

# Clark County

## Budget & Economic Outlook

**May 6, 2015**

Work Session: Board of Clark County Councilors

# Agenda

- General Fund 2015-16 budget overview
- General Fund FY 2015:Q1 actual performance and trends
- General Fund status of reserves
- National and local economic outlook

# Summary

## Starting Point

- General Fund available reserves are estimated at \$23.8 million as of January 2015.

## Budget

- The General Fund 2015-16 Adopted Budget is balanced (expenses = revenues) without using reserves.

## Projections

- Reserves are estimated to meet the recommended minimum of \$23 million through the end of the biennium. Savings are contingent on departmental underspending.

## Economy

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

# Available Fund Balance January 2015

(in millions)

County financial statement (CAFR) estimate	\$25.9
Revenue accrued in FY 2014 but received and budgeted to be spent in FY 2015	\$(3.3)
Sales tax revenue received in FY 2014 but not yet transferred to the General Fund	\$1.2
<b>Total Available Fund Balance – Jan 2015</b>	<b>\$23.8</b>

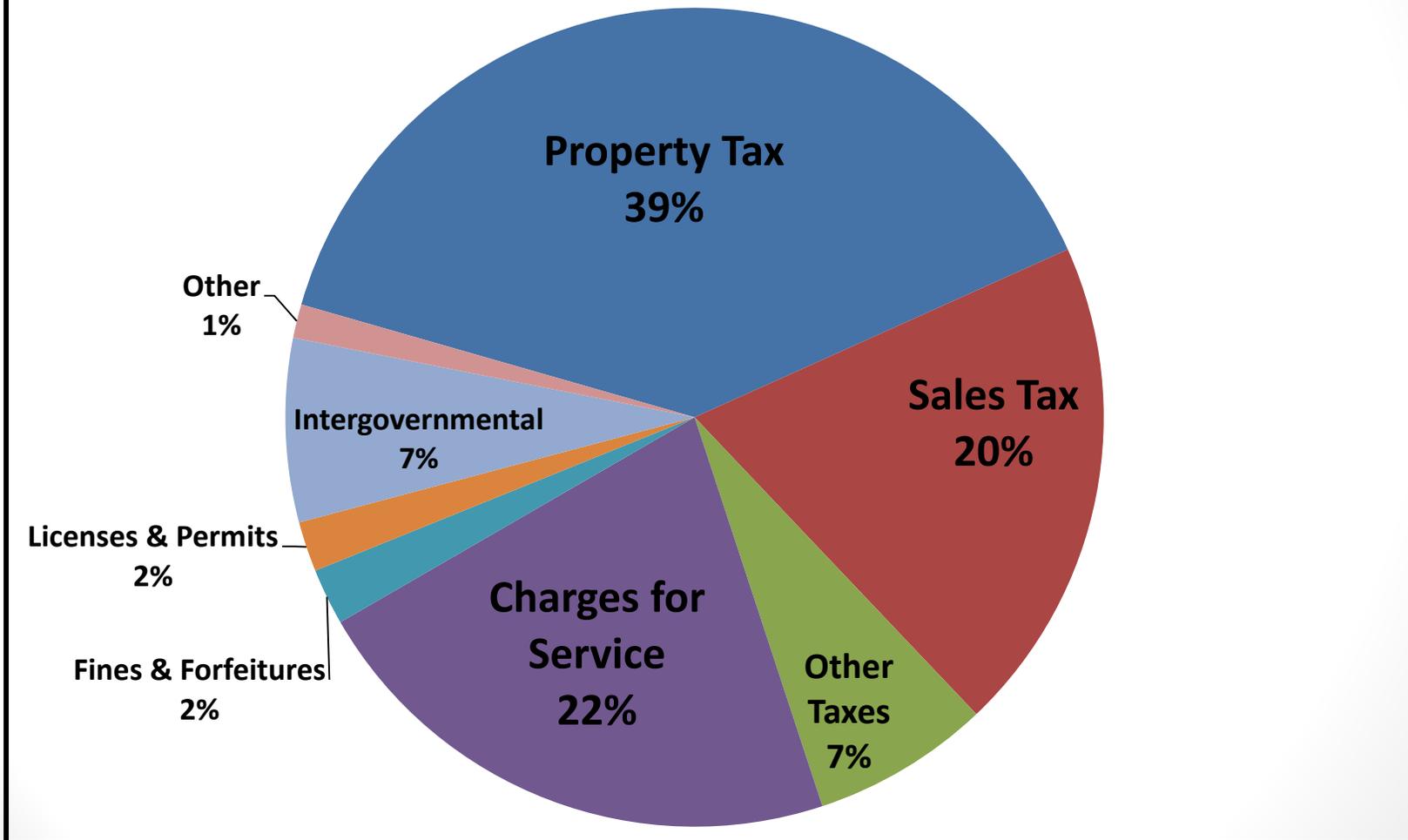
# FY 2015-2016 General Fund Spending Plan

(budget in millions)

Beginning Available Fund Balance	\$23.8
Expense budget	\$(295.7)
Revenue budget	\$295.7
<b>Total Ending Fund Balance</b>	<b>\$23.8</b>

# General Fund Revenues

General Fund 2015-2016 Adopted Budget Revenues



# 2015 General Fund Revenue Trends: 1<sup>st</sup> Quarter

<u>Above Forecast</u>	<u>Below Forecast</u>
\$253,000 Sales tax	(\$273,000) Corrections revenue
\$233,000 Property tax penalty and interest	(\$160,000) Clerk fee collections
\$75,000 Motor vehicle fees	(\$30,000) Traffic penalties
\$40,000 Recording fees	(\$94,000) Net misc. other revenues
<b>\$601,000 Total above forecast</b>	<b>(\$557,000) Total below forecast</b>
<b>Total January – March 2015: \$44,000 above forecast</b>	

- Overall revenues are tracking close to forecast.
- 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.

# FY 2015-16 General Fund Projections - Available Reserves

(in millions)

Reserves as of January 2015	\$23.8
2015:Q1 expense savings	\$0.8
<b>Projected Spring Supplemental</b>	<b>\$(0.8)</b>
Revenues – overall on track	\$0
<b>Total Reserves</b>	<b>\$23.8*</b>

*\*The recommended amount of reserves is \$23 million.*

# Outstanding Liabilities & Needs

- **Facilities and infrastructure needs:** e.g. replacement of the telephone and document management systems.
- **Outstanding liabilities:** e.g. transferring the remaining parks back to the General Fund; restoring approx. \$3.0 million in subsidy transfers eliminated in 2015-16.
- **Unknowns:** e.g. large unanticipated expenditures; unforeseen decline in revenues.

# Global Economy

## Outside the US growth is sluggish or stalled.

- The global economy grew at a modest rate of 3.4% in 2014. Growth is fragile and uneven among countries.
- IMF projects world GDP growth at 3.5% and 3.8% for 2015 and 2016, respectively.
- Private investment in advanced economies contracted sharply during the recession and remains low, due to financial constraints and policy uncertainty.
- Lower oil prices boosted discretionary consumer spending, but discouraged energy sector investments and negatively impacted certain countries.

# National Economy

**Economic growth slowed in the first quarter of 2015.**

## Economic Indicators

- ❖ US job growth declined to 126,000 net jobs added in March. (The average for the preceding six months was 281k jobs per month.)
- ❖ The West Coast ports conflict impacted trade.
- ❖ A harsh winter likely impacted consumer spending.
- ❖ Manufacturing sector activity remains soft.
- ❖ Home prices and home sales continue to rebound, but new construction remains weak.

# Clark County Economy

- Jobs: 6,900 jobs in the past 12 months, with a strong annual growth rate of **4.9%**.

## Comparative Growth Rates

**US = 2%, WA State = 3.2%, Portland Metro = 3.2%**

Construction employment growth slowed while gains occurred in:

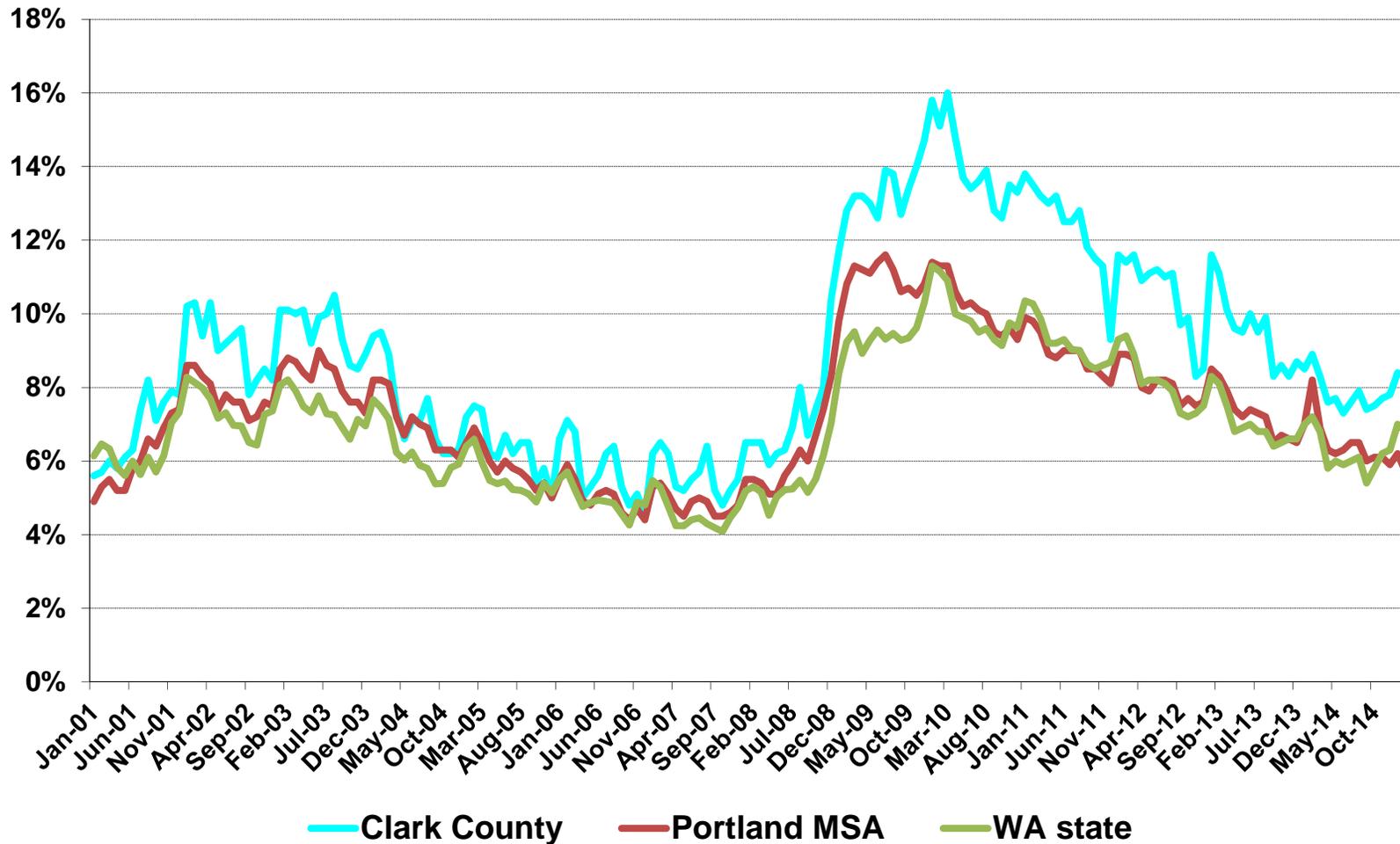
- Trade, transportation and utilities (+1,600 jobs: 6.3%);
  - Professional and business services (+1,400 jobs: 8.5%);
  - Education and health services (+1,000 jobs: 4.1%).
- Unemployment: County rate was 8.3% in February 2015. (Most recent data available)

## Comparative Unemployment Rates (Not seasonally adjusted)

**US = 5.8%, WA State = 6.8%, Portland Metro = 5.7%**

# Unemployment Rate

Monthly Unemployment Rates Since Jan 2001 - Feb 2015



# Clark County Economy

## Housing Inventory

- As of March 2015, there were 2.6 months of supply. This is on the low end.

## Median Home Price

- As of March 2015, the median home price was \$249,500. Year-to-date, median price is up 7.4% (RMLS data).

## Residential Building Permits

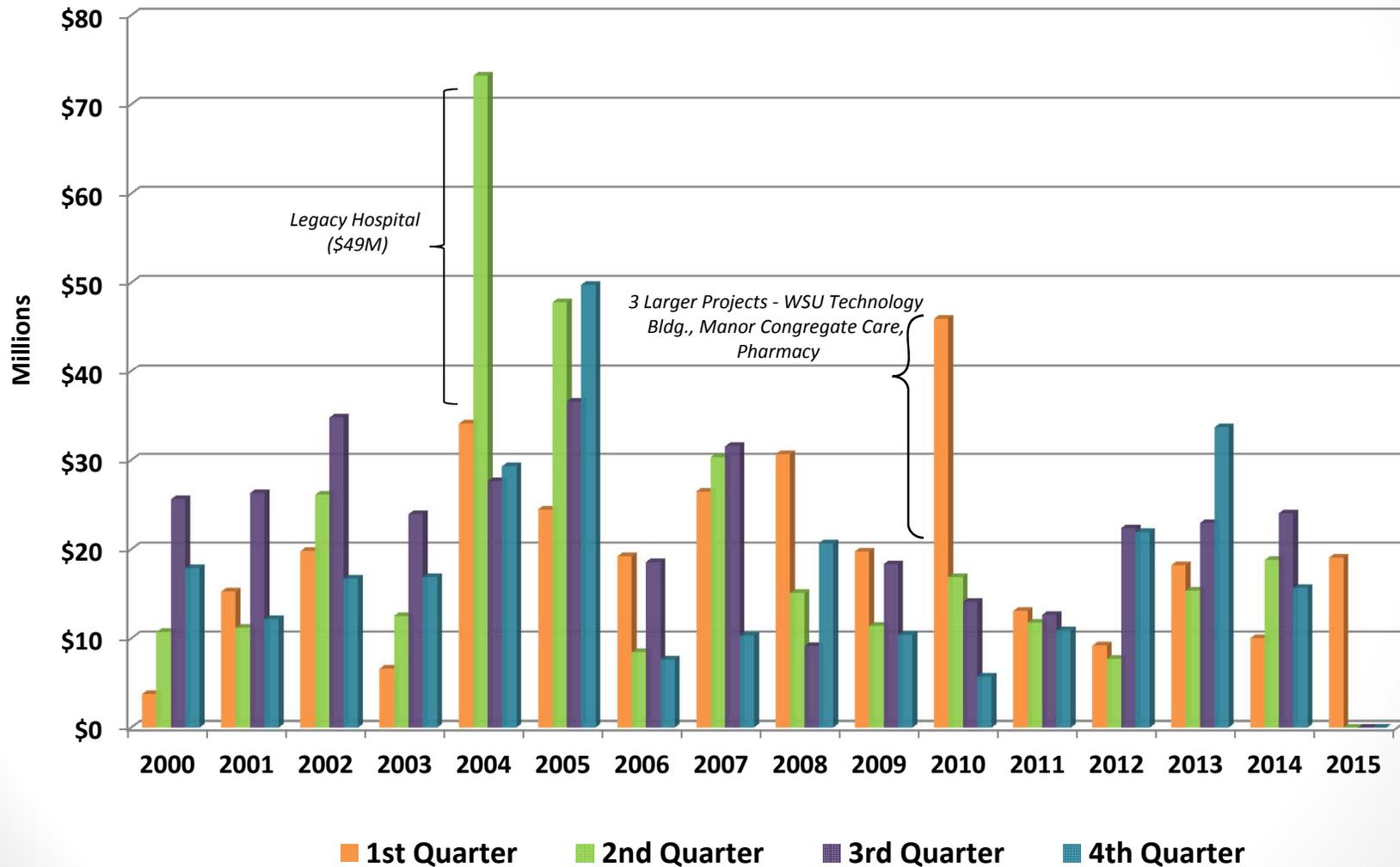
- Issued countywide through March 2015, *compared with the same months in 2014:*
  - **Single family:** 500, compared with 336 (49% increase)
  - **Multi-family:** 269, compared with 286 (6% decline, but still far above average)

## Taxable Retail Sales

- Countywide sales rose 7.4% in the fourth quarter of 2014, compared with the fourth quarter of 2013.
  - *Construction related sales were up 2%*
  - *Vehicles sales were up 11%*

# Building Permits Unincorporated Clark County

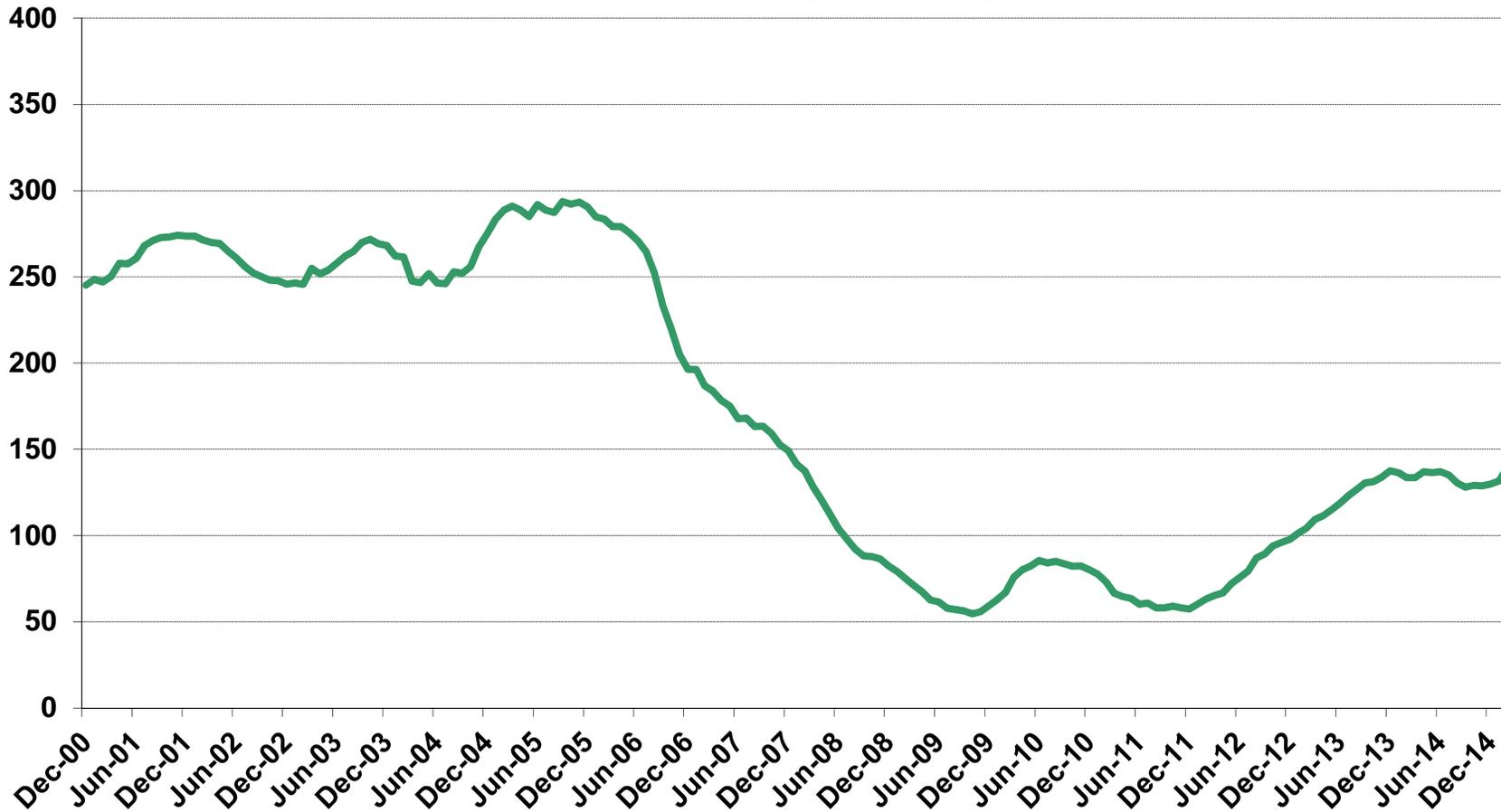
## Non-Residential Building Permit Valuation



Data and graph courtesy of Community Development

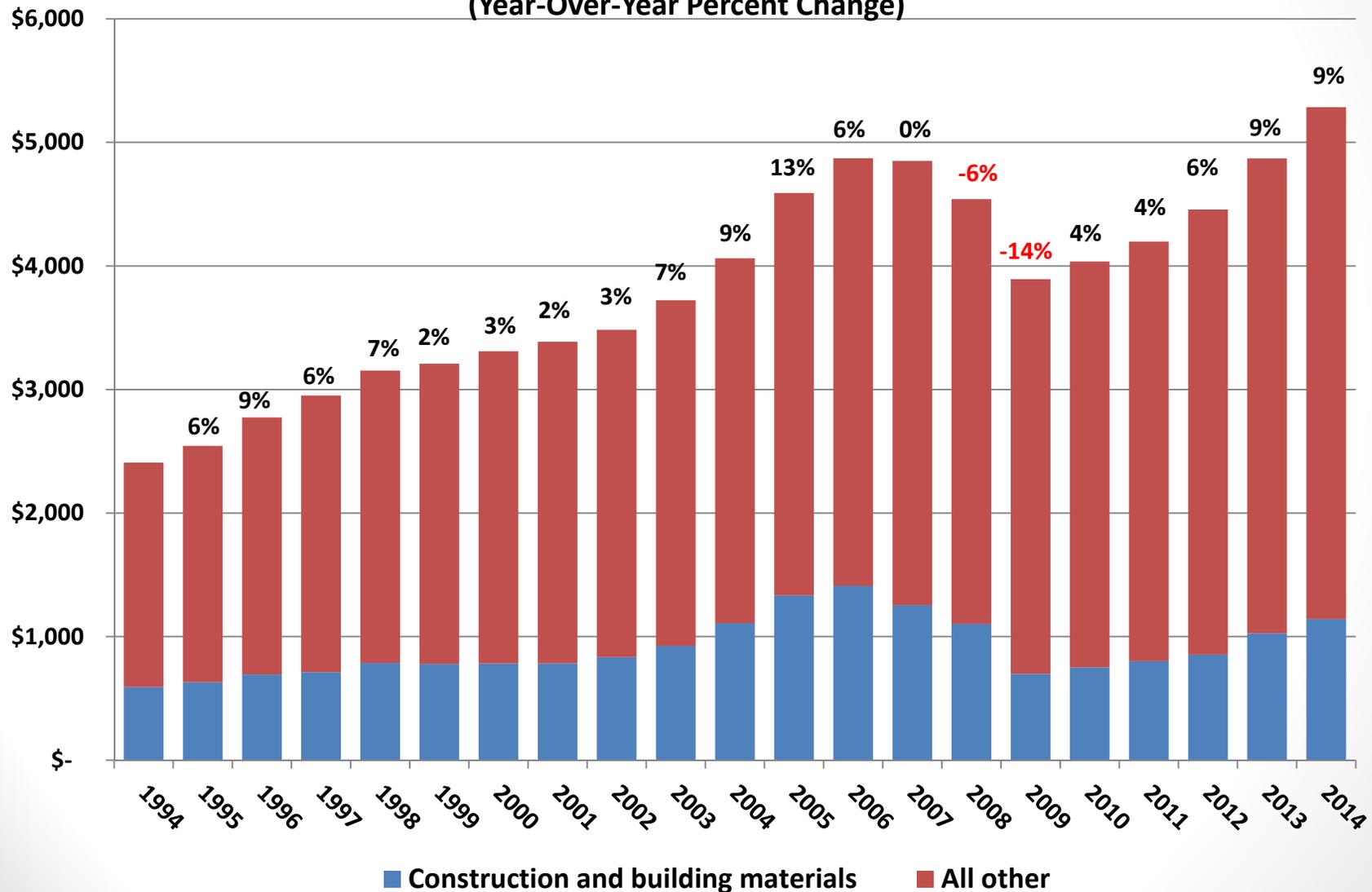
# Building Permits - Clark County (countywide)

## Single Family Residential Permits Issued 12 Month Rolling Average



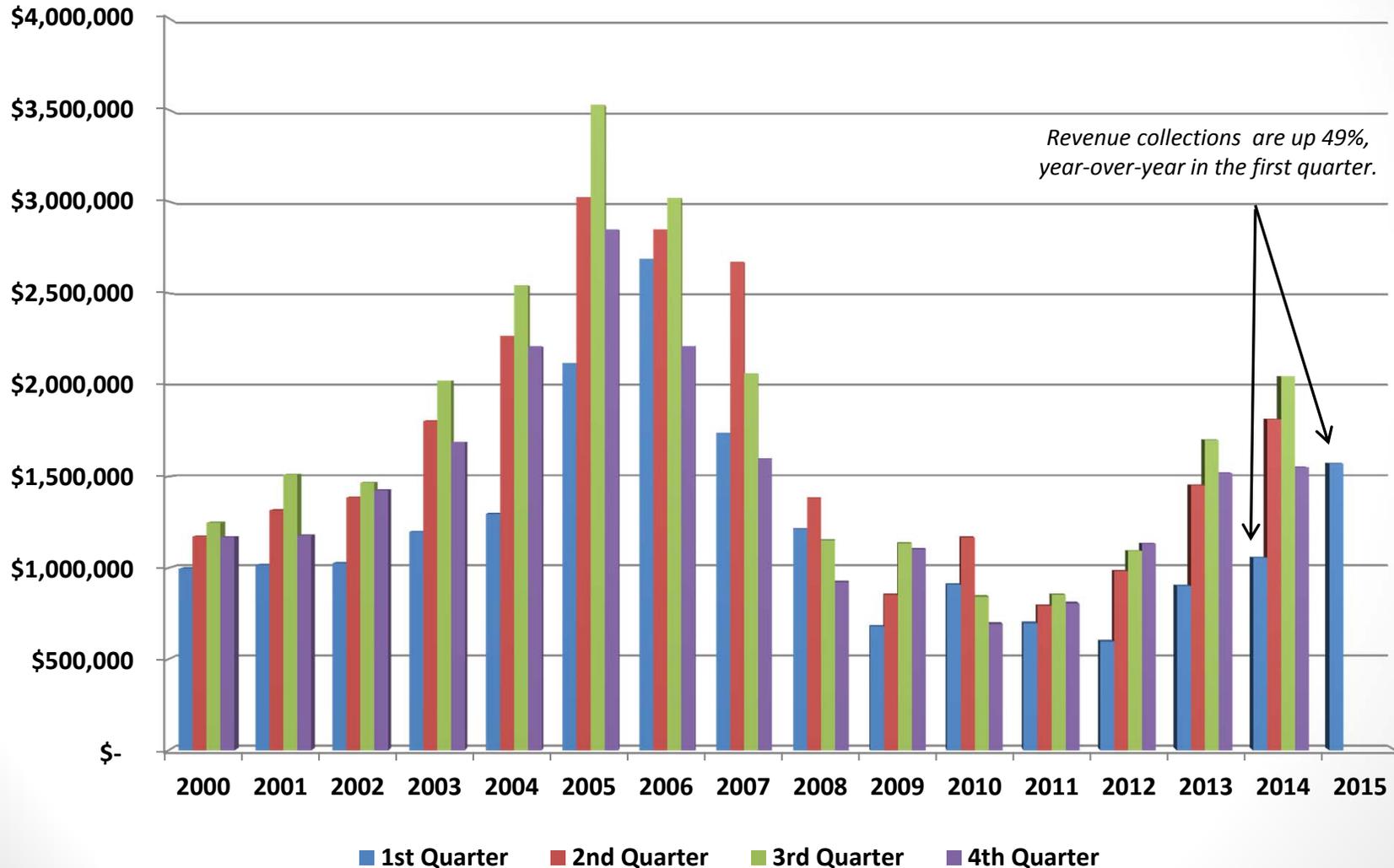
# Countywide Taxable Retail Sales

Clark County Taxable Retail Sales (in millions)  
(Year-Over-Year Percent Change)



# Real Estate Excise Tax Revenues

## Historical REET Collections



# Risks Remain

*US continues to be the main engine of global recovery.*

- Weak recovery outside the US.
- Disruptions for global trade and financial transactions due to geopolitical tensions (Russia, Ukraine, Middle East, parts of Africa).
- Stagnation in advanced economies.
- Slowdown in emerging economies.
- Uncertainty about accommodative monetary policy.
- Downsides of a stronger dollar for countries that owe USD debt.
- Impacts of lower oil prices for oil exporting countries.

# Conclusions

- **General Fund:** Started FY 2015-16 with reserves slightly above the recommended level; projected to stay at or above the recommended level.
- **County Budget:** Current economic conditions and expected trends for modest growth are consistent with county forecast for revenues and expenses.
- **Economic Outlook:** Economy continues positive trends, with some risks remaining. Projections remain cautiously optimistic.