

CITY BUDGET OFFICE

Ted Wheeler, Mayor
Jo Ann Hardesty, Commissioner
Mingus Mapps, Commissioner
Carmen Rubio, Commissioner
Dan Ryan, Commissioner
Mary Hull Caballero, Auditor



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CITY OF PORTLAND, OREGON

Memorandum

To: Mayor Ted Wheeler
Chloe Eudaly, Commissioner
Amanda Fritz, Commissioner
Jo Ann Hardesty, Commissioner
Mingus Mapps, Commissioner-Elect
Carmen Rubio, Commissioner-Elect
Dan Ryan, Commissioner
Mary Hull Caballero, Auditor

Cc: Tom Rinehart, Chief Administrative Officer
Michelle Kirby, Chief Financial Officer

City Bureau Directors
City Elected Officials Executives

From: Jessica Kinard, Budget Director
Josh Harwood, City Economist
Jess Eden, CBO Analyst

Date: December 31, 2020

Subject: December General Fund Forecast

This memorandum is intended to communicate the preliminary General Fund Financial Forecast figures for FY 2021-22 through FY 2025-26, which forms the initial basis for the FY 2021-22 General Fund budget. Please contact Jessica Kinard (jessica.kinard@portlandoregon.gov, 503-823-6963) if you have any questions.

Revenue & Expenditure Projections

In April 2020, the City updated its General Fund forecast to reflect anticipated negative revenue effects of the COVID-19 Pandemic. At that time, the City reduced forecasted revenue for the FY 2020-21 Adopted budget and corresponding expenditures, and took immediate steps to reduce unnecessary spending in FY 2019-20. These actions provided the City additional time to gauge any

further necessary reductions, which were presumed to be dependent upon the duration and scope of the crisis. While this December forecast is preliminary, it indicates that - given the continued duration of the crisis - reductions will indeed be necessary to balance the City's FY 2021-22 General Fund budget.

Table 1 summarizes discretionary General Fund resources and expenses through FY 2025-26. As shown in Table 1, **the City's General Fund discretionary resources are projected to be below expenditures by \$11.5 million in ongoing resources and \$9.5 million in one-time resources**, necessitating a total of \$21 million in reductions to General Fund expenditures in FY 2021-22. The return of expiring Urban Renewal Resources to the tax assessment rolls has favorably impacted the forecast: primarily as a result of expiring URAs and subsequent increased property tax resources, the table shows additional available ongoing General Fund discretionary resources in both FY 2023-24 and FY 2024-25. Were it not for the expiration of the URAs and the subsequent revenue returning to the City, the City would need to take much larger ongoing reductions to balance the current five-year forecast.

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

Budget Category	Fiscal Year					
	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Total Resources	570.85	564.5	601.3	636.1	672.1	695.8
Total Expenses	570.85	585.4	601.3	630.1	664.4	695.8
Available Ongoing		-11.5	0.0	6.0	4.8	0.0
Available One-Time		-9.5	0.0	0.0	3.0	0.0
Total Expenses with Adds & One-Time Spending	570.85	564.5	601.3	636.1	672.1	695.8

Note: Totals may not add due to rounding. FY 2020-21 figures are reflective of 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 2021 and finalized in May in preparation of the Approved budget.

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 timing and amount of the returns to the General Fund has been updated to reflect proposed amendments to some of the urban renewal areas, including a Council approved amendment to the Broadway Corridor Urban Renewal Area and a pending amendment to the Interstate Urban Renewal Area.

The April forecast which assumed deep yet short-term revenue reductions. Business license tax forecasted revenues have since been updated to reflect a less substantial decline but a slower recovery as a result of the prolonged crisis. Revenues from lodging taxes were initially projected to begin growing in FY 2021-22 and are now projected to recover to prior levels in in FY 2022-23. There

remains significant uncertainty around the ultimate financial impacts of the current public health crisis, and this portion of the forecast will be the focus of future updates by the CBO.

Discretionary General Fund-backed base budget expenses are growing by an average of 4.5% between FY 2021-22 and FY 2025-26. In FY 2021-22, expenditure cost growth is largely associated with the return of expenses reduced on a one-time basis in the current year, which is slightly offset by reduced inflation forecasts. Projected health benefit cost increases have remained close to prior projections. Finally, PERS-related costs were updated to reflect recent changes and in the near term are lower than previously projected, but climb to previously projected or slightly higher rates by FY 2023-24.