

Clark County

Budget & Economic Outlook

July 22, 2015

Work Session: Board of Clark County Councilors

Agenda

- General Fund 2015-16 current budget overview
- General Fund actual performance and trends through June 2015
- General Fund status of reserves
- National and local economic outlook
- State Legislative Session impacts

Summary

Starting Point

- Preliminary financial statements show General Fund unassigned reserves at \$24.8 million at the start of the 2015-2016 biennium.

Budget

- The General Fund 2015-2016 current budget preserves the \$23 million recommended level of unassigned reserves.

Trends

- Reserves further improved in the first two quarters of 2015 due to departmental savings and revenues above forecast.

Economy

- The budget is built on cautiously optimistic forecast assumptions; positive trends continue; some risks remain.

2015 General Fund Revenue Trends: 2nd Quarter

<u>Above Forecast</u>	<u>Below Forecast</u>
\$966,373 Sales tax	(\$314,802) Corrections revenue
\$852,808 Property tax + penalty and interest on delinquent property taxes	(\$258,877) Clerk fee collections
\$180,542 Motor vehicle fees	(\$101,857) Net misc. other revenues
\$145,725 Recording fees	
\$2,145,448 Total above forecast	(\$675,536) Total below forecast
Total January – June 2015: \$1,469,912 above forecast	

- Overall revenues are 2.1% above forecast for the first six months of 2015.
- Sales tax receipts, as well as property tax penalty and interest revenues, are ahead of forecast.
- Corrections revenues (especially supervision fees) and Clerk collected fees are below forecast.

2015-16 General Fund Unassigned Reserves (in millions)

Unassigned reserves as of January 2015	\$24.8
Sales tax revenue from FY 2014 not yet transferred to the General Fund	\$1.1
Spring 2015 supplemental appropriation	(\$0.8)
January-June 2015 expense savings	\$1.4
January-June 2015 revenues above forecast	\$1.5
Total unassigned reserves July 1, 2015	\$28.0

Outstanding Liabilities & Needs

Immediate Needs (2015)

- Telephone system replacement
- Document management system replacement

Intermediate Needs (2016-2019)

- General Fund Parks maintenance and capital repairs
- Restore subsidy transfers eliminated in 2015-16
- Fund ERP/Oracle replacement or upgrade

Unknowns

- Unanticipated expenditures
- Unforeseen decline or loss of revenues

Global Economy

- Global economic growth is projected at 3.3 % in 2015, slightly lower than in 2014; followed by 3.8% growth in 2016.
- Advanced economies (US, Canada, Japan, Eurozone) are forecasted to experience a gradual pickup, in contrast to a slowdown in emerging market and developing economies.
- Downside risks to global growth, including geopolitical and economic factors, still outweigh upside risks.

National Economy

Economic Indicators

- **The national economy contracted 0.2% in the first quarter, due to a mix of factors: harsh winter, port closures, and lower capital expenditures in the oil sector.**
- **However, the main drivers of consumption and investment are positive:**
 - ❖ **improved labor market;**
 - ❖ **higher consumer confidence;**
 - ❖ **better financial conditions;**
 - ❖ **lower fuel prices;**
 - ❖ **strengthened housing market.**
- **Economic forecasts calls for real GDP growth of close to 3% for 2015. GDP growth rate in the United States averaged 3.26% from 1947 until 2015.**

Clark County Economy

- Jobs: 5,400 jobs in the past 12 months, with a strong annual growth rate of 3.7%.

Comparative Growth Rates

US = 2.1%, WA State = 3.7%, Portland Metro = 3.6%

Over the year, employment growth occurred in every major sector; the leading sectors were:

- ✓ Professional and business services (up 1,000 jobs)
- ✓ Trade, transportation and utilities (up 900 jobs)
- ✓ Education and health services (up 900 positions)
- ✓ Leisure and hospitality (up 700 jobs)

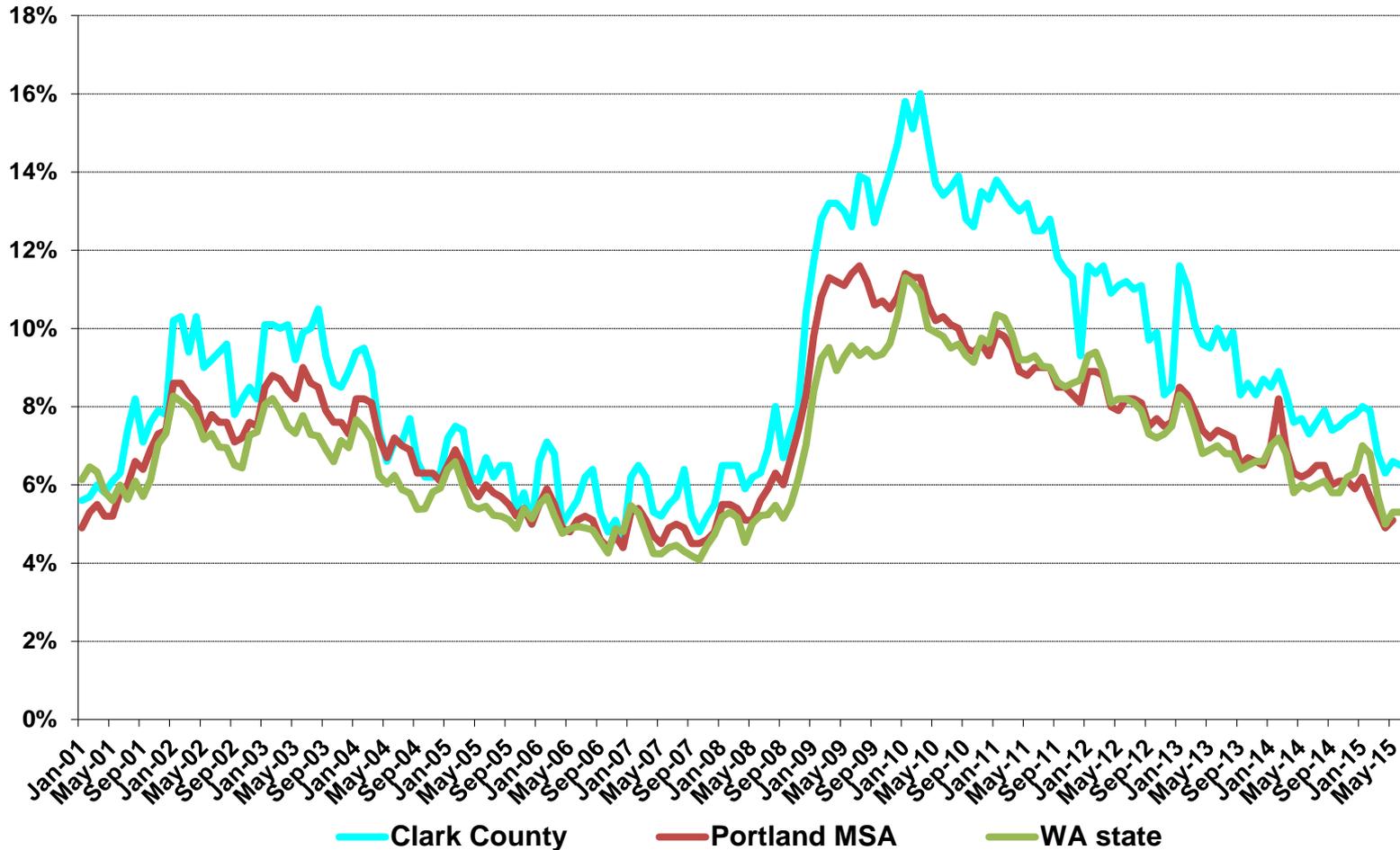
- Unemployment: County preliminary rate was 6.5% in June 2015, down from 7.3% in June 2014.

Comparative Unemployment Rates (Not seasonally adjusted)

US & WA State = 5.3% (June) Portland Metro = 5.1% (May)

Clark County Economy

Monthly Unemployment Rates January 2001 - June 2015
(not seasonally adjusted)



Clark County Economy

Taxable Retail Sales

- Countywide sales rose 13.8% in the first quarter of 2015, compared with the first quarter of 2014.
 - *Construction related sales were up 21%*
 - *Vehicles sales were up 19%*

Residential Building Permits

- Issued countywide through May 2015, *compared with the same months in 2014:*
 - **Single family:** 860, compared with 660 (30% increase)
 - **Multi-family:** 317, compared with 539 (41% decline, but still far above average of 215)

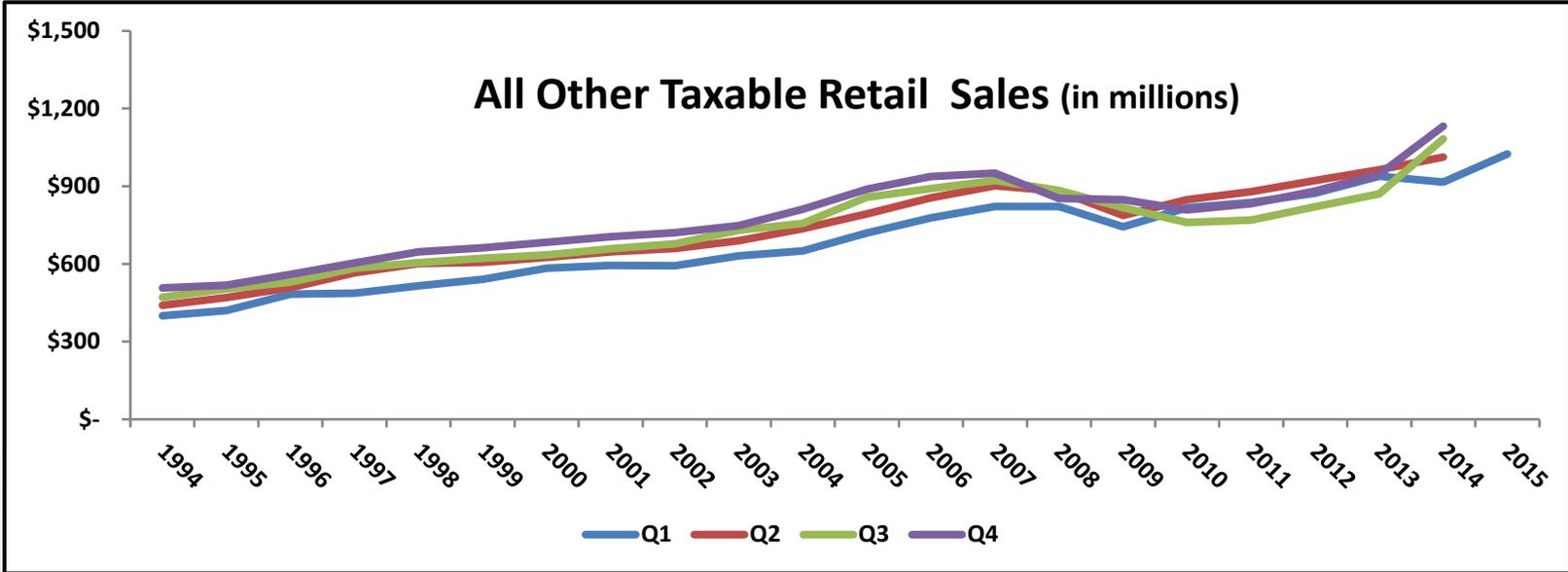
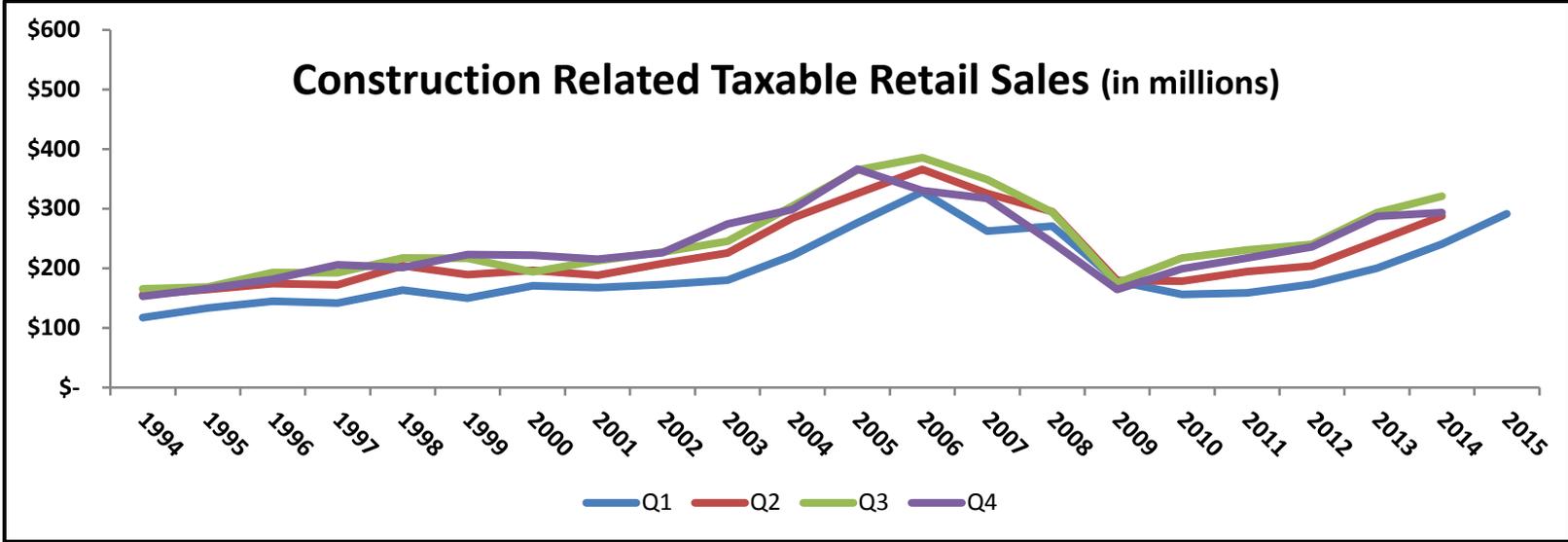
Housing Inventory

- As of June 2015, the residential supply of homes for sale was 2.1 months. This is on the very low end (“normal” supply is 4-7 months).

Median Home Price

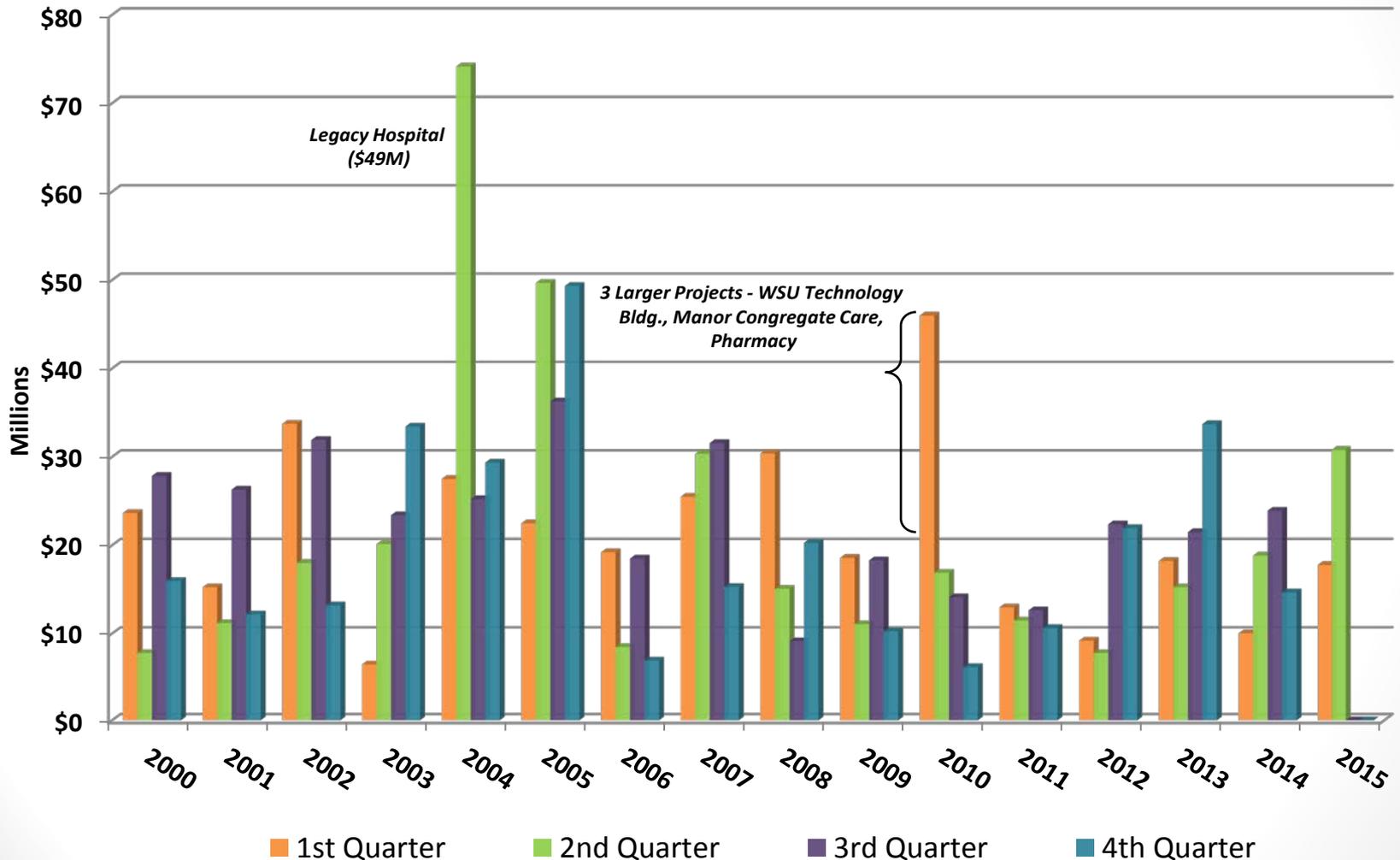
- As of June 2015, the median home price was \$275,000. Year-to-date, median price is up 10.6% (RMLS data).

Clark County Economy



Clark County Economy

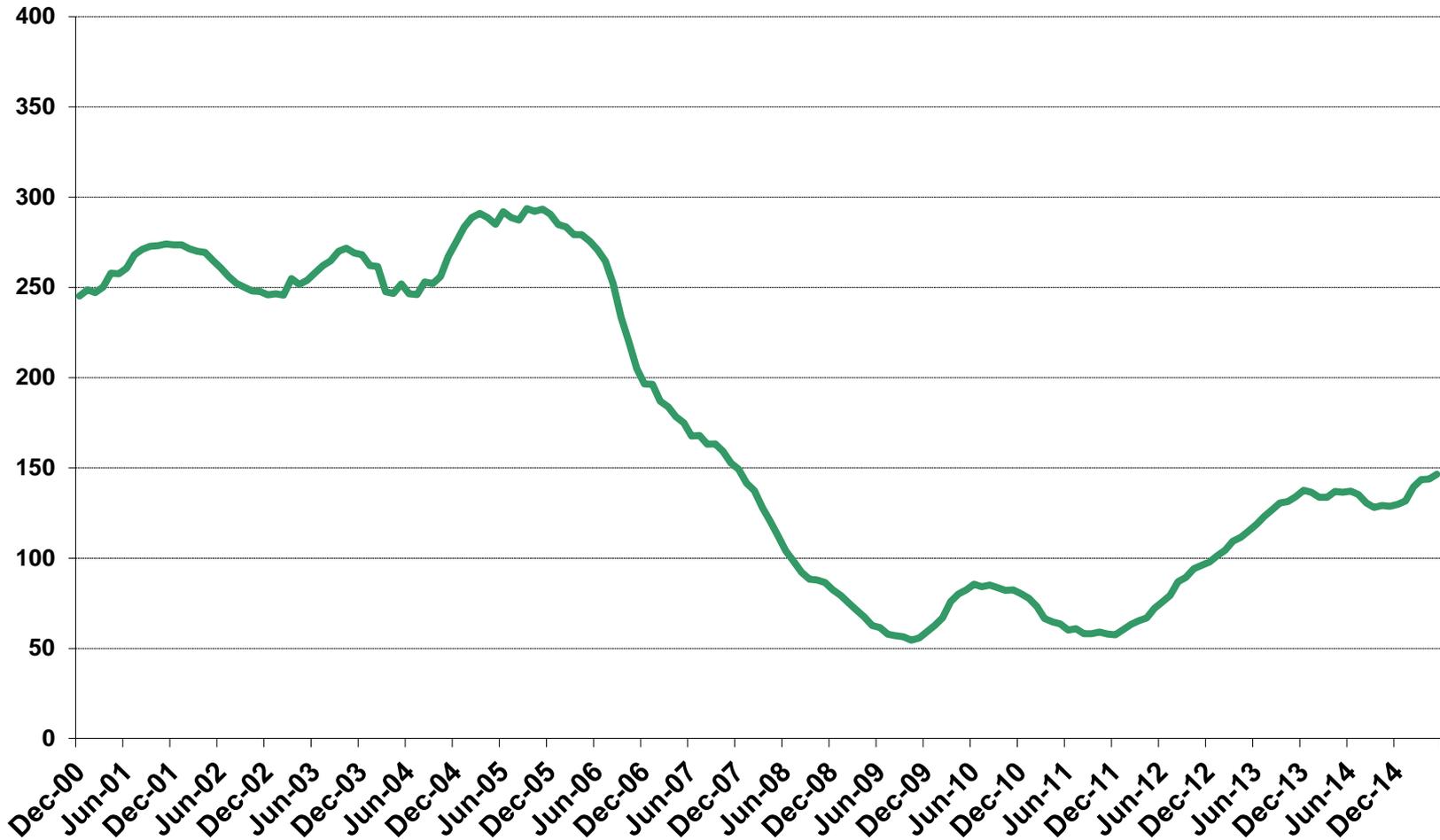
Unincorporated Non-Residential Building Permit Valuation



Data and graph courtesy of Clark County Community Development

Clark County Economy

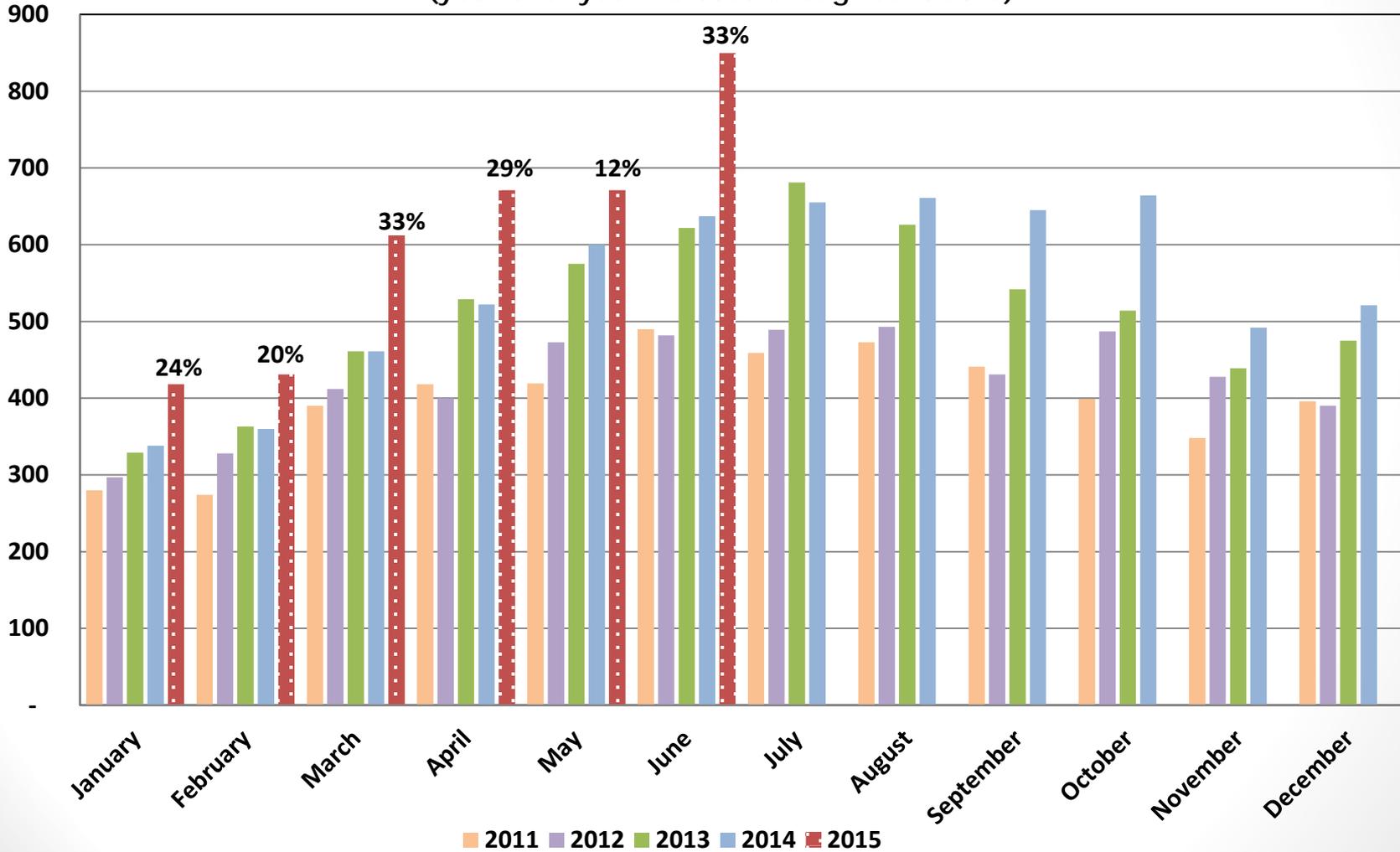
Clark County Single Family Residential Permits 12 Month Rolling Average – through May 2015



Clark County Economy

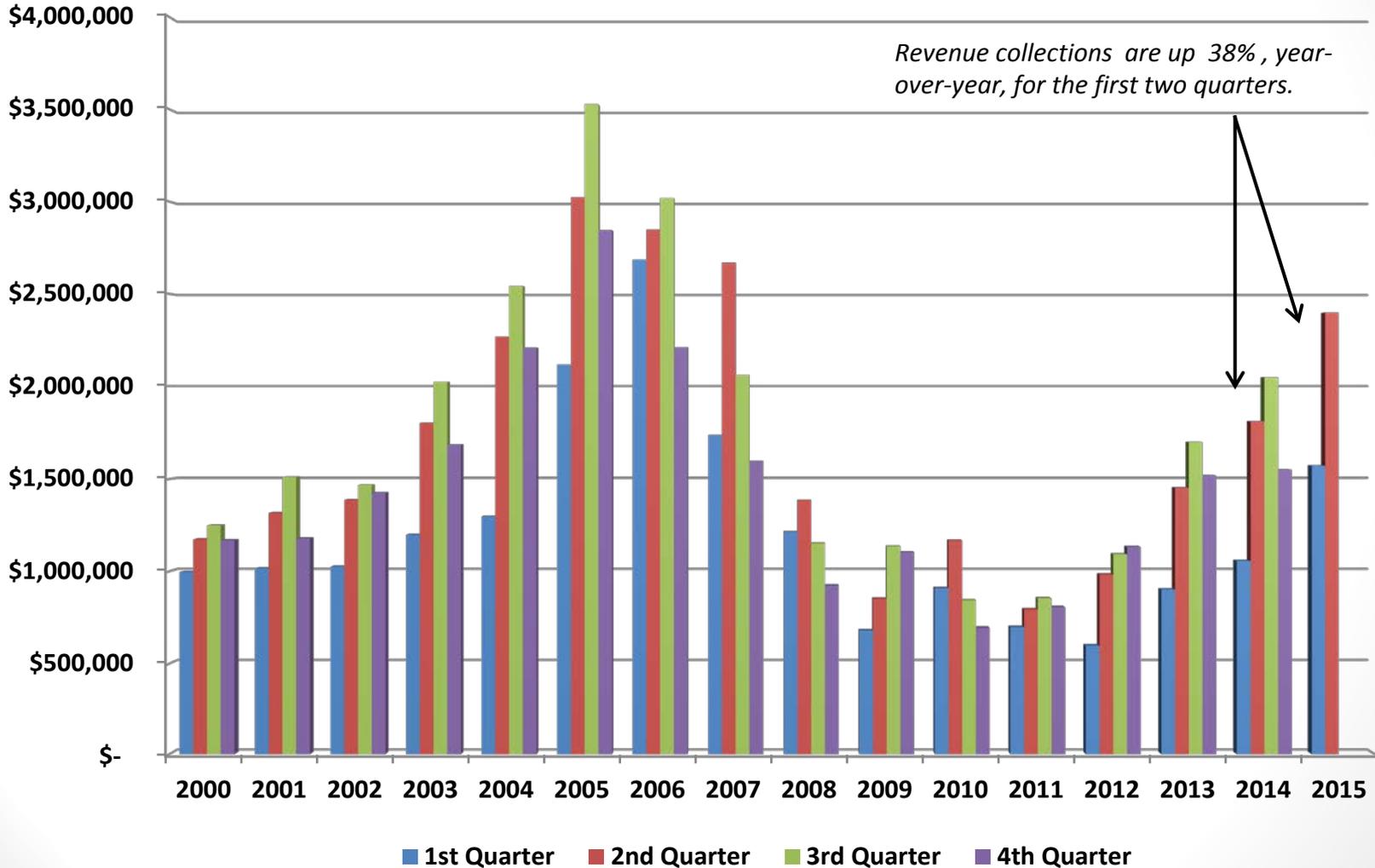
5 Year History - Closed Home Sales

(year-over-year increase through June 2015)



Clark County Economy

Historical REET Revenue Collections



2015 Legislative Session

- 2015-17 biennial budget, signed by the Governor in late June, included an increase in K-12 education funding in response to McCleary decision
- Remote seller sales tax nexus changes (ESSB 6138)
- REET flexibility changes (EHB 2122)
- Public Works Trust Fund “sweep”
- Transportation project funding

Risks Remain

- Weakness persists in some areas:
 - ❖ New construction activity improved but it is still weak
 - ❖ Low real wage growth
 - ❖ Small business confidence issues
- Federal Reserve rate increase timing and impacts
- Greek debt default concerns in Europe
- Slowdown of economy in China
- Geopolitical conflicts (Russia/Ukraine, conflict in Iraq and Syria)
- U.S. dollar appreciation poses risks of balance sheet and funding risks for dollar debtors, especially in emerging market economies.

Conclusions

- The General Fund started FY 2015-16 with unassigned reserves of \$24.8 million (above the recommended level of \$23 million).
- Current Clark County economic conditions moderately exceed revenue forecast assumptions. Accordingly, improving revenues and departmental savings place estimated unassigned reserves at \$28 million as of July 1, 2015.
- The improvement in fund balance will help the General Fund address pressing immediate needs for major infrastructure projects.