

CITY BUDGET OFFICE

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Nick Fish, Commissioner
Amanda Fritz, Commissioner
Chloe Eudaly, Commissioner
Jo Ann Hardesty, Commissioner
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CITY OF PORTLAND, OREGON

Memorandum

To: Mayor Ted Wheeler
Commissioner Nick Fish
Commissioner Amanda Fritz
Commissioner Chloe Eudaly
Commissioner Jo Ann Hardesty
Auditor Mary Hull Caballero

Cc: Tom Rinehart, Chief Administrative Officer
Jennifer Cooperman, Chief Financial Officer
Jessica Kinard, Interim City Budget Director
City Bureau Directors
City Elected Officials Executives

From: Josh Harwood, City Economist
Date: April 30, 2019
Subject: April General Fund Forecast

This memorandum is intended to communicate the April General Fund Financial Forecast figures on which the FY 2019-20 General Fund budget will be based. Please contact Josh Harwood (josh.harwood@portlandoregon.gov, 503-823-6954) if you have any questions.

Revenue & Expenditure Projections

Bolstered by extensive business investment and continued growth in tourism, the City's General Fund revenue sources continue to hit record highs, resulting in \$20.8 million in additional resources in FY 2019-20 above what is necessary to continue ongoing City programs. Expense pressures from things like escalating inflation and PERS costs means that the additional resources will largely only be available in the near term. In the long-run, the City is forecasted to need nearly all of next year's available revenue to fund the ongoing personnel and program costs that exist today.

Table 1 summarizes discretionary General Fund resources and expenses through FY 2023-24. As shown in Table 1, **the City will have \$2.4 million in unallocated ongoing General Fund discretionary**

resources, and \$18.4 million in one-time discretionary resources above projected expenditures.

City financial policy states that at least 50% of the one-time resources be spent on major maintenance and replacement of City assets.

TABLE 1. Discretionary General Fund Five-Year Forecast (\$millions)

Budget Category	Fiscal Year					
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Total Resources	\$565.6	\$577.3	\$584.3	\$598.1	\$619.5	\$640.9
Total Expenses	\$565.6	\$556.5	\$576.2	\$598.1	\$617.1	\$640.9
Available Ongoing		\$2.4	\$0.0	\$0.0	\$0.0	\$0.0
Available One-Time		\$18.4	\$8.1	\$0.0	\$2.4	\$0.0
Total Expenses with Adds & One-Time Spending	\$565.6	\$577.3	\$584.3	\$598.1	\$619.5	\$640.9

Note: Totals may not add due to rounding. FY 2018-19 figures are for the Adopted Budget.

Forecast changes. This memo provides an update to the financial forecast provided by the City Budget Office in February 2019. In comparison with the February forecast, this update assumes an additional \$0.7 million in ongoing General Fund discretionary resources and an additional \$4.4 million in one-time General Fund discretionary resources will be available for appropriation in the FY 2019-20 budget.

The most significant change to the revenue forecast is the result of large (greater than \$5 million) near-term increases in the forecast for business license taxes, which is partially offset by decreases in expected utility tax revenues. Daily collection reports from the City’s Revenue Division showed relatively weak revenue collections until just three weeks ago. That trend dramatically reversed course in April and has resulted in higher-than-expected collections. Meanwhile, it appears that “cord-cutting” may have finally reached the point to where it is impacting tax collections from companies like Comcast and CenturyLink, a trend we would expect to continue. The recent decrease amounts to about \$1 million less in collections.

With respect to expenses, inflation forecasts were unchanged. Recent reports have shown that the relatively high inflation from late 2018 has waned and interest rates have largely stabilized or dropped. Projected health benefit cost increases have also remained stable thus far. Finally, PERS-related costs are set for the next two years and forecasted costs will be reviewed again in the fall when the City receives advisory rates from the state’s actuary.