

City Budget Outlook/Guidance

City Council Budget Work Session

November 4, 2014

Andrew Scott, City Budget Director

Josh Harwood, City Economist

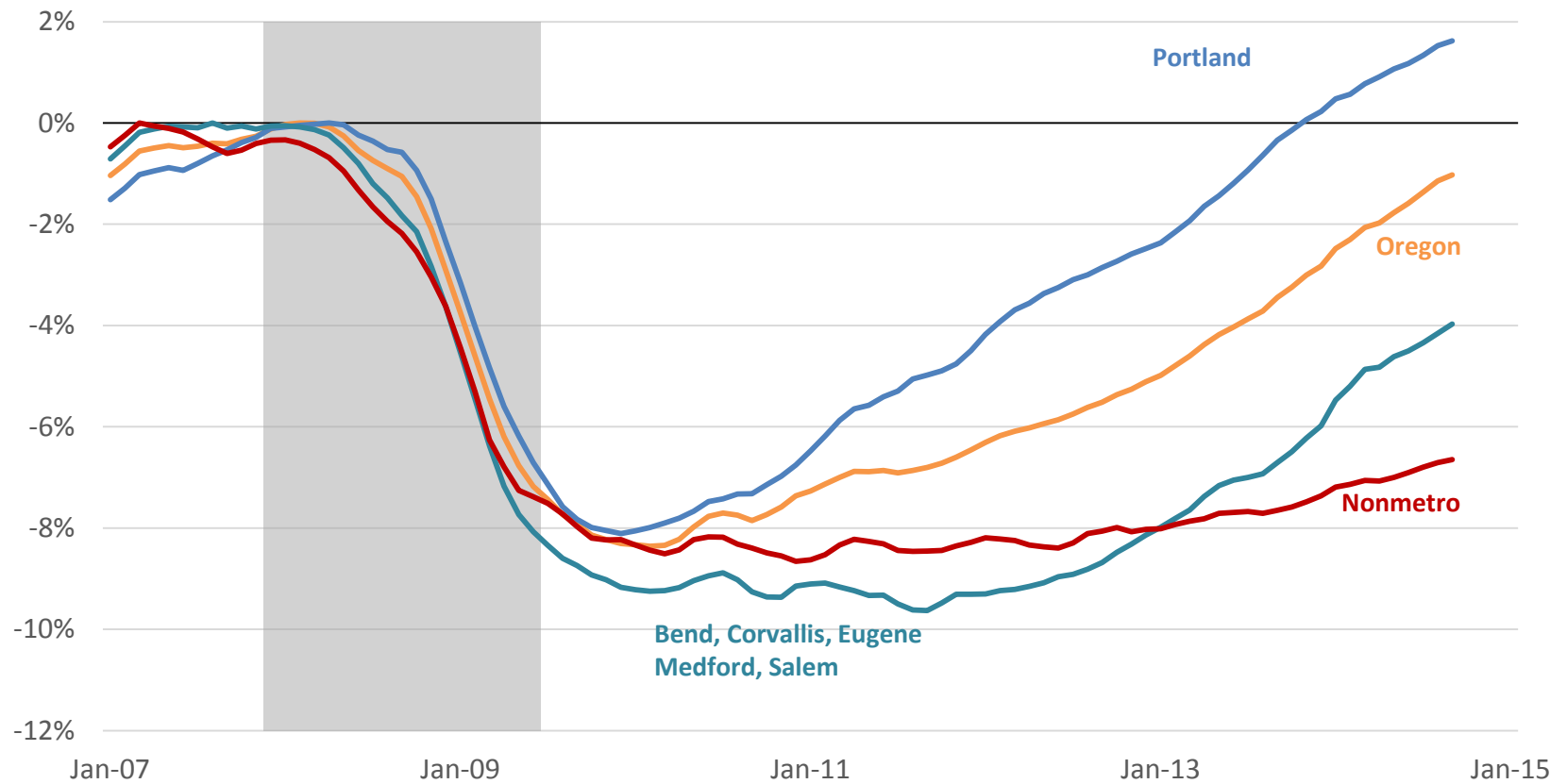
Current Economic Conditions

- Last 12-18 months have looked more like a typical recovery
 - Employment set record late last year and has continued to expand
 - Unemployment Rate at 5.7%, lowest since 2007 (State 6.1%, US 5.7%)
 - Home prices still rising, but at more sustainable levels
 - Vacancy rates low for office, industrial, & rental markets



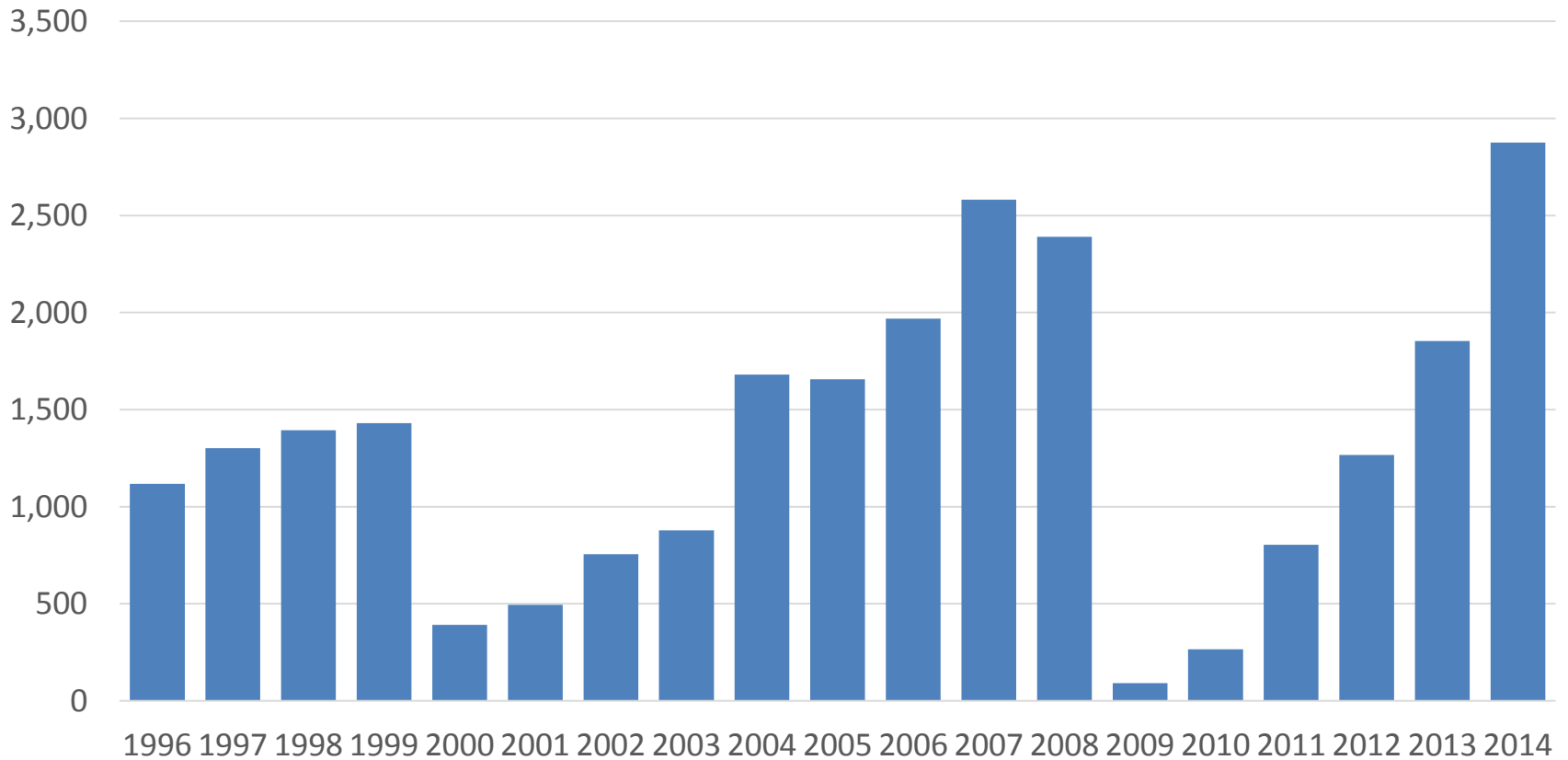
Portland Leads the Way

Oregon Employment: Metro and Nonmetro



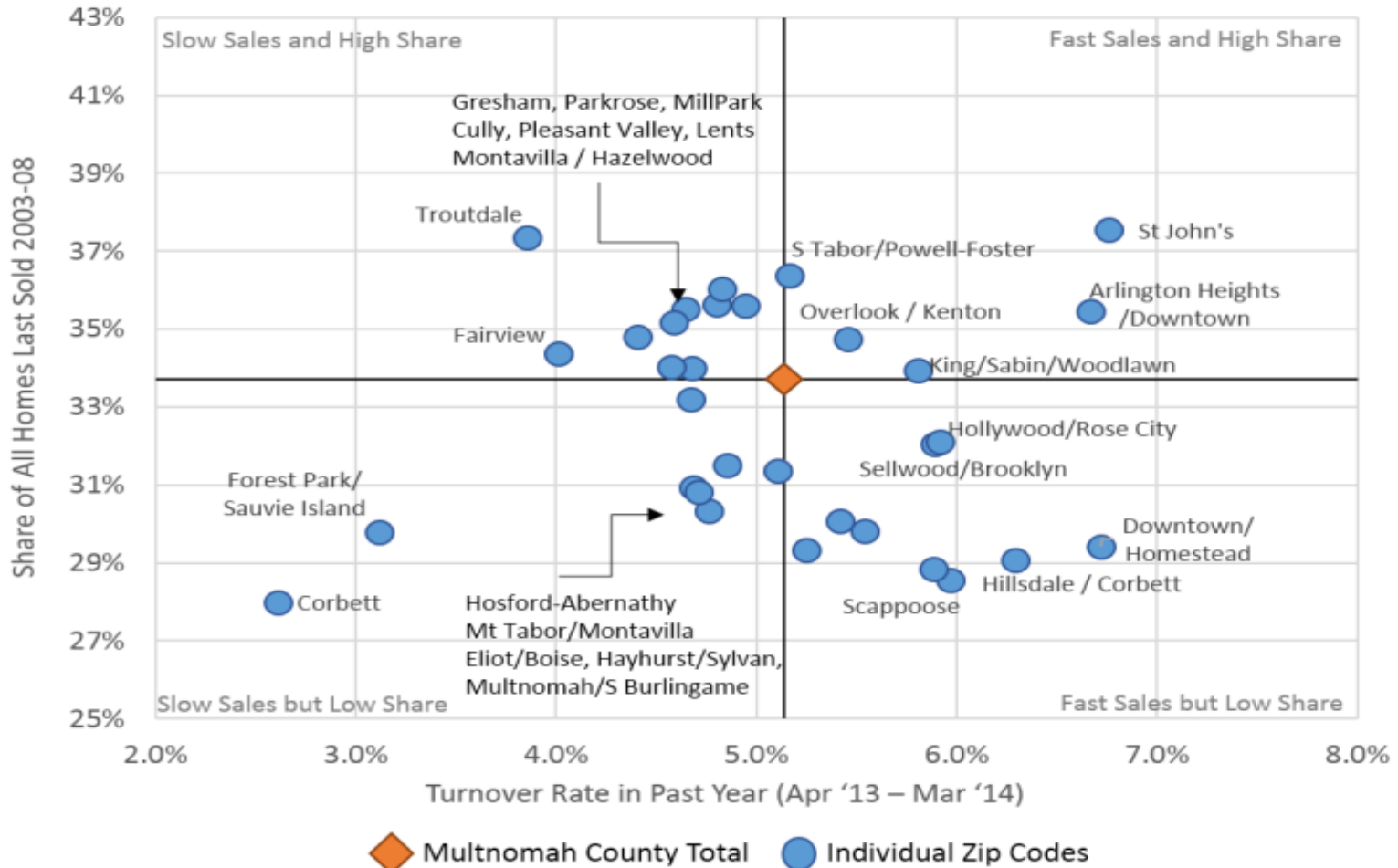
Multi-Family Permits

Year-to-Date Units Permitted Through September



Real Estate/Home Sales

Which Areas are Making Progress?





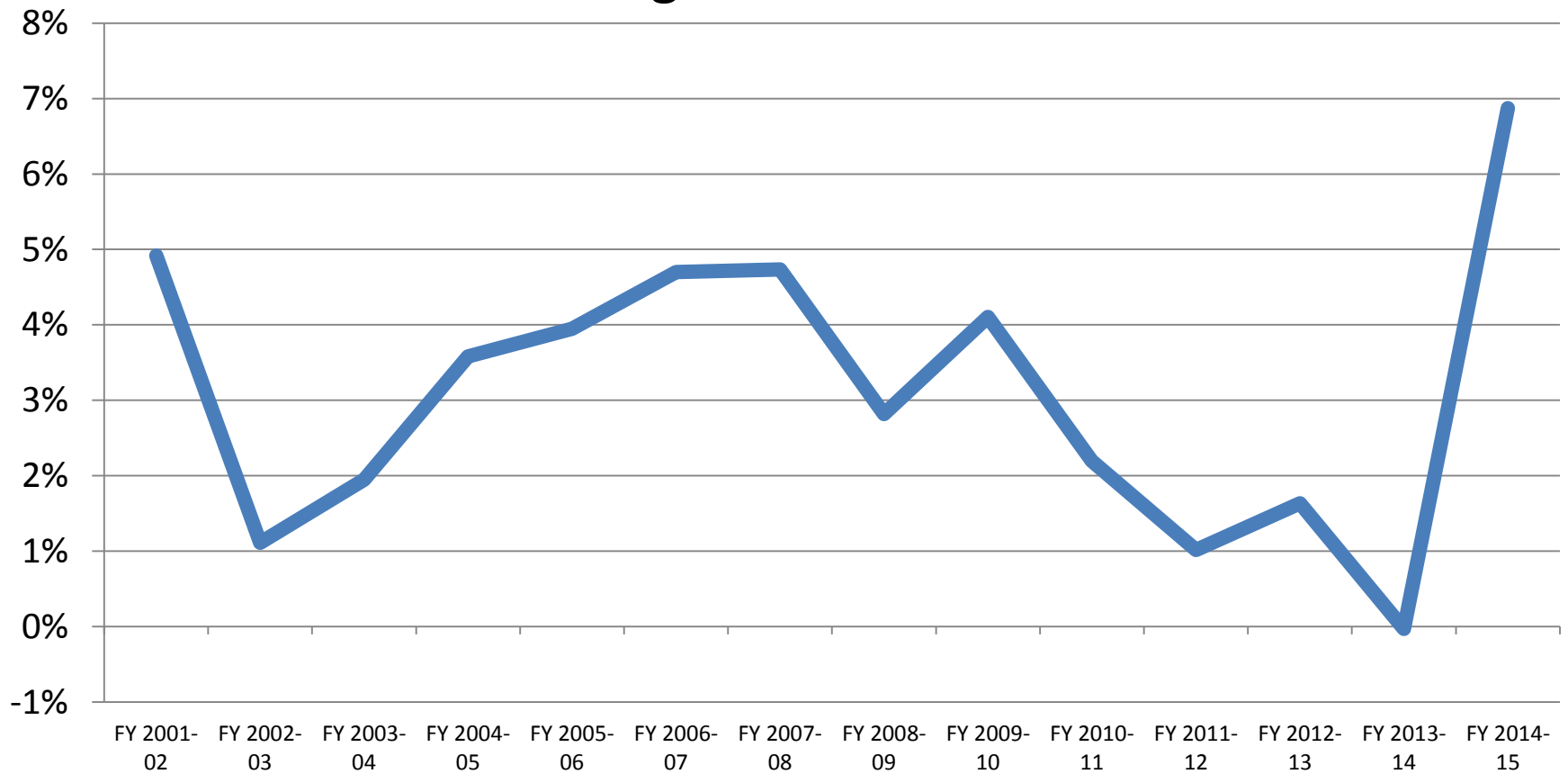
Revenues

- All revenue streams reaching record levels
 - Overall growth typical of highest levels seen during economic expansions
 - Expect slower growth in out-years as economic slowdown becomes more likely
 - Slower growth in property taxes – as compression eases, less ability to see large jumps in revenue

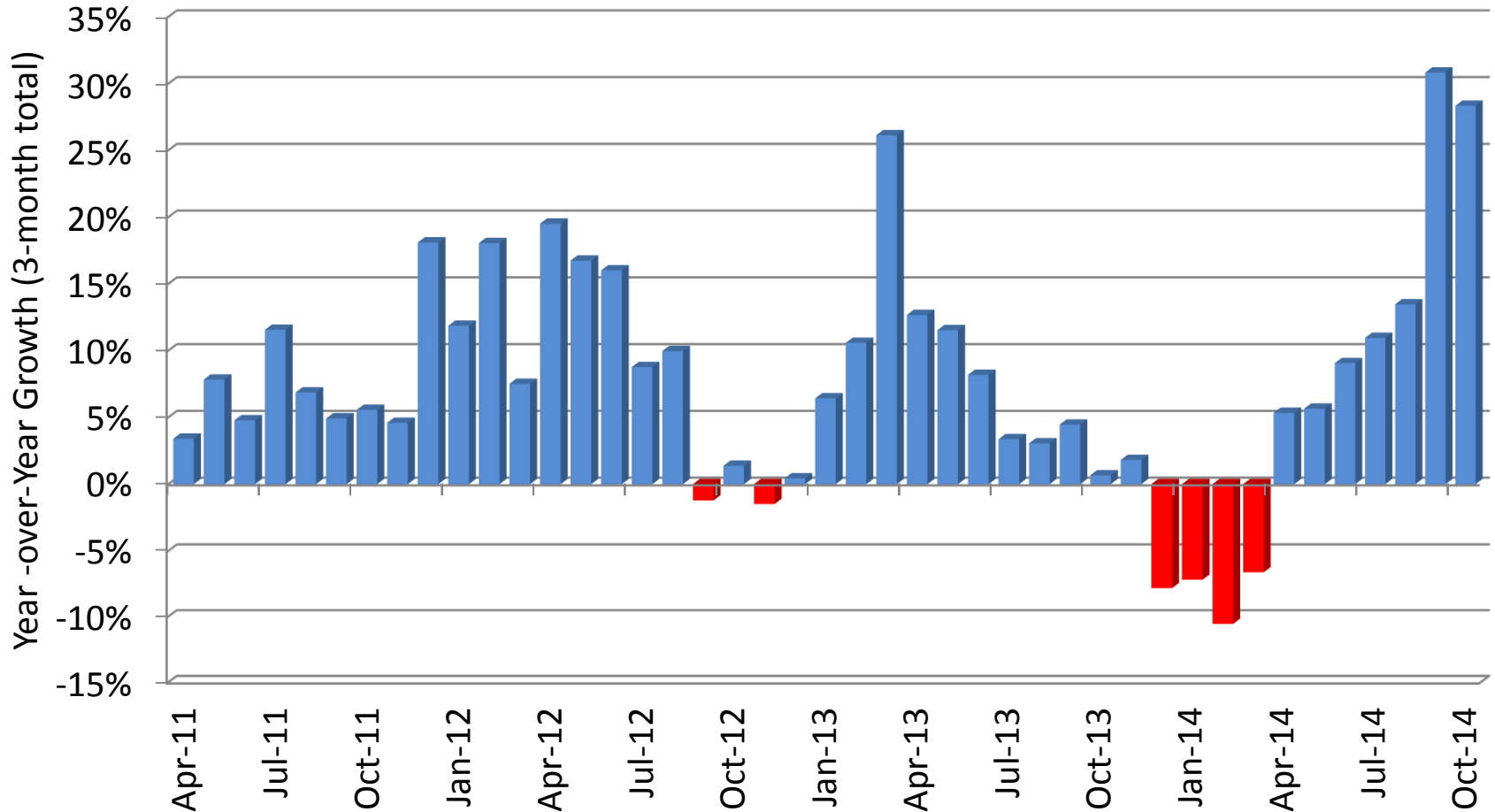


Property Taxes

Change in Taxes Collected



Business License Tax Receipts





Preliminary Forecast

- Initial forecast assumes above average revenue growth through FY 2016-17, then slightly below average beginning FY 2017-18
- About \$5 million in ongoing
 - Primarily due to surge in property taxes, which are much less sensitive to economic changes
 - Based on five-year balancing, only about 1% change in out-years of the forecast would necessitate ongoing cuts.



Preliminary Forecast: One-Time

- Likely in excess of \$10 million
 - Expect to have significant one-time in near term as revenues reach high cyclical growth
 - Slower out-year growth limits ongoing availability, but allows for near-term spending
 - City should avoid repeat of last expansion (i.e., building up unfunded ongoing)
 - Invest in things, not programs/people





Major Risks

- Short-term
 - SAFER grant expiration (up to \$2.6 million ongoing)
 - Large fiscal obligations
 - Portland Building
 - Superfund
- Long-term
 - Economic slowdown



When is the next one?

- Average post-WWII economic expansion length: 5.25 years (though last three have averaged about 8 years)
- Current expansion: 5.25 years
- Bottom line:
 - In all likelihood, we will experience a recession in the five-year forecast horizon
 - It will not be as severe as the most recent recession, but will require ongoing cuts





Next Steps

- Incorporate BMP actions
- Finalize inflation factors, including COLA projections
- Release CAL Targets Nov. 20th
- Incorporate quarterly payments for ULF and transient lodging taxes
- Forecast Release: Week of December 15-19





Budget Guidance

- Stabilization Budget
 - Focus on accomplishing primary goals with existing resources
 - Realign resources to core mission and Council priorities
 - Continue to search for efficiencies to reinvest savings in services
 - Innovation fund available for business process improvements that create ongoing savings



Budget Development Goals

- Focus investments on:
 - Directly impacting the lives of citizens
 - Preserving our existing infrastructure
 - Maintaining our place as a leader in innovative urban policy



Priorities for New Funding

- Ongoing resources focused on:
 - Equity and Opportunity
 - Complete Neighborhoods
 - Emergency Preparedness
- One-time resources focused on:
 - Maintaining existing infrastructure
 - Expanding infrastructure in underserved areas





Performance Focus

- Building on last year's efforts
- Continuing to focus on efficiency and effectiveness measures
- Shift performance measurement focus to bureau's core services
- Frame decision packages in terms of performance impact
- Budget work sessions to include performance dashboards for each bureau





Key Dates

- November 20th – Budget Kickoff
- December 17th – Five-Year Financial Forecast
- February 3rd – Requested Budgets to CBO
- Feb. & March – Budget Work Sessions



Questions?

Andrew Scott, City Budget Director

Andrew.Scott@portlandoregon.gov

Josh Harwood, City Economist

Josh.Harwood@portlandoregon.gov

