

CLACKAMAS COUNTY BOARD OF COUNTY COMMISSIONERS

Sitting/Acting as (if applicable)

Policy Session Worksheet

Presentation Date: June 14, 2023 **Approx. Start Time:** 11:00 am **Approx. Length:** 60 minutes

Presentation Title: Supportive Housing Services One-Time and Limited-Term Allocations

Department: Health, Housing & Human Services

Presenters: Adam Brown, Deputy Director, Health Housing & Human Services and Vahid Brown, Deputy Director, Housing & Community Development Division

Other Invitees: Rodney Cook, Director, Health, Housing & Human Services

WHAT ACTION ARE YOU REQUESTING FROM THE BOARD?

Approval of the plan and priorities for making one-time and limited-term investments in services and infrastructure for homelessness and housing, funded by the one-time carryover balance of Supportive Housing Services funds.

EXECUTIVE SUMMARY:

Background

Going into FY 2023-24, Health, Housing & Human Services is anticipating a considerable carryover balance of one-time Metro Supportive Housing Services (SHS) Measure funds. This carryover balance is the result of:

1. Budgeted revenue in excess of budgeted expenditures (as programs ramp-up);
2. Revenue in excess of the budgeted amount (higher than forecasted collections); and
3. Budgeting current year revenue for FY 2023-24 (as opposed to budgeting in the year following collections).

As described in Sections 5.5.2 and 5.5.2.1 of the Supportive Housing Services Intergovernmental Agreement with Metro, the county must submit to Metro for review an Annual Program Budget that includes a "Spend Down Plan" for the year. The Spend Down Plan should describe the nature and timing of planned spending, **including of any funds anticipated to be carried over into following fiscal years and the anticipated timeline for spending those funds.** This Policy Session is to apprise the Board of the anticipated balance of one-time SHS carryover funds and seek direction on the Housing & Community Development (HCD) Division's proposed plan for spending those funds, as guided by Board priorities.

Based on the factors described above, HCD has budgeted \$103,997,661 of Metro Supportive Housing Services funding for FY 2023-24. This includes a one-time carryover balance of \$58,623,269 and new revenue totaling \$45,275,392. The budgeted new SHS revenue amount is based on the most recent five-year revenue forecast provided by Metro on December 5, 2022, for collections expected in FY 2023-24 (see: Attachment 1).

The table below shows the year-over-year revenue and expenditure detail associated with the carryover balance.

	FY 2021-22 Actual	FY2022-23 Estimate	FY 2023-24 Budget
Regional SHS Revenue			
Actual Tax Collections	238,269,627		
Forecasted Tax Collections	-	225,000,000	234,100,000
Tax Collection Costs	(18,967,255)	(14,717,916)	(10,701,686)
Metro Administration	(11,025,532)	(10,542,299)	(11,169,916)
Remaining for Distribution	208,085,099	199,739,785	212,228,398
Clackamas County SHS Revenue (21.33%)			
Actual Tax Collections	44,391,488		
Forecasted Tax Collections*		42,611,154	45,275,392
Interest	33,192	100,000	100,000
Prior Year(s) Carryover Balance	(157,465)	40,912,115	58,623,269
Total SHS Resources	44,267,215	83,623,269	103,998,661
<i>*Forecasted collection amount for FY 2021-22 was \$180,000,000 regionally and \$38,394,000 for Clackamas County, meaning that Clackamas County's share of actual collections was \$5,997,488 higher than forecasted.</i>			
Clackamas County SHS Expenses			
Actual SHS Expenses	3,355,100		-
Anticipated SHS Expenses**		25,000,000	45,375,392
Total SHS Expenses	3,355,100	25,000,000	45,375,392
Total SHS Carryover Balance	40,912,115	58,623,269	58,623,269

**Anticipated expenses for FY 2023-24 will be based on finalized plan for spending carryover balance.

Plan & Proposed Priorities

The proposed plan for use of the \$58.6 million in one-time carryover funds includes making a series of strategic one-time and limited-term investments that will help grow and stabilize the homeless services system in Clackamas County to align with long-term system goals. These funds should not be used to for ongoing programs and services because that will create an unaffordable obligation in future years. Prudent one-time investments include things like building contingencies and reserves, investments in system improvement and capacity building, and capital infrastructure. Limited-term investments are those that span multiple fiscal years and can be scaled up and down without creating unaffordable obligations or future instability for programs and program participants.

In developing the FY 2023-24 Housing & Community Development Division budget, staff have proposed the following series of one-time and limited-term investments that align with prudent fiscal stewardship, the Supportive Housing Services Local Implementation Plan, and the Board's priorities for creating and supporting recovery-oriented systems of care:

Priority Area 1 – Financial Stability (\$11.4 million): One-time investment to fully fund Contingency (\$2.3 million) and Stabilization Reserves (\$9.1 million).

Priority Area 2 – Expanding Capacity (\$13.3 million): Limited-term investments in system development and capacity building, plus setting-aside the required Regional Strategies Implementation Fund resources (\$4.3 million)

Examples:

- Technical assistance and capacity building allocations for community-based organizations

- Limited-duration expansion of front-end services to rapidly increase transitions into permanent housing
- Optimizing the Coordinated Housing Access system
- Contracted support to convene and staff the restructured homeless services advisory body and lived experience council

Priority Area 3 – Upstream Investments (\$2.2 million): Limited-term pilot programs to close system gaps, address unmet needs, and test innovative system integrations and up-stream approaches.

Examples:

- Community paramedics
- Eviction prevention through mediation and support of federal voucher households
- Self-sufficiency:
 - Money management
 - Benefits enrollment and recovery
- Improved partnership with cities within Clackamas County

Priority Area 4 – Rent Assistance (\$15.0 million): Three-year continuation (\$5.0 million per year) of expanded short-term rent assistance.

Priority Area 5 – Capital Needs (\$16.8 million): One-time strategic capital investments in homeless services and recovery-oriented infrastructure.

Examples:

- Resource navigation
- Crisis stabilization
- Behavioral health and addictions recovery
- Medical respite care/transitional housing
- Recovery-oriented transitional housing
- Emergency shelter (including alternative shelter)
- Creating grants and partnerships for initiatives led by cities within Clackamas County

Additional Consideration

Given the pace of current year revenue collections, and based on preliminary information from Metro about expected continued pace of those collections, there is a good chance that the total revenue collected will exceed Metro’s December forecast amount. For Clackamas County, this could mean a significant increase in the carryover balance described here. This additional funding would give the Board the opportunity to expand on and/or make deeper investments in the priority areas outlined here. Staff will keep the Board apprised of any developments and return for a future Policy Session if needed.

FINANCIAL IMPLICATIONS (current year and ongoing):

Is this item in your current budget? YES NO

What is the cost? \$58,623,269
Measure one-time carryover balance

What is the funding source? Metro Supportive Housing Services

STRATEGIC PLAN ALIGNMENT:

- How does this item align with your Department’s Strategic Business Plan goals?

- This item aligns with the following Department strategic priorities:
 - Assist individuals and families in need to be healthy and safe
 - Increase self-sufficiency
 - Increase community safety and health
 - Continually improve the efficiency and effectiveness of services
- How does this item align with the County's Performance Clackamas goals?
 - This item aligns with the following County strategic priorities:
 - Ensure safe, healthy and secure communities
 - Grow a vibrant economy
 - Build a strong infrastructure
 - Build public trust through good government

LEGAL/POLICY REQUIREMENTS: N/A

PUBLIC/GOVERNMENTAL PARTICIPATION:

The Supportive Housing Services Measure was passed by area voters in May of 2020. Measure investments are guided by Clackamas County's Local Implementation Plan (LIP), which was developed from August 2020 – April 2021, and current priorities of the Clackamas County Board of Commissioners.

Development of the LIP included input from over a dozen community advisory groups and stakeholder tables. Public listening sessions were held, consultants conducted focus groups and listening sessions with communities of color, and a diverse and inclusive LIP Steering Committee oversaw the work. The LIP guides the County's work in prioritizing the use of funds for the delivery of housing and homeless services, and a regional Oversight Committee maintains the county's accountability for the implementation of the plans and strategies and achieving the LIP's goals. The county annually updates the LIP goals with an Annual Work Plan, establishing outcome goals for housing placements, shelter unit development/support, eviction prevention, and other goals related to the County's LIP.

OPTIONS:

1. Approve of the plan and priorities for making one-time and limited-term investments in services and infrastructure for homelessness and housing.
2. Modify the plan and priorities for making one-time and limited-term investments in services and infrastructure for homelessness and housing.
3. Reject the plan and priorities for making one-time and limited-term investments in services and infrastructure for homelessness and housing.

RECOMMENDATION:

Staff recommends Option 1. Approve of the plan and priorities for making one-time and limited-term investments in services and infrastructure for homelessness and housing.

ATTACHMENTS:

- Attachment 1 – Metro Five-year SHS Forecast Memo
- Attachment 2 – Clackamas County Five Year Budget Outlook for Spending Plan

SUBMITTED BY:

Division Director/Head Approval: Adam Brown
 Department Director/Head Approval: Rodney Cook
 County Administrator Approval _____

Date: December 5, 2022
To: Brian Kennedy, Metro CFO; Eric Arellano, Multnomah County CFO; Greg Munn, Washington County CFO; Elizabeth Comfort, Clackamas County CFO
Cc: Patricia Rojas, Metro Housing Director; Rachael Lembo, Metro Finance Manager; Adam Brown, Clackamas County; Amy Mettler, Washington County Housing Controller
From: Josh Harwood, Metro Fiscal & Tax Policy Director
Subject: Supportive Housing Services Five-Year Forecast FY 2023-24 to FY 2027-28

This report is intended to summarize the five-year forecast for revenue for Metro's Supportive Housing Services (SHS) program originally passed by voters in May 2020. The forecasts presented herein are inclusive of information through the end of October. **Please note that this forecast was formally presented to the Finance Review Team¹ (FRT) on December 2, 2022.**

It should be noted that much of the tax data remains incomplete as taxpayers continue to adapt to the new taxes and true up tax bills from the 2021 tax year. As a result, much of the available data remains somewhat unclear. For a variety of reasons – including, but not limited to, the unsteady economic emergence from the pandemic, processing timelines, and there are two distinct, but related taxes – there are challenges to forecasting and managing the revenues from these taxes. However, it should be noted that even in times of greater economic certainty, the typical forecast variance with taxes such as these will be much larger than typical local revenue forecasts. What this means in terms of the figures presented here is that they are conservative in nature, which will typically result in higher-than-forecasted actual collections. Finally, the increased volatility in these taxes means that as they climb higher, the exposure to downturns also increases, potentially resulting in large declines in years when actuals do not meet forecasted expectations.

Five-Year Forecast

For FY 2021-22, Metro raised \$239.5 million. This was split between business and personal income taxes that totaled \$92.7 million and \$146.7 million, respectively. The nearly \$240 million was significantly higher than the conservative \$180 million budgeted for the first year of tax collections. Because of the volatility in the taxes and the lag between the initial forecast and the realization of the taxes, forecasts will necessarily be somewhat conservative and typically, though not always, result in higher-than-forecasted collections. Although a full fiscal year of tax collections has been completed, there are still taxpayers making first payments into the tax system. This, along with other data challenges, means that we are likely at least two years from fully realizing SHS tax data as the primary data source for forecasting the taxes. Furthermore, a variety of outside data sources are used to gather the best information needed to forecast these taxes. For business taxes, that largely means using state and other local tax data. Meanwhile for personal taxes, state tax and broader economic data are the primary inputs to the forecast.

Given the level of uncertainty, the potential differences between forecasted and actual revenues are relatively broad, but as time progresses, the goal is to be constantly evaluating, in real time, what the revenue data are showing and trying to cross reference that with other economic and tax information to serve as indicators as to which path collections may be on. Table 1 below represents

¹ The FRT is comprised of the Chief Financial Officers for Metro and each of the three relevant counties (Clackamas, Multnomah, and Washington counties).

a “most likely” forecast for the combined SHS taxes. It should be noted, that, similar to a year ago at this time, we expect current year collections to exceed budgeted amounts, but it is too early in the fiscal year to determinatively say that will be the case. *Collections in the current year may even exceed collections from FY 2021-22, but that likely would not be a result from increased economic activity, but rather from the regular ramp-up of a new tax program as new taxpayers are added to the tax rolls and taxpayers adjust to the new taxes.*

TABLE 1 – SUPPORTIVE HOUSING SERVICES FIVE-YEAR FORECAST (\$MILLIONS)

	FY22 Actuals	FY23 Budget	FY24 Forecast	FY25 Forecast	FY26 Forecast	FY27 Forecast	FY28 Forecast
<i>Tax Revenue</i>	\$239.5	\$225.0	\$234.1	\$232.2	\$281.8	\$308.3	\$324.0
Tax collection	\$19.0	\$14.4	\$10.7	\$11.0	\$11.3	\$11.7	\$12.0
Metro	\$11.0	\$10.5	\$11.2	\$11.1	\$13.5	\$14.8	\$15.6
Other*	-\$0.2	\$0.3	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Net Distribution	\$209.3	\$200.3	\$212.2	\$210.1	\$257.0	\$281.8	\$296.4
<i>Partners</i>							
Multnomah	\$94.9	\$90.8	\$96.2	\$95.3	\$116.5	\$127.8	\$134.4
Washington	\$69.8	\$66.8	\$70.7	\$70.0	\$85.7	\$93.9	\$98.8
Clackamas	\$44.6	\$42.7	\$45.3	\$44.8	\$54.8	\$60.1	\$63.2

*Includes a modest \$200,000 reserve at the City of Portland Revenue Division for cash flow purposes and expected interest. The distribution of net collections is as follows: 45.3% to Multnomah County, 33.3% to Washington County and 21.3% to Clackamas County.

Attachment 2

	FY 2021-22 Actual	FY2022-23 Estimate	FY 2023-24 Budget	FY 2024-25 Forecast	FY 2025-26 Forecast	FY 2026-27 Forecast	FY 2027-28 Forecast
Regional SHS Revenue							
Actual Tax Collections	238,269,627						
Forecasted Tax Collections	-	225,000,000	234,100,000	232,200,000	281,800,000	308,300,000	324,000,000
Tax Collection Costs	(18,967,255)	(14,717,916)	(10,701,686)	(10,993,734)	(11,323,546)	(11,663,252)	(12,013,150)
Metro Administration	(11,025,532)	(10,542,299)	(11,169,916)	(11,060,313)	(13,523,823)	(14,831,837)	(15,599,343)
Remaining for Distribution	208,085,099	199,739,785	212,228,398	210,145,953	256,952,631	281,804,911	296,387,507
Clackamas County SHS Revenue (21.33%)							
Actual Tax Collections	44,391,488						
Forecasted Tax Collections*		42,611,154	45,275,392	44,831,137	54,816,561	60,118,381	63,229,335
Interest	33,192	100,000	100,000	100,000	100,000	100,000	100,000
Prior Year(s) Carryover Balance	(157,465)	40,912,115	58,623,269				
Total SHS Resources	44,267,215	83,623,269	103,998,661	44,931,137	54,916,561	60,218,381	63,329,335
<i>*Forecasted collection amount for FY 2021-22 was \$180,000,000 regionally and \$38,394,000 for Clackamas County, meaning that Clackamas County's share of actual collections was \$5,997,488 higher than forecasted.</i>							
Clackamas County SHS Expenses							
Actual SHS Expenses	3,355,100		-	-	-	-	-
Anticipated SHS Expenses**		25,000,000	45,375,392	-	-	-	-
Total SHS Expenses	3,355,100	25,000,000	45,375,392	-	-	-	-
Total SHS Carryover Balance	40,912,115	58,623,269	58,623,269				

**Anticipated expenses for FY 2023-24 will be based on finalized plan for spending carryover balance.