



MULTNOMAH COUNTY OREGON

BOARD OF COUNTY COMMISSIONERS
ROOM 605, COUNTY COURTHOUSE
1021 S.W. FOURTH AVENUE
PORTLAND, OREGON 97204

GLADYS McCOY • CHAIR • 248-3308
PAULINE ANDERSON • DISTRICT 1 • 248-5220
GRETCHEN KAFOURY • DISTRICT 2 • 248-5219
RICK BAUMAN • DISTRICT 3 • 248-5217
SHARRON KELLEY • DISTRICT 4 • 248-5213
JANE McGARVIN • Clerk • 248-3277

AGENDA OF

MEETINGS OF THE MULTNOMAH COUNTY BOARD OF COMMISSIONERS

FOR THE WEEK OF

October 23 - 27, 1989

Tuesday, October 24, 1989 - 9:30 AM - Informal Briefings . Page 2
Tuesday, October 24, 1989 - 1:30 PM - Informal Meeting . . Page 2
Wednesday, October 25, 1989- 8:30 AM - Policy Development Page 2
Committee Meeting
Blue Lake Lakehouse
Justice Services
Thursday, October 26, 1989 - 9:00 AM - Executive Session . Page 3
9:30 AM - Work Session . . . Page 3
10:15 AM - Formal Page 3

NOTE: DIFFERENT STARTING TIME FOR FORMAL

Tuesday, October 24, 1989 - 9:30 AM

Multnomah County Courthouse, Room 602

INFORMAL BRIEFINGS

1. Briefing regarding recommendations regarding the urban services PMCoA they believe the City of Portland should fund, and the human services they feel the County should be responsible for funding - Jim McConnell, Channey Briggs
Rescheduled from Tuesday, October 17, 1989
2. Quarterly briefing by Metropolitan Community Action on policy issues related to poverty and the homeless in the County - Lou Savage
3. Report and discussion of innovative approaches to Adolescent Alcohol and Drug Treatment - Gretchen Kafoury, Duane Zussy

Tuesday, October 24, 1989 - 1:30 PM

Multnomah County Courthouse, Room 602

INFORMAL

1. Informal Review of Formal Agenda of October 26, 1989

PUBLIC TESTIMONY WILL NOT BE TAKEN AT INFORMAL MEETINGS

Wednesday October 25, 1989 - 8:30 AM

POLICY DEVELOPMENT COMMITTEE

BLUE LAKE LAKEHOUSE

Further discussion Justice Services and General Services follow-up and wrap up

Thursday, October 26, 1989 - 9:00 AM

EXECUTIVE SESSION

Executive Session regarding status of pending litigation [allowed under ORS 192.660 (1)(h)]

WORK SESSION 9:30 AM

To answer questions and obtain direction for further efforts on the topic of retiree insurance - Darrell Murray

Thursday, October 26, 1989, 10:15 AM

Multnomah County Courthouse, Room 602

Formal Agenda

REGULAR AGENDA

BOARD OF COUNTY COMMISSIONER

R-1 In the matter of presentation of National Association of Counties (NACo) 1989, County Achievement Awards to Black Youth Advocates Program/Court Watch; Special Needs Housing Program; Community Coalition for Homeless Youth; Housing Opportunity Program: "Lincoln Place Homes"; Film Permits; Aging Services Division Metal Health Program; Women's Transition Programs; Citizen Involvement Community Programs

R-2 In the matter of the appointments to the Children and Youth Services Commission, Professionals: Cornetta Smith, Judge Bergman, Dr. Sarojini Budden, Frank McNamara, Rev. Don Frazier, Adam Lee Po Cha, Sharon McCluskey; Lay Citizens: Jillene Lamb, Consuelo Saragoza, Duncan Campbell, Shirley Hamilton, Muriel Goldman, Bill Prows, Jan Johnson, Jarold Gillham

Kel/Kay

DEPARTMENT OF ENVIRONMENTAL SERVICES

R-3 Budget Modification DES #5 requesting creation of position of Administrative Technician which will relieve employees in higher classifications of some administrative responsibilities

And/Kay

DEPARTMENT OF HUMAN SERVICES

R-4 Budget Modification DHS #22 requests approval to increase various SSD budgets, DD Operations increased \$7,865, DD Contracts increased \$12,843, MED Contracts increased \$363,678 and A&D Contracts increased \$31,060, a net total of \$415,596 to reflect action in Amendment #6-R to the State Mental Health Grant

Kel/And

R-5 Budget Modification DHS #23 decreases the Aging Services Division, Community Action Program FY 89-90 Materials and Services budget by \$291; adds 1.34 FTE to the FY 89-90 budget, and adds \$2,686 to the General Fund contingency

R-6 In the matter of ratification of intergovernmental agreements with seven (7) school districts, Centennial, David Douglas, Dexter McCarty, Gordon Russell, Gresham/Barlow, Parkrose and Portland Public, to provide consultation and counseling services

Kell/And

mental see

DEPARTMENT OF JUSTICE SERVICES

Kell/And

R-7 Budget Modification DJS #7 requests to transfer \$20,772 from Community Corrections Contracts to add one FTE Community Projects Leader in the Community Services Gorge Project funded by CCA Enhancement Grant

Kab/And

R-8 Notice of Intent to file grant application with the Bureau of Justice Assistance for an Innovative Drug Prosecution Interjurisdictional Demonstration Project for \$197,252, for demonstration on the investigation of and prosecution of methamphetamine manufacture and distribution

Kab/And

PUBLIC CONTRACT REVIEW BOARD

(Recess as the Board of County Commissioners and reconvene as the Public Contract Review Board)

R-9 Order in the Matter of Exempting from Public Bidding of a contract for weatherization services at the Broadmoor Hotel by Central City Concern

Kab/And

R-10 Order in the Matter of Exempting from Public Bidding the purchase of twelve hand-held computer inspection systems from Oregon Digital System

And/Kaf

ADJOURN

Thursday Meetings of the Multnomah County Board of Commissioners are recorded and can be seen at the following times:

Thursday, 10:00 PM, Channel 11 for East and West side subscribers

Friday, 6:00 PM, Channel 27 for Rogers Multnomah East subscribers

Saturday 12:00 PM, Channel 21 for East Portland and East County subscribers



GLADYS McCOY, Multnomah County Chair

Room 134, County Courthouse
1021 S.W. Fourth Avenue
Portland, Oregon 97204
(503) 248-3308

MEMORANDUM

TO : Jane McGarvin
Carrie Parkerson

FROM: Delma Farrell

THRU: Hank Miggins
Executive Assistant

DATE: October 17, 1989

RE : Agenda Submissions
Week of October 23-27, 1989

BOARD OF
COUNTY COMMISSIONERS
1989 OCT 17 PM 3:00
MULTNOMAH COUNTY
OREGON

INFORMAL

1. DHS Submitted by Jim McConnell X-3646. PMCoA briefing on Urban Services/Human Services.
2. Submitted by Bill Thomas X-5464. Quarterly briefing by Metropolitan Community Action on policy issues related to poverty and the homeless in the County.

FORMAL

3. DGS SUBMITTED BY DARRELL MURRAY X-2595. REQUEST FOR EXECUTIVE SESSION TO DISCUSS THE STATUS OF COLLECTIVE BARGAINING BETWEEN THE COUNTY AND THE DEPUTY SHERIFFS ASSOCIATION. SCHEDULE IN CONJUNCTION WITH REQUEST FOR WORK SESSION BELOW.
 4. SUBMITTED BY DARRELL MURRAY. REQUEST FOR A WORK SESSION TO ANSWER QUESTIONS AND OBTAIN DIRECTION FOR FURTHER EFFORTS ON THE TOPIC OF RETIREE INSURANCE.
-
5. DES Submitted by Bob Pearson X-3838. Bud Mod requesting creation of position of administrative technician which will relieve employees in higher classifications of some administrative responsibilities. This will allow employees of higher classifications to perform increased technical duties resulting from sewer construction in mid-county. Position will also assist in indexing and micro-filming project for County surveyor's maps and field books.

AGENDA SUBMISSION MEMORANDUM

TO: Clerk of the Board

October 17, 1989

Page 2

6. DGS Submitted by Lillie Walker/Bill Thomas X-5111, X-3646. PCRB exemption request to contract with Central City Concern for installation of weatherization materials at the Broadmoor Hotel, owned by the CCC, at an estimated cost of \$73,190. The contract was originally awarded to CCC through a competitive bid process by MCA. The weatherization contract was not completed prior to the County assuming direct operation of the weatherization program from MCA.
7. DGS Submitted by Roger Bruno/Art Bloom X-5111, X-3400. PCRB exemption request for an exemption to purchase 12 hand-held computer inspection systems from the single seller of the product and program.
8. DHS Submitted by Susan Clark X-3691. DHS Bud Mod #22 increases the State Mental Health Grant a net total of \$415,596 to reflect action from Amendment R-6.
9. Submitted by Bill Thomas X-5464. DHS Bud Mod #23 decreases the Aging Services Division, Community Action Program FY 89-90 M&S budget by \$291; adds 1.34 FTE to the FY 89/90 budget; and adds \$2,686 to ~~the~~ General Fund Contingency.
10. Submitted by ^{the} Scott Clement X-3674. ~~Request for ratification of and Intergovernmental Revenue Agreement w/Oregon Health Division whereby the amendment makes various additions/deletions to the 23 public health programs funded by the State effective for the period July 1, 1989 through June 30, 1990. This amendment is the basis for budget amendment DHS #17.~~
11. Submitted by Susan Clark X3691. Request for ratification of School Mental Health Intergovernmental revenue agreements for FY 89/90 to provide consultation and counselling services to sever school districts. Individual contractors and amounts are attached.
12. DJS Submitted by Harley Leiber X-3980. Bud Mod DJS #7 requests transfer of \$20,772 from Community Corrections Contracts to add a Community Projects leader in the Community Services Gorge Project funded by CCA Enhancement Grant.

hold this request

DATE SUBMITTED Oct. 16, 1989

(For Clerk's Use)
Meeting Date OCT 26 1989
Agenda No. _____

REQUEST FOR PLACEMENT ON THE AGENDA

Subject: Deputy Sheriffs Negotiations

10/26/89

Informal Only* _____
(Date)

Formal Only _____
(Date)

DEPARTMENT General Services DIVISION Labor Relations

CONTACT Darrell Murray TELEPHONE 248-2595

*NAME(S) OF PERSON MAKING PRESENTATION TO BOARD Darrell Murray

BRIEF SUMMARY Should include other alternatives explored, if applicable, and clear statement of rationale for the action requested.

This is a request for an executive session to discuss the status of collective bargaining between the County and the Deputy Sheriffs Association. It is requested that this be scheduled in conjunction with a work session separately requested for retiree health insurance discussion.

(IF ADDITIONAL SPACE IS NEEDED, PLEASE USE REVERSE SIDE)

ACTION REQUESTED:

INFORMATION ONLY PRELIMINARY APPROVAL POLICY DIRECTION RATIFICATION

INDICATE THE ESTIMATED TIME NEEDED ON AGENDA 30 minutes

IMPACT:

PERSONNEL

FISCAL/BUDGETARY

General Fund

Other _____

SIGNATURES:

DEPARTMENT HEAD, ELECTED OFFICIAL, or COUNTY COMMISSIONER: *Lynda Alexander*

BUDGET / PERSONNEL _____

COUNTY COUNSEL (Ordinances, Resolution, Agreements, Contracts) _____

OTHER _____
(Purchasing, Facilities Management, etc.)

NOTE: If requesting unanimous consent, state situation requiring emergency action on back.

BOARD OF
COUNTY COMMISSIONERS
1989 OCT 17 PM 3:27
MULTIOMAH COUNTY
OREGON

Labor
Negotiations
ORS 192.660
(1) ~~(b)~~ (4)

Board Executive Session
October 26, 1989

A. Time frame for decision

1. Moving more quickly than expected.
2. Arbitration date
3. Week delay would not be major problem.
4. Closure on benefit structure would be helpful

CONFIDENTIAL

B. Status of MCDSA bargaining

1. Positions remain unchanged.
2. Arbitrator is Axon
 - a. Prior County experience
 - b. City experience
 - c. List of arbitrators
3. Preparation for hearing continues

C. Analysis of Retiree Insurance Issue.

1. Analytical work began in spring w/actuary studies
2. Formation of Committee
3. Committee consensus reached in late August
4. Production of report

D. Three Main Issues

1. Benefit To be offered
2. How it is delivered
3. Financing
4. Work session will address benefit question as it specifically relates to exempt employees since bargaining strategy involved with other groups.
5. However, Board should think "all groups" when discussing exempt.
6. Results apply all groups if Board agrees to uniform benefit.
7. Funding issues affect all units, and are not bargainable issues (yet), so no need for confidentiality, except No. E-3 below.

E. How Bargaining is Involved.

1. Benefit & delivery mechanism
 - a. Whether to give benefit
 - b. Structure of benefit
 - c. Whether we provide the benefit directly, through deferred comp. or other means.
 - d. Current bargaining w/MCDSA; modification of proposal.
 - e. Future bargaining with other units (Chart 1)
2. Funding
 - a. Immediate ability to Pay
 - b. Credit for full v. partial value of benefit
 - c. Long term charges against package.
3. Possible fourth funding level (chart no. 2)
 - a. Comparison of actuary assumptions & reality
 - b. Tactical implications.

F. Recommendations & Authorization Sought

1. MCDSA be offered immediately, as part of package, retiree medical insurance benefit same as that Board decides will be granted exempt employees, to be delivered through the same means.
2. In future, County be prepared to give MCCOA same retiree medical insurance benefit as exempt employees as quid pro quo for a settlement or such other concession as can be bargained or arbitrated, if MCCOA is willing to share equally the cost of an actuarial estimate of the cost of the benefit. Again, delivery system would be the same.
3. In future, County to bargain incrementally toward a uniform retiree insurance benefit structure and delivery vehicle identical to that adopted for exempt employees.

NOTE: The recommendation for "identical" benefits does not mean exempt and other groups of employees would receive the same insurance benefits within their group health plans. The availability of retiree insurance plans would, however, be governed by identical criteria.

DATE SUBMITTED 10/16/89

(For Clerk's Use)
Meeting Date OCT 26 1989
Agenda No. _____

REQUEST FOR PLACEMENT ON THE AGENDA

Subject: Worksession for Retirees Medical Insurance

10/26/89

Informal Only* _____
(Date)

Formal Only _____
(Date)

DEPARTMENT General Services DIVISION Labor Relations

CONTACT Darrell Murray TELEPHONE 248-5135

*NAME(S) OF PERSON MAKING PRESENTATION TO BOARD Darrell Murray

BRIEF SUMMARY Should include other alternatives explored, if applicable, and clear statement of rationale for the action requested.

See Attached Report "Retiree Insurance Policy Analysis and Recommendations"

This is a request for a worksession to answer questions and obtain direction for further efforts on the topic of retiree insurance.

(IF ADDITIONAL SPACE IS NEEDED, PLEASE USE REVERSE SIDE)

ACTION REQUESTED:

INFORMATION ONLY PRELIMINARY APPROVAL POLICY DIRECTION RATIFICATION

INDICATE THE ESTIMATED TIME NEEDED ON AGENDA 45 Minutes

IMPACT:

PERSONNEL

FISCAL/BUDGETARY

General Fund

Other _____

BOARD OF
COUNTY COMMISSIONERS
MULTNOMAH COUNTY
OREGON
1989 OCT 17 PM 3:27

SIGNATURES:

DEPARTMENT HEAD, ELECTED OFFICIAL, or COUNTY COMMISSIONER: *Janda Alexander*

BUDGET / PERSONNEL _____

COUNTY COUNSEL (Ordinances, Resolution, Agreements, Contracts) _____

OTHER _____
(Purchasing, Facilities Management, etc.)

NOTE: If requesting unanimous consent, state situation requiring emergency action on back.

October 26, 1989 Work Session
Re: Retiree Medical Insurance Benefits

A. Introduction (Linda Alexander)

1. How this issue arose.
2. The Committee's Report and Recommendations.

B. Three Main Categories of Issues (Darrell Murray)

1. Benefit structure (if benefit to be granted)
2. Delivery system
3. Funding
4. Today's work session will focus on the benefit and delivery mechanism question as it pertains to exempt, non-union county employees. These employees have received a limited retiree insurance benefit paid by the county by virtue of administrative practice since at least 1982.

C. Issues

1. Whether to offer retiree medical insurance benefits.
2. If it is to offer such a benefit, what administrative vehicle should be used to deliver the benefit?
3. Should a retiree medical insurance benefit be financed on pay as you go basis, or should the County set aside current revenues to cover the cost of the benefit for employees during their working careers (i.e., pre-funding).
4. If money is saved during the working career of employees who will receive the benefit, how will the county determine the amount needed to cover its part of the retiree insurance cost? What assumptions should be made about future medical care cost increases?
5. If a retiree insurance benefit is to be offered, what should be the qualification criteria?
6. How long should such a benefit be extended to retired county employees?
7. Should coverage extend to the employee only, or to eligible dependents?
8. What portion of the retiree's insurance premium should be paid by the county?
9. If the county offers retirees county-paid benefits through county medical insurance plans should retirees be subject to plan changes affecting active employees occurring after their retirement?

D. Recommendations Pertaining To Benefit Structure and Administrative delivery process.

1. The County should continue to provide a retiree insurance benefit for exempt staff, so long as tax advantages continue and the benefit does not duplicate future state or federal mandates.
2. The benefit should be delivered through retiree participation in the County's active employee plans.
3. Qualification criteria for retiree insurance should be:
 - a. 5 years of service imm. prior to retirement;
 - b. 58 years of age.
 - c. Early retirees with 10 years service would be permitted to participate on a self-paid basis until age 58, and receive the county-paid benefit thereafter.
 - d. Only non-disability retirees would receive the benefit.
 - e. Service would be prorated for part-time employment.
4. The benefit should extend to age 65, death, or eligibility for Medicare whichever first occurs, with the ability to continue participation beyond age 65 on a self-pay basis.
5. Coverage should include the retiree and eligible dependants.
6. The County's contribution should be 50% of the monthly premium.
7. Retirees should be subject to plan changes in the same manner and at the same time as active employees.
8. County contributions should be subject to redirection to any state or federally mandated program providing substantially the same coverage, enacted in the future.
9. An ordinance should be adopted implementing these recommendations.

E. Recommendations Pertaining To Funding

1. The County should set aside funds during the working careers of employees who will ultimately receive the benefits; i.e., the county should pre-fund retiree health insurance.
2. In the near term, the County should base its decision concerning amounts to be set aside on an intermediate or slightly optimistic assumption concerning the rate of future health care cost increases, but should be prepared to adjust these contributions based on regular future actuarial studies if actual costs depart from the projected costs.
3. The Board should adopt an ordinance to establish and provide for on-going management of the prefunding account.

F. Summary

1. Above recommendations are at Section VI of committee report
2. On the benefit side, they would continue present practices in tact, with only minor modification.
3. In re: funding, the change would be significant.

G. Background for discussion

1. Retiree population (Chart).
2. Current Pay as you go costs; projected costs
3. Prefunding options identified by actuarial study
4. Unfunded liability

H. Discussion of Benefit structure and delivery mechanism

I. Board direction for future efforts

J. Discussion of Funding

K. Board Direction for future efforts



Retiree Medical Insurance
Policy Analysis And
Recommendations:
October 16, 1989

MULTNOMAH COUNTY OREGON

BOARD OF COUNTY COMMISSIONERS GLADYS McCOY PAULINE ANDERSON GRETCHEN KAFOURY RICK BAUMAN SHARRON KELLEY	DEPARTMENT OF GENERAL SERVICES PORTLAND BUILDING 1120 SW FIFTH, 14TH FLOOR PORTLAND, OR 97204-1934	OFFICE OF THE DIRECTOR EMPLOYEE SERVICES FINANCE LABOR RELATIONS PLANNING & BUDGET	(503) 248-3303 (503) 248-5015 (503) 248-3312 (503) 248-5135 (503) 248-3883
	AT OTHER LOCATIONS:	ADMINISTRATIVE SERVICES ASSESSMENT & TAXATION ELECTIONS INFORMATION SERVICES	(503) 248-5111 (503) 248-3345 (503) 248-3720 (503) 248-3749

MEMORANDUM

TO: Chair Gladys McCoy
Commissioner Pauline Anderson
Commissioner Rick Bauman
Commissioner Gretchen Kafoury
Commissioner Sharron Kelley

FROM: Linda Alexander
Director of General Services 

DATE: October 16, 1989

SUBJECT: Retiree Insurance

Because of bargaining demands in recent negotiations, actuarial studies were performed to estimate the cost of providing county employees with county-paid post-employment medical insurance benefits. The actuary estimates it would cost between 1.6% and 3.4% of straight-time pay to provide the benefit to deputies, and between 2.7% and 3.6% of pay to prefund the benefit for employees who currently receive it.

The bargaining demands and actuarial reports concerning retiree insurance raise policy questions apparently not considered when the benefit was first extended within the County. Perhaps the most significant question, beyond whether to grant the benefit, is how it should be funded; on a "pay as you go" basis or prefunded. If prefunding were implemented beginning in FY 1990-91, the cost would be approximately \$712,000 per year. This represents monies that will eventually be paid regardless of funding method. However, the existing pay as you go funding method will result in steeply escalating annual cost for which no resources have been saved. The present value of benefits which have been authorized for which no funds have been set aside represents an unfunded liability of approximately \$5,000,000.

Memorandum To Board re:
Retiree Insurance
October 16, 1989

An ad hoc task force in the Department of General Services (DGS) recently considered questions related to retiree insurance, and developed recommendations. The enclosed report addresses points relevant to the Board's deliberations, states principal policy issues, identifies options, summarizes the advantages and disadvantages of each, and sets forth DGS recommendations. A work session has been scheduled to identify additional information needs, answer questions, and determine the direction of future efforts.

This report should be read expeditiously. Upon completion, the confidential memorandum addressing bargaining implications (in the sealed envelope accompanying this report) should be read. An executive session will be held to discuss the recommendations as they pertain to current and future contract negotiations. The pending arbitration with Deputy Sheriffs (who are demanding retiree medical insurance) provides an impetus for resolving the outstanding policy questions, as soon as possible.

If you have questions as you read, Darrell Murray will be happy to provide the answers. Please don't hesitate to call.

cc: Jack Horner
Lloyd Williams
Dave Boyer
Merrie Ziady
Darrell Murray
Bill Farver

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II. Projected Cost of Retiree Insurance	3
III. External Considerations	5
IV. Legal Implications	6
V. Issues and Options	7
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Appendices

A. Comparison of County retiree insurance practices and obligations.	
B. City Auditor Report on cost of retiree health plan participation.	
C. ODS Cross subsidy estimate for retiree health plan participation.	
D. Actuary Report - Retiree Insurance for Deputy sheriffs.	
E. Actuary Report - Retiree Insurance for general employees.	
F. Article by Lewis Rukeyser - FASB Rules on retiree insurance.	
G. Report to Joint Committee on Taxation - Retiree Insurance.	
H. New York Times Article - Changes in Retiree Insurance at A.T.&T.	
I. Oregonian article re: law suit at General Motors.	
J. Legal analysis of Tom Kramer.	
K. Draft Ordinance on Retiree insurance fund.	
L. Financial Plan	
M. Draft Ordinance on Exempt Employee Retiree Insurance	

EXECUTIVE SUMMARY

Retiree Insurance Policy Analysis and Recommendations

October 16, 1989

A. Nature of Report

This is the report of an Ad Hoc Committee on Health Insurance Policy, Department of General Services, concerning County retiree medical insurance obligations.

B. Background

The County has obligations under contract and ordinance to provide County retirees with limited ability to participate in County medical insurance plans. In most instances, the County pays a portion of the premium for retirees and eligible dependents. This obligation was undertaken in the early to mid-1970's, without substantial consideration of certain policy questions; for example, whether the obligation should be prefunded, as are County pension obligations, or financed on a pay-as-you go basis. Consequently, the County currently pays over \$200,000 per year for retiree insurance. This amount is expected to grow rapidly over the next two decades. How to address this and related policy concerns are the subjects of this report.

C. Budget Implications

If recommendations are adopted, County budgets will be charged amounts totalling between \$712,000 and \$980,000 per year for the foreseeable future. The exact amount depends on assumptions made about future health care costs. These payments would commence July 1, 1990. The amount will increase if the benefit is extended to Deputy Sheriffs or Corrections Officers. However, if such a bargain is struck the cost will be bargained as part of the compensation package at that time. These payments are in addition to approximately \$212,000 expected to be paid in FY 1989-90; an amount which will decline to zero over seven years as "pay as you go" retirees are phased out. A financing schedule by fund is attached. (Appendix L.)

D. Recommendations In Brief

1. The County should continue to provide groups currently receiving retiree medical insurance benefits with such benefits, subject to certain limitations.
2. The County should continue to directly provide retiree insurance benefits.
3. The County should pre-fund its retiree medical insurance obligations, beginning July 1, 1990, with the cost for persons retiring prior to that date financed on a pay-as-you-go basis. An ordinance should be adopted to establish such an account.

4. The Board should select an intermediate or low cost assumption concerning future health insurance costs when fixing funding levels. The result of this assumption should be tested every three years by actuarial analysis to ensure adequate funding.

5. Benefit eligibility should be conditioned on a minimum of five years of service, and attainment of age 58, with special provisions for early retirement and crediting of part-time service. Disability retirees should be excluded.

6. The benefit should extend to age 65, death, or Medicare eligibility, whichever first occurs. Cost of the benefit should be transferrable to any substantially equivalent coverage mandated by state or federal law.

7. Coverage should extend to the retiree and eligible dependents.

8. The county's contribution should be 50% of the premium.

9. Retirees should be subject to plan changes applicable to active employees.

10. The County's contribution should be rechannelled to tax preferred alternatives in the event current tax preferences are removed.

Members of the Ad Hoc Committee are: Linda Alexander (Director, Department of General Services), Dave Boyer (Finance Director), Lloyd Williams (Employee Services Director), Merrie Ziady (Employee Benefits Manager), Jack Horner (Strategic Planning Director), and Darrell Murray (Deputy Labor Relations Manager). Bill Farver, staff assistant to Commissioner Anderson, (DGS liason Commissioner) monitored the committee's meetings, and contributed to the discussions which culminated in this report. Ken Upton (Labor Relations Manager), Dave Warren (Budget Manager), Larry Kressel (County Counsel), Mark Williams (Assistant County Counsel), and Myra Brown (Office Assistant) also aided significantly in the preparation of the report. The report was also reviewed by Fred S. James and Co., the County's insurance consultants, and by Nancy Wagner, an actuary with Milliman and Robertson.

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I. Present Retiree Insurance Benefits

Multnomah County is required by state and federal law to permit retiree participation in its medical insurance plans, subject to certain limitations. These laws do not require that the County pay any of the premiums. However, the County voluntarily negotiated retiree insurance benefits with several unions and has extended benefits to exempt staff as follows:

<u>Name of Unit</u>	<u>County Contribution</u>	<u>Employee Contribution</u>	<u>Qualification Requirements</u>
Local 88, AFSCME 1350 employees	50%	50%	Age 58, 5 years service
Ore. Nurses Assoc. 165 employees	100%	0%	Age 60, 5 years service
IBEW, Local 48 18 employees	100%	0%	Age 60, 10 years service
Oper. Eng. Loc. 87 6 employees	100%	0%	Age 60, 10 years service
Prosecuting Attorneys 62 employees	50%	50%	5 years service
Painters Council 55 3 employees	100%	0%	Age 60, 10 years Service
Exempt Employees 343 employees	50%	50%	Age 58, 5 years Service
Corrections Officers	0%	100%	5 years service
Deputies	0%	100%	5 years service

The age 58 requirement for local 88 developed by practice and is not explicit on the face of the agreement. Until 1982, the County paid 100% of the Local 88 retiree premium. This was reduced to 50% in 1982 as part of the quid-pro-quo for PERS coverage. The right to participate in retiree insurance plans appears to have been extended to non-union staff in 1982 under Ordinance no. 295, but it did not authorize payments of premiums by the County and no other authorizing documents have been located. Extension of the benefit to Deputies on a self-paid basis appears to be a past practice, based on section 9 of the County-PERS integration agreement of 1982 which provides that the County shall continue to offer retirees the option of participating in county plans. All county retirees are presently permitted to continue participation beyond eligibility for Medicare on a self-paid basis. Appendix A is a side-by-side showing the overlay of county retiree insurance mandates and practices.

Retiree insurance was granted as a benefit in the 1970's without study of long-term cost implications, or debate over how the obligation should be financed or administered. As a result, for FY 1989-90 Multnomah County budgeted approximately \$212,000 to cover retiree insurance premiums for approximately 259 former employees and their dependents. An additional ten Corrections Officers and twenty-eight former Deputy Sheriffs participate on a self-pay basis.

When retirees participate in active employee medical insurance plans, they receive an indirect subsidy regardless of whether the employer makes any contribution. Retirees typically have much higher claims costs than active employees, but premiums are based on the experience of the total group. So retirees who might pay \$350 per month if premiums were based on their claims experience alone, are able to pay a much lower amount by virtue of being pooled with active employees. The current outlay of \$212,000 per year for retiree insurance does not reflect the substantial value of this indirect subsidy which is contained within the premium charged to both active and retired medical plan participants. For further insight into the magnitude of such subsidies, see Appendices B and C.)

II
e s s o o e

II. The Projected Future Cost of Retiree Insurance

When retiree insurance benefits were demanded by Deputy Sheriffs and Corrections Officers as part of their 1989 contract proposals, both units were asked to share in the cost of preparing an actuarial assessment of the cost of such benefits. Deputy Sheriffs agreed, and a study was performed to ascertain the cost of providing them with certain retiree insurance benefits. Corrections Officers declined, so no study was performed for that group. Because no analysis could be located supporting the original decision to give the benefit to other groups, and because economy of scale permitted a larger study to be done cost-effectively, the actuarial firm of Milliman and Robertson (which serves as actuarial consultant for PERS) was contracted to estimate the cost of retiree insurance for Deputy Sheriffs and, separately, all County employees except Deputy Sheriffs and Corrections Officers. (The completed studies are attached as Appendices D and E.) The following summarizes their findings:

<u>Covered Group</u>	<u>To Qualify/Term of Benefit</u>	<u>Cost as % of Pay</u>
Deputies	5 years service Age 58 to Medicare	Low 1.606%
		Mid 1.910%
		High 2.093%
Deputies	5 years service Age 55 to Medicare	Low 2.673%
		Mid 3.151%
		High 3.434%
Non-Uniformed	5 years service Age 58 to Medicare	Low 2.695%
		Mid 3.238%
		High 3.629%
Non-Uniformed	5 years service Age 58 to Death	Low 4.915%
		Mid 6.096%
		High 7.172%

For each option above, the actuary was instructed to assume that the County would pay 100% of the premium for the period of coverage and that no such benefits were currently extended to employees; i.e. to treat this as a new program. The actuary was also asked to state costs as a flat percentage of the straight-time pay of covered employees, in much the same manner as other retirement contributions are calculated. The above figures reflect these instructions.

Three estimates are given for each alternative benefit structure; low, mid, and high. This is done to provide a range of possible costs, depending mainly on the rate at which future health care costs increase compared to general inflation rates. In recent years health care costs have risen at the rate of

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general consumer price increases, plus five to six percent per year. The high cost estimate assumes that health care prices will rise more quickly than general prices for a longer period than in the mid and lower cost estimates.

Several conclusions can be safely drawn from these studies. First, the cost of the benefit varies significantly from one group to the next. Second, retiree benefits are costly. Even if the County pays only half the premium for retiree insurance, the low cost estimate for the low cost option for the non-uniformed group would still be approximately 1.3% of payroll; 0.8% for the deputy sheriffs. In other words, to prefund retiree insurance as it is now provided to non-uniformed employees the County must routinely charge budgets the following alternative amounts (increased by the percentage of future wage increases), depending on assumptions made about the future cost of health insurance:

High Trend Assumption:	\$980,252
Medium Trend Assumption:	\$871,335
Low Trend Assumption:	\$713,224

According to Milliman and Robertson, if made each year the above contributions, if doubled and combined with earned interest, would be sufficient to (a) pay (from age 58 until Medicare eligibility) the entire insurance premiums of employees retiring with five or more years service on or after July 1, 1989 and (b) retire over 30 years the accrued unfunded liability for the program which stands at approximately \$4.75 to \$5.7 million (for the County's half of the contribution) and is growing. A gradually declining additional amount (approximately \$220,000 for FY 1990-91) would be required through 1997 to phase out the pay-as-you-go method of financing for persons retiring prior to July 1, 1989.

On a pay-as-you-go basis it is estimated the County's half of insurance premiums will cost \$650,000 per year by 1997. This amount can be projected to grow steadily until the peak of "baby boom" retirees passes. This will occur approximately between the years 2005 and 2015.

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III. External Considerations

State and federal arenas cannot be ignored in analysis of retiree health insurance policy, primarily affecting two areas; coverage mandates and financial management. The enclosed side-by-side (Appendix A) reflects several mandates (COBRA and its state corollary) for offering employe-paid participation in the employer's health plan for limited periods following termination, including retirement. Other obvious mandates include treatment of employer insurance plans as primary over Medicare for active workers who qualify for Medicare (Tax Equity and Fiscal Responsibility Act of 1982), social security and employer PERS contributions directed toward medicare supplemental payments (approximately 0.60% of payroll).

More legislation can be expected as political pressures mount for retiree coverage for baby-boomers. (NOTE: This same pressure is likely in the County as the average age increases - currently 44.5 for deputies and 41.8 for the non-uniformed group.) Among the possible targets of future mandates are employer contributions for retiree insurance, a state or national health insurance system for retirees in which participation is mandated, and special trusts in which employees can set aside tax favored dollars for future purchase of retiree medical services. (The latter was attempted during the 1989 Oregon legislative session.)

Legislation may also emerge regulating funding of retiree insurance obligations. Although only nine percent of organizations currently pre-fund retiree insurance, the Financial Accounting Standards Board ("FASB") has adopted rules which, beginning in 1992, will require private employers to report accrued but unfunded retiree insurance entitlements as an unfunded liability on their balance sheets. According to Peggy Anet (Health Benefits Specialist for the Oregon League of Cities) the Government Accounting Standards Board ("GASB") is expected to consider parallel rules in the near future. (See article by Lewis Rukeyser, Appendix F.) Next, there is Congressional interest in retiree insurance funding. (See report prepared for Joint Committee on Taxation, Appendix G.) Finally, as the federal deficit widens there is no guarantee that health insurance premiums paid by employers will remain tax free. The idea of taxing them was broached during the 1986 tax reform process, but eventually discarded under heavy lobbying by organized labor and the insurance industry. The outcome may not be the same in the future.

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IV. Legal Implications

A wide variety of legal questions were examined in the course of preparing this report. Because they involved potentially complex matters in the specialty area of tax and pension law, Tom Kramer (an attorney with Stoel, Rives, Boley, Jones, and Grey) was consulted by County Counsel and this office. A letter outlining the results of that consultation is enclosed (Appendix J). In short, the Board may prefund retiree insurance benefits with relative simplicity so long as no employee funds are comingled with employer funds. Since employees make payments for premiums at the time they come due, the county does not serve as the custodian of those funds and thereby avoids many legal complications. (Many of these are addressed in Appendix G.)

If the Board decides to prefund it can do so simply by setting aside funds, earmarking them by budget note if desired. A more formal approach would be to establish a fund by ordinance. Among other things, an ordinance could prescribe procedural steps prerequisite to invasion of the fund for purposes other than retiree insurance. Since the use of such funds would not be otherwise constrained in the manner that (for example) a health and welfare trust would be constrained, the Board may wish to adopt such measures to provide institutional discipline in this important fiscal matter. However, the Board would be creating a constraint on its own conduct and such a decision should not be made without careful consideration. A draft of such an ordinance is enclosed. (Appendix K.)

If the Board wishes to continue providing, wholly or in part, retiree insurance benefits for non-union personnel it will be necessary to adopt an ordinance authorizing continuation of that practice. A draft of such an ordinance, approved by the Employee Services Director, is enclosed. (Appendix M.)

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V. Issues and Options

The following is an attempt to summarize the issues facing the Board, and its choices for resolving those issues:

1. Issue: Whether the County should provide future retirees with a benefit designed to help cover some or all the cost of medical insurance.

Option A - The County should provide such a benefit.

Advantages:

- Satisfies demands of employees and unions.
- Is already required under six labor agreements.
- Meets certain acute health care cost concerns of retirees.
- Rewards public service.
- Keeps retiree insurance premiums at manageable levels.
- Is compatible with existing benefit commitments, and with possible adverse outcome of interest arbitration.
- Addresses social policy goal of providing medical coverage for elderly citizens.

Disadvantages:

- Addresses a general social problem on a decentralized basis.
- Is an expensive benefit which employees may perceive as less valuable than the actual cost.
- Involves a subsidy of retirees by active workers.

Option B: Do not grant such a benefit.

Advantages:

- Would reduce County costs (unless other replacement benefits are granted) and free resources for other purposes.
- Would make Multnomah County practices more consistent with those of other municipal agencies in the metro area.
- Would reduce administrative complexity of payroll system.
- Would increase pressure for state or federal governments to develop general public solutions to retiree medical cost issues.
- Would force retirees to shop the market for the best health insurance plan, possibly producing more efficient allocation of health insurance dollars.

Disadvantages:

- Would create significant potential for labor disputes.
- May be an impossible goal, given that arbitrators can independently grant such benefits to police and corrections employees notwithstanding Board desires.
- Would reduce protection of future County retirees and force retiree payment of premiums with after tax dollars.

2. If retiree medical costs are to be addressed by a County benefit program, what vehicle is best suited to this purpose?

Option A: Dedicated Wage Payments (i.e. wages paid specifically in lieu of retiree insurance contributions, but otherwise no different than other wages).

- Advantages:
- Administrative simplicity.
 - Employees readily perceive the value of the benefit.
 - Flexibility in use of funds.

Disadvantages:

- Employer and employee pay payroll costs (e.g., PERS and Social Security) on each dollar of wages at time they are paid.
- No guarantee that wages will be saved and spent on retiree medical costs.

Option B: Dedicated Deferred Wage Payments (to a deferred compensation plan, possibly on an employer match basis)

Advantages:

- Payments are placed in a forced savings plan.
- Payments accrue interest on tax deferred basis during active working life of employee.
- Relative administrative simplicity.
- Forces retiree to shop efficiently for best health insurance buy.
- Employee flexibility in use of proceeds from deferred compensation account.
- Costs are stable.
- Encourages savings if done on a match basis.

Disadvantages:

- Proceeds from deferred compensation are taxed as income at time of receipt by retiree, even if used to purchase insurance. County cost to provide funds adequate after taxes to cover insurance program would substantially exceed cost of county directly paying premiums.
- Amounts contributed by employer count against the same cap on deferred compensation contributions as presently applies to employees. Employees now deferring at maximum would, in effect, receive a diluted after-tax benefit.
- Employee and County pay Social Security on amounts deferred, at time of deferral.
- No guarantee employee will spend funds on medical insurance.
- New employees at time program instituted receive more than cost of providing retiree insurance while employees near retirement receive much less, since contributions are made as a fixed level percentage of wage and unfunded liability is amortized over thirty years.

Option C: Offer a retiree insurance benefit administered by the County

- Advantages:
- Is most compatible with arrangements currently in place, producing limited conflict potential.
 - Guarantees funds will be spent on retiree insurance coverage.
 - Retiree insurance benefit is presently tax free if paid by County.
 - Ultimately, under current law county has choice to decide when to set aside funds to cover cost for future retirees.

Disadvantages:

- Retiree insurance obligations are becoming increasingly inflexible as financial liabilities. (See Appendix I.)
- Relative administrative complexity.
- Opportunity for accrual of large unfunded liabilities.
- Costs susceptible to considerable variation over time.

3. If the County operates its own retiree insurance benefit program, should it be financed on a pay-as-you-go or prefunded basis?

Option A: Pay As You Go.

- Advantages:
- Maximizes short-term financial flexibility.
 - Administratively simpler than prefunding.

Disadvantages:

- Potential for accumulating unfunded liabilities which, left unaddressed, can create significant restrictions on resource allocation choices during times of restricted revenues.
- May become an unlawful funding method, or may become subject of Government Accounting Standards Board Rules requiring statement of unfunded retiree insurance liabilities on county's financial reports, potentially affecting credit rating.
- Allows current generations of employees to consume benefits without paying for them by shifting unfunded costs to future generations; a system without internal fiscal discipline. Places employee compensation in uniquely superior position relative to other competing priorities which cannot defer incurred expenses to future years.
- Presupposes future ability of employer to pay for benefit. Is less secure than prefunded benefits.

Option B: Prefunding (i.e., building a "savings" account to cover obligations incurred when they come due in the future).

- Advantages:
- Greater security of benefits promised to employees.
 - No significant growth in unfunded liabilities; gradual ammortization of initial unfunded liability; levels out

effect of benefit costs on long-term cash flow.

- Meets highest anticipated standards of legislative or accounting authorities.
- Charges cost of benefits against the generations of workers who will receive them; constrains concurrent consumption of other compensation; a disciplined fiscal system.

Disadvantages: - Requires more initial cash outlay than pay as you go.
- Relative administrative complexity.

4. If the County operates its own retiree insurance program on a pre-funded basis, what assumptions about health care cost increases should it make in determining charges to be made to budgets for retiree insurance?

Options: - Low cost trajectory
- Intermediate cost trajectory
- High cost trajectory

Discussion: The percentages of payroll and estimated dollar costs for each of the options are located in section II, at pages 2 and 3 of this report. The main consideration here is to determine which contribution rate would adequately fund the benefit without overfunding the benefit. (In reality, this guess is a short term gamble since prefunded plans almost always contract for periodic actuarial reassessments to keep them on track.)

5. If the County operates its own retiree insurance program, what should be the qualification criteria?

Options: - Service Requirements.
- Minimum Age Requirments
- Employee Status (Full-Time v. Part-time).
- Other

Discussion: Qualification criteria serve two primary purposes. First, they serve to limit participation in the program and, therefore, cost. Second, they define what (if anything) the organization is attempting to reward through this particular benefit. Thus the task is to harmonize Board desires concerning cost and employment philosophy with the benefit structure.

6. If the County offers wholly or partly employer paid retiree insurance, for what period should the benefit extend?

Options: - Any age after retirement
- Until eligibility for Medicare
- Until death

Discussion: Benefit duration serves primarily to define the limits of the cost of retiree insurance once the employee has entered the program, and to define the point at which the burden of social welfare policy shifts from

county government to the individual and other levels of government. The County's current retirement contribution includes 0.60% of pay which goes to subsidize the Medicare premium of county retirees.

7. If the County offers wholly or partially employer paid retiree insurance, should coverage extend to dependents and spouse?

- Options: - Employee Only;
- Employee and Spouse;
- Employee, spouse, and eligible dependents

Discussion: Scope of coverage has significant impact on cost for any employer paid portion of the premium. It also involves social welfare issues beyond those associated with the employee; e.g., the type of medical coverage available to spouses who work in the home throughout their careers.

8. If the County offers wholly or partly employer paid retiree insurance, what portion of the premium should the county pay?

- Option: - Any percentage.
- A flat dollar amount

Discussion: A flat dollar amount or any percentage, if standardized throughout the County, will require some bargaining to bring contracts into compliance with the standard. And standardization may be a difficult goal to obtain and must be undertaken as a flexible objective to remain compatible with the duty to bargain in good faith. However, if the employer is to contribute toward such benefits, consideration must be given to the significantly unpredictable nature of health insurance costs. Thus, the higher the employer's share of the premium, the greater the perils of "rate shock" in any given year. Good examples are the years 1980-81 when employer medical insurance premiums were routinely increasing by as much as 40%. This led many employers to install caps on their contributions, a precaution not yet introduced into county labor agreements or non-union employee policy. Preliminary projections for FY 1990-91 Kaiser premiums approximate 23%, accentuating the risk of rate shock, and the desirability of some insulation from those costs. A flat dollar ceiling on the employer contribution has the attraction of completely insulating the employer from these costs, but with the corresponding disadvantage of shifting the entire risk to retirees. A percentage formula distributes the risks between employer and employee in a fixed proportion of the total cost.

9. If the County operates its own retiree insurance program, should retirees be subject to plan changes occurring after the date of their retirement affecting active employees ?

Option A: Yes.

- Advantages: - Simplifies administration of the program.
- Allows introduction of cost containment measures.

Disadvantages: - Creates some uncertainty of coverage levels for retirees.

Option B: No.

Advantages: - Creates certainty of coverage levels for retirees.

Disadvantages: - Precludes introduction of cost containment measures.
- Substantially complicates administration.

VI. Recommendations

The Ad Hoc Committee on Health Insurance Policy, Department of General Services, recommends as follows:

1. The County should continue to provide limited retiree health insurance benefits to those groups who have historically been entitled to receive them upon retirement, so long as the County's contributions remain tax exempt, and so long as there are no state or federal mandates for different, substantially similar programs in which the County is required to participate or through which substantially equivalent benefits could be obtained at lower cost.

Summary Rationale: Pressure will continue to grow for County participation in the cost of retiree health insurance. This increases the odds that the benefit will be provided; if not now, then in the future. Consequently, it is viewed as prudent to accept a portion of this burden well in advance of the time at which the maximum number of persons will make demand on the benefit, to permit orderly advance savings to pay those costs. However, the benefit should be structured in a way which permits redirection of contributions to any substantially similar federal or state program in which County participation is mandated. Also, if the benefit loses its tax exempt status, a process should be automatically triggered to review other alternatives; e.g. contributing to deferred compensation in lieu of making retiree insurance payments.

2. The vehicle used to provide retiree insurance benefits should be a county benefit program, rather than direct or deferred wage payments.

Summary Rationale:

Retiree health insurance coverage is an important benefit because it serves the employer's interests in attracting and retaining quality personnel, and serves social welfare goals by spreading the health risks of retirees among a much larger, healthier population. Private plans do not in many cases provide the same levels or types of coverages as are available in large group plans. Further, county paid benefits allow the county's portion of the benefit to be received tax free. Finally, it guarantees that the funds are spent on medical insurance, rather than other purchases.

3. The County should prefund its retiree insurance obligations, and should establish a fund by ordinance into which assessments against county budgets would be routinely paid to cover the cost of retiree insurance obligations. This fund would be created in such a way as to build in a modicum of institutional self discipline in uses made of any cash build up in the fund.

Summary Rationale: The County presently has an accrued actuarial unfunded liability in the neighborhood of \$5 million for existing retiree insurance programs. When the County operated its own pension system, it accrued an

unfunded liability of \$75 million which is now being amortized by virtue of membership in P.E.R.S. Thus, the County's long term track record at paying for post-employment benefits at the time those obligations are incurred was, prior to the mid-1970's, unimpressive. In the mid-1970's, the Board under the leadership of Don Clark, current Chair McCoy and other concerned Commissioners began setting aside annual payments of up to \$2.1 million to help retire the liability. Those payments continued until the County plans were integrated into PERS.

Although somewhat less of a problem than unfunded liability in a pension system, unfunded retiree insurance obligations raise the same issues and involve similar perils. One unique peril, however, is posed by the volatility of health insurance cost increases. Thus, if costs increase more rapidly than predicted, the constraints on future spending posed by unfunded retiree insurance obligations may be substantially greater than expected. Prefunding will ameliorate this possibility, as well as place the County on footing compatible with the highest expected standard of federal regulation. It will also place retiree insurance benefits on par with other resource allocation choices competing for Board favor by exacting a price at the time the obligation is incurred. As seen above, prefunding is consistent with Board policy since the mid 1970's on the funding of post-employment obligations. It is also consistent with the trend of accounting standards, as demonstrated by recent rule changes by the Financial Accounting Standards Board. It also places the county in a position of compliance with the most demanding of requirements likely to be considered and possibly adopted by Congress or the Legislature. Finally, prefunding will alleviate the cash flow "crunch" likely to otherwise develop early in the next century when peak retiree insurance obligations occur.

An account created by ordinance is the simplest means through which employees can receive a tax exempt pre-funded retiree insurance benefit which has some modicum of security. Such a fund would also diminish the likelihood that an interest arbitrator or unions would view the fund as surplus upon which other benefits could be predicated.

4. For purposes of prefunding retiree insurance obligations, the Board should select either an intermediate or low cost trajectory for expected increases in medical insurance costs. The validity of this choice should be tested every three years by additional actuarial evaluation, and adjustments should be made accordingly to ensure adequate funding without overfunding or underfunding.

Summary Rationale: Actuarial projections of future health insurance costs are merely statistically informed judgements about future behavior. The actuary has given a range of possible costs, reflecting the inherent uncertainty of such projections. It is possible that by selecting any of the options (low, intermediate or high trajectories) the county might overfund or underfund its obligation. This is why it is imperative that periodic actuarial studies be performed to monitor and allow for adjustment of assumptions to conform with experience. Because the outlay called for in any of the predicted cost

trajectories is very substantial and on-going, staff believes an intermediate or low cost trajectory would be adequate in the near term until experience can be gained upon which to base necessary adjustments.

5. The qualification criteria for retiree insurance benefit eligibility should be:

- a. Five years of continuous service immediately prior to retirement from the County at age 58, or ten years of total service at time of retirement from the County for employees retiring prior to age 58. In either case, regular part-time service would be prorated and the county paid portion of the benefit would begin at age 58. Early retirees would be required to participate in the county's plan continuously from the time of retirement in order to receive the county-paid portion of the benefit beginning at age 58.
- b. Only non-disability retirees should be eligible for a county-paid benefit.

Summary Rationale: These requirements approximate existing requirements, with minor modification. The five year criterion is the service required for vesting in PERS. The ten year rule allows early retirement without penalty so long as the retiree continues to participate in the County's plan on a self-paid basis from the time of retirement from the county. The additional five years of service is the quid-pro-quo for this concession. The allowance for part-time work makes explicit provision for those who may job share or fill a need which would be inefficiently met using full-time personnel, while requiring an equation between full and part-time service. For example, an employee who worked half time for the ten years preceding retirement would meet the five year full-time qualification requirement. The service requirements reward service, and serves to limit costs.

The non-disability retirement limitation is a requirement of the local 88 contract, and serves to deter excessive disability claims while rewarding those who have served a career of public service to its normal conclusion. This was the committee's majority view. However, this is a difficult question and the Board may prefer a benefit which permits disability retirees to receive the benefit. If so, one option which might be considered to balance conflicting policy considerations would be to require disability retirees to have completed fifteen years of service prior to retirement. Under this approach, the retiree would be required to continue participation in the County medical plans on a self paid basis until age fifty-eight at which time the County-paid benefit could commence. A distinction between service and non-service connected disabilities may be advisable, with (for example) a twenty year requirement for non-occupational disability retirees.

The age requirement (58) is the normal retirement age under the non-public safety portion of PERS. More important, it limits the county's costs and reduces premature loss of the most experienced county workers. At the same

time, the option to self-pay insurance costs during the pre-58 stage of an early retirement provides an avenue through which those who are simply not motivated to produce at maximum efficiency can leave the organization without sacrificing the retiree insurance benefit.

6. The benefit should extend to the retiree's death, 65th birthday, or eligibility for Medicare, whichever first occurs. Also, the funding should be transferrable to any substantially equivalent plans in which county participation is mandated by state or federal law.

Summary Rationale: Benefit duration is a major cost control mechanism. As the actuarial reports demonstrate, the cost of providing benefits after the retiree becomes eligible for Medicare is extreme. The juxtaposition with Medicare reflects a philosophic disposition that the County's benefit plan should fill gaps rather than supplant or duplicate other tax preferred medical coverage available to persons of retirement age. In this regard, the benefit should be designed to automatically terminate in the event substantially equivalent coverage is mandated by state or federal governments through other programs (e.g. national health insurance, a PERS trust, etc.).

7. Coverage should extend to the retiree and eligible dependents.

Summary Rationale: In some cases the retiree is the primary source of insurance coverage for spouses and, occasionally, adult dependent children. Also, this structure is compatible with existing arrangements. As long as costs are bearable, little reason is seen to distinguish between retiree coverage and that for dependents.

8. The county's contribution obligation should be fixed at 50% of the premium.

Summary Rationale: This is consistent with the dominant county practice. The limitation discourages retirees who are covered by other group policies from double covering, while providing a substantial benefit. The cap also spreads the risk of rate shock between the county and retirees. Retirees have some incentive to constrain unnecessary use of the plan, but have broad coverage when really needed.

9. Retirees should be subject to plan changes in the same manner as active employees.

Summary Rationale: The administrative complexity which could develop in the absence of such a provision is truly daunting, with the prospect of many mini-plans within the larger insurance plan. The ability to implement plan changes after employees retire ensures that cost containment technology can be put to immediate maximum use. The risk to the retiree is limited because the changes are those which apply to active employees as well. (However, it should be observed that active employees may opt to reduce coverages which are used more extensively by retirees if they judge that the subsidy costs associated with such coverage is too great.)

10. The county's contribution should be defined in a way which will permit redirection to tax preferred alternatives (e.g., deferred compensation accounts) if Congress or the state remove the tax preferred treatment currently in place.

Summary Rationale: Tax preference is a major consideration underlying the granting of such a benefit on an employer-provided basis. If this is changed, other alternatives with greater relative tax advantage should be studied. If found to be a better option, the existing benefit should not bar or obstruct implementation.

Analysis and recommendations concerning the bargaining implications of retiree insurance policy decisions are discussed by a confidential memorandum sent under separate cover.

STATUTES AND OTHER PROVISIONS
GOVERNING RETIREE HEALTH INSURANCE

	<u>COBRA</u>	<u>State Law</u> (ORS 243.303)	<u>PERS</u> (ORS 237.001-237.980)	<u>Current Multnomah County Labor</u> <u>Contracts and Exempt Plan</u>
Coverage Required	Ee* must have the option of choosing medical only or medical plus the other health coverages (s)he had before. (In the County's case the second option would be medical plus dental).	Medical plus other coverages (e.g., vision, dental) must be offered in a package. Other options may be offered.	Medical coverage is available for purchase from PERS.	Local 88, ONA, MCPAA, Crafts, Exempt* - Medical must be offered by contract.*
Costs	Ee pays the full group cost + 2%.	Ee pays the full cost. *	Ee pays the full cost of coverages offered by PERS to Medicare eligibility. Medicare supplemental is offered with a \$50/mo. subsidy from the PERS trust fund.	Local 88, MCPAA, Exempt - 50% copay on medical only. (Optional ee-paid dental is offered per state law.) ONA, Crafts - County pays the entire cost of the medical benefit. (Optional ee-paid dental is offered per state law.)
Duration of Coverage	18 months.	To Medicare eligibility.	To Medicare on an ee-paid basis. Subsidized supplemental offered thereafter.	Local 88, MCPAA, ONA, Crafts, Exempt - County pays 50% of the premium to Medicare. Ee-paid benefits after Medicare are offered, but are not required by contract. ONA, Crafts - County pays entire cost to Medicare eligibility; ee-paid benefits are offered thereafter by contract.
Plan Specifications	Same as for active ees.	Same as for active ees*.	Plans as per PERS contracts with carriers.	Same as for active ees.
Service and Other requirements	Must have been covered by the employer before termination.	Must be a PERS retiree (at least 5 years of service and at least 58* years old - 55 for law enforcement - for regular retirement; 10 years of service for disability retirement except that there is no service requirement for a work-related disability.)	Must be a PERS retiree (see "State Law").	Local 88, MCPAA, Exempt - 5 consecutive years of service immediately prior to non-disability retirement. ONA - 5 years of service; at least 60 years old at retirement. Crafts - 10 years of service; at least 60 years old at retirement.
Dependents	Spouse and dependents <u>may</u> be covered independently of ee.*	Spouse and dependents <u>not</u> covered independently of ee.*	Spouse and dependents <u>not</u> covered independently of ee.	Spouse and dependents <u>not</u> covered independently of ee.

	<u>COBRA</u>	<u>State Law</u>	<u>PERS</u>	<u>Labor Contracts and Exempt Plan</u>
PERS Disability retirement (occurs when the PERS board determines a member to be incapacitated for "an extended period"; 10 years of service required for eligibility except for work-related disability.)	Same as ordinary retirement.	Same as ordinary retirement.	Same as ordinary retirement.	Local 88, MCPAA, Exempt - benefits are available on an ee-paid basis per state law. ONA, Crafts - Same as ordinary retirement. However, age and service restrictions apply. Benefits available on an ee-paid basis for those not otherwise eligible, per state law.
Disability not covered by PERS (may be covered by STD or LTD insurance)*	Ee is eligible if terminated or hours are reduced, affecting eligibility for benefits.	Applies only to retirement under PERS.	Applies only to retirement under PERS.	Exempt - County pays for medical and dental coverage if ee is on LTD. (This is a long-standing practice and not a written policy.) Local 88, ONA, MCPAA, Crafts - COBRA coverage applies.

* Notes:

Abbreviations: "ee" and "ees" = employee, employees; "er" and "ers" = employer, employers. LTD = long term disability insurance; STD = short term disability insurance.

AFSCME Local 88 is the general employees unit; ONA is Oregon Nurses Association; MCPAA, Multnomah County Prosecuting Attorneys Association; and Crafts includes the electricians, operating engineers, and painters units. The MCCOA (Multnomah County Corrections Officers Association) and MCDSA (Multnomah County Deputy Sheriffs Association) contracts expired June 30, 1989. The MCCOA contract specifies that retirees will be allowed to participate in the County health insurance plan as long as they pay the premium. The MCDSA contract has no provisions with respect to retiree insurance.

The County practice has been to offer retirees both medical coverage alone and medical and dental coverages as a package. This practice extends to the Deputy Sheriffs although it is not contractually required, and the package is the only offering that is legally required (unless they retire under COBRA). Also, County practice has been to offer the retiree benefit options beyond Medicare eligibility, although only the ONA, Crafts and MCCOA contracts have required it.

According to the most common interpretation of ORS 243.303 retirees may be required to pay the group rate for continued benefits coverage. However in June, 1989, an attorney general's opinion (OP-6283) stated that the State Employees Benefits Board may charge rates appropriate to retirees as a subgroup.

State law requires that retirees be offered the same plan as available to active ees on a ee-paid basis. However, it may also offer alternative plans. The City of Springfield, for example, offers a fully paid but less comprehensive plan as an option. See also OP-6283 cited above, which goes on to say that different plans may be offered perhaps even in lieu of the regular plan for active ees.

Law enforcement employees may retire at age 50 with 25 years of service; other employees may retire at 55 with 30 years of service with no penalty for early retirement.

COBRA requires that spouse and dependents be offered coverage independently of ees upon the occurrence of a qualifying event, such as divorce, death of ee, dependent child reaching age of majority. This can cause extended COBRA coverage to spouse and dependents. For example, if an ee dies during the 18 months of COBRA coverage, the spouse and dependent children are eligible to purchase coverage for another 18 months which would begin after the first 18-month period has expired.

Disability retirement not covered by PERS usually occurs when an ee with less than 10 years of service incurs a long term non-service-related disability, and is too young or has too few years of service (5 years is required) to retire under PERS. People on denied Workers' Compensation claims may fall into this category.

Point of Interest: The State of Washington is less generous than Oregon with public service retirees, including law enforcement personnel. Under LEOFF I (in effect for ees hired before 10/1/77) the ee (but not dependents) receives paid coverage till death. Under the current plans, PERS II (general ees) and LEOFF II (law enforcement ees), ees are covered under COBRA, although ers may offer the option of continued coverage.

REPORT BY THE
INTERNAL AUDIT DIVISION
OFFICE OF THE CITY AUDITOR

REVIEW OF
SELF-INSURED HEALTH PROGRAM RESERVES

REPORT TO MANAGEMENT
#B-86

MARCH 1986

Alternatively, the Council could simply suspend collections of premiums from bureaus and self-payers for two to four months and draw down the excess reserves until an acceptable reserve level is reached or reduce premium charges in a future plan year. These methods would treat bureaus and self-payers alike and would be consistent with the City Attorney's opinion. We can provide information and data to the Bureau of Personnel Services and the Accounting Division to assist them in establishing a reserve level under various options and the proportional contribution that each fund or payer group should receive under the option selected.

Retiree Subsidy

Our review of costs for the self-insured program indicated an average claim cost per enrollee of \$158.80 per month for 1985. Enrollees include both active employees that are covered by City contributions and retired employees that are permitted to remain in the group but must self-pay their premiums.

We found that retiree costs on average are higher than active employee costs, even though they pay the same or lower premiums.³ Per Table 5 for 1985, average monthly claim costs of active employees was \$153.77 compared to \$205.20 for civilian retirees and \$182.34 for uniformed retirees.

³ Of 412 total retirees, 284 or 69 percent pay the same premiums as active employees. 127 or 31 percent pay a reduced premium under a medicare supplement plan.

TABLE 5

Comparison of Average Monthly Claim Costs
 of Active and Retired Enrollees

Year	Active		Retired Civilian		Retired Uniform	
	Number	Average Monthly Cost	Number	Average Monthly Cost	Number	Average Monthly Cost
1982	2,171	\$103.17	84	\$113.11	250	\$161.82
1983	2,187	\$128.49	105	\$159.62	260	\$158.84
1984	2,311	\$125.01	128	\$161.73	267	\$168.58
1985	2,475	\$153.77	128	\$205.20	285	\$182.34
FOUR YEAR AVERAGES		\$128.45		\$164.56		\$168.30

This "subsidy" of retirees is consistent with the City's practice of spreading the risk of health costs across all insured persons. Each insured is potentially subsidizing all other insureds. Retiree health costs are generally higher than others but they are spread to the entire group. However, as the number of retired employees in the group increases over time, their influence on total health costs becomes larger. The City Council may wish to review this practice in the future to determine if retired employees should pay a premium more consistent with their cost and usage. If the present subsidy continues, the growing influence of this liability upon total claim costs should be considered when establishing an appropriate level for the reserve. The City Attorney should be consulted to assess the legal constraints in changing retiree premium rates.

C

RECEIVED

SEP 01 1989

LABOR RELATIONS



APP. C

August 25, 1989

Darrell Murray
Deputy Labor Relations Manager
Multnomah County
Portland Building
1120 SW Fifth, 14th Floor
Portland, Oregon 97204-1934

Re: Group Medical Contract No. 9400

Dear Mr. Murray:

Rich Reese has asked that I respond to your question regarding coverage for retirees.

The premium necessary to support the claims experience for retirees under 65 is approximately three times the amount which is necessary for active employees. As a matter of fact, for one group recently reviewed by ODS, the independent rate for retirees under 65 years of age was 3 1/2 times greater than the active employees. To cover retirees who are over 65 and eligible for Medicare, the risk is still as great but the rate is less due to Medicare being the primary coverage. A Medicare supplement rate is often in the area of 50% to 80% of the active employee rate.

I believe this is the information which you requested. If I can be of further assistance, please contact me at your convenience.

Sincerely,

ODS HEALTH PLAN


James M. Laws, Director
Underwriting

JML/dsb

cc: Rich Reese
B. Reed

315 S.W. Fifth Avenue

Portland, OR 97204

(503) 228-6554

D

1931

Milliman & Robertson, Inc.
Consulting Actuaries

ACTUARIAL STUDY OF THE PROPOSED
RETIREE HEALTH BENEFITS PROVIDED FOR
DEPUTY SHERIFFS

Prepared by

Stanley A. Roberts, F.S.A.
Consulting Actuary

Nancy R. Wagner, F.S.A.
Consulting Actuary

June 30, 1989

MIV L2

DEPUTY SHERIFFS RETIREE MEDICAL STUDY

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DEPUTY SHERIFFS RETIREE MEDICAL STUDY

SECTION 1

INTRODUCTION AND SUMMARY OF RESULTS

This report presents the results of our analysis of the retiree medical benefits proposed for Deputy Sheriffs. The purpose of this study was to determine the level percent of salary required to provide for the proposed benefits.

Valuation Method

There is no unique definition of what constitutes an employer's liability for retiree medical benefits. In this study, we have chosen to define the liability as the present value of that portion of future retiree benefits payable to current employees that is considered to have been accrued to date. For this purpose, we have assumed that benefits are accrued ratably from an employee's date of hire to the date of retirement.

The annual cost of the plan under this method would consist of the cost of the retiree medical benefits accruing during the year plus the cost of amortizing the unfunded actuarial liability as a level percent of salary over a thirty-year period.

The results presented in this report are estimates. There is some uncertainty associated with each of the assumptions used to project future retiree medical costs. The annual per capita claims cost of medical benefits for an employer's retirees, in particular, is an estimate that has some uncertainty associated with it, and that has a significant effect on the values presented in this report.

Medical liabilities presented in this report reflect per capita claim costs that are based on the M&R Health Cost Guidelines. These assumptions are discussed in Section 2 and in Appendix A.

We have also estimated the annual increase in the per capita claims cost of medical benefits. Because of the uncertainty of such increases, we have developed estimates under three alternative trend scenarios - high, intermediate, and low. A complete description of these scenarios is found in Appendix A.

Following is a summary of our results. Alternative 1 provides retiree coverage to age 65 upon retirement on or after age 58 with 5 or more years of County service. Under Alternative 2, benefits are provided to age 65 to members who retire on or after age 55 with 5 or more years of County service.

Accrued Liability as of July 1, 1989
for Future Retiree Medical Benefits*
to Current Employees
(amounts in thousands)

	<u>Alternative 1</u>	<u>Alternative 2</u>
Low Trend Scenario	\$708	\$1,292
Intermediate Trend Scenario	809	1,471
High Trend Scenario	864	1,565

*Includes cost of dependent coverage.

The expected costs as a percentage of salary are shown in the chart below.

Contribution Needed to Provide
Retiree Medical Benefits
to Current Employees
(as a percent of salary)

	<u>Alternative 1</u>	<u>Alternative 2</u>
Low Trend Scenario	1.606%	2.673%
Intermediate Trend Scenario	1.910	3.151
High Trend Scenario	2.093	3.434

The following sections of this report discuss the assumptions and methods used in developing these values, and discuss the costs and liabilities and their implications more fully.

DEPUTY SHERIFFS RETIREE MEDICAL STUDY

SECTION 2

FIRST-YEAR RETIREE MEDICAL COSTS

We estimated the annual per capita claim costs of retiree medical benefits for the first year of the projection using the M&R Health Cost Guidelines. These Guidelines, developed by M&R's health actuaries, provide average cost data for employer-sponsored health benefits plans. They allow development of average per capita claim costs that reflect the level of coverage provided and the demographic characteristics of the covered population.

Using the M&R Guidelines, we developed estimated 1989 costs per retiree and per spouse. We converted these costs to a per-person basis assuming that two adults were covered under each family contract -- that is, we assumed the incidence of covered children is immaterial.

The resulting annual per capita claim costs for sample ages are shown below; these apply on a per retiree or per spouse basis.

Under Age 65 Coverage	
Age 62	\$2,526

DEPUTY SHERIFFS RETIREE MEDICAL STUDY

SECTION 3

FUTURE MEDICAL COST INCREASES

The present value of future retiree medical benefits depends upon the relationship between the assumed annual trend in health care cost increases and the discount rate. Because costs are based on present value calculations, the expense calculations are affected by both of these assumptions. The level of benefits paid out each year also depends on the annual trend assumption.

Long-range trend assumptions were selected based on assumed long-term relationships between certain key economic factors. These relationships are as follows:

discount rate	=	7.5%
general rate of inflation	=	discount rate - 3.5%
	=	4%
rate of growth		
in per capita GNP*	=	general rate of inflation + 1.5%
	=	5.5%

*Gross National Product

Given these assumptions, then, alternative trend scenarios were chosen (designated as low, intermediate, and high). In each case, the trend rate started at 10.5% in year one and gradually declined to 6.5% (the assumed long-term rate of growth in per capita GNP). The initial rate of 10.5% reflects a 6.5-point spread between medical care inflation and overall inflation; this is the general order of magnitude of the spread that has developed between these two values in recent years.

The following table summarizes the economic assumptions for each scenario. These scenarios are not intended to accurately forecast economic patterns. Rather, they are designed to provide a reasonable range of results over a 75-year projection period.

Summary of Economic Assumptions

	<u>Low Scenario</u>	<u>Intermediate Scenario</u>	<u>High Scenario</u>
Rate of general inflation	4.0%	4.0%	4.0%
Rate of growth in per capita GNP	5.5	5.5	5.5
Discount rate	7.5	7.5	7.5
<u>Trend</u>	<u>Years</u>		
10.5%	1-3	1-5	1-7
9.5	4-6	6-10	8-14
8.5	7-9	11-15	15-21
7.5	10-12	16-20	22-28
6.5	13-15	21-25	29-35
5.5	16-75	26-75	36-75

Clearly, the basic relationships between the economic factors assumed are subject to variation. Their absolute levels could also vary significantly from those assumed. However, since it is the relationship between the trend and discount rate that affects the pattern of funding contributions, varying their absolute values while keeping the same spread would not produce dramatic changes in the general patterns produced by these assumptions.

DEPUTY SHERIFFS RETIREE MEDICAL STUDY

SECTION 5

COST OF RETIREE HEALTH INSURANCE

The cost of retiree health insurance was calculated using the basic actuarial assumptions and methods utilized for the Oregon Public Retirement System. The resulting figures are summarized in the Table 1 under each of the three trend scenarios previously discussed.

These costs were based on the employee retirement and turnover assumptions set forth in the December 31, 1987 actuarial valuations of the plan. A summary of the actuarial assumptions are set forth in Appendix A.

Utilizing the same methods and assumptions previously discussed, the growth of retiree health expenditures over the next 10 years under the intermediate trend scenario is summarized in the table below. In addition, we have indicated at the bottom of the table the total present value of all future such expenditures for current employees, including expenses related to payments that are not considered to be accrued.

	Pay-as-you-go Expense for Current Employees (amounts in thousands)	
	<u>Alternative 1</u>	<u>Alternative 2</u>
1989*	\$ 1	\$ 1
1990	8	10
1991	15	21
1992	24	35
1993	31	48
1994	36	59
1995	43	73
1996	54	94
1997	52	103
Total Present Value	\$1,286	\$2,201

*1989 costs from July 1 through December 31.

DEPUTY SHERIFFS RETIREE MEDICAL STUDY

TABLE 1

SUMMARY OF RETIREE HEALTH COSTS
FOR CURRENT EMPLOYEES
(as a percent of salary)

	Summary of Retiree Health Costs (as a percent of salary)	
	<u>Alternative 1</u>	<u>Alternative 2</u>
A. Low Trend Scenario		
1. Service Cost	.910%	1.403%
2. Amortization Payment	<u>.696</u>	<u>1.270</u>
3. Total Expense (1+2)	1.606%	2.673%
4. Percent Increase (Decrease) from Intermediate	(15.9)%	(15.2)%
B. Intermediate Trend Scenario		
1. Service Cost	1.114%	1.705%
2. Amortization Payment	<u>.796</u>	<u>1.446</u>
3. Total Expense (1+2)	1.910%	3.151%
C. High Trend Scenario		
1. Service Cost	1.244%	1.896%
2. Amortization Payment	<u>.849</u>	<u>1.538</u>
3. Total Expense (1+2)	2.093%	3.434%
4. Percent Increase (Decrease) from Intermediate	9.6%	9.0%

DEPUTY SHERIFFS RETIREE MEDICAL STUDY

APPENDIX A

ACTUARIAL PROCEDURES AND ASSUMPTIONS

This section of the report describes the actuarial procedures and assumptions used in this valuation. Many of these procedures and assumptions are those used to value the liabilities of the Oregon Public Employees Retirement System.

The assumptions are intended to estimate the future experience of the employees of Multnomah County and of the proposed plan itself in areas which affect the projected benefit flow and anticipated investment earnings. Any variations in future experience from that expected from these assumptions will result in corresponding changes in estimated costs of the plan's benefits.

Table A-1 presents expected annual rates of salary increase. Table A-2 shows probabilities of retirement. The other rates shown in this section are central rates of decrement, expressed as percentages for disability, mortality, and other terminations of employment.

ACTUARIAL COST METHOD

The accruing costs of all benefits are measured by the Projected Unit Credit Actuarial Cost Method. The Unfunded Actuarial Liability created by this method is amortized as a level percentage of salary over a thirty-year period beginning on the valuation date.

RECORDS AND DATA

The data used in this valuation consists of financial information and records of age, service and income of contributing members, former contributing members and their survivors. All of the data were supplied by Multnomah County and are accepted for valuation purposes without audit.

ADMINISTRATIVE EXPENSE

The administrative expenses of the proposed plan are met from investment earnings. It is assumed that the amount required for administrative expenses will be met from earnings in excess of the 7.5% rate of investment earnings assumed for this valuation.

INVESTMENT EARNINGS

The future investment earnings of the assets of the System are assumed to accrue at an annual rate of 7.5%, compounded annually.

FUTURE SALARIES

Table A-1 illustrates the rates of salary increase used to estimate future salaries for the purpose of the valuation. In addition to increases in salary due to promotions and longevity, the total annual rates of salary increase in this table include an assumed 6% per annum rate of increase in the general wage level of the membership.

SERVICE RETIREMENT

The rates of retirement used in this valuation are shown in Table A-2.

DISABLEMENT

The rates of nonduty and duty disablement used in this valuation are illustrated below. The rate of duty disablement used in this valuation is .060%.

<u>Age</u>	<u>Non-Duty</u>	<u>Duty</u>
32	.058	.114
37	.117	.226
42	.140	.256
47	.175	.284
52	.253	.708
57	-	-

SERVICE RETIRED MEMBERS' MORTALITY

The rates of mortality for service retired members used in this valuation are based on the following published mortality table:

The UP-1984 Table, set back one year.

DISABILITY RETIREES' MORTALITY

The rates of mortality for disability retirees used in this Valuation are as follows:

70% of the 1965 Railroad Retirement Board Table.

SURVIVORS' MORTALITY

Mortality rates for survivors used in this Valuation are as follows:

The 1971 Individual Annuity Mortality Table for Females, set back one year.

CONTRIBUTING MEMBERS' MORTALITY

The rates of mortality of contributing members used in this valuation are illustrated below. These rates are 40% of the rates for service retirees.

<u>Age</u>	
22	.051%
27	.044
32	.046
37	.060
42	.093
47	.151
52	.248
57	.395
62	.620
67	.944

OTHER TERMINATIONS OF EMPLOYMENT

The rates of assumed future withdrawal from active service for reasons other than death, disability or retirement are shown for representative ages in Table A-3.

PROBABILITY OF MARRIAGE

90% of the members are assumed to be married.

1989 PER CAPITA BENEFIT COSTS

The annual per capita claims cost of benefits, exclusive of administrative expenses, utilized in the projections are summarized below:

<u>Age</u>	
62	\$2,526

DEPUTY SHERIFFS RETIREE MEDICAL STUDY

TABLE A-1

FUTURE SALARIES

Rate of Annual Salary Increase Due to Promotions and Longevity

<u>Attained Age</u>	<u>Year of Membership</u>					
	<u>1st</u>	<u>2nd</u>	<u>3rd</u>	<u>4th</u>	<u>5th</u>	<u>6th & Over</u>
22	6.94%	6.42%	5.57%	5.06%	4.77%	4.49%
27	6.17	5.49	4.88	4.31	4.04	3.77
32	5.54	4.79	4.25	3.54	3.28	2.88
37	2.92	2.95	2.92	2.54	2.41	2.28
42	1.88	1.89	1.96	1.88	1.88	1.88
47	1.57	1.57	1.63	1.57	1.57	1.57
52	1.30	1.30	1.30	1.30	1.30	1.30
57	1.08	1.08	1.08	1.08	1.08	1.08
62	1.01	1.01	1.01	1.01	1.01	1.01
	<u>Total Annual Increase in Salary*</u>					
22	13.36%	12.81%	11.90%	11.36%	11.06%	10.76%
27	12.54	11.82	11.17	10.57	10.28	9.99
32	11.87	11.08	10.51	9.75	9.47	9.05
37	9.09	9.12	9.10	8.69	8.56	8.42
42	8.00	8.00	8.08	8.00	8.00	8.00
47	7.66	7.66	7.72	7.66	7.66	7.66
52	7.38	7.38	7.38	7.38	7.38	7.38
57	7.14	7.14	7.14	7.14	7.14	7.14
62	7.04	7.04	7.04	7.04	7.04	7.04

*The total expected increase in salary is the increase due to promotions and longevity, shown in the upper portion of the table, adjusted for an assumed 6% per annum increase in the general wage level of the membership. The total result is compounded rather than additive.

DEPUTY SHERIFFS RETIREE MEDICAL STUDY

TABLE A-2

SERVICE RETIREMENT

<u>Age</u>	<u>Probability of Retirement</u>
50	7%
51	7
52	7
53	7
54	15
55	22
56	15
57	15
58	15
59	29
60	29
61	15
62	37
63	37
64	48
65	*

*All survivors to this age are assumed to retire immediately.

DEPUTY SHERIFFS RETIREE MEDICAL STUDY

TABLE A-3

OTHER TERMINATIONS OF EMPLOYMENT

Annual Rates

<u>Attained Age</u>	<u>Year of Membership</u>					
	<u>1st</u>	<u>2nd</u>	<u>3rd</u>	<u>4th</u>	<u>5th</u>	<u>6th & Over</u>
22	15.75%	11.25%	8.50%	8.00%	8.00%	6.50%
27	16.50	12.50	9.70	8.50	8.50	7.00
32	16.75	13.78	10.70	7.80	7.80	6.05
37	19.00	16.95	11.68	7.35	7.35	4.67
42	15.00	14.30	12.50	6.80	6.80	3.80
47	15.00	12.01	10.50	6.00	6.00	3.00
52	-	-	-	-	-	-

DEPUTY SHERIFFS RETIREE MEDICAL STUDY

APPENDIX B

OUTLINE OF BENEFITS

Alternative 1

Benefits under Alternative 1 are provided to employees retiring on or after July 1, 1989 who have attained age 58 and have at least five years of County service. Benefits are provided to retirees and eligible members of their immediate family with medical-hospital insurance identical to that presently offered to County employees. Coverage under the plan stops when the retiree qualifies for Medicare or dies.

Alternative 2

Benefits under Alternative 2 are provided to employees retiring on or after July 1, 1989 who have attained age 55 and have at least five years of County service. Benefits are provided to retirees and eligible members of their immediate family with medical-hospital insurance identical to that presently offered to County employees. Coverage under the plan stops when the retiree qualifies for Medicare or dies.

DEPUTY SHERIFFS RETIREE MEDICAL STUDY

APPENDIX C

PARTICIPANT DATA

Number of Employees	116
Average Age	44.5
Average Service	17.5
Average Salary	\$35,827

12

RECEIVED
JUN 30 1989
LABOR RELATIONS

Milliman & Robertson, Inc.
Consulting Actuaries

ACTUARIAL STUDY OF THE PROPOSED
RETIREE HEALTH BENEFITS PROVIDED FOR
EMPLOYEES OF MULTNOMAH COUNTY

Prepared by

Stanley A. Roberts, F.S.A.
Consulting Actuary

Nancy R. Wagner, F.S.A.
Consulting Actuary

June 30, 1989

MILLIMAN & ROBERTSON, INC.
CONSULTING ACTUARIES

DAVID M. DOUGHERTY, A.S.A.
JEFFREY M. HIGGINS, A.S.A.
DOUGLAS C. HOLDEN, F.S.A.
MARK O. JOHNSON, F.S.A.
MARGARET E. PEARSON, F.S.A.
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NANCY R. WAGNER, F.S.A.
ROBERT M. WEATHERFORD, A.S.A.

SUITE 925
101 S W MAIN
PORTLAND, OREGON 97204
503/227-0634

WENDELL MILLIMAN, F.S.A. (1976)
STUART A. ROBERTSON, F.S.A.
CHAIRMAN EMERITUS

June 30, 1989

Mr. Darrell Murray
Deputy Labor Relations Manager
Multnomah County Oregon
1120 S. W. Fifth Avenue
Portland, Oregon 97204

Re: Study of Proposed Retiree Medical Plan to the
Employees of Multnomah County

Dear Darrell:

At your request, we have performed a study of the anticipated costs upon the establishment of a retiree medical plan for the employees of Multnomah County Oregon (excluding Corrections Officers and Deputy Sheriffs). The major findings of our valuation are found in the following report.

All of the calculations were carried out using certain assumptions as to the future experience of the plan in matters affecting the actuarial cost. The assumptions used to derive the results are summarized in Appendix A of the report. The actuarial assumptions used are similar to those used in the December 31, 1987 valuation of the Oregon Public Employees Retirement System.

Please do not hesitate to call if you have any questions or if any additional information is needed.

Sincerely,

Nancy R. Wagner

Nancy R. Wagner, F.S.A.
Consulting Actuary

NRW:sm

MULTNOMAH COUNTY RETIREE MEDICAL STUDY

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MULTNOMAH COUNTY RETIREE MEDICAL STUDY

SECTION 1

INTRODUCTION AND SUMMARY OF RESULTS

This report presents the results of our analysis of the retiree medical benefits proposed for the employees of Multnomah County, excluding Corrections Officers and Deputy Sheriffs. The purpose of this study was to determine the level percent of salary required to provide for the proposed benefits.

Valuation Method

There is no unique definition of what constitutes an employer's liability for retiree medical benefits. In this study, we have chosen to define the liability as the present value of that portion of future retiree benefits payable to current employees that is considered to have been accrued to date. For this purpose, we have assumed that benefits are accrued ratably from an employee's date of hire to the date of retirement.

The annual cost of the plan under this method would consist of the cost of the retiree medical benefits accruing during the year plus the cost of amortizing the unfunded actuarial liability as a level percent of salary over a thirty-year period.

The results presented in this report are estimates. There is some uncertainty associated with each of the assumptions used to project future retiree medical costs. The annual per capita claims cost of medical benefits for an employer's retirees, in particular, is an estimate that has some uncertainty associated with it, and that has a significant effect on the values presented in this report.

Medical liabilities presented in this report reflect per capita claim costs that are based on the M&R Health Cost Guidelines. These assumptions are discussed in Section 2 and in Appendix A.

We have also estimated the annual increase in the per capita claims cost of medical benefits. Because of the uncertainty of such increases, we have developed estimates under three alternative trend scenarios - high, intermediate, and low. A complete description of these scenarios is found in Appendix A.

-- Following-is-a summary of our results. Alternative 1 provides retiree coverage to age 65 upon retirement on or after age 58 with 5 or more years of County service. Under Alternative 2, benefits are provided to eligible retirees after age 65 as well.

Accrued Liability as of July 1, 1989
for Future Retiree Medical Benefits*
to Current Employees
(amounts in millions)

	<u>Alternative 1</u>	<u>Alternative 2</u>
Low Trend Scenario	\$ 9.5	\$18.6
Intermediate Trend Scenario	10.7	22.0
High Trend Scenario	11.4	24.8

*Includes cost of dependent coverage.

The expected costs as a percentage of salary are shown in the chart below.

Contribution Needed to Provide
Retiree Medical Benefits
to Current Employees
(as a percent of salary)

	<u>Alternative 1</u>	<u>Alternative 2</u>
Low Trend Scenario	2.695%	4.915%
Intermediate Trend Scenario	3.238	6.096
High Trend Scenario	3.629	7.172

The following sections of this report discuss the assumptions and methods used in developing these values, and discuss the costs and liabilities and their implications more fully.

MULTNOMAH COUNTY RETIREE MEDICAL STUDY

SECTION 2

FIRST-YEAR RETIREE MEDICAL COSTS

We estimated the annual per capita claim costs of retiree medical benefits for the first year of the projection using the M&R Health Cost Guidelines. These Guidelines, developed by M&R's health actuaries, provide average cost data for employer-sponsored health benefits plans. They allow development of average per capita claim costs that reflect the level of coverage provided and the demographic characteristics of the covered population.

Using the M&R Guidelines, we developed estimated 1989 costs per retiree and per spouse. We converted these costs to a per-person basis assuming that two adults were covered under each family contract -- that is, we assumed the incidence of covered children is immaterial.

The resulting annual per capita claim costs for sample ages are shown below; these apply on a per retiree or per spouse basis.

	<u>Management</u>	<u>Nurses</u>	<u>Other</u>
Under Age 65 Coverage			
Age 62	\$2,493	\$2,405	\$2,526
Over Age 65 Coverage			
Age 67	\$662	\$573	\$675

MULTNOMAH COUNTY RETIREE MEDICAL STUDY

SECTION 3

EFFECT OF MEDICARE CATASTROPHIC COVERAGE

We estimated the effect of the recently enacted Medicare Catastrophic legislation on the costs of current benefits for the plan's retirees in future years.

This legislation will increase the benefits paid by Medicare, thereby reducing the carve-out benefits proposed to be paid under Alternative 2, beginning in 1989.

The Catastrophic Benefits will be phased in over a five-year period. Employers will be required to pass on the amount of any such savings to retirees during the first year; this was taken into account in our schedule of assumed savings by year. Appendix A provides the amount of the anticipated savings by plan.

MULTNOMAH COUNTY RETIREE MEDICAL STUDY

SECTION 4

FUTURE MEDICAL COST INCREASES

The present value of future retiree medical benefits depends upon the relationship between the assumed annual trend in health care cost increases and the discount rate. Because costs are based on present value calculations, the expense calculations are affected by both of these assumptions. The level of benefits paid out each year also depends on the annual trend assumption.

Long-range trend assumptions were selected based on assumed long-term relationships between certain key economic factors. These relationships are as follows:

discount rate	=	7.5%
general rate of inflation	=	discount rate - 3.5%
	=	4%
rate of growth in per capita GNP*	=	general rate of inflation + 1.5%
	=	5.5%

*Gross National Product

Given these assumptions, then, alternative trend scenarios were chosen (designated as low, intermediate, and high). In each case, the trend rate started at 10.5% in year one and gradually declined to 6.5% (the assumed long-term rate of growth in per capita GNP). The initial rate of 10.5% reflects a 6.5-point spread between medical care inflation and overall inflation; this is the general order of magnitude of the spread that has developed between these two values in recent years.

The following table summarizes the economic assumptions for each scenario. These scenarios are not intended to accurately forecast economic patterns. Rather, they are designed to provide a reasonable range of results over a 75-year projection period.

Summary of Economic Assumptions

	<u>Low Scenario</u>	<u>Intermediate Scenario</u>	<u>High Scenario</u>
Rate of general inflation	4.0%	4.0%	4.0%
Rate of growth in per capita GNP	5.5	5.5	5.5
Discount rate	7.5	7.5	7.5
<u>Trend</u>	<u>Years</u>		
10.5%	1-3	1-5	1-7
9.5	4-6	6-10	8-14
8.5	7-9	11-15	15-21
7.5	10-12	16-20	22-28
6.5	13-15	21-25	29-35
5.5	16-75	26-75	36-75

Clearly, the basic relationships between the economic factors assumed are subject to variation. Their absolute levels could also vary significantly from those assumed. However, since it is the relationship between the trend and discount rate that affects the pattern of funding contributions, varying their absolute values while keeping the same spread would not produce dramatic changes in the general patterns produced by these assumptions.

MULTNOMAH COUNTY RETIREE MEDICAL STUDY

SECTION 5

COST OF RETIREE HEALTH INSURANCE

The cost of retiree health insurance was calculated using the basic actuarial assumptions and methods utilized for the Oregon Public Retirement System. The resulting figures are summarized in the Table 1 under each of the three trend scenarios previously discussed.

These costs were based on the employee retirement and turnover assumptions set forth in the December 31, 1987 actuarial valuations of the plan. A summary of the actuarial assumptions are set forth in Appendix A.

Utilizing the same methods and assumptions previously discussed, the growth of retiree health expenditures over the next 10 years under the intermediate trend scenario is summarized in the table below. In addition, we have indicated at the bottom of the table the total present value of all future such expenditures for current employees, including expenses related to payments that are not considered to be accrued.

	Pay-as-you-go Expense for Current Employees (amounts in thousands)	
	<u>Alternative 1</u>	<u>Alternative 2</u>
1989*	\$ 33	\$ 36
1990	203	220
1991	354	383
1992	499	549
1993	672	742
1994	841	944
1995	1,022	1,163
1996	1,143	1,554
1997	1,287	1,802
Total Present Value	\$23,603	\$45,478

*1989 costs from July 1 through December 31.

The accrued liability for future benefit payments consists of the present value of the accrued portion of payments that will be made to current employees. Table 2 summarizes the accrued liability as of July 1, 1989 for each of the trend assumptions.

MULTNOMAH COUNTY RETIREE MEDICAL STUDY

TABLE 1

SUMMARY OF RETIREE HEALTH COSTS
FOR CURRENT EMPLOYEES
(as a percent of salary)

		Summary of Retiree Health Costs (as a percent of salary)	
		<u>Alternative 1</u>	<u>Alternative 2</u>
A.	Low Trend Scenario		
	1. Service Cost	1.906%	3.376%
	2. Amortization Payment	<u>.788</u>	<u>1.539</u>
	3. Total Expense (1+2)	2.694%	4.915%
	4. Percent Increase (Decrease) from Intermediate	(16.8)%	(19.4)%
B.	Intermediate Trend Scenario		
	1. Service Cost	2.355%	4.277%
	2. Amortization Payment	<u>.883</u>	<u>1.819</u>
	3. Total Expense (1+2)	3.238%	6.096%
C.	High Trend Scenario		
	1. Service Cost	2.689%	5.124%
	2. Amortization Payment	<u>.940</u>	<u>2.048</u>
	3. Total Expense (1+2)	3.629%	7.172%
	4. Percent Increase (Decrease) from Intermediate	12.1%	17.7%

MULTNOMAH COUNTY RETIREE MEDICAL STUDY

TABLE 2

SUMMARY OF ACCRUED BENEFITS
FOR CURRENT EMPLOYEES
(amounts in millions)

	<u>Alternative 1</u>	<u>Alternative 2</u>
Accrued Benefits		
Low Trend Scenario		
1. Under 65 Costs	\$ 9.5	\$ 9.5
2. 65 & Over Costs	-	9.0
3. Total	<u>\$9.5</u>	<u>\$18.5</u>
Intermediate Trend Scenario		
1. Under 65 Costs	\$10.7	\$10.7
2. 65 & Over Costs	-	11.3
3. Total	<u>\$10.7</u>	<u>\$22.0</u>
High Trend Scenario		
1. Under 65 Costs	\$11.4	\$11.4
2. 65 & Over Costs	-	13.4
3. Total	<u>\$11.4</u>	<u>\$24.8</u>

MULTNOMAH COUNTY RETIREE MEDICAL STUDY

APPENDIX A

ACTUARIAL PROCEDURES AND ASSUMPTIONS

This section of the report describes the actuarial procedures and assumptions used in this valuation. Many of these procedures and assumptions are those used to value the liabilities of the Oregon Public Employees Retirement System.

The assumptions are intended to estimate the future experience of the employees of Multnomah County and of the proposed plan itself in areas which affect the projected benefit flow and anticipated investment earnings. Any variations in future experience from that expected from these assumptions will result in corresponding changes in estimated costs of the plan's benefits.

Table A-1 presents expected annual rates of salary increase. Table A-2 shows probabilities of retirement. The other rates shown in this section are central rates of decrement, expressed as percentages for disability, mortality, and other terminations of employment.

ACTUARIAL COST METHOD

The accruing costs of all benefits are measured by the Projected Unit Credit Actuarial Cost Method. The Unfunded Actuarial Liability created by this method is amortized as a level percentage of salary over a thirty-year period beginning on the valuation date.

RECORDS AND DATA

The data used in this valuation consists of financial information and records of age, service and income of contributing members, former contributing members and their survivors. All of the data were supplied by Multnomah County and are accepted for valuation purposes without audit.

ADMINISTRATIVE EXPENSE

The administrative expenses of the proposed plan are met from investment earnings. It is assumed that the amount required for administrative expenses will be met from earnings in excess of the 7.5% rate of investment earnings assumed for this valuation.

INVESTMENT EARNINGS

The future investment earnings of the assets of the System are assumed to accrue at an annual rate of 7.5%, compounded annually.

FUTURE SALARIES

Table A-1 illustrates the rates of salary increase used to estimate future salaries for the purpose of the valuation. In addition to increases in salary due to promotions and longevity, the total annual rates of salary increase in this table include an assumed 6% per annum rate of increase in the general wage level of the membership.

SERVICE RETIREMENT

The rates of retirement used in this valuation are shown in Table A-2.

DISABLEMENT

The rates of nonduty disablement used in this valuation are illustrated below. The rate of duty disablement used in this valuation is .060%.

<u>Age</u>	
32	.082%
37	.082
42	.117
47	.117
52	.233
57	.467

SERVICE RETIRED MEMBERS' MORTALITY

The rates of mortality for service retired members used in this valuation are based on the following published mortality table:

The UP-1984 Table, set back one year.

DISABILITY RETIREES' MORTALITY

The rates of mortality for disability retirees used in this Valuation are as follows:

70% of the 1965 Railroad Retirement Board Table.

SURVIVORS' MORTALITY

Mortality rates for survivors used in this Valuation are as follows:

The 1971 Individual Annuity Mortality Table for Females, set back one year.

CONTRIBUTING MEMBERS' MORTALITY

The rates of mortality of contributing members used in this valuation are illustrated below. These rates are 60% of the rates for service retirees.

<u>Age</u>	
22	.076%
27	.067
32	.068
37	.091
42	.140
47	.226
52	.372
57	.592
62	.931
67	1.491

OTHER TERMINATIONS OF EMPLOYMENT

The rates of assumed future withdrawal from active service for reasons other than death, disability or retirement are shown for representative ages in Table A-3.

PROBABILITY OF MARRIAGE

90% of the members are assumed to be married.

1989 PER CAPITA BENEFIT COSTS

The annual per capita claims cost of benefits, exclusive of administrative expenses, utilized in the projections are summarized below:

<u>Age</u>	<u>Management</u>	<u>Nurses</u>	<u>Other</u>
62	\$2,493	\$2,405	\$2,526
67	662	573	675

The over-65 costs were reduced to reflect the effect of Medicare Catastrophic legislation. The calendar-year reductions are as follows:

<u>Year</u>	<u>Percent Reduction</u>		
	<u>Management</u>	<u>Nurses</u>	<u>Other</u>
1990	5%	6%	5%
1991	19%	22%	18%
1992	21%	25%	20%
1993 & Later	27%	31%	26%

MULTNOMAH COUNTY RETIREE MEDICAL STUDY

TABLE A-1

FUTURE SALARIES

Rate of Annual Salary Increase Due to Promotions and Longevity

<u>Attained Age</u>	<u>Year of Membership</u>					
	<u>1st</u>	<u>2nd</u>	<u>3rd</u>	<u>4th</u>	<u>5th</u>	<u>6th & Over</u>
22	6.58%	5.51%	5.09%	3.75%	3.75%	3.75%
27	5.91	4.98	4.15	3.37	3.37	3.37
32	5.52	4.45	3.62	2.76	2.76	2.76
37	5.19	3.98	3.07	2.09	2.09	2.09
42	4.04	3.18	2.44	1.53	1.53	1.53
47	2.63	2.20	1.77	1.15	1.15	1.15
52	0.87	0.87	0.87	0.87	0.87	0.87
57	0.66	0.66	0.66	0.66	0.66	0.66
62	0.50	0.50	0.50	0.50	0.50	0.50
	<u>Total Annual Increase in Salary*</u>					
22	12.97%	11.63%	11.40%	9.97%	9.97%	9.97%
27	12.26	11.28	10.40	9.58	9.58	9.58
32	11.85	10.71	9.83	8.92	8.92	8.92
37	11.50	10.22	9.26	8.21	8.21	8.21
42	10.28	9.37	8.58	7.62	7.62	7.62
47	8.79	8.33	7.88	7.21	7.21	7.21
52	6.92	6.92	6.92	6.92	6.92	6.92
57	6.70	6.70	6.70	6.70	6.70	6.70
62	6.53	6.53	6.53	6.53	6.53	6.53

*The total expected increase in salary is the increase due to promotions and longevity, shown in the upper portion of the table, adjusted for an assumed 6% per annum increase in the general wage level of the membership. The total result is compounded rather than additive.

MULTNOMAH COUNTY RETIREE MEDICAL STUDY

TABLE A-2

SERVICE RETIREMENT

<u>Age</u>	<u>Probability of Retirement</u>
50	-%
51	-
52	-
53	-
54	-
55	9
56	9
57	9
58	16
59	9
60	13
61	44
62	49
63	27
64	49
65	54
66	22
67	16
68	27
69	44
70	44
71	44
72	44
73	44
74	44
75	*

*All survivors to this age are assumed to retire immediately.

MULTNOMAH COUNTY RETIREE MEDICAL STUDY

TABLE A-3

OTHER TERMINATIONS OF EMPLOYMENT

Annual Rates

<u>Attained Age</u>	<u>Year of Membership</u>					
	<u>1st</u>	<u>2nd</u>	<u>3rd</u>	<u>4th</u>	<u>5th</u>	<u>6th & Over</u>
22	27.00%	24.05%	18.15%	13.50%	12.00%	12.00%
27	24.50	21.55	16.40	11.05	11.05	9.05
32	20.50	18.75	15.40	10.90	10.90	8.40
37	19.00	17.30	13.70	8.95	8.95	6.20
42	19.50	14.30	12.70	8.00	8.00	5.00
47	18.50	15.40	11.60	7.25	6.25	4.00
52	8.75	7.25	6.25	4.75	3.75	2.25

MULTNOMAH COUNTY RETIREE MEDICAL STUDY

APPENDIX B

OUTLINE OF BENEFITS

Alternative 1

Benefits under Alternative 1 are provided to employees retiring on or after July 1, 1989 who have attained age 58 and have at least five years of County service. Benefits are provided to retirees and eligible members of their immediate family with medical-hospital insurance identical to that presently offered to County employees. Coverage under the plan stops when the retiree qualifies for Medicare or dies.

Alternative 2

Benefits under Alternative 2 are provided to employees retiring on or after July 1, 1989 who have attained age 58 and have at least five years of County service. Benefits are provided to retirees and eligible members of their immediate family with medical-hospital insurance identical to that presently offered to County employees. Coverage under the plan continues when the retiree qualifies for Medicare and are coordinated with Medicare benefits under a carve-out approach.

MULTNOMAH COUNTY RETIREE MEDICAL STUDY

APPENDIX C

PARTICIPANT DATA

	<u>Service</u>	<u>Management</u>	<u>Crafts</u>	<u>Deputy District Attorneys</u>	<u>Nurses</u>	<u>Total</u>
Number of Employees	1,353	343	27	62	165	1,950
Average Age	41.2	44.1	47.1	36.6	42.8	41.8
Average Service	8.0	9.4	10.7	6.1	7.3	8.2
Average Salary	\$21,640	\$36,605	\$31,764	\$37,768	\$26,699	\$25,353



RUKEYSER

Louis Rukeyser

APP. F

A trillion dollar headache

NEW YORK—The rapidly accelerating cost of health care for older Americans has become a torpedo hurtling toward the profits of the nation's corporations.

And it may hit as early as 1989.

The first ripple on the water has just been spotted. LTV Corp. took a whopping \$2.26 billion charge to set up a reserve against insurance benefits for current and retired employees. Heads snapped throughout the business community, but they ain't seen nothing yet.

Insurance executives in the health-care field tell me that unfunded liabilities for post-retirement health benefits—money that is promised but not actually available—could

Standards Board, or FASB, which promulgates rules for accountants, has issued a set of interim regulations that, if made permanent in late 1989, would require corporations to record unfunded health-care charges as a liability on the corporate balance sheet.

Even relatively conservative estimates speculate that if the FASB change goes through, corporate profits could be reduced by 25 percent and the net worth of the nation's businesses slashed by at least \$1 trillion.

The size of the problem, then, is clearly enormous—and growing. Already, 6.9 million retired workers and their dependents receive some health-care coverage from former employers. More

New retirees are using health-care services at a rate 11 percent higher than their counterparts a decade ago.

run as high as \$2 trillion. We're talking about the neighborhood of the national debt, and the scariest part is that that figure would come right off the corporate bottom line.

Who launched this monster torpedo? Part of the problem is the escalating cost of health care generally, a burden that leaves the government at least as unprepared as private industry. Another part is the boardroom failure to give the problem sufficient priority, by pre-funding health-care insurance for the nation's gray-ing population. But the trigger actually was pulled by the accounting profession.

The Financial Accounting

are being added every day as the work force grows older, the cost of long-term care expands and the savings of retired Americans become ever less adequate.

A study conducted by Northwestern Life Insurance Company of Minneapolis shows that new retirees are using health-care services at a rate 11 percent higher than their counterparts a decade ago, even after adjusting for inflation. And Medicare, of course, does not foot that entire bill.

So, whether one sees the FASB action as an unwarranted intrusion into corporate finance, or simply as an effort to make executives

publicly face facts, it plainly has made urgent a problem that, in any event, is not about to disappear.

As Northwestern's senior vice president, Michael Conley, put it to me, "Understandably, many employers are reluctant to assume the huge cost of retiree health care, particularly long-term care. But if employers don't act on their own, Congress almost certainly will mandate new obligations, much as it has done in the areas of pension and health care for active—and terminated employees."

When his company polled congressmen recently on their attitudes toward retiree health issues, Conley said, it found that fully 51 percent of the lawmakers said their No. 1 concern was providing for long-term care. (AIDS came second, with 22 percent.)

What's the solution? Conley suggested four:

—Congress should allow corporations a tax-free transfer of excess pension funds (which would create a significant asset for many firms) to underfunded retiree health-care accounts.

—New tax incentives should encourage employer contributions by putting retiree health coverage on a par with pension plans.

—Employer programs to rehabilitate disabled workers would save firms money in the long run, as much as \$30 for each \$1 spent.

—The nation must turn to "creative and affordable" vehicles to encourage workers to start saving early for retirement.

Ironically, the evolving situation is one more evidence that the 1986 tax "reform" may have fostered as many problems as it solved. It did not offer corporations incentives to fund health-care insurance; it did not require firms to list their unfunded liabilities on their balance sheets; and it hit hard, and foolishly, at private savings plans. A grayer America may demand some wiser actions from the next Congress.

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[JOINT COMMITTEE PRINT]

OVERVIEW OF PRESENT LAW, PROPOSALS,
AND ISSUES RELATING TO EMPLOYER-
PROVIDED RETIREE HEALTH INSURANCE

SCHEDULED FOR A HEARING
BEFORE THE
SUBCOMMITTEE ON OVERSIGHT
OF THE
COMMITTEE ON WAYS AND MEANS
ON SEPTEMBER 15, 1988

PREPARED BY THE STAFF
OF THE
JOINT COMMITTEE ON TAXATION



SEPTEMBER 13, 1988

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the trust assets for purposes other than retiree health benefits will be even more acute than with respect to the defined dollar benefit plan. The use of individual accounts makes the plan seem more like a bank account available for any purpose. This lesson can be learned from the qualified retirement plan area in which the pressure for nonretirement use of assets is much more acute in the case of defined contribution plans and individual retirement arrangements (IRA's).

An example of the defined contribution plan is H.R. 2860, introduced by Mr. Chandler on July 1, 1987.

H. Qualified Retirement Plan Surplus Approach

Under the qualified retirement plan surplus approach, excess assets in defined benefit retirement plans are used to fund retiree health benefits. This is achieved by transferring the excess assets to a separate retiree health benefit trust or to a separate account within the retirement plan trust (i.e., a sec. 401(h) account). Under the qualified retirement plan surplus approach, this transfer is not subject to income tax or to the excise tax on reversions (sec. 4980) from retirement plans.

The qualified retirement plan surplus approach generally is combined with one of the four models described above by the use of one of such models in the trust or account to which the excess assets are transferred.

The advantage of the qualified retirement plan surplus approach is that it provides employers with the opportunity to satisfy at least some portion of their retiree health obligations without the use of assets that are easily available for other purposes. Viewed another way, this approach enables employers access to retirement plan surplus without any adverse tax consequences.

One disadvantage of this approach lies in its similarity to the VEBA/sec. 401(h) model. An employer is able to create deliberately a retirement plan surplus. Thus, this approach enables an employer to build a tax-favored fund to use for future retiree health benefits without at the same time providing employees with vested rights to such benefits.

This approach could also undermine the full funding limitation, which caps the amount of deductible contributions that may be made to qualified plans. If assets are transferred from a fully funded plan out of the qualified plan, leaving the plan below the full funding limitation, the employer is entitled to deduct additional contributions that otherwise would not be deductible.

Another disadvantage to this approach is that it may jeopardize the benefit security of the participants in the retirement plan. It is necessary to determine what level of assets should be left in the retirement plan to assure benefit security.

This approach also raises issues as to who the surplus belongs to; the employer or the employees. For example, should the participants in the post-retirement medical benefit plan be the same as the participants in the retirement plan, or can the excess assets be used for the benefit of a completely different group of employees?

Permitting employers to use excess retirement plan assets for this purpose may also create pressure to permit employers to withdraw pension plan assets for other purposes.

Some have argued that the use of excess pension assets to fund retiree health benefits is, at best, a partial solution to the problem of funding such benefits, since it can only be used by a limited number of employers. Thus, it is argued that a more comprehensive funding method would be more appropriate.

It has also been suggested that in the future there are likely to be fewer overfunded pension plans because of the 150 percent of current liability full funding limit enacted in the Revenue Act of 1987. Thus, it has been suggested that this approach is only temporary, and might best be viewed as a stop-gap approach until more comprehensive rules can be enacted.

A second disadvantage of this approach is the concerns it raises about whether the employer or the employees have the right to the excess assets in a retirement plan. Also involved is the question of what are excess assets: how much should be left in the retirement plan to assure benefit security?

An example of the qualified plan surplus approach is H.R. 2781, introduced by Mr. Archer on June 25, 1987.

○

ulate benefits earned from different employers without inefficient duplication of benefits.

An additional actuarial difficulty exists in determining the extent of the future liability incurred by such a plan. It is a more difficult task to account for price changes in a specific sector than for overall costs. For example, a pension fund can invest in assets such as corporate securities or real estate which typically appreciate as the overall cost of living increases, and thereby insure their promise to provide a prespecified, inflation-adjusted income level. Such a strategy would not be as effective for provision of health services, the price of which has been rising and may continue to rise substantially faster than the overall price level. The task can be complicated as the health needs of the elderly change over time.

As with pension plans, employers typically impose a service requirement before the retiree health benefit is vested in the employee. Because retiree health plans specify service levels rather than dollar levels, problems can arise with vesting policies. While complete vesting for pension benefits typically means different retirees receive different retirement incomes based upon their years of service and income, complete vesting for retiree health benefits usually implies full coverage in a group health insurance plan. Unlike pension plans, to be vested most retiree health plans require the employee to have been employed immediately before his or her retirement. Consequently, portability of retiree health benefits is more limited than portability of pension benefits. Estimating the funds required for prefunding, therefore, depends upon estimates of the number of employees who will remain with the firm until retirement.

Altering vesting requirements to more closely parallel those for pension plans creates other potential problems. If, for example, fifteen years of service were required for complete vesting in any employer's plan, it would easily be possible for one retiree to be completely vested in two or more different health insurance plans. This could create problems of coordination of multiple health insurance policies held by the retiree, and further complicate the calculation of the employer's future liability. Similarly, the concept of partial vesting is difficult to implement when the benefit is measured in units of service rather than measured in dollars.

A substantial advantage to the retiree of a defined health service benefit plan is that the risk of cost increases for health care is substantially borne by the employer. As health care costs rise, subject to the employer's co-insurance rate, the increases in cost are borne by the employer because of the promise to provide specified medical services.

F. Defined Dollar Benefit Plan

The defined dollar benefit plan is similar to the defined health benefit plan except that the benefit is expressed not in terms of a specific health plan, but in terms of an annual dollar benefit. This dollar benefit would be available to provide health benefits to employees in their retirement. The amount could be paid directly to an insurance company for coverage of employees, could be used by the employer to fund its own self-insured plan, or could be paid to

the employee to reimburse him or her for the cost of purchasing health insurance or for the cost of medical expenses incurred.

The advantages of this type of plan are based on the fact that it is expressed in terms of a dollar amount, rather than a particular health plan. This makes the employers' costs more predictable and controllable. Moreover, the administrative problems described above with respect to the defined health benefit plan do not exist.

One disadvantage of the defined dollar benefit plan is that it shifts to the employees the risk of health care inflation, making it more difficult for employees to plan with certainty for their retirement. As in the case of the defined health benefit plan, a second disadvantage involves the risk of underfunding and the controversy surrounding overfunding. A third disadvantage is that because the benefit is expressed in terms of dollars, there will be constant pressure to allow the money to be diverted to purposes other than retiree health benefits. This would be similar to the pressure to allow use of qualified retirement plan assets for nonretirement purposes.

An employer could accomplish a similar result to this method (and the method described in ~~X~~ below) under present law through the use of a qualified plan. The employer could provide increased qualified retirement plan benefits, and then the retiree could use the benefits to purchase health insurance. Of course, under this method, the tax consequences to the employee would be different because distributions from qualified plans are includible in income.

G. Defined Contribution Plan

The defined contribution plan is similar to the defined dollar benefit plan except that each employee has an account under the plan to which a portion of every employer contribution is allocated, rather than earning the right to an annual dollar benefit. That account grows like a tax-deferred bank account, earning income that is retained in the account. In an employee's retirement, the assets in the account are available to provide health benefits in the same way as the annual dollar benefit under the defined dollar benefit plan.

The advantage of the defined contribution plan is its relative simplicity. The underfunding and overfunding problems do not exist, nor do the administrative problems associated with the defined health benefit plan. Moreover, the employer's obligation is even more limited than under the defined dollar benefit plan in that because the employer is not promising a specific dollar benefit, it bears no risk of poor investment return. In addition, accumulated benefits in a defined contribution plan may not be forfeited if the employee changes jobs, thereby making the retiree health benefits more portable.

The disadvantages of the defined contribution plan generally fall into two categories. First, the employees not only bear the risk of health care inflation, as in the case of the defined dollar benefit plan, but also bear the risk of poor investment return. (This can be mitigated to some extent by the use of a type of defined contribution plan, a "target benefit plan," that adjusts for poor investment return.) This makes it even more difficult for employees to plan efficiently for their retirement. Second, the pressure to allow use of

vored prefunding of retiree health benefits by increasing the amount that an employer may contribute to a trust on a deductible basis and/or by increasing the extent to which the income of the trust is exempt from tax. The distinctive element of the VEBA/sec. 401(h) model is that no individual employee would, under the proposals, acquire any right to benefits from the trust. This model does include an incentive for employers to use the trust assets to provide retiree health benefits. Generally, such incentive takes the form of an excise tax applicable to assets diverted to other purposes. However, the additional tax-favored prefunding would be permitted even if an employer retained the right to eliminate all benefits with respect to any individual employee.

The advantage of the VEBA/sec. 401(h) model is the flexibility it provides to employers who can retain the right to change the plan in any way they see fit. One disadvantage of the VEBA/sec. 401(h) model is that it allows the employer to confer tax-favored retiree health benefits on a narrow, select group (such as those who qualify for benefits under the plan). Another disadvantage of this model is that it does not provide any benefit security to any employee, thus denying employees the ability to plan efficiently for their retirement.

An example of the basic VEBA/sec. 401(h) model is H.R. 1660, introduced by Mr. Rowland on March 17, 1987.

Other proposals use a variation of the VEBA/sec. 401(h) model under which the use of corporate owned life insurance (COLI) to fund retiree health benefits is facilitated. The key difference between the COLI variation and the basic VEBA/sec. 401(h) model is that the COLI variation generally does not include a trust. Thus, the employer enjoys current access to the assets, which provides further flexibility for the employer with a concomitant reduction in employees' benefit security.

An example of the COLI variation is H.R. 3778, introduced by Mr. Daub on December 17, 1987. (Although it has not been proposed, there is no theoretical reason preventing the use of COLI in connection with the next three prefunding models; the COLI concept is simply a means of obtaining tax benefits.)

E. Defined Health Benefit Plan

Like the VEBA/sec. 401(h) model, the defined health benefit plan allows more extensive tax-favored prefunding of retiree health benefits. However, unlike the VEBA/sec. 401(h) model, one condition of this more extensive tax-favored prefunding is that individual employees earn rights to benefits under the trust that the employer may not eliminate or modify.

In general, the defined health benefit plan establishes a particular health plan that is the plan benefit. Such a health plan could be described by reference to the plan that is (or was) provided to active employees. An individual employee's right to coverage under this plan during his or her retirement is earned by virtue of the employee satisfying certain service requirements. The statute could limit the length of service an employer could require for coverage under the plan to, for example, 10 years.

The advantages of the defined health benefit plan are the benefit security it provides to the employees and, depending on the length of the service requirement, the breadth of the class of employees benefitting under the plan. Vesting requirements for post-retirement health benefits with a service vesting requirement could induce employees to remain with one employer longer than they otherwise would. This could benefit the employer by making it easier to retain trained employees. On the other hand, labor market mobility could be reduced, making workers slower to respond to new employment opportunities.

There are several disadvantages with this type of approach. First, it is difficult to determine what an appropriate level of funding is, because it is difficult to determine what the benefit will be. Increases in the cost of health care are not easily predictable, thus making it difficult to estimate what the benefit will be worth by the time the employee retires. In addition, changes in health care technology and provider methods may occur, thus altering the benefit promise, and making predictions about the appropriate funding levels inaccurate. These difficulties could exacerbate overfunding and underfunding problems, discussed below. In addition, the employer bears significant risks with respect to increases in the cost of health care with respect to the benefits promised. Further, there are underfunding and overfunding problems. With respect to the former, the Federal Government would be required to address the problem of employers and the trusts they create not having sufficient assets to pay the promised benefits. Some commentators have raised the possibility of creating a Federal guarantor for this purpose, similar to the Pension Benefit Guaranty Corporation (PBGC), which ensures retirement benefits under defined benefit pension plans. Proponents of a Federal guarantor argue that a guaranty is necessary to ensure that individuals actually receive their benefits. However, the PBGC is currently operating with a deficit, and recent legislation (the Pension Protection Act of 1987) was necessary to address the financial problems of the PBGC. Such financial difficulties could also arise with respect to a Federal guarantor of post-retirement medical benefits. Indeed, such a guarantor could be required to pay benefits in more situations than the PBGC because of the difficulty of estimating future health care costs.

With respect to overfunding, the problems that have arisen with respect to qualified retirement plans would arise. Appropriate limitations would be necessary so that employers may not use the post-retirement medical plan as a tax-favored bank account. Thus, limitations on the amounts that are deductible would be necessary. In addition, the problem of what to do with any excess assets, (e.g., do they belong to the employer, or does some or all of any excess belong to the employees) which is currently an issue in the pension area, would need to be addressed.

If an individual employee's benefit is expressed in terms of a health plan, rather than a dollar amount, certain administrative problems arise. For example, it is difficult to have employees earn rights in a health plan gradually over time. Some sort of cliff vesting and accrual of employee's rights thus may be necessary. Also, this type of arrangement makes it difficult for employees to accu-

Such tax preferences create subsidies for the limited number of employers who offer post-retirement benefits. This may induce more employers to establish such plans. The earlier funding of such benefits could increase national saving. Nevertheless, as long as the plans are not uniform the tax subsidy would be distributed unequally across all employers and employees.

Some would argue that it is not necessary to create additional tax advantages for funding retiree health benefits, particularly given the fact that very few employers have yet taken advantage of the existing tax-favored means of prefunding (such as the separate account (sec. 401(h)) under a qualified pension plan). The DEFRA limitations on deductions for contributions to welfare benefit funds (discussed above) were enacted as a result of Congressional concern that the prior-law rules, which permitted employers greater flexibility in prefunding, allowed excessive tax-free accumulation of funds. Many of the current proposals for expanding the tax benefits of funding retiree health benefits would reinstate in some form to the pre-DEFRA rules.

Congressional concern about the pre-DEFRA rules was caused by discussions among tax practitioners as to the tax-shelter potential of welfare benefit plans, such as retiree health plans. Commentators had pointed out that the combination of advance deductions for contributions and the availability of tax-exemption for certain employee benefit organizations (such as VEBAs) provided tax treatment very similar to that provided to qualified retirement plans, but with far fewer restrictions. This discussion became considerably more active after Congress, concerned that qualified retirement plans were being used to provide excessive amounts of tax benefits to relatively high income individuals, lowered the limits on annual contributions that could be made to qualified retirement plans and the benefits that could be paid out of them. Some articles recommended the use of VEBAs to recoup deductions lost in qualified pension plans after the lowering of the contribution and benefit limitations. Congress was concerned that substantial advance funding of welfare benefits could ultimately have led to an unacceptable tax burden for many taxpayers who do not participate in these programs.

Accordingly, Congress provided that, as a general matter, employers should not be permitted a current deduction for welfare benefits that may be provided in the future (i.e., for liabilities that are not accrued). This treatment is consistent with income tax rules in other areas, which generally match the time a payor deducts a payment and the time the payee includes the amount in income.

Congress also, however, found that it was appropriate to permit a reasonable level of reserves for the funding of post-retirement medical benefits, and permitted employers to take deductions contributions to fund for such benefits over the active life of the employee. Some would argue that any expansion of the tax benefits for funding retiree health benefits would simply recreate that tax shelter possibilities that existed before the DEFRA limitations.

Some who favor increased incentives to fund retiree health benefits are concerned that smaller employers in particular tend not to offer post-retirement medical benefit plans. One study found that,

while 86 percent of companies that have 1,000 or more employees offer post-retirement health benefits, less than 50 percent of companies with between 50 and 500 employees offer post-retirement health benefits.¹² The most immediate beneficiaries of tax preferences for pre-funding retiree health care would be large employers and their employees. Some assert that the administrative costs per employee of employee benefit programs are lower for large employers than small employers. A tax preference for post-retirement health benefits could offset some of the higher per-employee administrative cost and lead to increased coverage among all employers. However, because large employers already offer such benefits, they would tend to gain the most from any tax preference that is equally available to all employers.

C. Mandatory vs Optional Prefunding

Tax-favored prefunding of post-retirement medical benefits could be mandatory or permissive. That is, an employer that has a post-retirement medical benefit plan could be required to prefund the benefits in accordance with specific statutory rules or could be permitted, but not required, to prefund such benefits.

Optional funding has the advantage that it provides an employer with flexibility in meeting its benefit obligations. However, optional funding may result in inadequate funding of retiree health benefits if other incentives to prefund are insufficient. Because very few employers have taken advantage of existing tax benefits for retiree health benefits, employers may not be willing to fund these benefits without mandatory funding rules. On the other hand, some would argue that the present-law tax incentives for prefunding retiree health liabilities generally are inadequate to induce employers to prefund such liabilities.

Because the present-law rules for funding post-retirement health benefits are optional, some would argue that retiree health benefits are now similar to pension benefits prior to ERISA when employers generally were not required to set aside sufficient funds to pay promised benefits.

Mandating the funding of retiree medical benefits ensures that sufficient funds will be available to provide the promised benefit. On the other hand, some employers may not be willing to accept a new funding obligation. Mandatory funding could discourage employers from establishing retiree health benefit plans in the future or, if the employer already has such a plan, cause the employer to reduce benefits or terminate the plan. (Such effects could also occur if the reaction of financial markets causes employers to fund retiree health benefits.) Mandated pre-funding could also increase the short-term labor costs for some employers, placing them at a competitive disadvantage to both domestic and foreign rivals that do not have such obligations.

D. VEBA/Sec. 401(h) Model

As is the case with the following three categories of proposals, the VEBA/sec. 401(h) model would allow more extensive tax-fa-

¹² Dopkeen, *supra*.

IV. ANALYSIS OF TAX INCENTIVES FOR PREFUNDING RETIREE HEALTH LIABILITIES

There have been numerous proposals made in the retiree health area that would allow more extensive tax-favored prefunding by employers of post-retirement medical benefits than is allowed under present law. These proposals generally fall into one of five broad categories that are discussed in more detail below: (1) the VEBA/sec. 401(h) model; (2) the defined health benefit plan; (3) the defined dollar benefit plan; (4) the defined contribution plan; and (5) the qualified retirement plan surplus approach. A key issue in funding post-retirement medical benefits is defining what the benefit is. Each of the first four categories of proposals defines the benefit in different ways. (The fifth funding approach could be used to fund any type of benefit.)

The proposals embody several different specific approaches to pre-funding post-retirement health benefits. More generally, there are several approaches which could be taken to address the issue: maintain the present-law tax incentives for prefunding retiree health benefits; create new tax incentives specifically designed to encourage employers to prefund their liabilities; create new specific tax incentives that mandate that employees prefund their liabilities; or mandate the advance funding of liabilities with no change in tax treatment.

A. Present Law

The Financial Accounting Standards Board (FASB) proposals to require reporting of retiree health liabilities for financial statement purposes, when issued, could induce the private market to prefund such liabilities to avoid any adverse effect on an employer's balance sheet. Some believe that the new liability which FASB may require companies to report will have negative effects on the solvency or perceived solvency of the employers with significant unfunded liabilities. Corporate financing may be harder to obtain for employers reporting large unfunded liabilities for retiree health benefits and, thus, the accounting change may provide an incentive to reduce these liabilities by prefunding.

Absent changes in the tax law or ERISA, employers would retain flexibility in determining how to best provide funds for the employer's retiree health liability.

Market induced prefunding, while solving financial statement problems, may not improve the security of benefits for employees or retirees because employers may not set aside assets solely for the benefit of employees. For example, amounts set aside for retiree health benefits may not be protected from an employer's creditors in the event of bankruptcy.

If the capital markets do ~~not~~ react negatively to employers with large unfunded liabilities, in lieu of prefunding its liabilities, an employer may attempt to limit or terminate existing plans. To the extent that this reduction or termination is prohibited by the courts, employers might limit promises of benefits to new employees. Such a result could undermine a goal of improving retiree access to health care.

Some argue that the FASB accounting change alone will not alter the economic circumstances of the employer, so that the accounting change will have little economic impact on the employer beyond providing more accurate information to shareholders. These people believe that investors already consider potential liabilities of the employer to pay retiree health benefits, and that any decision to fund, expand, or curtail retiree health benefits will be made irrespective of a change in accounting rules.

Health benefits for retirees could also be provided through an expansion of an employer's pension plans. With the increased benefits, the retiree could choose to allocate his or her retirement funds between health care and other expenses as he or she deems best. From the employer's perspective, this option is generally equivalent to all proposals which seek to create a specific tax preference for retiree health benefits, except that the monies promised are not dedicated to health care and the amounts that the employer can prefund are determined by reference to the funding and deduction rules for pension plans, rather than by reference to projected or accrued retiree health liability. This approach could be utilized under present law only by those companies which do not make the maximum permissible pension contributions. Some would argue that full use of the present-law pension funding limits indicates that sufficient tax expenditures have been made to induce employers to assist employees in planning for their retirement income and health care needs.

This approach allows the retiree complete flexibility in providing for his or her needs. Being solely responsible for his or her health care needs gives the retiree an incentive to economize on health care costs. This could reduce some of the pressure on health care costs discussed below.

On the other hand, some might argue that retirees may not allocate sufficient amounts of retirement income to health care and that the Federal government should mandate or encourage benefit programs that insure at least some minimum level of health care. In addition, as with any plan which only provides dollars and not services, the risk of increases in health care costs is borne solely by the retiree.

B. Tax Preferences For Prefunding

Accelerating the deductibility of employer contributions for retiree health benefits accelerates the revenue loss to the government. Permitting tax-free earnings on the funds increases the revenue loss to the government. In addition, while pension payments to retirees constitute taxable income, an employer's purchase of health insurance for employees or retirees generally does not, further increasing the revenue loss to the government.

of pension plans. In general, the benefits provided by defined benefit pension plans are guaranteed by the Pension Benefit Guaranty Corporation (PBGC) in order to prevent loss of benefits in the event an employer terminates a plan while it is in financial distress and has not adequately funded pension benefits.

Except for certain nondiscrimination and basic qualification rules, such minimum standards and requirements do not apply to post-retirement medical benefit plans. As mentioned above, self-funded medical reimbursement plans are currently subject to nondiscrimination rules, and all health plans will generally be subject to nondiscrimination and basic qualification rules beginning in 1989.

Because post-retirement medical benefits are not subject to the same minimum standards applicable to qualified retirement plans, employees' rights to such benefits depend on the particular contractual arrangement between the employees and their employer. The binding nature of such arrangements, as they relate to post-retirement medical benefits, has been the subject of recent litigation. Case law has focused on the right of the employer to terminate post-retirement medical benefits with respect to current retirees. In general, the courts have affirmed an employer's right to terminate a retiree health plan if such right has been unambiguously reserved and clearly communicated to employees. However, the courts have been strict in applying these standards, looking not just at plan documents but also to oral representations. In cases, for example, in which representatives of the employer have told retirees that their benefits would continue for the remainder of their lives, courts have held that the employer could not terminate the retiree health benefits after the employee had retired.

E. Fiduciary Rules

ERISA contains rules governing the conduct of fiduciaries of employee benefit plans. These rules generally apply to all employee benefit plans subject to ERISA, including both employee benefit pension plans and welfare benefit plans. Thus, these rules apply to post-retirement medical benefit plans. ERISA has general rules relating to the standard of conduct of plan fiduciaries, and also specific rules prohibiting certain transactions between a plan and parties in interest with respect to a plan, such as a plan fiduciary.

The general fiduciary standard under ERISA requires that a plan fiduciary discharge his or her duties with respect to a plan (1) solely in the interest of the plan participants and beneficiaries, (2) for the exclusive purpose of providing benefits to participants and their beneficiaries and defraying reasonable administrative expenses of the plan, (3) with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, and (4) in accordance with the documents and instruments governing the plan to the extent such documents and instruments are consistent with ERISA.

F. Reporting and Disclosure

ERISA contains reporting and disclosure rules that apply to all employee benefit plans, including post-retirement medical benefit plans. These rules generally require that a plan be in writing, and that certain information with respect to a plan be provided to plan participants and to the Department of Labor. Annual reports on welfare benefit plans are also required to be filed with the Internal Revenue Service.

which the employer provides welfare benefits to employees or their beneficiaries.

If a welfare benefit fund satisfies certain requirements, it generally will be exempt from income tax. In general, to be tax-exempt, the fund is required to be a voluntary employees' beneficiary association (VEBA) (sec. 501(c)(9)) providing for the payment of life, sick, accident, or other benefits to the members of such association or their dependents or designated beneficiaries, and no part of the net earnings of such association may inure (other than through such payments) to the benefit of any private shareholder or individual. In addition, the VEBA generally is required to satisfy certain rules prohibiting the provision of benefits on a basis that favors the employer's highly compensated employees (as defined in sec. 414(q)).

Although a VEBA generally is exempt from tax, it is taxable on its unrelated business taxable income (UBTI). Income set aside to provide for post-retirement medical benefits is considered UBTI, although this rule does not apply to a VEBA if substantially all of the contributions to it were made by employers who are exempt from income tax throughout the 5-taxable-year period ending with the taxable year in which the contributions were made.

Certain special rules apply to the deductibility of employer contributions to a welfare benefit fund without regard to whether the fund is a VEBA. Under these rules, contributions by an employer to such a fund are not deductible under the usual income tax rules (sec. 162), but if they otherwise would be deductible under the usual rules, the contributions will be deductible within limits for the taxable year in which such contributions are made to the fund.

The amount of the deduction otherwise allowable to an employer for a contribution to a welfare benefit fund for any taxable year may not exceed the qualified cost of the fund for the year. The qualified cost of a welfare benefit fund for a year is the sum of (1) the qualified direct cost of the fund for the year and (2) the addition (within limits) to the qualified asset account under the fund for the year, reduced by (3) the after-tax income of the fund.

In general, the qualified direct cost of a fund is the aggregate amount expended (including administrative expenses) that would have been allowable as a deduction to the employer with respect to the benefits provided, assuming the benefits were provided directly by the employer and the employer was using the cash receipts and disbursements method of accounting. In other words, the qualified direct cost generally represents the amounts expended during the year for current benefits.

A qualified asset account under a welfare benefit fund is an account consisting of assets set aside to provide for the payment of disability payments, medical benefits, supplemental unemployment compensation benefits or severance pay benefits, or life insurance benefits. Under present law, an account limit is provided for the amount in a qualified asset account for any year.

The account limit with respect to medical benefits for any taxable year may include a reserve to provide certain post-retirement medical benefits. This limit allows amounts reasonably necessary to accumulate reserves under a welfare benefit plan so that funding of post-retirement medical benefits with respect to an employee

can be completed upon the employee's retirement. These amounts may be accumulated no more rapidly than on a level basis over the working life of an employee with the employer of that employee. Funding is considered level if it is determined under an acceptable funding method so that future post-retirement medical benefits and administrative costs will be allocated ratably to future preretirement years. In addition, benefits for individuals who have already retired may be immediately funded.

Each year's computation of contributions with respect to post-retirement medical benefits is to be made under the assumption that the medical benefits provided to future retirees will have the same cost as medical benefits currently provided to retirees. Because the reserve is computed on the basis of the current year's medical costs, neither future inflation nor future changes in the level of utilization may be taken into account until they occur.

The Deficit Reduction Act of 1984 (DEFRA), which added the deduction limitations for contributions to welfare benefit funds, directed the Secretary of the Treasury to study the possible means of providing minimum standards for employee participation, vesting, accrual, and funding under welfare benefit plans for current and retired employees. The study is to include a review of whether the funding of welfare benefits is adequate, inadequate, or excessive. The Secretary was required to report to the Congress with respect to the study by February 1, 1985, with suggestions for minimum standards where appropriate. The Tax Reform Act extended the due date for the study to October 22, 1987. This study has not yet been completed.

Qualified plan distributions

An individual may use some or all of a distribution from a qualified plan to acquire post-retirement medical benefits. Such amounts would be taxable to the individual under the rules applicable to distributions from qualified plans. Qualified plans thus provide an additional, indirect means of funding post-retirement medical benefits on an after-tax basis.

D. Minimum Standards

Under present law, minimum standards of the type applicable to tax-qualified pension plans generally do not apply to post-retirement medical benefit plans. The Internal Revenue Code contains provisions applicable to tax-qualified retirement plans designed to prohibit discrimination in favor of highly compensated employees, and to ensure that rank-and-file employees, as well as highly compensated employees, actually benefit under the plan. In addition, under both the Code and the Employee Retirement Income Security Act (ERISA), qualified retirement plans are required to meet minimum standards relating to participation requirements (the maximum age and service requirements that may be imposed as a condition of participation in the plan), vesting (the time at which an employee's benefit becomes nonforfeitable), and benefit accrual (the rate at which an employee earns a benefit).

Also, minimum funding standards apply to the rate at which employer contributions are required to be made to ensure the solvency

treated for employer deduction purposes the same as deferred compensation that is provided under a nonqualified deferred compensation plan (sec. 404). Nonqualified deferred compensation is deductible by the employer for the taxable year in which the compensation is includible in the income of the employee, or would be includible in the gross income of the employee without regard to any exclusion. Thus, employer contributions to provide post-retirement medical benefits are deductible when the coverage is provided to the former employee.

The deduction rules for post-retirement medical benefits provided through a qualified plan or a welfare benefit fund are discussed below.

Prefunding of future benefits

In general

Under present law, tax-favored prefunding of post-retirement medical benefits can be accomplished in two basic ways: (1) through a tax-qualified pension plan by establishing a separate account under a pension or annuity plan that satisfies certain requirements (sec. 401(h)), or (2) through a welfare benefit fund (secs. 419 and 419(A)). In addition, distributions from qualified plans may be used by the plan participant to acquire post-retirement medical benefits.

Separate account under qualified pension plans

Under the separate account method of prefunding post-retirement medical benefits, a tax-qualified pension or annuity plan may provide for the payment of sickness, accident, hospitalization and medical expenses for retired employees, their spouses, and their dependents provided certain additional qualification requirements are met with respect to the post-retirement medical benefits (sec. 401(h)). First, the medical benefits, when added to any life insurance protection provided under the plan, are required to be incidental to the retirement benefits provided by the plan. The medical benefits are considered incidental or subordinate to the retirement benefits if, at all times, the aggregate of employer contributions (made after the date on which the plan first includes such medical benefits) to provide such medical benefits and any life insurance protection does not exceed 25 percent of the aggregate contributions made after such date, other than contributions to fund past service credits. Additional medical benefits and life insurance protection may be provided with employee contributions.

The second requirement is that a separate account is to be maintained with respect to contributions to fund such medical benefits. This separate accounting generally is determined on an aggregate, rather than a per-participant basis, and is solely for recordkeeping purposes.

The rationale for requiring that the post-retirement medical benefits funded in this manner be subordinate and be provided under a separate account is that such benefits generally are not subject to the minimum standards, such as vesting, funding, and accrual rules, generally applicable to qualified retirement plans. In addition, such benefits are not subject to any Federal guaranty, such as the guaranty provided by the Pension Benefit Guaranty Corpora-

tion with respect to pension benefits. Thus, Congress considered it important not only to limit the tax-favored treatment of such benefits but also to ensure that these relatively unrestricted benefits did not reduce the funds contributed to provide nonmedical retirement benefits pursuant to the minimum standards.

The third requirement is that the employer's contributions to a separate account are to be reasonable and ascertainable. Fourth, the plan is required to preclude the use of amounts in the separate account for any other purposes at any time prior to the satisfaction of all liabilities with respect to the post-retirement medical benefits. Fifth, upon the satisfaction of all plan liabilities to provide post-retirement medical benefits, the remaining assets in the separate account are to revert to the employer and cannot be distributed to the retired employees. Similarly, if an individual's right to medical benefits is forfeited, the forfeiture is to be applied to reduce the employer's future contributions for post-retirement medical benefits.

The final requirement is that, in the case of an employee who is a "key employee" (as defined in sec. 416), a separate account is to be established and maintained on a per-participant basis, and benefits provided to such employee (and his or her spouse and dependents) are to be payable only from the separate account. This requirement applies only to benefits attributable to plan years beginning after March 31, 1984, for which the employee is a key employee. Also, contributions to the separate account are considered annual additions to a defined contribution plan for purposes of the limits on contributions and benefits applicable to retirement plans (sec. 415), except that the 25 percent of compensation limit (sec. 415(c)(1)(B)) does not apply.

If the requirements with respect to post-retirement medical benefits are met, the income earned in the separate account is not taxable. Also, employer contributions to fund these benefits are deductible under the general rules relating to the timing of deductions for contributions to qualified retirement plans. The deduction for such contributions is not taken into account in determining the amount deductible with respect to contributions for retirement benefits. The amount deductible may not exceed the total cost of providing the medical benefits, determined in accordance with any generally accepted actuarial method that is reasonable in view of the provisions and coverage of the plan and any other relevant considerations. In addition, the amount deductible for any taxable year may not exceed the greater of (1) an amount determined by allocating the remaining unfunded costs as a level amount or a level percentage of compensation over the remaining future service of each employee, or (2) 10 percent of the cost that would be required to fund or purchase such medical benefits completely. Certain contributions in excess of the deductible limit may be carried over and deducted in succeeding taxable years.

Welfare benefit funds

An employer may establish a welfare benefit fund to provide for post-retirement medical benefits. A welfare benefit fund is, in general, any fund which is part of a plan of an employer, and through

III. PRESENT LAW

A. In General

Post-retirement medical benefit plans (i.e., retiree health plans) are plans maintained by employers to pay for all or a portion of the medical costs of retired or former employees of the employer (and possibly also their dependents) either directly or by the purchase of insurance. Generally, the employer finances all or a significant portion of the cost of this benefit for the retiree. The costs for both the employer and the beneficiary of these retiree health benefits depends greatly on the age of the beneficiary.

Under present law, post-retirement medical benefits are generally excludable from the gross income of a plan participant or beneficiary. Present law provides two tax-favored funding arrangements to accumulate assets to provide post-retirement medical benefits separately from other retirement benefits. First, separate accounts in certain qualified retirement plans may be used to provide post-retirement medical benefits (Code sec. 401(h)).

Although assets allocated to a post-retirement medical benefit account are accorded tax treatment similar to that provided for other assets held by a qualified retirement plan, the benefits provided under post-retirement medical accounts are required to be incidental to the retirement benefits provided by the plan. The incidental benefit requirement may preclude funding the entire post-retirement medical benefit through a separate account in a qualified plan.

The second funding medium that can be used to prefund post-retirement medical benefits is a welfare benefit fund (secs. 419 and 419A). Welfare benefit funds generally are not subject to the contribution limits applicable to the separate accounts under a qualified plan, but are subject to separate limits on the deductibility of employer contributions. In addition, medical benefits provided through a welfare benefit fund are excluded from the employee's gross income unless the benefits are provided on a discriminatory basis. However, income set aside in a welfare benefit fund to provide post-retirement medical benefits generally is subject to income tax.

Although advance funding of post-retirement medical benefits is not accorded tax treatment comparable to that provided for retirement benefits under qualified retirement plans, they also are not subject to the same minimum standards applicable to retirement plans.

In addition to the two methods described above for funding post-retirement medical benefits, plan participants may, of course, use distributions from qualified plans to purchase post-retirement medical benefits. The use of such retirement plan distributions to pur-

chase post-retirement medical benefits is equivalent to the purchase of such benefits on an after-tax basis from other income.

B. Employee Tax Treatment of Post-Retirement Medical Benefits

The value of employer-provided coverage under a health plan that provides post-retirement medical benefits to former employees, their spouses, or dependents is generally excludable from gross income (sec. 106). The exclusion applies whether the coverage is provided by insurance or otherwise. Thus, for example, the exclusion applies if the employer pays insurance premiums for post-retirement medical coverage, or provides post-retirement medical benefits through a trust.

Gross income generally does not include amounts that are paid directly or indirectly to a former employee to reimburse him or her for expenses incurred for the medical care of the former employee or his or her spouse or dependents. The exclusion applies whether the benefits are paid for by employer contributions (sec. 105) or employee contributions (sec. 104).

For years prior to 1989, the exclusion for medical care reimbursements does not apply to amounts paid to a highly compensated individual under a self-insured medical reimbursement plan unless certain nondiscrimination requirements are satisfied (sec. 105(h)). In general, a self-insured medical reimbursement plan is considered discriminatory under these rules if it favors highly compensated individuals either as to eligibility to participate or as to benefits.

The Tax Reform Act of 1986 added specific nondiscrimination rules that apply to the value of the employer-provided coverage under all health plans, generally effective for years beginning after 1988 (sec. 89). If a health plan does not satisfy these nondiscrimination rules, then the highly compensated employees or highly compensated former employees participating in the plan are required to include in gross income the excess benefit received under the plan. The excess benefit is, in general, the excess of the value of the employer-provided benefit over the maximum employer-provided benefit that could be provided if the plan were nondiscriminatory. For this purpose, the employer-provided benefit is the value of the health coverage provided by the employer (not the amount of reimbursements received under the plan).

In addition, generally for years beginning after 1988, gross income includes an employee's or former employee's total employer-provided benefit unless the plan meets certain qualification requirements (sec. 89(k)), such as for example, a requirement that the plan be in writing, and that the employee's rights under the plan are legally enforceable. For this purpose, the employer-provided benefit is the amount of reimbursements received, rather than the value of the coverage (e.g., the insurance premiums).

C. Employer Tax Treatment of Contributions for Post-Retirement Medical Benefits

Current benefits

Post-retirement medical benefits that are not funded through a qualified retirement plan or a welfare benefit fund are generally

same reasons that minimum standards apply to pension plans, some argue that additional tax benefits should not be provided to retiree health plans unless additional minimum standards, such as vesting and accrual rules, apply.

Those who oppose the idea of conditioning tax-favored funding of retiree benefits on the imposition of additional minimum standards typically use the same arguments that have been used in the pension area. They argue that minimum standards reduce the flexibility of employers in creating compensation packages and responding to the particular needs of their employees, and will discourage employers from adopting new plans or cause employers to terminate existing plans. In addition, it is significantly more difficult to determine how minimum standards apply in the case of retiree health benefits because the benefits generally are not a set dollar amount. Considerable difficulty would apply in establishing vesting and accrual rules for retiree health benefits.

At present, employer-provided post-retirement health benefits are more often a benefit of higher income employees than of lower income employees. As Table 1 indicates, in 1983 while over 30 percent of middle- and high-income elderly benefited from employer-provided retiree health insurance, less than 10 percent of the poor and near poor received similar benefits. Consequently, the benefits from pre-funding existing plans may flow more to higher income retirees than to lower income retirees. Also, to the extent that different employers and plans provide differing levels of benefits or no benefits at all, some employers and employees would benefit more than others.

Table 1.—Private Health Insurance of the Medicare Elderly, 1983

All Medicare elderly	Number of persons (thousands)	Percent no private insurance	Percent other private insurance	Percent employment related insurance	Sources of employment-related private insurance (percentages of total)			
					Active worker	De-pendent of active worker	Retiree	De-pendent of retiree
Total.....	25,329	29.2	39.6	31.1	3.7	2.8	18.4	6.2
<i>Family income,¹ adjusted for family size:</i>								
Poor.....	3,080	65.6	29.7	4.7	0.8	0.1	3.7	0.1
Near Poor.....	2,358	49.8	41.3	8.9	0.8	0.4	6.7	0.9
Low.....	5,621	32.2	48.0	19.8	1.0	0.6	15.3	2.9
Middle.....	9,504	18.1	39.9	41.7	4.0	3.1	24.9	9.7
High.....	4,765	14.2	34.8	51.0	9.6	7.7	24.3	9.4

¹ Poor denotes households with income less than the poverty level; Near Poor, between 100 and 150 percent of the poverty level; Low, between 150 and 200 percent of the poverty level; Middle, between 200 and 400 percent of the poverty level; High, household incomes in excess of 400 percent of the poverty level.

Source: National Center for Health Services Research and Health Care Technology Assessment, U.S. Department of Health and Human Services.

one. Increased subsidies for post-retirement health benefits may serve to increase the number of persons covered by medical insurance but may also serve to raise the overall cost of medical care.

The problem of increased demand for medical care may be most acute in the age 65 and over population which is covered by Medicare. Employer-provided post-retirement health benefits generally provide reimbursement for costs not fully covered by Medicare. With the passage of the Medicare Catastrophic Act of 1988, the quantity of medical services not covered by Medicare will be significantly reduced. This should reduce the cost of retiree health benefits for the Medicare-eligible population as well as their exposure to large medical bills.

Post-retirement health benefits typically act to reduce the effects of the cost-sharing attributes (i.e., copayments and deductibles) of the Medicare program. This reduction in cost sharing may increase the utilization of medical services, and, because Medicare bears the majority of the cost of many medical services, may increase significantly the costs of the Medicare program.⁹ However, widespread provision of retiree health insurance may also serve to reduce some costs to the government by reducing the cost to the government as the insurer of last resort (for example, through the Medicaid program). It is likely that some retiree health coverage simply replaces individually-purchased Medigap policies. To the extent that this is true, there may be a relatively small net effect on the cost of the Medicare program.

Although many studies suggest that reduced cost-sharing can significantly increase the utilization of medical services and thus the cost to the government as a primary insurer, some argue that it is important to assist further the aged with their health costs. They argue that, even after the passage of the Medicare Catastrophic Coverage Act, Medicare is insufficient to protect the aged from large and potentially debilitating medical bills. They argue that the Federal government should encourage more private insurance of medical costs.

Others claim that the revised Medicare system generally provides an appropriate balance among the goals of providing access to health care, protection from overwhelming medical bills, and cost containment through cost-sharing provisions. They see further encouragement of post-retirement health benefits as distorting these incentives inappropriately to the advantage of a group least in need of assistance and to the detriment of the remainder of the health care system. Some of these commentators have argued, in contrast, that there should be an excise tax levied on the provision of any insurance policy which supplements Medicare in order to re-

⁹ See, for example, C. R. Link, S. Long, and R. Settle, "Cost Sharing, Supplementary Insurance, and Health Services Utilization Among the Medicare Elderly" *Health Care Financing Review* 2 (Fall 1981); J. P. Newhouse, W. G. Manning, C. N. Morris, et al., "Some Interim Results from a Controlled Trial of Cost Sharing in Health Insurance," *New England Journal of Medicine* 305:1501-7 (1981); and W. Hsiao and N. Kelly, "Restructuring Medical Benefits," in *Proceedings of the Conference on the Future of Medicare*, U.S. House of Representatives, Subcommittee on Health of the Committee on Ways and Means, 1984. Link, Long and Settle found that medigap policies increased the utilization of medical services between 30 and 40 percent. Hsiao and Kelly report that the Medicare reimbursements were 35 percent higher for individuals with medigap coverage in 1980 than those with only Medicare coverage. This cost difference, however, may not be due solely to the effect of medigap policies.

flect properly the increased Federal Medicare outlays which may be caused by the provision of this insurance.

C. Labor Force Participation

In 1955, the labor force participation rate of men aged 65 or more was 39.6 percent. In 1986, the labor force participation rate of men aged 65 or more had fallen to 16.0 percent. Over the same period, the labor force participation rate of men aged between 55 and 64 fell from 87.9 to 67.3 percent.¹⁰ While many factors, such as health and family needs influence an individual's decision to seek employment or remain employed, many believe that the growth of social security benefits and private pensions has had a substantial effect on the retirement and labor force participation decision.¹¹

If this analysis is accurate, additional tax preferences for retiree health benefits could affect labor force participation rates. New tax incentives providing for funding of post-retirement health benefits could induce a shift in employee compensation towards more post-retirement compensation. The value of post-retirement health benefits would be greatest for those younger employees who are not yet Medicare eligible. Growth in post-retirement benefits could make retirement and the accompanying leisure time a more attractive option, thereby inducing earlier retirements.

The existence of post-retiree health benefits could make it less attractive for some retirees to re-enter the labor force on either a full or part-time basis. Presently, retirees who are not covered by employment-related plans may choose to work in order to gain health coverage through an employer or to gain extra income to directly purchase medical insurance. Incentives leading to the expansion of employer-provided post-retirement health care could reduce these reasons for older Americans to remain in the labor force. In addition, for one who was covered by a post-retirement health plan, working for an employer who provides compensation in the form of health benefits could become less attractive because the benefits would be largely redundant.

Reductions in labor force participation by the elderly could lead to a loss of skilled workers and production to the economy. In addition, reduced employment could lead to a loss of revenue from both income and social security taxes.

D. Minimum Standards

The minimum standards applicable to pension plans are imposed in order to ensure that such plans accomplish the purposes for which they are provided such significant tax benefits, that is, the provision of retirement benefits to rank-and-file employees. For the

¹⁰ U.S. Department of Labor, *Employment and Training Report of the President, 1982*. U.S. Department of Commerce, *Statistical Abstract of the United States: 1988*.

¹¹ See, Michael J. Boskin and Michael D. Hurd, "The Effect of Social Security on Early Retirement," *Journal of Public Economics*, 10, 1978, and Gary Burtless and Robert A. Moffitt, "The Effect of Social Security Benefits on the Labor Supply of the Aged," in Henry J. Aaron and Gary Burtless, editors, *Retirement and Economic Behavior*. (Washington: Brookings, 1984). Boskin and Hurd estimate that an increase in social security benefits of \$1,000 per year would increase the likelihood of retirement of any male employee aged 60 or greater by 8 percent. Burtless and Moffitt estimate that for those 64 year old males who retired from their primary job, yet continue to work, that an increase in the social security benefit of \$500 per year would reduce their labor supply by 1.62 hours per week.

after a significant period of service with the employer. Typically, the employee must attain a stated retirement age while still employed by the employer. Thus, if an otherwise eligible employee terminates employment before attaining the stated retirement age, the right to post-retirement health benefits will be lost.

At least until recently, the most recent retirees were more likely to receive post-retirement health benefits than were the older employees who retired before them. If this pattern continues, the number and percentage of retirees receiving employer-sponsored health benefits will continue to grow. Some believe that recent concerns by employers about the rising cost of medical insurance, particularly for retirees, may cause the growth in the covered population to slow and possibly even reverse. In addition, the expanded coverage of benefits under Medicare may reduce the actual or perceived need for employer-provided retiree health benefits.

Estimates of retiree health liabilities

The Department of Labor estimated that the total accrued liability (i.e., the net present value of post-retirement health benefits the rights to which both active and retired employees have currently earned) for all employers was \$98 billion at the end of 1983. Since most post-retirement health benefits are not prefunded, the accrued liability represents the present value of funds the employer must raise and pay in the future for their currently promised benefits. This amount compares to the Department of Labor estimate for the pay-as-you-go current expense of \$3.9 billion in 1983 and \$4.6 billion in 1985. It is expected that more current, updated estimates would generate somewhat higher values both for the current cost and accrued liability due to the increase in the number of persons covered and the rapid increase in the costs of medical care.⁸ Of course, employers have the ability currently to prefund on a tax-favored basis a portion, but not likely all, of the accrued retiree health liability through the use of VEBAs or other welfare benefit funds.

B. Retiree Health Plans and Health Care Policy

In general

The fundamental tradeoff in health policy is between the desire to provide adequate access to health care while maintaining an acceptable cost structure. Advocates of additional tax preferences for employer-provided post-retirement health benefits suggest that employer-provided coverage provides an efficient means of assuring adequate health insurance coverage to a population which otherwise might have great difficulty in obtaining acceptable levels of health care. Opponents of such tax incentives point out that the benefits of tax preferences (including the current exclusion of em-

⁸ Joseph Califano, in testimony before the Joint Economic Committee (Senate Hearing 98-1193) in 1984, was the source for a frequently cited statement that the potential unfunded liability for health coverage could possibly be as high as \$2 trillion for the U.S. Fortune 500 companies. It appears that this estimate is based solely on an extrapolation of the experience of one company, Chrysler, to the whole Fortune 500. Given Chrysler's unusual situation, this estimate may be a significant overestimate of the actual aggregate unfunded liability.

The General Accounting Office is currently working on an updated estimate of the liability.

ployer contributions) may be concentrated among those best able to provide for themselves, i.e., higher compensated employees, while imposing additional costs on the health care system.

Costs and methods of providing coverage

For those who retire before age 65 and thus normally are not eligible for Medicare, employer-sponsored retiree health benefits may be the only source of health insurance. Employer-sponsored health insurance may represent a relatively low-cost form of insurance for this population. Most retiree health benefits are provided as part of the employer's group coverage. Employer group coverage usually has lower overhead costs and lower rates than would be available through individually purchased medical insurance. In general, individuals most likely to file health insurance claims are the ones most likely to purchase insurance. Because of this likelihood of adverse selection, individually purchased health insurance policies can be prohibitively expensive or provide only limited coverage.

Some have proposed that the favorable group rates available to employer for health plans could be passed on to individuals through a system similar to the health care continuation coverage required to be provided under present law (sec. 162(k)). The present law health care continuation coverage rules require, in general, that an employer must offer a qualified beneficiary who loses health care coverage under the employer's plan due to a qualifying event (e.g., termination of employment or divorce) the opportunity to elect to receive the same coverage the individual was receiving prior to the qualifying event. The coverage is required to be provided for a temporary period only, generally either 18 or 36 months. The employer can charge the qualified beneficiary for the coverage. However, the charge can be no more than 102 percent of the cost to the plan for coverage of similarly situated active employees.

Making group rates available to retired employees through extended health care continuation coverage could reduce the cost of retiree-paid health insurance when compared to individual policies, although it still may be unaffordable for some individuals. To the extent that the employer pays the cost of the coverage, post-retirement health benefits offered by the employer may make health care more available to the retiree population some of whom otherwise may have been uninsured because they could not afford to pay the cost of the coverage. Continuation coverage could be made mandatory, with or without a requirement that the employer pay a portion of the cost. This would involve issues similar to those arising in connection with currently discussed proposals for mandatory health insurance coverage of active employees.

Retiree health, Medicare, and the demand for medical services

The existing individual income tax preferences for employer-provided health coverage provide an incentive to consume health care relative to goods that are paid for with after-tax dollars. Also, if the individual entitled to health care normally bears only a fraction of the cost of medical services covered by insurance, there is an incentive to spend more on health care than if the individual paid the full price of medical care. This increase in demand for medical services may drive up the cost of medical care for every-

II. HEALTH CARE ISSUES RELATING TO POST-RETIREMENT MEDICAL BENEFITS

A. Background

In general

Post-retirement medical benefit plans (i.e., retiree health plans) are plans maintained by employers to pay for all or a portion of the medical costs of retired employees of the employer (and possibly also their dependents) either directly or through insurance plans. Generally, the employer finances all or a significant portion of the cost of this benefit for the retiree. The costs for both the employer and the beneficiary of these retiree health benefits depends greatly on the age of the beneficiary.

For retirees under the age of 65, the employer-sponsored health benefit normally represents the primary source of medical insurance because such retirees generally are not eligible for Medicare benefits. The cost of insuring an early retiree usually exceeds the average cost of insuring a member of the active workforce because the cost of health insurance coverage generally increases with the age of the covered individual. However, the cost of providing this insurance through the employer plan is generally less expensive than what the retiree would pay for an individual policy with similar coverage. The coverage provided to early retirees is typically the same as that provided to the employer's active workforce. Some employers provide coverage to early retirees which terminates when the retiree attains age 65.

Nearly all individuals age 65 or older are eligible for Medicare. For these individuals, the employer-sponsored retiree health benefit acts as a supplement to Medicare. Because retiree health plans treat Medicare as the primary payor for medical expenses and these plans are coordinated with Medicare, the cost of this insurance is often significantly lower than the cost of insurance for active employees or early retirees. The Medicare Catastrophic Coverage Act of 1988 (P.L. 100-360), by expanding the scope of Medicare benefits, will reduce further the cost of employer-sponsored retiree health insurance for the age 65 and over population.²

Recently, there has been increasing focus on the value of post-retirement medical benefits that employers have promised their employees, and the issue of funding those benefits. The concern of employers is, in part, a reaction to the stated intent of the Financial Accounting Standards Board ("FASB") to require employers subject to the FASB rules to include the value of unfunded retiree health liabilities as a liability on annual financial statements. Com-

² The maintenance of effort provisions in the Act will initially require the employer to pass through to the retiree, some of the savings in the cost of retiree health benefits for two years.

panies may also be concerned, whether or not FASB requires such reporting, about the effect such unfunded liabilities may have on potential investors and creditors.

Currently, many employers do not prefund retiree health benefit liabilities, and the amount of unfunded liabilities may be substantial. Some employers have not funded these benefits because they assumed, based on an interpretation of present law that the benefits could be reduced or eliminated in the future if the cost of the benefits became too high.

Coverage

The reported number of retirees and dependents age 65 or older covered by retiree health care plans depends on the methodology and data source. The Department of Labor estimated there were 4.3 million retirees and dependents age 65 or older covered in 1983 while private estimates range as high as 7.6 million such persons covered in 1984; these correspond to 16 percent and 27 percent of the age 65 and over population, respectively.³ Intermediate estimates support the view that nearly 25 percent of the age 65 and over population received, in addition to Medicare, private insurance through an employer-sponsored retiree health plan in 1983.⁴

The number and proportion of retirees and dependents of retirees under the age of 65 covered by retiree health plans is smaller. The Department of Labor estimated 2.6 million retirees and dependents under the age of 65 were covered by these plans in 1983. Again, private estimates are higher and claim that the number of persons covered in 1984 was 3.8 million.⁵ These estimates correspond to 26 percent and 38 percent of those age 55 through 64 who were not in the labor force, respectively.

Estimates vary considerably on the number of current active employees who may eventually receive retiree health benefits. The Department of Labor estimated for 1983 that over 10 million then active employees age 40 and over (along with their eligible spouses and dependents) would eventually receive retiree health benefits if the plans were not changed. Other private estimates suggest that the number of eligible active employees who may receive benefits could be more than twice as great.⁶

A separate Department of Labor survey shows that 76 percent of full-time employees of medium and large firms participate in employee benefit plans that make them potentially eligible for post-retirement health benefits.⁷ However, participation in a benefit plan that includes post-retirement health insurance does not mean these active employees will eventually receive the benefit. Employees generally earn the right to post-retirement health benefits only

³ Office of Policy and Research, Pension and Welfare Benefits Administration, United States Department of Labor, "Employer-Sponsored Retiree Health Insurance", May, 1986. Chollet, "Retiree Health Insurance Benefits: Trends and Issues", Employee Benefit Research Institute, forthcoming, 1988.

⁴ Short and Monheit, "Employers and Medicare as partners in Financing Health Care for the Elderly", National Center for Health Services Research and Health Care Technology Assessment, December, 1987.

⁵ Department of Labor, and Chollet, *supra*.

⁶ Dopkeen, "Post-Retirement Health Benefits", *Health Services Research*, Vol. 21, No. 6, 1987.

⁷ U.S. Department of Labor, Bureau of Labor Statistics, *Employee Benefits in Medium and Large Firms, 1986*, June 1987.

Employer contributions to fund post-retirement medical benefits and the benefits provided under such plans to retired employees or their dependents are generally excludable from the gross income of such employee or beneficiary.

Under present law, tax-favored prefunding of post-retirement medical benefits can be accomplished in two basic ways: (1) through a tax-qualified pension plan by establishing a separate account under a pension or annuity plan that satisfies certain requirements (sec. 401(h)), or (2) through a welfare benefit fund (secs. 419 and 419(A)). In addition, distributions from qualified pension plans may be used by the plan participant to acquire post-retirement medical benefits, although the pension distribution generally is taxable to the retiree.

Under the separate account method of prefunding post-retirement medical benefits, a tax-qualified pension or annuity plan may provide for the payment of sickness, accident, hospitalization and medical expenses for retired employees, their spouses, and their dependents provided (1) certain additional qualification requirements are met, (2) and the medical benefits, when added to any life insurance protection provided under the plan, are incidental to the retirement benefits provided by the plan.

Under the second tax-favored funding method for retiree health benefits, an employer may establish a welfare benefit fund to provide for post-retirement medical benefits. If such fund satisfies certain requirements, employer contributions to the fund are deductible (within limits). The fund is also tax exempt if it is established as part of a voluntary employees' benefit association (VEBA) (sec. 501(c)(9)) providing for the payment of life, sick, accident, or other benefits to the members of such association or their dependents or designated beneficiaries, if no part of the net earnings of such association inure (other than through such payments) to the benefit of any private shareholder or individual and the VEBA satisfies certain rules prohibiting the provision of benefits on a basis that favors the employer's highly compensated employees (as defined in sec. 414(q)).

Although a VEBA generally is exempt from tax, it is taxable on its unrelated business taxable income (UBTI). Generally, income set aside to provide for post-retirement medical benefits is considered UBTI, although this rule does not apply to a VEBA if substantially all the contributions to the VEBA are made by employers who are exempt from income tax throughout the 5-taxable-year period ending with the taxable year in which the contributions were made.

The welfare benefit fund account limits permit an employer to fund retiree health benefits over the working life of the employee. In addition, benefits for individuals who have already retired may be funded immediately. In other words, the qualified direct costs generally represents the amounts expended during the year for current benefits.

There have been numerous proposals made in the retiree health area that would allow more extensive tax-favored prefunding by employers of post-retirement medical benefits than is allowed under present law. These proposals generally fall into one of five broad categories that are discussed in more detail below: (1) the

VEBA/sec. 401(h) model; (2) the defined health benefit plan; (3) the defined dollar benefit plan; (4) the defined contribution plan; and (5) the qualified retirement plan surplus approach.

INTRODUCTION

The Subcommittee on Oversight of the House Committee on Ways and Means has scheduled a public hearing on September 15, 1988, on employer-provided retiree health insurance issues.

The Subcommittee hearing will consider: (1) the availability of employer-provided retiree sponsored health insurance; (2) the liability associated with existing retiree health benefits; and (3) the factors impacting on the continued availability of retiree health benefits. In addition, the Subcommittee will review what steps, if any, the Federal Government should take to improve the funding, availability, and security of retiree health benefits.

This pamphlet,¹ prepared by the staff of the Joint Committee on Taxation, provides an overview of present-law tax rules, proposals, and issues relating to employer-provided retiree health insurance.

¹ This pamphlet may be cited as follows: Joint Committee on Taxation, *Overview of Present Law, Proposals, and Issues Relating to Employer-Provided Retiree Health Insurance* (JCS-15-88), September 13, 1988.

I. OVERVIEW

Post-retirement medical benefit plans (i.e., retiree health plans) are plans maintained by employers to pay for all or a portion of the medical costs of retired or former employees of the employer (and possibly also their dependents) either directly or by the purchase of insurance. Generally, the employer finances all or a significant portion of the cost of this benefit for the retiree. The cost for both the employer and the beneficiary of these retiree health benefits depends greatly on the age of the beneficiary. For retirees under the age of 65, the employer-provided health benefit normally represents the primary source of medical insurance because such retirees generally are not eligible for Medicare benefits. The cost of insuring an early retiree usually exceeds the average cost of insuring a member of the active workforce because the cost of health insurance coverage generally increases with the age of the covered individual. However, the cost of providing this insurance through the employer plan is generally less expensive than what the retiree would pay for an individual policy with similar coverage. The coverage provided to early retirees is typically the same as that provided to the employer's active workforce. Some employers provide coverage to early retirees that terminates when the retiree attains age 65.

Nearly all individuals age 65 or older are eligible for Medicare. For these people, the employer-sponsored retiree health benefit acts as a supplement to Medicare. Because retiree health plans treat Medicare as the primary payor for medical expenses and these plans are coordinated with Medicare, the cost of this insurance may be significantly lower than the cost of insurance for active employees and early retirees. The Medicare Catastrophic Coverage Act of 1988 (P.L. 100-360), by expanding the scope of Medicare benefits, will reduce further the cost of employer-sponsored retiree health insurance for the age 65 and over population.

The reported number of retirees and dependents age 65 or older covered by retiree health care plans depends on the methodology and data source. The Department of Labor estimated there were 4.3 million persons covered in 1983 while private estimates ranged as high as 7.6 million persons covered in 1984. Intermediate estimates support the view that nearly 25 percent of the age 65 and over population received, in addition to Medicare, private insurance through an employer-sponsored retiree health plan in 1983. The number and proportion of retirees and dependents of retirees under the age of 65 by retiree health plans is smaller.

The Department of Labor estimated that the total accrued liability (i.e., the net present value of post-retirement health benefits the rights to which both active and retired employees have currently earned) for all employers was \$98 billion at the end of 1983.

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Business and Health

Milt Freudenheim

Limiting Outlays For Retirees

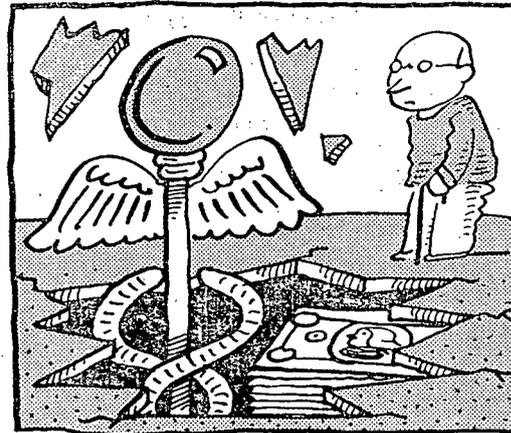
BREAKING with the pattern of open-ended commitments that many large employers have made to their retired workers, A.T.&T. and the regional telephone companies and their unions have agreed on important new limits on spending for retiree health care in the 1990's.

Their approach will reduce the companies' expenses by hundreds of millions of dollars when new accounting rules take effect in 1992. The measures were accepted by the phone unions at bargaining talks this summer, except at Nynex, where the unions are striking over other health-care issues.

The accounting changes were achieved by setting dollar ceilings, known as defined dollar benefits, on what the companies will pay for health care for future retirees. For example, the American Telephone and Telegraph Company agreed to contribute \$5,650 a year for each retiree with dependents in the under-65 age group. For retirees over 65, who are eligible for Federal Medicare insurance, the company will contribute \$1,800 for family coverage and \$500 for single retirees. The amounts are budgeting calculations and would not limit actual payments for an individual's medical bills.

Generous allowances have been made for inflation and for the expected effects of the expanded Medicare coverage for catastrophic illnesses. "If it weren't for inflation, Medicare catastrophic would cause the cost to decrease for the over-65 age group," said Michael J. Gulotta, president of Actuarial Sciences Associates, which is owned by A.T.&T. But if total costs exceed the agreed amount, future retirees would have to share in paying for the excess.

Under the agreements, the company may still be



Stuart Goldenberg

persuaded to increase its contribution during future bargaining, and the unions insist they are not accepting reduced benefits. A.T.&T., for example, agreed to discuss the dollar ceilings with the unions when their contracts come up for renewal in 1992 and 1995. In any case, A.T.&T. retirees would not have to bear new charges before 1995.

But the effect is to shift the responsibility for financing any inflationary increases in medical costs to the future retirees. For current retirees, the companies bear the entire burden of health-care inflation.

An important consequence will be to reduce the expenses listed in the companies' earnings statements, under new rules proposed by the Financial Accounting Standards Board, known as F.A.S.B. "We've given ourselves a mechanism to limit our F.A.S.B. liability," said Ellen Friedman, manager of benefit planning at Ameritech, the Chicago-based regional telephone company.

At least two large employers, the Pillsbury Company and TRW Inc., have made similar changes affecting nonunionized retirees. But the new tele-

phone agreements, with the Communications Workers of America and the International Brotherhood of Electrical Workers, are believed to be the first accepted in major union contracts.

The pattern was set at A.T.&T. and followed, with variations, in the regional negotiations, according to management executives and union officials. Some of the regional contracts are still subject to ratification by the unions' memberships.

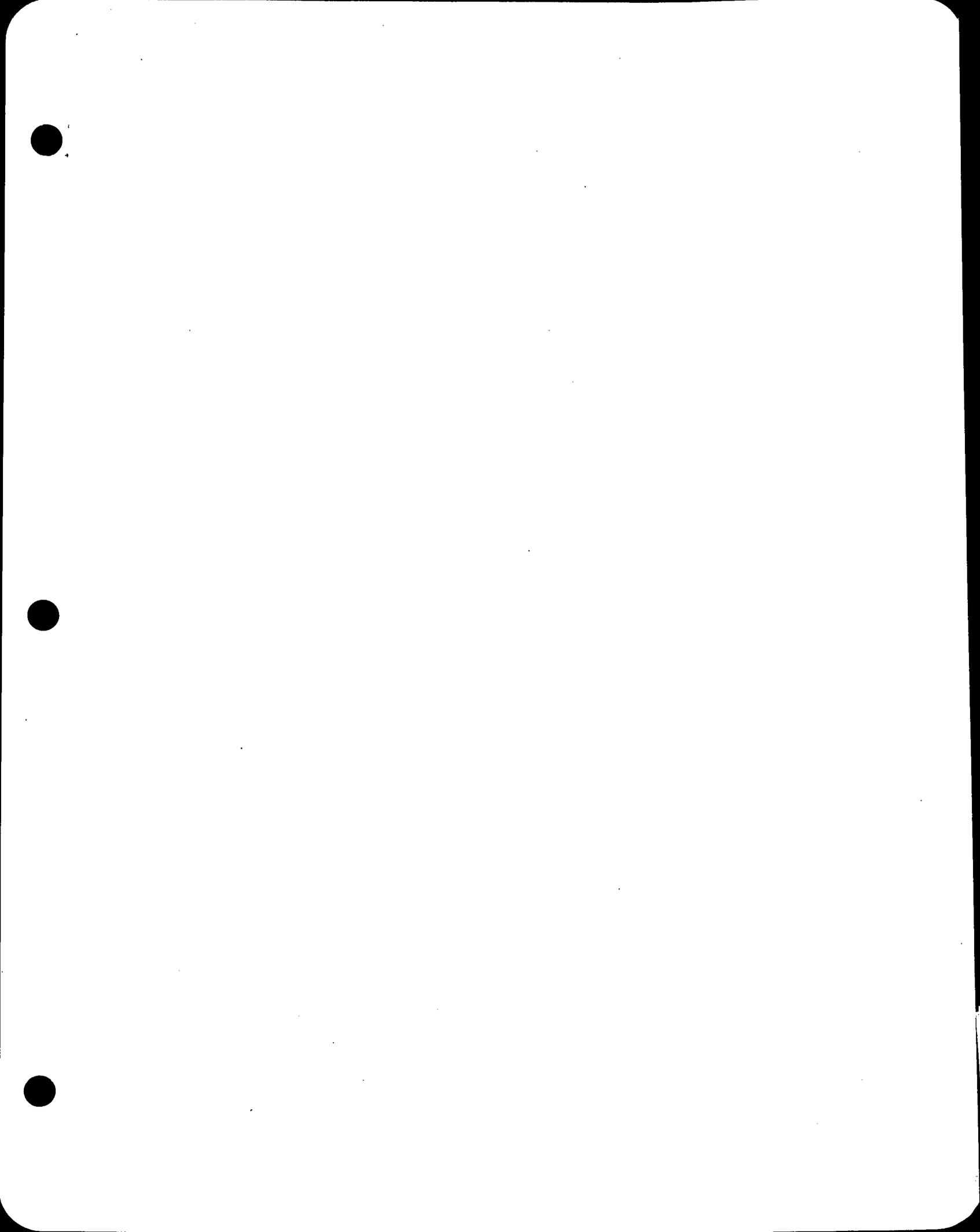
The unions were willing to help the companies with their accounting problem, said Louise Novotny, a Communications Workers economist. But the dollar amounts had to be high enough to cover current costs and increases expected during the three-year contracts.

"It was a clever compromise — putting in a structure that has major long-term opportunity but really deferring any real impact to beyond the current union contract," said Richard Ostuw, a vice president in Cleveland at TPFC & Company, a benefits consulting unit of Towers Perrin.

He said a hypothetical company with 40,000 employees and \$10 million in current expenses for retirees might see its accounting for annual expenses under the proposed F.A.S.B. requirements rise to \$100 million. By adopting the defined dollar approach, and thus sidestepping the need to estimate future inflation rates, the expense item might be only \$30 million, Mr. Ostuw said.

But benefits consultants pointed to a down side to the defined dollar arrangements: They do nothing to hold down health care costs. "It's simply shifting; it puts it on the back of the retirees," said Donald G. McKinnon, a managing director in Stamford, Conn., with Mercer Meidinger Hansen.

Ameritech has already taken steps to meet future costs. It has committed \$100 million to a tax-favored account called a Volunteer Employee Benefit Association, or VEBA, to pay for future retirees' health care. BellSouth and Bell Atlantic are also planning to open VEBA accounts for retiree health costs.



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APP. I

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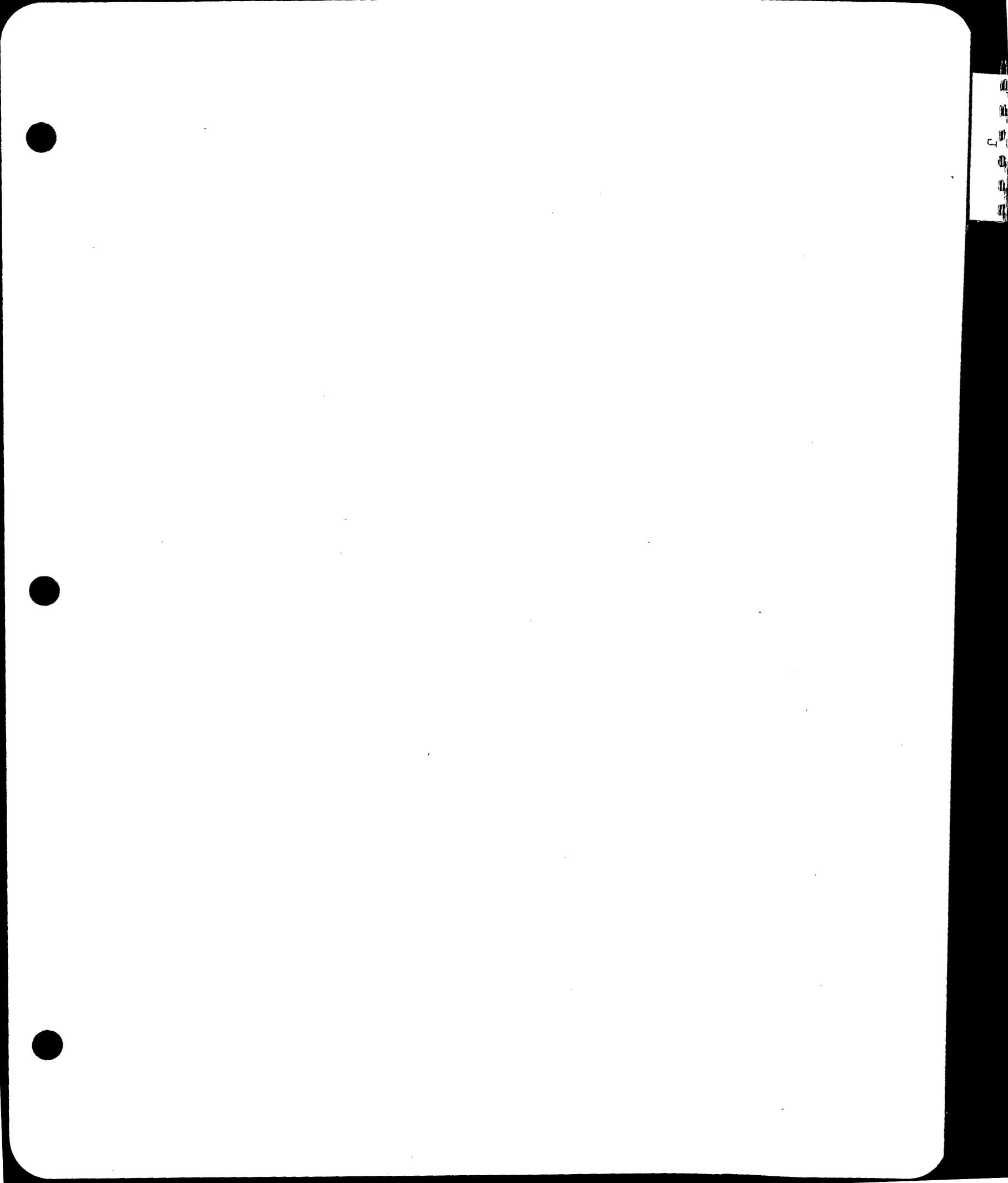
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GM retirees sue over benefits

Chicago Tribune News Service

WASHINGTON — The growing national debate over funding health benefits for retired workers entered the courts Tuesday as 84,000 retirees of General Motors Corp. brought a class-action suit claiming their benefits had been illegally reduced.

The suit focuses on changes GM made to health plans for current salaried employees and the retirees on July 1, 1988.



APP. J

STOEL RIVES BOLEY JONES & GREY

ATTORNEYS AT LAW
SUITE 2300
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900 SW FIFTH AVENUE
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Telex 703455

Writer's Direct Dial Number
(503) 294-9239

September 18, 1989

Mr. Laurence Kressel
Multnomah County Counsel
15th Floor
1120 SW Fifth Avenue
Portland, OR 97204

Re: Retiree Medical Benefit Program

Dear Larry:

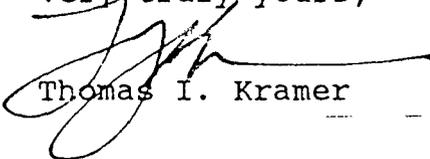
Enclosed is:

Memorandum on retiree benefits (one copy).

The memorandum enclosed sets out, with citations, the conclusions reached at our meeting with Darrell Murray on September 13 regarding the County's retiree medical benefit program. As you can see, there are complications associated with prefunding benefits through either a pension plan or a formal trust. A more informal funding arrangement may better suit the County's needs, subject to accounting and employee relations considerations. However the benefits are funded, they should not be taxable to the retirees either while they are currently employed or after they retire. The law is still developing on the extent to which retiree benefits may be amended, particularly as to individuals who have already retired under the program. Contract principles apply, so that amendment or termination is permissible if the right to amend or terminate has been reserved.

If you have questions or if anything further is required, please call us.

Very truly yours,


Thomas I. Kramer

RECEIVED

SEP 20 1989

COUNTY COUNSEL FOR
MULTNOMAH COUNTY, ORE.

TIK/edc
cc: Mr. Thomas P. Deering
tik5

STOEL RIVES BOLEY JONES & GREY

M E M O R A N D U M

September 18, 1989

TO: MR. LAURENCE KRESSEL
FROM: THOMAS I. KRAMER
RE: Retiree Medical Benefit Program

This memorandum will discuss issues relating to funding of the County's retiree medical benefit program, taxability of the benefits and the County's rights to amend or terminate the program.

1. Prefunding of Benefits

There is no requirement that retiree medical benefits be prefunded. Indeed, most employers who provide these benefits do so on a pay-as-you-go basis. The magnitude of the liability, the desire to anticipate sharp increases in expenditures and the expectation of a financial accounting standard has caused a number of employers to consider prefunding retiree health benefits.

1.1 Pension Plan Funding - A rarely used method for funding post-retirement medical benefits is an account held under a qualified pension plan. See IRC § 401(h). Contributions to fund post-retirement medical benefits may not exceed 25 percent of total plan contributions, such benefits must be paid solely from the funds accumulated to provide the benefits and the funds set aside must be unreachable for any purpose other than providing benefits until all liabilities for benefits have been satisfied, at which point any surplus assets must be returned to the employer. Treas Reg § 1.401-14(c). Special accounting rules apply to benefits held for key employees, IRC § 401(h)(6), and amounts allocated to the accounts for those individuals count against the limits on pension benefits for them. IRC § 415(l).

In the County's case, use of a § 401(h) account is further complicated by the fact that the County's employees participate in OPERS. We would need to persuade the OPERS plan administrator to maintain such an account for employees of the County. I do not know how difficult it would be to persuade OPERS to do this. Violation of these requirements could subject the OPERS retirement plan to disqualification under the

Mr. Laurence Kressel
September 18, 1989
Page 2

Internal Revenue Code, at least as to funds held for employees of the County, and possibly for all covered individuals.

1.2 Trust Funding - Another secure means for prefunding retiree medical benefits is through a voluntary employees' beneficiary association (VEBA) trust fund. See IRC § 501(c)(9). Because the trust has a separate existence from the employer, assets are segregated from the employer's other assets and must be used exclusively to provide benefits. To the extent any funds revert to the employer, there is an excise tax of 100 percent of the amount reverting imposed on the employer, and no apparent exemption for governmental employers. IRC § 4976(a), (b)(1)(C). There are also reporting and recordkeeping requirements, which reflect the trust's separate existence. See IRC § 6033; IRS Form 990. In general, a VEBA trust can not be used satisfactorily to provide post-retirement medical benefits because earnings on the funds set aside are unrelated business taxable income to the trust. There is an exception, however, for employer contributions to such a trust by a tax-exempt employer. IRC § 512(a)(3)(E)(iii). Thus, a VEBA trust might be used by the County, if absolute dedication of the funds and reporting and recordkeeping requirements are not perceived as a serious obstacle.

1.3 Informal Funding - Given that there is no need to fund the promised benefits at all, some more informal "funding" method might be desirable. This might consist of an account that is segregated from the general assets of the County with the expectation, but no guarantee, that the funds would be used to provide post-retirement medical benefits. The existence of the account might make budgeting for the expense simpler and might provide some assurance that the funds accumulated would not likely be used for other purposes. There would be no legal requirement to account separately for the funds, nor to make them inaccessible to the County.

It is expected that the Financial Accounting Standards Board will soon require private employers to account currently for the liability to provide post-retirement medical benefits in the future to the extent funds have not been set aside for this purpose. The Government Accounting Standards Board may in due course follow suit, and it is unlikely that the sort of informal "funding" discussed above will satisfy the accounting standard.

Mr. Laurence Kressel
September 18, 1989
Page 3

2. Taxability of Benefits

Contributions to a fund to provide post-retirement medical benefits are not treated as taxable income, currently or at retirement, to the employees who become entitled to benefits under the program. IRC § 106; Rev Rul 82-196, 1982-2 CB 53. Similarly, the benefits received, in the form of paid claims or reimbursement, are nontaxable to retirees to the same extent they would be nontaxable if the individual were a current employee. IRC § 105(b); Rev Rul 185-121, 1985-2 CB 57. Special rules may apply where the post-retirement medical benefits discriminate in favor of highly compensated employees. See IRC § 89(j)(3); Technical and Miscellaneous Revenue Act of 1988 § 3021(c)(2); H Conf Rep No. 841, 99th Cong, 2d Sess II-534, reprinted in 1986 US Code Cong & Ad News 4075, 4622.

3. Amendment or Termination of Program

There is no general requirement that post-retirement medical benefits become vested or nonforfeitable at any particular time. West v. Greyhound Corp., 813 F.2d 951, 954 (9th Cir 1987). ERISA does require that every employee benefit plan "be established and maintained pursuant to a written instrument," ERISA § 402(a)(1), 29 USC § 1102(a)(1), but even this requirement does not apply to governmental plans. ERISA § 4(b)(1), 29 USC § 1003(b)(1). The fiduciary requirements in ERISA have been interpreted not to prohibit an employer who is also a plan fiduciary from modifying benefits, which is generally considered a corporate, nonfiduciary act. E.g., Sutton v. Weirton Steel Division of National Steel Corp., 724 F.2d 406, 411 (4th Cir 1983), cert denied, 467 US 1205 (1984).

At least one court has squarely rejected the notion that post-retirement medical benefits vest when an eligible employee retires. In re White Farm Equipment Co., 788 F.2d 1186, 1192-93 (6th Cir 1986), rev'g 42 BR 1005 (ND Ohio 1984). Instead, the court looked to basic contract law to determine whether the parties intended that the benefits would vest or whether they may be amended or terminated. UAW v. Yard-Man, Inc., 716 F.2d 1476, 1479-80 (6th Cir 1983), cert denied, 465 US 1007 (1984). Where the terms of the plan are clear and unambiguous, those terms will control despite the presence of contrary extrinsic evidence. Anderson v. Alpha Portland Industries, Inc., 836 F.2d 1512, 1517 (8th Cir 1988), cert denied, 109 S Ct 1310 (1989). There is some dispute about whether the plan summary is a part of the contract or is

Mr. Laurence Kressel
September 18, 1989
Page 4

extrinsic evidence. Compare Bower v. Bunker Hill Co., 725 F.2d 1221, 1224 (9th Cir 1984) (summary is extrinsic evidence) with Moore v. Metropolitan Life Insurance Co., 856 F.2d 488, 492 (2d Cir 1988) (summary is part of contract). Where the express terms of the contract are ambiguous, not only is extrinsic evidence admissible, but there may be an inference that retiree benefits will continue as long as retiree status remains unchanged. UAW v. Yard-Man, Inc., 716 F.2d at 1482. This inference does not rise to the level of a presumption and standing alone "would be insufficient to find an intent to create interminable benefits." Id. See also Anderson v. Alpha Portland Industries, Inc., 836 F.2d at 1517; UAW v. Cadillac Malleable Iron Co., 728 F.2d 807, 808 (6th Cir 1984).

The collective bargaining agreements to which the County is a party vary to some degree, but all provide generally that retirees who meet certain requirements "shall be carried by the County on the group medical health plan." Most of the agreements provide that the medical benefits for active employees will be maintained at current levels except to the extent modifications are agreed upon by the parties to the collective bargaining agreement. This implies that some modification to the retirees' benefits is contemplated. It may be desirable to make this more explicit in the collective bargaining agreements or other documents comprising the retiree benefit program.

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An Ordinance relating to establishment of a retiree medical insurance account.

Section 1. Findings.

1. Multnomah County (hereinafter "County") provides some of its employees with county-paid medical insurance benefits following retirement, subject to certain conditions.

2. The County pays such obligations as they come due (i.e. on a "pay-as-you-go" basis).

3. The "pay as you go" funding method produces an unfunded actuarial liability.

4. The County's pension system accrued a seventy-five million dollar unfunded liability prior to the County's entrance into the Public Employee Retirement System in 1982 and the Board desires to avoid similar unfunded liabilities in the future.

5. There is growing sentiment in Congress and among accounting regulatory bodies that retiree medical insurance obligations should be the subject of greater scrutiny and concern.

6. The lack of advance funding of authorized retiree insurance medical benefits could jeopardize those benefits if the County's future income proves less than what was expected at the time the benefits were authorized.

7. Deferral of funding of authorized retiree insurance benefits creates an inaccurate view of the true cost of authorizing such benefits when they are authorized, and may result in the making of greater on-going financial commitments than can be sustained in light of future costs and revenues.

8. The full cost of retiree medical insurance benefits are a significant component of total compensation which should be accounted for in the bargaining process and in establishing the compensation of exempt employees.

9. It is the desire of the Board of County Commissioners to avoid the adverse effects of the "pay as you go" method of funding retiree insurance obligations by prefunding such obligations insofar as the Board, from time to time in its discretion, deems to be compatible with overall County financial priorities.

Section Two. Establishment of Account.

There is hereby created, effective July 1, 1990 an account in the County's general ledger known as the "General Employee Retiree Insurance Account" (hereinafter "the Account" or "Account").

Section Three. Budget Charges.

A. Beginning July 1, 1990 the budgets of county departments shall be charged amounts determined by actuarial study to reasonably approximate the level percentage of straight time pay of covered employees necessary, in combination with the contributions of all departments and interest earned on those amounts, to fund authorized retiree medical insurance premium payments on behalf of eligible employees retiring on or after July 1, 1990.

B. Charges to department budgets under subsection A of this section shall be based on the straight-time wages of only those employees in the department who are covered by a collective bargaining agreement or ordinance which authorizes county-paid medical insurance premiums on their behalf following retirement.

C. In the event employee groups other than those currently covered by a contract or ordinance authorizing county payment of retiree medical insurance premiums following retirement become covered by such a contract or ordinance, funding of any county liability for such benefits shall be managed in the same manner as provided for other employees under this ordinance; PROVIDED, that

any funding or actuarial study of County obligations for members of the Corrections Officers bargaining unit or the Deputy Sheriffs bargaining unit shall each be segregated from the funding and actuarial projections for all other groups of employees. In furtherance of this objective, the Finance Director and Budget Directors may jointly establish on the county's general ledger separate accounts for each of these units, if such benefits are extended to said bargaining units.

Section Four. Sources of Funds.

Only County contributions and the return on investment thereof shall be placed in the Account. No contribution by an employee or retiree may be placed in the Account.

Section Five. Actuarial Studies and Setting of Charges.

A. The initial contribution rate charged to department budgets as provided in Section Three above shall be _____.

B. The Director of Finance, Department of General Services, shall cause an actuarial study to be conducted no later than January 1, 1992 but not before July 1, 1991, to determine the adequacy of the contribution rate to prefund authorized retiree medical insurance premium payments on behalf of eligible retirees. The Director of Finance shall cause subsequent actuarial studies to be performed for the same purpose at least once every third year thereafter. The Directors of Finance and Budget shall confer, develop and report to the Board recommendations concerning adjustments to the contribution rate, based on the results of the actuarial studies.

Section Six. Expenditures for Managing The Account.

Expenses incurred for purposes of managing the Account including, but not limited to, charges for retiree medical insurance premiums and the cost of

actuarial studies required under Section Five above, shall be payable from the Account.

Section Six. Funding of Certain Obligations From Other Sources.

Retiree medical insurance premiums which the County is obligated to pay on behalf of employees retiring prior to July 1, 1990 shall be funded from such sources as the Board directs, but shall not be charged to any account created pursuant to this ordinance.

Section Eight. Loss of Tax Preferred Status.

In the event the State or federal governments substantially alter the tax preferred status of employer premiums paid on behalf of retirees, the Director of the Department of General Services shall promptly direct the undertaking of a study of tax preferred or tax sheltered alternatives for providing retiree insurance or substitute benefits, and shall promptly report to the Board the results of the study, including related recommendations.

Section Nine. State and Federal Mandates.

In the event the state or federal government mandates county participation in and payment, in whole or in part, for a retiree medical insurance benefit plan which, in the Board of County Commissioners' judgment, provides substantially equivalent benefits the County may modify or discontinue the benefits provided hereunder.

Section Ten. Adoption.

This Ordinance, being necessary for the health, safety, and general welfare of the people of Multnomah County, shall take effect on the thirtieth (30th) day after its adoption, pursuant to Section 5.50 of the Charter of Multnomah County.

ADOPTED this _____ day of _____, 19____, being the date of
its _____ reading before the Board of County Commissioners of Multnomah
County.

BOARD OF COUNTY COMMISSIONERS
MULTNOMAH COUNTY, OREGON

Gladys McCoy
Multnomah County Chair

REVIEWED:

Laurence Kressel, COUNTY COUNSEL
FOR MULTNOMAH COUNTY, OREGON

By _____
Mark Williams
Assistant County Counsel

SECRET

APPENDIX L - SCHEDULE OF COSTS

The following schedule shows for the next seven years the cost of prefunding medical insurance benefits for retirees. The schedule is based on the low trend assumptions used by Milliman and Robertson. These assumptions would add a charge to all personnel budgets equal to 1.35 percent of base pay. As the schedule shows, over the next seven years prefunding retiree medical insurance will directly increase General Fund costs about \$3.4 million. The total cost of prefunding will be about \$6.2 million.

FUND	1990-91 Funding Cost 1.35%	1991-92 Funding Cost 1.35%	1992-93 Funding Cost 1.35%	1993-94 Funding Cost 1.35%	1994-95 Funding Cost 1.35%	1995-96 Funding Cost 1.35%	1996-97 Funding Cost 1.35%	SEVEN YEAR TOTAL
TOTAL GENERAL FUND COSTS	414,787	435,349	456,507	483,666	512,452	542,962	575,299	3,421,022
TOTAL ROAD FUND COSTS	55,068	57,821	60,654	64,293	68,151	72,240	76,575	454,802
TOTAL FEDERAL/STATE COSTS	212,158	222,766	233,681	247,702	262,564	278,318	295,017	1,752,205
TOTAL ANIMAL CONTROL COSTS	13,533	14,209	14,906	15,800	16,748	17,753	18,818	111,767
TOTAL BRIDGE FUND COSTS	13,100	13,755	14,429	15,295	16,213	17,185	18,217	108,194
TOTAL CABLE FUND COSTS	803	843	884	937	994	1,053	1,116	6,630
TOTAL D P FUND COSTS	26,720	28,056	29,431	31,197	33,069	35,053	37,156	220,684
TOTAL INSURANCE FUND COSTS	2,622	2,753	2,888	3,061	3,245	3,439	3,646	21,652
TOTAL FLEET FUND COSTS	10,149	10,656	11,178	11,849	12,560	13,313	14,112	83,816
TOTAL TELEPHONE FUND COSTS	1,999	2,099	2,202	2,334	2,474	2,622	2,780	16,509
TOTAL ALL FUNDS	750,937	788,307	826,760	876,135	928,468	983,939	1,042,735	6,197,282

ORDINANCE No. _____

An Ordinance relating to retiree medical insurance for employees not covered by collective bargaining agreements, amending Ordinance no. 534, and repealing Ordinance no. 295.

Section One. Findings.

1. Multnomah County, Oregon (hereinafter "County") employs a variety of individuals in managerial capacities referred to as "Exempt" employees.
2. Certain of the County's union-represented employees enjoy, upon retirement, a limited county-paid retiree medical insurance benefit.
3. It appears Exempt retirees receive similar benefits based on historic administrative direction.
4. It is the desire of the Board of County Commissioners to extend this benefit to Exempt employees as a matter of Board policy, subject to certain limitations.

Section Two. Amendment. The following section is added to Exhibit B of Ordinance 534:

"Retiree Medical insurance.

- a. Each Exempt employee who attains age fifty eight (58) years and thereafter retires from the County on a non-disability retirement with five (5) years of continuous County service immediately before retirement shall be entitled to participate in any County group medical insurance plan offered to active exempt employees and one half (1/2) the premium shall be paid by the County.
- b. An Exempt employee who retires on a non-disability retirement prior to age fifty-eight (58) years who, at the time of retirement from the County, has ten (10) or more years total county service, may participate on a

self-paid basis in the active exempt employees' medical insurance plan if such participation is continuous from the date of retirement. At age fifty-eight (58) years, any such employee who has continuously participated in the Exempt employees medical plan since retirement may receive county-paid benefits hereunder.

c. Part-time service of twenty (20) hours per week or more shall be credited toward the service requirements under "a" and "b" on a prorated basis (i.e., twenty (20) hours per week for two (2) months would be the equivalent of one (1) month full-time service).

d. A retiree waives all entitlement under this section unless he or she pays his or her portion of the premium each month in a timely manner as prescribed by the County's Finance Division, and participates continuously from the time of retirement.

e. The county-paid benefit provided hereunder shall extend from age fifty-eight (58) years or retirement, whichever is later, until the employee's death, sixty-fifth (65th) birthday, or eligibility for Medicare, whichever first occurs, but the retiree may continue coverage after Medicare eligibility by paying the full premium due as determined by the County.

f. At times prescribed by the County, the retiree may elect single, two party or family coverage.

g. The medical insurance plans provided under this section are the same as are offered to active Exempt employees. Termination or changes of benefits or plan administrators, carriers, or administrative procedures affecting active Exempt employees will also apply to covered retirees. In addition, in the event the state or federal government mandates County participation in a plan of benefits which, in the Board of County

Commissioners' judgement, provides substantially equivalent benefits the County may modify or discontinue the benefits provided hereunder. The County retains the right to rescind this benefit without notice or reason at any time prior to the retirement of the affected employee.

Section Three. Repealer. Ordinance No. 295 is hereby repealed.

Section Four. Adoption. This Ordinance, being necessary for the health, safety, and general welfare of the people of Multnomah County, an emergency is declared and the Ordinance shall take effect upon its execution by the County Chair, pursuant to Section 5.50 of the Charter of Multnomah County.

ADOPTED this _____ day of _____, 1989, being the date of its _____ reading before the Board of County Commissioners of Multnomah County.

Board of County Commissioners of
Multnomah County, Oregon

Gladys McCoy
Multnomah County Chair

Reviewed:

LAURENCE KRESSEL, COUNTY COUNSEL
FOR MULTNOMAH COUNTY, OREGON

By: _____
Mark Williams
Deputy County Counsel

ANNOTATED AGENDA

Thursday, October 26, 1989, 10:15 AM

Multnomah County Courthouse, Room 602

Formal Agenda

REGULAR AGENDA

BOARD OF COUNTY COMMISSIONER

- R-1 In the matter of presentation of National Association of Counties (NACo) 1989, County Achievement Awards to Black Youth Advocates Program/Court Watch; Special Needs Housing Program; Community Coalition for Homeless Youth; Housing Opportunity Program: "Lincoln Place Homes"; Film Permits; Aging Services Division Mental Health Program; Women's Transition Programs; Citizen Involvement Community Programs

NO ACTION REQUIRED

- R-2 In the matter of the appointments to the Children and Youth Services Commission, Professionals: Cornetta Smith, Judge Bergman, Dr. Sarojini Budden, Frank McNamara, Rev. Don Frazier, Adam Lee Po Cha, Sharon McCluskey; Lay Citizens: Jillene Lamb, Consuelo Saragoza, [Duncan Campbell,] Shirley Hamilton, Muriel Goldman, Bill Prows, Jan Johnson, Jarold Gillham

APPROVED ALL BUT DUNCAN CAMPBELL WHO REQUESTED HIS NAME BE WITHDRAWN

DEPARTMENT OF ENVIRONMENTAL SERVICES

- R-3 Budget Modification DES #5 requesting creation of position of Administrative Technician which will relieve employees in higher classifications of some administrative responsibilities

APPROVED

DEPARTMENT OF HUMAN SERVICES

R-4 Budget Modification DHS #22 requests approval to increase various SSD budgets, DD Operations increased \$7,865, DD Contracts increased \$12,843, MED Contracts increased \$363,678 and A&D Contracts increased \$31,060, a net total of \$415,596 to reflect action in Amendment #6-R to the State Mental Health Grant

APPROVED

R-5 Budget Modification DHS #23 decreases the Aging Services Division, Community Action Program FY 89-90 Materials and Services budget by \$291; adds 1.34 FTE to the FY 89-90 budget, and adds \$2,686 to the General Fund contingency

APPROVED

R-6 In the matter of ratification of intergovernmental agreement with seven (7) school districts, Centennial, David Douglas, Dexter McCarty, Gordon Russell, Gresham/Barlow, Parkrose and Portland Public, to provide consultation and counseling services

APPROVED

DEPARTMENT OF JUSTICE SERVICES

R-7 Budget Modification DJS #7 requests to transfer \$20,772 from Community Corrections Contracts to add one FTE Community Projects Leader in the Community Services Gorge Project funded by CCA Enhancement Grant

APPROVED

R-8 Notice of Intent to file grant application with the Bureau of Justice Assistance for an Innovative Drug Prosecution Interjurisdictional Demonstration Project for \$197,252, for demonstration on the investigation of and prosecution of methamphetamine manufacture and distribution

APPROVED

PUBLIC CONTRACT REVIEW BOARD

(Recess as the Board of County Commissioners and reconvene as the Public Contract Review Board)

R-9 Order in the Matter of Exempting from Public Bidding of a contract for weatherization services at the Broadmoor Hotel by Central City Concern

APPROVED

R-10 Order in the Matter of Exempting from Public Bidding the purchase of twelve hand-held computer inspection systems from Oregon Digital System

APPROVED

0628C.1-3

The Board of Commissioners of Multnomah County met at the Courthouse at 9:30 A.M. this date.

Present: Commissioner Gladys McCoy, Chair; Commissioner Pauline Anderson; Commissioner Gretchen Kafoury; Commissioner Rick Bauman; Commissioner Sharron Kelley.

The following proceedings were had:

- In the matter of presentation of National)
- Association of Counties (NACo) 1989, County)
- Achievement Awards to Black Youth Advocates)
- Program/Court Watch; Special Needs Housing)

Program; Community Coalition for Homeless)
Youth; Housing Opportunity Program: "Lincoln)
Place Homes"; Film Permits; Aging Services)
Division Mental Health Program; Women's)
Transition Programs; Citizen Involvement)
Community Programs R-1)

Commissioner McCoy presented awards to the following individuals for programs which had also been recognized by the National Association of Counties for 1989:

Housing Opportunity Program/Lincoln Place Homes

Cecile Pitts

Special Needs Housing

Cecile Pitts

Black Youth Advocacy Program/Court Watch

Hal Ogburn

Community Coalition for Homeless Youth

Gary Smith (by Mike Morrison)

Aging Services Division Mental Health Program

Jim McConnell

Citizen Involvement Community Programs

Dennis Payne

Film Permits

John _____ (no last name was given)

Women's Transition Programs

Joanne Fuller

NO ACTION REQUIRED

In the matter of the appointments to the Children)
and Youth Services Commission, Professionals:)
Cornetta Smith, Judge Bergman, Dr. Sarojini Budden,)
Frank McNamara, Rev. Don Frazier, Adam Lee Po Cha,)
Sharon McCluskey; Lay Citizens: Jillene Lamb,)
Consuelo Saragoza, Shirley Hamilton,)
Muriel Goldman, Bill Prows, Jan Johnson,)
Jarold Gillham R-2)

Upon motion of Commissioner Kelley, duly seconded by
Commissioner Kafoury, it is unanimously

ORDERED that said appointment(s) be confirmed.

In the matter of the Budget Modification DHS #5,)
requesting creation of position of Administrative)
Technician which will relieve employees in higher)
classifications of some administrative)
responsibilities R-3)

Upon motion of Commissioner Anderson, duly seconded by

Commissioner Kafoury, it is unanimously

ORDERED that said request be approved, and budget modification be implemented.

Commissioner McCoy excused Commissioner Bauman at this time.

Budget Modification DHS #22 requests approval)
to increase various SSD budgets, DD Operations)
increased \$7,865, DD Contracts increased \$12,843,)
MED Contracts increased \$363,678 and A&D)
Contracts increased \$31,060, a net total of)
\$415,596 to reflect action in Amendment #6-R to)
the State Mental Health Grant R-4)

Upon motion of Commissioner Kelley, duly seconded by Commissioner Anderson, it is unanimously

ORDERED that said request be approved, and budget modification be implemented.

Budget Modification DHS #23 decreases the Aging)
Services Division, Community Action Program)
FY 89-90 Materials and Services budget by \$291;)
adds 1.34 FTE to the FY 89-90 budget, and adds)
\$2,686 to the General Fund contingency R-5)

Upon motion of Commissioner Kelley, duly seconded by
Commissioner Anderson, it is unanimously

ORDERED that said request be approved, and budget
modification be implemented.

In the matter of ratification of inter-)
governmental agreement with seven (7) school)
districts, Centennial, David Douglas, Dexter)
McCarty, Gordon Russell, Gresham/Barlow, Parkrose)
and Portland Public, to provide consultation and)
counseling services R-6)

Upon motion of Commissioner Kelley, duly seconded by
Commissioner Anderson, it is unanimously

ORDERED that said Intergovernmental Agreement be ratified.

Budget Modification DJS #7 requests to transfer)
\$20,772 from Community Corrections Contracts to add)
one FTE Community Projects Leader in the Community)
Services Gorge Project funded by CCA Enhancement)
Grant R-7)

Upon motion of Commissioner Kafoury, duly seconded by
Commissioner Anderson, it is unanimously

ORDERED that said request be approved, and budget
modification be implemented.

Notice of Intent to file grant application with)
the Bureau of Justice Assistance for an Innovative)
Drug Prosecution Interjurisdictional Demonstration)
Project for \$197,252, for demonstration on the)
investigation of and prosecution of methamphetamine)
manufacture and distribution R-8)

Upon motion of Commissioner Kafoury, duly seconded by
Commissioner Anderson, it is unanimously

ORDERED that said Notice of Intent be approved.

(Recess as the Board of County Commissioners and reconvene
as the Public Contract Review Board)

In the Matter of Exempting from Public Bidding)
of a contract for weatherization services at the)
Broadmoor Hotel by Central City Concern R-9)

Upon motion of Commissioner Kafoury, duly seconded by
Commissioner Anderson, it is unanimously

ORDERED that said Order be approved.

(See Page _____ for copy)

In the Matter of Exempting from Public Bidding)
the purchase of twelve hand-held computer)
inspection systems from Oregon Digital System)

Upon motion of Commissioner Anderson with condition that they be brought in to the Commission for explanation, duly seconded by Commissioner Kafoury, unanimously

ORDERED that said Order be approved.

(See Page _____ for copy)

DATE SUBMITTED 10/19/89

(For Clerk's Use)
Meeting Date OCT 26 1989
Agenda No. R-1

REQUEST FOR PLACEMENT ON THE AGENDA

Subject: Presentation of Awards

Informal Only* _____
(Date)

Formal Only 10/26/89
(Date)

DEPARTMENT Nondepartmental DIVISION County Chair's Office

CONTACT Fred Neal TELEPHONE 248-3308

*NAME(S) OF PERSON MAKING PRESENTATION TO BOARD Fred Neal/Gladys McCoy

BRIEF SUMMARY Should include other alternatives explored, if applicable, and clear statement of rationale for the action requested.

Presentation of National Association of Counties (NACo) 1989 County Achievement Awards to Black Youth Advocates Program/Court Watch; Special Needs Housing Program; Community Coalition for HOMEless Youth; Housing Opportunity Program: "Lincoln Place Homes"; Film Permits; Aging Services Division Mental Health Program; Women's Transition Programs

(IF ADDITIONAL SPACE IS NEEDED, PLEASE USE REVERSE SIDE)

ACTION REQUESTED:

INFORMATION ONLY PRELIMINARY APPROVAL POLICY DIRECTION APPROVAL

INDICATE THE ESTIMATED TIME NEEDED ON AGENDA 10 minutes

IMPACT:

PERSONNEL
 FISCAL/BUDGETARY
 General Fund
 Other _____

BOARD OF
COUNTY COMMISSIONERS
1989 OCT 19 PM 3:02
MULTNOMAH COUNTY
OREGON

SIGNATURES:

DEPARTMENT HEAD, ELECTED OFFICIAL, or COUNTY COMMISSIONER: Gladys McCoy

BUDGET / PERSONNEL _____

COUNTY COUNSEL (Ordinances, Resolutions, Agreements, Contracts) _____

OTHER _____
(Purchasing, Facilities Management, etc.)

NOTE: If requesting unanimous consent, state situation requiring emergency action on back.

DATE SUBMITTED 10/5/89

(For Clerk's Use)
Meeting Date OCT 26 1989
Agenda No. _____

R-2

REQUEST FOR PLACEMENT ON THE AGENDA

Subject: Appointments

Informal Only* _____
(Date)

Formal Only Thursday, Oct. 12, 1989
(Date)

DEPARTMENT County Chair

DIVISION _____

CONTACT Judy Boyer

TELEPHONE 248-3308

*NAME(S) OF PERSON MAKING PRESENTATION TO BOARD _____

BRIEF SUMMARY Should include other alternatives explored, if applicable, and clear statement of rationale for the action requested.

Children and Youth Services Commission.

(IF ADDITIONAL SPACE IS NEEDED, PLEASE USE REVERSE SIDE)

ACTION REQUESTED:

INFORMATION ONLY PRELIMINARY APPROVAL POLICY DIRECTION APPROVAL

INDICATE THE ESTIMATED TIME NEEDED ON AGENDA _____

IMPACT:

PERSONNEL
 FISCAL/BUDGETARY
 General Fund
 Other _____

BOARD OF
COUNTY COMMISSIONERS
1989 OCT - 5 PM 1:41
MULTI-COUNTY
OREGON

SIGNATURES:

DEPARTMENT HEAD, ELECTED OFFICIAL, or COUNTY COMMISSIONER: *Gladys McCoy*

BUDGET / PERSONNEL _____

COUNTY COUNSEL (Ordinances, Resolutions, Agreements, Contracts) _____

OTHER _____
(Purchasing, Facilities Management, etc.)

NOTE: If requesting unanimous consent, state situation requiring emergency action on back.

MULTNOMAH COUNTY

CHILDREN AND YOUTH SERVICES COMMISSION

FOR ADOPTION 10/26/89

TERMS

10/92	Professionals: Cornetta Smith, Albina Ministerial Alliance
10/93	Judge Bergman, Juvenile Services Commission,
10/91	Dr. Sarojini Budden, Medical Director of Child Development Program & Neonatal Follow-up Clinic at Emanuel Hospital
10/92	Frank McNamara, Portland Public Schools, Juvenile Services Commission, Student Retention Initiative, liaison to Leaders Round Table
10/91	Rev. Don Frazier, Minority Liaison for Childrens' Services Division
10/92	Adam Lee Po Cha, North Portland Youth Service Center, Int'l Refugee Center of Oregon
10/93	Sharon McCluskey, PCC, early childhood ed., Leaders Round Table task force, Youth Planning Network

Lay Citizens:

10/90	Jillene Lamb, Indian Health Board, AIDS coord
10/90	Consuelo Saragoza, Ore Council on Hispanic Advancement
10/93	Duncan Campbell, former Juvenile Services Commis- sion Chair
10/92	Shirley Hamilton, President AFSCME, Local 328 Child Care Committee for Oregon AFL CIO
10/91	Muriel Goldman, Juvenile Court Advisory Council, Adolescent & Child Mental Health Council
10/93	Bill Prows, U. S. West, Leaders Round Table
10/90	Jan Johnson, Chair of Gresham Chamber Youth at Risk Comm, Ben Franklin Asst Vice-Pres., East County
10/91	Jarold Gillham, PGE Community Relations Director, Founder of Gresham Youth at Risk, Chair of Business/Education Council for Multnomah Education Service District

BUDGET MODIFICATION NO. DES #5

OCT 13 1989

OCT 26 1989

(For Clerk's Use) Meeting Date _____

Agenda No. _____

2-3

1. REQUEST FOR PLACEMENT ON THE AGENDA FOR 10/26/89 (Date)

DEPARTMENT Environmental Services

DIVISION Transportation

CONTACT Bob Pearson

TELEPHONE 248-3838

*NAME(S) OF PERSON MAKING PRESENTATION TO BOARD Bob Pearson

SUGGESTED

AGENDA TITLE (to assist in preparing a description for the printed agenda)

(Estimated Time Needed on the Agenda)

2. DESCRIPTION OF MODIFICATION (Explain the changes this Bud Mod makes. What budget does it increase? What do the changes accomplish? Where does the money come from? What budget is reduced? Attach additional information if you need more space.)

PERSONNEL CHANGES ARE SHOWN IN DETAIL ON THE ATTACHED SHEET

Create position of administrative technician which will relieve employees in higher classifications of some administrative responsibilities. This will allow employees of higher classifications to perform increased technical duties resulting from sewer construction in mid-county. Position will also assist in indexing and microfilming project for county surveyor's maps and field books.

BOARD OF COUNTY COMMISSIONERS
MULHOLLAND COUNTY
OREGON
1989 OCT 17 PM 3:28

3. REVENUE IMPACT (Explain revenues being changed and the reason for the change)

4. CONTINGENCY STATUS (to be completed by Finance/Budget)

Contingency before this modification (as of _____) \$ _____
(Specify Fund) (Date)
After this modification \$ _____

Originated By <u>Walter E. Nicholas</u>	Date <u>10/14/89</u>	Department Manager <u>[Signature]</u>	Date <u>10-12-89</u>
Budget Analyst <u>[Signature]</u>	Date <u>10/16/89</u>	Personnel Analyst <u>[Signature]</u>	Date <u>10-17-89</u>
Board Approval <u>[Signature]</u>	Date <u>10/26/89</u>		

PERSONNEL DETAIL FOR BUD MOD NO. _____

5. ANNUALIZED PERSONNEL CHANGES (Compute on a full year basis even though this action affects only a part of the fiscal year.)

FTE Increase (Decrease)	POSITION TITLE	Annualized			TOTAL Increase (Decrease)
		BASE PAY Increase (Decrease)	Increase (Decrease) Fringe	Ins.	
1	Administrative Technician	25,140	6,350	3,567	35,057
TOTAL CHANGE (ANNUALIZED)					

6. CURRENT YEAR PERSONNEL DOLLAR CHANGES (calculate costs or savings that will take place within this fiscal year; these should explain the actual dollar amounts being changed by this Bud Mod.)

Permanent Positions, Temporary, Overtime, or Premium	Explanation of Change	Current FY			TOTAL Increase (Decrease)
		BASE PAY Increase (Decrease)	Increase (Decrease) Fringe	Ins.	
Permanent position	Sufficient funds will be available in permanent salary as a result of promotions with replacements at a lower salary scale.	(25,140)	(6,350)	(3,567)	(35,057)

REQUEST TO CREATE/RECLASSIFY A POSITION

1. List the proposed duties of the position (please do not copy from the class specification):

a.

SEE ATTACHED

b.

c.

d.

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SEP 01 1989
EMPLOYEE SERVICE

Use the reverse side or attach additional sheets, if needed.

2. State the proposed classification title:

Administrative technician

3. Is this a new position? / YES / NO

4. If this is an existing position, state the name of the incumbent:

Fred Morey, Jr.

5. Proposed effective date of change: 9/18/89

Hiring Manager: Bob Pearson

Date: 8/31/89 Dept/Div: DES Transportation

EMPLOYEE RELATIONS DIVISION USE ONLY

Action: / Approved as submitted
 / Approved for classification title

/ Denied (for Reclassification Requests only)

Analyst Name Daniel Heimbach Date 9/6/89

50001

Administrative Technician Position - Fred Morey Jr.

1. Cost accounting preparation and input for Road and Traffic Sections.
2. Payroll for Engineering, and outside Road Districts.
3. Updating and document rental rates of internal equipment charges.
4. Update, document and summarize internal costs of traffic sign manufacturing.
5. Update and document needed minor revisions in internal cost accounting system to comply with O.R.S.
6. Provide administrative support as required in the areas of contract preparation, purchasing and finance for Parks, Fleet and Transportation Divisions.
7. Assist the County Surveyor in the microfilming and indexing County Surveyor's maps and field books. This is a two to three-year effort.
8. Check and audit payrolls and cost accounting. Make recommendations as required for updating or improving the system.
9. Assist in the management of the property control system for the Transportation Division.
10. Assist in the management and preparation for the new Federal Program for U.S.T.'s; track and analyze data per requirements.
11. Responsibility for Inventory Control for the Traffic Aids Section including both Sign and Signal Shop.

October 26, 1989

RECEIVED FROM JANE McGARVIN

CLERK, BOARD OF COUNTY COMMISSIONERS . MULTNOMAH COUNTY, OREGON

BUDGET

BUDGET MODIFICATION DHS #22 R-4 APPROVED

BOARD OF
COUNTY COMMISSIONERS
1989 OCT 31 AM 11:40
MULTNOMAH COUNTY
OREGON

Kathleen Nash
10/30/89

PLEASE SIGN & RETURN THIS RECEIPT TO COMMISSIONERS OFFICE

1. REQUEST FOR PLACEMENT ON THE AGENDA FOR _____ (Date)

DEPARTMENT Human Services
CONTACT Susan Clark

DIVISION Social Services
TELEPHONE 248-3691

*NAME(S) OF PERSON MAKING PRESENTATION TO BOARD Duane Zussy

SUGGESTED

AGENDA TITLE (to assist in preparing a description for the printed agenda)

Budget Modification DHS# 22 increases the State Mental Health Grant a net total of \$415,596 to reflect action from Amendment #6-R.

(Estimated Time Needed on the Agenda)

2. DESCRIPTION OF MODIFICATION (Explain the changes this Bud Mod makes. What budget does it increase? What do the changes accomplish? Where does the money come from? What budget is reduced? Attach additional information if you need more space.)

[] PERSONNEL CHANGES ARE SHOWN IN DETAIL ON THE ATTACHED SHEET

Budget Modification DHS# 22 requests Board approval to increase various SSD budgets a net total of \$415,596 to reflect action in Amendment #6-R to the State Mental Health Grant. Specific programs include:

- DD Operations increased \$7,865 in professional services to cover dental services for DD clients not covered under the federal Donated Dental Services program.
- DD Contracts increased by \$12,843 in Pass Through for Supported Employment start-up carried over from 88/89 FY.
- MED Contracts increased by \$363,678 for Community Treatment Services for children and adults, Community Support and Semi-Independent Living services for eligible legalized aliens.
- A&D Contracts increased by \$31,060 for additional minority A&D outpatient slots.

In addition, \$150 is awarded to Multnomah County's DJS/Columbia Villa Project to reimburse one-time-only installation of telephone equipment at Columbia Villa.

3. REVENUE IMPACT (Explain revenues being changed and the reason for the change)

State Mental Health Grant increased by \$415,596.
CGF increased by \$3,396.
Service reimbursement F/S to CGF increased by \$3,396.
Service reimbursement F/S to Telephone Fund increased by \$150.

MULTNOMAH COUNTY
OREGON
1989 OCT 17 PM 3:33
BOARD OF COUNTY COMMISSIONERS

4. CONTINGENCY STATUS (to be completed by Finance/Budget)
Contingency before this modification (as of _____) (Date)
(Specify Fund) _____
After this modification _____

Originated By	Date	Department Manager	Date
<u>Susan Clark</u>	<u>10/9/89</u>	<u>Duane Zussy (cc)</u>	<u>10/13/89</u>
Budget Analyst	Date	Personnel Analyst	Date
<u>Thomas S. Szymon</u>	<u>10/16/89</u>		
Board Approval			Date
<u>Jane McGowan</u>	<u>10/20/89</u>		

[9114S/m]

mailed out
10/27/89 sm

EXPENDITURE TRANSACTION EB [] GM [] TRANSACTION DATE _____ ACCOUNTING PERIOD _____ BUDGET FY _____											
Document Number	Action	Fund	Agency	Organi- zation	Reporting Activity Category	Object	Current Amount	Revised Amount	Change Increase (Decrease)	Sub- Total	Description
		156	010	1210		1257 6110			7,865		Increase Prof. Svcs.
		156	010	1210		7100			543	8,408	Increase Indirect (.069) Total Org. 1210
		156	010	1215		6060			12,843		Increase Pass Through
		156	010	1215		7100			90	12,933	Increase Indirect (.007) Total Org. 1215
		156	010	1305		6060			363,678		Increase Pass Through
		156	010	1305		7100			2,546	366,224	Increase Indirect (.007) Total Org. 1305
		156	010	1415		6060			31,060		Increase Pass Through
		156	010	1415		7100			217	31,277	Increase Indirect (.007) Total Org. 1415
		100	020	2101		7150			150	150	Increase Telephone
		100	010	0104		7608			3,396	3,396	Cash Transfer
		165	040	7990		6140			150	150	Telephone

//////
 TOTAL EXPENDITURE CHANGE////// 422,538 TOTAL EXPENDITURE CHANGE

REVENUE TRANSACTION RB [] GM [] TRANSACTION DATE _____ ACCOUNTING PERIOD _____ BUDGET FY _____											
Document Number	Action	Fund	Agency	Organi- zation	Reporting Revenue Activity Category	Source	Current Amount	Revised Amount	Change Increase (Decrease)	Sub- Total	Description
		156	010	1210		1257 2605			7,865		SMH Grant-DD57
		156	010	1215		2605			543		CGF
		156	010	1215		2605			12,843		SMH Grant
		156	010	1305		2605			90		CGF
		156	010	1305		2605			363,678		SMH Grant
		156	010	1415		2605			2,546		CGF
		156	010	1415		2605			31,060		SMH Grant
		100	020	2101		2605			217		CGF
		100	020	2101		2605			150		SMH Grant
		100	045	7410		6602			3,396		Svc. Reimb. F/S to CGF
		165	040	7990		6602			150		Svc Reimb F/S to Telephone

//////
 TOTAL REVENUE CHANGE////// 422,538 TOTAL REVENUE CHANGE



MULTNOMAH COUNTY OREGON

DEPARTMENT OF HUMAN SERVICES
SOCIAL AND FAMILY SERVICES DIVISION
ADMINISTRATIVE OFFICES
426 S.W. STARK ST., 6TH FLOOR
PORTLAND, OREGON 97204
(503) 248-3691

BOARD OF COUNTY COMMISSIONERS
GLADYS McCOY • CHAIR OF THE BOARD
PAULINE ANDERSON • DISTRICT 1 COMMISSIONER
GRETCHEN KAFOURY • DISTRICT 2 COMMISSIONER
RICK BAUMAN • DISTRICT 3 COMMISSIONER
SHARRON KELLEY • DISTRICT 4 COMMISSIONER

MEMORANDUM

TO: Gladys McCoy
Multnomah County Chair

VIA: Duane Zussy *Duane Zussy (w)*
Director, Department of Human Services

FROM: Gary Smith *DWS*
Director, Social Services Division

DATE: October 9, 1989

SUBJECT: Recommendation to Approve Amendment #6-R to the State Mental Health Grant and the Accompanying Budget Modification

RECOMMENDATION: Social Services Division recommends Chair and Board approval of Amendment #6-R to the State Mental Health Grant and the accompanying budget modification for the period July 1, 1989 through June 30, 1990.

ANALYSIS: Amendment #6-R to the State Mental Health Grant increases the grant a net total of \$415,596. Specific programs impacted by this amendment include:

- DD Operations increased by \$7,865 for dental services to DD clients not covered under the federal Donated Dental Services Program.
- DD Contracts increased by \$12,843 for Supported Employment start-up services.
- MED Contracts increased by \$363,678 for child and adult community treatment, community support and semi-independent living services for eligible legalized aliens.
- A&D Contracts increased by \$31,060 for additional minority A&D outpatient slots.
- DJS/Columbia Villa Project increased by \$150 to reimburse telephone installation charges for equipment at the Columbia Villa/Tamarack site.

Revenue from this amendment is appropriated via budget modification DHS # 22.

BACKGROUND: This is a routine contract amendment which implements changes as requested by the County. In addition, several "special project" awards are included to provide new/additional treatment services for minority populations, legalized aliens and clients who are not eligible for federal treatment services.

October 26, 1989

RECEIVED FROM

JANE MCGARVIN

CLERK, BOARD OF COUNTY COMMISSIONERS . MULTNOMAH COUNTY, OREGON

BUDGET

BUDGET MODIFICATION DHS #23 - ^{R-5}~~R-4~~ APPROVED

BOARD OF
COUNTY COMMISSIONERS
1989 OCT 31 AM 11:40
MULTNOMAH COUNTY
OREGON

Kathleen Nash

10/30

PLEASE SIGN & RETURN THIS RECEIPT TO COMMISSIONERS OFFICE

BUDGET MODIFICATION NO. DHS # 23

(For Clerk's Use) Meeting Date
Agenda No. 25

OCT 26 1989

1. REQUEST FOR PLACEMENT ON THE AGENDA FOR _____

(Date)

DEPARTMENT HUMAN SERVICES

DIVISION AGING SERVICES

CONTACT BILL THOMAS

TELEPHONE 248-5464

*NAME(S) OF PERSON MAKING PRESENTATION TO BOARD DUANE ZUSSY/JIM MCCONNELL

SUGGESTED

AGENDA TITLE (to assist in preparing a description for the printed agenda)

Budget Modification DHS # 23 decreases the Aging Services Division, Community Action Program FY 89-90 Materials and Services budget by \$291; adds 1.34 FTE to the FY 89-90 budget; and adds \$2,686 to the General Fund contingency.

(Estimated Time Needed on the Agenda)

2. DESCRIPTION OF MODIFICATION (Explain the changes this Bud Mod makes. What budget does it increase? What do the changes accomplish? Where does the money come from? What budget is reduced? Attach additional information if you need more space.)

[X] PERSONNEL CHANGES ARE SHOWN IN DETAIL ON THE ATTACHED SHEET

The modification increases personal services by \$38,930, decreases pass through funds by \$41,616, and increases indirect services reimbursement by \$2,395, for a net decrease of \$291. This action adds 1.34 FTE to the Community Action Program FY 89-90 budget from City of Portland and federal weatherization funds currently in CAPO's FY 89-90 materials and services budget. These positions are needed to carry out increased auditing and clerical responsibilities related to administration of the City's Block by Block weatherization program, as well as to additional federal funds anticipated from the State. The City program involves processing applications and conducting weatherization audits and inspections for 300 homes. Adding new positions was anticipated in the Board's approval of the Block by Block revenue contract.

This modification also increases the contingency fund by \$2,686, because the higher indirect rate for personal services is fully recovered.

3. REVENUE IMPACT (Explain revenues being changed and the reason for the change)

Decrease 7601/County General Fund Transfer by \$291

Increase 6602/Service Reimbursement from the Fed/State Fund to General Fund by \$2,395

Increase Service Reimbursement to Insurance Fund \$4,469

4. CONTINGENCY STATUS (to be completed by Finance/Budget)

Contingency before this modification (as of _____)

(Specify Fund)

(Date)

After this modification

CLERK OF COUNTY BOARD OF COMMISSIONERS
OCT 17 PM 3:33
MULTI-COUNTY BOARD OF COMMISSIONERS
OREGON

Originated By

Date

Department Director

Date

James McConnell by mg

10/12/89

Duane Zussy

10/13/89

Finance/Budget

Date

Employee Relations

Date

Tom Sawyer

10/16/89

Susan Daniel

10/16/89

Board Approval

Date

James McLawin 10/26/89

mailed 10/27/89
jam

EXPENDITURE

TRANSACTION EB [] GM [] TRANSACTION DATE _____ ACCOUNTING PERIOD _____
 BUDGET FY _____

Document Number	Action	Fund	Agency	Organi- zation	Reporting Activity Category	Object	Current Amount	Revised Amount	Change Increase (Decrease)	Sub- Total	Description
		156	010	0130		5100	\$ 177,217	\$ 204,729	\$ 27,512		Permanent
		156	010	0130		5500	\$ 45,444	\$ 52,393	\$ 6,949		Fringe
		156	010	0130		5550	\$ 24,406	\$ 28,875	\$ 4,469		Insurance
										\$ 38,930	PS subtotal
		156	010	0130		6060	\$3,802,151	\$3,760,342	\$(41,616)		Pass-through
		156	010	0130		7100	\$ 81,692	\$ 84,087	\$ 2,395		Indirect Service Reim.
										\$ (291)	Org 130 Subtotal
		100	010	0105		7608			\$ (291)		Cash Transfer to F/S Fund
		100	045	9120		7700			\$ 2,686		Contingency
		400	040	7531		6520			\$ 4,469		Insurance Fund
////////////////////////////////////// TOTAL EXPENDITURE CHANGE									\$ 6,573	TOTAL EXPENDITURE CHANGE	

REVENUE

TRANSACTION RB [] GM [] TRANSACTION DATE _____ ACCOUNTING PERIOD _____
 BUDGET FY _____

Document Number	Action	Fund	Agency	Organi- zation	Reporting Activity Category	Revenue Source	Current Amount	Revised Amount	Change Increase (Decrease)	Sub- Total	Description
		156	010	0130		7601	\$563,182	\$562,891	\$ (291)		County General Fund
		100	045	7410		6602			\$ 2,395		Svs Reim F/S to Gen. Fund
		400	040	7531		6602			\$ 4,469		Svs Reim to Ins Fund
////////////////////////////////////// TOTAL REVENUE CHANGE									\$ 6,573	TOTAL REVENUE CHANGE	

5. ANNUALIZED PERSONNEL CHANGES (Compute on a full year basis even though this action affects only a part of the fiscal year.)

FTE Increase (Decrease)	POSITION TITLE	A n n u a l i z e d			
		BASE PAY Increase (Decrease)	FRINGE Increase (Decrease)	INSURANCE Increase (Decrease)	TOTAL Increase (Decrease)
1.0 FTE	Program Development Tech. (weatherization auditor)	\$21,674	\$ 5,475	\$ 3,383	\$30,532
1.0 FTE	OA3	\$19,594	\$ 4,949	\$ 3,321	\$27,864
TOTAL CHANGE (ANNUALIZED)		\$41,268	\$10,424	\$ 6,704	\$58,396

6. CURRENT YEAR PERSONNEL DOLLAR CHANGES (calculate costs or savings that will take place within this fiscal year; these should explain the actual dollar amounts being changed by this Bud Mod.)

Full Time Positions, Part-Time, Overtime, or Premium	Explanation of Change	C u r r e n t F Y			
		BASE PAY Increase (Decrease)	FRINGE Increase (Decrease)	INSURANCE Increase (Decrease)	TOTAL Increase (Decrease)
.67 FTE	Add 1.0 PDT / 8 months	\$14,449	\$ 3,650	\$ 2,255	\$20,354
.67 FTE	Add 1.0 OA 3 / 8 months	\$13,063	\$ 3,299	\$ 2,214	\$18,576
		\$27,512	\$ 6,949	\$ 4,469	\$38,930



MULTNOMAH COUNTY OREGON

DEPARTMENT OF HUMAN SERVICES
AGING SERVICES DIVISION
COMMUNITY ACTION PROGRAM OFFICE
426 S.W. STARK, 5TH FLOOR
PORTLAND, OREGON 97204
(503) 248-5464

BOARD OF COUNTY COMMISSIONERS
GLADYS McCOY • CHAIR OF THE BOARD
PAULINE ANDERSON • DISTRICT 1 COMMISSIONER
GRETCHEN KAFOURY • DISTRICT 2 COMMISSIONER
RICK BAUMAN • DISTRICT 3 COMMISSIONER
SHARRON KELLEY • DISTRICT 4 COMMISSIONER

MEMORANDUM

TO: Gladys McCoy, Multnomah County Chair

VIA: Duane Zussy, Director, Department of Human Services *Duane Zussy (cc)*

FROM: Jim McConnell, Director, Aging Services Division *Jim McConnell by mg*

DATE: October 11, 1989

SUBJECT: Recommendation for Approval of Attached Budget Modification

RECOMMENDATION: The Aging Services Division recommends approval by the Board of County Commissioners of the attached budget modification DHS # 23.

ANALYSIS: This budget modification decreases the Aging Services Division, Community Action Program FY 89-90 materials and services budget by \$291; adds 1.34 FTE to the FY 89-90 budget; and adds \$2,686 to General Fund contingency.

The modification increases personal services by \$38,930, decreases pass through funds by \$41,616, and increases indirect services reimbursement by \$2,395, for a net decrease of \$291. This action adds 1.34 FTE to the Community Action Program FY 89-90 budget from City of Portland and federal weatherization funds currently in CAPO's FY 89-90 materials and services budget. These positions - a weatherization auditor/inspector and an OA3 - are needed to carry out increased auditing and clerical responsibilities related to administration of the City's Block by Block weatherization program, as well as to additional federal funds anticipated from the State. The City program involves processing applications and conducting weatherization audits and inspections for 300 homes. Adding new positions was anticipated in the Board's approval of the Block by Block revenue contract on August 31, 1989.

This modification also increases the contingency fund by \$2,686, because the higher indirect rate for personal services is fully recovered.

BACKGROUND: When the weatherization program was added on July 1, 1989, two auditor/inspectors were included in the budget. The increased number of homes to be audited as a result of adding the City's Block by Block program, as well as of pending increases in petroleum violation escrow funds, necessitates adding an additional auditor position. Similarly, the increased office workload necessitates adding an additional clerical position. Employee relations has reviewed and approved the Division's request to add an OA3 to the previously budgeted OA2. The two new FTE will be funded as full year positions in the FY 90-91 budget through a combination of City and federal weatherization funds.

[0002f/17]

DATE SUBMITTED _____

(For Clerk's Use)
Meeting Date OCT 26 1989
Agenda No. 26

REQUEST FOR PLACEMENT ON THE AGENDA

Subject: Ratification of School Mental Health IGA's

Informal Only* _____
(Date)

Formal Only _____
(Date)

DEPARTMENT Human Services DIVISION Social Services

CONTACT Susan Clark TELEPHONE 248-3691

*NAME(S) OF PERSON MAKING PRESENTATION TO BOARD Duane Zussy

BRIEF SUMMARY Should include other alternatives explored, if applicable, and clear statement of rationale for the action requested.

Ratification of School Mental Health intergovernmental revenue agreements for FY 89/90 to provider consultation and counseling services to seven school districts. Individual contractors and amounts are on attached.

(IF ADDITIONAL SPACE IS NEEDED, PLEASE USE REVERSE SIDE)

ACTION REQUESTED:

- INFORMATION ONLY
- PRELIMINARY APPROVAL
- POLICY DIRECTION
- RATIFICATION

INDICATE THE ESTIMATED TIME NEEDED ON AGENDA _____

IMPACT:

PERSONNEL

FISCAL/BUDGETARY

-General Fund

Other School Revenue

*Returned to
Susan Clark
10/27/84
Jane*

Revenue will be adjusted to budget in upcoming Bud Mod.

SIGNATURES:

DEPARTMENT HEAD, ELECTED OFFICIAL, or COUNTY COMMISSIONER: Duane Zussy

BUDGET / PERSONNEL _____

COUNTY COUNSEL (Ordinances, Resolutions, Agreements, Contracts) [Signature]

OTHER _____
(Purchasing, Facilities Management, etc.)

NOTE: If requesting unanimous consent, state situation requiring emergency action on back.

1989 OCT 17 11 31 AM
CLERK OF COUNTY BOARD
CLERK OF BOARD OF SUPERVISORS
CLERK OF BOARD OF HEALTH SERVICES
CLERK OF BOARD OF SOCIAL SERVICES
CLERK OF BOARD OF COMMUNITY DEVELOPMENT
CLERK OF BOARD OF ECONOMIC DEVELOPMENT
CLERK OF BOARD OF ENVIRONMENTAL HEALTH SERVICES
CLERK OF BOARD OF HUMAN SERVICES
CLERK OF BOARD OF JUVENILE JUSTICE
CLERK OF BOARD OF LABOR RELATIONS
CLERK OF BOARD OF LAND USE
CLERK OF BOARD OF PLANNING
CLERK OF BOARD OF PUBLIC WORKS
CLERK OF BOARD OF REGIONAL DEVELOPMENT
CLERK OF BOARD OF TRAFFIC AND TRANSPORTATION
CLERK OF BOARD OF UTILITIES
CLERK OF BOARD OF WATER RESOURCES
CLERK OF BOARD OF WILDLIFE AND NATURE
CLERK OF BOARD OF ZONING AND PLANNING
CLERK OF BOARD OF ZONING AND PLANNING



MULTNOMAH COUNTY OREGON

CONTRACT APPROVAL FORM
(See instructions on reverse side)

DH5 # 263

89-90

TYPE I

- Professional Services under \$10,000
- Revenue
- Grant Funding
- Intergovernmental Agreement

R-6 10/26/89

Amendment # _____ to Contract # _____

TYPE II

- Professional Services over \$10,000 (RFP, Exemption)
- PCRB Contract
- Maintenance Agreement
- Licensing Agreement
- Construction

Amendment # _____ to Contract # _____

Contact Person Susan Clark Phone 248-3691 Date 9/14/89

Department Human Services Division Social Services Bldg/Room 160/6

Description of Contract Renews agreement to provide school mental health services for 89/90 school year. Revenue identified in 89/90 adopted budget.

RFP/BID # N/A - Revenue Date of RFP/BID _____ Exemption Exp. Date _____

ORS/AR # _____ Contractor is MBE FBE QRF

Contractor Name Gordon Russell Middle School

Mailing Address 1333 NW Eastman Ave.

Gresham, OR 97030

Phone 661-1300

Employer ID# or SS# 93-6000830

Effective Date September 1, 1989

Termination Date June 30, 1990

Original Contract Amount \$ 24,097.00

Amount of Amendment \$ ---

Total Amount of Agreement \$ 24,097.00

Payment Terms

- Lump Sum \$ _____
- Monthly \$ _____
- Other \$ Quarterly Payments

Requirements contract-requisition required
Purchase Order No. _____

BOARD OF COUNTY COMMISSIONERS
MULTNOMAH COUNTY OREGON
1989 NOV 20 AM 11:55

Required Signatures:

Department Head [Signature] Date 10/14/89

Purchasing Director _____ Date _____
(Type II Contracts Only)

County Counsel [Signature] Date _____

Budget Office _____ Date _____

County Executive/Sheriff [Signature] Date 10/26/89

TRANSACTION CODE	PO	AGENCY	PO DATE	ACCOUNTING PERIOD	BUDGET FY	TOTAL AMOUNT	ACTION				
LINE NO.	CONTRACT NUMBER	FUND	AGENCY	ORGANIZATION	ACTIVITY	OBJECT	SUB OBJ	REPT CATEG	DESCRIPTION	AMOUNT	INC/DEC IND
	102630	156	010	1360					Revenue 2785	\$ 24,097.00	
										\$	
										\$	
										\$	

INSTRUCTIONS FOR COMPLETING CONTRACT APPROVAL FORM

1. **TYPE I, TYPE II** — Check off appropriate type of contract in one of the two boxes on top of form. Note: Type II contracts need to be routed through Purchasing Director, Type I does not. If Amendment, enter contract number of original agreement and original contract amount.
2. **CONTACT PERSON, PHONE** — Enter name and phone number of person initiating contract from responsible County department.
3. **DATE** — Enter date contract and Contract Approval Form submitted for approval and execution.
4. **DEPARTMENT, DIVISION, BLDG/ROOM** — List appropriate County department and division responsible and interoffice mail code.
5. **DESCRIPTION OF CONTRACT** — Summary of product purchased or services to be performed. Note if an amendment or extension.
6. **RFD/BID #** — Enter number if contract is result of RFP/Bid selection process.
7. **DATE OF RFP/BID** — Enter date of RFP/BID public opening.
8. **DATE OF EXEMPTION** — Enter date exemption from competitive bidding granted by BCC.
9. **REVIEWED FOR MINORITY/FEMALE BUSINESS** — Check appropriate box if County sought business from MBE or FBE firm(s).
10. **CONTRACTOR IS MBE OR FBE** — Check appropriate box if contractor is certified as an MBE or FBE.
11. **CONTRACTOR NAME, MAILING ADDRESS, PHONE** — Enter current information.
12. **EMPLOYER ID# OR SS#** — Enter employer ID# or social security number if Contractor is individual.
13. **EFFECTIVE DATE** — Date contract states to begin services.
14. **TERMINATION DATE** — Date contract states services terminated.
15. **TOTAL AMOUNT OF AGREEMENT** — Enter amount of agreement being submitted. If Amendment, enter amount of increase/decrease only.
16. **PAYMENT TERMS** — Designate payment terms by checking appropriate box and entering dollar amount.
17. **REQUIREMENTS CONTRACT — REQUISITION REQUIRED** — Check this box to note that a Purchase Order will be issued to trigger payment.
18. **PURCHASE ORDER NO.** — Enter number of Purchase Order to be issued. If number is not known, enter "P.O. will be issued."
19. **REQUIRED SIGNATURES** — To be completed as approved. Purchasing Director needs to sign for Type II contracts only.
20. **AGENCY** — Enter your Department's agency number.
21. **VENDOR NAME** — Enter Contractor name as entered above.
22. **TOTAL AMOUNT** — Enter total dollar amount of contract.
23. **CONTRACT NUMBER** — Purchasing will enter all new contract numbers. If contract extension or amendment, initiator should enter current contract number.
24. **ACCOUNT CODE STRUCTURE** — Enter Account Code structure for the type of agreement, i.e., expense or revenue.
25. **DESCRIPTION** — Optional.
26. **AMOUNT** — If total dollar amount is being split among different account numbers indicate dollar amounts here.



MULTNOMAH COUNTY OREGON

DEPARTMENT OF HUMAN SERVICES
SOCIAL AND FAMILY SERVICES DIVISION
ADMINISTRATIVE OFFICES
426 S.W. STARK ST., 6TH FLOOR
PORTLAND, OREGON 97204
(503) 248-3691

BOARD OF COUNTY COMMISSIONERS
GLADYS MCCOY • CHAIR OF THE BOARD
PAULINE ANDERSON • DISTRICT 1 COMMISSIONER
GRETCHEN KAFOURY • DISTRICT 2 COMMISSIONER
RICK BAUMAN • DISTRICT 3 COMMISSIONER
SHARRON KELLEY • DISTRICT 4 COMMISSIONER

MEMORANDUM

TO: Gladys McCoy
Multnomah County Chair

VIA: Duane Zussy *Duane Zussy (w)*
Director, Department of Human Services

FROM: Gary Smith *GS*
Director, Social Services Division

DATE: September 19, 1989

SUBJECT: Ratification of School Mental Health Revenue Agreements

RETROACTIVE STATUS: These agreements reflect the school year term of September 1989 through June 1990. These were processed in early July and sent to schools districts for action in August. The school districts have been slow to return them.

RECOMMENDATION: Social Services Division recommends Board ratification of the attached school mental health agreements for the period September 1, 1989 through June 30, 1990 (note Centennial contract has a 9/11/89 effective date).

ANALYSIS: These agreements renew school mental health (SMH) services for participating school districts for the 89/90 school year. Counseling services are offered to any school district in Multnomah County at \$22.50/hour (roughly half the actual cost). Based on program and funding decisions, school districts can elect to purchase these services from the County. Specific services provided by County School Mental Health consultants include consultation with school personnel, diagnostic screening referrals and mental health treatment and individual school district service needs are negotiated. A list of participating school districts is attached.

Several districts have elected to purchase more hours than originally planned for during budget preparation and technical amendments. A comprehensive school mental health budget modification is currently being prepared to appropriate this additional revenue, as well as other program changes.

BACKGROUND: These contracts renew annual agreements with six school districts who have elected to purchase school mental health services from Multnomah County for a number of years. In addition, Centennial School District is contracting with the County for the first time this year.

The School Mental Health Program prepares these agreements early in the summer so that the school boards will have ample time to review and take action. Historically, there are always delays in returning the signed agreements, including a number of lost contracts. Also, last minute changes are made in numbers of hours to be purchased. For these reasons, the SMH Program requires that the school districts sign off first.

School Mental Health Revenue Agreements

FY 89/90

<u>School</u>	<u>Revenue</u>
Centennial School District	\$ 24,097.00
David Douglas School District	\$ 16,065.00
Gresham Grade School District - Dexter McCarty	\$ 9,476.00
Gresham Grade School District - Gordon Russell	\$ 24,097.00
Gresham/Barlow Union High School District	\$ 24,097.00
Parkrose School District	\$ 12,250.00
Portland Public School District	\$ 58,674.00
Total	\$168,756.00

DATE SUBMITTED _____

(For Clerk's Use)
Meeting Date _____
Agenda No. _____

REQUEST FOR PLACEMENT ON THE AGENDA

Subject: Ratification of School Mental Health IGA's

Informal Only* _____
(Date)

Formal Only _____
(Date)

DEPARTMENT Human Services DIVISION Social Services

CONTACT Susan Clark TELEPHONE 248-3691

*NAME(s) OF PERSON MAKING PRESENTATION TO BOARD Duane Zussy

BRIEF SUMMARY Should include other alternatives explored, if applicable, and clear statement of rationale for the action requested.

Ratification of School Mental Health intergovernmental revenue agreements for FY 89/90 to provider consultation and counseling services to seven school districts. Individual contractors and amounts are on attached.

(IF ADDITIONAL SPACE IS NEEDED, PLEASE USE REVERSE SIDE)

ACTION REQUESTED:

- INFORMATION ONLY
- PRELIMINARY APPROVAL
- POLICY DIRECTION
- RATIFICATION

INDICATE THE ESTIMATED TIME NEEDED ON AGENDA _____

IMPACT:

PERSONNEL

- FISCAL/BUDGETARY
- General Fund

Revenue will be adjusted to budget in upcoming Bud Mod.

Other School Revenue

SIGNATURES:

DEPARTMENT HEAD, ELECTED OFFICIAL, or COUNTY COMMISSIONER: _____

BUDGET / PERSONNEL _____ / _____

COUNTY COUNSEL (Ordinances, Resolutions, Agreements, Contracts) _____

OTHER _____
(Purchasing, Facilities Management, etc.)

NOTE: If requesting unanimous consent, state situation requiring emergency action on back.



MULTNOMAH COUNTY OREGON

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SOCIAL AND FAMILY SERVICES DIVISION
ADMINISTRATIVE OFFICES
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MEMORANDUM

TO: Gladys McCoy
Multnomah County Chair

VIA: Duane Zussy
Director, Department of Human Services

FROM: Gary Smith *[Signature]*
Director, Social Services Division

DATE: September 19, 1989

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ANALYSIS: These agreements renew school mental health (SMH) services for participating school districts for the 89/90 school year. Counseling services are offered to any school district in Multnomah County at \$22.50/hour (roughly half the actual cost). Based on program and funding decisions, school districts can elect to purchase these services from the County. Specific services provided by County School Mental Health consultants include consultation with school personnel, diagnostic screening referrals and mental health treatment and individual school district service needs are negotiated. A list of participating school districts is attached.

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School Mental Health Revenue Agreements

FY 89/90

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Gresham Grade School District - Gordon Russell	\$ 24,097.00
Gresham/Barlow Union High School District	\$ 24,097.00
Parkrose School District	\$ 12,250.00
Portland Public School District	\$ 58,674.00
Total	\$168,756.00

MULTNOMAH COUNTY OREGON

CONTRACT APPROVAL FORM (See instructions on reverse side) DHS # 260

89-90

- TYPE I
Professional Services under \$10,000
Revenue
Grant Funding
Intergovernmental Agreement

- TYPE II
Professional Services over \$10,000 (RFP, Exemption)
PCRB Contract
Maintenance Agreement
Licensing Agreement
Construction

Amendment # to Contract #

Amendment # to Contract #

Contact Person Susan Clark Phone 248-3691 Date 9/14/89

Department Human Services Division Social Services Bldg/Room 160/6

Description of Contract New agreement to provide school mental health services for the 89/90 school year

RFP/BID # N/A - Revenue Date of RFP/BID Exemption Exp. Date

ORS/AR # Contractor is MBE FBE QRF

Contractor Name Centennial School District #28-J

Mailing Address 18135 SE Brooklyn Portland, OR 97236

Phone 760-7990

Employer ID# or SS# 93-6000847

Effective Date September 11, 1989

Termination Date June 30, 1990

Original Contract Amount \$ 24,097.00

Amount of Amendment \$

Total Amount of Agreement \$ 24,097.00

Payment Terms

- Lump Sum
Monthly
Other Quarterly Payments

Requirements contract-requisition required
Purchase Order No.

Required Signatures:

Department Head Date

Purchasing Director (Type II Contracts Only) Date

County Counsel Date

Budget Office Date

County Executive/Sheriff Date

Table with columns: TRANSACTION CODE, AGENCY, PO DATE, ACCOUNTING PERIOD, BUDGET FY, ACTION, VENDOR CODE, VENDOR NAME, TOTAL AMOUNT, LINE NO., CONTRACT NUMBER, FUND, AGENCY, ORGANIZATION, ACTIVITY, OBJECT, SUB OBJ, REPT CATEG, DESCRIPTION, AMOUNT, INC/DEC IND. Includes entry for Revenue 2791 with amount \$ 24,097.00.

INTERGOVERNMENTAL AGREEMENT
FOR SCHOOL MENTAL HEALTH SERVICES
FY 89/90

This Agreement, made and entered into as of the 11th day of September, 1989, by and between Multnomah County Social Services Division, Multnomah County, Oregon, a home rule political subdivision of the State of Oregon, (hereinafter referred to as "COUNTY"), and Centennial School District Number 28-302, a body politically organized and existing under the laws of the State of Oregon (hereinafter referred to as "DISTRICT"):

WHEREAS, DISTRICT requires services which COUNTY is capable of providing, under terms and conditions hereinafter described; and

WHEREAS, COUNTY is able and prepared to provide such services as DISTRICT does hereinafter require, under those terms and conditions set forth, now, therefore,

IN CONSIDERATION of those mutual promises and the terms and conditions set forth hereafter, the parties agree as follows:

I. Term

The term of this Agreement shall be from September 11, 1989, to and including June 30, 1990, unless sooner terminated under the provisions hereof.

II. Services

A. COUNTY's services under this Agreement shall consist of the following:

1. Core mental health services will be provided to students. These services shall include:

- a. Consultation with school personnel
- b. Diagnostic screening
- c. Referrals
- d. Mental Health treatment

2. Additional Services may be negotiated within this agreement. These services include programs for:

- a. Parent training
- b. DISTRICT staff training
- c. Psychological Evaluations
- d. Other special services identified by district & county

B. District shall make referrals to School Mental Health Program consultants with necessary and pertinent non-confidential client information.

C. County shall retain final authority in clinical decisions.

III. COUNTY Responsibilities

A. The aggregate services provided by COUNTY and its designated consultants hereunder shall consist of 1,071 hours during 1989-90 school year. Agreement hours include all items referenced in Section V.D.

B. Working agreements shall be developed with each school (hereinafter includes District departments and school buildings) served under this Agreement. Agreements shall include specific services to be provided, schedule for provision of services, beginning and ending date of services, and identification of other activities related to provision of services. Agreements shall be approved and signed by appropriate school representative, SMHP consultant and SMHP Program Supervisor.

IV. DISTRICT Responsibilities

A. DISTRICT agrees to provide access to private space in each school involved under this Agreement for School Mental Health Program consultants to meet with students. This includes access to telephone.

V. Compensation

A. DISTRICT agrees to pay COUNTY a total sum of \$24,097.00 which shall be based upon an hourly rate for services of \$22.50.

B. COUNTY agrees to provide DISTRICT billings showing hours of service provided to date by January 15, 1990; April 15, 1990; June 15 1990.

C. DISTRICT agrees to make payments to COUNTY upon receipt of billings referenced in V.B. within thirty (30) days.

D. Computation of Agreement hours includes:

1. All direct service provision time
2. Indirect service support including:
 - a. travel required to provide direct services under this Agreement,
 - b. travel outside of normal workday hours,
 - c. maintenance of client records and client correspondence,
 - d. preparation of clinical reports required under this Agreement and other reports as requested by designated school representatives,
 - e. planning and preparation for special services provided under this Agreement,
 - f. items c, d, and e may occur off site and/or when classes are not scheduled and are chargeable under this Agreement.

VI. Liability

A. COUNTY shall hold DISTRICT harmless from all damages, judgements, costs and loss arising from any suits or claims based upon injury to persons or property caused by any act or omission of COUNTY, its employees or agents in connection with COUNTY's provision of services under this Agreement.

B. DISTRICT shall hold COUNTY harmless from all damages, judgements, costs and loss arising from any suits or claims based upon injury to persons or property caused by any act or omission of DISTRICT, its employees or agents in connection with DISTRICT's provision of services under this Agreement.

VII. Confidentiality and Client Records

A. COUNTY shall have access to such reports, files, documents, papers and records of DISTRICT as are directly pertinent to services provided under this Agreement after obtaining the appropriate consent in writing.

B. COUNTY shall maintain confidential records for all direct service clients. Said records and reports shall be maintained by COUNTY.

VIII. Modification Termination

A. Any modification of the provisions of this agreement shall be in writing and signed by both parties.

B. This Agreement may be terminated prior to the expiration of the agreed-upon term:

1. By mutual written consent of the parties;
2. By either party upon thirty (30) days written notice.
3. Payment by DISTRICT shall be prorated to and including the day of termination and shall be in full satisfaction of all claims by COUNTY against DISTRICT under this agreement.
4. Termination under any provision of this agreement shall not affect any right, obligation or liability of DISTRICT OR COUNTY which accrued prior to such termination.

INTERGOVERNMENTAL AGREEMENT
FOR SCHOOL MENTAL HEALTH SERVICES
FY 89/90

This Agreement, made and entered into as of the 1st day of September, 1989, by and between Multnomah County Social Services Division, Multnomah County, Oregon, a home rule political subdivision of the State of Oregon, (hereinafter referred to as "COUNTY"), and David Douglas School District Number Forty, a body politically organized and existing under the laws of the State of Oregon (hereinafter referred to as "DISTRICT"):

WHEREAS, DISTRICT requires services which COUNTY is capable of providing, under terms and conditions hereinafter described; and

WHEREAS, COUNTY is able and prepared to provide such services as DISTRICT does hereinafter require, under those terms and conditions set forth, now, therefore,

IN CONSIDERATION of those mutual promises and the terms and conditions set forth hereafter, the parties agree as follows:

I. Term

The term of this Agreement shall be from September 1, 1989, to and including June 30, 1990, unless sooner terminated under the provisions hereof.

II. Services

A. COUNTY's services under this Agreement shall consist of the following:

1. Core mental health services will be provided to students. These services shall include:

- a. Consultation with school personnel
- b. Diagnostic screening
- c. Referrals
- d. Mental Health treatment

2. Additional Services may be negotiated within this agreement. These services include programs for:

- a. Parent training
- b. DISTRICT staff training
- c. Psychological Evaluations
- d. Other special services identified by district & county

B. District shall make referrals to School Mental Health Program consultants with necessary and pertinent non-confidential client information.

C. County shall retain final authority in clinical decisions.

III. COUNTY Responsibilities

A. The aggregate services provided by COUNTY and its designated consultants hereunder shall consist of 714 hours during 1989-90 school year. Agreement hours include all items referenced in Section V.D.

B. Working agreements shall be developed with each school (hereinafter includes District departments and school buildings) served under this Agreement. Agreements shall include specific services to be provided, schedule for provision of services, beginning and ending date of services, and identification of other activities related to provision of services. Agreements shall be approved and signed by appropriate school representative, SMHP consultant and SMHP Program Supervisor.

IV. DISTRICT Responsibilities

A. DISTRICT agrees to provide access to private space in each school involved under this Agreement for School Mental Health Program consultants to meet with students. This includes access to telephone.

V. Compensation

A. DISTRICT agrees to pay COUNTY a total sum of \$16,065.00 which shall be based upon an hourly rate for services of \$22.50.

B. COUNTY agrees to provide DISTRICT billings showing hours of service provided to date by January 15, 1990; April 15, 1990; June 15, 1990.

C. DISTRICT agrees to make payments to COUNTY upon receipt of billings referenced in V.B. within thirty (30) days.

D. Computation of Agreement hours includes:

1. All direct service provision time
2. Indirect service support including:
 - a. travel required to provide direct services under this Agreement,
 - b. travel outside of normal workday hours,
 - c. maintenance of client records and client correspondence,
 - d. preparation of clinical reports required under this Agreement and other reports as requested by designated school representatives,
 - e. planning and preparation for special services provided under this Agreement,
 - f. items c, d, and e may occur off site and/or when classes are not scheduled and are chargeable under this Agreement.

VI. Liability

A. COUNTY shall hold DISTRICT harmless from all damages, judgements, costs and loss arising from any suits or claims based upon injury to persons or property caused by any act or omission of COUNTY, its employees or agents in connection with COUNTY's provision of services under this Agreement.

B. DISTRICT shall hold COUNTY harmless from all damages, judgements, costs and loss arising from any suits or claims based upon injury to persons or property caused by any act or omission of DISTRICT, its employees or agents in connection with DISTRICT's provision of services under this Agreement.

VII. Confidentiality and Client Records

A. COUNTY shall have access to such reports, files, documents, papers and records of DISTRICT as are directly pertinent to services provided under this Agreement after obtaining the appropriate consent in writing.

B. COUNTY shall maintain confidential records for all direct service clients. Said records and reports shall be maintained by COUNTY.

VIII. Modification Termination

A. Any modification of the provisions of this agreement shall be in writing and signed by both parties.

B. This Agreement may be terminated prior to the expiration of the agreed-upon term:

1. By mutual written consent of the parties;
2. By either party upon thirty (30) days written notice.
3. Payment by DISTRICT shall be prorated to and including the day of termination and shall be in full satisfaction of all claims by COUNTY against DISTRICT under this agreement.
4. Termination under any provision of this agreement shall not affect any right, obligation or liability of DISTRICT OR COUNTY which accrued prior to such termination.

IX. Integration

This agreement contains the entire agreement between the parties and supercedes all prior written or oral discussions or agreements.

DAVID DOUGLAS SCHOOL DISTRICT
NUMBER FORTY

MULTNOMAH COUNTY, OREGON

BY Donald E Larson
Chair, Board of Directors Date

BY _____
Gladys McCoy Date
Multnomah County Chair

BY _____

Title Date

BY Doug W. Smith 9/25/89
Social Services Division Date
Director

BY _____

Title Date

BY Pat B. Saylor 9/19/89
MED Program Manager Date

BY David W. Pump 9/25/89
Children's Clinical Services Date
Manager

REVIEWED:

Laurence Kressel
Multnomah County Counsel

BY _____
Deputy County Counsel Date

INTERGOVERNMENTAL AGREEMENT
FOR SCHOOL MENTAL HEALTH SERVICES

FY 89/90

This Agreement, made and entered into as of the 1st day of September, 1989, by and between Multnomah County Social Services Division, Multnomah County, Oregon, a home rule political subdivision of the State of Oregon, (hereinafter referred to as "COUNTY"), and Gresham Grade School District Number Four, Dexter McCarty Middle School, a body politically organized and existing under the laws of the State of Oregon (hereinafter referred to as "DISTRICT"):

WHEREAS, DISTRICT requires services which COUNTY is capable of providing, under terms and conditions hereinafter described; and

WHEREAS, COUNTY is able and prepared to provide such services as DISTRICT does hereinafter require, under those terms and conditions set forth, now, therefore,

IN CONSIDERATION of those mutual promises and the terms and conditions set forth hereafter, the parties agree as follows:

I. Term

The term of this Agreement shall be from September 1, 1989, to and including June 30, 1990, unless sooner terminated under the provisions hereof.

II. Services

A. COUNTY's services under this Agreement shall consist of the following:

1. Core mental health services will be provided to students. These services shall include:

- a. Consultation with school personnel
- b. Diagnostic screening
- c. Referrals
- d. Mental Health treatment

2. Special Services available by this Agreement which are available through negotiation and mutual agreement of DISTRICT and COUNTY include programs for:

- a. Parent training
- b. DISTRICT staff training
- c. Psychological Evaluations
- d. Other special services identified by district & county

B. District shall make referrals to School Mental Health Program consultants with necessary and pertinent non-confidential client information.

C. County shall retain final authority in clinical decisions.

III. COUNTY Responsibilities

A. The aggregate services provided by COUNTY and its designated consultants hereunder shall consist of 421.16 hours during 1989-90 school year. Agreement hours include all items referenced in Section V.D.

B. Working agreements shall be developed with each school (hereinafter includes District departments and school buildings) served under this Agreement. Agreements shall include specific services to be provided, schedule for provision of services, beginning and ending date of services, and identification of other activities related to provision of services. Agreements shall be approved and signed by appropriate school representative, SMHP consultant and SMHP Program Supervisor.

IV. DISTRICT Responsibilities

A. DISTRICT agrees to provide access to private space in each school involved under this Agreement for School Mental Health Program consultants to meet with students. This includes access to telephone.

V. Compensation

A. DISTRICT agrees to pay COUNTY a total sum of \$9,476.00 which shall be based upon an hourly rate for services of \$22.50.

B. COUNTY agrees to provide DISTRICT billings showing hours of service provided to date by January 15, 1990; April 15, 1990; June 15 1990.

C. DISTRICT agrees to make payments to COUNTY upon receipt of billings referenced in V.B. within thirty (30) days.

D. Computation of Agreement hours includes:

1. All direct service provision time
2. Indirect service support including:
 - a. travel required to provide direct services under this Agreement,
 - b. travel outside of normal workday hours,
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 - e. planning and preparation for special services provided under this Agreement,
 - f. items c, d, and e may occur off site and/or when classes are not scheduled and are chargeable under this Agreement.

VI. Liability

A. COUNTY shall hold DISTRICT harmless from all damages, judgements, costs and loss arising from any suits or claims based upon injury to persons or property caused by any act or omission of COUNTY, its employees or agents in connection with COUNTY's provision of services under this Agreement.

B. DISTRICT shall hold COUNTY harmless from all damages, judgements, costs and loss arising from any suits or claims based upon injury to persons or property caused by any act or omission of DISTRICT, its employees or agents in connection with DISTRICT's provision of services under this Agreement.

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This agreement contains the entire agreement between the parties and supercedes all prior written or oral discussions or agreements.

GRESHAM GRADE SCHOOL DISTRICT
NUMBER FOUR
DEXTER MCCARTY MIDDLE SCHOOL

MULTNOMAH COUNTY, OREGON

By _____
Chair, Board of Directors Date

By _____
Gladys McCoy Date
Multnomah County Chair

By _____

Title Date

By _____
Social Services Division Date
Director

By _____
MED Program Manager Date

By _____

Title Date

By _____
Children's Clinical Services Date
Manager

APPROVED AS TO FORM:

Laurence Kressel
Multnomah County Counsel

By _____
Deputy County Counsel Date



CONTRACT APPROVAL FORM

instructions on reverse side

DHS # 263

89-90

Gordon Russell contract has not been returned - they will be forwarded when received.

TYPE II

- Professional Services over \$10,000 (RFP, Exemption)
PCRB Contract
Maintenance Agreement
Licensing Agreement
Construction

Amendment # to Contract #

Cont Language identical to others.
Depa

Phone 248-3691 Date 9/14/89

Division Social Services Bldg/Room 160/6

Description of Contract Renews agreement to provide school mental health services for 89/90 school year. Revenue identified in 89/90 adopted budget.

RFP/BID # N/A - Revenue Date of RFP/BID Exemption Exp. Date

ORS/AR # Contractor is MBE FBE QRF

Contractor Name Gordon Russell Middle School

Mailing Address 1333 NW Eastman Ave.

Gresham, OR 97030

Phone 661-1300

Employer ID# or SS# 93-6000830

Effective Date September 1, 1989

Termination Date June 30, 1990

Original Contract Amount \$ 24,097.00

Amount of Amendment \$ --

Total Amount of Agreement \$ 24,097.00

Payment Terms

- Lump Sum
Monthly
Other Quarterly Payments

Requirements contract-requisition required

Purchase Order No.

Required Signatures:

Department Head Date

Purchasing Director Date

(Type II Contracts Only)

County Counsel Date

Budget Office Date

County Executive/Sheriff Date

Table with columns: TRANSACTION CODE, P.O., AGENCY, PO DATE, ACCOUNTING PERIOD, BUDGET FY, ACTION, VENDOR CODE, VENDOR NAME, TOTAL AMOUNT, LINE NO., CONTRACT NUMBER, FUND, AGENCY, ORGANIZATION, ACTIVITY, OBJECT, SUB OBJ, REPT CATEG, DESCRIPTION, AMOUNT, INC/DEC IND.

INTERGOVERNMENTAL AGREEMENT
FOR SCHOOL MENTAL HEALTH SERVICES
FY 89/90

This Agreement, made and entered into as of the 1st day of September, 1989, by and between Multnomah County Social Services Division, Multnomah County, Oregon, a home rule political subdivision of the State of Oregon, (hereinafter referred to as "COUNTY"), and Gresham Grade School District Number Four, Gordon Russell Middle School, a body politically organized and existing under the laws of the State of Oregon (hereinafter referred to as "DISTRICT"):

WHEREAS, DISTRICT requires services which COUNTY is capable of providing, under terms and conditions hereinafter described; and

WHEREAS, COUNTY is able and prepared to provide such services as DISTRICT does hereinafter require, under those terms and conditions set forth, now, therefore,

IN CONSIDERATION of those mutual promises and the terms and conditions set forth hereafter, the parties agree as follows:

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- c. Referrals
- d. Mental Health treatment

2. Additional Services may be negotiated within this agreement. These services include programs for:

- a. Parent training
- b. DISTRICT staff training
- c. Psychological Evaluations
- d. Other special services identified by district & county

B. District shall make referrals to School Mental Health Program consultants with necessary and pertinent non-confidential client information.

C. County shall retain final authority in clinical decisions.

III. COUNTY Responsibilities

A. The aggregate services provided by COUNTY and its designated consultants hereunder shall consist of 1,071 hours during 1989-90 school year. Agreement hours include all items referenced in Section V.D.

B. Working agreements shall be developed with each school (hereinafter includes District departments and school buildings) served under this Agreement. Agreements shall include specific services to be provided, schedule for provision of services, beginning and ending date of services, and identification of other activities related to provision of services. Agreements shall be approved and signed by appropriate school representative, SMHP consultant and SMHP Program Supervisor.

IV. DISTRICT Responsibilities

A. DISTRICT agrees to provide access to private space in each school involved under this Agreement for School Mental Health Program consultants to meet with students. This includes access to telephone.

V. Compensation

A. DISTRICT agrees to pay COUNTY a total sum of \$24,097.00 which shall be based upon an hourly rate for services of \$22.50.

B. COUNTY agrees to provide DISTRICT billings showing hours of service provided to date by January 15, 1990; April 15, 1990; June 15 1990.

C. DISTRICT agrees to make payments to COUNTY upon receipt of billings referenced in V.B. within thirty (30) days.

D. Computation of Agreement hours includes:

1. All direct service provision time
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 - f. items c, d, and e may occur off site and/or when classes are not scheduled and are chargeable under this Agreement.

VI. Liability

A. COUNTY shall hold DISTRICT harmless from all damages, judgements, costs and loss arising from any suits or claims based upon injury to persons or property caused by any act or omission of COUNTY, its employees or agents in connection with COUNTY's provision of services under this Agreement.

B. DISTRICT shall hold COUNTY harmless from all damages, judgements, costs and loss arising from any suits or claims based upon injury to persons or property caused by any act or omission of DISTRICT, its employees or agents in connection with DISTRICT's provision of services under this Agreement.

VII. Confidentiality and Client Records

A. COUNTY shall have access to such reports, files, documents, papers and records of DISTRICT as are directly pertinent to services provided under this Agreement after obtaining the appropriate consent in writing.

B. COUNTY shall maintain confidential records for all direct service clients. Said records and reports shall be maintained by COUNTY.

VIII. Modification Termination

A. Any modification of the provisions of this agreement shall be in writing and signed by both parties.

B. This Agreement may be terminated prior to the expiration of the agreed-upon term:

1. By mutual written consent of the parties;
2. By either party upon thirty (30) days written notice.
3. Payment by DISTRICT shall be prorated to and including the day of termination and shall be in full satisfaction of all claims by COUNTY against DISTRICT under this agreement.
4. Termination under any provision of this agreement shall not affect any right, obligation or liability of DISTRICT OR COUNTY which accrued prior to such termination.

IX. Integration

This agreement contains the entire agreement between the parties and supercedes all prior written or oral discussions or agreements.

GRESHAM GRADE SCHOOL DISTRICT
NUMBER FOUR
GORDON RUSSELL MIDDLE SCHOOL

MULTNOMAH COUNTY, OREGON

By _____
Chair, Board of Directors Date

By _____
Gladys McCoy Date
Multnomah County Chair

By _____

Title Date

By _____
Social Services Division Date
Director

By _____
MED Program Manager Date

By _____

Title Date

By _____
Children's Clinical Services Date
Manger

APPROVED AS TO FORM:

Laurence Kressel
Multnomah County Counsel

By _____
Deputy County Counsel Date

INTERGOVERNMENTAL AGREEMENT
FOR SCHOOL MENTAL HEALTH SERVICES
FY 89/90

This Agreement, made and entered into as of the 1st day of September, 1989, by and between Multnomah County Social Services Division, Multnomah County, Oregon, a home rule political subdivision of the State of Oregon, (hereinafter referred to as "COUNTY"), and ~~Gresham High School District Number U2-20-JT~~ Barlow-Gresham Union High School District No. U2-20 Jt., a body politically organized and existing under the laws of the State of Oregon (hereinafter referred to as "DISTRICT"):

WHEREAS, DISTRICT requires services which COUNTY is capable of providing, under terms and conditions hereinafter described; and

WHEREAS, COUNTY is able and prepared to provide such services as DISTRICT does hereinafter require, under those terms and conditions set forth, now, therefore,

IN CONSIDERATION of those mutual promises and the terms and conditions set forth hereafter, the parties agree as follows:

I. Term

The term of this Agreement shall be from September 1, 1989, to and including June 30, 1990, unless sooner terminated under the provisions hereof.

II. Services

A. COUNTY's services under this Agreement shall consist of the following:

1. Core mental health services will be provided to students. These services shall include:

- a. Consultation with school personnel
- b. Diagnostic screening
- c. Referrals
- d. Mental Health treatment

2. Additional Services may be negotiated within this agreement. These services include programs for:

- a. Parent training
- b. DISTRICT staff training
- c. Psychological Evaluations
- d. Other special services identified by district & county

B. District shall make referrals to School Mental Health Program consultants with necessary and pertinent non-confidential client information.

C. County shall retain final authority in clinical decisions.

III. COUNTY Responsibilities

A. The aggregate services provided by COUNTY and its designated consultants hereunder shall consist of 1,071 hours during 1989-90 school year. Agreement hours include all items referenced in Section V.D.

B. Working agreements shall be developed with each school (hereinafter includes District departments and school buildings) served under this Agreement. Agreements shall include specific services to be provided, schedule for provision of services, beginning and ending date of services, and identification of other activities related to provision of services. Agreements shall be approved and signed by appropriate school representative, SMHP consultant and SMHP Program Supervisor.

IV. DISTRICT Responsibilities

A. DISTRICT agrees to provide access to private space in each school involved under this Agreement for School Mental Health Program consultants to meet with students. This includes access to telephone.

V. Compensation

A. DISTRICT agrees to pay COUNTY a total sum of \$24,097.00 which shall be based upon an hourly rate for services of \$22.50.

B. COUNTY agrees to provide DISTRICT billings showing hours of service provided to date by January 15, 1990; April 15, 1990; June 15, 1990.

C. DISTRICT agrees to make payments to COUNTY upon receipt of billings referenced in V.B. within thirty (30) days.

D. Computation of Agreement hours includes:

1. All direct service provision time
2. Indirect service support including:
 - a. travel required to provide direct services under this Agreement,
 - b. travel outside of normal workday hours,
 - c. maintenance of client records and client correspondence,
 - d. preparation of clinical reports required under this Agreement and other reports as requested by designated school representatives,
 - e. planning and preparation for special services provided under this Agreement,
 - f. items c, d, and e may occur off site and/or when classes are not scheduled and are chargeable under this Agreement.

VI. Liability

A. COUNTY shall hold DISTRICT harmless from all damages, judgements, costs and loss arising from any suits or claims based upon injury to persons or property caused by any act or omission of COUNTY, its employees or agents in connection with COUNTY's provision of services under this Agreement.

B. DISTRICT shall hold COUNTY harmless from all damages, judgements, costs and loss arising from any suits or claims based upon injury to persons or property caused by any act or omission of DISTRICT, its employees or agents in connection with DISTRICT's provision of services under this Agreement.

VII. Confidentiality and Client Records

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B. COUNTY shall maintain confidential records for all direct service clients. Said records and reports shall be maintained by COUNTY.

VIII. Modification Termination

A. Any modification of the provisions of this agreement shall be in writing and signed by both parties.

B. This Agreement may be terminated prior to the expiration of the agreed-upon term:

1. By mutual written consent of the parties;

2. By either party upon thirty (30) days written notice.

3. Payment by DISTRICT shall be prorated to and including the day of termination and shall be in full satisfaction of all claims by COUNTY against DISTRICT under this agreement.

4. Termination under any provision of this agreement shall not affect any right, obligation or liability of DISTRICT OR COUNTY which accrued prior to such termination.

IX. Integration

This agreement contains the entire agreement between the parties and
supercedes all prior written or oral discussions or agreements.

GRESHAM HIGH SCHOOL DISTRICT
NUMBER U2-20 JT

MULTNOMAH COUNTY, OREGON

BY *Alvin Martin* 9-11-89
Chair, Board of Directors Date

BY _____
Gladys McCoy Date
Multnomah County Chair

BY *Zeno B. Katterle*
Zeno B. Katterle
Superintendent 9-11-89
Title Date

BY *Dary W. Smith* 9/25/89
Social Services Division Date
Director

BY *P. B. Surface* 9/19/89
MED. Program Manager Date

BY *Rich L. Carver*
Principal 8-23-89
Title Date

BY *David Pump* 9/25/89
Children's Clinical Services Date
Manager

REVIEWED:

Laurence Kressel
Multnomah County Counsel

By _____
Deputy County Counsel Date



MULTNOMAH COUNTY OREGON

CONTRACT APPROVAL FORM

(See instructions on reverse side)

DHS# 265

89-90

TYPE I

- Professional Services under \$10,000
- Revenue
- Grant Funding
- Intergovernmental Agreement

Amendment # _____ to Contract # _____

TYPE II

- Professional Services over \$10,000 (RFP, Exemption)
- PCRB Contract
- Maintenance Agreement
- Licensing Agreement
- Construction

Amendment # _____ to Contract # _____

Contact Person Susan Clark Phone 248-3691 Date 9/14/89

Department Human Services Division Social Services Bldg/Room 160/6

Description of Contract Renews agreement to provide school mental health services for 89/90 school year. Revenue identified in 89/90 adopted budget.

RFP/BID # N/A - Revenue Date of RFP/BID _____ Exemption Exp. Date _____

ORS/AR # _____ Contractor is MBE FBE QRF

Contractor Name Parkrose School District #3

Mailing Address 11717 NE Shaver
Portland, OR 97220

Phone 257-5219

Employer ID# or SS# 93-6000833

Effective Date September 1, 1989

Termination Date June 30, 1990

Original Contract Amount \$ 12,250.00

Amount of Amendment \$ --

Total Amount of Agreement \$ 12,250.00

Payment Terms

- Lump Sum \$ _____
- Monthly \$ _____
- Other \$ Quarterly Payments

Requirements contract-requisition required
Purchase Order No. _____

Required Signatures:

Department Head _____ Date _____

Purchasing Director _____ Date _____
(Type II Contracts Only)

County Counsel _____ Date _____

Budget Office _____ Date _____

County Executive/Sheriff _____ Date _____

TRANSACTION CODE	P O	AGENCY	PO DATE	ACCOUNTING PERIOD	BUDGET FY	ACTION					
VENDOR CODE		VENDOR NAME			TOTAL AMOUNT	\$					
LINE NO.	CONTRACT NUMBER	FUND	AGENCY	ORGANIZATION	ACTIVITY	OBJECT	SUB OBJ	REPT CATEG	DESCRIPTION	AMOUNT	IN DE IN
	<u>102650</u>	<u>156</u>	<u>010</u>	<u>1360</u>					<u>Revenue 2782</u>	<u>\$ 12,250.00</u>	
										\$	
										\$	
										\$	
										\$	

INTERGOVERNMENTAL AGREEMENT
FOR SCHOOL MENTAL HEALTH SERVICES
FY 89/90

This Agreement, made and entered into as of the 1st day of September, 1989, by and between Multnomah County Social Services Division, Multnomah County, Oregon, a home rule political subdivision of the State of Oregon, (hereinafter referred to as "COUNTY"), and Parkrose School District Number Three, a body politically organized and existing under the laws of the State of Oregon (hereinafter referred to as "DISTRICT"):

WHEREAS, DISTRICT requires services which COUNTY is capable of providing, under terms and conditions hereinafter described; and

WHEREAS, COUNTY is able and prepared to provide such services as DISTRICT does hereinafter require, under those terms and conditions set forth, now, therefore,

IN CONSIDERATION of those mutual promises and the terms and conditions set forth hereafter, the parties agree as follows:

I. Term

The term of this Agreement shall be from September 1, 1989, to and including June 30, 1990, unless sooner terminated under the provisions hereof.

II. Services

A. COUNTY's services under this Agreement shall consist of the following:

1. Core mental health services will be provided to students. These services shall include:

- a. Consultation with school personnel
- b. Diagnostic screening
- c. Referrals
- d. Mental Health treatment

2. Additional Services may be negotiated within this agreement. These services include programs for:

- a. Parent training
- b. DISTRICT staff training
- c. Psychological Evaluations
- d. Other special services identified by district & county

B. District shall make referrals to School Mental Health Program consultants with necessary and pertinent non-confidential client information.

C. County shall retain final authority in clinical decisions.

III. COUNTY Responsibilities

A. The aggregate services provided by COUNTY and its designated consultants hereunder shall consist of 544.44 hours during 1989-90 school year. Agreement hours include all items referenced in Section V.D.

B. Working agreements shall be developed with each school (hereinafter includes District departments and school buildings) served under this Agreement. Agreements shall include specific services to be provided, schedule for provision of services, beginning and ending date of services, and identification of other activities related to provision of services. Agreements shall be approved and signed by appropriate school representative, SMHP consultant and SMHP Program Supervisor.

IV. DISTRICT Responsibilities

A. DISTRICT agrees to provide access to private space in each school involved under this Agreement for School Mental Health Program consultants to meet with students. This includes access to telephone.

V. Compensation

A. DISTRICT agrees to pay COUNTY a total sum of \$12,250.00 which shall be based upon an hourly rate for services of \$22.50.

B. COUNTY agrees to provide DISTRICT billings showing hours of service provided to date by January 15, 1990; April 15, 1990; June 15, 1990.

C. DISTRICT agrees to make payments to COUNTY upon receipt of billings referenced in V.B. within thirty (30) days.

D. Computation of Agreement hours includes:

1. All direct service provision time
2. Indirect service support including:
 - a. travel required to provide direct services under this Agreement,
 - b. travel outside of normal workday hours,
 - c. maintenance of client records and client correspondence,
 - d. preparation of clinical reports required under this Agreement and other reports as requested by designated school representatives,
 - e. planning and preparation for special services provided under this Agreement,
 - f. items c, d, and e may occur off site and/or when classes are not scheduled and are chargeable under this Agreement.

VI. Liability

A. COUNTY shall hold DISTRICT harmless from all damages, judgements, costs and loss arising from any suits or claims based upon injury to persons or property caused by any act or omission of COUNTY, its employees or agents in connection with COUNTY's provision of services under this Agreement.

B. DISTRICT shall hold COUNTY harmless from all damages, judgements, costs and loss arising from any suits or claims based upon injury to persons or property caused by any act or omission of DISTRICT, its employees or agents in connection with DISTRICT's provision of services under this Agreement.

VII. Confidentiality and Client Records

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A. Any modification of the provisions of this agreement shall be in writing and signed by both parties.

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2. By either party upon thirty (30) days written notice.

3. Payment by DISTRICT shall be prorated to and including the day of termination and shall be in full satisfaction of all claims by COUNTY against DISTRICT under this agreement.

4. Termination under any provision of this agreement shall not affect any right, obligation or liability of DISTRICT OR COUNTY which accrued prior to such termination.

IX. Integration

This agreement contains the entire agreement between the parties and supercedes all prior written or oral discussions or agreements.

PARKROSE SCHOOL DISTRICT
NUMBER THREE

MULTNOMAH COUNTY, OREGON

By Deanne M. Hare
Chair, Board of Directors Date

By _____
Gladys McCoy Date
Multnomah County Chair

By [Signature]
Superintendent 8/31/89
Title Date

By Dorey W. Smith 9/25/89
Social Services Division Date
Director

By Pat B. Surface 9/19/89
MED Program Manager Date

By Peter Nordbye
Director of Special Education 7/17/89
Title Date

By David W. Pump 9/25/89
Children's Clinical Services Date
Manager

REVIEWED:

Laurence Kressel
Multnomah County Counsel

By _____
Deputy County Counsel Date

INTERGOVERNMENTAL AGREEMENT
FOR SCHOOL MENTAL HEALTH SERVICES
FY 89/90

This Agreement, made and entered into as of the 1st day of September, 1989, by and between Multnomah County Social Services Division, Multnomah County, Oregon, a home rule political subdivision of the State of Oregon, (hereinafter referred to as "COUNTY"), and Portland Public School District Number One, a body politically organized and existing under the laws of the State of Oregon (hereinafter referred to as "DISTRICT"):

WHEREAS, DISTRICT requires services which COUNTY is capable of providing, under terms and conditions hereinafter described; and

WHEREAS, COUNTY is able and prepared to provide such services as DISTRICT does hereinafter require, under those terms and conditions set forth, now, therefore,

IN CONSIDERATION of those mutual promises and the terms and conditions set forth hereafter, the parties agree as follows:

I. Term

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 - d. Mental Health treatment

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- a. Parent training
- b. DISTRICT staff training
- c. Psychological Evaluations
- d. Other special services identified by district & county

B. District shall make referrals to School Mental Health Program consultants with necessary and pertinent non-confidential client information.

C. County shall retain final authority in clinical decisions.

III. COUNTY Responsibilities

A. The aggregate services provided by COUNTY and its designated consultants hereunder shall consist of 2,607.73 hours during 1989-90 school year. Agreement hours include all items referenced in Section V.D.

B. Working agreements shall be developed with each school (hereinafter includes District departments and school buildings) served under this Agreement. Agreements shall include specific services to be provided, schedule for provision of services, beginning and ending date of services, and identification of other activities related to provision of services. Agreements shall be approved and signed by appropriate school representative, SMHP consultant and SMHP Program Supervisor.

IV. DISTRICT Responsibilities

A. DISTRICT agrees to provide access to private space in each school involved under this Agreement for School Mental Health Program consultants to meet with students. This includes access to telephone.

V. Compensation

A. DISTRICT agrees to pay COUNTY a total sum of \$58,674.00 which shall be based upon an hourly rate for services of \$22.50.

B. COUNTY agrees to provide DISTRICT billings showing hours of service provided to date by January 15, 1990; April 15, 1990; June 15, 1990.

C. DISTRICT agrees to make payments to COUNTY upon receipt of billings referenced in V.B. within thirty (30) days.

D. Computation of Agreement hours includes:

1. All direct service provision time
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 - d. preparation of clinical reports required under this Agreement and other reports as requested by designated school representatives,
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2. By either party upon thirty (30) days written notice.

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4. Termination under any provision of this agreement shall not affect any right, obligation or liability of DISTRICT OR COUNTY which accrued prior to such termination.

IX. Integration

This agreement contains the entire agreement between the parties and supercedes all prior written or oral discussions or agreements.

PORTLAND PUBLIC SCHOOL DISTRICT
NUMBER ONE

MULTINOMAH COUNTY, OREGON

BY [Signature]
Chair, Board of Directors Date

BY _____
Gladys McCoy Date
Multnomah County Chair

BY [Signature]
Deputy Clerk SEP 5 1989
Title Date

BY [Signature] 9/25/89
Social Services Division Date
Director

BY [Signature] 9/19/89
MED Program Manager Date

BY _____
Title Date

BY [Signature] 9/25/89
Children's Clinical Services Date
Manager

APPROVED AS TO FORM:

[Signature]
Staff Attorney
Portland School Dist. No. 1

REVIEWED:

Laurence Kressel
Multnomah County Counsel

BY _____
Deputy County Counsel Date

October 26, 1989

RECEIVED FROM JANE MCGARVIN

CLERK, BOARD OF COUNTY COMMISSIONERS . MULTNOMAH COUNTY, OREGON

BUDGET

BUDGET MODIFICATION DJS #7

R-7

APPROVED

BOARD OF
COUNTY COMMISSIONERS
1989 OCT 31 AM 11:40
MULTNOMAH COUNTY
OREGON

Kathleen Neal

10/31

PLEASE SIGN & RETURN THIS RECEIPT TO COMMISSIONERS OFFICE

BUDGET MODIFICATION NO. DJS #7

(For Clerk's Use) Meeting Date OCT 26 1989

Agenda No. R-7

1. REQUEST FOR PLACEMENT ON THE AGENDA FOR _____ (Date) _____

DEPARTMENT Justice Services DIVISION Community Corrections

CONTACT Harley Leiber TELEPHONE 248-3980

*NAME(s) OF PERSON MAKING PRESENTATION TO BOARD Harley Leiber

SUGGESTED

AGENDA TITLE (to assist in preparing a description for the printed agenda) _____

Budget Modification DJS #7 requests to transfer \$20,772 from Community Corrections Contracts to add a Community Projects leader in the Community Services Gorge Project funded by CCA Enhancement Grant.

(Estimated Time Needed on the Agenda) (10 Minutes)

2. DESCRIPTION OF MODIFICATION (Explain the changes this Bud Mod makes. What budget does it increase? What do the changes accomplish? Where does the money come from? What budget is reduced? Attach additional information if you need more space.)

[x] PERSONNEL CHANGES ARE SHOWN IN DETAIL ON THE ATTACHED SHEET

Addition of one FTE Community Project Leader at the Community Service Forest Project to provide additional shift coverage. There are currently 16 offenders on the waiting list. The Program will be at capacity with thirty offenders in residence within three weeks. At present, one project leader is assigned to provide night and weekend coverage. The addition will create a safer working environment and enhance the staff's overall ability to react to problems quickly.

3. REVENUE IMPACT (Explain revenues being changed and the reason for the change)

Increase Svs Reim to Insurance Fund by \$2,116.

BOARD OF COUNTY COMMISSIONERS
 MULTNOMAH COUNTY
 1989 OCT 17 PM 3:33
 REGION

4. CONTINGENCY STATUS (to be completed by Finance/Budget)

_____ Contingency before this modification (as of _____) \$ _____
 (Specify Fund) (Date)

After this modification \$ _____

Originated By <i>[Signature]</i>	Date <u>10/13/89</u>	Department Manager <i>[Signature]</i>	Date <u>10/13/89</u>
Budget Analyst <i>[Signature]</i>	Date <u>10/13/89</u>	Personnel Analyst <i>[Signature]</i>	Date <u>10/13/89</u>
Board Approval <i>[Signature]</i>	Date <u>10/26/89</u>		

2999E/1

mailed
10/27/89
[Signature]

PERSONNEL DETAIL FOR BUD MOD NO.

DJS #7

5. ANNUALIZED PERSONNEL CHANGES (Compute on a full year basis even though this action affects only a part of the fiscal year.)

FTE Increase (Decrease)	POSITION TITLE	Annualized			
		BASE PAY Increase (Decrease)	Increase (Decrease) Fringe	Ins.	TOTAL Increase (Decrease)
1.0 FTE	Community Projects Leader	21,757	5,496	3,386	30,639
TOTAL CHANGE (ANNUALIZED)		21,757	5,496	3,386	30,639

6. CURRENT YEAR PERSONNEL DOLLAR CHANGES (calculate costs or savings that will take place within this fiscal year; these should explain the actual dollar amounts being changed by this Bud Mod.)

Permanent Positions, Temporary, Overtime, or Premium	Explanation of Change	Current FY			
		BASE PAY Increase (Decrease)	Increase (Decrease) Fringe	Ins.	TOTAL Increase (Decrease)
.63 FTE	Add 1.0 FTE Community Projects Leader for 7.5 months	13,598	3,434	2,116	19,148

OCT 4 1989

Procedure # 1201
Page 3 of 4

DATE SUBMITTED 10/3/89

(For Clerk's Use)
Meeting Date OCT 26 1989
Agenda No. R-8

REQUEST FOR PLACEMENT ON THE AGENDA

Subject: Grant Application

Informal Only* _____
(Date)

Formal Only 10-26-89
(Date)

DEPARTMENT Office of District Attorney DIVISION _____

CONTACT Kelly Bacon TELEPHONE x3105

*NAME(s) OF PERSON MAKING PRESENTATION TO BOARD Mike Schrunk

BRIEF SUMMARY Should include other alternatives explored, if applicable, and clear statement of rationale for the action requested.
This is an application to the Bureau of Justice Assistance for a grant for an Innovative Drug Prosecution Interjurisdictional Demonstration Project: Manufacturing and Distribution Probe. This demonstration grant will focus on the investigation of and prosecution of methamphetamine manufacture and distribution. The grant would operate for 12 months. No local match is required.

(IF ADDITIONAL SPACE IS NEEDED, PLEASE USE REVERSE SIDE)

ACTION REQUESTED:

- INFORMATION ONLY
- PRELIMINARY APPROVAL
- POLICY DIRECTION
- APPROVAL

INDICATE THE ESTIMATED TIME NEEDED ON AGENDA 15 minutes

IMPACT:

PERSONNEL Grant would fund a deputy district attorney, a criminal intelligence analyst, and an office assistant.

FISCAL/BUDGETARY The county would receive \$15,419 in indirect costs.

-General Fund

Other _____

SIGNATURES:

DEPARTMENT HEAD, ELECTED OFFICIAL, or COUNTY COMMISSIONER: Michael D. Schrunk by P. Paul

BUDGET / PERSONNEL Kathy Linkle Gerald W. Butte

COUNTY COUNSEL (Ordinances, Resolutions, Agreements, Contracts) _____

OTHER _____
(Purchasing, Facilities Management, etc.)

NOTE: If requesting unanimous consent, state situation requiring emergency action on back.

FILED BY
COUNTY COMMISSIONER
1989 OCT 13 AM 8:31
MULTNOMAH COUNTY
OREGON

NOTICE OF INTENT

TO: Board of County Commissioners

DEPARTMENT/CONTACT: Office of the District Attorney
Kelly Bacon
248-3105

GRANTOR AGENCY: Bureau of Justice Assistance
Office of Justice Programs
U. S. Department of Justice
Washington, D.C.

BEGINING DATE OF GRANT: November 1, 1989

PROJECT TITLE: Innovative Drug Prosecution
Interjurisdictional Demonstration
Project: Manufacturing and
Distribution Probe

PROJECT DESCRIPTION/GOALS:

The continuing demand on local law enforcement agencies requires the development of different approaches in the investigation, apprehension, and prosecution of illegal narcotics traffickers. Multijurisdictional task forces have demonstrated success in targeting upper level drug dealers and in investigating, arresting, and prosecuting upper level drug dealers by combining resources of several agencies. The Manufacturing and Distribution Probe proposes to demonstrate the utility of involving a prosecutor in the earliest stages of criminal narcotics investigation. This approach can result in a more focused use of the limited law enforcement resources into the manufacturing and distribution of methamphetamines within the tri-county region.

The objectives of the Manufacturing and Distribution Probe include:

- a. Selecting up to 25 major drug trafficking targets for investigation and prosecution.
- b. Directing the investigation, indictment, arrest, and prosecution of up to 15 major offenders responsible for manufacturing and/or distributing methamphetamines.
- c. Documenting the manufacturing and distribution chain of chemicals, equipment, and supplies used in the production of methamphetamines in the tri-county region.

d. Identifying through the use of financial investigative techniques the assets derived from illegal activity of major drug traffickers.

e. Use both state and federal forfeiture statutes to seize assets derived from illegal drug activity.

f. Document the procedures, techniques, tools, and activities which the prosecutor used to manage the investigation. This documentation will provide the basic material for assessing the utility of using a prosecutor to directly manage investigations and in training operations.

PROJECT BUDGET:

Direct: 100%
Federal share: \$197,252
County share: N/A

Total: \$197,252

EXPLANATION OF LOCAL SHARE: Local share is not required for participation in this demonstration project. Multnomah County will receive an indirect charge based on 8.48% of total direct project which comes to \$15,419.

REPORTING AND/OR BILLING REQUIREMENTS: Quarterly

GRANT DURATION AND FUTURE RATIO: Project application is for one year.

ADVANCE REQUESTED (If Any): None

RECEIPT OF FUNDS WILL BE DEPOSITED TO: Federal/state fund

PERSONNEL DETAIL:

<u>Classification</u>	<u>Base</u>	<u>Fringe</u>	<u>Total</u>
DDA III Criminal	50,717	18,676	69,393
Intelligence Ana.	30,000	10,832	40,832
Office Assist. III	21,381	7,844	29,225

EXPLAIN MATERIALS AND SERVICES AND CAPITAL EXPENDITURES WITH TOTAL DOLLAR AMOUNTS:

Travel	\$ 5,740
Equipment	\$15,090
Supplies	\$ 7,623
Other	\$13,930
Indirect	\$15,419

COMMENTS:

BUDGET DIVISION:

Kathy Imke 10/4/89
Signature Date

FINANCE DIVISION:

Jan Hylac 10/4/89
Signature Date

PERSONNEL DIVISION:

Gerald W. Bittle 10-5-89
Signature Date

DISTRICT ATTORNEY:

Michael D. Schuck 10-13-89
Signature Date
cep

APPLICATION FOR FEDERAL ASSISTANCE

1. TYPE OF SUBMISSION: <i>Application</i> <input type="checkbox"/> Construction <input type="checkbox"/> Non-Construction <i>Preapplication</i> <input type="checkbox"/> Construction <input type="checkbox"/> Non-Construction	2. DATE SUBMITTED	Applicant Identifier
	3. DATE RECEIVED BY STATE	State Application Identifier
	4. DATE RECEIVED BY FEDERAL AGENCY	Federal Identifier

5. APPLICANT INFORMATION

Legal Name: Multnomah County District Attorney's Office	Organizational Unit: Same
Address (give city, county, state, and zip code): 1021 S.W. Fourth, Room 600 Portland, OR 97204	Name and telephone number of the person to be contacted on matters involving this application (give area code): Michael D. Schrunk, District Attorney (503) 248-3143

6. EMPLOYER IDENTIFICATION NUMBER (EIN): 9 3 - 6 0 0 2 3 0 9	7. TYPE OF APPLICANT: (enter appropriate letter in box) <input checked="" type="checkbox"/> B A. State B. County C. Municipal D. Township E. Interstate F. Intermunicipal G. Special District H. Independent School Dist. I. State Controlled Institution of Higher Learning J. Private University K. Indian Tribe L. Individual M. Profit Organization N. Other (Specify): _____
8. TYPE OF APPLICATION: <input type="checkbox"/> New <input type="checkbox"/> Continuation <input type="checkbox"/> Revision If Revision, enter appropriate letter(s) in box(es): <input type="checkbox"/> <input type="checkbox"/> A. Increase Award B. Decrease Award C. Increase Duration D. Decrease Duration Other (specify): _____	9. NAME OF FEDERAL AGENCY: Bureau of Justice Assistance Office of Justice Programs, DOJ

10. CATALOG OF FEDERAL DOMESTIC ASSISTANCE NUMBER: 1 6 - 5 8 0 TITLE: Narcotics Control Discretionary Grant Program	11. DESCRIPTIVE TITLE OF APPLICANT'S PROJECT: Innovative Drug Prosecution Interjurisdictional Demonstration
12. AREAS AFFECTED BY PROJECT (cities, counties, states, etc.): Multnomah, Washington, Clackamas Counties; cities therein	

13. PROPOSED PROJECT: Start Date: _____ Ending Date: _____	14. CONGRESSIONAL DISTRICTS OF: a. Applicant: First: Rep. Les AuCoin Third: Rep. Ron Wyden b. Project: Same
--	---

15. ESTIMATED FUNDING: <table border="1"> <tr><td>a. Federal</td><td>\$ 197,252</td><td>.00</td></tr> <tr><td>b. Applicant</td><td>\$</td><td>.00</td></tr> <tr><td>c. State</td><td>\$</td><td>.00</td></tr> <tr><td>d. Local</td><td>\$</td><td>.00</td></tr> <tr><td>e. Other</td><td>\$</td><td>.00</td></tr> <tr><td>f. Program Income</td><td>\$</td><td>.00</td></tr> <tr><td>g. TOTAL</td><td>\$ 197,252</td><td>.00</td></tr> </table>	a. Federal	\$ 197,252	.00	b. Applicant	\$.00	c. State	\$.00	d. Local	\$.00	e. Other	\$.00	f. Program Income	\$.00	g. TOTAL	\$ 197,252	.00	16. IS APPLICATION SUBJECT TO REVIEW BY STATE EXECUTIVE ORDER 12372 PROCESS? a. YES. THIS PREAPPLICATION/APPLICATION WAS MADE AVAILABLE TO THE STATE EXECUTIVE ORDER 12372 PROCESS FOR REVIEW ON: DATE <u>September 21, 1989</u> b. NO. <input type="checkbox"/> PROGRAM IS NOT COVERED BY E.O. 12372 <input type="checkbox"/> OR PROGRAM HAS NOT BEEN SELECTED BY STATE FOR REVIEW
a. Federal	\$ 197,252	.00																				
b. Applicant	\$.00																				
c. State	\$.00																				
d. Local	\$.00																				
e. Other	\$.00																				
f. Program Income	\$.00																				
g. TOTAL	\$ 197,252	.00																				
17. IS THE APPLICANT DELINQUENT ON ANY FEDERAL DEBT? <input type="checkbox"/> Yes If "Yes," attach an explanation. <input checked="" type="checkbox"/> No																						

18. TO THE BEST OF MY KNOWLEDGE AND BELIEF, ALL DATA IN THIS APPLICATION/PREAPPLICATION ARE TRUE AND CORRECT. THE DOCUMENT HAS BEEN DULY AUTHORIZED BY THE GOVERNING BODY OF THE APPLICANT AND THE APPLICANT WILL COMPLY WITH THE ATTACHED ASSURANCES IF THE ASSISTANCE IS AWARDED

a. Typed Name of Authorized Representative Michael D. Schrunk	b. Title District Attorney	c. Telephone number (503) 248-3143
d. Signature of Authorized Representative 		e. Date Signed 9-21-89

BUDGET INFORMATION — Non-Construction Programs

SECTION A - BUDGET SUMMARY

Grant Program Function or Activity (a)	Catalog of Federal Domestic Assistance Number (b)	Estimated Unobligated Funds		New or Revised Budget		
		Federal (c)	Non-Federal (d)	Federal (e)	Non-Federal (f)	Total (g)
1. Anti-Drug Discretionary	16.580	\$	\$	\$ 197,252	\$ ∅	\$ 197,252
2.						
3.						
4.						
5. TOTALS		\$	\$	\$ 197,252	\$ ∅	\$ 197,252

SECTION B - BUDGET CATEGORIES

6 Object Class Categories	GRANT PROGRAM, FUNCTION OR ACTIVITY				Total (5)
	(1) Discretionary	(2)	(3)	(4)	
a. Personnel	\$ 102,098	\$	\$	\$	\$ 102,098
b. Fringe Benefits	37,352				37,352
c. Travel	5,740				5,740
d. Equipment	15,090				15,090
e. Supplies	3,873				3,873
f. Contractual	∅				∅
g. Construction	∅				∅
h. Other	13,930				13,930
i. Total Direct Charges (sum of 6a - 6h)	181,833				181,833
j. Indirect Charges	15,419				15,419
k. TOTALS (sum of 6i and 6j)	\$ 197,252	\$	\$	\$	\$ 197,252
7. Program Income	\$ ∅	\$	\$	\$	\$ ∅

SECTION C - NON-FEDERAL RESOURCES

(a) Grant Program	(b) Applicant	(c) State	(d) Other Sources	(e) TOTALS
8.	\$	\$	\$	\$
9.				
10.				
11.				
12. TOTALS (sum of lines 8 and 11)	\$	\$	\$	\$

SECTION D - FORECASTED CASH NEEDS

13. Federal	Total for 1st Year	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
		\$ 197,252	\$ 60,630	\$ 45,541	\$ 45,541
14. NonFederal					
15. TOTAL (sum of lines 13 and 14)	\$ 197,252	\$ 60,630	\$ 45,541	\$ 45,541	\$ 45,540

SECTION E - BUDGET ESTIMATES OF FEDERAL FUNDS NEEDED FOR BALANCE OF THE PROJECT

(a) Grant Program	FUTURE FUNDING PERIODS (Years)			
	(b) First	(c) Second	(d) Third	(e) Fourth
16.	\$	\$	\$	\$
17.				
18.				
19.				
20. TOTALS (sum of lines 16 -19)	\$	\$	\$	\$

SECTION F - OTHER BUDGET INFORMATION

(Attach additional Sheets if Necessary)

21. Direct Charges:	22. Indirect Charges: .0848 of direct charges
---------------------	---

23. Remarks

Manufacture/Distribution Probe
Budget Detail

a. Personnel

1 Deputy District Attorney	3	50,717
1 Criminal Intelligence Analyst		30,000
1 Office Assistant	3	21,381

Subtotal: \$102,098

b. Fringe Benefits

1) Retirement (FICA/PERS)		27,393
(.2683 of base pay)		

2) Insurance

Workers Compensation (.0225)	2,297
Unemployment Insurance (.0025)	255
Life Insurance (\$38/policy)	114
Medical Insurance (\$1,957/emp)	5,871
Dental Insurance (\$474/emp)	1,422

Subtotal: \$ 37,352

c. Travel

1) Investigative travel associated with interviewing, securing evidence, and attending proceeding throughout the region. Estimated 20,000 at .22/mile	\$4,400
---	---------

2) Out-of-state travel for the purposes of interviewing informants, police officials, etc. Estimate 2 trips within the western U.S. (WSIN, etc.)

Air fare	280
Per Diem (3 days)	105
Hotel (\$85/night)	255
Ground transportation	30

\$670 x 2 = \$1,340

Subtotal: \$ 5,740

d. Equipment

3 desks @ \$300 each	900
3 chairs @ \$150 each	450
2 four-door filing cabinets \$150/each	300
2 microprocessors	10,200
2 bookcases @ \$250 each	500
1 cellular phone	790
1 printer table	150
2 work tables @ \$100 each	200
1 lateral filing cabinet	250
2 dictation recorders and transcribers	1,000
1 Drafting table	350

Subtotal: \$ 15,090

e. Supplies

1) Telephone	
3 SL1 @ \$210	630
Install	1,575
Mo. Service \$134/mo.	1,668

Subtotal: \$ 3,873

2) Books, dues, subscription 750

3) Tapes, diskettes, desk
accessories and

4) Misc. office supplies 3,000

f. Contractual 0

g. Construction 0

h. Other (Training, education, etc.)

1) Photocopier rental	3,200
2) Office rent @ 450 sq.ft. x \$7/sq. ft.	3,150
3) Clandestine lab school for 2 (DEA/Washington, D.C. trip) Air fare \$550/ea.	1,100
Per diem @ \$45/day	450
Hotel @ \$95/night	950
Ground transportation \$40	80
4) Confidential Funds - for use in purchasing information and evidence	5,000

Subtotal: \$ 13,930

i. TOTAL DIRECT \$181,833

j. Indirect Charges \$ 15,419

Multnomah County rule of 8.48% of
total direct project

k. TOTAL \$197,252

MANUFACTURING AND DISTRIBUTION PROBE
PROGRAM NARRATIVE

I. Objectives and Need for Assistance

1. Background

The continuing escalation of illegal drug activity affects every law enforcement and prosecutorial agency in every jurisdiction. The continuing strain on local law enforcement resources demands the development of innovative approaches to the investigation, apprehension, and prosecution of those trafficking in illegal drugs. No single law enforcement agency has sufficient resources to adequately carry on the long-term complex investigations that are necessary to successful prosecution of mid- and high-level drug traffickers. However, by combining resources, cutting across jurisdictional boundaries, and involving a variety of staff and resources, multijurisdictional task forces have demonstrated success in targeting upper level drug dealers. By adding prosecution resources to a multijurisdictional task force, greater definition and focus during the investigative phase can be achieved. This approach can result in more focused use of limited law enforcement resources and investigation and prosecution team experienced in "second generation" investigative techniques and issues.

There are legal issues involved in the prosecution of drug traffickers that require a high level of involvement by prosecutors. These include granting of immunity, the problems associated with witnesses who are incarcerated felons, transportation of these witnesses across jurisdictions, legal questions regarding representation of witnesses who are incarcerated felons, and negotiating pleas with these individuals. All these issues can result in delays or advances in an investigation process. Early access by law enforcement agencies and consistent responses regarding legal issues as well as prosecutorial knowledge of law enforcement investigative techniques and options can serve to enhance case and trial preparation by reducing the likelihood of these kinds of legal issues interfering with the prosecution process. These issues are particularly critical in prosecuting cases that involve several jurisdictions and include working through state and federal court systems.

Criminal drug distribution networks have been in existence for a number of years, and it is only through refined investigative techniques that they are uncovered. The use of informant information, court-ordered wiretaps, pen registers, and trap and trace procedures can be successfully employed to reveal major drug distribution networks. Advanced financial investigative techniques, "stings," and reverse buys are additional tools that can be used to focus on drug trafficking. It is those techniques, the "second generation" in investigations, that can be applied to a more in-depth probe of the manufacturing and distribution of illegal drugs.

While these investigative techniques are widely available to law enforcement, they have not been aggressively used by prosecutors in developing cases for prosecution. Indeed, prosecutors have traditionally shied away from being actively engaged in the "front end" of an investigation. They have frequently elected to wait until law enforcement officers have conducted the majority of the investigative work before participating. A prosecutor using the aforementioned techniques can demonstrate the applicability of involving themselves in the early stages of the investigation. The Manufacturing and Distribution Probe proposed in this application would create a prosecution/investigation unit which would build on the existing multijurisdictional task force and would evaluate, select, and conduct investigations and prosecutions focusing on the manufacture and distribution of methamphetamines.

2. Methamphetamine in Oregon and the Portland Metropolitan Region

The manufacture and distribution of methamphetamine represents Oregon's most serious drug problem, one which is rapidly escalating.

In 1984, only ten laboratories were seized statewide, representing 4.4% of the national total. By 1988, the number had risen to 203 laboratories, representing 25% of the total seizures nationwide. The following is a breakdown of the number of laboratories seized in Oregon and nationally during the past five years.

<u>Year</u>	<u>Lab Seizures (Oregon)*</u>	<u>Lab Seizures (Nationally)</u>
— 1983	10	119
1984	21	185
1985	49	266
1986	102	412
1987	140	682
1988	203 (includes 5 dump sites)	810

* WSIN Annual Reports

In 1988 Oregon's ranking for laboratory seizures increased to second in the nation, exceeded only by California. Oregon's seizures represented 25% of all labs seized nationally. Many of the methamphetamine labs raided in Oregon have been associated with outlaw motorcycle gangs such as the Gypsy Jokers, the Hessians, and the California-based Hell's Angels. Of the labs seized in 1988, one-fifth were directly tied to outlaw motorcycle involvement. Intelligence indicates that the Hell's Angels in Oakland, California, have targeted both Oregon and Washington for methamphetamine manufacture and distribution. There are known alliances between rival gangs in which, for example, one group pays the other for chemicals or for the finished products.

Indeed the spread of illicit laboratories throughout the state over the last five years has been alarming to law enforcement officials. In 1983, laboratories were found in only seven counties, all of which were in populated areas along the I-5 corridor. By 1988, however, twenty-five of Oregon's thirty-six counties were affected, including such rural counties as Malheur, Harney, Crook, Lake, Morrow, and Tillamook.

It appears that there is a decline in methamphetamine laboratories in Oregon in 1989. This may be a result of increased enforcement and tighter controls on precursors in Oregon and Washington. Newly enacted federal regulations are expected to provide even tighter controls and further reduce the number of labs encountered. At the same time, larger bulk amounts of precursors have been seized than ever before. This may indicate that due to the more restricted market, suppliers of precursors are buying in bulk when the chemicals are available. Foreign sources of supply for the precursors have been noted in 1989, but it is too soon to identify this as a continuing pattern. Solid criminal intelligence analysis is essential in monitoring this development.

In a study conducted in Portland, Oregon, between April and June of 1988, the National Institute of Justice DUF Project found that 16% of the males arrested tested positive for amphetamines. In the same year, 58 labs were uncovered in Multnomah County, 1 in Washington County, and 19 in Clackamas County. These labs represent 43% of all the labs reported to the Western States Information Network in 1988.

A methamphetamine manufacturing and distribution probe (MDP) led by an investigating prosecutor would begin to document the strategy of employing prosecutors in positions closer to the roots of narcotics investigations. A prosecutor involving himself or herself in the course of the developing investigation can be expected to achieve more quality prosecutions and perhaps make a better impact on the specific criminal problem being addressed, in this case methamphetamine.

II. Results Expected

The goal of the Manufacturing and Distribution Probe (MDP) is to demonstrate both the utility in and ability of prosecutors directing and guiding the course of a criminal investigation, leading to the conviction of major drug traffickers within the tri-county region. The objectives of MDP are:

1. Review and select up to 25 major drug trafficking targets (DEA Classification GDEP I and II level) for investigation and prosecution.
2. Direct the investigation, indictment, arrest, and prosecution of up to 15 major offenders responsible for manufacturing and/or distributing illegal drugs.
3. Document the manufacture and distribution chain of chemicals, equipment, and supplies used in the production of methamphetamines in the tri-county region.
4. Identify through the use of financial investigative techniques the assets derived from illegal activity of major drug traffickers in the tri-county region.
5. Use state and federal forfeiture statutes to seize assets derived from illegal drug activity of major drug traffickers.

6. Document the procedures, techniques, tools, and activities which the prosecutor used to manage the investigation. This documentation will provide the basic material for assessing the utility of using a prosecutor to directly manage an investigation.

III. Approach

1. Plan of Action

The Manufacturing and Distribution Probe (MDP) will be staffed by a project prosecutor, a criminal intelligence specialist, and a clerical assistant. An Assistant U.S. Attorney would be designated to work with the MDP prosecutor to coordinate federal prosecutions. The MDP prosecutor will be cross-designated to conduct federal as well as state grand jury investigations and prosecutions. The MDP will be located with the Regional Organized Crime Narcotics Crime Task Force as described in Section 3.d. of this application.

The project staff, along with the assistance of regional law enforcement personnel, would initiate contacts with all regional, federal, and local law enforcement agencies to solicit intelligence on major illegal drug producers preliminary to developing recommendations for selection of targets. Intelligence information and reports would be cataloged through a computer case management program currently utilized by IRS. The strategies employed by the MDP Project will be indexed in terms of effectiveness. Close attention will be paid to documenting problems encountered which interfered with the progress of the investigation and the solutions developed in conjunction with law enforcement in order to reach successful outcomes.

2. Project Activities

The goal of MDP is to demonstrate that prosecutors working with law enforcement agencies in the Regional Organized Crime Narcotics Task Force (ROCN) can successfully identify, investigate, apprehend, and prosecute organizations or individuals engaged in illicit methamphetamine manufacture and distribution. The activities designed to accomplish this goal include:

1. Review and select up to 25 major methamphetamine trafficking cases from the files of the tri-county law enforcement agencies.

2. Create a documentary history of the investigation which will serve as source material for subsequent assessments and training efforts.

3. Direct investigations into the manufacture and distribution of methamphetamines in the Portland metropolitan area. Apprehend and prosecute up to 15 major offenders.

4. Prepare a regional intelligence summary of the methamphetamine trafficking business in the region, including source of raw materials, manufacturing processes, logistics, distribution chain, flow of funds, and future trends.

3. Assessment of Project

A mechanism is currently in place for ROCN which collects the following data elements. These same data elements will be collected for MDP. These include the number of methamphetamine trafficking targets, number of arrests, number of indictments, number of federal prosecutions, number of state prosecutions, number of methamphetamine clandestine laboratories seized, amount of assets forfeited, and dollar value of drugs seized. Other kinds of information will be included in the documentation of the investigation process which will serve as source material for subsequent assessments and training efforts.

4. Interjurisdictional Effort

The MDP will be part of the Regional Organized Crime and Narcotics Task Force (ROCN), which was formed in January, 1987, to coordinate the investigation and prosecution of major drug traffickers in the Portland metropolitan area. ROCN is composed of approximately 12 federal, state, and local law enforcement and prosecution personnel who have been detached from their home agencies and assigned to the Task Force. Operating protocols for ROCN are included in Appendix A. The participating agencies are shown in Appendix B.

The Task Force is commanded by a loaned police executive, currently a Captain from Portland Police Bureau, who reports to a ROCN Control Group. The Control Group is the senior or elected official from each of the above agencies. They meet at least once every quarter to review the progress of Task Force cases, approve funding for newly accepted cases, and assign additional personnel and resources to expanding investigations.

Personnel attached to the Task Force include two prosecutors, both of whom are cross-designated as Special U.S. Attorneys allowing them access to the federal grand jury and court system. In addition, they can prosecute in any one of the three state jurisdictions participating in ROCN. A financial investigator assists Task Force officers in discovering the hidden assets of major narcotics traffickers and provides the two attorneys with the necessary proof to establish grounds to seize and forfeit "narco-profits." The entire Task Force staff meets regularly to identify specific investigation opportunities which will require resources beyond the capacity of any one law enforcement agency.

5. Proposed Work Program

<u>Phase</u>	<u>Months</u>	<u>Activities</u>
Start-up	1	Recruit/Select employers Organize office, purchase equipment Establish logistical support Establish contact with "partner" agencies and initiate contact with Attorney General's office, all ROCN parent agencies, WISN, DEA, and U.S. Attorney
Exploratory	2-3	Review case files of police agencies for case development and acquisition of target conspiracies Retrieve established body of knowledge regarding illicit meth manufacture/distribution patterns in the metropolitan area Develop and prepare "rough-cut" link analysis of selected targets and/or conspiracies Schedule/Attend DEA sponsored seminar or meth lab investigations Develop preliminary outline of probe which incorporates a draft case plan for the investigation Present outline to ROCN Control Board

Investigatory 4-8

Conduct ongoing investigation using variety of techniques, methods

Empanel grand jury when and where appropriate

Prepare draft report to ROCN Control Board

Apprehension
Prosecution

Initiate prosecution of appropriate cases

IV. Geographic Location

The geographic area affected by this grant is comprised of three counties: Washington, Clackamas, and Multnomah. (Refer to map in Appendix C). These counties are located in the northwest section of the state and account for the highest population concentration in Oregon. Clackamas County borders Multnomah County on the east and has a population of 262,000 in an area of 1,879 square miles. Washington County borders on the west and has a population of 268,000 in an area of 727 square miles. This county is one of the state's fastest growing areas and is rapidly becoming urbanized. Multnomah County has the distinction of being the smallest county in area with only 465 square miles, but the largest in population with 562,000 people. Most of the population resides in Portland, the largest city in the state.

Though a medium-sized city, Portland is a major distribution point for drug trafficking on the West Coast. The flow of drugs and precursor chemicals moves into the tri-county region "Multnomah, Washington, and Clackamas Counties" from California and up the Interstate 5 corridor. Portland is also located directly on the Columbia River, a major traffic waterway. Its Pacific Rim location access to a major waterway and its strategic position in the middle of the West Coast drug pipeline are all factors that contribute to a volume of drug trafficking activity beyond that usually associated with a medium-sized city.

V. Key Personnel

There are three positions essential for the MDP. These include the MDP prosecutor, the criminal intelligence analyst, and the office assistant 3. Experienced personnel to fill these positions will be selected at the time of grant authorization. Detailed job descriptions are included in Appendix D.

VI. Letters of Support

Letters of support from Washington and Clackamas Counties are attached as Appendix E.

APPENDICES

APPENDIX A

REGIONAL ORGANIZED CRIME NARCOTICS TASK FORCE

Operating Protocol Index

- OP #1: Organizational Structure and General Responsibility Areas (10-25-88)
- OP #2: Case Initiation Procedures (3-14-88)
- OP #3: Report Writing Procedures (3-14-88)
- OP #4: Asset Seizure and Forfeiture Policy (8-30-88)
- OP #5: Provisional Case Adoption Procedures (3-14-88)
- OP #6: Task Force Office Hours and Overtime Procedures (3-14-88)
- OP #7: Task Force Assistance Cases (3-15-88)
- OP #8: Under Revision - Not Complete
- OP #9: Radio Call Number Assignments (7-28-88)
- OP #10: Informant Payment Procedures (9-20-88)
- OP #11: Reverse Drug Case Procedures (2-22-89)

"R O C N"

Participating Agencies

Federal

Drug Enforcement Administration
Immigration and Naturalization Service
United States Attorney

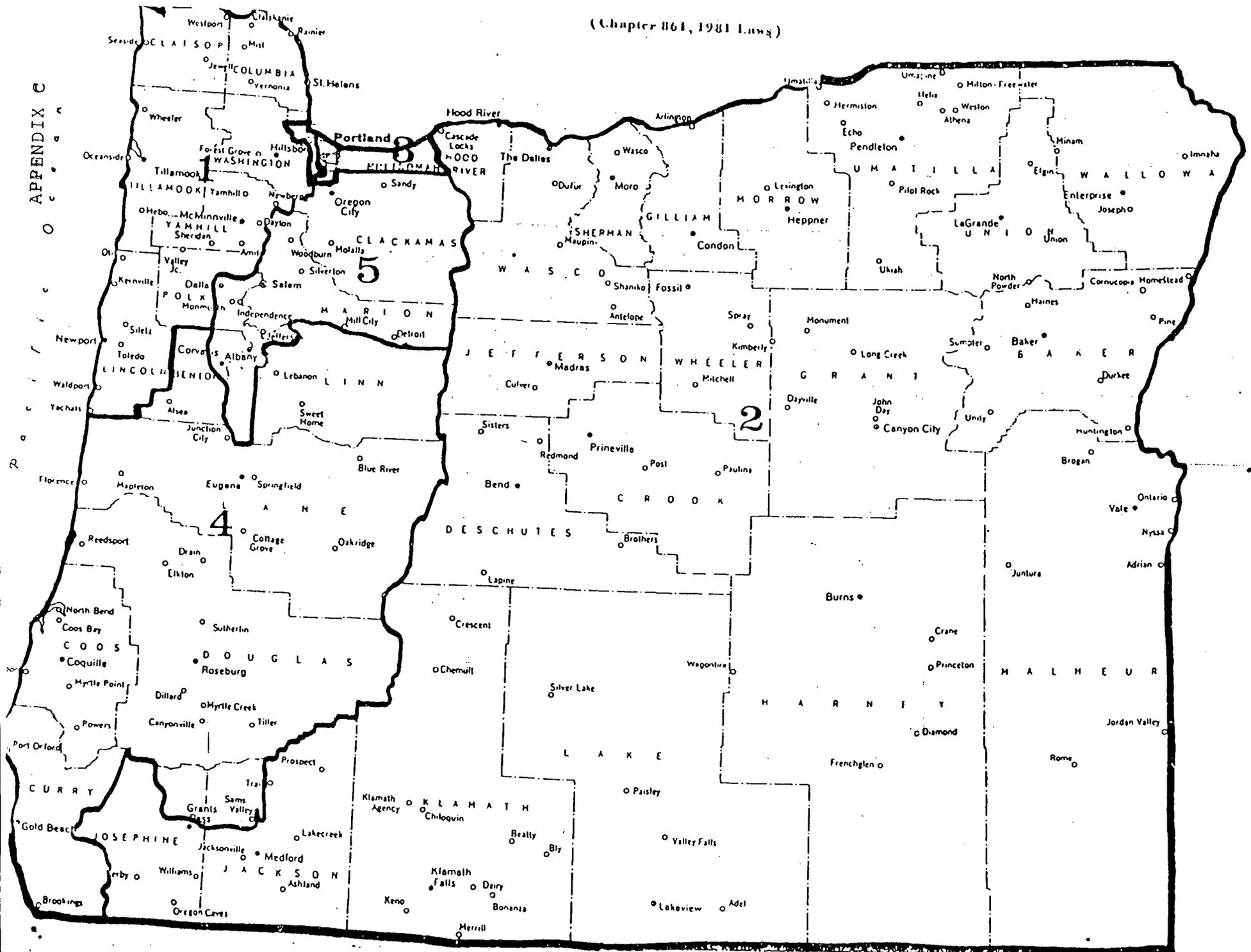
Federal

As Needed

Alcohol, Tobacco, and Firearms
Federal Bureau of Investigation
National Guard
U.S. Customs

State and Local

Clackamas County District Attorney
Clackamas County Sheriff
Gresham Police Department
Multnomah County District Attorney
Multnomah County Sheriff
Oregon State Police
Portland Police Bureau
Washington County District Attorney
Washington County Sheriff
Lake Oswego Police Department
Milwaukie Police Department



APPENDIX D

JOB DESCRIPTIONS

CRIMINAL INTELLIGENCE ANALYST
JOB DESCRIPTIONS

General Statement of Duties

Collect, analyze, and evaluate information from law enforcement agencies related to organized criminal activity in the metropolitan region with primary emphasis on the manufacture and distribution of methamphetamine. Provide analytic support to Deputy District Attorney in charge of the MDP by reviewing data obtained from various reports and graphically linking specific intelligence information relating to the association of individuals and organizations by developing charts and graphs; prepare link analysis association matrices and toll analysis on drug suspects in order to assist in the criminal target acquisition process.

Examples of Duties

Collect, analyze, correlate, evaluate, and disseminate intelligence information.

Testify in court and prepare all court related exhibits as deemed necessary by the supervising prosecutor.

Create various charts and analyses, including link analysis, telephone toll, visual investigations material, event flow.

Brief law enforcement officers of varying ranks on the results of analysis.

Develop expertise on the illicit manufacture and distribution of methamphetamines in the greater Portland metropolitan area.

Minimum Qualification

Two years of staff level experience reviewing, analyzing, and evaluating criminal intelligence information from a variety of sources and preparing written reports, charts, and graphs; and

A bachelor's degree, or two additional years of crime analysis experience in a law enforcement agency.

Background must have included experience operating a computer to assist in preparing crime analysis reports.

Same exposure to formal coursework in criminal intelligence/analysis techniques, methods and practices is preferred.

MANUFACTURING AND DISTRIBUTION PROBE PROSECUTOR

General Statement of Duties

The MDP prosecutor is responsible for directing the day-to-day activities of the MDP project. This senior level position requires substantial criminal trial experience, including complex federal and state narcotics trafficking cases.

Examples of Duties

Directs the activities of the criminal intelligence analyst and office assistant 3 involved in the MDP operation.

Manages the investigation of major methamphetamine drug traffickers through close coordination with law enforcement personnel.

Maintains liaison with ROCN Task Force agencies and other law enforcement agencies engaged in or supporting narcotics investigations.

Reports to the Chief Deputy of the Circuit Court in the Multnomah County District Attorney's Office and provides status reports regarding targets for investigation, progress of cases, case preparation, and outcomes.

Directs all stages of case preparation and prosecution. Provides legal expertise and consultation to law enforcement personnel and participating agencies on task force cases in areas covering rules of evidence, search and seizure, immunity, plea negotiations, electronic surveillance, undercover operations, charging instruments, and grand jury investigations in both federal and state courts.

Minimum Qualifications

A member in good standing of the Oregon State Bar, experienced in the investigation and prosecution in complex criminal cases and has substantial criminal trial experience as a prosecutor.

OFFICE ASSISTANT 3

General Statement of Duties

Performs clerical duties at an advanced level which requires a substantial command of the complete range of clerical/secretarial skills and knowledge in a specialized field obtained through extensive experience and or education. This class is distinguished from the Office Assistant 2 level by the requirement to exercise independent judgment in scheduling and accomplishing work, handling difficult human relations situations, reaching problem solutions by analyzing known alternatives, maintaining complex systems, carrying out research and analysis of varied data, and originating reports and/or correspondence. Employees of this class provide complete clerical/secretarial support to a manager or group of managers under limited supervision and general direction and may be responsible to coordinate the work of others.

Examples of Duties

Makes calculations involving roots, powers, formulae.
Composes correspondence or memoranda.
Prepares reports requiring investigation of various sources of information and systematic organization of data.
Takes complex minutes of meetings or conferences.
Prepares or compiles financial, statistical reports or statements.
Maintains library and develops schedules.

Minimum Qualifications

A minimum of eighteen (18) months of clerical office experience, one (1) year of which must have been as a level equivalent to Office Assistant 2.

Post high school secretarial training/education may be substituted for six (6) months of the required experience.

Experience and/or education in a specialized field closely related to the position sought is desirable.

APPENDIX E

LETTERS OF SUPPORT



JAMES W. O'LEARY, District Attorney for Clackamas County
7 County Courthouse, Oregon City, Oregon 97045 Telephone (503) 655-8431

FAMILY SUPPORT DIVISION
708 Main Street Oregon City, Oregon 97045
VICTIM ASSISTANCE-RVA PROGRAM
708 Main Street Oregon City, Oregon 97045

Telephone (503) 655-8469

Telephone (503) 655-8616

CHIEF DEPUTY
S. Dennis Miller

SENIOR DEPUTIES
Johnathan S. Haub
Anarejs Ikars Eglitis
Ronald E. Nelson

DEPUTIES
Alfred J. French, III
Terry M. Gustafson
David F. Paul
Andrew E. Aubertine
Michele DesBrisay
O. Scott Jackson
Michael P. Regan
Julie D. Elkins
Jerry C. Seeberger
John C. Laing
Darryl K. Nakahira
William J. Martin

CHIEF INVESTIGATOR
Robert F. Ryan

INVESTIGATORS
Thomas P. Kusturin
William R. Martin

FAMILY SUPPORT
Deputy
Wayne S. Kraft

VICTIM ASSISTANCE
RVA PROGRAM
Director
Sharon O'Shea
Assistant Directors
Marsha L. Chase
Nita Richey

March 14, 1989

TO WHOM IT MAY CONCERN:

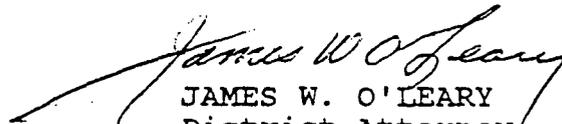
The Clackamas County District Attorney supports and will participate in the innovative drug prosecution inter-jurisdictional demonstration concept paper being submitted by the Multnomah County District Attorney.

The concept paper outlines the project as an integral part of the existing Regional Organized Crime & Narcotics Task Force of which I am a control group member.

This concept envisions a prosecutor, criminal intelligence analyst, financial investigator and legal assistant to be attached to the Regional Organized Crime & Narcotics Task Force.

I look forward to working with Mr. Schrunk and the Washington County District Attorney to further develop the concept for a Bureau of Justice Assistance Grant Application.

Sincerely,


JAMES W. O'LEARY
District Attorney

JWO:jm



SCOTT UPHAM
DISTRICT ATTORNEY
WASHINGTON COUNTY

ADMINISTRATION BUILDING—150 N.E. FIRST AVENUE
HILLSBORO, OREGON 97124
(503) 648-8671

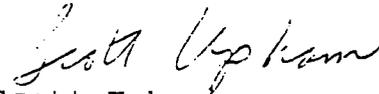
March 13, 1989

RE: Innovative Drug Prosecution -
Interjurisdictional Prosecution

To Whom It May Concern:

I am aware that Multnomah County, Oregon is developing a concept paper for the above entitled project and my office is very much looking forward to participating with them on the full application for the federal grant available for this project.

Very Truly Yours,


Scott Upham
District Attorney

SU/pko



U.S. DEPARTMENT OF JUSTICE
 OFFICE OF JUSTICE PROGRAMS
 OFFICE OF THE COMPTROLLER

**Certification Regarding Drug-Free Workplace Requirements
 Grantees Other Than Individuals**

This certification is required by the regulations implementing the Drug-Free Workplace Act of 1988, 28 CFR Part 67, Subpart F. The regulations, published in the January 31, 1989 *Federal Register*, require certification by grantees, prior to award, that they will maintain a drug-free workplace. The certification set out below is a material representation of fact upon which reliance will be placed when the agency determines to award the grant. False certification or violation of the certification shall be grounds for suspension of payments, suspension or termination of grants, or governmentwide suspension or debarment (see 28 CFR Part 67, Sections 67.615 and 67.620).

The grantee certifies that it will provide a drug-free workplace by:

- (a) Publishing a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession or use of a controlled substance is prohibited in the grantee's workplace and specifying the actions that will be taken against employees for violation of such prohibition;
- (b) Establishing a drug-free awareness program to inform employees about —
 - (1) The dangers of drug abuse in the workplace;
 - (2) The grantee's policy of maintaining a drug-free workplace;
 - (3) Any available drug counseling, rehabilitation, and employee assistance programs; and
 - (4) The penalties that may be imposed upon employees for drug abuse violations occurring in the workplace;
- (c) Making it a requirement that each employee to be engaged in the performance of the grant be given a copy of the statement required by paragraph (a);
- (d) Notifying the employee in the statement required by paragraph (a) that, as a condition of employment under the grant, the employee will —
 - (1) Abide by the terms of the statement; and
 - (2) Notify the employer of any criminal drug statute conviction for a violation occurring in the workplace no later than five days after such conviction;
- (e) Notifying the agency within ten days after receiving notice under subparagraph (d)(2) from an employee or otherwise receiving actual notice of such conviction;
- (f) Taking one of the following actions, within 30 days of receiving notice under subparagraph (d)(2), with respect to any employee who is so convicted —
 - (1) Taking appropriate personnel action against such an employee, up to and including termination; or
 - (2) Requiring such employee to participate satisfactorily in a drug abuse assistance or rehabilitation program approved for such purposes by a Federal, State, or local health, law enforcement, or other appropriate agency;
- (g) Making a good faith effort to continue to maintain a drug-free workplace through implementation of paragraphs (a), (b), (c), (d), (e) and (f).

Place(s) of Performance: The grantee shall insert in the space provided below the site(s) for the performance of work done in connection with the specific grant (street address, city, county, state, zip code):

Multnomah County District Attorney's Office _____
 Organization Name Application Number

Michael D. Schrunk, District Attorney _____
 Name and Title of Authorized Representative

Michael D. Schrunk _____ 9-21-89 _____
 Signature Date



U.S. DEPARTMENT OF JUSTICE
OFFICE OF JUSTICE PROGRAMS
OFFICE OF THE COMPTROLLER

**Certification Regarding
Debarment, Suspension, Ineligibility and Voluntary Exclusion
Lower Tier Covered Transactions
(Sub-Recipient)**

This certification is required by the regulations implementing Executive Order 12549, Debarment and Suspension, 28 CFR Part 67, Section 67.510, Participants' responsibilities. The regulations were published as Part VII of the May 26, 1988 *Federal Register* (pages 19160-19211).

(BEFORE COMPLETING CERTIFICATION, READ INSTRUCTIONS ON REVERSE)

- (1) The prospective lower tier participant certifies, by submission of this proposal, that neither it nor its principals are presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this transaction by any Federal department or agency.
- (2) Where the prospective lower tier participant is unable to certify to any of the statements in this certification, such prospective participant shall attach an explanation to this proposal.

Michael D. Schrunk, District Attorney

Name and Title of Authorized Representative

Michael D. Schrunk
Signature

9-21-89
Date

Multnomah County District Attorney's Office

Name of Organization

Multnomah County Courthouse, Rm. 600
1021 S.W. Fourth Avenue

~~Portland, OR 97204~~
Address of Organization

DATE SUBMITTED _____

(For Clerk's Use)
Meeting Date Oct 26 1989
Agenda No. R-9

REQUEST FOR PLACEMENT ON THE AGENDA

Subject: PCRB EXEMPTION

Informal Only * _____
(Date)

Formal Only _____
(Date)

DEPARTMENT _____

DIVISION _____

CONTACT Lillie Walker/Bill Thomas

TELEPHONE 248-5111/248-3646

*NAME(S) OF PERSON MAKING PRESENTATION TO BOARD Bill Thomas

BRIEF SUMMARY Should include other alternatives explored, if applicable, and clear statement of rationale for the action requested.

Exemption to contract with Central City Concern (CCC) for installation of weatherization materials at the Broadmoor Hotel, owned by the CCC, at an estimated cost of \$73,190. The contract was originally awarded to CCC through a competitive process by MCA. The weatherization contract was not completed prior to the County assuming direct operation of the weatherization program from MCA.

ACTION REQUESTED:

INFORMATION ONLY PRELIMINARY APPROVAL POLICY DIRECTION APPROVAL

INDICATE THE ESTIMATED TIME NEEDED ON AGENDA _____

IMPACT:

PERSONNEL
 FISCAL/BUDGETARY
 GENERAL FUND
 OTHER _____

1989 OCT 17 PM 3:28
HILL, HORTON COUNTY
OREGON
COUNTY COMMISSIONER

SIGNATURES:

DEPARTMENT HEAD, ELECTED OFFICIAL, or COUNTY COMMISSIONER: [Signature]

BUDGET / PERSONNEL _____

COUNTY COUNSEL (Ordinances, Resolutions, Agreements, Contracts) [Signature]

OTHER [Signature]
(Purchasing, Facilities Management, etc.)

NOTE: If requesting unanimous consent, state situation requiring emergency action on back.



MULTNOMAH COUNTY OREGON

DEPARTMENT OF HUMAN SERVICES
AGING SERVICES DIVISION
ADMINISTRATIVE OFFICES
426 S.W. STARK, 5TH FLOOR
PORTLAND, OREGON 97204
(503) 248-3646

BOARD OF COUNTY COMMISSIONERS
GLADYS McCOY • CHAIR OF THE BOARD
PAULINE ANDERSON • DISTRICT 1 COMMISSIONER
GRETCHEN KAFOURY • DISTRICT 2 COMMISSIONER
RICK BAUMAN • DISTRICT 3 COMMISSIONER
SHARRON KELLEY • DISTRICT 4 COMMISSIONER

MEMORANDUM

TO: Lillie Walker, Director
Purchasing Section

VIA: Duane Zussy, Director *Duane Zussy (cc)*
Department of Human Services

FROM: Jim McConnell, Director *JMcC*
Aging Services Division

DATE: September 20, 1989

SUBJ: Request for Sole Source Exemption

RECEIVED
PURCHASING SECTION
SEP 27 11:59
MULTNOMAH COUNTY

The Community Action Program Office (CAPO) of the Aging Services Division requests a sole source exemption from the County's formal bid process to enter into a contract with Central City Concern (CCC).

The work to be accomplished is the installation of weatherization materials at the Broadmoor Hotel, which is being purchased by CCC and extensively renovated by CCC in partnership with the Portland Development Commission at a total cost in excess of \$1,000,000. The Broadmoor will house a transitional housing program for homeless chronically mentally ill persons which is being funded by the Department of Human Services, Social Services Division.

CAPO's part of this project is estimated to cost a maximum of \$73,190 and will be paid for with funds from State of Oregon Community Services (SCS), for which a revenue contract is already in place. Because PDC is acting as the banker for the overall project in paying Silco Construction (which is CCC's general contractor for the renovation project), CCC has requested that upon satisfactory completion of the work a joint check be issued to CCC and PDC.

Prior to July 1, 1989, weatherization services by the County were provided through a subcontract with Metropolitan Community Action (MCA). On that date, the County assumed responsibility for the direct operation of the weatherization program. The contract for which an exemption is being sought was one which MCA entered into before the County's assumption of the program. At that time MCA entered into a contract with CCC, a competitive bidding process was completed by CCC, and a work order was issued by MCA. Silco Construction was the successful bidder.

Because the work could not be completed before the expiration of MCA's contract with the County and the County's contract with SCS to provide the

revenues for this job, a stop work order was provided by MCA to CCC. Upon transfer of the weatherization program to the County, CAPO sought and received approval from SCS to reauthorize funding for the project in question. It is CAPO's intention to complete the project which MCA began utilizing the same work specifications and contract terms and conditions. (MCA's contract with CCC was not assumed by the County because it would have expired prior to the completion date of the work.)

A sole source exemption is requested on the bases that MCA had made a prior commitment to CCC; that a competitive bid process was followed in originally selecting the contractor for the job, thereby not inhibiting competition; that the work was in progress and failing to complete it using the previously selected contractor would not be cost effective; that failing to complete the work produces an undue hardship on the CCC and clients served by the DHS Social Services Division, and that time is of the essence in completing the project in a cost effective way.

Please feel free to contact Bill Thomas or Steve Young, Community Action Program Office, if you have any questions or need additional information regarding this request for exemption.

Thank you for your help with this matter.

RECEIVED
PROGRAMS SECTION
09 SEP 27 AM 11:59
MULTIOMAH COUNTY



MULTNOMAH COUNTY OREGON

BOARD OF COUNTY COMMISSIONERS
ROOM 605, COUNTY COURTHOUSE
1021 S.W. FOURTH AVENUE
PORTLAND, OREGON 97204

GLADYS McCOY • CHAIR • 248-3308
PAULINE ANDERSON • DISTRICT 1 • 248-5220
GRETCHEN KAFOURY • DISTRICT 2 • 248-5219
RICK BAUMAN • DISTRICT 3 • 248-5217
SHARRON KELLEY • DISTRICT 4 • 248-5213
JANE McGARVIN • Clerk • 248-3277

NOTICE OF HEARING

The Multnomah County Board of Commissioners, sitting as the Public Contract Review, will consider an application on Thursday, October 26, 1989, at 9:30 A.M. in Room 602 of the Multnomah County Courthouse, 1021 SW Fourth, Portland, Oregon, to exempt from Public Bidding of a contract for weatherization services at the Broadmoor Hotel by Central City Concern..

A copy of the application is attached.

For additional information, contact Lillie Walker, Purchasing Director at 248-5111, or Jane McGarvin, Clerk of the Board at 248-3277.

BOARD OF COUNTY COMMISSIONERS
MULTNOMAH COUNTY, OREGON
PUBLIC CONTRACT REVIEW BOARD

Carrie A. Parkerson
Assistant Clerk of the Board

cap

0501C.29

BEFORE THE BOARD OF COUNTY COMMISSIONERS
FOR MULTNOMAH COUNTY, OREGON
ACTING AS THE PUBLIC CONTRACT REVIEW BOARD

In the Matter of Exempting)
from Public Bidding of a contract)
for weatherization services at the)
Broadmoor Hotel by Central City)
Concern)

A P P L I C A T I O N

Application to the Public Contract Review Board on behalf of a request from DHS, Aging Services Division is hereby made pursuant to the Board's Administrative Rules AR 10.010, adopted under the provisions of ORS 279.015 and 279.,017, for an order exempting from the requirements of public bidding, a contract with Central City Concern (CCC) for installation of weatherization materials at the Broadmoor Hotel, owned by CCC, at an estimated cost of \$73,190.

This request is made for the following reasons:

Central City Concern is in the process of ownership of the Broadmoor Hotel. Extensive renovation will be accomplished by CCC and the Portland Development Commission. The weatherization services will be performed in conjunction with the overall contract for approximately \$1,000,000 to renovate the Hotel. The contract was let by competitive bid. To initiate another bid process will delay weatherization for approximately two additional months and may result in higher costs.

The DHS, Aging Services has received funds from the State Community Services for this project in the FY 1989-90 budget.

Dated this 20th of October , 1989.



Lillie M. Walker, Director
Purchasing Section

LC:100389



MULTNOMAH COUNTY OREGON

BOARD OF COUNTY COMMISSIONERS
ROOM 605, COUNTY COURTHOUSE
1021 S.W. FOURTH AVENUE
PORTLAND, OREGON 97204

GLADYS McCOY • CHAIR • 248-3308
PAULINE ANDERSON • DISTRICT 1 • 248-5220
GRETCHEN KAFOURY • DISTRICT 2 • 248-5219
RICK BAUMAN • DISTRICT 3 • 248-5217
SHARRON KELLEY • DISTRICT 4 • 248-5213
JANE McGARVIN • Clerk • 248-3277

NOTICE OF APPROVAL

The Multnomah County Board of Commissioners, sitting as the Public Contract Review, considered an application on Thursday, October 26, 1989, and approved an Order exempting from Public Bidding a contract for weatherization services at the Broadmoor Hotel by Central City Concern.

A copy of the order is attached.

BOARD OF COUNTY COMMISSIONERS
MULTNOMAH COUNTY, OREGON
PUBLIC CONTRACT REVIEW BOARD


Jane McGarvin
Clerk of the Board

jm

0523C.44

BEFORE THE BOARD OF COUNTY COMMISSIONERS
FOR MULTNOMAH COUNTY, OREGON
ACTING AS THE PUBLIC CONTRACT REVIEW BOARD

In the Matter of Exempting From Public
Bidding of a contract for weatherization
services at the Broadmoor Hotel by Central
City Concern

)
)
)
)

O R D E R
#89-188

The above entitled matter is before the Board of County Commissioners, acting in its capacity as the Multnomah County Public Contract Review Board, to consider a request from DHS, Aging Services Division for an order exempting from the requirement of public bidding a contract with Central City Concern (CCC) for installation of weatherization materials at the Broadmoor Hotel at an estimated cost of \$73,190.

It appearing to the Board that the recommendation for exemption, as it appears in the application, is based upon the fact that Central City Concern is purchasing the Broadmoor Hotel to provide housing to chronic mentally ill persons. Extensive renovation will be accomplished by CCC and Portland Development Commission. The weatherization of the hotel will take place in conjunction with the renovation. The general contractor for the approximately \$1,000,000 renovation of the Broadmoor Hotel was awarded the contract by CCC and Portland Development Commission through a competitive process. Initiation of a new bid process will delay weatherization services for approximately two (2) additional months and may result in higher costs to perform the service. CCC participated in the competitive bid process through Metropolitan Community Action process prior to the assumption of the weatherization by Multnomah County.

It appearing to the Board that this request for an exemption is in accord with the requirements of the Multnomah County Public Contract Review Board Administrative Rules AR 10.100, 20.030, and 30.010; it is, therefore

ORDERED that the purchase of weatherization services at the Broadmoor Hotel be exempted from the requirement of public bidding.

Dated this 26th day of October , 1989.
(SEAL)

REVIEWED:

LAURENCE KRESSEL, County Counsel
for Multnomah County, Oregon

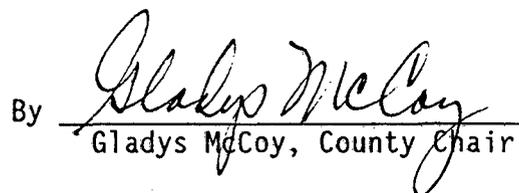
By



LC:100389

BOARD OF COUNTY COMMISSIONERS
FOR MULTNOMAH COUNTY, OREGON
ACTING AS THE PUBLIC CONTRACT
REVIEW BOARD:

By



Gladys McCoy, County Chair

DATE SUBMITTED _____

oat

(For Clerk's Use)
Meeting Date OCT 26 1989
Agenda No. R-10

REQUEST FOR PLACEMENT ON THE AGENDA

Subject: PCRB EXEMPTION

Informal Only * _____
(Date)

Formal Only _____
(Date)

DEPARTMENT _____

DIVISION _____

CONTACT Roger Bruno/Art Bloom

TELEPHONE 248-5111/248-3400

*NAME(S) OF PERSON MAKING PRESENTATION TO BOARD _____

BRIEF SUMMARY Should include other alternatives explored, if applicable, and clear statement of rationale for the action requested.

Request of the Board of County Commissioners, acting as the PCRB for an Exemption to purchase 12 hand-held computer inspection systems from the single seller of the product and program.

ACTION REQUESTED:

INFORMATION ONLY PRELIMINARY APPROVAL POLICY DIRECTION APPROVAL

INDICATE THE ESTIMATED TIME NEEDED ON AGENDA _____

IMPACT:

PERSONNEL
 FISCAL/BUDGETARY
 GENERAL FUND
 OTHER _____

BOARD OF
COUNTY COMMISSIONERS
1989 OCT 17 PM 3:32
MULTNOMAH COUNTY
OREGON

SIGNATURES:

DEPARTMENT HEAD, ELECTED OFFICIAL, or COUNTY COMMISSIONER: K. B. Lisa D. Ryander

BUDGET / PERSONNEL _____

COUNTY COUNSEL (Ordinances, Resolutions, Agreements, Contracts) L. D. Bay

OTHER Jillie M. Walker
(Purchasing, Facilities Management, etc.)

NOTE: If requesting unanimous consent, state situation requiring emergency action on back.



MULTNOMAH COUNTY OREGON

BOARD OF COUNTY COMMISSIONERS
ROOM 605, COUNTY COURTHOUSE
1021 S.W. FOURTH AVENUE
PORTLAND, OREGON 97204

GLADYS McCOY • CHAIR • 248-3308
PAULINE ANDERSON • DISTRICT 1 • 248-5220
GRETCHEN KAFOURY • DISTRICT 2 • 248-5219
RICK BAUMAN • DISTRICT 3 • 248-5217
SHARRON KELLEY • DISTRICT 4 • 248-5213
JANE McGARVIN • Clerk • 248-3277

NOTICE OF HEARING

The Multnomah County Board of Commissioners, sitting as the Public Contract Review, will consider an application on Thursday, October 26, 1989, at 9:30 A.M. in Room 602 of the Multnomah County Courthouse, 1021 SW Fourth, Portland, Oregon, to exempt for Public Bidding the purchase of twelve hand-held computer inspection systems form Oregon Digital System.

A copy of the application is attached.

For additional information, contact Lillie Walker, Purchasing Director at 248-5111, or Jane McGarvin, Clerk of the Board at 248-3277.

BOARD OF COUNTY COMMISSIONERS
MULTNOMAH COUNTY, OREGON
PUBLIC CONTRACT REVIEW BOARD

Carrie A. Parkerson
Assistant Clerk of the Board

cap

0501C.30

BEFORE THE BOARD OF COUNTY COMMISSIONERS
FOR MULTNOMAH COUNTY, OREGON
ACTING AS THE PUBLIC CONTRACT REVIEW BOARD

In the Matter of Exempting)
from Public Bidding the purchase)
of twelve hand-held computer)
inspection systems from Oregon)
Digital System)

A P P L I C A T I O N

Application to the Public Contract Review Board on behalf of a request from DHS, Environmental Health System is hereby made pursuant to the Board's Administrative Rules AR 10.010, and 10.100, adopted under the provisions of ORS 279.015 and 279.017, for an order exempting from the requirements of public bidding, the purchase of twelve (12) hand-held computer systems from Oregon Digital System at an approximate cost of \$13,505.

This request is made for the following reasons:

The existing system and program was developed by Oregon Digital System. At this time, there are no other known products or programs which are compatible for upgrading or making changes to the existing equipment.

The DHS, Health Division has appropriated funds for this purchase in the FY 1989-90 budget.

The Purchasing Section recommends this action as it represents the most cost effective use of existing equipment.

Dated this 20th of October , 1989.



Lillie M. Walker, Director
Purchasing Section

LC:100389



MULTNOMAH COUNTY OREGON

BOARD OF COUNTY COMMISSIONERS
ROOM 605, COUNTY COURTHOUSE
1021 S.W. FOURTH AVENUE
PORTLAND, OREGON 97204

GLADYS McCOY • CHAIR • 248-3308
PAULINE ANDERSON • DISTRICT 1 • 248-5220
GRETCHEN KAFOURY • DISTRICT 2 • 248-5219
RICK BAUMAN • DISTRICT 3 • 248-5217
SHARRON KELLEY • DISTRICT 4 • 248-5213
JANE McGARVIN • Clerk • 248-3277

NOTICE OF APPROVAL

The Multnomah County Board of Commissioners, sitting as the Public Contract Review, considered an application on Thursday, October 26, 1989, and approved an Order exempting from Public Bidding the purchase of twelve (12) hand-held computer inspection systems from Oregon Digital System.

A copy of the order is attached.

BOARD OF COUNTY COMMISSIONERS
MULTNOMAH COUNTY, OREGON
PUBLIC CONTRACT REVIEW BOARD

Jane McGarvin
Clerk of the Board

jm

0523C.45

BEFORE THE BOARD OF COUNTY COMMISSIONERS
FOR MULTNOMAH COUNTY, OREGON
ACTING AS THE PUBLIC CONTRACT REVIEW BOARD

In the Matter of Exempting From Public)
Bidding of the purchase of twelve (12)) O R D E R
hand-held computer inspection systems from)
Oregon Digital System) #89-189

The above entitled matter is before the Board of County Commissioners, acting in its capacity as the Multnomah County Public Contract Review Board, to consider a request from DHS, Health Division for an order exempting from the requirement of public bidding the purchase of twelve (12) hand-held computer inspections systems from Oregon Digital System at an approximate cost of \$13,505.

It appearing to the Board that the recommendation for exemption, as it appears in the application, is based upon the fact that the existing computer inspection system was developed by Oregon Digital System. They are the single seller of the product and program which is compatible and allows for changes and upgrading of the existing system.

This purchase represents the most cost effective use of equipment already within the department, and is not likely to encourage favoritism.

It appearing to the Board that this request for an exemption is in accord with the requirements of the Multnomah County Public Contract Review Board Administrative Rules AR 10.100, 20.030, and 30.010; it is, therefore

ORDERED that the purchase of twelve hand-held computers from Oregon Digital System be exempted from the requirement of public bidding.

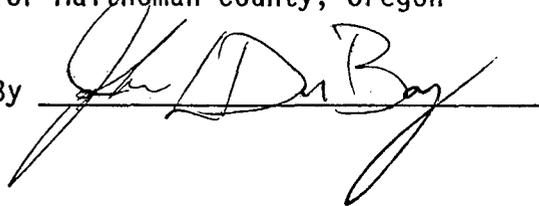
Dated this 26th day of October , 1989.

(SEAL)

REVIEWED:

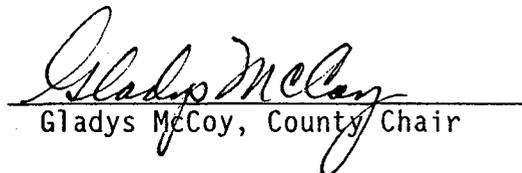
LAURENCE KRESSEL, County Counsel
for Multnomah County, Oregon

By



BOARD OF COUNTY COMMISSIONERS
FOR MULTNOMAH COUNTY, OREGON
ACTING AS THE PUBLIC CONTRACT
REVIEW BOARD:

By



Gladys McCoy, County Chair

LC:100389