

CITY BUDGET OFFICE

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Nick Fish, Commissioner
Amanda Fritz, Commissioner
Chloe Eudaly, Commissioner
Jo Ann Hardesty, Commissioner
Mary Hull Caballero, Auditor



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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
Michelle Kirby, Interim Chief Financial Officer
Jessica Kinard, City Budget Director
City Bureau Directors
City Elected Officials Executives

From: Josh Harwood, City Economist
Date: December 31, 2019
Subject: December General Fund Forecast

This memorandum is intended to communicate the preliminary December General Fund Financial Forecast figures on which the FY 2020-21 General Fund budget will eventually be based. The following table and context were presented as part of the December 19th City Council work session, the materials for which can be found here: <https://www.portlandoregon.gov/cbo/article/750011>. Please contact Josh Harwood (josh.harwood@portlandoregon.gov, 503-823-6954) if you have any questions.

Revenue & Expenditure Projections

The longest modern economic expansion continues to bolster the City's General Fund revenues, resulting in \$10.9 million in additional resources in FY 2020-21 above what is necessary to continue ongoing City programs. Future revenue increases will largely cover only general inflation and PERS costs related to ongoing personnel and programs that exist today, especially in the near-term.

Table 1 summarizes discretionary General Fund resources and expenses through FY 2024-25. As

shown in Table 1, **the City will have \$0.1 million in unallocated ongoing General Fund discretionary resources, and \$10.8 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					
	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Total Resources	\$572.3	\$584.6	\$602.2	\$631.5	\$661.8	\$683.5
Total Expenses	\$572.3	\$573.7	\$597.3	\$619.0	\$650.9	\$683.5
Available Ongoing		\$0.1	\$0.0	\$12.5	\$7.0	\$0.0
Available One-Time		\$10.8	\$4.9	\$0.0	\$3.9	\$0.0
Total Expenses with Adds & One-Time Spending	\$572.3	\$584.6	\$602.2	\$631.5	\$661.8	\$683.5

Note: Totals may not add due to rounding. FY 2019-20 figures are for the Adopted Budget.

Forecast changes. This memo provides an initial planning forecast provided by the City Budget Office. This forecast will be updated in February 2020 and finalized near the end of April 2020 in preparation of the Mayor’s proposed budget. In general, there were only minor changes to forecast released in April, as the economy has performed largely as expected over the last couple of years. Growth has continued albeit at a slower pace than the peak of the expansion earlier in the decade.

The most significant change to the revenue forecast is the incorporation of expected returned taxes to the General Fund from expiring urban renewal areas. The end result is additional ongoing resources in the forecast beginning in FY 2022-23. With respect to expenses, inflation forecasts were largely unchanged and are expected to be slightly lower than in FY 2019-20. 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 close to prior projections. Finally, PERS-related costs are set for the next year and forecasted costs will be reviewed again in the fall when the City receives rates from the state’s actuary.