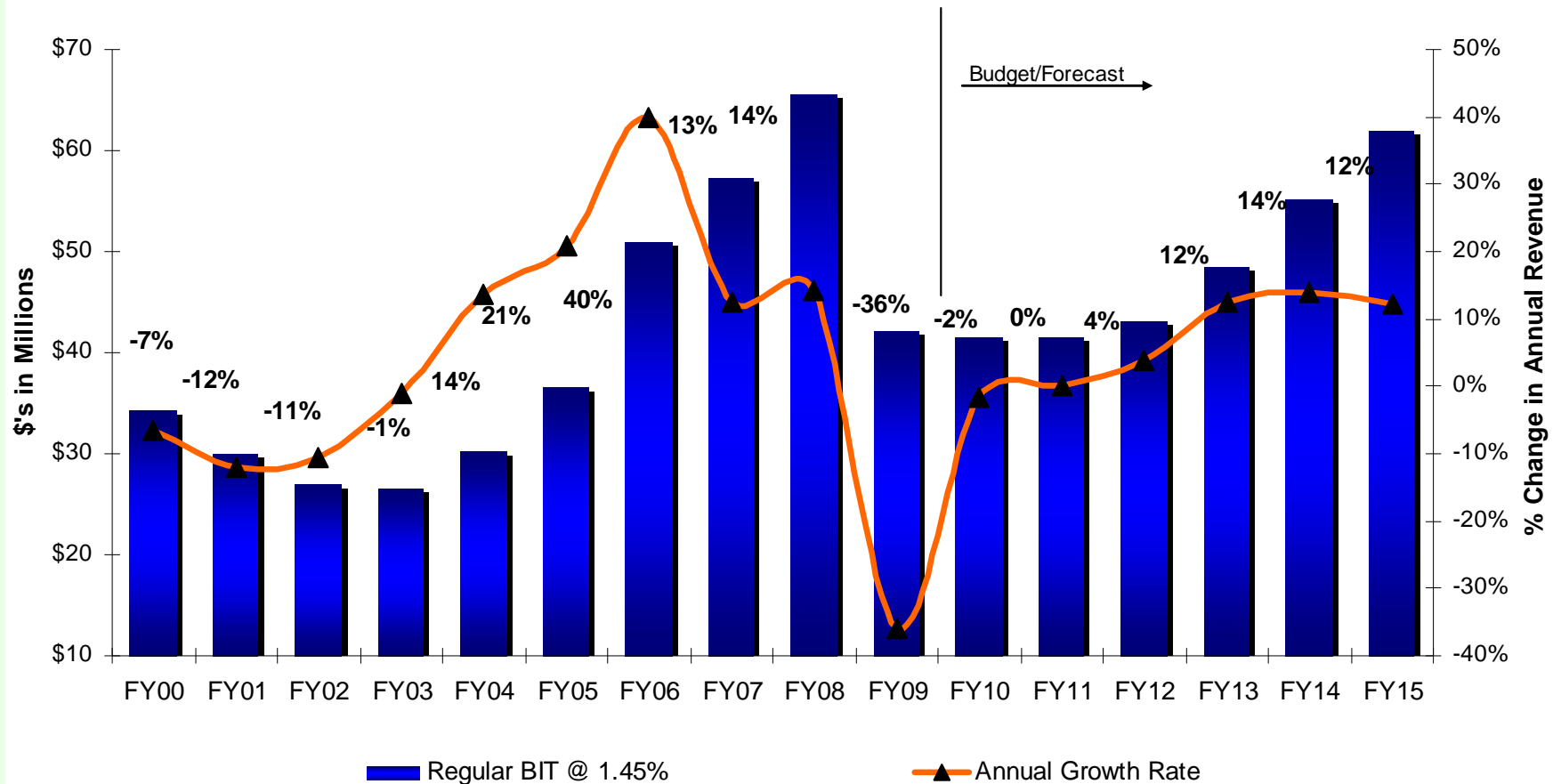
	FY 08	FY 09	FY 10	FY 10 vs. FY 08	FY 10 vs. FY 09
Quarterly	26,719,905	24,137,164	20,891,819	-21.8%	-13.4%
Yearly	29,167,734	17,350,855	19,660,911	-32.6%	13.3%
Refund/Interest	3,668,895	5,527,628	6,376,732	73.8%	15.4%
NSF Check	76,746	72,283	91,923	19.8%	27.2%
Total	52,141,997	35,888,109	34,084,075	-34.6%	-5.0%
Actual or Budget	65,650,000	42,900,000	42,263,000		



FY 2010 Revenue Review & OTO Funds

Annual BIT Collections

(FY 2000 to FY 2009 Actuals; FY 2010 Budget; FY 2011 to FY 2015 Forecast)



FY 2010 Revenue Review & OTO Funds

Sources of OTO Funds in Proposed from FY 2010

Higher BWC (ending balance from FY 09)	8,243,991
Unappropriated above 10% Reserve	3,598,319
FY 2010 Revenue Shortfalls thru February/March Forecast	(922,021)
Less 10% Revenue Reserve Increase	<u>(620,847)</u>
OTO funds available for FY 2011 in March Forecast ¹	10,299,442
Additional FY 2011 OTO from not using FY 2010 BIT Reserve <i>(\$4 million used for FY 2011 Reserve & \$2 million used for OTO expenditures)</i>	6,000,000
DCM/DART FY 2010 Underspending for A&T System & Class Comp Study	<u>1,200,000</u>
Total OTO Funds from FY 2010 in Proposed Budget ²	17,499,442

Sources of OTO Funds NOT in Proposed from FY 2010

Reduced Interest Income from May Forecast Update	(400,000)
FY 2010 Departmental Underspending of 1.6% to 2.1% or \$5.4 to \$7.1 million	

Net Additional OTO Funds for FY 2011 Based on current revenue and expenditure trends: \$5 to \$6.7 million

1. Required addition to Revenue Reserve Reduced by \$157,824 from October forecast.

2. Doesn't include ITAX, SIP, and final balancing.



General Fund Reserve & Contingency

General Fund Reserves and Contingencies for the FY 2011 Proposed Budget

Contingency

General Fund 'Regular' Contingency	1,250,000
Pet Adoption Center	75,000
'Saved' ongoing	70,915
'Saved' one-time-only	430,387
BIT Reserve (in General Fund Contingency)	4,000,000
	5,826,302

Unappropriated (Reserve)

Unappropriated Revenue Reserve @ 10%	29,885,452
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Estimated Ongoing FY 2012 Rev/Exp Gap

FY 2012 Ongoing Gap Per March Forecast

11,246,072

Plus Gap based on Requested FY 2011 Budgets & Preliminary Policy Decisions

Lower US Marshal (140 beds vs. 150)	463,550	
Lower Central Indirect Rate Collection	1,704,558	
Lower Recording Fees	250,000	
Increase Library Reimbursement for MCSO services	(149,378)	
Lower Health Department Revenue	125,000	
MCSO - SWD	511,651	
MCSO - ORPAT	132,000	
MCSO - CERT	140,000	
Animal Shelter OTO Restoration from FY 10	584,171	
Additional COLA for Contractors (2.0% vs 1.5%)	211,000	
Other & Inflation on above list	488,900	
		<u>4,461,452</u>
		15,707,524

Gap Reduced in FY 2011

Add Indirect Revenue From Fund 3002	713,644	
Assume lower central indirect collection OTO not ongoing	1,700,000	
Increase pet license fees	517,000	
Add Environmental Health Fee Revenue	329,344	
Add revenues associated with 91005b (Animal Control)	228,000	
		<u>3,487,988</u>

Amount Addressed via net reductions/reallocations in FY 2011

6,279,243

Amount of Gap Closed before OTO spending...

9,767,231

or... remaining FY 12 Gap

5,940,293



Estimated Ongoing FY 2012 Rev/Exp Gap

Add Ongoing Programs supported with OTO

10038D/72073 - Recycling Coordination	88,877
95x10 - CGF Contingency for Offer 91203 Pet Adoption	75,000
25020B - Multnomah Project Impendence - Reduced	246,642
25020C - Multnomah Project Independence - Fully Restore	215,771
25091B - Sobering scale-up	150,000
25114B - Bridges to Housing - Scale	228,000
25123B - Youth Gang Prevention - Scale	937,878
40029B - Rockwood Health Clinic Scaled Offer	222,897
500029 - Mead Building Security	99,054
50040B - Adult DV Treatment - Batters Intervention Contract	137,663
50048B - Adult Housing Restoration	552,630
60065B - MCSO River Patrol Restoration	140,863
60068B - MCSO Warrant Task Force Restoration	221,393
60076B - MCSO DV Enhanced Response Team Backfill	55,753
10038C/72003D - Multnomah Community Food Policy Coordination	166,564
91006B - Animal Services Field Ops - Enhanced	181,796
91007B - Animal Services Shelter - Restore & Enhance	168,674
91024 - Animal Services Fund Raising Development	80,000
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	3,969,455

Plus... new costs for FY 2012

East County Courts operation	430,000
Annualized Crisis Assessment & Treatment Center (Assumes \$1.1 million w/ no City Support)	905,000

Total Ongoing w/OTO and new costs	5,304,455
... Plus cost growth @ 5%	265,223
Net addition to FY 2012 Gap	5,569,678



Estimated Ongoing FY 2012 Rev/Exp Gap

FY 2012 Gap before OTO Spending, New Costs, & Annualizations	5,940,293
Net Addition due to OTO Spending, New Costs, & Annualizations	5,569,678

Total FY 2012 Gap Based on FY 2011 Proposed Budget	11,509,971
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Amount of FY 2012 Gap Closed thru FY 2011 budget	4,197,553
<i>Thru Revenue</i>	3,487,988
<i>Thru Expenditures</i>	709,565

Other Considerations...

Lower Indirect Rate is not all a OTO issue...	750,000
New Local 88 Class Comp MOA (est.)	200,000
Other (i.e., Management Class/Comp, ongoing from contingency., etc.)	800,000
	1,750,000

Estimate for FY 2012 Gap in practice	13,259,971
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OTO funding for programs marked as OTO that could continue

10011B - Comprehensive Family Economic Security	97,120
10033 - Working Smart Initiative	217,907
25040C - DV Safe Start Collaboration	163,024
25124 - East County Homeless Outreach	75,000
25147 - Child & Family Hunger Relief	235,000
50032B - Employment Services for Gang Members	50,000
60033B - MCSO Gresham Temp Hold	138,437
	976,488

FY 2012 Estimated Ongoing Revenue/Expenditure GAP: \$11.5 to \$14.2 million
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Estimated Ongoing FY 2012 Rev/Exp Gap

- FY 2012 to FY 2015 Estimate Assumes:
 - ✓ No ongoing backfill of state programs
 - ✓ No new or expanded General Fund programs, other than:
 - East County Court Facilities (\$750,000 debt service, \$430,000 ops)
 - Crisis Assessment & Treatment Center (\$1.1 million for ops)
 - ✓ No structural changes in revenues (i.e., tax law changes, new legislation, or additional property tax levies)
 - ✓ Total labor costs increase between 4.75% to 5.50%
 - ✓ 'Normal' Inflation
- The actual operating deficit will certainly be different



Forecast Risks & Issues

- Economy does not continue to stabilize and recover
 - ✓ BIT
 - ✓ Commercial real estate
 - ✓ Property Tax Compression
- China Bubble and Euro Zone
- State Budget/Economy
 - ✓ ~~January Election~~
 - ✓ ~~Federal Reserve Ramp Down~~
 - ✓ Stimulus Expiration
 - ✓ State of Oregon Budgetary Issues (current Biennium and next)
- Internal/Local Issues
 - ✓ New & Replacement Structures and Operating Costs (East County Courts, Crisis Assessment & Treatment Center, Downtown Courthouse, etc.)
 - ✓ Retiree Benefits Liability
 - ✓ Health Care and Health Costs



Summary

- FY 2010 General Fund ongoing revenues in-line with Adopted Budget – down \$1.3 million or 0.39% of planned revenues.
- \$5 to \$6.7 million of additional OTO funds from FY 2010 (on top of planned \$17.5 million). Derived from departmental under spending and current revenue & expenditure trends.
- FY 2011 Proposed General Fund balanced with fully funded reserves (\$29.9 million) and a \$5.8 million General Fund contingency, which includes a \$4 million BIT reserve.
- FY 2012 operating deficit is estimated at \$11.5 million to \$14.2 million based on the FY 2011 Proposed budget.
- FY 2012 to FY 2015 – annual operating deficit stabilizes at \$11.5 to \$14.6 million (roughly 3% to 4% of expenditures).
- Questions?
- More Info: www.co.multnomah.or.us/budget

