

Clark County

Budget and Economic Outlook
Board of Clark County Commissioners
Work Session
October 15, 2014

Today's Roadmap

- Overview of General Fund 2013-2014 budget
- General Fund actual performance through September 2014
- General Fund projections through end of 2014
- National and local economic outlook

Work Session Summary

- 2013-14 General Fund budget planned to use \$11 million from unassigned reserves.
- Current forecast expects to use \$3.4 million.
- Reserves are on track to reach the recommended level of 52 days beginning of 2015.
- National and local economies continue modest improvement, but downside risks remain.

2013-2014 General Fund Spending Plan (current budget in millions)

➤ **Planned expenses** \$314.3

❑ 2013-2014 revenues \$298.6

❑ Reserves – dedicated funds \$4.7

❑ Reserves – unassigned \$11.0

➤ **Planned resources** \$314.3

2013-2014 General Fund Revenues

➤ Above forecast

- Property tax +\$0.5 million
- Sales tax +\$1.2 million

➤ Below forecast

- Court fees and penalties
- Miscellaneous revenues

➤ Revenue forecast is updated in the final supplemental

➤ Grants will also be added in the final supplemental

Net revenue effect = +2.4 million added to fund balance

2013-2014 General Fund Expenditures

- Biennium-to-date savings +4.7 million
- Additional projected savings +2.4 million
- Expense to be added in November -1.9 million
 - Reimburse Road Fund for risk premiums
 - Facilities maintenance support
 - Indigent defense
 - Misc. items (e.g. grants)

Net expense savings = +5.2 million added to fund balance

2013-2014 General Fund Projections (millions)

➤ Expense savings +5.2

➤ Additional revenue +2.4

Total projected savings +7.6 million
(includes anticipated November final supplemental adjustments)

2013-2014 General Fund
Current status for unassigned reserves
(millions)

January 2013	+\$24.5
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Included in current budget	-\$11.0
Projected savings	+\$ 7.6
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December 2014	+\$21.1 (52 days)*

**The recommended amount of reserves can vary from year to year, depending on the daily cost of operations. In 2015-16, the daily cost of baseline operations is 0.4 million/day, representing 52 days of reserves.*

Economy under recovery

- Global economy is improving, but weak spots remain:
 - Weak growth in Europe
 - Slowing growth in Asia

- US economy continues moderate growth:
 - Modest improvements in jobs, consumer confidence and retail sales.
 - Economy is projected to grow 2.4% in 2014.
 - Labor force participation remains an issue, wage growth is lagging, housing market slowed down.

Clark County Economy

➤ Clark County added 5,800 jobs in the past 12 months, with a strong annual growth rate of 4.2%.

(US = 1.8%, WA State = 2.5%, Portland Metro = 3.0%)

➤ July 2014 county unemployment rate was 6.8%.

(US = 6.5%, WA State = 5.4%, Portland Metro = 6.3%)

➤ Most job gains occurred in trade, transportation and utilities (+1,500 jobs: 5.9%); professional and business services (+1,200 jobs: 7.3%); and construction (+1,000 jobs: 10%).

Clark County Economy

- Housing inventory was healthy at 3.7 months of supply in September 2014.

- Median home sold for \$245,500 in September 2014, up 4.2% from September 2013.

- Countywide residential building permits issued through August 2014, compared with the same months in 2013:
 - Single family: 1,113, compared with 1183
 - Multi-family: 690, compared with 840

- Countywide taxable retail sales rose 9.2% in the second quarter of 2014, compared with the second quarter of 2013.
 - Construction related sales were up 17%
 - Vehicles sales were up 6%

Risks increased since spring

- Global recovery remains uneven and fragile (European unemployment still high = 11.5% in the Eurozone).
- Emerging markets slowing (e.g. China & Brazil).
- Housing recovery slowdown (interest rates to increase, price increases slowing down, affordability decreased).
- Geopolitical tensions (Russia, Ukraine, Middle East):
 - reduce business confidence and willingness to invest
 - increase oil prices
 - weaken financial markets
 - sanctions and countersanctions disrupt trade and finance

Conclusions

- The General Fund is projected to start the 2015-16 biennium with recommended reserves of 52 days.
- Current economic conditions and expected trends for modest growth are consistent with county forecast for revenues and expenses.
- Significant global and domestic risks to economic growth remain.