

# MULTNOMAH COUNTY OREGON

June 7, 2011



## FY 2012 Budget Worksession –

### *Multnomah County's Reserve Policy Compared with Our Neighbors'*

Multnomah County's current policy is to budget 10% of General Fund corporate revenues as General Fund reserves. Corporate revenues are available for general use and the Board has complete discretion over these revenues: they include Property Tax, Business Income Tax, Motor Vehicle Rental Tax, State Shared Revenues (i.e. Video Lottery, Cigarette, and Liquor Taxes), and Interest. Our reserves have been essentially fully funded since FY 2004, and the FY 2012 budget continues this practice.

#### **Our Neighbors' Reserve Policies and Practices:**

Below is a chart detailing their current reserves policies and related one-time only practices as of FY 2011:

	<b>Multnomah County</b>	<b>Washington County</b>	<b>City of Portland</b>	<b>City of Gresham</b>	<b>Clackamas County</b>
<b>Reserves as a % of General Fund - Policy</b>	10%	15-20%*	10%	12.5%**	None
<b>Planned Department Underspending</b>	0%	5%	Varies	Varies	3%

\*Reserves are calculated including restricted General Fund revenues

\*\*Reserves are calculated using General Fund expenditures

As shown above, there is a broad range of reserve policies among neighboring jurisdictions. Multnomah County appears to have a low level of reserves by the standards of our neighbors, but these jurisdictions financial practices interact with their reserve policies in important ways that distinguish them from Multnomah County. All of the comparison jurisdictions assume that departments will underspend their budgets and count that towards their reserves. For example, Washington County's reserve policy of 15 – 20% of General Fund revenues is actually more like 10 – 15% because they assume that departments will underspend by 5% and count that amount towards their reserves.

There are a number of other important differences in financial management practices in our neighboring jurisdictions. Reserve policies are one part of a broader set of financial management practices that should be considered as a whole when thinking about differences between jurisdictions.

For example, Clackamas County does not have a formal reserve policy for the General Fund, although in practice they do maintain a General Fund reserve. This lack of a formal policy is in part because departments in Clackamas County have their own operating funds that receive annual cash transfers from the General Fund. The departments manage their own fund balances and ensure that they are able to maintain services at appropriate levels.