



Multnomah County Oregon

Board of Commissioners & Agenda

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FEBRUARY 24 & 26, 2009

BOARD MEETINGS

FASTLOOK AGENDA ITEMS OF INTEREST

Pg 2	9:00 a.m. Tuesday Options for Reducing Employee Costs and Saving Jobs
Pg 2	10:30 a.m. Tuesday Capital and Infrastructure Needs
Pg 3	9:30 a.m. Thursday Public Comment
Pg 3	9:30 a.m. Thursday Briefing Follow Up of the 2006 Jail Personnel Costs Audit
Pg 3	9:50 a.m. Thursday Library Briefing to Recap the 2009 Everybody Reads Program and a Look Forward to 2010 Program and Beyond
Pg 4	10:20 a.m. Thursday Multnomah County Action Regarding Cable Franchise Agreement with Verizon POSTPONED INDEFINITELY
Pg 4	10:25 a.m. Thursday Hospital Facilities Authority of Multnomah County Action on Request by Oregon Baptist Retirement Homes

Thursday meetings of the Multnomah County Board of Commissioners are cable-cast live and taped and may be seen by Cable subscribers in Multnomah County at the following times:

Thursday, 9:30 AM, (LIVE) Channel 30

Saturday, 10:00 AM, Channel 29

Sunday, 11:00 AM, Channel 30

Tuesday, 8:15 PM, Channel 29

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Tuesday, February 24, 2009 - 9:00 AM
Multnomah Building, First Floor Commissioners Boardroom 100
501 SE Hawthorne Boulevard, Portland

BOARD WORK SESSION

9:00 AM New Board Orientation: Options for Reducing Employee Costs and Saving Jobs. Presented by Travis Graves and Invited Others. 90 MINUTES REQUESTED.

10:30 AM Budget Overview: Capital and Infrastructure Needs. Presented by Bob Thomas, John Lindenthal, Kim Peoples, Ian Cannon and Mark Campbell. 90 MINUTES REQUESTED.

CABLE PLAYBACK INFO:

Tuesday, February 24 – 9:00 AM LIVE Channel 29

Friday, February 27 – 8:00 PM Channel 29

Saturday, February 28 – 2:00 PM Channel 29

Sunday, March 1 – 11:00 AM Channel 29

Thursday, February 26, 2009 - 9:30 AM
Multnomah Building, First Floor Commissioners Boardroom 100
501 SE Hawthorne Boulevard, Portland

REGULAR MEETING

REGULAR AGENDA

PUBLIC COMMENT - 9:30 AM

Opportunity for Public Comment on non-agenda matters. Testimony is limited to three minutes per person. Fill out a speaker form available in the Boardroom and turn it into the Board Clerk.

AUDITOR'S OFFICE – 9:30 AM

- R-1 Briefing Follow Up of the 2006 Jail Personnel Costs Audit. Presented by LaVonne Griffin-Valade, Multnomah County Auditor and Mark Ulanowicz, Principal Auditor. 15 MINUTES REQUESTED.

NON-DEPARTMENTAL - 9:45 AM

- R-2 Appointment of David Kunkel and David Sester to the Multnomah County AGRICULTURAL BOARD OF REVIEW
- R-3 Briefing by Library Staff and Others to Recap of the 2009 Everybody Reads Program and a Look Forward to 2010 Program and Beyond. Presented by Molly Raphael, Library Director and Terrilyn Chun. 15 MINUTES REQUESTED.

DEPARTMENT OF COMMUNITY JUSTICE – 10:05 AM

- R-4 NOTICE OF INTENT to Apply for the Office of Juvenile Justice and Delinquency Prevention “Gang Prevention Coordination Assistance Program”

DEPARTMENT OF HEALTH – 10:10 AM

- R-5 NOTICE OF INTENT to Submit a Grant Application to the Portland Children’s Investment Fund
- R-6 NOTICE OF INTENT to Submit a Grant Application to the Oregon Public Health Emergency Preparedness Mini-Grant Program

COUNTY ATTORNEY'S OFFICE – 10:20 AM

- R-7 Multnomah County Board Action on a Resolution Approving Cable Franchise Agreement with Verizon Northwest, Inc. will be **POSTPONED INDEFINITELY**

DEPARTMENT OF COUNTY MANAGEMENT – 10:21 AM

- R-8 RESOLUTION Authorizing Approval of a First Supplemental Bond Trust Indenture between the County and U.S. Bank National Association, as Bond Trustee, Pertaining to the County's Higher Education Variable Rate Demand Revenue Bonds (Concordia University Portland Project) Series 1999; Designating Authorized Representatives; and Related Matters

HOSPITAL FACILITIES AUTHORITY – 10:25 AM

(Recess as the Multnomah County Board of Commissioners and convene as the Hospital Facilities Authority of Multnomah County, Oregon)

- R-9 Inducement RESOLUTION by the Hospital Facilities Authority of Multnomah County Regarding the Request by Oregon Baptist Retirement Homes for the Issuance by the Authority of Revenue and Refunding Bonds, Series 1999 (Oregon Baptist Retirement Homes Project) in an Aggregate Principal Amount not to Exceed \$7,500,000

(Adjourn as the Hospital Facilities Authority of Multnomah County, Oregon and reconvene as Multnomah County Board of Commissioners)

BOARD COMMENT

Opportunity (as time allows) for Commissioners to provide informational comments to Board and public on non-agenda items of interest or to discuss legislative issues.



MULTNOMAH COUNTY AGENDA PLACEMENT REQUEST

Board Clerk Use Only

Meeting Date: 02/26/09
Agenda Item #: R-1
Est. Start Time: 9:30 AM
Date Submitted: 02/13/09

Agenda Title: **Briefing Follow Up of the 2006 Jail Personnel Costs Audit**

Note: If Ordinance, Resolution, Order or Proclamation, provide exact title. For all other submissions, provide a clearly written title.

Requested Meeting Date: February 26, 2009 **Amount of Time Needed:** 15 minutes
Department: Non Departmental **Division:** Auditors Office
Contact(s): Judy Rosenberger
Phone: 503/988-83320 **Ext.** 83320 **I/O Address:** 503/601
LaVonne Griffin-Valade, Multnomah County Auditor, Mark Ulanowicz, Principal
Presenter(s): Auditor

General Information

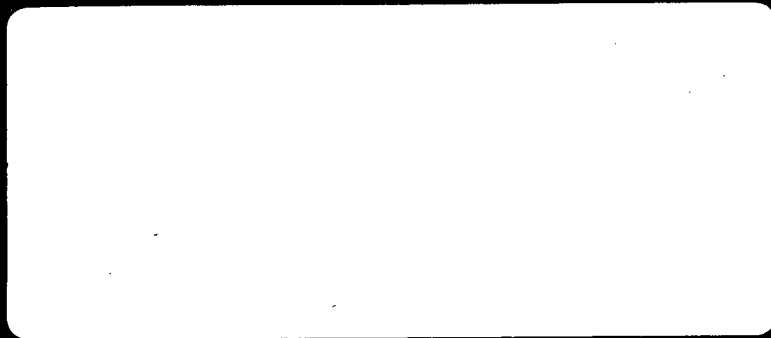
1. What action are you requesting from the Board?
Board Briefing
2. Please provide sufficient background information for the Board and the public to understand this issue. Please note which Program Offer this action affects and how it impacts the results.
3. Explain the fiscal impact (current year and ongoing).
4. Explain any legal and/or policy issues involved.
5. Explain any citizen and/or other government participation that has or will take place.

Required Signature

**Elected Official or
Department/
Agency Director:**

LaVonne Griffin-Valade

Date: Feb 13, 2009



MULTNOMAH COUNTY AUDITOR
PORTLAND, OREGON

Follow Up of the 2006 Jail Personnel Costs Audit

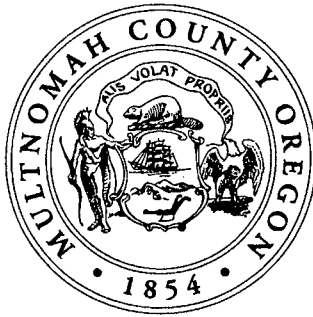
December 2008



LaVonne Griffin-Valade
Multnomah County Auditor

Craig Hunt
Principal Auditor

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



LaVonne Griffin-Valade Multnomah County Auditor

501 SE Hawthorne Room 601
Portland, Oregon 97214
Phone: (503) 988-3320

Date: December 17, 2008

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

From: LaVonne Griffin-Valade, County Auditor
Craig Hunt, Principal Auditor

Subject: Follow Up of the 2006 Jail Personnel Costs Audit

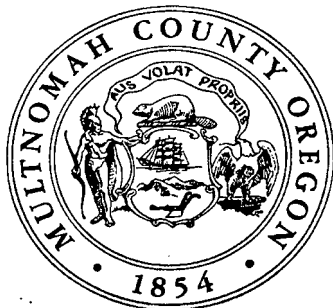
Attached please find the report on our formal follow up of the March 2006 audit of *Jail Personnel Costs*. The primary purpose of the audit follow up was to review the progress in implementing select recommendations made in the original audit. Generally speaking, those recommendations focused on committing resources to analyzing data on personnel costs, staffing, absences, and workload in order to better manage overall jail personnel costs.

Our follow up found that the Multnomah County Sheriff's Office (MCSO) has made considerable improvements in the management of absences. Data are now collected, analyzed, and used to hold employees more accountable for their leave usage. We estimate that the reduction of sick leave time as a result of these changes saved the county \$1.4 to \$1.6 million when comparing Fiscal Year 2008 (FY08) to FY05. Some data collection improvements are still needed, particularly where the tracking of special assignment and training data is concerned, and we encourage MCSO to continue strengthening the oversight of leave.

We learned that MCSO coordinated with other county administrators to successfully negotiate changes to its labor contract with the Multnomah County Corrections Deputy Association. Most notably, there is now a limit to the number of compensation (comp) time hours that can be accrued in a year. Improved negotiation efforts, along with the analysis and use of leave data, will help the Corrections Division better manage total personnel costs.

We reviewed the 2007 post factor study as part of our follow up, and we agree with many of the observations noted in the study. However, we disagree with those conclusions that were not consistent with our finding that hiring an additional deputy cost about the same as overtime. Our concern is that the staffing levels recommended in the 2007 post factor study are not optimal and will increase total jail personnel costs.

We appreciate the cooperation and assistance we received from Sheriff Skipper and MCSO staff.



LaVonne Griffin-Valade
Multnomah County Auditor

Craig Hunt
Principal Auditor

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Follow Up of the 2006 Jail Personnel Costs Audit

December 2008

Background

The Multnomah County Auditor's Office released the *Jail Personnel Costs* audit in March 2006. The primary objectives of the 2006 audit were as follows: (1) to assess whether the Multnomah County Sheriff's Office (MCSO) was efficiently staffing jails in the Corrections Division (Corrections) to minimize total personnel costs; and (2) to determine if sufficient data were available and used to effectively manage Corrections staffing. We also looked at how factors such as staffing levels, absence rates, and compensation (comp) time were contributing to overtime.

The purpose of this audit follow up was to determine the extent to which selected recommendations have been implemented. The 2006 audit recommended that the MCSO should:

- Commit resources to reviewing and analyzing personnel cost data on a regular basis.
- Review staffing, absence, and workload data at an aggregate level as well as at the individual staff level.
- Begin tracking non-post activity (special assignments) and training data in a way that the data can be more easily used for staffing analysis.
- Coordinate with other county administrators to establish long-term strategies and goals for future collective bargaining sessions.
- Evaluate current staffing levels and analyze staffing needs.

In response to the original audit, MCSO contracted out for a post factor study that was completed in November 2007. This follow up also looked at whether the staffing levels recommended in the post factor study are reasonable and examined the significance of overtime compared to other drivers of personnel costs.

Follow Up Results

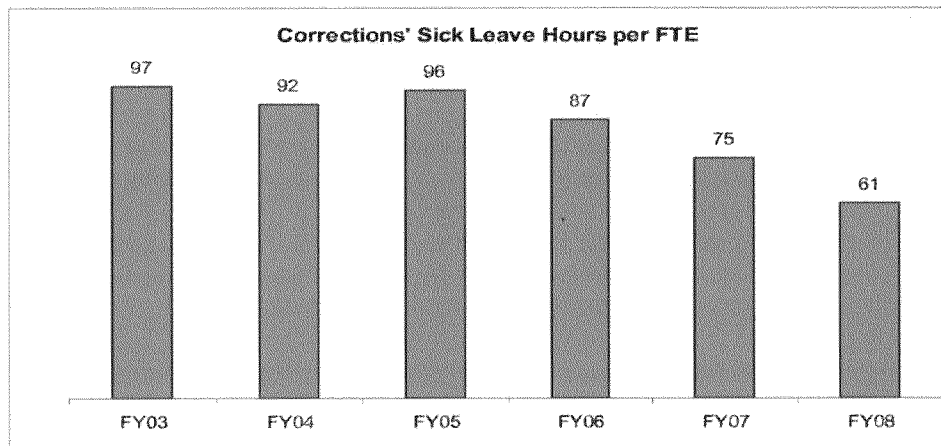
Accomplishments: MCSO has made significant progress implementing recommendations from the 2006 audit. We want to particularly commend their improved collection and analysis of data, as well as the effective use of those data in management decisions. For example, MCSO has committed resources to reviewing personnel cost data, and absence data are analyzed at the individual and aggregate levels. MCSO now identifies potential abuse of sick leave and comp time and takes action to resolve those concerns. In addition, bargaining unit discussions are better coordinated between MCSO and other county administrators. MCSO has also redefined "authorized work hours" and negotiated a cap on the amount of comp time that can be used per year.

Areas for further attention: While we view the November 2007 post factor study as a valuable tool to help manage absences, we disagree with the study's approach to determining staffing levels and its approach to overtime. Much of this follow up report explains why the methodology used in the post factor study overestimates staffing needs and why that methodology would actually increase total personnel costs. This report also includes important lessons learned that should help guide decision makers in their efforts to reduce total personnel costs.

Time Analysis Unit

We learned that MCSO has committed resources to reviewing and analyzing personnel cost data and has made significant improvements. MCSO created a Time Analysis Unit to analyze absence and workload data for the entire department at the individual and aggregate levels. The Time Analysis Unit is currently staffed with one permanent full-time equivalent employee (FTE) and an intern who will be working there through February 2009. As shown in Exhibit 1, using these data and establishing an internal process to act on the data contributed to the dramatic reduction in Corrections' sick leave, which went from 96 hours per FTE in Fiscal Year 2005 (FY05) to 61 hours per FTE in FY08.

Exhibit 1



Source: Auditor's Office analysis

A portion of the reduction in Corrections' sick leave per FTE is likely attributable to a change in "authorized work hours" in July 2006. With that change, time spent on sick leave no longer counted towards hours worked for the purposes of calculating overtime. For example, deputies could no longer work four days of the week, take one day as sick leave, then get paid overtime for work on the sixth day of the week.

The Time Analysis Unit maps daily individual leave for all MCSO staff and identifies patterns that may need intervention. These maps show when a given deputy's absence patterns – such as sick leave and comp time use – need further investigation. Appendix A provides two examples of how the Time Analysis Unit identified leave patterns that needed further investigation. These examples are summarized below.

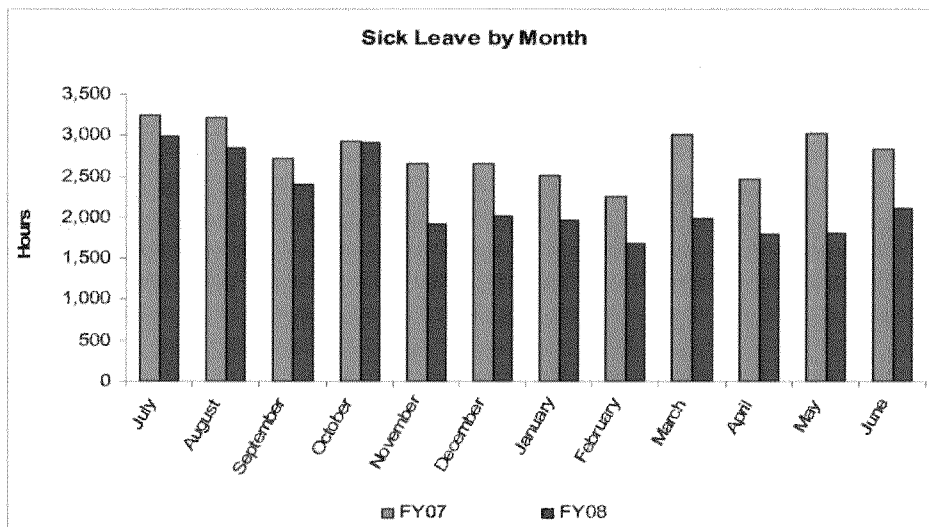
- Example 1: A deputy had exhausted all of his/her accumulated sick leave, taking most of it in the summer months. The map of this deputy's leave pattern indicated that 83% of his/her sick leave was combined with a weekend or other type of leave.
- Example 2: The Time Analysis Unit found a deputy, who by combining comp time with other types of leave, was able to work only 35-52% of his/her assigned shifts in FY04 through FY08. Further, the deputy had only worked two full five-day weeks out of the 251 weeks that were charted.

A time analysis review team (referred to as TART) was created and meets weekly to review the Time Analysis Unit's data, such as the examples shown in Appendix A. TART includes representatives from MCSO Personnel and Business Units, Corrections and Law Enforcement Divisions, and County Labor Relations. TART reviews the data and recommends whether to counsel reviewed MCSO staff. When someone is counseled, the employee and his/her union representative meet together with the employee's manager. More input is received from the employee on why the pattern is occurring. If there is no reasonable explanation, the employee is put on notice to correct his/her behavior.

We believe that MCSO's purposeful use of data to map leave taken by Corrections' deputies, combined with the change in authorized work hours, has already saved significant resources. For example, we estimate that MCSO saved approximately \$1.4 to \$1.6 million in FY08 by reducing sick leave from FY05 to FY08 levels. Total personnel costs did not decrease by that amount because of increases in vacation leave. However, total personnel costs would have been \$1.4 to \$1.6 million more in FY08 if sick leave per FTE had been at FY05 levels.

The Time Analysis Unit has also analyzed Corrections' personnel data at an aggregate level and found, for example, that Corrections' sick leave by month does not follow an expected pattern. Typically, more sick leave occurs in the winter months than in the summer months. Exhibit 2 below shows the opposite situation for FY07 and FY08, with more sick leave taken in the summer months. This suggests the possibility of sick leave abuse.

Exhibit 2



Source: Auditor's Office analysis

Collective bargaining

We found that MCSO is now working well with other county agencies on bargaining unit issues. MCSO reported that there were blurred lines of communication and expectations between the MCSO and county administrators in the past, and it was unclear who had responsibility for specific issues. MCSO now reports that the lines of authority are clearer. MCSO and county administrators worked well together in the most recent negotiations with the Multnomah County Corrections Deputies Association (MCCDA).

We also found that the Time Analysis Unit's data efforts have contributed to the establishment of long-term strategies and goals for collective bargaining sessions. MCSO recently used sick leave and comp time data in bargaining unit negotiations. These data provided support for MCSO's position when negotiations in the last MCCDA contract went to binding arbitration and allowed them to demonstrate problems with sick and comp time leave patterns.

2007 Post Factor Study

The Multnomah County, Oregon Sheriff's Office Jails Post Factor Study was completed in November 2007 by an outside consultant. A net annual work hours (NAWH) methodology was used in the post factor study to estimate the number of personnel needed to continually staff posts. The study recommended 81.5 additional positions to address Corrections' current needs at MCDC, MCIJ, and the Courts.

The study offers some valuable information and insights; however, the actual number of positions ultimately needed depends on several factors. For example, staffing levels could be impacted by the reductions in sick leave noted previously. MCSO could also decide to supervise inmates differently than the study's approach or provide a different level of training to deputies. Safety concerns and the interaction between the level of overtime and leave taken will also need to be considered. Based on input from jail commanders and the current levels of overtime, MCSO has determined that some increase in staff is needed to accomplish their work.

From a cost perspective the NAWH methodology does not determine an optimal level of staffing. Accordingly, we urge MCSO to carefully consider our analysis of the NAWH methodology when determining staffing levels for Corrections.

Limitations of net annual working hours methodology

The NAWH methodology has two critical limitations. First, the NAWH methodology assumes that absences from a post are evenly distributed by day throughout the year. Second, it does not take into account the cost difference between hiring additional full-time deputies or incurring overtime. As a result, the NAWH does not look at the most cost effective way to staff the jails and overstates needed staffing levels.

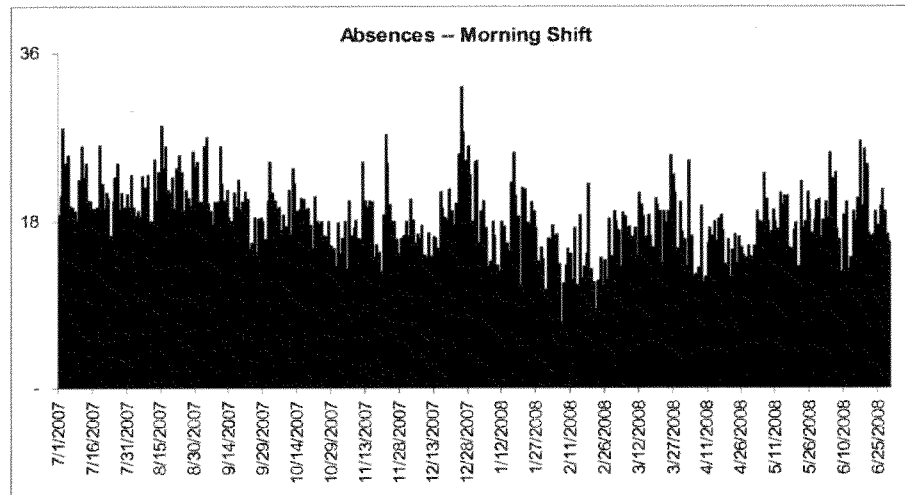
It is important to note that we are considering Corrections staffing levels from a cost perspective. Management is responsible for monitoring the level of overtime and evaluating whether it is negatively impacting morale, causing potentially unsafe situations, or having a negative influence on other absences. In addition, costs will change as the overall composition of the Corrections workforce changes. The average tenure of Corrections deputies (excluding sergeants) on June 30, 2007, was approximately 12 years. As newer deputies are hired, the amount of average paid leave earned per deputy will decrease. However, in the current environment, as long as there is a demand for voluntary overtime, and there are no safety concerns about individuals working too much overtime, incurring overtime instead of hiring additional full-time staff can help managers control total personnel costs.

Absences fluctuate each day and throughout the year

One problem with the NAWH methodology is that it assumes that absences from posts are evenly distributed when they are not. To set staffing levels, the NAWH methodology factors in having an additional number of staff to cover anticipated absences from posts. To illustrate this point, assume there are 50 posts on a shift that need to be staffed every day for the year and a NAWH analysis has determined a post factor of 1.8 FTE per post. If the 50 posts in this example are multiplied by the post factor, 90 people would be needed to cover the 50 posts. This means that 40 extra people would be hired to cover absences from posts.

In reality, if absences from a post were evenly distributed each day, it would be relatively easy to find the right match of staff to workload. There would not be overtime, and there would not be extra people at work who are not needed that day. But, we found that absences for Corrections deputies in the jails fluctuate each day. Exhibit 3 shows how absences fluctuated on the morning shift during FY08.

Exhibit 3



Source: Auditor's Office analysis

The NAWH methodology staffs with additional deputies to cover average anticipated absences. But because absences fluctuate each day, on some days there can be more people at work than are needed (extra deputies). The cumulative effect of having extra deputies throughout the year is the cost of paying for full-time deputies that are not required. Accordingly, having extra deputies should be minimized because there is no return on those personnel expenditures. The NAWH methodology staffs with too many additional deputies resulting in too many extra deputies and increases total personnel costs.

Little difference between the cost of overtime and hiring additional staff to work a post

Overall, the 2007 post factor study recommends adding staff *"to address the current lack of a sufficient shift relief factor to correspond with the calculated/proposed Net Annual Work Hours; these positions are necessary to reduce the reliance on overtime to supplement staff availability."* The study further suggests that approximately \$560,700 savings could have been gained by converting 50% of 2006 overtime hours for Corrections deputies to FTEs. We disagree. As shown in Exhibit 4, there is little difference in the cost between staffing a 24/7 post with overtime versus hiring additional staff to fill the post with straight time. King County, Washington, comparable to Multnomah County, also found little difference between overtime and the cost of hiring additional jail staff.

Exhibit 4

Cost of Staffing One 24/7 Post per Year		
	Overtime	Full-Time Staff
Base Pay	\$415,750	\$191,922
Coverage of Absences		\$108,118
Paid Absences		\$72,590
Sub Total	\$415,750	\$372,629
Salary Related	\$144,307	\$129,340
Variable Insurance	\$37,417	\$33,537
Fixed Health Insurance		\$59,448
Total	\$597,474	\$594,953
Cost per Hour	\$68.20	\$67.92

Source: Auditor's Office Analysis

When the pay amount a deputy sees on his/her paycheck is considered, a post covered with overtime would indeed be 50% more expensive than hiring a full time position. This is because only the base pay, overtime premium, and associated salary related and variable insurance costs are considered. However, when looking at the cost to the county, a full-time Corrections deputy paid a straight rate gets paid for the time they are off work (paid absences). Further, when the deputy takes time off work, the post still needs to be covered (coverage of absences). As the tenure of the workforce increases, as it has for Corrections, both paid absences and the associated coverage costs become higher. Other costs such as fixed health insurance must be included for a full-time position that is not factored into overtime costs. When all costs are added up, filling a post with overtime costs about the same as adding additional staff.

Using the NAWH methodology does not produce optimal staffing. Considering that there is no cost difference between overtime and hiring additional staff, plus the fact that there are daily and seasonal fluctuations of absences, NAWH methodology staffing results in too many extra deputies who are not backfilling absences. Accordingly, in the current environment and from a cost perspective, additional staff to cover absences should be minimized to avoid extra staff to the extent Corrections can manage the overtime and maintain a safe environment and employee morale.

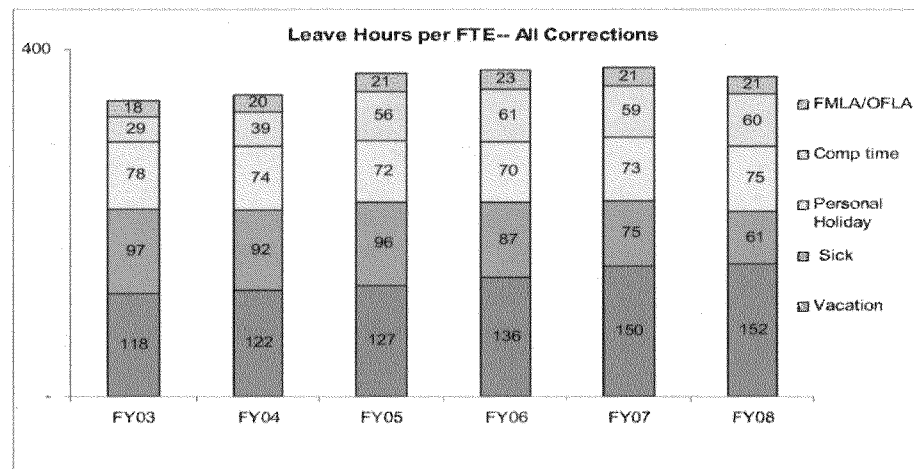
Some overtime costs should be avoided

Using overtime, rather than hiring additional staff, is generally a cost effective way to cover daily fluctuations between staff available to work and the total workload as long as overtime levels are not too high. But there are some personnel costs, part of which is captured as overtime, that should be avoided because it results from inadequately controlling absences or workload. Abusing sick leave, exceeding time off allowed for vacation and personal holidays, or using an excessive amount of comp time are examples of absences that should be avoided and can be managed to reduce total personnel costs.

Managing absences and workload

MCSO can reduce any day-to-day mismatches between staffing levels and workload by managing and controlling absences and workload. Vacation, sick, personal holiday, comp time, and Family Medical Leave Act (FMLA)/Oregon Family Leave Act (OFLA) leave per FTE for the period FY03 through FY08 is shown in Exhibit 5. These five leave categories made up 88% of the absences for Corrections deputies in FY08.

Exhibit 5



Source: Auditor's Office analysis

Sick leave

As previously mentioned, MCSO has recently made significant progress reducing sick time by reviewing each deputy's use of sick time and by changing authorized work hours. When an individual's sick leave pattern does not seem appropriate, it is investigated further. The first organizational review of sick leave

patterns for all Corrections deputies is planned to be completed in November 2008. MCSO is also analyzing aggregate sick leave patterns. For example, sick leave should typically be higher in the winter months. As noted in Exhibit 2 on page 3, more sick leave occurs in the summer months rather than the winter months. By reducing sick leave and by working to correct such aggregate patterns noted in the example, MCSO will be able to lower total personnel costs for Corrections.

Vacations and personal holidays

Vacations and personal holidays are more controllable than sick leave, but when combined, made up 54% of all absences. MCSO can reduce total personnel costs by managing Corrections deputies' vacations and personal holidays. As shown in Exhibit 5 above, the gains from the reductions in sick leave have mostly been offset by the increases in vacation leave. Increases in vacation leave are caused, in part, by a more tenured workforce. From FY07 through FY08, 98 deputies increased the amount of vacation they can accrue by 40 hours per year.

Corrections deputies accrue vacation time based on how long they have worked for the county. A first-year corrections deputy accrues 80 hours per year while a deputy with 15 years of service accrues 200 hours. Because Corrections is a 24/7 operation, deputies also receive 11 personal holidays to be used in place of the standard holidays the county allows employees each year. Personal holidays not used by June 30 of each year are automatically paid off.

Rules have been established regarding how deputies sign up for vacation and personal holiday leave in what is referred to as the Vacation/Personal Holiday (VPH) book. Only a set number of deputies are allowed off work each shift for vacations and personal holidays on any given day. These available slots in the VPH book are based on personal holidays plus one year's vacation accrual for all deputies.

We did not test the VPH book for exceeding allowed days off as part of our follow up work. However, the original audit found that the set number of slots allowed was exceeded on some shifts even though overtime occurred during those shifts. Enforcement of the policies that are already in place could reduce Corrections' total personnel costs.

MCSO also pointed out another potential example of avoidable overtime. According to the bargaining unit agreement, when Corrections deputies do not choose to take their personal holiday during the fiscal year, they are paid for any unused personal holidays at a straight rate at year end. However, if a deputy tries to take a personal holiday, but cannot do so because the VPH book has no available slots on the day requested, the deputy is paid for that personal holiday at an overtime rate. One concern is the possibility that some deputies would purposely wait to request a personal holiday until the VPH book is full in order to be paid an overtime rate.

As shown in Exhibit 6, a personal holiday payoff can cost the same, less, or more than taking the personal holiday as an absence depending on how much the *coverage* of the absence costs. When a personal holiday is paid off at a straight rate, the cost is the same or less than if the deputy would have taken a personal holiday as an absence. But when a personal holiday is paid off at an overtime rate, the cost is the same or more than if the deputy would have taken the personal holiday as an absence. MCSO should try to avoid personal holidays paid off at an overtime rate.

Exhibit 6

	Take Personal Holiday as Absence	Pay off Personal Holiday at a Straight Rate of Pay	Pay off Personal Holiday at an Overtime Rate of Pay
Personal Holiday Cost	1.0 Rate	1.0 Rate	1.5 Rate
+ Cost of Coverage If Absent	1.0 or 1.5 Rate		
+ Cost of Working		1.0 Rate	1.0 Rate
= Total Cost	2.0 or 2.5 Rate	2.0 Rate	2.5 Rate

Source: Auditor's Office analysis

Comp time

Adequate management of absences prevents unnecessary overtime, which can lead to comp time use and significantly increase total personnel costs. Comp time occurs when a deputy works overtime then chooses to take a day-and-a-half off work instead of being paid at time-and-a-half. Overtime taken as comp time accounted for 16.5% of all overtime shifts in FY08. As shown in Exhibit 5 on page 6, comp time increased substantially, from 29 hours per FTE in FY03 to 61 hours per FTE in FY06. This trend has since leveled off.

Comp time use is requested in the VPH book. The VPH book sets a cap on the amount of time that is available for comp time because such leave can only be taken if there is an available slot in the VPH book. Theoretically, the number of slots available after deputies sign up for vacations and personal holidays in the VPH book should help manage the amount of comp time that can be taken. We calculate that when comp time is added to vacation and personal holidays, 69% of all absences can be controlled by properly managing the VPH book.

However, VPH book signup rules have not always been clear. For example, the 2007 post factor study pointed out that deputies were signing up for comp time using VPH book slots that were open after the annual vacation and personal holiday bid, but before the comp time leave was earned. As a result, other deputies had fewer opportunities available for vacation time. This has the potential for creating an incentive to take time off using sick leave. MCSO management indicated they are actively engaged in addressing this situation.

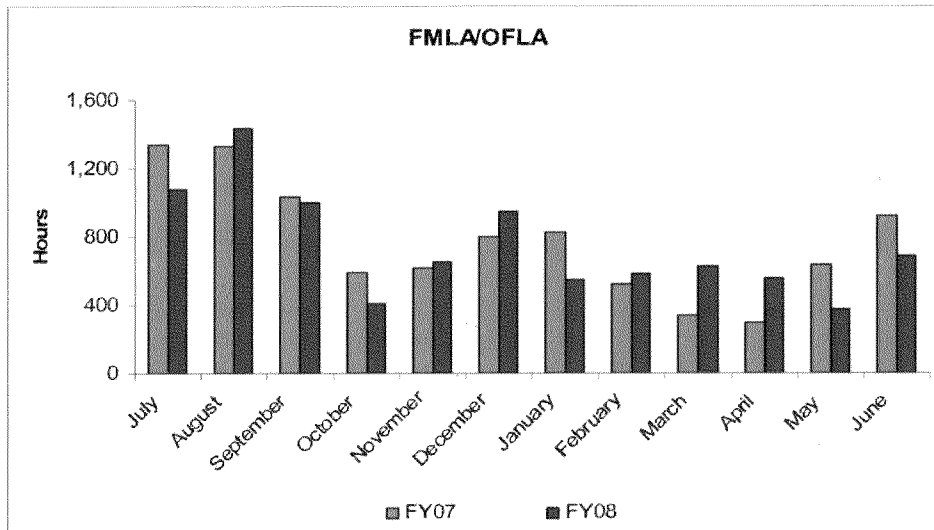
Comp time must be carefully managed by MCSO. In a 24/7 post operation, such as a jail, comp time is always more expensive than simply paying for the overtime when overtime is incurred. This is because taking comp time creates another absence that has to be backfilled. Even worse, the effect can be compounded when a deputy taking comp time is backfilled by another deputy working overtime who then chooses to take comp time as well.

MCSO has made progress towards controlling comp time. In the most recent negotiations with the MCCDA, the county proposed limiting the amount of comp time that could be taken each fiscal year. In prior years, Corrections deputies could only accumulate 80 hours of comp time at any one time but there was no limit on how much comp time could be used. Some deputies were using in excess of 500 comp time hours per year. The negotiations went to binding arbitration, and MCSO was successful in limiting the number of comp time hours that can be accrued or used each fiscal year to 96. This agreement should help reduce absences and decrease total personnel costs.

Although MCSO told us that comp time accrued each fiscal year is typically below 40 hours for each deputy, there is a provision in the bargaining unit agreement that could work to reduce total personnel costs. The agreement states, *"Ninety (90) days prior to the end of each fiscal year the County may give written notice to MCCDA that the County may cash out compensatory time balances in excess of 40 hours for the pay period ending June 30 of each year."* We recommend that MCSO routinely give notice and pay off any comp time balances in excess of 40 hours.

FMLA/OFLA leave

Under the Family Medical Leave Act (FMLA) and the Oregon Family Leave Act (OFLA), county employees may be eligible for up to 12 weeks of unpaid leave a year to care for a spouse, child, or parent with a serious health condition or for the employee's own serious health condition. Generally, FMLA leave is also counted as OFLA leave. However, OFLA entitles employees who use pregnancy disability leave to take an additional 12 weeks of any other kind of leave if they otherwise qualify for it. Exhibit 7 which follows shows that, like sick leave, more FMLA/OFLA leave occurs in the summer months and less in the winter months, an indication of potential abuse.

Exhibit 7

Source: Auditor's Office analysis

The monthly trend for Corrections deputies' use of FMLA/OFLA leave will need to be investigated further. Because MCSO's ability to control FMLA/OFLA leave is linked to county-wide policy, MCSO and the county will have to work together to help address this issue. To the extent FMLA/OFLA leave may be abused, total personnel costs for MCSO can be reduced with proper intervention.

Other workload: special (non-post) assignments and training

The quality of special assignment and training data should be the same as the absence data. Our 2006 Jail Personnel Costs audit recommended better tracking of special (non-post) assignments and training because management has more discretion on when this type of absence from a post can occur. Special assignments are duties that temporarily pull officers away from filling posts. For example, a deputy may be temporarily needed for an administrative task and would not be able to fill a post for that time period. Corrections deputies also receive training each year.

MCSO was able to provide us with rough estimates of training hours. However, training data do not match the quality of absence data. Therefore, it was not possible to track aggregate patterns such as when the training hours were taken. Training is manageable time away from a post and could, for example, be scheduled to happen in the winter months when other absences are lower. The amount of time a deputy spends away from filling a post on special assignments can add up and should be considered in the management of total workload. Special assignments were not routinely tracked. Given available resources, tracking training and special assignments appears to be a lower priority than tracking other absences from posts. But those absences should be tracked better in the future as the original audit recommended.

Lessons Learned

Focus on total personnel costs

Overall, undue emphasis placed on the overtime line item and reducing overtime can increase total personnel costs. The 2007 post factor study sought to reduce costs by hiring additional staff to reduce overtime. Those savings are simply not there. As previously discussed in this report, time-and-a-half exists only for the worker. The cost to the county to hire an additional deputy versus incurring the overtime is about the same (see Exhibit 4 on page 5). But, the cumulative effect of having more deputies than needed on a particular day increases costs. The 2007 post factor study recommended reducing

overtime to reduce costs. However, while the overtime line item would decrease by implementing the post factor study recommendations, the total personnel costs for Corrections would actually increase.

It is not the case that large savings will result from reducing or eliminating overtime. For example, one argument is that one more FTE will eliminate an equivalent amount of overtime. First, there is not a one-to-one relationship between hiring an additional person and the amount of overtime that person can eliminate. In other words, the new hire will have paid and unpaid leave. Because of daily fluctuations in staffing levels due to absences, the new hire may or may not be able to backfill overtime shifts on particular days. More importantly, there is little, if any, cost savings from a new hire reducing overtime shifts since the cost of an overtime shift and the cost of an additional deputy are roughly the same. If the organization is incurring overtime that is not negatively impacting safety or morale, hiring another deputy could actually increase costs by having an extra deputy available at work when he/she is not needed.

Manage absences, workload, and the bargaining unit agreement

In a staffing environment where absences from a post must be covered, increases in absence rates drive personnel costs much more than overtime. Further, the primary concern is not that absences cause overtime. Even if absences are replaced with straight time, both the deputy who is absent as well as the deputy who takes his/her place as backfill are paid. When someone is absent, two people are getting paid to accomplish the same amount of work as one person.

Over the years, MCSO has expended a lot of time trying to track the causes of overtime. Timekeepers attempt to assign a cause for each occurrence of overtime. This is not a productive use of staff resources and MCSO should stop tracking overtime causes in this manner. MCSO's current focus on managing absences, such as sick leave and comp time, has proven to be far more effective at lowering total personnel costs than attempting to track overtime causes. Further, it is not possible to accurately assign individual causes to overtime on a shift-by-shift, person-by-person basis. The real causes of overtime can include, but are not limited to the following: understaffing; a misallocation of staff among shifts or days of the week; the aggregate difference between absence rates used to estimate staffing levels and actual rates experienced; or the random fluctuations that occur in daily absences.

The information about absences found using the NAWH methodology is very valuable. However, we strongly recommend that it be used differently. It may make sense for the Time Analysis Unit to track absences by shift, facility, and type of personnel to compare these figures over time. For example, the 2007 post factor study found higher absence rates happening at MCIJ. In the past, we found more absences happening on the morning shift than the evening shift. In both these cases the higher absence rates were likely due to more senior staff at MCIJ and the morning shifts. Higher absence rates would need to be taken into account when determining staffing levels for MCIJ and the morning shift.

Within the last year, the MCSO has made progress in effectively negotiating and managing the bargaining unit agreement. Data from the Time Analysis Unit on sick leave and comp time were used to successfully argue MCSO's case in binding arbitration. The Time Analysis Unit collects and analyzes data to put more emphasis on managing leave provisions of the agreement and holding all deputies accountable.

Scope and Methodology

As part of our follow up of the *Jail Personnel Costs* audit issued in 2006, we obtained, validated and analyzed three years of payroll data for all Corrections Division deputies, in addition to the three years of data used in the original report. Using all six years of data, we verified the progress made by the Multnomah County Sheriff's Office (MCSO) to manage absences. We also used this data to compute the cost of an overtime shift compared to hiring an additional corrections deputy.

We examined the November 2007 post factor study. In addition, we reviewed the September 2008 arbitrator's decision between the county and the Multnomah County Corrections Deputies Association. We also reviewed the 2006 and 2007 Corrections Grand Jury reports as well as the King County Jail Overtime audit issued in October 2006. We interviewed the Business Unit Service Manager and the Research Analyst in the Time Analysis Unit. This audit did not compute optimal staffing levels for the Corrections Division.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Response



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December 15, 2008

LaVonne Griffin-Valade
Multnomah County Auditor
501 SE Hawthorne
Portland Or. 97214

Re: Jail Personnel Costs Follow Up

Dear Madam Auditor:

Thank you for the audit of Jail Personnel Costs which has been issued as a follow-up of a 2006 audit conducted by former auditor Suzanne Flynn. I believe we have made some significant steps in addressing many of the issues in the 2006 report. The audit has validated many of the areas that we believe have seen significant progress and provides a clear direction of areas that need additional work. I appreciate the high level of knowledge and expertise from Principal Auditor Craig Hunt and his insight in reviewing our progress.

Overall Response to the Audit Report

In my review of the original audit report from 2006 and this follow-up audit, both suggest a consistent conclusion - the Multnomah County Corrections system is considerably under-staffed. Your observations that personnel costs are manageable using leave management accountability, flexibility of overtime, and adequate staffing confirm my views that the Sheriff's Corrections function is not staffed at an appropriate level. I agree with your conclusion that understaffing must be managed by the proper mix of FTE's and overtime. The challenge now, as it has been for many years, becomes what is the appropriate level of staffing and how do we resolve these needs in the face of declining revenues and an economy in recession?

Follow-up Results

I am very pleased with the progress we have made from the findings in the 2006 audit. Analysis of personnel leave data has been very useful in managing leave, negotiating bargaining unit agreements, and re-establishing the accountability mechanisms necessary to manage a 24/7 operation. I believe your audit clearly shows that we have made considerable progress in these areas. The strengthened partnership between MCSO, County Human Resources and Labor Relations has proven to be very beneficial for both entities and was an important element to the successful arbitration of the Multnomah County Corrections Deputy contract re-opener.

Leave Management

Literature reviews have confirmed that sick leave use is a common problem in 24/7 operations. Unfortunately, there is little research available that identifies successful strategies or solutions to reduce

its impact. A significant amount of the audit follow-up is devoted to the Sheriff's Office efforts in analyzing time and compilation of data to identify how leave is used in the Sheriff's Office. The data began with cumulative analysis and is now focused on individual leave patterns. The agency's efforts in analyzing time have been accomplished through existing resources in the Resource Analysis Unit and supported by a short term internship. Important progress has been made in addressing many of the issues relating to sick leave; however, analysis of FMLA, Net Annual Work Hours, and optimal scheduling patterns has remained largely unaddressed.

Appendix A of the Auditor's report shows two examples of the individual calendars developed through time analysis. It is important to note that these two reports are very extreme cases and are illustrative of the different types of leave we are able to track and analyze. They are not representative of many of the hard-working employees in the Sheriff's Corrections Division. As a matter of fact a six month progress review of both of the individuals calendared in these examples has shown substantial improvement in their attendance.

The analysis of time usage in the Sheriff's Office has successfully provided insight to leave usage problems necessary to correct improper behavior and sustain post-disciplinary arbitrations. However, if not for the effective management of the Sheriff's Management Staff through counseling employees and holding them accountable when improper behavior is identified, leave usage behavior would have gone largely unchanged. For example, one finding from our analysis was that sick leave usage by Corrections Staff during the summer months was significantly higher than other County employees. However, after employing sick leave management strategies sick leave during the summer months of FY 2009 were reduced an average of 19%. This is certainly reflective of both good management and employee compliance.

We believe that through evidence gathered through employee conferences and our analysis there is sufficient data to draw some general conclusions:

- Improper leave usage is not limited to the Corrections bargaining unit. Questionable use patterns have been found in all bargaining units in the Sheriff's Office as well as other areas of the county we have been requested to analyze.
- While the cost of leave abuse in a 24/7 post driven operation is very visible and important to control, there is generally no loss of productivity as a result of the absence.
- For Multnomah County, there is a significant hidden cost in the form of lost productivity that has not been measured or quantified when questionable leave usage is not effectively managed in positions that do not require backfill. If captured, this lost productivity could have a positive impact on services lost due to budget cuts in a poor economy.
- Some employees will self-correct improper behavior when effective leave management strategies are employed.
- Adequate staffing, especially in high stress assignments, will effectively impact improper leave usage by both reducing the opportunity for employees to work too many hours resulting in employee burn-out; and reducing opportunities to voluntarily make themselves absent from the workplace through comp time or inappropriate use of sick time.
- Sanction based management of leave based on corrective action is a short term solution to managing leave. Improving employee morale through positive incentives and improved work environments will have a more long-term impact on leave usage.

2007 Post Factor Study

At the request of the Multnomah County Sheriff's Office, the Board of County Commissioners, and the Corrections Grand Jury, the Sheriff's Office commissioned a post factor analysis through Pulitzer/Bogard,

a nationally known consultant in jail management and post factor analysis. Pulitzer/Bogard has provided consulting services to more than 100 public safety entities in more than 30 states. Through this post factor analysis, Pulitzer/Bogard calculated staffing requirements using a methodology called Net Annual Work Hours (NAWH). They also reviewed our staffing levels as it relates to best practices, compliance with the principles of direct supervision, and availability of supervision. NAWH is a powerful tool for assessing the number of FTE's necessary to operate a correctional facility. Recommendations on how those hours of work were distributed between FTE's and overtime was beyond the parameters of the agreement.

The Auditor's report correctly points out that from a cost perspective NAWH methodology does not consider policy considerations in determining an optimal level of staffing as it might relate to the flexibility of overtime. Even distribution of time off throughout the year does not occur adding to the complexity of optimal staffing levels. However, NAWH does provide valuable information in assisting us in determining the impact of leave management, the proper mix of overtime flexibility, and the optimal number of FTE's necessary to operate the jail system in a safe and efficient manner. The majority of the findings in the post factor study related to best practices, direct supervision of offender populations, and recommendations for supervisory staffing levels.

Cost Difference between the Cost of Overtime and Hiring Additional Staff to Work a Post

The Auditor's report concludes that when costs associated with payroll, insurance, and the cost of backfilling an absence is considered the hourly cost of an FTE is virtually the same as the cost of overtime. The report further concludes that the inverse is not true. There is not a dollar for dollar savings associated with reducing overtime to hire FTE's because the new FTE generates a certain amount of overtime for its own absences from the workplace. In the 1980's Multnomah County Auditor Gary Blackmer came to the same conclusion. We agree with this finding and have reported this to the Board on many occasions. There is value to using the flexibility of overtime to adjust staffing requirements to the temporary and seasonality of employee absence after the agency reaches its optimal level of staffing. As the Auditor's report correctly concludes there may be an increased cost to having too many deputies rather than a mix of overtime and FTE's. I believe it is safe to say that we are nowhere near that point.

Managing Absences and Workload

On page 6 of the Audit report a bar chart shows the major types of leave categories in the agency over a six year period. It is important to note the downward trend in sick leave. It is also important to note the rapid increase in comp time which has leveled off over the past 4 years. Managing these are two areas that are high priorities to the Sheriff's Office for impacting absences and workload. A recent arbitration agreement with the Multnomah County Corrections Deputy Association has provided us with some necessary tools to impact and reduce these two categories. We believe in subsequent years we will be seeing continued reductions in both categories.

Vacation absences are increasing. An aging workforce makes that an unavoidable phenomenon. More tenure provides higher vacation accruals. However, actively managing the numbers of deputies allowed to take vacation can be done. We believe we have improved in this area since the 2006 audit and that with the use of our automated scheduling system Telestaff we can continue to make improvements.

An observation was made about the possibility of a Corrections Deputy to request personal holidays on days the vacation book is full and then redeem those days at the end of the year at time and a half if the holiday is denied. This is a requirement in Article 8 of the Corrections Deputy contract. There is anecdotal evidence that some deputies do request personal holidays when the vacation signup book is full, however its extent is unknown.

Comp Time

As stated above, comp time is an area of leave management that we believe we can impact as a result of the recent arbitration award. Since comp time use and accrual is now limited to 96 hours per year we believe we will see comp time reduced and a greater number of employees have access to some of the more desirable vacations opportunities. The Auditor referenced a provision in the Corrections Deputy agreement that states, "Ninety (90) days prior to the end of each fiscal year the County may give written notice to MCCDA that the County may cash out compensatory time balances in excess of 40 hours for the pay period ending June 30 of each year." Our analysis found that most Deputies who work extra time for purposes of earning comp time do so to take it. Consequently their unused balances were normally kept very low. In addition, since comp time was unlimited due to the "rolling cap", paying the time down to 40 hours could easily be made up in a matter of just a few weeks. The new language will eliminate the "rolling cap" and it is our intention to pay down comp time at the end of the year. Future analysis will tell us if this is a useful strategy.

Other Workload: Special (Non-post) Assignment and Training

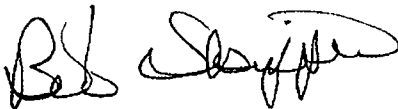
We are reviewing the Auditor's recommendation of greater detail in tracking special assignments and training. We believe our Telestaff system will be useful tool for improving this tracking.

Lessons Learned

We were greatly encouraged to read the Auditor's conclusion that undue emphasis placed on the overtime line item and reducing overtime can actually increase personnel costs. We had reached a similar conclusion based on our own analysis. A more holistic approach to impacting overtime should include leave management with impact on overtime as an outcome indicator not a primary strategy. It is also critical to address the issues of optimal staffing levels, as well as the human resources issues of employees burned out due to working too many hours, low morale, and safety risks both to staff and offenders. These are the long term strategies to managing personnel costs. A multi-level approach to managing personnel costs through leave management, optimal staffing levels, human resources needs, and continual evaluation of net annual work hours will likely see very positive outcomes. Any one of these elements, when allowed to get out of balance will result in decreased efficiencies in the management of personnel costs.

Once again, I wish to thank Auditor LaVonne Griffin-Valade and her staff for the valuable information we have been able to take from this audit.

Sincerely,



BOB SKIPPER,
Sheriff

Appendix A

Appendix A Example 1

July				August				September				October				November				December				January				February				March				April				May				June												
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Key

<input type="checkbox"/> Scheduled Worked Day	C Comp Time
S* Sick Leave use combination	P Personal Holiday
Sk Sick Leave use Sick Leave bank	Be Bereavement Leave
Sc Sick use Comp bank	* Combination of leave types
Sv Sick use Vacation bank	E Exchange Paid not worked
Sp Sick use Sick Holiday bank	U Unpaid
Sf Sick FMLA	Us Unpaid Sick
S* Sick FMLA Combination	Uf Unpaid Leave of Absence on FMLA
V Vacation	W Workers Comp

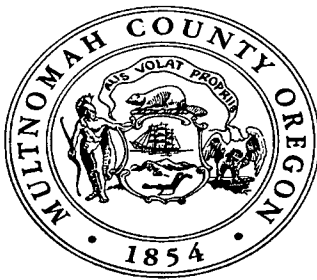
Source: MCSO Time Analysis Unit

Appendix A--Example 2

July					August					September					October					November					December					January					February					March					April					May					June				
	04	05	06	07		04	05	06	07		04	05	06	07		04	05	06	07		04	05	06	07		04	05	06	07		04	05	06	07		04	05	06	07		04	05	06	07		04	05	06	07		04	05	06	07					
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Key	
	Scheduled Work Day
Sk	Sick Leave
Sv	Sick use Vacation
S*	Sick Leave use combination
Sc	Sick use Comp Bank
Sf	Sick FMLA
S*	Sick FMLA Combination
V	Vacation
C	Comp Time
P	Personal Holiday
Jl	Judicial Leave
*	Combination of leave types
E	Exchange Paid not worked
Uf	Unpaid Leave of Absence on FMLA

Source: MCSO Time Analysis Unit



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Audit Report: *Jail Personnel Costs Audit Follow Up*
Report #08-10, December 2008
Audit Team: Craig Hunt

The mission of the Multnomah County Auditor's Office is to ensure that county government is honest, efficient, effective, equitable, and fully accountable to its citizens.

The Multnomah County Auditor's Office launched the **Good Government Hotline** in October 2007 to provide a mechanism for the public and county employees to report concerns about fraud, abuse of position, and waste of resources.

The **Good Government Hotline** is available **24 hours a day, seven days a week**. Go to GoodGovHotline.com or call 1-888-289-6839.



The Multnomah County Auditor's Office received the **2007 Bronze Knighton Award** from the Association of Local Government Auditors for the *Elections Audit* issued in June 2007.



LaVonne Griffin-Valade
Multnomah County Auditor

Craig Hunt, Principal Auditor
Mark Ulanowicz, Principal Auditor

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Follow Up of the 2006 Jail Personnel Costs Audit

Board Briefing: February 26, 2009

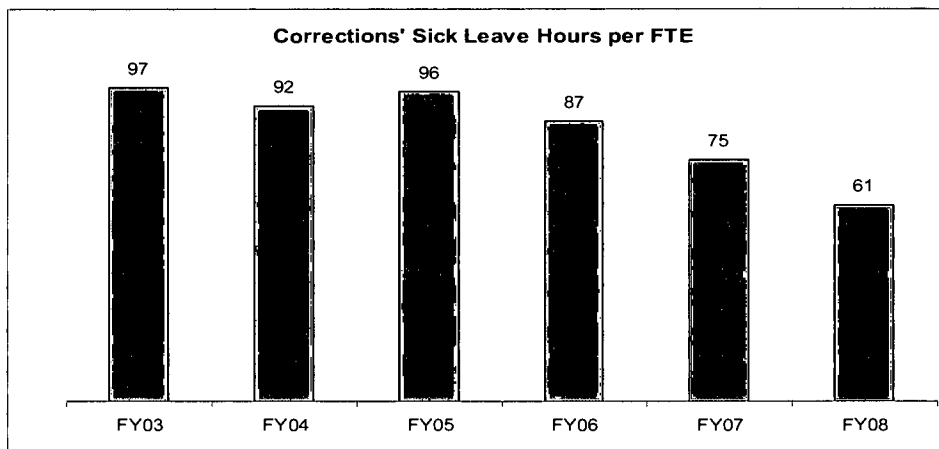
Background

The primary purpose of the audit follow up was to review the progress in implementing select recommendations made in the original audit. Generally speaking, those recommendations focused on committing resources to analyzing data on personnel costs, staffing, absences, and workload in order to better manage overall jail personnel costs.

MCSO Accomplishments since the 2006 Audit

Sick Leave – significant progress implementing audit recommendations

- improved collection and analysis of sick leave data; now track on aggregate and individual levels
- MCSO now identifies potential abuse of sick leave & comp time and works to resolve those issues
- Sick leave was 96 hours per FTE in FY05 and was reduced to 61 hours per FTE in FY08
- If Corrections deputies' sick leave had remained at the FY05 level, we estimate that costs would have been \$1.4 to \$1.6 million higher in FY08



Source: Auditor's Office analysis

Bargaining Unit – better communication and use of data

- bargaining unit discussions are better coordinated with other county administrators
- during negotiations, MCSO successfully used sick leave and comp time data to demonstrate problems with sick and comp time leave patterns

Overall Management of Personnel Costs – much improved use of data for cost management

- began using data effectively to manage personnel costs
- system is in good shape – leave for all MCSO employees is reviewed
- Time Analysis Unit formed – plays a key role by collecting and analyzing data and contributing to establishment of long-term strategies and goals for collective bargaining sessions

Other Follow Up Conclusions

In response to the original audit, MCSO contracted out for a post factor study. The study offers some valuable information, but from a cost perspective, the Net Annual Working Hours (NAWH) methodology used in the study has these two primary limitations:

- NAWH methodology determines the number of additional staff needed to cover posts based on the average absence rate. Such a methodology assumes that absences from a jail post are evenly distributed by day throughout the year, but that is not the case.
 - On some days, there are more people than needed, with the cumulative effect of paying for full-time deputies throughout the year who are not always needed.
- NAWH methodology does not appropriately take into account the cost difference between hiring additional full-time deputies or incurring overtime. We found little difference in cost between staffing a 24/7 post with overtime versus hiring additional staff to fill the post with straight time.

Cost of Staffing One 24/7 Post per Year		
	Overtime	Full-Time Staff
Base Pay	\$415,750	\$191,922
Coverage of Absences		\$108,118
Paid Absences		\$72,590
Sub Total	\$415,750	\$372,630
Salary Related	\$144,307	\$129,340
Variable Insurance	\$37,417	\$33,537
Fixed Health Insurance		\$59,448
Total	\$597,474	\$594,955
Cost per Hour	\$68.20	\$67.92

Source: Auditor's Office Analysis

It is worth noting that although we looked at this from a cost perspective, there are other factors that MCSO must consider when trying to establish optimal staffing levels, including being cognizant of when overtime is impacting morale, causing safety concerns, and having a negative effect on other absences.

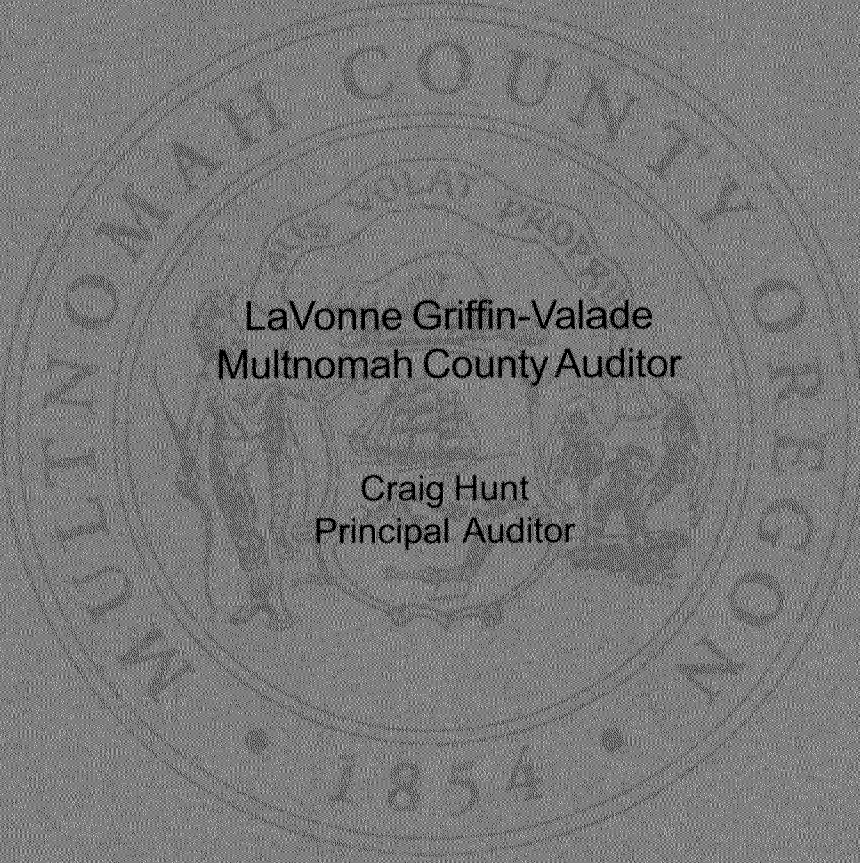
- MCSO is doing a good job managing sick leave, but more work can be done to reduce absences and the variability of absences. Absences resulting from abuse of sick leave, exceeding time off allowed for vacation and personal holidays, or using an excessive amount of comp time frequently contribute to unnecessary overtime.
 - Proactive management of the Vacation/Personal Holiday book – where deputies sign up for leave – would likely get MCSO even greater savings than they have been able to get through improved management of sick leave.
- Special assignments and training still needs to be tracked better.

Lessons Learned

- Focus on total personnel costs, not the overtime line item.
- Manage absences, workload, and the bargaining unit agreement. In an environment where absences must be covered, increases in absence rates drive personnel costs much more than overtime.
 - unlike what would be expected, more sick and FMLA/OFLA leave are taken in the summer
 - vacation and personal holidays are more controllable than sick leave, and enforcement of policies already in place could reduce total personnel costs.
 - progress has been made towards controlling comp time and an accrual cap per fiscal year of 96 hours of comp time has been established.

Follow Up of the 2006 Jail Personnel Costs Audit

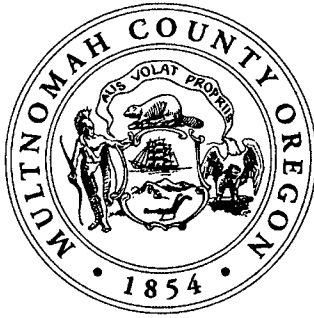
December 2008

The seal of Multnomah County, Oregon, is a circular emblem. The outer ring contains the text "MULTNOMAH COUNTY" at the top and "OREGON" at the bottom, separated by two small dots. Inside this ring is a shield featuring a landscape with a river, trees, and a sun. Above the shield is a banner with the words "SOLAS PROPRIETAS". Below the shield is the year "1854".

LaVonne Griffin-Valade
Multnomah County Auditor

Craig Hunt
Principal Auditor

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



LaVonne Griffin-Valade Multnomah County Auditor

501 SE Hawthorne Room 601
Portland, Oregon 97214
Phone: (503) 988-3320

Date: December 17, 2008

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

From: LaVonne Griffin-Valade, County Auditor
Craig Hunt, Principal Auditor

Subject: Follow Up of the 2006 Jail Personnel Costs Audit

Attached please find the report on our formal follow up of the March 2006 audit of *Jail Personnel Costs*. The primary purpose of the audit follow up was to review the progress in implementing select recommendations made in the original audit. Generally speaking, those recommendations focused on committing resources to analyzing data on personnel costs, staffing, absences, and workload in order to better manage overall jail personnel costs.

Our follow up found that the Multnomah County Sheriff's Office (MCSO) has made considerable improvements in the management of absences. Data are now collected, analyzed, and used to hold employees more accountable for their leave usage. We estimate that the reduction of sick leave time as a result of these changes saved the county \$1.4 to \$1.6 million when comparing Fiscal Year 2008 (FY08) to FY05. Some data collection improvements are still needed, particularly where the tracking of special assignment and training data is concerned, and we encourage MCSO to continue strengthening the oversight of leave.

We learned that MCSO coordinated with other county administrators to successfully negotiate changes to its labor contract with the Multnomah County Corrections Deputy Association. Most notably, there is now a limit to the number of compensation (comp) time hours that can be accrued in a year. Improved negotiation efforts, along with the analysis and use of leave data, will help the Corrections Division better manage total personnel costs.

We reviewed the 2007 post factor study as part of our follow up, and we agree with many of the observations noted in the study. However, we disagree with those conclusions that were not consistent with our finding that hiring an additional deputy cost about the same as overtime. Our concern is that the staffing levels recommended in the 2007 post factor study are not optimal and will increase total jail personnel costs.

We appreciate the cooperation and assistance we received from Sheriff Skipper and MCSO staff.



LaVonne Griffin-Valade
Multnomah County Auditor

Craig Hunt
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Follow Up of the 2006 Jail Personnel Costs Audit

December 2008

Background

The Multnomah County Auditor's Office released the *Jail Personnel Costs* audit in March 2006. The primary objectives of the 2006 audit were as follows: (1) to assess whether the Multnomah County Sheriff's Office (MCSO) was efficiently staffing jails in the Corrections Division (Corrections) to minimize total personnel costs; and (2) to determine if sufficient data were available and used to effectively manage Corrections staffing. We also looked at how factors such as staffing levels, absence rates, and compensation (comp) time were contributing to overtime.

The purpose of this audit follow up was to determine the extent to which selected recommendations have been implemented. The 2006 audit recommended that the MCSO should:

- Commit resources to reviewing and analyzing personnel cost data on a regular basis.
- Review staffing, absence, and workload data at an aggregate level as well as at the individual staff level.
- Begin tracking non-post activity (special assignments) and training data in a way that the data can be more easily used for staffing analysis.
- Coordinate with other county administrators to establish long-term strategies and goals for future collective bargaining sessions.
- Evaluate current staffing levels and analyze staffing needs.

In response to the original audit, MCSO contracted out for a post factor study that was completed in November 2007. This follow up also looked at whether the staffing levels recommended in the post factor study are reasonable and examined the significance of overtime compared to other drivers of personnel costs.

Follow Up Results

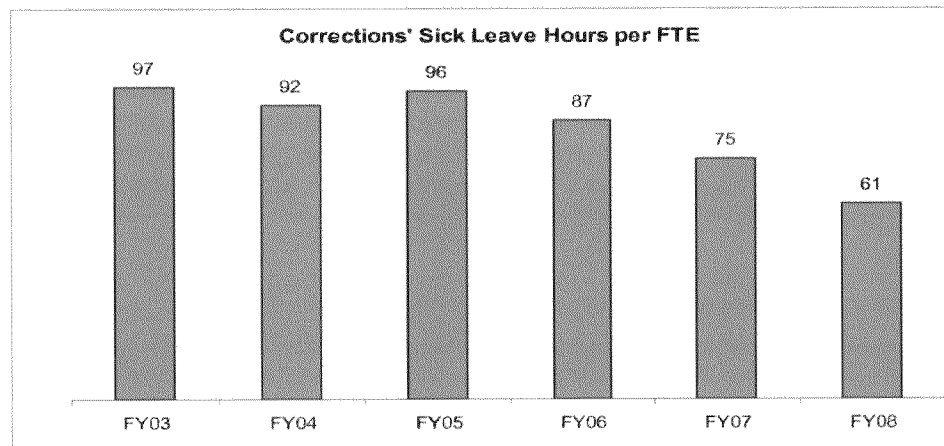
Accomplishments: MCSO has made significant progress implementing recommendations from the 2006 audit. We want to particularly commend their improved collection and analysis of data, as well as the effective use of those data in management decisions. For example, MCSO has committed resources to reviewing personnel cost data, and absence data are analyzed at the individual and aggregate levels. MCSO now identifies potential abuse of sick leave and comp time and takes action to resolve those concerns. In addition, bargaining unit discussions are better coordinated between MCSO and other county administrators. MCSO has also redefined "authorized work hours" and negotiated a cap on the amount of comp time that can be used per year.

Areas for further attention: While we view the November 2007 post factor study as a valuable tool to help manage absences, we disagree with the study's approach to determining staffing levels and its approach to overtime. Much of this follow up report explains why the methodology used in the post factor study overestimates staffing needs and why that methodology would actually increase total personnel costs. This report also includes important lessons learned that should help guide decision makers in their efforts to reduce total personnel costs.

Time Analysis Unit

We learned that MCSO has committed resources to reviewing and analyzing personnel cost data and has made significant improvements. MCSO created a Time Analysis Unit to analyze absence and workload data for the entire department at the individual and aggregate levels. The Time Analysis Unit is currently staffed with one permanent full-time equivalent employee (FTE) and an intern who will be working there through February 2009. As shown in Exhibit 1, using these data and establishing an internal process to act on the data contributed to the dramatic reduction in Corrections' sick leave, which went from 96 hours per FTE in Fiscal Year 2005 (FY05) to 61 hours per FTE in FY08.

Exhibit 1



Source: Auditor's Office analysis

A portion of the reduction in Corrections' sick leave per FTE is likely attributable to a change in "authorized work hours" in July 2006. With that change, time spent on sick leave no longer counted towards hours worked for the purposes of calculating overtime. For example, deputies could no longer work four days of the week, take one day as sick leave, then get paid overtime for work on the sixth day of the week.

The Time Analysis Unit maps daily individual leave for all MCSO staff and identifies patterns that may need intervention. These maps show when a given deputy's absence patterns – such as sick leave and comp time use – need further investigation. Appendix A provides two examples of how the Time Analysis Unit identified leave patterns that needed further investigation. These examples are summarized below.

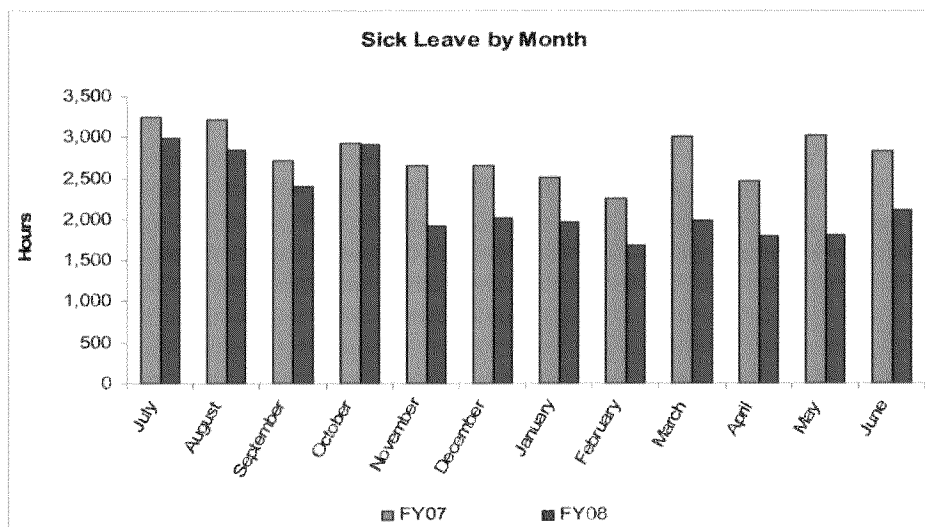
- Example 1: A deputy had exhausted all of his/her accumulated sick leave, taking most of it in the summer months. The map of this deputy's leave pattern indicated that 83% of his/her sick leave was combined with a weekend or other type of leave.
- Example 2: The Time Analysis Unit found a deputy, who by combining comp time with other types of leave, was able to work only 35-52% of his/her assigned shifts in FY04 through FY08. Further, the deputy had only worked two full five-day weeks out of the 251 weeks that were charted.

A time analysis review team (referred to as TART) was created and meets weekly to review the Time Analysis Unit's data, such as the examples shown in Appendix A. TART includes representatives from MCSO Personnel and Business Units, Corrections and Law Enforcement Divisions, and County Labor Relations. TART reviews the data and recommends whether to counsel reviewed MCSO staff. When someone is counseled, the employee and his/her union representative meet together with the employee's manager. More input is received from the employee on why the pattern is occurring. If there is no reasonable explanation, the employee is put on notice to correct his/her behavior.

We believe that MCSO's purposeful use of data to map leave taken by Corrections' deputies, combined with the change in authorized work hours, has already saved significant resources. For example, we estimate that MCSO saved approximately \$1.4 to \$1.6 million in FY08 by reducing sick leave from FY05 to FY08 levels. Total personnel costs did not decrease by that amount because of increases in vacation leave. However, total personnel costs would have been \$1.4 to \$1.6 million more in FY08 if sick leave per FTE had been at FY05 levels.

The Time Analysis Unit has also analyzed Corrections' personnel data at an aggregate level and found, for example, that Corrections' sick leave by month does not follow an expected pattern. Typically, more sick leave occurs in the winter months than in the summer months. Exhibit 2 below shows the opposite situation for FY07 and FY08, with more sick leave taken in the summer months. This suggests the possibility of sick leave abuse.

Exhibit 2



Source: Auditor's Office analysis

Collective bargaining

We found that MCSO is now working well with other county agencies on bargaining unit issues. MCSO reported that there were blurred lines of communication and expectations between the MCSO and county administrators in the past, and it was unclear who had responsibility for specific issues. MCSO now reports that the lines of authority are clearer. MCSO and county administrators worked well together in the most recent negotiations with the Multnomah County Corrections Deputies Association (MCCDA).

We also found that the Time Analysis Unit's data efforts have contributed to the establishment of long-term strategies and goals for collective bargaining sessions. MCSO recently used sick leave and comp time data in bargaining unit negotiations. These data provided support for MCSO's position when negotiations in the last MCCDA contract went to binding arbitration and allowed them to demonstrate problems with sick and comp time leave patterns.

2007 Post Factor Study

The Multnomah County, Oregon Sheriff's Office Jails Post Factor Study was completed in November 2007 by an outside consultant. A net annual work hours (NAWH) methodology was used in the post factor study to estimate the number of personnel needed to continually staff posts. The study recommended 81.5 additional positions to address Corrections' current needs at MCDC, MCIJ, and the Courts.

The study offers some valuable information and insights; however, the actual number of positions ultimately needed depends on several factors. For example, staffing levels could be impacted by the reductions in sick leave noted previously. MCSO could also decide to supervise inmates differently than the study's approach or provide a different level of training to deputies. Safety concerns and the interaction between the level of overtime and leave taken will also need to be considered. Based on input from jail commanders and the current levels of overtime, MCSO has determined that some increase in staff is needed to accomplish their work.

From a cost perspective the NAWH methodology does not determine an optimal level of staffing. Accordingly, we urge MCSO to carefully consider our analysis of the NAWH methodology when determining staffing levels for Corrections.

Limitations of net annual working hours methodology

The NAWH methodology has two critical limitations. First, the NAWH methodology assumes that absences from a post are evenly distributed by day throughout the year. Second, it does not take into account the cost difference between hiring additional full-time deputies or incurring overtime. As a result, the NAWH does not look at the most cost effective way to staff the jails and overstates needed staffing levels.

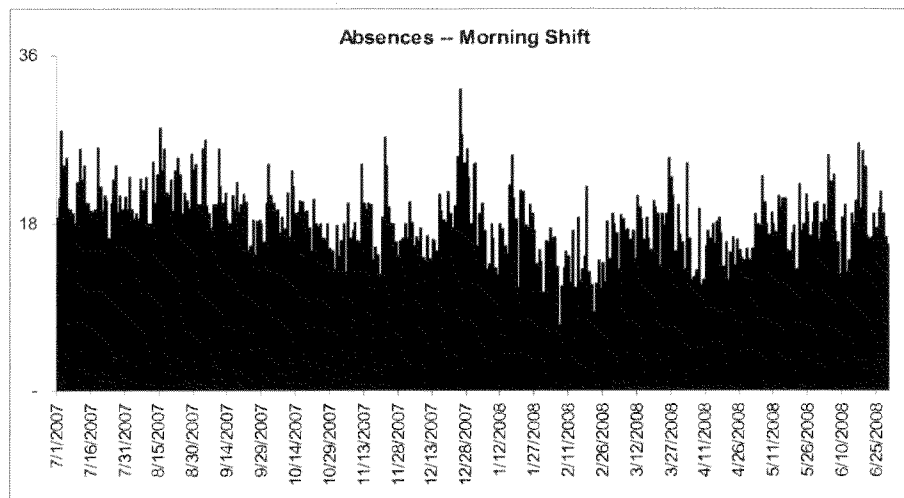
It is important to note that we are considering Corrections staffing levels from a cost perspective. Management is responsible for monitoring the level of overtime and evaluating whether it is negatively impacting morale, causing potentially unsafe situations, or having a negative influence on other absences. In addition, costs will change as the overall composition of the Corrections workforce changes. The average tenure of Corrections deputies (excluding sergeants) on June 30, 2007, was approximately 12 years. As newer deputies are hired, the amount of average paid leave earned per deputy will decrease. However, in the current environment, as long as there is a demand for voluntary overtime, and there are no safety concerns about individuals working too much overtime, incurring overtime instead of hiring additional full-time staff can help managers control total personnel costs.

Absences fluctuate each day and throughout the year

One problem with the NAWH methodology is that it assumes that absences from posts are evenly distributed when they are not. To set staffing levels, the NAWH methodology factors in having an additional number of staff to cover anticipated absences from posts. To illustrate this point, assume there are 50 posts on a shift that need to be staffed every day for the year and a NAWH analysis has determined a post factor of 1.8 FTE per post. If the 50 posts in this example are multiplied by the post factor, 90 people would be needed to cover the 50 posts. This means that 40 extra people would be hired to cover absences from posts.

In reality, if absences from a post were evenly distributed each day, it would be relatively easy to find the right match of staff to workload. There would not be overtime, and there would not be extra people at work who are not needed that day. But, we found that absences for Corrections deputies in the jails fluctuate each day. Exhibit 3 shows how absences fluctuated on the morning shift during FY08.

Exhibit 3



Source: Auditor's Office analysis

The NAWH methodology staffs with additional deputies to cover average anticipated absences. But because absences fluctuate each day, on some days there can be more people at work than are needed (extra deputies). The cumulative effect of having extra deputies throughout the year is the cost of paying for full-time deputies that are not required. Accordingly, having extra deputies should be minimized because there is no return on those personnel expenditures. The NAWH methodology staffs with too many additional deputies resulting in too many extra deputies and increases total personnel costs.

Little difference between the cost of overtime and hiring additional staff to work a post

Overall, the 2007 post factor study recommends adding staff *"to address the current lack of a sufficient shift relief factor to correspond with the calculated/proposed Net Annual Work Hours; these positions are necessary to reduce the reliance on overtime to supplement staff availability."* The study further suggests that approximately \$560,700 savings could have been gained by converting 50% of 2006 overtime hours for Corrections deputies to FTEs. We disagree. As shown in Exhibit 4, there is little difference in the cost between staffing a 24/7 post with overtime versus hiring additional staff to fill the post with straight time. King County, Washington, comparable to Multnomah County, also found little difference between overtime and the cost of hiring additional jail staff.

Exhibit 4

Cost of Staffing One 24/7 Post per Year		
	Overtime	Full-Time Staff
Base Pay	\$415,750	\$191,922
Coverage of Absences		\$108,118
Paid Absences		\$72,590
Sub Total	\$415,750	\$372,630
Salary Related	\$144,307	\$129,340
Variable Insurance	\$37,417	\$33,537
Fixed Health Insurance		\$59,448
Total	\$597,474	\$594,955
Cost per Hour	\$68.20	\$67.92

Source: Auditor's Office Analysis

When the pay amount a deputy sees on his/her paycheck is considered, a post covered with overtime would indeed be 50% more expensive than hiring a full time position. This is because only the base pay, overtime premium, and associated salary related and variable insurance costs are considered. However, when looking at the cost to the county, a full-time Corrections deputy paid a straight rate gets paid for the time they are off work (paid absences). Further, when the deputy takes time off work, the post still needs to be covered (coverage of absences). As the tenure of the workforce increases, as it has for Corrections, both paid absences and the associated coverage costs become higher. Other costs such as fixed health insurance must be included for a full-time position that is not factored into overtime costs. When all costs are added up, filling a post with overtime costs about the same as adding additional staff.

Using the NAWH methodology does not produce optimal staffing. Considering that there is no cost difference between overtime and hiring additional staff, plus the fact that there are daily and seasonal fluctuations of absences, NAWH methodology staffing results in too many extra deputies who are not backfilling absences. Accordingly, in the current environment and from a cost perspective, additional staff to cover absences should be minimized to avoid extra staff to the extent Corrections can manage the overtime and maintain a safe environment and employee morale.

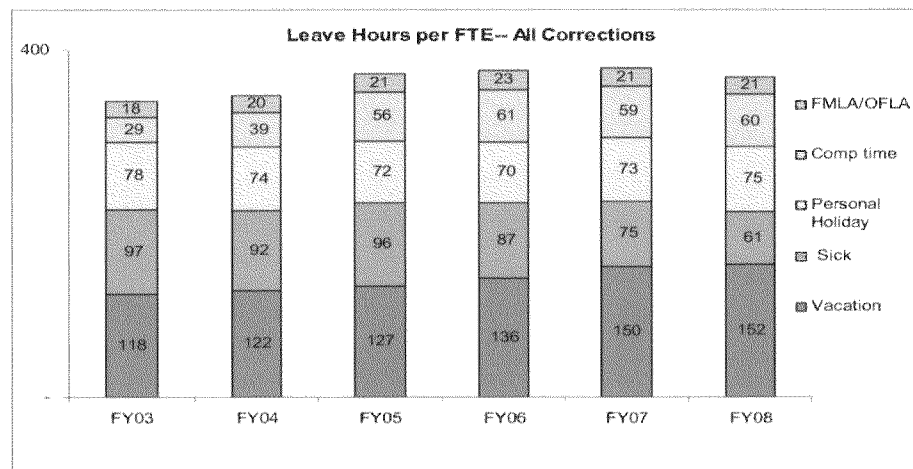
Some overtime costs should be avoided

Using overtime, rather than hiring additional staff, is generally a cost effective way to cover daily fluctuations between staff available to work and the total workload as long as overtime levels are not too high. But there are some personnel costs, part of which is captured as overtime, that should be avoided because it results from inadequately controlling absences or workload. Abusing sick leave, exceeding time off allowed for vacation and personal holidays, or using an excessive amount of comp time are examples of absences that should be avoided and can be managed to reduce total personnel costs.

Managing absences and workload

MCSO can reduce any day-to-day mismatches between staffing levels and workload by managing and controlling absences and workload. Vacation, sick, personal holiday, comp time, and Family Medical Leave Act (FMLA)/Oregon Family Leave Act (OFLA) leave per FTE for the period FY03 through FY08 is shown in Exhibit 5. These five leave categories made up 88% of the absences for Corrections deputies in FY08.

Exhibit 5



Source: Auditor's Office analysis

Sick leave

As previously mentioned, MCSO has recently made significant progress reducing sick time by reviewing each deputy's use of sick time and by changing authorized work hours. When an individual's sick leave pattern does not seem appropriate, it is investigated further. The first organizational review of sick leave

patterns for all Corrections deputies is planned to be completed in November 2008. MCSO is also analyzing aggregate sick leave patterns. For example, sick leave should typically be higher in the winter months. As noted in Exhibit 2 on page 3, more sick leave occurs in the summer months rather than the winter months. By reducing sick leave and by working to correct such aggregate patterns noted in the example, MCSO will be able to lower total personnel costs for Corrections.

Vacations and personal holidays

Vacations and personal holidays are more controllable than sick leave, but when combined, made up 54% of all absences. MCSO can reduce total personnel costs by managing Corrections deputies' vacations and personal holidays. As shown in Exhibit 5 above, the gains from the reductions in sick leave have mostly been offset by the increases in vacation leave. Increases in vacation leave are caused, in part, by a more tenured workforce. From FY07 through FY08, 98 deputies increased the amount of vacation they can accrue by 40 hours per year.

Corrections deputies accrue vacation time based on how long they have worked for the county. A first-year corrections deputy accrues 80 hours per year while a deputy with 15 years of service accrues 200 hours. Because Corrections is a 24/7 operation, deputies also receive 11 personal holidays to be used in place of the standard holidays the county allows employees each year. Personal holidays not used by June 30 of each year are automatically paid off.

Rules have been established regarding how deputies sign up for vacation and personal holiday leave in what is referred to as the Vacation/Personal Holiday (VPH) book. Only a set number of deputies are allowed off work each shift for vacations and personal holidays on any given day. These available slots in the VPH book are based on personal holidays plus one year's vacation accrual for all deputies.

We did not test the VPH book for exceeding allowed days off as part of our follow up work. However, the original audit found that the set number of slots allowed was exceeded on some shifts even though overtime occurred during those shifts. Enforcement of the policies that are already in place could reduce Corrections' total personnel costs.

MCSO also pointed out another potential example of avoidable overtime. According to the bargaining unit agreement, when Corrections deputies do not choose to take their personal holiday during the fiscal year, they are paid for any unused personal holidays at a straight rate at year end. However, if a deputy tries to take a personal holiday, but cannot do so because the VPH book has no available slots on the day requested, the deputy is paid for that personal holiday at an overtime rate. One concern is the possibility that some deputies would purposely wait to request a personal holiday until the VPH book is full in order to be paid an overtime rate.

As shown in Exhibit 6, a personal holiday payoff can cost the same, less, or more than taking the personal holiday as an absence depending on how much the *coverage* of the absence costs. When a personal holiday is paid off at a straight rate, the cost is the same or less than if the deputy would have taken a personal holiday as an absence. But when a personal holiday is paid off at an overtime rate, the cost is the same or more than if the deputy would have taken the personal holiday as an absence. MCSO should try to avoid personal holidays paid off at an overtime rate.

Exhibit 6

	Take Personal Holiday as Absence	Pay off Personal Holiday at a Straight Rate of Pay	Pay off Personal Holiday at an Overtime Rate of Pay
Personal Holiday Cost	1.0 Rate	1.0 Rate	1.5 Rate
+ Cost of Coverage If Absent	1.0 or 1.5 Rate		
+ Cost of Working		1.0 Rate	1.0 Rate
= Total Cost	2.0 or 2.5 Rate	2.0 Rate	2.5 Rate

Source: Auditor's Office analysis

Comp time

Adequate management of absences prevents unnecessary overtime, which can lead to comp time use and significantly increase total personnel costs. Comp time occurs when a deputy works overtime then chooses to take a day-and-a-half off work instead of being paid at time-and-a-half. Overtime taken as comp time accounted for 16.5% of all overtime shifts in FY08. As shown in Exhibit 5 on page 6, comp time increased substantially, from 29 hours per FTE in FY03 to 61 hours per FTE in FY06. This trend has since leveled off.

Comp time use is requested in the VPH book. The VPH book sets a cap on the amount of time that is available for comp time because such leave can only be taken if there is an available slot in the VPH book. Theoretically, the number of slots available after deputies sign up for vacations and personal holidays in the VPH book should help manage the amount of comp time that can be taken. We calculate that when comp time is added to vacation and personal holidays, 69% of all absences can be controlled by properly managing the VPH book.

However, VPH book signup rules have not always been clear. For example, the 2007 post factor study pointed out that deputies were signing up for comp time using VPH book slots that were open after the annual vacation and personal holiday bid, but before the comp time leave was earned. As a result, other deputies had fewer opportunities available for vacation time. This has the potential for creating an incentive to take time off using sick leave. MCSO management indicated they are actively engaged in addressing this situation.

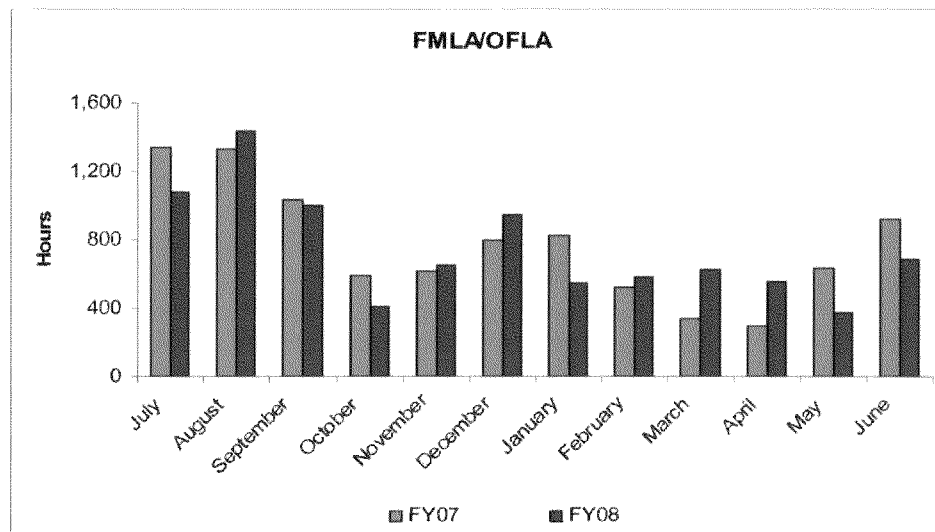
Comp time must be carefully managed by MCSO. In a 24/7 post operation, such as a jail, comp time is always more expensive than simply paying for the overtime when overtime is incurred. This is because taking comp time creates another absence that has to be backfilled. Even worse, the effect can be compounded when a deputy taking comp time is backfilled by another deputy working overtime who then chooses to take comp time as well.

MCSO has made progress towards controlling comp time. In the most recent negotiations with the MCCDA, the county proposed limiting the amount of comp time that could be taken each fiscal year. In prior years, Corrections deputies could only accumulate 80 hours of comp time at any one time but there was no limit on how much comp time could be used. Some deputies were using in excess of 500 comp time hours per year. The negotiations went to binding arbitration, and MCSO was successful in limiting the number of comp time hours that can be accrued or used each fiscal year to 96. This agreement should help reduce absences and decrease total personnel costs.

Although MCSO told us that comp time accrued each fiscal year is typically below 40 hours for each deputy, there is a provision in the bargaining unit agreement that could work to reduce total personnel costs. The agreement states, *"Ninety (90) days prior to the end of each fiscal year the County may give written notice to MCCDA that the County may cash out compensatory time balances in excess of 40 hours for the pay period ending June 30 of each year."* We recommend that MCSO routinely give notice and pay off any comp time balances in excess of 40 hours.

FMLA/OFLA leave

Under the Family Medical Leave Act (FMLA) and the Oregon Family Leave Act (OFLA), county employees may be eligible for up to 12 weeks of unpaid leave a year to care for a spouse, child, or parent with a serious health condition or for the employee's own serious health condition. Generally, FMLA leave is also counted as OFLA leave. However, OFLA entitles employees who use pregnancy disability leave to take an additional 12 weeks of any other kind of leave if they otherwise qualify for it. Exhibit 7 which follows shows that, like sick leave, more FMLA/OFLA leave occurs in the summer months and less in the winter months, an indication of potential abuse.

Exhibit 7

Source: Auditor's Office analysis

The monthly trend for Corrections deputies' use of FMLA/OFLA leave will need to be investigated further. Because MCSO's ability to control FMLA/OFLA leave is linked to county-wide policy, MCSO and the county will have to work together to help address this issue. To the extent FMLA/OFLA leave may be abused, total personnel costs for MCSO can be reduced with proper intervention.

Other workload: special (non-post) assignments and training

The quality of special assignment and training data should be the same as the absence data. Our 2006 Jail Personnel Costs audit recommended better tracking of special (non-post) assignments and training because management has more discretion on when this type of absence from a post can occur. Special assignments are duties that temporarily pull officers away from filling posts. For example, a deputy may be temporarily needed for an administrative task and would not be able to fill a post for that time period. Corrections deputies also receive training each year.

MCSO was able to provide us with rough estimates of training hours. However, training data do not match the quality of absence data. Therefore, it was not possible to track aggregate patterns such as when the training hours were taken. Training is manageable time away from a post and could, for example, be scheduled to happen in the winter months when other absences are lower. The amount of time a deputy spends away from filling a post on special assignments can add up and should be considered in the management of total workload. Special assignments were not routinely tracked. Given available resources, tracking training and special assignments appears to be a lower priority than tracking other absences from posts. But those absences should be tracked better in the future as the original audit recommended.

Lessons Learned

Focus on total personnel costs

Overall, undue emphasis placed on the overtime line item and reducing overtime can increase total personnel costs. The 2007 post factor study sought to reduce costs by hiring additional staff to reduce overtime. Those savings are simply not there. As previously discussed in this report, time-and-a-half exists only for the worker. The cost to the county to hire an additional deputy versus incurring the overtime is about the same (see Exhibit 4 on page 5). But, the cumulative effect of having more deputies than needed on a particular day increases costs. The 2007 post factor study recommended reducing

overtime to reduce costs. However, while the overtime line item would decrease by implementing the post factor study recommendations, the total personnel costs for Corrections would actually increase.

It is not the case that large savings will result from reducing or eliminating overtime. For example, one argument is that one more FTE will eliminate an equivalent amount of overtime. First, there is not a one-to-one relationship between hiring an additional person and the amount of overtime that person can eliminate. In other words, the new hire will have paid and unpaid leave. Because of daily fluctuations in staffing levels due to absences, the new hire may or may not be able to backfill overtime shifts on particular days. More importantly, there is little, if any, cost savings from a new hire reducing overtime shifts since the cost of an overtime shift and the cost of an additional deputy are roughly the same. If the organization is incurring overtime that is not negatively impacting safety or morale, hiring another deputy could actually increase costs by having an extra deputy available at work when he/she is not needed.

Manage absences, workload, and the bargaining unit agreement

In a staffing environment where absences from a post must be covered, increases in absence rates drive personnel costs much more than overtime. Further, the primary concern is not that absences cause overtime. Even if absences are replaced with straight time, both the deputy who is absent as well as the deputy who takes his/her place as backfill are paid. When someone is absent, two people are getting paid to accomplish the same amount of work as one person.

Over the years, MCSO has expended a lot of time trying to track the causes of overtime. Timekeepers attempt to assign a cause for each occurrence of overtime. This is not a productive use of staff resources and MCSO should stop tracking overtime causes in this manner. MCSO's current focus on managing absences, such as sick leave and comp time, has proven to be far more effective at lowering total personnel costs than attempting to track overtime causes. Further, it is not possible to accurately assign individual causes to overtime on a shift-by-shift, person-by-person basis. The real causes of overtime can include, but are not limited to the following: understaffing; a misallocation of staff among shifts or days of the week; the aggregate difference between absence rates used to estimate staffing levels and actual rates experienced; or the random fluctuations that occur in daily absences.

The information about absences found using the NAWH methodology is very valuable. However, we strongly recommend that it be used differently. It may make sense for the Time Analysis Unit to track absences by shift, facility, and type of personnel to compare these figures over time. For example, the 2007 post factor study found higher absence rates happening at MCIJ. In the past, we found more absences happening on the morning shift than the evening shift. In both these cases the higher absence rates were likely due to more senior staff at MCIJ and the morning shifts. Higher absence rates would need to be taken into account when determining staffing levels for MCIJ and the morning shift.

Within the last year, the MCSO has made progress in effectively negotiating and managing the bargaining unit agreement. Data from the Time Analysis Unit on sick leave and comp time were used to successfully argue MCSO's case in binding arbitration. The Time Analysis Unit collects and analyzes data to put more emphasis on managing leave provisions of the agreement and holding all deputies accountable.

Scope and Methodology

As part of our follow up of the *Jail Personnel Costs* audit issued in 2006, we obtained, validated and analyzed three years of payroll data for all Corrections Division deputies, in addition to the three years of data used in the original report. Using all six years of data, we verified the progress made by the Multnomah County Sheriff's Office (MCSO) to manage absences. We also used this data to compute the cost of an overtime shift compared to hiring an additional corrections deputy.

We examined the November 2007 post factor study. In addition, we reviewed the September 2008 arbitrator's decision between the county and the Multnomah County Corrections Deputies Association. We also reviewed the 2006 and 2007 Corrections Grand Jury reports as well as the King County Jail Overtime audit issued in October 2006. We interviewed the Business Unit Service Manager and the Research Analyst in the Time Analysis Unit. This audit did not compute optimal staffing levels for the Corrections Division.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Response



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December 15, 2008

LaVonne Griffin-Valade
Multnomah County Auditor
501 SE Hawthorne
Portland Or. 97214

Re: Jail Personnel Costs Follow Up

Dear Madam Auditor:

Thank you for the audit of Jail Personnel Costs which has been issued as a follow-up of a 2006 audit conducted by former auditor Suzanne Flynn. I believe we have made some significant steps in addressing many of the issues in the 2006 report. The audit has validated many of the areas that we believe have seen significant progress and provides a clear direction of areas that need additional work. I appreciate the high level of knowledge and expertise from Principal Auditor Craig Hunt and his insight in reviewing our progress.

Overall Response to the Audit Report

In my review of the original audit report from 2006 and this follow-up audit, both suggest a consistent conclusion - the Multnomah County Corrections system is considerably under-staffed. Your observations that personnel costs are manageable using leave management accountability, flexibility of overtime, and adequate staffing confirm my views that the Sheriff's Corrections function is not staffed at an appropriate level. I agree with your conclusion that understaffing must be managed by the proper mix of FTE's and overtime. The challenge now, as it has been for many years, becomes what is the appropriate level of staffing and how do we resolve these needs in the face of declining revenues and an economy in recession?

Follow-up Results

I am very pleased with the progress we have made from the findings in the 2006 audit. Analysis of personnel leave data has been very useful in managing leave, negotiating bargaining unit agreements, and re-establishing the accountability mechanisms necessary to manage a 24/7 operation. I believe your audit clearly shows that we have made considerable progress in these areas. The strengthened partnership between MCSO, County Human Resources and Labor Relations has proven to be very beneficial for both entities and was an important element to the successful arbitration of the Multnomah County Corrections Deputy contract re-opener.

Leave Management

Literature reviews have confirmed that sick leave use is a common problem in 24/7 operations. Unfortunately, there is little research available that identifies successful strategies or solutions to reduce

1 | Page

its impact. A significant amount of the audit follow-up is devoted to the Sheriff's Office efforts in analyzing time and compilation of data to identify how leave is used in the Sheriff's Office. The data began with cumulative analysis and is now focused on individual leave patterns. The agency's efforts in analyzing time have been accomplished through existing resources in the Resource Analysis Unit and supported by a short term internship. Important progress has been made in addressing many of the issues relating to sick leave; however, analysis of FMLA, Net Annual Work Hours, and optimal scheduling patterns has remained largely unaddressed.

Appendix A of the Auditor's report shows two examples of the individual calendars developed through time analysis. It is important to note that these two reports are very extreme cases and are illustrative of the different types of leave we are able to track and analyze. They are not representative of many of the hard-working employees in the Sheriff's Corrections Division. As a matter of fact a six month progress review of both of the individuals calendared in these examples has shown substantial improvement in their attendance.

The analysis of time usage in the Sheriff's Office has successfully provided insight to leave usage problems necessary to correct improper behavior and sustain post-disciplinary arbitrations. However, if not for the effective management of the Sheriff's Management Staff through counseling employees and holding them accountable when improper behavior is identified, leave usage behavior would have gone largely unchanged. For example, one finding from our analysis was that sick leave usage by Corrections Staff during the summer months was significantly higher than other County employees. However, after employing sick leave management strategies sick leave during the summer months of FY 2009 were reduced an average of 19%. This is certainly reflective of both good management and employee compliance.

We believe that through evidence gathered through employee conferences and our analysis there is sufficient data to draw some general conclusions:

- Improper leave usage is not limited to the Corrections bargaining unit. Questionable use patterns have been found in all bargaining units in the Sheriff's Office as well as other areas of the county we have been requested to analyze.
- While the cost of leave abuse in a 24/7 post driven operation is very visible and important to control, there is generally no loss of productivity as a result of the absence.
- For Multnomah County, there is a significant hidden cost in the form of lost productivity that has not been measured or quantified when questionable leave usage is not effectively managed in positions that do not require backfill. If captured, this lost productivity could have a positive impact on services lost due to budget cuts in a poor economy.
- Some employees will self-correct improper behavior when effective leave management strategies are employed.
- Adequate staffing, especially in high stress assignments, will effectively impact improper leave usage by both reducing the opportunity for employees to work too many hours resulting in employee burn-out; and reducing opportunities to voluntarily make themselves absent from the workplace through comp time or inappropriate use of sick time.
- Sanction based management of leave based on corrective action is a short term solution to managing leave. Improving employee morale through positive incentives and improved work environments will have a more long-term impact on leave usage.

2007 Post Factor Study

At the request of the Multnomah County Sheriff's Office, the Board of County Commissioners, and the Corrections Grand Jury, the Sheriff's Office commissioned a post factor analysis through Pulitzer/Bogard,

a nationally known consultant in jail management and post factor analysis. Pulitzer/Bogard has provided consulting services to more than 100 public safety entities in more than 30 states. Through this post factor analysis, Pulitzer/Bogard calculated staffing requirements using a methodology called Net Annual Work Hours (NAWH). They also reviewed our staffing levels as it relates to best practices, compliance with the principles of direct supervision, and availability of supervision. NAWH is a powerful tool for assessing the number of FTE's necessary to operate a correctional facility. Recommendations on how those hours of work were distributed between FTE's and overtime was beyond the parameters of the agreement.

The Auditor's report correctly points out that from a cost perspective NAWH methodology does not consider policy considerations in determining an optimal level of staffing as it might relate to the flexibility of overtime. Even distribution of time off throughout the year does not occur adding to the complexity of optimal staffing levels. However, NAWH does provide valuable information in assisting us in determining the impact of leave management, the proper mix of overtime flexibility, and the optimal number of FTE's necessary to operate the jail system in a safe and efficient manner. The majority of the findings in the post factor study related to best practices, direct supervision of offender populations, and recommendations for supervisory staffing levels.

Cost Difference between the Cost of Overtime and Hiring Additional Staff to Work a Post

The Auditor's report concludes that when costs associated with payroll, insurance, and the cost of backfilling an absence is considered the hourly cost of an FTE is virtually the same as the cost of overtime. The report further concludes that the inverse is not true. There is not a dollar for dollar savings associated with reducing overtime to hire FTE's because the new FTE generates a certain amount of overtime for its own absences from the workplace. In the 1980's Multnomah County Auditor Gary Blackmer came to the same conclusion. We agree with this finding and have reported this to the Board on many occasions. There is value to using the flexibility of overtime to adjust staffing requirements to the temporary and seasonality of employee absence after the agency reaches its optimal level of staffing. As the Auditor's report correctly concludes there may be an increased cost to having too many deputies rather than a mix of overtime and FTE's. I believe it is safe to say that we are nowhere near that point.

Managing Absences and Workload

On page 6 of the Audit report a bar chart shows the major types of leave categories in the agency over a six year period. It is important to note the downward trend in sick leave. It is also important to note the rapid increase in comp time which has leveled off over the past 4 years. Managing these are two areas that are high priorities to the Sheriff's Office for impacting absences and workload. A recent arbitration agreement with the Multnomah County Corrections Deputy Association has provided us with some necessary tools to impact and reduce these two categories. We believe in subsequent years we will be seeing continued reductions in both categories.

Vacation absences are increasing. An aging workforce makes that an unavoidable phenomenon. More tenure provides higher vacation accruals. However, actively managing the numbers of deputies allowed to take vacation can be done. We believe we have improved in this area since the 2006 audit and that with the use of our automated scheduling system Telestaff we can continue to make improvements.

An observation was made about the possibility of a Corrections Deputy to request personal holidays on days the vacation book is full and then redeem those days at the end of the year at time and a half if the holiday is denied. This is a requirement in Article 8 of the Corrections Deputy contract. There is anecdotal evidence that some deputies do request personal holidays when the vacation signup book is full, however its extent is unknown.

Comp Time

As stated above, comp time is an area of leave management that we believe we can impact as a result of the recent arbitration award. Since comp time use and accrual is now limited to 96 hours per year we believe we will see comp time reduced and a greater number of employees have access to some of the more desirable vacations opportunities. The Auditor referenced a provision in the Corrections Deputy agreement that states, *"Ninety (90) days prior to the end of each fiscal year the County may give written notice to MCCDA that the County may cash out compensatory time balances in excess of 40 hours for the pay period ending June 30 of each year."* Our analysis found that most Deputies who work extra time for purposes of earning comp time do so to take it. Consequently their unused balances were normally kept very low. In addition, since comp time was unlimited due to the "rolling cap", paying the time down to 40 hours could easily be made up in a matter of just a few weeks. The new language will eliminate the "rolling cap" and it is our intention to pay down comp time at the end of the year. Future analysis will tell us if this is a useful strategy.

Other Workload: Special (Non-post) Assignment and Training

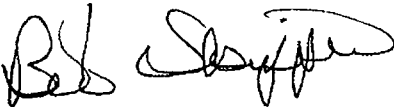
We are reviewing the Auditor's recommendation of greater detail in tracking special assignments and training. We believe our Telestaff system will be useful tool for improving this tracking.

Lessons Learned

We were greatly encouraged to read the Auditor's conclusion that undue emphasis placed on the overtime line item and reducing overtime can actually increase personnel costs. We had reached a similar conclusion based on our own analysis. A more holistic approach to impacting overtime should include leave management with impact on overtime as an outcome indicator not a primary strategy. It is also critical to address the issues of optimal staffing levels, as well as the human resources issues of employees burned out due to working too many hours, low morale, and safety risks both to staff and offenders. These are the long term strategies to managing personnel costs. A multi-level approach to managing personnel costs through leave management, optimal staffing levels, human resources needs, and continual evaluation of net annual work hours will likely see very positive outcomes. Any one of these elements, when allowed to get out of balance will result in decreased efficiencies in the management of personnel costs.

Once again, I wish to thank Auditor LaVonne Griffin-Valade and her staff for the valuable information we have been able to take from this audit.

Sincerely,



BOB SKIPPER,
Sheriff

Appendix A

Appendix A Example 1

July				August				September				October			November			December			January			February			March			April			May			June																
	05	06	07	08		05	06	07	08		05	06	07	08		05	06	07		05	06	07		06	07	08		06	07	08		06	07	08		06	07	08		06	07	08										
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Key	
	Scheduled Worked Day
S*	Sick Leave use combination
Sk	Sick Leave use Sick Leave bank
Sc	Sick use Comp bank
Sv	Sick use Vacation bank
Sp	Sick use Sick Holiday bank
Sf	Sick FMLA
Sf*	Sick FMLA Combination
V	Vacation
C	Comp Time
P	Personal Holiday
Be	Bereavement Leave
*	Combination of leave types
E	Exchange Paid not worked
U	Unpaid
Us	Unpaid Sick
Uf	Unpaid Leave of Absence on FMLA
W	Workers Comp

Source: MCSO Time Analysis Unit

Key	
	Scheduled Work Day
Sk	Sick Leave
Sv	Sick use Vacation
S*	Sick Leave use combination
Sc	Sick use Comp Bank
Sf	Sick FMLA
Sf*	Sick FMLA Combination
V	Vacation
C	Comp Time
P	Personal Holiday
Jl	Judicial Leave
*	Combination of leave types
E	Exchange Paid not worked
Uf	Unpaid Leave of Absence on FMLA

Page 22



MULTNOMAH COUNTY AGENDA PLACEMENT REQUEST (short form)

Board Clerk Use Only

Meeting Date: 02/26/09
Agenda Item #: R-2
Est. Start Time: 9:45 AM
Date Submitted: 02/19/09

Agenda Title: **Appointment of David Kunkel and David Sester to the Multnomah County AGRICULTURAL BOARD OF REVIEW**

Note: If Ordinance, Resolution, Order or Proclamation, provide exact title. For all other submissions, provide a clearly written title.

Requested Meeting Date: February 26, 2009 Amount of Time Needed: 5 mins
Department: Non-Departmental Division: Chair's Office
Contact(s): Tara Bowen-Biggs
Phone: (503) 988-3308 Ext. 83953 I/O Address: 503/600
Presenter(s): Mary Holliman or Albert Jenkins

General Information

1. What action are you requesting from the Board?

Request board approval of appointment of David Kunkel and David Sester to the Multnomah County Agricultural Board of Review.

2. Please provide sufficient background information for the Board and the public to understand this issue. Please note which Program Offer this action affects and how it impacts the results.

The Agricultural Board of Review meets annually to advise the County Assessor as to whether the figures and factors used to assess values of agricultural land are proper under ORS 308.345. This Board is comprised of five members. Two members are appointed for two-year terms by the Chair with the approval of the Board of County Commissioners. Two members are appointed for two year terms by the County Assessor. One member is appointed by the other four members for a one-year term.

3. Explain the fiscal impact (current year and ongoing).

No fiscal impact

4. Explain any legal and/or policy issues involved.

No legal and/or policy issues involved.

5. Explain any citizen and/or other government participation that has or will take place.

N/A

Required Signature

**Elected Official or
Department/
Agency Director:**

TED WHEELER

Date: 2/19/2009

BOGSTAD Deborah L

From: BOWEN-BIGGS Tara C
Sent: Tuesday, February 24, 2009 1:07 PM
To: BOGSTAD Deborah L
Subject: Gordon Sester for Farm Board Appointment

Hi Deb—I put the wrong name down for the Agricultural Board of Review Appointment coming up on Thursday. It should be Gordon ~~S~~_ester, not David ~~S~~_ester. Sorry—can they just amend it at the meeting?

Tara Bowen-Biggs
Staff Assistant
Multnomah County Chair Ted Wheeler
501 SE Hawthorne, Suite 600
Portland, OR 97214
ph. (503)988-3953
fax (503)988-3093
tara.c.bowen-biggs@co.multnomah.or.us

2/24/2009



MULTNOMAH COUNTY AGENDA PLACEMENT REQUEST

Board Clerk Use Only

Meeting Date: 02/26/09
Agenda Item #: R-3
Est. Start Time: 9:50 AM
Date Submitted: 02/18/09

Agenda Title: **Briefing by Library Staff and Others to Recap of the 2009 Everybody Reads Program and a Look Forward to 2010 Program and Beyond**

Note: If Ordinance, Resolution, Order or Proclamation, provide exact title. For all other submissions, provide a clearly written title.

Date Requested: February 26, 2009 Time Requested: 15 mins
Department: Non-Departmental Division: Commissioner District 4
Contact(s): Sam Peterson
Phone: 503-988-5213 Ext. 22738 I/O Address: 503/600
Presenter(s): Molly Raphael, Library Director; Terrilyn Chun

General Information

1. What action are you requesting from the Board?

None, informational only.

2. Please provide sufficient background information for the Board and the public to understand this issue.

Library Staff and others will discuss the successes and trials of the 2009 Everybody Reads program. Also discussed will be plans for increased partnerships with community organizations for the continued success of the program.

3. Explain the fiscal impact (current year and ongoing).

none

4. Explain any legal and/or policy issues involved.

none

5. Explain any citizen and/or other government participation that has or will take place.

none

Required Signature

Elected Official or
Department Director:

Diane McKel

Date: 02/18/09



MULTNOMAH COUNTY

AGENDA PLACEMENT REQUEST (revised 09/22/08)

APPROVED : MULTNOMAH COUNTY
BOARD OF COMMISSIONERS
AGENDA # R-4 DATE 02-26-09
DEBORAH L. BOGSTAD, BOARD CLERK

Board Clerk Use Only

Meeting Date: 02/26/09
Agenda Item #: R-4
Est. Start Time: 10:05 AM
Date Submitted: 02/11/09

**NOTICE OF INTENT to Apply for the Office of Juvenile Justice and
Agenda Delinquency Prevention "Gang Prevention Coordination Assistance Program"
Title: Grant**

Note: If Ordinance, Resolution, Order or Proclamation, provide exact title. For all other submissions, provide a clearly written title sufficient to describe the action requested.

Requested Meeting Date:	<u>February 26, 2009</u>	Amount of Time Needed:	<u>3 minutes</u>
Department:	<u>Dept. of Community Justice</u>	Division:	<u>Juvenile Services Division</u>
Contact(s):	<u>Thach Nguyen</u>		
Phone:	<u>503-988-5635</u>	Ext.	<u>85635</u>
	I/O Address:		<u>311/1</u>
Presenter(s):	<u>Jan Bishop</u>		

General Information

1. What action are you requesting from the Board?

The Department of Community Justice (DCJ) requests approval to apply for a Federal Grant from the U.S. Department of Justice (USDJ), Office of Justice Programs (OJP), Office of Juvenile Justice and Delinquency Prevention (OJJDP) in the amount of \$200,000 for a 24-month project.

2. Please provide sufficient background information for the Board and the public to understand this issue. Please note which Program Offer this action affects and how it impacts the results.

Multnomah County is the epicenter of gang-related activity in the state of Oregon. Beginning in the late 1980s, Multnomah County saw an increase in gang recruitment, drug sales and violence. Gang activity has continued and expanded throughout the County and recently, Multnomah County has experienced an increase in gun-related gang activity. Multnomah County Department of Community Justice, City of Portland, City of Gresham, law enforcement agencies, non-profit providers, and the community have implemented a broad range of strategies to address gang issues. However, we feel that we have not had a coordinated effort to effectively reduce gang activities. The research shows that by

enhancing the coordination of existing gang prevention and intervention programs/strategies of community based organizations, social services, schools, faith-based organizations and aligning these programs and strategies with the probation/parole and local law enforcement efforts, we can all maximize our impact in reducing gang activities.

If this grant is awarded, DCJ plans to use the funds to create a gang coordinator position who will strengthen the coordination of existing antigang strategies, partnerships, and programs to reduce the gang activities in Multnomah County.

This grant enhances FY-2010 program offer: 50013 - Juvenile Gang Resource Intervention Team (GRIT).

3. Explain the fiscal impact (current year and ongoing).

DCJ is requesting \$200,000 to be spent from October 1, 2009 to September 30, 2011. This includes \$182,916 in Direct expenses and \$17,084 in Central and Departmental Indirect expenses.

4. Explain any legal and/or policy issues involved.

The grantee (DCJ) shall meet the following requirements:

Formula grant recipients and their subrecipients must comply with the provisions in the federal Financial Guide, found at www.ojp.usdoj.gov/FinGuide.

5. Explain any citizen and/or other government participation that has or will take place.

DCJ will strengthen the collaboration and partnerships with local law enforcement agencies, City of Portland, City of Gresham, state child-serving agencies, county mental health, community-based providers, faith-based community, schools, judiciary officials, district attorney office, parent/guardian and the community.

ATTACHMENT A

Grant Application/Notice of Intent

If the request is a Grant Application or Notice of Intent, please answer all of the following in detail:

- **Who is the granting agency?**

This is a Federal Grant from the U.S. Department of Justice (USDOJ), Office of Justice Programs (OJP), Office of Juvenile Justice and Delinquency Prevention (OJJDP).

- **Specify grant (matching, reporting and other) requirements and goals.**

No matching is required.

- **Explain grant funding detail – is this a one time only or long term commitment?**

The grant funding is one time only with the possibility to reapply if funding is made available.

- **What are the estimated filing timelines?**

The filing deadline is March 4, 2009.

- **If a grant, what period does the grant cover?**

October 1, 2009 through September 30, 2011.

- **When the grant expires, what are funding plans?**

There is the possibility for the grant to continue in subsequent years based on funding availability, as well as grantee's performance and compliance with the prior year's award conditions. If funding is not available and no alternative funding can be found, the program will be scaled back to its original size.

- **How will the county indirect, central finance and human resources and departmental overhead costs be covered?**

This grant provides for Central Indirect and Departmental Indirect costs.

ATTACHMENT B

Required Signatures

Elected Official or
Department/
Agency Director:

John McCreary for Scott Taylor

Date: 02/11/09

Budget Analyst:

[Signature]

Date: 02/11/09



MULTNOMAH COUNTY

AGENDA PLACEMENT REQUEST (revised 09/22/08)

APPROVED : MULTNOMAH COUNTY
BOARD OF COMMISSIONERS
AGENDA # 2-5 DATE 02-26-09
DEBORAH L. BOGSTAD, BOARD CLERK

Board Clerk Use Only

Meeting Date: 02/26/09
Agenda Item #: R-5
Est. Start Time: 10:10 AM
Date Submitted: 02/18/09

Agenda Title: **NOTICE OF INTENT to Submit a Grant Application to the Portland Children's Investment Fund**

Note: If Ordinance, Resolution, Order or Proclamation, provide exact title. For all other submissions, provide a clearly written title sufficient to describe the action requested.

Requested Meeting Date:	<u>February 26, 2009</u>	Amount of Time Needed:	<u>5 min</u>
Department:	<u>Health</u>	Division:	<u>Director's Office</u>
Contact(s):	<u>Diane Ruminski, Nicole Hermanns</u>		
Phone:	<u>503-988-3663</u>	Ext.	<u>26314</u>
	I/O Address:		<u>160/9</u>
Presenter(s):	<u>Diane Ruminski, Nicole Hermanns</u>		

General Information

1. What action are you requesting from the Board?

Authorize the Director of the Health Department to apply for up to \$550,000 a year for 3 years in grant funding through the Portland Children's Investment Fund to expand and enhance Healthy Start services within the City of Portland.

2. Please provide sufficient background information for the Board and the public to understand this issue. Please note which Program Offer this action affects and how it impacts the results.

The Health Department's Healthy Start Program currently subcontracts with local community based agencies to implement 5 Healthy Start Family Support teams within Multnomah County. Four of these teams are funded with State General funds and one is funded with County General funds. These Family Support Teams provide intensive home visiting support, parent education, and case management to first birth families that are at increased risk for potential child abuse and neglect. To support these field based teams, the Health Department provides a Community Health Nurse consultant and manages the administration and program evaluation components of the program.

With this grant opportunity, the Health Department seeks to apply for funding for an additional Healthy Start Family Support Team following the Healthy Families America best practices model of

intensive home visiting, case management and parent education. This application supports the program offer pertaining to serving at-risk first time parents and adds capacity to an effective, proven program which is nearly full at this time.

Keeping with the current model, the Health Department will subcontract with Insights Teen Parent Program of Janus Youth Projects, a current Healthy Start subcontractor, to create an additional Healthy Start Family Support Team. The request will include funding for 3-5 fulltime Family Support Workers, an outreach worker, and a supervisor for the team. The outreach worker, a new enhancement to the program, will work to identify and encourage teen parents to join the program. These positions will be recruited, hired, housed and supervised by Insights Teen Parent Program. To support the special needs of teen parents, the Health Department plans to supplement the core program model with an additional Community Health Nurse and a Health Educator. The addition of a Health Educator will allow the program to design and facilitate group activities targeted to the needs of first birth teen parents. The new team will serve first time teen parents up to age 20 at the time of birth. The program expects to serve 75-125 families each year, depending on the number of Family Support Workers hired.

3. Explain the fiscal impact (current year and ongoing).

The Health Department will request up to \$550,000 a year for 3 years to support the enhancement and expansion of Healthy Start services within the City of Portland.

4. Explain any legal and/or policy issues involved.

None.

5. Explain any citizen and/or other government participation that has or will take place.

None.

ATTACHMENT A

Grant Application/Notice of Intent

If the request is a Grant Application or Notice of Intent, please answer all of the following in detail:

- **Who is the granting agency?**

The Portland Children's Investment Fund.

- **Specify grant (matching, reporting and other) requirements and goals.**

The Portland Children's Investment Fund is looking to "increase the capacity for selected programs to deliver services and to implement proven programs, thereby improving outcomes for young people and for the community". Grant requests are capped at \$550,000 and project periods can last up to 3 years. Grant requests cannot total more than 30% of the applicant's total annual revenues. No match is required. Regular reporting will be required.

- **Explain grant funding detail – is this a one time only or long term commitment?**

The grant program will provide Early Childhood Services with up to \$550,000 a year for up to three years.

- **What are the estimated filing timelines?**

The grant application is due on March 2nd, 2009.

- **If a grant, what period does the grant cover?**

The grant period covers 3 years, beginning July 1, 2009 and ending June 30, 2012.

- **When the grant expires, what are funding plans?**

When the grant expires, Early Childhood Services will evaluate the impact of the services and look for additional funding to continue to support program elements that are successful.

- **How will the county indirect, central finance and human resources and departmental overhead costs be covered?**

These costs, and any facilities/internal services costs that are not currently budgeted for, will be covered by the grant.

ATTACHMENT B

Required Signatures

Elected Official or
Department/
Agency Director:

Lillian Shirley

Date: 02/17/09

Budget Analyst:

Angela Burdine

Date: 02/18/09



MULTNOMAH COUNTY AGENDA PLACEMENT REQUEST (revised 09/22/08)

APPROVED : MULTNOMAH COUNTY
BOARD OF COMMISSIONERS
AGENDA # R-6 DATE 02-26-09
DEBORAH L. BOGSTAD, BOARD CLERK

Board Clerk Use Only

Meeting Date: 02/26/09
Agenda Item #: R-6
Est. Start Time: 10:15 AM
Date Submitted: 02/18/09

Agenda Title: NOTICE OF INTENT to Submit a Grant Application to the Oregon Public Health Emergency Preparedness Mini-Grant Program

Note: If Ordinance, Resolution, Order or Proclamation, provide exact title. For all other submissions, provide a clearly written title sufficient to describe the action requested.

Requested Meeting Date:	<u>February 26, 2009</u>	Amount of Time Needed:	<u>5 min</u>
Department:	<u>Health</u>	Division:	<u>Director's Office</u>
Contact(s):	<u>KaRin Johnson, Dan Distler, Nicole Hermanns</u>		
Phone:	<u>503-988-3663</u>	Ext.	<u>26314</u>
		I/O Address:	<u>160/9</u>
Presenter(s):	<u>KaRin Johnson, Dan Distler, Nicole Hermanns</u>		

General Information

1. What action are you requesting from the Board?

Authorize the Director of the Health Department to apply for up to \$40,000 in grant funding through the Oregon Public Health Emergency Preparedness mini grant program to enhance the Health Department's business continuity plan.

2. Please provide sufficient background information for the Board and the public to understand this issue. Please note which Program Offer this action affects and how it impacts the results.

Emergency preparedness planning has been an area of work for the Health Department and the County for several years. The Oregon Public Health Preparedness Program recognizes that a critical piece of emergency preparedness is business continuity planning, and as a result has created a mini-grant fund to support projects that enhance local health department business continuity plans. The specific objectives of the program are to:

- Ensure the performance of an agency's essential functions during an emergency event.
- Reduce loss of life by minimizing damage and losses.
- Ensure the successful succession to office in the event a disruption renders agency leadership unavailable to perform their responsibilities.

- Reduce or mitigate disruptions to operations.
- Ensure that agencies have alternate facilities from which to operate.
- Protect essential facilities, equipment, vital records, and other assets.
- Achieve a timely and orderly recovery from an emergency situation.
- Achieve a timely and orderly reconstitution from an emergency and resume full service to internal and external customers.

Through this grant program, the Health Department will hire a part time temporary staff member to analyze current data and ambulatory care emergency planning practices, and recommend ways to streamline ambulatory care business continuity decision making. This new staff member will also facilitate meetings with the Health Department Clinical Business Continuity Team, a new team currently in development, to ensure that the recommendations put forth are feasible, comprehensive, and appropriate. The recommendations put forth will work to compliment other emergency preparedness planning efforts within the Health Department. Once in place, the revised plan will improve the Health Department's ability to effectively respond to emergencies ranging from pandemic flu to inclement weather.

3. Explain the fiscal impact (current year and ongoing).

The Health Department will request up to \$40,000 to support business continuity planning for a project period lasting up to 12 months. There is no ongoing fiscal impact to the Department.

4. Explain any legal and/or policy issues involved.

None.

5. Explain any citizen and/or other government participation that has or will take place.

This project will enhance previous and current efforts of the County and other local jurisdictions to plan and prepare for emergencies.

ATTACHMENT A

Grant Application/Notice of Intent

If the request is a Grant Application or Notice of Intent, please answer all of the following in detail:

- **Who is the granting agency?**

The Oregon Public Health Emergency Preparedness Program.

- **Specify grant (matching, reporting and other) requirements and goals.**

The goal of the grant is to fund projects that will “enhance continuity of operations (COOP) planning for the local public health agency during a pandemic influenza”. The grant does not require a match. Projects budgets cannot exceed \$40,000 and the project must be completed within 5-12 months of the grant award. Regular reporting will be required.

- **Explain grant funding detail – is this a one time only or long term commitment?**

This is a one time only award, with a project period lasting 5-12 months from award notification. When the grant expires the project will have been completed.

- **What are the estimated filing timelines?**

The grant is due on February 26th, 2009.

- **If a grant, what period does the grant cover?**

Notifications of award will be made by March 9th, 2009, and the project is expected to be completed within 5-12 months.

- **When the grant expires, what are funding plans?**

When the grant expires, the project will have been completed. If needed, additional resources will be sought to continue business continuity planning and preparedness efforts.

- **How will the county indirect, central finance and human resources and departmental overhead costs be covered?**

These costs, and any facilities/internal services costs not currently budgeted for, will be covered by the grant.

ATTACHMENT B

Required Signatures

Elected Official or
Department/
Agency Director:

Lillian Shirley

Date: 02/17/09

Budget Analyst:

Angela Burdine

Date: 02/18/09



MULTNOMAH COUNTY AGENDA PLACEMENT REQUEST (short form)

Board Clerk Use Only

Meeting Date: 02/26/09
Agenda Item #: R-7
Est. Start Time: 10:20 AM
Date Submitted: 01/28/09

Agenda Title: Multnomah County Board Action on a Resolution Approving Cable Franchise Agreement with Verizon Northwest, Inc. will be POSTPONED INDEFINITELY

Note: If Ordinance, Resolution, Order or Proclamation, provide exact title. For all other submissions, provide a clearly written title.

Requested Meeting Date: February 26, 2009 **Amount of Time Needed:** 1 minute
Department: Non-Departmental **Division:** County Attorney
Contact(s): Matthew O. Ryan and Stephanie E. Duvall, Assistant County Attorneys
Phone: 503-988-3138 **Ext.** 83138 **I/O Address:** 503/500
Presenter(s): Matthew O. Ryan and Stephanie E. Duvall

General Information

1. What action are you requesting from the Board?

Consideration and approval of a cable services franchise agreement with Verizon for the provision of competitive cable service in an area of unincorporated East Multnomah County.

2. Please provide sufficient background information for the Board and the public to understand this issue. Please note which Program Offer this action affects and how it impacts the results.

The Mt. Hood Cable Regulatory Commission (MHCRC) was created by IGA in March 1998 by Multnomah County and the Cities of Portland, Gresham, Troutdale, Fairview, Wood Village to negotiate, regulate and administer cable franchise agreements. Verizon Northwest, Inc. has proposed a franchise agreement involving all named jurisdictions except the City of Portland.

Verizon hopes to provide the East County region with competitive video cable services similar to those currently provided by Comcast. Construction of the infrastructure is approximately 90% complete. The County service area under this proposed franchise is estimated at 247 households.

Verizon began negotiating the terms of a cable franchise agreement with the MHCRC nearly two years ago. On October 2, 2008, the MHCRC recommended a cable franchise agreement containing a number of provisions that had not been agreed to by Verizon. Under the terms of the IGA, the jurisdictions reserve full authority to accept, reject, or modify proposed franchise agreements recommended by the MHCRC.

The City of Gresham is the primary constituent in this franchise agreement with an estimate of over 26,000 household recipients of cable service. Gresham and Verizon negotiated terms that were different from the MHCRC's recommendation and entered into an agreement on November 18, 2008.

In December 2008, the Cities of Fairview, Troutdale and Wood Village approved a franchise agreement in the form of an Addendum to the Gresham Verizon Agreement with substantially similar terms. The Addendum provides that should Gresham ever terminate its participation in the franchise agreement certain "collective" provisions are subject to renegotiation.

Verizon is seeking the County's adoption of the Addendum as well. The Addendum varied from the original MHCRC proposal in several ways. The attached Exhibit 1 to this APR lists all the variations. Please refer to Exhibit 1 for further discussion of all the differences. We focus in this APR on the two changes that were the most significant and one in particular that we found to be inconsistent with state law.

In order to comply with state law, the County proposes a revised Section 9.1.2., of the Franchise Agreement, binding customer service standards and minor variances for five years (with an option to change in the sixth year) rather than ten years as recommended by the MHCRC.

Although the County does not propose additional changes to the Addendum, there is one other clause which warrants explanation. The Agreement recommended by the MHCRC included the following discrimination clause: "Grantee shall not deny Cable Services or otherwise discriminate against Subscribers or any other Persons on the basis of race, color, religion, age, sex, national origin, sexual orientation or physical or mental disability..." By contrast, the Gresham/Verizon Franchise Agreement merely requires that Verizon shall not discriminate against "Subscribers." It removed application to "any other Persons." This means Verizon is not contractually prohibited from discriminating against *potential* Subscribers, for example.

If Verizon chooses to discriminate against any person other than a current Subscriber, that person would not have the same ability as a Subscriber to present the issue to the MHCRC for redress. That person does have recourse under state and federal law, but would have to take individual legal action, without the help of the MHCRC. If Verizon discriminates against any person, legal remedies do exist under state and federal law. The act of discriminating simply would not be a breach of this Agreement.

3. Explain the fiscal impact (current year and ongoing).

N/A.

4. Explain any legal and/or policy issues involved.


See discussion in Section 2 above.

5. Explain any citizen and/or other government participation that has or will take place.

See discussion in Section 2 above.

Required Signature

Elected Official or
Department/
Agency Director:



Date: 1/26/2009



MULTNOMAH COUNTY

AGENDA PLACEMENT REQUEST (revised 09/22/08)

Board Clerk Use Only

Meeting Date: 02/26/09
Agenda Item #: R-8
Est. Start Time: 10:21 AM
Date Submitted: 02/17/09

RESOLUTION Authorizing Approval of a First Supplemental Bond Trust Indenture between the County and U.S. Bank National Association, as Bond Trustee, Pertaining to the County's Higher Education Variable Rate Demand Revenue Bonds (Concordia University Portland Project) Series 1999;
Agenda Title: Designating Authorized Representatives; and Related Matters

Note: If Ordinance, Resolution, Order or Proclamation, provide exact title. For all other submissions, provide a clearly written title sufficient to describe the action requested.

Requested Meeting Date: February 26, 2009 Amount of Time Needed: 5 minutes
Finance & Risk Management
Department: DCM Division:
Contact(s): Harry Morton
Phone: 503 988-3290 Ext. 83290 I/O Address: 503/531/Treasury
Presenter(s): Mindy Harris, CFO

General Information

1. What action are you requesting from the Board?

The Board is being asked to approve a technical change to the Bond Trust Indenture dated December 1, 1999 between Multnomah County and U.S. National Bank Association.

2. Please provide sufficient background information for the Board and the public to understand this issue. Please note which Program Offer this action affects and how it impacts the results.

In 1999 the County issued Higher Education Variable Rate Demand Revenue Bonds (Concordia University Portland Project) as a conduit financing. Concordia University has requested that the County adopt a resolution authorizing the execution and delivery of a First Supplemental Bond Trust Indenture in order to adjust the timing associated with the weekly re-pricing and re-marketing of the Bonds. The proposed amendments are technical in nature and do not impact in any way the rights of the Bondholders, the County or the Trustee.

3. Explain the fiscal impact (current year and ongoing).

The County is not legally responsible for the repayment of the debt, the costs of issuance of the debt,

or for including the debt on the County's Comprehensive Annual Financial Report.

4. Explain any legal and/or policy issues involved.

None.

5. Explain any citizen and/or other government participation that has or will take place.

None.

Required Signature

**Elected Official or
Department/
Agency Director:**

Mindy Harris

Date: 02/17/2009

**BEFORE THE BOARD OF COUNTY COMMISSIONERS
OF MULTNOMAH COUNTY, OREGON**

RESOLUTION NO. 09-_____

Authorizing Approval of a First Supplemental Bond Trust Indenture between the County and U.S. Bank National Association, as Bond Trustee, Pertaining to the County's Higher Education Variable Rate Demand Revenue Bonds (Concordia University Portland Project) Series 1999; Designating Authorized Representatives; and Related Matters

The Board of County Commissioners Finds:

- a. Multnomah County, Oregon (the "County") on December 7, 1999 issued its Higher Education Variable Rate Demand Revenue Bonds (Concordia University Portland Project) Series 1999 in the aggregate principal amount of \$9,830,000 (the "1999 Bonds"), pursuant to a Bond Trust Indenture dated as of December 1, 1999 (the "1999 Indenture") between the County and U.S. Bank National Association, as Bond Trustee (the "Trustee"), the proceeds of which were loaned to Concordia University (the "Borrower") pursuant to a Loan Agreement dated as of December 1, 1999 between the County and the Borrower. The 1999 Bonds were issued as variable rate demand bonds secured by an irrevocable direct pay letter of credit issued by Allied Irish Banks, P.L.C. (the "1999 Letter of Credit"). Piper Jaffray & Co. currently serves as the Remarketing Agent for the 1999 Bonds (the "Remarketing Agent").
- b. On January 22, 2004, at the request of the Borrower, KeyBank National Association issued its Irrevocable Transferable Letter of Credit in substitution of the 1999 Letter of Credit.
- c. The Remarketing Agent has advised the Borrower that more favorable pricing may be achieved with respect to the 1999 Bonds if certain technical amendments are made to the 1999 Indenture to adjust the timing associated with the weekly re-pricing and remarketing of the 1999 Bonds. These technical amendments will not materially adversely affect the rights of the bondholders, the County or the Trustee.
- c. Pursuant to Section 901 of the 1999 Indenture, the County and the Trustee may, with the delivery of a favorable Bond Counsel opinion, but without the consent of, or notice to, any of the bondholders, enter into a supplemental indenture for the purpose of altering the manner in which the Remarketing Agent may, in the reasonable exercise of its judgment, act to increase the likelihood of achieving the lowest net interest cost during the term of the 1999 Bonds.
- d. Bond Counsel has approved the proposed amendments to the 1999 Indenture contained in the First Supplement described below and will issue an opinion that such amendments do not adversely affect the tax-exempt status of the interest on the 1999 Bonds.

The Board Resolves:

Section 1. Amendment of 1999 Indenture. The 1999 Indenture shall be amended pursuant to a First Supplemental Bond Trust Indenture (the "First Supplement") to adjust the timing associated with the weekly re-pricing and remarketing of the 1999 Bonds to provide the Remarketing Agent with the ability to achieve the lowest net interest cost during the term of the 1999 Bonds.

Section 2. Authorization to Execute and Deliver the First Supplement. The County designates each of the Chair, Vice-Chair and the Chief Financial Officer of the County, or the County's designee as "Authorized Representatives" of the County to execute and deliver the First Supplement and such other additional documents as may be necessary to carry out the matters authorized and approved in this Resolution.

Section 3. 1999 Indenture to Remain in Full Force and Effect. All other terms and conditions of the 1999 Indenture shall remain unchanged and shall be in full force and effect.

ADOPTED and effective this 26th day of February 2009.

MULTNOMAH COUNTY, OREGON

By: _____
Chair

AGNES SOWLE, COUNTY ATTORNEY
FOR MULTNOMAH COUNTY, OREGON

By: _____
Agnes Sowle, County Attorney

BEFORE THE BOARD OF COUNTY COMMISSIONERS
OF MULTNOMAH COUNTY, OREGON

RESOLUTION NO. 09-023

Authorizing Approval of a First Supplemental Bond Trust Indenture between the County and U.S. Bank National Association, as Bond Trustee, Pertaining to the County's Higher Education Variable Rate Demand Revenue Bonds (Concordia University Portland Project) Series 1999; Designating Authorized Representatives; and Related Matters

The Multnomah County Board of Commissioners Finds:

- a. Multnomah County, Oregon (the "County") on December 7, 1999 issued its Higher Education Variable Rate Demand Revenue Bonds (Concordia University Portland Project) Series 1999 in the aggregate principal amount of \$9,830,000 (the "1999 Bonds"), pursuant to a Bond Trust Indenture dated as of December 1, 1999 (the "1999 Indenture") between the County and U.S. Bank National Association, as Bond Trustee (the "Trustee"), the proceeds of which were loaned to Concordia University (the "Borrower") pursuant to a Loan Agreement dated as of December 1, 1999 between the County and the Borrower. The 1999 Bonds were issued as variable rate demand bonds secured by an irrevocable direct pay letter of credit issued by Allied Irish Banks, P.L.C. (the "1999 Letter of Credit"). Piper Jaffray & Co. currently serves as the Remarketing Agent for the 1999 Bonds (the "Remarketing Agent").
- b. On January 22, 2004, at the request of the Borrower, KeyBank National Association issued its Irrevocable Transferable Letter of Credit in substitution of the 1999 Letter of Credit.
- c. The Remarketing Agent has advised the Borrower that more favorable pricing may be achieved with respect to the 1999 Bonds if certain technical amendments are made to the 1999 Indenture to adjust the timing associated with the weekly re-pricing and remarketing of the 1999 Bonds. These technical amendments will not materially adversely affect the rights of the bondholders, the County or the Trustee.
- c. Pursuant to Section 901 of the 1999 Indenture, the County and the Trustee may, with the delivery of a favorable Bond Counsel opinion, but without the consent of, or notice to, any of the bondholders, enter into a supplemental indenture for the purpose of altering the manner in which the Remarketing Agent may, in the reasonable exercise of its judgment, act to increase the likelihood of achieving the lowest net interest cost during the term of the 1999 Bonds.
- d. Bond Counsel has approved the proposed amendments to the 1999 Indenture contained in the First Supplement described below and will issue an opinion that such amendments do not adversely affect the tax-exempt status of the interest on the 1999 Bonds.

The Multnomah County Board of Commissioners Resolves:

Section 1. Amendment of 1999 Indenture. The 1999 Indenture shall be amended pursuant to a First Supplemental Bond Trust Indenture (the "First Supplement") to adjust the timing associated with the weekly re-pricing and remarketing of the 1999 Bonds to provide the Remarketing Agent with the ability to achieve the lowest net interest cost during the term of the 1999 Bonds.

Section 2. Authorization to Execute and Deliver the First Supplement. The County designates each of the Chair, Vice-Chair and the Chief Financial Officer of the County, or the County's designee as "Authorized Representatives" of the County to execute and deliver the First Supplement and such other additional documents as may be necessary to carry out the matters authorized and approved in this Resolution.

Section 3. 1999 Indenture to Remain in Full Force and Effect. All other terms and conditions of the 1999 Indenture shall remain unchanged and shall be in full force and effect.

ADOPTED this 26th day of February, 2009.



BOARD OF COUNTY COMMISSIONERS
FOR MULTNOMAH COUNTY, OREGON



Ted Wheeler, Chair

REVIEWED:

AGNES SOWLE, COUNTY ATTORNEY
FOR MULTNOMAH COUNTY, OREGON

By 

Agnes Sowle, County Attorney

SUBMITTED BY:

Carol M. Ford, Director
Department of County Management



MULTNOMAH COUNTY AGENDA PLACEMENT REQUEST (revised 09/22/08)

Board Clerk Use Only

Meeting Date: 02/26/09
Agenda Item #: R-9
Est. Start Time: 10:25 AM
Date Submitted: 02/17/09

Inducement RESOLUTION by the Hospital Facilities Authority of Multnomah County Regarding the Request by Oregon Baptist Retirement Homes for the Issuance by the Authority of Revenue and Refunding Bonds, Series 1999 (Oregon Baptist Retirement Homes Project) in an Aggregate Principal Amount not to Exceed \$7,500,000

Agenda Title:

Note: If Ordinance, Resolution, Order or Proclamation, provide exact title. For all other submissions, provide a clearly written title sufficient to describe the action requested.

Requested Meeting Date:	February 26, 2009	Amount of Time Needed:	15 minutes
Department:	DCM	Division:	Finance & Risk Management
Contact(s):	Harry Morton		
Phone:	503 988-3290	Ext.	83290
Presenter(s):	Mindy Harris, CFO		
I/O Address:	503/531/Treasury		

General Information

1. What action are you requesting from the Board?

The Board is being asked to approve an Inducement Resolution for a conduit financing request from Oregon Baptist Retirement Homes.

2. Please provide sufficient background information for the Board and the public to understand this issue. Please note which Program Offer this action affects and how it impacts the results.

This proposal is intended to allow Oregon Baptist Retirement Homes (a non-profit organization under Section 501(c)(3) of the Internal Revenue Code of 1986 to issue bonds under the authority of the Multnomah County Hospital Facilities Authority in order to refinance bonds issued under the authority of the State of Oregon Health, Housing, Education and Cultural Facilities Authority (Oregon Baptist Retirement Homes – Weidler Retirement Center Project), Series 1996. Additionally a small amount of the new issue will be used to purchase property adjacent to the current site.

3. Explain the fiscal impact (current year and ongoing).

The County will receive fees equal to one dollar (\$1.00) per thousand dollars (\$1,000) of the principal amount of the bonds issue, but not less than \$10,000. Additionally, the borrower is required to pay the fees and charges of the Authority's bond counsel and special counsel as well as any costs incurred by the County's finance or legal staff in connection with the bond issue.

4. Explain any legal and/or policy issues involved.

The County is not legally responsible for the repayment of the debt, the costs of issuance of the debt, or for including the debt on the County's Comprehensive Annual Financial Report.

5. Explain any citizen and/or other government participation that has or will take place.

In addition to the hearing before the Board of County Commissioners, there will also be a public notice and hearing as required by the Tax Equity and Fiscal Responsibility Act. This hearing is required prior to the debt issuance transaction.

Required Signature

**Elected Official or
Department/
Agency Director:**

Mindy Harris

Date: 02/17/2009

**THE HOSPITAL FACILITIES AUTHORITY OF
MULTNOMAH COUNTY, OREGON**

INDUCEMENT RESOLUTION

NO. 09-

(Oregon Baptist Retirement Homes Project)

The Board of Directors of The Hospital Facilities Authority of Multnomah County, Oregon (the "Authority") has received a request from Oregon Baptist Retirement Homes, an Oregon nonprofit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Borrower"), for the issuance by the Authority of its Revenue and Refunding Bonds, Series 2009 (Oregon Baptist Retirement Homes Project), in an aggregate principal amount not to exceed \$7,500,000 (the "Bonds"). Bond proceeds will provide funds to finance the following: (i) currently refunding the State of Oregon Health, Housing, Educational and Cultural Facilities Authority Revenue Bonds, 1996 Series A (Oregon Baptist Retirement Homes – Weidler Retirement Center Project) (the "1996 Bonds"), that financed the acquisition and renovation of and improvements to an rental retirement community for seniors known as Weidler Retirement Center (the "Facility"), located in Portland, Oregon; (ii) improvement, construction, remodeling, renovation and/or expansion of the Facility; (iii) reimbursing the Borrower for the costs of the purchase price of certain real property located adjacent to the Facility at 1824 N.E. 106th Avenue, Portland, Oregon 97220 expected to be used for future expansion; and (iv) paying certain costs of issuance of the Bonds, including credit enhancement costs (collectively, the "Project").

The Board of Directors has received an application from the Borrower in support of its request for issuing the Bonds. The application includes the following:

1. A letter from the Borrower dated January 21, 2009 requesting issuance of the Bonds and describing the Project;
2. Audited Financial Statements for the Borrower for the fiscal years ended October 31, 2006 and 2007 and unaudited Financial Statements for the Borrower for the fiscal year ended October 31, 2008;
3. Proposed schedule of financing;
4. Distribution list of financing participants; and
5. Estimated sources and uses of funds and debt service schedule.

The Board of Directors having received the presentations of representatives of the Borrower, Piper Jaffray & Co., as the Underwriter, and Orrick, Herrington & Sutcliffe LLP, as Bond Counsel and Special Counsel to the Authority, and their responses to questions of the Board of Directors, and upon further discussion, the Board being now fully advised,

IT IS HEREBY RESOLVED that The Hospital Facilities Authority of Multnomah County, Oregon, gives preliminary approval to the financing of the Project and does agree to use

its best efforts to issue the Bonds as described herein in an aggregate principal amount not to exceed \$7,500,000.

The Authority approves and designates Piper Jaffray & Co. as Underwriter for the Bonds, Orrick, Herrington & Sutcliffe LLP, as Bond Counsel and Special Counsel to the Authority for the Bonds and U.S. Bank National Association as Trustee, Paying Agent and Registrar for the Bonds.

The Authority authorizes each of the Chair, Vice Chair, Secretary, the Assistant Secretary, Chief Financial Officer of the County, County Treasurer or the Authority's designee as "Authorized Representatives," collectively, and as an "Authorized Representative," individually, of the Authority to execute and deliver a letter of intent, substantially in the form attached hereto as Exhibit A (the "Letter of Intent"), which sets forth the basic obligations of the Authority and the Borrower regarding the Bonds.

For purposes of compliance by the Underwriter with Rule 15c2-12(b)(1) of the federal Securities and Exchange Commission (the "Rule"), the Authority authorizes the distribution of a preliminary official statement, if required, and an official statement by the Underwriter, and the Authorized Representatives are authorized to deem the preliminary official statement, if required, and the official statement as "final" for purposes of the Rule.

The Authority does direct that it will consider a proposed Bond Resolution authorizing the issuance of the Bonds to finance the Project after review of a Bond Indenture, Loan Agreement, Bond Purchase Agreement, Official Statement, Tax Certificate, and any and all related closing documents. At that time the Authority will determine whether to authorize the actual sale and issuance of the Bonds.

ADOPTED this 26th day of February, 2009.

**THE HOSPITAL FACILITIES AUTHORITY
OF MULTNOMAH COUNTY, OREGON**

By _____
Chair

ATTEST:

By _____
Secretary

REVIEWED:

AGNES SOWLE, COUNTY ATTORNEY
FOR MULTNOMAH COUNTY, OREGON

By _____
Agnes Sowle, County Attorney

EXHIBIT A

LETTER OF INTENT

between

**THE HOSPITAL FACILITIES AUTHORITY OF
MULTNOMAH COUNTY, OREGON**

and

OREGON BAPTIST RETIREMENT HOMES

THIS LETTER OF INTENT is between THE HOSPITAL FACILITIES AUTHORITY OF MULTNOMAH COUNTY, OREGON, a public authority of the State of Oregon (the "Authority"), and OREGON BAPTIST RETIREMENT HOMES, a nonprofit corporation organized and existing under the laws of the State of Oregon and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Borrower").

1. **Preliminary Statement.** Among the matters of mutual inducement, which have resulted in the execution of this Letter of Intent are the following:

a. The Authority is a public authority, authorized and empowered by ORS 441.525 to 441.595 (the "Act") to issue revenue bonds for the purposes specified therein, including providing funds to nonprofit corporations sufficient to improve, extend, maintain, equip and furnish hospital facilities and adult congregate care facilities under the Act, upon such terms and conditions as the Authority may deem advisable.

b. The Authority proposes to issue revenue bonds in an aggregate principal amount not to exceed \$7,500,000 (the "Bonds"). The proceeds of the Bonds will be used to make a loan to the Borrower to finance the costs of the following projects (collectively, the "Project"): (i) currently refunding the State of Oregon Health, Housing, Educational and Cultural Facilities Authority Revenue Bonds, 1996 Series A (Oregon Baptist Retirement Homes - Weidler Retirement Center Project) (the "1996 Bonds"), that financed the construction and renovation of and improvements to an rental retirement community for seniors known as Weidler Retirement Center (the "Facility"), located in Portland, Oregon; (ii) financing the improvement, construction, remodeling, renovation and expansion of the Facility; (iii) reimbursing the Borrower for the costs of the purchase price of certain real property located adjacent to the

Facility at 1824 N.E. 106th Avenue, Portland, Oregon 97220 expected to be used for future expansion; and (iv) paying certain costs of issuance of the Bonds, including credit enhancement costs.

The total estimated costs of the Project to be financed with the proceeds of the Bonds will be in an aggregate principal amount not to exceed \$7,500,000.

c. The Authority deems it necessary and advisable that it take such action as may be required under the Act to authorize and issue the Bonds to finance all or a portion of the costs of the Project in a total amount not to exceed \$7,500,000.

d. The Authority finds that the issuance of the Bonds to finance the costs of the Project, and the loaning of the proceeds thereof to the Borrower constitutes a valid public purpose.

e. All references in this Letter of Intent to the Authority shall be deemed to include where appropriate its elected and appointed officials, employees and agents.

2. Undertakings on the Part of the Authority. Subject to (a) the conditions stated herein and (b) the preparation and approval of the various financing documents and review and approval by Bond Counsel, as defined below, the Authority agrees and represents as follows:

a. The Authority will, upon satisfaction by the Borrower of all conditions stated herein and all other conditions imposed on the Borrower by the Authority prior to issuance of the Bonds, authorize and cause the issuance of its Bonds to be payable solely from revenues of the Borrower to the Authority pursuant to a loan agreement or other financing agreement or documents between the Borrower and the Authority (collectively, the "Financing Documents"), which Bonds will be in an aggregate principal amount not to exceed \$7,500,000.

b. The Authority will adopt such proceedings and authorize the execution of such documents as may be necessary and advisable for the authorization, issuance, sale and delivery of the Bonds, and loan the proceeds of the Bonds to the Borrower to finance the Project, all as authorized by law and as mutually satisfactory to the Borrower and the Authority.

c. The amounts payable to the Authority under the Financing Documents will be sufficient to pay the principal of and the interest on, and redemption premium, if any, of the Bonds as and when the same become due and payable.

d. The Authority has appointed Orrick, Herrington & Sutcliffe LLP as Bond Counsel and Special Counsel to the Authority (collectively, "Bond Counsel") to supervise the proceedings and to approve the legality of the Bonds, the tax-exempt status of the Bonds and to

conduct due diligence with respect to the Borrower and to assist in the review of any official statement or other offering document (collectively, the "Offering Document"), for the Bonds.

e. Neither the Bonds nor the interest thereon shall be an obligation of the Authority, Multnomah County, Oregon (the "County") or the State of Oregon, or the personal obligations of the elected or appointed officials, employees or agents of the Authority, the County or the State of Oregon within the meaning of any constitutional or statutory provisions whatsoever, but shall be payable solely from revenues or assets provided or arranged by the Borrower. The Bonds shall not be a general obligation of the Authority or its elected or appointed officials, employees or agents nor a pledge of the faith and credit of the Authority or its elected or appointed officials, employees or agents nor a debt or pledge of the faith and credit of the County or the State of Oregon. The Authority has no taxing authority.

f. No presently existing assets of the Authority or the County shall be given to secure the Bonds, and the Bonds shall be repayable out of, and only out of, revenues or assets provided or arranged by the Borrower.

3. **Undertakings on the Part of the Borrower.** Subject to the conditions above stated, the Borrower agrees as follows:

a. The Borrower will cooperate with the Authority for the approval of all of the terms and conditions of the issuance of the Bonds and in the sale of the Bonds in an aggregate principal amount not to exceed \$7,500,000 to be used to finance the Project.

b. At the time of closing of the Bonds, the Borrower will pay to the Authority, from Bonds proceeds or other available Borrower funds, an issuer's fee in the amount of Ten Thousand Dollars (\$10,000), and the Borrower will pay from Bonds proceeds or other available Borrower funds, to Bond Counsel, fees based on the time incurred with respect to the Bonds and the Project based on its standard hourly rates plus its out-of-pocket expenses.

c. At the time of closing of the Bonds, the Borrower will deliver the executed loan agreement and/or other financing documents with the Authority, under which terms the Borrower will agree to pay the Authority loan payments sufficient in the aggregate to pay the principal of and interest on, and redemption premium, if any, of the Bonds as and when the same shall become due and payable. The Authority, at its option, may require the Bonds to be secured by a letter of credit, reserve fund or bond insurance acceptable in form and substance to the Authority.

d. In addition to the indemnification and hold harmless obligations of the Borrower under Section 5(a) hereof, the Financing Documents shall contain provisions in which the Borrower shall indemnify and hold the Authority and the County and their elected or appointed officials, employees and agents harmless from all liabilities incurred in connection with the Project or the sale, issuance, marketing or administration of the Bonds.

e. The Borrower will cause Borrower's counsel to provide the Authority with a legal opinion substantially the same in form and substance as the legal opinion provided by Borrower's counsel to the lender with respect to the Bonds.

f. The Financing Documents shall also contain such other provisions as may be required or permitted by law and as are mutually acceptable to the parties.

g. In accordance with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Borrower, as an "Obligated Person" within the meaning of the Rule, agrees to execute and deliver a Continuing Disclosure Certificate, if necessary, in a form satisfactory to the Authority and Bond Counsel and agrees to provide information as specified in the Continuing Disclosure Certificate on an annual basis and will undertake to provide in a timely manner notices of a material event, as defined in the Continuing Disclosure Certificate, with respect to the Bonds.

h. In addition to the indemnification and hold harmless obligations of the Borrower under Section 5(a) hereof, the Borrower shall indemnify and save the Authority and the County, their appointed or elected officials, employees or agents harmless against and from all claims by or on behalf of any person, firm, corporation or other legal entity arising from any fees or costs incurred by the Authority or the County in responding to any Internal Revenue Service audit, Securities and Exchange Commission inquiry or any other federal, state or regulatory action or proceeding with respect to the Bonds or the Project. The Borrower agrees to enter into an Agreement Relating to IRS Audits with the Authority as required by the Financing Documents. The Authority may employ, at the Borrower's expense, any counsel (internal or otherwise) or experts required in responding to any audit, inquiry, regulatory action or proceeding with respect to the Bonds or the Project.

i. The Borrower will take such further action and adopt such further proceedings as may be required to implement these understandings.

4. General Provisions.

a. Except as provided in Section 4(b) and Section 5(a) hereof or as otherwise provided herein, all obligations arising under this Letter of Intent are conditioned upon the parties agreeing to mutually acceptable terms for the sale of the Bonds and mutually acceptable terms and conditions for the contracts and agreements contemplated herein; provided, however, that the Authority shall not participate in or be responsible for the marketing of the Bonds.

b. Notwithstanding anything to the contrary stated herein, the Borrower will pay, or cause to be paid, whether the Bonds are actually issued or not, any fees and expenses incurred in connection with the issuance, sale and on-going administration of the Bonds, including without limitation, the reasonable fees and expenses of Bond Counsel, the Authority's financial advisor, if any, and a paying agent or registrar, if necessary. In addition, the Borrower shall pay the out-of-pocket costs of Bond Counsel, the Authority's financial advisor, if any, and County staff. The Borrower will also pay the cost and fees of its counsel, lender's fees and any other costs incurred in connection with the Project or the Bonds.

c. The Borrower shall obtain, at its expense, all necessary governmental approvals and opinions of Bond Counsel to ensure the legality and tax-exempt status of the Bonds. In addition, the Borrower shall make no use of the Bond proceeds so as to cause the Bonds to be classified as "arbitrage bonds" as that term is defined in the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder (the "Code") or cease to be "qualified 501(c)(3) bonds" as that term is defined in Section 145 of the Code.

d. The Borrower agrees to execute and deliver the Continuing Disclosure Certificate, if necessary, as required by Section 3(g) hereof.

5. Miscellaneous Provisions.

a. The Borrower shall and hereby agrees to indemnify and save the Authority and the County, their appointed or elected officials, employees or agents harmless against and from all claims by or on behalf of any person, firm, corporation or other legal entity arising from the execution of this Letter of Intent and any and all other actions to be taken by the Authority or the County relating to the Project or the issuance of the Bonds for so long as the Bonds remain outstanding, including, without limitation, the conduct or management of, or from any work or thing done related to the Project, including without limitation, (i) any condition related to the Project, (ii) any breach or default on the part of the Borrower in the performance of any of its obligations under this Letter of Intent, (iii) any act or negligence of the Borrower or of any of its

agents, contractors, servants, employees or licensees, (iv) any act or negligence of any assignee or lessee of the Borrower, or of any agents, contractors, servants, employees or licensees of any assignee or lessee of the Borrower, (v) any omission or misstatements of any material fact in any Offering Document or any other liability arising from the sale, issuance, marketing or administration of the Bonds, or (vi) any Internal Revenue Service audit or proceeding or any Securities and Exchange Commission investigation proceeding or any inquiry or any other federal, state or local regulatory action, investigation or proceeding. The Borrower shall indemnify and save the Authority and the County and their elected or appointed officials, employees or agents harmless from any such claim arising as aforesaid, or in connection with any action or proceeding or costs or fees incurred in any action or proceedings brought thereon whether at trial, on appeal, in bankruptcy proceedings or otherwise, and upon notice from the Authority or its elected or appointed officials, employees or agents, the Borrower shall defend them or either of them in any such action or proceeding at the Borrower's expense.

Notwithstanding the fact that is the intention of the parties hereto that the Authority and the County and their elected or appointed officials, employees or agents shall not incur any pecuniary liability by reason of the terms of this Letter of Intent or the undertakings required of the Authority or the County or their elected or appointed officials, employees or agents hereunder, by reason of the issuance of the Bonds or by reason of the execution of any Financing Documents relating thereto, or by reason of the performance of any act requested by the Authority or the County, its elected or appointed officials, employees or agents or by the Borrower, including all claims, liabilities or losses arising in connection with the violation of any statutes or regulation pertaining to the foregoing; nevertheless, if the Authority or the County or its elected or appointed officials, employees or agents should incur any such pecuniary liability, then in such event the Borrower shall indemnify and hold the Authority and the County and their elected or appointed officials, employees or agents harmless against all claims, demands or causes of action whatsoever, by or on behalf of any person, firm or corporation or other legal entity arising out of the same or out of any Offering Document or lack of Offering Document, if any, in connection with the sale or resale of the Bonds and all costs, fees and expenses, including without limitation, legal fees and expenses whether incurred at trial, on appeal, in bankruptcy proceedings or otherwise incurred in connection with any such claim or in connection with any action or proceeding brought thereon, and upon notice from the Authority or its elected or

appointed officials, employees or agents, the Borrower shall defend the Authority and its elected or appointed officials, employees or agents in any such action or proceeding.

Notwithstanding anything to the contrary contained herein, the Borrower shall have no liability to indemnify the Authority or the County, or its elected or appointed officials, employees or agents, against claims or damages resulting from the Authority's or the County or their elected or appointed officials, employees or agents own gross negligence or willful misconduct.

In the event any claim is made against the Authority or the County, their elected or appointed officials, employees or agents (collectively, the "Indemnified Parties") for which indemnification may be sought from the Borrower under the foregoing provisions, the Indemnified Parties shall promptly give written notice thereof to the Borrower; provided that any failure to give or delay in giving such written notice shall not relieve the Borrower's indemnification obligations as set forth above except to the extent such failure or delay prejudices the Borrower's ability to defend or settle such claim. Upon receipt of such notice, the Borrower shall assume the defense thereof in all respects and may settle such claim in such manner as it deems appropriate so long as there is no liability, cost or expense to the Indemnified Party.

b. If Bonds proceeds are not sufficient to complete the Project, the Borrower agrees to pay, or cause to be paid, the deficiency.

c. The Authority and the Borrower have caused this Letter of Intent to be authorized by their respective governing body or board of directors, and executed by their duly authorized officers as of the _____ day of February 2009.

**HOSPITAL FACILITIES AUTHORITY
OF MULTNOMAH COUNTY, OREGON**

**OREGON BAPTIST RETIREMENT
HOMES**

By: _____
Authorized Representative

By: _____
Authorized Representative

**THE HOSPITAL FACILITIES AUTHORITY OF
MULTNOMAH COUNTY, OREGON**

INDUCEMENT RESOLUTION

NO. 09-024

(Oregon Baptist Retirement Homes Project)

The Board of Directors of The Hospital Facilities Authority of Multnomah County, Oregon (the "Authority") has received a request from Oregon Baptist Retirement Homes, an Oregon nonprofit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Borrower"), for the issuance by the Authority of its Revenue and Refunding Bonds, Series 2009 (Oregon Baptist Retirement Homes Project), in an aggregate principal amount not to exceed \$7,500,000 (the "Bonds"). Bond proceeds will provide funds to finance the following: (i) currently refunding the State of Oregon Health, Housing, Educational and Cultural Facilities Authority Revenue Bonds, 1996 Series A (Oregon Baptist Retirement Homes – Weidler Retirement Center Project) (the "1996 Bonds"), that financed the acquisition and renovation of and improvements to an rental retirement community for seniors known as Weidler Retirement Center (the "Facility"), located in Portland, Oregon; (ii) improvement, construction, remodeling, renovation and/or expansion of the Facility; (iii) reimbursing the Borrower for the costs of the purchase price of certain real property located adjacent to the Facility at 1824 N.E. 106th Avenue, Portland, Oregon 97220 expected to be used for future expansion; and (iv) paying certain costs of issuance of the Bonds, including credit enhancement costs (collectively, the "Project").

The Board of Directors has received an application from the Borrower in support of its request for issuing the Bonds. The application includes the following:

1. A letter from the Borrower dated January 21, 2009 requesting issuance of the Bonds and describing the Project;
2. Audited Financial Statements for the Borrower for the fiscal years ended October 31, 2006 and 2007 and unaudited Financial Statements for the Borrower for the fiscal year ended October 31, 2008;
3. Proposed schedule of financing;
4. Distribution list of financing participants; and
5. Estimated sources and uses of funds and debt service schedule.

The Board of Directors having received the presentations of representatives of the Borrower, Piper Jaffray & Co., as the Underwriter, and Orrick, Herrington & Sutcliffe LLP, as Bond Counsel and Special Counsel to the Authority, and their responses to questions of the Board of Directors, and upon further discussion, the Board being now fully advised,

IT IS HEREBY RESOLVED that The Hospital Facilities Authority of Multnomah County, Oregon, gives preliminary approval to the financing of the Project and does agree to use

its best efforts to issue the Bonds as described herein in an aggregate principal amount not to exceed \$7,500,000.

The Authority approves and designates Piper Jaffray & Co. as Underwriter for the Bonds, Orrick, Herrington & Sutcliffe LLP, as Bond Counsel and Special Counsel to the Authority for the Bonds and U.S. Bank National Association as Trustee, Paying Agent and Registrar for the Bonds.

The Authority authorizes each of the Chair, Vice Chair, Secretary, the Assistant Secretary, Chief Financial Officer of the County, County Treasurer or the Authority's designee as "Authorized Representatives," collectively, and as an "Authorized Representative," individually, of the Authority to execute and deliver a letter of intent, substantially in the form attached hereto as Exhibit A (the "Letter of Intent"), which sets forth the basic obligations of the Authority and the Borrower regarding the Bonds.

For purposes of compliance by the Underwriter with Rule 15c2-12(b)(1) of the federal Securities and Exchange Commission (the "Rule"), the Authority authorizes the distribution of a preliminary official statement, if required, and an official statement by the Underwriter, and the Authorized Representatives are authorized to deem the preliminary official statement, if required, and the official statement as "final" for purposes of the Rule.

The Authority does direct that it will consider a proposed Bond Resolution authorizing the issuance of the Bonds to finance the Project after review of a Bond Indenture, Loan Agreement, Bond Purchase Agreement, Official Statement, Tax Certificate, and any and all related closing documents. At that time the Authority will determine whether to authorize the actual sale and issuance of the Bonds.

ADOPTED this 26th day of February, 2009.



THE HOSPITAL FACILITIES AUTHORITY
OF MULTNOMAH COUNTY, OREGON

By _____

Chair

ATTEST:

By _____

Secretary

REVIEWED:

AGNES SOWLE, COUNTY ATTORNEY
FOR MULTNOMAH COUNTY, OREGON

By _____

Agnes Sowle, County Attorney

EXHIBIT A

LETTER OF INTENT

between

**THE HOSPITAL FACILITIES AUTHORITY OF
MULTNOMAH COUNTY, OREGON**

and

OREGON BAPTIST RETIREMENT HOMES

THIS LETTER OF INTENT is between THE HOSPITAL FACILITIES AUTHORITY OF MULTNOMAH COUNTY, OREGON, a public authority of the State of Oregon (the "Authority"), and OREGON BAPTIST RETIREMENT HOMES, a nonprofit corporation organized and existing under the laws of the State of Oregon and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Borrower").

1. Preliminary Statement. Among the matters of mutual inducement, which have resulted in the execution of this Letter of Intent are the following:

a. The Authority is a public authority, authorized and empowered by ORS 441.525 to 441.595 (the "Act") to issue revenue bonds for the purposes specified therein, including providing funds to nonprofit corporations sufficient to improve, extend, maintain, equip and furnish hospital facilities and adult congregate care facilities under the Act, upon such terms and conditions as the Authority may deem advisable.

b. The Authority proposes to issue revenue bonds in an aggregate principal amount not to exceed \$7,500,000 (the "Bonds"). The proceeds of the Bonds will be used to make a loan to the Borrower to finance the costs of the following projects (collectively, the "Project"): (i) currently refunding the State of Oregon Health, Housing, Educational and Cultural Facilities Authority Revenue Bonds, 1996 Series A (Oregon Baptist Retirement Homes - Weidler Retirement Center Project) (the "1996 Bonds"), that financed the construction and renovation of and improvements to an rental retirement community for seniors known as Weidler Retirement Center (the "Facility"), located in Portland, Oregon; (ii) financing the improvement, construction, remodeling, renovation and expansion of the Facility; (iii) reimbursing the Borrower for the costs of the purchase price of certain real property located adjacent to the

Facility at 1824 N.E. 106th Avenue, Portland, Oregon 97220 expected to be used for future expansion; and (iv) paying certain costs of issuance of the Bonds, including credit enhancement costs.

The total estimated costs of the Project to be financed with the proceeds of the Bonds will be in an aggregate principal amount not to exceed \$7,500,000.

c. The Authority deems it necessary and advisable that it take such action as may be required under the Act to authorize and issue the Bonds to finance all or a portion of the costs of the Project in a total amount not to exceed \$7,500,000.

d. The Authority finds that the issuance of the Bonds to finance the costs of the Project, and the loaning of the proceeds thereof to the Borrower constitutes a valid public purpose.

e. All references in this Letter of Intent to the Authority shall be deemed to include where appropriate its elected and appointed officials, employees and agents.

2. Undertakings on the Part of the Authority. Subject to (a) the conditions stated herein and (b) the preparation and approval of the various financing documents and review and approval by Bond Counsel, as defined below, the Authority agrees and represents as follows:

a. The Authority will, upon satisfaction by the Borrower of all conditions stated herein and all other conditions imposed on the Borrower by the Authority prior to issuance of the Bonds, authorize and cause the issuance of its Bonds to be payable solely from revenues of the Borrower to the Authority pursuant to a loan agreement or other financing agreement or documents between the Borrower and the Authority (collectively, the "Financing Documents"), which Bonds will be in an aggregate principal amount not to exceed \$7,500,000.

b. The Authority will adopt such proceedings and authorize the execution of such documents as may be necessary and advisable for the authorization, issuance, sale and delivery of the Bonds, and loan the proceeds of the Bonds to the Borrower to finance the Project, all as authorized by law and as mutually satisfactory to the Borrower and the Authority.

c. The amounts payable to the Authority under the Financing Documents will be sufficient to pay the principal of and the interest on, and redemption premium, if any, of the Bonds as and when the same become due and payable.

d. The Authority has appointed Orrick, Herrington & Sutcliffe LLP as Bond Counsel and Special Counsel to the Authority (collectively, "Bond Counsel") to supervise the proceedings and to approve the legality of the Bonds, the tax-exempt status of the Bonds and to

conduct due diligence with respect to the Borrower and to assist in the review of any official statement or other offering document (collectively, the “Offering Document”), for the Bonds.

e. Neither the Bonds nor the interest thereon shall be an obligation of the Authority, Multnomah County, Oregon (the “County”) or the State of Oregon, or the personal obligations of the elected or appointed officials, employees or agents of the Authority, the County or the State of Oregon within the meaning of any constitutional or statutory provisions whatsoever, but shall be payable solely from revenues or assets provided or arranged by the Borrower. The Bonds shall not be a general obligation of the Authority or its elected or appointed officials, employees or agents nor a pledge of the faith and credit of the Authority or its elected or appointed officials, employees or agents nor a debt or pledge of the faith and credit of the County or the State of Oregon. The Authority has no taxing authority.

f. No presently existing assets of the Authority or the County shall be given to secure the Bonds, and the Bonds shall be repayable out of, and only out of, revenues or assets provided or arranged by the Borrower.

3. **Undertakings on the Part of the Borrower.** Subject to the conditions above stated, the Borrower agrees as follows:

a. The Borrower will cooperate with the Authority for the approval of all of the terms and conditions of the issuance of the Bonds and in the sale of the Bonds in an aggregate principal amount not to exceed \$7,500,000 to be used to finance the Project.

b. At the time of closing of the Bonds, the Borrower will pay to the Authority, from Bonds proceeds or other available Borrower funds, an issuer’s fee in the amount of Ten Thousand Dollars (\$10,000), and the Borrower will pay from Bonds proceeds or other available Borrower funds, to Bond Counsel, fees based on the time incurred with respect to the Bonds and the Project based on its standard hourly rates plus its out-of-pocket expenses.

c. At the time of closing of the Bonds, the Borrower will deliver the executed loan agreement and/or other financing documents with the Authority, under which terms the Borrower will agree to pay the Authority loan payments sufficient in the aggregate to pay the principal of and interest on, and redemption premium, if any, of the Bonds as and when the same shall become due and payable. The Authority, at its option, may require the Bonds to be secured by a letter of credit, reserve fund or bond insurance acceptable in form and substance to the Authority.

d. In addition to the indemnification and hold harmless obligations of the Borrower under Section 5(a) hereof, the Financing Documents shall contain provisions in which the Borrower shall indemnify and hold the Authority and the County and their elected or appointed officials, employees and agents harmless from all liabilities incurred in connection with the Project or the sale, issuance, marketing or administration of the Bonds.

e. The Borrower will cause Borrower's counsel to provide the Authority with a legal opinion substantially the same in form and substance as the legal opinion provided by Borrower's counsel to the lender with respect to the Bonds.

f. The Financing Documents shall also contain such other provisions as may be required or permitted by law and as are mutually acceptable to the parties.

g. In accordance with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Borrower, as an "Obligated Person" within the meaning of the Rule, agrees to execute and deliver a Continuing Disclosure Certificate, if necessary, in a form satisfactory to the Authority and Bond Counsel and agrees to provide information as specified in the Continuing Disclosure Certificate on an annual basis and will undertake to provide in a timely manner notices of a material event, as defined in the Continuing Disclosure Certificate, with respect to the Bonds.

h. In addition to the indemnification and hold harmless obligations of the Borrower under Section 5(a) hereof, the Borrower shall indemnify and save the Authority and the County, their appointed or elected officials, employees or agents harmless against and from all claims by or on behalf of any person, firm, corporation or other legal entity arising from any fees or costs incurred by the Authority or the County in responding to any Internal Revenue Service audit, Securities and Exchange Commission inquiry or any other federal, state or regulatory action or proceeding with respect to the Bonds or the Project. The Borrower agrees to enter into an Agreement Relating to IRS Audits with the Authority as required by the Financing Documents. The Authority may employ, at the Borrower's expense, any counsel (internal or otherwise) or experts required in responding to any audit, inquiry, regulatory action or proceeding with respect to the Bonds or the Project.

i. The Borrower will take such further action and adopt such further proceedings as may be required to implement these understandings.

4. General Provisions.

a. Except as provided in Section 4(b) and Section 5(a) hereof or as otherwise provided herein, all obligations arising under this Letter of Intent are conditioned upon the parties agreeing to mutually acceptable terms for the sale of the Bonds and mutually acceptable terms and conditions for the contracts and agreements contemplated herein; provided, however, that the Authority shall not participate in or be responsible for the marketing of the Bonds.

b. Notwithstanding anything to the contrary stated herein, the Borrower will pay, or cause to be paid, whether the Bonds are actually issued or not, any fees and expenses incurred in connection with the issuance, sale and on-going administration of the Bonds, including without limitation, the reasonable fees and expenses of Bond Counsel, the Authority's financial advisor, if any, and a paying agent or registrar, if necessary. In addition, the Borrower shall pay the out-of-pocket costs of Bond Counsel, the Authority's financial advisor, if any, and County staff. The Borrower will also pay the cost and fees of its counsel, lender's fees and any other costs incurred in connection with the Project or the Bonds.

c. The Borrower shall obtain, at its expense, all necessary governmental approvals and opinions of Bond Counsel to ensure the legality and tax-exempt status of the Bonds. In addition, the Borrower shall make no use of the Bond proceeds so as to cause the Bonds to be classified as "arbitrage bonds" as that term is defined in the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder (the "Code") or cease to be "qualified 501(c)(3) bonds" as that term is defined in Section 145 of the Code.

d. The Borrower agrees to execute and deliver the Continuing Disclosure Certificate, if necessary, as required by Section 3(g) hereof.

5. Miscellaneous Provisions.

a. The Borrower shall and hereby agrees to indemnify and save the Authority and the County, their appointed or elected officials, employees or agents harmless against and from all claims by or on behalf of any person, firm, corporation or other legal entity arising from the execution of this Letter of Intent and any and all other actions to be taken by the Authority or the County relating to the Project or the issuance of the Bonds for so long as the Bonds remain outstanding, including, without limitation, the conduct or management of, or from any work or thing done related to the Project, including without limitation, (i) any condition related to the Project, (ii) any breach or default on the part of the Borrower in the performance of any of its obligations under this Letter of Intent, (iii) any act or negligence of the Borrower or of any of its

agents, contractors, servants, employees or licensees, (iv) any act or negligence of any assignee or lessee of the Borrower, or of any agents, contractors, servants, employees or licensees of any assignee or lessee of the Borrower, (v) any omission or misstatements of any material fact in any Offering Document or any other liability arising from the sale, issuance, marketing or administration of the Bonds, or (vi) any Internal Revenue Service audit or proceeding or any Securities and Exchange Commission investigation proceeding or any inquiry or any other federal, state or local regulatory action, investigation or proceeding. The Borrower shall indemnify and save the Authority and the County and their elected or appointed officials, employees or agents harmless from any such claim arising as aforesaid, or in connection with any action or proceeding or costs or fees incurred in any action or proceedings brought thereon whether at trial, on appeal, in bankruptcy proceedings or otherwise, and upon notice from the Authority or its elected or appointed officials, employees or agents, the Borrower shall defend them or either of them in any such action or proceeding at the Borrower's expense.

Notwithstanding the fact that is the intention of the parties hereto that the Authority and the County and their elected or appointed officials, employees or agents shall not incur any pecuniary liability by reason of the terms of this Letter of Intent or the undertakings required of the Authority or the County or their elected or appointed officials, employees or agents hereunder, by reason of the issuance of the Bonds or by reason of the execution of any Financing Documents relating thereto, or by reason of the performance of any act requested by the Authority or the County, its elected or appointed officials, employees or agents or by the Borrower, including all claims, liabilities or losses arising in connection with the violation of any statutes or regulation pertaining to the foregoing; nevertheless, if the Authority or the County or its elected or appointed officials, employees or agents should incur any such pecuniary liability, then in such event the Borrower shall indemnify and hold the Authority and the County and their elected or appointed officials, employees or agents harmless against all claims, demands or causes of action whatsoever, by or on behalf of any person, firm or corporation or other legal entity arising out of the same or out of any Offering Document or lack of Offering Document, if any, in connection with the sale or resale of the Bonds and all costs, fees and expenses, including without limitation, legal fees and expenses whether incurred at trial, on appeal, in bankruptcy proceedings or otherwise incurred in connection with any such claim or in connection with any action or proceeding brought thereon, and upon notice from the Authority or its elected or

appointed officials, employees or agents, the Borrower shall defend the Authority and its elected or appointed officials, employees or agents in any such action or proceeding.

Notwithstanding anything to the contrary contained herein, the Borrower shall have no liability to indemnify the Authority or the County, or its elected or appointed officials, employees or agents, against claims or damages resulting from the Authority's or the County or their elected or appointed officials, employees or agents own gross negligence or willful misconduct.

In the event any claim is made against the Authority or the County, their elected or appointed officials, employees or agents (collectively, the "Indemnified Parties") for which indemnification may be sought from the Borrower under the foregoing provisions, the Indemnified Parties shall promptly give written notice thereof to the Borrower; provided that any failure to give or delay in giving such written notice shall not relieve the Borrower's indemnification obligations as set forth above except to the extent such failure or delay prejudices the Borrower's ability to defend or settle such claim. Upon receipt of such notice, the Borrower shall assume the defense thereof in all respects and may settle such claim in such manner as it deems appropriate so long as there is no liability, cost or expense to the Indemnified Party.

b. If Bonds proceeds are not sufficient to complete the Project, the Borrower agrees to pay, or cause to be paid, the deficiency.

c. The Authority and the Borrower have caused this Letter of Intent to be authorized by their respective governing body or board of directors, and executed by their duly authorized officers as of the _____ day of February 2009.

**HOSPITAL FACILITIES AUTHORITY
OF MULTNOMAH COUNTY, OREGON**

**OREGON BAPTIST RETIREMENT
HOMES**

By: _____
Authorized Representative

By: _____
Authorized Representative

LETTER OF INTENT

between

**THE HOSPITAL FACILITIES AUTHORITY OF
MULTNOMAH COUNTY, OREGON**

and

OREGON BAPTIST RETIREMENT HOMES

THIS LETTER OF INTENT is between THE HOSPITAL FACILITIES AUTHORITY OF MULTNOMAH COUNTY, OREGON, a public authority of the State of Oregon (the "Authority"), and OREGON BAPTIST RETIREMENT HOMES, a nonprofit corporation organized and existing under the laws of the State of Oregon and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Borrower").

1. **Preliminary Statement.** Among the matters of mutual inducement, which have resulted in the execution of this Letter of Intent are the following:

a. The Authority is a public authority, authorized and empowered by ORS 441.525 to 441.595 (the "Act") to issue revenue bonds for the purposes specified therein, including providing funds to nonprofit corporations sufficient to improve, extend, maintain, equip and furnish hospital facilities and adult congregate care facilities under the Act, upon such terms and conditions as the Authority may deem advisable.

b. The Authority proposes to issue revenue bonds in an aggregate principal amount not to exceed \$7,500,000 (the "Bonds"). The proceeds of the Bonds will be used to make a loan to the Borrower to finance the costs of the following projects (collectively, the "Project"): (i) currently refunding the State of Oregon Health, Housing, Educational and Cultural Facilities Authority Revenue Bonds (Oregon Baptist Retirement Homes - Weidler Retirement Center Project), 1996 Series A (the "1996 Bonds"), that financed the construction and renovation of and improvements to an elderly rental retirement facility known as Weidler Retirement Center (the "Facility"), located in Portland, Oregon; (ii) financing the improvement, construction, remodeling, renovation and expansion of the Facility; (iii) reimbursing the Borrower for the costs of the purchase price of certain real property located adjacent to the Facility at 1824 N.E. 106th Avenue, Portland, Oregon

97220 for future expansion; and (iv) paying certain costs of issuance of the bonds, including credit enhancement costs.

The total estimated costs of the Project to be financed with the proceeds of the Bonds will be in an aggregate principal amount not to exceed \$7,500,000.

c. The Authority deems it necessary and advisable that it take such action as may be required under the Act to authorize and issue the Bonds to finance all or a portion of the costs of the Project in a total amount not to exceed \$7,500,000.

d. The Authority finds that the issuance of the Bonds to finance the costs of the Project, and the loaning of the proceeds thereof to the Borrower constitutes a valid public purpose.

e. All references in this Letter of Intent to the Authority shall be deemed to include where appropriate its elected and appointed officials, employees and agents.

2. Undertakings on the Part of the Authority. Subject to (a) the conditions stated herein and (b) the preparation and approval of the various financing documents and review and approval by Bond Counsel, as defined below, the Authority agrees and represents as follows:

a. The Authority will, upon satisfaction by the Borrower of all conditions stated herein and all other conditions imposed on the Borrower by the Authority prior to issuance of the Bonds, authorize and cause the issuance of its Bonds to be payable solely from revenues of the Borrower to the Authority pursuant to a loan agreement or other financing agreement or documents between the Borrower and the Authority (collectively, the "Financing Documents"), which Bonds will be in an aggregate principal amount not to exceed \$7,500,000.

b. The Authority will adopt such proceedings and authorize the execution of such documents as may be necessary and advisable for the authorization, issuance, sale and delivery of the Bonds, and loan the proceeds of the Bonds to the Borrower to finance the Project, all as authorized by law and as mutually satisfactory to the Borrower and the Authority.

c. The amounts payable to the Authority under the Financing Documents will be sufficient to pay the principal of and the interest on, and redemption premium, if any, of the Bonds as and when the same become due and payable.

d. The Authority has appointed Orrick, Herrington & Sutcliffe LLP as Bond Counsel and Special Counsel to the Authority (collectively, "Bond Counsel") to supervise the proceedings and to approve the legality of the Bonds, the tax-exempt status of the Bonds and to conduct due diligence with respect to the Borrower and to assist in the review of any official statement or other offering document (collectively, the "Offering Document"), for the Bonds.

e. Neither the Bonds nor the interest thereon shall be an obligation of the Authority, Multnomah County, Oregon (the "County") or the State of Oregon, or the personal obligations of the elected or appointed officials, employees or agents of the Authority, the County or the State of Oregon within the meaning of any constitutional or statutory provisions whatsoever, but shall be payable solely from revenues or assets provided or arranged by the Borrower. The Bonds shall not be a general obligation of the Authority or its elected or appointed officials, employees or agents nor a pledge of the faith and credit of the Authority or its elected or appointed officials, employees or agents nor a debt or pledge of the faith and credit of the County or the State of Oregon. The Authority has no taxing authority.

f. No presently existing assets of the Authority or the County shall be given to secure the Bonds, and the Bonds shall be repayable out of, and only out of, revenues or assets provided or arranged by the Borrower.

3. **Undertakings on the Part of the Borrower.** Subject to the conditions above stated, the Borrower agrees as follows:

a. The Borrower will cooperate with the Authority for the approval of all of the terms and conditions of the issuance of the Bonds and in the sale of the Bonds in an aggregate principal amount not to exceed \$7,500,000 to be used to finance the Project.

b. At the time of closing of the Bonds, the Borrower will pay to the Authority, from Bonds proceeds or other available Borrower funds, an issuer's fee in the amount of Ten Thousand Dollars (\$10,000), and the Borrower will pay from Bonds proceeds or other available Borrower funds, to Bond Counsel, fees based on the time incurred with respect to the Bonds and the Project based on its standard hourly rates plus its out-of-pocket expenses.

c. At the time of closing of the Bonds, the Borrower will deliver the executed loan agreement and/or other financing documents with the Authority, under which terms the Borrower will agree to pay the Authority loan payments sufficient in the aggregate to pay the principal of and interest on, and redemption premium, if any, of the Bonds as and when the same shall become due and payable. The Authority, at its option, may require the Bonds to be secured by a letter of credit, reserve fund or bond insurance acceptable in form and substance to the Authority.

d. In addition to the indemnification and hold harmless obligations of the Borrower under Section 5(a) hereof, the Financing Documents shall contain provisions in which the Borrower shall indemnify and hold the Authority and the County and their elected or appointed

conditions for the contracts and agreements contemplated herein; provided, however, that the Authority shall not participate in or be responsible for the marketing of the Bonds.

b. Notwithstanding anything to the contrary stated herein, the Borrower will pay, or cause to be paid, whether the Bonds are actually issued or not, any fees and expenses incurred in connection with the issuance, sale and on-going administration of the Bonds, including without limitation, the reasonable fees and expenses of Bond Counsel, the Authority's financial advisor, if any, and a paying agent or registrar, if necessary. In addition, the Borrower shall pay the out-of-pocket costs of Bond Counsel, the Authority's financial advisor, if any, and County staff. The Borrower will also pay the cost and fees of its counsel, lender's fees and any other costs incurred in connection with the Project or the Bonds.

c. The Borrower shall obtain, at its expense, all necessary governmental approvals and opinions of Bond Counsel to ensure the legality and tax-exempt status of the Bonds. In addition, the Borrower shall make no use of the Bond proceeds so as to cause the Bonds to be classified as "arbitrage bonds" as that term is defined in the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder (the "Code") or cease to be "qualified 501(c)(3) bonds" as that term is defined in Section 145 of the Code.

d. The Borrower agrees to execute and deliver the Continuing Disclosure Certificate, if necessary, as required by Section 3g. hereof.

5. Miscellaneous Provisions.

a. The Borrower shall and hereby agrees to indemnify and save the Authority and the County, their appointed or elected officials, employees or agents harmless against and from all claims by or on behalf of any person, firm, corporation or other legal entity arising from the execution of this Letter of Intent and any and all other actions to be taken by the Authority or the County relating to the Project or the issuance of the Bonds for so long as the Bonds remain outstanding, including, without limitation, the conduct or management of, or from any work or thing done related to the Project, including without limitation, (i) any condition related to the Project, (ii) any breach or default on the part of the Borrower in the performance of any of its obligations under this Letter of Intent, (iii) any act or negligence of the Borrower or of any of its agents, contractors, servants, employees or licensees, (iv) any act or negligence of any assignee or lessee of the Borrower, or of any agents, contractors, servants, employees or licensees of any assignee or lessee of the Borrower, (v) any omission or misstatements of any material fact in any Offering Document or any other liability arising from the sale, issuance, marketing or

administration of the Bonds, or (vi) any Internal Revenue Service audit or proceeding or any Securities and Exchange Commission investigation proceeding or any inquiry or any other federal, state or local regulatory action, investigation or proceeding. The Borrower shall indemnify and save the Authority and the County and their elected or appointed officials, employees or agents harmless from any such claim arising as aforesaid, or in connection with any action or proceeding or costs or fees incurred in any action or proceedings brought thereon whether at trial, on appeal, in bankruptcy proceedings or otherwise, and upon notice from the Authority or its elected or appointed officials, employees or agents, the Borrower shall defend them or either of them in any such action or proceeding at the Borrower's expense.

Notwithstanding the fact that is the intention of the parties hereto that the Authority and the County and their elected or appointed officials, employees or agents shall not incur any pecuniary liability by reason of the terms of this Letter of Intent or the undertakings required of the Authority or the County or their elected or appointed officials, employees or agents hereunder, by reason of the issuance of the Bonds or by reason of the execution of any Financing Documents relating thereto, or by reason of the performance of any act requested by the Authority or the County, its elected or appointed officials, employees or agents or by the Borrower, including all claims, liabilities or losses arising in connection with the violation of any statutes or regulation pertaining to the foregoing; nevertheless, if the Authority or the County or its elected or appointed officials, employees or agents should incur any such pecuniary liability, then in such event the Borrower shall indemnify and hold the Authority and the County and their elected or appointed officials, employees or agents harmless against all claims, demands or causes of action whatsoever, by or on behalf of any person, firm or corporation or other legal entity arising out of the same or out of any Offering Document or lack of Offering Document, if any, in connection with the sale or resale of the Bonds and all costs, fees and expenses, including without limitation, legal fees and expenses whether incurred at trial, on appeal, in bankruptcy proceedings or otherwise incurred in connection with any such claim or in connection with any action or proceeding brought thereon, and upon notice from the Authority or its elected or appointed officials, employees or agents, the Borrower shall defend the Authority and its elected or appointed officials, employees or agents in any such action or proceeding.

Notwithstanding anything to the contrary contained herein, the Borrower shall have no liability to indemnify the Authority or the County, or its elected or appointed officials, employees or

agents, against claims or damages resulting from the Authority's or the County or their elected or appointed officials, employees or agents own gross negligence or willful misconduct.

In the event any claim is made against the Authority or the County, their elected or appointed officials, employees or agents (collectively, the "Indemnified Parties") for which indemnification may be sought from the Borrower under the foregoing provisions, the Indemnified Parties shall promptly give written notice thereof to the Borrower; provided that any failure to give or delay in giving such written notice shall not relieve the Borrower's indemnification obligations as set forth above except to the extent such failure or delay prejudices the Borrower's ability to defend or settle such claim. Upon receipt of such notice, the Borrower shall assume the defense thereof in all respects and may settle such claim in such manner as it deems appropriate so long as there is no liability, cost or expense to the Indemnified Party.

b. If Bonds proceeds are not sufficient to complete the Project, the Borrower agrees to pay, or cause to be paid, the deficiency.

c. The Authority and the Borrower have caused this Letter of Intent to be authorized by their respective governing body or board of directors, and executed by their duly authorized officers as of the 26 day of February 2009.

**THE HOSPITAL FACILITIES AUTHORITY
OF MULTNOMAH COUNTY, OREGON**

By: Mindy Thomas
Authorized Representative

OREGON BAPTIST RETIREMENT HOMES

By: Ernest Michael
Authorized Representative