

# TSCC Budget Review 2011-12

## Multnomah County

### Location:

Multnomah County is located in the northwestern section of the state. The Columbia River acts as the northern border of the County.

### District Background:

A five member salaried board governs the County. All are elected to four-year terms on non-partisan ballots: the Board Chair is elected at large and four board members are elected from districts. The Territorial Legislature established Multnomah County in 1854, five years before Oregon was granted statehood, because citizens found it inconvenient to travel to Hillsboro to conduct business. Portland was designated as the county seat.

Of the 36 counties in Oregon, Multnomah County is Oregon's smallest in area, covering 457 square miles. Despite its size, the County is home to more Oregonians than any other county. The County's estimated population was 736,785 as of July 1, 2010. Approximately 98% of the population of the County resides within the boundaries of one of six cities, 78.9% within the largest city in the state, Portland. Multnomah County is also home to Oregon's largest: Community College, School District, ESD, Port, Mass Transit District, Regional Government, and Urban Renewal Agency.

The County operates under a 1967 home rule charter that assigns legislative authority to the Board of County Commissioners and administrative responsibility to the Chair of the Board.

In November 2006, voters passed a new five year Library Local Option Levy with a rate of \$0.8900 per \$1,000 of assessed value. This is a continuation of temporary levies to operate libraries going back over 30 years. The first year of this new levy was 2007-08; the final year is 2011-12. In November 2010, voters approved a five year local option levy for the operation of the Oregon Historical Society. The rate is \$0.0500 per \$1,000 of assess value. The first year of this levy is 2011-12; the last is 2015-16.

### General Information:

Multnomah County	2008-09	2009-10	2010-11	2011-12
Assessed Value in Billions	\$56.959	\$59.301	\$61.027	
Real Market Value (M-5) in Billions	\$107.382	\$105.011	\$101.559	
Property Tax Rate Extended:				
Operations	\$4.3434	\$4.3434	\$4.3434	
Library Local Option	\$0.8900	\$0.8900	\$0.8900	
Oregon Historical Society Local Option	\$0.0000	\$0.0000	\$0.0000	
Debt Service	<u>\$0.1602</u>	<u>\$0.1692</u>	<u>\$0.1512</u>	
Total Property Tax Rate	\$5.3936	\$5.4026	\$5.3846	
Measure 5 Loss	\$-11,730,667	\$-13,666,868	\$-17,977,188	
Number of Employees (FTE's)	4,570.14	4,398.51	4,540.80	4,507.30

### **Overview:**

The County utilizes a five year forecast for both revenues and expenditures to better predict potential problems and provide for budget stability. The 2011-12 Budget assumes a slightly improved economy and projects economy-driven revenues at increased levels. For the first time in recent years, the growth in economy-driven revenues – primarily the business income tax (BIT) – and slower personnel cost growth has eliminated the structural deficit. The ongoing structural deficit had been projected at 2.0% annually.

Faced with restricted resources and significant potential federal and state budget reductions, Multnomah County Chair Jeff Cogen requested departments develop program options for a 2% expenditure reduction from current service levels in their General Fund requests. In addition, the Chair directed internal service providers to keep rates flat, or lowered, if possible, eliminating expenditure growth for support services. These actions provided a net \$4.0 million savings for 2011-12. To further increase savings, cost of living adjustments and merit step increases were frozen for all management and exempt employees, saving \$1.5 million in the General Fund (+\$1.9 million in other funds). Lastly, span of control (ratio of manager to the number of employees supervised) increases were identified for some but not all departments as part of the Multnomah Evolves Initiative, saving a net amount of \$560,000. (Remaining departments, primarily those that rely heavily on state funding, will undergo the same span of control review as part of the planned midyear financial review.) Altogether, departments provided \$6.3 million in potential savings. These cost cutting measures saved more than what was necessary to balance the budget; the Proposed Budget was developed with direct service programs at current service level funding, internal service providers with flat growth, and targeted investment for critical services and projects.

Passage of Measures 66 and 67 in November 2009 provided a temporary reprieve from severe budget reductions at the state level. However, the additional income received from the statewide measures is not enough to forestall reductions in Oregon's 2011-13 Biennium budget. According to the County Budget Office, 25%-30% of the county's services are funded through the State; the County anticipates reduced funding and corresponding budget reductions in 2011-12. This budget does not account for the future budget shortfall at the state level. To help prioritize services, the County developed "placeholder" budgets until the final State reductions are known. A total of \$5.6 million has been budgeted to help the County offset State reductions. Of this amount, \$4.0 million is one-time funding and \$1.6 million is targeted for ongoing programs.

In development of the 2011-12 Budget, Chair Cogen separated services into ten key areas. Within each area, specific strategic outcomes were identified for funding in this budget.

### **Living within our means and preparing for state and federal reductions:**

- Cut administrative costs to preserve critical services.
- Set aside funds (\$5.6 million) to offset ramped down state and federal spending.
- Freeze management wages and request unions accept no cost of living adjustment.

### **Fostering the success of our kids:**

- Continue full funding for all current SUN sites, including schools where expiring federal grants would have closed services.
- Expand SUN to David Douglas High School, in partnership with the City of Portland.
- Expand Restorative Justice Intervention training to schools to teach youth to understand impact of their actions on others and hold them accountable.

- Maintain Library hours and services, including early learning programming.

**Keeping the public safe:**

- Fully fund locally funded positions requested by the District Attorney, and add new positions to increase effectiveness in collecting restitution for victims.
- Maintain current jail beds.
- Increase staffing for jail suicide watch.
- Fund Gresham temporary hold facility, with expectation that east county municipalities will help pay costs next year.
- Maintain proven mix of supervision, sanctions and treatment for offenders.

**Addressing the needs of victims:**

- Increase funding for services to victims of domestic violence by funding Gateway Center for Domestic Violence and providing \$130,000 to continue grant-funded programs.
- Fund elderly financial fraud prosecution and expand Gatekeeper Program and provide an additional Deputy District Attorney to work with Adult Protective Services to prosecute elder abuse.

**Meeting the critical needs of the homeless:**

- Increase funding for critical services to the homeless by adding \$1.0 million to the current \$1.3 million budgeted for homeless services including rent assistance and provision of a winter shelter for homeless families.

**Transforming health care and mental health care through the Oregon Health Plan:**

- Continue existing funding for health, mental health and addiction services.
- Prepare the County to fully participate in statewide health care reform.

**Maintaining our commitments to Sustainability and Equity:**

- Maintain funding for Office of Diversity & Equity and Office of Sustainability.
- Expand diversity training for our employees and managers.
- Continue work to increase cost-saving waste prevention & recycling.
- Create a Restitution Garden for juvenile offenders paying back victims.

**Creating a role for the County in economic development:**

- Create new micro-lending program for small entrepreneurial efforts.
- Provide youth employment opportunities.
- Foster partnerships with employers in our community.

**Reinventing our administrative and support services:**

- Create a new Department of County Assets.
- Increase supervisory span of control.

- Invest in technology to create efficient government.

#### **Making strategic investments for our future:**

- Buy down debt for the Yeon Annex building, freeing \$836,000 for use in future years.
- Invest in emergency preparedness by setting aside funding to prepare County buildings for emergencies and providing funding for a mobile command structure and to help the most vulnerable citizens prepare for emergencies.
- Fund health and safety in our buildings.
- Continue investment in technology to make services more efficient, including funding for replacement of the County's budget software.

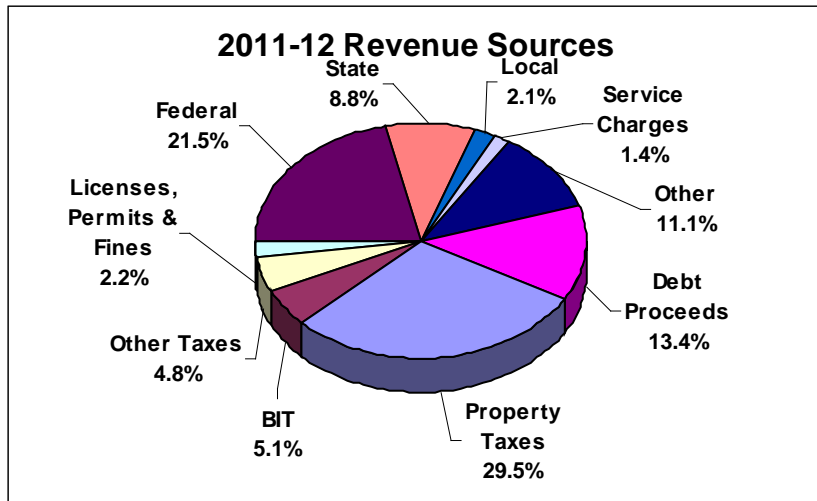
<b>Multnomah County</b>	<b>2008-09 Actual</b>	<b>2009-10 Actual</b>	<b>2010-11 Budget</b>	<b>2011-12 Budget</b>
Total Budget All Funds	1,209,825,463	1,297,099,875	1,459,295,884	1,483,808,073
Percent of Change from Prior Year	+3.1%	+7.2%	+12.5%	+1.7%
Total Beginning Fund Balance All Funds	227,016,255	221,724,797	230,779,906	243,046,328
Percent of Change from Prior Year	+13.3%	-2.3%	+4.1%	+5.3%

The total budget increases 1.7%, from \$1,459,295,884 to \$1,483,808,073, primarily due to increased economy-driven revenues and anticipated beginning fund balances.

#### **Revenues:**

Overall, total revenue (resources less beginning fund balances, Interfund Transfers and Service Reimbursements) are decreasing in 2011-12 by \$28.3 million, primarily due to \$38.8 million less in new debt proceeds. Deducting Debt Proceeds, operating revenues are increasing \$10.5 million of 1.3% from 2010-11 to 2011-12.

Increases in property taxes, Motor Vehicle Rental Taxes, Transient Lodging Taxes,



service charges, intergovernmental charges for service, and Federal State and Local revenues are offset by estimated decreases in the County gas tax and revenue from licenses and permits. Of the County revenues dependent upon economic activity, only gasoline taxes decrease by \$318,700, or 4.1%. The rest - transient lodging taxes, business income taxes (BIT), and motor vehicle rental taxes - combine for a total increase of \$8,126,785, or 10.3% over current year, reflecting signs of a stronger economy. This is the first year since 2003-04 the County has not estimated any revenue from the Personal Income Tax. While the tax expired after the 2005, delinquent taxes had continued to be collected.

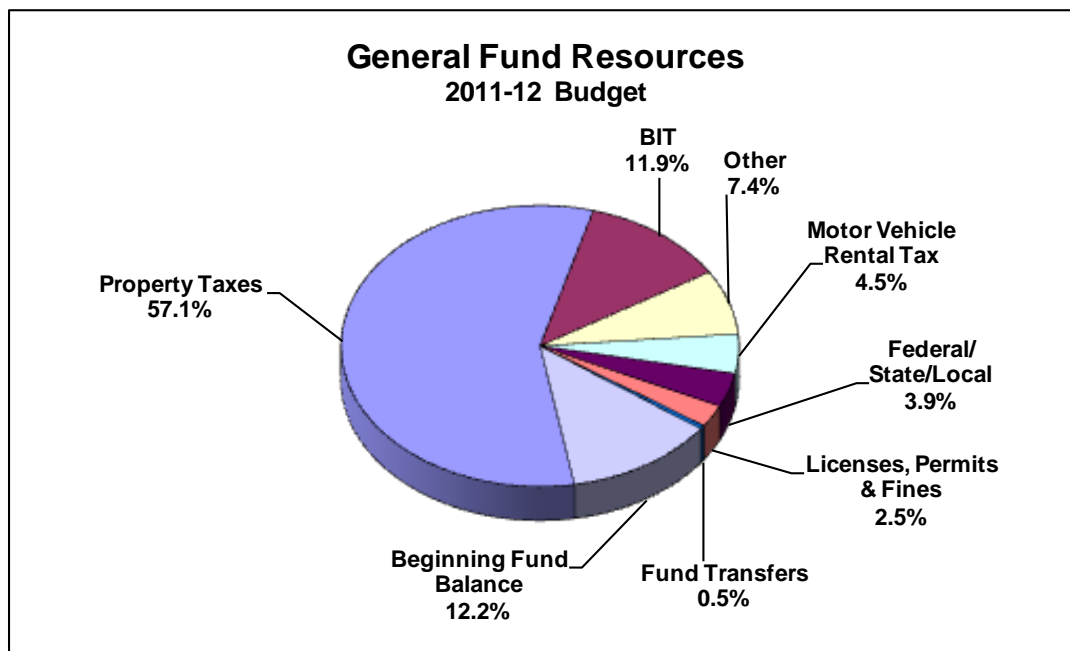
This budget includes both the final year of Library local option funding and the initial year of Oregon Historical Society local option funding. The Library local option levy has been subject to increased Measure 5 compression over the five year period. In 2011-12, compression for the Library levy is estimated at 29%.

### General Fund:

The General Fund shows an increase of 4.4%, primarily due to a significant increase in business income tax revenue, the County's second largest source of revenue after property taxes.

Multnomah County	2008-09 Actual	2009-10 Actual	2010-11 Budget	2011-12 Budget
General Fund	401,755,458	390,025,172	393,260,872	410,687,104
General Fund <b>Beginning</b> Balance	71,613,104	31,377,260	47,516,943	50,036,011
General Reserve Fund <b>Beginning</b> Balance	15,040,189	15,336,726	0	0

The General Fund beginning fund balance is up 5.3% in 2011-12 from \$47,516,943 to \$50,036,011. The beginning fund balance increases significantly in part due to a transfer of the General Fund Reserve Fund Beginning Fund Balance to the General Fund. In Fiscal Year 2009-10, the County transferred the balance of its reserve fund (\$15.3 million) to the General Fund as the result of new Government Accounting Standards Board (GASB) requirements for the fund. The County has maintained the fund balance since the transfer and projects growth in 2011-12 due to constrained spending and overall reductions occurring in 2010-11.



Multnomah County	2008-09 Actual	2009-10 Actual	2010-11 Budget	2011-12 Budget
General Fund <b>Ending</b> Balance	31,377,260	59,415,192	29,885,452	31,162,148
General Reserve Fund <b>Ending</b> Balance	15,336,726	0	0	0

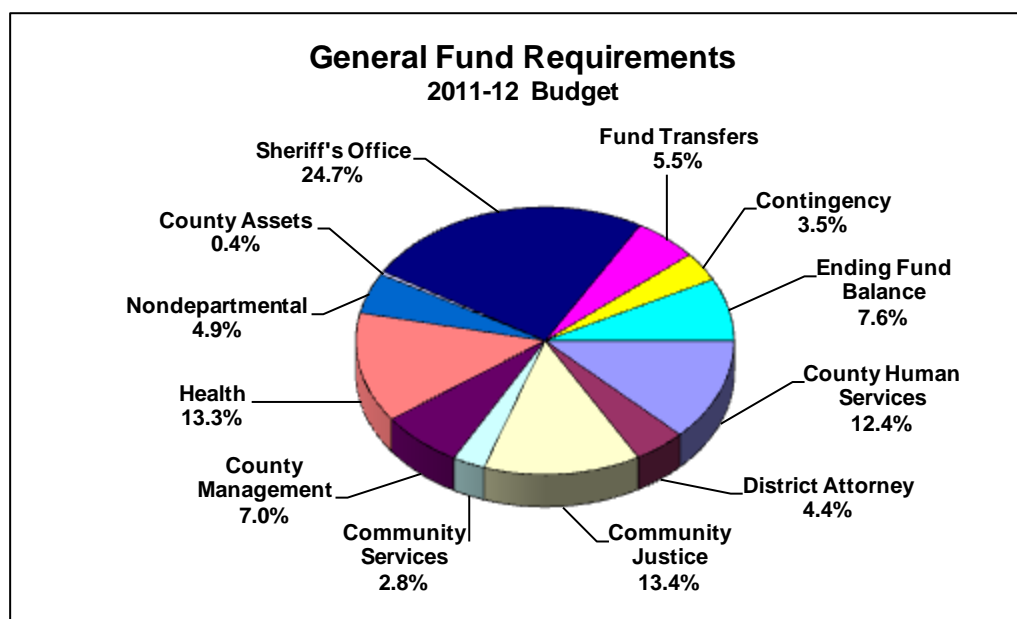
In October 2001, the Board adopted a policy setting a targeted reserve level of 10% of General Fund current revenue. The 2011-12 Budget maintains a reserve of 10% of operating revenues. Prior to 2009-10, the reserve was budgeted in two places: five percent in the General Fund and five percent in the General Reserve Fund. In anticipation of GASB 54 requirements, the County transferred all of its reserves to the General Fund, creating a single ending balance. The balance increases by 4.3%, to \$31.2 million. The County reserves an additional 10% BIT Stabilization Reserve in this budget. The reserve is fully funded at \$4.9 million, or 10% of projected BIT collections in 2011-12. This reserve is available to mitigate an unexpected downturn in the regional economy.

### Expenditures:

Overall requirements increase by 1.4% across all funds. This is due to increasing operating expenditures in six departments (Community Justice, Human Services, Library, Community Services, County Management, and Non-Departmental) and decreased expenditures in the other four (County Sheriff, District Attorney, Health Services, and County Assets). Contingencies, transfers, and debt service increase in 2011-12 and are partially offset by reduced ending fund balance. If these amounts are removed, total expenditures increase less than 1.0%, from \$1,110,749,903 to \$1,121,770,160.

This budget includes \$22.0 million one-time only funding for programs. Twenty-five programs across seven departments are primarily funded by one-time only General Fund revenue; an additional four programs receive some one-time General Fund support but are primarily funded by other funds. Funded programs include large expenses like \$1.5 million for radio replacement and emergency management communications upgrades to smaller expenses like \$20,000 to Streetroots for the Rose City Resource Guide.

Expenditures also include \$373,000 “mothball” costs for the Wapato facility. Discussions with other jurisdictions regarding lease options have stalled as the economy weakened. The 2011-12 Budget includes \$4.9 million one-time only funds in contingency for the possible continued decline of BIT revenue and to provide stability if future BIT collections stay flat.



Multnomah County	2008-09 Actual	2009-10 Actual	2010-11 Budget	2011-12 Budget
Personal Services	425,771,898	424,334,194	463,646,862	465,850,363
Materials & Services	354,147,932	371,421,353	434,778,681	444,596,685

### Personal Services:

Overall, the staffing for 2011-12 decreases by 33.5 FTE to 4,507.30 FTE. Nearly all departments are losing FTE in this budget, with the exception of the Community Justice, County Assets, and Health departments. .

The amount budgeted for personal services increases \$2.6 million, or 0.6%. The cost of benefits continues to grow though not as fast as projected. PERS rates charged internally are unchanged in 2011-12. Anticipating much higher employer rates from the actuarial study effective July 1, 2011, the County had not reduced internal rates when the PERS employer rate decreased as of July 1, 2009 to provide additional reserves to mitigate higher rates. The County contributes 2.00%, an increase of 0.25%, of current payroll costs to the retiree medical insurance program, as the County works to reduce its future retirement obligations with ongoing resources. Current funding of the future liability is at 15% of the total liability for post employment benefits; the goal is 20% by 2013.

The 2011-12 Budget froze management and exempt employee wages. This budget includes funding for merit pay and COLA's for all represented employees. However, the Chair has asked labor unions to forego cost of living adjustments (COLA) to help reduce expenses.

### Department Programs and Services:

Nearly all departments experienced increases or slight decreases in their program budgets in 2011-12.

- The Department of County Human Services has a total budget of \$214.5 million in 2011-12, up from \$212,483,722 in the current year. The 2011-12 Budget funds several new programs and some existing programs with expired funding sources. Many programs identified in the Chair's key areas can be found here, including homeless shelter programs, funding for SUN school sites to provide food year round and on non school days, domestic violence victim services, and mental health programs.
- In 2011-12, the Health Department, which deals with regulatory health issues, totals \$160.3 million, down 1.6%. The department gains 27.11 FTE in this budget, reflected in increased Personal Services of \$2.3 million. The Medical Examiner's Office moves from the District Attorney's Office to the Health Department in this budget. Included in this move is 9.0 FTE and \$937,274.
- Just under \$227.0 million is budgeted for 2011-12 for the three departments that comprise the County's justice system: the Multnomah County Sheriff's Office which provides support for the rest of the justice system within the County, law enforcement and corrections at \$116.2 million; the Community Justice Department which provides supervision of offenders and court services for juveniles at \$86.0 million; and the District Attorney's Office at \$24.5 million. The budget for Community Justice increases its department personnel by 5.56 FTE in this budget, for a total of 522.11 FTE. Of this total, 298.05 FTE are employed by Adult Services, 170.76 FTE in Juvenile Services, and the remainder split between Administration and Employee,

Community and Clinical Services. Overall expenditures decrease by \$264,260 for contractual services and increase by \$1.4 million in Personal Services. The Sheriff's budget includes funding for a total of 1,310 beds. Of the total beds, 1,170 are county-funded and 140 are funded through the US Marshal Service. Total capacity is unchanged from 2010-11. This budget includes the following new programs: professional standards; and, suicide watch deputies. The 2011-12 Budget for the District Attorney decreases by \$0.2 million and provides for a net 15.00 fewer FTE's. Of the 15, 9.00 FTE were moved to the Health Department as part of the Medical Examiner's Office; the remaining positions were administrative and were reduced to fund as many positions previously funded through federal stimulus grants as possible.

- Library funding increases by \$549,433, or 0.9%, to \$62,525,464. Personnel are reduced by 5.84 FTE in this budget. These positions are funded by the Library Foundation. Funding is not included in this budget but may be restored when the Foundation makes its funding decisions, typically prior to County budget adoption.
- The approved budget of the Department of Community Services (DCS) is \$135,763,888, up 14.1%. It includes funding for direct community services, such as elections, land use and transportation planning, bridge services, road services, budget and operations support, and animal control for the County. The Sellwood Bridge replacement project expenses drive the increase, primarily in capital outlay. The General Fund provides just over 8% of the resources for DCS; the rest is provided through other funding sources.
- The Department of County Management includes the budget office, assessment, recording and taxation, finance and risk management, and central human resources. The proposed budget increases by \$1,801,642, or 1.5%, in 2011-12. This increase is due to increased materials and services as both personal services and contractual services decrease in this budget. Total positions decrease by 8.05 FTE for a total of 227.25 FTE (adjusted for business services and human resources movement to Department of County Assets) after identifying increased span of control opportunities.
- The Non-Departmental area consists of support for elected officials, emergency management, sustainability, diversity & equality, non-County agencies and independent organizations. This budget creates an Economic Development Office by moving 1.00 FTE and \$206,832 from the Office of the Board Clerk. The total Non-Departmental budget is \$50.2 million, a 8.5% increase from the 2011-12 levels.
- The Department of County Assets (DCA) was created in this budget by consolidating all of the County's primary assets in one department. This includes information technology, facilities, fleet and records. The consolidation brings together three divisions from the Department of County Management, in addition to the Office of Information Technology formerly budgeted in Non-Departmental. The department's goal is to create fiscal accountability for County assets and implement best practices for asset portfolio management. The 2011-12 Budget has been adjusted to reflect the history of the new department. The proposed budget adds 1.49 FTE for a total of 311.64 FTE. Expenses decrease by \$12.2 million, from \$161,186,533 to \$148,962,404 due to reduction in capital expenses. Of the \$22.0 million funded through one-time General Fund dollars, \$6.1 million is for projects in DCA.



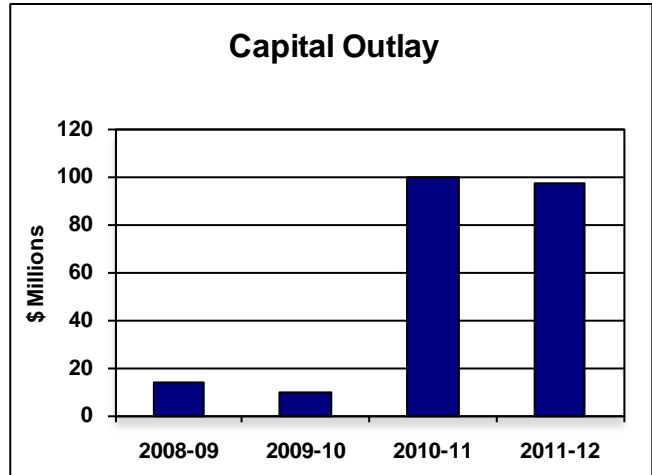
### Capital Outlay:

Multnomah County	2008-09 Actual	2009-10 Actual	2010-11 Budget	2011-12 Budget
Capital Outlay	14,058,723	9,517,087	99,189,281	96,691,169

Overall capital outlay decreases 2.5% in 2011-12.

Five of the major capital outlay projects planned for 2011-12 by the County are:

- Sellwood Bridge (\$40.8 million)
- East County Courthouse (\$12.6 million)
- Willamette River Bridges (\$9.8 million)
- Downtown Courthouse (\$9.1 million)
- IT Modernization Projects (\$4.2 million)



The County continues to look for ways to fund a large backlog of deferred maintenance items. The Capital Improvement Fee, assessed to all county tenants based on space occupied, is set at \$2.75/square foot in 2011-12. The County budgeted \$37,802,419 in its capital budget for Facilities Capital Improvements and \$6,676,113 for Facilities Capital Asset Preservation. This budget includes \$1,000,000 one-time General Fund dollars for retrofitting County buildings to withstand earthquakes. This funding has been budgeted in contingency until more detailed planning is completed.

### Debt History:

In March 2010, the County sold \$9.8 million Full Faith & Credit Obligation bonds to finance: facilities deferred maintenance projects, replacement of the data center with added capacity for disaster recovery, computer network enhancements, telephone system upgrades, and the library materials movement project. The County also sold General Obligation Refunding Bonds to retire existing GO Bonds, estimating a savings of \$5.2 million to county taxpayers.

The 2011-12 Budget includes debt service payments of \$49.2 million. Included in this total is one-time General Fund money to pay off debt for the Yeon Annex building. This action will free up \$836,000 in future years.

Multnomah County – Debt Outstanding	6-30-2008	6-30-2009	6-30-2010	6-30-2011 Est.
General Obligation	63,125,000	56,570,000	45,175,000	38,620,000
Revenue Bonds	5,320,000	3,240,000	2,845,000	2,430,000
PERS Pension Revenue Bonds	165,583,160	159,113,160	151,373,160	142,223,160
COPs	15,850,000	11,410,000	0	0
Full Faith & Credit	65,805,000	62,190,000	68,210,000	60,500,000
Lease Purchase	1,042,832	1,031,741	1,019,446	1,005,822
<b>Total Debt Outstanding</b>	<b>316,725,992</b>	<b>293,554,901</b>	<b>270,252,607</b>	<b>244,778,982</b>

**Contingencies, Transfers, Unappropriated:**

It is Board policy to establish an emergency contingency account in the General Fund each fiscal year. The account is funded at a level consistent with actual use of transfers from contingency during the prior ten years. The General Fund contingency increases in this budget, from \$6.3 million to \$14.5 million, including \$4.9 million reserved for BIT stabilization. In 2011-12, total contingencies in all funds are up 149.6%, from \$27.8 million in 2010-11 to \$69.5 million in 2011-12.

The unappropriated ending fund balance is reasonable.

Transfers balance across all years..

**Highlights of the 2011-12 Budget to be published in TSCC Annual Report:**

- The total budget increases \$24.5 million, or 1.7%.
- The General Fund increases by 4.4%, from \$393,260,872 to \$410,687,104.
- This is the fifth year of the five-year Library Local Option Levy; the Oregon Historical Society Local Option Levy is budgeted for the first year of its five-year levy.
- This budget includes \$127.0 million debt proceeds to fund the Sellwood Bridge Replacement project.
- This budget includes a decrease of 33.5 FTE, primarily due to expiration of federal stimulus grant funding and conscious actions to increase supervisory span of control.

**Local Budget Law Compliance:**

The 2011-12 Budget is in substantial compliance with Local Budget Law.

**Certification Letter Recommendations and Objections:**

The 2011-12 Budget was filed timely on May 6, 2011. The Commission hereby certifies by a majority vote that it has no objections or recommendations to make with respect to the budget. Estimates were judged to be reasonable for the purposes shown and the budget was in substantial compliance with Local Budget Law.