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## Introduction

Multnomah County has been fortunate to have weathered the recession better than many local governments. The County is still able to offer the vast majority of the health, social, and public safety services that our residents and clients rely on. The FY 2011 budget emphasizes Chair Cogen's values of prevention, innovation, sustainability and equity. The budget protects the health and safety of people, supports a community where individuals can thrive, and invests in making the county more efficient and customer focused.

Multnomah County's budgeted departmental expenditures have increased from \$1.04 billion in FY 2010 to \$1.16 billion in FY 2011, an increase of \$119 million. A large portion of this increase can be attributed to \$50 million in expenditures for replacement of the Sellwood Bridge. Planned General Fund expenditures (including cash transfers) have increased from \$341.1 million to \$356.1 million in FY 2011, and most departments saw their General Fund allocation increase. The County will add 142.29 FTEs in FY 2011, with 105 of those being supported by Federal and State grants.

The FY 2010 budget, and now the FY 2011 budget, provides for a new Rockwood Health Clinic, continued implementation of a new Assessment & Taxation IT system, a new Crisis Assessment and Treatment Center (a cost-effective alternative to incarceration or hospitalization), a new IT Data Center and Disaster Recovery capabilities, and design of the East County Courthouse.

The FY 2011 budget also fully funds our reserves, contains an additional Business Income Tax (BIT) reserve, and continues to reduce our unfunded retiree benefit obligations. In addition, Multnomah County's recent bond issues have been rated highly. Moody's rated Multnomah County's March 2010 Full Faith and Credit Bond issuance Aa1, and Standard & Poor's rated the same issuance AA with a stable outlook. The county's high credit ratings reflect our high levels of reserves, our willingness to revise operations and identify new revenues in response to budgetary pressures, and our use of multiyear financial modeling to guide budget decisions.

Despite the many positive items in the FY 2011 budget, the County will face several challenges in the immediate future. The County anticipates an \$11.5 to \$14.2 million General Fund revenue/expenditure gap (roughly 3.5% of ongoing expenditures) in FY 2012. The State of Oregon is currently implementing a 9% across the board reduction, which will impact the County in FY 2011. The upcoming 2011-2013 biennium will be even more challenging for the state and subsequently the County.

## Planning for the FY 2011 Budget

### *Economic Climate*

Gross domestic product (GDP) – the output of goods and services produced in the U.S. – increased at a revised annual rate of 2.7% in the first quarter of 2010, the third consecutive quarter of GDP growth. While economists generally believe the recession ended in the summer of 2009, growth in the latter half of 2010 is expected to be sluggish. This will be caused by a number of factors: the decline in Federal stimulus spending, the end of the normal inventory rebuilding cycle after a recession, and weak residential investment due to excess housing inventory.

Locally, the Portland metropolitan area felt the impact of the housing boom and bust 12 to 18 months later than other regions, and prices continue to decline. Portland housing prices peaked in July 2007, and through April, 2010 they have fallen 23% from their peak based on the S&P/Case-Shiller Home Price Index. Although not falling as quickly, prices have trended down throughout 2010 when compared with a year earlier. Recent estimates from First American Core Logic suggest that nearly 20% of Portland area home owners have negative equity. Based on affordability measures, prices could continue to fall for several quarters. Commercial real estate, which trails housing prices and lags the general economy, remains weak.

Unemployment increased faster and peaked at higher levels in Oregon and Multnomah County than in the rest of the country. In May 2008, Oregon's unemployment rate was 5.7%. Twelve months later, it stood at 11.6%. By May 2010, the rate had declined to 10.6%. For Multnomah County, unemployment followed a similar pattern - increasing from 5.0% in May 2008 to 10.7% in May 2009, and then easing to 9.8% by May 2010. The U.S. unemployment rate has remained stubbornly stable at roughly 9.7% for all of 2010.

While housing prices and unemployment rates paint a grim picture, the local economy has stabilized and small improvements can be seen. Business spending on equipment and software has risen significantly, benefiting large local employers such as Intel. Exports, especially to China, have been strong and growing. Inflation continues to be low. In the second half of 2009, the CPI – Urban Wage Earners and Clerical Workers index for Portland grew at just 0.7%. On a full year basis, it was essentially unchanged.

The County continues to assume a stabilizing national and local economy, with a protracted and uneven recovery. The consensus forecast has Oregon employment growing 0.2% in 2010 and 2.4% in 2011. Personal income growth is projected to increase 3.5% in 2010 and 4.4% in 2011.

### *Forecasting the General Fund*

Multnomah County uses ongoing financial forecasting and monitoring to estimate revenues and expenditures in the General Fund, the County's largest source of discretionary revenues. These forecasts are made for a 5-year time horizon and updated on a quarterly basis. The 5-year forecast helps form the basis on which Multnomah County builds its annual budget.

The Budget Office's March, 2010 5-Year General Fund Forecast projected a gap between General Fund revenues and expenditures of \$5.4 million in FY 2011. Unchecked, the gap will grow to over \$12 million in FY 2012. This projection excluded unmet needs such as capital infrastructure, building maintenance, operating costs associated with new or planned buildings, and any policy implications of decisions included in the proposed budget. The forecast also assumed that expiring State grants will not be supported by the General Fund and that there will be no new or expanded General Fund programs. The shortfall is a result of:

- The ongoing structural deficit between General Fund revenues and expenditures of approximately 2% annually
- One-time-only revenues used for ongoing programs in FY 2010
- Reduced Business Income Tax, US Marshal Revenue, State Shared Revenue, and Central Indirect Revenue
- Personnel costs projected to grow at 5.67%

### *Local Revenues*

Property tax is the single largest source of revenue in the General Fund and it accounts for about 63% of ongoing revenues. General Fund revenue growth, therefore, is particularly sensitive to changes in taxable value. The FY 2011 budget assumes the following rates of growth for each revenue source:

- Property tax – Increase 3.3%
- Business Income Tax – Flat
- Motor Vehicle Rental Tax – Increase 2.5%
- Recording Fees/CAFFA Grant – Increase 13.0%
- State Shared Revenues – Decrease 14.0%

### *State Revenues*

FY 2011 is the second year of the State's 2009-2011 biennial budget and was looking relatively stable. State budget reductions implemented in 2009, the American Recovery and Reinvestment Act (the federal stimulus), the use of 'rainy day' funds, and the passage of revenue Measures 66 and 67 in January 2010 initially left local jurisdictions with a predictable, if reduced, revenue picture for FY 2011.

However, the State's June 2010 forecast projected the state to have a negative \$577.1 million ending balance at the end of the biennium. The Governor has since ordered a 9% across-the-board budget cut, which will impact the County in FY 2011.

### *Cost Drivers*

The County is planning to re-balance its budget in August 2010 to address these state budget reductions.

It is important to note that the State is heavily dependent on personal income taxes. Given high unemployment, the protracted and even pace of recovery, and anemic job and wage growth, the state faces deficits for the foreseeable future. Estimates are that the State will face a \$2.5 billion gap for the FY 2012-2013 biennium, which is roughly 13% of current service levels.

Expenditures are forecast to grow by 4% to 5% annually – a rate of growth that takes into account inflation, employee compensation, and long term fixed costs for the next five fiscal years. Our primary General Fund cost drivers are personnel costs, particularly salary and benefits and health care related services. The FY 2011 budget accounts for personnel cost growth of 5.67% from the following sources:

- Cost of Living Adjustment – 2.00%
- Step and Merit Increases – 1.50%
- Medical/Dental – 14.63%
- PERS – 1.00%
- Retiree Medical – 0.25%
- Liability – 0.10% - 0.45%

The FY 2011 budget also provides General Fund nonprofit providers of contractual services with a cost of living adjustment of 2.0%.

### *Policy Direction from the County Chair and Board*

In light of General Fund shortfalls projected in the 5-year forecast, the initial direction from the Chair was for operating departments to make a 4% reduction in their General Fund budget requests. Internal service providers had to reduce their budget requests by 4% as well. Savings from the reductions totaled approximately \$12.6 million. The 4% savings produced a greater reduction than was needed to close the gap for FY 2011 alone.

In late March, County Chair Ted Wheeler was appointed by the Governor to the office of State Treasurer. Jeff Cogen was appointed by unanimous vote of the Board to serve as Chair. Chair Cogen's administration began just prior to finalizing the executive decisions for the FY 2011 budget. The budget calendar was adjusted to provide Chair Cogen with as much time as possible to create his executive budget and still meet the statutory deadlines imposed by Local Budget Law. Chair Cogen's executive budget maintained current service levels for FY 2011, and made new investments in his priorities of basic needs, prevention, safety, sustainability, and equity. This was accomplished by restoring or re-programming about three-quarters of the initial 4% reduction of \$12.6 million, leaving budget reductions of roughly \$3 million countywide; increasing

pet license fees and health department fees; and by using one-time-only resources (see tables on page 15 and 16 in the General Fund section).

The Board of County Commissioners held hearings on the Chair's proposed budget in May and June, adopting the Budget on June 10th. The Board made relatively few changes. The most significant were to move \$1.3 million of programs from departmental appropriations to the General Fund Contingency as earmarks pending additional information and the impacts of possible state reductions. A list is included below and additional documentation can be found in the Budget Notes section. The Board also approved a number of departmental amendments, including the Communities Putting Prevention to Work Program grant from the CDC. All told, these added roughly \$10.4 million and 33.11 FTE to the budget.

<b>Board Earmarks</b>	
- Pet Adoption Center	75,000
- Non-Profit Hotel (was offer 25121)	413,507
- Backpack Program (was part of offer 25147)	48,957
- Executive/Management Class Comp Study (was offer 72061)	200,000
- Mental Health Peer Clubhouse & Strengthening Families (was offers 25065 & 25087)	388,300
- Working Smart Initiative (was offer 10033)	217,907

### Budget Overview - All Funds

Local Budget Law requires that Multnomah County report the total budget. The budget for FY 2011 totals \$1,460,368,279. When adopted, the budget sets the legal appropriation. The total budget reflects the actual resources needed by the County, plus internal charges, transfers, loans, and accounting entities.

Because the total budget overstates what is actually spent, the County often refers to the net budget. The FY 2011 net budget of \$987,550,772 is a more accurate statement of the money the County actually plans to spend on operations during the year. The net budget subtracts all internal charges, transfers, and loans from one fund to another. It also removes all reserves for future years to more accurately reflect the ongoing operating budget. Internal transactions between funds are typically the result of one department providing a service to another, such as information technology or facilities services.

<b>FY 2011 Adopted Budget</b>	
Department Expenditures	\$958,812,685
Contingency	<u>\$28,738,087</u>
<b>Total Net Budget</b>	<b>\$987,550,772</b>
Service Reimbursements	\$196,657,752
Internal Cash Transfers	\$34,397,244
Reserves	<u>\$241,762,511</u>
<b>Total Budget</b>	<b>\$1,460,368,279</b>

Please see the next page for a chart detailing the change in budget by fund compared with FY 2010:



# Budget Director's Message

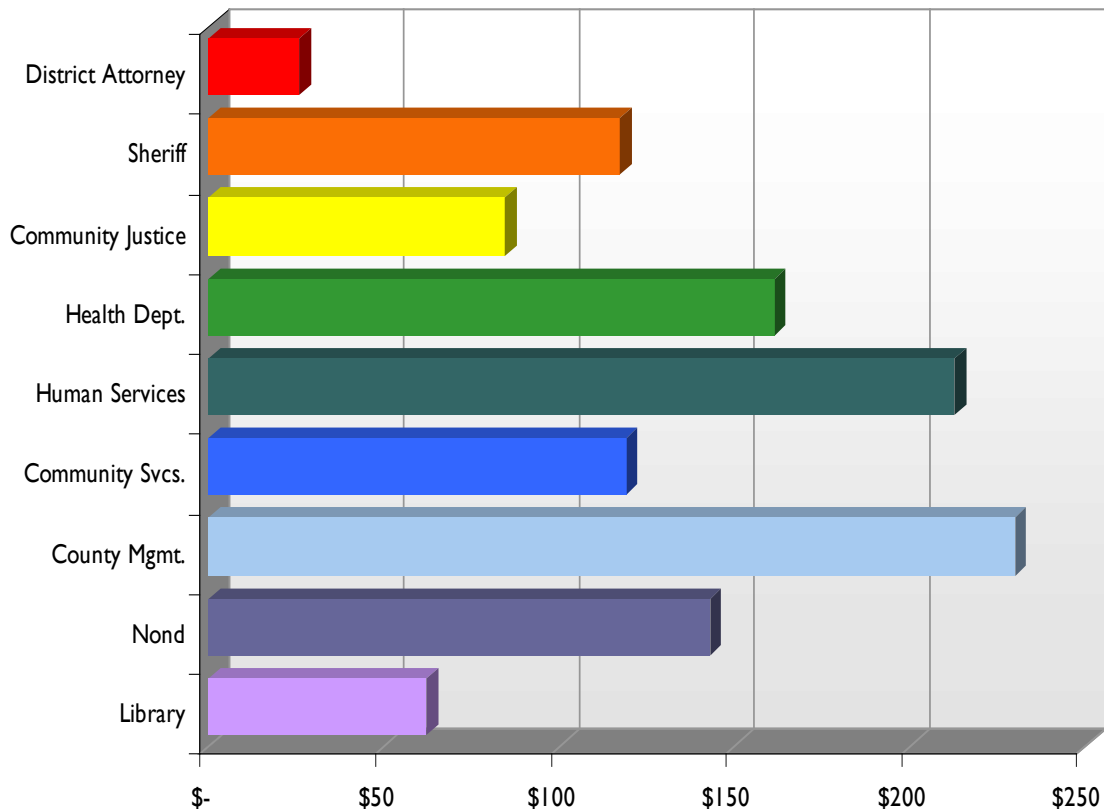
fy2011 adopted budget

#	Fund Name	FY 2010 Adopted	FY 2011 Adopted	Change	Notes
1000	General Fund	\$381,187,593	\$393,247,902	\$12,060,309	Beginning working capital (BWC) \$24.4m, taxes +\$6.9m; financing sources +\$15.5m, intergov +\$1.6m & service charges -\$2.7m
1500	Strategic Investment Program Fund	733,963	161,000	(572,963)	Taxes not budgeted, all beginning balance
1501	Road Fund	46,389,474	45,096,682	(1,292,792)	Financing sources -\$3.4m, other revenues & service charges -\$0.6m; intergov +\$2.7m
1502	Emergency Communications Fund	250,000	250,000	0	
1503	Bicycle Path Construction Fund	1,692,075	430,500	(1,261,575)	BWC \$260,000 & intergov \$1m lower
1504	Recreation Fund	123,264	101,700	(21,564)	
1505	Federal/State Program Fund	241,391,104	277,794,258	36,403,154	BWC \$0.4m, licenses & permits -\$0.6m; intergov +\$22.6m & service charges +\$14.1m
1506	County School Fund	205,000	191,500	(13,500)	
1507	Tax Title Land Sales Fund	668,601	0	(668,601)	Fund is no longer used
1508	Animal Control Fund	1,785,958	2,691,373	905,415	Licenses/permits +\$0.7m, other revenues +\$0.1m
1509	Willamette River Bridge Fund	15,850,003	175,862,964	160,012,961	BWC -\$4m; financing sources +\$150m, intergov +\$7.6m, licenses & permits +\$6m
1510	Library Serial Levy Fund	79,615,995	77,403,916	(2,212,079)	BWC -\$2.8m, financing sources -\$0.4m; other revenues +\$0.3m, taxes +\$0.9m
1511	Special Excise Taxes Fund	20,680,000	19,014,000	(1,666,000)	Taxes are lower
1512	Pub Land Corner Preservation Fund	2,060,000	1,685,000	(375,000)	
1513	Inmate Welfare Fund	1,572,436	1,384,015	(188,421)	
1516	Justice Services Special Ops Fund	8,226,617	8,196,814	(29,803)	
1517	General Reserve Fund	15,645,460	0	(15,645,460)	Not budgeted in FY 2011 resources moved to GF
2001	Revenue Bond Sinking Fund	2,184,740	1,692,500	(492,240)	BWC is lower
2002	Capital Lease Retirement Fund	35,392,902	30,781,512	(4,611,390)	BWC -\$12.8m, other revenues +\$8.4m
2003	General Obligation Bond Sinking Fund	16,736,004	15,795,357	(940,647)	BWC -\$0.3m, taxes -\$0.7m
2004	PERS Bond Sinking Fund	48,364,000	60,840,000	12,476,000	BWC +\$10.5m, other revenues +\$1.8m
2504	Financed Projects Fund	6,545,000	5,106,000	(1,439,000)	Financing sources lower
2507	Capital Improvement Fund	45,028,051	47,332,900	2,304,849	BWC +\$9.2m, financing sources +\$0.9m, intergov +\$1.7m; other revenues -\$8.8m
2508	Capital Acquisition Fund	557,400	6,007,000	5,449,600	BWC is higher
2509	Asset Preservation Fund	4,655,806	5,427,865	772,059	BWC +\$0.5m, financing sources +\$0.4m
3002	Behavioral Health Managed Care Fund	43,723,284	57,715,295	13,992,011	BWC +\$10.6m, intergov +\$3.4m
3500	Risk Management Fund	99,412,389	114,847,695	15,435,306	BWC +\$3.9m, other revenues +\$11.4m
3501	Fleet Management Fund	8,725,343	11,317,605	2,592,262	BWC +\$2m, other revenues +\$0.7m
3503	Data Processing Fund	52,280,209	47,712,090	(4,568,119)	BWC +\$3.5m higher; financing sources -\$6.2m, other revenues -\$2.2m
3504	Mail Distribution Fund	7,713,000	8,125,842	412,842	BWC is higher
3505	Facilities Management Fund	<u>43,098,552</u>	<u>44,154,994</u>	<u>1,056,442</u>	Financing sources -\$1m; other rev. +\$1.2m, service charges +\$0.9m
<b>Total</b>		<b>\$1,232,494,223</b>	<b>\$1,460,368,279</b>	<b>\$227,874,056</b>	

## *Department Requirements All Funds (\$1.16 billion)*

Department expenditures for all funds total \$1.16 billion in FY 2011. Most departments experienced increases in their budgets over the previous fiscal year with the exception of the Library. This is because the costs of building and opening two new branches inflated the Library's FY 2010 budget - these costs do not recur in FY 2011.

The bar chart below shows the amount of funding required by each department. This figure includes internal service payments, and thus represents some double-counting.

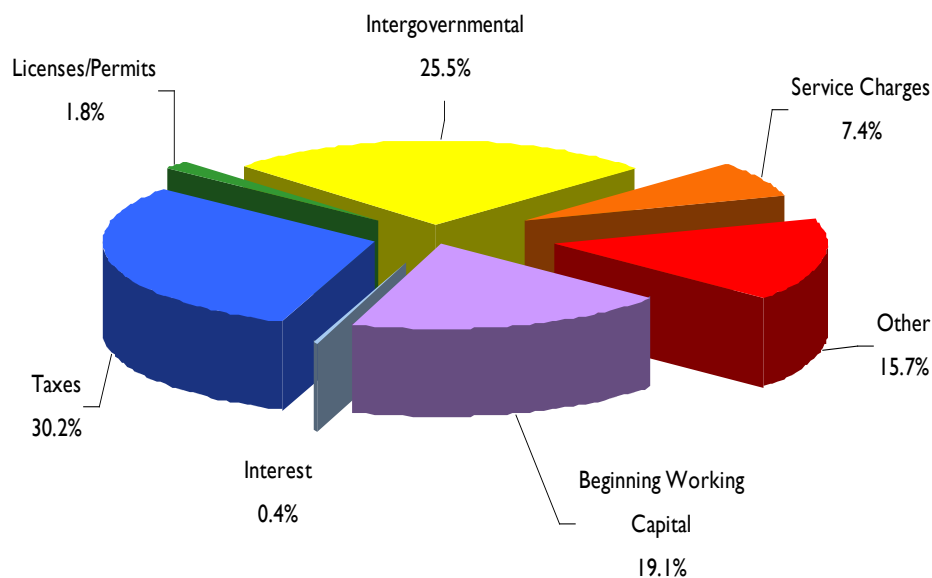


### Department Revenues All Funds (\$1.21 billion)

Total direct resources or 'revenues' for FY 2011 are \$1.21 billion (excluding service reimbursements and cash transfers between funds). Local revenues are either holding steady or growing at slightly increased rates. Taxes constitute the largest single revenue source and include property tax, business income tax, motor vehicle rental tax, transient lodging tax, and county gas tax.

Beginning Working Capital (BWC), as a share of total budgeted resources, has increased from last year. The FY 2010 adopted budget assumed \$23.1 million General Fund BWC, but FY 2011 contains \$47.5 million. This increase is due to a change in accounting standards discussed in the "General Fund Reserves" section. (page 16).

The increase in revenues from FY 2010 is attributable primarily to financing activity for the Sellwood Bridge. Proceeds from bond sales were budgeted at \$150 million, primarily to provide flexibility in putting together a debt package. Other financing sources for the bridge include an increase in intergovernmental revenues of \$7.5 million, and a new vehicle registration fee of \$6.0 million.

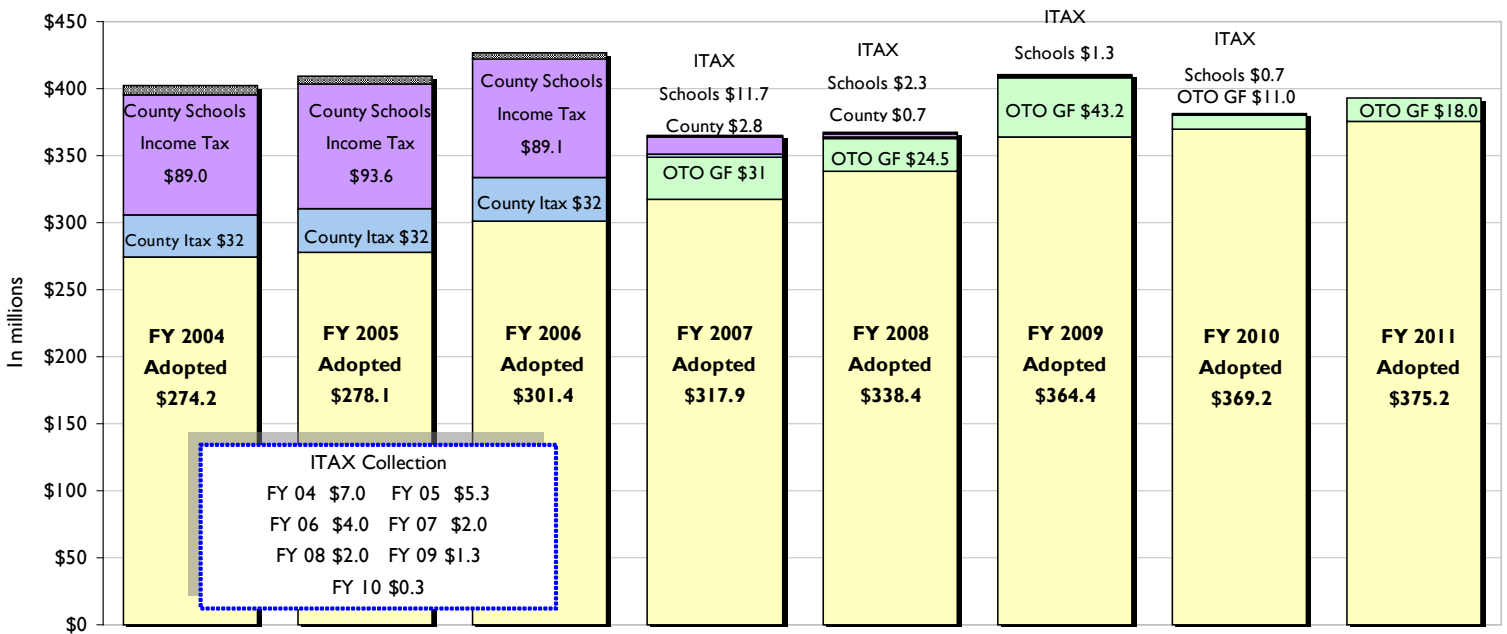


## The General Fund

### General Fund Expenditures

The \$393.2 million General Fund comprises approximately one-third of the County's budget. It is the largest pool of discretionary funds that the Board of County Commissioners can allocate with few restrictions. Resources include property taxes, business income taxes, motor vehicle rental taxes, interest earnings, and state shared revenues and beginning working capital.

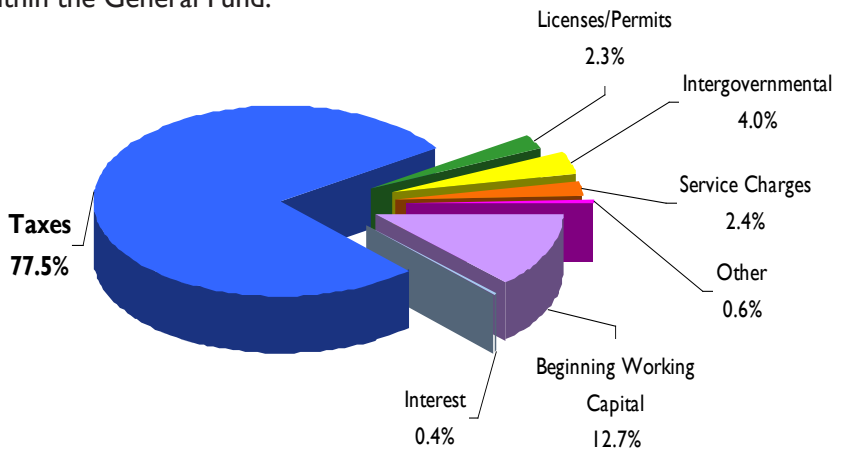
The following graph shows the total General Fund appropriation, including cash transfers and service reimbursements, from FY 2004 through FY 2011. The Temporary Personal Income Tax is shown from FY 2004 to FY 2010 but was not significant enough to warrant attention in FY 2011. Additionally, the graph shows how much one-time-only and ongoing funding was spent in the General Fund in fiscal years FY 2007 - FY 2011. Combining each segment provides the total General Fund.



### General Fund Revenues

General Fund direct resources (excluding service reimbursements and cash transfers) have increased from FY 2010. Budgeted General Fund direct resources are \$374.2 million – an increase of 8.0% over the FY 2010 adopted budget. This increase is somewhat misleading. In FY 2010, the General Reserve Fund (\$15.3 million) was transferred into the General Fund as a result of new Government Accounting Standards Board (GASB) requirements. In FY 2011, this shows as Beginning Working Capital (BWC) as the funds are already in the General Fund. Adjusting for these changes, the increase in General Fund resources is 3.6%. The majority of the increase is driven by property tax growth and higher budgeted BWC (due to a higher than planned FY 2009 ending balance that was not spent in FY 2010).

There are five revenues in the General Fund that make up about 88% of the ongoing revenue stream. Those revenues are—in order of magnitude—property tax, business income tax (BIT), motor vehicle rental tax, state-shared assessment and taxation and recording fees, and other state shared revenues, including video lottery, liquor control commission, cigarette and amusement device taxes. The following chart shows the major direct revenue resources within the General Fund.



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

The FY 2011 Budget spent approximately \$18.0 million of one-time-only resources after fully funding the County's General Fund reserves. The majority of these funds are attributable to the projected FY 2010 ending balance.

The table on the following page shows the OTO resources that were used to fund OTO program offers.

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

Prog #	Program Name	Dept.	TOTAL General Fund	Other Funds	OTO General Funds	% OTO General Funds
25120	Homeless Family Shelter System	DCHS	\$295,000	\$0	\$15,000	5%
25124	East County Homeless Outreach	DCHS	75,000	0	75,000	100%
25147	Child and Family Hunger Relief	DCHS	186,043	0	186,043	100%
50018	Juvenile Gang Resource Intervention Team (GRIT) - Youth Thrift Shop	DCJ	193,044	1,420,033	50,000	26%
50032B	Employment Transition Services for Gang Members	DCJ	50,000	0	50,000	100%
60018	Property and Laundry	MCSO	2,499,460	0	172,900	7%
72048	DART Assessment & Taxation System Upgrade	DCM	4,500,000	0	4,500,000	100%
72056	Central Human Resources Admin	DCM	808,440	0	17,000	2%
10011B	Comprehensive Family Economic Security	NOND	97,120	0	97,120	100%
10019	Multnomah County Schools (ITAX)	NOND	140,000	0	140,000	100%
10031B	NACo Conference Fundraising	NOND	750,000	375,000	375,000	50%
95000	Cash Transfers	Overall				
	~Yeon Testing		150,000	0	150,000	100%
	~Position in Facilities		120,000	0	120,000	100%
	~Library CT		800,000	0	800,000	100%
95000	Board Earmarks	Overall				
	~Pet Adoption Center		75,000	0	75,000	100%
	~Nonprofit Hotel		413,507	0	413,507	100%
	~Backpack Program		48,957	0	48,957	100%
	~Working Smart Initiative		217,907	0	217,907	100%
	~Executive & Management Study		200,000	0	200,000	100%
95000	Additional Contingency	Overall	450,000	0	450,000	100%
95000	BIT Reserve	Overall	4,000,000	0	4,000,000	100%
95000	Countywide Support for Grant Administration <sup>1/</sup>	Overall	1,700,000	0	1,700,000	100%
<b>Total OTO for OTO Programs</b>			<b>\$17,769,478</b>	<b>\$1,795,033</b>	<b>\$13,853,434</b>	<b>78%</b>

1/ This funding is not all OTO, the General Fund forecast assumes \$750,000 is ongoing.

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

Prog #	Program Name	Dept.	TOTAL General Fund	Other Funds	OTO General Funds	% OTO General Funds
25020B	Multnomah Project Independence - Reduced	DCHS	\$246,642	\$0	\$246,642	100%
25020C	Multnomah Project Independence - Fully Restored	DCHS	215,771	0	215,771	100%
25040C	Domestic Violence - Safe Start Collaboration	DCHS	163,024	0	163,024	100%
25091B	Sobering Scale Up	DCHS	150,000	0	150,000	100%
25114B	Bridges to Housing - Scale	DCHS	228,000	0	228,000	100%
25123B	Youth Gang Prevention - Scale	DCHS	937,878	0	937,878	100%
50029	Mead Building Security Contract	DCJ	1,109,729	1,112,924	99,054	9%
50040A	Adult Domestic Violence Supervision	DCJ	1,333,726	974,812	137,663	10%
50048A	Adult Housing Restoration	DCJ	552,630	0	552,630	100%
91006B	Animal Services Field Operations - Enhanced Service	DCS	181,796	0	181,796	100%
91007B	Animal Services Shelter Services - Restore and Enhance Service	DCS	168,674	65,000	168,674	100%
91024	Animal Services Fund Raising Development Position	DCS	80,000	100,000	80,000	100%
60033B	Gresham Temporary Hold	MCSO	138,437	0	138,437	100%
60065B	River Patrol Restoration	MCSO	140,863	0	140,863	100%
60068B	Warrant Task Force Restoration	MCSO	221,393	0	221,393	100%
60076B	Domestic Violence Enhanced Response Team Backfill	MCSO	55,753	0	55,753	100%
40029B	Rockwood Health Clinic <sup>1/</sup>	HD	222,897	0	222,897	100%
10038C	Food Policy Coordination	NOND	166,564	0	166,564	100%
10038D	Recycling Coordination	NOND	88,877	0	88,877	100%
<b>Total OTO for ONGOING Programs</b>			<b>\$6,402,654</b>	<b>\$2,252,736</b>	<b>\$4,195,916</b>	

1/ By year 3 the Rockwood Clinic will no longer need General Fund assistance.

### *General Fund Reserves*

The County maintains General Fund reserves outlined in the County's Financial and Budget Policies. In FY 2011, reserves are maintained in the General Fund equal to 10% of ongoing "corporate" General Fund revenues – revenues that the Board has wide discretion over, such as property taxes.

The FY 2011 budget fully funds the General Fund reserves at \$29.8 million and is in compliance with the Financial and Budget Policies. The level of General Fund reserves is considered a fundamental measure of financial health. Due to a change in accounting standards through GASB Statement 54, the General Reserve Fund moved into the General Fund in FY 2010.

The FY 2011 budget also contains a \$4 million BIT Stabilization Reserve. This stabilization reserve is in addition to other General Fund reserves and is specifically set aside in the event of a revenue shortage or budgetary imbalance. The Business Income Tax (BIT) is a volatile revenue source and the BIT reserve will mitigate the risk of an unexpected downturn in the regional economy.

### Policy Issues and Opportunities

### *Facilities, Capital Planning and Bond Issuance*

**Sellwood Bridge** - The Sellwood Bridge project is in the late stages of a planning effort to replace the current 84-year old Willamette River crossing. The project team is currently working on the Final Environmental Impact Statement for federal approval. A regional funding plan is in place to secure the estimated \$330 million needed to fund the project and construction is projected to begin in late 2012. The cost includes the new bridge, an interchange where the bridge connects with Highway 43, right-of-way, design, and mitigating impacts to protected environmental resources. The funding plan includes the following sources:

- \$127 million - Multnomah County Vehicle Registration Fee (\$19 per year)
- \$22 million - Clackamas County Vehicle Registration Fee (increase of between \$5 to \$8, expected to pass in spring 2010)
- \$100 million - City of Portland (new revenues from the Oregon Jobs and Transportation Act)
- \$30 million - State of Oregon (Jobs and Transportation Act) for Highway 43 interchange
- \$11 million - Previously secured funds remaining after planning phase
- \$40 million - Request for Federal funds

Of this funding, \$168 million is secured. An additional \$122 million is expected to be secured in 2010. The remaining \$40 million request is dependent on the reauthorization of the federal transportation bill which Congress has yet to consider.



The FY 2011 budget includes a separate program offer (91017) for \$150 million to allow staff flexibility to put together a debt package to finance construction. It is not unreasonable to expect that Multnomah County may only issue \$50 million to begin right of way acquisition. Debt service would be approximately \$7.5 million per year and would be offset by the increase in the Vehicle Registration Fee.

**Asset Preservation and the Capital Budget** - A Capital Improvement Fee is assessed to all County tenants based on space occupied in order to pay for the replacement of building systems at the end of their useful lives; this is the major ongoing source of revenue for the capital program. For FY 2011, the fee is \$2.75 per square foot and will collect approximately \$6 million for repairs to County buildings.

Annual capital fees have proved to be an inadequate source of funding in the light of an estimated deferred maintenance and seismic liability of approximately \$230 million for County buildings, of which \$209 million is seismic. A full solution to deferred maintenance will require new sources of revenue in order to replace or repair important County buildings. Facilities will continue to aggressively manage County building vacancies and move forward with the Disposition Strategy and Long Term Strategic Plan to create a portfolio of well sited, functional, flexible buildings that could be managed within the resources generated by the Asset Preservation and Capital Improvement Fees.

**Full Faith & Credit** – In March 2010 the county sold \$9.8 million of Full Faith and Credit bonds to finance:

- Facilities deferred maintenance projects;
- Replacement of the data center with added capacity for disaster recovery;
- Network enhancement and telephone system upgrade; and
- Library materials movement project.

Annual debt service payments of \$1.5 million have been factored into the FY 2011 budget and the bonds have a maturity of seven years.

**General Obligation Bonds** – Also in March, the county sold \$45.2 million of general obligation refunding bonds. These bonds had originally been issued for Library construction and renovation, public safety projects, and construction of the Wapato jail. The estimated savings of this refunding is \$5.2 million or 10.4% of the outstanding principal balance.

The savings from the GO bond refunding do not benefit the General Fund. However, they do represent savings to the taxpayers of Multnomah County. GO bonds are backed by a dedicated property tax levy that is outside the Measure 5 and Measure 50 limitations. Based on the revised debt schedule

### *New Facilities and Operations*

and current assumptions about assessed value growth, the Finance Division estimates a 4 to 5 cent reduction in the levy rate. It is currently set at about 17 cents per thousand. This would translate into savings to a homeowner with a house valued at \$200,000 of about \$8 to \$10 per year.

**Downtown Courthouse Construction** - On December 14, 2006, the Board passed Resolution 06-203 declaring the North Bridgehead Block as the preferred site for the proposed new downtown Courthouse. With the siting decision made, the County is proceeding to address the zoning and land use issues which currently encumber the site. Relocating the Hawthorne Bridge off-ramp that bisects the property will take place after the zoning and land use issues are addressed. In March 2008, the County received \$9 million from the Portland Development Commission as part of the final bond sale for the Downtown Waterfront Urban Renewal Area. The County continues to pursue additional funding for the new downtown Courthouse.

**East County Courthouse** – Multnomah County is required by state statute to provide court facilities in the city of Gresham. The Board approved the schematic design portion of the East County Courthouse in October 2009. As currently designed, the facility will include three courtrooms and office space for the District Attorney. The space is proposed to be designed to achieve LEED Gold Certification, the second highest sustainable building standard. If the Board approves the next phase, the estimated \$17-\$21 million courthouse will be built on County-owned land (185th and Stark) in the Rockwood neighborhood of Gresham. The annual debt service would be approximately \$1.5 million per year with annual operating costs estimated at \$430,000. The facility could be completed as early as calendar year 2012.

**Rockwood Clinic** - This 15,000-square-foot clinic will provide health, dental and mental health services as well as a pharmacy in the Rockwood neighborhood of Gresham. Opening in June, Rockwood is the first new health and dental clinic in 10 years. As poverty shifts from North and Northeast Portland the County is responding by opening new sites to meet the increased need for services in East County.

The County is opening the clinic through a partnership with CareOregon which has invested \$3 million to buy and renovate the facility. The County will use Medicaid revenue for the \$731,000 in startup costs. Medicare and Medicaid reimbursements, patient billing and a federal primary care grant will fund ongoing operating costs. The Health Department received \$225,000 in General Fund subsidy for the first year of operations to offset start-up costs. The subsidy will be reduced in FY 2012 and the clinic is projected to be self-sustaining in FY 2013.

**Crisis Assessment and Treatment Center** - The Crisis Assessment and Treatment Center (CATC) is a 16 bed mental health treatment facility offering short-term stabilization in a secure environment to 600-800 clients annually. CATC is an important part of the continuum of mental health services and is a secure, cost-effective alternative to incarceration or hospitalization. In FY 2009 the county contributed \$1,000,000 toward building this project. Multnomah County is working with Central City Concern to build this facility, the total cost of which is estimated at approximately \$3.9 million.

The new facility, which will open in FY 2012, will require approximately \$3.4 million annually to operate. Approximately fifty percent of the ongoing budget is anticipated to be reimbursed through Oregon Health Plan. Additional funding will be identified from county, state or other local sources.

**New Information Technology Data Center and Disaster Recovery Capabilities** - The current IT Data Center facility houses critical telecommunications and computing infrastructure and data storage that supports the County's networks and business applications. The services provided by the data center are currently at risk due to the age, design, and capacity of both the facility and the associated equipment. IT will pay for approximately \$500,000 of the costs out of beginning working capital (BWC) in FY 2010, and received \$3.0 million of the Full Faith and Credit debt issued in FY 2010. Operating costs were assumed to be neutral for FY 2011.

**Downtown Pet Adoption Center** - The County's Animal Services Division is requesting funding for a small, temporary animal adoption center in the heart of Portland. The animal adoption center's goal is to make Multnomah County's Animal Services visible and accessible to Portlanders and to reduce animal euthanasia rates. The 2,000-to-2,500-square-foot center is planned for Portland's core and would operate six to seven days a week. The Animal Adoption Center would feature a rotating cast of adoptable animals and would accept stray animals in addition to providing office space for one Animal Control Officer. \$75,000 has been earmarked in contingency for this project. Once the department raises \$225,000 they may return to the Board to access the funds in contingency.

**Wapato** - The 525-bed Wapato Jail was built in 2006. There is currently insufficient funding to operate this facility. The FY 2011 budget includes \$373,000 for "mothball" costs for the year. The County continues to seek sustainable funding for operating this facility, or opportunities for leasing it to another jurisdiction.

### *Organization-wide Issues*

**IT Investment Fund** - The IT Investment Fund was created to fund technology initiatives that allow county programs to streamline business processes, improve staff efficiency and service delivery, replace outdated, ineffective legacy systems, minimize risk, and/or increase citizen access to services. Oversight for the fund and evaluation/selection of projects are provided via the IT Advisory Board which consists of members from all county departments including Sheriff and District Attorney. This funding and governance structure provides all county departments the opportunity to leverage technology in support of their programs, ensures that IT investments are understood and prioritized county-wide, and ensures that large capital projects have clearly defined scope, appropriate sponsorship, and continuous oversight.

For FY 2011, the investment fund has a balance of \$5.8 million. This consists of \$3.6 million for carryover of FY 2010 ITAB and IT capital projects in process and \$2.2 million for FY 2011 planned projects. In addition, ITAB has oversight for the two capital projects funded by the FY 2010 bond issue totaling \$6 million.

**Charter Review Committee (CRC)** – The Multnomah County Charter requires that every six years a Charter Review Committee be convened to study every provision of the Charter and place recommended changes on the ballot for voters to consider. The Charter can only be adopted, amended or repealed by a majority vote of a county's voters. The primary advantage of a charter over relying on solely Oregon statute for governance is that a charter allows greater authority for a county's governance than that provided by state law.

The Charter Review Committee is currently in session, discussing whether amendments to a number of miscellaneous Charter provisions should be referred to the voters. Potential revisions include whether the role of the Salary Commission should include the salary of the Sheriff and supplemental District Attorney salary; whether the provision relating to the appointment and timing of the Charter Review Committee should be changed; whether term limits should be eliminated or increased; whether county elected officials should be allowed to run for another office mid-term; whether commissioners should have to continue their district residency throughout their terms of office and whether the pre-election residency requirement should be reduced. The CRC must report its recommended changes to the Board of Commissioners in July, for the November election.

### *Revenues*

**State of Oregon Budget** – FY 2011 is the second year of the State's 2009-2011 biennial budget. Despite voter approval of revenue Measures 66 and 67, the State is forecasting a \$577.1 shortfall for the second year of the biennium and the Governor has ordered 9% across the board budget cuts. The County expects direct revenue impacts of \$5 to \$10 million in FY 2011, which will be

addressed during a County budget re-balancing process in August 2010. The upcoming 2011-2013 biennium is expected to be even more challenging for the State, which could be facing a shortfall of roughly \$2.5 billion. Governor Ted Kulongoski is looking to dramatically restructure state government to bring expenditures into a sustainable balance with revenue. Any changes to funding or the structure of State programs will likely have a significant impact on the County's budget and programs.

**Urban Renewal** - Oregon statutes provide for the establishment of urban renewal agencies that have broad powers in the areas of economic development and redevelopment. Urban renewal agencies typically receive most of their funding through tax increment financing (TIF) whereby property taxes generated within a plan area are dedicated to the repayment of bonds issued for public improvements. These property tax receipts are subject to tax limitations Measure 5 and Measure 50.

The City of Portland, through its urban renewal agency, the Portland Development Commission (PDC), operates eleven urban renewal plan areas. The cities of Gresham and Troutdale also operate one urban renewal plan area apiece. Per state law, when urban renewal agencies must identify "blight" conditions and how those conditions will be addressed they create a new plan area. Plan areas must also establish a maximum level of indebtedness and identify a date after which no further debt may be issued.

As a result of the property tax limitations established in the state constitution, urban renewal taxes compete directly with other taxing jurisdictions. This means that taxes collected by other taxing districts (cities, counties, special districts, schools) are limited because incremental value growth within plan areas is retained by the urban renewal agency. We have estimated that the taxes foregone by Multnomah County total more than \$24 million annually. However, there is a reasonable debate as to how much tax revenue would be available absent the work of the urban renewal agency. Last year the County has gained a "seat at the table" in discussions about the future of urban renewal in Portland.

**PERS** - On March 31, 2006, the PERS Board adopted changes to the methods used for future actuarial valuations. These changes are considered acceptable under retirement financial guidelines and generally accepted accounting principles. In addition, the PERS board modified how they would smooth interest earnings and the use of reserves.

Over time, these changes should produce significant savings for all PERS covered employers, as well as budgeting requirements that are more manageable than the previous methods generated. For FY 2010, the County's PERS rates remain essentially unchanged from the previous year. The biannual actuarial valuation for the period ending December 31, 2007

## *Personnel Costs*

(issued in November 2008) provided for a slight decrease in the County's rates. However, due to losses incurred after the date of the valuation, the County maintained the prior rates and is accumulating the excess in a reserve account that will be used to offset increases expected after the next actuarial valuation. The next actuarial valuation will be based on the period ending December 31, 2009 and will produce revised PERS rates. The employer's unfunded liability fluctuates based on stock market activity and current economic conditions. We have included a 1% increase for FY 2011 to provide additional growth in the reserves and anticipate that the County's PERS rates may be increased in FY 2012.

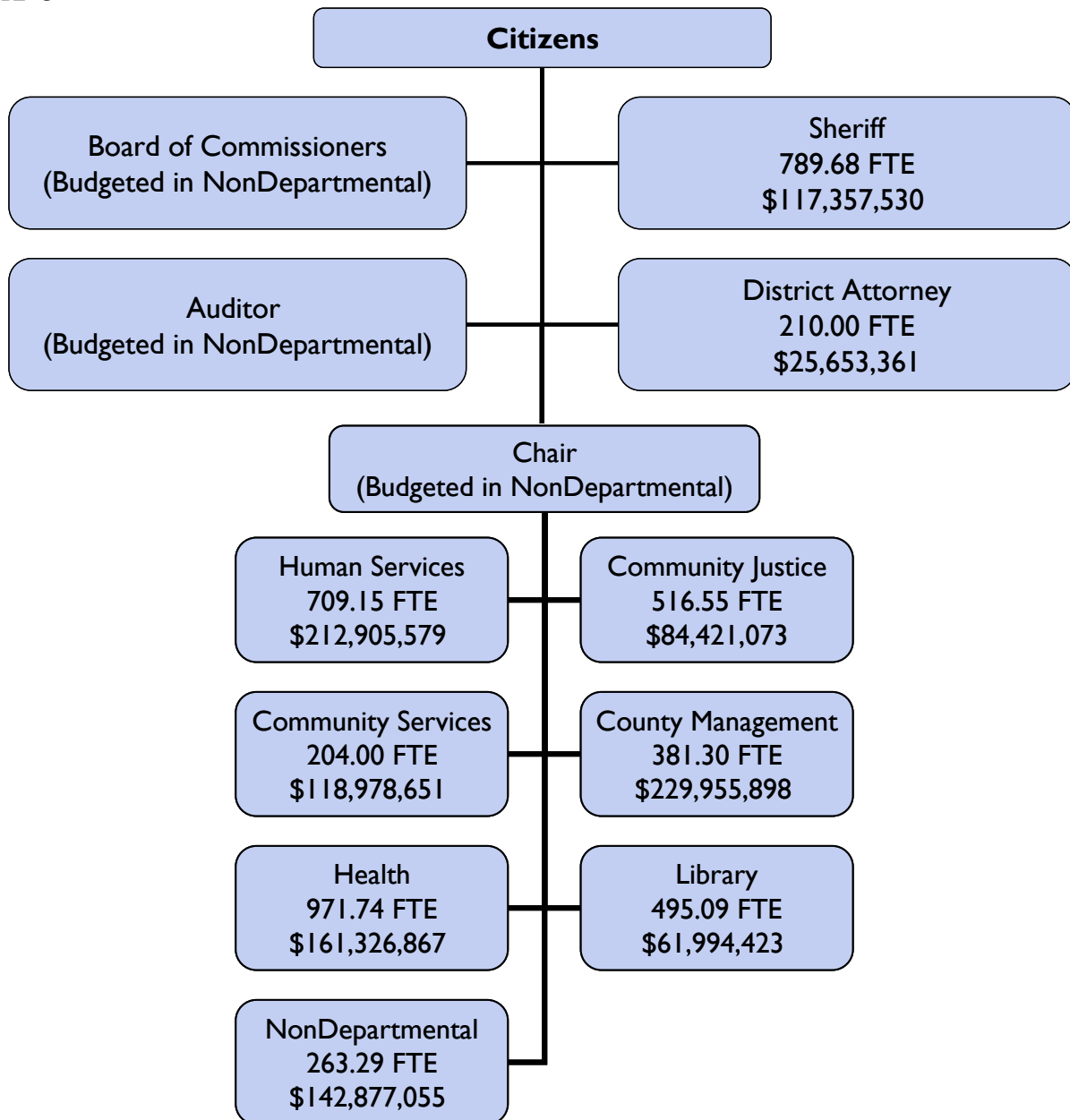
**Other Post-Employment Benefits** - The Government Accounting Standards Board (GASB) issues statements that dictate how governments should account for incurred and anticipated costs in their annual financial reports. In 2004, GASB issued Statement 45, outlining reporting requirements for post-employment benefits other than pensions. GASB 45 recognizes that those expenses represent a liability to governments, and requires the liability be reported as such in the annual financial report.

Multnomah County subsidizes post-employment medical benefits to retirees and their dependents until the time that the employee is eligible for Medicare. The County contributes 1.75% of current payroll costs to support the retiree medical insurance program. The County shares the cost of the monthly premium with retirees, at a rate of half the monthly premium that is set for active employees each year. Multnomah County established a reserve in the Risk Fund to account for post-employment medical benefits. That reserve is not sufficient to cover the anticipated liability. The unfunded liability is approximately \$130 million and our current reserve is approximately \$15.8 million. The County's financial policies establish a goal of funding 20% of the liability by 2013.

**Healthcare Costs** - The County strives to offer its employees a wage package that is competitive with peer organizations in the public and private sector labor markets. Over the last few years, the greatest challenge facing the County has been the increased cost of health insurance, property and liability insurance, workers compensation and retirement. Additionally, 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.

## Multnomah County Organization Chart

Multnomah County delivers its services through nine departments including three managed by independently-elected officials: Dan Staton, Sheriff; Michael Schrunk, District Attorney; and Steve March, County Auditor. There are 4,540.80 full time equivalent (FTE) positions in this budget. Department spending (including internal services which are double-counted) totals just over \$1.16 billion in the budget. Below is an organization chart for the County:



## Appreciation

This document is the outcome of many hours of hard work and analysis by County agencies and their budget teams. I would like to take this opportunity to thank the many people involved in its preparation. Particularly, I want to thank the department budget teams and recognize with sincere appreciation the assistance and cooperation of our department heads, constitutional officers, and staff for many hours of hard work and assistance.

I also want to acknowledge and praise the remarkable teamwork embodied by the people in Central Budget Office who gave their very best in putting this budget together in particularly trying times: Julie Neburka, Ching Hay, Christian Elkin, Mike Jaspin, Shannon Busby, and Patrick Heath.

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

Karyne Kieta  
Multnomah County Budget Director



## FY 2011 Budget Notes

### *SUN Service System Fees*

The following budget notes were adopted by the Board of County Commissioners on June 10, 2010. Board discussion and deliberation is an integral part of the County budget process. Budget Notes document policy discussions and decisions made by the Board of County Commissioners during the budget worksessions and provide direction to departments in achieving the Board's policy goals during the fiscal year.

The Board directs the Department of County Human Services (DCHS) to report on the status of fee collection efforts for the SUN Community Schools, no later than August 31st, 2010. The Board is concerned that the fees are not always collected from parents who could afford to contribute to the program. The County does not collect the fees itself, but the fees help to support the array of services that SUN provides. The report should detail the status of fees collected by school, whether the school has a parent advisory council and the number of parents serving on it, along with information about the demographics of each school and the services SUN provides on site. Information shall be provided for the past two years.

### *Animal Services – Downtown Pet Adoption Center*

The County's Animal Services Division is requesting funding for a small, temporary animal adoption center in Portland. The animal adoption center has the goal to make Multnomah County's Animal Services visible and accessible to Portlanders and to reduce animal euthanasia rates. The 2,000-to-2,500-square-foot center is planned for Portland's core and would operate six to seven days a week. The downtown adoption center would feature a rotating cast of adoptable animals and would accept stray animals in addition to providing office space for one Animal Control Officer. \$75,000 has been earmarked in contingency for this project. Once the department raises \$225,000 they may return to the Board to access the funds in contingency.

### *Child and Family Hunger Relief*

The Board will revisit program 25147, Child and Family Hunger Relief by July 31<sup>st</sup>, 2010. \$186,043 is allocated to the program in the FY 2011 adopted budget to run the summer and non-school/weekday portions of the program. The Board would like to hear from the Department of County Human Services (DCHS) how the program will leverage resources from the faith-based, not-for-profit, and business community after the one-time funding is spent. \$48,957 for the Back Pack Program will be earmarked in contingency should the Board decide to fund the weekend feeding program.

### *Nonprofit Hotel*

The Board did not fund program 25121, the Nonprofit Hotel. The Board directs DCHS to present a business plan to the Board no later than September 30, 2010. After hearing a detailed business plan on the operations, future funding plans, and timeline for implementing the program, the Board will consider funding this program. The \$413,507 will be earmarked in contingency should the Board decide to fund this program in FY 2011.

### *Juvenile Detention Electronics at Donald E. Long*

The monitoring of and access to all internal areas (custody units, sleeping rooms, holding cells, hallways) and external areas (police gates, public entrance, sally ports) is currently operated by manual input-output switch systems located in Mail Control, Intake, Visiting Control and in each custody unit. Any time one of these system areas breaks down, extreme security and safety hazards are created. Community Justice, working with Facilities and Property Management and Electronic Services proposes to replace the existing control systems with modern, detention-grade control systems that allow for the County's Electronic Services group to provide cost effective servicing.

The Board directs Community Justice and County Management to return to the Board on or before August 31, 2010 and report on the following:

- Total estimated cost for a new or updated system
- Timeline and implementation schedule
- Financing/funding options.

### *Work Smart Initiative*

The Board desires a briefing on or before August 31, 2010, on the status of the Administrative Review and in particular the Business Process Re engineering. The report should include information about:

- the original plan and scope of work
- implementation and accomplishments
- remaining or incomplete tasks
- subsequent phases or rollout
- expenditures to date and FY 2011 proposed budget
- next steps and timeline

The \$217,907 will be earmarked in contingency should the Board decide to fund this program in FY 2011.

### *Executive and Management Study*

The Board will revisit program 72061 Executive and Management Class-Comp Study as part of the state budget rebalance process. The Board would like to hear from DCM about the scope of the project, what has happened to date, and the plan to move forward. The one-time funding of \$200,000 will be earmarked in contingency should the Board decide to fund this program.

### *Mental Health Peer Clubhouse and Strengthening Families – Addictions Prevention*

The Board did not fund program 25065 Mental Health Peer Clubhouse or program 25087 Strengthening Families – Addictions Prevention. The Board will revisit both programs as part of the state budget rebalance process. \$388,300 will be earmarked in contingency should the Board decide to fund either or both of these programs: \$263,300 for the Mental Health Peer Clubhouse, and \$125,000 for Strengthening Families – Addictions Prevention.

### *Use of One-Time-Only (OTO) Funding*

There are a number of programs that are funded with one-time-only funding (OTO) for FY 2011. Multnomah County's financial policies address OTO, but the BCC would like a detailed discussion about the use of this resource.

The Board directs the Budget Office to schedule a worksession prior to the mid-year state budget rebalance process. The discussion should include:

- The level of reserves set aside as established by Board policy
- One-time-only spending proposals for projects or pilot programs
- Ramping down or phasing out programs funded by OTO funds
- Bridge or gap financing for existing programs for a finite period of time
- Future funding impacts (i.e. loss of State or Federal funding).
- Best practices

Survey of surrounding local governments' OTO policies.

### *Sheriff's Office Authorization for Over-Staffing Deputies*

The recruitment, hiring and training of Law Enforcement Deputies and Corrections Deputies (Deputy) is a competitive and resource intensive process. Before a Sheriff's Deputy can become a self-sufficient employee, six months to a year of recruitment, hiring, and training must occur. The Sheriff's Office wants to minimize Deputy vacancies, as well as other post-driven classification vacancies. Over the next five years, approximately 32% of the Deputy work force will be eligible for retirement. Historically, the Sheriff's Office has averaged a 7% annual attrition rate in the Deputy job classifications. It is important to minimize the amount of time a position is vacant and careful management of vacancies by anticipating attrition events will result in both a positive impact on the employee's well-being and contribute to the reduction of the agency's dependence upon overtime. This budget note authorizes the Sheriff's Office to overfill budgeted Deputy positions by 10.00 FTE. It is expected that this strategy will provide the needed flexibility to keep vacancies filled yet remain within budgeted appropriation.

Additionally, the Sheriff's Office will keep the Board informed as to the progress of the State cuts to DPSST and the impact to Multnomah County.

## *Board Briefings*

The Board will hold a series of worksessions and briefings on items earmarked in contingency. The work sessions will be scheduled in July, 2010. The timing for work sessions on contingency earmarks are noted in individual budget notes. Those earmarks are as follows:

- Peer Clubhouse & Strengthening Families Addictions (schedule as part of the state budget rebalance process)
- Executive & Management Study (schedule as part of the state budget rebalance process)
- Child & Family Hunger Relief & Backpack Program (schedule by July 31, 2010)
- Pet Adoption Center (department to schedule once \$225,000 is raised).

## *Evidence Based Sentencing*

Data-driven reforms in sentencing are being developed around the nation that protect public safety, hold offenders accountable, and reduce corrections costs. In a study published in May, 2009, the Pew Center's Public Safety Performance Project recommends 10 evidence-based sentencing initiatives to control crime and reduce costs. In Multnomah County, sentencing recommendations are made by the District Attorney's Office. The Board of County Commissioners directs the District Attorney to brief the Board at a public meeting by September, 2010 to review, respond to, and make recommendations for implementing the ten evidence-based sentencing strategies from Pew's Public Safety Performance Project.