Editorial Note

The following forecast of revenue and expenditures was prepared in April. There have been no significant events which would lead us to change any of the conclusions drawn by this forecast.

The regional economy continues to outperform the nation as a whole. Nearly all of the economic factors tracked by our office indicate a period of sustainable, steady growth. Recent forecasts published by the State of Oregon suggest that the statewide economy is due for a slowdown in growth rates experienced in recent years. We are more optimistic about the Portland economy, particularly with the recent decisions by Fujitsu and LSI to undertake major plant expansions in east Multnomah County.

Potential pitfalls involving the loss of intergovernmental revenue were not realized in the 1995 legislative session. Although the County lost approximately $2 million in state revenue, this represents less than 40% of the total we originally believed to be at risk.

There remain a number of issues external to the organization which will demand the County's attention in the coming year. Among these are issues surrounding public safety funding and the State's projected budget shortfall due to the full implementation of Measure 5. However, it does appear that the regional economy can provide enough growth to buffer some of the impacts of these, and other, issues.

Multnomah County
5 Year Forecast of Revenue and Expenditures

Introduction

In November the Budget & Quality Office presented the Board of County Commissioners with a set of economic assumptions which we have utilized to establish a "baseline" for building the FY 95-96 budget. To briefly summarize, some of the key assumptions presented at that time included the following:

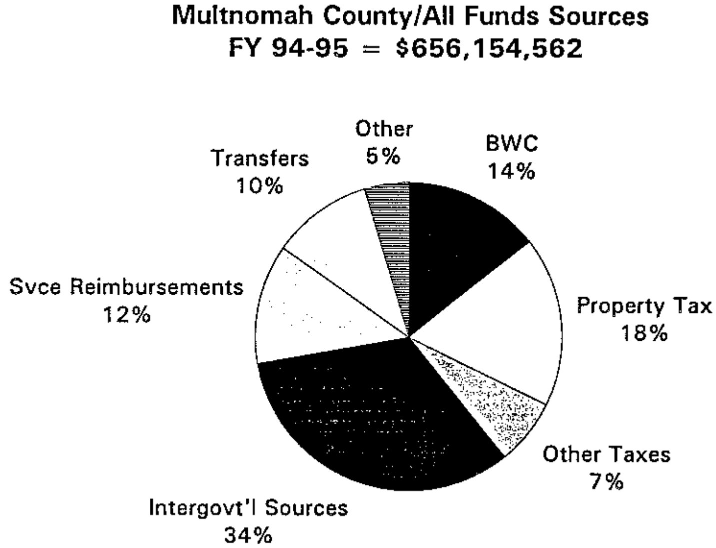
- Inflation will continue at a moderate (3.5% to 4%) rate;
- Property Tax rates for governmental jurisdictions in Multnomah County will not be compressed if value growth exceeds 8% in FY 95-96;
- Economic growth in the Portland MSA will parallel, or exceed, the nation as a whole; and
- Multnomah County will be impacted by budgetary decisions made in Salem and Washington, D.C. We have assumed a "status quo" approach for the forecast period.

Forecasts are, by their nature, very imprecise predictors of the future. We have developed the Multnomah County forecast of revenue and expenditures based on a set of assumptions that essentially reflect the environment as we see it today. We believe this approach is prudent, given the uncertainty surrounding a number of legislative initiatives which have the potential to impact the County, and it is one which will provide a framework with which the Board can consider policy alternatives.

Summary

Multnomah County is a complex and multi-faceted organization. We are a business with over $.5 billion in annual revenues and diversified services ranging from health care delivery to the conducting of elections. As the chart on the following page illustrates, our revenue stream is just as diverse.

Budget & Quality — *Chart # 1*



Note: "Other" includes Licenses & Permits, Service Charges, Interest Earnings and Bond Proceeds.

As indicated by the percentages, intergovernmental revenues are the County's single largest source by category. This reflects the fact that County government performs a number of federal and state mandated functions. The majority of this revenue comes in the form of grants for specific purposes and federal programs administered by the state (i.e., Title 19 and Medicaid.) Another significant amount in this category is the portion of the state gas tax and highway user fees which gets passed through to the County for road maintenance.

For purposes of this forecast we have assumed that intergovernmental revenues associated with the County's Federal/State Fund will remain at current levels. We know this is not likely to be the case - but there are too many unpredictable factors which bear directly on these sources to allow for any meaningful analysis of any potential changes.

Property taxes represent slightly less than 20% of all County revenues, yet they are the primary source of "discretionary" revenue. The County levies property taxes in the following amounts:

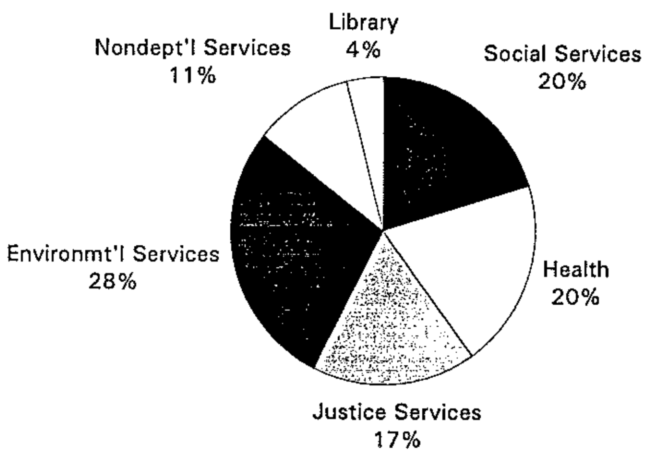
Tax Base/General Fund	$ 96,475,783
Library Serial Levy	11,789,579
Jail Serial Levy	15,454,460
Library General Obligation Bond	1,706,150
Total Property Tax Levy	**$125,425,972**

Since FY 91-92 property tax rates in Multnomah County have been "compressed" due to Measure 5. Because assessed property values have increased by an average of 10% over the past few years schools and local governments have been able to recapture a greater share of their total tax levies. We have estimated that if assessed values grow by at least 8%, local governments in Multnomah County will effectively be out of tax rate compression in the next fiscal year. We have based our forecast on this assumption - and, as a result, we expect to collect our full property tax levy for the first time in five years.

Expenditures are expected to grow along with inflation over the forecast period. Should inflation remain at the moderate levels experienced over the past few years, the County's revenue stream is projected to be sufficient to provide funding at the current service level. The chart below indicates how our resources are allocated among departments.

Budget & Quality *Chart # 2*

Multnomah County/All Funds Uses
FY 94-95 = $656,154,562



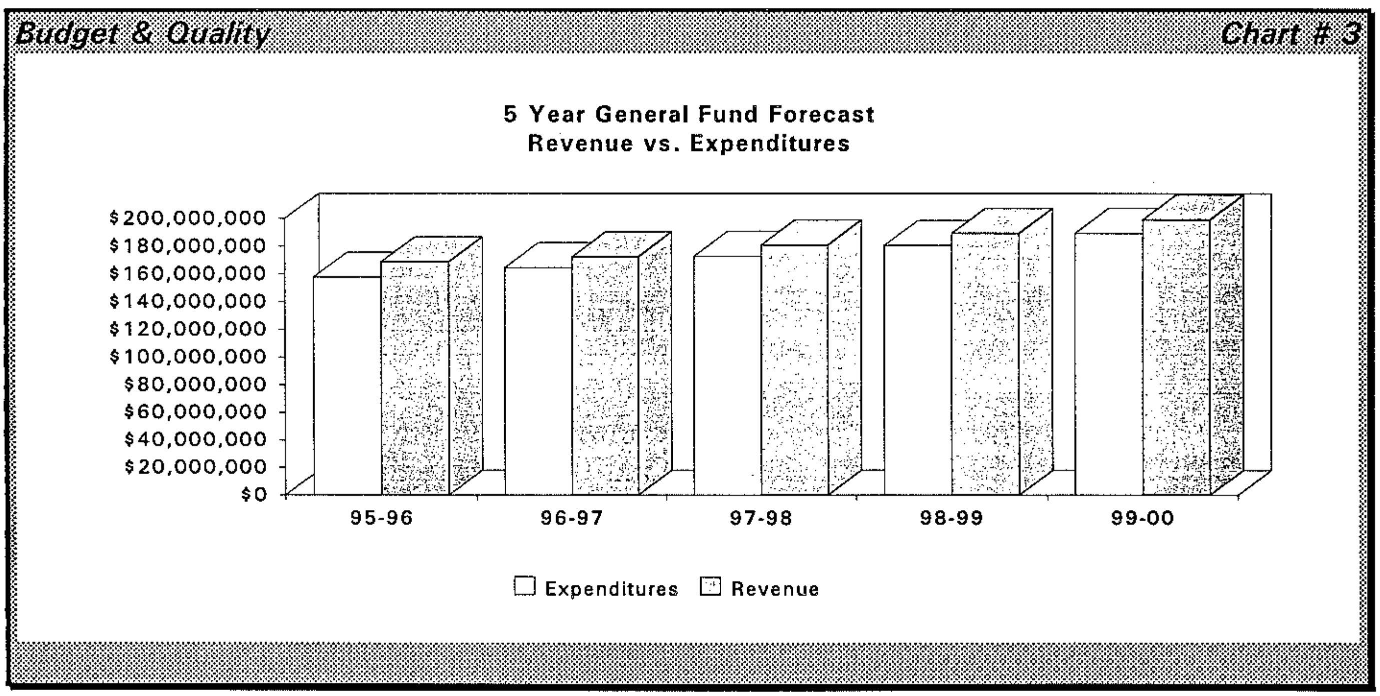
Note: Justice Services includes DCC, District Attorney and Sheriff

As indicated above, approximately 40% of the County's budget is dedicated to Health and Social Services programs. It is important to note that these are the two areas, along with Community Corrections, which appear most vulnerable to any funding reductions made at the state and/or federal levels. Our best estimate at this time is that the County ***could be facing a potential $6-8 million annual reduction in funding*** for these programs in the coming fiscal year. Should cuts of that magnitude occur the General Fund could not make up the entire shortfall without making reductions in programs.

General Fund Outlook

> *Revenue growth is expected to exceed expenditure growth by an average of one and a half percent through the forecast period. This will provide the Board of County Commissioners with up to $4 million per year which could be used to create new or supplement existing programs.*
>
> *FY 95-96 revenues include a one-time "increase" of approximately $3.5 million due to property tax rates coming out of compression.*
>
> *The ongoing revenue stream allows us to add $1.5 million per year to the General Fund reserve as we work to achieve the Board's goal of a 5% revenue reserve.*
>
> *A $1.5 million contribution toward infrastructure improvements (i.e., facilities capital, data processing equipment) has been built into FY 95-96 expenditures.*

The outlook for the General Fund gives cause for optimism. Ongoing revenue growth is projected to average approximately 4.5% per year throughout the forecast period while overall General Fund expenditures are forecasted to grow by about 3% per year. The chart below graphically highlights this fact.



Based on this projection the County can continue to fund current service level budgets while also generating annual surpluses ranging up to $4 million to fund new programs, expand existing programs or "backfill" any reductions made in Federal/State Fund programs.

A number of factors have contributed to the County's stable General Fund outlook.

At the Chair's direction all departments have agreed to reduce budgeted expenditures in the current year by approximately $5 million. These reductions were considered very carefully in order to mitigate any negative impact on service delivery. The savings to be achieved will help restore the General Fund balance to a level close to what was projected when the budget was adopted.

One of the goals in developing the FY 95-96 budget was to provide the Board of County Commissioners with flexibility in dealing with potential state cutbacks. Departments were asked to prepare budgets which essentially reflect their FY 94-95 appropriations. This strategy will provide approximately $3 million, which may be used to restore current service levels or be reprogrammed for other uses.

The General Fund revenue forecast is based on the assumption that the County will collect its full tax levy in FY 95-96. The following table shows the effects of Measure 5 on property tax revenue. The table highlights the fact that increasing assessed value growth has mitigated the revenue loss over time. Because the County will not be in rate compression the result will be a **one-time increase of $3.5 million** in property tax revenue.

Budget & Quality ***Table # 1***

Year	Levy Amount	Levy Collected	Revenue Loss
FY 91-92	81,002,931	70,878,286	10,124,645
FY 92-93	85,863,105	79,283,915	6,579,190
FY 93-94	91,014,891	85,718,949	5,295,942
FY 94-95	96,475,784	92,983,537	3,492,247
FY 95-96 (Est)	102,264,330	102,664,330	0

The healthy outlook for General Fund revenue will allow us to provide ongoing support for two of the Board of County Commissioners financial policy goals.

The Board's goal in building a revenue reserve is to set aside 5% of General Fund budgeted expenditures. In keeping with that goal, this forecast assumes an ongoing contribution of $1.5 million to that reserve.

The Board has also established a goal of funding capital improvements at a level equal to two percent of the historical cost of County buildings. This forecast begins to address that goal by establishing a contribution of $1.5 million in FY 95-96 to support the Capital Improvement Plan (CIP).

General Fund Revenue Analysis

Property tax rates in Multnomah County will remain out of compression for the forecast period.

Business Income Tax (BIT) receipts are anticipated to grow moderately over the forecast period, roughly tracking with growth in Personal Income.

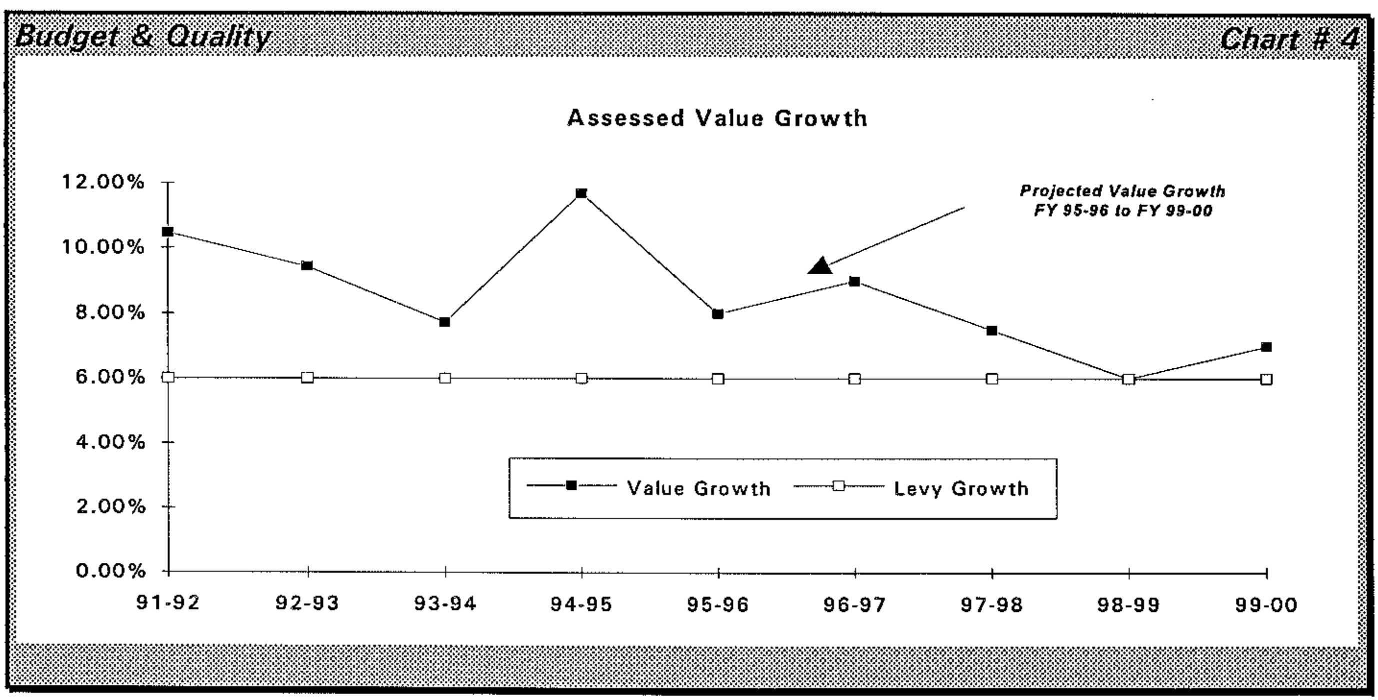
Video Lottery revenue dedicated to economic development will continue to grow by more than ten percent per year.

The County will continue to receive state shared revenues (Liquor Tax, Cigarette Tax) although the amounts collected will decline slightly.

Property Tax

Property taxes account for **roughly 60% of the County's ongoing General Fund revenue**. Measure 5 limited tax rates for government jurisdictions to one percent of assessed value. Since FY 91-92 the Measure 5 revenue "loss" to the General Fund has been approximately $26 million.

In FY 95-96 we are forecasting that the governments in Multnomah County will be out of tax rate compression. This is directly related to the growth in assessed value which has occurred over the past five years. The chart below highlights actual and projected assessed value growth since passage of Measure 5.



Property values have grown by ten percent annually since the passage of Measure 5. This has mitigated the revenue loss associated with the one percent rate cap; as Table 1 shows the County has been able to collect an increasing share of its legally authorized tax levy each year since FY 91-92.

In FY 95-96 the General Fund will receive a one time increase in property tax revenues due to coming out of rate compression. How does this occur? The projected current year revenue loss due to Measure 5 is $3.5 million. If value growth is 8% or higher next year the County (and City of Portland) will be able to collect its full levy amount. The difference between the revenue loss in FY 94-95 and the projected revenue for next year is one time only in the sense that the County will not benefit from increases in value growth as long as the total tax rate remains uncompressed.

Under Oregon statutes the tax base can increase no more than 6% per year. Therefore, the increase in value growth becomes irrelevant for calculating revenue generated by the tax rate. So long as the value growth exceeds six percent (and we project it will) tax rates for local government will remain uncompressed. And, as Chart 4 shows, so long as the assessed value growth exceeds the statutorily allowed levy growth we will be able to collect our full levy.

The primary point to be made is that property tax revenue projections are reasonably predictable without rate compression. On the other hand, that revenue can not increase by more than six percent in any single year.

Several bills have been proposed in the legislature which would limit assessed value growth. Each sets a different method for capping assessments. They range from a 2% "California style" valuation cap to a limitation based on the change in the consumer price index (CPI). All of them set value caps at six percent or less and they are not uniform in their application of limits.

For comparison purposes, the revenue lost in the first year under two of the proposed valuation caps would be:

4% Value Growth Cap	$3,000,000
2% Value Growth Cap	5,000,000

It should be pointed out that these are very preliminary estimates because it is uncertain how individual properties would be treated under value limitations and there would presumably be no cap on new construction.

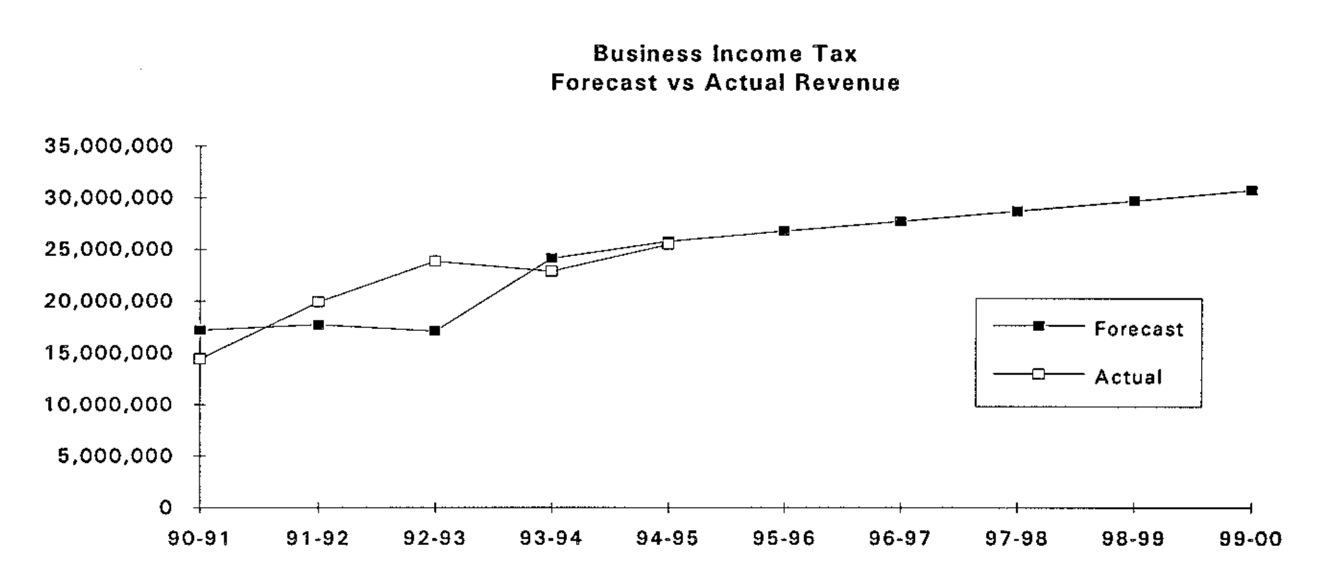
This forecast makes the assumption that no assessed value cap will be imposed by the Oregon legislature.

Business Income Tax

The Business Income Tax (BIT) is collected from individuals and companies engaged in business within Multnomah County. It is set at a rate of 1.45% of the income derived from business activity within the County. The BIT is the second largest source of revenue in the General Fund. In FY 94-95 it is anticipated to generate **approximately $26 million, or roughly 15% of ongoing revenues**.

Recent experience with BIT forecasts and collections highlights the enigmatic nature of this revenue source. The chart below highlights forecasted revenue compared to actual collections since FY 90-91.

Budget & Quality *Chart # 5*



In theory, the BIT should correlate with changes in corporate income tax paid to the state. Approximately 40% of all economic activity in Oregon occurs in the Portland metropolitan area. Lately, we have also come to believe that the change in personal income will be a good predictor of BIT revenue. Increases in personal income are a strong indicator of a healthy economy - with a direct correspondence to new business development and job growth.

Personal income is forecast to grow faster in Oregon than in the nation as a whole. Over the next five years personal income growth is projected to average approximately 6% per year. Our forecast for BIT growth is based on a slightly more conservative level of four to five percent annually.

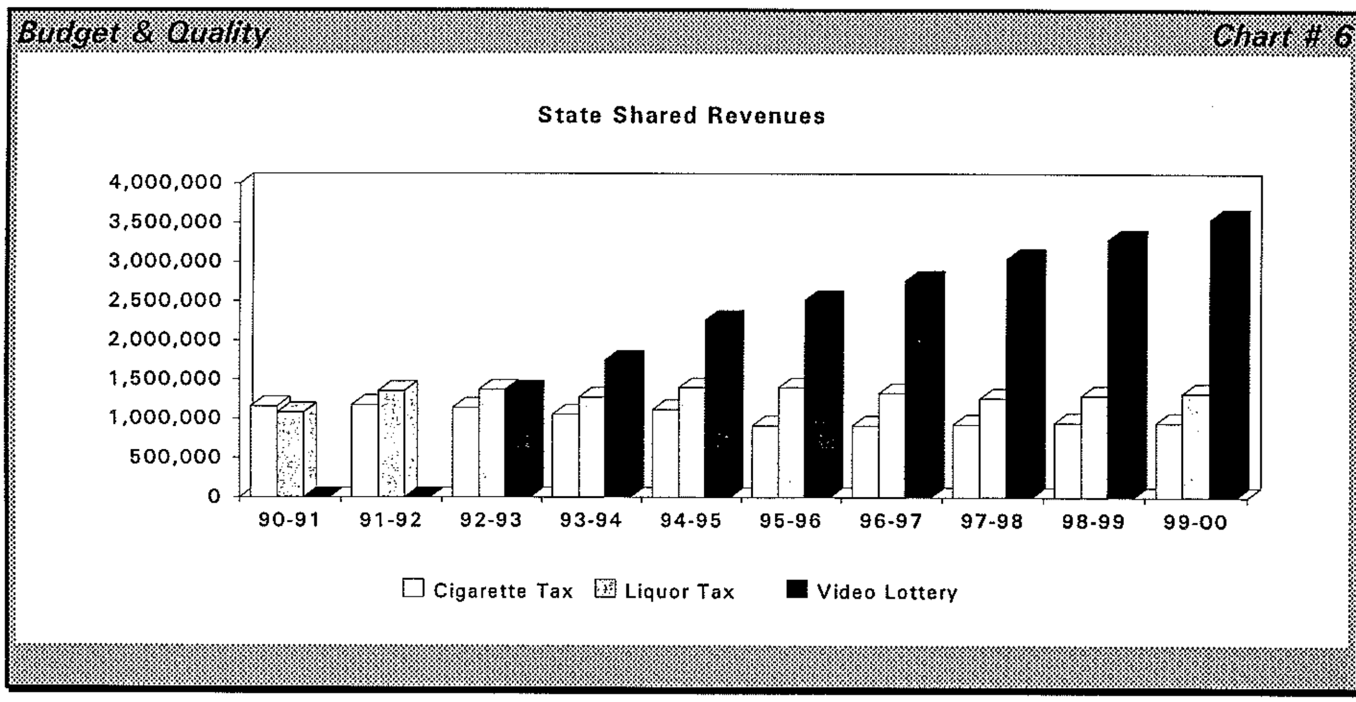
We will continue to focus our efforts on improving the BIT forecast. We have now had an entire year of experience with BIT/BLT consolidation and it appears to have facilitated our ability to more accurately predict this revenue source.

State Shared Revenue

The County receives revenue from the State from the following sources:

Cigarette Tax
Liquor Tax
Video Lottery

Together, these three sources total approximately $4.5 million per year. The chart below shows actual collections for FY 90-91 through FY 93-94 along with forecasted amounts for the following years.



Growth in video lottery revenue has been higher than any of the assumptions made when it was first implemented three years ago. Counties receive 2.5% of the net revenue received by the state. This revenue is dedicated by statute for use in economic development related activities. It is distributed to counties under the following formula:

10% of the total revenue is distributed equally among all 36 counties; and
90% of the total revenue is distributed based on the actual "play" in each County.

Multnomah County currently has approximately 30% of the statewide video lottery play.

When video lottery was first proposed the estimates were that it would generate roughly $200 million per biennium. The Legislative Revenue Office is **forecasting $600 million in revenue from video lottery** in the FY 95-97 biennium. This represents a 40% increase over the forecast for the current biennium. In future years the growth is projected to level off, although it has shown no signs of slowing down over the past few years. As the graph indicates, video lottery revenue projected to be received in the General Fund reaches nearly $4 million by the end of the forecast period.

Cigarette and liquor tax revenue are forecast to remain relatively stable. We have seen a reduction in cigarette tax over the past few years - presumably indicative of the fact that people are smoking less - and we believe this trend will continue. Any growth in these revenues will be minimal and will track with population growth, currently projected to be slightly less than one percent per year.

Our analysis does not provide for the possible loss of this revenue as the State of Oregon seeks ways to minimize their own budget shortfalls. At this time there is no indication that this revenue is in jeopardy.

Other Revenues

The County receives approximately $3.5 million annually from the lease of jail beds to the U.S. Marshal for detention of federal prisoners. The Sheriff's Office can lease up to 172 beds to the federal government but actual usage has averaged between 100-125 beds per day. Each ten bed increment represents $325,000 in annual revenue. The forecast assumes a steady rate of usage at 110 beds per day. It does not build in any potential increase in the negotiated lease rate.

The County has a number of fees and licenses from which it derives revenue. Among the largest revenue producers are:

Recording Fees	$2,200,000
Health Inspections	1,200,000

Recording Fees are directly related to activity in the real estate market. Revenues have risen an average of 25% over the past five years, reflecting the impacts of low interest rates combined with explosive growth in the Portland housing market. Our forecast calls for more modest growth in line with projections for interest rate and population growth.

Likewise, we have projected revenue from Regulatory Health activities to grow with inflation and have assumed that the current fee structure will remain in place throughout the forecast period.

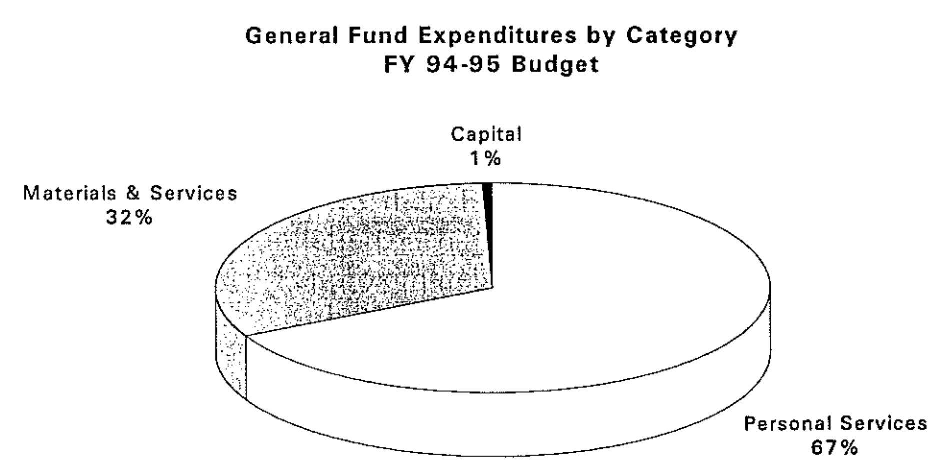
General Fund Expenditure Analysis

> *No inflationary increases have been forecast for FY 95-96. This approach provides the Board of County Commissioners with flexibility in responding to potential cutbacks in state funding.*
>
> *Overall costs are projected to grow at less than 4% annually over the forecast period.*
>
> *The forecast assumes that departments will spend 98% of budgeted appropriations.*
>
> *The forecast assumes a $1.5 million annual contribution to the General Fund revenue reserve.*

At the direction of the Chair, we have pursued a strategy for FY 95-96 which limits departmental budget submissions to their FY 94-95 appropriated levels. Thus, we have provided no increases due to inflation. This strategy will provide the Chair and the Board of County Commissioners with approximately $3 million with which to make discretionary allocations. We have assumed that some (if not all) of this surplus may be needed to "backfill" Federal/State Fund programs which are in jeopardy because of the state's fiscal situation. Some of that surplus may also be necessary to restore departmental budgets to their current service levels.

As the chart below indicates, roughly two-thirds of direct General Fund expenditures are attributable to personnel costs.

Budget & Quality *Chart # 7*



Personal Services costs are comprised of wages and fringe benefits, with wages accounting for about 75% of the total. The remaining 25% includes the employer paid portions of PERS and Social Security, along with medical, dental and various other insurance coverages.

The PERS rate we have based our budget assumptions on is expected to be approximately 15% lower than the rate charged in FY 94-95. In addition, medical and dental insurance costs are projected to decline by about four percent. These cost reductions account for **approximately $2.5 million** of the savings we have estimated due to inflation.

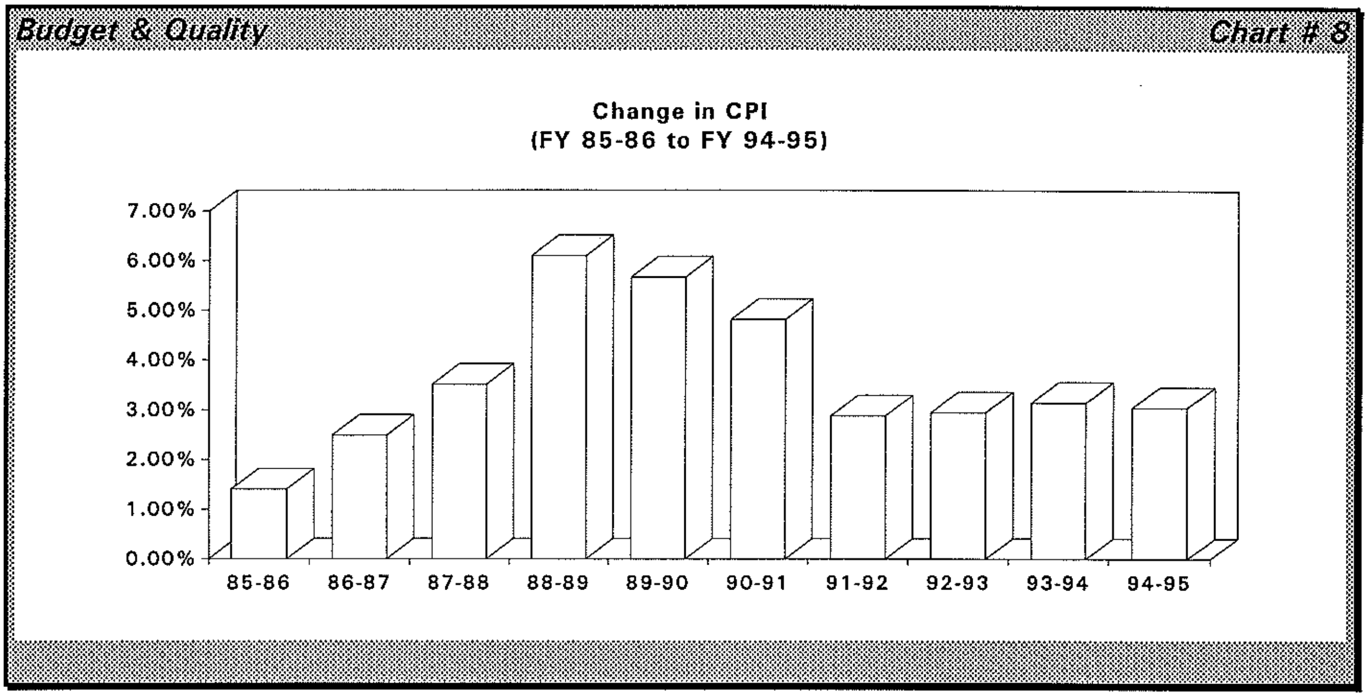
The budget strategy allows for departments to budget anticipated salary savings as a way to meet their target figure. If, for example, a department anticipated turnover during the year they could "budget" a portion of the vacancy savings, thus, providing them with an alternative to reducing services. It is important to note that any savings generated by this approach are one time only in nature.

Because we expect that some departments may take advantage of this method to balance their budgets we have forecast actual spending at 98% of budgeted appropriations. This is slightly higher than the "typical" spending rate - 97% - we have traditionally utilized; however, we believe it more accurately reflects spending patterns that will occur as a result of the constraints we have placed on FY 95-96 budget submissions. As a reference point, each one percent of underspending in the General Fund **generates $1.6 million in savings.**

The rate of inflation, as measured by the Consumer Price Index (CPI) has remained relatively stable at around three percent for the past few years. Our forecast calls for inflation to remain at less than four percent over the next five years.

The Federal Reserve Board has expressed concern over what it perceives as an economy that is growing at too fast a rate to keep inflation in check. Over the past several months the Fed has ratcheted up interest rates in an effort to slow economic growth. At this point, we are not inclined to change our forecast since it is likely any impacts on inflation are likely to be longer term in nature.

The following chart provides a graphical representation of where inflation rates have gone over the past ten years.



If we were to extend this chart to take in the five year forecast period we would see a gradual increase above current levels. We believe there is a possibility that inflation rates will rise above four percent toward the end of the forecast period, although we also expect the Federal Reserve Board to take pre-emptive actions to prevent inflation from reaching the levels experienced in the late 1980's.

To put some tangible perspective on what this means - each percent change in the inflation rate represents approximately $1.4 million in FY 94-95 dollars.

Since personnel costs represent such a large share of General Fund expenditures there is a high degree of sensitivity to changes in the inflation rate. Our forecast is based on an assumption of continuing low to moderate inflationary growth. As noted above, each change of one percent in the rate of inflation represents $1.4 million in additional costs. If, for example, inflation were to reach 5%, it would have a significant impact on the amount of surplus resources we have projected.

In addition to the ongoing costs which grow with inflation there are a number of scheduled, or fixed, costs in the General Fund. These costs, along with their forecasted amounts, are highlighted in Appendix A.

The following is a description of each item on that list:

County School Fund - the County is required to contribute $10 to the Educational Service District (ESD) for each child between the ages of 4 and 20. This population is expected to remain stable throughout the forecast period.

New Development - this amount is set aside for use in developing new data processing applications. Historically, this amount was set at $800,000 per year. In recent years it has been scaled back. This forecast assumes that the current amount will grow with inflation until it is restored back to the historical level.

Library GF Subsidy - the General Fund contribution to the Library reflects the difference between what is collected through the serial levy and library budgeted expenditures. Since the forecast calls for property taxes to be out of compression, this amount is forecast to grow along with inflation.

Revenue Reserve - the amount established as the General Fund revenue reserve is accounted for as a scheduled cost and is offset by a like amount of BWC revenue.

Inventory Reserve - this amount is the estimated value of inventory on hand at the end of each fiscal year. It is, like the revenue reserve, an assumed cost and is offset by BWC revenue.

Contribution to Revenue Reserve - the forecast assumes a $1.5 million contribution to the revenue reserve can be accommodated within existing constraints.

Contribution to Infrastructure - a $1.5 million annual contribution has been forecast for as yet to be determined infrastructure improvements.

Tax Supervising - the amount paid for Tax Supervising is set by statute. The forecast assumes that there will be no increase from the current amount.

Dues/Assessments - the amounts paid by the County for membership in organizations such as NACO and AOC. The forecast assumes these payments will grow with inflation.

OTO (Carryover) - the amount carried over and reappropriated in FY 94-95. Any carryover in the forecast years will be offset by an increase in the BWC.

BIT to Cities - the contractual amount passed through to Gresham, Troutdale, Fairview and Wood Village is 25% of the .6% BIT rate, or roughly 10.5% of total forecast collections.

Transfer to CIP Fund - the amount transferred from the General Fund to support the Capital Improvement Plan.

Primary Election - a Primary Election costs approximately $400,000 more than a General Election. This cost appears in years scheduled for a Primary and assumes that no changes are made to current elections law.

Hotel/Motel Tax to Arts Commission - an amount transferred from the Convention Center to supplement the County's contribution to the Arts Commission. It is shown throughout the forecast period, although in the future it may be paid directly from that fund.

OTO (FY 94-95 Budget Only) - the amount included in the FY 94-95 which was stated to be one time only in nature. It does not repeat in future years.

Conclusion

This forecast projects that the General Fund will generate surpluses ranging up to $4 million throughout the next five years - absent any increases in current service levels. Multnomah County has benefited in recent years from a combination of low inflation, high property value growth and a strong regional economy. We believe these trends will continue.

At the same time, there are clearly a number of issues external to this organization which are likely to impact on our financial condition.

The State of Oregon is forecasting a $500 million shortfall in the FY 95-97 biennium. At this time there has been no definite plan put forward to address this shortfall. Our forecast assumes that some level of state funding will be lost to the County, although it is likely to be several more months before we know exactly which programs will be affected.

In the last election Oregon voters approved a number of ballot measures which impact directly on the justice system. Estimates vary, but it is likely that we will need to increase the number of local jail beds to meet the terms of these measures.

A number of bills have been introduced in the state legislature to limit increases in assessed valuation. At this point it is unclear which, if any, of these bills has the best chance of passage; preliminary estimates indicate that the County could lose anywhere from $2 to $5 million per year.

In general, however, the long term outlook appears favorable to continuing County programs at current service levels. The strategy pursued in crafting the FY 95-96 budget will provide the Board of County Commissioners with flexibility in responding to the external factors listed above. Revenue is forecast to grow faster than known programmatic expenditures, thus, providing additional resources with which to address any "unmet needs" which may be on the horizon.

Other Funds

The General Fund provides support to a number of other funds. The demands these funds place on the General Fund revenue stream will have an impact on our ability to fund County services at their current levels. These funds include, but are not limited to:

- Federal/State Fund
- Capital Improvement Fund
- Facilities Management Fund
- Data Processing Fund

Federal/State Fund

The Federal/State Fund, with expenditures approximating $175 million, is the single largest fund in the entire budget. It encompasses a wide array of services in nearly every County department. As the following table highlights, the Federal/State Fund has grown significantly over the past ten years.

Budget & Quality		*Table # 2*
Year	Total Expenditures	% Growth
FY 84-85	44,973,424	N/A
FY 87-88	59,182,315	31.6%
FY 90-91	104,362,202	76.3%
FY 93-94	149,920,494	43.7%

Revenue in the Federal/State Fund is derived from a number of sources. Grants, federal and state shared revenues, entitlements and fees for service comprise roughly 75% of total revenue in the fund. The General Fund provides the remaining 25% - or, roughly $43 million in FY 94-95.

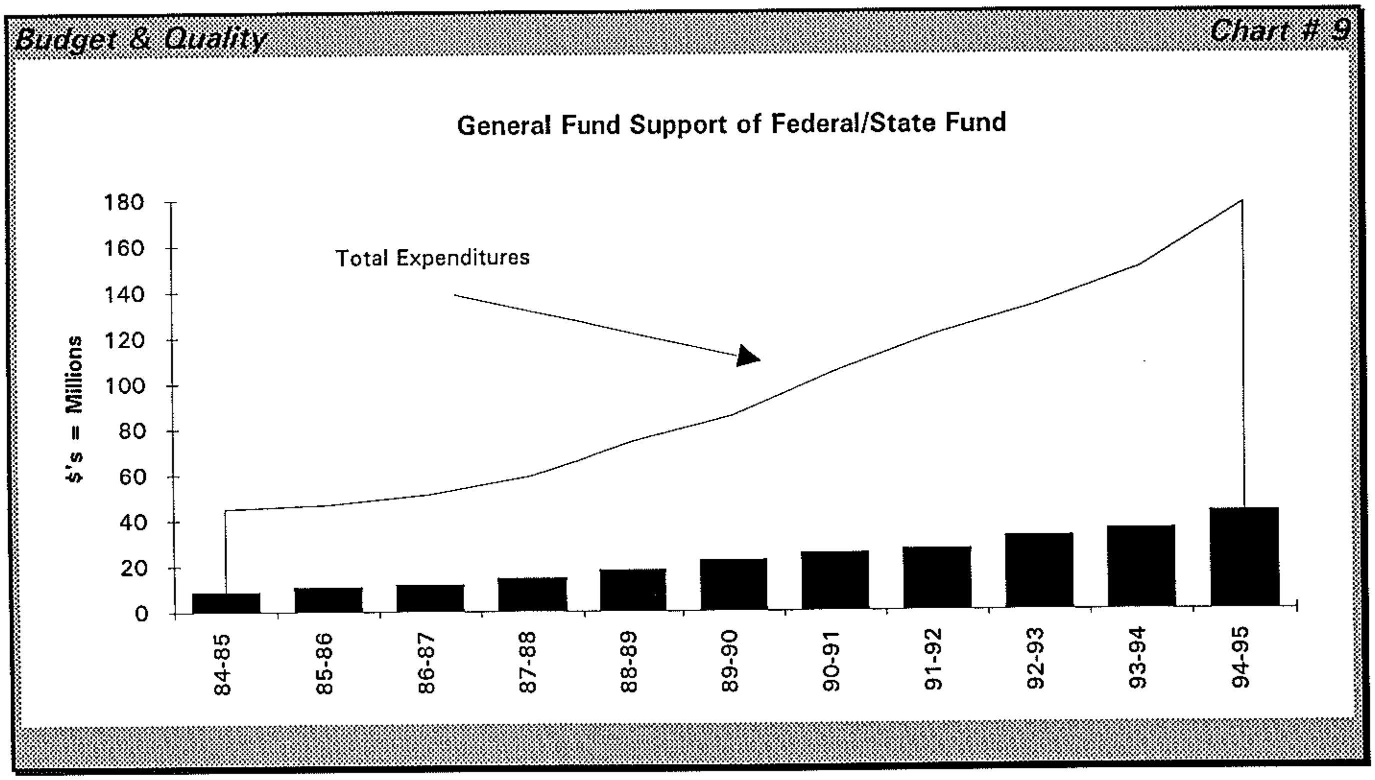
There are over one hundred active grant revenue sources in the current budget. Grants from other governments and private sources carry with them both risks and opportunity. They allow the County to provide basic and enhanced levels of service and to cover gaps in the array of services the County otherwise offers. On the other hand, grants also commit the County to serve larger or different client groups and put pressure on local revenue sources if the dedicated revenue source is withdrawn.

The General Fund supports these grant programs in two important ways:

1. It provides the local "matching" share for grants which require the County to pay a certain percentage of operating costs; and

2. It provides for payment of indirect cost allocation for those grants which do not allow for indirect cost recovery.

The chart below highlights General Fund support of Federal/State Fund programs over the past ten years.



Total expenditures in the Federal/State Fund have grown by nearly 400% over the past ten years. General Fund support of Federal/State programs has increased in absolute dollars, although the level of support has remained fairly constant, at <u>approximately 25% of total expenditures</u>.

As was touched upon in the General Fund discussion, decisions made in at the state and federal levels will have a major impact on the level of services currently provided through the Federal/State Fund.

A few of the programs which are potentially at risk in the coming fiscal year due to the State of Oregon's current budget shortfall include:

Adult Mental Health Programs	$2,000,000
Low Income Energy Assistance	1,700,000
Children & Youth Program	850,000
Aging Services/Long Term Care	600,000
Alcohol & Drug Treatment	600,000
Total (Potential Reductions)	**$5,750,000**

At the federal level, initiatives put forward to create large "block grants" to state and local governments have the potential to impact the Federal/State Fund. Any measure designed to limit the rate of growth in federal funds passed through to local governments will impact on our ability to maintain current service levels.

In both of these cases, it may be appropriate for the Board to consider using some of the surplus we have projected for the General Fund to "backfill" any programs which are negatively impacted. It may also be appropriate to reconsider the General Fund subsidy of the overhead costs associated with Federal/State programs. The General Fund currently absorbs <u>approximately 70%</u> of the costs associated with grant program overhead. In absolute terms, this represents **nearly $5.5 million in foregone revenue** which could be applied for other uses.

<u>Capital Improvement Fund/Facilities Management Fund</u>

Multnomah County owns 49 buildings, encompassing nearly two million square feet of space. Approximately 35% of this space is in buildings which are more than 70 years old. Essential maintenance and repair of these facilities has been deferred to the point where <u>more than **$24 million** in unfunded major maintenance and capital improvements</u> have been identified.

The Board of County Commissioners has adopted a policy of funding capital maintenance costs at approximately two percent of the historical cost of County buildings. The total value of County facilities stands at roughly $150 million. If we were to fund the Capital Improvement Program (CIP) at the level dictated by that policy we would need to spend **$3 million per year** on maintenance and repair projects.

The current budget reflects a renewed commitment to the CIP. In FY 94-95, a $750,000 surcharge was included in the charges established for the new Facilities Management Fund. In formulating the FY 95-96 budget we have allocated a **contribution of $1.5 million** which will be dedicated to "one-time-only" CIP projects. This forecast assumes this amount will be available on an ongoing basis in future years. Yet, even with this support, the CIP will fall short of the funding required to meet all of our identified needs.

The creation of a Five Year CIP and the inclusion of a dedicated revenue source in the budget reflects a major step toward meeting our deferred maintenance needs. However, the Board will be faced with a number of policy decisions related to capital projects and facilities/space requirements over the next few years.

The amount identified as necessary to meet unfunded maintenance and capital improvement needs ($24 million) does not include a projection of what it may cost to upgrade County buildings to meet the seismic code. A best guess figure of what this cost may be is in the ***range of $80 - 100 million***. It is unlikely this cost can be borne within existing revenues.

Some of the questions raised by these issues are:

> If growth in Count programs continues to occur as it has in recent years, how will we meet our additional space needs?
>
> Is it worthwhile, from a cost/benefit standpoint, to spend millions of dollars on facilities which are approaching one hundred years of age?
>
> Should the County continue to explore options for consolidation of administrative space?
>
> Given the advancement in information technologies, as well as the changing nature of the workforce, could the County stretch its existing space by promoting and encouraging "telecommuting?"
>
> As County services continue to move toward decentralized, neighborhood based centers can we partner with other organizations and service providers to help minimize our facilities costs?

The County is in the midst of a strategic space planning effort which will address these and related questions. The direction the Board of County Commissioners chooses to pursue in regard to this plan will necessarily impact future funding decisions. It is clear, however, that the County will not be able to meet its identified needs in the areas of maintenance and capital improvements within existing revenues.

Data Processing Fund

Access to information and ease of data retrieval is a critical component of the way the County does business and provides service to the public. Currently, the Data Processing Fund budget provides approximately $7.5 million per year for operation and maintenance of the County's mainframe computer, implementation and support of local area networks (LANs) and development of computer based applications.

Of the total $7.5 million budgeted in the Data Processing Fund, the General Fund accounts for slightly more than $5 million. In addition to this amount, departmental budgets **include more than $7 million** for the purchase of hardware, software and training/consulting services. Most departments also have personnel dedicated to personal computer support, network support and applications development.

Information technologies are changing rapidly. Within the past few years, personal computers have become the necessary "tools" with which County employees perform their job duties. Yet, most personal computing decisions are currently being made independent of uniform standards, without a plan for future information sharing and without a plan for how such decisions will be made in the future.

What are the cost implications of these decisions? Until recently, the County had no comprehensive information management plan. At the Board of County Commissioners direction a group was convened last year to begin thinking about these issues and develop a Strategic Plan for Information Technology. This committee is currently developing its recommendations for presentation to the Chair and Board of County Commissioners.

It is likely that any changes related to how the County manages and utilizes information will translate into additional costs for the General Fund. One of the key questions which must be addressed is "What balance should be sought between County-wide objectives and department specific needs?" How this question is answered depends primarily on the strategic direction the County chooses to pursue.

Appendix "A"

	FY 94-95 "CYE"	FY 95-96 Approved	FY 96-97 Projected	FY 97-98 Projected	FY 98-99 Projected	FY 99-00 Projected
Beginning Working Capital	**10,455,902**	**8,315,901**	**5,422,092**	**6,714,665**	**10,646,873**	**16,432,799**
Reappropriated Carryover	3,057,185	291,000	0	0	0	0
Uncommitted Carryover	5,348,717	4,414,901	312,092	104,665	2,536,873	6,822,799
Reserve Account	1,560,000	3,120,000	4,620,000	6,120,000	7,620,000	9,120,000
Inventory Account	490,000	490,000	490,000	490,000	490,000	490,000
General Fund Sources						
Property Taxes	90,120,223	98,862,356	103,489,042	109,762,033	116,386,653	123,535,971
Business Income Tax	25,515,588	27,423,148	28,382,958	29,376,361	30,404,534	31,468,693
Motor Vehicle Rental Tax	6,888,345	7,249,904	7,539,900	7,864,116	8,202,273	8,554,970
Other Taxes	232,877	73,157	73,157	73,157	73,157	73,157
Intergovernmental	11,534,217	12,389,248	12,755,956	12,964,940	13,179,788	13,400,668
Licenses & Permits	1,478,256	1,604,314	1,682,584	1,764,768	1,851,061	1,941,668
Service Charges	4,160,731	4,765,478	4,257,598	4,586,648	4,140,498	4,653,497
Interest	1,945,090	1,822,319	1,913,435	2,066,510	2,169,835	2,278,327
Other Sources	681,094	515,690	524,942	535,925	547,144	558,606
Service Reimbursements	13,263,375	15,350,402	15,872,409	16,443,815	17,052,237	17,683,169
Cash Transfers	1,748,581	1,235,550	1,235,550	1,235,550	1,235,550	1,235,550
Total GF Sources	**157,568,377**	**171,291,566**	**177,727,529**	**186,673,822**	**195,242,730**	**205,384,276**
General Fund Uses						
Juvenile Justice	12,475,810	14,886,731	15,392,880	15,947,024	16,537,063	17,148,935
Aging Services	1,300,862	1,408,238	1,456,118	1,508,538	1,564,354	1,622,235
Health Department	6,440,829	7,587,257	7,845,224	8,127,652	8,428,375	8,740,225
Community Corrections	1,452,567	3,564,663	3,685,862	3,818,553	3,959,839	4,106,353
District Attorney	9,208,785	9,798,182	10,131,320	10,496,048	10,884,401	11,287,124
Sheriff	39,452,575	41,554,489	42,967,342	44,514,166	46,161,190	47,869,154
Environmental Services	7,976,936	8,949,901	9,254,198	9,587,349	9,942,081	10,309,938
Nondepartmental	20,370,053	20,891,907	21,602,232	22,379,912	23,207,969	24,066,664
Cash Transfers	60,922,032	60,783,154	62,849,781	65,112,373	67,521,531	70,019,828
Total GF Uses	**159,600,449**	**169,424,522**	**175,184,956**	**181,491,614**	**188,206,804**	**195,170,456**
Available Contingency Account	**850,000**	**1,877,000**	**1,250,000**	**1,250,000**	**1,250,000**	**1,250,000**
Excess/(Deficit) Sources Over Uses	**(2,882,072)**	**(9,956)**	**1,292,573**	**3,932,208**	**5,785,926**	**8,963,820**
OTO/Carryover	**0**	**2,883,853**	**0**	**0**	**0**	**0**
Ending Working Capital	**7,573,830**	**5,422,092**	**6,714,665**	**10,646,873**	**16,432,799**	**25,396,619**
Uncommitted Carryover	3,963,830	312,092	104,665	2,536,873	6,822,799	14,286,619
Reserve Account	3,120,000	4,620,000	6,120,000	7,620,000	9,120,000	10,620,000
Inventory Account	490,000	490,000	490,000	490,000	490,000	490,000
Total Requirements	**168,024,279**	**179,607,467**	**183,044,956**	**190,851,614**	**199,066,804**	**207,530,456**

5-Year Projection of Scheduled Costs

	1994-95 CYE	1995-96 Projected	1996-97 Projected	1997-98 Projected	1998-99 Projected	1999-00 Projected
County School Fund	1,275,650	1,342,790	1,342,790	1,342,790	1,342,790	1,342,790
New Development	677,800	677,800	700,845	726,076	752,940	780,799
Library GF Subsidy	5,969,162	5,969,162	6,172,114	6,394,310	6,630,899	6,876,242
Revenue Reserve	3,120,000	3,120,000	4,620,000	6,120,000	7,620,000	9,120,000
Inventory Reserve	490,000	490,000	490,000	490,000	490,000	490,000
Contribution to Revenue Reserve	0	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Contribution to Infrastructure Improvements	0	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Tax Supervising	230,000	230,000	230,000	230,000	230,000	230,000
Dues/Assessments	310,909	310,909	321,480	333,053	345,376	358,155
OTO (Carryover)	1,043,685	0	0	0	0	0
BIT to Cities	2,741,390	2,879,430	2,980,211	3,084,518	3,192,476	3,304,213
Transfer to CIP Fund	2,760,032	746,532	771,914	799,703	829,292	859,976
Primary Election	0	400,000	0	400,000	0	400,000
Hotel/Motel Tax to Arts Commission	100,000	0	0	0	0	0
OTO (FY 94-95 Budget Only)	364,968	0	0	0	0	0
TOTAL SCHEDULED	**19,083,596**	**19,166,623**	**20,629,353**	**22,920,449**	**24,433,774**	**26,762,175**