

BUDGET MANAGER'S MESSAGE
FISCAL YEAR July 1, 1990 - June 30, 1991

Oregon Budget law requires a budget message in local government budgets to:

- explain the budget process and document
- explain changes in financial policy and accounting
- outline proposed financial policies
- describe the important features of the document
- set forth the reason for salient changes in appropriations and revenue items.

THE 1990-91 BUDGET PROCESS

This year's budget process was partly the result of the County's first year of Strategic Planning. The Strategic Planning Process consisted of three phases: Strategy Planning, Operational Planning, and Budgeting.

Strategy Planning designated goals in each of five program areas defined by the County's planning team, the Policy Development Committee. These goals are set out in the Phase 1 Strategy Plan Report - March 1990.

During Operational Planning, Strategic Initiatives (responses to Strategy Plan goals) were approved by the Policy Development Committee. (See Phase 2 Operational Plan - December 1989). The initiatives which were approved, listed by Department or Office, are:

- | | | |
|------------------------|---|--|
| Human Services | - | A planning effort to coordinate County alcohol and drug programs |
| | - | Expansion of the Teen Clinic program with the opening of two additional clinics |
| Environmental Services | - | A study in conjunction with Metro to assist in the preservation of natural areas |
| | - | A coordinated effort to create a master plan for the recreational use of Sauvie Island |
| Sheriff/Justice | - | Continuation of the Community Policing program working with the Portland Housing Authority |
| General Svcs/Support | - | Continuing the integration of the County's automated financial management system, LGFS |
| | - | Reinforcing the Affirmative Action program with a Handicapped Compliance component |
| General/Environmental | - | Developing a long-range capital improvement process and setting up reserves to fund major projects |

FINANCIAL BACKGROUND

Total General Fund revenues for 1989-90 (less jail and library levies) are forecast to be \$125.5 million, \$2.6 million higher than the estimates in the 1989-90 Budget.

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- Property Taxes are forecast to be \$1.8 million higher than budgeted, largely as a result of accelerated payments caused by the last State legislature imposing larger penalties and higher interest rates on delinquent taxpayers.
- The Business Income Tax is forecast at \$15.0 million, \$1.1 million higher than budgeted. Anticipated tax refunds appear to be lower than anticipated and the local economy remains strong.
- This strength accounts for a change in the forecast for Motor Vehicle Rental Tax to \$4.6 million, up \$0.3 million from the budget estimate.
- On the negative side, carryover from 1988-89 (Beginning Working Capital), was \$10.4 million, down \$0.3 million from the budgeted number.
- The forecast for Service Reimbursements is also down, to \$5.5 million from \$6.0 million budgeted.
- The revenue from Property/Space revenues was budgeted too high, \$1.1 million versus a current forecast of \$0.8 million. When the Budget was assembled, the County was expected to buy a building during the year which would produce rental revenue.

Based on the above projections of 1989-90 receipts, the 1990-91 General Fund revenue (again without jail and library levies) is expected to grow to \$139.9 million, up \$14.4 million (11%) from the current 1989-90 forecast.

- Property Taxes, which make up 58% of the General Fund, are expected to grow 5.7%. (Although the tax base is allowed to grow 6% each year, discounts and delinquencies reduce the actual revenues to a somewhat lower percent.)
- Fifteen percent growth is seen in the Business Income Tax, to \$17.2 million.
- The Beginning Working Capital is forecast to be \$400,000 higher than the 1989-90 budget.
- The Motor Vehicle Rental Tax is expected to grow 10%, to \$5.0 million.

Other major existing revenue sources are expected to change little from the previous year. The 1990-91 General Fund revenues are increased by two significant additions. Not previously accounted for in the General Fund is \$0.5 million transferred from the Animal Control Fund. The State of Oregon is expected to provide \$2.4 million to the County in consideration of new legislation requiring additional support for assessment and taxation functions.

All County programs will be required to pay higher costs in 1990-91 than in 1989-90. These costs are driven by inflation, which is anticipated to be about 4.1% during the next Fiscal Year. In addition, certain payroll expenses will increase faster than regular inflation. These costs appear in Fringe Benefits (Object Code 5500) and Insurance Benefits (Object Code 5550) throughout the Budget. The charges to organizations for workers compensation, medical and dental benefits, retirement benefits, and Social Security added almost \$1.7 million to General Fund payroll costs above the costs of negotiated wage settlements for employees.

Finally, those County programs dependent on Federal and State funding sources were faced with serious financial problems. Although some grants increased to compensate for inflation, such increases fell short of the amount required. In addition, many Federal programs were impacted by the Gramm-Rudman deficit reduction caps set by Congress. These factors combined to produce shortfalls requiring grant-funded programs to scale back their level of operations.

BUDGET PREPARATION

The budget process was guided by the Operational Planning process which preceded it this year. During that process, Strategic Initiatives were reviewed and approved. Revenue estimates and the costs of the initiatives were used to determine the starting point for department and agency budget submissions. The submissions included the initiatives which were approved and were limited by a "constraint" total within which the budget had to be prepared.

If the constraint budget exceeded the level of current services being provided, then reductions were required on a priority basis to meet the constraint number. Add packages to reach the current service level were also requested.

The Chair, Planning and Budget staff, and the Department Managers reviewed the submissions, and the Chair's Proposed Budget reflected that review. The Budget (Phase 3 of the Strategic Planning process) contains Strategic Initiatives recommended by the Policy Development Committee during Operational Planning.

PROPOSALS BY THE CHAIR

The Chair's proposals for the 1990-91 Budget, which can be found in the Executive Budget Message in the appendix of this document, were aimed at preserving existing services in the face of the financial conditions outlined above while attempting to incorporate the following strategic initiatives:

- two additional teen clinics (\$219,012)
- a master plan for recreational use of Sauvie's Island (\$55,000)
- studies in conjunction with METRO of natural areas (\$10,000)
- additional affirmative action staff to deal with issues involving the handicapped (\$64,220)
- planning for County alcohol and drug programs (\$140,000)
- additional support for Assessment and Taxation functions (\$2.1 million) made possible by State support
- continuation of a community policing project at Columbia Villa supported by the Housing Authority of Portland.

BUDGET HEARINGS

The Proposed Budget was based on two assumptions that were changed during the budget hearings, freeing general revenues for allocation into programs.

- Workers Compensation rates were originally budgeted at 3.5% of wages. After obtaining an actuarial analysis of workers compensation costs, the Finance Division revised this rate to 2.7% of wages.
- The collection rate of current 1989-90 property taxes appears to be between 91% and 92% of the amount levied. The Board decided to include in the revenue assumptions for

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1990-91 a collection rate of 1990-91 taxes of 91.7%.

The Board chose to reduce a number of programs and transfer the appropriations into other programs. The reductions were:

- Aging Services contracts for transportation, congregate meals, and health screenings (\$117,000),
- planning for alcohol and drug programs (\$140,000),
- an investigative aide in the Major Investigations section of the Sheriff's Office (\$32,901),
- a Deputy District Attorney and an Office Assistant from the District Attorney's Office (\$76,315),
- training for Animal Control employees (\$5,000),
- a Parkworker for cemetery maintenance (\$39,938),
- a Finance Specialist from Planning & Budget (\$55,146),
- training and outreach contracts from the Citizens Involvement Committee (\$15,000).

The programs added were:

- a three percent inflationary adjustment to contracted service providers supported by the General Fund,
- a partial restoration of appropriations for prescription drugs for Health Services clients,
- contractual support for the Janis/Harry's Mother program,
- a guardian position, 1/2 of a clerical position, and a partial financial specialist position to the Public Guardian program,
- extended hours at the Grant High School teen clinic allowing it to remain open evenings during the school year,
- support of the City of Portland annexation effort.

The Board also agreed to spend up to \$430,000 on additional public safety programs, but could not determine the costs and appropriate mix of such programs prior to approval of the budget.

ADOPTING THE BUDGET

During May, the Board and justice services officials discussed how to allocate general resources into the justice system and how to allocate \$546,000 of additional revenue from a State imposed criminal fee. They agreed to fund the following programs from general resources:

Probation - Alcohol & Drug Intensive Supervision Program	\$ 100,000
District Attorney - portion of a multidisciplinary prosecution team	76,000
Sheriff - expand the capacity of the Restitution Center, partly offsetting the cost by increasing room and board fees and by leasing additional beds to the Federal Marshal	100,000

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They agreed to allocate criminal fee revenue into the following programs:

Community Corrections - drug free transitional housing contracts	\$ 49,582
Women's Transition - staff and contracts for women's transitional housing programs	85,000
Community Corrections - replace lost grant revenue and upgrade recog/intake program	280,016

The remaining criminal fee revenue (\$131,402), the Board expects to reserve until 1991-92 to continue ongoing support of these program, unless unforeseen circumstances require additional support during 1990-91.

The Tax Supervising and Conservation Commission (TSCC), which reviews the budgets of all local governments in Multnomah County, held its hearing on the County Budget on June 14, 1990 and certified the Budget without objection or recommendation.

The Board adopted the budget on June 28, 1990. In addition to ratifying the preliminary decisions summarized above, the Board amended the Budget in several noteworthy ways.

First, the Board faced a staffing problem at the Juvenile Detention Facility. The Approved Budget provided full time staffing for two boys units at the Juvenile Detention Facility and on-call staffing when the number of boys required opening a third unit. By May it became evident that a third unit was going to be required at virtually all times. The Board amended the Budget to provide full time staffing for a third boys unit at the Donald E. Long Home - \$353,982. They funded a work project to provide sanctions in addition to detention - \$38,826. They also provided \$80,000 to contract for alcohol and drug services to juveniles.

In addition to facing the juvenile detention problem, the Board increased or added General Fund support for several other programs as well:

HUMAN SERVICES

- Delayed, for at least six months, imposition of an ambulance service charge to support the cost of the Emergency Management System \$ 122,224
- A position to coordinate services provided in the Columbia Villa project and subsequent projects of the same kind 51,629

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	• Additional support of the Hooper Detox program	50,000
	• Contractual support for dental services to mid-county residents	5,000
SHERIFF		
	• Increased the amount for contracted food service required by contract	49,000
	• Contracted drug tests for inmates of the Restitution center so that certified medical staff will perform the tests as required by the 1989 Legislature.	26,000
	• Sheriff patrol of parks during the summer	20,118
ENVIRONMENTAL SERVICES		
	• Additional clerical support for Emergency Management	13,093
NONDEPARTMENTAL		
	• Contribution to the Oregon Tourism Alliance as part of a multi-jurisdictional local match of \$80,000	8,250
	• Contribution to the East & West Soil and Water Conservation Districts to bring their pay structure into line with the County	2,406
	• Auditor's salary increase as required by the County Charter effective January 1991	15,356

To pay for these programs the Board relied on additional uncommitted carryover from 1989-90 - \$112,215, other unallocated revenues not already included in the budget - \$97,800, and the net effect of miscellaneous corrections in the expenditures and revenues in the Approved Budget - \$324,098. The Board also chose to reduce the allocation for new data processing projects in Nondepartmental Special Appropriations by \$159,000.

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The Board created four new departments by ordinance during the spring. The Adopted Budget reflects these new departments:

- Community Corrections
- District Attorney
- Sheriff
- Library.

The Board was asked to approve a reconfiguration of the organizations in Community Corrections, but voted not to do so. The Chair stated that the reorganization would be effected administratively during July 1990. The Budget document does not display this reconfiguration.

Because under Oregon statutes appropriations lapse at the end of a fiscal year, and because, in many cases, goods and services approved by the Board in one fiscal year may not be received and paid for until the following fiscal year, the Board added \$ 4,959,348 to expenditures based on revenues committed to projects or equipment in 1989-90 and carried over into the new fiscal year.

General Fund - 2,930,599
Road Fund - 1,213,749
Bicycle Path Construction Fund - 35,000
Bridge Fund - 409,000
Fleet Fund - 371,000

THE BUDGET DOCUMENTS AND FINANCIAL INFORMATION

The 1990-91 Budget is separated into two volumes:

Narrative Explanation and Financial

Both of these documents include spending plans in five major sections that reflect the County's organization.

- Human Services - health, mental health, services for youth, juvenile detention, and services for the aging paid for by Multnomah County.
- Community Corrections - non-detention criminal sanctions and support programs, counseling, and the medical examiner.
- District Attorney - prosecution services.
- Sheriff - detention programs for adults and law enforcement
- Environmental Services - roads, bridges, parks, facilities, and animal control.
- General Services - property appraisal, taxation, elections, and internal support organizations.
- Library - operation of the library system.
- Nondepartmental Organizations - elected officials and contributions to non-County agencies.

NARRATIVE EXPLANATION

The Narrative Explanation is a description of the operations of each division in the County budget. It is based on the Operational Plan, published in December, which also indicated the three-year plan for each program. The Narrative Explanation document only describes the operations planned for 1990-91.

In addition, this document displays summarized financial information about each organization, including history of expenditures for the last three years and a breakout of the staffing and funding sources for the divisions.

The Appendix of the document includes supplemental information that may help clarify the budget process or the documents:

- An overview of the budget process
- Policy on use of the General Fund Contingency Account
- Glossary of Terms and Abbreviations
- Index - an alphabetical list of the programs, organizations, and other items in the budget with page reference.

FINANCIAL BUDGET

The Financial Budget includes the detailed estimate sheets for the 1990-91 Budget.

The legally required detailed estimate sheets are two different forms providing two kinds of information for each division.

1. "Requirement Detail" showing costs of each object of expenditure (such as regular employees "5100 - Permanent", contracted services "6110 - Professional Services", major maintenance or construction of County facilities "8200 -Buildings") and the total cost of the major categories of expenditure: Personal Services (wages and fringe benefits), Materials and Services, and Capital Outlay;
2. "Personnel Detail" showing the staffing of the organization including the job classes, the number of employees in each job class, and the wages for each job class.

The detailed estimate sheets have four years of data, the actual costs and staffing for the last two complete fiscal years (1987-88 and 1988-89) and the budgeted estimates for the current year (1989-90 as adopted effective July 1, 1990 and as amended through February 1990) and next year (1990-91).

If a division's operations are accounted for in more than one fund, there are detailed estimate sheets for each fund.

The Financial Budget also contains a "Resources and Financial Summary" that details resources and recaps requirements by fund. Revenues are displayed in detail while expenses, detailed in other sections, are presented here in summary form.

The section is organized by fund. It lists, for each fund, the revenues coming into the fund. It then shows a summary of the revenues and the expenditures and other requirements of the fund (in summary form), the amount of the contingency account, and the planned ending balance (if any). Four years of data are included in the Financial

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Summary.

The Budget Summary in the Financial Budget includes:

- A summary of resources showing all funds - 1990-91
- A summary of requirements showing all funds - 1990-91
- A summary of requirements by department - 1990-91

The Appendix includes:

- Fund descriptions
- Description of Personnel Categories
- Description of Requirement Detail
- Detail of Cash Transfers
- Detail of Service Reimbursements

Accounting System

The 1990-91 Budget reflects the terminology of the County's automated accounting system (LGFS) in a number of ways.

The most apparent effect is the presence of numeric codes throughout the documents. These codes show the fund, department, and organization by which each program will be tracked in 1990-91. Anyone interested in tracking actual expenditures of these programs during the year will find this coding helpful in locating the appropriate information in the accounting reports.

Dedicated Revenues in the General Fund

Because LGFS makes available a number of coding fields in addition to those related to fund and organization, it is possible to track the expenditure of dedicated revenues within the General Fund rather than create separate funds to account for them. The following dedicated revenues are included in the General Fund in 1990-91.

- Conciliation fees and a portion of marriage filing fees dedicated by State statute to marriage counseling, child custody evaluation, and mediation services - \$446,404
- Proceeds from forfeitures by narcotics dealers dedicated to drug law enforcement costs incurred by the Sheriff, the District Attorney - \$392,786.
- Fifteen percent of the net income of the Expo Center dedicated by Board of Commissioners resolution to maintenance and improvement of the Expo Center - \$421,174
- County Marine Fuel Tax - the County gas tax imposed on fuel used by boats is dedicated to marine facilities - \$114,000.
- State recreational vehicle fee revenue dedicated to parks programs - \$38,359.
- Parks revenue dedicated by the Board of County Commissioners to the Parks Development Program -

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\$170,646.

- State Marine Board revenue dedicated to parks programs -\$12,000.
- Boeing water testing grant in Health Services - \$7,576.
- Firearms regulation - fees collected for concealed weapons permits, purchaser background checks, and safety and education course fees - \$132,899

TAXES IMPOSED BY THE COUNTY AND PASSED-THROUGH TO OTHER JURISDICTIONS

Multnomah County has imposed two taxes, the Transient Lodging (Hotel/Motel) Tax and the Business Income Tax, which are transferred in whole or in part to other jurisdictions.

Transient Lodging Tax

In 1986-87 the County imposed a 3% Transient Lodging Tax on all hotels and motels regardless of whether they were within a city. The proceeds from this tax are dedicated to the planning, design, construction, and operations of a Convention Center. METRO, the tri-county service district, is the lead agency for construction and operation of this Convention Center. The county, therefore, transfers all revenue from the 3% Transient Lodging Tax to METRO. The amount of the payment, \$3,715,000, is shown in the Convention Center Fund in Nondepartmental Appropriations. In addition to the 3% dedicated Transient Lodging Tax, the County collects a 6% tax on all hotels and motels in the unincorporated area of the county. One-sixth of this revenue is transferred to the Greater Portland Convention and Visitors Association (GPCVA). In 1990-91, the transfer to the GPCVA is budgeted in Pass-Through Organizations in Nondepartmental Appropriations.

Business Income Tax

The County Business Income Tax is shared, in part, with Gresham, Troutdale, Fairview, and Wood Village. By contract, these cities receive 25% of the revenue generated by that portion of the tax originally imposed in 1976. The appropriation for the amount shared in the current year is included in Pass-Through Organizations in Nondepartmental Appropriations.

ACCOUNTING INFORMATION

CHANGES IN FUND STRUCTURE

The 1990-91 Budget anticipates receiving property taxes from two special levies:

- a \$13.5 million levy for justice programs,
- a \$10.3 million levy for library services.

Each of these levies is accounted for in a separate fund. Both levies replace prior levies for the same purpose, but the prior levies were received in separate levy funds and the proceeds were transferred to the General Fund for expenditure. In 1990-91 the levy funds will become operating funds and expenditures for the programs will be made directly to the funds.

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The justice levy is accounted for in Fund 169 - Jail Levy Fund. It will be used for the ongoing operations of the existing Inverness Jail, the construction of an addition of 210 beds to that jail, and for a residential program from offenders with alcohol and drug problems.

The Jail Levy Fund (Fund 169) is a new fund. The fund used to account for the proceeds of the previous justice levy (Fund 160 - Serial Levy Fund) will continue to record the receipts from the 1987-1989 serial levy. The balance remaining in the fund and payments of delinquent taxes and penalty interest owing from that levy will be received in Fund 160 and transferred annually to the Capital Lease Retirement Fund to amortize the Certificates of Participation used to finance construction of the Inverness Jail in 1988.

The existing Library Serial Levy Fund (Fund 162) will continue to be used to track the proceeds from the library levy. In prior years, payments from the County were made to the Library Association of Portland which provided library services. In 1990-91, Multnomah County will begin to operate the library system directly. Fund 162 will show all the expenditures associated with operating the library system as a County organization.

The Animal Control Fund has been revised in the opposite direction. Revenues from animal licenses are accumulated in the Animal Control Fund. In prior years, the cost of the Animal Control program was shown in this fund. In 1990-91, the program will operate in the General Fund and will be partly supported by a transfer of the revenues from the Animal Control fund.

The Board created two new funds to account for the proceeds from sale of unrestricted capital assets. One half of such proceeds will be accounted for in the Capital Improvement Fund (Fund 240) for use in purchase or improvement of buildings. The other half will be included in the Natural Areas Acquisition and Protection Fund (Fund 153) for procurement of natural areas.

The Board made budgetary provision for its first bond issue since 1955.

The proceeds from sale of bonds, if a proposal is approved by the voters in the fall of 1990, will be accounted for in the Justice Facilities Bond Fund (Fund 236). Although no final decision has been made, it is likely that the County will seek approval for \$31.6 million of bonds to reconstruct the Juvenile Detention Facility (Donald E. Long Home) on NE 68th, make major modifications to the heating and ventilation systems of the County Courthouse, relocate the District Attorney from the Courthouse to the Portland Building, and add courtrooms as required by the State court system.

If the bonds are approved, the County will also levy \$3.5 million of property taxes to amortize the principal and interest payments due in 1990-91 and in 1991-92 prior to property tax payments that year. The property taxes will be accounted for in the Justice Facilities Bond Sinking Fund (Fund 226).

Insurance Reserves

The County's independent auditor, Price Waterhouse, has recommended that the County change its treatment of insurance reserves. Their Recommendation No. 8 in "Recommendations to Management Related to the year ended June 30, 1989" discusses the alternatives for handling reserves for insurance. Their recommendation is that the County should follow the non-governmental model and GASB preliminary conclusions and establish liabilities for true insurance reserves.

The budgetary effect of following this recommendation is to eliminate the carryover and reappropriation from year to

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year of the reserves established for each kind of insurance. Established reserves will be expensed in fiscal year 1989-90 and shown as a liability on the balance sheet of the Insurance Fund. Hence the Beginning Working Capital for the Insurance Fund changes from the 1989-90 level of \$4,460,000 to the 1990-91 amount of \$157,200.

SERVICE REIMBURSEMENTS

There are a number of types of service reimbursements in the 1990-91 documents which reflect allocations of various "overhead" costs to operations. Separate object codes are shown for the following service reimbursements:

- 5550 - Insurance Benefits - reimbursements to the Insurance Fund for workers' compensation, unemployment, long term disability, life, health, and dental insurance provided by the County.
- 7100 - Indirect Costs - reimbursements to the General Fund for general overhead including but not limited to accounting, purchasing, budgeting, and legal support.
- 7150 - Telephone - reimbursements to the Telephone Fund for use of the County telephone system.
- 7200 - Data Processing - reimbursement to the Data Processing Fund for computer systems and teleprocessing services.
- 7300 - Motor Pool - reimbursement to the Fleet Management Fund for vehicle use.
- 7400 - Building Management - reimbursement to the General Fund for providing space, maintenance, and utilities to non-General Fund organizations.
- 7500 - Other Internal - specific reimbursements from organizations in one fund to pay for identifiable services provided by the organizations in another, e. g., reimbursements to the Road Fund for signs in offices and payments to the Capital Lease Retirement Fund for lease/purchase of equipment and buildings.

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COSTS OF FRINGE AND INSURANCE BENEFITS

The following benefits are provided to County employees:

FRINGE BENEFITS ESTIMATES PER EMPLOYEE

<u>Object Code</u>	<u>Type of Benefit</u>	<u>Sworn Law and Corrections Officers</u>	<u>Nurses</u>	<u>Exempt Employees</u>	<u>General Employees</u>
Percentage of Payroll					
5500	F.I.C.A.(Social Security)	7.65% to \$50,400	7.65% to \$50,400	7.65% to \$50,400	7.65% to \$50,400
5500	Retirement (P.E.R.S.)	29.10%	19.10%	19.10%	19.10%
5500	Tri-Met Payroll Tax	0.13%	0.13%	0.13%	0.13%
5550	Workers' Compensation	2.70%	2.70%	2.70%	2.70%
5550	Medical for Retirees	1.35%	1.35%	1.35%	1.35%
5550	Unemployment Insurance	0.50%	0.50%	0.50%	0.50%
5550	Long Term Disability	0.58%	0.48%	0.73%	0.00%
Subtotal		42.01%	31.78%	32.03%	31.30%

Flat Rate Costs		<u>All Employees</u>		
		Single Party	Two Party	Multiple Party
5550	Medical/Life Insurance			
	County Self-Insurance	\$1,296	\$2,580	\$3,540
	Kaiser	1,109	2,217	3,426
5550	Dental Insurance			
	County Self-Insurance	264	528	708
	Blue Cross/Dentacare	240	540	600
	Kaiser	264	529	793

Respectfully submitted,

David C. Warren

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Budget Manager

