**General Fund Update**

As discussed previously this year, the General Fund ending fund balance at the end of 2018 was $138.6 million. This is an increase from year end 2017 and the third year in which the General Fund ending fund balance has increased. This level solidifies the County’s AAA bond ratings.

The fund balance is expected to decrease in 2019 and 2020 but remain at levels that protect the County’s bond rating.

|  |
| --- |
| **2019-2020 General Fund Adopted Budget and Estimate(includes Inmate Welfare and Goat Hill Garage Operations)** **(in millions)** |
|  |  |  |  |
|   | **2019-2020 Adopted Budget**  | **2019-2020****Estimated**  |
| **BEGINNING FUND BALANCE** | **115** | **139** |
|  |  |  |
| **REVENUES** |  |  |
| Property Tax 1 | 739 | 742 |
| Sales Tax 1 | 298 | 310 |
| Contracts and Charges 2 | 563 | 565 |
| Federal and State Revenue | 45 | 49 |
| Fines, Fees, Permits  | 135 | 135 |
| Other Taxes, Miscellaneous3 | 49 | 53 |
|  |  |  |
| **General Fund Revenues** | **1,829** | **1,852** |
|  |  |  |
| **EXPENDITURES** |  |  |
| Adopted | (1,857) | (1,857) |
| Supplementals (net) |  | (37) |
|  |  |  |
| **General Fund Expenditures**  | **(1,857)** | **(1,894)** |
|  |  |  |
| Estimated Reappropriation | (10) |  |
| Underexpenditures | 32 | 32 |
|  |  |  |
| **Ending Fund Balance** | **109** | **130** |
|  |  |  |
|  |  |  |
| **GF Undesignated Fund Balance 59** | **73** |
| **Rainy Day Reserve Fund Balance 25** | **26** |

Notes

|  |
| --- |
| 1 2019-2020 estimates are based on approved forecasts. |
| 2 Contracts includes revenue from external jurisdictions for sheriff, jail, court, public defense, and elections services. Charges for services includes revenue from other county funds for legal, legislative, human resources, and PSB services.  |  |
| 3 Other taxes include interest earnings, penalties on delinquent property taxes, gambling taxes, and other revenue streams.  |

Major revenue variances from the 2019-2020 Adopted Budget:

* $15 million in additional property and sales tax
* $4 million in additional interest earnings

Major expenditures variances from the 2019-2020 Adopted Budget:

* $21 million in approved supplementals
* $15 million in net pending supplementals ($31 million in expenditures, $16 million revenue backed)
* $1 million placeholder for future policy adds

2019-2020 ending undesignated fund balance is expected to exceed the 8% undesignated target.

**2019-2020 and 2021-2022 Preliminary Outlook**

Includes impacts of the August 2019 OEFA forecast for major county revenues, the 2019-2020 Adopted Budget, all adopted 2019-2020 supplementals, and the proposed 2nd Omnibus Supplemental.

|  |  |  |
| --- | --- | --- |
|  | **2019-2020 Estimated** | **2021-2022 Projected** |
| **Beginning Fund Balance** | **139** | **130** |
|  |  |  |
| **Revenue** | **1,852** | **1,934** |
| **Rev Growth** |  | **4.4%** |
|  |  |  |
| **Expenditures** | **(1,861)** | **(1,949)** |
| **Exp Growth** |  | **4.7%** |
|  |  |  |
| **Ending Fund Balance** | **130** | **115** |
| **Reserves** | **(57)** | **(60)** |
| **Undesignated Fund Balance** | **73** | **55** |
|  |  |  |
| **Over/Under 8% Target** | **13** | **(7)** |

**2019-2020 Risks and Issues**

The General Fund is projected to maintain a relatively high ending fund balance in 2019-2020 that meets the 8% undesignated fund balance target. There are several issues and risks that are being tracked.

* Rent for the use of the County’s right-of-way. The General Fund financial plan assumes no revenue from this source. This issue is before the State Supreme Court.
* Open labor contracts. There are multiple large open labor contracts that are in arbitration or likely to get there. The retroactive payments associated with these labor contracts are one of the reasons for the growing fund balance and reserve level.
* Juror Pay. The State Supreme Court has accepted review of a case that would require the County to pay jurors minimum wage instead of a $10 per diem. The financial impact of this case would be about $8M per biennium in juror pay, with additional costs for program administration.
* Resources to respond to the homelessness crisis. The General Fund has made contributions to programs related to homelessness prevention and shelter. There may be pressure to add expenditures in this area if the regional situation does not improve.
* Cost overruns on current projects or unexpected new capital projects. There are multiple capital projects that are in the early planning stages. New projects may come up based on the major maintenance need in some of the County’s older buildings.
* Protecting against a regional or national economic downturn. The national economy is in its 11th year of economic expansion. A recession (mild or large) within the next 4 years (2019-2022) would not be surprising.

**2021-2022 Outlook**

The General Fund has a projected gap of about $7 million for 2021-2022.

* Even with the strong local economy and generally low inflation and interest, there is a gap of about $15 million between the cost of current services and projected revenues. When available unreserved fund balance is taken into account, the projected gap is $7 million. This is the lowest projected gap recently observed.
* PSB is taking steps to mitigate the potential shortfall, including:
	+ reviewing recently approved expenditures through our budget investment monitoring program,
	+ collecting unit costs for selected County products on a regular basis,
	+ continuing quarterly financial monitoring efforts,
	+ exploring ideas that would have significant programmatic cost savings or cost savings across the entire enterprise, and
	+ modelling the impacts of a recession on our programs and building contingency plans before we are in an economic downturn.