



# General Fund Overview

*First Quarter Review and Preliminary FY 2008  
Revenue Forecast*

**Multnomah County Budget Office**

**October 26, 2006**

# Introduction

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- **First Quarter Review**
  - Good News, Revenues Above Budgeted Levels
  - Strong Economic Growth
  - Recent Revenue Trends
  - Implications for FY 2007 Revenue
- **Revenue Forecast**
  - Where Does the Money Come From?
  - FY 2007 First Quarter Forecast Revision
  - One-Time-Only v. Ongoing
- **Balancing the Budget**
  - The Structural Deficit
  - Key Assumptions for FY 2008
  - Range of Options
  - Forecast Unknowns



# FY 2006 Actual Revenues

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- FY 2006 Actuals Nearly **7% Higher** Than 2<sup>nd</sup> Quarter Forecast (Basis of Chair's Executive Budget)
- Third Year of Strong Economic Growth Generated Additional BIT, Recording Fee, and Interest Earnings
- Overview of Major Revenue Sources (FY 2006)
- Revised FY 2007 Revenue Forecast and Implications for FY 2008 Budget Process



# General Fund Revenue Variance

January, 2006 Forecast v. Actual Collections (Excludes ITAX)

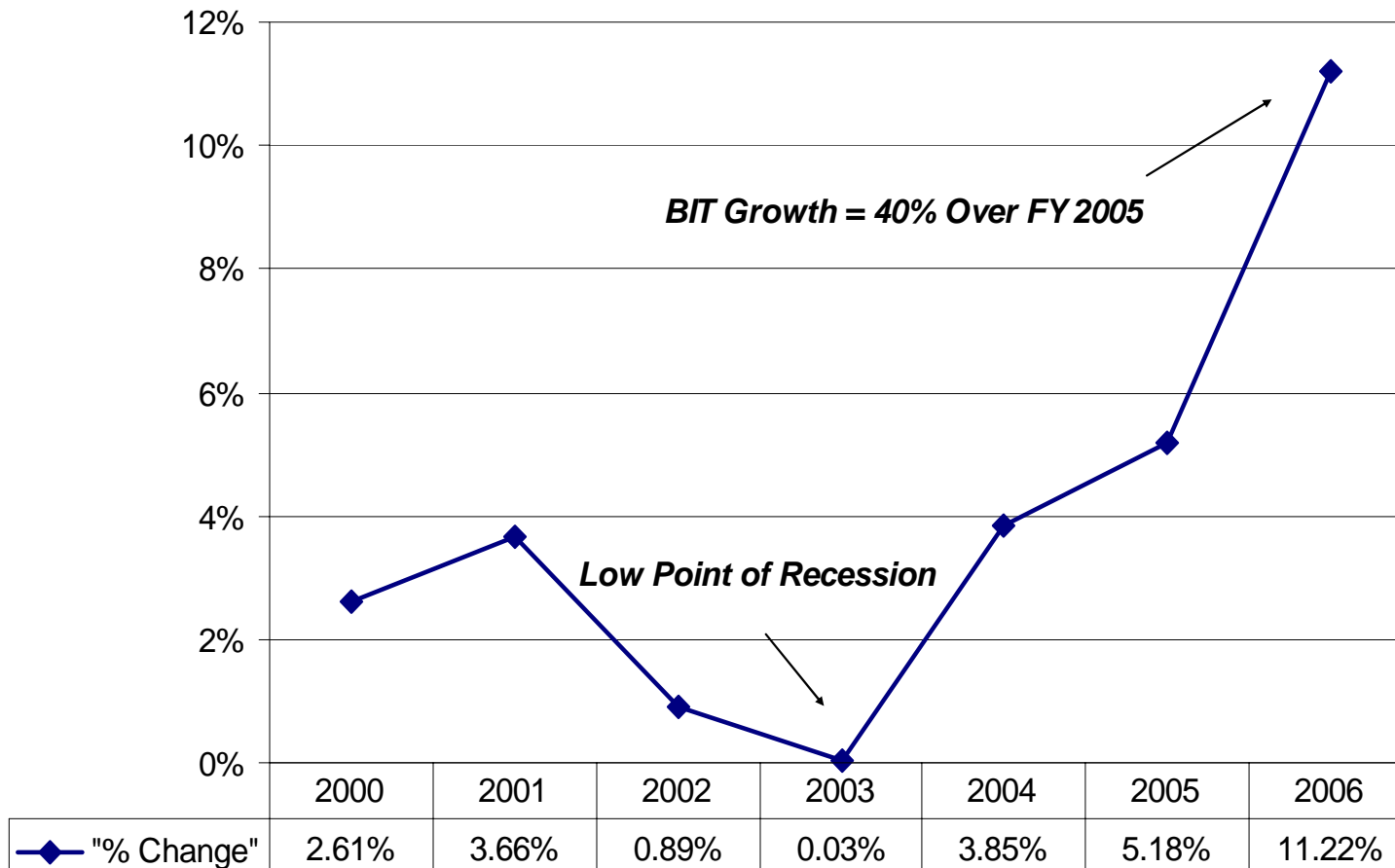
Dollars in Millions

	FY 05-06 Revenues			
	January-06	Actual	Difference	% Variance
Property Taxes	\$ 189.84	\$ 192.01	\$ 2.17	1.14%
<b>Business Income Tax</b>	<b>39.38</b>	<b>50.98</b>	<b>11.60</b>	<b>29.46%</b>
Motor Vehicle Rental	11.34	11.91	0.57	5.03%
A&T Sources	10.49	11.14	0.64	6.14%
State Shared Revenues	7.21	8.65	1.43	19.86%
Interest Earnings	1.47	3.93	2.46	167.47%
Subtotal	\$ 259.73	\$ 278.61	\$ 18.88	7.27%
Beginning Working Capital	42.42	42.42	-	N/A
All Other GF	25.97	29.25	3.28	12.63%
Total General Fund	\$ 328.12	\$ 350.28	\$ 22.16	6.75%



# General Fund Revenue Trends

## Annual Change in GF "Corporate" Revenues (Property Tax, BIT, Motor Vehicle, State Shared, A&T, Interest)



# Additional Carryover Available in FY 2007

- Revenue Growth and Dep't Underspending = Additional FY 2007 Carryover
- \$8.4 Million Total Additional Revenue at Year End Closing
- About \$2.3 Million Due to Health Department Medicaid "Wraparound" Payments

## Calculation of FY 2007 Beginning Working Capital

All Sources, Including ITAX

	<u>General Fund</u>
Total Revenue	\$ 471,828,360
Total Expenditures	<u>416,227,107</u>
Over/(Under)	\$ 55,601,252
FY 06-07 Budget	47,200,000
Additional BWC in FY 2007	\$ 8,401,252
Health Department "Wraparound"	<u>(2,276,318)</u>
Available for Other County Programs	\$ 6,124,934



# Change in Major Revenue Source Estimates

Adopted Budget v. First Quarter Forecast Revision

Dollars in Millions

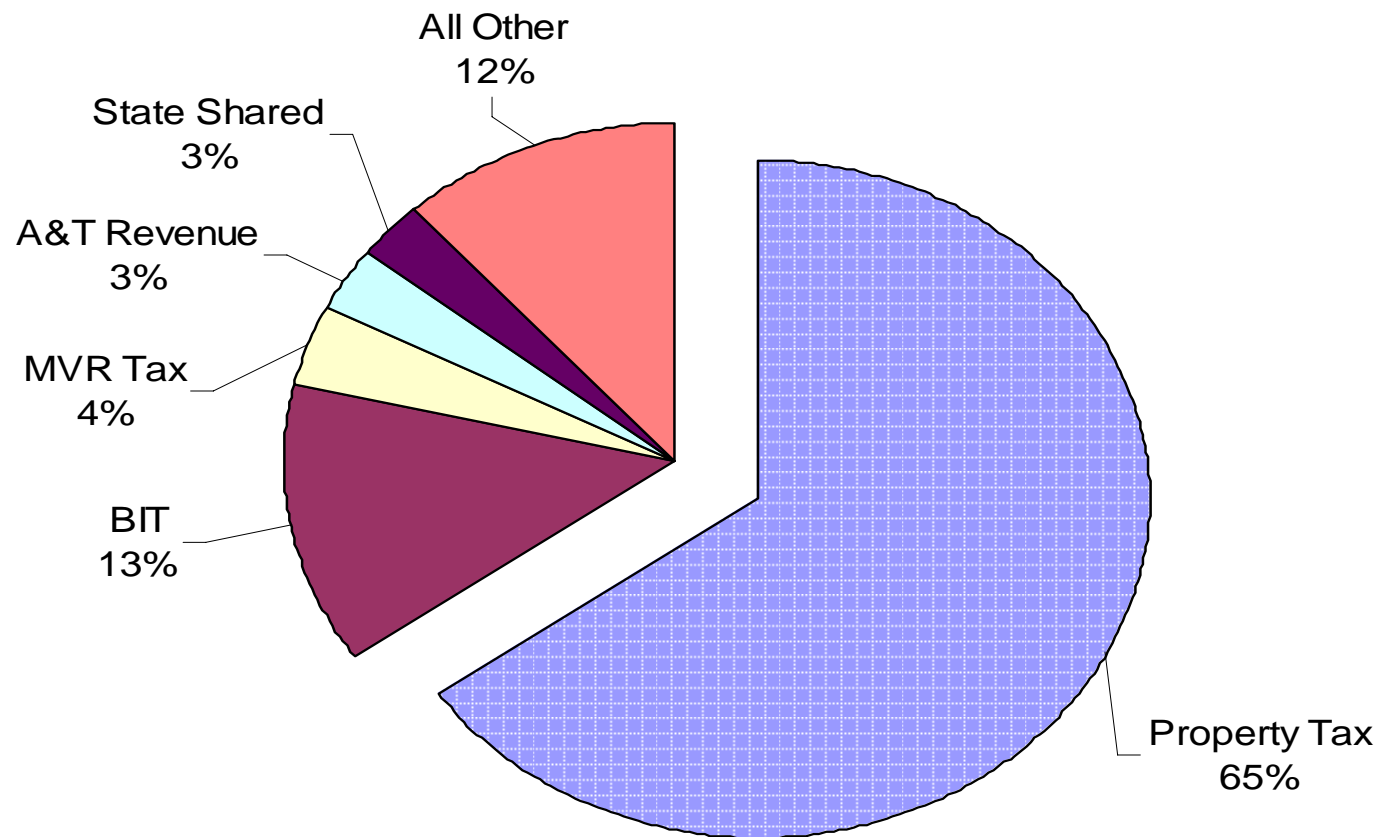
	FY 06-07 Revenues			
	Adopted	October-06	Difference	% Variance
Property Taxes	\$ 196.78	\$ 197.34	\$ 0.56	0.28%
<b>Business Income Tax</b>	<b>40.50</b>	<b>46.90</b>	<b>6.40</b>	<b>15.81%</b>
Motor Vehicle Rental	11.75	12.21	0.46	3.89%
A&T Sources	9.98	10.12	0.14	1.40%
State Shared Revenues	7.85	8.34	0.49	6.28%
Interest Earnings	2.20	2.85	0.65	29.53%
Subtotal	\$ 269.06	\$ 277.76	\$ 8.70	3.23%
Beginning Working Capital	47.20	55.60	8.40	17.80%
All Other GF	37.44	38.38	0.94	2.52%
Total General Fund	\$ 353.70	\$ 371.74	\$ 18.04	5.10%



# Sources of General Fund Revenue

## General Fund Revenue (FY 2006-07)

*Excludes Beginning Working Capital*





# General Fund Revenue Forecast

## Major General Fund Revenue Sources

*Based on Adopted FY 06-07 Budget; Forecast Years Updated October, 2006*

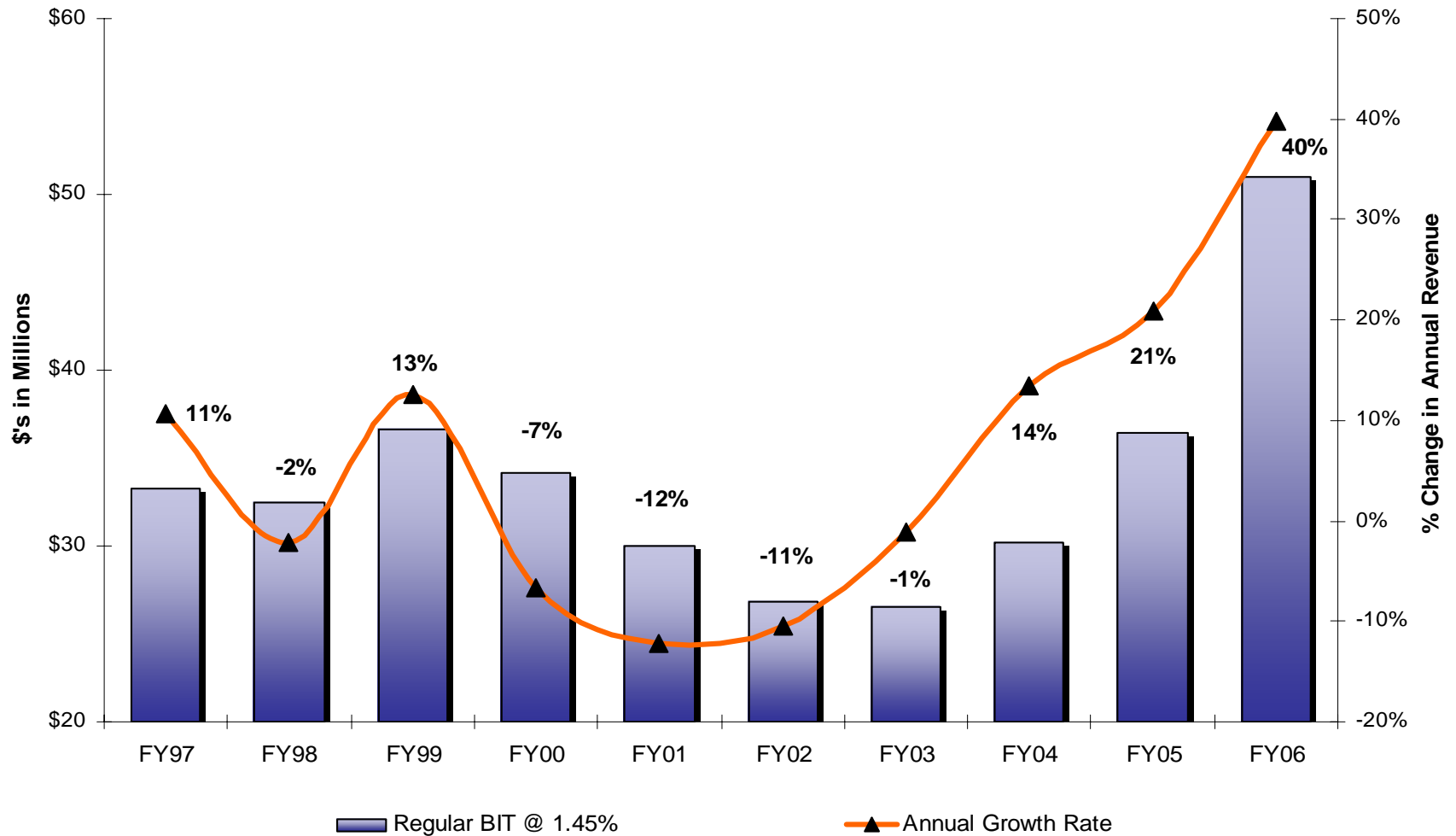
	Actual FY 05-06	Adopted FY 06-07	Forecast FY 06-07	Forecast FY 07-08	Forecast FY 08-09
Property Taxes	\$ 192,007,398	\$ 196,783,515	\$ 197,339,107	\$ 204,674,199	\$ 211,298,281
Business Income Tax	50,980,000	40,500,000	46,901,600	44,500,000	45,835,000
Motor Vehicle Rental	11,909,379	11,750,000	12,207,113	12,390,220	12,638,025
A&T Sources	11,136,754	9,982,000	10,015,596	9,469,000	9,547,260
State Shared Revenues <sup>1</sup>	8,645,211	7,848,524	8,341,543	7,848,524	8,230,918
Interest Earnings	3,930,492	2,200,000	2,849,646	2,700,000	2,700,000
	\$ 278,609,235	\$ 269,064,039	\$ 277,654,605	\$ 281,581,943	\$ 290,249,484
All Other General Fund <sup>2</sup>	29,256,600	32,635,121	33,647,308	30,210,773	30,493,455
	\$ 307,865,835	\$ 301,699,160	\$ 311,301,913	\$ 311,792,716	\$ 320,742,939
% of Total Revenue	90.50%	89.18%	89.19%	90.31%	90.49%

### Notes:

1. State Shared Revenues include Video Lottery and OLCC, Cigarette, and Amusement Device Taxes
2. All Other General Fund Excludes ITAX Revenue and Beginning Working Capital (BWC)



# Volatility of BIT a Concern



# How Much Additional Revenue?

## Estimate of OTO v. Ongoing Revenue

*Based on 1st Quarter FY 2007 Revenue Forecast*

	Total Revenue	OTO	Ongoing
Additional Beginning Working Capital	\$ 8,401,252	\$ 8,401,252	
Additional Revenue - 1st Quarter Revision	9,602,753	4,000,000	5,602,753
BIT Stabilization Reserve	3,500,000	3,500,000	
Total	\$ 21,504,005	\$ 15,901,252	\$ 5,602,753

Additional BWC = Difference Between FY 05-06 Expenditures and FY 05-06 Revenue

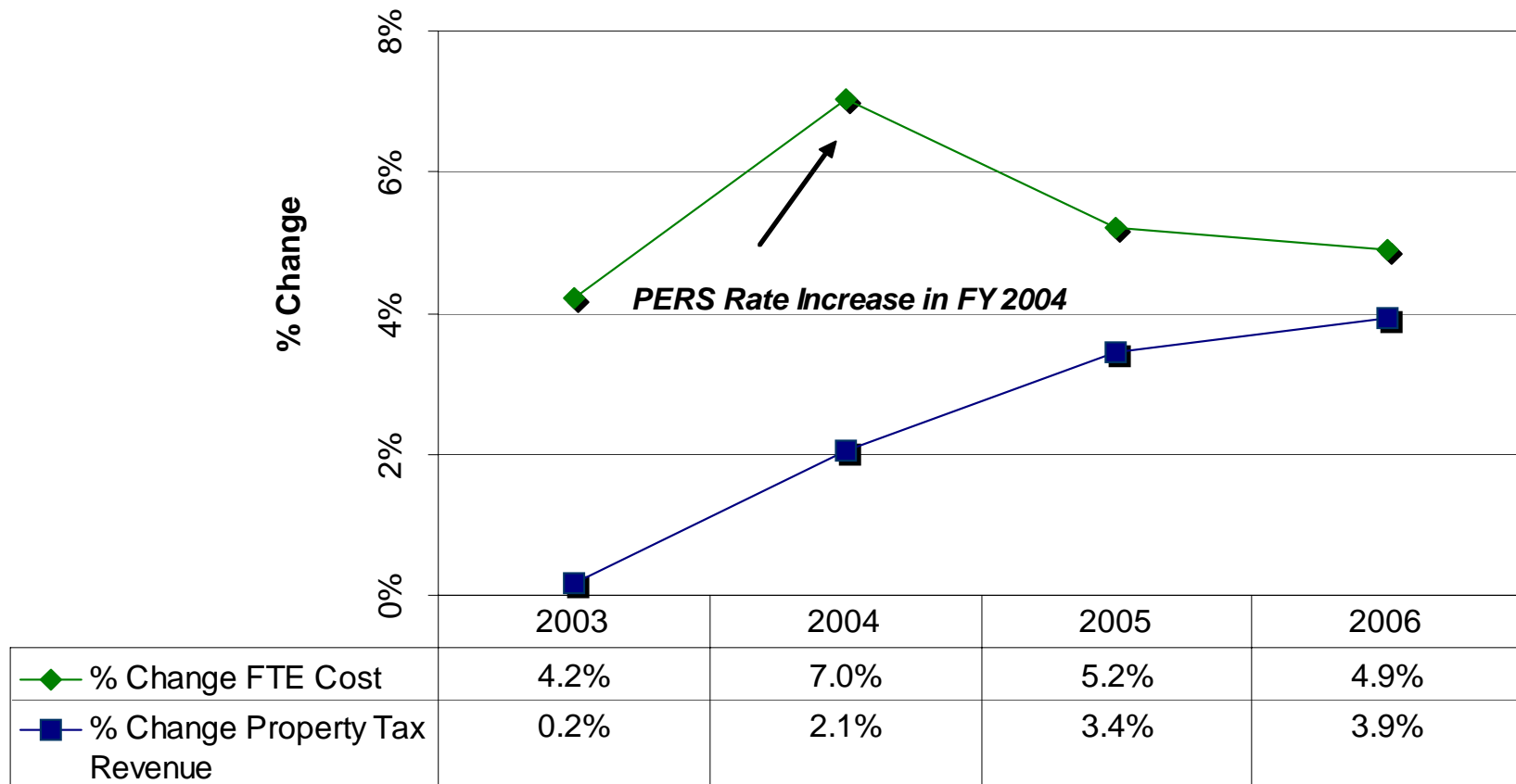
Revenue Above Forecast = Revenue Estimated to be Received by Year-End

BIT Stabilization Reserve = Expenditure Savings Based on the Revised BIT Forecast



# What is The "Structural Deficit"?

Cost per FTE v. Property Tax Revenue



# Revenue Assumptions

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- Economy Showing Signs of Slowing - Probably Yet to Hit Peak of This Cycle
- Employment Near Peak Levels (See BIT Chart)
- Assessed Value Growth @ 4% in FY 2007, Estimated Value Growth @ 3.5% for FY 2008 and FY 2009
- Compression Less Than Forecast – RMV Continuing to Grow at a Faster Rate Than AV
- BIT Forecast to Decline Slightly in FY 2007 and FY 2008
- Analyzing Revenue Collections – How Much of FY 2006 Revenue is One-Time-Only?
- Most Other Revenues Forecast at Historical Trends



# BIT Revenue v. County Employment



# Expenditure Assumptions

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- \$25 Million of Ongoing Programs Supported by OTO Revenue in FY 2007 Budget
- CPI Growth Has Slowed in Recent Months
- Portland CPI Expected to Range From 3% to 3.5%
  - Nine of Ten Labor Contracts Open for Wages
  - Each 1% of Payroll = \$2 Million in General Fund
- Expect No Changes to PERS Rates
- Expect Minor Changes to Other Insurance Rates
- Medical/Dental Currently Being Bargained
  - Department Contribution Rate v. Level of Reserves
  - Issue of Retiree Medical Liability



# Forecast Scenarios

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## FY 2008 Estimated General Fund Shortfall

*Range of Options Based on First Quarter Forecast Revision*

	Conservative		Most Likely		Optimistic	
BWC	\$	30.4	\$	32.6	\$	34.0
All Other GF Revenue		311.8		313.0		317.4
<b>Total Resources</b>	<b>\$</b>	<b>342.2</b>	<b>\$</b>	<b>345.6</b>	<b>\$</b>	<b>351.4</b>
Expenditures	\$	359.4	\$	356.3	\$	351.7
Reserves		13.5		13.5		13.5
<b>Total Requirements</b>	<b>\$</b>	<b>372.9</b>	<b>\$</b>	<b>369.8</b>	<b>\$</b>	<b>365.2</b>
Surplus/(Shortfall)	\$	(30.7)	\$	(24.2)	\$	(13.8)





# Summary

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- Revenue Growth Stronger Than Forecast in April
  - \$18 - \$21.5 Million Additional Revenue in FY 2007
  - Most OTO, Some Ongoing – Requires Further Analysis
- Economy Still Strong, Slower Growth Expected
  - Inflation Not A Significant Concern in Short Term
  - Real Estate Market Has Been Cooling
- Labor Negotiations a Big Unknown
  - Contracts Open for Wages
  - EBB Negotiations Impact Benefit Contributions
- Forecast Risks and Issues
  - State Ballot Measures and Status of 2007-09 Budget
  - Programs Supported by OTO Revenue in FY 2007
  - Unfunded Liabilities (i.e., Transportation, Retiree Medical, Wapato)
- Return to Board for Approval of FY 2008 Fiscal Parameters

