Multnomah County Oregon
Board of Commissioners & Agenda
connecting citizens with information and services

BOARD OF COMMISSIONERS

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ANY QUESTIONS? CALL BOARD CLERK DEB BOGSTAD @ (503) 988-3277
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INDIVIDUALS WITH DISABILITIES PLEASE CALL THE BOARD CLERK AT (503) 988-3277, OR MULTNOMAH COUNTY TDD PHONE (503) 988-5040, FOR INFORMATION ON AVAILABLE SERVICES AND ACCESSIBILITY.

OCTOBER 15, 16 & 17, 2001 BOARD MEETINGS

FASTLOOK AGENDA ITEMS OF INTEREST

Pg 2	9:30 a.m. Monday County Budget Retreat
Pg 2	9:30 a.m. Tuesday Overview and Discussion of Financial Information Relevant to the Mid-year Budget Adjustment to the Multnomah County General Fund
Pg 2	9:30 a.m. Thursday Presentation on Library's Teen Internship Initiative
Pg 3	9:50 a.m. Thursday Proclamation Proclaiming Hands and Words Are Not for Hurting Week and Week Without Violence
	Board and Agenda Web Site: http://www.co.multnomah.or.us/cc/index.html

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

Thursday, 9:30 AM, (LIVE) Channel 30
Friday, 11:00 PM, Channel 30
Saturday, 10:00 AM, Channel 30
(Saturday Playback for East County Only)
Sunday, 11:00 AM, Channel 30
Produced through Multnomah Community Television

(503) 491-7636, ext. 333 for further info or: http://www.mctv.org

Monday, October 15, 2001 - 9:30 AM
Multnomah Building, First Floor Commissioners Boardroom 100
501 SE Hawthorne Boulevard, Portland

BUDGET RETREAT

B-1 The Board of Commissioners, Auditor, District Attorney, Sheriff and Department Directors Will Meet in a Day Long Session to Discuss and Deliberate on the Multnomah County Budget. Facilitated by Chuck Palmer.

Tuesday, October 16, 2001 - 9:30 AM
Multnomah Building, First Floor Commissioners Boardroom 100
501 SE Hawthorne Boulevard, Portland

BOARD BRIEFING

B-2 Overview and Discussion of Financial Information Relevant to the Mid-year Budget Adjustment to the Multnomah County General Fund. Presented by Dave Warren, Dave Boyer and Gina Mattioda. 2.5 HOURS REQUESTED.

Thursday, October 18, 2001 - 9:30 AM
Multnomah Building, First Floor Commissioners Boardroom 100
501 SE Hawthorne Boulevard, Portland

REGULAR MEETING

REGULAR AGENDA - 9:30 AM

PUBLIC COMMENT - 9:30 AM

Opportunity for Public Comment on Non-Agenda Matters. Testimony Limited to Three Minutes Per Person.

DEPARTMENT OF LIBRARY SERVICES - 9:30 AM

R-1 Presentation on Library's Teen Internship Initiative. Presented by Laural Winter, Jim Harper and Connie Christopher. 20 MINUTES REQUESTED.

DEPARTMENT OF HEALTH - 9:50 AM

R-2 PROCLAMATION Proclaiming the Week of October 14 to October 20, 2001 as Hands and Words Are Not For Hurting Week and Week Without Violence in Multnomah County, Oregon. Presented by Lisa Hansell and Marcia Dennis. 30 MINUTES REQUESTED.

MEETING DATE: October 16, 2001
AGENDA NO: B-2
ESTIMATED START TIME: 9:30 AM
LOCATION: Boardroom 100

(Above Space for Board Clerk's Use ONLY)

AGENDA PLACEMENT FORM

SUBJECT: Financial Briefing Related to Midyear Budget Adjustments

BOARD BRIEFING: DATE REQUESTED: Tuesday, 10/16/01
REQUESTED BY: Dave Warren
AMOUNT OF TIME NEEDED: 2.5 hrs

REGULAR MEETING: DATE REQUESTED: ____________

AMOUNT OF TIME NEEDED: ____________

DEPARTMENT: Support Services DIVISION: Financial Operations

CONTACT: Dave Warren or Dave Boyer TELEPHONE #: (503) 988-3822 or (503) 988-3903
BLDG/ROOM #: 503/4

PERSON(S) MAKING PRESENTATION: Dave Warren, Dave Boyer and Gina Mattioda

ACTION REQUESTED:

[X] INFORMATIONAL ONLY [ ] POLICY DIRECTION [ ] APPROVAL [ ] OTHER

SUGGESTED AGENDA TITLE:

Overview and discussion of financial information relevant to the midyear budget adjustment to the General Fund

SIGNATURES REQUIRED:

ELECTED OFFICIAL: ____________
(OR)
DEPARTMENT MANAGER: M. Cecilia Johnson

ALL ACCOMPANYING DOCUMENTS MUST HAVE REQUIRED SIGNATURES

Any Questions: Call the Board Clerk @ (503) 988-3277 or email deborah.l.bogstad@co.multnomah.or.us

Department of Support Services
MULTNOMAH COUNTY OREGON

Budget and Quality
501 SE Hawthorne Boulevard, Fourth Floor
Portland, Oregon 97214
(503) 988-3883 phone
(503) 988-4570 fax

SUPPLEMENTAL STAFF REPORT

TO: Board of County Commissioners

FROM: Dave Warren-
Budget Manager

DATE: October 10, 2001

RE: Financial Briefing related to Midyear Budget Adjustments

1. Recommendation/Action Requested:

Board hear and discuss financial information related to the midyear general fund budget adjustment

2. Background/Analysis:

The Briefing will cover revenue estimates that are lower than those included in the adopted budget, the financial indicators used by Moodys to determine the County's bond rating, reserves and policies in the General Fund and other funds, and potential additional problems (particularly the State budget situation). Attached to this document are:

1. An overview of revenue shortfalls (an Excel spreadsheet)
2. A discussion of major General Fund revenues by Mark Campbell
3. A discussion of revenue sources (previously provided to the Board) by Mark Campbell
4. A discussion of financial indicators, Moody's, and reserves by Dave Boyer

3. Financial Impact:

Revenues in the General Fund are projected to be $20 million short of the budgeted estimates, roughly seven percent of the total fund. Reductions in appropriations will need to be made. The longer we go into the fiscal year, the deeper the reductions will have to be as a percentage of the General Fund that remains unspent.

4. Legal Issues:

NA

5. Controversial Issues:

As cuts are proposed, there will be many controversial issues

6. Link to Current County Policies:

County policies will be reviewed on 10/15/01.

7. Citizen Participation:

Mechanisms are under discussion to insure citizen participation.

8. Other Government Participation:

Mechanisms are under discussion to insure other government participation.

MULTNOMAH COUNTY OREGON

DEPARTMENT OF SUPPORT SERVICES
BUDGET & EVALUATION DIVISION

BUDGET
EVALUATION & RESEARCH

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MULTNOMAH BUILDING
501 SE HAWTHORNE BLVD
4TH FLOOR
P.O. BOX 14700
PORTLAND, OREGON 97293-0700

TO: Board of County Commissioners

FROM: J. Mark Campbell, Budget Office

DATE: September 24, 2001

SUBJECT: August Revenue Update

The following report provides a second monthly update for three of the revenue sources we briefed you on last month. In addition, this review provides information on DUII Fees that was not incorporated in the July report. We will continue to monitor these sources on a monthly basis.

Please do not hesitate to contact me if you have any questions regarding the information in this report.

Federal Jail Bed Rentals

Attachment 1 highlights the federal bed revenue received through August. The budgeted revenue is based upon the assumption that the Sheriff's Office will rent 195 beds per day at a rate of $115.90 per bed. The number of bed rentals increased slightly in August – to an average of **121** beds per day - with a high daily total of 145 beds.

As we reported last month, if bed rentals remain at this level the annualized revenue from this source will fall *more than $3.1 million short* of meeting the budget estimate.

Pay to Stay

On September 13th the Sheriff's Office briefed the Board on the "Pay to Stay" program. I would like to clarify the statement made in the material presented to you that asserts *". . a total of $728,000 will be collected from the Restitution Center by the end of the current fiscal year, representing 50% of the revenue expected from the Pay to Stay Program."*

The budget includes revenue from inmates at the Restitution Center (MCRC) which has averaged approximately $455,000 over the past five years. As a result of the rate increase implemented by the Sheriff's Office that revenue is projected to increase to about **$700,000** in the current year. It is important to note that, while the increase is significant, it is revenue we have been collecting in support of General Fund programs for many years. The forecast of new "Pay to Stay" revenues is less optimistic. Through August, only $6,730 in "new" revenue has been collected. At the current rate **annualized collections will total about $50,000**.

The FY 01-02 budget assumes we will receive a total of $1,436,800 from both of these sources. Even with the increase in "regular" revenue from MCRC we are still estimating a shortfall of between **$700-800,000** in the "Pay to Stay" program.

It is important to point out that this program has only been fully implemented since July. The Board asked the Sheriff's Office to return with a cost/benefit analysis after they have had a few more months to evaluate some of the issues associated with it.

Recording Fees

As we reported last month, Recording Fees have exhibited a consistent upward trend in the months since the Federal Reserve began lowering interest rates with regularity.

Monthly receipts to date are as follows:

July	$357,797
August	382,673
September (thru 9/20)	252,011
Total	***$992,481***

The budget estimate for FY 01-02 is $3,550,000 - which represents an increase of about 7% over last year's actual receipts. If this trend continues throughout the year we are on target to collect more than $4 million in Recording Fee revenue.

This revenue is typically lower between November and March than it is from April to October. We are approaching the end of the traditional home buying season and it is too soon to tell how recent events may impact our collections. At this time we are forecasting Recording Fee revenue at **$3,850,000 for the year** - an average of about $320,000 per month - and at this level it will exceed the budget estimate.

DUII Fees

The Department of Community & Family Services collects fees from clients who have been sentenced to DUII diversion programs. In FY 00-01, DUII evaluation and screening fees were budgeted at $511,000 but actual collections were only $262,000 – resulting in a $249,000 shortfall.

The FY 01-02 budget assumes we will collect **$538,000** and this forecast is based, in part, on a fee increase that was ordered by the Circuit Court. Through the first two months of the year actual collections total slightly less than $37,000 – if this trend continues annualized collections are ***forecast to total about $221,000 and will fall well short of the budgeted revenue***.

While two months is hardly a trend, collections should have remained the same or increased modestly with the additional fees allowed by the Circuit Court's order. Possible reasons for the decline include a greater "seasonal slow-down" than normal, the Fee Coordinator being on FMLA leave for three months and a time lag in collecting the additional fees.

Assuming these conditions are corrected the County should experience increased revenue collections in the upcoming months; and, we should also recover some of the revenue that normally would have been collected in July and August. Thus, it will require another few months worth of program data to more accurately predict FY 01-02 collections but at this point it appears highly unlikely we will reach the budget estimate.

MULTNOMAH COUNTY OREGON

DEPARTMENT OF SUPPORT SERVICES
BUDGET & EVALUATION DIVISION

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PORTLAND, OREGON 97293-0700

TO: Board of County Commissioners
Dan Noelle, Sheriff
Mike Schrunk, District Attorney
Direct Report Managers

FROM: J. Mark Campbell

DATE: September 26, 2001

SUBJECT: First Quarter Revenue Update

During preparation of the FY 01-02 budget, the Board of County Commissioners identified a number of issues and concerns that were captured in budget notes. One of those budget notes directed the Budget Office to develop a quarterly reporting process in order to provide regular updates on a number of key revenue sources.

The budget note identified several specific revenue sources that should be addressed as part of that reporting process. Most, but not all, of these revenues are either budgeted directly in the General Fund or were used to offset programs where General Fund support would have been reduced. The following is a list of the sources we have reviewed for this report:

- Beginning Working Capital (BWC)
- Property Tax
- Motor Vehicle Rental Tax
- Business Income Tax
- Gas Tax
- Federal Jail Bed Rentals
- Federal Financial Participation (FFP) Reimbursements
- Primary Care Clinic Fees
- Recording Fees
- Assessment & Taxation Supplement
- Strategic Investment Program
- State Department of Corrections
- Pay to Stay Fees
- Animal Control Fines/Fees
- DUII Fees

These revenues, along with our projections for them, are highlighted in Attachment 1.

First Quarter Forecast

The General Fund budget totals slightly more than $301 million in FY 01-02. However, revenues are now forecast to fall ***nearly $20 million short*** of meeting this level of expenditures. Assuming that this situation does not improve dramatically (and we see no reason to believe it will) this translates to a 6.5% reduction which will need to be made in the current year. There are four revenue sources that are primarily responsible for this shortfall.

Beginning Working Capital

The Beginning Working Capital (BWC), or prior year's carryover, is the amount of revenue we estimate to be unallocated after departmental expenditures are finalized. Last year, the Chair's Office directed departments to spend no more than 96% of their budgeted expenditures. Although we are still in the process of closing the books on FY 00-01 it appears that all departments were successful in meeting that target.

If departments met the targeted savings level, why is the BWC $7.2 million lower than the budgeted amount? Simply put, revenues did not come in at their forecast levels in FY 00-01. The Business Income Tax (BIT), for example, fell $5.8 million short of the estimate upon which the BWC was based. A few other General Fund revenues fell below forecast levels but those were within an acceptable range of variance.

Business Income Tax

In total, therefore, the BIT accounts for **nearly $13 million of the projected shortfall**. This revenue source has historically proven to be enigmatic – both in its upturns and downturns. The following table highlights actual collections over the past several years:

Fiscal Year	Actual Revenue
1995-96	$30,040,000
1996-97	33,255,000
1997-98	32,524,000
1998-99	36,592,898
1999-00	34,152,396
2000-01	30,377,000
2001-02 (Est.)	30,240,000

Historically, this revenue has grown at a steady rate of 6%-7% on a year over year basis. The trend we have experienced over the past three years is unprecedented in the 25 years that we have been collecting this tax. BIT receipts were forecast at $36.2 million in FY 00-01 and budgeted at $37.2 million in FY 01-02. If we had experienced anything approaching the "normal" rate of growth over the past three years these estimates should have been reliable.

There are a number of factors which serve to offer some insight as to why this revenue has declined so steadily over the past three years. Some of those factors are outlined in a memo that can be found in the *"5 Year Financial Forecast"* section of the FY 01-02 budget document. Yet, there is no definitive explanation for the trend, and, as the economy continues to slide toward recession we see no reason to expect collections to improve in the near future.

A public/private partnership has been proposed to undertake a comprehensive review of business taxes in Portland and Multnomah County. This task force will primarily focus on identifying the factors that can enhance the competitiveness of the city and county as places to do business. Part of the analysis required to make such an assessment will be an evaluation of the BIT and the city's Business License Fee. In particular, the task force will be examining whether changes need to be made to the respective tax codes in order to achieve a system that is predictable, equitable and efficient.

Motor Vehicle Rental Tax
Nearly 70% of the revenue generated by the Motor Vehicle Rental Tax is generated by four national rental car agencies that have their primary location at Portland International Airport. This revenue source has closely paralleled the growth experienced at PDX over the past several years. On average, the Motor Vehicle Rental Tax has grown by more than 9% per year over the past ten years.

We do not expect this revenue source to meet it's budgeted level this year for two reasons. First, the prior year's actual revenue included approximately $700,000 that should have been allocated to the Convention Center expansion project. As you know, we imposed an additional 2.5% tax to support the bonds issued for that project. Receipts that should have been credited to that account were mistakenly allocated to the General Fund. We did not become aware of this until after the FY 01-02 budget had been adopted.

As noted above, the majority of this revenue is generated at the airport. Airports nationwide are currently operating at less than 35% capacity and the entire travel industry is forecast to have a dismal year. If this holds true for the remainder of the year we will probably not see any growth in this revenue source. This forecast takes a slightly more optimistic view that travel and tourism will rebound in the latter half of the fiscal year. We do caution, though, that the current forecast will need to be revisited after we have had an opportunity to evaluate quarterly payments.

Sheriff's Office Revenues
The FY 01-02 budget includes nearly $4 million in additional revenue that was proposed by the Sheriff's Office. At this time, it appears that we will collect only a very minimal portion of this revenue. These sources have been detailed in the July and August monthly updates that have been provided to the Board and they warrant no further discussion here.

Primary Care Clinic Revenue
The Health Department prepared a budget that was able to avoid cuts in primary care clinics by assuming a higher number of reimbursable client visits. In theory, if clinic processes could be redesigned so that more clients were being served the Health Department would generate additional fee-for-service revenue. The budget assumed this redesign effort would result in 20% more client visits. It is now apparent that this estimate was overly optimistic.

Technically this is not a General Fund revenue source but it does have a potential impact on the General Fund. The Board approved a Budget Note specific to this issue that directs the Health Department to return with a proposal to reduce program expenditures should the additional fee revenues not be realized. However, if the Board were to decide to exempt the department from those cuts, the *General Fund would need to be further reduced to make up the projected $3.2 million shortfall*.

Summary
Based upon this first quarter forecast it does appear that we will be faced with a shortfall of approximately $20 million – or 6.5% of the budgeted General Fund. It is important to keep in mind that, while this is not an insignificant amount, it is isolated to a few specific revenue sources. The Property Tax still accounts for more than 57% of the total General Fund and it *is* a stable and predictable revenue source. The BIT remains a concern for us, particularly if economic conditions continue to exhibit signs of weakness, and we will need to come up with ways to make up for the additional revenues that were used to avoid additional program cuts in the FY 01-02 budget.

Should you have any questions regarding this forecast please do not hesitate to contact me.

Quarterly Revenue Update

Revenue Source	FY 01-02 Budget	YTD Collections	Current Year Estimate (CYE)	Difference	Comments
Property Tax	172,984,447	N/A	172,984,447		Preliminary valuation data will be available in early Oct than 4.25% we will generate additional revenue.
Business Income Tax	37,176,808	1,823,000	30,240,000	(6,936,808)	Actual receipts in FY 00-01 were approximately $30.4 r revenue will remain flat. We, along with the City of Poi review of business taxes in the coming months.
Department of Corrections Revenue	29,640,853	7,643,890	29,667,394	26,541	
DCJ	19,706,466	5,021,180	19,733,007	26,541	
Sheriff's Office	9,934,387	2,622,710	9,934,387		
Beginning Working Capital (GF)	19,995,165	N/A	12,773,340	(7,221,825)	We are still in the process of closing the books on FY 0 Fed/State Fund may improve this figure.
Motor Vehicle Rental Tax	13,590,129	8,919	12,260,375	(1,329,754)	Budget estimate lowered to reflect reduced level of air companies with primary outlets at the airport account f
Federal Bed Rental Revenue	8,305,651	1,120,000	5,367,793	(2,937,858)	Averaging about 122 bed rentals per day. Budget assu
Recording Fees	3,550,000	992,481	3,850,000	300,000	See "August Revenue Update" memo.
A & T Supplement	3,465,710		3,339,373	(126,337)	Based on notification received from Department of Rev
Animal Control Fines and Fees	1,432,000	225,114	1,174,508	(257,492)	Revenue forecast to fall short of budget estimate for fo
Pay to Stay Fee Collection	1,000,000	6,730	48,456	(951,544)	See "August Revenue Update" memo.
Subtotal General Fund				**(19,435,077)**	
DUII Fee Revenues	538,529	36,825	320,000	(218,529)	Not enough data to evaluate impact of new fee structui the amount budgeted.
Strategic Investment Program	1,310,001	N/A	1,310,001		Primary variable in forecasting this revenue source is a Logic. DOR performs appraisal - data will not be availa
Federal Financial Participation	5,200,000	0	5,200,000		
CFS	1,100,000		1,100,000		CFS believes they will reach this amount because they
Health	4,100,000		4,100,000		
Primary Care Revenues	22,013,950		18,779,493	(3,234,457)	Primary Care revenues are forecast to be down in a nu revenue was based on an estimated number of clinic vi
Gas Tax	25,974,206	4,496,700	25,974,206		July and August receipts appear to be on target with bu
	Total Estimated Shortfall (All Sources/Funds)			**$ (22,888,063)**	

MULTNOMAH COUNTY, OREGON

DISCUSSION PAPER ON:

FINANCIAL AND BUDGET POLICIES REGARDING FUND BALANCES, RESERVES AND LIABILITY ACCOUNTS AVAILABLE TO THE GENERAL FUND

Multnomah County has adopted a Financial and Budget Policy that incorporates establishing reserves, contingencies and long-term liabilities. These policies were adopted to:

- Preserve capital
- Achieve the most productive use of County funds
- Meet generally accepted accounting principles
- Achieve a stable balance between ongoing financial commitments and continuing revenues
- Provide an accountable form of Government to its citizens

The following is a brief discussion on the various fund balances, reserves and liability accounts that have been established by the Board of County Commissioners and available to the General Fund.

FUND BALANCES AND CONTINGENCIES AVAILABLE TO THE GENERAL FUND

The use of all of the fund balances and other reserves in the General and Public Safety Funds are at the discretion of the Board of County Commissioners.

Budgeted General Fund Balances are budgeted amounts prepared during the adoption of the budget. They are adopted to ensure that the County has a portion of the budget available for emergencies and to maintain reserves. These include:

- Unappropriated Fund Balances and
- Contingency Account

The Actual General Fund Balance is the ending fund balance and is based on operations during the fiscal year.

The Other General Fund Supported Fund Balances (formerly, Serial Levies) reflect the incorporation of prior serial levies into one tax base as required by Measure 50. These include:

- Public Safety Fund and
- Library Fund

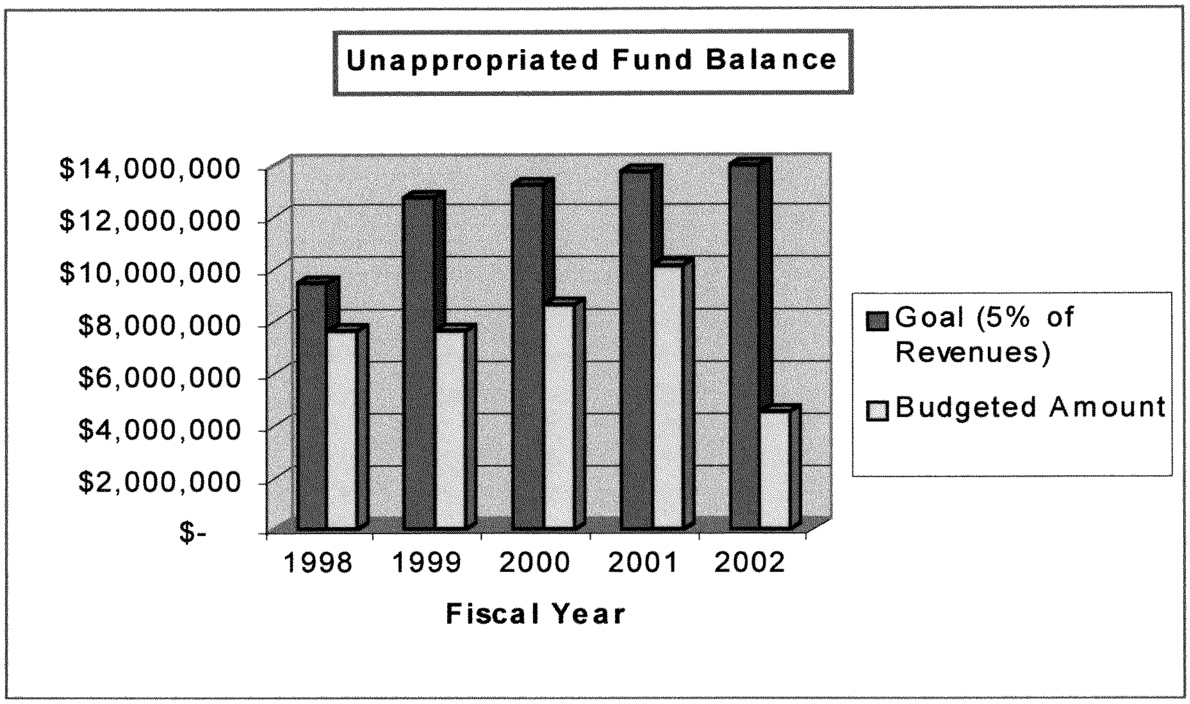
There are also Other Accounts and Reserves whose balances are available for emergency use. These include:

- Funds Available to the General Fund and
- Funds Available in Extreme Emergencies

Each of these is discussed on the pages that follow.

1. BUDGETED GENERAL FUND BALANCES :

- **Unappropriated Fund Balance Account**: The unappropriated fund balance account was established by a Board of County Commissioners Resolution and the goal is to maintain the budgeted unappropriated fund balance at 5% of General Fund revenues. The County established this policy in 1994 and had been increasing the funding of this reserve until fiscal year 2001/02 when it transferred $5.7 million in bridge financing for fiscal year 2002 operations leaving a balance of $4.5 million, which is 1.6% of revenues. The following table reflects the 5% goal and the budgeted unappropriated balance:



Fiscal Year	General Fund Revenues	Unapprop. Fund Balance Goal 5% of Gen Fund Revenues	Unapprop. Fund Balance Budgeted Amount	Percent Change
1998	$ 188,846,000	$ 9,442,300	$ 7,650,000	N/A
1999	255,008,000	12,750,400	7,650,000	0.0%
2000	264,155,000	13,207,750	8,650,000	13.1%
2001	275,000,000	13,750,000	10,150,000	17.3%
2002	279,603,343	13,980,167	4,500,000	-55.7%

- **Contingency Account**: The Contingency Account is also established by Board Policy and is to be used for emergency situations or unanticipated expenditures that are necessary to keep previous public commitments or fulfill legislative or contractual mandates. This account is budgeted at about 1.9% of general fund revenues (in addition to the Unappropriated Fund Balance amount).

  For fiscal year 2001/02, the total Contingency Account is budgeted at $5.2 million. Approximately $4 million of these funds are set aside for labor settlements. The balance of $1.2 million is consistent with previous years.

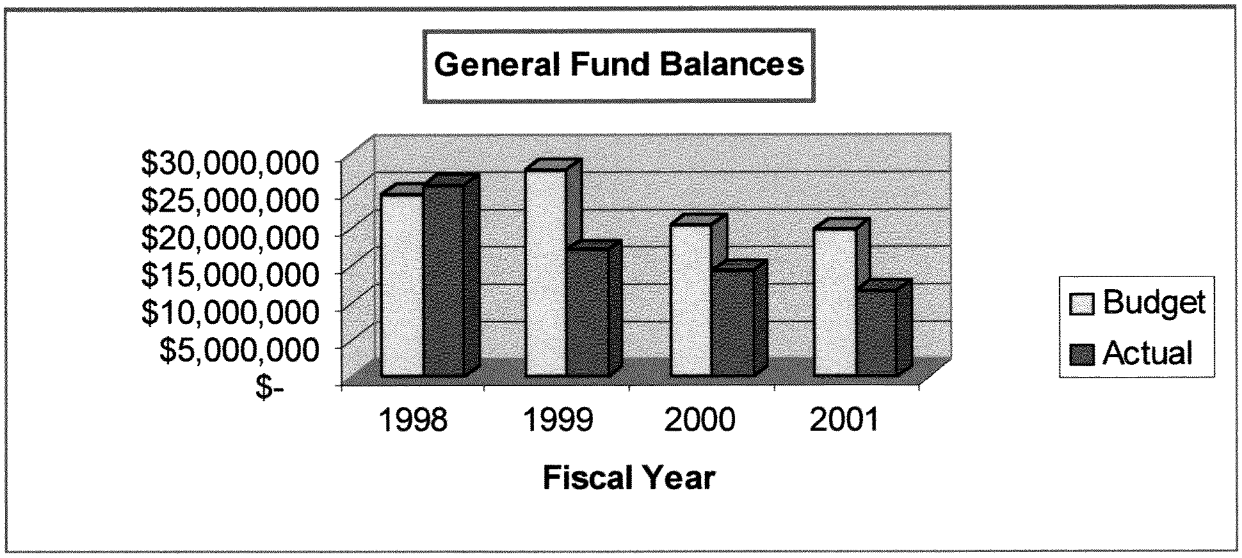
2. ACTUAL GENERAL FUND BALANCE:

The actual General Fund Balance has historically been between 10 and 13% of general fund revenues. In fiscal year 1999/00 this fund balance declined to 5.4% of General Fund revenues due primarily to:

- the change in recording property tax revenues for the property tax special levies and
- a decrease in the collection of business income tax revenues.

Including the fund balance and revenues associated with the public safety levy (see later discussion of this), the FY 2000 fund balance was 7.9% of General Fund revenues (which include the public safety levy revenues).

Due to a 96% spending limitation requirement imposed during FY01, the General Fund Balance is estimated to increase to about 8.0% of revenues for the fiscal year ended June 30 2001.



In the following table, the Beginning Balance in the budget corresponds to the Actual Ending Fund Balance of the prior fiscal year, therefore the years reflect this comparison. The Actual Ending Fund Balance for FY01 demonstrates the County's return to conservatively underestimating the beginning balance for the following fiscal year's budget, enabling replenishment of the fund balance.

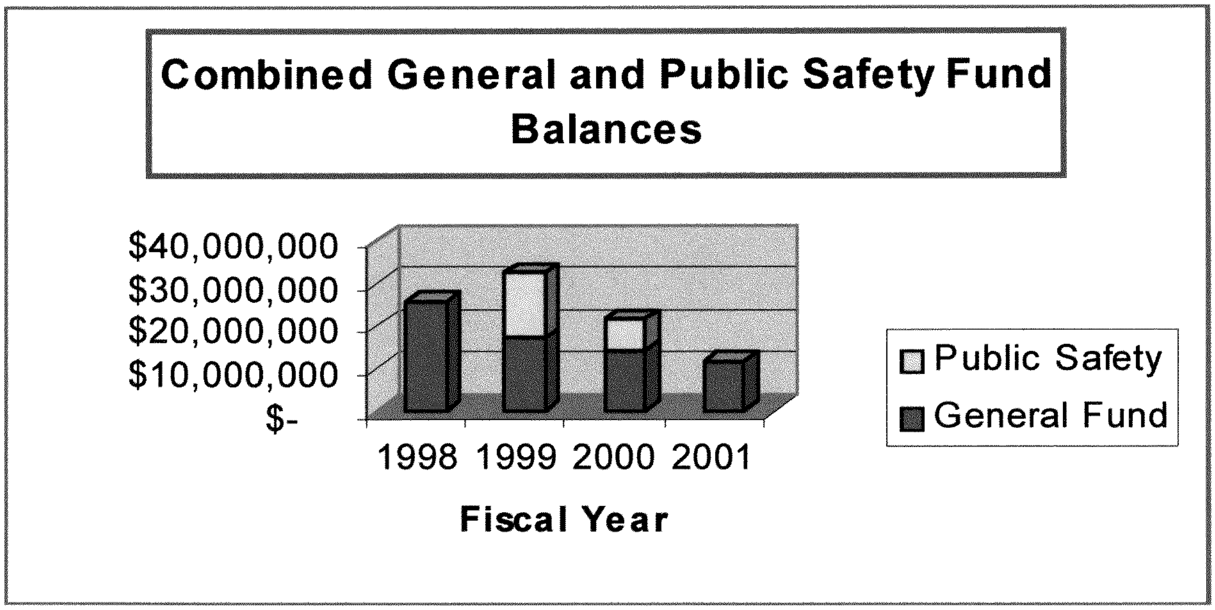
General Fund Revenues	Beginning Balance Budget Fiscal Year		Actual Ending Fund Balance Fiscal Year End		Percent of Revenues
$ 188,846,000	1999	$ 24,729,804	1998	$ 25,873,000	13.7%
255,008,000	2000	27,987,772	1999	17,074,000	6.7%
264,155,000	2001	20,390,573	2000	14,292,000	5.4%
275,000,000	2002	19,995,165	2001	11,674,000	4.2%

3. OTHER GENERAL FUND SUPPORTED FUND BALANCES (SERIAL LEVIES):

Prior to the passage of Ballot Measure 50 in 1997, two County special levies, the Public Safety Levy and Library levy were supported by property tax serial levies. Measure 50 eliminated the need for the levies and these levies were combined with the County's tax base creating a single General Fund Levy. However, the County continues to use separate funds to account for these programs.

- **Public Safety Fund**: The County continues to account for certain other public safety revenues and expenditures in a Public Safety Fund. Beginning in fiscal year 1998/1999 the property tax revenues were recorded in the General Fund and cash transfers were made to the Public Safety Fund. This fund is solely supported by the General Fund and is used for General Fund public safety programs.

  The following is the actual Combined General and Public Safety Fund Balances:



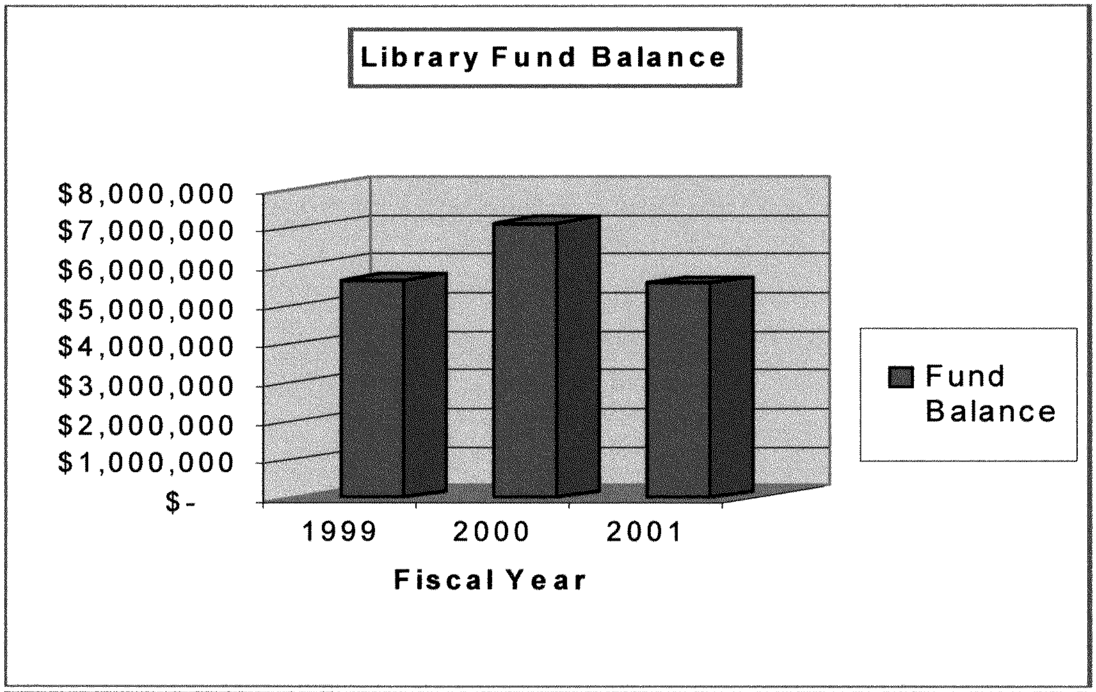
Fiscal Year	Revenues	General Fund	Public Safety	Total Actual Fund Balance	Percent of Revenues
1998	$ 188,846,000	$ 25,873,000	$ -	$ 25,873,000	13.7%
1999	263,300,000	17,074,000	15,385,000	32,459,002	12.3%
2000	274,371,000	14,292,000	7,250,000	21,542,001	7.9%
2001 (1)	275,234,000	11,674,000	71,000	11,745,000	4.3%
(1) Estimated					

- **Library Fund**: The Library Levy is also accounted for in a separate fund and for fiscal year 2001/02 is supported by a five year local option levy at an annual rate of 59 cents per thousand of assessed value, other revenues and by the General Fund. The fiscal year 2001/02 Library Fund budget is $44.7 million. $19.8 million is local option property tax revenues, $4 million other revenues, $15.7 million General Fund cash transfer resources and a $5.2 million fund balance.

  The Board of County Commissioners does have discretion on the use of the $15.7 million General Fund cash transfers. The $15.7 million represents the approximate amount of the serial levy that was incorporated into the General Fund tax base as a result of Ballot Measure #50. Because a portion of the Library Fund is supported by a local option levy, the County has taken the position to not rely on using the fund balances or other reserves for General Fund programs.

  The $15.7 million General Fund support is included in the overall General Fund revenues but the fund balance of the Library fund is not included as available to the General Fund.

  The following is the historical actual fund balances:



Fiscal Year		Revenues	Actual Fund Balance	Percent of Revenues
1999		$ 21,524,000	$ 5,624,000	26.1%
2000		22,581,000	7,109,000	31.5%
2001	(1)	23,491,000	5,549,000	23.6%
(1) Estimated				

OTHER ACCOUNTS AND RESERVES ALSO AVAILABLE

The following reserves and accounts were established by the County to provide funding for future obligations and to stabilize expenditures between fiscal years.

The **Compensated Absences Account** is available to be used for emergencies on a similar basis with the unappropriated fund balance account.

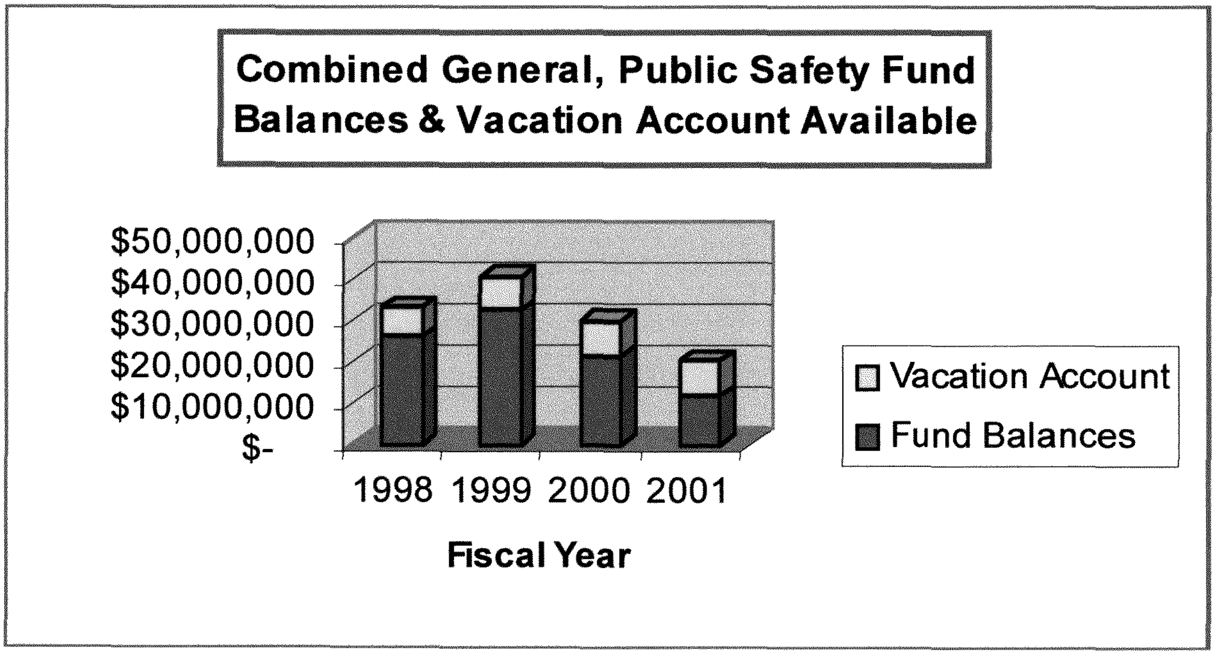
The remaining funds identified are available to be used for extreme emergencies. It is our intent that **"Extreme Emergencies**" is defined as uses for disaster relief, essential services or expenditures that are related to public life and safety issues.

FUNDS AVAILABLE TO THE GENERAL FUND: Compensated Absences (Vacation Account).

The use of the compensated absences accounts in the General, Public Safety, Grant and Assessment and Taxation Funds are at the discretion of the Board of County Commissioners.

The Governmental Accounting Standards Board (GASB) requires that a portion of the vacation that will be liquidated with available resources be recorded as a liability on the balance sheet. All of an employees salary is budgeted in each fiscal year so there is no true liability until the employee terminates employment. In the early 1990's the County began expending and recording a larger percentage of its vacation liability in the Comprehensive Annual Financial Report (CAFR). This was done in anticipation of GASB pronouncements that would require local governments to record the total vacation liabilities in its CAFR. GASB 34, which is effective for the County for fiscal year ended June 30, 2002, will require the County to record this liability on our combined balance sheet but not on our governmental fund type balance sheets.

The following represents the combined fund balances and vacation account available for use by the General Fund:



Fiscal Year	Revenues	Fund Balances	Vacation Account	Total	Percent of Revenues
1998	$ 188,846,000	$ 25,873,000	$ 7,206,000	$ 33,079,000	17.5%
1999	263,300,000	32,459,002	8,285,000	40,744,002	15.5%
2000	274,371,000	21,542,001	8,434,000	29,976,001	10.9%
2001 (1)	275,234,000	12,745,000	8,535,000	21,280,000	7.7%

(1) Estimated

FUNDS AVAILABLE IN EXTREME EMERGENCIES.

The Board of County Commissioners has discretion over the use of all of the following funds.

- Post Retirement Benefits.
  The Governmental Accounting Standards Board (GASB) requires that post retirement benefits be disclosed in the notes to financial statement. This liability represents the medical insurance provided by the County to employees after retirement. In the early 1990's the County began funding this unfunded liability and it is approximately 85% funded.

  About 56% of the funds are earmarked for the General and Public Safety Funds.

- Capital Acquisition Fund Balance.
  This separate fund is maintained for the purpose of replacing personal computers on a four year cycle.

  About 58% of the funds are earmarked for the General and Public Safety Funds.

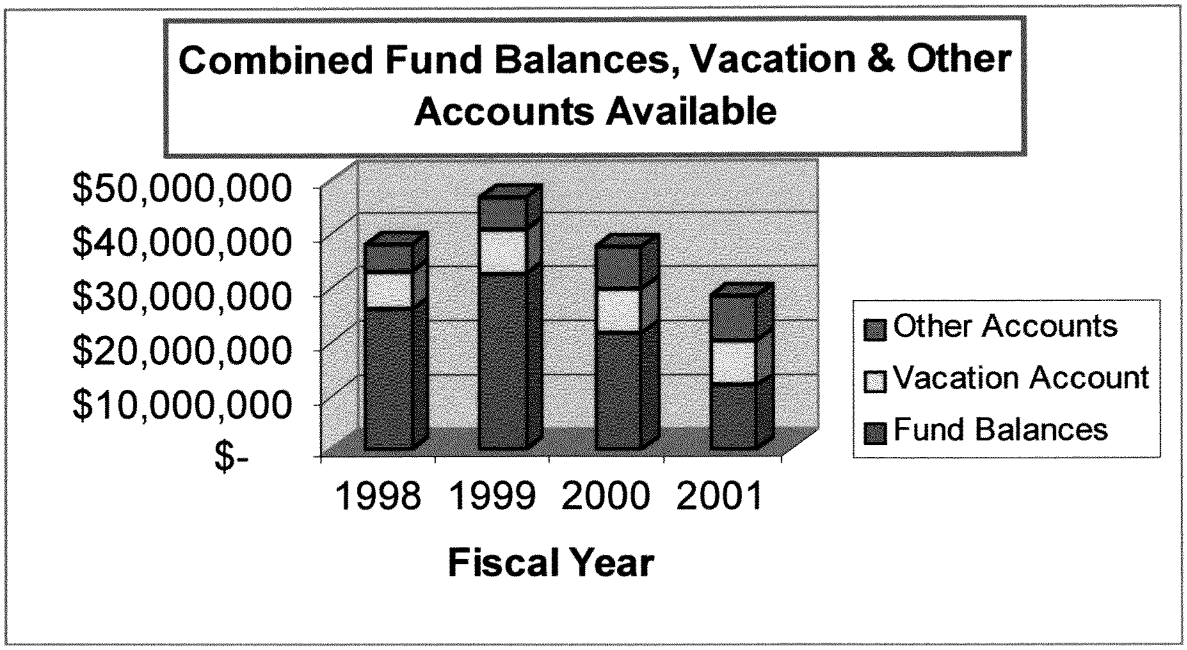
- Asset Preservation Fund Balance.
  This separate fund is maintained for the purpose of maintaining County facilities based on life cycle replacements of building systems and maintenance.

  About 55% of the funds are earmarked for the General and Public Safety Funds.

- PERS Pension Fund Balance.
  This separate fund is maintained for the purpose of repaying the debt on the PERS Bonds issued to eliminate the County's unfunded pension obligation. The PERS Pension Obligation Revenue Bond issue does not require the County to have a reserve but the County has established the reserve to ensure that programs that are charged do not have rates fluctuating from one year to the next. The Pension Revenue Bond issue is secured by the full faith and credit of the County. The County has not pledged reserves or specific revenues from the PERS Pension Fund.

  About 56% of the funds are earmarked for the General and Public Safety Funds.

The following represents the combined fund balances, vacation and Other Account available for use by the General Fund:



Fiscal Year		Revenues	Fund Balances	Vacation Account	Other Accounts	Total
1998		$ 188,846,000	$ 25,873,000	$ 7,206,000	$ 5,052,880	$38,131,880
1999		263,300,000	32,459,002	8,285,000	6,148,040	46,892,042
2000		274,371,000	21,542,001	8,434,000	7,475,780	37,451,781
2001	(1)	275,234,000	11,745,000	8,535,000	8,131,790	28,411,790
(1) Estimated						

Budget Note for dealing with INS/US Marshal Revenue Shortfall

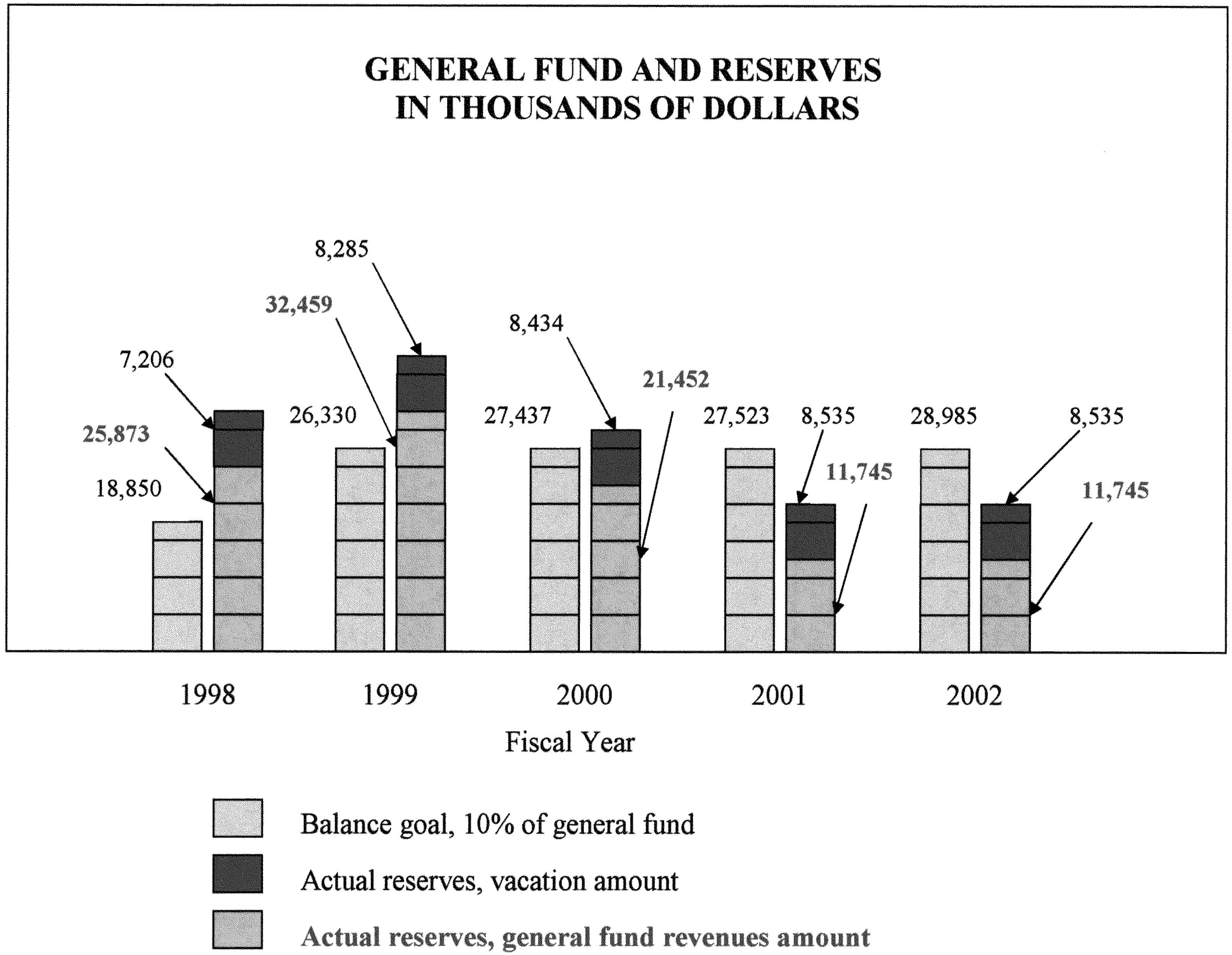
INS/US Marshal Revenue Review	During FY 2002, the Sheriff's Office shall report monthly to the Board and the Budget Office on federal bed rental receipts. Should budgeted revenues fail to materialize at budgeted levels by the first quarter, the following sources will be used in this order as potential offsets to unrealized revenue. - \$1,650,000 additional carryover/underspending in the Sheriff's FY 00-01 budget (below 96%). - \$750,000 planning money for a possible East County Justice Center. - \$500,000 from Community Justice programs and/or additional state Community Justice funding that could offset programs currently funded with County general fund. (The expanded Mentorship and Treatment Foster Care programs can proceed as originally planned.)

Financial situation as of October 2001.

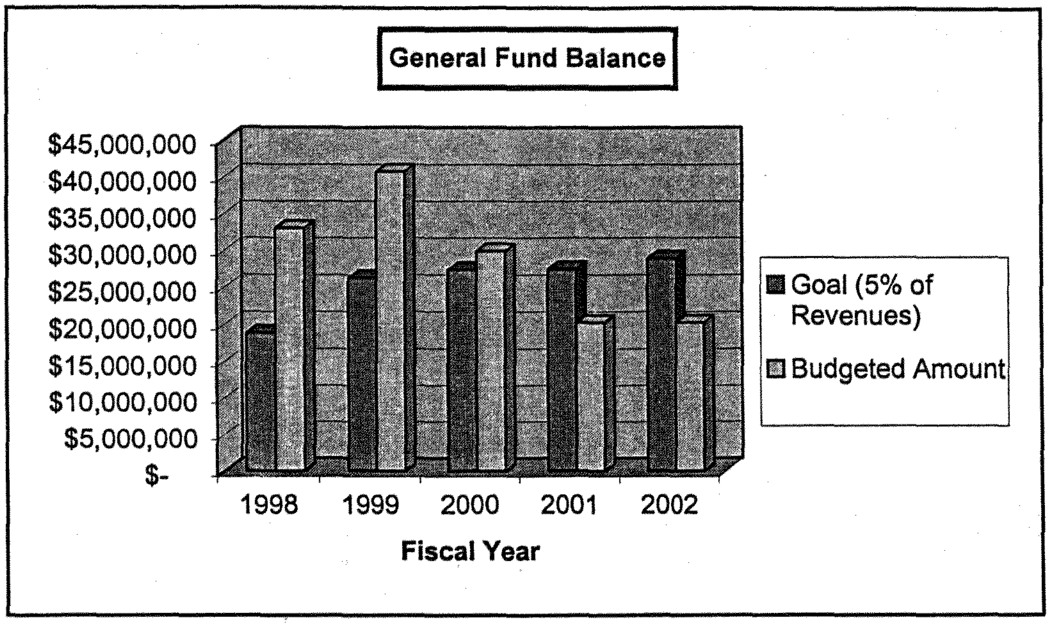
There is no additional carryover available to cover \$1,650,000 of the shortfall. The General Fund actual beginning balance for 2001-02 is \$7.2 million *lower* than the budgeted revenue, not \$1.65 million higher. This part of the budget note cannot be implemented.

\$746,379 of borrowed money is budgeted for the East County Justice Facility. That money can be converted into a service reimbursement to the Capital Lease Retirement Fund to cover a debt payment, and a General Fund service reimbursement correspondingly reduced. Implementing this action will come to the Board as a budget modification.

Community Justice will need to identify cuts or additional State revenue available to cover the final \$500,000 of the shortfall. Implementing this action will come to the Board as a budget modification.


GENERAL FUND AND RESERVES
IN THOUSANDS OF DOLLARS
7,206
25,873
18,850
8,285
32,459
26,330
8,434
27,437
21,452
27,523
8,535
11,745
28,985
8,535
11,745
1998
1999
2000
2001
2002
Fiscal Year
Balance goal, 10% of general fund
Actual reserves, vacation amount
Actual reserves, general fund revenues amount

Pg 2



Fiscal Year	Revenues	Balance Goal 10% of Gen Fund Revenues	Actual Amount		Percent Change
1998	$ 188,846,000	$ 18,884,600	$ 33,079,000	B	17.5%
1999	263,300,000	26,330,000	40,744,002		15.5%
2000	274,371,000	27,437,100	29,976,001		10.9%
2001	275,234,000	27,523,400	20,280,000		7.4%
2002	289,852,144	28,985,214	20,280,000		7.0%

Fiscal Year	Revenues	Balance Goal 10% of Gen Fund Revenues	Vacation Amount	
1998		$ -	$ 7,206,000	A
1999		-	8,285,000	
2000		-	8,434,000	
2001		-	8,535,000	
2002		-	8,535,000	

Multnomah County, Oregon
Financial and Budget Policy
Executive Summary
October 16, 2001

The County's Financial and Budget Policy was adopted by the Board by Resolution 99-144 on July 8, 1999. The entire policy includes 20 separate policy statements. This executive summary includes 6 policy statements that are more relevant to the decisions that the Board will be making over the next several months as it makes mid-year budget decisions and begins the budget process for the fiscal year 2002/03 budget.

The policy statements are highlighted on page 1 of the attached document. The following are a brief summary of these policy statements.

1. RECURRING COSTS AND ONE-TIME-ONLY REVENUES – This policy is currently in place and we are not recommending any changes. The policy provides that the Board will use the following criteria when allocating these one-time-only receipts:

1. The level of reserves set aside as established by this policy.

2. The County's capital needs set out in the five year Capital Improvement Plan or Information Systems Development Plan.

3. One-time only spending proposals for projects or pilot programs, particularly investments that may result in long-term efficiencies or savings that do not require additional ongoing costs.

4. One-time only dollars that encourage innovative ideas or technology.

2. RESERVES – It is our recommendation that the goal of the Board is to fund and maintain two General Fund Reserves funded at approximately 5% each of the total budgeted revenues of the General Fund. Moody's has stated that a Aa1 organization should have at least a 10% reserve and a 12 to 15 % reserve is preferred.

The first 5% reserve account in the General Fund, designated as unappropriated fund balance is currently in place. The 2002 goal for this account is $14.5 million and the current amount budgeted is $4.5 million.

We are recommending that the second 5% be maintained separate from the General Fund in a General Reserve Fund. This is a new recommendation. The 2002 target for this reserve is $14.5 million and we can begin funding this reserve with $8.5 million that was set aside for vacation liabilities that are not required to be reported on the County's financial report.

The combined goal is $29 million and the amount funded is $13 million.

We need to remember that the actual reserves are based on financial operations during the year and will be different than the amounts budgeted.

3. ALLOCATIONS FOR FACILITIES MAINTENANCE AND REPAIR – This policy statement is currently in place. The policy's states: That it is the goal of the Board to fund the County's capital maintenance requirements at approximately 2% of the historical cost of County buildings. (2% represents a depreciation factor of depreciating the facilities over a 50 year period). To prevent the continued deterioration, Facilities Management began collecting $1.65 per square foot of space in County owned facilities beginning in Fiscal Year 2000.

4. SALE OF UNRESTRICTED COUNTY PROPERTY – This policy is currently in place and states: All net proceeds from the sale of unrestricted property (not including land swaps) and interest earnings on the deposited proceeds are to be credited to the Capital Improvement Fund and Capital Acquisition Fund. The Capital Improvement Financial Plan Committee will make recommendations to the Board on how the funds should be used. The Board will determine the amounts deposited to each fund and how these funds will be used.

5. CAPITAL IMPROVEMENT FINANCIAL PLAN - We are recommending that we incorporate Resolution 00-048 that was adopted by the Board on April 13, 2000. This policy details the process that a capital improvement project plan be developed and financed. The policy states that prior to the adoption of the annual budget, the Capital Improvement Financial Plan Committee shall present a report to the Board. This report shall include a listing of the projects, intended use, alternative methods of financing, current debt commitments, current debt capacity and recommendations. In addition, the Capital Improvement Financial Plan Committee shall annually recommend to the Board the best distribution formula to be used in the Financial and Budget Policies for receipts from the sale of unrestricted property.

6. LONG-TERM LIABILITIES - This policy is currently in place. We are suggesting one change as it relates to the vacation liabilities that we are recommending be used to establish a General Reserve Fund. We are recommending the policy statement be: It is the goal of the Board to fund 100% of all long term liabilities that are required by the Governmental Accounting Standards Board (GASB) to be disclosed or accounted for in the County's comprehensive annual financial report. GASB 34 states that vacation liabilities do not need to be reported in the governmental fund types until they are paid and can be freed up to establish this reserve fund.

Other items requested at the October 15, 2000 meeting:

1. Vacation liability by fiscal year (derived from audited annual financial statements)
   1997 - $6,594,000
   1998 - 7,206,000
   1999 - 8,285,000
   2000 - 8,434,000
   2001 - 8,535,000

2. The approximate additional interest costs, over the life of the bonds, between a single rating grade is approximately .25% which represents about $35,000 per $1 million in bonds issued. On a $150 million bond issue this would amount to approximately $5.2 million over 20 years.

MULTNOMAH COUNTY OREGON

FINANCIAL AND BUDGET POLICY

FISCAL YEAR 2001-2002

Prepared by: Department of Support Services; Finance Program Area

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GOALS

The goals of this financial policy are:

1. To preserve capital through prudent budgeting and financial management.

2. To achieve the most productive use of County funds that meets the goals of the Board of County Commissioners.

3. To ensure that all finance-related activities meet generally accepted accounting principles.

4. To achieve a stable balance between the County's ongoing financial commitments and the continuing revenues available to the County.

5. Leverage the maximum amount of local dollars with federal and state funding/grants.

6. To provide an accountable form of Government to the citizens of Multnomah County.

RECURRING COSTS AND ONE-TIME-ONLY REVENUES

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

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

RECURRING COSTS AND ONE-TIME-ONLY REVENUE POLICY STATEMENT:
It is the policy of the Board that the County will fund ongoing programs with ongoing revenues.

When the County receives unrestricted one-time-only revenue, the Board will consider setting these funds aside for reserves or allocating them to projects or programs that will not require future financial commitments. The Board will use the following criteria when allocating these one-time-only receipts:

1. The level of reserves set aside as established by this policy.

2. The County's capital needs set out in the five year Capital Improvement Plan or Information Systems Development Plan.

3. One-time only spending proposals for projects or pilot programs, particularly investments that may result in long-term efficiencies or savings that do not require additional ongoing costs.

4. One-time only dollars that encourage innovative ideas or technology.

RESERVES

BACKGROUND:
Annually using all available ongoing revenue to pay for ongoing programs can result in fluctuations in program levels as revenues vary from one year to the next. Programs added in one year based on positive short term receipts can cause programs of equivalent cost being cut in the next year if economic factors cause those revenues not to grow as fast as costs. This has a detrimental effect on service delivery over time. It reduces efficiency. It also sets up difficult budget problems that could be avoided if program decisions were made in the context of the County's long-term financial capacity rather than on the basis of revenue available from one year to the next.

Maintaining an appropriate reserve assists the County in maintaining its favorable bond rating, which is currently Aa1 from Moody's Investors Service. Moody's generally generally established benchmark for the General Fund Balance or reserve is a dollar amount equal to at least 1010% of actual General Fund revenues.

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

It is the goal of the Board to fund and fund and maintain two General Fund Reserves designated as unappropriated fund balance, funded at approximately 5% each of the total budgeted revenues of the General Fund. The Public Safety Fund is primarily supported by the General Fund and for purposes of calculating these reserves, revenues and actual ending fund balances reported in the Public Safety Fund will be included.

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

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

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

ALLOCATIONS FOR FACILITIES MAINTENANCE AND REPAIR

BACKGROUND:
Multnomah County owns in excess of 50 buildings at a historical cost of about $280 million. In Fiscal Year 2002 the County will spend approximately $7 million on major maintenance and improvements to those buildings. The $7 million excludes specific facilities that are being funded by bonds and State certificates of participation funds. In Fiscal Year 2000 the County also sold bonds in the amount of $15 million reduced our deferred maintenance backlog.

The structural maintenance of the County's capital plant is largely a non-discretionary activity. That is, the question is not whether such expenditures are necessary but in what year to schedule the expenditure on particular projects. Deferral of spending on capital projects builds an unfunded liability that there is no way to avoid sooner or later.

ALLOCATIONS FOR FACILITIES MAINTENANCE AND REPAIR POLICY STATEMENT:
The Board recognizes that an adequate ongoing level of funding for capital improvements is essential to avoid costly reconstruction or replacement of capital assets. These capital assets include County buildings, bridges and roads.

It is the policy of the Board to maintain a Capital Improvement Program (CIP) Plan covering a period of five years. The Plan is to provide for anticipated future major improvements and maintenance to County owned and leased capital assets and provide for additional and replacement capital assets. The Plan will include major construction to be undertaken by the County, no matter what the funding source. The Plan will be reviewed and updated annually.

It is the goal of the Board to fund the County's capital maintenance requirements at approximately 2% of the historical cost of County buildings. (2% represents a depreciation factor of depreciating the facilities over a 50 year period). In addition, to prevent the continued deterioration, Facilities Management began collecting $1.65 per square foot of space in County owned facilities beginning in Fiscal Year 2000.

SALE OF UNRESTRICTED COUNTY PROPERTY

BACKGROUND:
On April 19, 1990, the Board adopted Resolution 90-57 creating the Capital Improvement Fund and Natural Areas Acquisition Fund. These funds were created to restrict the use of proceeds received from the sale of unrestricted County property for future capital requirements and the acquisition, protection and management of natural areas. On October 7, 1993, the Board adopted Resolution 93-338 amending Resolution 90-57 to clarify that the funds deposited in the Natural Areas Acquisition Fund were to be 50% of the proceeds from the sale of undeveloped unrestricted property only.

Over the last several years the County has been presented with several opportunities to improve efficiencies by acquiring equipment and/or by redirecting building rental payments to pay for the acquisition of a facility. The Capital Improvement Fund paid for these investments initially and the annual savings or the redirected expenditure was repaid to the Capital Improvement Fund. In response to this the Board adopted Resolution 96-138 repealing Resolutions 90-57 and 93-338 and directing the proceeds from the sale of unrestricted County property to the Capital Improvement Fund and Capital Acquisitions Fund. In April 2000 the Board adopted Resolution 00-048 amending this policy as follows.

SALE OF UNRESTRICTED COUNTY PROPERTY POLICY STATEMENT:
All net proceeds from the sale of unrestricted property (not including land swaps) and interest earnings on the deposited proceeds are to be credited to the Capital Improvement Fund and Capital Acquisition Fund. The Capital Improvement Financial Plan Committee will make recommendations to the Board on how the funds should be used. The Board will determine the amounts deposited to each fund and how these funds will be used.

Disbursements made from the Capital Acquisition Fund will be used to enable the County to take advantage of capital acquisition opportunities that may arise. The capital asset acquired must have a useful life of at least five years. The asset must also demonstrate that the savings generated or the redirection of current expenditures will have a pay-back period of five years or less. Departments requesting funds from the Capital Acquisition Fund to take advantage of such an opportunity must present an issues and opportunities fact sheet to the Finance Program Area detailing the merits and financial impacts of the proposal. If approved by the Finance Director, the proposal will be presented to the Board for their approval. If approved, the Department will budget a service reimbursement sufficient to make the Capital Acquisition Fund whole within a five-year period. This service reimbursement must include interest charges at the County's investment pool rate at the time of the acquisition.

CAPITAL IMPROVEMENT FINANCIAL PLAN

BACKGROUND:
Multnomah County's Capital Improvement Program was last updated in 1995 and projects reviewed in 1998. In 1998 the Strategic Space Plan contemplated innovative development offerings and public partnerships for mixed-use facilities and the County has taken steps toward the realization of such innovations. Multnomah County's capital improvement project list and space utilization has significantly changed since it was last updated and the Board of County Commissioners wishes to review these lists on an annual basis. The Board of County Commissioners may authorize the sale, long-term lease, or development of property and/or improvements and may authorize full faith and credit financing obligations. It is financially prudent to adequately plan for capital projects and the unfunded needs for capital improvements so that decisions about the use of revenues and financing may be made in an orderly manner.

CAPITAL IMPROVEMENT FINANCIAL PLAN POLICY:
A Capital Improvement Financial Plan Committee is established, to be composed of representatives of the Finance Program Area, Budget and Quality Division, Facilities and Property Management Division, and others deemed necessary by the Chair.

During the annual budget development the Director of the Department of Sustainable Community Development is directed to update the Capital Improvement Project plan using a Facilities Priority Committee composed of the directors of each department, a non-departmental representative designated by the Chair, and, if the respective elected official so desires, a representative of the Sheriff, District Attorney and Auditor. This plan shall include recommendations to the Chair and Board of County Commissioners on the priority of projects including those that may have been identified by the County's Facilities SubCommittee of the Operating Council, suggested by Commissioners or otherwise identified.

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

The Capital Improvement Financial Plan Committee shall annually recommend to the Board the best distribution formula to be used in the Financial and Budget Policies for receipts from the sale of unrestricted property.

LONG-TERM LIABILITIES

BACKGROUND:

The Financial Accounting Standards Board has issued various statements which require private sector organizations to record long-term liabilities in their financial records. The Governmental Accounting Standards Board has been moving towards private sector accounting standards and is requiring governmental organizations to either record long-term liabilities in the financial records of the organization or disclose the liabilities in the notes to the financial statements. To avoid having the Board or future Boards face huge unfunded liabilities, beginning in the mid 1980's, the County began funding many of its unfunded liabilities. By funding these liabilities over time the County will not be faced with liabilities without the resources to fund them. The practice of funding long-term liabilities has a favorable impact on our bond rating. The following is quoted from our most recent credit report: "The County's historically strong financial management is underscored by its response to revenue limitations imposed by Measure 5 beginning in Fiscal Year 1992. In addition to making dramatic program cuts and organizational changes, the County nevertheless continued its policy on funding long-term liabilities. The County's high credit rating is supported by the strong economy, sound financial management, high level of cooperation with underlying jurisdictions and moderate debt position."

LONG-TERM LIABILITIES POLICY STATEMENT:

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

STATUS:

The following is the June 30, 2001 funding level of each liability ($ in thousands):

Type of Liability	Total Liability	Amount Funded	Percent Funded
Self Insurance (1)	$ 8,712	$ 8,712	100.00%
Post Retirement (2)	10,788	6,423	59.54%
Library Retirement (3)	6,504	5,901	90.73%
Total	$ 26,004	$ 21,036	80.90%

(1) GASB requires self-insurance claims be recorded as a liability in the financial statements.

(2) GASB requires employer paid benefits extended to retirees be disclosed in the financial statements.

(3) The Library Retirement Funds are required to be disclosed. Funds are dedicated to former employees of the Library Association of Portland.

OREGON ECONOMIC AND REVENUE FORECAST

SUMMARY

State of Oregon
Department of Administrative Services
Office of Economic Analysis

September 2001
Vol. XXI, No. 3

Economic Forecast

Recent Developments

- While the U.S. economy flirts with recession, the Oregon economy is engaged in a serious courtship. The second quarter initial estimate of job growth was negative 3.5 percent at an annual rate. This is the lowest growth rate since a negative 3.8 percent recorded for the first quarter of 1991. The last recorded job growth above one percent was in the second quarter of 2000.

- On a year-over-year (Y/Y) basis, job growth in the second quarter was at negative 0.4 percent. The last time jobs declined on a Y/Y basis was during the third quarter of 1991 with a negative 0.8 percent.

Economic Outlook

- OEA forecasts employment growth to be essentially flat for 2001. Growth will continue to be slow in 2002 before reaching above 2.0 percent in 2003.

- Manufacturing will sharply decline in 2001 with an annual growth rate of negative 2.6 percent. The sector will bottom out and start to improve in 2002. However, the level of employment in 2003 will still be below average job levels in 2000.

- Lumber and wood products are projected to be down 4.5 percent in 2001 before an improvement of 1.1 percent expected in 2002.

- The sector that contains semiconductors, electrical machinery, should grow 2.6 percent in 2001 and 2.1 percent in 2002. These annual growth rates mask a slowing in 2001 with several quarters of negative growth projected. Jobs are expected to grow 4.7 percent in 2003.

- Trade job growth will remain relatively weak in 2001 with a decline of 0.3 percent. Job growth will be stronger in 2002 at 1.4 percent and in 2003 at 1.8 percent. Services should see annual job growth of 1.2 percent in 2001, 2.6 percent in 2002, and 3.1 percent in 2003.

- Population growth is expected to be higher than the U.S. average, but slower than the growth experienced in the mid-1990's. Slower growth will prevail over the next three years, with increases of 1.1 percent in 2001 and 1.2 percent in 2002 and 2003.

- Per capita income in Oregon will stay below the U.S. average in 2001 and 2002. With faster growth forecasted for the Oregon economy, per capita income will move towards the U.S. average through 2007.

- The major risks now facing the Oregon economy are: another sharp and major stock market correction; further increases in inflation; regional energy prices; the slowing U.S. economy; consumer confidence; and a slower than anticipated recovery for semiconductors, software, and communications.

Revenue Forecast

1999-01 Biennium

- General Fund revenue totaled $10,121.9 million for 1999-2001. Total collections were $167.1 million less than projected in the May 2001 forecast, but exceeded the 1999 Close of Legislative Session (COS) forecast by $210.6 million.

- All non-corporate revenue collections exceeded the 1999 COS forecast by $254.5 million, or 2.79 percent, triggering a personal income tax kicker refund. Personal income taxpayers will receive a refund in the fall of 2001 equal to approximately 6 percent of their 2000 tax liability.

- Corporate tax collections were well below the COS forecast resulting in no corporate kicker.

2001 Close of Session

- The 2001 COS forecast equals the May 15, 2001, forecast adjusted for specific legislative changes enacted by the 2001 Legislature. The COS forecast establishes the level upon which the legislatively adopted budget was based, as well as the foundation for 2001-03 kicker calculations.

- The 2001 COS forecast increased $94.4 million from the May 2001 forecast, totaling $11,457.2 million for the 2001-03 biennium. The 2001 Legislature appropriated $11,371.2 million, leaving a projected ending balance of $86.0 million, or 0.75 percent of total resources for the period.

2001-03 Biennium

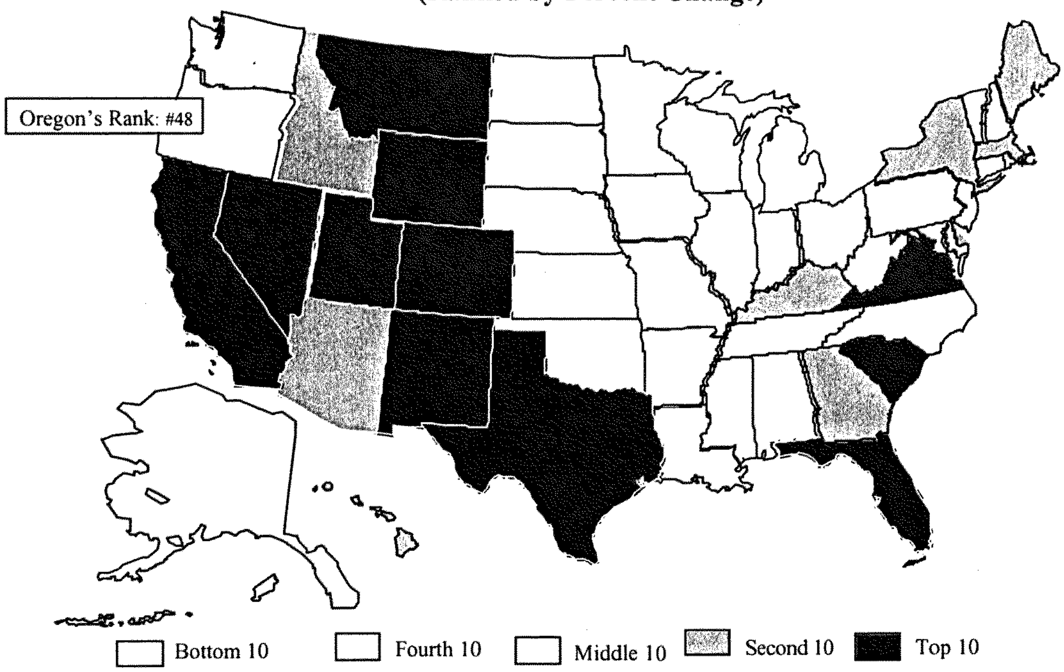
- Forecasted General Fund revenues for the 2001-03 biennium now total $10,800.6 million. Projected revenues decreased by $243.9 million from the COS forecast because of weaker economic expectations for the biennium. This is a reduction of just over 2 percent. The beginning balance also decreased $53.9 million from the COS forecast as it incorporates actual collections from the final quarter of the previous biennium.

- OEA expects total General Fund resources for the biennium to equal $11,159.4 million. This is now less than total 2001-03 legislatively adopted General Fund appropriations. It is important to note that this expectation is over the course of the biennium, rather than a deficit in current revenues compared to current expenditures.

Lottery

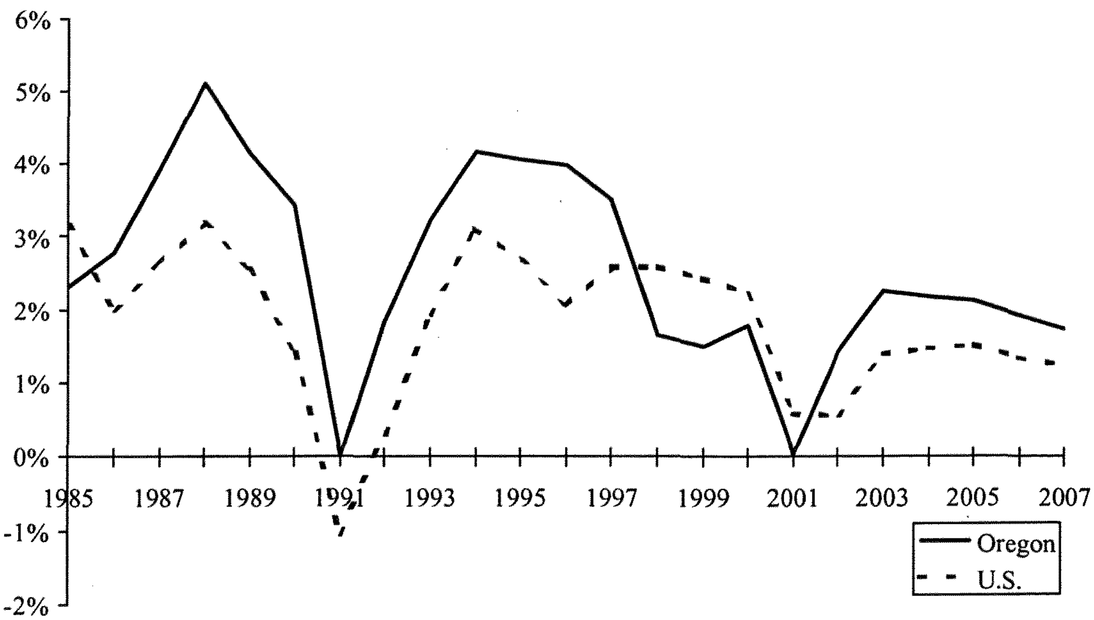
- The 2001-03 COS forecast of Lottery resources totals $680.7 million. The September forecast of Lottery resources increased slightly, to $686.5 million for the biennium. Both the beginning balance and forecasted revenues increased from the COS level, while the forecast of other resources available to the fund decreased because of a drop in expected interest earnings. Allocations of resources remain little changed from the COS forecast. OEA now projects an ending balance of $3.9 million for the 2001-03 biennium.

Nonfarm Job Growth by State
June 2001 over June 2000
(Ranked by Percent Change)

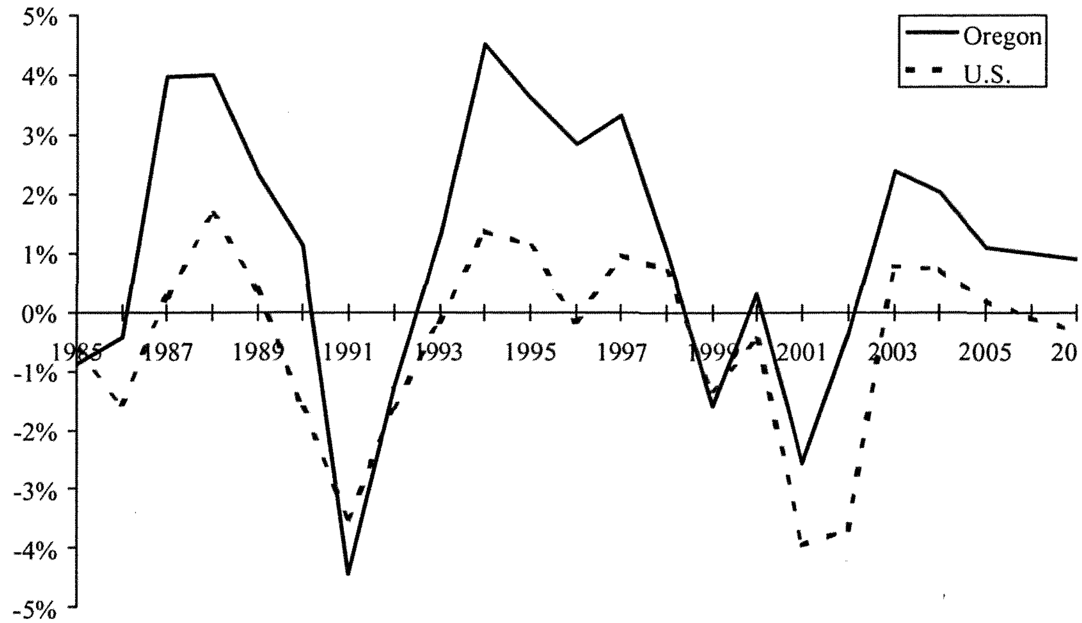


Source: Blue Chip Job Growth Update, Bank One Economic Outlook Center, Arizona State University, August 2001

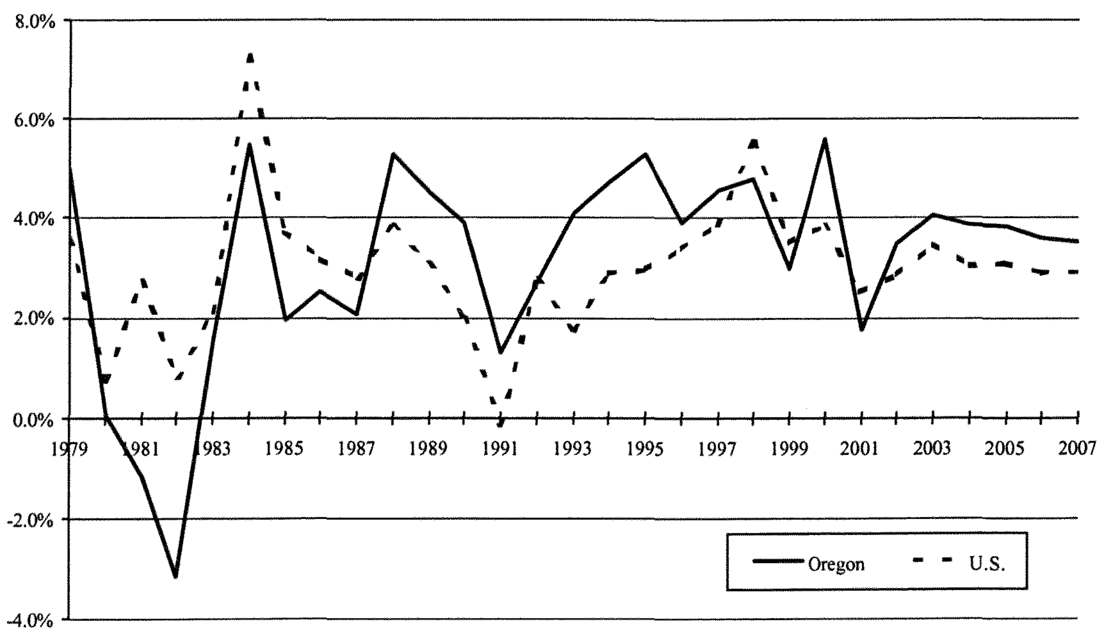
Percent Change in Employment 1985-2007



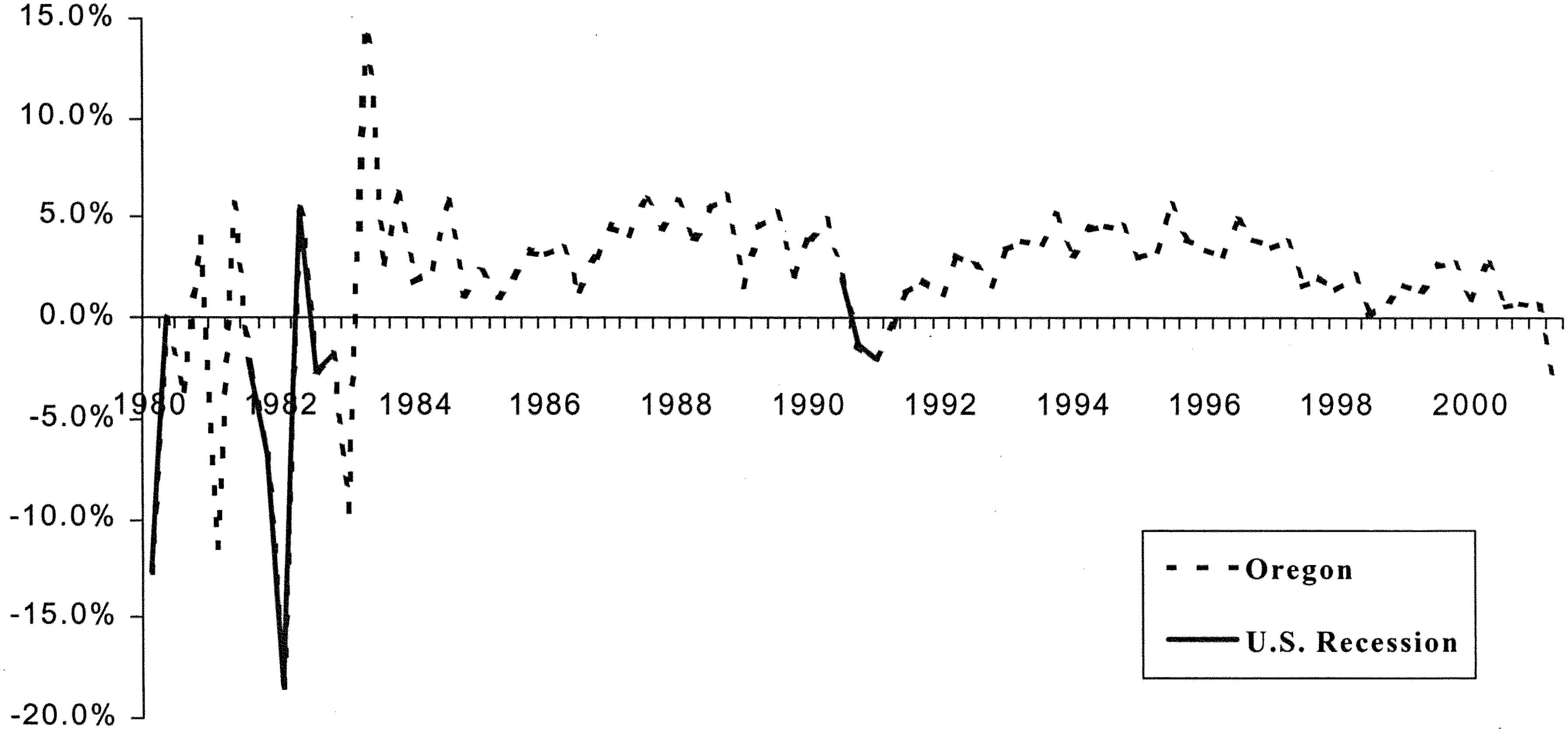
Oregon and U.S. Manufacturing Employment Growth 1985 - 2007



Percentage Change in Real Personal Income 1979-2007



Oregon Employment Growth (1980Q1 - 2001Q2)



Economic Profile of Oregon Counties

(Counties Grouped by Regions)

Geography	Population April 1, 2000	Total employment 2000	Unemployment rate 2000	Poverty rate: all ages 1997	Poverty rate: <18 yrs. of age 1997	Average wage per job ($) 1999
OREGON	**3,421,399**	**1,715,370**	**4.9%**	**11.6%**	**16.3%**	**30,372**
Portland PMSA	**1,572,771**	**857,410**	**3.8%**	**9.2%**	**12.7%**	**34,565**
Clackamas	338,391	192,600	3.2%	6.4%	8.6%	30,970
Columbia	43,560	22,270	5.2%	8.6%	11.1%	27,366
Multnomah	660,486	357,380	4.3%	12.2%	17.6%	34,332
Washington	445,342	243,630	3.3%	6.7%	9.3%	38,678
Yamhill	84,992	41,530	4.5%	10.5%	13.8%	26,299
Willamette Valley	**851,395**	**411,630**	**5.2%**	**12.5%**	**17.3%**	**27,097**
Benton	78,153	38,920	2.4%	9.1%	10.0%	30,902
Lane	322,959	158,300	5.1%	13.3%	18.0%	26,247
Linn	103,069	48,340	7.1%	12.3%	17.2%	27,489
Marion	284,834	135,950	5.6%	13.2%	19.0%	27,386
Polk	62,380	30,120	4.8%	10.5%	14.3%	22,971
Coast	**188,287**	**80,580**	**6.1%**	**14.9%**	**21.9%**	**23,273**
Clatsop	35,630	16,680	4.6%	13.3%	18.3%	24,254
Coos	62,779	25,420	7.4%	16.7%	23.6%	24,168
Curry	21,137	7,930	6.3%	13.9%	22.9%	21,051
Lincoln	44,479	19,760	6.3%	14.7%	23.0%	22,514
Tillamook	24,262	10,790	4.4%	13.6%	20.7%	22,403
Southern	**357,394**	**156,710**	**6.3%**	**15.1%**	**22.0%**	**24,837**
Douglas	100,399	42,090	7.8%	14.6%	20.5%	25,332
Jackson	181,269	87,050	5.3%	13.8%	20.3%	25,178
Josephine	75,726	27,570	7.0%	18.7%	28.5%	22,862
Central	**274,353**	**128,210**	**6.5%**	**12.9%**	**18.8%**	**24,664**
Crook	19,182	7,340	8.4%	12.8%	18.6%	25,831
Deschutes	115,367	58,230	5.3%	10.6%	15.9%	25,354
Gilliam	1,915	1,140	5.0%	9.4%	11.5%	24,669
Hood River	20,411	10,320	7.8%	13.0%	18.8%	21,637
Jefferson	19,009	8,320	5.7%	16.6%	23.0%	24,643
Klamath	63,775	26,670	8.1%	15.9%	22.8%	24,295
Lake	7,422	3,070	9.4%	14.7%	20.1%	22,756
Sherman	1,934	990	5.7%	12.0%	15.8%	20,409
Wasco	23,791	11,560	6.5%	12.9%	18.3%	25,669
Wheeler	1,547	570	8.1%	12.5%	18.2%	15,744
Eastern	**177,199**	**80,830**	**7.2%**	**15.4%**	**20.7%**	**23,784**
Baker	16,741	6,840	7.3%	16.8%	24.4%	21,897
Grant	7,935	3,540	11.1%	14.5%	19.7%	22,530
Harney	7,609	3,600	9.5%	14.8%	21.9%	21,737
Malheur	31,615	13,350	7.6%	19.6%	26.0%	21,800
Morrow	10,995	3,670	12.0%	7.0%	8.3%	25,488
Umatilla	70,548	34,740	6.4%	15.6%	21.0%	25,486
Union	24,530	11,960	5.2%	13.9%	17.3%	23,622
Wallowa	7,226	3,130	8.7%	13.1%	16.8%	21,068

Sources: 1997 Poverty Rates - U.S. Census Bureau
2000 Population - Census 2000, U.S. Census Bureau
2000 Employment and Unemployment rate - Oregon Employment Department
1999 Average wage per job, Bureau of Economic Analysis.
Note: Portland PMSA excludes Clark County, WA.

Risk Factors To The Forecast

	2001-2005	
	UPSIDE	DOWNSIDE
Macroeconomic Policies	Mild	Mild
International Conditions	Mild	Moderate
Energy Prices	Mild	Moderate
Stock Market	50-50	50-50
High Tech Industry	Moderate	Moderate

General Fund and Lottery Resources
(Millions of Dollars)

1999-2001 Biennium

	COS 1999 Forecast	Actuals 1999-01	Change from 1999 COS Amount	Change from 1999 COS Percent
General Fund				
Beginning Balance	261.9	338.1	76.2	29.1%
Personal Income Tax	8,421.0	8,737.0	316.0	3.8%
Corporate Income Tax	798.8	754.9	(43.9)	-5.5%
Other Revenues	691.5	630.0	(61.5)	-8.9%
Total General Fund Resources	10,173.2	10,460.0	286.8	2.8%
Proj. Expenditures	10,127.3	10,101.2	(26.1)	-0.3%
Ending Balance	45.9	358.8	312.9	681.7%

Note: Some totals may not foot due to rounding.

1999-2001 Biennium

	COS 1999 Forecast	Actuals 1999-01	Change from 1999 COS Amount	Change from 1999 COS Percent
Lottery				
Beginning Balance	$0.6	$0.8	$0.2	37.4%
Transfers and Other Revenues	594.6	601.3	6.7	1.1%
Total Lottery Resources	$595.2	$602.1	$6.9	1.2%
Allocations	594.1	595.7	1.6	0.3%
Ending Balance	$1.1	$6.4	$5.3	482.0%

Note: Some totals may not foot due to rounding.

General Fund and Lottery Resources
(Millions of Dollars)

2001-2003 Biennium

	COS 2001 Forecast	Sept 2001 Forecast	Change from 2001 COS Amount	Change from 2001 COS Percent
General Fund				
Beginning Balance	$412.7	$358.8	-$53.9	-13.1%
Personal Income Tax	9,445.3	9,258.1	-187.2	-2.0%
Corporate Income Tax	859.5	799.0	-60.6	-7.0%
Other Revenues	739.7	743.6	3.9	0.5%
Total General Fund Resources	$11,457.2	$11,159.4	-$297.8	-2.6%
Proj. Expenditures	11,371.2	11,371.2	-	0.0%
Ending Balance	86.0	(211.8)	(297.8)	-346.3%

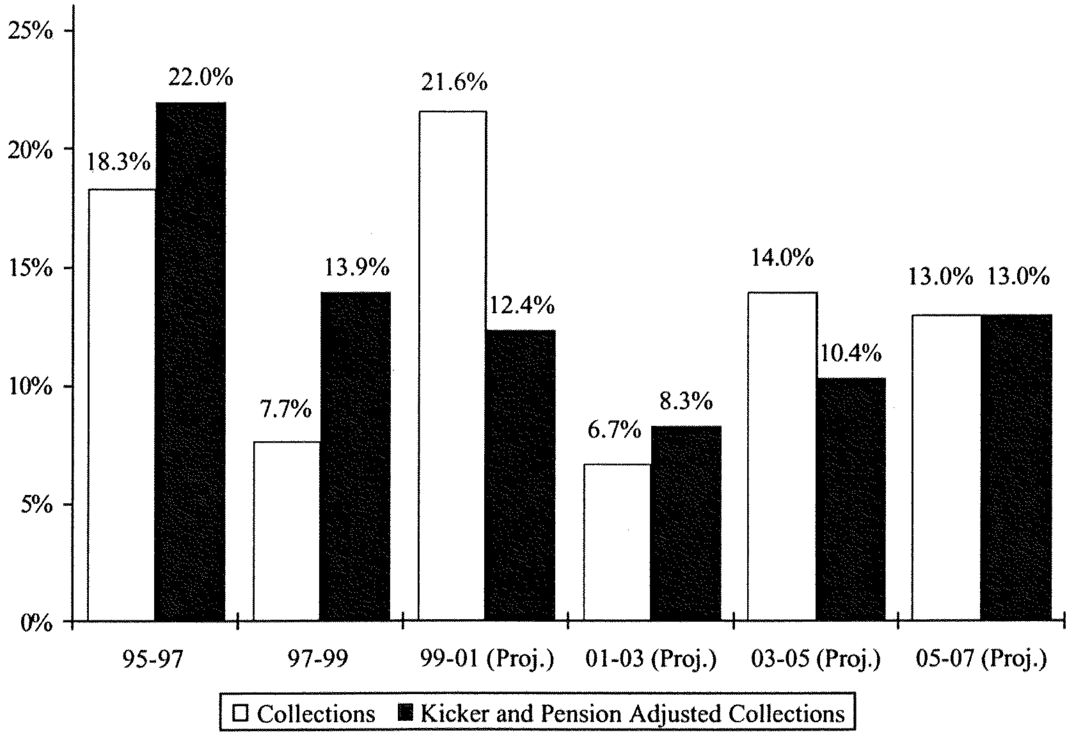
Notes: 2001 Close of Session Forecast subject to change based on final reconciliation with Legislatively Adopted Budget.
Some totals may not foot due to rounding.

2001-2003 Biennium

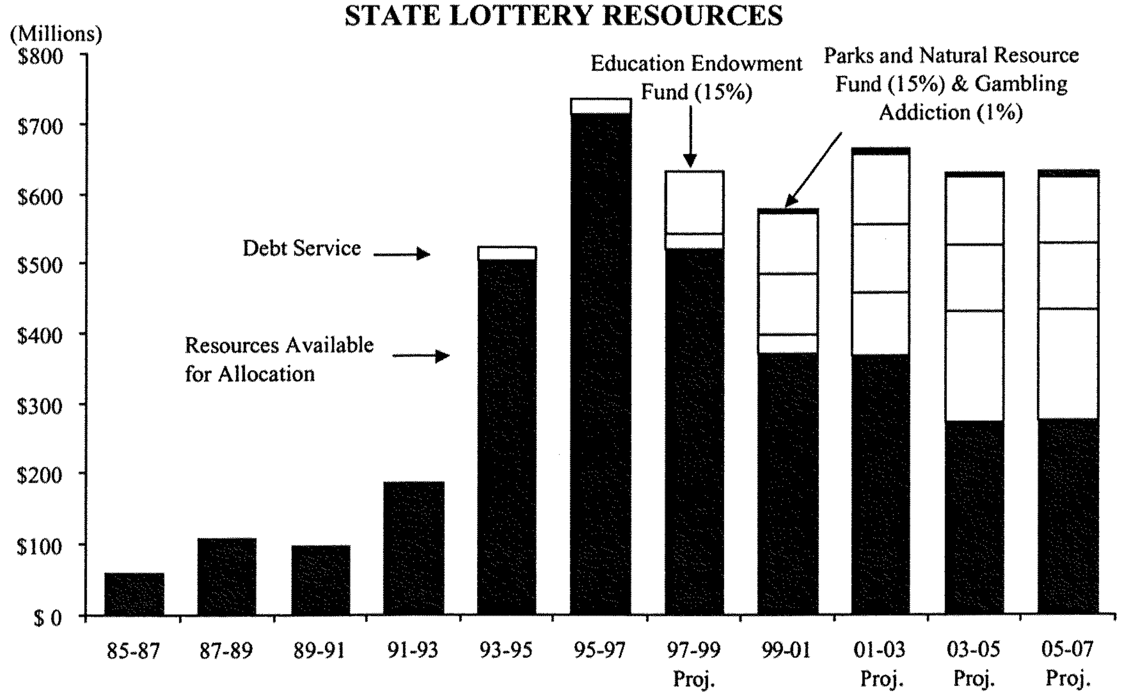
	COS 2001 Forecast	Sept 2001 Forecast	Change from 2001 COS Amount	Change from 2001 COS Percent
Lottery				
Beginning Balance	$5.8	$6.4	$0.6	9.7%
Transfers and Other Revenues	674.8	680.1	5.2	0.8%
Total Lottery Resources	$680.7	$686.5	$5.8	0.9%
Allocations	680.3	682.6	2.3	0.3%
Ending Balance	$0.4	$3.9	$3.5	994.3%

Note: Some totals may not foot due to rounding.

Biennial Growth in General Fund Revenue
1995-97 through 2005-07



STATE LOTTERY RESOURCES



Note: Resources do not include Video Lottery proceeds dedicated to the Counties. Beginning balance is included.

2 Percent Surplus Kicker History

Biennium	Tax Year	Personal Surplus / (Shortfall)	Personal Credit Refund	Corporate Surplus / (Shortfall)	Corporate Credit
1979-81	1981	(141.0)	none	(25.1)	none
1981-83	1983	(115.2)	none	(109.9)	none
1983-85	1985	88.7	7.7%	13.4	10.6%
1985-87	1987	224.2	16.6%	6.8	6.2%
1987-89	1989	175.2	9.8%	36.2	19.7%
1989-91	1991	185.9	suspended	(23.0)	none
1991-93	1993	60.1	none*	17.9	suspended
1993-95	1994/5	162.8	6.3%	167.0	50.1%
1995-97	1996/7	431.5	14.4%	202.7	42.2%
1997-99	1997/8	167.3	4.6%	(68.6)	none
1999-01 (proj.	2000	253.6	6.0%	(43.9)	none

Dollar figures in millions

*1991-93 personal surplus was less than 2%

Data Source: Legislative Revenue Office, Office of Economic Analysis

DATE: October 5, 2001

TO: Agency Directors

FROM: Governor John Kitzhaber

SUBJECT: Revenue Shortfall

As you are aware, the September 2001 Oregon Economic and Revenue Forecast indicates a revenue shortfall for this biennium. The events of September 11th have raised concerns that the Oregon economy will slow further. As you know, this means that we are faced with a budget rebalancing process. The purpose of this letter is to outline for you the information I am requesting that you prepare for the Legislature and me as we address the budget deficit. More importantly, however, it will clarify what principles I am directing you to use as you evaluate your budget options -- principles I will use as I prepare a budget rebalance recommendation.

We must take this opportunity not just to rebalance the budget for the remainder of this biennium, but to address the basic structural issue that continues to haunt us. The deficit we are facing today for the remainder of the 2001-03 biennium is roughly $300 million. The deficit the next Governor and Legislature face in the 2003-05 biennium is estimated at roughly $700 million. As I have said before, the current level of government services and spending exceeds the ability of Oregon's tax structure to maintain efficient and effective service delivery over time. The current economic downturn makes that point painfully clear. In order to avoid continuing disruptions in service, Oregon must have a clear set of program priorities that matches expected revenue on an ongoing basis.

To accomplish this we must: (1) know what our priorities are, (2) make our choices and reasons for our choices explicit, (3) evaluate the effect of our choices on those outside of or in other parts of state government both in the short and long term, and (4) be accountable for our recommendations and decisions. I expect each agency to address these points as you evaluate the programs and services you provide. This is basic information that is necessary for decisionmakers so that we not only address the current fiscal deficit, but we make decisions that are good for Oregon's future.

Using these criteria, I am requesting each state agency financed with General Fund and Lottery Funds to develop two sets of budget reduction options. The first is an administrative reduction plan to begin to accrue immediate savings where appropriate. The second is a long term, prioritized program reduction plan. The Budget and Management Division of the Department of Administrative Services will send further information on how to prepare these plans and on the deadlines for each.

In accordance with the authority granted to me under ORS 291.254, I have also instructed Budget and Management to begin the process of reducing all General Fund and Lottery Funds allotment plans by two percent. Let me make it clear that, ultimately, I will not be recommending, nor will I accept, across the board cuts. Rather, I will develop a prioritized rebalance plan for consideration by the legislature based on the attached principles. I do not anticipate a special session to address this problem until after the release of the December 1 revenue forecast.

I appreciate how difficult this process is for you, your staff, and your stakeholders. Please be assured that I am committed to a process that ensures decisions are made with a full understanding of both the policy issues involved and of the short and long-term implications for the citizens of this state.

General Fund and Lottery Funds
Cost Reduction Plan Instructions and Deadlines

The administrative and program reduction plans are to provide information for the Governor and the Legislature as they review options for rebalancing the budget. The allotment plan process will be used to implement the two percent unscheduling directed by the Governor. Ultimately, allotment plans will be adjusted to comply with legislative action to balance the budget.

Administrative Cost Reduction Plan

The purpose of this plan is to identify administrative cost reductions in two-percent increments for a total of 10 percent of the General Fund and Lottery Funds Legislatively Adopted Budget (LAB) for administration. Your budget analyst will work with you to determine the appropriate baseline from which to develop reduction options.

These reductions can include actions that are not permanent reductions, but save money for the 2001-03 biennium, including delaying hiring of new and vacant positions, reductions in travel expenditures, and reductions in other discretionary areas. Reductions need to be identified in priority order, and whether or not the option is temporary (only for 2001-03) or a permanent savings.

Deadline for submission to Department of Administrative Services (DAS):
October 26, 2001

Program Cost Reduction Plan

This plan is to identify permanent program reductions in two-percent increments for a total of 10 percent of the LAB. While the reductions apply only to General Fund and Lottery Funds, please identify Federal or Other Funds that would be lost. Information should include how much would be saved in 2001-03 and how much in future biennia.

Reductions need to be identified in priority order using the principles provided with the letter from the Governor. Please also identify the effect of the reduction on stakeholders.

Deadline for submission to DAS:
November 16, 2001

Allotment Plan Change

DAS will be working with the Attorney General's Office to determine what temporary or permanent administrative rules may be needed to implement the reductions to the current allotment plans. Agencies will need to work with their budget analyst to determine how reductions are spread throughout the remaining quarters and the deadline for submitting a revised biennial plan.

Budget Goals: Sustainability – The current level of government services and spending exceeds the ability of Oregon's tax structure to maintain efficient and effective services delivery over time. To avoid continuing disruptions in service, Oregon must establish priorities and match the level of overall expenditures to sustainable revenues. Therefore, the budget will be rebalanced using the following principles.

Principles for Major Program Reductions:

Define and implement core missions – Agencies must define their core missions and prioritize those services. Where necessary, changes in law will be proposed to eliminate non-priority services and focus resources on core services.

Make budget choices explicit – Overall financial flexibility within operations of state agencies will be limited and controlled so that policy makers have to assume greater responsibility for the effects of the financial and policy decisions they seek agencies to implement.

No thinning the soup – Cuts will not be made by agencies across the board, rather they will be considered by the Governor and made on a program-by-program basis including eliminating or restructuring programs where necessary. The quality and reliability of service the state will continue to provide is important.

Minimize the shifting of damage onto others – The interrelationship of budget reductions on local governments, education districts, and private and non-profit community institutions will be factored into the process of making reductions.

Provide a service safety net – Maintaining the capacity to serve our most at-risk and vulnerable citizens and communities that face extraordinary challenges will require the targeting of services the state continues to provide. When communities or individuals clearly have no other access to resources and services, the state shall maintain its role in providing the required support and assistance.

Do least harm – Prioritize reductions that will minimize the harm to Oregon's economic, social, and environmental sustainability. The protection of lives and property must be priority.

Prevention is important – As the state's ability to provide direct services declines, it is important to maintain and expand investments in prevention.

Set performance expectations appropriately – All programs must be accountable for continuing to measure results. If budget reductions are expected to reduce progress toward attainment of benchmarks or measurable service goals, the expected change should be clearly communicated.

2001 Legislative Agenda

MULTNOMAH COUNTY

Summary of Legislative Measures

Presented by Gina Mattioda and Stephanie Soden
Public Affairs Office

Benchmark #1: Improve the Health of the Community

Department of Human Services

Reorganization (HB 2294B) Abolishes the current divisions within the Department of Human Services (DHS) and creates the following clusters: (1)Adult, Families, and Children (2) Health, and (3) Seniors and People with Disabilities. According to DHS representatives, this reorganization creates integrated clusters along with more aligned central services and organizational restructuring. Other areas of integration include: Continuous Systems Improvement; Field Operations, and Administrative Support. The legislation also requires DHS to provide a status report on the reorganization at every Emergency Board meeting. This report will include progress on the implementation, staff implications, savings realized, and how DHS is using the $6 million anticipated from savings and information system improvements.

Maintain the Oregon Health Plan

Maintain Oregon Health Plan (HB 2519B) Seeks a federal waiver to enhance the level of health care services to those at 200 percent below the federal poverty guidelines. According to Mark Gibson, Governor Kitzhaber's Health and Human Services Policy Advisor, the current Oregon Health Plan configuration leaves roughly 350,000 or 10.5 percent of the state's total population uninsured. HB 2519B is the next step in moving Oregon toward the goal of universal health care access.

Funding for Safety Net Clinics (SB 5527A) This legislature made two separate allocations for safety net clinics. One was a distribution of $9.2 million for cost reimbursement for Federally Qualified Health Centers (FQHC). These funds could allow for leveraging of federal funds. Not all safety net clinics are FQHC. Therefore, a second distribution of $2.2 million was made to the Emergency Board for safety net clinics. The legislature also requested that the Office of Medical Assistance Programs (OMAP) return to the Emergency Board with a funding distribution plan.

Prescription Drugs (SB 9B and SB 819B) Several measures were introduced to address the rapid increase of prescription drug costs. In the end, following two measures prevailed:

- **Senior Prescription Drug Assistance Program (SB 9B)** This subsidized program will assist low-income Oregonians age 65 and older, who have incomes no greater than 185 percent of the federal poverty level, have assets, excluding home or car, of less than $2,000 and were not enrolled in either a public or private prescription drug program for the last six months. SB 9B creates the Senior Prescription Drug Assistance Fund, which will be allocated with funds from the cigarette tax revenues, if these revenues exceed $175 million.

- **Practitioner-managed Prescription Drug Plan (SB 819B)** Recognizes the growing cost of prescription drugs for Oregon Health Plan (OHP) enrollees. Directs Department of Human Services (DHS) to conduct public meetings and consult with the Health Resources Commission before adopting the Practitioner-managed Prescription Drug Plan. This plan allows practitioners to prescribe any drug that is medically necessary and most effective and allows an OHP enrollee to appeal a practitioner's decision. The intent of this legislation is to acknowledge that the cost of prescription drugs for OHP are managed through market competition by publicly considering first, the effectiveness of a given drug and second, its relative cost.

Enhance the Mental Health Treatment System

Parity (HB 3015B) Creates a joint interim task force on achieving parity between mental and physical health insurance plan benefits. The task force will report findings to the seventy-second Legislature.

Mental Health Local Planning (HB 3024A) Directs local mental health authorities to adopt local mental health plans. $7.5 million for local mental health planning and services was distributed to the Department of Human Services (DHS) in the final budget bill HB 5014A.

Support Funding of the Children's Receiving Center (CRC)

Funding for the Children's Receiving Center (CRC) is currently being addressed at the local and federal levels.

Expand Early Childhood Services

Policy Framework for Oregon Children's Plan (HB 3659B) Ensures a comprehensive system of services for Oregon's children. Elements of the Oregon Children's Plan include universal assessment (both prenatal and at birth), home visits (by nurses and paraprofessionals), alcohol, drug, and mental heath treatment, and parent education. It allows local government the ability to build on current efforts. This legislation stresses that all services are voluntary and will be based on meeting the needs and goals of the individual family.

Funding for Oregon Children's Plan (HB 5053A) Governor Kitzhaber's original budget for the Children's Plan allocated $66 million: $29 million in new revenue and $37 million in redirected revenues. Funding for this plan was debated throughout the session. Toward sine die, funding was placed into the State Commission on Children and Families' Budget. Roughly $60 million was distributed between the Department of Human Services (DHS), State Commission on Children and Families (SCCF), and Department of Education. According to the Governor's Office, specifics include:

- $1.3 million for early identification efforts
- $1.3 million to DHS distributed to local county health departments for home visits/Healthy Start
- $12.1 million to SCCF for home visits/Healthy Start
- $16 million in existing funds for home visits/Healthy Start
- $11 million for mental health and alcohol and drug treatment

- $8.3 million for flexible funding for services and initiatives for children and youth 0 to 18
- $5.9 for Head Start
- $3.4 million to SCCF for staffing and evaluation

Support the Aging Community and Persons With Disabilities

Clients in eligibility levels 15 –17 (SB 5527A) The Ways and Means Committee fully restored $12.5 million initially cut in the Governor's recommended budget.

Oregon Project Independence (OPI) (SB 5527A) The co-chairs' original budget restored $6.8 million of $13.7 million funds in the OPI program. The final agreement between the Co-chairs and Governor fully restored OPI at $13.7 million.

Preserve the Columbia River Gorge Area

Columbia River Gorge Commission budget (HB 5007) The Columbia River Gorge Commission was allocated $680,717 (approximately $100,000 less than the amount recommended by the Governor) for its biennial budget.

Ballot Measure 7 implementation (compensation for land use regulations – HB 3998) Legislation to implement Measure 7 could not be agreed upon in the final days of session, despite the numerous hearings and substantive testimony.

Benchmark #2: Reduce Crime

Fund Local Community Correction Efforts

Community Corrections Budget (HB 5008) The Department of Corrections (DOC) budget included $195.55 million for local community corrections programs. The Governor initially recommended $194.4, but the Ways and Means Public Safety Subcommittee added an estimated $1.15 million. In addition, a budget note directing DOC to modify the state community corrections advisory committee and analyze the community corrections funding structure was included. This language was taken from HB 2942A.

Community Corrections Advisory Committee and Fund Modifications (HB 2942A) Modifications to the statewide community corrections advisory committee and analysis of the community corrections funding structure were key elements of HB 2942A. The bill did not succeed through the legislative process so the language was placed into a Department of Corrections budget note.

Custody Unit Expansion for Probation Officers (HB 3461A) Aligns custody unit tracking for probation with those of parole. While the final version of HB 3461A is a watered-down version and fails to accomplish the initial goal of the bill, it still provides some flexibility for probation officers when imposing sanctions on offenders who violate the terms of their supervision agreements.

Maintain Juvenile Crime Prevention Strategies

Local Juvenile Crime Prevention Funds (SB 5546 – Oregon Youth Authority budget) The Ways and Means Public Safety Subcommittee restored initial cuts made in the Governor's recommended budget that provide some relief to Multnomah County's Department of

Community Justice. Of particular interest are the following Oregon Youth Authority (OYA) budget add-backs:

- **120 statewide youth accountability camp beds** (30 beds remain unfunded, requiring an additional $2.5 million in resources)
- **$3.15 million for Multnomah County gang intervention/prevention funds** (A budget note requires Multnomah County and OYA to agree upon diversion of some of the funds to community shelter programs, such as Out Front House.)
- **Leased beds in Multnomah County through July 2001** The OYA will spend approximately $31,000 to continue leasing local detention beds until July 31, 2001.

Extended school in juvenile detention facilities (HB 3619A) County juvenile departments collaborated with the Oregon School Boards Association (OSBA), the Oregon Department of Education, and the Multnomah Education Service District (MESD) to pass legislation that creates an increased funding mechanism to assist county juvenile detention facilities in providing year-round educational programs.

Prevent and Reduce the Incidence of Domestic Violence

Domestic and Sexual Violence Services Program (HB 2918C) $2.5 million is allocated to the Department of Justice (DOJ) for administration of domestic and sexual violence programs, including safety and assistance. DOJ must develop a plan for the allocation of these first time funds.

Unemployment Benefits for Domestic Violence Victims (HB 2767A) This legislation allows victims of domestic violence to collect unemployment benefits. Proponents of this measure state that domestic violence victims may not be safe at work. This bill codifies current Employment Department policy that is included in administrative rules.

Benchmark #3: Reduce Poverty

Support Living Wages for Oregon's Families

Prohibition of local living wage ordinances (HB 2744C) Would have prohibited any local government from imposing living wage standards on its public and private contractors. The original version of HB 2744 was amended substantially in order to win approval of the Governor. The following elements were deleted from the bill:

- Prohibition of living wage rules imposed by local government with contract organizations
- Prohibition of living wage rules imposed by local government when granting tax abatements to private companies employing more than 10 people

Implementation of the Home Care Commission (HB 3816A) $300,000 was allocated to the Department of Human Services (DHS) to create the Home Care Commission approved by voters in November 2000 (Ballot Measure 99). The mission of the Home Care Commission is to ensure the quality of home care services, including policy recommendations that improve the working conditions of employees who provide in-home care to the elderly and disabled.

Support Working Families

Low-Income Energy Assistance (SB 843B, HB 3309, and HB 3633) A significant portion of this session's energy restructuring legislation was an increase from $10 million per biennium to $10 million per year for low-income electric bill payment assistance.

Transportation funding package (HB 2142A and HB 2139) Approximately $400 million in bonding authority will be generated for state, county and city highway and bridge projects with HB 2412A and HB 2139. HB 2142A increases the current vehicle title fee from $10 to $30 for cars and $90 for trucks. HB 2139 increases various Driver and Motor Vehicle service fees. These bills will raise an estimated $71.2 million each biennium to pay the debt from the road and bridge repair bonds. The Oregon Transportation Commission is responsible for determining which projects will be funded with the bond revenues.

South Metro Commuter Rail Project (HB 3861B) Authorizes the issuance of $35 million in lottery bonds for financing a portion of the South Metro Commuter Rail Project. The lottery bonds will be combined with local and federal dollars, and received wide support from metro area officials.

Regional Transit Authorities (HB 3408 and SB 933B) Creates intergovernmental entities to address transportation infrastructure needs. SB 933 was supported by the Association of Oregon Counties (AOC), and refers specifically to counties. The Governor is expected to sign this bill. HB 3408 contained broader language and remained in committee as of sine die.

Cooperate in the Metro Regional Affordable Housing Strategy

Regional Affordable Housing Fund Act (HB 3400) Would have established an affordable housing district in the metro area and provided a local option for affordable housing. Despite broad regional support, the Senate leadership opposed the option to allow an authorized district governing board to impose a real estate transfer tax. At sine die, this bill was still in committee.

Affordable Housing (HJR 65B) Establishes a 10-year goal to address the need for affordable housing infrastructure for low-income Oregonians by 2011. This resolution is the result of a series of meetings between the Housing Lobbying Coalition and the House Housing Caucus, an informal group of legislators led by Representatives Merkley and Williams.

Housing and Community Service Department (SB 5526A) This budget provides $3.2 million for construction of affordable housing.

Benchmark #4: Increase Success in School

Support the Quality Education Model

Funding for public schools (SB 5514A) $4.971 billion was allocated to the K-12 and ESD budgets out of the General Fund in SB 5514A.

OK **School improvement fund (SB 5513A)** $220 million was dedicated to the schools under the School Improvement Fund created in SB 5513A.

Federal forest receipts (SB 486B) Requires federal funds received under the Secure Rural Schools and Community Self-Determination Act of 2000 to be distributed among counties based on their proportional share of federal forest receipts during the eligible years. Requires 25% of these funds to be deposited in the County School Fund and distributed to school districts based on proportionate share of students, or average daily membership (ADM).

Maintain Local Bonding Option

Local option equalization (HB 2300B) Creates a state match grant program for school districts that have passed a local option tax and meet specific criteria relating to assessed local values. In the 2001-03 biennium, three districts will receive portions of the $600,000 allocated by the Legislature: Colton, Pendleton, and Camas Valley.

Community Learning Centers (HB 2082B) Establishes legislative recommendations, but does not mandate school districts to enter into partnerships with groups that support children and families. Community learning centers are defined as school-based or school-linked programs that provide informal meeting places and coordination of community activities. This legislation involves a variety of state agencies, such as Department of Education, Department of Human Services, State Commission on Children and Families, and Oregon Criminal Justice Commission.

Benchmark #5: Maintain Principles of Good Government

Multnomah County partnered with other jurisdictions, such as the Association of Oregon Counties (AOC), in pursuing proposals that improve services for constituents. AOC's legislative priorities include the following:

- Reform PERS to provide good benefits with stable, sustainable funding
- Coordinate and fund mental and public health services
- Fund District Attorney offices
- Fund state court operations
- Establish a disaster relief fund
- Support a statewide telecommunications network

The Final status of these priorities can be accessed on their web site at www.aocweb.org.

Supplemental List – Additional bills of interest

Portland Harbor (HB 2010A) Would have created an environmental clean-up district along the Portland Harbor in which local property tax revenues would be lowered for an unspecified amount of time to 40% of their assessed value. Revenue savings would have been diverted into a savings account and remaining assessed revenues would have funded local schools and special service districts. The annual fiscal impact to Multnomah County was estimated to be $3.5 million. Although the bill narrowly passed the House 31-29, it remained in the Senate Rules and Redistricting Committee at sine die.

Department of Human Services Budget (SB 5527A) The Ways and Means Human Services Subcommittee deliberated over this $8.5 billion, the largest budget in state government, during the entire session. The Office of Alcohol and Drug Abuse Programs (OADAP) received some scrutiny from Subcommittee Chair Rep. Winters, and it was rumored that several programs and services may be reduced and/or eliminated. A twelve-percent reduction in funding for alcohol and drug-free housing projects did occur, but some proposed cuts were restored, such as:

- Stop Drug Court
- Cost of living increase for outpatient and prevention services
- African American Youth Project
- FIT and Latino Youth Projects
- 36 residential beds, 9 of these are Multnomah County beds

Additional highlights include: *(more allocations in HB 5014A)*

- $500,000 for fluoride program
- $ 2.5 million General Fund restoration for School Based Health Clinics
- $17.5 million for tobacco prevention programs

Medicare Upper Limit Account: MULE/MUPL (SB 963A) Establishes a Medicaid Upper Payment Limit (MUPL) Account. According to the Legislative Fiscal Office, the Ways and Means Co-Chairs strongly believed that funds generated from the MUPL Account, which are Federal Medicaid Funds, should not be placed into the state's General Fund. An estimated $106.4 million of MUPL funds was placed into a fund separate and distinct from the General Fund. During the SB 963A committee hearing, Co-Chair Hannon stated these funds would be used by Medicaid and Medicare recipients, enrollees of the Oregon Health Plan, as well as rural clinics and hospitals. SB 963A may have also allowed for the restoration of some proposed DHS cuts, such as school-based clinics.

Tobacco Settlement Distribution (SB 5553) Funds received from tobacco companies under the 1998 Master Settlement Agreement are initially placed into the Tobacco Settlement Account. The Legislature must transfer these funds from this Account to specific agencies, programs, and/or services. The 2001 Legislature allocated the following:

- $5 million for tobacco use prevention and education
- $22 million for Federal Health Insurance Assistance Program (FHIAP)
- $99 million into the General Fund
- $100 million into Health Care Trust Fund
- $124 million allocated to Office of Medical Assistance Program (OMAP) for the Oregon Health Plan

Continuation of Tobacco Tax (HB 3433D) Extends the sunset of temporary 10 cent per pack cigarette tax to January 1, 2004. The tobacco tax funds a portion of the Oregon Health Plan (OHP). Without this measure, OHP would be out of balance by more than $35 million. This measure also limits the tax on cigars to 50 cents per cigar.

Tobacco Preemption (HB 2828B) According to proponents of this measure, HB 2828B instigates a statewide smoking ban in places of employment. Although this measure preserves existing ordinances, such as Multnomah County and the City of Eugene, HB 2828B prohibits other communities from creating their own ordinances or modifying current ordinances. This statewide ban includes the following exceptions *(partial list)*: restaurants or areas of restaurants that are off-limits to minors, bars or taverns, and bowling centers.

Emergency Board funds/reconciliation funds – commonly referred to as the Christmas Tree Bill (HB 5014A) Allocates money to fund legislative requests during the interim and restores and/or adds funds to specific programs with remaining 2001-03 General Funds.

$ 158 million in Emergency Board funds, comprised of the following:

- $40 million in general purpose funds, with $900,000 reserved for Department of Human Services (DHS) to defray institutional pharmacy reimbursement costs
- $100 million in state salaries and benefits
- $4 million for the OSU College of Veterinary Medicine
- $300,000 to implement the Home Care Commission (HB 3816) within DHS
- $7.017 million for prescription drug caseload and co-payment issues within DHS
- $7.5 million for local mental health planning and services

$28.2 million in reconciliation funds (Christmas Tree bill), highlights include:

- $921,009 to restore Senior and Disabled Transportation Services within the Oregon Department of Transportation budget
- $367,000 to fund the Gresham night court
- $5.1 million dedicated to Oregon Health Plan presumptive eligibility
- $1.3 million dedicated to Independent Living Centers
- $100,000 appropriated to the Child and Adolescent Psychiatric Day Care program
- $100,000 to fund the food stamp outreach campaign

Vested rights (HB 3925B) HB 3925B allows a property owner to appeal a local land use (LUBA) decision in circuit court. Chair Linn presented Multnomah County's concerns to the Governor's Office and the bill was sufficiently amended as to not retroactively affect specific cases in Multnomah County's Land Use Planning Division. The Governor is expected to sign the amended version.

Limits on state spending (HJR 51A, SJR 12C and HB 3997A) Limits on state spending took the forms of three measures: two referrals amending the Oregon Constitution and one bill amending state statute. Both referrals failed to pass through the legislative process, but HB 3997A, which limits state spending to 8 percent of projected personal income revenues, has reached the Governor's desk.

DRAFT

Data Table

Action #	Action (i.e., reduction, cut, redesign, policy revision, etc.)	Program(s), Policy, Activity	Source	Date Received	Consolidated with Action	Passed Initial Screen to Evaluate	Net FY 02 CGF Impact OTO	Net FY 02 CGF Impact Ongoing	Net FY 02 CGF Impact OTO + Ongoing	Net FY 02 CGF Impact FTE	Net FY 03 CGF Impact OTO	Net FY 03 CGF Impact Ongoing	Net FY 03 CGF Impact OTO + Ongoing	Net FY 03 CGF Impact FTE	Departments Impacted	Implementible by January 1 (y/n)	Re-examine for FY 03 Budget (y/n)	Core Team Research Lead
1																		
2																		
3																		
4																		

DRAFT

Data Table

Action #	Action (i.e., reduction, cut, redesign, policy revision, etc.)	Detailed Cost Info Complete (y/n)	Other Filter Column	Draft Recommendations (y/n)	Final Recommendation (y/n)	Adopted by Board (y/n)	Admin (y/n)	Direct Service (y/n)	Children's Program (y/n)	Elimination of Program, Contract, Policy (y/n)	Reduction in Level (y/n)	Re-org/re-design (y/n)	Notes	Reason for failing filter
1														
2														
3														
4														

1. **Reduce Poverty**

Discussion points:
- Emphasize economic development
- "Reduce" might be the wrong word, "mitigate" or "ameliorate" might both express this better.
- The County needs to be more strategic in its approach – see Van Le's report.
- In a sense, even though poverty may continue, providing ameliorative support functions improves the economic condition of the clients.
- School support, mental health, and public health functions address this benchmark, at least in part.

2. **Increase School Success**

Discussion points:

~~3. **Reduce Crime**~~
Enhance Public Safety

Discussion points:
- Reducing crimes committed can be measured through statistics, but it is too narrow a goal.
- Public safety is partly a perception issue. The decline of person to person crime is not mirrored by an increase in the public sense of safety.
- However, this is not just a measurement of perception. We must focus on actual improvements in the safety of citizens.
- Maria and the Sheriff agree.

4. **Good Government:** increase accountability and responsible use of public funds.

Discussion points:
- Includes economic development.
- Effective response to public mandates (need from County Attorney the short list of clear statutory requirements the Board must be aware of).
  - County typically chooses to provide more extensive services and services at a greater level than the statutes require.
- Need to scrutinize administrative costs.
- Consider the community standard for equivalent services as well as the mandated level.

5. **Increase Health** (and Mental Health) [further discussion about scope of benchmark below]

Discussion points:

- Adding mental health to the title may be too restrictive. The benchmark may include long term care, services to ameliorate long term disabilities, and alcohol and drug services.
- Standards can be established:
  - Access
  - Promote
  - Protect
  - Assure

Flip Chart Notes from October 15, Budget Workshop

A. Priorities

Children , what is our role?
- 0-18
- early childhood

Put more to reserves
Elderly, reducing elder abuse
- MDT

Economic development, access to economy
- BIT partnership

Mandates
Health care, mental health care
- Treatment, continuum of care

Reducing poverty
- Serving the most in need, neediest and naughtiest
- Alcohol and drug
- Maintaining basic standard of living, core services, basic safety net

Homelessness
Other people's money, maximizing revenues, grants
Public safety
Cultural competency
- Geographically/racially/demographically equitable
- Maintaining capacities
- Delivery of service

Levy
- Public safety
- Children's initiative
- library

Partnerships, check IGAs, attend to partners
- state
- Portland
- police

Avoiding unintended consequences

B. Opportunities

Disposition of property

- Hansen, asbestos
- Tax title

Deferred maintenance asset preservation assumptions

Energy costs

Flat fee funding- alternate cycles

Mothball Troutdale

Transfer out

- Roads
- Bridges
- Law enforcement
- River patrol

Systemic opportunities

- School based
- Housing, consolidation
- Drug and alcohol
- Human resources
- IT
- Pretrial
- Energy
- Global
- Reorganize departments to achieve admin efficiencies

Administrative efficiencies, increase revenues, reduce administration costs

Living wage

Decentralize facilities and property management/IT

Reorganize with INS

C. Information requests from Board members

Demographics, poverty
- Identify the neediest

FY 2001, actuals by department
Cost decentralizing HR
Executive summary of mandates
# of jail beds actually need
Analysis of transfers out cost
- Contingency budget notes

MCSO hedge plan
Properties to disposal- what's available? $ value?

BUDGET COMMUNICATIONS PROCESS

Draft

October 15, 2001

Directly following October 15, 2001, the Chair's office will send out an internal message and a public release outlining the budget process determined and next steps.

Communications Team Members:

Becca Uherbelau	Gina Mattioda
Stephanie Soden	Shery Stump
Trink Morimitsu	

I. Internal

A. MINT Site

1. The Segue/Core Group will develop a template for weekly reports to be posted on the MINT
2. There will be an application on the MINT that will allow employees to send correspondence and comment regarding the budget (also a means via inter-office mail is being identified).
3. Staff has been identified to collect and code comment received from employees. He will also send a generic response to a contributing employee acknowledging receipt and thanking them for comment.
4. The budget participation link on the MINT will have links to services for employees (e.g. job seeking, counseling, etc.).

B. Direct Reports & Operating Counsel

1. COO & OC meet weekly with representatives from Segue/Core Team and John Ball to update and dialogue about potential cost reductions. All Board members and elected officials are welcome and encouraged to attend (or send a staff representative).
2. Directly following the COO & OC meeting on Mondays, the communications team (listed above) will debrief and craft a sample summary message (in the form of an e-mail) that will be sent to all COO & OC members. COO & OC members are encouraged to share the sample message (or a variation thereof) with their employees.
3. Direct Reports, Board members and all other elected officials will receive daily updates from the Segue/Core Team.

C. Direct Employee Interaction

1. The Chair will schedule large group meeting times for each department. All Board members, Direct Reports and Division Managers are encouraged to attend. All department staff will be invited. This will be an informal meeting that will serve as a briefing for concerned employees and an opportunity for them to provide face-to-face input to the Board.

D. Unions

1. The Chair's office will meet and dialogue with the county's employee union representatives on a regularly scheduled basis.

II. EXTERNAL

A. Communication with and from the Board

1. The Board is scheduled for weekly dialogues with representatives from the Segue/Core Group, COO, and the OC to discuss the budget.
2. During the Board's weekly meetings there will be a scheduled time for public involvement. The Board will make a concerted effort to solicit information and feedback from all stakeholders. Notice of the opportunity for public comment will go out to all recipients of the Board agenda.
3. The Board's meetings will also serve as a forum for local media to receive updates on what is happening with the budget rebalance.

B. Public Meetings

1. Again, the public will have the opportunity to provide live input to the Board every Tuesday (November 6, 13, 27).
2. **An electronic townhall system will be developed (or a contract provider will be identified) whereby residents can share their opinion with the Board via the Internet and phone. The bilingual system, once setup, will be available to the public throughout the budget decision making process. This will serve the same function as a series of public meetings.
3. **A series of public meetings will be held similar to those conducted during a regular budget cycle.

C. General External Communication

1. The Chair and PAO offices' will, on a regular basis, provide written updates to be sent to stakeholders, other government and public entities as well as the press about the budget process.

D. Public Website

Yet To Be Determined

Rebalancing the Budget

MINT MAIN

Background
Process
Team
Timeline
FAQs
Briefings
Links
Contact Us

Rebalancing the Budget:
Main Page

The Situation: The Business Income Tax (BIT), which provides significant portion of the County's general fund budget, has expe record declines in the past two years. For 2001-2002, the shortf totals approximately $20 million. The County budget must be re-balanced to accommodate this deficit by January 1, 2002. A Cou effort involving employees from every Department and elected c has been launched to meet this challenge.

This temporary Mint site has been created to provide informatior related to this situation.

- Background provides facts, figures, graphs & other informat about the County's fiscal situation
- Process details the inclusive, participatory and multilevel pr that is being used to make decisions
- Team offers information about the countywide Core Budget (SEGUE), executive and senior management, Board and Ele leaders, all of whom will be involved in setting policy, asses impacts, and making final decisions
- Timeline gives the calendar of events and agendas related t process
- FAQ - Frequently Asked Questions - and answers
- Briefings includes announcements, messages from the Chai other news related to the budget situation
- Contact provides an email address for employees to send questions, comments, and suggestions. Sources will remain confidential.

Every effort is being made to provide additional input opportunit employees and citizens.

This Week at a Glance: 10/15-10/19

- Board of County Commissioners develops service delivery p guide rebalance process
- Board receives overview of financial condition
- Core Budget Group (SEGUE) receives policy guidance from

begins to assess impacts & offer revised proposals

Please send email to: budget_balance@co.multnomah.or.us
The address of this page is: http://mint.co.multnomah.or.us/rebalance/
This site is maintained by Multnomah County

Page last updated: Monday, October 15, 2001

Rebalancing the Budget

MINT MAIN

- Background
- Process
- Team
- Timeline
- FAQs
- Briefings
- Links
- Contact Us

Rebalancing the Budget:
The Process

The Process for identifying, evaluating and implementing change County budget is designed to be inclusive, collaborative and disc Stakeholders will be involved and input opportunities to employe be provided.

In her email to all employees, Chair Diane Linn states that decisi be based on "our policy values...that it is our responsibility to prc essential & quality service to our community."

The Budget Rebalancing Process involves the following roles and responsibilities:

- The Chair, Board of Commissioners & Elected Officials will s broad policy direction for adjusting the budget.
- Department Directors and Elected Officials will translate Bo policy to the program level.
- The Core Budget Group (SEGUE) is a temporary cross-departmental team that includes representatives from ever department and elected office. They have been re-located a meet together every day from 10/8 to 11-15 in the Multnor Building 5th floor training rooms. Under Budget Director Da Warren's leadership, they will develop, analyze and recomm program changes to align with policy direction.
- Multnomah County employees will be informed as often as about the process and will be asked to provide input via em other venues.

Detailed information about the process can be found at th below:

- **Charge to the Core Budget Group (SEGUE)** - 1-page W document that summarizes the process, roles, responsibiliti Guidelines of this team
- **Process Plan** - 2-page Word document that describes the schedule of meetings, expected outcomes and responsibiliti the Core Budget Group, Dept. leadership, and elected leade

Timeline of Events: Rebalancing the Budget

Meeting Schedule for Chair, Commissioners, Electeds, Department Leadership and Core Budget Group (SEGUE)

10/01/01; 8:30-10:30 a.m.; Multnomah Building Room 635

Chief Operating Officer's Meeting: review and revise budget re-balancing process.

10/05/01; 1:30-3:30 p.m.; Multnomah Building Room 635

Chief Operating Officer's Group: complete planning for Segue Group and kickoff event on Monday 10/08.

10/08/01; 8:30-11:00 a.m.; Multnomah Building Room 315

Chief Operating Officer's Group meets with Segue Group and Operating Council to identify stakeholders, policy issues and legal mandates for review during week of 10/8 to 10/12. Discuss plans for Board Policy Work Session on Monday 10/15.

10/15/01; 9:30 a.m.-4:30 p.m.; Multnomah County Boardroom

Board, Elected Officials, Department Directors and others discuss policy direction for mid-year budget re-balancing; session facilitated by Chuck Palmer. Outcome (policy direction) will guide areas of consideration for budget cuts during FY02.

10/22/01; Time TBD; Multnomah Building Room 635

Chief Operating Officer's Group receives update of progress and issues from Segue Group; recommends areas for further review; understands cuts to be presented by the Chair to the Board.

10/29/01; Time TBD; Multnomah Building Room 635

Chief Operating Officer's Group receives update of progress and issues from Segue Group; recommends areas for further review; understands cuts to be presented by the Chair to the Board.

11/05/01; Time TBD; Multnomah Building Room 635

Chief Operating Officer's Group reviews first draft report including cuts discussed by this group previously plus additions; recommends revisions and further review.

11/12/01; Time TBD; Multnomah Building Room 635

Chief Operating Officer's Group reviews near-final draft report including cuts discussed by this group previously plus additions; recommends revisions. If reports from departments, minority reports, or other data will be needed by the Board, this information will be compiled.

11/14/01

Chief Operating Officer's Group receives final budget report when report is submitted to the Board Clerk to meet Board requirements (no surprises).

11/15/01

Chair presents mid-year budget balancing report to Board.

11/22/01 and 11/29/01

Optional Chief Operating Officer's Group meetings to discuss action or stakeholder response needed pending Board adoption or amendment of process.

PULLEN Mike J

From: burton@metro-region.org
Sent: Friday, June 08, 2001 1:31 PM
To: mike.j.pullen@co.multnomah.or.us
Subject: Participate in Metro survey

Hello. Please consider this a personal invitation asking you to complete a brief survey. Give us your thoughts any time day or night before 5 p.m. June 29. Go to: www.metro-region.org/survey or call toll free 1-888-920-2040.

In the next 20 years, so you see quality of life in the metropolitan area getting better, staying about the same or getting worse? Metro, your regional government, would like your opinions on this and other issues including: land-use and transportation choices, parks for wildlife and people, and safe and healthy homes.

Where do we grow from here? Let's talk.

Thank you. Your input is appreciated.

Sincerely,

Mike Burton
Metro Executive Officer

WHERE DO WE GROW FROM HERE?

METRO

Where do we grow from here? Lets Talk.

Thank you for your interest in participating in Metro's "Where do we grow from here?" survey. Your opinions are needed to help Metro better understand your concerns about growth in the metropolitan area.

Upon completion of the survey, a new web page will guide you to information about the specific Metro programs under discussion as well as information about how you can stay involved and informed.

Give us your thoughts by 5 p.m. June 29.

Start survey

Privacy policy

Posted on June 7, 2001
Last updated June 7, 2001

Where Do We Grow From Here?

What is your home zip code? (Required)

- (•) Your Zip Code 97232

Compared to other metropolitan areas, in the next 20 years, do you see quality of life in the Portland metropolitan area . . .

- (•) Getting better
- ( ) Staying about the same
- ( ) Getting worse

What issue most concerns you about population growth here?

- ( ) The loss of open space, forest and farmland
- (•) Traffic congestion
- ( ) The cost of building more transportation, water and sewer facilities

What factor contributes most to the quality of life of metropolitan area residents?

- (•) Strong regional economy
- ( ) Access to nature
- ( ) Transportation choices
- ( ) Safe and stable neighborhoods

Which statement comes closest to your point of view about the urban growth boundary?

- ( ) Expand the urban growth boundary to give us more room to build on, even if that means using up some of the remaining open space, farm and forest land in the metropolitan area.
- (•) Keep the urban growth boundary as it is, even if that means building new homes on smaller lots.
- ( ) Eliminate the urban growth boundary and allow market conditions to determine how and where growth occurs.

Which statement comes closest to your point of view about population growth?

- ( ) Metro and local governments should try to slow population growth.
- (•) Metro and local governments should manage and guide where population growth goes.

If you could specify exactly how the money would be spent, would you be willing to increase your taxes and fees to improve the transportation system in the metropolitan area?

- (•) Yes
- ( ) No

What do you think should receive the highest priority for improvements or expansion?

- ○ Bicycle ways
- ○ Buses
- ◉ Highways, major roads and streets
- ○ Pedestrian paths
- ○ Commuter rail
- ○ Light rail

Based on budget constraints, Metro has three choices regarding purchasing and developing open spaces for public use. Which comes closest to your point of view?

- ◉ Buy more open space, knowing there is not money to provide public access to existing open space lands
- ○ Provide public access to existing open space land, but do not spend money to buy additional land
- ○ Spend money on something other than the purchase and maintenance of open space and parks.

How concerned are you about the potential hazards of using and storing the lawn, yard and garden products you use?

- ○ Very concerned
- ◉ Somewhat concerned
- ○ Not too concerned
- ○ Not at all concerned

Which of the following actions have you taken?

- ◉ Used fertilizers and pesticides less often or more carefully
- ○ Used "alternative" fertilizers and pesticides
- ○ Made an effort to learn about less toxic products or natural gardening
- ○ None of the above

How long have you lived in the Portland metropolitan area?

- ○ Less than 5 years
- ◉ 5 to 15 years
- ○ More than 15 years

What one thing would you like to tell the Metro Council about our region's policies related to quality of life?

◉ Your comments

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We are very lucky to have an elected regional government to address regional
issues.  If Metro can help all local governments find ways to balance job
growth and affordable housing we can reduce the need to commute long distances
and take pressure off our transportation system, air quality, and families.
```

WHERE DO WE GROW FROM HERE?

METRO

Thank you for your input.

Thank you for taking the time to complete Metro's survey about issues related to growth in our region. The links below lead to information about the issues under discussion and how you can stay involved and informed.

The Portland metropolitan area is a special place. It looks and feels different for a reason: we've planned it that way. The people who live here share a special love for the nature of this region, from the forests that surround us to the neighborhoods we call home.

Yet as our urban area grows, these things are threatened. During the next 20 years, another 500,000 people are expected to live here. About half will be our children and grandchildren. Do we plan ahead for growth or do we ignore it? Where do we grow from here?

We live in a time when such choices seem increasingly complicated. Our region's growth trend emphasizes the value of making informed decisions for our future. In order to choose wisely, we must understand the choices, tradeoffs and costs necessary to manage and direct growth.

The survey you just completed addresses some of those choices and tradeoffs. During the next year, Metro will be asking for your opinions and thoughts on a series of key issues related to growth.

The best decisions are usually made when people come together to weigh options and determine a suitable course of action. It involves making difficult tradeoffs, sometimes at significant expense. But this process gives us the best chance of handing this place over to the next generation with the knowledge that we did our best to keep it special.

Thanks again.

Sincerely,

Mike Burton
Metro Executive Officer

David Bragdon
Presiding Officer, Metro Council, District 7

Let's talk

This survey is a part of "Let's talk," a public outreach effort designed to solicit comments on a number of related issues that will be considered by the Metro Council during the next two years. In 2002, the Council will make important choices about:

- Expanding the urban growth boundary (the urban growth boundary marks the separation between rural and urban land)
- Protecting habitat for fish, wildlife and people
- Preserving open spaces and natural areas
- Paying for transportation and other future public infrastructure needs.

Get involved

There will be many opportunities to be involved in these decisions during the next two years. Metro is in the process of planning a series of small group discussions, community workshops and a regional conference. Stay informed by signing up for Metro's e-mail newsletter. E-news is convenient, timely and has the added benefit of saving paper and reducing postage costs.

Simply enter your name and contact information in this form to subscribe.

First name: Mike

Last name: Pullen

Affiliation: Multnomah County

☑ I prefer to get e-mail. Here's my e-mail address:

mike.j.pullen@co.multnomah.or.us

☐ When information is not available by e-mail, send me printed material. Here is my mailing information:

Address:

City:

State:

ZIP:

submit information | reset form

Privacy policy

HOME Go

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Environmental Management | Parks and Greenspaces | Transportation

Posted on June 7, 2001
Last updated June 7, 2001

JOHN A. KITZHABER, M.D.
Governor

NEWS RELEASE

FOR IMMEDIATE RELEASE
October 16, 2001

Contact: Bob Applegate
(503) 378-6496
Jon Coney
(503) 378-6169

GOVERNOR CREATES ECONOMIC STRATEGY ADVISORY GROUP

Governor John Kitzhaber in a speech today to the Challenge of Change Conference in Seaside announced the formation of the Governor's Economic Strategy Advisory Group.

The Group's charge will be to provide a forum for the governor to interact with the private sector about Oregon's economy and develop a strategy for economic stimulus. The governor will also use the forum to inform the private sector about the state budget and impacts of budget cuts.

"Oregon's economy is clearly facing difficult times," Kitzhaber said. "Private-public partnership right now is of utmost importance for economic stimulus."

Brett Wilcox, President of Northwest Aluminum Company, will serve as Chair. The Advisory Group will be staffed by the Oregon Economic and Community Development Department.

The Advisory Group membership is as follows:

<u>Private Sector Members</u>
Donald Blair, Vice President/Chief Financial Officer of Nike; Member of Smart Growth Coalition
Sam Brooks, President of Sam Brooks & Associates; Member of Governor's Council of Small Business
Allyn Ford, President of Roseburg Forest Products Co.
Gerry Frank, Civic Leader; Tourism interests
Ray Guenther, Director of NW Regional Operations, Intel; Chair of Associated Oregon Industries
Rebecca Johnson, Associate Dean at OSU College of Forestry; Member of Governor's Council of Economic Advisors

(more)

David Marks, President of Marks Metal Technology
Suzi Mazzio, Community and Education Relations Manager of Boeing Portland; Vice Chair of Oregon Workforce Investment Board
Mike McArthur, Sherman County Judge; Agricultural and local government interests
Tim Nesbitt, President of Oregon AFL-CIO
Ralph Shaw, Managing General Partner of Shaw Venture Partners; Chair of Governor's Council of Economic Advisors
Ron Timpe, President and CEO of Standard Insurance Company; Member of Oregon Business Council
Brett Wilcox (Chair), President of Northwest Aluminum Company; Chair of Economic and Community Development Commission; Member of Oregon Business Council

Public Sector Members
Randall Edwards, State Treasurer
Mike Greenfield, Director of DAS
Bill Scott, Director of Economic and Community Development Department
Bill Wyatt, Executive Director of Port of Portland

Ex Officio Members
Tom Potiowsky, State Economist
Duncan Wyse, Executive Director of Oregon Business Council

First Week Activities: Segue Budget Group

Monday, October 8

The Segue Budget Group started work on Monday by receiving its charge from John Ball, Chief Operations Officer for Chair Linn. The charge is to "show me the money", to find $20 million to cut from the FY02 budget through an open, inclusive, collaborative, professional and timely process by November 14.

The Chief Operations Officer's Group (representatives from the Chair's Office, Sheriff's Office, District Attorney's Office, Auditor's Office, Department Directors, County Attorney, and Public Affairs Office) and the Operating Council (deputy directors and/or other senior operations managers from each department) provided initial guidance for the first week of work. They identified some of the legally mandated services, key stakeholders, and policy drivers that will have to be considered by the Segue Group as they analyze potential cuts.

Later, the Segue Group convened in their workroom in the Multnomah Building to log onto their temporary computers and get started. By the end of the day, the group had ground rules, a list of briefings they needed to make sure they had background information, and assignments to prepare department overviews and current year estimates.

Tuesday, October 9

On Tuesday, the Segue Budget Group finalized the ground rules for the group. Then the group planned the format for department budget overview presentations on Thursday and current year expenditure estimates due in one week.

Dave Warren, Budget Manager, presented an overview of the County's current financial situation (see MINT), explaining how currently projected revenues will be less than budgeted expenditures this year and on into the next few years. Business income tax revenues for last fiscal year were less than expected the year before, but estimated increases in other revenues seemed to offset some of that shortfall when planning was done for this year (FY02). Now that we are approaching mid-year, it is apparent that those revenues are almost certain to be lower than forecast and business income tax has come in less than expected for this year as well. The only choice is to lower expenditures to balance the budget.

Dave Boyer, Finance Director, explained to the Segue/Core Budget Group the County's need to increase and maintain General Fund reserves. The County's current General Obligation Bond rating is Aa1 and benefits from the ability to sell bonds at low interest rates. These interest rates are set based on an analysis conducted by the rating agency, Moody's Investors Service. One of the factors in that analysis is an assessment of how much the County maintains in General Fund reserve (unspent) funds each year. Moody's expects the County to keep at least a 10% reserve to maintain a Aa1 General Obligation Bond rating. The reserve is based on the ending General Fund balance as a percent of total General Fund revenues. Currently, the County has only 4% because some of these reserve funds have been used in the past three years to balance the budget. Cutting $20 million this year will not return the reserve funds to 10%, but the re-balancing is essential to put the County in position for building those funds over time. If the County is not able to maintain its rating, the cost of bonds will increase, increasing our long-term budget challenges.

Also on Tuesday, the Segue Budget Group began planning how we will track and review ideas for cuts. Some of our considerations will be:

- Ensuring that we are guided by Board policy;
- Understanding what service levels are legally mandated;
- Accurately assessing the impacts of each idea; and

- Reporting the information needed by decision- makers to make a decision that is in the best interest of the whole County.

Wednesday, October 10

- Dave Warren briefed the group on cuts made last year to budget expenditures for the FY02 budget as it stands now.
- Cathy O'Brien, Central Human Resources, briefed the group on the process, timelines, and impacts of layoffs. There are no specific plans for layoffs as of yet, but it was important for the group to know about notification requirements, bumping rights, resources available to employees, etc.
- Subgroups of Segue Group members:
  - designed a tracking process for receiving ideas on how to balance the budget,
  - developed an internal communication plan to connect with plans underway in the Chair's Office and Public Affairs Office, and
  - planned tasks for the group's overall project plan over the next few weeks.

Thursday, October 11

- Jim Carlson, Countywide Evaluation and Research, presented an example of the evaluation data and analysis available for some county services.
- Each department's overall budget, services, and FTE was presented to the group to ensure that all group members understood the range of services provided by all departments and agencies. The general fund cost of each division or program was also presented and program interrelationships across departments were discussed.
- The Segue Group did not schedule group meetings Thursday afternoon or Friday all day so that group members had time to work on current year expenditure estimates for this fiscal year. It is possible that reduced expenditures already planned for the year may yield some of the $20 million savings needed.

YESTERDAY:

Monday, October 15

- The Board met Monday, October 15, to consider the current financial situation and identify policy guidelines for the midyear budget balancing process. Participants in the session were the Chair, Commisioners, Sheriff, District Attorney, Auditor, Department Directors, County Attorney, and Public Affairs Officer. Also in attendance were members of the Operating Council, the Segue Budget Group, and members of the public and press.
- A MINT site has been established to keep all County employees informed about the budget balancing process and to receive ideas from employees about services that could be cut, reduced or redesigned. Since communication will be open during this process, it is important for employees to realize that no decisions will be made until the Board makes them at the end of November. Until then, information will be changing frequently.

GENERAL PLANS FOR THIS WEEK:

Planned Activities for Tuesday through Friday, October 16-19

- Chair Linn will update employees on the outcomes of the Monday Board Work Session.
- Daily updates to the Chair, Elected Officials, and Department Directors will be sent via email from the Segue Budget Group.

- Understand and address policy guidance from the Board Work Session
- Gather and track budget balancing ideas from County management and employees; MINT site is live on Tuesday, October 16; additional process to be designed on Tuesday for Department Directors and Elected Officials
- Begin analyzing the impact of ideas, considering legal mandates, stakeholder impact, and policy priorities.
- Planning for the meeting of the Segue Group, Chief Operating Officer's Group and Operating Council on Monday, 10/22, including preparation of all ideas and analysis to date.

BOGSTAD Deborah L

From: STUMP Sheryl M

Sent: Wednesday, October 17, 2001 8:23 AM

To: COOPER Ginnie; FLYNN Suzanne J; JOHNSON Cecilia; MCCONNELL Jim; OSWALD Michael L; POE Lolenzo T; SHERIFF; SHIRLEY Lillian M; SCHRUNK Michael D; SPONSLER Thomas; BALL John; RAKOWITZ John A; MATTIODA Gina M; Uherbelau Rebecca A; SODEN Stephanie A; #OPERATING COUNCIL; #ALL DISTRICT 1; #ALL DISTRICT 2; #ALL DISTRICT 3; #ALL DISTRICT 4; #ALL CHAIR'S OFFICE

Cc: STUMP Sheryl M

Subject: Update from the Segue Budget Group for Tuesday Oct 16

Segue Budget Group; Daily Update for Tuesday, October 16, 2001

On Tuesday, we:

- Attended the Board meeting for clarification on financial issues, communication and public input process, reporting framework, and legislative issues effect on our process.
- Developed and sent an email to department directors and elected officials requesting their ideas for cuts in three priority levels: low (first cuts suggested), medium, and high, up to a 10% cut level.
- Developed a form for submitting ideas to align with our idea tracking and analysis process.
- Finalized the new Budget Balance email site (with lots of work from Organizational Learning and ISD) and went "live" in time to include the link in Chair Linn's message to all employees.
- Decided to post the team's initial ideas for budget cuts through the MINT site form so that all ideas would come in using a standard anonymous format.
- Finished preparing current year estimates due on Wednesday.

If you have questions or want additional detail, please let me know. Our plan is to begin tomorrow to provide an attachment with each of these emails that shows the ideas currently being analyzed. The form on the MINT site has already yielded ideas so we expect that list to grow.

Shery Stump
Segue Budget Group Communication Contact

BOGSTAD Deborah L

From: WARREN Dave C

Sent: Tuesday, October 16, 2001 3:45 PM

To: POE Lolenzo T; MCCONNELL Jim; SHIRLEY Lillian M; FULLER Joanne; SCHRUNK Michael D; OSWALD Michael L; COOPER Ginnie; JOHNSON Cecilia; MOYER Catherine M; FLYNN Suzanne J

Cc: #OPERATING COUNCIL; #ALL DISTRICT 1; #ALL DISTRICT 2; #ALL DISTRICT 3; #ALL DISTRICT 4; #ALL CHAIR'S OFFICE; SHERIFF; YEO Lisa; CAMPBELL Mark; COLDWELL Shaun M; DARGAN Karyne A; FARRELL Delma D; FORD Carol M; HAY Ching L; JASPIN Michael D; JOPLIN Lore A; LE Van T; MOORE Timothy A; MOUNTS Tony D; NEBURKA Julie Z; O'BRIEN Cathy L; SMITH Dianne; STUMP Sheryl M; TINKLE Kathy M; VAN DYKE Pieter A; WARREN Dave C; YAGER Chris D; YANTIS Wanda

Subject: Department Cut Ideas

You are all aware that the County General Fund faces a potential $20 million shortfall for FY 2001-02. We will need to make cost reductions or find additional revenue to cover this shortfall before the end of this fiscal year. Part of this shortfall is an ongoing discrepancy between the revenues we can expect to collect in each of the next four years and the cost of ongoing programs we budgeted for this year. That ongoing discrepancy is $12 million.

We need your help in facing the $20 problem for the current year. We believe that the cuts we make this year will be sufficient to eliminate the $12 million ongoing problem.

Attached is a spreadsheet that shows the "General Fund" cost of each County department. (I put General Fund in quotes because in some cases this includes both the General Fund and the Public Safety Levy Fund – which is largely funded by a General Fund transfer.) We ask you to send us by close of business on October 22 (next Monday) your initial idea for cuts from your department that would help address the $20 million shortfall. We ask that these cuts be grouped into three priority levels: low, medium, and high (with low being the first cuts you would be willing to suggest and proceeding up to a cumulative 10% cut level.

At the COO meeting on Monday October 22, 2001 we believe there will be time on the agenda for you to briefly explain the factors you used in determining what to suggest as a possible cut. A cover memo should accompany the cut plans and give us a record of this thinking as well. We will make sure these thoughts are circulated to all department managers and the Board.

The other attachment is a form we would like you to use for each cut idea. It is fairly simple, including such basic information as the program being cut, the amount of the cut, whether the cut is ongoing or one-time-only, how many FTE's, and impacts on clients, stakeholders, partners, etc., if you know them. With this information, we can do some preliminary work that will allow the Board to give us all further direction as to how to proceed. However, if you cannot complete all the information by Monday, we still want the possible cut and the amount of savings up to 10% of your General Fund by that time.

Finally, we ask you to give us your thoughts on cross-departmental reductions or redesign that would make sense from your perspective. While the SEGUE group will be exploring such ideas on our own, we welcome any suggestions you might have that will move us along in this area.

If you have questions, my phone number is 503-988-3822, ext 83822. Don't hesitate to call.

Department Name DSS

Priority Level (Low, Medium, High) Med

Cut Proposal Description

Impact on Services, Clients, Partners, Jurisdictions, Stakeholders

Name of Program(s) Impacted	FY 02 Current Budget	Amount Proposed for Cut	Amount Cut that is One-Time-Only (OTO)	OTO General Fund Cut	Ongoing General Fund Cut	General Fund Revenue Loss Due to Cut	Other Fund Revenue Loss Due to Cut	Net GF Impact	FTE
abc	1,000,000	(150,000)	(80,000)	(20,000)	(30,000)	(10,000)		(40,000)	(3.00)
def	200,000	(200,000)	(30,000)	(30,000)	(170,000)			(200,000)	
								0	
								0	
								0	
Total	**1,200,000**	(350,000)	(110,000)	(50,000)	(200,000)	(10,000)	0	(240,000)	(3.00)

Additional Comments

Department	General Fund	Cash Transfer	Total GF	Cut percentage of tot 10.00%
Aging & Disability	2,348,711	4,763,988	7,112,699	711,270
Community & Family	0	37,315,938	37,315,938	3,731,594
Community Justice	42,330,179	1,430,554	43,760,733	4,376,073
District Attorney	13,572,148	553,087	14,125,235	1,412,524
Sustainable Community	6,723,251	321,903	7,045,154	704,515
Health	22,029,949	19,909,560	41,939,509	4,193,951
Library	0	15,739,928	15,739,928	1,573,993
Nondepartmental	12,786,758	3,253,542	16,040,300	1,604,030
Sheriff's Office	87,745,403	0	87,745,403	8,774,540
Support Services	19,387,723	8,133,208	27,520,931	2,752,093
Totals:	**206,924,122**	**91,421,708**	**298,345,830**	**29,834,583**

General Fund includes Public Safety Levy and (fossil) Library Levy