

Multnomah County 2018-19 Hearing Minutes

Wednesday, May 23, 2018

9:30 a.m.

Multnomah Building
501 SE Hawthorne Blvd.
Portland, Oregon

Present:

TSCC:

Chair David Barringer, Commissioner Brendan Watkins, Commissioner James Ofsink, Commissioner Margo Norton, Commissioner Mark Wubbold, Executive Director Craig Gibbons and Budget Analyst Tunie Betschart.

Absent: None

Multnomah County:

Multnomah County Board of Commissioners: Chair Kafoury, Commissioner Loretta Smith, Commissioner Sharon Meieran, Commissioner Jessica Vega Pederson and Commissioner Lori Stegmann

Chair Barringer opened the hearing with introductions of the Commissioners and TSCC Staff. He asked if any of the Commissioners have business relationships with the County that could be perceived as a conflict of interest. Commissioners each declared they had no conflict of interest with the exception of Commissioner Watkins who said the firm he works for is a financial advisor to Multnomah County, but he does not believe there is a conflict of interest.

Chair Barringer then stated the reason for conducting the public hearing was as a service to the County and the public. The purpose of this hearing is to promote public discussion of the budget. The Commission wants this discussion to promote thoughtful consideration of current and future budget issues. The Commission is responsible for evaluating the County's budget process. He explained the process saying at the conclusion of this meeting the Commissioners will certify the degree to which the County's process conformed to Oregon Local Budget Law. The County will make the first presentation this morning. Then the Commission will ask several questions and discuss the budget with the County Commissioners or staff. Following discussion we will take testimony from the public. There is a sign-up sheet in the back of the room for those wishing to speak.

Following the process description, Chair Barringer asked the District officials to introduce themselves and then he turned the floor over to Chair Kafoury to make any comments regarding the budget prior to the Commissioners questions.

Chair Kafoury said good to see the commissioners again. It's wonderful that all are experienced folks here, there is no need to go back into the way-back files. She said I'm sure you've noticed that the County is in basically a flat budget. Looking ahead over the next four years there's not

a lot of good news to be found. So in following the prudent and fiscally responsible way the County has followed the budget, departments have taken a 2% constraint looking at ways to ease ourselves into darker days ahead. While at the same time, remaining nimble enough if there are issues that do pop up, there will be funds available to look at those services. There's not a lot of new programs in this year's budget. The County is trying to concentrate on funding the programs that work and scaling back on the programs that don't give enough bang for our buck. It's not a terrible year, but knowing that there are some bad years coming, and knowing that if and when a recession hits, services are going to be more in need because the people who are first affected are those who have the least in the community. She said she is looking forward to having that conversation this afternoon. She added that Last year there was a dialogue of not just keeping to the script, which seems is more helpful for you and us as well. Thanks so much.

TSCC questions:

Commissioner Watkins asked the following questions:

I'm fortunate because from my office, I get to look at the county courthouse project as it goes up, which is very impressive. But there are also several other large projects. The health department, Burnside Bridge, and software updates. How are these changing the budget, is it evident this year, what you expect going forward, and just in general, what is the level of impact?

Ms. Pederson explained that these big projects don't just change the sky line of Multnomah County, they definitely impact the budget and tend to distort it. As they ramp up, there are these large capital expenditures and the fund balances, and then they are followed by declining expenditures and fund balance as the projects are completed. So for the health department capital fund will decline from \$78.6 million to \$28.8 million next year and then zero in FY20, as the building is completed.

These projects impact future budgets in a couple of different ways. The county has established an internal collection mechanism or a standalone allocation to cover the debt services. For example:

- The \$6.8 million debt payment for the ERP project, which is a different capital project, is covered per a per-employee charge over seven years.
- The \$4.4 million annual debt payment for the General Fund portion of the Courthouse is set-aside in a program where the County records the cost of providing Court infrastructure for the State.
- This excludes the \$1.2 million covered by the dedicated parking and traffic violations but it does include the debt service for the remaining \$13.3 million that is still needed to cover.

The second impact is the ongoing cost (or savings) associated with these projects. In the case of the new Courthouse, the building will be significantly larger, but more energy and operationally efficient (and safer), than the functionally obsolete current building. It should be relatively cost neutral, but the County continues to calibrate estimates.

Commissioner Ofsink asked this follow-up question:

So with the ERP funding being allocated out to the departments on a per-employee basis, does that make the effective cut more than 2%? If more capital projects are being charged per head count, do you have a sense of whatever the average effective cut would be for the department in this upcoming budget?

Ms. Kafoury said she does not have that calculated but assumes they do as they do have to pay it.

Is it's fair to say that it's greater for the average department than that 2%?

Ms. Kafoury said that is right. Although they didn't actually take all of the 2% cuts. She said they asked for 2% constraints so that they could have people prioritize within their budgets. The County didn't actually do across the board, nor did they take all those cuts that people offered up. She said once the budget is adopted they will be able to look at which departments took greater hits and which didn't.

Chair Barringer asked this follow-up question:

What are you planning to do with the old courthouse? Will you be doing an seismic upgrades to the building?

Ms. Vega Pederson said it's on the market with a commercial real estate company. There is the health department headquarters, as well as other buildings, so it's a part of the package the County is selling. There will be no upgrades.

Commissioner Norton asked these follow-up questions:

So the courthouse project and the health department building, project, those are two really big projects that have gone on simultaneously. That's somewhat unusual. But we knew the courthouse was coming. What about future projects? What's the next big one out there?

Ms., Vega Pederson fielded this questions saying the county is undergoing strategic capital planning right now and looking at capital needs for the county as a whole, not just each department or division, but looking at this 20-year time line. By doing this they can be more strategic, planning out the capital needs going forward and ranking them in terms of buildings known to need replacing because they're not sufficient. Examples are buildings that are not fitting the needs of the department. So that's something that the County is looking at going forward. She finished by saying if the Commissioners wanted a copy of that plan they are available.

Commissioner Norton asked these questions:

Complex ERP projects have been difficult for all levels of government in Oregon in recent history. Your ERP project is approaching the go-live moment. Can you update us on the original anticipated cost and timeline compared to your now estimate of cost and implementation date? What's changed along the way? What have been the greatest challenges and successes in this project?

Ms. Verga Pederson answered this saying the ERP had targeted July 2018 for the cutover, and it was expected that all applications would go-live at the same time. After a thorough assessment process, the team decided that a longer, "phased-in" deployment would better

meet the organization's needs and provide time for testing and training. Applications will now go-live on a staggered timeline, with full implementation by January 2019, when the core Workday application goes live. Despite this change, the budget for the ERP project remains unchanged at \$42.8 million.

As the project team completed the analysis, design, and configuration processes, it became clear that meeting the organization's complex needs would require more work than anticipated, as well as some creative solutions. The County knew going in that things like standardizing business processes and addressing needs across diverse lines of business would be complex.

The greatest challenge the County faces is preparing the workforce for the change. For example, it is taking longer than anticipated. The County implemented the current ERP system in 1999, meaning that most of the workforce only knows the business processes that were put in place to work within the confines of that system. Learning new business processes and adapting to change can be stressful, so they are doing everything they can to prepare the workforce and give them the support they need to be successful.

And out of this big project, since you have some other upgrades on the planning deck, what are the pluses on this project, the low points, and what have you taken out of this that you're going to apply to your go-forward projects?

Ms. Verga Pederson said the biggest successes revolve around the critical analysis and learning the County's done about their own organization. Project team members received critical training about business processes across departments and the project team analyzed over 1,500 reports. A diverse group of county stakeholders worked collaboratively to develop creative solutions to problems they identified, solutions that incorporated feedback from over 300 county staff members. And, here are a few additional successes:

- The Marketplace Total Supplier Manager went live in March 2018,
- The system will capture data to inform our Workforce Equity Initiative, and
- The project remains within budget.

Commissioner Ofsink asked this follow up question:

I don't know if you're briefed to answer that question exactly, but do you feel that the county has done -- or that the ERP that you're implementing is reasonable in terms of adapting the system to the county's desired business processes as opposed to changing what the county feels would be most effective to fit into the functionality and limitations of the system?

Ms. Meieran answered saying any software that you buy, unless you're custom designing your own, which has its own challenges and costs, outgoing challenges in terms of updating it, you're always going to have to make some concessions in terms of how you're currently doing business to what's being provided. There are a lot of upsides to using the software or something that has the updates that will continuously make sure it is the most advanced technology. This had a lot of great features in terms of human resources and some of the enterprise-wide management that wasn't available before. This is going to help the processes a lot. There are some processes in certain areas of day to day businesses where certain business structures didn't line up completely. Staff will need to take more time to make sure that everything fits and do what is necessary to make sure that all the employees feel comfortable with the change.

Chair Barringer asked the following questions:

The next question has to do with the chair Kafoury's initial comments, and we know these costs are partially driven by the consumer price index and other things that individual employers can't control since it's outside of the county's control. But what is within the County's control and how are you exercising that controlling?

Ms. Smith explained that the County does have limited control over personnel costs because, the primary drivers - inflation, PERS costs, and medical/dental costs - are not within the County's control. It is also important to point out the limitations on the revenue side. The largest source of discretionary revenue is property taxes, which are subject to constitutional limits on growth. Even in a remarkably strong economy, property tax revenues will grow by a maximum of approximately 4.5% and, under normal circumstances, closer to 3.5%.

There are things the County can control, such as investing General Fund resources in the most effective programs or investing in prevention or diversion programs that reduce the use of costly jail beds.

Also following sound financial policies and make wise financial decisions. Here are several examples:

- The County uses 50% of one-time-only funds to address capital needs. This reduces future borrowing requirements and maintains infrastructure, and In FY 2017, the County established a PERS side account to address the County's unfunded liability. The FY 2019 budget includes the third \$25 million installment to the side account.

The County's prudent management of its financial resources has been noted by the credit rating agencies. In November 2017, both S&P Global Ratings and Moody's Investor Services awarded Multnomah County the highest possible rating (AAA and Aaa, respectively) for long-term debt associated with the new County Courthouse and Health Department Headquarters.

She concluded by stating ultimately, the costs tend to grow faster than the revenues, which creates a structural deficit. Sound management or cost controls cannot completely compensate for Oregon's constitutionally enshrined property tax system and PERS costs.

Commissioner Ofsink asked the following questions:

By the end of next fiscal year, the County will have spent over \$75 million on the Joint Office of Homeless services, not to mention additional spending in other areas. What has the County to show for these expenditures? How much of an investment is needed to fully address the problems?

Ms. Kafoury answered saying the tenets that were founded, haven't really changed, so basically, the County is still focused on

1. Preventing people from becoming homeless in the first place, which is the least expensive and by far the most humane.
2. Second, increases the number of people who received the support to end their homelessness and the third is to get people back into housing as quickly as possible once they become homeless.

So the county is on track to achieve the goal the last two years,. There was a presentation from the joint office, the budget presentation yesterday. She suggested looking it up on the internet because there is of good information in the presentation.

By the end of next fiscal year, the County will have spent over \$75 million on the Joint Office of Homeless services, not to mention additional spending in other areas. What has the County to show for these expenditures?

Together with the partners in A Home for Everyone, the Joint Office has been working to achieve aggressive goals to:

- 1) expand the number of people who are prevented from becoming homeless,
- 2) increase the number of people experiencing homelessness who receive the support they need to end their homelessness.

The Joint Office is only in its second year, but it is on track to hit at least the same numbers as last year, and with current budget investments the County would expect to do at least as well next year. This means that by the end of next fiscal year, the investments in the JOHS, and in prevention through the Department of County Human Services, will have helped achieve the following outcomes by the end of 2018:

- Over 18,400 people prevented from becoming homeless, a 35% increase above where they would have been if the County would have continued at the rates that were achieving prior to the launch of A Home for Everyone in 2015.
- Just under 15,000 people placed into permanent housing, a 40% increase over the number of placements they would have had if they'd continued at the rate they were going prior to the creation of A Home for Everyone in 2015.
- Over 25,500 people will have received emergency shelter services, more than a 100% increase over the number of people who would have had access to shelter had the County not moved to aggressively expand year-round shelter capacity through A Home for Everyone starting in 2016.

All told, more than 30,000 of Multnomah County's most vulnerable residents receive support to end their homelessness each year through resources administered by the Joint Office of Homeless Services.

She went on to say that now it's a question of what's the magic number. This is an important question and one that cannot be answered easily.

Despite the record local investments in both services and housing for the lowest-income families, there remains a large unmet need. Currently there are 800 families on the list for housing placement assistance, and more than 1,000 disabled people in need of permanent supportive housing. The last point in time count showed a 10% increase in homelessness over two years - from 2015 to 2017. This was a much slower increase than in other west coast cities, but still an increase.

The continued growth in unmet needs reflects the ongoing widening gap between those who have and those who have not.

- Rents in Portland now exceed \$1100/month for studios, \$1300/month for one bedrooms, and \$1500/month for two bedrooms.

- Tens of thousands of seniors and people with disabilities in Multnomah County are trying to survive on fixed monthly disability and social security incomes that range between \$750 SSI and \$1500 Social Security.

Continuing, Ms. Kafoury said answering the question of what would it take to end homelessness is something that the County is not yet prepared to answer with a monetary figure. While the County is doing what can be done locally, this is a national problem, and with the federal government disinvesting in affordable housing for the last 40 years, leaving people to pick it up, is not really a recipe for success.

She concluded by saying she was happy the Portland voters passed the Portland Housing Bond last year and there's slated to be a Metro wide housing bond on November ballot, creating new housing for people who are the zero to 30% folks who can't afford any housing regardless of where it is in their community. This needs to be the focus.

Commissioner Ofsink asked these follow-up questions:

We understand the problem growing and would have grown even more had the County not made these huge investments, but if not a target in terms of all these factors that are larger than Multnomah county is there a targeted dollar amount?

Ms. Kafoury said that rather than having one plan that they are working towards, they are looking at what's working and what's not working. Last year they doubled the shelter beds in the community which showed the number of people living unsheltered was down for the first time. So they do know that the shelter strategy they invested in worked. Now they are seeing the people who are sleeping unsheltered are older, chronically homeless, and have any number of disabilities. So the focus is on permanent housing. Just giving them a key and paying their rent is not enough. They need supportive services that go along with it. About six months ago, Portland and Multnomah County voted for a plan for permanent supportive housing to invest in 2,000 units over the next 10 years. Not bold nor audacious, but it was what the County and City could get through the negotiations. The County would like to do more than that. As part of the strategy the County laid out about six months ago, they have a consultant who focused on Multnomah county permanent housing and regional wide. Those results are not out yet. She said they expect to have the Multnomah county plan finished in late summer, early fall, and that will have a specific number attached. There will be more specific number available in a few months.

We were impressed last year and in your statements this morning, it's clear that you're thinking a lot about preventive as opposed to responsive services, and we were wondering with homelessness in particular, is there a ratio that you're using or in your mind right now that you're targeting. What allocations will be preventive as opposed to responsive?

Ms. Kafoury needed clarity, asking, within the homelessness budget an office budget or in the larger budget?

Commissioner Ofsink said overall, when you think about trying to do what you can in Multnomah County to alleviate the housing crisis what percentage of that are you thinking, going straight towards mitigation? For instance increasing shelter beds, as opposed to more preventive, like rent assistance and other forms of keeping people housed who are already in housing?

Ms. Kafoury said she had not thought of it in terms of a specific percentage going to each. The last few years the County has had a stable budget, more money to invest, and haven't been scrambling. They've been able to look to the future and really put money into prevention. One of the things they did in the past was to focus with public safety dollars by cutting dorms in the jails and putting that money into programs like LEAD, which has had some really incredible success rates. Instead of sending people to jail they are getting them treatment and additional services, case management that they need, and there has been some great results.

Recognizing that the preventative programs like LEAD are much cheaper in the long run do you feel the current revenue streams are sufficient to support that into the future? Do you feel confident that the money is going to continue to be there?

Ms. Kafoury said she felt confident that the money that they are allocating this year will be available in future budgets. It's not an area she will be cutting. She went on to say that additional dollars are needed and it's a figure that would probably shock everyone. But as they are talking about this with other areas, prevention, getting people into housing, saves so much money from all the other areas – healthcare and public safety. So it's not only the humane thing to do and the moral thing to do, but it is actually the financially prudent thing to do as well.

Commissioner Wubbold asked this follow-up question:

My question has to do with waste management and the homelessness dilemma. It's probably one of the most visible aspects of it. I'm just wondering, what more can we do to address the waste management issue?

Ms. Kafoury explained that is one area that has still been housed at the City. They have kept some of the kept some of their funding streams around what they've termed the livability issues, and this is one of them. They have invested a lot more each year. In their budget this year they have additional dollars for the waste management piece of it. They've changed the laws at the state level just this past session, so that there are similar standards between the different jurisdictions when they do sweeps or camp cleanups.

Commissioner Wubbold asked these questions:

Business Income Tax revenue is budgeted at \$85 million, the largest general fund revenue source aside from property taxes. How dependable is this revenue source? What is the collection rate?

Ms. Stegmann fielded this question saying the BIT is the second largest revenue source and accounts for 18% of the General Fund revenues. It is also the most volatile. When the 'Great Recession' hit, the County saw a \$24 million year-over-year decline, which represented 35% of the BIT revenues at that time. Prior to the last recession, it grew by 40% in a single year.

FY 2018 will be the 9th consecutive year of growth in BIT revenues. While this growth allowed the County to cover labor cost increases and modestly enhance programs to meet community needs, the experience of past drop-offs has led them to take a cautious approach going forward. Much of the growth is due to property-related activity which now accounts for 25% of BIT revenues, meaning the most volatile part of the most volatile revenue source accounts for a larger portion.

The budget assumes that BIT revenues will return to their historical trend. The FY 2019 Approved budget also fully funds a 10% BIT Reserve to offset the impact of large, unexpected declines.

Last year, the compliance rate for regular BIT filers was 96.1%. This compliance rate only covers the businesses that we know about, which makes the pool of potentially uncollected revenue difficult to estimate. When considering businesses that may have failed to file and pay, it is important to consider what type of business that might have been. It is likely that many noncompliant business would be exempt from the tax, or very pay little, rather than being a large company failing to pay.

Commissioner Norton asked the following questions:

So social services, human services are also a really large segment of your service pie and the health department is a big piece of that segment. We're generally aware of the kind of kerfuffle that was in the system when the family services contract went crazy and expect this had an impact, at least on your staff scramble to help people caught unawares, and we see the health department budget is increasing at a fairly rapid clip in this pace. So can you tell us in practical terms what this has meant for your health department, both currently and as you look forward in dealing with uninsured and underinsured folks?

Ms. Meieran answered saying the termination of the Family Care contract impacted both the County's Medicaid insurance plan, Multnomah Mental Health, and Primary Care services.

The addition of 60,000 Family Care members to the County's Mental Health Plan increased enrollment to more than 170,000. This increase required the hiring of additional staff to coordinate new members' behavioral health needs. The increase in membership will also have a positive impact on the mental health crisis system. For example, the crisis call center, urgent walk in clinic, and Project Respond were previously funded with County General Fund and Medicaid dollars from the Multnomah Mental Health plan, but Family Care members used these services without compensating the County. The County can now use Medicaid funding from prior FamilyCare members to help stabilize the crisis system. Also, as a result of increased enrollment, the County can better invest in behavioral health infrastructure, including workforce development, substance use, and mental health prevention and promotion.

After FamilyCare's closure, HealthShare of Oregon assigned a large number of former FamilyCare members to the primary care organization through CareOregon and Providence health plans. The County saw a net increase of 1,800 new patients. The budget assumes additional, new individuals eligible for APM monthly per member per month payments above the 1,800 patients. Health Department staff are actively engaged in outreach and community engagement to meet that goal.

So I imagine that as this unfolded in this past year that it really pushed priority toward dealing with that. Are you saying now that you had the opportunity to kind of smooth that impact out and as we look forward, it's not what's driving your priorities now, that you've come to some better balance?

Ms. Meieran said her impression is that they have reached a sort of stasis, because there was time built in sort of for the ramp-down of family care and for health share to start taking

on those new patients. Both health share and the county diverted staff and resources to be able to handle that influx. So it was handled in an appropriate manner, and it's gotten the County to a place where there will still be some impact along the way, but they are at a good place.

Commissioner Watkins asked this follow-up question:

So our property tax system here in the state of Oregon, unfortunately, byzantine and inadequate. I am curious if the County is anticipating and collaborating on any Property Tax Reform measures in the 2019 legislative session?

Ms. Meieran said you so well described the property taxes system The County would like to see the inequities and complexities of the taxes changed and based on the real value of properties, there does not seem to be widespread support to pass that in the 2019 legislative session. The property tax system is enshrined in Oregon's constitution, so it would be a statewide vote and a heavy lift. Someone asked that question of Governor Brown, and she alluded to the fact that she would like to consider this in some way, but don't take that as any hard, concrete anything. The County would absolutely welcome any efforts toward property tax reform and would love to support those.

Is there some sort of like critical mass you need to see before the County takes action, or is there enough of a will to try to take a lead?

Ms. Kafoury said that any tax measure is problematic to pass, even if it's a tax fairness issue like this one would be. There are always going to be winners and losers and it's not hard for people to figure out whether they're a winner or a loser. Then there's the general distrust in government. So the County has been successful in their endeavors, not by necessarily being the face on everything. On a tax reform issue, having the government be the face of it is probably not a recipe for success. However, each year that goes by, more and more people become aware of the fact that it's not very difficult to look on a database and figure out they're paying more in property taxes than a house in a different part of the community. It's not based on your ability to pay. It's based on what your property values were in 1995. At some point, there is going to be a shift. And the County will be there in whatever way the campaign tells them to be there.

Chair Barringer asked this question:

And what we hope will be our last annual Wapato budget question: What lessons have you learned from the Wapato experience?

Ms. Kafoury fielded this last question saying the biggest lesson is that operating costs, and voters' willingness to pay those costs, must be considered in any capital construction designed to add program capacity. Although voters approved a new County jail in 1996, they also passed other ballot measures that capped or limited the County's ability to raise funds to operate the jail. This gap was acknowledged from the beginning, but optimism remained that funding would be found.

Commissioner Norton had a follow-up question:

So I'd actually like to go back to the discussion about the joint office and about the homelessness in general. I'm curious about your sense of how your constituents are feeling about this project. It's a boiled-down, simple question. Since the office has been functioning

for two years, since we read about it in the office at least weekly, if not daily, for the last couple of years, are you hearing more from your constituents about this problem today than you were two years ago? How many say more? (She polled the panel)

The County Commissioners raised their hands and it was decided that they thought they are hearing more on a weekly basis than previously.

With there being no other comments, questions or testimony, Chair Barringer closed the public hearing and opened the meeting of the Commissioners to consider Multnomah County 2018-19 budget.

Chair Barringer thanked the Multnomah County staff for their outstanding job putting the budget together and for their answers to all the questions.

He asked if the Commissioners had any additional questions or comments. There were none.

He asked Mr. Gibons to review the budget from the staff perspective. Mr. Gibons said that the budget was well done from TSCC Staff perspective. County staff were very supportive with the questions. The Certification Letter dated May 23, 2018 contained no recommendations of objections to the budget or the budget process.

Commissioner Ofsink moved to certify that the Commissioners has no recommendation or objections with regard to Multnomah County's 2018-19 budget. Commissioner Norton seconded the motion. Motion passed with a unanimous vote.

There being no further business the regular meeting was adjourned.