



Diane M. Linn, Multnomah County Chair

To:	Board of County Commissioners
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Preface

Every segment of our community is feeling the effects of the prolonged stagnation of our state and local economy. It continues to be a difficult time for families and businesses in Multnomah County. The public, private and non-profit sectors are all struggling. More than 91,000 people in the Portland Metro area are still looking for work. Too many families are ending up at our local food banks. Seniors are forced to decide between paying for necessary prescription drugs or food and housing. Businesses are compelled to lay off employees to balance their bottom line.

Challenging times call for determination and focus. They call for common sense leadership and for our community to come together to address the challenge. We must center on the basic needs that keep us safe, our children educated and our most vulnerable supported. We must be practical and reasonable in our approach to maintain Multnomah County as a great place to grow up, live and work.

We have come to expect that the place we live in is unique and extraordinary. We reside in neighborhoods where people feel secure and encouraged to engage with those around them. We have many great schools and a shared recognition of the importance of a quality, public education. We have conscientious companies and small businesses who keep working families in our community and who are the linchpin of our economy. We are surrounded by natural beauty, vibrant central cities, and community gathering places. We have a history of supporting those who have less or in some cases nothing - so our low income families, seniors, the disabled, and those who suffer from mental illness can have a chance to survive and succeed in life.

But this extraordinary place is being dismantled due to our inability to **provide for the basic needs of our community**. We've continued to disinvest in the very things that make us unique. If we persist down this road, our economy will be adversely affected and our quality of life will suffer. We must restore our ability to prepare our children for college and workforce. We must maintain a public safety system that can hold offenders accountable. We must preserve our safety net's capacity to support seniors and other citizens who have no where else to turn.

We can continue to tighten our belt, but we must be extremely careful that the belt doesn't become a noose.

Multnomah County is in the unenviable position of relying heavily on state funds in order to provide critical services locally and the news continues to be heartbreaking from Salem. As we all know, the state remains in dire financial straits and there are no signs that leadership or relief will come from the Capitol. Furthermore, the state still requires the county to provide a level of service in areas such as public safety and mental health without providing sufficient resources to get the job done.

This Executive Budget represents the stark reality of our revenue picture and concentrates on continuing a level of basic supports to those at highest risk and most in need. It is bare bones at best.

On May 20, voters in Multnomah County are being asked to support a measure that would not only allow the county to restore and preserve public safety services and essential programs to the frail and elderly, but prevent additional cuts in funding for all public schools in order to keep students in reasonably sized classrooms for a full school year with a basic, but critical curriculum.

This local funding Measure was developed through an unprecedented rapid, extensive and inclusive community process. The measure was, in part, inspired by the leadership of Commissioner Naito and her Daughter of Measure 28 proposal. The whole community appreciates her vision to ensure strong schools and public services.

Measure 26-48 would provide a three-year bridge to better times for our local community. The measure does not introduce new programs or positions, but protects and restores the basics for schools, senior citizens, mentally ill and disabled individuals, and public safety.

Without resources from the Measure, this Executive Budget represents a sub-basic level of support for what the community has recognized as vital services. While this Executive Budget can stand alone and represents a responsible effort to live within our means, I believe it falls short of what members of this community need and demand. *By applying our limited resources in the most efficient and cost effective way, we are still under funding essential services that people rely on.*

Our Challenge

Traditionally, the county's budget process occurs once a year. The changing revenue picture requires us to retool our approach for an on-going and year round budget process. An organization's budget should be a daily operating principle that guides service delivery and policy decisions. We should always be cognizant and vigilant about the funds available to us, how those funds are invested and whether there are better, more efficient ways we can direct resources.

Shortly after the Board adopted the budget for fiscal year 2003 representing \$16.7 million in general fund reductions, the state legislature conducted a series of special sessions and meetings of the Emergency Board to close the state's budget gap. As a result, Multnomah County lost considerable revenue to fund local services.

The economy is depressing property and income tax revenues. Underperformance of property and Business Income tax returns due to the fragile economy forced the Board to address a mid year General Fund shortfall of around \$18 million.

We have continued to engage a broad representation from the community to help the Board decide how to invest scarce resources. The Board's FY 03 mid year rebalance was informed by a thorough dialogue with the community about funding and service priorities in these difficult times. Originally, the community meetings were intended to help guide the discussion for the FY 04 budget, but were refocused to concentrate on the immediate, rebalance challenge.

In December of last year, the Board approved a package reflecting approximately \$16 million in budget reductions –in on-going and one time only savings. The remainder of the mid year gap was addressed through the use of General Fund reserves. In order to maintain our fiscal health and AA1 bond rating, the Board made a commitment to replace the reserves during the FY 04 budget process.

Additionally last winter, the county felt the impact of then Governor Kitzhaber's across-the-board reductions in state funded services and the failure of Ballot Measure 28 in January 2003.

Multnomah County voters approved Measure 28 but the Measure was defeated statewide - resulting in a serious loss in funding for a variety of essential services in public safety, care for seniors and the disabled, and health and mental health services. Multnomah County lost approximately \$14 million in critical funding for services as a consequence of the Measure's defeat.

All told, our total operating budget (all funds) to support vital services was reduced by over \$75 million last year. The General Fund was reduced by approximately \$32 million.

Since the local economy continues to struggle, we are still seeing county revenues fall short. We began our FY 04 budget process with the understanding that we need to find \$23 million in additional General Fund cost savings in order to balance our bottom line.

Policy Direction

In order to have a starting point for discussion, departments were asked to develop modified budgets to address our fiscal constraint. We were clear that this should not and would not be an across-the-board reduction – either among departments or within them. **We applied a *back to basics* approach and asked departments and the budget team to look to prioritizing the essential, charted county functions.**

Our primary goal has been to maximize direct services to clients and the community. By applying additional pressure, administrative and business process support functions were reduced by approximately \$7 million dollars, a substantial savings. We have been operating on a lean administrative structure and with additional reductions we will feel the impact to our organization, but real services to real people takes precedent.

Public safety is prioritized in this Executive Budget. Maintaining our supervisory, incarceration, and prosecutorial capacity is central to the county's mission and the community's safety. Given the level of state cuts to the public safety system, it is our responsibility to make certain that our ability to house, supervise and prosecute offenders is not further compromised and our system functions at a basic level. Anything less is unconscionable.

This budget has also been guided by our prioritization of services to the community's most vulnerable – seniors with no other resources, the disabled, the mentally ill and low income children and families who are at severe risk. We have an obligation to continue to care for these members of our community.

Again, on its own, this Executive Budget does not meet the community standard. If we are able to secure additional local resources it would mean the difference between losing or restoring the basics necessary to keep people alive, out of trouble, off the streets, and seniors independent and in their homes.

Systems of Care

As an agent of the state and as outlined by the Charter, Multnomah County must conduct elections, administer property taxes, provide correctional facilities, provide care for the elderly and disabled, provide community corrections, manage disease control, and be the community's public health and mental health authority.

These are the fundamental responsibilities of county government. To meet the community's demand, and to exercise cost effective prevention strategies that reduce negative outcomes later in life, we've expanded upon our chartered responsibilities over time. We provide critical support to school age children to keep them in school and deter juvenile crime. We offer supports to low income families for the basic prevention of homelessness and serious disease. And we fund other valuable community functions such as animal services, primary health care and libraries.

Due to our budget constraint, we are compelled to limit our concentration on county chartered responsibilities. This concentration is not a value judgment. Everything we do at the county has profound worth and is important to the health and vitality of our region. But in a time of limited resources, we must focus on the basic responsibilities of local government.

Public Safety:

Multnomah County has made great strides in preventing crime by treating offenders who are addicted or mentally ill. We've led the nation in addressing the overrepresentation of minorities in adult and juvenile corrections. We've moved kids out of gangs and helped get people back on track so they no longer are a threat to our neighborhoods. With the work of the Local Public Safety Coordinating Council chaired by Commissioner Lisa Naito, we've increased our coordination between our criminal justice system and social service area particularly in the area of mental health. Additionally, under the leadership of Commissioner Serena Cruz, we've made great strides to bring effective alcohol and drug treatment measures to the forefront of the public safety discussion in order to reduce recidivism and help offenders rejoin the community as productive citizens.

We are proud of the progress we've made, but realistic in knowing that we must now limit our focus to the offenders who pose the highest risk to the community.

If residents don't feel secure in their homes, at work, at school or on the streets, we're not doing our jobs. The impact of compromised public safety is felt in all segments of our community. Our business districts and local economy suffer, our schools and neighborhoods suffer. Resources for our jails, law enforcement, courts and community supervision have been reduced so dramatically that we're teetering on the edge of having a system that cannot function. That's unacceptable.

In this Executive Budget public safety has been prioritized and reductions in Community Justice and the Sheriff's and District Attorney's Offices have been minimized, but are still significant.

We have made the every attempt to keep a minimal level of support for our core functions in corrections and the criminal justice system. But we acknowledge that it's not enough.

Even with this Executive Budget's prioritization of public safety, the General Fund required that 215 Jail beds will close or remain closed from the current capacity, deputies on patrol will be reduced, effective treatment services will be sparse, supervision of convicted felons will be compromised, sanctions and sentencing alternatives will be eliminated, juveniles at risk of being involved in gangs will have no options to help change their behavior and crimes that have a significant impact on people's lives will not be prosecuted.

This can be reversed, however. If voters approve Measure 26-48, we would be able to restore the basics such as adequate jail bed capacity, deputies, monitoring of violent offenders, vital services that reduce recidivism, and we would be able to restore our ability to bring to justice criminals who steal our identity, embezzle money and mistreat the elderly.

Safety Net and Services for Children:

Over the course of the past year, the state has diminished our ability to provide life saving, safety net services. They've cut services to low income clients who have acute health needs. They've eliminated services and emergency housing supports for seniors and the disabled that helped to keep them in their

homes. They've cut prescription drug coverage. They've cut our successful community based mental health system off at the knees and removed funding for alcohol and drug treatment for the poor.

Additionally, our General Fund budget gap continues to force us to make choices that are agonizing. In this Executive Budget access to the Women and Infant Children (WIC) program has been reduced, mental health services for school aged children has been reduced transportation for the disabled has been minimized, clinical services to the destitute have been decreased, our communicable disease efforts have been compromised and we're closing the primary clinic in Rockwood, an east county community that continues to struggle with abject poverty and a high crime rate.

There are serious holes in our safety net.

If Measure 26-48 passes, we would be able to restore state eliminated programs such as Oregon Project Independence which provides in home support for 600 frail, low income elders. We would be able to restore prescription drugs, personal care, nursing home care, emergency housing as well as health care for 600 chronically ill persons. We would be able to preserve most of the funding for acute care to mental health clients who may pose a risk to themselves and others. We could restore WIC, keep the Rockwood clinic open and be able to investigate and monitor of over 50 communicable diseases including tuberculosis, food borne diseases (e.g. e-coli), respiratory disease (e.g. SARS infection), and environmental hazards.

Multnomah County has had a long history of successful partnerships with local schools and community based providers to ensure the health and achievement of every child and to assist the families of school aged children to help them succeed. We provide for a variety of school based and aligned services in health, mental health, and services that support educational success.

We are currently looking at ways in which we can better target our services, improve access and delivery, align similar programs across jurisdictions and provide a universal touch in every school and region in the county.

After extensive research and an inclusive public involvement process thoughtfully conducted by the Multnomah County Commission on Children and Families, the Board approved the ***School Aged Policy Framework***, which outlines a direction to improve service delivery to all school aged youth, enhance delivery of services to culturally specific youth and their families and create a truly integrated, equitable system that is geographically coordinated and aligned within service boundaries. I want to commend Commissioner Lonnie Roberts for his diligence in leading the dialogue to ensure equity in services to *all* children in the county.

Presently, under the leadership of the Office of School and Community Partnerships, we are engaging our partners and the community to help design the implementation of the Framework. Starting in FY 04, changes that will be visible to youth and families include: more accurate information and referral information; better access to school based health and mental health services and more family involvement at schools. ***I believe this effort will produce a better aligned, cost effective and equitable system of support to school aged youth.***

To address our budget gap, we have had to reduce funding for school supports and specifically for contracted services with community providers. The Office of School and Community Partnerships, who administers the bulk of our contracts with school, aged focused non-profits and community based organizations, has withstood a substantial reduction in this Executive Budget. After making substantial administrative reductions, the Office still was forced to reduce funding for Touchstone, diversion and prevention programs. This is a painful loss for the county and the community, but a necessary move.

In order to preserve life saving, safety net services, other areas of county services had to be sacrificed. The Board has every intention to find ways through the on-going School Aged Policy Framework discussion to reengineer our partnerships and support for school aged youth and their families.

General and Community Services:

In any large organization there are critical internal functions that support everything else we do. We couldn't effectively provide *any* service to the community without a sufficient support system in budget, finance, facilities, human resources and technology. We've made substantial reductions in our office of Business and Community Services, but been mindful not to undermine our ability to serve those in need.

Our chartered responsibilities in conducting local elections and administering assessment and taxation have been safeguarded.

The Animal Services shelter will still provide convenient access to the public six days a week and emergency services to deal with life threatening situations to animals and danger threats to neighborhoods will continue. We continue to be aggressive in increasing new revenue generation through licensing outreach and education.

In November 2002, voters renewed their support for our public libraries. We have remained true to the letter and spirit of the renewal levy. Monday hours will be restored on July 1, 2003 and access to materials will be ample. The libraries could not be held harmless given the depth of our budget gap. While we did reduce General Fund support and found efficiencies in the library, we have ensured that voters receive the services they expected when they supported the levy.

Additionally, the Chair and Commissioners' Offices have reduced their budgets by 8%. All of the Board offices have reduced staff levels, refused Cost of Living Increases, cut funds for training, travel and materials or reduced their own salaries.

Initiatives

Shared Services:

Multnomah County's business services encompass almost 50 distinct business processes. We are transitioning those services to a Shared Services model. Shared Services approaches have been adopted by many large organizations to improve the quality and effectiveness of business services while reducing overall cost. Shared Services will be established within existing resources and meet the Board's target for achieving at least \$450,000 in annual savings, set during the mid-year rebalance. The Board will be briefed on the proposed design and implementation plan during their budget review sessions in May. The Board will be asked to provide conceptual approval for the new organization, with implementation beginning July 1, 2003.

Emergency Management:

As an administration initiative, we've made great progress in the area of emergency management and disaster preparedness. The Board adopted the county's Emergency Operations Plan and we've been working internally to ensure that our employees, facilities and the community are safe. We coordinate with our partner jurisdictions and continue to meet with the City of Portland and other governments on a bimonthly basis to perform table top exercises so we are better able to respond and recover if an incident were to occur.

The Health Department has developed a comprehensive response system in the event of a public health emergency such as disease outbreak or a bioterrorism event. Multnomah County public health officials have assumed a leadership role in coordinating a regional response to such threats as smallpox, anthrax and now the SARS epidemic. An enormous amount of planning and assessment has occurred, adding to our already proactive public health structure.

Multnomah County is prepared to respond to issues that may threaten the lives, health and economic well being of our community.

Economic Development:

As we manage our way through these times in the short term we have to continue to focus on long term answers to the demands on our systems and the economic health of our community. Just as our budget situation is a result of the economy, the real long term hope for our community is economic growth. The counter cyclical nature of our work – as the economy goes down, demand for service goes up – requires that we keep economic growth at the forefront of our work.

Multnomah County has played an important role in improving our local economy. In this last budget year, working with the City of Gresham, we attracted Microchip to east Multnomah County, brought critically needed industrial land into the urban growth boundary, and supported the formation of a Rockwood urban renewal area.

During the past year and a half, with the leadership of Commissioner Maria Rojo de Steffey, Multnomah County has embarked on a productive partnership with the City of Portland and representatives of business groups large and small to examine the County Business Income Tax and City Business License Fee. The goal of this partnership was to examine any flaws in the current tax and recommend possible adjustment or replacement of the tax, for both improved revenue stability and equity in tax burden among business. On March 13, the Board of County Commissioners and the Portland City Council approved a comprehensive potential reform package for evaluation through a one-time-only test return to gauge the true cost and impacts of the potential replacement for both business and government. This process of collaboration between the public and private sectors was a model of partnership, on a complex and controversial issue that had no easy answers but was of importance to both business and government.

Ensuring that the workforce of the County can further develop their skills and connect well with employment opportunities is one of the regional leadership responsibilities of this county through the Worksystems, Inc. Board of Directors. We appreciate Commissioner Lonnie Roberts' leadership in representing Multnomah County on this board.

We can continue to contribute to our long term economic health by being strategic and forward thinking about how we manage county property, county roads, public services, and relationships with businesses both large and small.

Vital transportation routes that support local commerce are essential for the economic health of any community. When we realized that the Sauvie Island Bridge was no longer structurally sound, Commissioner Maria Rojo de Steffey took the lead in securing funds almost \$4.5 million of state and federal funds to replace the failing bridge. Many farmers on Sauvie Island grow, sell, and transport fresh produce across the Northwest, nationally, and worldwide. They produce jobs for hundreds of families, and are an important part of our history.

The most important contribution to our long term economic health is our public schools, which are the most important economic investment this county and our community can make. Our true economic health rides on the potential of our students. With a quality education, they will start the businesses of tomorrow, create the industries that we haven't thought of yet, and fill the jobs that all of our economic development efforts create. After all, Seattle didn't recruit Microsoft; local kids came back to their home town and grew a business that no one would have ever predicted. With a strong school system, we can have more of our own stories like that: Multnomah County can be the land of opportunity or, if we continue to disinvest, the land that time forgot.

Diversity Initiative:

During the past year of multiple budget reductions, we remained committed to making progress toward meeting the goals of my Diversity Initiative.

The Business Advisory Council – a broad based representation of the community - has recently completed a work session to review and provide further recommendations to the countywide assessment of our contract and purchasing practices. The Board and community stakeholders will soon review and provide direction to help us become more accomplished in providing business opportunities to minority, women owned and emerging small businesses.

We celebrated the Grand Opening of our Business Opportunities Outreach Center at Oregon Association of Minority Entrepreneurs (OAME) last fall. Despite fiscal constraints, we've exceeded our aspirations in engaging minority, women and emerging small businesses in large renovation projects such as the Broadway Bridge.

Our office of Diversity, Equity and Affirmative Action has provided consultation to departments Countywide and led the progress we've made in the development of a Cultural Competency Policy Framework. The participation of all County departments, the Sheriff's office and the District Attorney's office has been essential to the comprehensive scope and quality of this effort. We recently completed the first community review of the draft documents being generated by the taskforce. The Board will review the results of this work as well.

We must remain steadfast in ensuring that the workforce of Multnomah County remains diverse and be extremely mindful of the unintended consequences of the choices made in challenging economic times as we look to reduce services and staff.

While we were compelled to make some reductions in the Department of Business and Community Services that impact the Diversity Initiative, we are committed to the continued support for the remaining staff and services to this central endeavor.

Future of Our Community

Multnomah County does not possess a crystal ball. We cannot predict the actions of the voters nor can we even begin to assume what actions will be taken by the current legislature and Governor. We have made the best effort to prepare ourselves for whatever comes our way, but we recognize that the level of basic community services we are able to provide rely heavily on the state and the outcome of May's election.

It is imperative that we be able to provide the basics to our community. They deserve no less. Families and businesses deserve to feel safe. Our grandparents and disabled neighbors deserve to know where their next meal is coming from and that they'll be able to keep a roof over their heads. Those who suffer

from mental illness and addiction deserve medication and support so they don't endanger themselves or others. The children of Multnomah County deserve to know that they have a future.

State funding for Multnomah County schools is disgraceful. School Districts have had to cut schools days, increase class size and eliminate programs that contribute to the success and achievement of *all* students. The state and the community have asked for results in achievement and progress had been made. These gains will be lost without an aggressive local funding effort. Our community is in jeopardy of losing families and businesses to the other areas because of the state's lack of investment in our children's future.

We must be persistent in sending the message to Salem that we will not hold our kids, seniors and the safety of our neighborhoods hostage because the legislature has failed to do their job. The Board of County Commissioners will continue to work with the legislative delegation from Multnomah County, who understand the crisis at hand and have been taking active steps to bring an end to the degradation of our state and region.

Acknowledgments

I would like to thank the Budget Office, Department Directors and their management staff for their diligence and hard work in providing information and direction.

I would also like to thank the community members who participated in last fall's direction setting dialogue with the Board and for all of the tireless advocates and citizens who continually engage the Board and I to help guide our decision making and policy development.

I would also like to thank Sheriff Bernie Giusto, Auditor Suzanne Flynn and District Attorney Mike Schrunk for their thoroughness and partnership in putting together this budget.

I am greatly appreciative of all of the members of the Board of County Commissioners. They're commitment to this organization, our employees and the community is unfailing. Their insight and consideration in ensuring that we're headed in the right direction is unparalleled.

I also want to offer a special thank you to all of the employees of Multnomah County - nearly a dozen of whom are currently on leave and serving their country in the Middle East. You are the back bone of the organization and the connection to our clients and the community. Thank you for all you do.