

# Budget Manager's Message

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## Reader's Guide

### Volume 1 – Narrative Document

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

**Chair's Budget Message** – This section presents Chair Diane Linn's Budget Message to citizens, which highlights major issues, policies, changes in County services, and budget decisions for FY 04.

**Summaries** – This section includes the Budget Manager's Message, which provides an introduction to the budget, explains the major issues affecting budget decisions, and offers a summary of resources and requirements.

**Service Area Groups** – The budget and operations of the County are structured around the following service areas: Public Safety (the Sheriff's Office, the District Attorney, and the Department of Community Justice); Health and Human Services (the Health Department, the Office of School and Community Partnerships, and the Department of County Human Services) and General Government (the Library, Nondepartmental entities, and Business and Community Services).

**Department Budgets** – Within the Service Area Groups are the department-specific budgets. These sections include:

#### Table of Contents

- Department Services (a description of each department and what it does)
- How the Department Delivers Its Services
- Department Organization
- Budget Issues and Highlights (a review of some of the revenue and expenditure concerns affecting the department this year)
- The FY 04 Budget, with budget trends, costs by division, and staffing by division
- Division Description (the purpose, responsibilities, and services of each division within a department)
- Action Plans (what the division expects to accomplish during the coming fiscal year)
- Significant Budget Changes for each division (detailing efforts at streamlining processes and implementing shared services)
- Budget Trends (a table showing how the division allocates resources by major category—Personal Services, Contractual Services, Materials and Supplies, and Capital Outlay)
- Program Narrative (a description of each program in the division, with FY 03 and FY 04 staffing summaries)

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**Capital Budget** – This section includes an introduction to the County's Capital Improvement Plans and explains the decision process for funding both capital projects and projects within funds such as Asset Preservation or Transportation.

**Financial & Budget Policies** – This is a summary of the County's financial policies. It explains the background for the policies and has a statement of the policy directions approved by the Board of County Commissioners.

**Appendices** – Appendices include economic and demographic information as well as information on Multnomah County's governance structure. This information will help the reader understand the environment in which decisions are reached. The section also includes information on the basis for accounting (which details funds and their uses), a glossary, the detail of service reimbursement between funds, and the detail of cash transfers.

## Volume 2 – Detail Document

This document displays the object code information for each major County division; the personnel information for those divisions; and a financial summary with revenue information for each income source as well as summaries of revenues and expenditures for each fund in the accounting. Also included is a Financial Summary Section which provides a categorical review of expenditure and revenues by Fund by Department.

## Where to Find Other Financial Information

**Consolidated Annual Financial Report** – this reports actual County revenues and expenditures for the last completed fiscal year, discusses financial policies, and provides demographic and economic information about the region. The CAFR, required by state statute, is prepared in accordance with GAAP (Generally Accepted Accounting Principles). It reconciles differences between the budgetary basis – as presented in the annual Adopted Budget – and the modified accrual method used for the CAFR.

**Tax Supervising and Conservation Commission Annual Report** – this discusses the property tax system and taxing levels for all governments in Multnomah County; as well as, summarizing budgets and actual revenues and expenditures for all governments in Multnomah County.

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

**The Progress Board Benchmarks Web Site** – this contains data and graphic information about benchmarks obtained through surveys and other analysis: [www.p-m-benchmarks.org](http://www.p-m-benchmarks.org).

# Budget Manager's Message

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## Budget Manager's Message

The FY 04 Adopted Budget has been developed in the most challenging economic climate of the last two decades. Across the nation, local and state governments are experiencing deficits, and communities are facing major service reductions. In Oregon, the State held six special sessions in the last year to rebalance the budget, as the forecasted drop in income tax grew with each quarter. State actions affected counties and schools throughout the state, with the Portland Public Schools facing a loss of up to 20 school days.

### Introduction

Locally, the downturn has affected the County budget in two ways. First, growth in the major sources of General Fund revenue has slowed or declined in absolute terms. In FY 03, property values grew 1.5%, the lowest rate in 20 years, and Business Income Tax continued to decline. BIT collections are estimated to be 15% below the level assumed in the FY 03 budget. Revenue from the BIT has declined in each of the past four years. The estimate for FY 03 represented a 12% decline from actual receipts in FY 02.

Second, state revenue shortfalls resulted in almost \$13 million in County program reductions in the last six months of FY 03. If these reductions continue in FY 04, the annualized impact will be almost \$30 million, devastating services to seniors, the mentally ill, and the uninsured. Even as revenue decline is forcing program reductions, demand for County health and human services is increasing as residents lose jobs and benefits.

In the face of this difficult climate, the Chair and Board have provided the leadership to aggressively pursue strategies to address the County's financial situation while collaborating with the City and school districts to propose a solution to the crisis in school funding.

### Budget Process Overview

The FY 04 Adopted Budget is the product of work that began in September, 2002. The following is a summary of major events and milestones:

**September:** The FY 04-08 General Fund Forecast was presented. After adopting an FY 03 budget with \$13 million in reductions, the Forecast predicted a \$30 million shortfall for FY 04. The Chair proposed a community dialogue on budget priorities.

**October:** The FY 03, 1<sup>st</sup> quarter financial review projected a \$19 million shortfall for the current budget year resulting from the low growth in property values and continued BIT decline. The community dialogue was refocused on developing a strategy to rebalance the FY 03 Budget.

**November:** Voters authorized a five-year serial levy for the County Library system. In addition, Portland voters approved local levies for Parks and the Children's Investment Fund. Four community workshops on budget priorities were held between November 13<sup>th</sup> and the 20<sup>th</sup> in different locations around the County. Over 500 people engaged in a group exercise to craft a \$20 million budget reduction strategy based on \$36 million in program choices.

# Budget Manager's Message

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**December:** Based on the community workshop results, the Board adopted over \$16 million in one-time and ongoing program reductions to rebalance the FY 03 Budget with the remaining gap filled by General Fund reserves.

**January:** To close the remaining shortfall projected for FY 04 and restore General Fund reserves, departments were directed to prepare budgets designed to save \$23 million. Department directors met with the Chair to discuss issues and priorities for FY 04. State Ballot Measure 28, a temporary income tax increase for schools and other public services failed state-wide but was passed by Multnomah County voters.

**February:** Departments submitted their budget requests and met with the Chair to discuss impacts. School districts made plans to cut up to 20 days from the calendar. The County Chair and the City's Mayor began mobilizing the community to develop a local strategy to avoid major school and public service impacts, resulting from the loss of State funding. The Board adopted recommendations to reform the Business Income Tax and establish a county payroll tax.

**March:** The County Board and Portland City Council crafted a proposal to restore funding for county schools and aid County public safety, health, and human service programs. The proposal for a three year, 1.25% income tax paid by county residents was approved by voters on May 20<sup>th</sup>.

The above timeline summarizes actions the Chair and Board have taken to implement the following strategies, upon which this budget is based:

- Bring County spending in line with projected revenues, preserving the core public safety system and services to the most vulnerable citizens.
- Reform the Business Income Tax to improve the County business climate and increase the stability of this source of revenue.
- Address community-wide funding needs caused by State budget reductions.

## Executive Direction

*Commitment to the Voters, to Public Safety, & to Stretch the Safety Net for Kids and Seniors*

In addition to the strategies mentioned above, the FY 04 Adopted Budget reflects the following policy priorities:

- Provide sufficient funds to support a framework for a rational public safety system.
- Stretch the safety net to provide stop-gap measures for health and human service systems including those for Early Childhood, School-Aged Children, and Seniors.
- Restore General Fund Reserves.
- Meet the commitment to voters regarding the Library levy.
- Meet the commitment to voters regarding the Personal Income Tax Measure.

# Budget Manager's Message

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## *Additional Reductions to Non- Public Safety Departments*

To prepare a budget balanced within projected revenue, departments were asked to prepare General Fund budgets 10% below FY 03 current service levels, for a total reduction of approximately \$23 million. After reviewing the department submittals in February and determining the scope of impact to the public safety system, the Chair directed non-public safety departments (County Human Services, the Office of School and Community Partnership, Business and Community Services, the Library, and the Nondepartmental entities) to prepare additional reductions of 7.5%, equating to approximately \$8.0 million. \$6.5 million was reallocated to maintain critical components of the public safety system.

## *School-Aged Policy Framework (SAPF)*

On February 6, 2003, after a two-year research and public involvement process, the Board adopted the School-Aged Policy Framework (SAPF) to align all school-aged service programs led by the Office of School and Community Partnerships (OSCP).

Since February 6th, OSCP has led a public involvement process to determine the implementation of the 11 SAPF policies. These recommendations will improve how Multnomah County delivers programs and services for school-aged youths and families in four key ways in order to:

- Make service delivery more efficient and effective.
- Create an integrated system of care that is geographically coordinated with other jurisdictions.
- Enhance delivery of services to culturally specific populations.
- Ensure equity countywide and align service boundaries.

The County is undertaking this process during a time of great fiscal uncertainty. The first phase of implementation will be tied to available resources, and the County will work further towards its SAPF goals as resources become available. Starting in FY 04, changes that will be visible to youths and families include: more accurate information and referral information; access to more school-based health and mental health services and more family involvement in schools.

## *In Conclusion*

State funding for schools, human services, and public safety in Multnomah County has been severely cut. School districts have cut programs and days. Senior citizens and low-income families have lost necessary medications and housing assistance. Inmates have been released from jail early.

# Budget Manager's Message

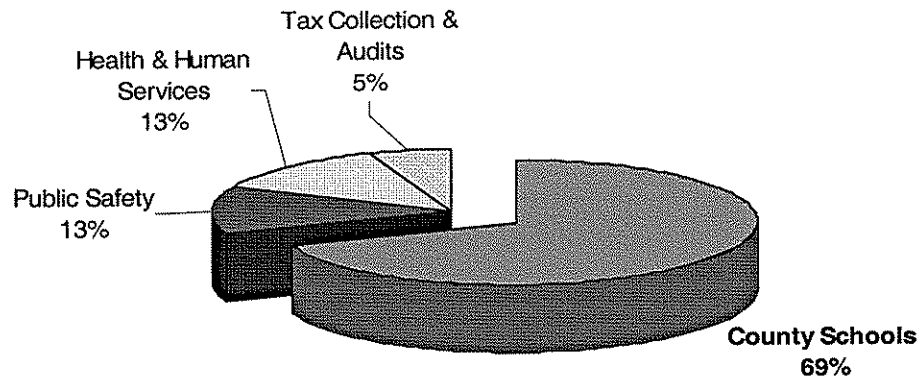
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## Multnomah County Temporary Personal Income Tax Measure (26- 48) to Voters May 20, 2003

In March 2003, the County adopted a resolution to submit to the voters an ordinance to levy a temporary Personal Income Tax to benefit Public Schools, Public Safety, and Human Services. Measure 26-48 was approved by the voters on May 20, 2003. It will enact a 1.25% income tax, estimated to raise between \$128 and \$135 million annually. The tax will be in place for three years. For additional information regarding the temporary Personal Income Tax please see the Appendix beginning on page 55.

The following graph illustrates how temporary Personal Income Tax funding is allocated in the budget.

**Temporary Personal Income Tax Distribution  
(\$128 Million)**



## Services Restored by the Personal Income Tax

This three-year tax will allow the County to help public schools close their funding gaps and to restore some basic local services in public safety, health, mental health, and services to seniors and the disabled. Nearly 70% of the revenue will provide funds for the eight (8) County school districts, while about 26% will provide funds for senior services, the mentally ill, low-income health care, and public safety. The Board identified the following services as those to be supported by the measure:

- Housing and living assistance to seniors and the disabled;
- Prescription drug assistance for low-income seniors;
- Emergency mental health services;
- Health, mental health, and addiction treatment for offenders, to help reduce recidivism;
- Restoration of jail beds;
- Juvenile justice and gang services;
- Sheriff's deputies;
- Alcohol and drug treatment for repeat offenders.



# Budget Manager's Message

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## Opportunities, Risks, and Other Considerations

The FY 04 Adopted Budget is based on the best information available at the time of development. After adoption in June, information may come to light that will require amending the budget. Potential changes include:

### Revenue:

State Revenue – as the Legislature moves towards completion of the FY 05 biennial budget, there may be additional information about State reductions.

### Expenditures:

PERS Reform – The Legislature has passed several bills that alter the Public Employee Retirement System. Some have the potential to reduce the cost of PERS. The Board has not taken any actions in the adopted budget to capture savings related to reduced PERS costs, pending the outcome of legal challenges to legislative decisions made about PERS.

## Oregon Budget Law

This budget is also governed by Oregon Local Budget law (ORS Chapter 294), which requires local governments to adopt balanced annual budgets by June 30 for the next fiscal year, and prescribes a citizen participation process for the review of the budget proposals. This process includes public hearings, notice requirements, and taxation requirements and limits. Multnomah County works hard to ensure compliance with all aspects of Oregon law.

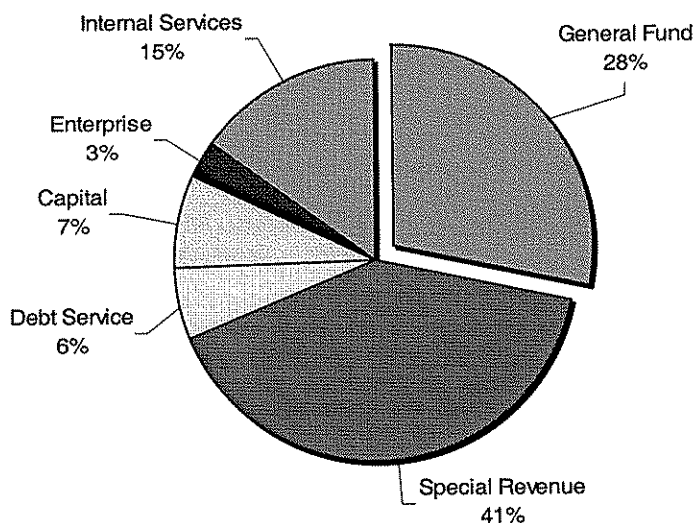
# Budget Manager's Message

## FY 2004 Budget Overview

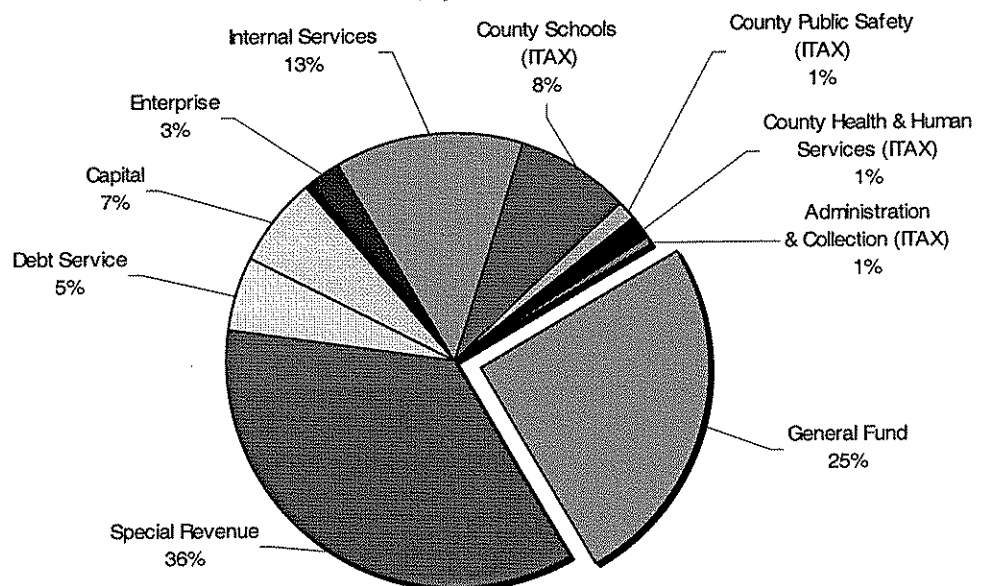
The FY 04 Adopted budget, including the \$128 million of Temporary Personal Income Tax funding, totals \$1.09 billion, an increase of \$65 million from the FY 03 Adopted budget. However, the total increase is illusory because it includes \$89 million in Temporary Personal Income Tax funding that will be passed through to County Schools. Additionally, the Budget includes \$9.2 for the Children's Levy passed by the City of Portland.

The following graphs illustrate the County's financial resources with and without Measure 26-48.

**FY 04-All Funds**  
*(Excludes Personal Income Tax)*  
**\$969.6**



**FY 04-All Funds**  
*(Includes Personal Income Tax)*  
**\$1,097.6**

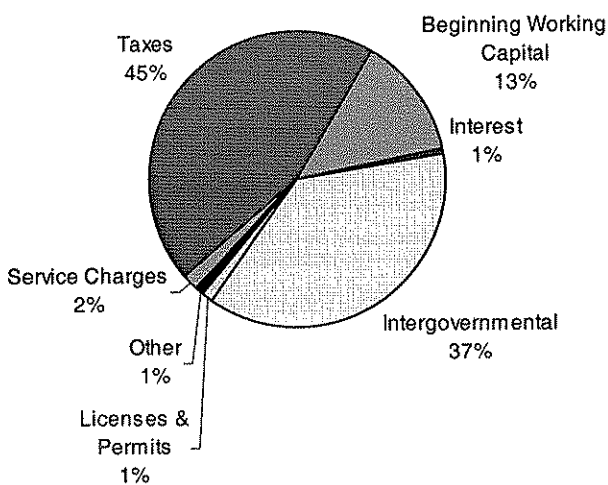


# Budget Manager's Message

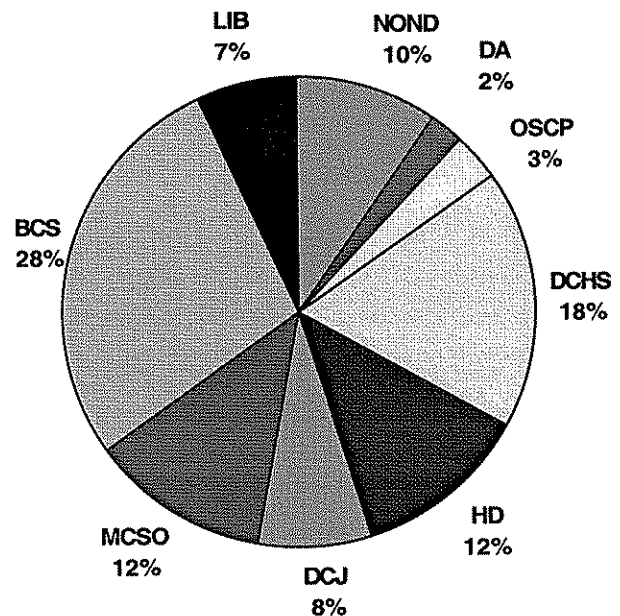
State of Oregon Local Budget Law requires a reporting of the total budget, including total operating costs and internal transactions between funds. The total budget figure overstates actual program expenditures because internal transactions are counted twice. Internal transactions between funds are typically the result of one department providing a service to another, such as information technology or facilities services. Because this overstates what is actually spent, the County often refers to the net budget. The net budget is a more accurate statement of the amount of money the County actually plans to spend during the year.

- Total current revenues (the money actually available to the County for spending) \$ 905,296,498.
- Total departmental expenditures (including payments from one fund to another and therefore double-counted), \$1,046,205,668.
- Eliminating the double count from internal transfers, contingency and reserves the Total County Net Budget is \$860,168,488.
- Total Contingency accounts and Reserves, \$51,448,342.
- The following graphs show the major revenue sources including the Temporary Personal Income Tax and the distribution of expenditures among departments.

**FY 2004 Revenues - All Funds**



**FY 2004 Requirements - All Funds**



# Budget Manager's Message

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## General Fund Overview

The County's General Fund is comprised of resources categorized as discretionary and non-discretionary. Discretionary resources are those that the Chair and Board of County Commissioners can allocate to support any department. There are few restrictions on how these resources can be allocated.

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

General Fund resources are also categorized as ongoing or one-time-only. An example of a one-time-only resource is a major donation or payment from the settlement of a lawsuit. An example of an ongoing resource is an increase in property tax revenues which is expected to be sustained over time.

In FY 04 the General Fund includes \$128,000,000 in revenue from the Temporary Personal Income Tax approved by the voters in May, 2003. The Temporary Personal Income Tax will raise \$89 million in revenue to support of county school districts and also provide funding for county programs in the areas of Public Safety and Health and Human Services that would otherwise have been cut from the budget.

The Temporary Personal Income Tax is set at a rate equal to 1.25% of Oregon taxable income for a period of three years. The tax proposal provides a \$2,500 exemption for single taxpayers and a \$5,000 exemption for joint filers. It also provides a "severability clause" in the event that the legislature provides funding to restore the services and programs being supported by the tax.

The Department of Revenue (DOR) has estimated the Temporary Personal Income Tax will generate between \$128 million and \$135 million annually for the years the tax is imposed.

# Budget Manager's Message

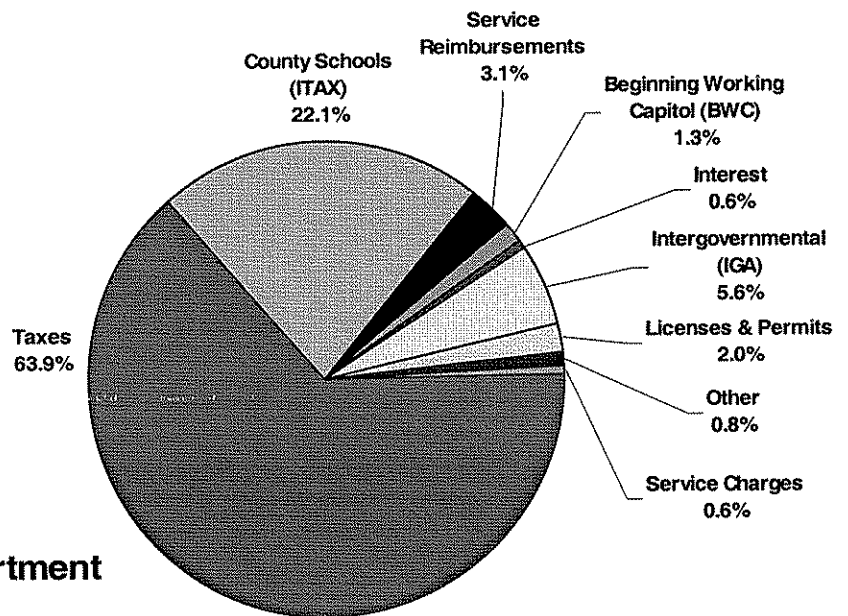
## General Fund Spending and Revenues

The following is an overview of the FY 04 General Fund:

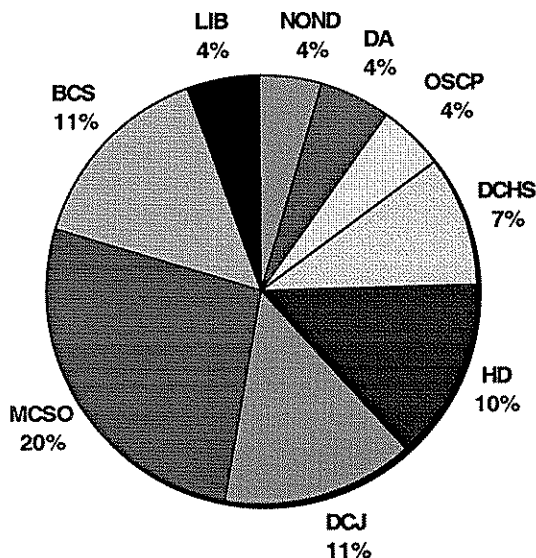
- Total current General Fund revenues, \$402,216,589.
- Total departmental expenditures (including cash transfers to other funds), \$390,223,972.
- Total Contingency accounts and Reserves, \$11,992,617.
- Temporary Income Tax Revenues, \$128,200,000.

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

**FY 2004 Revenues - General Fund**



**FY 2004 Spending by Department  
General Fund**



# Budget Manager's Message

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## General Fund Revenues

Overall, General Fund resources increased by \$97,802,272. The following description highlights the changes within the major resource categories.

### Multnomah County Temporary Personal Income Tax

Multnomah County voters have passed a 3-year increase in the Temporary Personal Income Tax. This tax is anticipated to raise:

- \$89 million for County Schools;
- \$16 million for Public Safety;
- \$16 million for Health and Human Services; and
- \$7 million for tax administration, collection and audits.

The rationale behind this measure is to provide a bridge to better economic times; there are no guarantees, however, and the Chair's Office will direct public safety partners to redesign the system to better reflect anticipated reduced resources by FY 07.

### Property Taxes

Property taxes are Multnomah County's largest single source of revenue. In 1998, Measure 50 established a permanent property tax rate for each local government. Multnomah County's permanent tax rate is \$4.3434 per \$1,000 of assessed value. As assessed value grows, the taxes collected by Multnomah County also grow. Assessed value grows in two ways:

- For most properties, it can grow no more than 3% annually;
- New construction is added above the 3% maximum growth existing property tax accounts.

The FY 04 Budget assumes that assessed value will grow by slightly less than the constitutionally-limited 3%. This translates into a 2.6% growth in property tax revenues or \$4,659,000 additional dollars to the General Fund (above FY 03 estimates). This projection is below the experience of the past several years.

### Business Income Tax

The Business Income Tax (BIT), established in 1976, is the second largest source of revenue in the General Fund. Since 1993, it has been set at a rate of 1.45% of net income. In March, 1998 voters in Multnomah County passed a temporary .50% BIT surcharge. Proceeds from this surcharge were dedicated to school districts within the county.

In FY 98, the BIT generated approximately 15% of total General Fund revenue. A number of factors, primarily related to the condition of the regional economy, have contributed to an absolute decline in BIT revenue over the past four years. As the table below indicates actual collections fell below (or are projected to fall below) budgeted estimates in every year since FY 00.

BIT revenues have, on average, *declined by about 10% annually* during this period. The gap between projected and actual BIT revenue has been the key factor in the General Fund rebalancing processes that have occurred during the past two budget cycles.

# Budget Manager's Message

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## Annual BIT Collections

*Excludes Temporary Surcharge Passed Through to County Schools*

	Budget	Revised	Actual	% Change
98-99	36,660,000	36,660,000	36,593,000	
99-00	36,590,000	36,590,000	34,200,000	-6.54%
00-01	42,682,000	34,030,000	30,011,000	-12.25%
01-02	37,177,000	30,240,000	26,858,000	-10.51%
02-03	29,635,000	25,190,000	23,708,000	-11.73%
03-04	25,075,000			

Note:

FY 02-03 Actual is Estimated "Low" Collections Based on 2nd Quarter Forecast

The BIT forecast for FY 04 was developed based on the assumption that the current tax structure would remain in place. A *Community Partnership Agreement* was entered into in November, 2001 to study the impacts of business taxes in Portland and Multnomah County. That committee was charged with developing recommendations to reform the existing tax structure if the members believed it was necessary.

It was also a goal of the committee that any recommended changes be "revenue neutral" to both the city and county. The FY 04 BIT estimate is conservative and it reflects the concept of revenue neutrality. Collections are forecast to be about even with the FY 03 revised estimate.

## BIT Reform

On March 13, 2003, the Board of County Commissioners adopted Resolution 03-036 accepting the recommendations of the committee formed by the Community Partnership Agreement. A steering committee consisting of all parties to the agreement and representatives of other private sector industries and non-profit organizations was appointed to guide the process. That review process has been completed and the following recommendations made:

- Portland's Business License Fee (BLF) and Multnomah County's BIT should be replaced with a two-source business revenue mix.
- Approximately **60%** of current revenue would be generated from a city BLF measured by payroll and a county payroll tax.
- Approximately **40%** of current revenue would be generated from a city BLF and the county's BIT based on net income.

The committee further recommended that the individual liability for any business be limited for each of the two component pieces. Under this proposal no business would pay more than \$50,000 to the city and \$50,000 to the county from the payroll based tax. Likewise, no business would pay more than \$15,000 to the city and \$15,000 to the county for the net income based tax.

# Budget Manager's Message

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These recommendations will be tested during the summer to determine the potential impact to businesses within the city and county. The Chair will report those results to the Board of County Commissioners by September 1, 2003. The Board will consider that report, in addition to other relevant information, and take action as it deems appropriate.

## Transient Lodging Tax and Motor Vehicle Rental Tax

The County imposes a Transient Lodging Tax (a tax on hotel and motel occupancy) and a Motor Vehicle Rental Tax. The Transient Lodging Tax is collected and transferred to Metro for the operating costs of the Convention Center. A portion of the Motor Vehicle Rental Tax is a General Fund resource, with the balance also used to support the Convention Center. The Motor Vehicle Rental Tax is expected to continue to decline as a result of reduced traffic at the Portland International Airport.

In 1998, Metro proposed to the voters a regional general obligation bond to expand the Convention Center. The proposal was defeated. In 1999, in collaboration with the City of Portland and Metro, the County increased the rates of both the Transient Lodging Tax and the Motor Vehicle Rental Tax, dedicating the proceeds to the expansion of the Convention Center. The proceeds are now used to retire debt issued by the City of Portland and to provide additional operating support to the expanded Convention Center.

## Balancing the General Fund: *the Shortfall*

In October, 2002 the first-quarter General Fund forecast revealed that FY 03 revenues would not support budgeted expenditures. That forecast indicated an \$18 million gap that required the County to undertake a mid-year rebalancing process for the second consecutive year.

In addition to the current year gap, the forecast also showed a widening of the "current service level" gap that had been assumed at \$20 million when planning for the FY 04 budget began. The forecast results increased the FY 04 shortfall to nearly \$30 million which also included an assumed loss of state Department of Corrections (DOC) revenue.

The shortfall was brought about by a combination of factors. The following table highlights the differences between the original revenue forecast for FY 04 and the October forecast.



# Budget Manager's Message

GF Revenue	Adopted FY 02-03	9/6 Forecast FY 03-04	10/11 Forecast FY 03-04
BWC	\$ 15,480,000	\$ -	\$ -
Property Taxes	182,473,000	187,794,000	183,293,000
BIT	29,635,000	29,000,000	25,075,000
Motor Vehicle Rental Tax	12,547,000	12,214,000	12,098,000
SB1145 Reimbursement	10,281,000	10,250,000	10,250,000
Assessment & Taxation	8,774,000	8,528,000	8,953,000
Service Reimbursments	13,155,000	7,744,000	7,355,000
State Shared Revenue	6,627,000	6,857,000	7,095,000
Fed Detention Reimbursement	5,288,000	5,288,000	5,288,000
Interest	4,500,000	3,675,000	3,675,000
Health Inspections and EMS	2,875,000	2,981,000	2,889,000
Subtotal - Major Sources	291,635,000	274,331,000	265,971,000
All Other GF	12,779,000	11,518,000	11,200,000
<b>Total - General Fund</b>	<b>\$ 304,414,000</b>	<b>\$ 285,849,000</b>	<b>\$ 277,171,000</b>

## Balancing the General Fund: *the Process*

In order to balance estimated, ongoing revenues to General Fund expenditures, all departments (with two exceptions) were asked to take a 10% reduction from their assumed FY 04 discretionary spending levels.

The constraint reductions requested from departments balanced expenditures and revenues in the General Fund. Total General Fund constraint reductions were estimated at about \$22 million. In addition, there was roughly a \$6 million reduction in DOC revenue budgeted in the Federal & State Program Fund. That shortfall was absorbed by the Department of Community Justice and the Sheriff's Office.

During the development of the constraint targets for Departments, it became clear that the reductions to Public Safety programs (DA, Community Justice, Sheriff) were too large to support a functional justice system. In addition to the General Fund reductions these departments were also impacted by the state budget shortfall to such an extent that they could not be backfilled with local funds.

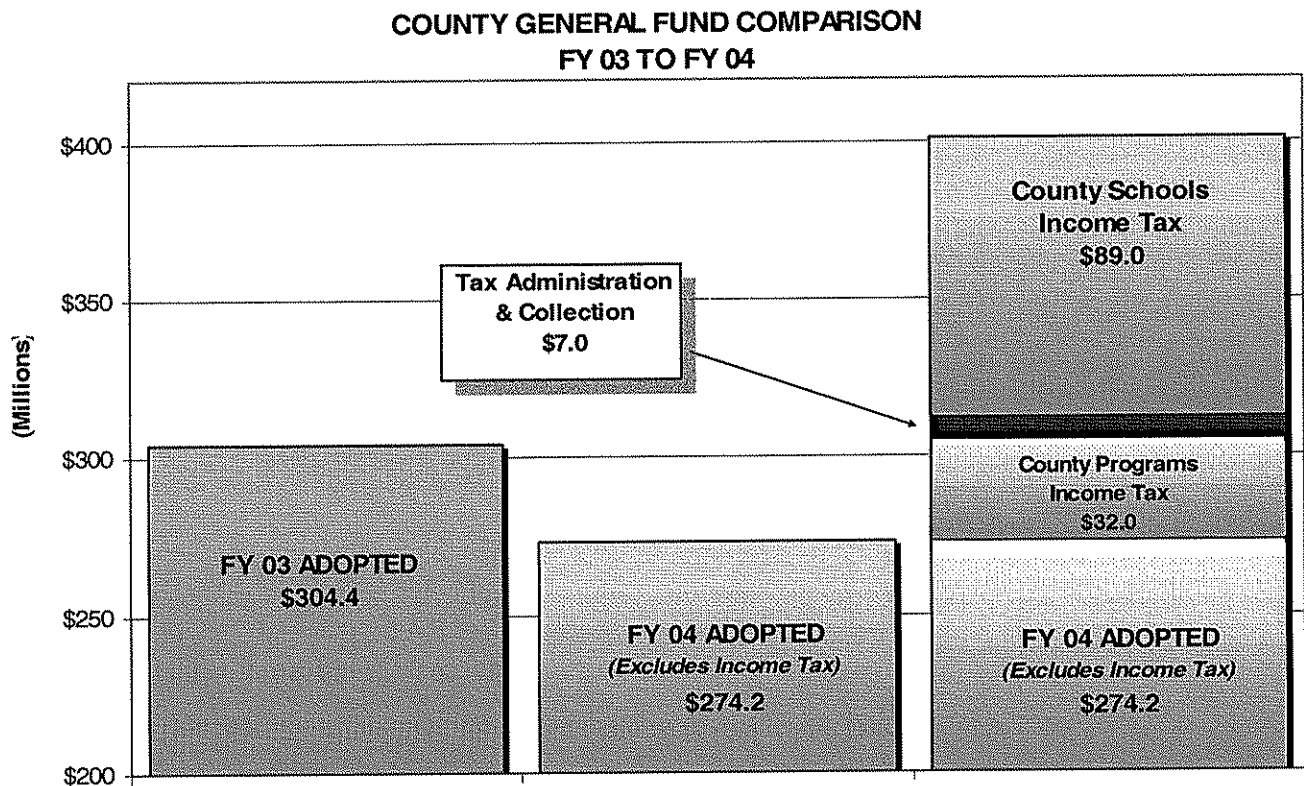
In response to the priority that Chair Linn has placed on public safety, the General Government and Health & Human Services programs were asked for an additional 7.5% in reductions that were redistributed within the Public Safety programs.

# Budget Manager's Message

## General Fund Expenditure Summary

With passage of the Temporary Personal Income Tax passes in May, General Fund spending will experience a net increase of approximately \$98 million over the FY 03 Adopted budget. However, it is important to note that of this \$98 million, \$89 will be passed through to county school districts and \$7 million is estimated to be used for tax collection and administration. Thus, the County's General Fund will increase negligibly by \$1.8 million or 0.6% over the FY 03 Adopted budget.

The following shows the General Fund appropriation from FY 03 Adopted to FY 04 Approved with and without the Temporary Personal Income Tax.



## Changes to Programs

The following is a brief summary of changes to department General Fund programs. For more detail consult the department sections of this document.

### Public Safety Group

The departments comprising the Public Safety Group reduced their budgets from FY 03 Adopted to FY 04 target by a total of \$21.5 million. The resulting cuts were so deep they diminished the ability of the Public Safety System to function coherently. The Chair directed the District Attorney, Community Corrections Director, and Sheriff to develop a joint recommendation to rationalize the system in order to maintain its ability to address the most serious juvenile and adult offenders.

# Budget Manager's Message

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*Based on offender streams, the public safety system needed a minimum of \$6.5 million restored to cover a majority of the first two offender streams.*

This group prioritized its recommendations based on offender streams beginning with:

- Serious Person Crimes
- Repeat Property Offenders
- Community Service and Sanctions
- Substance-Abuse Related Issues

Based on offender streams, the public safety system needed a minimum of \$6.5 million restored to cover a majority of the first two offender streams. The funding was reinstated by making additional reductions in other non-public safety departments. Passage of the Temporary Personal Income Tax will essentially restore the system to pre-FY 03 reductions.

One key to the Public Safety System is the requirement that the State restore funding for indigent defense. As a result of the state cuts to the criminal justice system, Multnomah County Courts took steps to manage the reductions to the system in February 2003. These changes included temporarily decriminalizing some offenses and handling probation violations without lawyers or judges. The State judicial system lost \$21.4 million for court operations in the 01-03 biennium. The system also faced a \$9.1 million deficit in the indigent defense fund, which the legislature reduced by \$22.4 million in special legislative sessions last year. As a result of cuts to indigent defense, the courts have delayed the prosecution of most nonviolent crimes (including offenses such as car theft) by closing for business on Fridays, and have stopped processing misdemeanor cases that did not involve injury to another person. If the State does not fully restore indigent defense, the Commissioners and the Public Safety leaders will need to redesign our Public Safety System.

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District Attorney	<b>FY 04 GF Exp: \$16,168,189</b> <b>FY 04 GF FTE: 158.57</b>	<b>FY 04 All Funds Exp: \$21,044,444</b> <b>FY 04 All Funds FTE: 216.63</b>
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## ***Personal Income Tax***

***FY 04 ITAX Exp: \$2,112,517      FY 04 ITAX FTE: 20.50***

Because of the Chair's commitment to preserving the integrity of the public safety system, many of the District Attorney's reductions based on the 10% targets were restored. However, the termination of federal grants supporting Community Courts, Neighborhood DA's, and Domestic Violence programs reduced outside support for these innovative programs. After reviewing the impacts to the DA's programs, the Chair restored \$595,122 to the District Attorney for prosecution of serious person felonies, felony domestic violence, and child abuse, as well as for the Westside Neighborhood Deputy DA.

# Budget Manager's Message

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Sheriff's Office	<b>FY 04 GF Exp: \$81,052,622</b>	<b>FY 04 All Funds Exp: \$117,566,457</b>
	<b>FY 04 GF FTE: 752.91</b>	<b>FY 04 All Funds FTE: 849.69</b>

***Personal Income Tax***

***FY 04 ITAX Exp: \$6,249,066      FY 04 ITAX FTE: 67.65***

The Sheriff's Office represents the largest single portion of the General Fund budget. The Sheriff's target for the 10% reductions was \$8 million. After reviewing impacts to programs and jail beds, the Chair restored \$4.4 million to the Department's budget. Effects of these reductions include the closing of 216 jail beds from current service levels, a reduction in law enforcement, and substantial reductions in administrative and support services.

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Department of Community Justice	<b>FY 04 GF Exp: \$43,526,603</b>	<b>FY 04 All Funds Exp: \$75,039,357</b>
	<b>FY 04 GF FTE: 318.88</b>	<b>FY 04 All Funds FTE: 558.65</b>

***Personal Income Tax***

***FY 04 ITAX Exp: \$5,900,209      FY 04 ITAX FTE: 54.60***

To meet the General Fund reduction and cover personnel cost increases, the Department of Community Justice consolidated field supervision by closing two offices (Peninsula and Logan), nearly eliminated the Community Justice Initiative, and reduced staff in juvenile detention, research and evaluation, information technology, and administrative functions. In order to maintain an effective Public Safety System, DCJ has had to balance the need for supervision of the highest-risk offenders, the need for offender treatment, and the ability to sanction youthful and adult offenders—all while dealing with the reality of fewer resources.

# Budget Manager's Message

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**Health & Human Services Group**     The Health and Human Services group prepared \$13.2 million of expenditure reductions, including the annualized ongoing cuts from the FY 03 midyear rebalance and the 10% FY 04 General Fund target. Based on the Chair's direction, an additional \$4.4 million was requested to help offset the reductions to the Public Safety System. Passage of the Temporary Personal Income Tax Measure would restore approximately \$16 million of cuts.

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<b>Health Department</b>	<b>FY 04 GF Exp: \$41,282,113</b>	<b>FY 04 All Funds Exp: \$112,074,241</b>
	<b>FY 04 GF FTE:</b>	<b>FY 04 All Funds FTE: 916.80</b>

***Personal Income Tax***

*FY 04 ITAX Exp: \$3,162,559     FY 04 ITAX FTE: 28.27*

The Health Department met its General Fund reduction of \$7.9 million through a combination of new revenue, reductions in programs, administrative reductions, and position savings. Some reductions, like the positions savings, are temporary. The majority of the cuts are ongoing service reductions. The Health Department has a \$2 million unspecified reduction. During the May hearings they will bring forth a specific reduction proposal for the Board to consider.

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<b>County Human Services</b>	<b>FY 04 GF Exp: \$29,708,920</b>	<b>FY 04 All Funds Exp: \$171,877,353</b>
	<b>FY 04 GF FTE: 60.36</b>	<b>FY 04 All Funds FTE: 540.26</b>

***Personal Income Tax***

*FY 04 ITAX Exp: \$14,410,000     FY 04 ITAX FTE: 53.50*

The County Human Services Department budget has been significantly affected by reductions in State funding, as well as by reductions from the General Fund (excluding the proposed income tax). State and Federal funding has fallen by \$23.8 million, or 14.5%. Without the income tax, the Department has reduced its General Fund budget by \$3.3 million from FY 03 service levels. Cuts include, but are not limited to:

- Cutting 170.08 FTE Department-wide.
- Elimination of the Kaleidoscope and Family Enhancement programs.
- Reductions in early childhood contracts, children's care coordination, and Bienestar.

# Budget Manager's Message

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Office of School and Community Partnerships	<b>FY 04 GF Exp: \$14,383,535</b> <b>FY 04 GF FTE: 15.93</b>	<b>FY 04 All Funds Exp: \$30,617,614</b> <b>FY 04 All Funds FTE: 73.63</b>
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***Personal Income Tax***

*FY 04 ITAX Exp: \$200,000*

*FY 04 ITAX FTE: 0.00*

The Office of School and Community Partnerships has been relatively insulated from the State of Oregon budget cuts due to its particular revenue streams. However, the Office has had to cut \$3.47 million in General Funds from FY 03 service levels. The cuts include, but are not limited to:

- Community & Family Service Center system (\$1,545,628)
- Homeless Youth System (\$229,120)
- Modification of the Touchstone program by reducing sites, moving to 10-month schedule, and reducing client assistance funds (\$399,041)
- Planning and Evaluation capacity (\$158,596)
- Early intervention screening (developmental disabilities) (\$146,658)

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**General Government Group**

The General Government group made \$3.2 million in reductions, including the annualized ongoing cuts from the FY 03 midyear rebalance and the 10% FY 04 target. Based on the Chair's direction, an additional \$2.1 million was requested to help offset the reductions to the Public Safety System. The Temporary Personal Income Tax would not restore any services or administrative support in the General Government Group. However, approximately \$7 million is budgeted to cover the cost of administering the Temporary Income Tax

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**Library**

<b>FY 04 GF Exp: \$16,841,893</b> <b>FY 04 GF FTE: n/a</b>	<b>FY 04 All Funds Exp: \$48,513,952</b> <b>FY 04 All Funds FTE: 489.00</b>
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The FY 04 Approved Budget includes the passage of the five-year operating levy on the May 2002 ballot. The budget includes a reduction in General Fund support of \$1.36 million from the Library's books and materials budget. This cut was taken in order to restore public safety programs in the Approved budget. There are no additions for the budget as part of the Multnomah County Temporary Personal Income Tax Measure.

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# Budget Manager's Message

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## Business & Community Services

**FY 04 GF Exp: \$43,822,137**  
**FY 04 GF FTE: 317.36**

**FY 04 All Funds Exp: \$258,901,442**  
**FY 04 All Funds FTE: 833.43**

### *Personal Income Tax*

*FY 04 ITAX Exp: \$6,855,312    FY 04 ITAX FTE: 3.50*

This department results from the FY 03 merger of the Department of Support Services and the Department of Sustainable Community Development. It has a wide variety of revenue streams and operates out of a number of funds. As part of the General Fund reductions, BCS reduced approximately \$2.4 million in expenditures and identified approximately \$485,000 in additional revenue.

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## Nondepartmental

**FY 04 GF Exp: \$103,283,143**  
**FY 04 GF FTE: 44.16**

**FY 04 All Funds Exp: \$177,882,312**  
**FY 04 All Funds FTE: 74.01**

The Nondepartmental section of the budget includes support for the Chair's Office, the Commissioners' offices, the County Auditor, the County Attorney, contracts with community organizations, and a number of debt service payments. Significant changes due to the General Fund shortfall affect the following areas:

- All Board of County Commissioner offices took an 8% budget reduction.
- The Citizen Involvement Committee budget was reduced \$33,821 and 0.5 FTE.
- All pass-through payments to non-County agencies were reduced by 10%. The Regional Arts & Culture Council took an additional \$25,000 cut, and payments to soil and water districts were eliminated.

Additions for the budget as part of the Multnomah County Temporary personal Income tax Measure are:

- \$89,610,000 to Multnomah County Schools.

The Nondepartmental budget also contains \$9.2 million in pass-through appropriations for the Portland Children's Levy, pending decisions about service delivery contracts.

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# Budget Manager's Message

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## Uncertainties & Challenges

Future decisions regarding Public Employee Retirement System (PERS), bridges, new jail operations, and State funding add some uncertainty to the County's financial future and need to be noted.

### PERS

A PERS lawsuit was filed in May 2000 on behalf of contributing public employers: the cities of Eugene, Portland, Roseburg, and Huntington; the counties of Lane and Multnomah; the Canby Utility Board; and the Rogue River Valley Irrigation District. In October 2002, Marion County Circuit Court Judge Paul Lipscomb ruled that the Public Employees Retirement Board (Board) had abused its discretion and improperly managed the retirement system.

The court ruled that the complaints of the petitioning employers relating to claims of mismanagement and abuse of administrative discretion were well founded. "As a direct result of the Board's improper management of PERS, particularly in recent years, there have been funding shortfalls which should not have occurred if the Board had been faithful to its duties under the statutes. These funding shortfalls have resulted in employer contribution rate orders which have been ratcheted up to levels which are disproportionately higher than they otherwise would be for the petitioning employers." Other aspects of the ruling were:

#### *Money Match on Variable Earnings*

- Employers challenged the Board's actions calculating the money match benefit for employees participating in the variable annuity program. The court agreed with the employers' position and ruled that the Board had improperly applied the money match calculation to the variable accounts. The Board was ordered to recalculate the employers' contributions and adjust rate orders accordingly.

#### *Outdated Mortality Tables*

- The Board was found to have been unlawfully calculating benefits using outdated mortality tables, which resulted in higher retirement benefits than if the Board had used more accurate and updated mortality factors. The court ordered the Board to comply with the actuarial equivalency requirement "immediately and fully." The court also ruled that PERS cannot charge employers for the cost of its past improper use of outdated mortality tables.

#### *Failure to Fund and Use the Contingency Reserve*

- State law requires the Board to fund and use a reserve account to fund unforeseen contingencies. The court found this law neither discretionary nor ambiguous, and stated that the Board's failure to follow it was improper. The Board was instructed to fund and maintain a Contingency Reserve.

#### *Gain/Loss Reserve*

- The Board "inexplicably failed" to fund the Gain-Loss Reserve Account with enough of the available 1999 earnings to meet its own goal of covering the Tier 1 guaranteed rate for 30 months of losses. "Why the Board's own articulated 30-month goal for this reserve account was not fully funded when the Board had an excellent opportunity to do so in a record breaking earnings year has never been adequately explained," the court wrote.

#### *Tier 1 Employee Allocations*

- Employers challenged the Board's action in crediting to the regular, non-variable Tier 1 employee account an amount more than double the statutorily guaranteed amount of 8%. (For the 1999 earnings year, the Board credited



# Budget Manager's Message

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Tier 1 accounts at 20%.) The court stated that the Board's practice was "clearly contrary" to the legislative policy and that the cumulative effect of the Board's practice had been to "drive up Tier 1 employee accounts to levels which are likely to be sustainable only at much additional expense to the employers for years to come." The Board, on remand, was directed to credit the extraordinary earnings in 1999 in a "much less aggressive, and in a much more prudent fashion."

## *Case Remanded to PERS Board*

- The Board was ordered to issue new employer rate orders for 1998 and 2000, and a new earnings allocation order for the 1999 investment year. As of April 21, 2003 the Board had not complied with the Court Order.

## *PERS Legislation*

Currently there are several bills proceeding through the 2003 legislature. These bills cover matters ranging from changing the governance of PERS, to terminating the system and beginning a new system, to making major changes to the current system. Some of the major bills currently being considered are:

- **HB 2001** – Caps the assumed actuarial interest rate at 8%. (This bill has passed both the House and the Senate and the Governor has signed it).
- **HB 2003** – Implements many of the items contained in Judge Lipscomb's court order. (The bill is being discussed in the PERS House Committee).
- **HB 2004** – Implements new mortality tables effective July 1, 2003. (The bill has been approved by the House and is being considered by the Senate.)
- **HB 2005** – Changes the PERS Board make-up from 12 to 5. (This bill has passed both the House and the Senate and the Governor has signed it).
- **HB 2020** – Creates a new defined-contribution retirement system for employees hired on or after January 1, 2004. (The bill has passed out of the PERS House Committee and is waiting to be voted on by the full House).

There are many more bills that impact PERS but these are the major ones.

## *Bridges*

Funding levels are inadequate to address future bridge rehabilitation and replacement. The 2001 state legislature enacted a one-time increase in transportation funding, the Oregon Transportation Investment Act (OTIA). Under OTIA, the County was awarded \$13 million for road and bridge projects. The County has also been successful in securing tens of millions of dollars in federal and state funds for bridge and road capital projects. Despite OTIA and these other funds, the gap continues to widen between capital and preservation needs and the resources available to address them. Federally funded projects require a local match, placing additional pressures on the County's transportation budget. The County estimates a shortfall of \$6 million in matching funds for replacement of the Sauvie Island Bridge alone. Securing funding for the replacement of the Sauvie Island Bridge is the County's highest transportation priority at this time.

# Budget Manager's Message

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## Wapato Jail Operations

The County has secured all necessary permits and has started construction of the Wapato Jail, expected to be complete in May 2004. However, the operating costs of the new jail are not currently funded. As a result of several recent tax levies approved by the voters (and the anticipated approval of the temporary personal income tax), it is unlikely that the Board will place a public safety levy before the voters. Over the next six months, the public safety system players will develop a plan to redesign the system, reallocating existing resources and finding potential new resources in order to fund the operation of the new jail facility.

## Asset Preservation and the Capital Budget

Beginning in FY 99, an Asset Preservation Fee was assessed to all County tenants based on space occupied. The fee is intended to pay for the replacement of major building systems as they reach the end of their useful life; it is the major ongoing source of revenue for the capital program. In FY 03, this fee was dedicated to be collected from and to support our Tier I buildings (buildings that are in substantial compliance with all applicable building codes and which have no required capital work). For FY 04 this fee will be \$1.65 per sq. ft. and is budgeted to collect approximately \$1.8 million from tenants of Tier I County buildings.

*Many needed capital projects remain unfunded. As a result, there is a planned escalation of 8% per year of the AP and CIP fees starting in FY 05.*

Also in FY 03, a Capital Improvement Project (CIP) fee was established and collected to support Tier II and Tier III buildings. This fee was also set at \$1.65 per square ft. Tier II buildings are not up to current building standards and may require substantial capital work but are determined appropriate for continued investment and long-term retention in the County facilities inventory. Tier III buildings are uneconomical or impractical for long-term retention, and will be analyzed to determine if they should be declared surplus and offered for disposition. For FY 04 this fee is budgeted to collect approximately \$1.8 million from tenants of Tier II and Tier III County buildings.

Facilities and Property Management has identified a current deferred maintenance and seismic liability of approximately \$100 million (which over the next fifteen years will grow to an estimated \$220 million) for County buildings now in operation. In addition, new sources of revenue will be needed to replace or repair important County buildings, such as the County Courthouse. Aggressively managing County building vacancies and the timely disposition or redevelopment of surplus properties will only marginally contribute to lowering this long term liability. Facilities and Property Management is continuing development of alternatives which will address departmental concerns, and long term funding issues.

# Budget Manager's Message

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## General Fund Reserve Status

The level of General Fund reserves is considered a fundamental measure of financial health and is closely monitored by credit rating agencies. The status of the General Fund's reserve account became critical at the end of FY 01 when it was clear that revenues had fallen substantially below projections.

In October 2001, the Board of County Commissioners adopted a policy setting a targeted reserve level equal to 10% of General Fund current revenue. The first 5% is maintained as an unappropriated balance in the General Fund, while the second 5% is held in a separate General Reserve Fund.

Reserve levels have yet to reach the 10% target. As the regional economy and (by extension) General Fund revenue collections have worsened, the reserve level has dropped in each of the past two years. Budgeted reserves dropped from \$10.1 million in FY 01 to \$4.5 million in the FY 02 Adopted Budget.

The FY 02 budget rebalancing process brought General Fund expenditures in line with projected revenues and restored \$4.6 million to reserves, leaving an ending fund balance of \$9.1 million at year-end. Revenue projections were revised downward again in FY 03, necessitating another rebalance process. Because of the severity of the General Fund shortfall, combined with declining state revenues, we are estimating that the *General Fund* will end the current year with a balance of about \$5.3 million.

The estimated FY 03 *General Reserve Fund* balance will total \$9.4 million. The FY 04 budget includes a \$1.037 million transfer of one-time-only revenues from the General Fund to the General Reserve Fund, bringing the total reserve in that fund to \$10.6 million. It is the goal of the County to continue funding the General Reserve Fund with one-time-only revenues until it is fully funded.

The following table highlights the budgeted reserves and shows the County's progress toward reaching the 10% goal established in the Financial & Budget Policies. Each 5% reserve equals about \$13.5 million based on estimated FY 04 revenues. It should be noted that the General Fund reserve calculation excludes approximately \$128 million in Temporary Personal Income Tax revenue.

	General Fund	Reserve Fund	Total Reserves
Target (10% of GF Revenue)	\$ 13,500,000	\$ 13,500,000	\$ 27,000,000
Estimated Available @ 6/30/03	5,345,718	9,400,000	14,745,718
FY 03-04 Budget Additions	4,794,282	1,137,000	5,931,282
Assumed Available @ 6/30/04	\$ 10,140,000	\$ 10,537,000	\$ 20,677,000
Required to Fully Fund Reserves	\$ 3,360,000	\$ 2,963,000	\$ 6,323,000

# Budget Manager's Message

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## New Fund, Children's Levy

In the November 5, 2002, general election, City of Portland voters approved a local option property tax levy. The levy called for the creation of the Children's Investment Fund, targeted to make investments within the City in proven programs in early childhood development, after-school and mentoring activities, and prevention of child abuse and neglect. The City and County have entered into an intergovernmental agreement whereby the County will manage and administer the contracts for these services. A new fund will be established to clearly identify revenues and expenditures associated with the administration of these funds.

## Allocation of Administration

In FY 03, administrative costs were recovered through direct charges to programs. This practice had the effect of obscuring administrative costs within programs. For FY 04, administrative charges will be recovered through an indirect rate, as was the County's practice prior to FY 03, and shown separately as program costs within divisions.

## Longer-Range Considerations

Future considerations and long-range goals include:

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

## Changes in the Adopted Budget

During the budget process, the Board considered a number of amendments to the proposal. The majority of the amendments made technical changes and corrections to program budgets; descriptions can be found in specific department narrative sections of the budget. The following, however, are program changes approved during the budget adoption process:

- Reduced cost-of-living salary adjustments (COLAs) for non-represented employees from 2.5% to 0.5%, consistent with the change in the Portland-area Consumer Price Index (CPI). This change reduced General Fund personnel costs by \$428,367, and reduced personnel costs in all other funds by \$741,107. General Fund savings were re-allocated to program restorations.
- Restored \$72,610 to maintain and enhance the DSS-Justice information technology project.
- Provided \$80,000 one-time-only "bridge" funding for the Gateway Children's Campus residential program that is run by the Christie School.
- Restored \$46,000 for the Rockwood dental clinic.
- Restored \$116,130 for the HIV Prevention program and \$7,000 for pharmaceuticals in the County's sexually-transmitted disease (STD) clinic.

# Budget Manager's Message

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- Restored \$250,000 to provide health services in the Brentwood-Darlington area.
- Restored \$25,000 to Elders In Action for its Ombudsman program.
- Provided one-time-only funding of \$24, 790 to the East & West Multnomah Soil & Water Conservation Districts for administrative support.
- Restored \$177,871 for Clearinghouse vouchers.
- Restored \$25,000 for Court Care (day care services) and added an additional \$25,000 currently allocated for this service in the state budget.
- Restored workforce development services at Southeast Works.
- Restored \$100,000 for Homeless Youth programs.
- Restored \$47,000 for SE Works.
- Restored \$58,897 for Willow Tree and Turning Point to offset reductions in state revenue.
- Restored \$82,000 for the Teen Parent program.
- Restored \$100,000 for Domestic Violence related programs.
- Provided \$25,000 for Early Intervention.

# Budget Manager's Message

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## The Budget Process

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

- To provide standard procedures for preparing, presenting, and administering local budgets; and
- To ensure citizen involvement in the preparation of the budget.

## Local Budget Law

Budgeting in Oregon is a collaboration between the citizens who receive the services funded by the budget and the elected or appointed officials who are responsible for the provision of those services. Citizens involved in the budget process work to ensure that the services they require and want are adequately funded. County officials are responsible for ensuring that the annual budget reflects the public interest, balances competing needs and interests, is sustainable over the long term, and meets the technical requirements of the law.

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

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

The budget must be approved by the Board no later than May 15, when it is submitted to the TSCC. TSCC holds a public hearing and then returns the budget to the County no later than June 25. Accompanying the budget is a letter of certification with instructions for corrections, recommendations, and objections. The Board is required to respond to these recommendations and objections. Another public meeting is held at which the Board adopts the final budget, makes appropriations, and declares tax levies.

## Basis of Budgeting

The County budget is prepared in a manner consistent with its financial structure and as required by Oregon Revised Statutes. All funds are included in the budget with the organizations and programs that they support. The budget is prepared on a modified accrual basis; this means that the budget anticipates revenues based on when they will actually be received and upon expenditures when they will likely occur.

One exception to this rule is the acknowledgement of revenues. Property tax and BIT revenues are acknowledged in the budget for 90 days after the close of the fiscal year. Items which are not fully expended at year-end must be re-budgeted in the following fiscal year.

# Budget Manager's Message

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## Modifying the Budget During the Fiscal Year

The Adopted Budget is the County's financial and operational plan for the fiscal year. However, during the year, events occur which require the plan to be changed. State law gives the Board of County Commissioners wide latitude to change the budget during the year. County departments request changes, and the Board reviews them and then passes a resolution signifying their approval. During the year, the Board has the authority to:

- Alter appropriations to reflect changed priorities during the year;
- Incorporate new grant revenue into the expenditure plan;
- Change approved staffing levels; and
- Transfer appropriations from contingency accounts.

## Supplemental Budgets

The appropriation of new, unanticipated revenue requires that the Board adopt a supplemental budget through a resolution. If the adjustment is greater than 10% of the affected fund, the supplemental budget process must include a review by TSCC prior to adoption.

## Basis of Accounting

Governmental accounting, governed by State statute and Generally Accepted Accounting Principles (GAAP), differs substantially from private sector accounting. Private sector financial reports measure economic profits, whereas governmental accounting focuses on disclosing how public money is spent.

## Citizen Involvement Process

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

## Citizen Budget Advisory Committees

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

## Public Testimony

In addition to participating in the budget advisory committees and other forums described above, citizens have several opportunities to personally testify on the Approved Budgets. Specifically, citizens have an opportunity to testify at:

## Public Hearings

- The Tax Supervising and Conservation Commission Hearing – TSCC holds a public hearing on the Approved Budget, and public testimony is taken.
- Annual Budget Hearings— for FY 04, the Board, sitting as the Budget Committee, will hold several public hearings after the approval, but before the adoption, of the budget. The public may testify on any topic.
- The Adopted Budget Hearing—testimony is taken at the Board session for final adoption of the budget. This typically occurs in mid- to late June.

# Budget Manager's Message

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- Annual Budget Hearings – The County held 3 evening sessions from 6:00 to 8:00 pm on the following dates and locations:
  - May 14, 2003 Public Budget Hearing – Portland Community College, Cascade Campus, Student Center Building Cafeteria, 705 N. Killingsworth, Portland
  - May 21, 2003 Public Budget Hearing – Multnomah Building, Commissioners Boardroom 100, 501 SE Hawthorne Boulevard, Portland
  - May 28, 2003 Public Budget Hearing – Multnomah County East Building, Sharron Kelley Conference Room, 600, NE 8<sup>th</sup>, Gresham

## Budget Website

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

Multnomah County offers its citizens and employees the opportunity to participate in the budget process through the County's internet site. From the County's home page, <http://www.co.multnomah.or.us/>, citizens and employees may access a budget site that contains a summary of the FY 04 Approved Budget and links to frequently asked questions (FAQs); budget summaries; a timeline of events; live and archived video streaming of budget work sessions; and other information, input opportunities and employee resources.



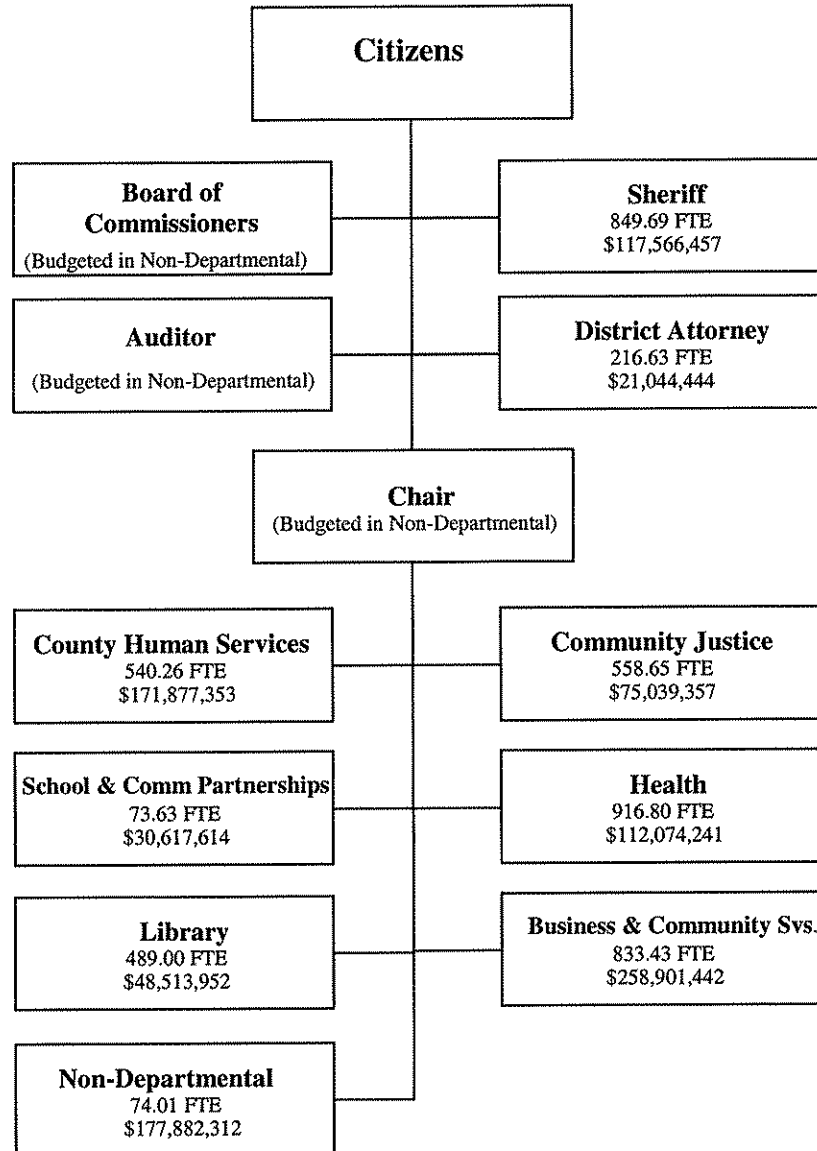
# Budget Manager's Message

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## County Org. Chart

Multnomah County delivers its services through nine departments including the following elected officials: Bernie Giusto, Sheriff; Michael Schrunk, District Attorney and Suzanne Flynn, County Auditor. Below is an organization chart for the County:

### Multnomah County Organization



# Board Budget Notes

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## PERS

The actual PERS rates will not be known until later this year. The Finance Director recommends using a 6% rate for Multnomah County. It is further recommended that the 2.34% savings generated by the PERS reductions goes into contingency to address any General Fund shortfall related to programs that will not meet projected FY 2003 year end balances. Other savings generated by the various PERS bills should be placed in the Pension Bond Fund to build reserves. If the PERS rate dips below 6%, any additional savings should be placed in the PERS Pension Bond fund. The amount placed in the Pension Bond Fund would go to offset any future developments based on the downturn in the market for calendar year 2002 or any challenges that impact the 2003 legislation. The Budget Office will follow up with a budget modification to capture those savings from the departments' budgets.

## Public Safety

The Multnomah County Temporary Personal Income Tax restored a forecasted \$16 million per year to the Public Safety system for a period of three years. The public safety system framework was developed by the Community Corrections Director, District Attorney and Sheriff in an uncertain environment concerning the level of State restoration of Indigent Defense funding. Indigent Defense and State Court funding is a key and critical component in the public safety system. Once State funding levels are known, the Community Corrections Director, District Attorney and Sheriff will reevaluate the public safety resources and report back to the Board with any findings and recommendations.

## Flash Money

The County understands that, on occasion, the use of large sums of money known as "flash money" is a necessary element to the successful investigation of drug, property, and other types of crimes by the Sheriff's Office. In order to further an investigation, the use of flash money is an important tool to the infiltration of the criminal enterprise and in gaining the acceptance and confidence of an alleged criminal. The County also understands that there is a risk of loss when flash money is used during these types of investigations. The County acknowledges the sum of \$100,000 as an acceptable risk when using flash money in a criminal investigation.

## Gateway Children's Center

The Board has included \$80,000 of one-time-only bridge funding for the Gateway Children's Center residential services operations. This bridge funding recognizes the County's partnership with the service contractors by providing financial support to offset the some of the costs of operation until Children's Levy funding can be secured. The Board wishes to fund services through September 30, 2003 and recognizes rental payments from the campus in excess of actual facility expenses may be needed beyond that date to fill operating shortfalls if funding is not granted under the Children's Levy.

# Board Budget Notes

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## Soil & Water Conservation Districts

The East & West Multnomah Soil & Water Conservation Districts are statutory agencies that provide voluntary, non-regulatory natural resource conservation and water quality improvement ideas and resources to landowners in Multnomah County. In the recent past, the County has provided a modest level of support to the two agencies which has enabled them to cover some of their administrative and other costs. The Board finds that it must end this support, however, due to declining County revenues and a renewed focus on the County's own core programs. Therefore, for FY 2004, the Board is appropriating \$19,430 to the East S&W District and \$5,360 to the West S&W District one-time-only, to allow the districts a year to find new sources of revenue to cover their administrative costs

## Alcohol & Drug and Addiction Services

The Multnomah County Temporary Personal Income Tax restored approximately \$3.8 million annually in funds for alcohol and drug addiction related services. The monies are from both the Health and Human Services funds and the Public Safety funds. The uses of these funds have been budgeted in an uncertain environment because State funding levels for some of these services have not yet been finalized. If any additional funding becomes available for these services (State, Oregon Health Plan, grants, etc.), Department of County Human Services management will report back to the Board with information and recommendations.

## Homeless Youth

The Board will review the homeless youth system in July and allocate appropriate available funds from other sources, the Personal Income Tax, or contingency.

## SUMMARY OF RESOURCES 2003-04

Fund		Beginning Working Capital	Taxes	Intergovern- mental	Licenses & Permits	Service Charges	Interest	Other Sources	Direct Resources	Service Reimburse- ment	Cash Transfers	Bonds / Certificates	Total Resources
General Fund	1000	5,426,718	346,099,484	22,505,035	8,013,369	2,315,391	2,315,000	1,202,560	387,877,557	12,462,429	1,876,603		402,216,589
Strategic Investment Program Fund	1500	1,404,450				1,408,527			2,812,977				2,812,977
Road Fund	1501	5,489,151	8,300,713	27,821,467	45,000	1,233,165	215,000		43,104,496				43,104,496
Emergency Communications Fund	1502			272,795			9,548		282,343				282,343
Bicycle Path Construction Fund	1503	200,757		22,500			3,500		226,757		52,000		278,757
Recreation Fund	1504		116,000						116,000		10,300		126,300
Federal/State Program Fund	1505			237,590,091	2,363,885	1,593,945	6,000	1,810,100	243,364,021	74,000			243,438,021
County School Fund	1506	14,000	210,000				2,000		226,000				226,000
Tax Title Land Sales Fund	1507	300,000	348,022			2,000	30,000		680,022				680,022
Animal Control Fund	1508				854,000	297,500		35,000	1,186,500				1,186,500
Willamette River Bridge Fund	1509	3,114,445		1,550,000		175,000			4,839,445		3,733,732		8,573,177
Library Serial Levy Fund	1510	1,000,000	24,140,847	903,032	95,000	352,000	100,000	2,203,700	28,794,579		16,841,893		45,636,472
Special Excise Taxes Fund	1511	2,000,000	16,665,000				15,000		18,680,000				18,680,000
Pub Land Corner Preservation Fund	1512	275,350				850,000			1,125,350				1,125,350
Inmate Welfare Fund	1513	10,000				1,120,525	500		1,131,025				1,131,025
Justice Services Special Ops Fund	1516	478,227		775,832	1,454,959	21,976	4,397	204,364	2,939,755				2,939,755
General Reserve Fund	1517	9,400,000					150,000		9,550,000		1,037,000		10,587,000
Children's Levy Fund	1518			9,210,000					9,210,000				9,210,000
Revenue Bond Sinking Fund	2001	2,938,000				458,295	55,000		3,451,295		64,450		3,515,745
Capital Lease Retirement Fund	2002	12,400,000					150,000		12,550,000	13,088,426			25,638,426
General Obligation Bond Sinking Fund	2003	9,134,378	7,180,069				127,000		16,441,447				16,441,447
PERS Bond Sinking Fund	2004	1,700,000					110,000		1,810,000	10,189,032			11,999,032
Justice Bond Project Fund	2500	18,013,009					125,000		18,138,009		4,850,000	3,890,000	26,878,009
SB 1145 Funds	2502	4,850,000		6,870,000			50,000		11,770,000				11,770,000
Building Projects Fund	2504	4,040,000					15,000		4,055,000			1,600,000	5,655,000
Library Construction Fund (1996)	2506	2,100,000					50,000		2,150,000				2,150,000
Capital Improvement Fund	2507	10,156,004		800,805			28,000		10,984,809		2,031,682		13,016,491
Capital Acquisition Fund	2508	2,647,845				30,735	95,000		2,773,580	2,816,435			5,590,015
Asset Preservation Fund	2509	4,275,000					15,000		4,290,000		1,433,316		5,723,316
Library Construction Projects Fund	2510								0			885,000	885,000
Behavioral Health Managed Care Fund	3002	0		29,882,160					29,882,160				29,882,160
Risk Management Fund	3500	12,503,500		28,135	15,000	2,163,938	750,000	1,697,288	17,157,861	49,925,914			67,083,775
Fleet Management Fund	3501	4,781,220		759,996		110,508	150,000	10,000	5,811,724	4,334,382			10,146,106
Telephone Fund	3502	891,076				1,225,427	25,000		2,141,503	3,466,195			5,607,698
Data Processing Fund	3503	1,464,182				264,636	45,522		1,774,340	19,490,380			21,264,720
Mail Distribution Fund	3504	139,149		62,448			2,000		203,597	1,477,554			1,681,151
Facilities Management Fund	3505			737,943		3,026,403			3,764,346	36,582,272	144,517		40,491,135
<b>Total All Funds</b>		<b>121,146,461</b>	<b>403,060,135</b>	<b>339,792,239</b>	<b>12,841,213</b>	<b>16,649,971</b>	<b>4,643,467</b>	<b>7,163,012</b>	<b>905,296,498</b>	<b>153,907,019</b>	<b>32,075,493</b>	<b>6,375,000</b>	<b>1,097,654,010</b>

## SUMMARY OF DEPARTMENTAL EXPENDITURES 2003-04

Fund		County Human Services	Schools & Community Partnerships	Health	District Attorney	Community Justice	Sheriff	Library	NonD	Business & Community Services	Overall County	Total Department Expenditure
General Fund	1000	29,708,920	14,383,535	41,282,113	16,168,189	43,526,603	81,052,622		102,181,693	43,822,137		372,125,812
Strategic Investment Program Fund	1500		249,391							1,873,483		2,122,874
Road Fund	1501									39,076,694		39,076,694
Emergency Communications Fund	1502						282,343					282,343
Bicycle Path Construction Fund	1503									278,757		278,757
Recreation Fund	1504									126,300		126,300
Federal/State Program Fund	1505	112,286,273	15,984,688	70,792,128	4,553,142	30,543,838	7,708,903		913,888	655,161		243,438,021
County School Fund	1506								226,000			226,000
Tax Title Land Sales Fund	1507									678,087		678,087
Willamette River Bridge Fund	1509									8,561,658		8,561,658
Library Serial Levy Fund	1510							45,528,952				45,528,952
Special Excise Taxes Fund	1511								18,680,000			18,680,000
Pub Land Corner Preservation Fund	1512									853,897		853,897
Inmate Welfare Fund	1513					19,400	1,111,625					1,131,025
Justice Services Special Ops Fund	1516				323,114	949,516	1,664,964					2,937,594
Children's Levy Fund	1518								9,210,000			9,210,000
Revenue Bond Sinking Fund	2001								828,900			828,900
Capital Lease Retirement Fund	2002								23,775,203			23,775,203
General Obligation Bond Sinking Fund	2003								9,200,245			9,200,245
PERS Bond Sinking Fund	2004								10,199,032			10,199,032
Justice Bond Project Fund	2500						18,876,000			7,702,007	300,002	26,878,009
SB 1145 Funds	2502						6,870,000					6,870,000
Building Projects Fund	2504									5,405,000	250,000	5,655,000
Library Construction Fund (1996)	2506							2,100,000				2,100,000
Capital Improvement Fund	2507									12,993,491	23,000	13,016,491
Capital Acquisition Fund	2508								240,735	5,349,280		5,590,015
Asset Preservation Fund	2509									3,808,316	40,000	3,848,316
Library Construction Projects Fund	2510							885,000				885,000
Behavioral Health Managed Care Fund	3002	29,882,160										29,882,160
Risk Management Fund	3500								2,426,616	53,817,529		56,244,145
Fleet Management Fund	3501									8,576,764		8,576,764
Telephone Fund	3502									5,603,634		5,603,634
Data Processing Fund	3503									21,191,872		21,191,872
Mail Distribution Fund	3504									1,526,379		1,526,379
Facilities Management Fund	3505									37,000,996		37,000,996
<b>Total All Funds</b>		<b>171,877,353</b>	<b>30,617,614</b>	<b>112,074,241</b>	<b>21,044,445</b>	<b>75,039,357</b>	<b>117,566,457</b>	<b>48,513,952</b>	<b>177,882,312</b>	<b>258,901,442</b>	<b>613,002</b>	<b>1,014,130,175</b>

## FUND LEVEL TRANSACTIONS 2003-04

Fund		Total Department Expenditure	Cash Transfers	Contingency	Unappropriated Balance	Total Requirements
General Fund	1000	372,125,812	18,098,160	1,852,617	10,140,000	402,216,589
Strategic Investment Program Fund	1500	2,122,874	690,103			2,812,977
Road Fund	1501	39,076,694	3,785,732	242,070		43,104,496
Emergency Communications Fund	1502	282,343				282,343
Bicycle Path Construction Fund	1503	278,757				278,757
Recreation Fund	1504	126,300				126,300
Federal/State Program Fund	1505	243,438,021				243,438,021
County School Fund	1506	226,000				226,000
Tax Title Land Sales Fund	1507	678,087		1,935		680,022
Animal Control Fund	1508		1,186,500			1,186,500
Willamette River Bridge Fund	1509	8,561,658		11,519		8,573,177
Library Serial Levy Fund	1510	45,528,952		107,520		45,636,472
Special Excise Taxes Fund	1511	18,680,000				18,680,000
Pub Land Corner Preservation Fund	1512	853,897		271,453		1,125,350
Inmate Welfare Fund	1513	1,131,025				1,131,025
Justice Services Special Ops Fund	1516	2,937,594		2,161		2,939,755
General Reserve Fund	1517			10,587,000		10,587,000
Children's Levy Fund	1518	9,210,000				9,210,000
Revenue Bond Sinking Fund	2001	828,900			2,686,845	3,515,745
Capital Debt Retirement Fund	2002	23,775,203			1,863,223	25,638,426
General Obligation Bond Sinking Fund	2003	9,200,245			7,241,202	16,441,447
PERS Bond Sinking Fund	2004	10,199,032			1,800,000	11,999,032
Justice Bond Project Fund	2500	26,878,009				26,878,009
SB 1145 Funds	2502	6,870,000	4,850,000	50,000		11,770,000
Building Projects Fund	2504	5,655,000				5,655,000
Library Construction Fund	2506	2,100,000		50,000		2,150,000
Capital Improvement Fund	2507	13,016,491				13,016,491
Capital Acquisition Fund	2508	5,590,015				5,590,015
Asset Preservation Fund	2509	3,848,316			1,875,000	5,723,316
Library Construction Projects Fund	2510	885,000				885,000
Behavioral Health Managed Care Fund	3002	29,882,160				29,882,160
Risk Management Fund	3500	56,244,145		4,051,227	6,788,403	67,083,775
Fleet Management Fund	3501	8,576,764		1,569,342		10,146,106
Telephone Fund	3502	5,603,634		4,064		5,607,698
Data Processing Fund	3503	21,191,872		72,848		21,264,720
Mail Distribution Fund	3504	1,526,379		154,772		1,681,151
Facilities Management Fund	3505	37,000,996	3,464,998	25,141		40,491,135
Total All Funds		1,014,130,175	32,075,493	19,053,669	32,394,673	1,097,654,010

## SUMMARY OF DEPARTMENTAL REQUIREMENTS 2003-04

Department	Personal Services	Contractual Services	Materials & Services	Principal & Interest	Capital Outlay	Total Direct Expenditure	Service Reimbursements	Total Spending	FTE
Nondepartmental	5,407,570	120,595,129	436,555	45,017,818	140,735	171,597,807	6,284,505	177,882,312	74.01
District Attorney	14,132,540	2,180,533	(120,519)		20,000	16,212,554	4,831,891	21,044,445	216.63
School & Community Partnerships	4,408,266	23,726,899	406,399		0	28,541,564	2,076,050	30,617,614	73.63
County Human Services	30,102,426	126,009,690	1,239,863		0	157,351,979	14,525,374	171,877,353	540.26
Health	59,509,746	13,684,127	10,565,515		15,000	83,774,388	28,299,853	112,074,241	916.80
Community Justice	33,120,162	18,946,079	2,732,471		0	54,798,712	20,240,645	75,039,357	558.65
Sheriff	61,867,256	4,037,283	5,599,747		23,459,498	94,963,784	22,602,673	117,566,457	849.69
Business & Community Services	51,442,604	42,137,036	82,973,578		40,213,604	216,766,822	42,134,620	258,901,442	833.43
Library	23,435,158	1,276,461	9,331,257		1,505,000	35,547,876	12,966,076	48,513,952	489.00
Overall County	(189,273)	363,000	439,275			613,002		613,002	
<b>TOTAL</b>	<b>283,236,455</b>	<b>352,956,237</b>	<b>113,604,141</b>	<b>45,017,818</b>	<b>65,353,837</b>	<b>860,168,488</b>	<b>153,961,687</b>	<b>1,014,130,175</b>	<b>4,552.10</b>