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Goals

The goals of this financial policy are:

1. To preserve capital through prudent budgeting and financial management.
2. To achieve the most productive use of County funds that meets the goals of the Board of County Commissioners.
3. To ensure that all finance-related activities meet generally accepted accounting principles.
4. To achieve a stable balance between the County's ongoing financial commitments and the continuing revenues available to the County.
5. To leverage local dollars with federal and state funding/grants.
6. To provide an accountable form of Government to the citizens of Multnomah County.

Financial Forecasts for the General Fund

Background

Governments at all levels should forecast major revenues and expenditures. The forecast should extend at least three to five years beyond the budget period and be regularly monitored and updated. It should be clearly stated and available to participants in the budget process, as should its underlying assumptions and methodology. It should also be referenced in the final budget document. To improve future forecasting, the variances between previous forecasts and actual amounts should be analyzed. The variance analysis should identify all factors that influence revenue collections, expenditure levels, and forecast assumptions.

Financial Forecasts for the General Fund Policy Statement

The Board of County Commissioners recognizes the importance of developing a combined revenue and expenditure forecast. The Budget Division will prepare a five-year financial forecast for the General Fund to assess the long-term financial implications of current, as well as proposed, policies and programs. The forecast will detail assumptions regarding both short-term and long-term financial issues facing the county. Those assumptions will guide the development of appropriate financial strategies to achieve the goals outlined above. The General Fund revenue and expenditure forecast will:

1. Provide an understanding of available funding;
2. Evaluate financial risk;
3. Assess the likelihood that services can be sustained;
4. Assess the level at which capital investment can be made;
5. Identify future commitments and resource demands;
6. Identify the key variables that might change the level of revenue; and
7. Identify one-time-only resources and recommends appropriate uses.

Status

In compliance.

Tax Revenues

Background

All of the County's tax decisions have been made in an atmosphere of intense public and internal debate. Those debates consistently referred to these common factors: the social equity of the tax, its administrative costs, its impact on the regional economy, its effect on other local governments, and the degree to which the tax might be acceptable to the public.

During the past decade Multnomah County has faced major decisions about the level and kind of taxation it can or should impose.

Measure 5, which passed in 1990, already limited combined property tax rates for non-school government (e.g., Multnomah County, the City of Portland, Gresham, Metro, etc.) to $10 per $1,000 of Real Market Value (RMV) per county-assigned tax code area. Similarly, combined property tax rates for the public school system are limited to $5 per $1,000 RMV for each tax code area.

In May 1997, the voters approved Ballot Measure 50, which reduced property taxes statewide by 17% (except those to pay exempt bonded indebtedness or Local Option levies approved by voters)—this time not by limiting the tax rate, but by limiting the property value that the rate is applied to. It mandated the use of Assessed Value (AV) for Measure 50 purposes, and rolled AV back to 10% below 1995/1996 RMV. It further limited the *growth* in AV to 3% per year, with the exception of new construction and major renovation. These provisions have the combined effect of disconnecting some property taxes from a rational relationship with actual property value. Finally, Measure 50 required that general obligation bonds and local option taxes be approved by a majority of the voters at general election in even numbered years or at any election in which a majority of eligible registered voters cast a ballot—the so-called double majority.

RMV is still used for Measure 5 purposes, and Measure 5 and Measure 50 are simultaneously applicable; this results in a phenomenon referred to as *compression* when taxes authorized by Measure 50 are prohibited by Measure 5. The lower tax always applies.

In March 1998, Multnomah County voters imposed a temporary 0.5% Business Income Tax surcharge for tax year 1998 – one year only. This revenue was dedicated to the various school districts within Multnomah County; it generated approximately $10.4 million.

In 1999 the County received a proposal to increase the rates of both the Transient Lodging Tax and Motor Vehicle Rental Tax and dedicate the proceeds to Metro and the City of Portland to fund expansion of the Convention Center and renovation of Civic Stadium and the Portland Center for Performing Arts. The Board approved these increases in February 2000.

In November 2002, voters approved Measure 26-36, a new 5-year library levy with a start date of July 2003, following the June expiration of the previous levy, which supplied nearly half of the library's funding. The cost is 75.5 cents per thousand of assessed value.

On March 20, 2003 the Board approved Resolution 03-041, which submitted Measure 26-48 to the voters to impose a three-year Countywide personal income tax to benefit public schools, public safety, and human services. On May 20, 2003 this tax was passed by the voters of Multnomah County.

All of these decisions were made in an atmosphere of intense public and internal debate, particularly with regard to the progessivity of the tax, its administrative cost, its impact on the regional economy, its effect on other local governments, and the degree to which the tax might be acceptable to the public.

Policy Statement

The Board recognizes that taxation is necessary in order to provide public services to the citizens of the county. When considering changes to the County's tax structure, the Board will consider the following:

1. The ability of taxpayers to pay the taxes.
2. The impact of taxes imposed by the County on other local governments.
3. The effect of taxes on the county economy.
4. The administration and collection costs of the taxes.
5. The ease with which the taxes can be understood by taxpayers.

Status

The County has several sources of tax revenue, including property taxes, which are paid based on the established value of real, personal, and utility property. Except for general obligation bond levies and local option taxes, property taxes increase with growth in assessed value. That growth is limited to 3% per year plus changes as a result of annexation, rezoning, and new construction. The County collects property tax in three ways:

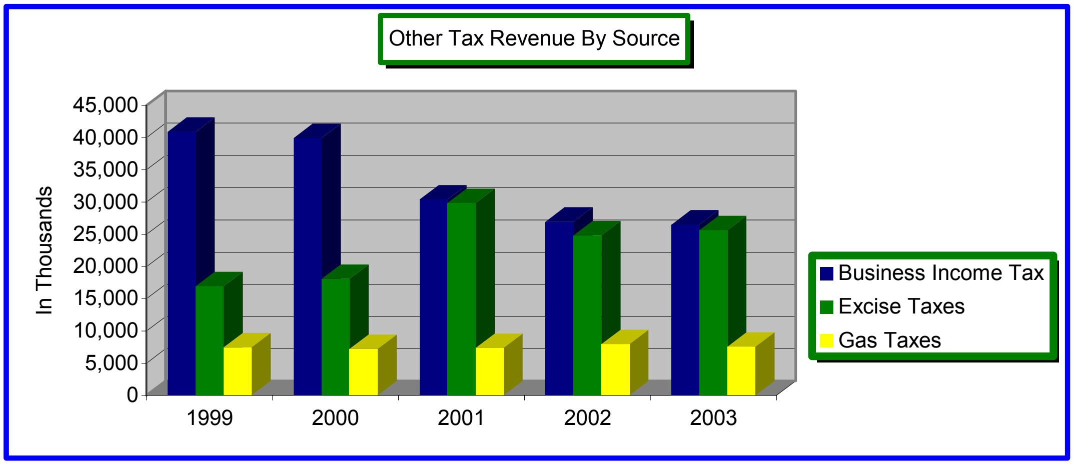
- through a “permanent tax rate,” the reduced combination of the County’s “tax base” and two serial levies in effect when Measure 50 was approved;
- through taxes for the retirement of voter-approved general obligation bonds; and
- through a local option levy for Library services.

Business entities doing business in the County pay business income taxes (BIT) based on net income.

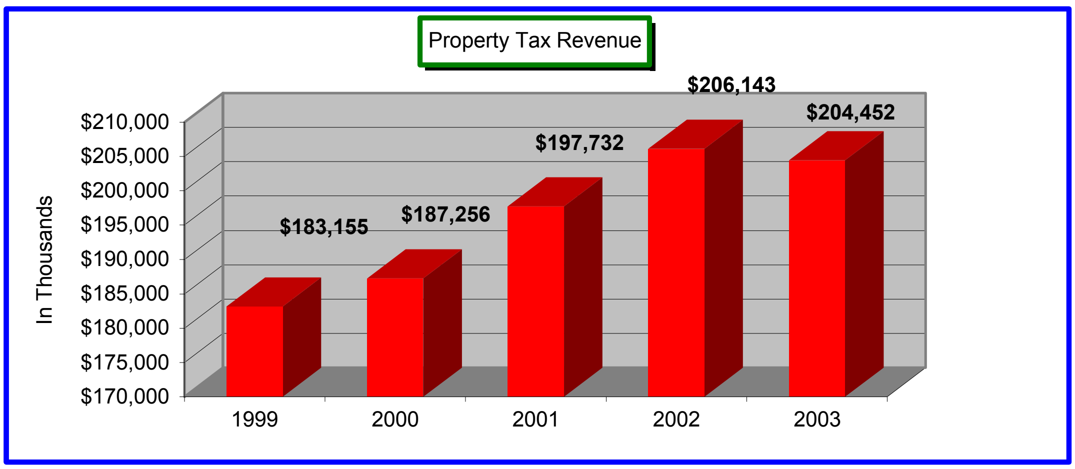
The County has two excise taxes, a Motor Vehicle Rental Tax and a Transient Lodging Tax. Motor vehicle rental taxes are assessed on the income generated by short-term vehicle rentals. Transient lodging taxes are imposed on room rates at hotels/motels. Transient Lodging Taxes collected are (with minor exceptions) passed through to Metro for the operations of the Convention Center, the Performing Arts Center, and the Regional Art and Culture Council; for funding bonds issued by the City of Portland to expand the Oregon Convention Center and renovate Civic Stadium and the Performing Arts Center; and to provide monies for a Visitors Development Fund. A portion of the Motor Vehicle Rental Taxes also supports these programs.

The County also imposes a gasoline tax that is dedicated to roads.

The County's tax revenues represent about 40% of the total Governmental Fund Type revenues (General and Special Revenue Funds). The following graphs depict actual tax revenue by source since FY 99.



	1999	2000	2001	2002	2003
Business Income Tax	40,904	39,934	30,377	26,935	24,800
Excise Taxes	16,974	18,101	29,821	24,849	28,712
Gas Taxes	7,470	7,221	7,372	7,951	7,375



Short-Term Local Revenues

Short-term revenues are those of limited duration, primarily serial levies for jail and library services and—since the passage of Measure 50—a five-year local option levy for library services. Use of short-term revenues for ongoing programs places programs at risk if voters fail to approve subsequent levies.

Background

In Fiscal Year 1998, the dollar amounts of existing library and public safety serial levies were combined with the County's General Fund tax base amount to establish the permanent property tax rate per $1,000 of assessed value. The expired serial levies, which were merged with the tax base into a permanent tax rate, are no longer dedicated revenues.

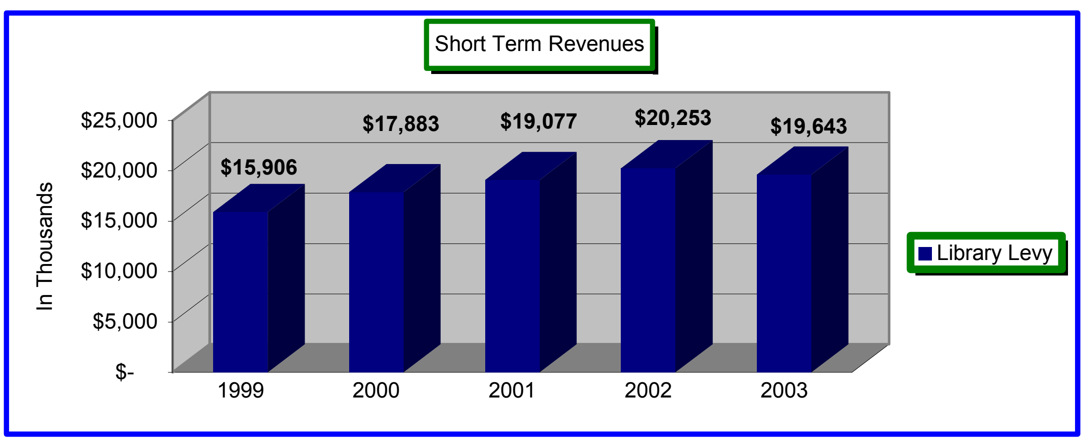
Measure 50 requires that any property tax measure needs both a majority vote and a 50% voter turnout unless it is voted on at a general election. Because of this requirement, it will be more difficult to obtain voter approval for short-term property tax revenues. Perhaps more importantly, the Constitution makes no provision for a government to change its permanent tax rate.

Policy Statement

It is the intent of the Board to use short-term revenue sources to fund priority service programs only after all other sources of revenue have been analyzed and have been determined not to be feasible.

Status

In November 2002, the voters approved the second five-year local option levy for library services. The following graph reflects the use of actual short-term revenues since FY 99.



Transportation Financing

The passage of the 2003 Oregon Legislation HB 2041 provided Transportation (roads and bridges) infrastructure a much needed jolt of new financial assistance. The Bill also know as OTIA III (Oregon Transportation Investment Act) provides the County with $25 M for use on the Sauvie Island bridge construction, an additional $1.4 M of annual funding for county bridges and $.5 M annually for county roads. Even with these new funds a funding gap still exists and continues to widen as infrastructure preservation needs exceed resources.

Background

Ongoing maintenance and improvements are necessary for economic growth, to alleviate existing transportation problems, and to maintain the livability of the region.

In the Portland area, growth has placed additional demands on the transportation system. Ongoing maintenance and improvements are necessary for economic growth, to alleviate existing transportation problems, and to maintain the livability of the region.

Multnomah County's Capital Improvement Plan and Program (CIPP) updated on a biennial schedule will be returned to the Board of County Commissioners in the Fall of 2004. The Board's adoption of the CIPP forms the basis for the selection and funding of road and bridge projects. Transportation revenue forecasts even with the passage of HB 2041 will leave the county with challenges of balancing the demands of maintenance, preservation, capital expansion, safety and environmental regulations.

Multnomah County maintains and operates the Willamette River Bridges. These bridges are a critical link in a highly integrated transportation system. Regional growth has made it increasingly essential to keep bridges in good working order with a minimum of downtime. The 20-year Bridge capital plan is facing a $190 million funding shortfall to deliver a $300 million program.

Policy Statement

It is the policy of the Board to support statewide and regional funding for transportation-related needs. If state and regional funding is inadequate, the County works with jurisdictions within its boundaries to address the transportation funding needs of local governments.

Status

Gov. Ted Kulongoski signed House Bill 2041, into law on July 28, 2003. The legislation uses increased DMV and trucking-related fees to finance $2.5 billion in transportation construction projects for the state highway system as well as cities and counties. Fee increases went into effect January 2004.

Federal/State Grant and Foundation Revenues

Federal and State grant funds have increased significantly in the last ten years. Most of these revenues are restricted to a specific purpose, such as mental health or community corrections programs. Grants and foundation funds are used for an array of County services and may help the County to leverage other funds. This policy statement is not intended to apply to Federal and State shared revenues, entitlements, or fees for services.

Policy Statement

The Board understands that grants from other governments and private sources represent both opportunities and risks. Grants allow the County to provide basic or enhanced levels of service and to cover gaps in the array of services the County offers. Grants may also commit the County to serving larger or different groups of clients and put pressure on County-generated revenues if the grant is withdrawn. When applying for a grant, the Board will consider:

1. The opportunities for leveraging other funds for continuing the grant/foundation related program.
2. How much locally generated revenue will be required to supplement the grant/foundation revenue source.
3. Whether the grant/foundation will cover the full cost of the proposed program, or whether the County is expected to provide support and overhead functions to the program. It is the intent of the County to recover all overhead costs associated with the grant/foundation.
4. The degree of stability of the funding source.
5. Whether decline or withdrawal of the grant/foundation revenue creates an expectation that the County will continue the program.
6. How County programs can maximize revenue support from state or federal sources.
7. Whether the grant/foundation funds used for pilot or model programs will result in a more efficient and/or effective way of doing business.
8. Whether the grant/foundation is aligned with the County's mission and goals.

Status

The FY 2005 Proposed Federal State Budget has grant revenue sources of about $246,869,000.

Indirect Cost Allocation

Background

The Federal and State Governments recognize that the cost of providing services includes the overhead cost of support services. Generally, federal and state grantors allow programs to recover overhead charges based on an indirect cost allocation plan. The County prepares this plan in accordance with federal guidelines; it determines the indirect cost rate charged to all operations funded with dedicated revenues. The central services in the Cost Allocation Plan include, but are not limited to: the County Auditor Equipment Use, Finance, and Budget.

Policy Statement

Generally it is the policy of the Board to recover from dedicated revenue sources the full cost of programs supported by those sources. The full cost includes the appropriate proportionate share of the cost of County overhead functions attributable to programs funded with dedicated revenues.

Generally it is the policy of the Board to recover from dedicated revenue sources the full cost of programs supported by those sources.

The exception to the above policy is when the grantor agency does not allow the grantee to charge indirect costs or allows only a set indirect cost rate. The Board will have the final authority to accept a grant that does not allow the recovery of all or part of the indirect charge.

The Finance, Budget, and Tax Office is responsible for preparing an Indirect Cost Allocation Plan that meets the requirements of the Office of Management and Budget (Federal Government Agency) Circular A-87. Central service and departmental administrative support provided to non-General Fund programs, activities, and/or functions that are not recovered by internal service charges or billed directly to dedicated revenues will be recovered through an indirect cost based on the approved Indirect Cost Allocation Plan. The plan will be updated annually.

Status

The County is in compliance with this policy. The overhead rate for FY 05 is .27%.

Department/Office	Central Rate	Departmental Rate	Combined Rate
County Human Service	.27%	.66%	.93%
School and Community Partnership	.27%	7.23%	7.50%
Community Justice	.27%	4.29%	4.56%
Health Services	.27%	9.49%	9.76%
District Attorney	.27%	4.38%	4.65%
Sheriff’s Office	.27%	3.25%	3.52%
Community Services	.27%	.64%	.91%
Business Service	.27%	.00%	.27%
Other County	.27%	.00%	.27%
Library	.27%	.42%	.69%

Use of One-Time-Only Resources

Background

Unrestricted one-time-only resources present organizations with temptations that are hard to resist. In the short run it appears more beneficial to allocate such resources to the highest priority public service that would otherwise be unfunded than to restrict them to costs that will not recur in following years. However, the result of this practice is to expand operational levels and public expectations beyond the capacity of the organization to generate continuing funding. This inevitably produces shortfalls and crisis.

Sustaining an ongoing program level by deferring necessary expenditures or by incurring future obligations also inevitably produces shortfalls and crisis.

Policy Statement

It is the policy of the Board that the County will fund ongoing programs with ongoing revenues.

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.

Status

During budget deliberations the Budget Manager is responsible for providing a list of sources and uses of one-time only funds and informing the Chair and the Board on the recommended use of the funds received.

User Fees, Sales, and Inter-Governmental Revenues

User fees are generally intended to cover all the costs or an agreed upon portion of the costs for providing services. Inflation or increased service delivery can erode the established user fees if the cost of service increases faster than revenue from the fee increases.

Policy Statement

It is the general policy of the Board that user fees will be established in order to recover the costs of services. Exceptions to this policy will be made depending on the benefit to the user, the ability of the user to pay for the service, the benefit to County citizens, and the type of service provided.

It is the general policy of the Board that user fees and service charges be established at a level to recover the costs to provide services. Exceptions to this policy will be made depending on the benefit to the user of the service, the ability of the user to pay for the service, the benefit to County citizens, and the type of service provided.

As part of budget deliberations and during negotiations of Intergovernmental Agreements, Departments will be responsible for informing the Chair of a fully loaded cost analysis presenting the fee structure necessary to recover 100% of the cost of providing services. Departments will also recommend whether fees or charges in each area should be set to recover 100% of the costs or be set at a lower rate, such as a sliding scale fee. The recommendation to the Chair will consider the benefits to an individual or agency, the benefits to County citizens, and the ability of users to pay for the service. The Budget Office is responsible for ensuring that departments include all costs associated with providing the service.

User fees and service charges collected by County agencies will be periodically reviewed. All fees and charges will be reviewed every four years with approximately 25% of the fees and charges reviewed each fiscal year. Based on this review, the Chair will make recommendations to the Board regarding proposed changes to fee or service charge schedules.

Revenues generated from sales (and commissions on sales) of goods and services sold in County-owned or leased facilities are to be credited to the County's General Fund unless:

1. They are generated for inmate welfare commissary operations.
2. They are generated in Library facilities used for Library operations.
3. The Board grants an exception.

Status

Departments are generally responsible for reviewing the fees and charges associated with their operations on an annual basis. There are four County departments which generate the majority of fee revenue – Business and Community Services, County Human Services, Health, the Sheriff's Office, and Community Justice. A complete review of the fees charged for services provided by the Health Department was conducted during FY 99. Planning fees were reviewed and increased during FY 00.

Reserves

Background

The County's bond rating is currently Aa1 from Moody's Investors Service.

Annually using all available ongoing revenue to pay for ongoing programs can result in fluctuations in program levels as revenues vary from one year to the next. Adding programs in one year (based on positive short term receipts) can cause the same or other programs to be cut in the next year if costs outpace revenues. This has a detrimental effect on service delivery over time, reducing efficiency and causing budget problems that can be avoided if program decisions are made in the context of the County's long-term financial capacity rather than on the basis of revenue available from one year to the next.

Maintaining an appropriate reserve helps the County maintain its favorable bond rating, which is currently Aa1 from Moody's Investors Service. Moody's generally established benchmark for the General Fund Balance or reserve is a dollar amount equal to at least 10% of actual General Fund revenues.

Policy Statement

It is the goal of the Board to fund and maintain two General Fund Reserves designated as unappropriated fund balance, funded at approximately 5% each of the total budgeted revenues of the General Fund.

The Board understands that to avoid financial instability, continuing requirements should be insulated from temporary fluctuations in revenues.

It is the goal of the Board to fund and maintain two General Fund Reserves designated as unappropriated fund balance and funded at approximately 5% each of the total budgeted revenues of the General Fund. The first 5% is a reserve account in the General Fund, designated as unappropriated fund balance. This account is to be used when basic revenue growth falls below the rate of basic revenue change achieved during the prior ten years.* In years when basic revenue growth falls below long-term average growth, the Board will reduce the unappropriated fund balance to continue high priority services that could not otherwise be funded by current revenues. If the reserve account is so used, to maintain fiscal integrity, the Board will seek to restore the account as soon as possible.

The second 5% is a reserve maintained separately from the General Fund in the General Reserve Fund. This fund is to be used for non-recurring extreme emergencies. *Extreme Emergencies* is defined as uses for disaster relief, expenditures related to essential services, or expenditures that are related to public life and safety issues. If the reserve account is so used, to maintain fiscal integrity, the Board will seek to restore the account as soon as possible.

The Board will replenish the General Fund Reserve to approximately 5% of General Fund revenues over the next three years. The anticipated plan to accomplish this is as follows:

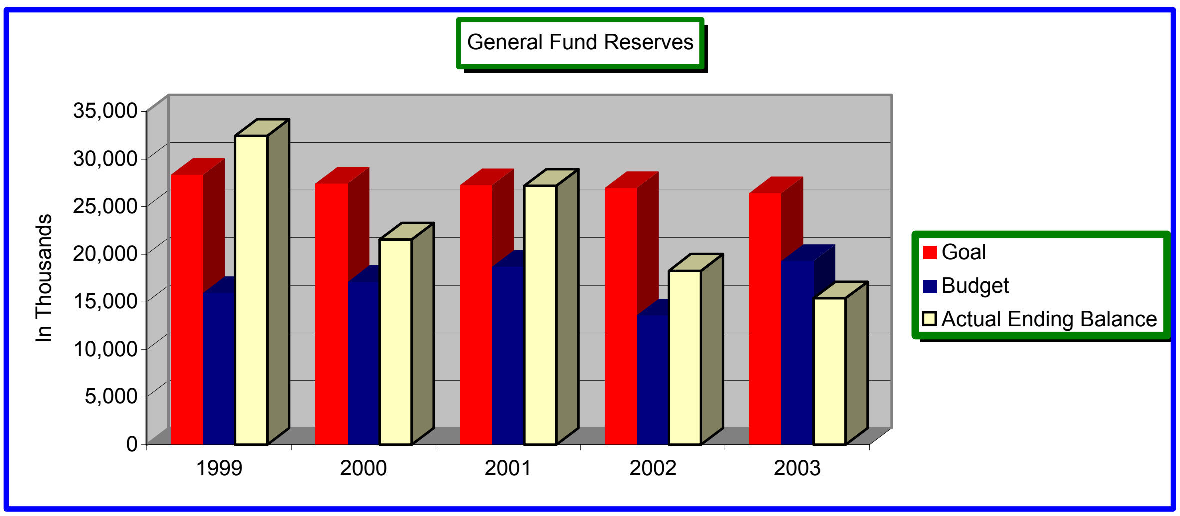
* "Basic revenue" is defined as the sum of General Fund property tax, business income tax, motor vehicle rental tax, cigarette tax, liquor tax and interest income. "Growth" is defined as total increase in fiscal year compared to the amount in the prior fiscal year, adjusted for changes in collection method, accrual method, or legislation defining the rate or terms under which the revenue is to be collected.

	Amount	Source
FY05	$3,000,000	1. General Fund Resources and SIP Fund Community Service Fee revenues.
FY06 FY07	$1,300,000	Options Include: 2. Proceeds from asset sales 3. Year end surplus identified through the audit. 4. Service reductions

Status

In FY 02 and FY 03, basic revenue growth fell below the long term average. To continue funding high priority services, the Board used $5.7 million of the reserve account. In FY 02 the Board established the General Reserve Fund and funded it with approximately $9.1 million from the General Fund. In the FY 05 budget, the Board is budgeting the reserves at $11.6 million and has outlined a plan to fund the reserve over the next 3 years.

The following graph shows the reserve goal, budget and actual reserve since FY 99. The budgeted reserves do not include funds budgeted in contingency.



General Fund Emergency Contingency

Background

General Fund contingency transfers have a significant effect on the annual budget process by reducing the amount of ending working capital that is carried over to the subsequent fiscal year. Contingency transfers should be reviewed in the context of other budget decisions so that high priority projects are not jeopardized.

Policy Statement

The Board understands that in order to avoid financial instability, continuing requirements cannot increase faster than continuing revenues.

It is the policy of the Board to establish an emergency contingency account in the General Fund, as authorized by ORS 294.352, each fiscal year during the budget process. The account will be funded at a level consistent with actual use of transfers from contingency during the prior ten years.

To achieve financial stability, the following are guidelines to be used by the Board in considering requests for transfers from the General Fund Contingency Account:

1. Approve no contingency requests for purposes other than "one-time-only" allocations.
2. Limit contingency funding to the following:
   a) Emergency situations which, if left unattended, will jeopardize the health and safety of the community.
   b) Unanticipated expenditures necessary to keep a public commitment or fulfill a legislative or contractual mandate, or which can be demonstrated to result in significant administrative or programmatic efficiencies that cannot be covered by existing appropriations.
3. The Board may, when it adopts the budget for a fiscal year, specify programs which it wishes to review during the year and increase the Contingency account to provide financial capacity to support those programs if it chooses. Contingency funding of such programs complies with this policy.

Status

The Budget Manager is responsible for informing the Board if contingency requests submitted for Board approval meet the criteria of this policy. In addition, each year the Board will receive a report on the prior year contingency actions. This report will include the total dollar amount of contingency requests, dollar amount approved, and dollar amount that did not meet the criteria of this policy.

Compensation

Background

Wage and benefit increases are negotiated between collective bargaining units and the County. In addition, the Board authorizes wage and benefit increases to exempt employees by ordinance.

Policy Statement

When any wage or benefit increase is authorized in an amount exceeding budgeted set-asides for such wage and benefit increases, the alternatives considered for funding such increases shall include:

1. A budget reduction in the affected department or elsewhere in the County;
2. An additional draw on contingency; or,
3. A combination of the above.

All tentative approved labor agreements or proposed exempt compensation packages presented to the Board for final approval shall contain, in writing, the following specific costing:

1. Estimates in percentage increases of the wage benefit and package as a whole for all years of the agreement or ordinance, as well as the absolute dollar amount of such increases; and
2. A specific narrative remark, if possible, of any future fiscal impacts of the contract or ordinance and financial impact on any language changes in the contract or ordinance. Such remarks shall address any estimated effects on the unfunded liability of the pension fund, any other fund, or any other funded or unfunded liability.

The full financial impacts of negotiated labor agreements will be included in the current budget and financial forecasts.

Status

This policy has been complied with throughout the prior fiscal year.

Capital Asset Management Policies

Background

A facilities and property management plan includes three phases: (1) capital improvement planning and funding; (2) facility operations and long-term maintenance plan and funding; (3) property management, to determine best use or disposition of property.

Capital financial management policies show the credit rating industry and prospective investors (bond buyers) the County's commitment to sound financial management. Adherence to adopted policies ensures the integrity of the planning process and leads to maintaining or improving bond ratings and lowering the cost of capital.

In general, a facilities and property management plan includes three phases: (1) capital improvement planning and funding; (2) facility operations and long-term maintenance plan and funding; (3) property management, to determine best use or disposition of property.

Multnomah County owns in excess of 60 buildings with a historical cost of about $280 million and an estimated replacement cost of $800 million. Structural and systems maintenance in the County's capital plant is largely a non-discretionary activity. That is, the question is not whether such expenditures are necessary but in what year to schedule the expenditure on particular projects. Deferral of capital improvements and maintenance creates an unacceptable unfunded liability.

Multnomah County's Capital Improvement Program was last updated in 2004. In 1998, the Strategic Space Plan contemplated innovative development offerings and public partnerships for mixed-use facilities, and the County has taken steps toward such innovations in projects like the Multnomah County East Building and the Hollywood Library. Over the last several years the County has had several opportunities to improve its position by acquiring equipment and/or by redirecting building rental payments to pay for the construction/renovation/ acquisition of a facility. It is reasonable to assume that the County will have similar opportunities in the future. Given the current scarcity of capital funding, it may be appropriate to consider a variety of creative funding strategies to respond to these opportunities in the future.

The Board of County Commissioners may authorize the sale, long-term lease, or development of property and/or improvements and may authorize full faith and credit financing obligations. It is financially prudent to adequately plan capital projects and to address the unfunded need for capital improvements so that decisions about the use of revenues and financing may be made in an orderly and effective manner.

Capital Improvement Planning and Funding Policy

The County shall prepare, adopt and annually update a five-year Capital Improvement Plan (CIP). The Plan will identify and set priorities for all major capital asset acquisition, renovation, maintenance, or construction projects.

During the annual budget development process the Director of the Facilities and Property Management Division is directed to update the Capital Improvement Plan with input from the Chief Operating Officer's executive team. This plan shall include recommendations to the Chair and Board of County Commissioners on the priority of projects including those that may have been identified by the Cabinet, suggested by Commissioners or otherwise identified. A Capital Improvement Financial Plan Committee is established, to be composed of representatives of Finance, Budget and Service Improvements, Facilities and Property Management, and others deemed necessary by the Chair.

The Capital Improvement Financial Plan Committee shall review the Capital Improvement Plan and any other equipment acquisitions requested to be financed with long-term obligations, and develop a priority list and a plan to finance the requirements of the Capital Improvement Project plan and any other capital requests. Prior to the adoption of the annual budget, the Capital Improvement Financial Plan Committee shall present a report to the Board. This report shall include a listing of the projects, intended use, alternative methods of financing, current debt commitments, current debt capacity, and recommendations.

Facility Operations and Long-Term Maintenance Plan and Funding Policy

The Board recognizes that adequate operations and maintenance funding is essential to avoid costly reconstruction or replacement of capital assets.

The five-year Capital Improvement Plan shall provide for anticipated major improvements and maintenance to County capital assets as well as additional and replacement capital assets. The Plan shall include major construction to be undertaken by the County, no matter what the funding source. The Plan will be reviewed and updated annually.

The Capital Improvement Plan shall identify adequate funding to support repair and replacement of deteriorating capital assets and avoid a significant unfunded liability from deferred maintenance. In order to facilitate CIP discussions and to create a clear alignment of policy and funding, the Facilities and Property Management Division shall evaluate all owned County facilities and shall maintain a current list of facilities which are in substantial compliance with all applicable building codes and which have no required capital work. These facilities shall be designated as Tier I (Asset Preservation) facilities.

An Asset Preservation Fee shall be assessed on tenants within all Tier I buildings. This fee is established to be $1.65/rentable square foot in the initial year and shall be adjusted in future years to reflect the facilities' needs and County funding capacity. It is the goal of the Board to fund the County's capital needs at approximately 2% of the cost of County buildings. (2% is equivalent to depreciating the facilities over a 50-year period). While the County does not have the capacity to fund facilities at this rate currently, the Board will keep this goal in mind when establishing the rate in future years.

An Asset Preservation Fund is maintained to collect the assessed Asset

Preservation Fees and to serve as a long-term reserve fund to maintain the Tier I facilities in their current excellent condition. Required capital projects for Tier I facilities shall be budgeted annually in the Asset Preservation Fund. The remaining balance of the Fund shall be maintained as a long-term reserve and shall be budgeted as an unappropriated balance.

Any facility which does not meet the criteria for designation as a Tier I building shall be designated as a Tier II or Tier III building. Tier II buildings are not up to current building standards and may require substantial capital work but are determined appropriate for continued investment and long-term retention in the County facilities inventory.

Tier III buildings appear to be uneconomical or impractical for long-term retention and will be analyzed to determine if they should be offered for disposition. Only "fire-life-safety" and urgent capital projects will be considered for Tier III buildings, to avoid further investment in these facilities.

A Capital Improvement Fee shall be assessed on tenants within all Tier II and III buildings. This fee is established to be $1.65/rentable square foot in the initial year and shall be adjusted in future years to reflect the facilities' needs and County funding capacity. It is the goal of the Board to fund the County's capital needs at approximately 2% of the cost of County buildings. (2% is equivalent to depreciating the facilities over a 50-year period). While the County does not have the capacity to fund facilities at this rate currently, the Board will keep this goal in mind when establishing the rate in future years.

A Capital Improvement Fund is maintained to collect the assessed Capital Improvement Fees. This Fund will be used to provide for the continuing repair and maintenance of Tier II and III buildings. Given the current inadequacy of these funds to meet the needs of these buildings, projects will be identified and proposed for funding based on an annual assessment of need and urgency. The Facilities and Property Management Division shall maintain an inventory of the capital needs in all owned County facilities. An evaluation process and rating system shall be implemented and managed by Facilities and Property Management to assist in determining which projects to propose for funding each year. Recommended capital projects for Tier II and III facilities shall be budgeted annually in the Capital Improvement Fund. Any remaining balance of the Fund shall be maintained as a long-term reserve.

Property and Facilities Management will perform all preventive and corrective maintenance on all County facilities to provide facilities that are safe, functional, and reliable for County operations. Facilities and Property Management will prepare and administer tenant agreements, respond to service requests, and manage commercial leases. The service level agreements with each tenant will be prepared to reflect the level of service and various pricing of each service that have been agreed upon by the parties.

Financial & Budget Policies

Best Use or Disposition of Surplus Property Policy

As part of the CIP presented to the Board, the Capital Improvement Financial Plan Committee shall annually recommend the best use or disposition of surplus property held by the County. The recommendation will detail the financial and service impact of each recommendation. The Board will make the final determination on the best use or disposition of the property identified.

When deciding on the best use or disposition of surplus property, the Board will consider that the proceeds from the sale of unrestricted property may be:

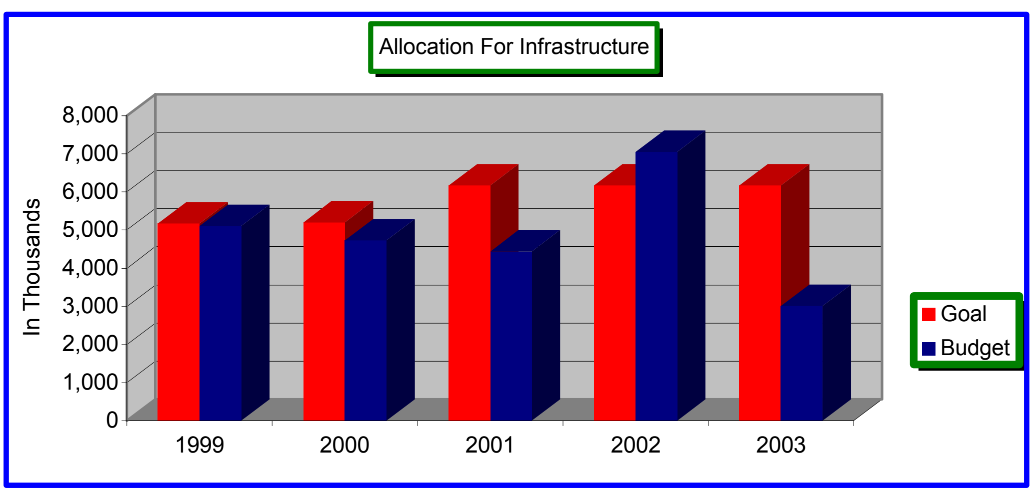
1. Credited to the Capital Improvement Fund to provide resources for future capital projects, deferred maintenance, or capital acquisition/construction.
2. Credited to the Asset Preservation Fund to provide reserves to meet future capital needs in Tier I facilities.
3. Used to increase General Fund reserves.
4. Used to retire outstanding debt.

In addition:

1. Property may be traded for other properties that are needed to provide services or carry out the mission of the County.
2. Property may be leased to other agencies.

Status

The five year CIP Plan was updated in Fiscal Year 2005. The following graph depicts the goal and actual since 1999.



Long-Term Liabilities

Background

To avoid huge unfunded liabilities, beginning in the mid 1980's the County began funding many of its unfunded liabilities.

The Financial Accounting Standards Board has issued statements which require private sector organizations to record long-term liabilities in their financial records. The Governmental Accounting Standards Board has been moving towards private sector accounting standards, and is requiring governmental organizations to either record long-term liabilities in the financial records of the organization or disclose the liabilities in the notes to the financial statements. To avoid having the Board or future Boards face huge unfunded liabilities, beginning in the mid 1980's, the County began funding many of its unfunded liabilities. By funding these liabilities over time the County will avoid being faced with liabilities without the resources to fund them. The practice of funding long-term liabilities has a favorable impact on our bond rating. The following is from our most recent credit report: "The County's historically strong financial management is underscored by its response to revenue limitations imposed by Measure 5 beginning in Fiscal Year 1992. In addition to making dramatic program cuts and organizational changes, the County nevertheless continued its policy on funding long-term liabilities. The County's high credit rating is supported by the strong economy, sound financial management, high level of cooperation with underlying jurisdictions and moderate debt position."

Policy Statement

It is the goal of the Board to fund 100% of all long-term liabilities, except PERS, that are required by the Governmental Accounting Standards Board (GASB) to be disclosed or accounted for in the County's comprehensive annual financial report. GASB 34 states that vacation liabilities do not need to be reported in the governmental fund types until they are paid. Vacation liabilities in the proprietary funds will be recognized on the full accrual basis of accounting. These liabilities include, but are not limited to; medical & dental incurred but not reported (IBNR) claims, workers compensation IBNR claims, liability IBNR claims, post-retirement benefits, and Library Retirement Plan benefits. The Finance Director is responsible for ensuring that these liabilities are funded according to the actual liability or the actuarially determined liability.

Status

The following is the June 30, 2003 funding level of each liability ($ in thousands):

Type of Liability	Total Liability	Amount Funded	Percent Funded
Self Insurance (1)	$ 10,006	$ 10,006	100.0%
Post Retirement (2)	11,000	6,908	56.7%
Library Retirement (3)	13,014	14,739	113.3%

(1) GASB requires self-insurance claims be recorded as a liability in the financial statements.
(2) GASB requires employer paid benefits extended to retirees be disclosed in the financial statements.
(3) The Library Retirement Funds are required to be disclosed. Funds are dedicated to former employees of the Library Association of Portland.

Accounting & Audits

Background

Under ORS 294 the County is required to have the County's financial records audited by an independent accounting firm annually.

Policy Statement

The Board understands that the County's accounting system and financial records are required by State law to be maintained according to Generally Accepted Accounting Principles (GAAP), standards of the Government Finance Officers Association (GFOA), and the principles established by the Governmental Accounting Standards Board (GASB), including all effective pronouncements.

Multnomah County's Ordinance No. 660 as amended, which established an Audit Committee, audit procedures, and audit rules, will apply to all financial audits. The basic duties of the Audit Committee are to:

1. Review the scope and extent of the external auditor's planned examination.
2. Review with management and the external auditor the financial results of the audit.
3. Review with the external auditor the performance of the County's financial and accounting personnel.
4. Review written responses of management letter comments and single audit comments.
5. Present the Audit, Single Audit, and Report to Management to the Board.
6. Select the external auditor.

The Comprehensive Annual Financial Report (CAFR) shall be sent to grantor agencies and rating agencies on a regular basis and at such other times as may be deemed appropriate in order to maintain effective relations.

It is the goal of the Board to maintain a fully integrated automated financial system that meets the needs of the County. This financial system is to include general ledger, accounts payable, accounts receivable, purchasing, payroll, and cost accounting for all applicable operations. The financial system will be maintained on a monthly basis to monitor expenditures and revenues, budget and actual.

Status

In compliance.

Fund Accounting Structure

According to local budget law and GAAP, the County is required to establish and maintain various funds. Each year, the Finance Director is responsible for preparing and presenting a resolution to the Board defining the various County funds. The County will follow generally accepted accounting principles three and four when creating a fund and determining if it is to be a dedicated fund.

Policy Statement

The County will follow generally accepted accounting principles number three and number four when creating a fund and determining if the fund is to be a dedicated fund.

PRINCIPLE 3 - *TYPES OF FUNDS*: The following types of funds should be used by state and local governments:

GOVERNMENTAL FUNDS

General Fund - to account for all financial resources except those required to be accounted for in another fund.
Special Revenue Funds - to account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditure for specified purposes.
Capital Projects Funds - to account for financial resources to be used for the acquisition or construction of major facilities (other than those financed by proprietary funds and trust funds).
Debt Service Funds - to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

PROPRIETARY FUNDS

Enterprise Funds - to account for operations (a) that are financed and operated in a manner similar to private businesses, where the intent of the governing body is that the costs of providing goods or services to the public on a continuing basis be financed or recovered through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, or accountability.
Internal Service Funds - to account for the financing of goods or services provided by one department or agency to other sections of the governmental unit, or to other governmental units, on a cost-reimbursement basis.

FIDUCIARY FUNDS

Trust and Agency Funds - to account for assets held in a trustee capacity or as an agent for individuals, private organizations, governmental units, and/or other funds. These include (a) Expendable Trust Funds, (b) Nonexpendable Trust Funds, (c) Pension Trust Funds, and (d) Agency Funds.

PRINCIPLE 4 - *NUMBER OF FUNDS*: Governmental units should establish and maintain those funds required by law and sound financial administration. Only the minimum number of funds consistent with legal and operating requirements should be established, however, since unnecessary funds result in inflexibility, undue complexity, and inefficient financial administration.

Status

In compliance.

Internal Service Funds

It is often advantageous to centralize the provision of certain goods and services within the County by establishing internal service funds.

The main purpose of establishing separate internal service funds is to identify and allocate costs related to the provision of specific goods and services within Multnomah County

Internal service funds are used to account for services provided on a

It is often advantageous to centralize the provision of certain goods and services within the County by establishing internal service funds. These funds provide a useful means of accounting for such centralized intra-governmental activities.

The Governmental Accounting Standards Board's (GASB) Codification of Governmental Accounting and Financial Reporting Standards (Codification) states that internal service funds may be used "to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit on a cost-reimbursement basis." The purpose of the funds is that they use the flow of economic resources measurement and the full accrual basis of accounting, thus allowing them to measure and recover the full cost of providing goods and services to departments and agencies (including depreciation on fixed assets). Other governmental funds do not provide cost data, but instead focus on flows of financial resources.

GASB directs governments to use either the general fund or an internal service fund if they wish to use a single fund to account for all risk-financing activities of a given type. If a government chooses to use an internal service fund to account for its risk-financing activities, inter-fund premiums are treated as quasi-external transactions (similar to insurance premiums), rather than as reimbursements. Because inter-fund premiums paid to internal funds are treated as quasi-external transactions, their amount is not limited by the amount recognized as expense in the internal service fund, provided that the excess represents a reasonable provision for anticipated catastrophe losses or is the result of a systematic funding method designed to match revenues and expenses over a reasonable period of time.

GASB indicates that internal service funds may be used for services provided on a cost-reimbursement basis to other governments, nonprofits, and quasi-governmental entities. Most transactions take the form of quasi-external transactions; the funds receiving goods or services report an expense, while the internal service fund reports revenue. The practical consequence of this is that expenditures are duplicated within the reporting entity. This duplication is preferable to that which occurs when internal service funds are not used. Under current GAAP, quasi-external transactions may occur between departments within the same fund: (e.g., "general fund") or between funds within the same fund type (e.g. "special revenue funds"). Consequently, if an internal service fund is used, duplication could occur within the same fund or fund type. The internal service fund has the advantage of isolating such duplicate transactions within a separate fund type, where their special character is clearer to users.

Internal service funds are used to account for services provided on a cost-reimbursement basis without profit or loss. Surpluses and deficits in internal service funds may be an indication that other funds were not charged properly for goods or services received. The principle that internal service funds should operate on a cost- reimbursement basis applies to the operations of these funds over time; it is only when internal service funds consistently report significant *cost reimbursement basis without profit or loss.*

deficits or surpluses that charges must be reassessed. If charges to other funds are determined to be more or less than necessary to recover cost over a reasonable period, the excess or deficiency should be charged back to the participating individual funds. In particular, it is not appropriate to report a material deficit in an internal service fund without the demonstrable intent and ability to recover that amount through charges to other funds over a reasonable period.

Often internal service funds charge for asset use in excess of historical cost depreciation, to ensure that adequate funds will be available to purchase replacement assets (the cost of which is likely to be higher because of inflation). The systematic recovery of the replacement cost of fixed assets is not a violation of the cost allocation principle because the surpluses are temporary (i.e., they will disappear when the higher priced assets are, in fact, acquired). In recent years, federal grantors have become increasingly sensitive to the potential for overcharges connected with internal service funds. Accordingly, high levels of retained earnings in internal service funds (as defined by federal cost-allocation principles) may lead to the disallowance of some costs charged out to other funds.

The main purpose of establishing internal service funds is to identify and allocate costs related to the provision of specific goods and services within the County.

Policy Statement

Services provided by internal service funds will be defined and put in writing.

The County will establish internal service funds for the following services:

1. Risk Management
2. Facilities and Property Management
3. Motor pool and electronics
4. Mail distribution
5. Telephone
6. Data processing
7. Finance & Human Resources

Services provided by internal service funds will be defined and put in writing. The internal service funds will be used to account for business operations and charge for goods or services provided to other departments or agencies on a cost-reimbursement basis. Periodically the rates charged will be compared to other public or private sector operations to ensure that pricing is competitive. The internal service fund charges will include asset replacement charges (depreciation) to ensure that adequate funds will be available to purchase replacement assets.

The charges will include a contingency or reserve requirement no greater than 5% to ensure that service reimbursements charged to other departments are maintained at a relatively constant level. Excess reserves or retained earnings will be used to reduce future rates or will be returned to the originating fund.

The internal service reserves and amounts billed to other departments or agencies will be reviewed annually by budget and finance to ensure they are meeting this policy.

Liquidity and Accounts Payable

Background

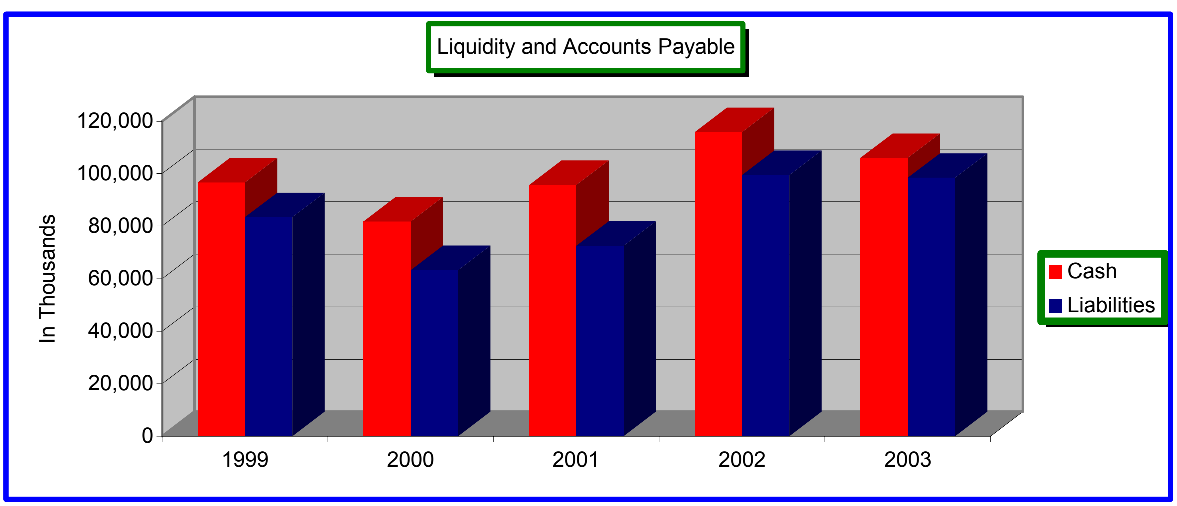
Liquidity is the ratio of cash and short-term investments to current liabilities, including amounts held in trust. The County's liquidity reflects its ability to pay its short-term debts and accounts payable. Cash and investments in the capital projects funds and debt retirement funds are long-term cash and investments. The credit rating industry considers a liquidity ratio of $1 of cash to $1 of debt as an acceptable liquidity ratio. Generally the County has maintained about $2 of available cash to every $1 of current liabilities.

Policy Statement

The County will strive to maintain a liquidity ratio of at least 1 dollar of cash and short-term investments to each dollar of current liabilities.

Status

The following graph depicts the comparison of cash and investments to current liabilities and accounts payable to revenues for fiscal years 1999 to 2003.



Banking, Cash Management, and Investments

Background

Multnomah County maintains an active investment program. An investment policy was first formalized in 1982 and has been revised several times since. This policy incorporates various Oregon Revised Statute Codes which specify the types of investments and maturity restrictions that local governments may purchase. The County's Investment Policy also contains self-imposed constraints in order to effectively safeguard the public funds involved.

Policy Statement

In accordance with ORS 294.135, Multnomah County's investment transactions shall be governed by a written investment policy, which will be reviewed and adopted annually by the Board of County Commissioners.

Banking services shall be solicited at least every five years on a competitive basis. The Finance Director is authorized to act as "Custodial Officer" of the County and is responsible for performing the treasury functions of the County under ORS 208, 287, 294, and 295 and the County's Home Rule Charter. In carrying out these functions, the Finance Director is authorized to establish Finance Program Area policy that meets generally accepted auditing standards relating to cash management.

In accordance with ORS 294.135, investment transactions shall be governed by a written investment policy, which will be reviewed and adopted annually by the Board of County Commissioners. The policy will specify investment objectives, diversification goals, limitations, and reporting requirements. In accordance with MCC 2.60.305-2.60.315 the County will utilize an independent Investment Advisory Board to review the County's plan and investment performance. Unrecognized gains or losses will be recorded in the County financial report.

Status

The County is in compliance with this policy. The following is the County's June 30, 2003 investment portfolio summary ($ in thousands):

Description	Market Value
U.S. Government Agencies	$40,431
U.S Government Treasuries	9,963
Municipal Bonds	0
Repurchase Agreements	0
Commercial Paper/Corp Debt	24,914
Bankers' Acceptances	2,582
LGIP	43,090
Library Pension	14,666
Cash Deposits	24,576
Total	$ 160,222

Short-term and Long-term Debt Financings

Prior to 1988, the County maintained a *pay-as-you-go* philosophy for financing capital projects. *Pay-as-you-go* can be costly in some ways due to cost acceleration in inflationary periods. Over-utilized facilities generate higher maintenance costs and citizens are not served well by over-utilized or nonexistent facilities. An alternative is to issue debt, sometimes referred to as *pay-as-you-use*. The philosophy of issuing debt for public projects is to have the citizens benefiting from the project pay for the debt retirement costs.

Policy Statement

The County will attempt to meet its capital maintenance, replacement, or acquisition requirements on a pay-as-you-go basis. If the amount of the capital requirement cannot be met on a pay-as-you-go basis, if it is financially beneficial to issue bonds or COPs, and if the project has been determined to benefit future citizens, the County will evaluate the feasibility of issuing a long-term debt financing instrument.

All financings are to be issued in accordance with the County's Home Rule Charter and applicable State and Federal Laws.

1. **Short-Term Debt.** If it is determined by the Finance, Budget, & Tax Office that the General Fund cash flow requirements will be in a deficit position prior to receiving property tax revenues, the County will issue short-term debt to meet anticipated cash requirements. When financing a capital project, Bond Anticipation Notes or a Line of Credit may be issued if such financings will result in a financial benefit. Before issuing short-term debt the Board must authorize the financing with a resolution.
2. **Bonds and Other Long-Term Obligations.** It is the policy of the Board that the County will attempt to meet its capital maintenance, replacement, or acquisition requirements on a pay-as-you-go basis. If the dollar amount of the capital requirement cannot be met on a pay-as-you-go basis, if it is financially beneficial to issue bonds or COPs, and if the project has been determined to benefit future citizens, the County will evaluate the feasibility of issuing a long-term debt financing instrument.
3. **Uses.** All long-term financings must provide the County with an economic gain or be mandated by the Federal or State Government or court. Under no circumstances will current operations be funded from the proceeds of long-term borrowing.
4. **Purchase/Leasing Facilities.** It is the policy of the Board to purchase or lease/purchase facilities, instead of renting, when the programs or agencies being housed are performing essential governmental functions.
5. **Debt.** When issuing debt, the County will follow the Government Finance Officers Association recommended practice of selecting and managing the method of sale of State and Local Government Bonds.
6. **Capital Expenditures.** If capital expenditures are anticipated to be incurred prior to the issuance of the debt, the Board authorizes the Finance Director to execute a declaration of official intent (or DOI) with regard to such expenditure. The DOI must express the County's reasonable expectations that it will issue debt to reimburse the described expenditures. It must contain a general description of the project and state the estimated principal amount of obligations expected to be issued to finance the project. A copy of the DOI shall be sent to the Board.
7. **Financing Mechanisms.** The different types of financings the County may use to fund its major capital acquisitions or improvements are:
   a) **Revenue Bonds** may be used whenever possible to finance public improvements which can be shown to be self-supported by dedicated

revenue sources, needed for infrastructure or economic development, or approved by the Board for specific purposes.

i) Revenue-supported bonds are to be used to limit the dependency on property taxes for those projects with available revenue sources, whether self-generated or dedicated from other sources.
ii) Adequate feasibility studies are to be performed for each project to determine the adequacy of the dedicated revenue source.

b) **General Obligation Bonds** (GO bonds) will be used to finance *essential* capital projects.
   i) Capital improvement projects will be analyzed, prioritized and designated as *essential* or not through a CIP committee process.
   ii) GO bonds will only be considered after exploring funding sources such as Federal and State grants and project revenues.
c) **Full Faith and Credit or Limited Tax Bonds** will be considered if Revenue bonding or GO bonding is not feasible.
d) **Lease-Purchases or Certificate of Participation** (COP) will be considered if Revenue bonding or GO bonding is not feasible.
e) **Leases and limited tax bonds** as reported in the County's comprehensive annual financial report will be limited as follows:
   i) Annual lease-purchase payments or limited tax bond payments recorded in the respective Funds, except proprietary funds, will be limited to 5% of the total revenues of the supporting fund.
   ii) Acquisitions will be limited to the economic life of the acquisition or improvement and shall not exceed 20 years.
   iii) All acquisitions must fit within the County's mission or role.
   iv) All annual lease-purchase or bond payments must be included in the originating Departments' adopted budget or in the facilities management's building service reimbursement.
f) **Refundings or Advance Refundings** will be done if there is a present value savings of 3% or more or if the restructuring of the financing will benefit the County.
g) **Intergovernmental Agreements** with the State of Oregon for Energy Loans.
h) **Local Improvement Districts.** Except as required by State law, it is the policy of the Board not to form Local Improvement Districts (LIDs) for purposes of issuing debt to finance LID improvements unless specifically required by Oregon Revised Statutes, due to the added costs of administering the LIDs, the small number of citizens served, and the risk that in the event of default by property owners, the General Fund will have to retire any outstanding obligations.
i) **Conduit Financings.** It is the policy of the Board to act as an "Issuer" of conduit financing for any private college, university, hospital, or for-profit or non-profit organization that is located in Multnomah County and is eligible to use this type of financing. The County will charge a fee of $1.00 per $1,000 of bonds issued or $10,000, whichever is greater, to act as an issuer for the organization. The maximum fee will not exceed $50,000. This fee

offsets administrative costs that may be incurred. The County will retain bond counsel to represent it on legal issues including any risks associated with the conduit financing. The university or college will be assessed an additional fee to cover any bond counsel expenses. In addition to the fees established above, the organization must have a Moody's rating of Baa or better or a BBB rating from Standard and Poor's. It must not condone discriminatory practices or policies. The Board must approve each conduit financing issue.

j) **External financial advisors, underwriters and bond counsel** will be selected in accordance with the County's Administrative Procedures.

Revenue Bonds in Partnership with Non-Profit Agencies

The County enjoys a very good credit rating, and wishes to maintain it.

8. **Revenue Bonds in Partnership with Nonprofit Agencies**.

a) The County may issue tax exempt revenue bonds in partnership with a 501(c)(3) non-profit agency. The non-profit agency is responsible for 100% of the capital costs, all of the debt financing issue costs, and any debt reserve requirements; it will also be responsible for the ongoing annual debt payments and other related costs. The County will issue debt not to exceed 60% of the total costs of the project.

b) The County enjoys a very good credit rating, and wishes to maintain it. Before it considers a proposal to assist a 501(c)(3) non-profit agency by issuing tax exempt revenue bonds to finance a project, the agency and the County must comply with the following. The conditions listed below are in addition to applicable requirements elsewhere in the County's Financial and Budget Policies.

Preconditions

The agency must be an IRS 501(c)(3) organization and must demonstrate that it cannot obtain conventional financing at a reasonable cost.

c) Preconditions:

i) The agency must be an IRS 501(c)(3) and must demonstrate that it cannot obtain conventional financing at a reasonable cost.

ii) In general, it is intended that the County will assist small to medium-size agencies that have total annual revenues from all sources of at least $1,000,000 but not greater than $10,000,000

iii) The planned use of the revenue bond proceeds must be consistent with County policy priorities or benchmarks.

iv) The agency must provide the County with five years of historical financial information and operational trends.

v) The agency must provide a capital and business expansion plan including a five-year revenue and expenditure forecast.

vi) The agency must demonstrate its ability to conduct a capital fundraising campaign.

vii) The agency must be non-discriminatory in access to its services and in its employment practices.

Cost Responsibilities

d) Cost Responsibilities:

i) The agency is responsible for 100% of the capital project costs. The County will assist the agency by issuing tax-exempt revenue bonds to finance no more than 60% of the capital project and related allowable debt issuance costs. The agency is

The agency is responsible for 100% of the capital project costs.

responsible for raising the remaining project funds.

ii) The agency is responsible for all bond issuance costs.

iii) Unless granted an exception by the Chair, County costs are to be reimbursed by the agency or capitalized as part of the debt.

iv) The agency is responsible for all ongoing costs related to the financing. These include debt payments, paying agent costs, or other related costs. The agency is obligated for the term of the financing and may not have a “nonappropriation” clause.

v) Before the County issues the debt, the agency must have raised 75% of the project funds for which it is responsible; with the County’s agreement, a portion of those funds may be in the form of well-secured promissory notes from grantors or private contributors; the remaining agency contributions must be deposited before matching debt funds are released, on a schedule negotiated in the contract for each project.

vi) It is expected that all private funds will be collected within one year of the County’s approval of the bond financing partnership. If the private funds are not collected within two years of approval, the County shall no longer be considered as committed to the revenue bond financing partnership.

Other Conditions

The County will conduct a risk analysis and fully disclose this information to the Board prior to approval of the debt. The County reserves the right to have a third party credit analysis.

e) **Other Conditions:**

i) The County must have title (or first lien rights, if the escrow agent holds title on behalf of the lender) to the property while debt is outstanding.

ii) The agency must provide the County an unencumbered cash reserve in the amount equal to at least six monthly payments, or make monthly payments equal to 1/12 of the annual debt service requirement. Any interest earned on these funds remains the property of the County and will be used to offset administration costs. Payments are to begin upon the issuance of the debt. This reserve is in addition to any reserves required by the financing.

iii) The County will conduct a risk analysis and fully disclose this information to the Board prior to approval of the debt. The County reserves the right to have a 3rd party credit analysis.

iv) The Board must approve of the financing by resolution

v) Contractual language must be in place to protect the County in case of late payments or default by the agency.

vi) The agency must provide an annual, independently audited financial report to the County.

Non-Profit Revenue Bond Limits

f) **Non-Profit Revenue Bond Limits**:

i) In general, the County will not provide revenue bond financing for a non-profit agency for any project that has under $1,000,000 or over $4,000,000 in bonded indebtedness.

ii) The issuance of these revenue bonds shall not be greater than $8,500,000 of principal outstanding.

iii) The maximum term of bonds issued is 15 years.

Administration of this Policy Section

g) **Administration of this Policy Section**:
   i) The Finance, Budget, & Tax Office will coordinate the process of accepting and reviewing proposals by non-profits to enter into partnership with the County for revenue bond financing and for making recommendations to the Chair.
   ii) County departments with related programs are responsible for analyzing proposals for conformity with related program policy.
   iii) The Finance Program Area is responsible for analyzing proposals for conformity with financial policy guidelines and for implementing revenue bond financing partnerships, as approved.

Hospital Authority

9. **Hospital Authority:** It is the policy of the Board to issue revenue bonds for hospital facilities as authorized by Resolution 98-1 adopted by the Board, acting as Hospital Authority, on December 3, 1998.

Status

The following shows the County's outstanding obligations as of July 1, 2004: ($ in thousands).

Description	Moody's Rating	Dated	Maturity Date	Amount Issued	Principal Outstanding	2004/2005 Prin & Int Payment
Short Term Notes "TRANS" Planned	MIG 1	7/01/03	6/30/05	$ 25,000	$ 25,000	$ 25,450
General Obligation Bonds	Aa1	10/01/96	10/01/16	$ 79,700	$16,665	$ 3,754
	Aa1	10/01/96	10/01/16	29,000	2,430	670
	Aa1	3/01/94	10/01/13	$ 22,000	2,195	1,151
	Aa1	9/01/94	10/01/14	9,000	410	421
	Aa1	2/01/99	10/01/16	66,115	64,745	3,211
				$205,815	$ 86,445	$ 9,207
Revenue Bonds						
RCC Series 1998	A3	10/01/98	10/01/14	$3,155	$2,490	$ 289
Motor Vehicle Revenue Bonds 2000	A3	11/01/00	11/01/15	5,500	4,935	538
				$8,655	$7,425	$827
Pension Obligation Revenue bonds	Aa2	12/01/99	6/01/30	$184,548	$181,103	$ 10,698
Full Faith and Credit Obligations						
Series 1999A Multnomah Building	Aa2	4/01/99	8/01/19	$ 36,125	$ 31,160	$ 2,743
Series 2000A Full Faith	Aa2	4/01/00	4/01/20	61,215	48,325	6,145
Series 2003 Full Faith	Aa2	7/01/00	7/01/13	9,615	9,615	1,128
				$ 106,955	$ 89,100	$ 10,016
Certificates of Participation						
1998 JJC Refunding & New	Aa3	2/01/98	8/01/17	48,615	$ 27,511	$ 3,572
Portland Building Contract	N/A	1/22/81	1/22/08	$ 3,475	$ 1,085	$ 332
Total Full Faith & Credit, COP's and Contract Payments						$13,920
Less Non General Fund Supported						
Road Fund						(288)
Library Fund						(166)
Total General Fund						$13,466
REMAINING BORROWING CAPACITY						
Debt Capacity (Supported by General Government Fund Types Only)						
2004-2005 General Fund Revenues (not including ITAX)						$ 285,602
5 % limitation						0.05
5% Limitation Dollar Amount						$ 14,280
Lease/Debt Capacity Used						$ (13,466)
Annual Payment Available						$ 814
Estimate Principal Value Available						**$ 12,000**