

Multnomah County 2020-21 Hearing Minutes

Wednesday, June 9, 2020

2:00 p.m.

Multnomah Building
501 SE Hawthorne Blvd.
Portland, Oregon
Via Webex

Present:

TSCC:

Chair David Barringer, Vice Chair James Ofsink, Commissioner Margo Norton, Commissioner Mark Wubbold, Commissioner Harmony Quiroz, Executive Director Craig Gibons and Budget Analyst Tunie Betschart.

Absent: None

Multnomah County:

Multnomah County Board of Commissioners: Chair Deborah Kafoury, Commissioner Susheela Jayapal, Commissioner Sharon Meieran, Commissioner Jessica Vega Pederson and Commissioner Lori Stegmann

Chair David Barringer opened the public hearing and asked the Commissioners and staff to introduce themselves. He then asked if any of the Commissioners have business relationships with the district that could be perceived as a conflict of interest. There were none. Chair Barringer asked the County Commissioners to introduce themselves.

Following introductions he commended the district for stepping up to meet the current public health crisis. He acknowledged that it is difficult forecasting the budget for next year in the current environment of constant change. He encouraged them to continue to monitor the budget as the year unfolds.

Chair Barringer turned the floor over to Chair Kafoury to make brief introductory remarks about the budget and then the TSCC commissioners would ask a few questions. Succeeding the questions, testimony from the public will be taken.

Multnomah County Chair Kafoury said thank you and good morning. She discussed the business income tax reforms; that when preparing the budget they were prepared to bring back previously cut programs. Then with COVID-19 the County would need to respond to the unprecedented public health emergency. She explained that the projected deficit increased from \$7 million to \$45.3 million. This combined with the necessary essential programs spending put a hole in the General Fund Budget of \$58 million. She said the goals remained the same: Ensure the health, safety and resilience of community members and smart, equitable investments of the county's resources. The new revenue from the business income tax reform helps to offset some of the declining revenues. She said the effects of the recession are falling disproportionately on the most vulnerable populations. Throughout all of this Multnomah County employees have continued to

provide services to the community. She concluded by saying at this point they are usually approaching budget adoption and focused on just tying up a couple of loose ends. Instead they are still working through the process of finding funding for COVID-19 responsibilities. County staff are working with partners at state and federal governments to identify additional resources. She was looking forward to the dialogue about the budget.

With that that commissioners moved to the prepared questions.

TSCC questions:

Chair Barringer asked the following questions:

In the current year ending June 30, is the district expecting any year-end budgetary problems arising from revenue shortfalls or unanticipated expenditures due to the Covid-19 situation? What impact will this have on the district's ending fund balances that are not yet reflected in the upcoming budget?

Multnomah County Chair Kafoury responded saying:

The COVID-19 pandemic has had an immediate and profound impact on the County's operations and revenue sources. County staff are closely tracking revenue collections as we approach the end of the fiscal year, and while the County's response, both in the short- and long-term is still being developed, we are working with internal and external stakeholders to identify both needs and funding sources.

On the revenue side, we are benefitting from the stability of property taxes, our largest revenue source at around 62% of General Fund revenues. We have already collected the overwhelming majority of expected property tax revenue. The Business Income Tax (or BIT) is our second largest revenue source at around 19% of General Fund revenues. Fortunately, most of the revenue we are currently collecting is based on Tax Year 2019 activity. The County followed the Federal and State governments and extended the April filing deadline for BIT payments so there is some uncertainty around current collections, but we still anticipate the collections to come in near our March forecast amount. Motor Vehicle Rental Taxes make up 6% of our General Fund revenues, but we are expecting a 75% decline in revenues from March through June. Most of that decline was anticipated in the March forecast and is already reflected in the Approved Budget. Staff are also tracking a variety of fees and fines like passport applications, animal service fees, and land use fees. On their own, these fees and fines make up a tiny portion of General Fund revenues but collectively they could add up. As of now, most of these fees appear to be coming in close to expected levels. Clinic closures have resulted in some loss of patient revenue. We have proactively assumed revenue declines based on historical data and conversations with a variety of partners who both collect and pay our taxes and fees. The County conservatively assumes that departments fully spend their budgets every year. If revenues come in lower than expected, we anticipate being able to use departmental underspending, or if need be, General Fund reserves to buffer these shortfalls.

On the expenditure side, on June 4th the Board approved a supplemental budget modification which appropriated \$8 million of CARES Act funding received by the County. We are still in the process of identifying the increased need and expected duration of those needs, but some of this funding will be used in the expanded shelter system and the direct public health

response. Individual departments are re-allocating staff and resources internally, putting on hold activities that are not essential right now, and being flexible and proactive in their pandemic response. In the longer-term, there is still tremendous uncertainty around what will be needed as the pandemic and resulting recession continue to develop.

If the fund balance is a little bit smaller or quite a bit smaller than you expected, will you try to build it up in the following years? What's your plan for that?

If we have to use our reserves to fund any of this, we will have to build that back up. But we have been working very closely with our city partners and our state elected officials to try to get funding for our COVID-19 response, which is, as I said, we anticipate to be about \$90 million next year. So we're cautiously optimistic at this point. But as I say to everyone I talk to, please call our elected officials and tell them Multnomah County needs assistance.

Commissioner Quiroz asked the following questions:

For the upcoming FY 2020-21 budget year, should the economy remain stalled, where are the district's greatest vulnerabilities? How will the district monitor and respond timely if revenue collections go off track or if unanticipated service requirements continue?

Multnomah County Commissioner Vega Pederson answered saying:

On the revenue side, our biggest risks are the BIT, Motor Vehicle Rental Tax, and State Funding. For FY 2021, the Approved Budget assumes a 24% decline in BIT revenues relative to our previous assumption. That reflects an expectation of a severe recession. Given how quickly the economy went from record-low unemployment to levels not seen since the Great Depression, there is still uncertainty around economic impacts for the rest of the year. Motor Vehicle Rental Taxes are closely correlated with Portland Airport activity. Our current assumption is that travel remains at extremely low levels for several months in FY 2021, but then begins to rebound. If re-opening stalls or there is a resurgence in COVID-19 cases requiring another stay-home order, revenues would stay at low levels. As is normal practice, the County fully funded reserves, including our BIT stabilization reserve on top of our normal General Fund Reserve and would be able to buffer additional revenue declines with reserves.

For revenues we receive from the State, even though we do not yet know all of the specifics, we know that the decline will be significant. The Budget Office is working with departments to gather information on State cuts as it becomes available. We anticipate going through an additional budget rebalancing process in the Summer to respond to State cuts.

Under normal circumstances, County staff tracks revenues closely and is in regular contact with partners at the City and State. The Board receives three economic forecast updates every year, and going forward the updates will occur as needed. The County is well equipped to identify problems well in advance.

The County has led the local public health response, but also provides social safety net services. The duration and severity of the recession will have an impact on County revenues, but will also have impacts on the most vulnerable members of our community who were already struggling even before historically high levels of layoffs. We cannot respond to an unprecedented increase in public health and safety net services on our own. We will need to rely on our partners at the City, State, and Federal Governments to step up as well.

Commissioner Ofsink asked these questions:

What services are being reconfigured in response to the pandemic? What services are being emphasized and what services are being trimmed in this effort? What existing funding is being reallocated and what new funding is being used?

Multnomah County Chair Kafoury said:

Our present situation is unique in that the County has experienced revenue declines during recessions, and has experienced unexpected increased service needs such as in extreme winter weather events, but a global pandemic which has caused a recession is forcing us to deal with both issues at once. We are still in the process of finalizing the specifics of our responses and figuring out how to pay for it or internally reallocate resources. Our approach includes four focus areas: the Public Health Response, Congregate Care, Wraparound Services, and Communication and Engagement.

We have also identified values that are defining the approach: recognizing the emotional, physical, and economic impacts of the current restrictions; providing excellent service, and support; making sure our employees receive this same level of care; centering the voices of those most impacted by decisions; and committing to inclusively leading with race.

For the public health response, the County is focused on minimizing hospitalizations and death, avoiding overwhelming the local health systems, allowing people to return to work, minimizing risk to frontline workers, and protecting those at highest risk of severe illness, especially communities of color. We are rapidly increasing our contact tracing staff, increasing Community Health Worker capacity both internally and through partners, providing isolation support and associated wraparound services, and implementing strategic field testing.

Our congregate care efforts are focused on the County's responsibility to uphold the welfare of those who are in our direct care, particularly in shelter, jail, or juvenile detention. In the corrections system, we are using technology to support physical distancing, and increasing efforts to reduce sanctions in jail. Talking about the breadth of our shelter efforts could take up the entire hearing, but we're increasing the availability of medical supplies, food and water, mobile medical services. We have 375 beds in indoor social distancing shelters, 120 rooms in isolation motels, and 95 people per night in outdoor social distancing shelters. These shelters also provide meals, hygiene services, laundry services, and 24-hour nursing and medical supports.

Wraparound services include culturally-specific COVID Community Counseling teams, food access collaboration with a focus on BIPOC, client assistance through SUN and Bienestar, rent assistance, and aging, disability, and veteran services focused on nutrition, prevention of abuse, and creating connections.

We could design the best COVID response in the world, but it would be a waste if the people who needed the services did not know about them. Our communication and engagement efforts have focused on improving our ability to share, develop, and support implementation of public health guidance, developing resources that meet community needs, fostering partnerships that support community-based wisdom and solutions, and supporting multiple

platforms and pathways of communication. In order to implement these strategies, we have increased translation and interpretation resources, and increasing capacity for the COVID-specific response.

Taken together, our current best estimate of the cost of these expanded services is \$90 million. We are still working on the plan to pay for this, and the situation evolves and changes daily, but we have identified \$20 million in CARES Act Direct Aid, \$4.4 million in Additional Federal/State Funding, and \$5 million from anticipated Federal Grants, some of which is from other revenue streams within the CARES Act. The Chair also set aside \$1 million of additional COVID contingency in the General Fund. To close the rest of the gap, we are working with our partners at the City to support half of the Joint Office response and potentially some of the Public Health response. We are also working with the State to identify additional resources. We are continuing to work to identify internal and external resources to support these critical needs.

Commissioner Ofsink asked this question:

Is the present pandemic situation hampering your capital projects plans?

Multnomah County Commissioner Jayapal answered saying:

The present pandemic situation has had an influence on our capital project plans in several ways. First, per the Governor's orders, construction projects were allowed to continue and required to adhere to public health guidelines for those sites. Using that guidance, we have been able to continue work on the large Downtown Courthouse, scheduled to open for operations in July 2020, and the DCJ East Campus Remodel, scheduled to complete in June 2020. We have also continued work on many projects in the Capital Improvement / Asset Preservation plans for facilities throughout the County.

Second, we have reviewed projects that had not yet started, or were scheduled to start this year. In response to continued strain on County budgets, we've identified projects that could be delayed in both the facility and information technology areas. In some cases, we may have reprioritized projects or created new projects to address risks with our buildings in light of the pandemic. We expect that we will continue to account for the impacts of the pandemic on our capital project plans for the foreseeable future.

Additionally, the pandemic has created uncertainty for the Transportation Division. The economic shutdown has dramatically impacted the amount that cars and trucks are driving. Early in the response both local and state traffic counters were indicating a 40% decline in road usage which resulted in revenue loss for both state and county gas tax and weight mile fees from truckers. The Transportation Division has two separate funds, the Road Fund and the Bridge Fund, that pay for capital projects. The Road Fund pays for capital projects on all County roads, which are roads that are within Multnomah County but outside of Gresham and Portland. The Bridge Fund pays for capital projects on the Sellwood, Hawthorne, Morrison, Burnside, Broadway, and Sauvie Island Bridges. These funds are augmented by state and federal grants that are awarded for specific capital projects.

Using projections from County financial staff that were based on the state's April revenue forecasts, the Transportation Division has estimated the reduction in revenue to the Road Fund for the remainder of FY2020 and for FY2021. County programs are not allowed to run

deficits, so with the reduced revenue projections the Transportation Division was forced to rebalance their current FY2020 and proposed FY2021 budgets.

The Transportation Division has reduced their capital expenditures in FY2020 and FY2021 by delaying the construction of Road Fund capital projects that were scheduled for FY2020 and the beginning of FY2021 to the end of FY2021, and into FY2022. They have also delayed beginning the design of Road Fund capital projects that were scheduled to be in the same time period to FY2022.

Commissioner Norton asked the following questions:

Another finance issue is debt service. Are any debt service revenue streams at risk? If so, what is the coverage plan?

Multnomah County Commissioner Stegmann answered saying:

County staff are tracking this closely, but so far this is not a major area of concern. Part of the Sellwood Bridge debt, and Burnside Bridge debt and NEPA costs are paid for with Vehicle Registration fees. The closing of DEQ facilities has resulted in a major short-term dip in revenues, but we expect those revenues to recover as the people catch up on renewing expired tags after re-opening. We generally pay the debt service on the East County Courthouse with Video Lottery revenues. Video Lottery terminals were shut off during the lockdown, but according to the most recent State Forecast, revenues in County's that have re-opened bars immediately bounced back to 60% of normal. If need be, we could cut General Fund services in order to cover these debt payments but we do not anticipate needing to do that.

A portion of the County's debt service for the new Courthouse is paid for with traffic fines and fees. These revenues have decreased in the last two months, but not by much. A modest shortfall below expectations should be covered by existing resources in the Capital Debt Retirement fund, and we expect these revenues to bounce back quickly.

We could be indirectly impacted by debt service requirements through our Visitors Facility Trust payments. The County recently renegotiated an IGA with the City and Metro to provide more revenues from tourism-related taxes for permanent supportive housing. If revenues are low enough, the IGA requires payment of Convention Center hotel debt service before other transfers are made. This will not impact a County debt service payment, but could lead to programmatic impacts. Our bond rating was mentioned. I know we probably have our finance folks on the line. I believe we have one of the highest bond ratings. And I believe we continue on that path.

Commissioner Norton asked the following questions:

My next question goes back to the business income tax. We are looking for an update. Before this all started, when we were all happily putting the budgets together, the county enacted changes to the business income tax that look to not only increase revenues but at the same time to offer some additional relief to our small businesses. We thank you for that. So where are we now? Is this causing any change in your thinking about proceeding with these changes that were to take place for tax year 2020? How will you plan for and manage specific revenue? And what will this lead to if we dip into the stabilization fund?

Multnomah County Commissioner Jayapal responded saying:

It's not the good use that we hoped to have but it's less bad, bad news than we could have had had we not enacted those changes. In March, the Board approved a BIT reform package that increased the BIT rate for the first time in decades, while also providing relief to thousands of small businesses. Implementation was retroactive to January 1, 2020 so it is fully implemented. We are not yet seeing much change in payments and data, but that should change starting this month.

The reform increased the BIT rate from 1.45% to 2.00%, increased the owners' compensation deduction to \$127,000, and increased the gross receipts exemption from \$50,000 to \$100,000. The increase in the owners' compensation deduction will help approximately 6,000 small businesses and the higher gross receipts exemption will eliminate tax payments for approximately 14,000 small businesses. Subsequently, the Board also voted to share 3% of new revenues with East County Cities. We originally expected these reforms to lead to almost \$30 million in new revenues. After updating the forecast to reflect the recession we find ourselves in, BIT revenues will decrease slightly relative to FY 2020. Rather than allowing us to add programming to address urgent community needs, the revenue is helping us to avoid further cuts. Without the reform, the drop in BIT revenues would have been on par with what we experienced during the Great Recession.

Chair Barringer asked the following questions:

You have additional FTE in your budget that are dependent on state and federal funding. How confident are you of those sources? Will you hold those positions open until you have a solid commitment in the funding?

Multnomah County Commissioner Meieran said:

Our year-over-year comparisons show a large increase in FTE in the Federal/State Fund, due to a mid-year increase in State funding in the Department of County Human Services. There was an increase in Medicaid funding in the Aging, Disabilities, and Veteran Services Division and a change in the State base funding cap for the Intellectual and Developmental Disabilities Services Division resulting in an increase of 53.50 FTE. DCHS is currently in the process of filling these positions.

Although we are confident in this funding, we know that the State's financial outlook is grim. We expect the State cuts to impact County revenues. Departments are tracking information related to these cuts, but as of now, there is still uncertainty about the specifics.

Our current plan is to work with departments to quantify these impacts in early summer, and work through a rebalancing process. We expect to formally modify the budget to reflect actual State resources in late summer.

Commissioner Quiroz asked the following question:

The Behavioral Health Managed Care Fund saw a huge decrease in FTE for the FY21 budget. What caused that?

Multnomah County Commissioner Meieran said:

In 1996, the Oregon Health Plan added a mental health benefit for Medicaid eligible children. Multnomah County was the first administrator for the new benefit and created Fund 3002, the Behavioral Health Managed Care Fund to account for the financial activity associated with managing the benefit.

Over time, the insurance plan expanded to include a full behavioral health benefit for children and adults, including addictions treatment and mental health treatment. Our mission was to control cost and maximize resources and benefits for Medicaid beneficiaries. Responsibilities included contracting with a wide array of community inpatient and outpatient providers, providing behavioral health services, and acting as the local mental health authority.

Recent changes in Oregon Health Authority's (OHA) coordinated care model for Medicaid, known as CCO 2.0, required the CCOs to manage a single global budget for behavioral health, physical health and oral health benefits. The goal of this consolidation is to allow resources to move across the previously isolated benefits and funding streams to meet an individual's unique physical, behavioral, and oral health needs. This decision led the region's CCO HealthShare to transfer responsibility for the behavioral health benefit from the county to CareOregon where benefits could be consolidated. The activities associated with the insurance plan management, including member and provider relations, network management, utilization and quality review were transferred at that time. This transfer included the revenue previously used to support 39 FTE. All but 4 of these positions were vacant at the time of transfer.

This change represents transfer of responsibility, and not a reduction in services. More than 57 FTE in crisis services, call center, and care coordination programs were retained at the County. The CCO will continue to contract with the Behavioral Health division for these services, and the associated positions were moved to the Federal/State Fund which better reflects the new relationship between the CCO and County.

When behavioral health resource center is up and running, will current employees be redeployed or will this require new employees?

Multnomah County Chair Kafoury replied saying:

Unfortunately, as part of our upcoming budget, we are actually looking at putting our plans for the creation of the behavioral health resource center on hold. Due to many of the things we talked about today, the construction has not yet begun, and we have some of those dollars in a savings account that we will need to utilize and reprioritize toward other items including COVID. And then as you talked about, because of this state's budget woes and the federal government not being very reliable, moving forward, with a program that we don't have all the funds for at this time, we just feel like, while the need is greater than ever, the dollars are just so tenuous at this time that we haven't yet voted. That's going to come on June 23rd when

we vote on our budget but we are looking to put our budget on hold. We are still going to keep the property. Because we know that this is, has been, and will be a high priority for this board.

Commissioner Wubbold asked this follow-up question:

With the Metro Homeless Services Measure passing last week, and the Joint Office maturing, what changes and new opportunities does the County see for this function in the new budget year?

Multnomah County Chair Kafoury answered saying:

On May 19, 2020, voters in our region affirmed their commitment to a regional solution for addressing homelessness by approving a measure that will raise money for supportive housing services for people experiencing homelessness or at risk of experiencing homelessness.

While revenue will start being collected late in FY 2021, spending will not begin until FY 2022. When the revenue becomes available, Metro will distribute those resources to counties, which will provide services with help from nonprofits and other groups working to support people experiencing homelessness. Services will include case management, mental health care, addiction and recovery treatment, job training, and housing assistance.

Given the scale of future programming, and practical constraints around when funding will be available, the upcoming fiscal year will be focused on planning. Beginning in June, Metro will lead engagement work to refine the regional framework, form a regional oversight committee, and establish the tax collection system. Implementation plans will be required of each jurisdiction and they will be reviewed and approved by the regional oversight committee. Multnomah County will begin planning right away for the development of its local implementation plan, which will outline need-based decisions on how resources will be used.

Our initial planning work, which will take place between now and September, will chart the course for community engagement and coordination with our *A Home for Everyone* and non-profit partners on developing our local implementation plan. It will also address our need for internal alignment because the work funded by this measure will span multiple County departments, including the Health Department, the Department of County Human Services, and, of course, the Joint Office of Homeless Services. By September we will begin the development of our local implementation plan. After approval of that plan by the regional oversight committee around the first of the year, we will begin preparations for programming and service delivery to begin in July of 2021.

This is a tremendous opportunity for Multnomah County and our region. Despite unprecedented County and City investments in this area since the formation of the Joint Office of Homeless Services, thousands of individuals and families continue to experience homelessness and housing insecurity in our community due to a lack of affordable housing and necessary supportive services. The passing of this measure will allow us to address a significant part of this unmet housing need and take meaningful steps towards ending homelessness in our community.

Chair Barringer thanked Multnomah County Commissioners and staff for the answers to the questions and asked if anyone had any comments they would like to make. There were none.

Chair Barringer asked if anyone had signed up to give testimony. No one had.

With there being no other comments, questions or testimony, Chair Barringer closed the public hearing and opened the meeting of the TSCC Commissioners to consider Multnomah County 2020-21 Approved budget.

He asked if the Commissioners had any additional questions or comments. Commissioner Norton said she would like to commend the County Health Department on their response to the pandemic. She said there is a much higher awareness of what public health is in Multnomah County than there ever has been.

He asked Executive Director Gibons to review the budget from the staff perspective. He said that the budget was well done from TSCC Staff perspective. He recommended the Certification Letter contain no recommendations or objections with regard to the 2020-21 Approved budget or the budget process.

Commissioner Norton moved to certify that the Commissioners have no recommendation or objections with regard to Multnomah County's 2020-21 Approved budget. Another Commissioner seconded the motion. Motion passed with a unanimous vote.

There being no further business the regular meeting was adjourned.

Minutes reviewed and approved at the Commission's June 18, 2020 meeting, with Commissioner Norton edits included.

A handwritten signature in black ink, appearing to read 'CG', with a long horizontal line extending to the right.

Craig Gibons