

# Budget Manager's Message

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## Reader's Guide

### Volume 1 – Policy Document/ Legal Detail

The Adopted document for Multnomah County consists of two (2) separate volumes structured as summarized below.

- **Chair's Budget Message** – This section presents the Chair's Budget Message to citizens.
- **Summaries** – This section includes the Budget Manager's Message, which provides an introduction to the budget, explains the major issues affecting budget decisions, and offers a summary of resources and requirements.
- **Priority-Based Budgeting (PBB)** – Multnomah County is facing the loss of ITAX revenue in FY 2007. In this section you'll find an explanation to PBB, as well as reports produced by the six "Outcome Teams" established to guide the County in its budget decisions.
- **Detail** – Financial summaries, as well as detail by department by fund.
- **Financial Policies** – An explanation of Multnomah County's financial procedures.
- **Appendix** – Accounting structure and tax information for the County.

### Volume 2 – Program Information

The FY 2007 budget is structured around the County's six priorities. County operations, however, are structured by department. This volume contains the program offers that were funded in each of the County's nine departments. The Departmental sections include an introduction, budget trends and a list of the program offers funded in the Adopted Budget. There are several new things to note this year in the program offer section.

### Program Offers

The departmental program offer section contains 3 lists: **operating programs**, administration and support programs, and a list of programs funded with one-time-only resources. The operating programs can be viewed as the department's budget regardless of the funding sources. Program titles that begin with **SAV** denote savings packages to existing program offers (the **SAV** packages represent a net dollar value). Detailed impact information on some of the **SAV** offers was not available at the time this document went to print; departments were provided with policy direction from the Board in the form of a budget note. Program titles that begin with **ALT** denote an alternative proposal to existing program offers. Alternative program offers are an "either/or" purchase, meaning you can't purchase both. Both **SAV** and **ALT** program offers were developed after the Outcome Teams and the Board ranked program offers and therefore no ranking information is available.

**Administration and support programs** provide supervision or support to the operating programs. Their costs are "spread" to the operating programs offers to reflect the full cost of providing the service. Administration and support program offers were neither ranked nor purchased.

Programs funded with **one-time-only** resources have been designated to end by June 30, 2007. The Board provided policy direction to departments regarding on-going programs funded with one-time-only resources in several budget notes, which are found at the end of the Budget Manager's Message.

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## Budget Manager's Message

### Introduction

The immediate fiscal challenge for Multnomah County in FY 2007 was the sunset of the temporary Personal Income Tax (ITAX). When it was passed by county voters in May, 2003 the ITAX was described as a bridge to better economic times. At the time, the Portland metropolitan area and Oregon were in the throes of one of the worst recessions the region had witnessed in almost 20 years. The collapse of what has been referred to as the “high-tech bubble” set the region and, in particular, Multnomah County into an economic tailspin from which it has been slow to recover.

It is important to consider where we have come from. Although the challenges before us are daunting, the financial outlook for Multnomah County in April, 2006 was much better than it was a little more than a year and a half ago. When the ITAX was proposed the unemployment rate in Multnomah County was right around 8.5%, assessed values on business property had *declined* by almost 2.5% from the previous year, and state budget reductions threatened to shorten the academic year for many local school districts. Multnomah County residents rallied around the ITAX in support of public education and also to stem the tide of state cuts to valuable human services and public safety programs.

When the ITAX expires it will have generated about \$120 million per year, on average, over its three-year lifespan. Approximately 70% of total ITAX revenue has been passed through to local school districts in Multnomah County. For some districts, this represents a fairly significant portion of their total operating revenue. The ITAX also funded \$32 million of county programs in the human services and public safety areas. ITAX revenue supported programs as diverse as emergency mental health, Women and Infant Children (WIC) nutrition education and support, and incarceration of adult offenders. The ITAX accounted for about 10% of the General Fund. The challenge in crafting this budget was to provide vital County services next year with roughly 90% of the revenue that was available in FY 2006.

The Adopted Budget is a balanced budget as required by state law, and reflects the budget priorities for organizational funding to meet the needs of the community. The Adopted Budget serves as a policy document and fiscal plan for the fiscal year starting July 1, 2006 and ending June 30, 2007. It reflects the improved economic conditions we have witnessed in recent months. Overall, the revenue forecast takes a cautiously optimistic view that the regional economy will remain strong. Property Tax collections are expected to increase by 4% in FY 2007 and the Business Income Tax (BIT) is forecast to continue on its enigmatic path along with the current economic expansion.

However, this optimism is overshadowed by the sunset of the ITAX. The improving economic conditions simply cannot offset the 10% reduction in General Fund revenue expected in FY 2007. In addition, the County is being impacted, as most local jurisdictions are, by escalating employee compensation costs. Wages and benefits are the major cost drivers in the budget and they are

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forecast to grow between 5% - 6% annually over the current forecast period.

Multnomah County will overcome the loss of the ITAX revenue. In FY 2007 we will make use of unanticipated, one-time-only revenue to continue funding for programs which might otherwise have been terminated. It is important to note, though, that every year we will be faced with a fiscal challenge related to the imbalance between our revenue sources and the cost of maintaining services at a level that meets citizen demands. It is a situation that was brought about primarily by Property Tax limitations imposed by Measure 5 and Measure 47. It is exacerbated in times when the economy is in a down cycle. Fortunately, the economy is expected to remain healthy at least through the next fiscal year.

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## What is Priority Based Budgeting (PBB)?

In order to prepare for the sunset of the ITAX, Multnomah County moved to Priority Based Budgeting in FY 2005. PBB has required a significant investment of staff time and resources, and the Board has indicated its commitment to future use of this process.

**Priority-Based Budgeting** is a concept developed by Peter Hutchinson and David Osborne from the Public Strategies Group (PSG). It provides a proven and innovative approach for agencies to identify funding priorities that show quantifiable results that support the agency's overall goals, and that are most highly valued by the community served. This approach helped the Budget Office shift its focus from line-item budgeting and constraint (across-the-board cuts) that weaken infrastructure, to a funding methodology that considers measurable outcomes that best support the County's strategic objectives. The work performed in each step is brought to the Board for its approval and for any necessary course correction. It is a highly transparent process—to the Board, other elected officials, department heads, county employees, and citizens.

The Priority-Based Budgeting Process was implemented to answer the following questions:

1. ***How much money do we want to spend?*** The formulation of the budget must be based on the premise that the County cannot spend more than it receives in revenue.
2. ***What do we want to accomplish?*** The budget must prioritize the services that most efficiently achieve the desired results.
3. ***What is the most effective way to accomplish our priorities with available funds?*** As part of the Priority-Based Budgeting Process, every department is asked to find ways to work more efficiently and to leverage scarce resources.

Priority-Based Budgeting improves the budget by:

- Focusing limited resources on providing quality services to residents.
- Delivering government services more efficiently and effectively.
- Creating a budget that reflects County priorities.

The budgeting now begins with each department creating and describing its own programs and reviewing the costs of its services. Departments will no longer concentrate on how agencies are organized and how much money will be needed to maintain the status quo.

Each department answered five basic questions for each program:

1. Does it help meet County objectives?
2. Why is the County providing this service?
3. What exactly is being purchased?
4. Who are its clients?
5. How much does it cost?

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Six Priorities Expressed in Citizen Language & Marquee Indicators to Measure Progress	During the months of July and August, 2004, the County held 4 focus groups to ask citizens what they expected from their government. The County considered results from those focus groups, a web survey, Portland Progress Board information, and previous Board visioning efforts in order to develop six priorities. The priorities are written in citizen language. Three to four marquee indicators were established for each priority area to help the County monitor progress towards achieving the outcomes. Those priorities and indicators are:
Basic Living Needs	I want all Multnomah County residents and their families to have their basic living needs met. Indicators are: <ul style="list-style-type: none"><li>• Percentage of people with incomes at or above 185% of the federal poverty level.</li><li>• Percent of renting households paying less than 30% of their income for housing.</li><li>• Percentage of residents perceiving their own health as good, very good, or excellent.</li></ul>
Safety	I want to feel safe at home, work, school, and play. Indicators are: <ul style="list-style-type: none"><li>• Reported crime rate per 1,000 residents (Portland and Gresham only); offenses include murder, assault, rape, robbery, larceny, motor vehicle theft, burglary, and arson. Future data will include DUII and drug offenses.</li><li>• Citizen perception of safety (county-wide).</li><li>• Percentage of adults and juveniles convicted of a crime who commit additional crimes (i.e. recidivism rates).</li></ul>
Accountability	I want my government to be accountable at every level. Indicators are: <ul style="list-style-type: none"><li>• Perception of trust and confidence in government (citizen and internal survey).</li><li>• Satisfaction with services (citizen and internal survey).</li><li>• Price of government (percent of personal income spent to support county government).</li></ul>
Thriving Economy	I want Multnomah County to have a thriving economy. Indicators are: <ul style="list-style-type: none"><li>• Percentage of working age Multnomah County residents who are employed.</li><li>• Average annual wages paid by Multnomah County employers.</li><li>• Number of jobs provided by Multnomah County employers (annual net job growth).</li></ul>
School Success	I want all children in Multnomah County to succeed in school. Indicators are: <ul style="list-style-type: none"><li>• Percentage of entering kindergarten students who meet specific development standards for their age.</li></ul>

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- Percent of students at 3rd, 5th, 8th, and 10th grade that meet or exceed standards on state assessments.
- Percentage of cohort of 9th grade students who complete high school (based on synthetic drop-out rate).

## Vibrant Communities

I want to have clean, healthy neighborhoods with a vibrant sense of community. Indicators are:

- Environmental and health index.
- Citizen perception of personal involvement in neighborhoods.
- Citizen perception of adequacy of cultural, recreational, and lifelong learning opportunities.

## The Teams

There are a number of different types of teams that were formed to support the Priority Based Budget process. Each team is unique and performed an important role to keep the budget process on moving forward and on track.

## Design Team

The role of the Design Team is to facilitate communication and consensus about the development, implementation and on-going evolution of the budget process. The Design Team was established by resolution; it is Co-Chaired by Chair Diane Linn and Commissioner Serena Cruz. The Design Team has representatives from all of the elected official's offices, a representative from the Executive Team and several key managers. This Team was staffed by the Chief Financial Officer and the Budget Director.

## Guidance Team

In FY 2006, a Guidance Team was established to assure the integrity and credibility of the Budget Priority Setting process; to provide feedback to the Outcome Teams, Design Team, and Board at key stages; and to give feedback about the overall process. The Guidance Team was comprised of eleven highly respected members of the community. A Guidance Team was not established for FY 2007.

## Outcome Teams

There is an Outcome Team for each priority area. The role of the Outcome Team is to recommend strategies that the County should pursue to produce the assigned priority outcome. Outcome Teams develop cause and effect theories, identifying the factors that contribute most to producing the result. From a "map" of these theories, Outcome Teams recommend selection strategies and requests for offers (RFO's). Outcome teams are comprised of six to eight members. Outcome teams are not stakeholders groups, and are asked to wear a citizen hat. There are representatives from county staff, labor, a budget analyst, and a citizen budget advisory committee representative.

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## 7 Steps to a Better Budget Process

The process can be broken down into seven discrete steps as follows:

### Step 1 – Establish Fiscal Parameters

**Step 1: Affirm priorities and indicators for Multnomah County and establish the fiscal parameters for FY 2007. (November, 2005; revised March and May, 2006).**

The \$300.5 million fiscal parameter represents about a \$27.5 million or 10% reduction from current funding levels and is mainly a result of the loss of the temporary income tax revenue. In FY 2006 the Board cut enough to offset the structural deficit in FY 2007 (approximately \$5.8 million) and established a \$10 million reserve to cushion the effects of the loss of ITAX revenue.

In total, there is an additional \$52 million of one-time-only (OTO) revenue appropriated. This includes \$24.7 million of beginning working capital; \$16.5 million of ITAX, \$5 additional revenue, \$1.8 million from the City of Portland for the P57 jail beds and A&D treatment, and approximately \$4 million that is a combination of ITAX savings package, mental health carry over and transfer from SIP fund to the General Fund.

### Step 2 – Results Maps, Indicators, and Selection Strategies

**Step 2: Outcome Teams refine results maps and marquee indicators, and develop selection strategies for using County resources (completed November 22, 2005).**

Six Outcome Teams, one for each priority, were assembled from County staff, labor representatives and citizens. For FY 2007 we used a combination of veterans from the FY 2006 budget process and new recruits. The purpose of each Outcome Team was to refine the work completed by the FY 2006 teams. Outcome Teams refined the results maps; clarified indicators of success for each priority; enhanced and improved cause-effect factors and strategies for each result map; New to FY 2007 Outcome Teams crafted Requests for Offers (RFO's) which outlined for the Board those strategies that the County should pursue in order to produce the desired outcomes. The Outcome Teams also presented their work to the Design Team for their feedback.

### Step 3 – Department Program Offers

**Step 3: Departments developed and submitted program offers (completed January 27, 2006).**

Each County Department submitted "program offers" to the Outcome Teams via the Budget Office. Program offers represent services that each department proposed to deliver in order to achieve the County priorities and respond to the RFO's. Departments could offer their services to one or more priority areas. An offer specifies the results to be delivered, the price, the performance measures, and the time frame. This information was posted first to the County's intranet site and then, when finalized, to the County's internet site.

# Budget Manager's Message

## Step 4 – Outcome Teams Rankings

**Step 4: Offers were ranked by Outcome Teams based on their contribution to the priority (completed February 28, 2006).**

Outcome Teams reviewed the program offers and met with department heads and key staff. The Outcome Teams made suggestions to the departments to improve and strengthen their program offers. The Outcome Teams then ranked all programs offered by Departments within their priority area. Ranking was based on the Outcome Team's assessment of the program's "fit" with the maps, and responsiveness to the strategies and RFO's for that priority. Outcome Teams were asked to rank the program offers by dividing the programs in their priority area into three equal categories: those that contributed most to the priority were ranked high, the next third ranked medium, and the last third ranked low due to a perception that they contributed least to the priority. Ranking is done with out regard to funding source and mandates—it focuses on results and outcomes. Most teams did several rounds of ranking.

## Step 5 – Board of Commissioners Ranking

**Step 5: The Board of County Commissioners ranked offers based on their contribution to the priority (completed March 24, 2006).**

Several work sessions were held to help inform the Board about the program offers by priority area. The Board was able to see a total contribution by priority area, gaps, overlaps, and potential opportunities for changing the way the County does business.

The Board ranked the programs offered by departments using results maps, indicators, strategies and RFO's as their guide. The Board discussed its initial rankings for clarification and was then provided the Outcome Teams rankings. They then had an opportunity to discuss the divergent rankings with the Outcome Teams. The Board then completed a second round of ranking. The Board agreed on 89.9% of the program offer rankings. The results of their second round of rankings were published on the internet and were available to the Chair to guide development of the Executive Budget.



FY 2007

### Board and Outcome Team Agreement on 2nd Round Rankings

	Board Agreed <i>(not yellow)</i>		Board & Outcome Team Agreed <i>(not blue or purple)</i>	
	#	%	#	%
Basic Needs	95 out of 102	91.0%	89 out of 102	87.3%
Safety	134 out of 155	86.5%	143 out of 155	92.3%
Accountability	92 out of 102	90.2%	87 out of 102	85.3%
Thriving Economy	17 out of 18	94.4%	17 out of 18	94.4%
Education	29 out of 34	85.3%	23 out of 34	67.6%
Vibrant Communities	25 out of 25	100.0%	21 out of 25	84.0%
<b>Total</b>		<b>89.9%</b>		<b>87.2%</b>

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Step 6 –  
Executive Budget  
Proposed

**Step 6: The Chair of the Board developed the Executive Budget proposal (Completed May 4, 2006)**

The Chair of the Board developed and proposed to the County Commissioners the Executive Budget for FY 2007 after considering the rankings from the Board, the six Outcome Teams, as well as outcomes, mandates, fund limitations and service-level requirements. The Board approved the Executive Budget on May 4. The Approved Budget was sent to the Tax Supervising Commission for their review and then it becomes the legal document from which the Board will deliberate. A number of budget work sessions and evening hearings are held.

Step 7 – Budget  
is Adopted

**Step 7: Board reviews, modifies, & adopts Multnomah County Budget (completed June 22, 2006).**

The Board of County Commissioners reviewed, modified and adopted the FY 2007 Budget on June 22, 2006. The Commissioners participated in several rounds of a purchasing exercise in order to develop consensus, to provide clarify and focus on any outstanding policy issues and to assist with budget closure. At the conclusion of Round #2 of purchasing, a majority of the Board agreed on 99% of the allocation of on-going and one-time-only revenues. The budget was adopted with 100% agreement on a majority of the Board.

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## FY 2007 Budget Overview – All Funds

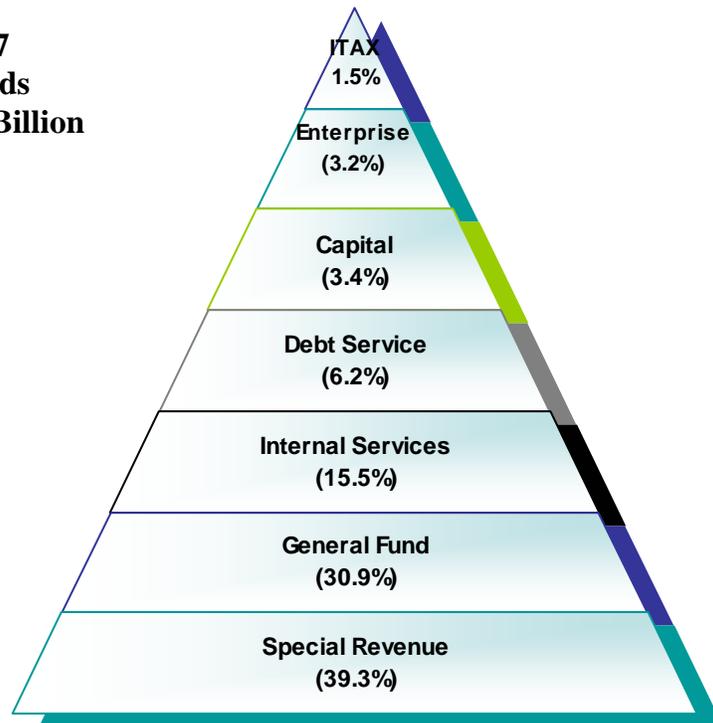
The FY 2007 Adopted budget takes into consideration both the difficult choices that must be made now, and the equally difficult choices that will need to be made next year. The program offers have been prepared with the best available information, but adjustments will be inevitable as the details of the State's budget are revealed.

With the focus provided by the priority-based budgeting process and a FY 2008 planned ramp-down of programs using \$22 million of one-time only funds, the County will ameliorate the negative impacts of the loss of the ITAX revenue as much as possible. Services will be reduced or eliminated over the next two years, and the County will shrink the size of its workforce

Local Budget law (ORS 294) requires a reporting of the total budget. The Adopted Budget for FY 2007 totals \$1,130,702,912. The total budget is the legal appropriation finally adopted by the Board of County Commissioners.

The total budget reflects the actual resources needed by the County, plus internal charges, transfers, loans, and accounting entities. The total budget figure overstates actual program expenditures because internal transactions are counted twice. Internal transactions between funds are typically the result of one department providing a service to another, such as information technology or facilities services. Because this overstates what is actually spent, the County often refers to the net budget.

**FY 2007  
All Funds  
\$1.131 Billion**



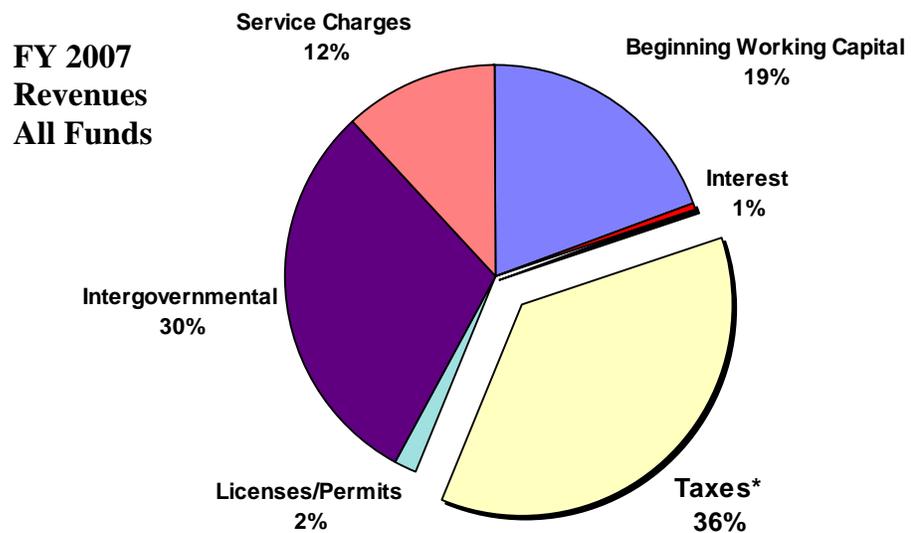
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The net budget is a more accurate statement of the money the County actually plans to spend during the year. The net budget subtracts all internal charges, transfers, and loans from one fund to another. It also removes all reserves for future years to more accurately reflect the ongoing operational budget.

The following provides a brief overview of the County's net budget:

- Total departmental expenditures (including payments from one fund to another and therefore double-counted), \$1,004,836.495.
- Eliminating the double count from internal transfers, contingency and reserves the Total County Net Budget is \$845,532,688.
- Total Contingency accounts and Reserves, \$96,720,608.



The Adopted Budget represents a modest reduction in County services. The impacts of the ITAX sunset have been blunted because there is \$52.3 million of one-time-only revenue appropriated in FY 2007. This revenue will allow us to continue a number of vital services for another year.

Most departments experienced nominal increases in their budget over the level adopted in FY 2006. Notable exceptions are the Department of Community Justice and the Department of School and Community Partnerships, which realized a combined reduction of \$1.8 million.

It bears noting that Nondepartmental expenditures have declined by more than \$72 million. But, this is misleading because it represents the loss of ITAX revenue that was passed through to county schools.

# Budget Manager's Message

The Table below provides a comparison of all the funds from FY 2006 to FY 2007.

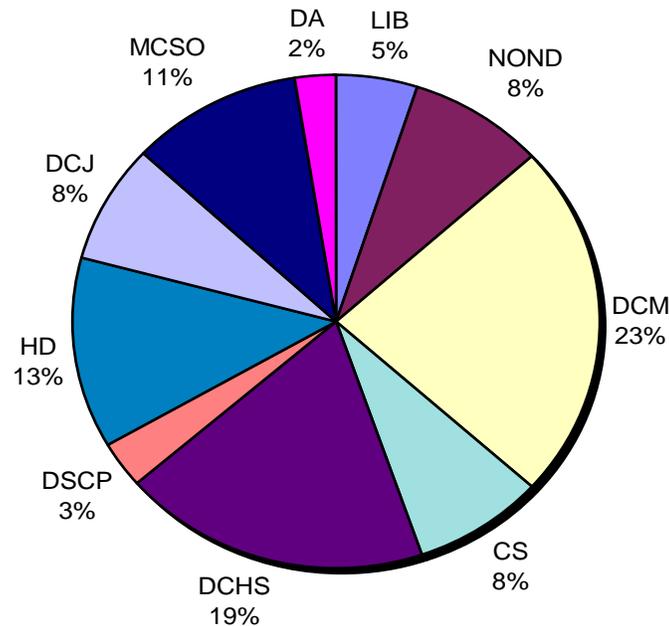
## FY 2006 – 2007 Fund Comparison

Fund	Fund Name	FY 2006 Adopted	FY 2007 Adopted	Change
1000	General Fund	426,640,736	365,399,160	##### ITAX sunset
1500	Strategic Investment Program	2,555,533	1,556,939	(998,594) LSI left, Community Housing is being spent, leaving less available
1501	Road Fund	48,588,525	53,122,693	4,534,168 road projects, per plan
1502	Emergency Communications	258,340	316,779	58,439
1503	Bicycle Path Construction	358,000	464,000	106,000 bike path projects, per plan
1504	Recreation Fund	116,000	120,000	4,000
1505	Federal/State Program	248,393,536	253,361,507	4,967,971
1506	County School Fund	226,000	275,000	49,000 estimated forest receipts
1507	Tax Title Land Sales	696,337	879,622	183,285 additional grant for clean up of hazardous property
1508	Animal Control Fund	1,093,200	1,125,400	32,200
1509	Willamette River Bridge Fund	37,498,337	41,787,615	4,289,278 bridge projects, per plan
1510	Library Serial Levy Fund	47,189,498	49,692,679	2,503,181 property tax increase, offset by some GF support reduction
1511	Special Excise Taxes Fund	16,463,000	17,862,000	1,399,000 \$1.4m increase in pass through to other agencies via IGAs and Visitors Development Board from anticipate transient lodging tax revenue
1512	Pub Land Corner Preservation	1,980,315	2,185,000	204,685 BWC increase
1513	Inmate Welfare Fund	2,945,654	2,429,423	(516,231) BWC decreased
1516	Justice Services Special Ops	4,872,797	5,232,409	359,612 work crews contracts
1517	General Reserve Fund	13,008,000	13,500,000	492,000
2001	Revenue Bond Sinking Fund	3,308,060	5,644,090	2,336,030 increase contingency
2002	Capital Lease Retirement Fund	17,344,189	20,651,696	3,307,507 Increase BWC of \$8 million and increase contingency by \$5 million
2003	General Obligation Bond Sinking	16,866,791	17,029,977	163,186
2004	PERS Bond Sinking Fund	26,200,000	27,180,000	980,000 BWC increase
2500	Justice Bond Project Fund	6,340,000	1,500,000	(4,840,000) bond fund projects ending
2504	Building Projects Fund	451,500	342,063	(109,437)
2506	Library Construction Fund (1996)	885,000	210,500	(674,500) bond fund projects ending
2507	Capital Improvement Fund	26,641,593	27,979,827	1,338,234
2508	Capital Acquisition Fund	6,023,808	4,502,539	(1,521,269) Flat Fee program stopped
2509	Asset Preservation Fund	7,750,224	4,067,704	(3,682,520) Reduce Unappropriated balance
3002	Behavioral Health Managed Care	40,924,242	36,524,379	(4,399,863) reduction in Oregon Health Plan revenues
3500	Risk Management Fund	74,884,714	83,643,860	8,759,146 medical/dental rate increase
3501	Fleet Management Fund	10,193,844	11,398,123	1,204,279 Capital Outlay increase
3503	Data Processing Fund	31,156,908	34,787,542	3,630,634 Flat Fee program rolled into DP charges
3504	Mail Distribution Fund	4,532,303	7,527,476	2,995,173 budgeted sales of inventory to outside agencies
3505	Facilities Management Fund	40,899,151	38,402,910	(2,496,241) reduced unrecoverable revenue and expenditures - budget change, no service change
3506	Business Services Fund	15,974,068		##### HR and Finops functions previously in this fund have shifted to departments and the General Fund
<b>TOTAL ALL FUNDS</b>		<b>1,183,260,203</b>	<b>1,130,702,912</b>	<b>#####</b>

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## FY 2007 Requirements All Funds



## General Fund Overview

The General Fund comprises about a third of the County's budget and represents the largest pool of discretionary funds. The General Fund has both discretionary and non-discretionary resources. Discretionary resources are those that the Chair and Board of County Commissioners can allocate to support any department; there are few restrictions on how these resources can be allocated.

Discretionary resources include property taxes, business income taxes, motor vehicle rental taxes, interest earnings, and state shared revenues (i.e., Video Lottery, Cigarette Tax.). The General Fund also includes a number of resources—including grants, contract revenues, service reimbursements, and inter-governmental revenues—that are dedicated to specific purposes.

General Fund resources are categorized as ongoing or one-time-only (OTO). An example of an OTO resource is a major donation or payment from the settlement of a lawsuit or the Multnomah County Temporary Income Tax. An example of an ongoing resource is an increase in property tax revenues which can be expected to be sustained over time.

The County takes a conservative approach to forecasting General Fund revenues. Overall revenue growth is forecast to range 3% to 4% during the current five year forecast period. Property Tax is the single largest source of revenue in the General Fund and it accounts for more than 65% of total revenues. General Fund revenue growth, therefore, is particularly sensitive to changes in property valuation.

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Expenditures are forecast to grow between 5% and 6% – a rate of growth that takes inflation, employee compensation, and long term fixed costs into account. For FY 2007 we initially projected a current funding level shortfall of roughly \$27.5 million, or about 9% of ongoing General Fund program costs. The Board allocated approximately \$22 million of one-time-only funds to continue ongoing programs. This effectively represents a General Fund reduction of about \$5 million. Starting in FY 2008, the General Fund will have a structural deficit that will require us to identify approximately one to two percent in ongoing reductions on average each year over the forecast period, in addition to the one-time-only revenue noted above.

In FY 2007 the General Fund does not include \$125 million in revenue from the Temporary Personal Income Tax approved by the voters in May, 2003. The ITAX raised \$93 million in support of county school districts, and \$32 million for Multnomah County programs in the areas of Public Safety and Health and Human Services.

## General Fund Reserve Status

The FY 2007 Adopted Budget fully funds reserves. One of the major reasons the County has been able to maintain its high general obligation bond rating of Aa1 is because of Board adherence to established fiscal policies. Moody's monitors how the County manages its finances during both strong and challenging economies and has based its rating on how the County has managed budget issues over the last several years. Moody's also looks very favorably on the maintenance of reserves at adequate levels.

The County maintains two separate reserves as outlined in the Financial & Budget Policies. Each reserve has a target equal to 5% of General Fund ongoing revenues. Based on FY 2007 budgeted revenues that target amounts to approximately \$13.5 million. This budget fully funds the two reserves – one is in the General Fund, the other is in a separate, General Reserve Fund – at \$27 million.

## BIT Stabilization Reserve Fund

In the FY 2007 budget the Board of County Commissioners established a BIT Stabilization Reserve in the amount of \$3.5 million. This "stabilization reserve" is in addition to the General Fund and General Reserve Fund reserves described above.

The Business Income Tax (BIT) is a General Fund revenue source that has historically demonstrated itself to be very volatile. BIT revenue collection increased to record levels in FY 2006 and will very likely top \$46 million. Based on a recommendation from the Budget Office, the Board increased BIT revenues to \$40.5 million and established the BIT reserve to help mitigate the risk of an unexpected downturn in the regional economy. In previous years BIT revenue has fluctuated up and down by as much as 20% to 30% from year to year.

# Budget Manager's Message

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## General Fund Summary Information

The following is an overview of the FY 2007 General Fund:

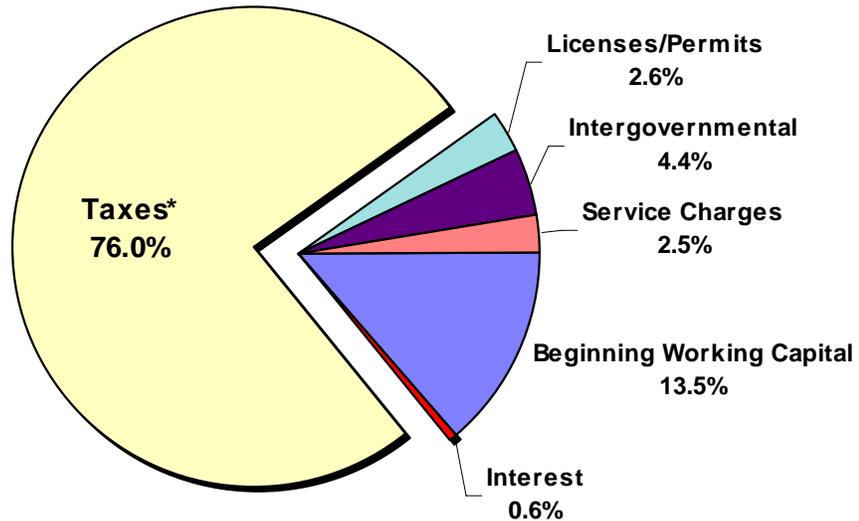
- Total current General Fund revenues, \$365,399,160.
- Total departmental expenditures (including cash transfers to other funds), \$327,717,593.
- Total Contingency accounts and Reserves, \$21,125,260.
- Temporary Income Tax Revenues, \$16,500,000 (prior year tax collections).

## General Fund Revenues

Overall, General Fund resources have grown dramatically from the previous year. General Fund resources are approximately 9% higher than estimated for the FY 2006 budget. The rate of growth has been adjusted for loss of the ITAX revenue. Most of the increase can be attributed to a **50% increase** in forecast BIT revenue for FY 2007. Most other revenue sources are expected to grow at their historical levels.

The following pie charts show major revenue sources and the distribution of expenditures among departments.

### FY 2007 General Fund Revenues



## Property Taxes

Property taxes are Multnomah County's largest single source of revenue. Revenue from this source constitutes roughly two-thirds of the total General Fund.

In 1998, Measure 50 established a permanent property tax rate for each local government. Multnomah County's permanent tax rate is \$4.3434 per \$1,000 of assessed value.

# Budget Manager's Message

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As assessed value grows, the taxes collected by Multnomah County also grow. Assessed value grows in two ways:

- For most properties, it can grow no more than 3% annually;
- The value of new construction is added above the 3% maximum growth.

FY 2007 property tax estimates were based on the assumption that value growth would average 4% throughout the County, reflecting the Measure 50 limits and a \$450 million increase in "exception" value associated with new construction.

## Multnomah County Temporary Personal Income Tax

In March 2003, the County adopted a resolution to submit to the voters an ordinance to levy a Temporary Personal Income Tax to benefit Public Schools, Public Safety, and Human Services. Measure 26-48 was approved by the voters on May 20, 2003. It enacted a 1.25% income tax, that was estimated to raise \$132 million annually for three years, ending in December, 2005.

Actual ITAX Collection for the three tax years as of June 2006 are:

- Tax Year 2003 - \$112.5 million, 98% compliance
- Tax Year 2004 - \$117.6 million, 88% compliance
- Tax Year 2005 - \$119.8 million, 85% compliance

The County Attorney's Office is pursuing collection on all delinquent accounts for tax year 2003 and 2004. For 2004, County is also in the process of sending out non-filer letters to about 27,000 Multnomah county residents. Collections are expected to net \$8 million. The 2004-2005 school year was fully funded at \$66.9 million based on 2004 ADMw (average daily membership / weighted) of \$618 per student. The balance of the 2003 money collected was carried over to 2005-2006 to meet an ADMw of \$863.26 per student. Given the revised ITAX revenue estimate, County will be able to meet its full obligation to fund schools at stated ADMw levels.

## Business Income Tax

The Business Income Tax (BIT), established in 1976, is the second largest source of revenue in the General Fund. Since 1993, it has been set at a rate of 1.45% of net income. In March 1998, voters in Multnomah County passed a temporary 0.50% BIT surcharge. Proceeds from this surcharge were dedicated to school districts within the county.

Business Income Tax collections have soared over the past two years, a clear indication of the economic recovery that is currently in progress. In FY 2005 the BIT grew by 20% over the previous year. The trend has continued into the current year. It is very likely that BIT revenue will reach an all-time record high in FY 2006. Current collections are running 25% - 30% higher than last year.

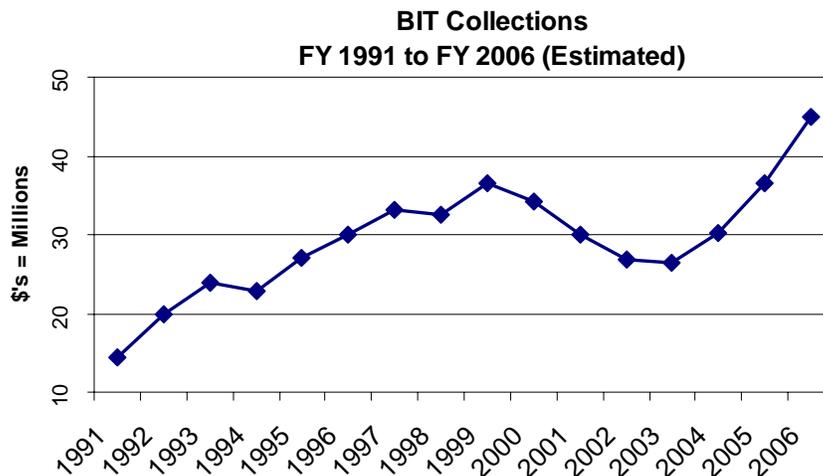
# Budget Manager's Message

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The forecast for FY 2007 is much more conservative. Given that we are at historically high levels of BIT collections experience suggests that it cannot continue to expand at such a rapid rate.

The Adopted Budget assumes an immediate 10% reduction for FY 2007 while the five year revenue forecast sets the annual rate of growth at about 3.75% - the "average" trend experienced over the past dozen years.

If there is one thing that is clear about the BIT it is that it is a very volatile revenue source that is clearly cyclical with economic conditions. The following chart highlights the volatility of this revenue source over time.



The long range forecast for the BIT is somewhat difficult to predict. As with any income tax, the indicators tend to lag – in other words when we start to see collections head downward we will typically be a year behind the curve in our ability to forecast annual revenue. In addition, proposals have been forwarded to raise exemption levels for the owner's compensation allowance which, if enacted, will reduce revenue collections in the short term. For these reasons we feel it is prudent to take a conservative approach towards this particular revenue source.

For FY 2007, the Board of County Commissioner's has established a BIT stabilization reserve of \$3.5 million as a hedge against the volatility of this revenue source.

## Motor Vehicle Rental Tax

The County imposes a Motor Vehicle Rental Tax (currently set at 12.5%) that is paid by businesses that lease or rent vehicles within Multnomah County. The majority of this tax revenue is a General Fund resource. It is the third largest source of discretionary revenue in General Fund. The balance supports costs and programs associated with the Oregon Convention Center.

# Budget Manager's Message

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The Motor Vehicle Rental Tax has rebounded slowly from the impact that the 9/11/2001 attacks had on the travel and tourism industry. Air passenger traffic through PDX International has shown steady signs of a recovery for the local tourism industry. In recent months, the airport has reported a record level of passenger emplanements – a very positive indicator for Motor Vehicle Rental Tax collections.

Motor Vehicle Rental Tax collections are expected to increase by more than 10% in FY 2007. The longer range forecast suggests a much slower rate of growth, primarily as a result of two factors. First, the impact of the airport MAX line on automobile rentals has not been fully assessed but it has proven to be very popular with travelers. Also, the specter of increased airfares may tend to depress the number of casual fliers who may choose other modes of transportation for their vacation travel.

## Balancing the General Fund

Fortunately, economic conditions have improved considerably since the ITAX was implemented. The unemployment rate in Multnomah County is heading down towards 5% and Oregon currently ranks fifth of all the 50 states in year over year job growth. Corporate profits, as reflected in our Business Income Tax (BIT) collections, are nearing record high levels. The BIT grew by more than 20% last year and annual revenue collections were higher than any year since FY 1999. Most leading economic indicators are headed in a positive direction so it does appear that we have, at least partially, crossed the bridge to better economic times.

But, improving economic conditions do not necessarily translate to revenue windfalls for local governments. It is true that the BIT grew by more than 20% last year – but it only accounts for between 10% - 15% of total General Fund revenue. Property Tax is the largest source of revenue in the General Fund. It represents roughly 65% of ongoing General Fund revenue. Property Tax revenues have been limited in Oregon, in one form or another, since FY 1991. As a result of the most recent limitation (Measure 47 passed in November, 1996) taxes on existing properties cannot grow by more than 3% per year.

In other words we have a revenue source that accounts for more than half of the General Fund and is limited to a growth rate that, at best, just keeps pace with inflation. In fact, there are only a handful of revenue sources that account for most of the General Fund. With the exception of the BIT and Recording Fees, we have few revenue sources that are responsive to changes in economic conditions. Assuming, therefore, that Property Tax revenue cannot grow much more than 3% per year all the other revenue sources in the General Fund would have to grow by about 25% in order to offset the loss of ITAX revenue.

# Budget Manager's Message

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Overall expenditure growth in FY 2007 is forecast to range from about 4.5% to 5.5% over the current year. Inflation, as measured by the Consumer Price Index (CPI) has been fairly moderate over the past few years. In that regard we have, perhaps, fared better under the Property Tax limitation measures than we might otherwise have. Recently inflation has begun to creep back over 3% on an annual level. High energy and housing prices are usually cited as the two main factors that are driving inflation upward.

It is also true, though, that US labor markets have been tightening. National unemployment is right at 5% - a level that is very close to what economists call "full employment" - and wage increases typically lead to price increases. In Multnomah County labor costs tend to drive overall expenditure growth and that will certainly be true in FY 2007. The County engages in collective bargaining with ten bargaining units, representing nearly 5,000 employees. Most labor contracts have a CPI escalator that is capped at 4% annually.

As a point of reference, each one percent change in payroll increases costs in the General Fund by more than \$1.25 million. In addition to wage inflation, Multnomah County also faces increasing costs for employee pensions and medical/dependent healthcare.

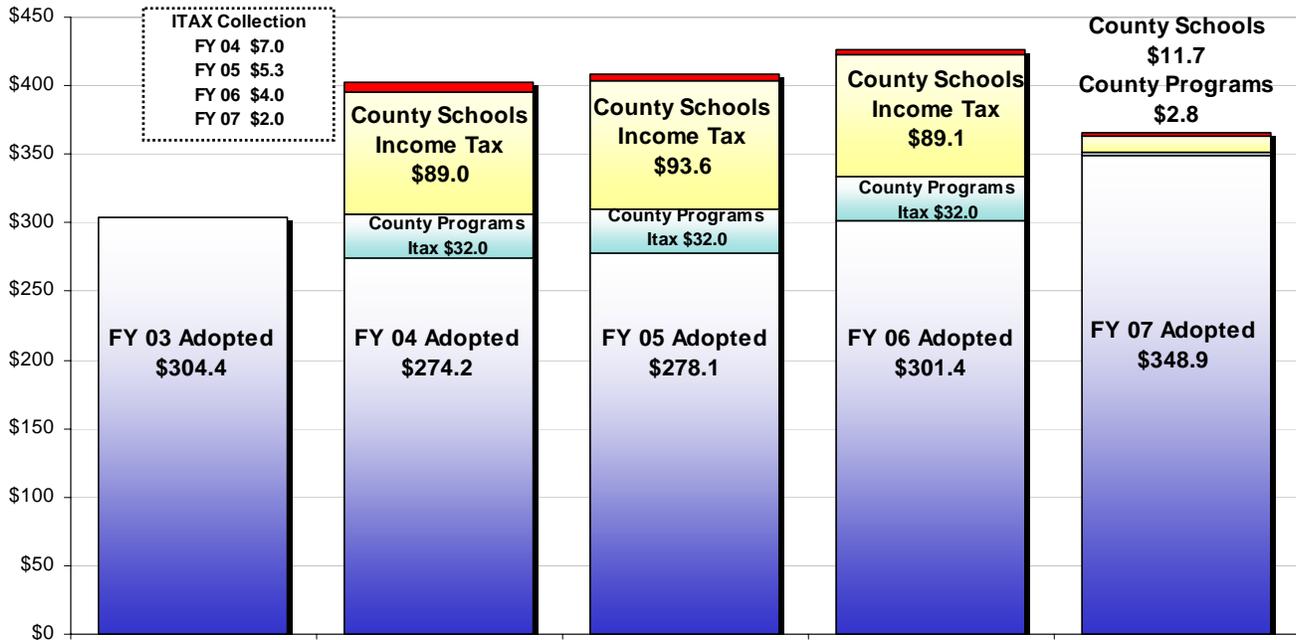
The Adopted Budget has been balanced within available revenues. Ongoing program expenditures total \$300.5 million. However, the Adopted Budget also includes \$22 million of ongoing programs that are funded with one-time-only resources. There is also an additional \$29 million of funding for one-time-only programs that are supported by one-time-only revenues. Finally, the budget proposal relies on approximately \$12.5 million of General Fund savings packages that are backfilled with \$4.3 million of OTO revenue.

## GF Expenditure Summary

The following graph shows the General Fund appropriation from FY 2003 Adopted through FY 2007 Adopted with and without the Temporary Personal Income Tax.

# Budget Manager's Message

## County General Fund Comparison FY 2003-2007 Adopted



### Use of One-Time Only Funds

The FY 2007 Adopted budget has approximately \$52 million of one-time-only revenue. A word of caution must be exercised regarding the use of OTO money. Our financial policies state that, *“it is the policy of the Board that the County will fund ongoing programs with ongoing revenues.”* Use of one-time-only funds for ongoing programs results in an expansion of operational levels (and public expectations) beyond the capacity of the organization to maintain. If any of the “on-going” program offers funded with OTO do not ramp down and sunset by the end of FY 2007, it will have the effect to create an even larger funding deficit for FY 2008.

The Board adopted a budget note regarding the significant amount of one-time-only resources. The \$52 million of OTO placed the Board in the difficult position of balancing the need to continue critical services to our residents for one more year or strictly comply with the financial policies. The adopted budget strikes that balance by allowing one year of bridge funding to ramp down programs, find alternative revenue sources or redesign process to mitigate the anticipated loss of services in FY 2008.

The Board will be briefed on the sunset status these programs prior to fiscal year end.

# Budget Manager's Message

The following programs are targeted to sunset in FY 2007.

- Program # Program Name
- 10012 Cultural Diversity Conference
  - 10022 Elders in Action
  - 10024 Regional Arts & Culture Council
  - 10027 Business Income Tax Pass-Through
  - 21033 Social and Support Svcs for Educational Success
  - 21035 Alcohol, Tobacco, and Other Drug Services
  - 21036 Gender Specific Svcs for Girls
  - 21039 Bienestar Ortiz Site
  - 25081B A&D Community Based Services - Backfill
  - 25087 A&D Residential Treatment - Women Designated
  - 25094 A&D Youth Residential Treatment
  - 40017 Students Today Aren't Ready for Sex (STARS)
  - 40040 Children's Assessment Center
  - 50031 Adult Field Services - Misdemeanor Supervision
  - 50037 Londer Learning Center
  - 60003B MCSO 911 System Access
  - 60016C MCSO Booking: Gresham Temp Holding
  - 60024A Civil Process
    - 60025 MCSO Corrections Work Crews
    - 60038 MCSO Wapato Jail: Mothball Costs for Facility
  - 25072A Bienestar Mental Health Services
  - 60024C MCSO LE: Countywide Investigations
  - 80004A Juvenile Justice Outreach - Current Service Level
  - 80005A Books 2 U-Current Service Level
  - 95002 Corrections Health

## Changes to Departments

The following is a brief summary of changes to department. For more detail consult the department sections in Volume Two

### Community Justice (DCJ)

Budget Trends	FY 2005	FY 2006	FY 2006	FY 2007	Difference
	<u>Actual</u>	<u>Current Estimate</u>	<u>Adopted Budget</u>	<u>Adopted Budget</u>	
Staffing FTE	538.94	553.73	553.73	531.21	(22.52)
Personal Services	\$40,921,998	\$43,936,157	\$44,701,201	\$46,498,251	\$1,797,050
Contractual Services	17,361,294	15,810,781	15,723,977	15,392,549	(331,428)
Materials & Supplies	16,710,917	17,012,556	17,072,183	14,242,074	(2,830,109)
Capital Outlay	<u>16,258</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Costs</b>	<b>\$75,010,467</b>	<b>\$76,759,494</b>	<b>\$77,497,361</b>	<b>\$76,132,874</b>	<b>(\$1,364,487)</b>

The Department of Community Justice is responsible for the supervision of adults and juveniles involved in the criminal justice system as well as the detention of youth. DCJ has focused on core services, and prioritized high-risk offenders. The General Fund has decreased by \$2.6 million or 5.2%, part of this decrease is due \$1.0 million for debt service at the Donald E. Long building formerly budgeted in DCJ is now being budgeted in the Facilities Management

# Budget Manager's Message

budget. The Adopted Budget includes the following new programs – 50024 Juvenile Latino Shelter Beds, 50028B Adult Offender Housing Alternative Incarceration Transition Program; 50032B Adult Domestic Violence Court, 50049B Addiction Services Adult Offender Outpatient Alternative Incarceration Program and 50071 Addiction Services Adult Residential City Funded The Juvenile Summer Youth Program offer 50022B was not purchased and Misdemeanor Supervision offer 50031 was reduced by 25% or \$662,000.

## Community Services (CS)

Budget Trends	FY 2005	FY 2006	FY 2006	FY 2007	Difference
	<u>Actual</u>	<u>Current Estimate</u>	<u>Adopted Budget</u>	<u>Adopted Budget</u>	
Staffing FTE	0.00	238.50	238.50	223.67	(14.83)
Personal Services	\$0	\$17,785,391	\$19,046,933	\$19,298,888	\$251,955
Contractual Services	0	24,930,317	27,931,395	28,302,517	371,122
Materials & Supplies	0	14,054,246	10,079,467	10,254,495	175,028
Capital Outlay	0	9,277,622	16,248,012	21,525,220	5,277,208
<b>Total Costs</b>	<b>\$0</b>	<b>\$66,047,576</b>	<b>\$73,305,807</b>	<b>\$79,381,120</b>	<b>\$6,075,313</b>

The Department of Community Services was created in FY 2006 by consolidating and restructuring County Business Services. The historical information prior to FY 2006 is shown in BCS. This department provides road and bridge engineering and maintenance, transportation planning and capital improvement program, animal services and land use planning, tax title, survey, elections, an emergency management. The Adopted Budget is \$6.1 million higher than FY 2006 and the General Fund budget is \$646,000 higher than FY 2006. Other significant changes include - 91009A - Emergency Management - \$3.4 million reduction due to the sunset of Homeland Security grant. Additionally roads within the City of Gresham were transferred to that City along with increased funding to maintain those roads. Capital Outlay increased approximately \$5.4 million, based on the forecasted capital project schedule. The reduction of 14 FTE, mainly because of the transfer of roads to the City of Gresham although personnel costs have increased \$550,000.

## County Human Services (DCHS)

Budget Trends	FY 2005	FY 2006	FY 2006	FY 2007	Difference
	<u>Actual</u>	<u>Current Estimate</u>	<u>Adopted Budget</u>	<u>Adopted Budget</u>	
Staffing FTE	558.21	558.00	567.29	556.78	(10.51)
Personal Services	\$39,499,242	\$41,974,985	\$42,756,914	\$45,071,241	\$2,314,327
Contractual Services	126,587,487	132,101,788	130,736,971	76,184,478	(54,552,493)
Materials & Supplies	14,693,467	11,891,971	12,071,621	65,863,973	53,792,352
Capital Outlay	0	169,975	169,975	0	(169,975)
<b>Total Costs</b>	<b>\$180,780,196</b>	<b>\$186,138,719</b>	<b>\$185,735,481</b>	<b>\$187,119,692</b>	<b>\$1,384,211</b>

The Department of County Human Services provides a range of care and support to the elderly and to people with serious physical, emotional or developmental disabilities. Services are delivered through direct case management, contracts with community-based organizations, and linkage to

# Budget Manager's Message

external resources, such as food stamps and Medicaid. The Adopted Budget for FY 2007 is \$187.1 million, or \$1.4 million more than FY 2006. General Fund appropriations are \$31.4 million, or \$1.5 million more than FY 2006. Non-General Fund appropriations are \$155.7 million, or essentially unchanged from FY 2006.

The General Fund increase is due to personnel cost increases and the \$1 million one-time-only funding of program offer 25114 – Bridges to Housing. These increases are somewhat offset by several offers, such as 25065 – Mental Health Outreach to the Public Health Clinics, not being funded.

The flat non-General Fund appropriations are attributable to a \$4.4 million reduction in Oregon Health Plan revenues. This is due a reduced per-member premium and a lower, more accurate estimate of funds associated with the State's redesign of children's intensive mental health services. This is offset by \$1.9 million of unspent state mental health funds from prior years and increases in other revenue sources.

The DCHS Adopted staffing level of 556.78 FTE is 10.51 FTE lower than the Adopted FY 2006 budget. The FTE reduction is due largely to reduced state supported FTE in Aging & Disability Services Long-Term Care program offer. Despite the reduced FTE count, personnel costs increase by \$2.3 million.

## County Management (DCM)

<u>Budget Trends</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2006</u>	<u>FY 2007</u>	
	<u>Actual</u>	<u>Current Estimate</u>	<u>Adopted Budget</u>	<u>Adopted Budget</u>	<u>Difference</u>
Staffing FTE		619.76	619.76	567.63	(52.13)
Personal Services	\$0	\$53,991,874	53,721,412	52,730,325	(\$991,087)
Contractual Services	0.00	12,914,106.00	13,721,079.00	6,656,599.00	(7,064,480.00)
Materials & Supplies	0.00	107,846,950.00	125,798,001.00	132,648,046.00	6,850,045.00
Capital Outlay	0.00	14,445,754.00	32,299,509.00	39,442,782.00	7,143,273.00
<b>Total Costs</b>	<b>\$0</b>	<b>\$189,198,684</b>	<b>\$225,540,001</b>	<b>\$231,477,752</b>	<b>\$5,937,751</b>

The Department of County Management (DCM) was created in FY 2006 by consolidating and restructuring County Business Services and the Finance, Budget, and Tax Office into one organization. The historical information prior to FY 2006 is shown in BCS. DCM programs support the financial, infrastructure, human resource and tax functions of the County. The major areas of responsibilities in DCM are budget, accounting, treasury, property tax valuation & collection, income/excise taxes, facilities/property management, information technology, fleet, records, electronics, distribution, materiel management, SAP, sustainability, human resources, procurement, accounts payable and risk management functions. The Adopted Budget is \$5.9 million higher than FY 2006. The General Fund portion is \$6.1 million higher because several functions that were budgeted in the Business Services Fund have been shifted to the General Fund. Staff has decreased by 52 FTE, due mostly to the

# Budget Manager's Message

transfer of some HR and Finance Operations staff to Departments. It includes a current service level staff reduction of 10 FTE. Other significant changes are: 72035 – SAP Integrated Information System - \$3 million in debt has been paid off; 72036 – Personal Income Tax Collection (ITAX) – \$2.79 million decreased cost of collecting ITAX due to the sunset of this tax. 72062 – Materiel Management – \$3 million increase due to budgeting for sales to other agencies. This satisfies Generally Accepted Accounting Principles and Facilities Fund – Reduction of \$1.7 million mostly due to a change in budgeting methodology to more appropriately reflect the requirements of the Facilities Division.

## District Attorney (DA)

Budget Trends	FY 2005	FY 2006	FY 2006	FY 2007	Difference
	<u>Actual</u>	<u>Current Estimate</u>	<u>Adopted Budget</u>	<u>Adopted Budget</u>	
Staffing FTE	209.66	218.30	218.30	221.30	3.00
Personal Services	\$17,264,547	\$18,755,415	\$18,698,151	\$19,929,895	1,231,744
Contractual Services	1,136,496	1,326,350	1,154,475	1,263,949	109,474
Materials & Supplies	2,940,181	3,059,935	3,027,047	2,558,277	(468,770)
Capital Outlay	<u>21,137</u>	<u>87,000</u>	<u>98,000</u>	<u>43,000</u>	<u>(55,000)</u>
<b>Total Costs</b>	<b>\$21,362,361</b>	<b>\$23,228,700</b>	<b>\$22,977,673</b>	<b>\$23,795,121</b>	<b>\$817,448</b>

The District Attorney is responsible for prosecuting crimes that occur in Multnomah County, representing the State in dependency and delinquency cases, and enforcing child support. The core services of the prosecutor's office reflect these statutory obligations and include prosecution of criminal cases, protection of children and enforcement of child support, victims' assistance services, and attention to crime reduction strategies. The Adopted Budget has essentially remained flat year over year while the number of positions has increased from 218.03 to 221.30 FTE, a 1% increase mainly as a result of dissolution of Shared Services and FTE returning back to the DA's Office. The most significant change was that the Board of County Commissioners chose to backfill a grant with General Fund to support the Prosecution of Elder Abuse (offer 15021 ALT: Domestic Violence Trial Unit - Elder Abuse).

## Health Department (HD)

Budget Trends	2004-05	2005-06	2005-06	2006-07	Difference
	<u>Actual</u>	<u>Current Estimate</u>	<u>Adopted Budget</u>	<u>Adopted Budget</u>	
Staffing FTE	994.83	849.88	849.88	897.58	47.70
Personal Services	\$64,936,767	\$72,374,195	\$72,374,195	\$81,142,186	8,767,991
Contractual Services	16,017,710	\$13,646,232	13,646,232	13,050,181	(596,051)
Materials & Supplies	31,606,482	\$29,581,238	29,581,238	29,943,164	361,926
Capital Outlay	<u>58,470</u>	<u>\$69,500</u>	<u>69,500</u>	<u>492,468</u>	<u>422,968</u>
<b>Total Costs</b>	<b>\$112,619,430</b>	<b>\$115,671,165</b>	<b>\$115,671,165</b>	<b>\$124,627,999</b>	<b>\$8,956,834</b>

The Health Department seeks to protect against threats to health, to ensure access to healthcare for Multnomah County residents, and to promote health.

# Budget Manager's Message

The department operates an array of health protection and promotion programs, and is a major healthcare provider for low-income residents that operates an extensive and integrated system of care.

The Health Department's FY 2007 adopted budget totals \$124,627,999, which is a 7.7 percent increase over the FY 2006 adopted budget. The budget includes \$75,476,663 in Federal, State and Medicaid revenue and \$49,151,332 in County General Fund. The FY07 adopted budget includes 897.58 FTE, 47.70 over the FY 2006 adopted budget. 27.38 positions were added during FY 2006 with resources from increased Medicaid earnings and new grants. The FY 2007 adopted budget contains 20.32 additional positions, the majority of which are positions being transferred back to the Health Department from the Business Services organization.

The adopted budget funds a portion of the Integrated Clinical Services (Primary Care Clinics, Corrections Health, Dental Services, and School-Based Health Centers) with one-time-only General Fund resources. The one-time-only General Fund amount is \$2.7 million. Medicaid and grant revenues associated with these program offers total \$8.1 million.

## Library (LIB)

Budget Trends	2004-05	2005-06	2005-06	2006-07	Difference
	<u>Actual</u>	<u>Current Estimate</u>	<u>Adopted Budget</u>	<u>Adopted Budget</u>	
Staffing FTE	451.60	446.75	446.75	453.25	6.50
Personal Services	\$27,701,685	\$28,858,613	\$28,858,613	\$31,804,937	2,946,324
Contractual Services	976,119	\$811,761	811,761	910,269	98,508
Materials & Supplies	15,867,210	\$17,469,124	17,469,124	16,927,473	(541,651)
Capital Outlay	<u>720,206</u>	<u>\$935,000</u>	<u>935,000</u>	<u>260,500</u>	<u>(674,500)</u>
<b>Total Costs</b>	<b>\$45,265,220</b>	<b>\$48,074,498</b>	<b>\$48,074,498</b>	<b>\$49,903,179</b>	<b>\$1,828,681</b>

The Library's FY 2007 operating budget request is \$49.9 million, an increase of 3.8% from the FY 2006 budget. This increase is largely due to growth in personnel costs. The total FTE will be 453.25. Even with the transfer back to the Library's budget of 7 FTE in Human Resources and Finance staff, this budget request reflects only a 6.5 FTE increase. The FTE level is nearly the same as it was seven years ago, despite a significant increase in use. Continuous review and redesign of processes and functions have allowed the Library to bring greater efficiencies for taxpayer dollars – doing more with less. Use levels have climbed so high, however, that identifying more efficiencies that produce additional significant savings are unlikely.

# Budget Manager's Message

## Non-Departmental (Non-D)

Budget Trends	2004-05	2005-06	2005-06	2006-07	Difference
	<u>Actual</u>	<u>Current Estimate</u>	<u>Adopted Budget</u>	<u>Adopted Budget</u>	
	Staffing FTE	66.28	71.82	71.82	
Personal Services	\$6,479,688	\$6,846,096	\$6,846,096	\$7,087,456	241,360
Contractual Services	119,168,639	\$112,571,964	112,571,964	42,496,473	(70,075,491)
Materials & Supplies	99,183,250	\$45,752,734	45,752,734	43,442,067	(2,310,667)
Capital Outlay	<u>75,260</u>	<u>\$812,752</u>	<u>812,752</u>	<u>452,141</u>	(360,611)
<b>Total Costs</b>	<b>\$224,906,838</b>	<b>\$165,983,546</b>	<b>\$165,983,546</b>	<b>\$93,478,137</b>	<b>(\$72,505,409)</b>

*Note: The above are direct operating expenditures. Totals do not reflect amounts in transfers, contingencies, and reserves. Program offers DO include transfers, contingencies, and reserves.*

The Nondepartmental section of the budget includes support for the Chair's Office, the Commissioners' offices, the County Auditor, Public Affairs Office, the County Attorney Office, non-County Agencies, independent County organizations, the County's ITAX transfer to school districts and accounting entities. Fund level program offers are shown here, as are debt schedules for the County's various debt service funds. The significant expenditure reduction is due to the expiration of the County's three-year temporary income tax (ITAX) in 2006.

## School and Community Partnerships (DSCP)

Budget Trends	FY 2005	FY 2006	FY 2006	FY 2007	Difference
	<u>Actual</u>	<u>Current Estimate</u>	<u>Adopted Budget</u>	<u>Adopted Budget</u>	
	Staffing FTE	66.87	63.90	63.90	
Personal Services	\$5,276,086	\$5,282,098	\$5,282,098	\$5,823,456	\$541,358
Contractual Services	24,798,027	23,595,259	23,774,044	16,560,078	(7,213,966)
Materials & Supplies	2,949,566	2,872,422	2,604,566	8,865,528	6,260,962
Capital Outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Costs</b>	<b>\$33,023,679</b>	<b>\$31,749,779</b>	<b>\$31,660,708</b>	<b>\$31,249,062</b>	<b>(\$411,646)</b>

The Department of School and Community Partnerships' primary focus is childhood poverty as it pertains to education. It works to align services to children and families in order to improve outcomes, and develops, promotes, and implements best practices into its partnerships. The Adopted Budget for FY 2007 is \$31,249,062, which represents a 1.3% decrease from FY 2006. General Fund resources have decreased by \$0.41 million to \$15.48 million, while non-general fund resources are essentially unchanged at \$15.77 million.

Adjusting for the accounting changes, funding for purchased services has decreased by about \$0.75 million. The decrease is largely due to program offer 21902 – SAV: Reduce Administration & Coordination in the SUN System, which reduces purchased services by \$1.67 million pending the Department reporting back to the Board. Offsetting the decrease is program offer 21009 –

# Budget Manager's Message

Youth Gang Prevention, which includes approximately \$700,000 that was previously budget in the Department of Community Justice and the Department of County Human Services. A cost-of-living adjustment for contractors also reduces the size of the decrease.

## Sheriff's Office (MCSO)

<b>Budget Trends</b>	<b>FY 2005 Actual</b>	<b>FY 2006 Current Estimate</b>	<b>FY 2006 Adopted Budget</b>	<b>FY 2007 Adopted Budget</b>	<b>Difference</b>
Staffing FTE	811.28	832.11	832.11	819.86	(12.25)
Personal Services	\$76,679,029	\$78,156,238	\$77,830,685	\$85,446,231	\$7,615,546
Contractual Services	3,798,388	1,322,545	1,423,407	1,523,153	99,746
Materials & Supplies	19,550,212	20,217,514	19,767,964	18,847,350	(920,614)
Capital Outlay	823,062	194,066	194,066	209,816	15,750
<b>Total Costs</b>	<b>\$100,850,691</b>	<b>\$99,890,363</b>	<b>\$99,216,122</b>	<b>\$106,026,550</b>	<b>\$6,810,428</b>

The Sheriff's Office performs law enforcement and corrections functions. The Adopted Budget includes two major funding areas:

- County General Funds support \$91.8 million in appropriations, nearly 87% of MCSO's total budget. \$4.4 million is supported with one time only funding. A year over year comparison shows the general fund budget increased by nearly \$7.2 million from FY 2006, an 8.6% increase. Most of the increase is attributable to an increases associated with costs from the settled labor contracts.
- Federal/State Fund is primarily composed of State Community Corrections funds totaling \$8.1 million or 7.7% of the total budget.

In FY 2007, the Sheriff will have the budgeted capacity to support 1,690 beds. This includes \$1.2 million in one-time-only funding from the City of Portland to support targeted jail beds.

# Budget Manager's Message

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## Economic Conditions and Outlook

The national economy, measured by GDP, has grown at inflation adjusted annual rates of about 4.1% over the last two and a half years. This growth rate is above the natural growth rates in population and persons of working age and is indicative of a healthy mid-cycle recovery. It is a time of steadily improving employment, real income growth, and rising demand. However, it has also been a time of rising prices.

### The National Economy

The primary trend in the recovery is the re-emergence of business investment in equipment. Throughout the recession businesses experienced overcapacity and were reluctant to upgrade and expand their operations. It will be important to see if business investment and consumer spending can be maintained in the face of a number of potential risks and macroeconomic factors.

The economy is currently weathering a tightening credit environment and its effect on the housing market. In addition, inflationary threats are becoming more credible as evidenced by recent increases in the price of gasoline. The impacts of the twin hurricane disasters along the Gulf Coast have proven to be less damaging economically than originally estimated. The longer term effects of Katrina and Rita – particularly on oil refineries and fisheries – can only be surmised at this point. Collectively, these factors present some challenges to the national economy.

### Oregon Economy

Oregon continues to be among the top states in growth as the economic recovery continues in the region. According to the most recent *Blue Chip Job Growth* rankings, Oregon placed fifth in the nation in terms of year over year job growth. As of December, 2005 the number of jobs in Oregon increased by more than 57,000 or 3.5% higher than one year ago.

Wages and salaries are also increasing for Oregonians. The Oregon Office of Economic Analysis (OEA) reports an annual increase of 6.6 % since the third quarter of 2004. Since total wages and salaries are a function of both the number of people employed and their wage rate, the actual wage rate can be estimated by the difference, or about 3.2 %.

Oregon appears to be moving along with the national economy. The housing market remains quite strong but signs of slowing have recently begun to appear. A fairly significant portion of economic activity is tied to the growing housing market as evidenced by job gains in the construction sectors.

The consensus among economic forecasters is that 2006 will bring a repeat of 2005, but at a slightly cooled down level. As the upturn in the economy reaches a more mature stage in the business cycle job growth will continue but at a slower pace. High growth levels related to the economic “bounce back” will give way to a more normal pattern of sustained growth.

# Budget Manager's Message

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Multnomah County     The outlook for Multnomah County is mixed. Although the economy has been performing well, the largest gains have been construction related, which are anticipated to slow over the next year. Both professional and business services along with the educational and health services sectors have been growing steadily at 3.6 % in the Portland metropolitan area over the last year. Strength in the manufacturing, tourism, retailing, and healthcare sectors could carry the economy forward.

The Multnomah County unemployment rate is almost 2% lower than it was at this time last year. In addition, the labor force in the county has increased steadily since the beginning of last summer. There has been real job growth between 2% to 3% in the last half of 2005. The Portland metropolitan area has shown slightly stronger employment growth than the county. Its' recent growth can be found in many of the same sectors as the state. One notable difference in Portland can be seen in transportation equipment manufacturing (averaging 16 % job growth for the year.)

Much of the income growth we have seen in the Portland metropolitan area over the last two years has come about because of the strong employment markets for workers in the construction, real estate, architectural, building products supplier, finance, and engineering sectors. They are tied closely to the explosion in owner occupied housing throughout the region. There are indications that this is ending. A risk that has been identified in most economic forecasts is the impact that rising interest rates may have on homeowners with minimal equity in their investments.

A complete discussion of the current economic outlook, developed by ECONorthwest, can be found at:

[http://www.co.multnomah.or.us/dbcs/budget/mc\\_econ\\_fore\\_jan2006.pdf](http://www.co.multnomah.or.us/dbcs/budget/mc_econ_fore_jan2006.pdf)

This report provides detailed revenue estimates for the Business Income Tax (BIT), Motor Vehicle Rental Tax, and Transient Lodging Tax. It also offers forecasts for a few select local and national economic indicators.

# Budget Manager's Message

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## Risks & Opportunities

The FY 2007 Adopted budget is based on the information available at the time of development. Future decisions regarding new jail operations, bridges, and State funding add some uncertainty to the County's financial future and need to be noted.

### Employee Compensation

The County strives to offer the employees a wage package that is competitive with our peers in the public and private sector labor markets. Over the last few years, the single biggest challenge facing the County has been the impacts of increased costs of health insurance, property and liability insurance, workers compensation and retirement. The most dramatic increases have been increased contributions to the Public Employee Retirement System (PERS). In the General Fund where salaries and benefits make up approximately two-thirds of total operating costs, recently negotiated and approved salary and benefit increases have added stress to the overall balancing of the General Fund.

Assuming that cost of living adjustments will follow the change in inflation, the Budget Office directed departments to budget a 3.5% *increase in wages* for the development of program offers. Subsequently, inflation came in at 2.8% creating savings in the general fund program offers.

In addition to the COLA and steps increases, certain contractual costs have increased (employee medical insurance premiums, PERS contributions, etc.). Since personnel costs comprise the majority of local government expenses, even small percentage increases have a significant impact on the bottom line. PERS costs, for example, are estimated to increase by 1.5% of payroll in FY 2007. That translates to additional payroll costs of more than \$3.6 million based on the number of currently funded positions.

Like most employers, Multnomah County faces rising healthcare costs. Annual increases (e.g., for treatment, hospitalization, and prescriptions) continue to rise at roughly double the rate of core inflation. Changes to benefit plans are governed by an Employee Benefits Board (EBB). The EBB is comprised of representatives from all labor unions and changes to benefit plans need to be ratified by 80% of the voting members before they can take effect.

The cost of medical and dental insurance was forecast to increase by 17.85% in the coming year. For FY 2007 the County assumed that the EBB would take positive action to mitigate the forecast cost increases. The EBB operates under a cost sharing arrangement where increases in premium costs are split evenly between employees and the County. Under terms of the governance agreement employee costs can total no more than 10% of any benefit plan. But, in order for employees to experience "savings" in their out of pocket expenses the EBB needs to subsidize the annual rate increases.

# Budget Manager's Message

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That subsidy is estimated to be about \$2.2 million in FY 2007. The subsidy is funded with reserves that have accumulated in the Risk Management Fund. The EBB manages those funds and they cannot be used for any other purpose during the life of the governance agreement. Even with the level of subsidy approved by the EBB the County's costs for employee healthcare will grow by 13% over the previous year. The additional cost to the County is forecast to be more than \$4.75 million in FY 2007.

## Post Employment Unfunded Liability

The Government Accounting Standards Board (GASB) issues statements that dictate how governments should account for incurred and anticipated costs in their annual financial reports. In 2004, GASB issued Statement 45, which outlines reporting requirements for post-employment benefits other than pensions.

Multnomah County offers post-employment medical benefits to employees and their families until the time that the employee is eligible for Medicare. The County contributes one percent of current payroll costs to support the retiree medical insurance program and the former employees pay half the premium rate that is set by the EBB each year.

In a nutshell, GASB 45 dictates that those expenses represent a liability to the County and must be reported as such in the annual financial report. Previously these costs did not have to be reported and many jurisdictions will discover that they are not prepared for the impact of this statement.

Fortunately, Multnomah County has established a reserve in the Risk Fund to account for post-employment medical benefits. Unfortunately, that reserve is not nearly high enough to cover the anticipated liability. We do not yet have an accurate assessment of the total liability but it could easily approach \$75 million. As of the end of FY 2005 the reserve established for this purpose is approximately \$6 million.

## Wapato Jail Operations

Construction has been completed on the new 525-bed Wapato Jail. There is currently insufficient funding to fully operate this facility. The Adopted budget includes funds to maintain the facility in its current condition. County Officials are currently in discussions with Clark and Clackamas County officials about leasing the facility or renting beds. Discussions are in the early stages, and the outcomes of those negotiations have not been completed.

## PERS

On March 31, 2006 the PERS Board adopted some changes to the way the actuarial valuations will be performed in the future. These changes are considered acceptable under retirement financial guidelines and generally accepted accounting principles. In addition they modified how they would smooth interest earnings and the use of reserves. These changes should produce significant savings to the State, schools and local governments. The

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following are the preliminary estimates of the impact on the PERS Board decisions:

1. No changes to the PERS rates for FY 2007.
2. The County had been notified by PERS that our rates would increase by 4.4% of payroll effective July 1, 2007 (FY 2008). Because of the changes, the County should not see this increase and the rates may even decline some. This represents cost avoidance to the County of about \$7.1 million a year. About half of this will benefit the General Fund.
3. PERS will issue actuarial valuations in the fall of 2006 and the County's rates and funded/unfunded liabilities will be known at that time.

## Housing for Homeless Families Matching Money

Bridges to Housing is a regional effort to serve high-need homeless families throughout the four county Portland-Vancouver, WA metropolitan area. "Bridges to Housing" leverages new resources to fund community-based housing providers and service agencies. The project aligns with the City-County "Ten Year Plan to End Homelessness". The Adopted budget includes \$1 million of OTO funding in County Human Services Budget for this project.

## FY 2006 Innovative Programs Update

In FY 2006 a number of innovative programs were proposed and purchased by the Board. Innovative programs are programs that change the way we currently do business in order to affect current and future savings or efficiencies or create a better service delivery model.

## Failure to Appear

The *Court Appearance Notification System (CANS)*—an innovative pilot program—was established in May 2005, to reduce the failure to appear rate. Like a doctor's office, the program worked by telephoning defendants prior to their court hearing to remind them where and when to show up. By notifying defendants the program reduced the likelihood of failing to appear in court by 43% to 45%. Evaluation results also found reduced minority over-representation in failures to appear in court. In its first full year of operation, the program is estimated to save the criminal justice system more than \$500,000, or more than \$14 for each dollar invested in the program.

## Pretrial Supervision Program

The *Pre-Trial Supervision Program (PSP)* is an innovative program which eliminated the redundancy of having two County programs provide supervision to adult defendants released from jail while awaiting trial. In its first year of operation the program saved county funds by eliminating duplicative administrative and support overhead. Based on best-practices, the program supervises more than 1,200 defendants annually and is effective with 87% of defendants appearing at their initial hearing. The program also provides community supervision for hundreds of defendants that have been early released (*matrix*) from the jail by the Sheriff's Office. This program averts an estimated \$15.8 million in additional jail bed costs annually.

## Electronic

The *Electronic Monitoring (EM)* program uses electronic ankle bracelets and

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Monitoring	<p>global positioning satellite technology to detain and monitor offenders or defendants in-house arrests instead of more costly jail. EM is a reliable and cost-effective method to sanction offenders, monitor pre-trial defendants, reduce early jail releases (<i>matrix</i>) and enhance community safety while preserving costly jail beds for more dangerous offenders. The program has capacity to detain and monitor 45 individuals per day, freeing up more than 16,000 jail beds per year saving the county \$1.8 million annually.</p>
School Funding	<p>The schools in Multnomah County are facing severe revenue shortfalls and adequate funding for education is a statewide issue. The Board of County Commissioners worked with the State of Oregon to help ensure a quality education for all children. Included in the Adopted Budget is \$6.4 million to local schools to be distributed on an ADMw basis. The one-time-only contribution is intended as a short-term fix in a time of great need and is not intended as a long-term funding solution for schools. The Oregon State Legislature met in special session in April, 2006 and approved to distribute \$42.2 million in excess lottery dollars to K-12 schools across Oregon on an ADMw basis and to approve GAP authorization for Portland Public Schools for 3 years.</p> <p>In addition, the Adopted Budget includes \$11.7 million of one-time-only associated with prior year ITAX collections that are expected to be available in FY 2007.</p>
Employee Benefits Board (EBB) Governance Structure	<p>The Employee Benefits Board (EBB) was established in 1999 under an agreement between the County and its' bargaining units. That agreement set out guidelines related to how employee healthcare insurance would be funded and established the role of the EBB in making proactive decisions regarding insurance plan designs.</p> <p>The EBB is governed by a master agreement that gives it the authority to make changes to healthcare plans, set department contribution rates, and set employee cost sharing rates. That agreement binds the County, participating bargaining unit employees, and all non-represented employees.</p> <p>The current governance agreement expires at the end of FY 2007 and negotiations to modify it will commence soon. The County has an interest in maintaining healthcare benefits that provide employees and their families with adequate insurance coverage. But, the County also must also be cognizant of the fact the employee compensation is the single biggest cost driver in the budget. Healthcare costs are becoming an increasingly larger share of total employee compensation.</p> <p>Multnomah County is not alone in this experience. Many employers throughout the nation have either reduced benefits or required employees to pay</p>

# Budget Manager's Message

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a greater share of their healthcare coverage. We have taken neither action to this point. However, the County's contribution for employee healthcare benefits has significantly outpaced the rate of inflation. The table below highlights the County's contribution for full-time employees compared to the Portland CPI index over the past five years.

	County Paid (*)	% Change	Portland CPI
FY 2003	600.73	5.6%	2.2%
FY 2004	638.69	6.3%	0.5%
FY 2005	668.52	4.7%	1.5%
FY 2006	737.84	10.4%	2.7%
FY 2007	833.76	13.0%	2.8%

Note (\*): The County contribution is a per month/per employee composite rate as outlined in the Master Governance Agreement

As this table clearly indicates healthcare costs have grown at nearly four times the annual rate of inflation since FY 2002. How future cost increases are managed and funded will be one of the key issues in the upcoming governance agreement negotiations.

## City's One-Time-Only Funding for Jails

The City of Portland has purchased 57 jail beds at a cost of \$1.35 million from the County. This reflects the second year of funding for this program. The FY 2007 Adopted Budget includes the \$1.35 million in OTO to purchase one dorm at Inverness Jail.

## Property Disposition

In FY 2007, Facilities will be putting major efforts into projects that align with the adopted 2005 Strategic Plan and continued work involved in the Disposition Strategy. One of the larger projects involves moving staff out of the McCoy Building and into the Lincoln Building and portions of vacant space within the Blanchard building. This move involves a 70,000 square feet of clinic and Health Admin space, will relocate over 200 County employees and will reduce operating expenses in the Facilities budget by roughly \$2.5 million over the lease term not to mention the drastic improvement in environment for staff and Health clients. In addition, Facilities will be developing solutions to buildings that have major deferred maintenance and operating issues such as the Hansen, Kelly and Mead buildings.

Other notable projects that Facilities will be working on in FY 2007 are the acquisition for a Downtown Courthouse site, and a project plan for an East County Justice Facility.

Facilities will be working with the departments beginning in May, 2006, to identify the next set of targets for dispositions and consolidations. The resulting dispositions will be programmed for implementation for the FY 2007 and FY 2008 budget years.

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The Capital Budget for FY 2007 and plan for FY 2007-10 has been developed to concentrate spending on facilities the County expects to keep, and to avoid spending on facilities it may be eliminating.

## Library Levy Renewal

The County levies a local option levy – currently set at \$.7550/\$1,000 of assessed value – that supports approximately 60% of the Library's expenditures. That levy was approved by Multnomah County voters in November, 2002 for a five year period that extends until the end of FY 2008.

However, due to the “double majority” requirement imposed when Measure 50 was implemented, the Library will need to seek approval for renewal of the local option levy this November. At this time no plans have been finalized regarding the tax rate or the specific language that will be put before the electorate. A number of factors will play into those decisions. In order to make the deadlines for placement on the November ballot, though, plans for the Library will need to be finalized by late summer.

The Library has historically been very popular at the ballot box. At the last election the Library local option levy passed with **more than 58%** of the vote. If the levy is not renewed, however, it is likely that the County would need to either plan for significant reductions in Library services or find replacement funding beginning in FY 2009.

## Bridges & Road Funding

Current funding is inadequate to address bridge rehabilitation and replacement. The County has been successful in securing Federal and State funds for bridge capital projects, but despite these funds, a \$255 million shortfall exists between identified needs and identified funds over the next 20 years.

Federally funded projects require a local match, placing additional pressures on the County's transportation budget. The County now has funding in place for replacement of the Sauvie Island Bridge. The next priority on the horizon is replacement of the Sellwood Bridge, estimate range as high as \$140 million.

Expenditures in the road fund are growing faster than the revenues. The gasoline tax in Multnomah County has been flat over the last 10 years while expenditures are growing between 4% - 6%. This gap in resources will make it increasingly difficult to maintain its road system.

## Information Technology Projects

In 1998, the County developed a plan to migrate all systems off the IBM mainframe. These systems included accounting, payroll, facilities management, fixed assets, health practice management, assessment and taxation, the regional justice data warehouse, the District Attorney's case tracking system, and the Sheriff's warrants and inmate system.

## Mainframe

In November 2005, the eSWIS jail management system was released. This

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- Migration –ESWIS** application was the final deliverable in the mainframe migration system. The mainframe was removed from the county in February 2006. On-going costs of IT hardware, software and maintenance have been reduced by \$455K per year since the project started in 1998 while also supporting significant growth in storage requirements, business functionality and security.
- Thin client** The county manages over 4,500 personal computing devices. Thin Client technology moves computing power from the desktop to a server environment providing cost savings, enhanced data security and improving environmental sustainability by reducing power consumption and decreasing toxic waste. The project target is to convert 60% of the county's desktops to thin clients by November 2006 which will result in a \$1.2M cost savings in desktop computing in FY 2007.
- Asset Preservation and the Capital Budget** Beginning in FY 1999, an Asset Preservation (AP) Fee was assessed to all County tenants based on space occupied. The fee is intended to pay for the replacement of major building systems as they reach the end of their useful life; this is the major ongoing source of revenue for the capital program.
- In FY 2003, this fee was dedicated to be collected from and to support Tier I buildings (buildings in substantial compliance with all applicable building codes and which have no required capital work that cannot be funded through AP fees). For FY 2007 this fee will be \$1.95 per sq. ft. and is budgeted to collect approximately \$ 1.6 million from tenants of Tier I County buildings. next 5 years.
- Also in FY 2003, a Capital Improvement Project (CIP) fee was established and collected to support Tier II and Tier III buildings. Tier II buildings are not up to current building standards and may require substantial capital work but are deemed appropriate for continued investment and long-term retention in the County facilities inventory. Tier III buildings are uneconomical or impractical for long-term retention, and will be analyzed to determine if they should be declared surplus and offered for disposition. For FY 2007 this fee will be \$1.65 per sq. ft. and is budgeted to collect approximately \$2.3 million from tenants of Tier II and Tier III County buildings. This fee has not been increased since FY 2003 (as was the AP Fee); it is being increased to \$1.80 per sq ft in FY07
- Facilities and Property Management has identified a deferred maintenance and seismic liability of approximately \$120 million (expected to grow to an estimated \$220 million over the next 15 years) for County buildings now in operation. The work being done in support of the Disposition Strategy has reduced our deferred maintenance liability by \$3.7 million dollars. In addition, new sources of revenue will be needed to replace or repair important County buildings, such as the County Courthouse. Aggressively managing County building vacancies and the timely disposition or redevelopment of surplus properties will only marginally contribute to lowering this long term liability.

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Facilities and Property Management is continuing development of alternatives which will address departmental concerns and long-term funding issues.

## Courthouse Construction (Downtown and East County)

The Board passed resolution #06-033 *Directing Facilities and Property Management Division to Prepare and Present to the Board a Preliminary Planning Proposal for Site Acquisition as the First Step Towards Constructing a new Facility for the Fourth Judicial District Circuit Court in or in Proximity to Downtown Portland's Government Center Area* on March 23, 2006 stating the intention to acquire a site in Downtown Portland for a new courthouse by December 31, 2006. The Board directed F&PM to submit a preliminary Planning Proposal for site acquisition within 60 days. Prior studies indicated that the cost of a new downtown courthouse could be in the range of \$150 million.

Additionally, the Board passed resolution #06-038 *Directing Facilities and Property Management Division to Prepare a Project Plan and Recommendation for Site Acquisition in East County* on March 30, 2006. This resolution directs F&PM to return to the Board within 60 days with a Project Plan and site proposals that will meet the needs of Multnomah County.

## Long-Range Considerations

Despite many difficult challenges ahead, we will have the courage to address the financial issues facing the County. I am confident that our organization has the talent and the dedication to solve the problems we face and continue to move our County forward in a positive direction.

Future considerations and long-range goals include:

- Maintaining sound fiscal policies for debt management and maintenance of fund balance.
- Maintaining a fair and competitive employee compensation package.
- Staying alert for opportunities to reduce costs through innovation, use of technology, and alternative ways of delivering services – without loss of quality or attention to County residents.
- Seeking legislative relief for necessary statutory changes.

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## The Budget Process

### Local Budget Law

Budgeting in Oregon is governed by Local Budget Law, Chapter 294 of the Oregon Revised Statutes. The law has four major objectives:

To provide standard procedures for preparing, presenting, and administering local budgets;

To ensure citizen involvement in the preparation of the budget;

To provide for a method of estimating revenues, expenditures, and proposed taxes; and

To offer a way of outlining the programs and services provided by local governments and the fiscal policy used to carry them out.

Budgeting in Oregon is a collaboration between the citizens who receive the services funded by the budget and the elected or appointed officials who are responsible for the provision of those services. Citizens involved in the budget process work to ensure that the services they need and want are adequately funded. County officials are responsible for ensuring that the annual budget reflects the public interest, balances competing needs and interests, is sustainable over the long term, and meets the technical requirements of the law. To plan for the effective delivery of services and to manage efficiently the revenue that supports these services, the Board of County Commissioners adopts an annual budget.

At an advertised public meeting, the budget prepared by the Chair of the Board was approved by the Board of County Commissioners by appropriation categories—i.e., personal services, materials and services, and capital outlay—and by department for each fund (May 4, 2006). The Budget is then sent on to the Tax Supervising and Conservation Commission (TSCC).

The TSCC, a five-member citizen board appointed by the Governor, reviews the budgets of all governmental jurisdictions in Multnomah County. The Commission, together with the State Department of Revenue, is responsible for ensuring that budgets comply with local budget law.

The budget must be approved by the Board no later than May 15, when it is submitted to the TSCC. TSCC holds a public hearing and then returns the budget to the County no later than June 24. Accompanying the budget is a letter of certification with instructions for corrections, recommendations, and objections. The Board is required to respond to these recommendations and objections. For FY 2007 there were no corrections, recommendations or objections. Another public meeting is held at which the Board adopts the final budget, makes appropriations, and declares tax levies.

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Basis of Budgeting	<p>The County budget is prepared in a manner consistent with its financial structure and as required by Oregon Revised Statutes. All funds are included in the budget with the organizations and programs that they support. The budget is prepared on a modified accrual basis; this means that the budget anticipates revenues based on when they will actually be received and upon expenditures when they will likely occur.</p> <p>One exception to this rule is the acknowledgement of revenues. Property tax and BIT revenues are acknowledged in the budget for 60 days after the close of the fiscal year. Items which are not fully expended at year-end must be re-budgeted in the following fiscal year.</p>
Modifying the Budget During the Fiscal Year	<p>The Adopted Budget is the County's financial and operational plan for the fiscal year. However, during the year, events occur which require the plan to be modified. State law gives the Board of County Commissioners wide latitude to change the budget during the year. County departments request changes, and the Board reviews them and then passes a resolution signifying their approval. During the year, the Board has the authority to:</p> <ul style="list-style-type: none"><li>• Alter appropriations to reflect changed priorities during the year;</li><li>• Incorporate new grant revenue into the expenditure plan;</li><li>• Change approved staffing levels; and</li><li>• Transfer appropriations from contingency accounts.</li></ul>
Supplemental Budgets	<p>The appropriation of new, unanticipated revenue requires that the Board adopt a supplemental budget through a resolution. If the adjustment is greater than 10% of the affected fund, the supplemental budget process must include a review by TSCC prior to adoption.</p>
Basis of Accounting	<p>Governmental accounting, governed by State statute and Generally Accepted Accounting Principles (GAAP), differs substantially from private sector accounting. Private sector financial reports measure economic profits, whereas governmental accounting focuses on disclosing how public money is spent.</p>
Where to Find Other Financial Information	<p><b>Comprehensive Annual Financial Report (CAFR)</b> – this reports actual revenues and expenditures for the last completed fiscal year, discusses financial policies, and provides demographic and economic information about the region. The CAFR, required by state statute, is prepared in accordance with GAAP (Generally Accepted Accounting Principles). It reconciles differences between the budgetary basis – as presented in the annual Adopted Budget – and the modified accrual method used for the CAFR.</p> <p><b>Tax Supervising and Conservation Commission Annual Report</b> – this discusses the property tax system and taxing levels for all governments in Multnomah County; as well as summarizing budgets and actual revenues and expenditures for all governments in Multnomah County.</p>

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**County Auditor's Financial Trends Report** – this discusses the performance of the County and the region according to guidelines recommended by the International City Managers' Association.

**The Progress Board Benchmarks Web Site** – this site contains data and graphic information about benchmarks obtained through surveys and other analysis. <http://www.portlandonline.com/auditor/index.cfm?c=27358>

## Citizen Involvement Process Citizen Budget Advisory Committees

The Citizen Budget Advisory Committees are made up of citizens appointed by the Citizen Involvement Commission. The committees monitor department budgets and operations and identify issues for the Commissioners' consideration. All County departments have a CBAC. Each Committee is provided with time during the Budget worksessions to present its reports. The CBACs are partners with the Commissioners, departments, and the public during the budget cycle.

During the budget development process, citizens and employees are encouraged to enter their questions, thoughts, or suggestions about the budget. This input is compiled and communicated to the elected officials. The input is also reviewed by the Budget Office with feedback to participants provided as appropriate.

## Public Testimony

In addition to participating in the budget advisory committees and other forums described above, citizens have several opportunities to personally testify on the budget. Or written material can be hand delivered, mailed, faxed or submitted via email.

## Public Hearings

Specifically, citizens had the opportunity to testify at:

The Tax Supervising and Conservation Commission Hearing – TSCC holds a public hearing on the Adopted Budget, and public testimony is taken.

Annual Budget Hearings— for FY 2007, the Board, sitting as the Budget Committee, will hold several public hearings after the approval, but before the adoption, of the budget. The public may testify on any topic.

The Adopted Budget Hearing—testimony is taken at the Board session for final adoption of the budget. This is scheduled to occur on June 22, 2006.

Annual Budget Hearings – The County held 3 evening sessions from 6:00 to 8:00 pm at the following dates and locations:

May 9, 2006    Public Budget Hearing – North Portland Library Conference Room, 512 North Killingsworth, Portland

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May 22, 2006 Public Budget Hearing – Multnomah County East Building, Sharron Kelley Conference Room, 600, NE 8<sup>th</sup>, Gresham

May 31, 2005 Public Budget Hearing – Multnomah Building, Commissioners Boardroom 100, 501 SE Hawthorne Boulevard, Portland

June 13, 2006 Public Budget Hearing – Multnomah Building, Commissioners Boardroom 100, 501 SE Hawthorne Boulevard, Portland

Citizens may also contact the Chair's or Commissioner's offices directly to provide input to the budget work-sessions.

## Budget Website

Multnomah County offers its citizens and employees the opportunity to participate in the budget process through the County's internet site. From the County's home page, <http://www.co.multnomah.or.us/>, citizens and employees may access a budget site that contains a summary of the FY 2007 Adopted Budget and links to frequently asked questions (FAQs); budget summaries; a timeline of events; live and archived video streaming of budget work sessions; and other information, input opportunities and employee resources.

## Thank You

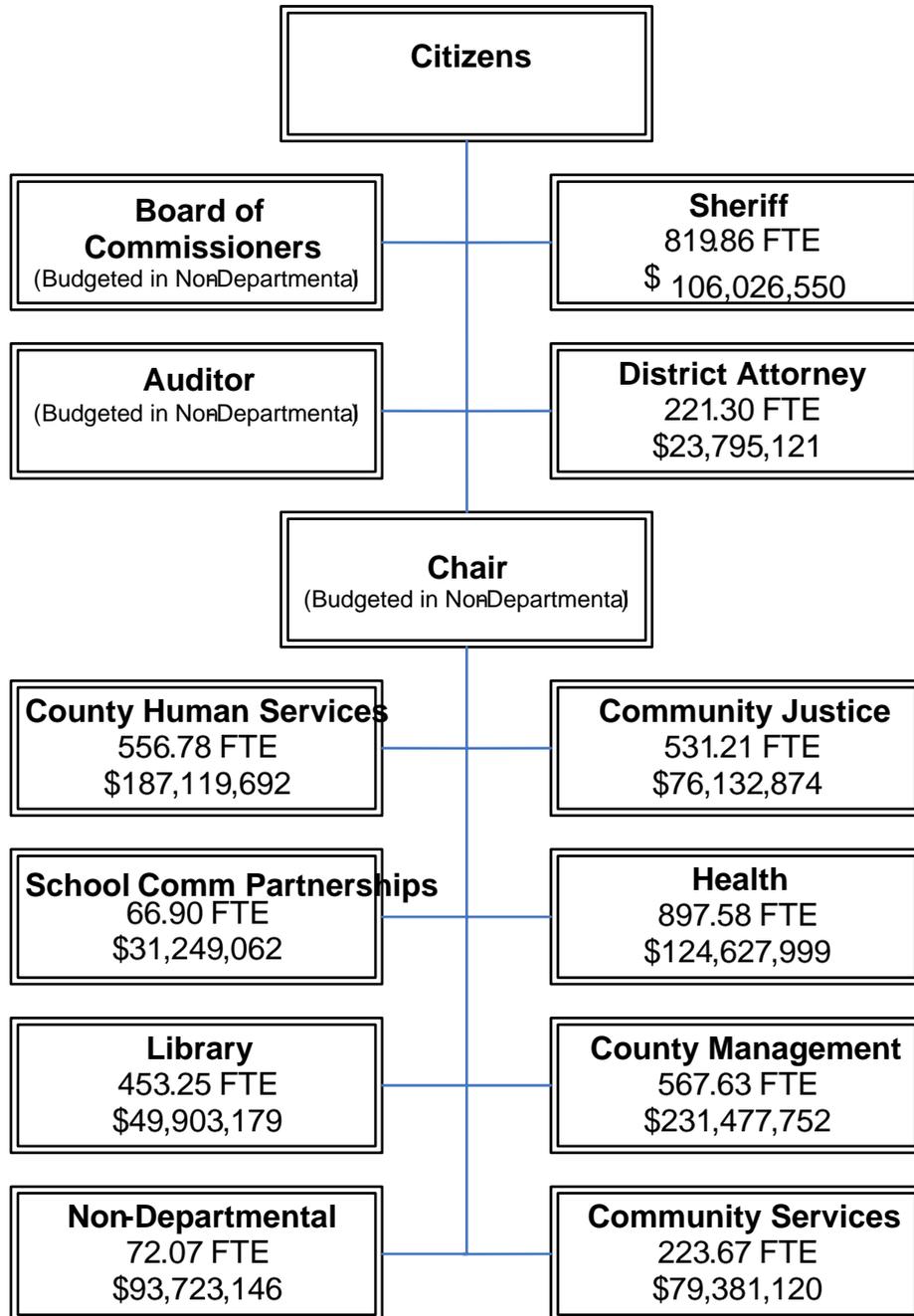
The Budget Director and County Financial Officer would like to thank all of the Elected Officials, Department Directors, the Budget and Finance staff, Outcome Team members and all of the employees involved in the preparation of this budget.

# Budget Manager's Message

## County Org. Chart

Multnomah County delivers its services through nine departments including the following elected officials: Bernie Giusto, Sheriff; Michael Schrunk, District Attorney; and Suzanne Flynn, County Auditor. The total number of adopted full time equivalent (FTE) positions is 4,410.25. Below is an organization chart for the County:

### Multnomah County Organization



# Budget Manager's Message

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## FY 2007 Budget Notes

The following budget notes were approved by the Board of County Commissioners when they adopted the FY 2007 budget. These budget notes represent something like a workplan to guide policy decisions in the coming year.

### Mental Health Outreach at Public Clinics

The FY 2007 Adopted Budget did not fund program offer 25065, which provided \$400,000 for an outside agency to perform outreach, referral, and case management. Having a well functioning referral process in place between County agencies is critical to an efficiently operating system.

The Board directs the Health Department and Department of County Human Services to form a process improvement team to review and improve how individuals with a mental illness or addiction that present themselves at public health clinics or are otherwise identified by the Health Department are referred to services provided by DCHS or community-based agencies. Processes and items to review include: how individuals are identified and referred, how or if the referral is tracked by DCHS, whether an individual successfully engages in treatment, the number of individuals referred, and how the departments measure if the process is working. A written report, including any improvements, is to be sent to the Board by November 30.

### Alcohol & Drug Programs

The Board directs staff from all departments that submitted alcohol and drug treatment service program offers and staff from the Department of County Management to convene a working group examining treatment services. The systems report should include all alcohol and drug treatment services, capacity, and performance (outcomes), for funded county services. The work group should provide the Board this information and its recommendations on how to increase performance and efficiency of the system for FY 2008 program offers. The report should be presented within six months of budget adoption.

### Corrections Health

The Board seeks to maintain adequate employee and inmate safety while reducing the cost of providing health care to inmates in the County jails. During the first half of FY 2007, the Health Department is directed to prepare program options for lower-cost Corrections Health services for the Board's consideration. The department should analyze the costs, benefits, and risks associated with dropping NCCHC accreditation; should identify and analyze the pros and cons of lower-cost alternative service delivery models; and should identify areas in the current service delivery model where costs could be reduced.

The Board has set aside \$1 million in the General Fund contingency for the Health Department's use, if needed, to cover expenses associated with implementing a lower-cost Corrections Health service model.

# Budget Manager's Message

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## HIV Care Services

The Board is concerned about the level of administrative and support costs allocated to the HIV Care Services Program. The Health Department is requested to prepare a board briefing for the first quarter of FY 2007 in which the HIV Care Services program is fully described, administrative and support costs are analyzed, and recommendations for changes or modifications to administrative and support cost allocation strategies are made.

## Evening Arraignment Court Pilot Program

Early releases from jail (Matrix) are an unfortunate yet common management technique to eliminate overcrowding. Most releases occur Friday, Saturday, and Sunday evenings because the courts do not operate during these times. To reduce the number of matrix releases, the Board requests that CJAC lead this project in conjunction with staff from the various public safety partners and staff from the Department of County Management perform an analysis to determine the feasibility of piloting a limited weekend evening arraignment court. If a pilot program is launched, CJAC and DCM may request funding from contingency based on the feasibility study. This program, if funded, will be evaluated for its outcomes and cost-benefits.

## Court Services Analysis

The Board directs staff from the Sheriff's Office and the Department of County Management to review the current service, performance, financial agreements and requirements to provide court security services. This review should include staff from the State Courts of Multnomah County. Results of the review should be provided to the Board including recommendations on how to increase performance and efficiency of the system for FY 2008 program offers.

## Sheriff Civil Process

The joint city/county public safety collaboration identified that Sheriff law enforcement deputies spend significant amounts of time serving civil papers, a function also performed by the County's less costly civil deputies. The majority of papers served occur in incorporated cities in the county, with the possibility that law enforcement deputies are pulled away from their unincorporated patrol areas.

In anticipation of continued on-going revenue loss the Board directs staff from the Sheriff's Office and the Department of County Management to identify alternatives in civil paper service delivery. Identify the types of civil papers served, the trends in papers served, by whom these papers are served and alternative service delivery models. Results of the review should be provided to the Board including recommendations on how to increase performance and efficiency of the system for FY 2008 program offers. This information shall be reported back to the Board by December, 2006.

# Budget Manager's Message

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## Sheriff Workcrews

The Board desires a briefing from Sheriff's Office on Work Crews. Currently there is not a clear understanding of how work crews are used, what services they provide in-house and for other agencies and how they are managed. The Board is looking for the Sheriff to present options to reduce the general fund cost of work crews. This briefing is to occur before December, 2006.

## Full Cost Recovery for Incorporated Law Enforcement Services

It is part of the County's financial policy to recover all costs associated with the provision of services to outside jurisdictions. Previously an agreement to ramp-up costs to provide full cost recovery for incorporated cities where the County provides law enforcement services over five years was to be implemented. The Board directs staff from the Sheriff's Office and the Department of County Management to review the current service and financial agreements for patrol services that are provided by the MCSO to incorporated cities. These costs shall be based on the appropriate submitted program offers and include all direct service, administration, and support costs that are necessary to provide the service. In cases where the services exceed reimbursement the Board directs staff to renegotiate service contracts to recoup full costs for providing such services or adjusting the services levels to align with their costs, thus complying with county policy.

The results shall be reported back to the Board within 90 days of budget adoption with the results of the analysis, plan for implementation and description of how FY 2008 program offers will be structured.

## Sheriff Investigatory Services to Incorporated Jurisdictions

It is part of the County financial policy to recover all costs associated with the provision of services to outside jurisdictions. The Board directs staff from the Sheriff's Office and the Department of County Management to review and report the amount of investigatory services that are being provided in the incorporated jurisdictions of Multnomah County. These include the following program offers: Countywide Investigations (#60024C), Detectives (#60024F), and the Special Investigation Unit (#60024G).

\$1 million of Sheriff overtime has been placed in contingency and will be available to offset overtime and/or ramp down plan for services to incorporated areas upon a report and recommendation back to the Board. If incorporated jurisdictions wish to continue these services in the following fiscal year they may choose to contract for these services under a full cost recovery agreement. The county will cease to provide investigatory law enforcement services in incorporated cities, unless a full cost recovery contract can be negotiated. The results shall be reported back to the board within 90 days.

# Budget Manager's Message

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## Sheriff Overtime

The Board continues to have concerns about the amount and cost of overtime in the Sheriff's budget. For FY 2007, the Board desires that the Sheriff manage and reduce his requested overtime budget by \$1 million. The Board has purchased a \$1 million MCSO OT savings package, and has placed that \$1 million in contingency. Those funds may be accessed and available conditioned upon the Sheriff's response and performance on transferring and/or fully recovering the costs of providing Sheriffs investigatory services in the unincorporated areas (Special Investigations, Countywide Investigations and Detectives). For FY 2008 the Board desires to see program offers that reflect services in the unincorporated areas, scaling if necessary to include fully cost recovered services to incorporated areas.

## SUN System of Services – Short Term Planning Process

SUN Schools are an important piece of the youth and school-related programs funded by Multnomah County, but are only one part of a sweeping set of County programs designed to support children and their families. Included in this array of programs are the County Library system; public health immunization programs; school health centers; services to homeless youth and youth involved in gangs; services for children and the arts, and much, much more. The tremendous fiscal pressure our jurisdiction is facing now and in the foreseeable future requires us to be creative in finding savings while best serving the County's citizens.

The Board directs the Office of School and Community Partnership Director to develop a short-term plan to address the administrative cuts in the SUN budget. This plan should be done in partnership with SUN stakeholders, the City of Portland and schools. It is the intention of the Board that all SUN sites remain open. However, if a consensus of the planning group develops an alternative proposal that prioritizes schools with the highest poverty levels and prioritizes coordination of County services rather than after-school activity supervision and coordination, then the Board will consider that option. The Office is also expected to propose internal administrative cuts.

The Director will report back to the Board with a proposal by July 31, 2006.

## Direct Services to School-Aged Youth

Multnomah County has strongly affirmed education as one of its priorities and remains committed to purchasing programs and services that best contribute to this priority area. In addition to the vast array of youth and educational programming provided by the County, the Board has allocated an additional \$6.4 million to schools for FY06/07 to aid them in a time of fiscal crisis, despite the fact that the County is also

# Budget Manager's Message

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facing the sunset of the temporary income tax. In order for our children to thrive academically, the Board recognizes that as a community we must support our children by providing the quality health and human services that are so vital to their educational success. The Board also recognizes that in order to provide this opportunity it is necessary to work closely with other jurisdictions and our community partners that have an interest in ensuring that all children have access to these programs.

Therefore, our next step is to include participation of all key investors. By September 1, 2006, the Board will appoint a Task Force staffed by the Commission on Children, Families and Community (CCFC) to address direct service provision to our school-aged youth. The Task Force will report back to the Board by February 1, 2007 providing recommendations on the following.

1. The SUN Service System provides valuable services to our school-aged youth and their families. The total cost of the program for Multnomah County is over \$20 million. This system currently includes:

- SUN Community Schools (Program Offers 21021A/21021B)
- Energy Services (Program Offer 21006)
- Touchstone Current Service Level (Program Offer 21032A)
- Social & Support Services for Educational Success (Program Offer 21033)
- Child Development Services (Program Offer 21034)
- Alcohol, Tobacco and Other Drug Services (Program Offer 21035)
- Gender Specific Services for Girls (Program Offer 21036)
- Services for Sexual Minority Youth (Program Offer 21037)

The Task Force should report to the Board regarding how these SUN programs integrate and deliver County Services. The Task Force should recommend strategies for delivering SUN services taking into account alternative funding sources and whether the County is the most appropriate entity to provide these services or whether they should be administered by jurisdictions such as the Multnomah County School Districts. The Task Force should recommend strategies to redesign the distribution of County funds to provide services to all Multnomah County children with a priority on the most vulnerable.

2. The County directs the Task Force to partner with the CCFC to address issues of access to and information about vital County services, in addition to SUN programs, for all children and families in Multnomah County. The Task Force should produce a list of County-funded programs including services for preschool, school-age, and at-

# Budget Manager's Message

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risk youth and recommend ways to increase access and information about these services. The Task Force should recommend ways in which jurisdictions and service providers can collaborate and coordinate with the CCFC to advance the goals of all our children growing up to become productive, successful adults. The plan should provide clear roles for all participants in the collaborative planning process.

## Shared Funding Initiative Proposals

The County delivers services that provide benefits to other local government jurisdictions where costs or portions of costs are not recovered. As resources continue to shrink, the County needs to seek reimbursement from other government jurisdictions if these services are to continue. The Board Directs the Department of County Management, Health Department, Sheriff and County Human Services to begin cost recovery negotiation for the following services:

<b>Program #</b>	<b>Name</b>
25091	A&D Sobering
40018	Vector Control
40057A-40066F	Health Clinic Restructuring Initiatives
60022F	MCSO MCIJ Offer F
ALT	DSS-J Shared Support
50071	3 City Funded A&D Treatment Beds

## Legislative Agenda

Public Affairs Office and concerned departments will craft a legislative agenda and language for the Board's consideration prior to the upcoming legislative session in Salem on the following items:

### **Salary Increase Requires New Funding Formula**

50030B - Adult Felony Supervision-Restore Current Staffing Level

### **Sunset TSCC in Multnomah County**

10008 - Tax Supervising Conservation Commission

### **State Funding for Seniors**

25021A - ADS Community Safety Net

25023B - Long Term Care Scaled Offer B

25023C - Long Term Care Scaled Offer C

### **State Funding for OHP/Mental Health**

25024B - ADS Protective Services – Add MH Capacity

25058B - Involuntary Commitment Investigators – Backfill

25059B - Involuntary Commitment Monitors – Backfill

25063 - Mental Health Treatment & Medication for Uninsured

25078B - Culturally Competent Mental Health Services

# Budget Manager's Message

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## **State Funding for Court Services**

60018A – MCSO Court Services: Courthouse

60018B – MCSO Court Services: Justice Center

## **Increasing Fee Revenue**

- Civil Process Fees
- Court Filing Fees
- Concealed Handgun Fees

## **County Management Savings**

The Board directs the Human Resources Director, in conjunction with the Director of the Department of County Management, to implement a savings of \$350,000. The Director of Human Resources is to return to the Board with a plan as to how best implement this savings with a focus on the streamlining of existing programs to create greater efficiencies and cost savings. While the Board would like to see a focus on finding a savings within Human Resources, it recognizes that the division may not be able to absorb the entire \$350,000. The Board is open to a plan that includes department-wide savings if necessary.

## **Programs Funded with One-Time- Only (OTO) Funding, Phase Out/Reformed**

There are a number of programs that the Board has approved to be funded with one-time-only funding (OTO) for FY 2007. The County's financial policies state:

“When the County budgets unrestricted one-time-only resources, the Board will consider setting these funds aside for reserves or allocating them to projects or programs that will not require future financial commitments. The Board will consider the following when allocating these one-time-only resources:

1. The level of reserves set aside as established by Board policy.
2. The County's capital needs set out in the five-year Capital Improvement Plan or Information Systems Development Plan.
3. One-time only spending proposals for projects or pilot programs, particularly investments that may result in innovative ideas or technology or long-term efficiencies or savings that do not require ongoing support.
4. Bridge or gap financing for existing programs for a finite period of time.”

\$48 million of one-time-only resources placed the Board in the difficult position of balancing the need to continue critical services to our residents for one more year or strictly comply with the financial policies. The adopted budget strikes that balance by allowing one year

# Budget Manager's Message

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of bridge funding to ramp down programs, find alternative revenue sources or redesign process to mitigate the anticipated loss of services in FY 2008. The following programs are designated to sunset in FY 2007:

**Program # Program Name**

- 10012 Cultural Diversity Conference
- 10022 Elders in Action
- 10024 Regional Arts & Culture Council
- 10027 Business Income Tax Pass-Through
- 21033 Social and Support Svcs for Educational Success
- 21035 Alcohol, Tobacco, and Other Drug Services
- 21036 Gender Specific Svcs for Girls
- 21039 Bienestar Ortiz Site
- 25081B A&D Community Based Services - Backfill
- 25087 A&D Residential Treatment - Women Designated
- 25094 A&D Youth Residential Treatment
- 40017 Students Today Aren't Ready for Sex (STARS)
- 40040 Children's Assessment Center
- 50031 Adult Field Services - Misdemeanor Supervision
- 50037 Londer Learning Center
- 60003B MCSO 911 System Access
- 60016C MCSO Booking: Gresham Temp Holding
- 60024A Civil Process
  - 60025 MCSO Corrections Work Crews
  - 60038 MCSO Wapato Jail: Mothball Costs for Facility
- 25072A Bienestar Mental Health Services
- 60024C MCSO LE: Countywide Investigations
- 80004A Juvenile Justice Outreach - Current Service Level
- 80005A Books 2 U-Current Service Level
- 95002 Corrections Health

The Board would like a budget briefing by October, 2006 regarding the status and planned sunset of these programs.

## Performance Contracting

The County wants to continue evaluating the effectiveness of programs and contractors. The Board is asking the Department of County Management to lead the effort to ensure that performance outcomes and measures are included in County contracts. Departments shall cooperate with the Department of County Management in developing performance outcomes and measures. These measures will indicate the progress being made on the marquee indicators in each of the six priority areas, will be used in evaluating programs and contractors, and will provide performance measure data for program offers. The Director of County Management will recommend the order of contract category review (i.e. human service, mental health, etc.), paying specific attention to a contractor's performance in adequately serving all demographic groups.

# Budget Manager's Message

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## Cultural Competency

The Board of County Commissioners seeks to strengthen the County's commitment to culturally competent service delivery. Culturally competent services should be integral elements in the framework of service delivery to ethnic, cultural and underrepresented communities countywide by contractors and employees alike. The Board seeks to ensure performance based contracting processes and procedures regarding those resources and services.

Staff shall review how the resources are being allocated in terms of the clientele we serve and how services might best be delivered: directly by the County; by community based providers; by a larger not-for-profit organization; or by a combination of all three. The Board is concerned with the County's changing demographics and wants to ensure that all people are equitably served by available County services.

The Department of County Management is asked to lead this process, shall work with all county departments, and report back to the Board about current status and proposed policy direction for planned improvements no later than January 31, 2007.

## Bus Pass Program

The bus pass program was implemented as a step toward helping the County meet its DEQ mandate to reduce commuting trips by employees. The program is now required by all county labor contracts and is provided as a 100% subsidy by the County to all regular employees. Good data does not exist on either the actual use of these passes by employees or whether the County has chosen the most cost effective alternative to decrease commuting trips.

The Board directs the Director of the Department of County Management to conduct a survey of County employees holding these bus passes. The survey should identify how many employees use the passes for commuting and business, and try to identify how often they are used for these purposes.

The department will report back to the Board on actual utilization of bus passes, cost per trip for the passes, and make recommendations as to how the County might want to restructure the bus pass program in the future. Any changes in the bus pass program would have to be negotiated with each labor union.

## Public Affairs Office (PAO)

The Board directs the Public Affairs Office (PAO) to contract for state lobbying services for the next legislative session with funds from the existing vacant position. The PAO is directed to return to the Board with a plan for implementation within 30 days.

# Budget Manager's Message

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**Pet License Fees** Oregon state law requires all dogs over six months of age to be inoculated for rabies (ORS 433). Cats are not required by state law to be vaccinated for rabies. However, it is required in Multnomah County, by County ordinance.

Under state law, a current rabies inoculation is required for a dog to be licensed. This also applies to cat licensing in Multnomah County. Counties are required by state law to maintain rabies inoculation certificates and issue licenses. A valid license serves as proof that the dog's/cat's inoculation is current. Only a licensed veterinarian can administer a rabies inoculation. There is no requirement in the state law for veterinarians to provide counties with rabies inoculation certificates. There is no requirement in the state law for veterinarians to issue licenses. The state Department of Human Services has responsibility to administer ORS 433.

In Multnomah County, approximately fifty (50) veterinary clinics voluntarily sell licenses for Multnomah County. Last year, nearly one-third of all dog and cat licenses sold in Multnomah County were sold by one of these authorized license vendors. Not all veterinarians sell licenses. We estimate that only 30% – 35% of the dogs of licensable age are currently licensed, based on estimating formulas published in a recent American Veterinary Medical Association study. The percentage of cats licensed is approximately 10 – 15%.

Increased license compliance means more dogs/cats are properly vaccinated, and also serves as a funding stream to counties to help offset the cost of providing animal services.

In the 2005 legislative session, SB 556 was introduced which would have required veterinarians to provide a copy of rabies certificates to counties. The bill was opposed by the Oregon Veterinary Medical Association—it did not pass. The veterinary community is an important partner in assisting us in public education and promotion of responsible pet ownership.

The Board directs the Animal Control director to bring back a proposal for the Board to consider requiring that veterinarians license animals. The goal is to reduce general fund support for animal services and move towards a more fee supported program.

**First Quarter  
Financial  
Forecast** After the first quarter financial forecast report, if on-going revenues are available, the Board would like to consider funding for Corrections Health and SUN Schools with these revenues in lieu of one-time-only revenues.

# Budget Manager's Message

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## Strategic Investment Program (SIP)

The Strategic Investment Program (SIP) provides tax abatements for companies that negotiate and meet certain performance requirements related to job creation and workforce training. Community Service Fee payments are made in lieu of property taxes from companies that have entered into SIP agreements.

The Community Service Fee revenue can be available for general purposes except where contracts specify a dedicated use. The Board has amended the budget at times over the past few years to transfer SIP funds to the General Fund. In FY 2007 and subsequent years the Board intends to transfer all undedicated SIP Fund revenue to the General Fund to be used as a resource in establishing fiscal parameters.

## General Fund Revenues

There are many revenue sources that make up the General Fund. The largest sources include Property Tax, Business Income Tax (BIT), Motor Vehicle Rental Tax, and state revenue sharing. These sources make up approximately 90% of total General Fund revenues.

The remaining 10% of General Fund revenue is budgeted by departments in the form of fees, charges, intergovernmental contracts, and a variety of miscellaneous sources. In most cases this revenue serves to partially offset the cost of programs budgeted in the General Fund. The revenues themselves are not dedicated, in the way that grants are, but if the County were not to perform the services that generate this revenue the overall General Fund would be reduced.

The Board is interested in segregating the other sources of funds that comprise the General Fund in order to make more informed choices when considering program offers. Therefore, the Budget Office is directed to prepare options for identifying and displaying the "Other Funds" General Fund revenue and present those to the Design Team for consideration in the FY 2008 budget process.

# Budget Manager's Message

## SUMMARY OF RESOURCES 2006-07

Fund		Beginning Working Capital	Taxes	Intergovernmental	Licenses & Permits	Service Charges	Interest	Other Sources	Direct Resources	Service Reimbursement	Cash Transfers	Total Resources
General Fund	1000	47,200,000	266,533,515	15,553,550	9,131,176	8,850,368	2,200,000	1,353,824	350,822,433	12,894,395	1,682,332	365,399,160
Strategic Investment Program Fund	1500	645,995	910,944						1,556,939			1,556,939
Road Fund	1501	2,653,501	8,016,625	37,277,904	65,000	4,317,669	250,000		52,580,699	541,994		53,122,693
Emergency Communications Fund	1502	20,000		296,779					316,779			316,779
Bicycle Path Construction Fund	1503	390,000					10,000		400,000		64,000	464,000
Recreation Fund	1504		120,000						120,000			120,000
Federal/State Program Fund	1505	2,069,100		188,154,503	1,948,610	59,335,725	13,700	1,751,869	253,273,507	88,000		253,361,507
County School Fund	1506		260,000	14,000			1,000		275,000			275,000
Tax Title Land Sales Fund	1507	300,000	24,000	200,000	1,100	323,542	30,980		879,622			879,622
Animal Control Fund	1508			100,000	882,000	68,400		30,000	1,080,400	45,000		1,125,400
Willamette River Bridge Fund	1509	34,318,542		1,600,000		45,000	443,485		36,407,027	100,000	5,280,588	41,787,615
Library Serial Levy Fund	1510	3,100,000	28,228,670	586,500	54,000	316,200	75,596	1,916,406	34,277,372	63,000	15,352,307	49,692,679
Special Excise Taxes Fund	1511	300,000	17,550,000				12,000		17,862,000			17,862,000
Pub Land Corner Preservation Fund	1512	1,150,000				850,000			2,000,000	185,000		2,185,000
Inmate Welfare Fund	1513	1,024,553				1,336,000	52,500	16,370	2,429,423			2,429,423
Justice Services Special Ops Fund	1516	393,410		67,000	2,670,067	1,883,628	15,750	100,016	5,129,871	102,538		5,232,409
General Reserve Fund	1517	13,000,000					500,000		13,500,000			13,500,000
Revenue Bond Sinking Fund	2001	2,613,000				2,875,590	72,000		5,560,590		83,500	5,644,090
Capital Lease Retirement Fund	2002	8,588,844					235,000		8,823,844	10,623,852	1,204,000	20,651,696
General Obligation Bond Sinking Fund	2003	7,798,495	9,081,482				150,000		17,029,977			17,029,977
PERS Bond Sinking Fund	2004	15,000,000					180,000		15,180,000	12,000,000		27,180,000
Justice Bond Project Fund	2500	1,500,000							1,500,000			1,500,000
Building Projects Fund	2504	325,000					17,063		342,063			342,063
Library Construction Fund (1996)	2506	200,000					10,500		210,500			210,500
Capital Improvement Fund	2507	4,073,154				20,305,752	75,000	464,420	24,918,326		3,061,501	27,979,827
Capital Acquisition Fund	2508	4,011,373				14,400			4,025,773	476,766		4,502,539
Asset Preservation Fund	2509	2,568,614					50,000		2,618,614		1,449,090	4,067,704
Behavioral Health Managed Care Fund	3002	1,564,777		34,877,451			82,151		36,524,379			36,524,379
Risk Management Fund	3500	14,429,198				35,000	300,000	6,421,000	21,185,198	62,458,662		83,643,860
Fleet Management Fund	3501	4,461,845				1,178,844	75,000	55,500	5,771,189	5,626,934		11,398,123
Data Processing Fund	3503	4,000,000				1,789,282	100,000		5,889,282	27,929,769	968,491	34,787,542
Mail Distribution Fund	3504	1,044,979				3,272,562	7,500	32,250	4,357,291	3,170,185		7,527,476
Facilities Management Fund	3505	335,000				3,113,611			3,448,611	34,954,299		38,402,910
<b>Total All Funds</b>		<b>179,079,380</b>	<b>330,725,236</b>	<b>278,727,687</b>	<b>14,751,953</b>	<b>109,911,573</b>	<b>4,959,225</b>	<b>12,141,655</b>	<b>930,296,709</b>	<b>171,260,394</b>	<b>29,145,809</b>	<b>1,130,702,912</b>

# Budget Manager's Message

## SUMMARY OF DEPARTMENTAL EXPENDITURES 2006-07

Fund	NonD	District Attorney	Overall County	School & Community	Human Services	Health	Community Justice	Sheriff	County Management	Library	Community Services	Total Department Expenditure
General Fund	1000	33,101,298	18,634,288	15,477,825	31,416,123	49,151,336	48,426,665	91,884,636	29,194,410		10,431,012	327,717,593
Strategic Investment Program Fund	1500	958,666		201,341			100,000					1,260,007
Road Fund	1501										47,778,105	47,778,105
Emergency Communications Fund	1502							316,779				316,779
Bicycle Path Construction Fund	1503										464,000	464,000
Recreation Fund	1504								120,000			120,000
Federal/State Program Fund	1505	1,878,551	5,066,407	15,569,896	120,826,118	74,151,718	26,621,111	8,567,772	165,737		514,197	253,361,507
County School Fund	1506	275,000										275,000
Tax Title Land Sales Fund	1507										879,622	879,622
Willamette River Bridge Fund	1509										18,189,494	18,189,494
Library Serial Levy Fund	1510									49,692,679		49,692,679
Special Excise Taxes Fund	1511	17,862,000										17,862,000
Pub Land Corner Preservation Fund	1512										1,124,690	1,124,690
Inmate Welfare Fund	1513						40,923	2,388,500				2,429,423
Justice Services Special Ops Fund	1516		94,426			1,324,945	944,175	2,868,863				5,232,409
Revenue Bond Sinking Fund	2001	844,704										844,704
Capital Lease Retirement Fund	2002	14,644,863										14,644,863
General Obligation Bond Sinking Fund	2003	9,215,628										9,215,628
PERS Bond Sinking Fund	2004	12,172,563										12,172,563
Justice Bond Project Fund	2500								1,500,000			1,500,000
Building Projects Fund	2504								342,063			342,063
Library Construction Fund (1996)	2506									210,500		210,500
Capital Improvement Fund	2507								27,979,827			27,979,827
Capital Acquisition Fund	2508	98,300							3,352,248			3,450,548
Asset Preservation Fund	2509								3,317,704			3,317,704
Behavioral Health Managed Care Fund	3002				34,877,451							34,877,451
Risk Management Fund	3500	2,671,573							80,972,287			83,643,860
Fleet Management Fund	3501								10,586,198			10,586,198
Data Processing Fund	3503		1,400,000						33,387,542			34,787,542
Mail Distribution Fund	3504								6,667,417			6,667,417
Facilities Management Fund	3505								33,892,319			33,892,319
<b>Total All Funds</b>		<b>93,723,146</b>	<b>23,795,121</b>	<b>1,400,000</b>	<b>31,249,062</b>	<b>187,119,692</b>	<b>124,627,999</b>	<b>76,132,874</b>	<b>106,026,550</b>	<b>231,477,752</b>	<b>49,903,179</b>	<b>1,004,836,495</b>

# Budget Manager's Message

<b>SUMMARY OF DEPARTMENTAL REQUIREMENTS 2006-07</b>									
Department	Personal Services	Contractual Services	Materials & Services	Principal & Interest	Capital Outlay	Total Direct Expenditure	Service Reimbursements	Total Spending	FTE
Nondepartmental	6,309,655	42,496,473	537,276	37,516,553	452,141	87,312,098	6,411,048	93,723,146	72.07
District Attorney	16,979,508	1,263,949	481,163		43,000	18,767,620	5,027,501	23,795,121	221.30
Overall County					1,400,000	1,400,000		1,400,000	
School & Community Partnerships	4,873,959	16,560,078	6,860,681			28,294,718	2,954,344	31,249,062	66.90
County Human Services	37,588,202	76,184,478	56,472,117			170,244,797	16,874,895	187,119,692	556.78
Health	68,371,478	13,050,181	13,218,673		492,468	95,132,800	29,495,199	124,627,999	897.58
Community Justice	39,349,798	15,392,549	2,605,494			57,347,841	18,785,033	76,132,874	531.21
Sheriff	72,288,219	1,523,153	6,650,081		209,816	80,671,269	25,355,281	106,026,550	819.86
County Management	44,633,050	6,656,599	111,335,735		39,442,782	202,068,166	29,409,586	231,477,752	567.63
Library	26,151,338	910,269	8,011,968		260,500	35,334,075	14,569,104	49,903,179	453.25
Community Services	16,074,006	28,302,517	3,057,561		21,525,220	68,959,304	10,421,816	79,381,120	223.67
<b>TOTAL</b>	<b>332,619,213</b>	<b>202,340,246</b>	<b>209,230,749</b>	<b>37,516,553</b>	<b>63,825,927</b>	<b>845,532,688</b>	<b>159,303,807</b>	<b>1,004,836,495</b>	<b>4,410.25</b>

# Budget Manager's Message

## FUND LEVEL TRANSACTIONS 2006-07

Fund		Total Department Expenditure	Cash Transfers	Contingency	Unappropriated Balance	Total Requirements
General Fund	1000	327,717,593	16,556,307	7,625,260	13,500,000	365,399,160
Strategic Investment Program Fund	1500	1,260,007	256,932	40,000		1,556,939
Road Fund	1501	47,778,105	5,344,588			53,122,693
Emergency Communications Fund	1502	316,779				316,779
Bicycle Path Construction Fund	1503	464,000				464,000
Recreation Fund	1504	120,000				120,000
Federal/State Program Fund	1505	253,361,507				253,361,507
County School Fund	1506	275,000				275,000
Tax Title Land Sales Fund	1507	879,622				879,622
Animal Control Fund	1508		1,125,400			1,125,400
Willamette River Bridge Fund	1509	18,189,494	300,000		23,298,121	41,787,615
Library Serial Levy Fund	1510	49,692,679				49,692,679
Special Excise Taxes Fund	1511	17,862,000				17,862,000
Pub Land Corner Preservation Fund	1512	1,124,690		1,060,310		2,185,000
Inmate Welfare Fund	1513	2,429,423				2,429,423
Justice Services Special Ops Fund	1516	5,232,409				5,232,409
General Reserve Fund	1517				13,500,000	13,500,000
Revenue Bond Sinking Fund	2001	844,704			4,799,386	5,644,090
Capital Debt Retirement Fund	2002	14,644,863			6,006,833	20,651,696
General Obligation Bond Sinking Fund	2003	9,215,628			7,814,349	17,029,977
PERS Bond Sinking Fund	2004	12,172,563			15,007,437	27,180,000
Justice Bond Project Fund	2500	1,500,000				1,500,000
Building Projects Fund	2504	342,063				342,063
Library Construction Fund	2506	210,500				210,500
Capital Improvement Fund	2507	27,979,827				27,979,827
Capital Acquisition Fund	2508	3,450,548	1,051,991			4,502,539
Asset Preservation Fund	2509	3,317,704			750,000	4,067,704
Behavioral Health Managed Care Fund	3002	34,877,451		1,646,928		36,524,379
Risk Management Fund	3500	83,643,860				83,643,860
Fleet Management Fund	3501	10,586,198		811,925		11,398,123
Data Processing Fund	3503	34,787,542				34,787,542
Mail Distribution Fund	3504	6,667,417		860,059		7,527,476
Facilities Management Fund	3505	33,892,319	4,510,591			38,402,910
<b>Total All Funds</b>		<b>1,004,836,495</b>	<b>29,145,809</b>	<b>12,044,482</b>	<b>84,676,126</b>	<b>1,130,702,912</b>