5/27 TSCC Hearing

Draft questions for Multnomah County FY 2016 Approved Budget.

1. Please describe the ways in which citizens influence issues and priorities in the County's budget process.

Good public participation can help government be more accountable, responsive and can be viewed as a way to reduce the level of citizen distrust in government. Public involvement can also be used to educate people about government activities. Multnomah County so strongly believes in citizen involvement that it is embedded in our County Charter, where the Office of Citizen Involvement is codified.

We have found Citizen Involvement to be very helpful when it occurs early in the process and when it is two-way deliberative communication. Multnomah County uses a variety of ways to received citizen input:

- Public Meetings
- Citizen Budget Advisory Committees Reports and Recommendations
- Citizen Involvement Committee Reports and Recommendations
- Public Hearings
- Contact with their Commissioner
- Letters, emails and phone calls

The Chair sought input and advice in crafting her Executive Budget through a series of community listening sessions, CBAC reports and recommendations, conversations with the public and Commissioners.

2. This budget marks the last year the County will moderate PERS rate increases by drawing down a dedicated reserve. Coincidentally, the Oregon Supreme Court has overturned the bulk of the PERS reforms. With the reserve exhausted and the Court's action, are any budget decisions being reconsidered?

The County has not exhausted the reserve. There is still a $70 million (+/-) PERS Bond Reserve. PERS rates for the 2015-17 biennium have been set. Unless the PERS Board decides to modify those established rates to implement the Court's decision there will be no impact on the FY 2016 County budget.

In the longer term, beginning with the 2017-19 biennium, we can expect PERS rates to increase. The Budget and Finance folks will be analyzing the impact of this decision and will keep the Board apprised of developments as we learn more about how PERS plans to implement it and what our options are.

The good news is that we do not have to take action right away and we have time to plan for the impacts.

3. After what seems like decades of double digit health insurance cost increases for local government, the County's costs have been stable for four years. To what do you attribute this stability?

The County's health costs typically follow national trends, which have moderated to low single-digit growth from the double-digit growth seen in the early 2000's. For instance, the most recent Kaiser/HRET survey reported the total premium for family coverage in 2014 increased a modest 3.0%. The reasons for this decline included the 'Great Recession', lower inflation generally, and some real 'bending' of the health care cost curve.

Specific to the county, we've had relatively good experience in our self-insured plans, modest increases in our Kaiser plans, and shifting between plans. Our internal rates were also increased too aggressively in 2011 & 2012.

Taken together, this has provided some stability.

4. This budget fully funds the General Fund reserve at the 10% policy level. It also includes a stabilization reserve for the Business Income Tax. Are there other revenue sources that are similarly vulnerable to economic impact and are they candidates for this treatment?

There aren't other revenue sources that would warrant creating a reserve specifically to address economic fluctuations. That said the County does carry fund balances in other funds to provide for timely replacement of assets, such as vehicles or major building systems, or to ensure compliance with bond covenants. Fund balances are also held for long-term liabilities, such as Other Post-Employment Benefits (OPEB) or our self-insured medical plans. While not specifically intended to buffer economic impacts, they do provide for financial resiliency in difficult economic times.

5. Please provide an update on planning for the new County Court House

Planning for a new, downtown Multnomah County Courthouse has been underway for the past few years. The project took a significant step forward in FY 2015 and is poised to move into the design and construction phase in FY 2016. The existing Courthouse is over 100 years old and has been determined to be both functionally and structurally obsolete. It is at capacity and there is no room for additional growth. The County has partnered with the State of Oregon, as well as other stakeholders, to plan a new facility that will be between 345,000 and 360,000 square feet and meet all modern standards for court operations and security.

The project is expected to cost between $250 million and $260 million. Under legislation passed in 2013, the State of Oregon can provide up to 50% of the cost of constructing or renovating county courthouses. In FY 2015 the County received the first $15 million commitment from the State in support of the project. A request for an additional $17.4 million has been presented to the legislature for consideration in the FY 2015-17 biennium. The County has reserved proceeds from the sale of property at the west end of the Morrison Bridge and the Chair's proposed budget earmarks funds to provide the required match to the State commitment.

The Board of Commissioners formally approved a county-owned site at the west end of the Hawthorne Bridge for the new, downtown Courthouse in April 2015. The County expects to select a design and engineering firm as well as a general contractor in the fall of this year. The goal is to break ground in late 2016 with completion, and occupant move-in, expected in 2020.

6. Aside from the Court House, what are the County's most significant current or upcoming capital needs and how is the county preparing to fund these needs?

Replacement of the Downtown Courthouse is the county's most significant capital need. Its replacement is estimated to cost $260 million with the State offsetting up to 50% of the costs. While there are a number of other projects such as the HDHQ and Sellwood Bridge Replacement, the Courthouse is by far the largest and would require the most financial planning.

The County enjoys a very high bond rating because of its low debt burden and prudent management of long term debt. Under the current policy the County could issue up to $242 million of FFC debt – assuming a 20 year amortization at 4% annual interest. This would provide issuance of approximately $206 million in additional debt after deducting the existing outstanding FFC obligations. Ability to pay, and the stability of revenue pledged to debt service is always the primary issue to consider when issuing debt.

There are two statutory limits on borrowing as well as the internal county policy on outstanding debt limits. The more restrictive, the County's internal policy could provide for additional borrowing of approximately $206 million. Additionally the County's Finance and Budget policies adopted by the Board further limit our non-voter approved debt to annual payments that will not exceed 5% of GF budgeted revenues. As of 7/1/2015 the County will have approximately $36 million in outstanding debt subject to the limit established by policy.

Additionally included in the Chair's Proposed Budget is a proposal to create a Capital Asset Strategic Planning program. This program forms a centralized, long range capital asset strategic planning team to coordinate the County's asset strategic planning process, create and monitor a countywide capital "master plan" and link capital planning to financial planning through integrated financial modeling.

7. The local economy has bounced back and as a result, the County has more revenue and more spending budgeted for next fiscal year. It is likely that, in the short term, this revenue trend will continue. How does the County prioritize the spending of revenue in excess of its base budget?

The Chair is required by County Charter to propose a budget for the Commissioners to consider. The Chair first considered the financial sustainability of the revenues over and above providing for a current service level. The budget is balanced over 5 years and provides for an additional ability to invest $9.1 million of ongoing revenues. There was also $45 million of OTO available for strategic investments. The Chair prioritized the additional revenue as follows:

- **Housing** - making sure every child and family has a safe home. The lingering effects of the Recession, loss in safety-net benefits and demographic and market changes have pushed many people toward homelessness even as thousands of others have been successfully housed. (Housing Placement $2 million on-going, New Housing Development $5 million of OTO).

- **Support for Children and Families** - County government has a unique role in supporting families and children by providing services, convening a network of health, social and support partners, and promoting prevention. (SUN Expansion$280,000, School Based Mental Health $450,000, School Attendance $575,000, Economic Opportunity $175,000).

- **Health** - Multnomah County has been at the forefront of healthcare transformation and efforts to better integrate physical, dental and behavioral health services, with a particular focus on reducing racial and ethnic disparities and building community partnerships to foster improvements. (Promoting Equity $1.7million, Strengthening the Crisis Safety Net Psyc ER $1 million, Corrections Health Pilot for Suicide Prevention in Jail $411,000).
- **Public Safety –** the budget maintains public safety service levels including 1,310 jail beds. (STRYVE $323,000, Juvenile Justice Diversion Pilot $500,000, Mentoring $220,000, Neighborhood DA $358,000, Suicide Prevention in Jails $704,000).
- **Safe and Efficient Infrastructure -** $31.6 million facility capital projects, which included $28.1 million for the replacement of the downtown courthouse.

8. The Budget Director's message lists 38 investments totaling $19 million in new, continuing, and expanding programs. Do these investments have quantifiable outcomes and are they accompanied by effectiveness measures?

All investments are requested and described in Program Offers. At a minimum, each Program Offer is required to have one output and one outcome measure, but each program can contain up to four performance measures (including input, output, outcome, efficiency, and quality indicators). These measures quantify the desired outcomes of the programs. Tracking these measures is one way to monitor how effective the programs are at producing their desired outcomes. This, in turn, will help decision-makers refine strategies and improve their results if necessary

9. When we hold this hearing next spring, and all has gone according to plan, what successes and financial accomplishments will you be telling us about?