



LaVonne Griffin-Valade Multnomah County Auditor

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MEMORANDUM

Date: June 28, 2007

To: Ted Wheeler, Multnomah County Chair
Maria Rojo de Steffey, Commissioner, District 1
Jeff Cogen, Commissioner, District 2
Lisa Naito, Commissioner, District 3
Lonnie Roberts, Commissioner, District 4

From: LaVonne Griffin-Valade, County Auditor 
Judith DeVilliers, Principal Auditor

Subject: Financial Condition Report

The attached report covers our biennial review of the County's financial condition, a project included in the FY06-07 Audit Schedule. This is the eighth such report produced by the Auditor's Office and covers the financial period from FY97 through FY06. Although the report does not reflect the current fiscal year situation, it provides valuable historical information about the County's financial health and identifies areas that need attention.

The objective of this report is to evaluate the financial condition of Multnomah County government using the Financial Trend Monitoring System developed by the International City and County Management Association (ICMA) and indicators developed by the Government Accounting Standards Board (GASB). The report provides public officials, managers, and residents with an independent perspective and analysis.

This year, two themes emerged from our evaluation of the County's financial condition:

- 1) The state of the economy, both nationally and in Oregon, had an impact on the County's ability to manage day-to-day operations and provide services. This includes maintaining general services – such as roads, bridges, libraries, animal services – and sustaining programs for the County's most vulnerable residents.
- 2) The County must continue to balance its responsibility to provide for current needs with future needs, including stabilizing the deteriorating infrastructure of roads, bridges, and buildings. Future liabilities in the form of debt and unfunded obligations – such as Other Post Employee Benefits (OPEB) – need to be planned for now, rather than put off until a future date.

In recent years, the Board of County Commissioners has been faced with a number of difficult choices with regard to the funding of County programs and services. The Board responded in a responsible and deliberative manner and maintained its commitment to the long-term financial health of the County. We encourage the Board to continue its proactive stewardship of County funds.

Introduction

This is the eighth report completed by the Auditor’s Office on the financial condition of Multnomah County. The report is issued biennially and covers measurements for a ten-year period. These measures are commonly used by local governments to demonstrate their ability to fund services on a continuing basis. A county government in good financial condition can continue to provide services to the public, withstand economic slumps, and meet the demands of changing service needs.

The Auditor’s Office looked at measures of resources coming into the County, how these resources were used, and the County’s financial health over time. We also included indicators showing changes in population and the economy, as well as how those changes can affect County services.

Since we began issuing these reports, the County has undergone major shifts in the property tax system and assumed responsibility for many human service programs previously under state government control. The County has responded to these challenges by developing policies to provide for the financial health of County government to better serve the public.

This report shows financial indicators over a ten-year period. However, we found it interesting to look at revenues over the last twenty years to see how the County got to where it is today. Chart 1 below shows operating revenues over twenty years; these include revenues used to pay for on-going services and do not include bond proceeds for capital projects or some pass-through revenues collected for other governments. (For further details, see Appendix 2.)

Intergovernmental revenues increased steadily until 2001 as the County took on the responsibility for many state run programs, such as probation and parole services in 1992, increased criminal justice services for felony offenders in 1997, and disability services in 1998. As a result of these changes, the County has become more dependent on resources from other governments to continue many services.

Property taxes also have grown over the last twenty years, although at a reduced pace over the last ten due to property tax limitation measures. Other taxes and other sources have increased more slowly. The increase in other taxes for FY04 through FY06 is from the County’s temporary personal income tax (ITAX).

Chart 1 Total Operating Revenues by Source

Fiscal year ended June 30
Adjusted for inflation (in millions)



County Revenues

Chart 2 Total Operating Revenues

Fiscal year ended June 30
Adjusted for inflation (in millions)

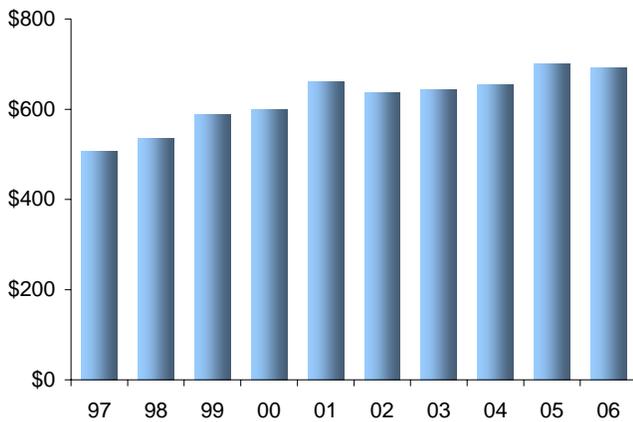


Chart 3 Total Operating Revenues by Source

Fiscal year ended June 30, 2006

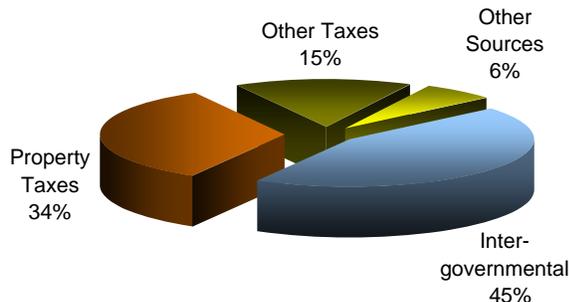
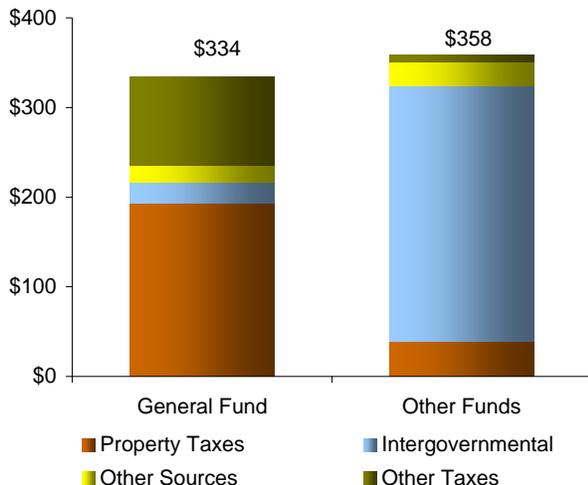


Chart 4 Total Operating Revenues by Fund

Fiscal year ended June 30, 2006 (in millions)



Operating Revenues

Since we began reporting on the County's financial condition, the nature of County services changed as responsibility for maintaining all parks and some roads was transferred to other local governments. In addition, the County took over responsibility for community justice programs and for additional health and human service programs from the state.

Consequently, the County has become more dependent on federal and state resources, which made up approximately 45% of operating revenues in FY06.

Overall, the County increased total operating revenues by \$186 million, from \$506 million in FY97 to \$692 million in FY06 (adjusted for inflation). FY06 includes the County's share of the temporary personal income tax (ITAX) of \$36 million.

Most intergovernmental sources are restricted to specific programs. The County has discretion for much of the revenues from property taxes, other taxes (except the ITAX), and other sources.

Operating Revenues by Fund

In FY06, nearly half (48%) of the County's operating revenues were accounted for in the General Fund, with the remainder in other funds. The largest of these is the Federal and State Program Fund, which accounts for most of the intergovernmental revenues.



Hawthorne Bridge

County Revenues

Chart 5 Revenue Shortfalls

As a percent of budgeted revenues
Fiscal year ended June 30

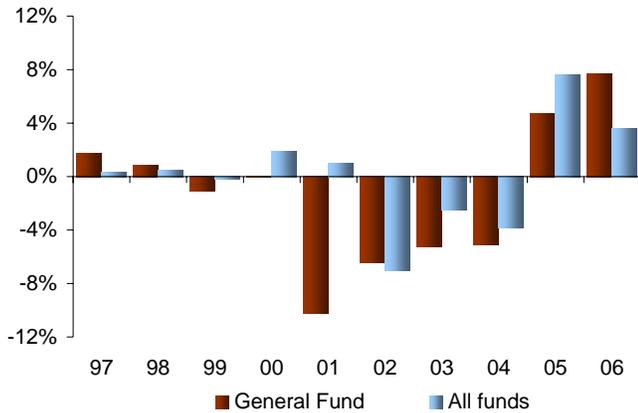


Chart 6 Short-term Revenues

Fiscal year ended June 30
Adjusted for inflation (in millions)

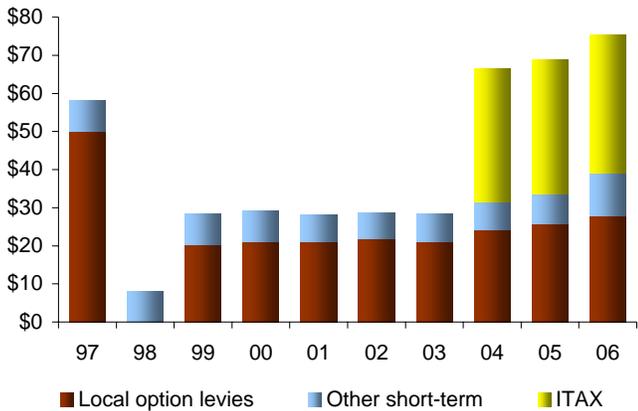
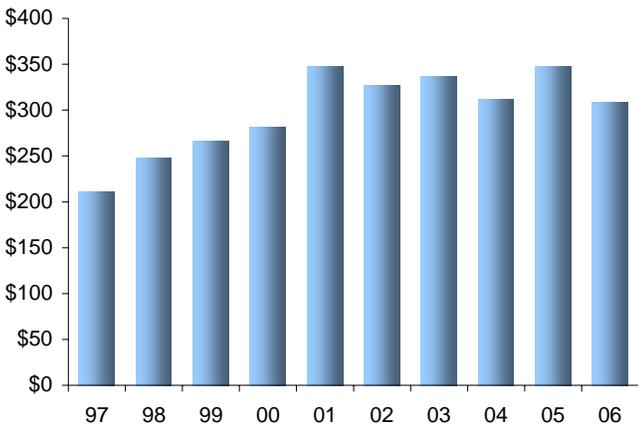


Chart 7 Intergovernmental Revenues

Fiscal year ended June 30
Adjusted for inflation (in millions)



Budgeting County Revenues

Revenue shortfalls measure how well the County estimates expected revenues each year. Significant shortfalls could require mid-year cuts of services or spending of reserve funds since Oregon does not allow deficit spending.

Short-term Revenues

The County's budget is reliant on short-term revenues to finance on-going operations, primarily the libraries. Also, in the last three years the ITAX allowed the County to continue services which had lost federal and state funding. It is the intent of the Board to use short-term revenues to fund priority services only after all other sources have been determined to be unfeasible.

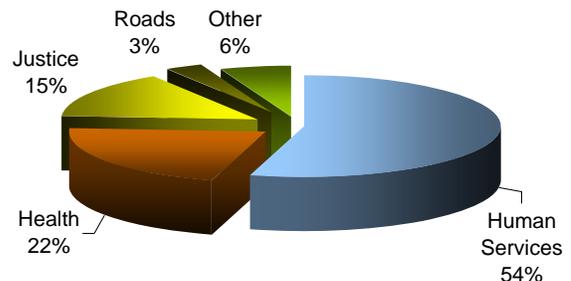
Intergovernmental Revenues

Recent federal and state policies shifted more responsibilities to lower levels of government to increase local control over service delivery. Revenue decisions made in Salem or Washington DC can have a large impact on the community and the County's budgeting decisions. When these revenues decrease, the County is forced to find additional revenue or cut services.

Most of the increases in the last ten years were used for health and human service programs. The spending charts on pages 7 - 9 show how intergovernmental revenues were used by program area.

Chart 8 Intergovernmental Revenues by Program Area

Fiscal year ended June 30, 2006



County Revenues

Property Tax Revenues

About 84% of the property taxes in FY06 was for general County operations. The voter approved local option and bond levies are dedicated to specific uses. In total, property tax revenues increased 18% from FY97 through FY06. The decrease in FY98 was a result of property tax limitations from Ballot Measure 50.

County local option levies for library operations increased 37% over the last eight years. Voters approved a new levy of about \$35 million per year in November 2006. Payment on the general obligation debt has reduced the bond levies from \$15 million to \$9 million over the last ten years (adjusted for inflation).

Chart 9 Property Tax Revenues

Fiscal year ended June 30
Adjusted for inflation (in millions)

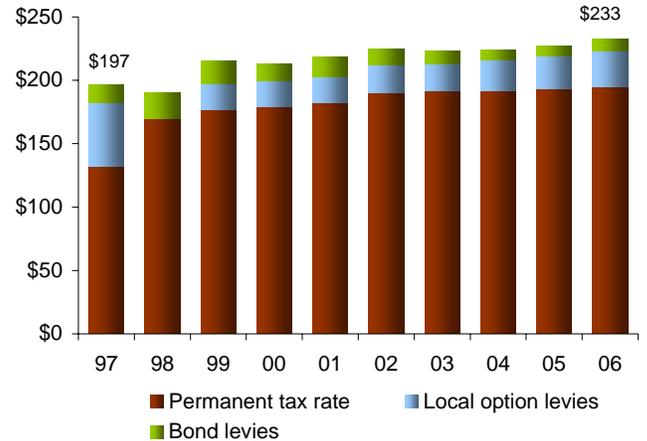


Chart 10 Other Revenues

Fiscal year ended June 30
Adjusted for inflation (in millions)

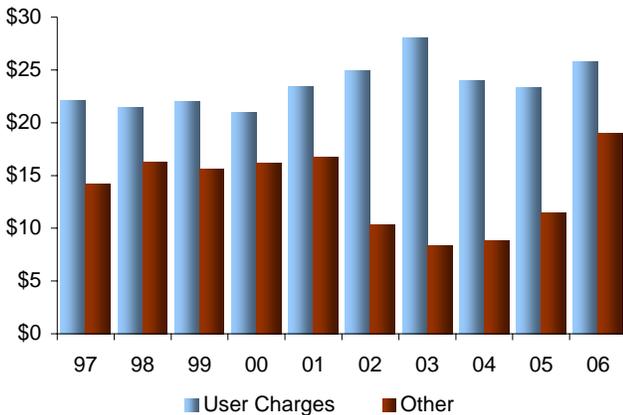
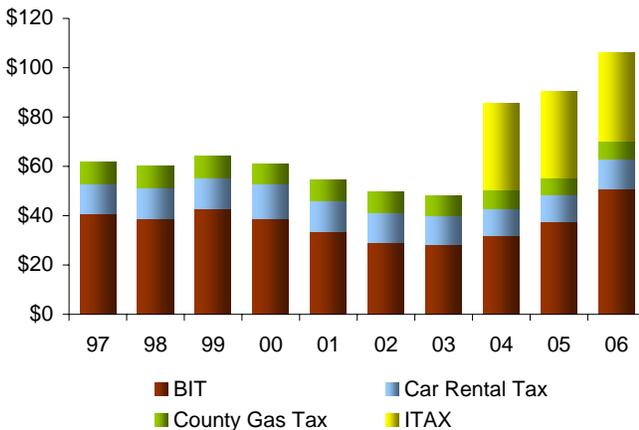


Chart 11 Other Taxes

Fiscal year ended June 30
Adjusted for inflation (in millions)



Other Revenues

Other revenues and user charges include fees and charges intended to recover the cost of services from citizens whenever possible. These fluctuate from year to year. Some fees, such as real estate recording fees, are affected by the economy. Other income varies as it comes from fines, non-governmental grants, donations, and interest income.

Other Taxes

Other taxes, the largest of which is the Business Income Tax (BIT), are generally unrestricted. The exceptions are the County gas tax, dedicated to roads and bridges, and the temporary income tax (ITAX) which was dedicated to specific uses. The ITAX shown in Chart 11 includes only the County's share of this tax. School districts received approximately 69% of ITAX revenues.

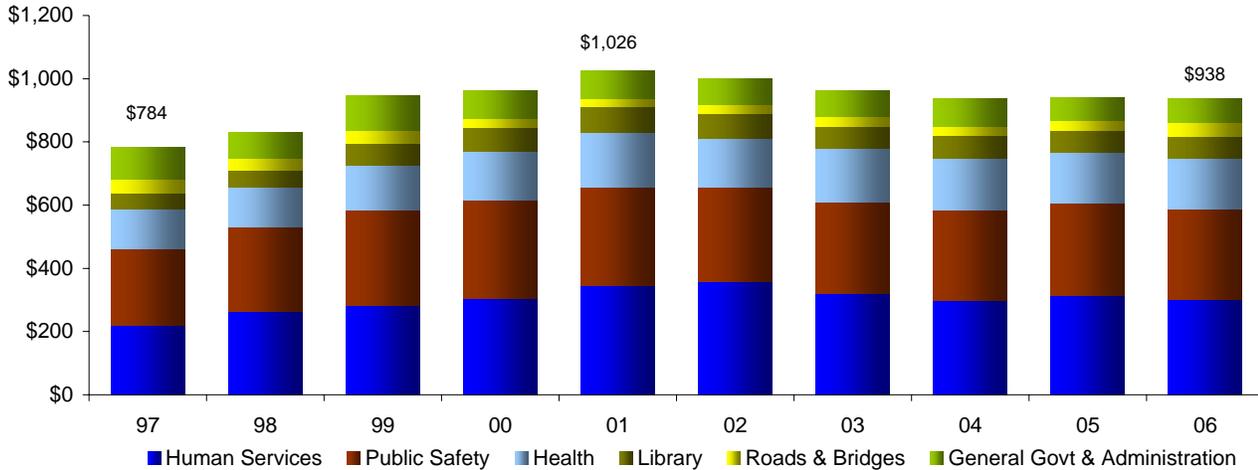
Chart 12 Budget Formula for ITAX Distribution



County Spending

Chart 12 Spending per County Resident

Fiscal year ended June 30
Adjusted for inflation (in millions)



Total Spending Per County Resident

Total spending per county resident has increased over the last ten years, from \$784 in FY97 to \$938 in FY06, when adjusted for inflation. The largest rate of increase was for human service programs and library services. Most program areas experienced decreases from FY01 through FY06.

The economic downturn after FY01 had an impact on County services. The County was forced to cut programs and services when federal and state funding decreased and BIT revenues declined. FY04 through FY06 reflects approximately \$30 million per year in spending from the three-year temporary ITAX.

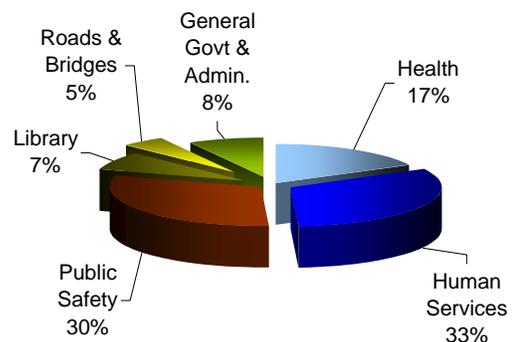


Spending by Program

In FY06, half of spending was for health and human service programs. Public safety programs, which include jails, community justice programs, and prosecution, made up 30%. The remaining 20% was for programs which serve most citizens: library services; road and bridge operations and maintenance; and general government services, such as animal control, elections, property tax assessment and collection, emergency management, and land use planning.

Chart 13 Spending by Program

Fiscal year ended June 30, 2006



County Spending

Spending by Type

Personnel costs, which include salaries, benefits and other related costs, is the largest category of spending for operations.

Contracted services and pass-through represent 30% of the County's spending for operations. Many services are provided by non-profit organizations which contract with the County to provide services to citizens.

Internal services are those provided internally by the County, such as building maintenance, motor pool, telecommunications, information services, and mail and distribution services.

Materials and supplies, capital spending, and debt service make up the remainder of categories for spending for County operations.

Chart 14 Spending by Type

Fiscal year ended June 30, 2006

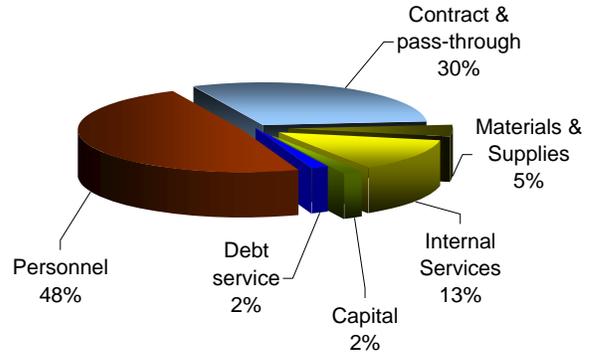
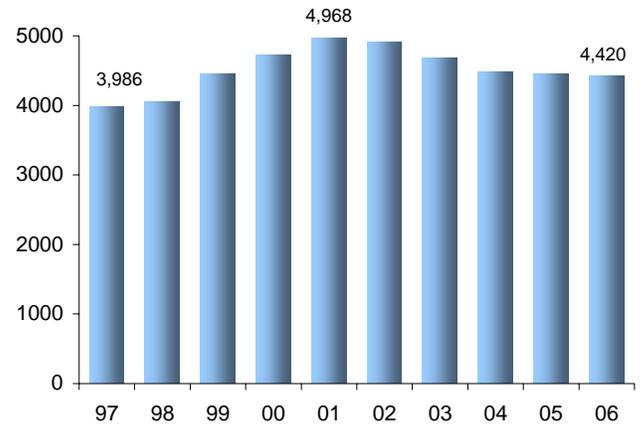


Chart 15 County Employees

Total FTE

Fiscal year ended June 30



Number of Employees

The County experienced a total increase in full time equivalent employees (FTE) of 11% as new programs and services were added during the ten-year period. However as the economy declined, the total FTE was reduced by 548 between FY01 and FY06.

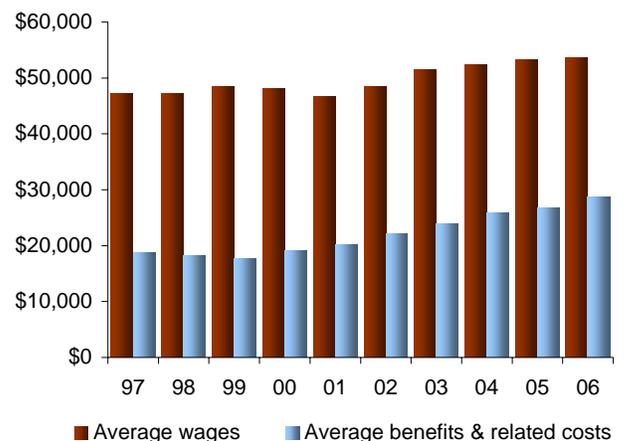
Wages and Benefits

Chart 16 shows average wages, benefits and other related costs. We assume that average wages declined as new employees were hired at starting pay and increased as those lower paid employees were laid off during budget cuts. The average benefits and related costs include spending for employee benefits, social security, workers compensation, and administrative costs. Growing health insurance costs contributed to the increased costs.

Chart 16 Wages, Benefits and Other Costs

Averages per FTE, adjusted for inflation

Fiscal year ended June 30



County Spending

Chart 17 Public Safety Programs

Fiscal year ended June 30
Adjusted for inflation (in millions)

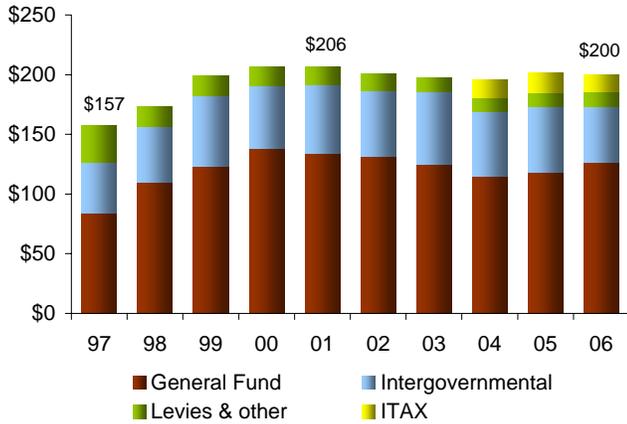


Chart 18 Public Safety by Department

Fiscal year ended June 30, 2006

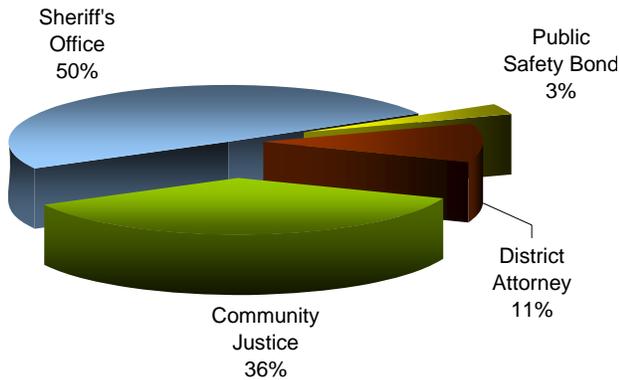
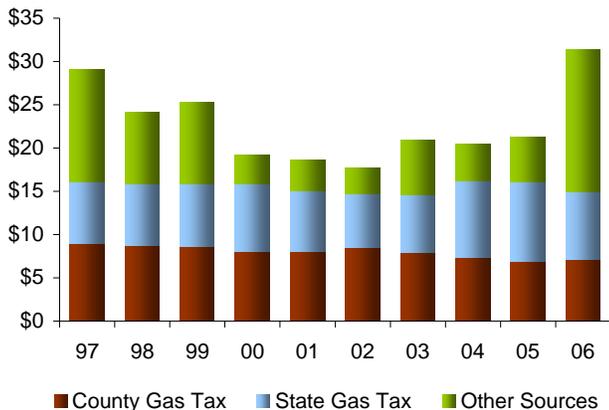


Chart 19 Roads and Bridges

Fiscal year ended June 30
Adjusted for inflation (in millions)



Public Safety

For FY06, resources were primarily from the County's General Fund (63.3%), intergovernmental sources (23.2%), other sources including property taxes to repay the debt for public safety bonds (6.1%), and the ITAX (7.4%).

ITAX revenues of about \$15 million in each of the last three years helped mitigate some of the effect of declining federal and state resources for public safety programs. General Fund allocation for public safety also declined in this period.

Spending for public safety in FY06 includes: the Sheriff's Office, which operates the County's jails and other corrections services and provides law enforcement to smaller cities and unincorporated Multnomah County; the Department of Community Justice, which provides supervision of juvenile and adult offenders in the community; the District Attorney's Office, which prosecutes criminals and protects crime victims; and debt repayment of general obligation bonds used for technical upgrades for public safety.

Roads and Bridges

Spending for roads and bridges includes bridge operations and maintenance and road maintenance as well as capital for repairs and improvements. No General Fund dollars are allocated for road and bridge operations and maintenance.

Funding comes primarily from the County gas tax and state motor vehicle revenue sharing. The portion of revenue sharing which is passed through to cities in the county is not included here (\$23 million in FY06). Most of the other sources represent project revenues from the federal and state governments dedicated for specific capital repairs or improvements. Most of the \$16 million spending from other sources in FY06 was attributable to an award from the Oregon Transportation Investment Act for bridge projects.

According to the County's Transportation Division, the County is facing a \$653 million need (split almost 50/50) for roads and bridges in the next 20 years.

County Spending

Human Services

Spending on human service programs has increased. Most of the increase is from new or additional intergovernmental funding, primarily from state and federal sources.

Human services included the Department of County Human Services and the Department of School and Community Partnerships (consolidated in FY07). These departments provide services for the elderly; people with emotional, developmental, or physical disabilities; people with alcohol and drug addictions; and people with mental health concerns.

In FY06, about 30% of the money to provide these services was for direct client assistance, 40% went to community-based providers, and another 30% was for County staff and other costs.

Chart 20 Human Services

Fiscal year ended June 30
Adjusted for inflation (in millions)

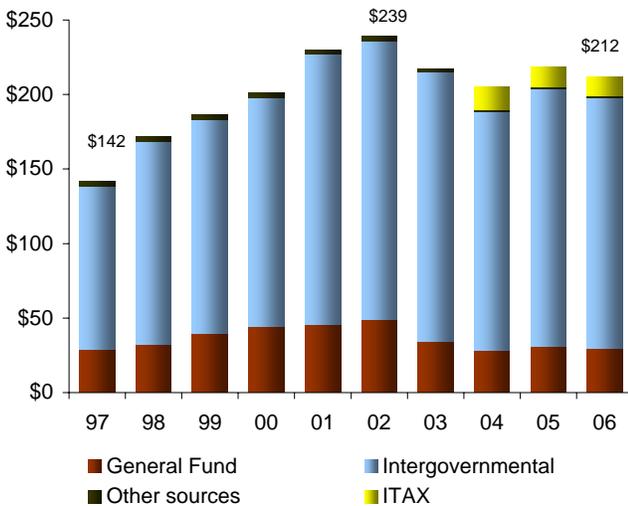
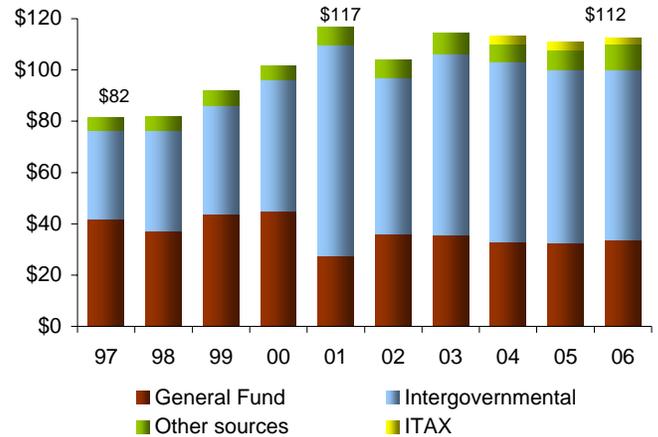


Chart 21 Health Services

Fiscal year ended June 30
Adjusted for inflation (in millions)



Health Department

The Health Department's services include medical and dental clinics, public health services, school clinics, and other health care and education services for the community. The Department also provides health care for the County's jail population.

The Health Department spent over \$112 million in FY06, an increase of \$31 million from FY97, when adjusted for inflation. The Department received a large, one-time, retroactive Medicaid reimbursement in FY01.

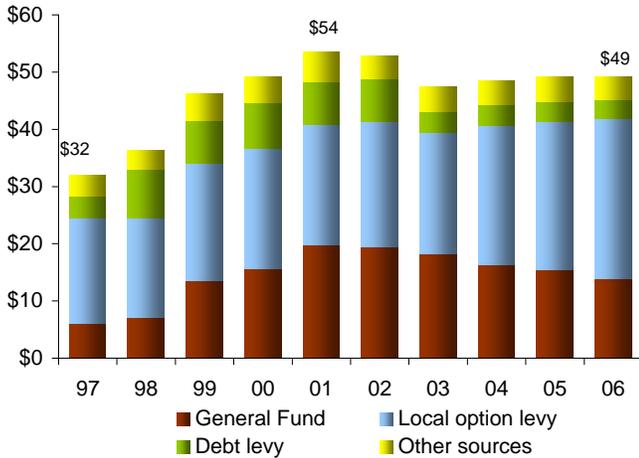
Most Health Department services are provided by County employees including medical doctors, nurses, outreach workers, sanitarians, interpreters, epidemiologists, and environmental health experts and educators.



County Spending

Chart 22 Library Services

Fiscal year ended June 30
Adjusted for inflation (in millions)



Library

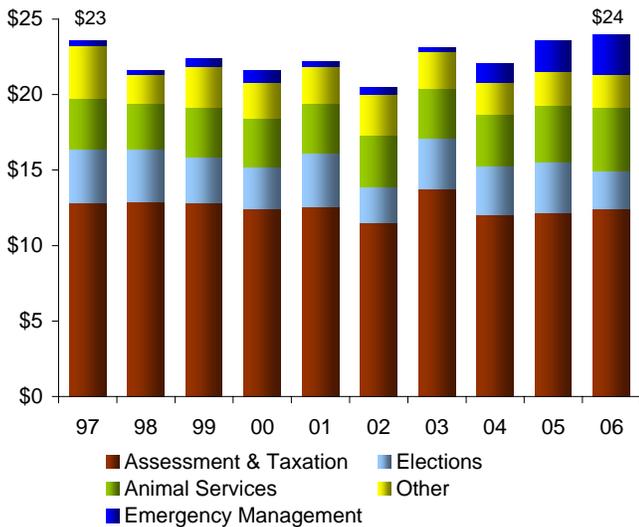
Multnomah County serves the public with a main library downtown and 16 library branches throughout the community. Spending for library services totaled \$49 million in FY06 and has increased over 50% since FY97. Most of this increase is from five-year local option levies: one began in FY98 and another in FY03. General Fund contributions for library services also have increased from \$6 million in FY97 to \$14 million (adjusted for inflation).

In November 2006, voters approved a new five-year local option levy for an average of \$35 million per year beginning in FY08 for continued library services plus opening two new branches. The debt levy shown here is for general obligation bonds for new libraries and improvements and is paid for directly by a separate property tax debt levy.



Chart 23 General Government

Fiscal year ended June 30
Adjusted for inflation (in millions)



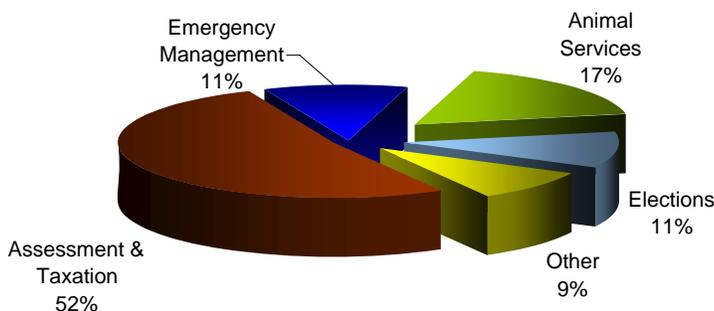
General Government

There has been very little change in the spending for general government services over the last ten years. General government services include mandated services such as Assessment & Taxation (property tax assessment and collection) and Elections. It also includes Animal Services, Land Use Planning, the County Surveyor's Office, Emergency Management, and other services.

Most general government services are funded by the General Fund, user fees and charges, and some intergovernmental sources.

Chart 24 General Government by Program

Fiscal year ended June 30, 2006



County Spending

Internal Services and Administration

Spending for internal services and administration has increased 30% over the last ten years; however, some of this growth resulted from the County's shared services initiative which centralized some services and staff from individual departments into the Business Services Fund.

Internal services and County-wide administration costs are charged to departments' total program spending.

Of the total for FY06, \$77 million was charged directly to departments by internal service funds. \$18 million was for County-wide administrative costs paid by the General Fund, much of which is charged indirectly to other funds and programs through the indirect cost allocation plan. Included are \$8.5 million for Budget and Finance, \$3.7 million for elected officials, \$2.3 million for a number of committees and commissions, and \$3.9 million for other County-wide administration costs.

Internal Service Funds

As noted above, services provided by the internal service funds are charged directly to other County departments and programs. About 5.5% of their costs (not included in this indicator) are charged to other governments and non-profit organizations which purchase these services.

Internal Service Funds include:

- Facilities - manages all owned and leased properties
- Mail Distribution - manages mail and distribution
- Fleet - manages County vehicles and motor pool
- Business Services - administration of HR, finance and the enterprise support system
- Information Technology - manages data processing and telephone services

Chart 25 Internal Services and Administration

Fiscal year ended June 30

Adjusted for inflation (in millions)

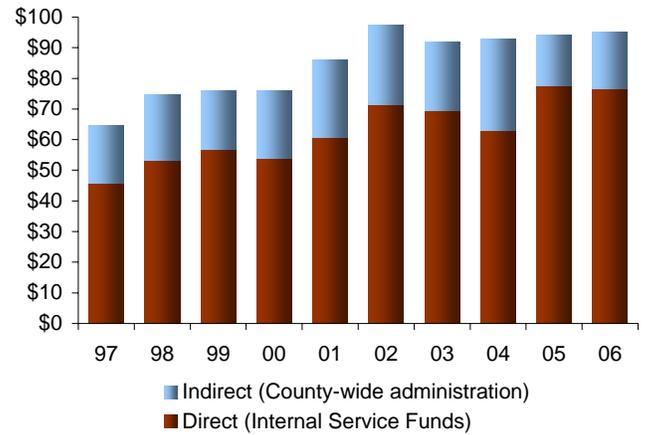


Chart 26 Indirect County-wide Administrative Costs

Fiscal year ended June 30, 2006 (in millions)

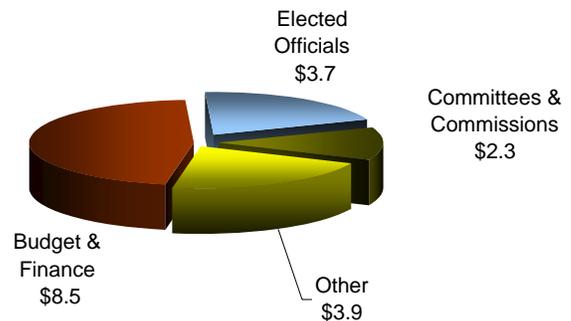
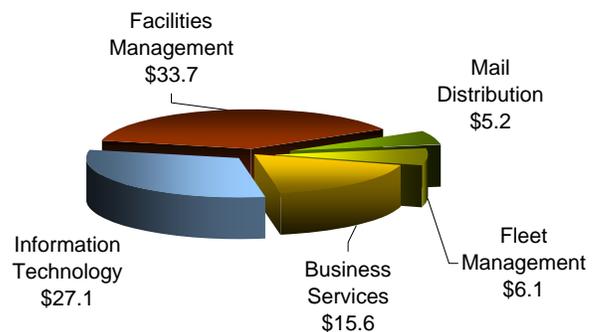


Chart 27 Internal Service Funds

Fiscal year ended June 30, 2006 (in millions)



Financial Health

Chart 28 General Fund Unreserved Fund Balance

Fiscal year ended June 30
Adjusted for inflation (in millions)

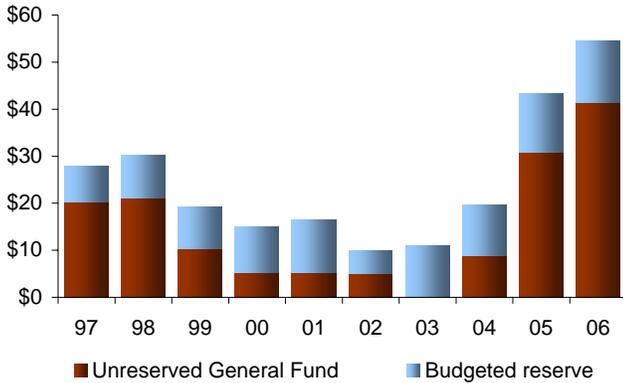


Chart 29 General Fund Reserves

As a percent of budgeted General Fund revenues
Fiscal year ended June 30

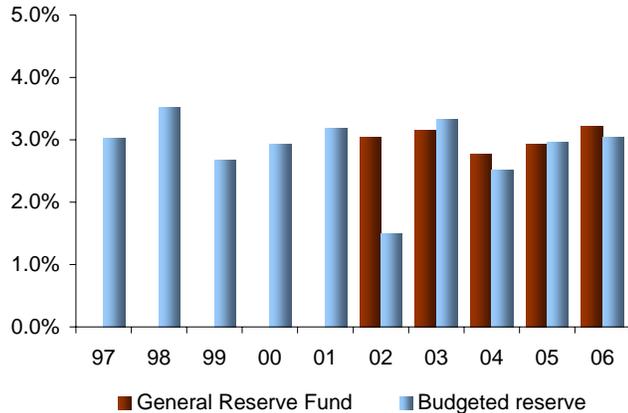
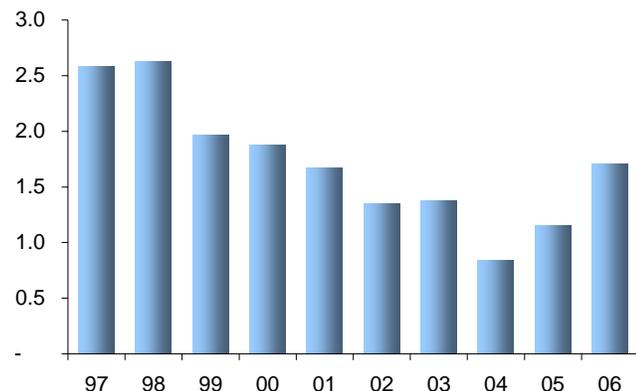


Chart 30 Liquidity

Current assets to current liabilities
Fiscal year ended June 30



Unreserved Fund Balances

The unreserved fund balance for the General Fund constitutes the amount available for County discretionary spending. The County's financial policy has designated a portion of the unreserved fund balance as a budgeted reserve. For FY06, the total General Fund balance was \$54.4 million, of which \$13 million was designated in the budget as a reserve account.

Although the General Fund's unreserved fund balance has grown, the County is facing declining revenues and increasing costs. As of June 30, 2006 the County had an unfunded liability of \$110 million for Other Post-Employment Benefits (OPEB). The OPEB provides post-employment healthcare insurance for retirees and their spouses.

General Fund Reserves

For a number of years, the County's policy has been to maintain two General Fund reserves. Each should be 5% of General Fund budgeted revenues. The goal is to help achieve financial stability and maintain the County's favorable bond rating, which is currently Aa1 from Moody's Investors Service.

The first 5% is a budgeted reserve account designated as an unappropriated fund balance. For FY06, this reserve was \$13 million (3.0%) of budgeted General Fund revenues. The second 5% is a reserve maintained separately in the General Reserve Fund. For FY06, the actual General Reserve Fund was \$13.7 million (3.2%) of budgeted General Fund revenues.

Liquidity

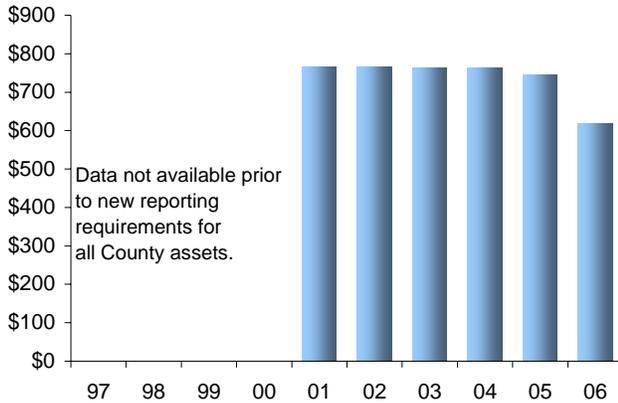
The liquidity ratio is an indicator which compares total cash and short-term investments to current liabilities and measures the County's ability to pay its short-term obligations. FY97 through FY01 includes large dollar amounts from bond sales for capital projects.

The credit industry considers a liquidity ratio of \$1 of cash and investments to \$1 of current obligations to be acceptable. In FY04, the ratio was slightly under the \$1 cash to \$1 current liabilities.

Financial Health

Chart 31 Capital Assets

Fiscal year ended June 30
Adjusted for inflation (in millions)



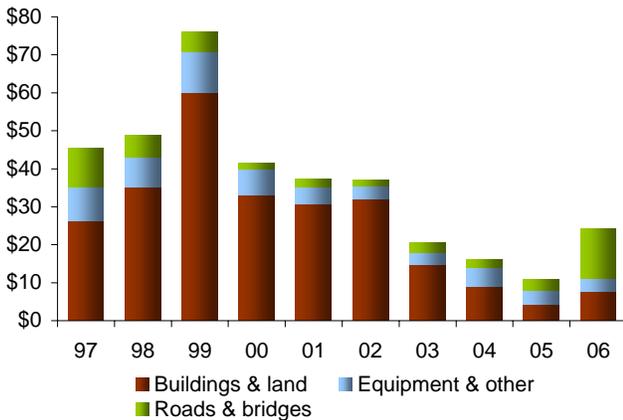
Capital Assets

Capital assets include land, buildings, equipment, and infrastructure to provide County services. Accounting standards require that assets are reported in the financial statements at their original purchase or construction costs minus accumulated depreciation. Replacement value for assets would be substantially more than the depreciated values.

The decrease from FY05 to FY06 resulted from the transfer of 50 miles of County roads to the City of Gresham. Future capital needs for County buildings are estimated to be \$79 million for seismic needs and \$34 million for maintenance needs (in 2006 dollars).

Chart 32 Capital Spending

Fiscal year ended June 30
Adjusted for inflation (in millions)



Capital Spending

Capital spending has been decreasing since FY99. During the last ten years, the County's capital spending has included purchase, construction, and remodeling of jails, libraries, an east County health and aging facility, and the County's administration building. The spending increase for roads and bridges in FY06 was for bridge construction.



The New Hillsdale Library

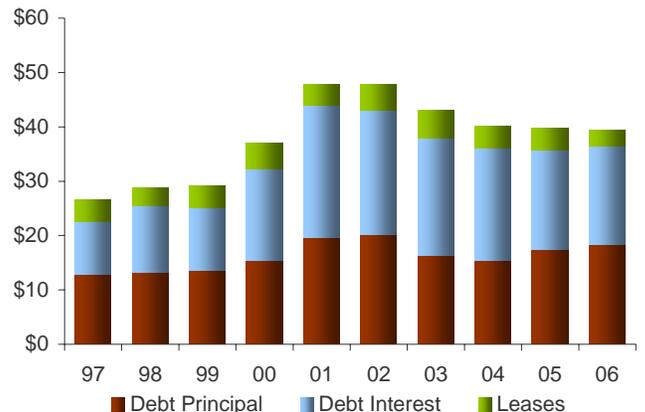
Fixed Costs

Fixed costs include the principal and interest on long-term debt and operating leases. These costs increased through FY02 as a result of construction of new libraries, jails, and other facilities financed by general obligation bonds and other debt.

The increases in FY01 and FY02 are for new bond issues: \$184 million for the County's unfunded pension liability which will result in a savings of nearly \$36 million over a 30 year period; and \$61 million to finance the costs of acquiring and installing an integrated enterprise computer system, purchase of the Multnomah Building, construction of the East County Multnomah Building, and other projects.

Chart 33 Fixed Costs

Fiscal year ended June 30
Adjusted for inflation (in millions)



Revenue Base & The Economy

Indicators for the County's Revenue Base and the Economy

Property values, new residential construction, and the number of businesses are indicators relating to both the County's revenue base and the economy.

The County's revenue base shows favorable trends after several less favorable years.

- Real market values have continued to increase.
- New construction showed improvements from FY01 to FY05.
- The number of businesses has increased 5% over the last ten years.
- The unemployment rate began declining from FY04 to FY06.
- The number of jobs in Multnomah County has shown some improvement.
- Per capita income shows continued improvement.

Real Market Value

The real market value for properties in Multnomah County has continued to increase in the last ten years from \$52 billion in FY97 to \$87 billion in FY06 when adjusted for inflation. The largest increase is in residential property values, increasing by 72% over the last 10 years, compared to 58% growth for commercial and industrial property values.

New Residential Construction

New construction figures are based on permits in the Portland PMSA (Portland Metropolitan Statistical Area). This trend shows increases from FY00 to FY05 after several years of declining numbers.

Number of Businesses

The number of businesses in the county is another trend related to the County's revenue base and the economy. There has been a 5% increase from FY97 to FY05.

Chart 34 Real Market Value

Fiscal year ended June 30
Adjusted for inflation (in billions)

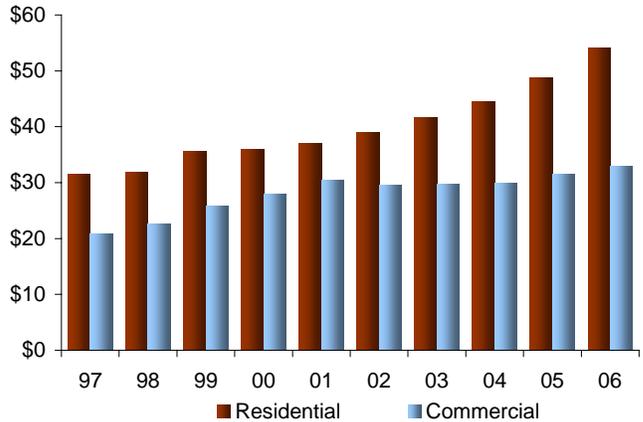


Chart 35 New Construction-PMSA

Calendar year ended December 31
Adjusted for inflation (in billions)

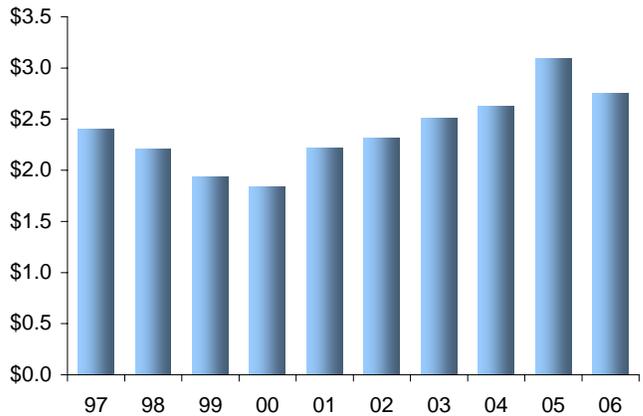
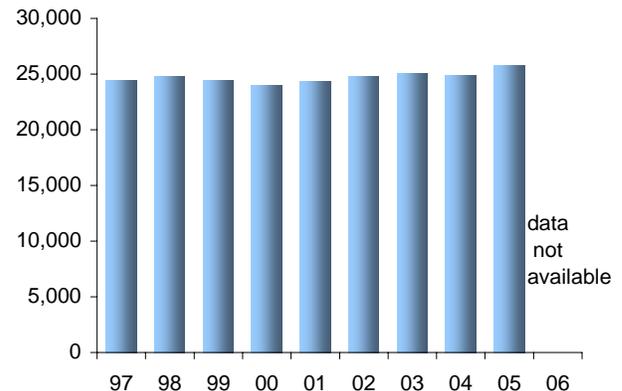


Chart 36 Number of Businesses in Multnomah County

Calendar year ended December 31



Revenue Base & The Economy

Chart 37 Unemployment Rate-PMSA

At June 30

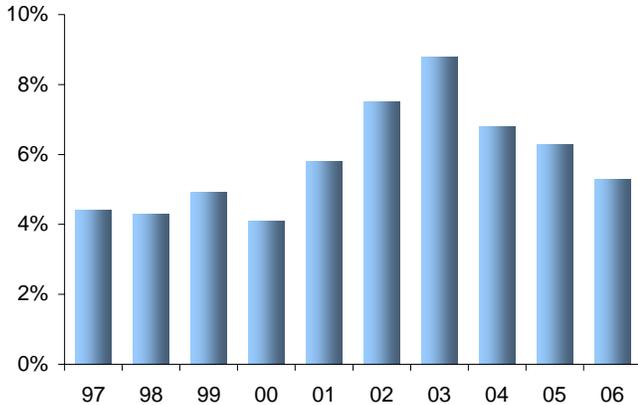


Chart 38 Jobs Provided by Employers

in Multnomah County

at June 30

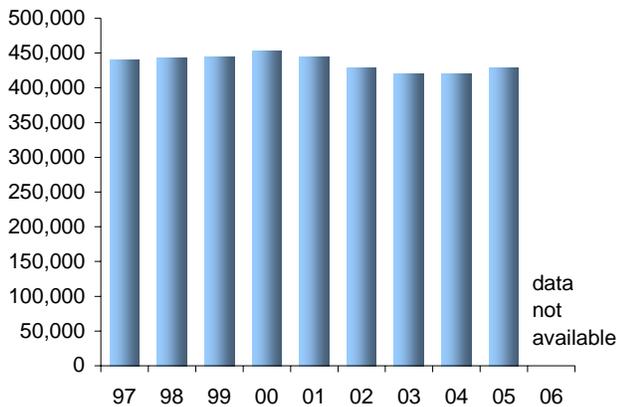
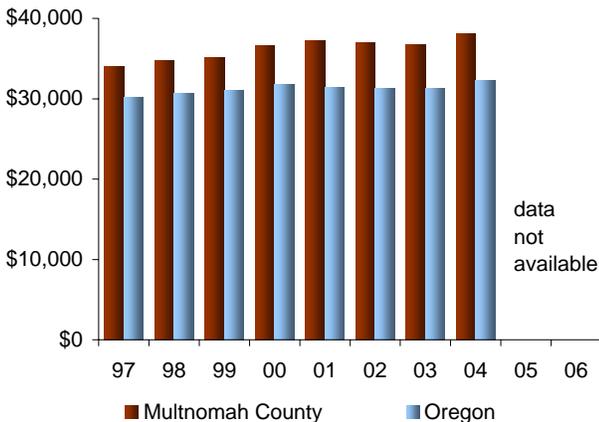


Chart 39 Average Annual Per Capita Income

Calendar year ended December 31

Adjusted for inflation (in millions)



The Economy

Three major indicators of economic health include the unemployment rate, number of jobs in the county, and per capita income.

Although the county's economy has not fully regained recent losses, progress has been made over the last few years as the unemployment rate decreased and jobs increased.

Unemployment Rate

The unemployment rate improved between FY03 and FY06, going from a high of 8.8% to 5.3%.

Number of Jobs

The number of jobs provided by employers in Multnomah County declined from FY00 to FY04. Although jobs increased by nearly 8,000 jobs in FY05, the total was still about 12,000 less than in FY97.

Per Capita Income

The average annual per capita income in Multnomah County has been increasing. The rate of growth for this indicator has been greater for Multnomah County than for Oregon as a whole.



Morrison Bridge

Demographics

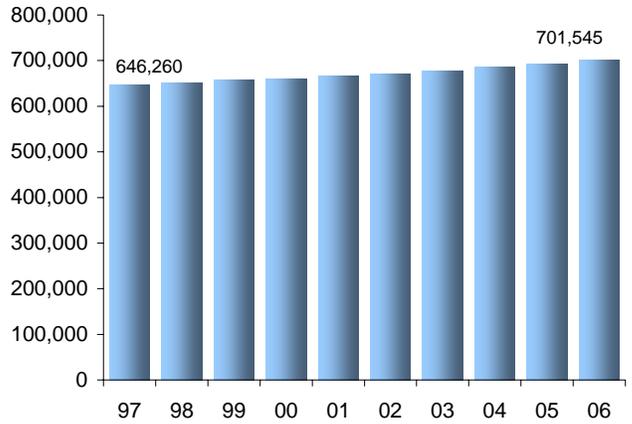
Total County Population

The County's population grew from 646,260 to 701,545 (8.6%) between FY97 and FY06; this is less than 1% growth per year. Neighboring counties had greater growth, with Clackamas County at 11.7% and Washington County at 21.3% over the ten-year period.

Many County services are for the elderly or families with children. Large changes in these groups could dramatically effect the need for County services. Although the total population has increased, the populations of people under 20 years of age and over 70 years of age have declined.

Chart 40 County Population

At June 30



Population over 70 years of age

Chart 41 shows the population over 70 years of age. There has been a net decrease of 6,473 (11%) from 58,079 in FY97 to 51,606 in FY06.

Population Under 20 years of age

Chart 42 shows the population under 20 years of age. This number has fluctuated some, but decreased slightly (2%) from 176,950 in FY97 to 173,324 in FY06.

Chart 41 Over 70 Years of Age

At June 30

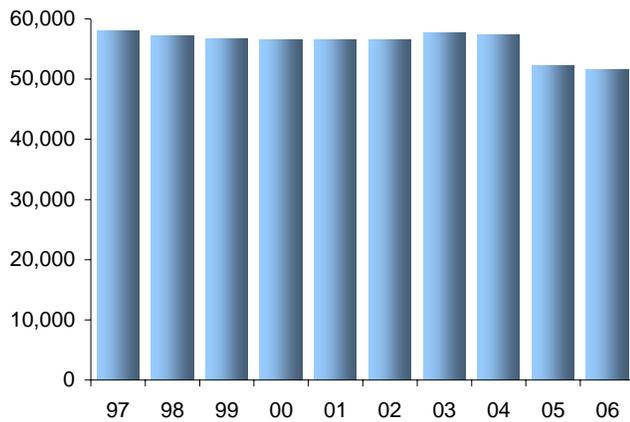
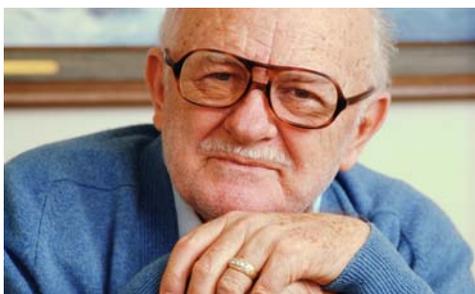
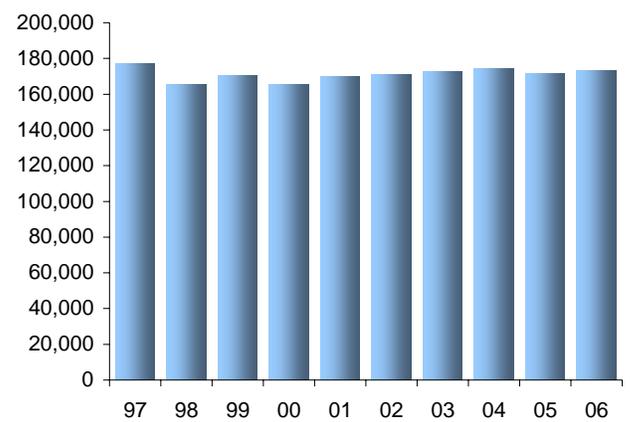


Chart 42 Under 20 Years of Age

At June 30



Demographics

Residents in Poverty

According to the American Community Survey, the number of Multnomah County residents in poverty has increased from 13.6% in FY97 to 17.4% in FY06.

This indicator provides some measure of the number of low income persons who might utilize County human service and health programs.

Reported Crimes

County services for public safety represent a large and costly responsibility for the County.

The number of reported crimes has decreased for both Part 1 and Part 2 crimes. Part 1 crimes include murder, rape, robbery, aggravated assault, burglary, larceny, motor vehicle theft, and arson. Part 2 crimes include drug possession or distribution, driving under the influence of intoxicants, vandalism, and other crimes.

The actual crime rates are likely to be higher because some crimes are not reported.

Chart 43 Percent of County Residents in Poverty

Calendar year ended December 31

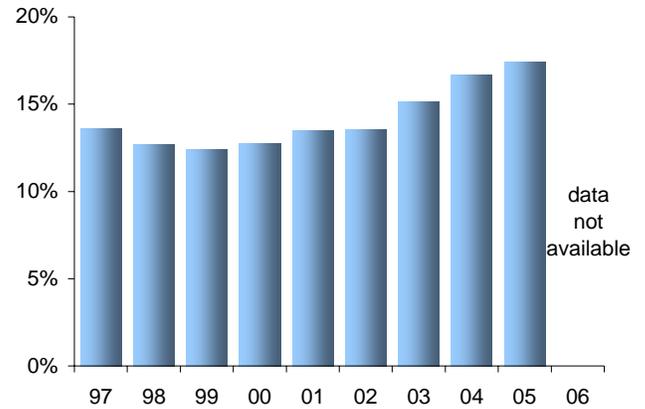
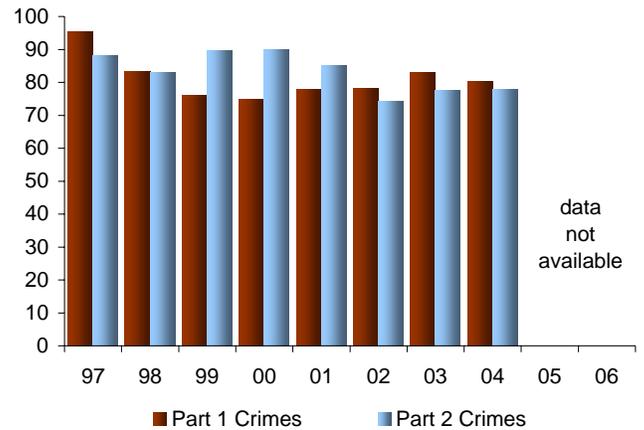


Chart 44 Reported Crimes per 1,000 Residents

Calendar year ended December 31



Ten Year History of Significant Events

FY97

- \$10 million to schools
- \$29 million GO bonds for libraries
- \$79.7 million GO bonds for public safety
- Inverness Jail expanded
- Justice Center double-bunked
- State transferred responsibility for felons incarcerated less than 1 year to County

FY98

- Measure 50 loss of \$18 million
- 5-Year Local Option Library Levy for approximately \$20 million per year
- Temporary business income tax surcharge for schools
- Opened 330 beds at Inverness Jail
- State transferred responsibility for disability services to County

FY99

- \$36 million Certificates of Participation (COPs) for Multnomah Building purchase

FY00

- \$184 million taxable revenue pension obligation bonds
- \$61 million bond issues for new construction and financial software

FY01

- \$20 million revenue shortfall

FY02

- Major reorganization of human services, business functions, and environmental services
- Revenue shortfall of \$22 million
- 5-Year Local Option Library Levy for approximately \$25 million per year
- Fairview and NW Portland libraries opened
- New Hollywood library opened

FY03

- Voters approved 3-year temporary personal income tax
- \$15.6 million mid-year budget cut

FY04

- First year of ITAX, \$66.9 to schools and \$33.2 million to County
- New Hillsdale Library completed

FY05

- \$25 million Oregon Transportation Investment Act award for County bridges
- Second Year of ITAX, \$96 million to schools, \$34.2 million to County
- Construction of Wapato Jail completed
- Departments of County Management and Community Services created

FY06

- Transferred 50 miles of County roads to City of Gresham
- Third Year of ITAX, \$84.8 million to schools, \$36.1 million to County

Reporting Methodology and Sources

Objectives, Scope, and Methodology

The objective of this report was to evaluate the financial condition of Multnomah County using the Financial Trend Monitoring System developed by the International City and County Management Association (ICMA) and the indicators suggested by the Government Accounting Standards Board (GASB). In developing and analyzing the indicators of financial condition, we interviewed personnel in Finance and Budget and other County departments. This report was done in accordance with generally accepted government auditing standards.

The prior reports covered the FY82 through FY04 and are available on the County Auditor's web page at www.co.multnomah.or.us/auditor.

ICMA and GASB stress the importance of developing a consistent and meaningful definition of the entity being evaluated. For the purposes of this report, "the County" includes the revenues, expenditures, and activities covered by the general fund, special revenue funds, and debt service funds. Excluded are capital construction, internal services, enterprise and trust and agency funds. However, we did include the Behavioral Health Managed Care Fund, which is an enterprise fund, because it is an integral part of mental health and addiction services provided by the County.

We also excluded revenues collected for and turned over to other governments and internal revenues and spending that are duplicated in financial reports. For FY06, this amounted to \$85 million in ITAX dollars transferred to the County's school districts, \$23 million in State Motor Vehicle and Gas Tax revenues transferred to the Cities of Portland, Gresham, Fairview, and Troutdale, and \$18 million Transit Lodging Tax collected for Metro.

We expressed most indicators in constant dollars. These adjustments for inflation convert dollar amounts over the ten-year period to the equivalent of the purchasing power of money in fiscal year ending June 30, 2006. The adjustments are based on the Portland-Salem Consumer Price Index for all urban consumers.

Data Sources

We relied on the County's enterprise accounting system, budgets, Comprehensive Annual Financial Reports, and other management reports for revenues, spending, and financial health indicators.

We used published sources for most economic and demographic indicators as follows:

- County Assessor's Office - Chart 34 "Real Market Value"
- State of Oregon Employment Division - Chart 36 "Number of Businesses" and Chart 37 "Unemployment Rate"
- U.S. Census Bureau - Chart 35 "New Construction"
- U.S. Census Bureau, American Community Survey - Chart 43 "Percent of County Residents in Poverty"
- U.S. Department of Commerce, Bureau of Economic Analysis Chart 39 "Average Annual Per Capita Income"
- Portland State Population Research Center - Charts 40, 41 & 42 for population indicators
- Oregon Uniform Crime Reporting Law Enforcement Data System for Chart 44 "Reported Crimes"

For More Information

The County's financial policy is adopted and published annually in the County's Adopted budget. The County's Financial Statements and Budget can be accessed at www.co.multnomah.or.us.

Additional economic information can be obtained through the State of Oregon for the State Employment Department at www.qualityinfo.org or the Office of Economic analysis at www.oregon.gov/DAS/OEA.

For information about the County's property tax structure and limitations, see Tax Supervising & Conservation Commission at www.co.multnomah.or.us/orgs/tscc.