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## Introduction

For the first time in recent history, Multnomah County's Proposed budget was balanced over a five-year period. This was an exceptional accomplishment in view of the many spending priorities that accumulated as we emerged from the Great Recession. A recovering economy, below average labor cost growth, and sound financial practices positioned the County in the enviable position to not only budget for current programmatic service levels, but to fund new ongoing and one-time-only investments all while providing for financial resiliency.

The importance of financial resiliency was demonstrated during the FY 2016 budget adoption process. On April 30, 2015 the Oregon Supreme Court ruled in the *Moro* case and invalidated most of the reforms to the Oregon Public Employees Retirements System (PERS). There is no impact to the FY 2016 budget; however, there will be significant impacts when employer contribution rates are calculated for the State of Oregon's next biennium -- the County's FY 2018. The impact to the County is estimated to be roughly \$7.9 million in the General Fund and \$16.5 million across all funds. The County's Adopted FY 2016 budget, consequently, is balanced over three years rather than five years.

The FY 2016 budget reflects a balanced approach to spending and responsible fiscal management. Multnomah County continues to be in a better fiscal position than most states and local governments thanks to the prudent leadership from the Chair and the Board, firm adherence to policies and practices that result in strong long-term financial planning, low debt obligations, high bond ratings, and the maintenance of responsible fund balance amounts.

It is worthwhile to reflect and take stock of our financial health. Although it is unrealistic to believe that our local economy will ever be recession-proof, it is our goal to remember the lessons we learned through the last several economic downturns to strengthen our financial resiliency. The County's strong commitment to long-range planning, sound budgeting practices, and conservative financial management will continue to help us weather future economic downturns. The FY 2016 budget continues to maintain the County's long-term fiscal position by:

- Balancing the General Fund budget over a three-year period.
- Fully funding General Fund reserves and providing for a Business Income Tax (BIT) stabilization reserve.
- Investing in capital needs, efficiency measures, and infrastructure, including devoting \$28 million of General Fund resources for replacement of the Downtown Courthouse.

Programmatically, the FY 2016 budget makes significant investments in these areas:

- Housing and Homelessness;
- Early Learning and Support for Youth; and
- Addressing Disparities.

Details on these and other investments can be found in subsequent sections.

The Portland metropolitan area has been growing above its historical growth rate since mid-2012. This has caused unemployment in Multnomah County to dip below 5% and employment to surpass pre-recession levels. The improved labor market has resulted in real wages finally beginning to increase. Combined with low interest rates, the housing market has seen single double-digit gains, reducing property tax compression. The County's economically sensitive revenues, such as transient lodging taxes, motor vehicle rental taxes, and business income taxes have rebounded strongly. And, improved State finances and health care reform have significantly improved the County's non-General Fund revenues as well.

On the cost side of the ledger, Legislative reforms to the PERS system (which have now been overturned), flat health care costs, and a low inflationary environment have helped to control the County's cost growth. Combined with above-average revenue growth, ongoing County General Fund revenues exceed ongoing expenditures by \$25.7 million or 6.3% for FY 2016. *In creating the FY 2016 budget, \$15.3 million of these funds were treated as one-time-only funds so that the County's ongoing expenditures and revenues would be balanced for 3 years.* In total, \$50.6 million of General Fund was dedicated to one-time-only expenditures.

The budget increases the County's workforce from 4,660.24 FTE (full time equivalents) last year to 4,981.77 FTE in FY 2016, an increase of 321.53 FTE. Approximately, two-thirds (191.20 FTE) of the increase in FTE is in the Health Department, driven by increased funds and service needs due to health care reform.

## FY 2016 Program and Policy Highlights

### *Health and Human Services*

The FY 2016 budget preserves and expands existing services in Health and Human Services departments, and adds new programs that target support for vulnerable populations. The list below highlights some of the notable investments. More detailed information can be found in Volumes 2 and 3.

- \$549,000 SUN Community Schools Expansion for Parkrose, Gresham and Reynolds schools (25145B, 25145C, 25145D, 25145E, 25145F).
- \$160,000 Sexual Minority Youth Services Expansion (25155B).
- \$261,000 Senior Hunger Initiative (25147B).
- \$85,000 Early Kindergarten Transition Program Expansion (25152B).
- \$170,000 Bienestar Social Services: Improve Access and Expand Service Capacity (25156B, 25156C).
- \$575,000 School Attendance Supports: Expand Services (25159B).
- \$2,000,000 A Home for Everyone Housing Placement and Retention (25133D).
- \$5,000,000 A Home for Everyone Capital Funding (72040).
- \$90,000 Year Round Warming Center (25111B)
- \$2,000,000 Promise Neighborhoods (25137).
- \$135,000 DV Enhanced Response Team - Expansion (25047B).
- \$150,000 Economic Opportunity Initiative (25139E).
- \$100,000 ADVSD Veterans Ombudsman (25025B).
- \$323,000 Violence Prevention Initiatives/STRYVE (40038B).
- \$411,631 Corrections Health Mental Health Services (40059A).
- \$683,500 Mental Health CATC/Jail Diversion (40066).
- \$250,000 Mental Health and Affordable Housing Units (40074B).
- \$3,000,000 Psychiatric Emergency Rooms Capital Funding (40069C).

Multnomah County is also part of a statewide effort, which began in FY 2012 and continues in FY 2016, to transform Oregon's healthcare system into one that better integrates physical health, mental health, long-term care, and other services. This effort has evolved along with implementation of the federal Affordable Care Act (ACA). The ACA has resulted in a significant increase in Oregon Health Plan enrollment and in the number of patients seeking clinical services. Clinic revenue and incentive payments from the Medicaid Patient Centered Primary Care Home Program have increased significantly. In January 2015, the Board of County Commissioners approved a \$3.4 million expansion of the Health Department's primary care health center services, to be supported by growing fee revenues. The added resources will serve approximately 12,000 new patients in existing facilities and add a centralized call center for service coordination. As a majority of the uninsured population is captured, the Health department estimates revenue levels will stabilize.

### *Public Safety*

To enhance integration of mental, physical and dental health care services and better align the County's overlapping responsibilities in these areas, the Mental Health and Addictions Services Division moved from the Department of County Human Services to the Health Department during FY 2015 and the transition will become fully effective in FY 2016.

The FY 2016 budget preserves the core functions of public safety and maintains the current number of jail beds (1,310). The budget maintains probation and parole services, jail alternatives, and prosecutorial services. The County invested in the following programs:

- \$500,000 Community Health Initiative Early Intervention Pilot Expansion (50065B).
- \$220,000 Community Healing Initiative Mentoring Services (50065C).
- \$358,166 Neighborhood DA program expansion to Rockwood area and backfill of the Albina neighborhood DA position (15203B, 15203C).
- \$100,000 OTO funding for CRIMES feasibility/replacement study (78058).
- \$1,218,776 anticipated increases in SB 1145 funding that would fund supportive housing for mental ill offenders (17 beds), mentor services, employment services, administrative support, and additional IT capacity (50041).
- \$704,274 OTO funding to install new, safer vent covers in Multnomah County Detention Center jails cells that are intended to mitigate suicide risk (60090, 78057).
- \$827,852 to fund annual training for MCSO sworn (60023A).
- \$137,291 for 1.00 FTE Westside Community Resource Office (60086).
- \$151,291 for 1.00 FTE Deputy Sheriff for gun dispossession/restraining order violations (60088).
- \$150,000 - Safe Routes to Schools. This will fund flashing beacons, crosswalk enhancements, curriculum development and training to enhance pedestrian safety (91025).
- \$411,621 Corrections Health Mental Health Services for 24/7 suicide watch coverage (40059A).

### *Library*

The FY 2016 budget sustains current service level plus several targeted strategic investments.

- \$101,000 for a coordinator at the Rockwood innovation station (80005).
- \$500,000 for expanded Library IT project management and development capacity (80017).
- \$350,000 to increase Facilities and Logistics for enhanced Library security (80018).

### *General Government*

The FY 2016 Budget provides the following General Fund to support sound planning and strategic General Government investments:

- \$597,181 to fund an update to the County's Comprehensive Land Use Plan (91027).
- \$500,000 to study the aging levee system.
- \$250,000 to expand the Summerworks Internship program (72022B).
- \$153,380 for a Job Rotation program (72017B).
- \$218,000 for Land Use Planning Customer Services and Compliance (91021B, 91021C).
- \$106,000 for Elections voter and education outreach (91008B).
- \$349,650 for a Long Range Capital planning program (72013).
- \$235,000 for continuation of expanded veterinary services care (91007B).
- \$75,000 for RACC Right Brain Initiative (10020B).
- \$139,040 for an East County Liaison (10016B).
- \$500,000 for Inclusive Start-Up Investment Project (72011B).
- \$70,000 for Cully Neighborhood Park Development (91026).

### *Capital Assets*

The FY 2016 budget continues to supplement ongoing building and information technology (IT) system funding that is outpaced by evolving service requirements and deferred maintenance liabilities. The FY 2016 budget dedicates one-time-only funds for the following projects:

- \$28,120,000 for next stages of the new Downtown Courthouse (78014).
- \$1,750,000 to complete the replacement of the County's aging phone system with Voice Over Internet Protocol (VoIP) technology (78020B, 78020C, 78020D, 78020E).
- \$1,725,000 for cybersecurity work (78037).
- \$2,306,627 for energy savings retrofitting projects at the Juvenile Justice Complex (\$810,000) for lighting and at Inverness Jail (\$1,496,627) for water efficiency projects (78055, 78056).
- \$555,557 to replace the vent covers in the Multnomah County Detention Center with removable units to improve air flow, allow accessibility for cleaning, and to mitigate suicide attempts by eliminating surfaces that can be tied to (78057).
- \$500,000 Hansen building relocation (78059).
- \$450,000 Yeon - AG Fuel tanks installation (78052).
- \$165,000 Yeon - Reception and lobby redesign (78054).

## Planning for FY 2016

### *Economic Climate*

The Portland metropolitan economy remains remarkably strong, growing above its historical growth rate since mid-2012. Unemployment in Multnomah County has fallen to 4.8% as of March 2015, and from March 2014 to March 2015 non-farm employment grew by 10,800 - from 466,900 to 477,700, a 2.3% increase. At the state level, Oregon's unemployment rate fell below the U.S. rate for the first time since 1996, falling to 5.4% in March.

While the Northeast U.S. economy was hampered by harsh winter, Oregon had a mild winter, boosting employment in weather-dependent industries. Likewise, the significant decline in oil prices, and hence gasoline prices, has benefited Oregon consumers, while the dearth of oil related industries in Oregon meant little negative impact from reduced employment in oil related industries.

At the national level, Gross Domestic Product (GDP) – the output of goods and services produced in the U.S. – increased at an annual rate of 2.2% in the final quarter of 2014, but 4.6% and 5.0% in the preceding two quarters. Growth is expected to slow in the first quarter of 2015, but hover around 3% for the final quarters of FY 2015 with the 2015 annual growth rate being in the 2.5% to 2.75% range.

Locally, the residential real estate market remained strong in calendar year 2014. As measured by the S&P Case-Shiller Home Price Index for the Portland metropolitan area, home prices increased 6.8% during 2014. It was not uncommon to see homes sell in a matter of days with multiple offers. For some perspective, Portland house prices peaked in July 2007 and then fell 30.6% before stabilizing. With the recent price gains, prices are still down 8.4% from their 2007 peak.

Historically low interest rates, limited inventory, population growth, and employment gains should support further price increases. This will be tempered by affordability concerns as many homes in close-in Portland neighborhoods are becoming increasingly unaffordable. Consequently, mid-single-digit increases are expected during 2015. Apartment construction continues to boom within Portland with supply starting to catch-up with demand. During calendar year 2014, real market values of multifamily housing grew 14.1%.

Unemployment rates at the local, state, and national levels continue to fall from the double digits seen in 2009 and 2010. As of March 2015, the U.S. unemployment rate stood at 5.5% vs. 6.7% a year earlier. For Oregon, the March 2015 rate was 5.4% vs. 7.1% a year earlier. In Multnomah County, the similar figures are 4.8% vs. 6.2% a year earlier. With nonfarm employment in Multnomah County at 477,700, employment levels are roughly 20,000 or 4.4% higher than pre-recession levels. The strong job growth and falling unemployment rate have finally led to real wage growth, which has been missing from the recovery.

### *Forecasting the General Fund*

The consensus forecast (from Western Blue Chip) for Oregon employment growth is 3.3% in 2015 and 3.5% in 2016. Consensus personal income growth is estimated at 4.9% in 2015 and 5.1% in 2016.

Multnomah County uses ongoing financial forecasting and monitoring to estimate revenues and expenditures in the General Fund, the County's largest source of discretionary revenues. Forecasts are made for a five-year time horizon and updated on a quarterly basis. The forecast helps form the basis on which Multnomah County builds its annual budget.

The Budget Office's March 2015 Five-Year Forecast projected ongoing revenues exceeding ongoing expenditures by \$24.4 million, or 6.0%, for FY 2016. The 'surplus' shrinks over the life of the forecast, narrowing to \$10.8 million, or 2.3%, in FY 2020. Based on this forecast and assuming a five-year planning horizon, the County could support an additional \$9.1 million of ongoing spending.

This outlook was tempered in the May 2015 forecast, which incorporated the impacts of the Oregon Supreme Court invalidating most of the 2013 PERS reforms. Projected ongoing revenues for FY 2016 are currently expected to exceed ongoing expenditures by \$25.7 million; however, this 'surplus' shrinks to zero by FY 2018 and becomes a \$7.7 million deficit in FY 2020.

The relatively positive outlook in the short-term is driven by above average revenue growth and modest personnel cost growth of 2.71%. As revenue growth slows and PERS rates increase over time, the outlook worsens for the County's General Fund.

More information on the County's forecast can be found at [www.multco.us/budget](http://www.multco.us/budget).

### *Local Revenues*

Property tax is the single largest discretionary source of revenue in the General Fund, accounting for 61% of ongoing revenues. General Fund growth, therefore, is particularly sensitive to taxable value growth and compression. The FY 2016 budget assumes the following rates of growth (as measured from the FY 2015 Adopted Budget) for each revenue source:

- Property Tax - An increase of 6.1%.
- Business Income Tax – An increase of 18.2%.
- Motor Vehicle Rental Tax – An increase of 14.3%.
- Recording Fees/CAFFA Grant – Flat.
- US Marshal Jail Bed Rental – A decline of 14.4%.

### Cost Drivers

As measured from the FY 2015 Adopted Budget, ongoing General Fund resources for FY 2016 are projected to increase by nearly 8.1%. However, as measured from currently forecasted FY 2015 revenues, ongoing General Fund resources are projected to increase a more modest, but still strong 3.8%.

Expenditures are forecast to grow at roughly 2.4% to 4.2% annually through FY 2020 – a rate of growth that takes into account inflation, employee compensation, and long-term fixed costs. For FY 2016, the cost of providing current service levels is expected to grow at 2.43%. This relatively modest rate is driven by personnel costs, which are forecast to grow at 2.71%. Specifically, the personnel cost increase is driven by:

- Cost of Living Adjustment: 2.20% (of base pay).
- Step/Merit Increases: 1.57% (of base pay).
- Medical/Dental: 0.0%.
- PERS: -0.85% (of base pay).

*FY 2016 marks the fourth straight year that medical/dental rates charged to departments have been flat. Rates are projected to start increasing at above inflation rates in FY 2017.*

The County has been smoothing the PERS rates it charges to departments to provide stability and mitigate risk. In FY 2016, the rates charged to departments will fall by an average of 0.85%, yet the County's costs from the PERS system will increase by 1.61%. FY 2016 also marks the end of the County's PERS smoothing, meaning the rate PERS charges the County will be the same as those charged to County departments.

This is significant as the changes to the PERS system made by the Oregon Legislature in 2013 were under legal challenge at the time the budget was being prepared. On April 30, 2015 the Oregon Supreme Court invalidated the majority of the 2013 reforms. The cost to the County's General fund will be roughly \$7.9 million and \$8.6 million in other funds beginning in FY 2018. These preliminary estimates are not included in the cost estimates above.

For FY 2016, internal service rates charged to departments for items such as information technology and facilities services are assumed to increase 2.89%. As the County's internal services are heavily labor dependent, the lower personnel cost growth has also helped to keep these costs in check.

### *Policy Direction from the Chair & Board and Balancing the General Fund*

The Chair directed all departments, including internal service providers, to construct current service level budgets as a starting point for the FY 2016 budget. Departments could also propose service expansions, restoration of prior reductions, and new programs in consultation with the Chair's Office. Departments were also able to request one-time-only funds.

The Chair's Proposed General Fund was balanced by accepting most current service level budgets as they were proposed. An additional \$9.1 million of ongoing General Fund and \$45 million of one-time-only funds were then allocated to new or expanded program offers or program offers requesting General Fund backfill. These offers are explicitly flagged to help identify where additional investments were funded. Roughly \$15.3 million of the \$24.4 million was treated as one-time-only funds (for a total of \$45.6 million of one-time-only funds) so that the County's ongoing expenditures and revenues would be balanced for five years.

The Board subsequently utilized the remaining \$3 million of unspent General Fund Contingency from FY 2015 and \$1.3 million of higher than previously forecast revenues in FY 2015 to add additional OTO spending, including:

- An additional \$2 million (for a total of \$3 million) to support capital construction of a psychiatric emergency room facility being built by local hospitals.
- \$500,000 towards replacement of the Hansen Building.

An additional \$1.3 million of ongoing revenues from higher FY 2016 revenue estimates and several reallocations were made as well. These include:

- Provide \$2 million in ongoing funding for Promise Neighborhoods.
- Provide \$600,000 in ongoing funding for Sheriff Office training costs.

Combined with the PERS impact, the Board balanced the budget over a 3-year period. A full list of Board adjustments can be found here: <https://multco.us/file/42894/download>.

Per past practice, the BIT reserve was funded at 10% of BIT revenues for FY 2016. This is on top of the County's 10% General Fund revenue reserve. The FY 2016 budget conservatively assumes that departments will fully spend their FY 2015 General Fund appropriations.

The Chair's budget message provides additional information on her policy initiatives. The following sections of the Budget Director's Message provide more detailed information on the County's one-time-only resources and spending.

### Budget Overview - All Funds

Local budget law requires that Multnomah County report the “total” budget. The total budget reflects the actual resources needed by the County, plus internal charges, transfers, loans, and accounting entities. The budget for FY 2016 totals \$1,733,792,105. When adopted, the budget sets the legal appropriation.

Because the total budget overstates what is actually spent, the County often refers to the net budget. The FY 2016 net budget of \$1,378,333,986 is a more accurate statement of the money the County actually plans to spend on operations during the year. The net budget subtracts all internal charges, transfers, and loans from one fund to another. Internal transactions between funds are typically the result of one department providing a service to another, such as information technology or facilities services. It also removes all reserves for future years to more accurately reflect the ongoing operating budget.

FY 2016 Budget	
Department Expenditures	\$1,321,631,282
Contingency	<u>\$56,702,704</u>
<b>Total Net Budget</b>	<b>\$1,378,333,986</b>
Service Reimbursements	\$147,453,033
Internal Cash Transfers	\$39,592,845
Reserves	<u>\$168,412,241</u>
<b>Total Budget</b>	<b>\$1,733,792,105</b>

# Budget Director's Message

fy2016 adopted budget

#	Fund Name	FY 2015 Adopted	FY 2016 Adopted	Change	Notes
1000	General Fund	\$481,316,887	\$563,295,405	\$81,978,518	Beginning Working Capital (BWC) +29.3m, financing sources -\$0.8m, interest +\$0.1m, intergov. +\$1.5m, other/misc +\$11.4m, svc charges +\$10.3m, taxes +\$30.1m
1501	Road Fund	49,761,405	51,878,375	2,116,970	BWC +\$0.4m, svc charges -\$0.3m, intergov. +\$1.9m
1503	Bicycle Path Construction Fund	481,800	369,900	(111,900)	BWC
1504	Recreation Fund	102,340	102,710	370	
1505	Federal/State Program Fund	234,950,866	265,102,251	30,151,385	BWC -\$4.2m, other/misc +\$1.2m, svc charges +\$3.6m, intergov. +\$29.6m
1506	County School Fund	20,275	77,230	56,955	Taxes
1508	Animal Control Fund	2,435,310	2,828,713	393,403	BWC
1509	Willamette River Bridge Fund	12,259,909	10,862,852	(1,397,057)	BWC -\$0.7m, financing sources/ intergov./Other/Misc -\$0.7m
1510	Library Fund	75,788,439	80,933,930	5,145,491	BWC +\$0.3m, intergov. +\$5.1m, taxes -\$0.2m
1511	Special Excise Taxes Fund	30,756,130	37,146,403	6,390,273	BWC -\$0.3m, taxes +\$6.6m
1512	Land Corner Preservation Fund	3,372,138	3,527,150	155,012	BWC +\$0.3m, other/misc -\$0.2m
1513	Inmate Welfare Fund	1,173,889	1,096,365	(77,524)	
1516	Justice Services Special Ops Fund	6,085,332	6,579,527	494,195	Intergov. +\$0.1m, misc +\$0.2m, svc charges +\$0.2m
1518	Oregon Historical Society Levy Fund	1,829,324	2,122,143	292,819	Taxes
1519	Video Lottery Fund	5,306,067	5,440,419	134,352	
2002	Capital Debt Retirement Fund	19,886,987	18,705,360	(1,181,627)	BWC -\$0.8m, financing sources -\$0.4m
2003	General Obligation Bond Sinking Fund	12,668,075	12,037,600	(630,475)	BWC
2004	PERS Bond Sinking Fund	88,317,930	97,171,626	8,853,696	BWC +\$6.6m, misc. +\$2.2m
2500	Downtown Courthouse Capital Fund	42,494,600	54,330,900	11,836,300	BWC +\$10.8m, financing sources +\$0.6m, intergov. -\$10m, other/misc +\$10.4m
2503	Asset Replacement Revolving Fund	476,000	406,351	(69,649)	
2504	Financed Projects Fund	5,400,000	4,930,000	(470,000)	BWC +\$1m, financing sources -\$1.5m
2506	Library Capital Construction Fund	2,358,680	2,948,700	590,020	BWC +\$1.8m, financing sources -\$1.3m
2507	Capital Improvement Fund	34,591,900	20,324,215	(14,267,685)	BWC -\$15.4m, financing sources +\$1.1m, misc. -\$0.3m, svc charges +\$0.3m
2509	Asset Preservation Fund	10,584,000	14,664,374	4,080,374	BWC +\$1.6m, financing sources +\$2.2m, misc. +\$0.3m
2510	Health Headquarters Capital Fund	45,400,000	45,139,000	(261,000)	BWC +\$14.5m, financing sources -\$4.8m, misc. -\$10m
2511	Sellwood Bridge Replacement Fund	117,569,464	61,615,356	(55,954,108)	BWC -\$29.2m, fees/permits +\$0.3m, intergov. -\$27m
3002	Behavioral Health Managed Care Fund	80,426,535	96,009,198	15,582,663	BWC +\$2.5m, intergov. +\$13.1m
3500	Risk Management Fund	153,799,278	163,575,287	9,776,009	BWC +\$2.9m, interest +\$0.3m, misc. +\$6.6m
3501	Fleet Management Fund	11,167,781	10,121,118	(1,046,663)	BWC -\$1.9m, financing sources +\$0.3m, misc +\$0.5m
3503	Information Technology Fund	48,808,995	50,682,035	1,873,040	BWC -\$1.4m, financing sources +\$1.5m, misc +\$1.8m
3504	Mail Distribution Fund	2,903,802	3,277,576	373,774	BWC +\$0.2m, misc. +\$0.2m
3505	Facilities Management Fund	44,276,936	46,490,036	2,213,100	Misc. +\$1.2m, service charges +\$1m
<b>Total</b>		<b>\$1,626,771,074</b>	<b>\$1,733,792,105</b>	<b>\$107,021,031</b>	

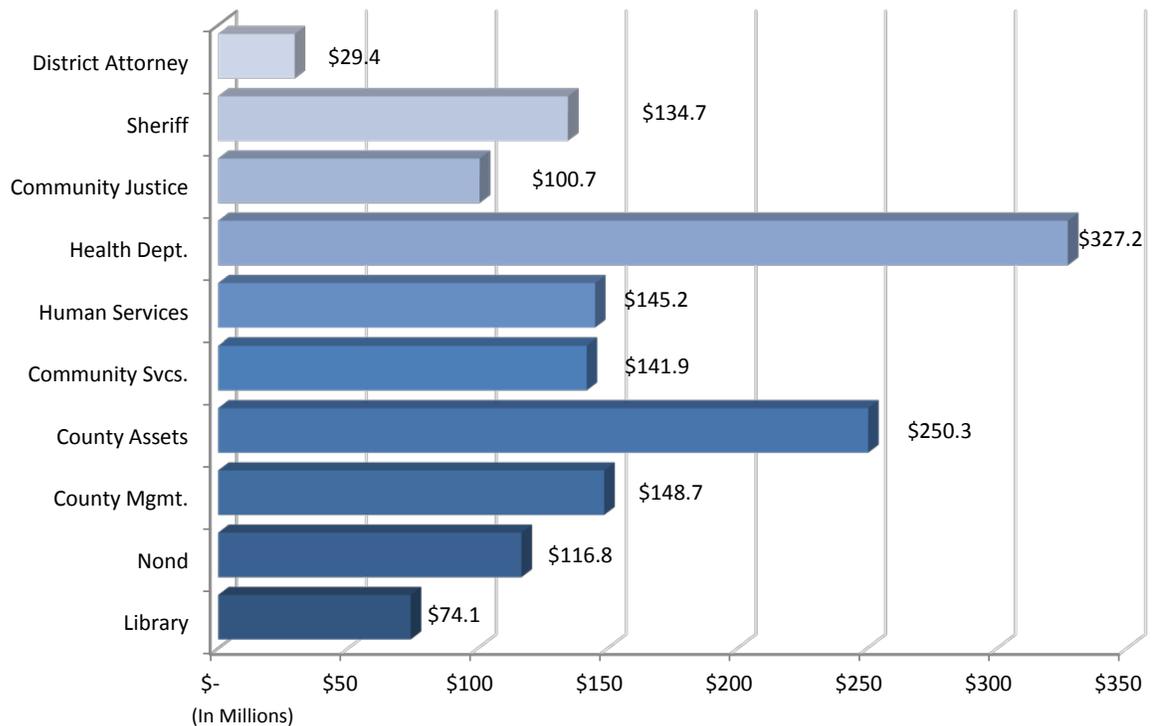
"Financing sources" includes cash transfers and financing proceeds

"Other revenues" and "misc." includes revenues from non-governmental entities, sales, donations, service reimbursements

### *Department Requirements All Funds (\$1.47 billion)*

Department expenditures, excluding cash transfers, contingencies, and unappropriated balances, for all funds total \$1.47 billion in FY 2016 vs. \$1.39 billion in FY 2015.

The bar chart below shows appropriations by department in millions across all funds. This figure includes internal service payments, and thus represents some double-counting.



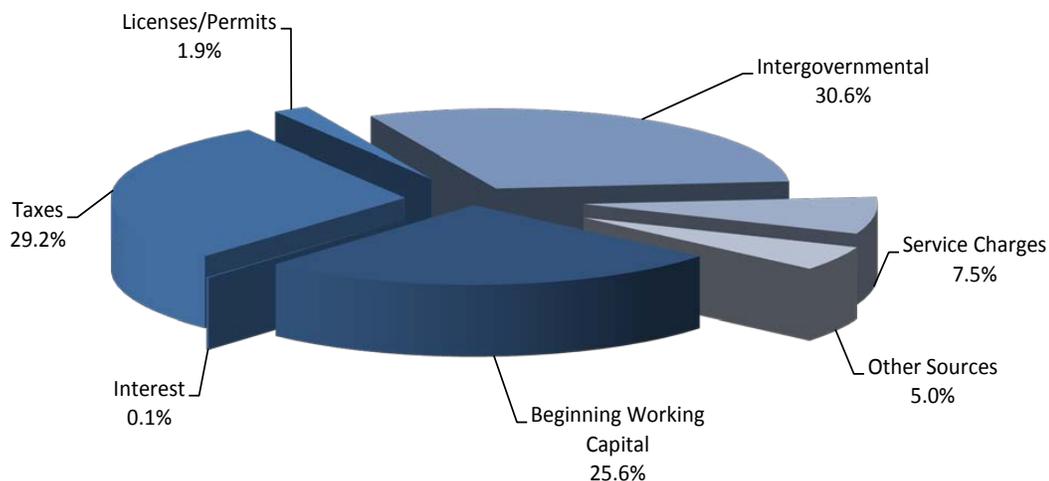
### *Department Revenues All Funds (\$1.43 billion)*

Total direct resources, or 'revenues,' for FY 2016 are \$1.43 billion vs. \$1.35 billion in FY 2015 (excluding service reimbursements and cash transfers between funds). Intergovernmental revenues are the County's single largest revenue category at \$437.0 million or 30.6%. This reflects an \$14.3 million or 3.4% increase from FY 2015.

Taxes constitute the next largest revenue source (29.2%) and include property tax, business income tax, motor vehicle rental tax, transient lodging tax, and county gas tax. For FY 2016, tax collections are anticipated to increase 9.7% from \$380.0 million in FY 2015 to \$417 million.

Beginning Working Capital (BWC) is the County's third largest resource for FY 2016 at \$366.4 million or 25.6%. While relatively stable as a percentage of total resources, it has increased from FY 2015 by \$18.2 million or 5.2%. This masks several significant changes by fund, including:

- A \$29.3 million increase in the General Fund.
- A \$29.2 million decrease in the Sellwood Bridge Replacement Fund.
- A \$6.6 million increase in the PERS Bond Sinking Fund.

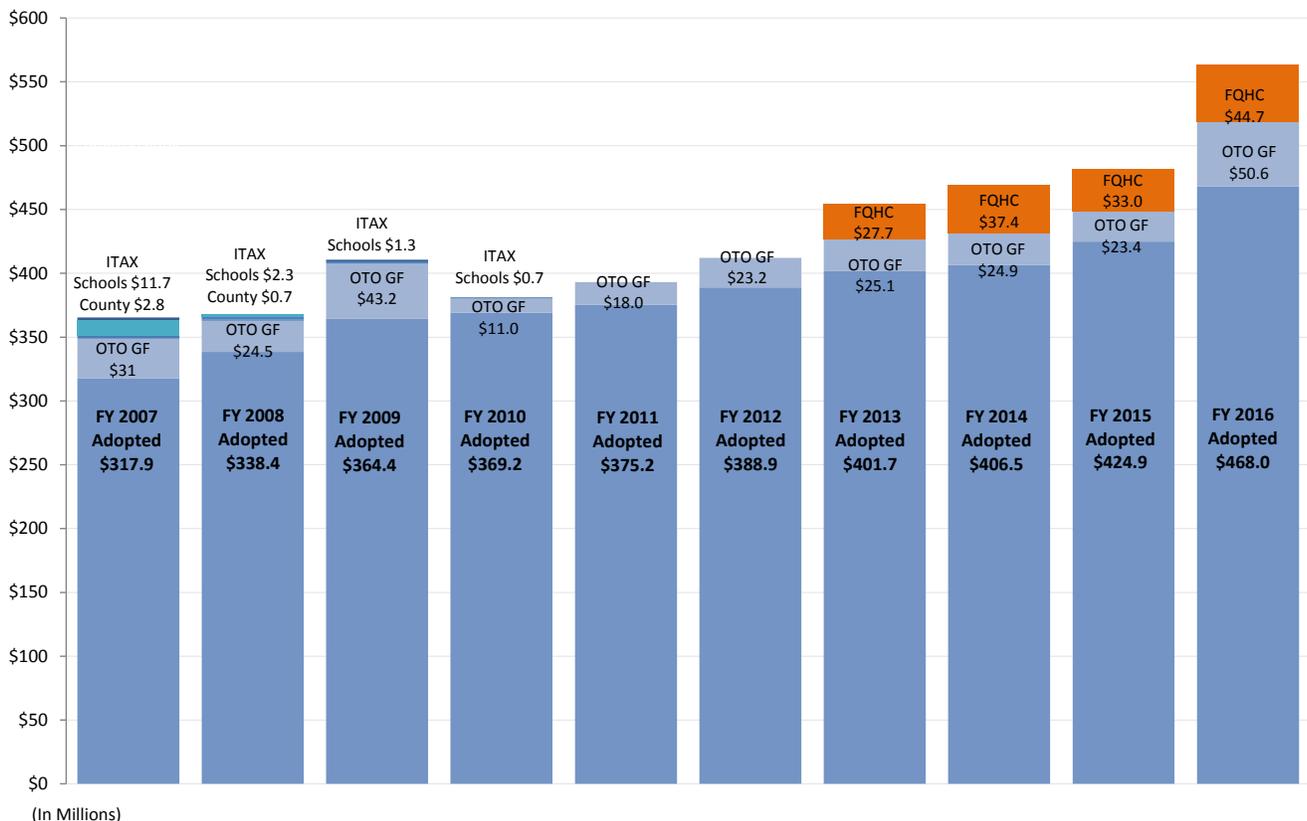


### The General Fund

### General Fund Expenditures and Reserves (\$563.3 million)

The \$563.3 million General Fund comprises just over one-third of the County's budget. It is the largest pool of discretionary funds that the Board of County Commissioners can allocate. Resources include property taxes, business income taxes, motor vehicle rental taxes, interest earnings, state shared revenues, and beginning working capital. The General Fund also includes Federally Qualified Health Center (FQHC) Medicaid wraparound reimbursement.

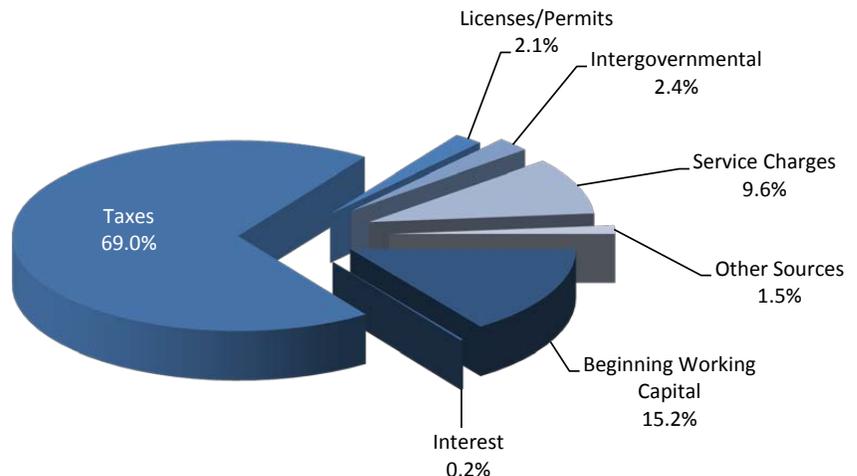
The following graph shows total General Fund 'spending,' including cash transfers, service reimbursements, contingencies, and unappropriated balances (reserves), from FY 2007 through FY 2016. The Temporary Personal Income Tax (ITAX) is shown from FY 2007 to FY 2010 and is not significant enough to warrant being called out separately in subsequent years. Additionally, the graph shows how much one-time-only (OTO) and ongoing funding was spent in the General Fund from FY 2007 to FY 2016. Combining each segment provides the total General Fund.



### General Fund Revenues

General Fund resources for FY 2016 (excluding service reimbursements and cash transfers) have increased significantly from FY 2015. Direct resources are budgeted at \$528.5 million – a \$74.1 million or 16.3% increase over FY 2015. Ongoing taxes are budgeted to increase by \$30.1 million or 9.0%, while one-time-only BWC is projected to be \$29.3 million (57.3%) higher.

As the graph below shows, taxes make up the majority of General Fund revenues. If one excludes BWC, service reimbursements, and the \$44.7 million of budgeted FQHC and prospective health payments, taxes account for nearly all of the Board's discretionary ongoing funds. Property taxes, accounting for \$263.7 million, are budgeted to increase by \$15.3 million or 6.1%. Business income taxes, accounting for \$74.5 million, are budgeted to be up \$11.5 million or 18.2%. Motor vehicle rental taxes, accounting for \$26.3 million, are budgeted to increase by \$3.3 million or 14.3%.



### Use of One-Time-Only (OTO) Funds

The FY 2016 budget contains approximately \$50.6 million of one-time-only General Fund resources after fully funding the General Fund reserve and the BIT reserve. These funds include:

- \$19.9 million of additional BWC in FY 2015 (from departmental underspending and higher revenues in FY 2014).
- \$19.0 million of additional resources from FY 2015 (higher-than-budgeted property and business income taxes and the unused contingency balance).
- \$15.3 million of FY 2016 ongoing funds that were treated as one-time-only to balance the budget for the next five years.
- Less \$4.2 million used to fully fund reserves.

The table on the following page shows how one-time-only resources are planned to be used in FY 2016. The tables list one-time-only resources supporting one-time-only expenditures, or programs not expected to continue beyond FY 2016. There were no one-time-only resources supporting ongoing programs or those expected to operate beyond FY 2016.

# Budget Director's Message

fy2016 adopted budget

## One-Time-Only Resources Spent on One-Time-Only Programs

Prog #	Program Name	Dept.	FY 2016 TOTAL General Fund	Other Funds	OTO Only General Funds
10020B	RACC: Right Brain Initiative	NOND	75,000	0	75,000
10029B	SummerWorks Expanded Internship Program	NOND	250,000	0	250,000
10030A	A Home for Everyone Initiative	NOND	255,440	0	255,440
10030B	A Home for Everyone: Program Evaluation	NOND	50,000	0	50,000
25020B	Senior Hunger Initiative	DCHS	261,000	0	261,000
25026B	Public Guardian/Conservator Expansion	DCHS	95,558		95,558
25133B	HSVP Streetroots	DCHS	20,000	0	20,000
25138	Runaway Youth Services	DCHS	876,784	150,000	25,000
25139C	Computers for Head Start Graduates	DCHS	20,000	0	20,000
25139E	Economic Opportunity Initiative	DCHS	175,000	0	175,000
25145E	SUN Community Schools Expansion - N. Gresham Elementary	DCHS	35,000	0	35,000
25145F	SUN Enhancement Pilot David Douglas	DCHS	94,000	0	94,000
25159B	School Attendance Supports: Expand Services	DCHS	575,000	0	575,000
40012B	HIV Grant Backfill	Health	153,000	0	153,000
40024B	School Based Health Centers - Medical Van	Health	120,000	0	120,000
40038B	Violence Prevention Initiatives/STRYVE	Health	323,000	0	323,000
40038C	Training Community Health Workers for Immigrant and Refugee Community	Health	140,000	0	140,000
40047B	Fresh and Healthy Food Project	Health	65,000	0	65,000
40055B	Headstart Nursing Program	Health	79,000	0	79,000
40069C	Psychiatric Emergency Room	Health	3,000,000	0	3,000,000
40074B	Mental Health and Affordable Housing Units	Health	250,000	0	250,000
50011	Recovery System of Care	DCJ	1,666,268	303,311	65,000
50065C	Community Healing Initiative - Mentoring	DCJ	220,000	0	220,000
60090	Suicide Prevention Projects - Vent Covers	MCSO	148,717	0	148,717
60059	Contract for Troutdale Police Services	MCSO	3,145,972	0	388,000
72011B	Inclusive Start-Up Investment Project <sup>1/</sup>	DCM	400,000	100,000	500,000
72017B	Job Rotation	DCM	153,380	0	153,380
72025B	DART County Clerk Carryover	DCM	152,000	0	152,000
72040	A Home for Everyone Capital Funding	DCM	5,000,000	0	5,000,000
91007C	Animal Services Foster Rescue	DCS	90,000	0	90,000
91008A	Elections	DCS	4,354,005	0	500,000
91025	Safe Routes to Schools	DCS	150,000	0	150,000
91026	Cully Neighborhood Park Development	DCS	70,000	0	70,000
91027	Land Use Comprehensive Plan Update <sup>1/</sup>	DCS	0	597,181	597,181

1/ The OTO funds for this program are budgeted in Video Lottery Fund (1519)

# Budget Director's Message

fy2016 adopted budget

## One-Time-Only Resources Spent on One-Time-Only Programs

Prog #	Program Name	Dept.	FY 2016 TOTAL General Fund	Other Funds	OTO Only General Funds
95000	Cash Transfers	Countywide			
	~ CRIMES Replacement Study/Scoping (78058)		100,000	0	100,000
	~ Suicide Prevention - Vent Cover Replacement (78057)		555,557	0	555,557
	~ Downtown Courthouse (78014)		28,120,000	0	28,120,000
	~ Hansen Building Relocation (78059)		500,000	0	500,000
	~ Network Convergence - Courthouse (78020C)		706,000	0	706,000
	~ Network Convergence - Justice Center (78020D)		375,000	0	375,000
	~ Network Convergence - Hansen (78020E)		344,000	0	344,000
	~ Cybersecurity (78037)		1,725,000	0	1,725,000
	~ Yeon - AG Fuel Tanks Installation (78052)		450,000	0	450,000
	~ Yeon - Fleet Fuel Management (78053)		250,000	0	250,000
	~ Yeon Annex - Reception and Lobby Redesign (78054)		165,000	0	165,000
	~ Efficiency - Juvenile Justice Complex - Lighting (78055)		810,000	0	810,000
	~ Efficiency - Inverness Jail - Water (78056)		1,496,627	0	1,496,627
95000	General Fund Contingency	Countywide			
	~ Food Policy Position		125,000	0	125,000
	~ Levee Re-Certification		500,000	0	500,000
	~ Additional Contingency Set-aside		303,693	0	303,693
95000	BIT Reserve at 10%	Countywide	<u>7,446,000</u>	<u>0</u>	<u>7,446,000</u>
		<b>Total One-Time-Only</b>	<b>\$66,435,001</b>	<b>\$1,150,492</b>	<b>\$58,067,153</b>

### *General Fund Reserves*

The County maintains General Fund reserves as outlined in the County's Financial and Budget Policies. In FY 2016, reserves are maintained in the General Fund equal to 10% of ongoing "corporate" General Fund revenues – resources that the Board has wide discretion over, such as property taxes. The FY 2016 budget fully funds the General Fund reserves at \$37.5 million and is in compliance with the Financial and Budget Policies. The level of General Fund reserves is considered a fundamental measure of financial health.

The FY 2016 budget continues to maintain an additional 10% BIT Stabilization Reserve of \$7.4 million. This stabilization reserve is in addition to the General Fund reserve and is specifically intended to mitigate the risk of an unexpected downturn in the regional economy as the BIT is a volatile revenue source.

### *Policy Issues and Opportunities*

### *Organization-wide Issues*

#### **Housing and Affordability**

In 2013, a point-in-time count of homelessness in Multnomah County found approximately 4,400 people in need of permanent housing, including over 2,800 people living on the streets or in emergency shelter. In 2014, Multnomah County, the cities of Portland and Gresham, and the Boards of Directors of Home Forward and Meyer Memorial Trust charted a new advisory body, the Home for Everyone Coordinating Board, to provide shared oversight of the community's work to end homelessness. This board created a series of plans to: reduce the unmet need for permanent housing among homeless people by 50% by the end of 2017, end veteran's homelessness by the end of 2015, and ensure that no women, children, or disabled adults are sleeping on the streets by January 2017.

In response to these plans, Multnomah County, in partnership with other community partners, is making substantial investments in the FY 2016 budget to help reduce homelessness. Program offer 25133D commits \$2.0 million of ongoing General Fund to place 125 additional households into permanent housing, focusing on the priority populations of families with children, disabled adults, veterans, and youth. The offer funds short and medium-term rental assistance, housing placement and retention specialists, and other support services such as employment assistance, access to public benefits, child care, and mental and physical health supports.

Program offer 72040 dedicates \$5.0 million of one-time-only funding to develop 125 units of affordable housing over the next 1 -2 years. Program offer 10030A funds the A Home for Everyone Initiative Director, in partnership with the City of Portland. This position is responsible to oversee and coordinate the implementation of the Home for Everyone strategic plans in the community. Program offer 10030B dedicates \$50,000 of one-time-only General Fund to develop a framework and plan to evaluate the success of the A Home for Everyone initiative's efforts.

### Capital Planning

In FY 2016 the County will add capacity for Countywide long term capital planning, carve out facilities capital planning for the Library District and continue to develop planning for a growing number of large transportation, facilities, information technology (IT) and transportation projects.

- A new program offer in DCM, Capital Asset Strategic Planning (72013), responds to a Multnomah County Auditor report that recommends increased CFO and Budget Director participation in, and financial robustness of, countywide capital planning. The program adds capacity for centralized coordination and financial analysis with a team to work under direction of the Chief Operating Officer and in collaboration with the Budget Office to create, monitor and report on a 10-20 year capital master plan; analyze relationships between operating and capital plans and integrate them into long term financial planning; and develop and coordinate a separate capital budget process in conjunction with the operating budget process.
- The Library will continue work with its advisory board and the Department of County Assets to create its own stand-alone capital plan, as it is a recently formed independent District with the majority of its facilities built or renovated in the same time period and with capital maintenance requirements that occur close together.
- Long term planning continues within the County's three major capital groups: Transportation, Facilities and IT. Transportation will finalize the 2015 – 2034 Bridge Capital Improvement Plan in upcoming months and will integrate it into the County Transportation Capital Improvement Plan; in FY 2016 Facilities will begin to implement a new 5-25 year Facilities Strategic Asset Plan that expands building occupants' role in evaluation and prioritization of capital needs; and IT will continue to align long term technology replacement planning with the increasing pace of technology change and growing potential to integrate digital technology into service delivery.

### **Financial Resiliency**

Since 2001, the County has suffered, learned and recovered from several economic recessions. We have charted a deliberate path and have made steady progress towards becoming a financially resilient organization. GFOA defines financial resiliency as the most favorable outcome of recovery: "here the government has recovered its financial stability and gone on to implement strategies, control mechanisms, budgeting techniques, and early warning systems to make sure it can withstand future financial shocks."

Multnomah County's leadership has a strong commitment to long-range planning, sound budgeting practices and conservative financial management, all of which will help buffer the County from the next economic downturn. However, the County's current strong position is not immune from pitfalls. As the County experiences retirements of long term employees and the regular cycle of staff and elected official turnover, some key positions in the organization may lose institutional knowledge and the commitment to these strengths may inadvertently waver. To avoid repeating previous mistakes and to learn from the challenges of our recent past, we must continue to institutionalize our sound financial and budget policies and practices that will help keep Multnomah County on firm financial footing.

### **FY 2015-17 State Budget**

The County receives roughly 1/3 of its revenues from State and Federal sources. As in years past, we did not know the outcome of the State's adopted budget until after we adopted our own budget. Given the timing and uncertainty of the outcome, we will need to rebalance and make some adjustments to our funding and programmatic assumptions. Some specifics on certain state funding sources and funding assumptions are below:

### ***SB 1145 Local Control***

Most State of Oregon funding for public safety comes from Oregon Senate Bill 1145 (SB 1145), which gives counties responsibility for parole and probation supervision. The primary recipients of SB 1145 funds in the County are the Department of Community Justice, the Sheriff's Office, and LPSCC. Under the Governor's Proposed budget, Multnomah County would receive \$48.7 million for the 2015-2017 biennium; the Co-Chair's budget allocated \$52.2 million. The Sheriff and LPSCC budgeted at the Governor's Proposed budget level (\$8.2 million for corrections related costs and \$476,849 for coordination of local criminal justice policy). The Department of Community Justice budgeted at the Co-Chair's budget level (\$16.3 million for adult parole and probation services). Once the State's budget is adopted, these programs will be scaled as needed.

### ***HB 3194 - Public Safety Reform***

In 2013, House Bill 3194 (HB 3194) was passed by the Oregon Legislature with the goals of reducing recidivism, decreasing utilization of State prisons, protecting the public, and holding offenders accountable. The law is expected to reduce the need for additional State prison capacity; the associated savings are to be passed on to counties to manage populations at the local level. In the current biennium Multnomah County has received just over \$3.1 million in HB 3194 funds, along with an additional \$1.0 million for the Multnomah County Sheriff's Office to offset any costs associated with higher local jail usage. In FY 2016, HB 3194 is budgeted for a variety of programs, including administration and direct services, case management, treatment, and crime victims' services.

For the 2015-2017 biennium, departments assumed funding at the Governor's Proposed budget level (a total of \$12.1 million for the County), with the funding for the first year totaling \$5.9 million (assuming a 49/51 split for the biennium). The Co-Chair's budget, however, would provide considerably less than the Governor's Proposed budget - approximately \$4.1 million for the biennium (\$2.0 million for the first year). If the Co-Chair's budget is approved, the total available for FY 2016 would be a reduction from last year's allocation. Programs will be scaled based upon the actual HB 3194 dollars approved.

### **Consolidation of Troutdale Law Enforcement with the Sheriff's Office**

On April 23, the Board of Commissioners approved an Intergovernmental Agreement (IGA) to provide law enforcement services to the city of Troutdale. MCSO already provides law enforcement services to Wood Village and Maywood Park. Troutdale will pay the County \$2.8 million in FY 2016 to provide police services. The County will also assume responsibility for police services Troutdale provided to third party agencies, such as the Reynolds School District and Tri-Met. These agencies will now contract directly with the County. Twenty-six former Troutdale public safety employees will be moving to the Sheriff's Office, including some that will fill currently vacant positions.

In order to facilitate the provision of services to Troutdale and to establish a new base for patrol operations in east Portland, a portion of MCSO staff will move from the Hansen building to Troutdale's police facility. The Sheriff's Office will lease a portion of the Troutdale facility space for \$228,000 in FY 2016. Additionally, the Sheriff's Office will purchase eight cars from the City of Troutdale for \$160,000.

### *Personnel Costs*

#### **City of Portland Urban Renewal Plan Amendments**

State law allows a city-created urban renewal agency to redirect local property tax revenues for the purpose of improving blighted and underdeveloped areas, designated as urban renewal areas (URAs). When a URA is established, the taxable value of each property within the URA is "frozen" for the County and all other jurisdictions that levy property taxes on the property. The difference between "frozen" value and improved value becomes the incremental value for the purpose of property tax distributions.

The urban renewal agency issues debt to raise capital to make improvements in the URA, and the debt is repaid with the stream of incremental taxes during the life of the URA. The County and other taxing jurisdictions will not start receiving property taxes from increases in taxable property value until the debt for a URA is fully repaid and the URA has been closed.

On April 1, the Portland City Council approved changes to Portland-area URAs that could result in \$197 million more in tax revenues to the City of Portland, Multnomah County, the library district and schools over the next 30 years. The City's plan includes elimination of the Education District URA, expanding the area of the North Macadam URA, adding debt limit and extending the time for the Central Eastside URA, shrinking the River District URA and making other less significant changes to the Willamette Industrial and Airport Way URAs.

#### **Merit, Step, and COLA Wage Increases**

The backbone of the County has been and continues to be its workforce, which absorbed increased workloads and achieved increased efficiencies with fewer resources amidst competing demands and increased community expectations and needs during this economic downturn. The County plans no wage or COLA freezes for FY 2016.

#### **Public Employees Retirement System (PERS)**

The County participates in PERS, a cost sharing, multi-employer defined benefit pension plan administered by the State of Oregon. PERS rates are established biennially, with the next set of rates taking effect July 1, 2015 based on the December 31, 2013 valuation. For FY 2016, the County's PERS rates increased by 1.61%. As noted earlier, the average rate charged to departments will actually fall by 0.85% due the smoothing of the internal rates the County has done. For FY 2016, the rates charged to departments will equal the rates PERS charges to the County.

In 2013, the Oregon Legislature made a number of changes to PERS that lowered projected future benefit payments and consequently employer rates. A key component of the legislation (SB 822 and SB 861) was that it capped cost-of-living increases for retirees. A 1.25% COLA is provided for the first \$60,000 of annual benefit with 0.15% on all amounts over \$60,000.

### *Investing in Infrastructure*

As noted earlier, the Oregon Supreme Court invalidated the majority of these reforms in its April 30, 2015 *Moro* ruling. The cost to the County's General Fund will be roughly \$7.9 million and \$16.5 million across all funds.

More information on PERS can be found at [www.oregon.gov/PERS](http://www.oregon.gov/PERS), in the County's Comprehensive Annual Financial Report, and in staff's PERS Briefing to the Board, which is located here: <https://multco.us/file/42452/download>.

#### **Healthcare Costs**

The County strives to offer its employees a wage package that is competitive with peer organizations in the public and private sector labor markets. Over the last few years, one of the greatest challenges facing the County has been the increased cost of health insurance. Annual increases (e.g., for treatment, hospitalization, and prescriptions) have historically risen at roughly double the rate of core inflation. Recently, however, the increases in healthcare costs have slowed somewhat. This has enabled the County to hold flat the internal service charges for employee healthcare benefits for FY 2016. The County continues to explore trends in the healthcare industry and alternatives to the current benefits plans in order to minimize future increases in healthcare costs.

#### **Sellwood Bridge**

The Sellwood Bridge project, which began in December 2011, will replace the current 88 year-old Willamette River crossing with a new bridge and interchange with Highway 43. The existing bridge was moved to new temporary piers to serve as a detour bridge in January 2013. Construction of the new bridge, approaches, and interchange is in progress. Traffic will be moving onto the main bridge during FY 2016, along with a completed west side signalized intersection. Demolition of the detour bridge and approaches and completion of the east approach will follow.

The initial cost estimate for the project was \$307.5 million. Due to challenging site conditions and unanticipated project costs, the project cost may increase by \$10 million. Revenue from Bond sales and the Multnomah County Vehicle Registration Fee is yielding revenue higher than originally forecasted and will be available to fund this increased estimate.

The City of Portland amended its earlier payment agreement to hold off the final payment until the final share amount could be determined. Payments now include \$50 million paid in June 2014, \$20 million in April 2015, and up to \$16 million to be paid by June 30, 2017.

The current funding plan includes the following secured sources:

- \$164.4 million - Multnomah County Vehicle Registration Fee (\$19 per year per vehicle).
- \$74.7 million (guaranteed) up to \$86 million - City of Portland (new revenues from the Oregon Jobs and Transportation Act).
- \$35.0 million - State of Oregon (Jobs and Transportation Act) for Highway 43 interchange.
- \$17.7 million - Federal TIGER III grant awarded January 2012.
- \$15.7 million - Previously secured funds after the planning phase.

### **Morrison Bridge**

The recently completed Morrison Bridge Deck replacement project failed prematurely and remedial repairs were subsequently applied to ensure that bridge safety is maintained. In March 2015, a jury awarded Multnomah County \$4.4 million in a lawsuit against the contractor and subcontractors for the work that was completed in March 2012. Current estimates for repairs are \$7.9 million, anticipated to be primarily funded with federal transportation dollars through ODOT.

### **Downtown Courthouse**

Planning for a new, downtown Multnomah County Courthouse has been underway for the past few years. The project took a significant step forward in FY 2015 and is poised to move into the design and construction phase in FY 2016.

The existing Courthouse is over 100 years old and has been determined to be both functionally and structurally obsolete. It is at capacity and there is no room for additional growth. The County has partnered with the State of Oregon, as well as other stakeholders, to plan a new facility that will be between 345,000 and 360,000 square feet and meet all modern standards for court operations and security.

The project is expected to cost between \$250 million and \$260 million. Under legislation passed in 2013, the State of Oregon can provide up to 50% of the cost of constructing or renovating county courthouses. In FY 2015, the County received the first \$15 million commitment from the State in support of the project. A request for an additional \$17.4 million has been presented to the legislature for consideration in the FY 2015-17 biennium. The County has reserved proceeds from the sale of property at the west end of the Morrison Bridge and the Chair's proposed budget earmarks funds to provide the required match to the State commitment.

The Board of Commissioners formally approved a county-owned site at the west end of the Hawthorne Bridge for the new, downtown Courthouse in April 2015. The County expects to select a design and engineering firm as well as a general contractor in the fall of this year. The goal is to break ground in late 2016 with completion, and occupant move-in, expected in 2020.

### **Health Department Headquarters**

Planning for a new Multnomah County Health Department Headquarters (MCHD) will continue in FY 2016 with efforts being focused on hiring an Owner's Representative, finalizing the design of the building, and developing construction documents. The proposed MCHD headquarters building will replace the County's aging and obsolete McCoy building. The new facility will be located on the east half of block U in downtown Portland, not far from the MCHD's present location and adjacent to the Bud Clark Commons.

When completed, the MCHD headquarters facility will provide approximately 96,000 square feet of clinic, pharmacy, and administrative office space. It will house an estimated 350 employees. The project is currently budgeted at \$45.1 million. Most of that funding, \$26.9 million, is being provided by the Portland Development Commission (PDC) from revenues generated in the River District Urban Renewal Area. An additional \$6.4 million of one-time-only General Fund revenue has been appropriated in previous year's budgets. The County intends to issue debt for the balance of the project but it is unlikely that will be necessary in the upcoming fiscal year.

### **Energy Savings Performance Contracts (ESPC)**

- *Juvenile Justice Complex Lighting (78055)* - An ESPC program will modernize lighting fixtures at the Juvenile Justice Center. The \$810,000 project is supported with incentives from the Energy Trust of Oregon. The updated fixtures are expected to reduce the facility's energy consumption 23% with related costs savings that should offset the project cost over the long term.
- *Inverness Jail Water (78056)* - Another ESPC program will implement a comprehensive water saving project at Inverness Jail that modernizes the facility's plumbing fixtures and adds controls to improve water management. The ESPC is guaranteed to save the County \$196,000 per year with an anticipated 44% reduction in the facility's water consumption which would offset the \$1,496,627 project cost within eight years.

### **Fleet Fuel Tank Installation and Fuel Management System**

- Program offer 78052 budgets \$450,000 of one-time-only funding to install above-ground fuel tanks at the Yeon complex and provide a dedicated fuel resource for County vehicles in the East County area.
- Program offer 78053 budgets \$250,000 of one-time-only funding for a new fuel management system to integrate with the existing Fleet Management software and provide more robust reporting on fuel consumption. This is expected to inform changes to driving practices that further climate action goals.

### **Columbia River Levee Improvement Project**

The County, as a regional partner in the Oregon Solutions Columbia River Levee Improvement project, anticipates committing funds to ensure necessary improvements are identified and addressed within several drainage districts along the Columbia River levee system in Multnomah County. Failure to address identified deficiencies puts communities at risk of flooding and poses a risk of loss of levee accreditation under the Federal Emergency Management Agency's (FEMA) National Flood Insurance Program. \$500,000 has been set aside in contingency for the Department of Community Services to come back with a recommendation and plan to move forward.

### **Sheriff Suicide Prevention Projects**

At a one-time-only cost of \$555,557, MCSO Suicide Prevention Projects - Vent Covers (78057) will replace the Justice Center's 448 existing cast-in-place vent covers with stainless steel units in conjunction with scheduled vent cleaning. In conjunction with this project, \$148,717 is budgeted in program offer 60090 for the Sheriff's Office to move inmates within the detention center during the project.

### *New Information Technology*

#### **Network Convergence (Voice over Internet Protocol)**

The Voice over Internet Protocol (VoIP) technology uses the Internet to make voice phone calls and allows the County to combine its voice and data networks, known as network convergence. The FY 2015 IT Network Convergence program was completed ahead of schedule and under budget. For FY 2016, the project includes adding network convergence for the last three locations. Program offers 72020C, 72020D and 72020E budget General Fund one-time-only funds to complete the VoIP Network Convergence implementations at the Courthouse (\$706,000), the Justice Center (\$375,000) and the Hansen Building (\$344,000). Due to the potential failure of the old phone system currently located in the Downtown Courthouse, this work must be completed prior to the building of the new Central Courthouse and the equipment will be transferable during the transition to the new building.

#### **IT Continuity of Operations**

A recent Continuity of Operations Planning (COOP) exercise and actual outages at multiple buildings have demonstrated the need for increased IT capacity for mobility and remote access to applications from alternate work sites. The IT Continuity of Operations project to increase capacity and redundancy in remote access to systems and applications and in wireless networks began in FY 2015, and is expected to be completed in FY 2016. Program offer 78019 carries over \$350,000 of FY 2015 one-time-only general funds for the FY 2016 work.

#### **Cybersecurity**

Program offer 78037 budgets \$1,725,000 from one-time-only General Funds to replace the County's firewall and e-mail security and archiving service, and reconfigure a critical County business system. These efforts will mitigate risk presented by aging firewall infrastructure, anticipated loss of vendor support for current e-mail security and specific, identified critical business system vulnerabilities.

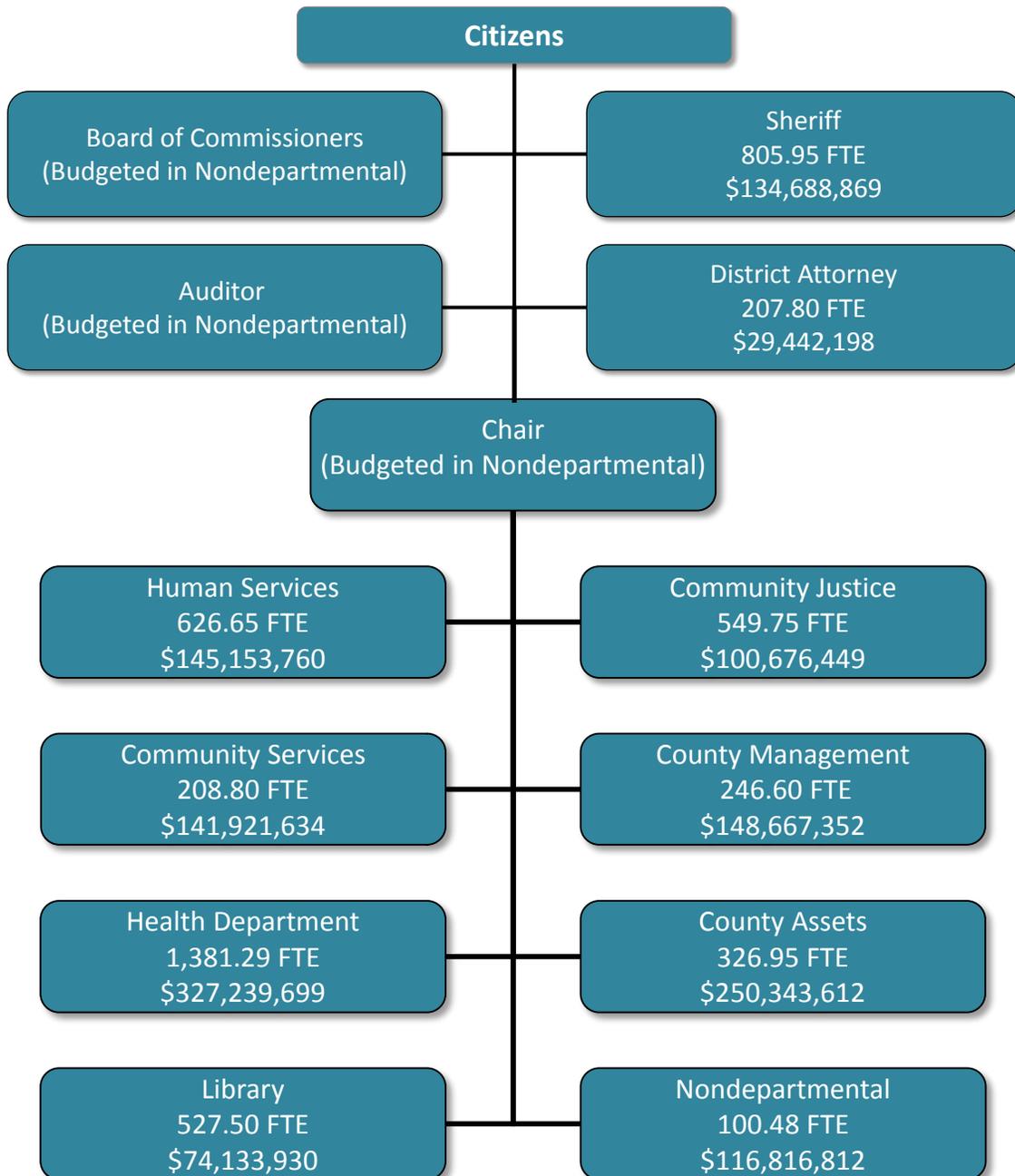
### *Future Budget Pressure*

While the County is in the midst of an economic recovery, it is not immune to broader economic issues and will continue to face internal and external budget pressures in years to come. For example, today's budget decisions, such as the opening of a new facility, have an impact on future years' budgets. The following list is a brief outline of the budget pressures that the County will monitor for impact beyond FY 2016.

- Revenue – The business income tax is inherently volatile and will invariably decline during the next recession. The property tax, while relatively stable, is constitutionally limited in its growth rate. If inflation were to increase, costs would grow faster than the County's core property tax revenue stream.
- Capital investment – There is currently no significant ongoing funding stream to pay for new capital investments in facilities. However, the Chief Financial Officer and the Budget Director recommended a change to the financial policies with regard to the use of one-time-only funds (OTO), which would prioritize 50% of the annual available OTO funds (after contingencies and reserves are fully funded) for capital needs. The Board adopted that recommendation.
- Healthcare costs – While the rate of growth in County healthcare costs has slowed in recent years, a return to previous rates of growth would put significant pressure on County costs.
- Pension and post-employment benefit costs – While the County's pension and post-employment benefit funds are among the best-funded in the country, the recent overturning of the 2013 PERS reforms will add additional cost pressure in future years. The PERS system is structurally dependent on stock market returns to fund a significant portion of its cost so poor market returns may create additional budget pressures.
- Technology – As technology becomes more prevalent in day-to-day County operations, the associated infrastructure and support costs also increase. The most problematic issue tends to be semi-routine replacement of IT applications. There is currently no ongoing funding stream to pay for these replacements or new technological investments.

## Multnomah County Organization Chart

Multnomah County delivers its services through ten departments, including three managed by independently-elected officials: Dan Staton, Sheriff; Rod Underhill, District Attorney; and Steve March, County Auditor. There are 4,981.77 full time equivalent (FTE) positions in this budget.



## Appreciation

This document is the outcome of many hours of hard work and analysis by County agencies and their staff and I would like to take this opportunity to thank these people for their contributions. Particularly, I want to thank the leadership in the Chair's Office: County Chair, Deborah Kafoury; Chief of Staff, Nancy Bennett; and Chief Operating Officer, Marissa Madrigal. I also want to extend my sincere appreciation to the department heads and constitutional officers along with their budget teams and staff for their cooperation and assistance.

Finally, I want to acknowledge the remarkable teamwork by the people in the Central Budget Office who gave their very best in putting this budget together: Mike Jaspin, Ching Hay, Christian Elkin, Shannon Gutierrez, Paula Watari, Jennifer Unruh, Wendy Lin-Kelly, Anna Plumb, Chris Yager, Allegra Willhite, and Shaun Coldwell.

It is my honor to work with the dedicated people who serve our County.

Karyne Kieta  
Multnomah County Budget Director/  
Department of County Management Deputy Director

## FY 2016 Budget Notes

### *Walnut Park Health Clinic Feasibility Study*

### *Youth Development Assessment and Policy Implications for Countywide Programming*

The following budget notes were adopted by the Board of County Commissioners on June 18, 2015. Board discussion and deliberation is an integral part of the County budget process. Budget notes document policy discussions and decisions made by the Board of County Commissioners during the budget worksessions and provide direction to departments in achieving the Board's policy goals during the fiscal year.

Facilities Management will conduct a feasibility study on the private or public/private use of the Walnut Park Health clinic over the summer of 2015. Bids for the feasibility study should not exceed \$100,000. The Board requests that the Department of County Assets adjust their budget to cover the cost of the feasibility study. The report of findings should be given to the Board by December 2015.

Multnomah County provides funding for a number of programs that directly impact young people. Some programs are housed in County Departments; some are housed in Nondepartmental arrangements. Notable non-Departmental programs include SummerWorks, Multnomah Youth Commission, and the College Work Internship Program. Other youth development programs are housed in DCHS, DCJ, and the Health Department.

This budget note requests that an assessment of County Youth Development programs and policy implications for future funding occur in FY 2016. The assessment should focus on identifying current youth development programs in County Departments, including Nondepartmental program offerings. An assessment of current funding that details, at a minimum the following:

1. Source of funding (i.e. General Fund, Federal/State, Video Lottery)
2. Identification of total funds available and in use across County Departments
3. Service focus and/or Targeted Population
4. Performance Measurements
5. Identification of current youth development programs operating in County Departments and non-Departmental services
6. Establish a cross-department stakeholders group, chaired by County Commissioner or designee, with a directive to report back to the full Board of County Commissioners by December 1, 2015 on findings related to County Youth Development program offerings funded in FY 2016.

### *Burnside Bridge Feasibility Study*

Commissioner Bailey and the Department of Community Services will be working on the structuring of a feasibility study for the seismic rehabilitation of the Burnside Bridge. They will be exploring all avenues of funding and pursuing the possibility of an interfund loan from the Risk Fund. They will report back with a plan by November of 2015.

### *Food Policy Coordinator*

One of the Multnomah County Board of Commissioners' core missions and values is a healthy community. Food is inextricably linked to health outcomes. Access to affordable, nutritious, and culturally appropriate food is a key determinate of health. Research shows poor nutrition at critical periods of a child's development alters the structure and function of the body's organs and systems making them more vulnerable to developing chronic diseases like heart disease, stroke, and diabetes. Nutrition determines health outcomes, even affecting the genes that can last for the rest of one's life and be passed on to the next generation. Food security, access to nutritious food and nutrition education are vital and are important features of many Multnomah County programs and initiatives.

Food issues touch most Multnomah County departments, including a breadth of direct programs and longer-term working groups and planning strategies to address hunger, nutrition, access, and education. However, there is no county internal infrastructure to direct county policy, coordinate departments and find efficiencies or innovations,

\$125,000 is allocated in the General Fund contingency of one- time-only funding and directs the Chief Operating Officer, Office of Sustainability, the Health Department, and the Department of County Human Services to propose a plan for a food policy position for the Board's approval by August 15th, 2015.

### *Workforce Equity*

The Office of Diversity and Equity (ODE) is requested to report to the Board by December 2015 on research and evaluation related to workforce equity, including some of the areas for future research outlined in the recent countywide workforce analytics report. ODE will report on research and program development focusing on equity in the areas of involuntary terminations pre and post probation (including a review of probationary period evaluation), temporary employment, and efforts to align education requirements in job postings with position need.

## *Columbia River Levee Improvement Project*

The County as a regional partner in the Oregon Solutions Columbia River Levee Improvement Project (Project) supports the work necessary to ensure improvements are identified and addressed within several drainage districts along the Columbia River levee system in Multnomah County. Failure to address identified deficiencies puts communities at risk of flooding and poses a risk of loss of levee accreditation under the Federal Emergency Management Agency's (FEMA) National Flood Insurance program. Accordingly, the Chair's proposed budget allocates \$500,000 in General Fund contingency to support initial analysis of potential deficiencies within the Sauvie Island Drainage Improvement Company area of responsibility.

## *Sheriff's Office Training Update*

The Multnomah County Sheriff's Office (MCSO) will report back to the board on the training funded through Program Offer 60032A. MCSO will report on how the increase in training resources, coupled with internal funding, has been or will be used in FY 2016 to make progress toward yearly certification guidance.

MCSO will also report on the level to which they have been able to achieve their training, and how they have identified internal funding to create a more complete training package. This report to the board should be completed by February 28, 2016.

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