

TSCC Budget Review 2017-18

Multnomah County

1. Introduction to the District

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



2. History

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 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 790,670 as of July 1, 2016. Just under 97% of the population of the County resides within the boundaries of one of six cities, 82% within the largest city in the state, Portland. Multnomah County is also home to Oregon's largest community college, school district, 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.

3. Strategic Plan / Performance Objectives

The County used the Chair's following priorities to develop this budget:

- **Invest in Stable Housing**

The Chair continues to invest and maintain programs that get people into housing and keep people from losing housing to begin with.

- **Provide Affordable Health Care**

The Chair's budget invests in health care services where the people live – particularly in East County – and increases support for mental health programs.

- **Invest in Families and Children**

One of the Chair's priorities is to align the County's efforts to break the cycle of poverty.

- **Support Safer Communities**

The Chair's budget provides funding to focus on the root causes of incarceration and poverty. In 2016-17, the County began moving public safety dollars out of jail beds and into programs and services to reduce recidivism.

4. The Budget in Total

For 2017-18, the Multnomah County Chair requested departments develop General Fund budgets that reflect a 2% reduction from current service levels. Departments were also authorized to propose service expansions, restoration of prior reductions, and new programs; one-time-only requests were also supported.

The County utilizes a five year forecast for both revenues and expenditures to better predict potential problems and provide for budget stability. The 2017-18 Budget:

- Is balanced over a three year period
- Forecasts economy-driven revenues at increased levels, with the exception of gasoline taxes
 - Property taxes for operations increases 4.5%
 - Business income tax increases 4.4%
 - Motor vehicle rental tax increases 10.3%
 - Gasoline tax decreases 0.2%
- Projects ongoing revenues will exceed ongoing expenditures by \$26.7 million in the General Fund in 2017-18
 - When one-time program and infrastructure expenses are factored in, revenues are not enough to fund all services in future years
- Accepts some, but not all, of the proposed departmental reductions
 - Department-generated reductions created a total of \$7.6 million to be reallocated to other programs
 - Reallocations were targeted toward programs aligned with the Chair's priorities
- Fully funds Business Income Tax and General Fund reserves
- Creates a contingency to address potential revenue reductions from the state and federal governments.

Overall Expenditures:

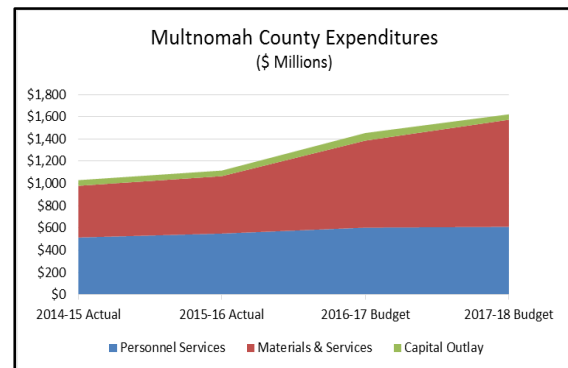
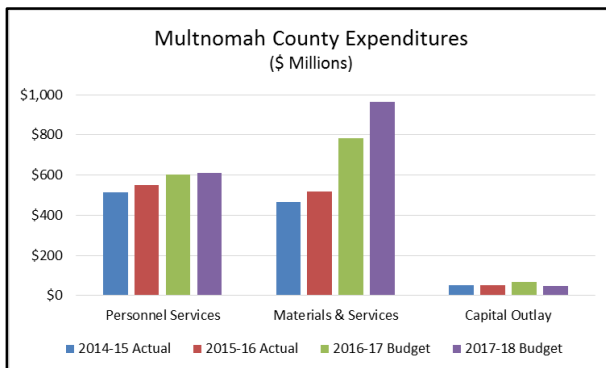
Overall appropriations (total requirements less ending fund balance) increase by 10.8% across all funds. The total budget increases 8.3%, from \$1.89 billion to \$2.05 billion, primarily due to investments in capital infrastructure, and homeless and housing related services.

Multnomah County				
Total Requirements - All Funds Combined (\$ Millions)				
	2014-15	2015-16	2016-17	2017-18
Personnel Services	\$ 515	\$ 550	\$ 604	\$ 611
Materials & Services	465	516	782	963
Capital Outlay	51	50	68	48
Service Reimbursements	130	142	150	166
Debt Service	45	43	45	55
Fund Transfers	37	42	42	44
Contingencies	-	-	40	30
Ending Fund Balance	406	394	162	131
TOTAL REQUIREMENTS	\$ 1,648	\$ 1,738	\$ 1,891	\$ 2,048

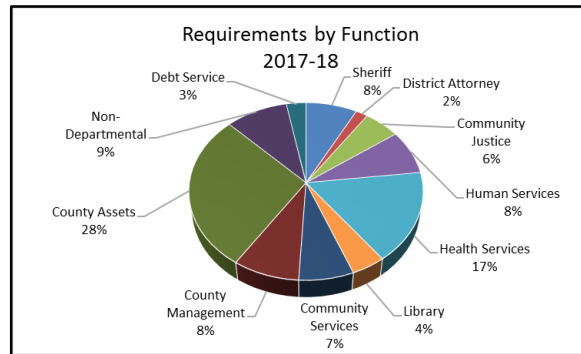
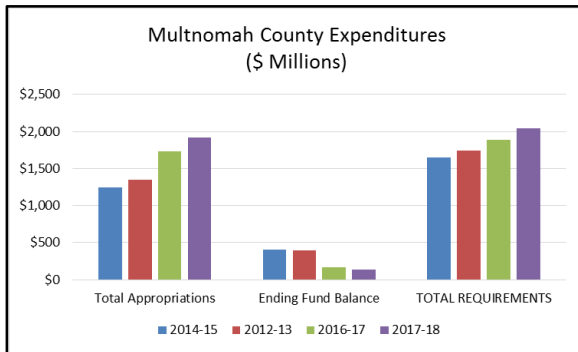
This budget includes \$46.6 million one-time only funding for programs¹.

- Thirty-one projects across nine departments are funded, in addition to one-time fund transfers for infrastructure development and reserves
 - Downtown Courthouse: \$18.0 million
 - Health Department Headquarters: \$7.0 million
 - Tax Title Affordable Housing: \$4.7 million
 - MCDC Detention Electronics: \$4.2 million
 - North Portland Dental Expansion carryforward: \$1.8 million
 - Homeless Families (Part II): \$1.4 million
 - A Home for Everyone Capital Investments carryforward: \$1.2 million
 - Other projects range in size from \$15,000 to \$0.75 million
- Funding set aside in the General Fund contingency
 - Possible State/Federal funding reductions: \$2.7 million

Service reimbursements are charges for overhead support services provided to internal departments. Internal service department budgets were developed using current service level expenses. Rates are assumed to increase 3.73% in this budget.



¹ In addition the County will make a one-time-only \$8.3 million contribution to the Business Income Tax Reserve



Multnomah County	2014-15 Actual	2015-16 Actual	2016-17 Budget	2017-18 Budget
Personnel Services	514,771,131	550,055,730	603,607,029	610,613,609
Materials & Services	464,595,672	516,177,388	781,697,996	962,641,633

Personnel Services:

Overall, the staffing for 2017-18 decreases by 113 FTE to 5,057 FTE (2.2%) primarily due to decreased FTE in the Health Department in response to lower than expected Oregon Health Plan enrollment and the number of patients seeking clinical services.

The average personnel services cost per FTE increases by 3.4% to \$120,753.

	2014-15 Actual	2015-16 Actual	2016-17 Budget	2017-18 Budget
Community Justice	529	545	531	527
Community Services	197	209	211	212
County Assets	321	329	344	347
Human Services	782	661	675	670
County Management	239	247	253	256
District Attorney's Office	200	210	209	205
Health Department	1,059	1,387	1,493	1,384
Library	518	528	535	536
Non-Departmental	95	100	116	119
Sheriff's Office	781	809	802	799
Total	4,722	5,027	5,169	5,057
Personal Svcs Cost per FTE \$	109,011	109,426	116,768	120,753

The amount budgeted for personnel services increases just over \$7.0 million, or 1.2%. The following shows the average rate assumptions applied for budget development:

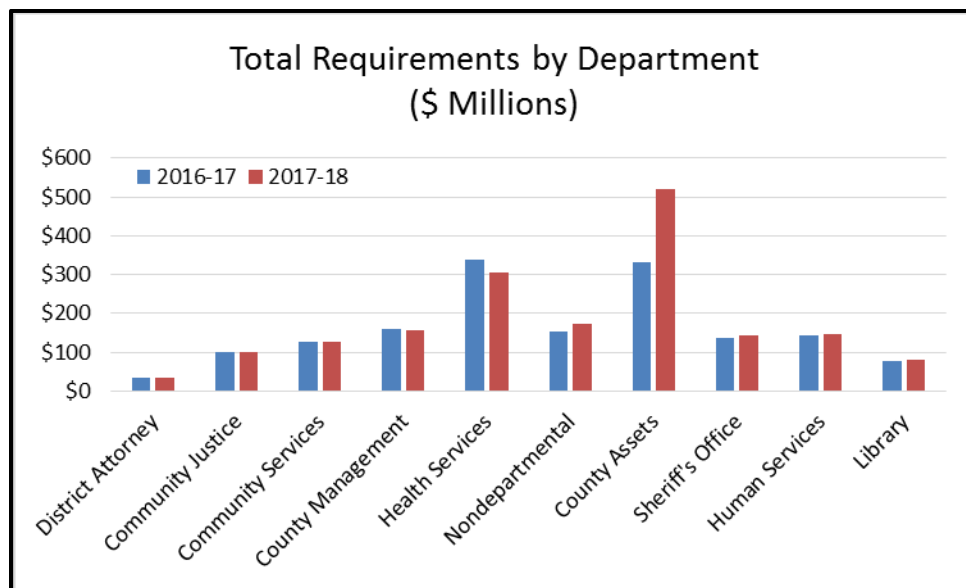
- COLA: 2.25% (of base pay)
- Step/Merit: 1.67% (of base pay)
- Medical/Dental: 4.00%
- PERS: 1.55% (of base pay)
- Paid Parental Leave: six weeks

The County is in negotiations with five labor contracts (AFSCME Local 88, Corrections Deputy Association, FOPPO, IBEW Local 48 and Physicians Local 88-2) that together represent 75% of the total County FTE. The budget assumes the status quo, including funding for continued cost of living and merit pay increases.

PERS: In recent years, the County has maintained a constant internal PERS rate in order to maintain departments' stability. That changes in this budget as a result of the 2015 *Moro* decision (repealing the 2013 legislative reductions of PERS benefits) and the PERS Board's decisions to reduced assumed earnings from 7.75% to 7.50% and update its mortality tables. The result is an increase to the County's unfunded actuarial liability (UAL) from \$89.2 million in December 2013 to \$540.0 million, as of the December 31, 2015 valuation. The County proactively increased its internal PERS rates by 2.30% of payroll in 2016-17 and set aside a \$25.0 million PERS account within the PERS Bond Sinking Fund to begin to address its UAL. This budget contributes another \$25.0 million to the PERS side account; each \$25.0 million contribution reduces the County's required contribution by 0.55% of payroll.

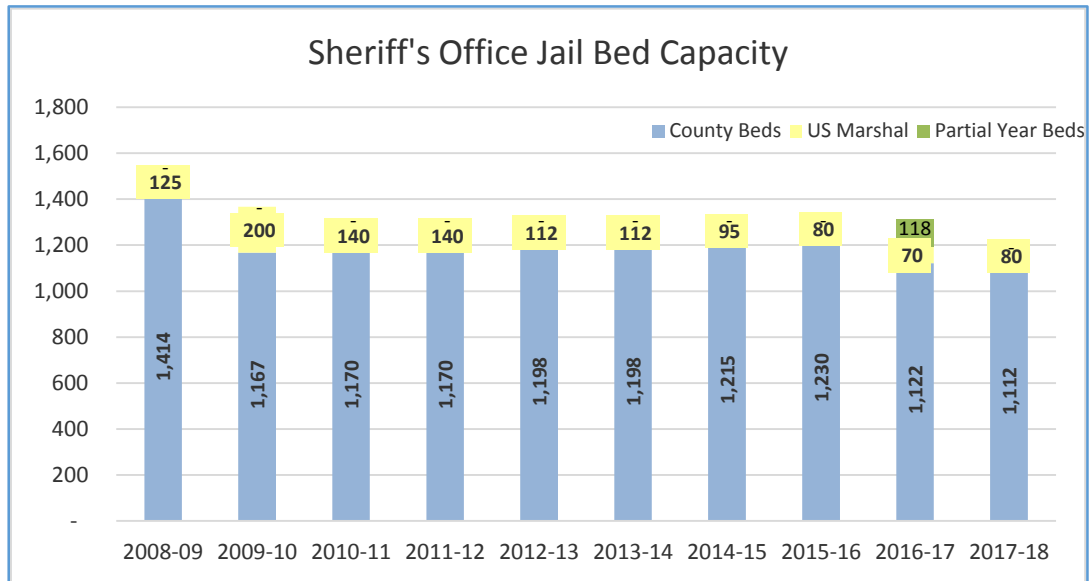
Department Programs and Services:

With the exception of Health Services and County Management, all of the departments show increases in their program budgets in 2017-18.



- The **Department of County Human Services (DCHS)** has a total budget of \$148.4 million in 2017-18, up from \$144.5 million in the current year.
 - Of the total \$148.4 million budget
 - \$50.2 million, 33.8%, is funded by the General Fund; 66.2% is funded through Other Funds
 - Receives significant funding from state and federal sources so will be deeply impacted by revenue reductions from these sources
 - Includes \$0.4 million ongoing funding for new program offers
 - Healthy Birth Initiative: \$200,000

- Adds \$0.7 million for one-time-only programs
 - Housing Stabilization Team: \$250,000
- 670.05 FTE
- In 2017-18, the **Health Department**, which deals with regulatory health issues, totals \$305.2 million, down 10.1% from the current year.
 - Decrease due to elimination of seven provider teams and associated support staff
 - The Department initially expanded its clinical system to accommodate an expected increase in clinical visits in response to the Affordable Care Act and subsequent Medicaid expansion
 - Actual use has been lower than expected
 - Almost 45% of this budget comes from the General Fund with the remaining funded through Other Funds
 - Increases one-time only funding by \$3.0 million, including \$1.8 million for the North Portland Dental Expansion carryforward and \$750,000 for Law Enforcement Assisted Diversion (LEAD)
 - Increases ongoing funding by over \$1.7 million for increased clinical capacity for corrections health.
 - Reduced General Fund as part of reallocation strategy
 - Decrease of \$4.8 million and 25.6 FTE
 - Reallocated to focus on mental health programs
 - Some reduced programs will be redesigned or offered by other entities
 - 1,384.43 FTE
- Just under \$277.50 million is budgeted in 2017-18 for the three departments that comprise the County's justice system.
- The **Sheriff's Office** provides support for the rest of the justice system within the County, law enforcement and corrections at \$143.2 million.
 - Maintains current patrol and support functions
 - Law Enforcement will focus efforts on assisting the homeless population by providing alternatives to arrest and incarceration
 - Primarily funded through the General Fund (87.5%); only 12.5% from other funding sources
 - Includes funding for a total of 1,192 jail beds, a reduction of 118 beds from current levels (two pods of 59 beds each). This reduction is underway this year.
 - Of the total beds, 1,122 are county-funded and 80 are funded through the US Marshal Service
 - It is the Chair's policy to not invest in jail beds but to invest in programs and services that will reduce recidivism



- One-time-only funded projects include \$0.4 million for a detention electronics project at the County Detention Center
- Budget includes additional ongoing funding for a corrections Clinic Escort Deputy to expand access to corrections clinic hours (\$186,380)
- Reduced General Fund as part of reallocation strategy
 - Decrease of \$1.7 million and 5.00 FTE
 - Eliminates the Warrant Strike Team (\$752,809)
- 799.12 FTE
- The **Community Justice Department** provides supervision of offenders and court services for adults and juveniles for \$100.7 million, up from \$99.4 million in the current year.
 - Increase due to:
 - Assumes 51% of state biennium allocation for SB1145 instead of traditional 49% assumption
 - Department will rely on attrition, if necessary, to get to 49% in the second year of the biennium
 - Assumes current service level funding for HB2194 which could be in jeopardy due to Governor's budget reduction request of 15.8% statewide
 - 65.4% of the budget is funded through the General Fund; 34.6% from Other Funds
 - One-time-only funding adds \$0.7 million to the budget
 - Adds \$0.3 million to transition the closing of the Londer Learning Center; full closure will occur in 2018-19
 - Reduced General Fund as part of reallocation strategy
 - Decrease of \$0.9 million and 6.45 FTE

- 527.45 FTE

The **District Attorney's Office** reviews and prosecutes criminal cases within the County for \$33.5 million.

- General Fund contributes 74.1% of this budget
 - Other Funds reduced due to anticipated reductions in state funding and completion of District Attorney of New York (DANY) grant funding for work on sexual assault kit testing backlog
- This budget adds funding for the Adult and Community Healing Initiative, a program to reduce recidivism in African-American males age 17 to 25
- The budget also adds funding to replace the current CRIMES case management system with a web based application
 - Total cost of the project is \$1.5 million in 2017-18
 - \$414,308 one-time funding is budgeted in this department; remainder (\$1,112,106) in County Assets
- Reduced General Fund as part of reallocation strategy
 - Decrease of \$0.5 million and 3.50 FTE
- 204.95 FTE
- Expenditures for **Library** operations are increasing from \$76.4 million in 2016-17 to \$79.3 million in the 2017-18 Budget, an increase of 3.7%.
 - Funded through a permanent rate levy for the Multnomah County Library District
 - Levy rate to remain \$1.18 per \$1,000 assessed value
 - Operating hours will remain unchanged
 - No major programmatic changes
 - 536.45 FTE
- The approved budget of the **Department of Community Services** (DCS) is \$127.5 million, up 0.9%. The budget includes funding for direct community services, such as elections, land use and transportation planning, bridge services, road services, and animal control for the County.
 - Revenue assumptions include:
 - Increased animal service fees anticipated (+\$350,000)
 - Passage of Oregon Motor Voter legislation which taxes \$0.15 per voter for eight years (+\$76,000)
 - Establishment of rural waste hauling fees
 - The General Fund comprises 11.8% of the Department budget; the rest is funded through Other Funds, primarily for transportation projects
 - Includes ongoing funding of \$75,064 for elections staffing funded through the Oregon Motor Voter revenues
 - Adds nearly \$1.0 million for one-time-only programs, spread over four projects:
 - Road Capital Improvement Plan Update (\$400,000)

- Elections Equipment - Sorter (\$350,000)
- Levee Ready Columbia (\$146,883)
- Safe Routes to School Flashers (\$100,000)
- Reduced General Fund as part of reallocation strategy
 - Decrease of \$50,000
- 212.00 FTE
- The **Department of County Management** includes the budget office, assessment, recording and taxation, finance and risk management, and central human resources. The approved budget decreases by \$6.4 million in 2017-18 to \$155.1 million.
 - 25.8% of the budget is funded through the General Fund; the remainder is funded by Other Funds
 - Includes \$1.2 million one-time only funding for A Home for Everyone Capital Investments
 - Reduced General Fund as part of reallocation strategy
 - Decrease of \$0.4 million
 - 256.35 FTE
- The **Non-Departmental** area consists of support for elected officials, emergency management, sustainability, diversity and equality, non-County agencies and independent organizations. The total Non-Departmental budget is \$174.0 million, a 13.1% increase from the 2017-18 funding level.
 - Increase is due to:
 - Creation of the Joint Office Homeless Services (\$57.8 million) partnership with the City of Portland
 - Provides single resource for homelessness-related programs
 - Reports directly to County Chair
 - The County contributes \$20.6 million of the total funding; the City of Portland \$27.3 million; Federal/State sources \$5.1 million; and, \$4.7 million from Tax Title Affordable Housing (in County Management)
 - New programs in 2017-18 include Long Term Rental Vouchers (\$350,000) and Diversion – Eviction Pilot (\$400,000)
 - Contribution to the PERS side account in the PERS Bond Sinking Fund for anticipated rate increases due to the County's current unfunded liability (\$25.0 million)
 - An additional \$0.7 million is budgeted for ongoing programs in the General Fund, primarily for the minimum wage increase in the Summerworks program
 - \$140,000 is added for one-time only funding
 - Reduced General Fund as part of reallocation strategy
 - Decrease of \$179,179
 - 104.28 FTE

- The **Department of County Assets (DCA)** plans for, acquires, and manages County assets. This includes information technology, facilities, fleet and records. Expenses increase by \$190.2 million, from \$330.4 million to \$520.5 million.
 - Increase is due to multiple capital projects, including funding for replacement of the Downtown Courthouse (\$136.3 million) and Health Headquarters (\$6.3 million) facilities
 - Two funds are added in this budget to support this department: ERP Project (\$41.3 million) and Fleet Asset Replacement (\$6.2 million) funds
 - Reduced General Fund as part of reallocation strategy
 - Decrease of \$37,915
- 346.65 FTE

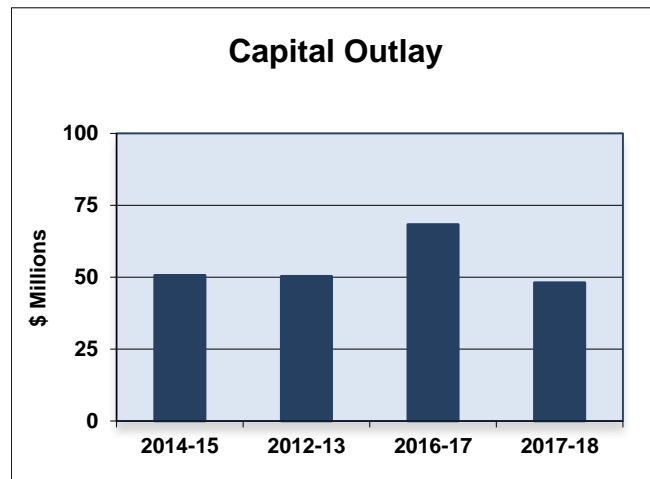
Capital Outlay:

Multnomah County	2014-15 Actual	2015-16 Actual	2016-17 Budget	2017-18 Budget
Capital Outlay	50,720,642	50,356,164	68,323,776	48,137,225

Overall capital outlay decreases 29.5% in 2017-18 as the County completes a significant bridge project and is in the planning and final design phases of other substantial projects.

Major capital outlay projects planned for 2017-18 by the County are:

- Downtown Courthouse construction
- Health Department Headquarters construction
- Willamette Bridge improvements
- Hansen Building replacement
- ERP Project replacement



The above projects are funded at levels higher than is shown in the graph above. This is due to the use of contractors to complete the construction; often outside costs are not categorized as capital outlay in the same way that internal capital outlay is recorded.

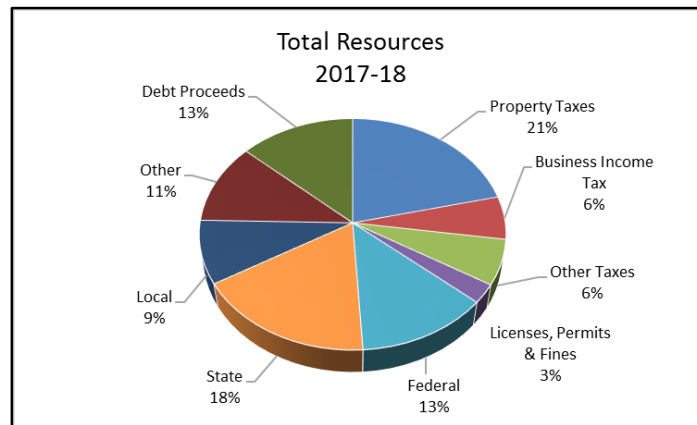
The County continues to look for ways to fund a large backlog of deferred maintenance items. The County budgeted \$12,309,108 in its capital budget for Facilities Capital Improvements and \$15,045,201 for Facilities Capital Asset Preservation.

Overall Resources:

Multnomah County				
Total Resources - All Funds Combined (\$ Millions)				
	2014-15	2015-16	2016-17	2017-18
Property Taxes	\$ 262	\$ 277	\$ 282	\$ 295
Other Taxes	141	155	157	171
Federal, State, Local	410	417	499	542
Licenses & Permits	29	30	31	33
Service Charges	(6)	(7)	15	12
Fines/Forfeitures	1	10	2	3
Other	147	159	153	144
Debt Proceeds	-	1	55	185
Service Reimbursements	252	256	285	295
Fund Transfers	37	42	42	44
Beginning Fund Balance	374	397	371	323
TOTAL RESOURCES	\$ 1,648	\$ 1,738	\$ 1,891	\$ 2,048

Overall resources increase by \$157 million. Revenues (cash coming into the district) increase by \$191 million (16%). Debt proceeds account for \$130 million of that increase, so the core revenue increase is about \$61 million or 5%.

- Property taxes are expected to increase \$12.7 million.
- Increases in economy-driven taxes are increasing by \$14 million (9%) to \$171 million.
- Intergovernmental revenues (local, state, and federal), net of pass-throughs, increase by \$64 million (19%) to \$392 million.



Local Option Levy

• **Oregon Historical Society**

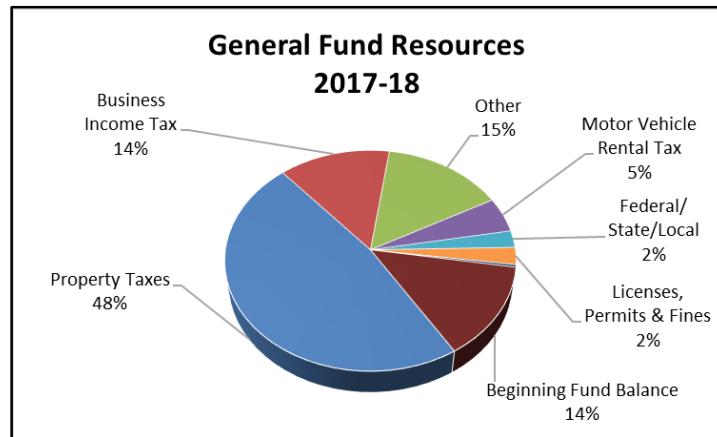
In addition to its permanent levy, the County currently assesses a local option levy for the operations at the Oregon Historical Society. This levy, originally approved in November 2010, was re-approved in May 2016.

- Five-year local option levy
- Rate is \$0.0500 per \$1,000 of assessed value

5. Analysis of the General Fund

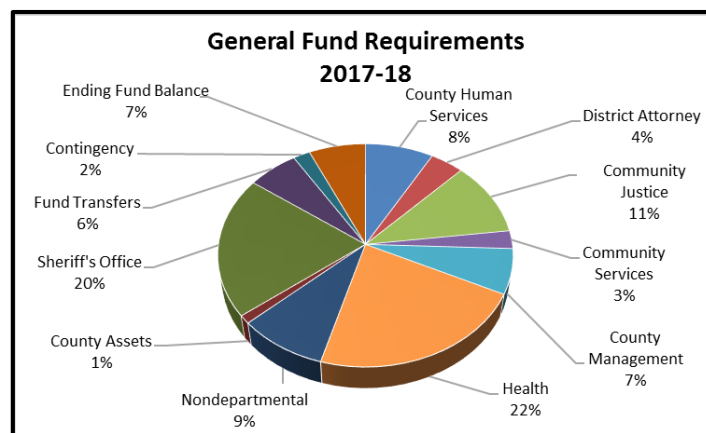
Total general fund budget for 2017-18 is \$612 million, an increase of \$16 million (2.7%). The budget anticipates a slight increase in ending fund balance. Fund revenues are slightly higher (\$6 million) than fund expenses.

Property Taxes account for 48% of fund revenue. Aside from fund balance, other taxes (business income tax and motor vehicle rental taxes combined) are the largest sources.



With the exceptions of Health Services and County Management, all general fund department budgets increase slightly in 2017-18. The “Non-Departmental” department increases by 21% primarily due to increases in the Joint Office of Homeless Services (see discussion above).

The following chart shows the comparative resource allocation of the general fund.



Fund Balance: All General Fund reserves are fully funded in this budget.

The board's fund balance policy sets a target reserve level of 10% of General Fund current revenue. The 2017-18 Budget combined ending fund balance and contingency meets that target. It is \$54.2 million, 10.4% of the operating budget.

The General operating contingency includes a Business Income Tax (BIT) Stabilization Reserve funded at 10% of projected BIT collections in 2017-18. This reserve is available to mitigate an unexpected downturn in the regional economy.

6. Analysis of Other Funds

Two new funds are added in this budget; the ERP Project and Fleet Asset Replacement funds.

ERP Project Fund

- Tracks spending for new Enterprise Resource Planning (ERP) financial system
- Project replaces current system, which has been in place since 1999
- Project is in the Pre-Work stage, with Planning scheduled to start in June and Architecture (system and application integration design) to take place July through September
- Project will be financed over seven years with debt service funded using an FTE based allocation of \$1,323 per FTE
- This budget includes \$41.3 million to continue with planning and due diligence for the replacement system

Fleet Asset Replacement Fund

- Provides for fleet replacement
- Funded through \$4.2 million transfer from Fleet Management Fund in first year and through ongoing service reimbursements

PERS Bond Sinking Fund

- Decreases 21.6% in this budget due to decreased beginning fund balance and lowered service reimbursement rates as the County tries to “smooth” high PERS costs (See further discussion under ‘Personnel Services’.)

Willamette River Bridge Fund

- Increases by 32.7% in 2017-18 due to increased federal funding

Special Excise Taxes Fund

- Increases by 17.1% in this budget due to \$6.5 million more revenue expected from transient lodging taxes

Capital Debt Retirement Fund

- Increases by 72.9% in 2017-18 due to increased debt service payments on the large capital infrastructure projects the County is undertaking

Downtown Capital Courthouse Fund

- Increases by 138.3% in 2017-18 due to \$95.7 million anticipated from debt proceeds and \$93.0 million from the state of Oregon for planning and construction of the downtown courthouse facility replacement

Behavioral Health Managed Care Fund

- Decreases by 48.3% in this budget due to reduced funding from federal and state sources

7. Debt Status

In March 2010, the County sold \$9.8 million in Full Faith & Credit Obligation bonds to finance:

- Facilities deferred maintenance projects
- Replacement of the data center with added capacity for disaster recovery
- Network enhancements and telephone system upgrades
- Library materials movement project

A second Full Faith & Credit Obligation issue of \$15,000,000 occurred in December 2010, with a third issue for \$128,000,000 occurring two years later. A final issue, to refund Series 2004, for \$22,530,000 was issued in June 2014.

The County plans one bond issue in September 2017 for \$95.7 million to cover anticipates that bonds in the amount of \$95,684,040 will be issued in September 2017 for all of the current capital projects.

Multnomah County – Debt Outstanding	6-30-2014	6-30-2015	6-30-2016	6-30-2017 Est.
General Obligation	17,725,000	11,570,000	5,905,000	0
PERS Pension Revenue Bonds	122,562,276	118,093,314	111,248,370	94,263,370
Long Term Loan – State & Other	2,919,005	2,723,325	2,519,857	2,308,289
Full Faith & Credit	165,840,000	160,255,000	150,690,000	140,085,000
Lease Purchase	1,332,767	1,191,444	1,269,562	996,110
Total Debt Outstanding	310,379,048	293,833,083	271,632,788	237,652,769

8. Budget Alignment with Strategic Plan / Performance Objectives

Based on Chair Kafoury’s budget message, the County’s budget priorities are:

1. Invest in stable housing
2. Affordable health care
3. Investing in families and children
4. Safer communities
5. Spending where it matters

The first four elements of this mission concern services for vulnerable people: the poor, the mentally ill, and the homeless. The Health and Human Services budget that serves these individuals received net program increases totaling \$14.4 million in this budget. The Public Safety budget includes \$24 million in new spending (including \$18 million on the new courthouses) coupled with \$3 million in program reductions. Much of the program increases were funded by requested 2% reductions in all departments.

Spending where it matters includes scheduling \$25 million annual contributions to a PERS side account to moderate current and future rate increases, \$25 million for the new court house and the new health department headquarters, and a \$2.7 million set aside to deal with possible cuts in state and federal funding.

9. Budget Process & Compliance

Yes	No	Compliance Issue (If not in compliance, explain below)
✓		Did the district meet publication requirements?
✓		Do resources equal requirements in every fund?
	N/A	Does the G.O. Debt Service Fund show only principle and interest payments
✓		Are contingencies shown only in operating funds?
✓		Did the budget committee approve the budget?
✓		Did the budget committee set the levy?
	✓	Does the audit show the district was in compliance with budget law? The audit notes that for the year ended June 30, 2016, expenditures exceeded appropriations in the capital debt retirement fund by \$9,000.

10. Highlights of the 2017-18 Budget to be published in TSCC Annual Report

- The total budget increases \$156 million (8.3%)
- The General Fund, which is 75% tax supported, increases by 2.7%, from \$596 million to \$612 million.
- This budget includes \$25 million in capital outlay to continue the work on the new Central Courthouse and the Health Headquarters building.
- This budget includes a decrease of 112 FTE, most of which is due to a reduction of staff in the Health Department as demand for services anticipated by implementation of the Affordable Care Act did not materialize.
- Departments submitted 2% reduction plans and most of the savings from those plans was used to fund increased services to homeless and health department clients.

Local Budget Law Compliance:

The 2017-18 Budget is in substantial compliance with local budget law. Estimates were judged to be reasonable for the purpose shown.

The audit report for fiscal year 2015-16 notes one expenditure in excess of budget. On page 65, the report notes.

Oregon state law requires disclosure of fund expenditures in excess of budgeted appropriations. For the year ended June 30, 2016, expenditures exceeded appropriations in the Capital Debt Retirement Fund by \$9,000 due to a new capital lease for the Gresham Women’s Shelter which was executed and capitalized in June of 2016. A budget modification will be prepared for the 2017 fiscal year.

Conversations involving TSCC and Multco budget office staff have resolved this issue and no action is required.

Certification Letter Recommendations and Objections:

TSCC staff notes no deficiencies in the district’s FY 2017-18 budget process.