

Budget Manager's Message

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Reader's Guide

Volume 1 – Policy Document/ Legal Detail

The Chair's Proposed Budget document for Multnomah County consists of two (2) separate volumes structured as summarized below.

- **Chair's Budget Message** – This section presents the Chair's Budget Message to citizens.
- **Summaries** – This section includes the Budget Manager's Message, which provides an introduction to the budget, explains the major issues affecting budget decisions, and offers a summary of resources and requirements.
- **Priority-Based Budgeting (PBB)** – In this section you'll find an explanation to PBB, as well as reports produced by the six "Outcome Teams" established to guide the County in its budget decisions.
- **Detail** – This section displays financial summaries, as well as detail by department by fund.
- **Financial Policies** – An explanation of Multnomah County's financial procedures are included in this section.
- **Appendix** – This section includes accounting structure and tax information for the County.

Volume 2 – Program Information

Program Offers

The FY 2008 Proposed Budget is structured around the County's six priorities: Accountability, Basic Living Needs, Education, Safety, Thriving Economy, and Vibrant Communities. County operations, however, are structured by department. Volume 2 contains the program offers that were funded in each of the County's Departments and Nondepartmental agencies. The Departmental sections include an introduction, budget trends and a list of the program offers funded in the Proposed Budget.

The departmental program offer section contains 3 lists: **operating programs**, administration and support programs, and a list of programs funded with one-time-only resources. The operating programs can be viewed as the department's budget regardless of the funding sources. There is one coding flag to look for. Program titles that begin with **ALT** denote alternative program offers to existing program offers. Alternative program offers are an either/or purchase, meaning you cannot purchase both the existing program and its alternative.

Administration and support programs provide supervision or support to the operating programs. Their costs are "spread" to the operating programs offers to reflect the full cost of providing the service. Administration and support program offers were neither ranked nor purchased as part of the PBB process.

Programs funded with **one-time-only** resources have been designated to end by June 30, 2008, unless otherwise noted.

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The world is a very different place than it was just a few short years ago. The composition of our population, the demands on county government and our financial landscape are changing. Multnomah County services must evolve and change to reflect the shifting needs our population while balancing our ever-dwindling fiscal resources. The county will need to prepare a new generation of employees for future leadership roles, as 29% of the executive/management workforce is age 55 or older and is potentially eligible to retire in 3 to 7 years.

Introduction

FY 2008 will be a period of transition administratively, culturally and financially for Multnomah County. The voters elected a new Chair of the Board of County Commissioners. The new administration is emphasizing accountability and transparency in its decision making. The County has continued to use Priority Based Budgeting as the foundation for service and operations purchasing decisions. The Proposed Budget is a balanced budget as required by state law, and reflects the budget priorities for organizational funding to meet the needs of the community. The Budget serves as a policy document and fiscal plan for the fiscal year starting July 1, 2007 and ending June 30, 2008.

Where We've Come From

Since the economic recession that gripped the state and region in late-2001, Multnomah County has faced some fairly significant fiscal challenges. The fiscal environment necessitated reductions and/or delays in operational and capital funding for many essential services. These have been difficult years, and the Board has made difficult decisions in order to maintain fiscal stability and remain accountable to the tax payers of Multnomah County. The temporary Personal Income Tax (ITAX) helped to offset some of the fiscal challenges the County was facing, yet, over the past five years we have had to prepare budgets that reflect nearly \$50 million of reduced General Fund costs.

	Net GF Reductions	% of GF
FY 2004 Adopted Budget	\$ 16,000,000	5.3%
FY 2005 Adopted Budget	4,500,000	1.3%
FY 2006 Adopted Budget	8,500,000	2.9%
FY 2007 Adopted Budget	5,000,000	1.4%
FY 2008 Proposed Budget	15,000,000	4.3%
Total Reductions (FY2004 - FY 2008)	\$ 49,000,000	

What We're Facing

The ITAX expired in December, 2005. It generated about \$120 million annually, on average, over a three year period (FY 2004 through FY 2006.) Approximately 70% of total ITAX revenue was passed through to local school districts in Multnomah County. The ITAX also funded \$32 million of county programs in the human services and public safety areas. The ITAX accounted for approximately 10% of the revenue that supported General Fund programs over its lifetime.

Budget Manager's Message

The loss of ITAX revenue in FY 2007 was partially compensated for by funding ongoing programs with one-time-only (OTO) revenue sources. The challenge in crafting this budget was to provide vital County services in a reduced revenue environment.

In planning for FY 2008, Multnomah County faced an estimated \$25 million shortfall in the General Fund. Much of the shortfall is a direct result of the OTO revenue that was used to fund ongoing programs last year. In addition, we continue to experience a structural deficit which is, primarily, the result of property tax limitation measures which limit the growth in the largest single source of revenue in the General Fund. It is also true that we have a fair number of unmet needs in capital infrastructure, building maintenance, and we have yet to address operating costs associated with the Wapato Jail.

The FY 2008 budget is lean with over \$15 million reductions in ongoing programs while providing some minimal increased funding for several of the Chair's priority initiatives. These include:

- eliminating disparities for underserved populations;
- creating a performance management system to increase governmental accountability; increasing capacity for citizen involvement;
- enhancing the County's emergency management capacity;
- creating a task force on vital aging;
- developing an economic development framework for the County.

Once again, there is also \$25 million of OTO funds programmed into the budget, with \$10 million targeted for ongoing programs. While the use of OTO to fund ongoing requirements is not ideal, the total balance used is less than 3% of the total General Fund and will be taken into account in future budgets to ensure that the structural imbalance is not further exacerbated.

These steps are a short term solution that allows us to continue to fund important programs that otherwise might have been eliminated as a result of the ITAX sunset. We have benefited greatly from the economic recovery experienced over the past few years but economic recovery alone cannot offset the loss of 10% of ongoing General Fund revenue. Multnomah County will continue to streamline services, seek innovative solutions which will reduce ongoing costs in future years, and explore collaborative funding partnerships with other jurisdictions and non-profits.

Even though we have been able to balance this budget, there continue to be significant threats to the County's fiscal health. General Fund revenue growth during the recent economic recovery has been exceptional. The strength of the local economy can dramatically be highlighted by the surge in Business Income Tax (BIT) collections over the past few years.

Budget Manager's Message

The BIT accounts for approximately 14% of current, total General Fund revenue. Its resurgence has helped the County offset some of the potential service reductions resulting from the sunset of the ITAX. The BIT has grown by more than 15% annually since FY 2004. In FY 2006, annual tax collections were nearly 40% higher than the previous year's revenue. It is clear that we cannot expect this level of growth to continue unabated.

For FY 2008 we expect that revenue growth will fall below the forecast CPI for the first time in four years. At the same time, overall expenses are estimated to grow by more than 4% over the previous year. We have been able to manage this gap by using approximately \$10 million of OTO revenue to fund ongoing programs. An additional \$15 million of OTO revenue has been used to support one-time-only capital expenditures, some key strategic programs, and to bolster reserves and contingencies.

There are many unknowns in this budget. The state legislature will be in session at least until late-June. This makes it likely that we will not know the outcome of state budget decisions until after the Board of County Commissioners has adopted the FY 2008 budget. The County receives about a quarter of its total revenue either directly or indirectly from the State of Oregon.

We are currently in negotiations with nine of our ten employee labor unions. In addition, negotiations with the Employee Benefits Board (EBB), a labor-management group responsible for negotiating employee healthcare benefits, have come to a standstill. Since employee compensation represents such a large share of General Fund costs – approximately 63% of operating expenses – the outcome of these negotiations will have a definite impact on our fiscal outlook.

While there may be no shortage of challenges on the horizon this budget represents a step in the direction of putting the County on stable financial footing. Chair Wheeler's proposed budget focuses on articulating clear priorities and allocating scarce resources in a strategic manner.

The Chair has proposed the following in this budget:

- The creation of a leaner public safety system by operating cost effective alcohol and drug treatment programs and increasing supervision sanctions to end criminal behavior;
- The continuation of a strong adult and juvenile parole and probation services system;
- The continuation of a strong public health system with clinics for the uninsured and underinsured;
- Maintaining a focus on prevention and early intervention systems;
- Maintaining a premier library system;
- Maintaining the SUN (Schools Uniting Neighborhoods) system of after school programs;

Budget Manager's Message

- Maintaining state and federal mandated programs such as mental health and aging and disability programs; and
- Maintaining services for the developmentally disabled.

In addition, the proposed budget provides additional funding for capital asset preservation, invests in technology projects which will allow the County to operate more efficiently, provides seed money for an Innovations Fund, and also bolsters reserves designed to further solidify the County's "rainy day fund".

A Look Ahead to FY 2009

Make no mistake about it – planning for FY 2009 will present another series of challenges and difficult choices for Multnomah County. The primary challenge will continue to center around how to manage the loss of \$32 million of ITAX revenue that supported County programs for three years.

The FY 2006 and FY 2007 budgets made some headway toward adjusting to this revenue loss. And, the strong local economy has helped to bridge what otherwise could have been an immediate 10% reduction in County services.

As indicated above, there are approximately \$10 million of ongoing programs funded with OTO revenue in the FY 2008 budget. We will, at a minimum, have to address the forecast gap between ongoing revenue and ongoing expenses. If labor contract negotiations cannot be completed in a timely manner it will add another degree of uncertainty to the planning process. State and federal budget decisions also have the potential to muddy the fiscal waters. The proposed budget incorporates a number of assumptions about the level of intergovernmental support for County programs. It is likely we will need to adjust our planning process to accommodate any ups or downs that may occur.

Economic conditions will present one final challenge in FY 2009. The regional economy has bounced back impressively from the deep recession that gripped the state of Oregon from late-2001 until early-2004. Signs of economic slowing are apparent and, while we don't expect an immediate downturn, it is obvious that we will likely be facing a period of slower growth. Revenues are forecast to keep pace with—and perhaps exceed—the CPI. However, the County's heavy reliance on the Property Tax and the volatility of the BIT make us susceptible to the cyclical nature of the region's economy.

GFOA

The Government Finance Officers Association (GFOA) has established an Award Program for Distinguished Budget Presentation. The GFOA Award program recognizes budget publications that adhere to a strict set of criteria which lead to exemplary budget documents. Eligible budgets are evaluated by three independent out-of-state practitioners who are members of GFOA's Budget Review Panel.

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Eligible budgets are evaluated based on four categorical guidelines:

- The budget as a Policy Document
- The budget as a financial Plan
- The budget as an Operations Guide
- The budget as a Communications Device

Multnomah County received this award for FY 2007 and has crafted this budget with the intent to exceed the prior year's ratings.

Thanks to Many
for Their
Significant
Contributions

This document is the outcome of many hours of hard work and analysis by the requesting agencies and their budget teams. I would like to take this opportunity to thank the many people involved in its preparation. Particularly, I want to thank the design team, the outcome teams, the department budget teams and recognize with sincere appreciation the assistance and cooperation of our department heads, constitutional officers, and staff for many hours of hard work and assistance to this budget. I specifically want to recognize the Central Budget Team: Mark Campbell, Ching Hay, Julie Neburka, Mike Jaspin, Christian Elkin, Angela Burdine, Liang Wu, Sarah Durant and especially Rodney Gibbs who is the glue that keeps the office running smoothly.

I look forward to working with the Board over the coming weeks to review this budget in preparation for adoption of the FY 2008 budget.

Budget Manager's Message

What is Priority Based Budgeting (PBB)?

In order to prepare for the sunset of the ITAX, Multnomah County moved to Priority Based Budgeting (PBB) in FY 2005. PBB has required a significant investment of staff time and resources, and the Board has indicated its commitment to future use of this process.

Priority-Based Budgeting is a concept developed by Peter Hutchinson and David Osborne from the Public Strategies Group (PSG). It provides a proven and innovative approach for agencies to identify funding priorities that show quantifiable results that support the agency's overall goals, and that are most highly valued by the community served. This approach helped the Budget Office shift its focus from line-item budgeting and constraint (across-the-board cuts) that weaken infrastructure, to a funding methodology that considers measurable outcomes that best support the County's strategic objectives. The work performed in each step is brought to the Board for its approval and for any necessary course correction. It is a highly transparent process—to the Board, other elected officials, department heads, county employees, and citizens.

The Priority-Based Budgeting Process was implemented to answer the following questions:

1. ***How much money do we want to spend?*** The formulation of the budget must be based on the premise that the County cannot spend more than it receives in revenue.
2. ***What do we want to accomplish?*** The budget must prioritize the services that most efficiently achieve the desired results.
3. ***What is the most effective way to accomplish our priorities with available funds?*** As part of the Priority-Based Budgeting Process, every department is asked to find ways to work more efficiently and to leverage scarce resources.

Priority-Based Budgeting improves the budget by:

- Focusing limited resources on providing quality services to residents.
- Delivering government services more efficiently and effectively.
- Creating a budget that reflects County priorities.

The budgeting now begins with each department creating and describing its own programs and reviewing the costs of its services. Departments will no longer concentrate on how agencies are organized and how much money will be needed to maintain the status quo.

Each department answered five basic questions for each program:

1. Does it help meet County objectives?
2. Why is the County providing this service?
3. What exactly is being purchased?
4. Who are its clients?
5. How much does it cost?

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Six Priorities Expressed in Citizen Language & Marquee Indicators to Measure Progress

In 2004, the County held 4 focus groups to ask citizens what they expected from their government. The County considered results from those focus groups, a web survey, Portland Progress Board information, and previous Board visioning efforts in order to develop six priorities. The priorities are written in citizen language. Three to four marquee indicators were established for each priority area to help the County monitor progress towards achieving the outcomes. Those priorities and indicators are:

Basic Living Needs

I want all Multnomah County residents and their families to have their basic living needs met. Indicators are:

- Percentage of people with incomes at or above 185% of the federal poverty level.
- Number and percent of renters paying less than 30% of their income for housing.
- Percentage of residents perceiving their own health as good, very good, or excellent.

Safety

I want to feel safe at home, work, school, and play. Indicators are:

- Reported crime rate per 1,000 residents (Portland and Gresham only).
- Citizen perception of safety (countywide).
- Percentage of adults and juveniles convicted of a crime who commit additional crimes (i.e. recidivism rates).

Accountability

I want my government to be accountable at every level. Indicators are:

- Perception of trust and confidence in government (citizen survey).
- Satisfaction with services (citizen survey).
- Price of government (percent of personal income spent to support county government).

Thriving Economy

I want Multnomah County to have a thriving economy. Indicators are:

- Percentage of working age Multnomah County residents who are employed.
- Average annual wages paid by Multnomah County employers.
- Number of jobs provided by Multnomah County employers .

School Success

I want all children in Multnomah County to succeed in school. Indicators are:

- Percentage of entering kindergarten students who meet specific development standards for their age.
- Percent of students at 3rd, 5th, 8th, and 10th grade that meet or exceed standards on state assessments in reading and math.
- Four year graduation rate.

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Vibrant Communities	<p>I want to have clean, healthy neighborhoods with a vibrant sense of community. Indicators are:</p> <ul style="list-style-type: none">• Environmental and health index.• Citizen perception of personal involvement in neighborhoods.• Citizen perception of adequacy of cultural, recreational, and lifelong learning opportunities.
The Teams	<p>There are a number of different types of teams that were formed to support the Priority Based Budget process. Each team is unique and performed an important role to keep the budget process on moving forward and on track.</p>
Design Team	<p>The role of the Design Team is to facilitate communication and consensus about the development, implementation and on-going evolution of the budget process. The Design Team was established by resolution; it is Chaired by Chair Ted Wheeler. The Design Team has representatives from all of the elected official's offices, a representative from the Executive Team and several key managers. This Team was staffed by the Budget Director.</p>
Outcome Teams	<p>There is an Outcome Team for each priority area. The role of the Outcome Team is to recommend strategies that the County should pursue to produce the assigned priority outcome. Outcome Teams improved the cause and effect theories, identifying the factors that contribute most to producing the result. From a "map" of these theories, Outcome Teams recommend refined strategies and strengthened requests for offers (RFO's). Outcome teams are comprised of six to eight members. Outcome teams are not stakeholders groups, and are asked to wear a citizen hat. There are representatives from county staff, labor, a budget analyst, and a citizen budget advisory committee representative.</p>
7 Steps to a Better Budget Process	<p>The process can be broken down into seven discrete steps as follows:</p>
Step 1 – Establish Fiscal Parameters	<p>Step 1: Affirm priorities and indicators for Multnomah County and establish the fiscal parameters for FY 2008. (January 2007; revised April 2007).</p> <p>The \$350,790,297 general fund fiscal parameter represents about a \$2 million reduction from the prior year general fund funding level. This reduction can be attributed to the \$52 million of OTO appropriated in FY 2007 to help offset the loss of the temporary income tax revenue.</p>

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Step 2 – Results Maps, Indicators, and Selection Strategies

Step 2: Outcome Teams refine results maps and marquee indicators, and develop selection strategies for using County resources (completed January 2007).

Five Outcome Teams, one for each priority with the exception of Thriving Economy and Vibrant Community which were combined, were assembled from County staff, labor representatives and citizens. For FY 2008 we used a combination of veterans from the FY 2007 budget process and new recruits. The purpose of each Outcome Team was to refine the work completed by the FY 2007 teams. Outcome Teams used the results maps from the prior teams; clarified indicators of success for each priority; enhanced and improved cause-effect factors and strategies for each result map and strengthened(Requests for Offers (RFO's) which outlined for the Board those strategies that the County should pursue in order to produce the desired outcomes. The Outcome Teams also presented their work to the Design Team for their feedback.

Step 3 – Department Program Offers

Step 3: Departments developed and submitted program offers (completed February 2007).

Each County Department submitted “program offers” to the Outcome Teams via the Budget Office. Program offers represent services that each department proposed to deliver in order to achieve the County priorities and respond to the RFO's. Departments could offer their services to one or more priority areas. An offer specifies the results to be delivered, the price, the performance measures, and the time frame. This information was posted to the County's internet site.

Step 4 – Outcome Teams Rankings

Step 4: Offers were ranked by Outcome Teams based on their contribution to the priority (completed March 2007).

Outcome Teams reviewed the program offers and met with department heads and key staff. The Outcome Teams made suggestions to the departments to improve and strengthen their program offers. The Outcome Teams then ranked all programs offered by Departments within their priority area. Ranking was based on the Outcome Team's assessment of the program's “fit” with the maps, and responsiveness to the strategies and RFO's for that priority. Outcome Teams were asked to rank the program offers by dividing the programs in their priority area into three equal categories: those that contributed most to the priority were ranked high, the next third ranked medium, and the last third ranked low due to a perception that they contributed least to the priority. Ranking is done with out regard to funding source and mandates—it focuses on results and outcomes. Most teams did several rounds of ranking.

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Step 5 – Board of Commissioners Ranking

Step 5: The Board of County Commissioners ranked offers based on their contribution to the priority (completed March 2007).

Several work sessions were held to help inform the Board about program offers by priority area. The Board was able to see a total contribution by priority area, gaps, overlaps, and potential opportunities for changing the way the County does business. The Board ranked the programs offered by departments using results maps, indicators, strategies and RFO's as their guide. The Board discussed its initial rankings for clarification and was provided the Outcome Teams rankings. They then had an opportunity to discuss the divergent rankings with the Outcome Teams. The Board then completed a second round of ranking. The Board agreed on 88.6% of the program offer rankings. The results of their second round of rankings were published on the internet and were available to the Chair to guide development of the Executive Budget.



FY 2008

Board and Outcome Team Agreement on 2nd Round Rankings

	Board Agreed <i>(not yellow or purple)</i>		Board & Outcome Team Agreed <i>(not blue or purple)</i>	
	#	%	#	%
Basic Needs	83 out of 94	88.3%	86 out of 94	91.5%
Safety	147 out of 156	94.2%	135 out of 156	86.5%
Accountability	85 out of 105	81.0%	86 out of 105	81.9%
Thriving Economy	13 out of 16	81.3%	16 out of 16	100.0%
Education	25 out of 29	86.2%	25 out of 29	86.2%
Vibrant Communities	19 out of 20	95.0%	17 out of 20	85.0%
Total		88.6%		86.9%

Step 6 – Executive Budget Proposed

Step 6: The Chair of the Board developed the Executive Budget proposal (Scheduled April 19, 2007)

The Chair of the Board developed and proposed to the County Commissioners the Executive Budget for FY 2008 after considering the rankings from the Board, the five Outcome Teams, as well as outcomes, mandates, fund limitations and service-level requirements. The Board will be asked to approve the Executive Budget on April 19th. The Approved Budget will then be sent to the Tax Supervising Conservation Commission for their review and then it becomes the legal document from which the Board will deliberate. A number of budget work sessions and evening hearings will be held.

Step 7 – Budget is Adopted

Step 7: Board reviews, modifies, & adopts Multnomah County Budget (Scheduled June 7, 2007).

The Board of County Commissioners will review, modify and adopt the FY 2008 Budget on June 7, 2007. By that time, the Commissioners will have participated in several worksessions in order to develop consensus, to provide clarify and focus on any outstanding policy issues and to assist with budget closure.

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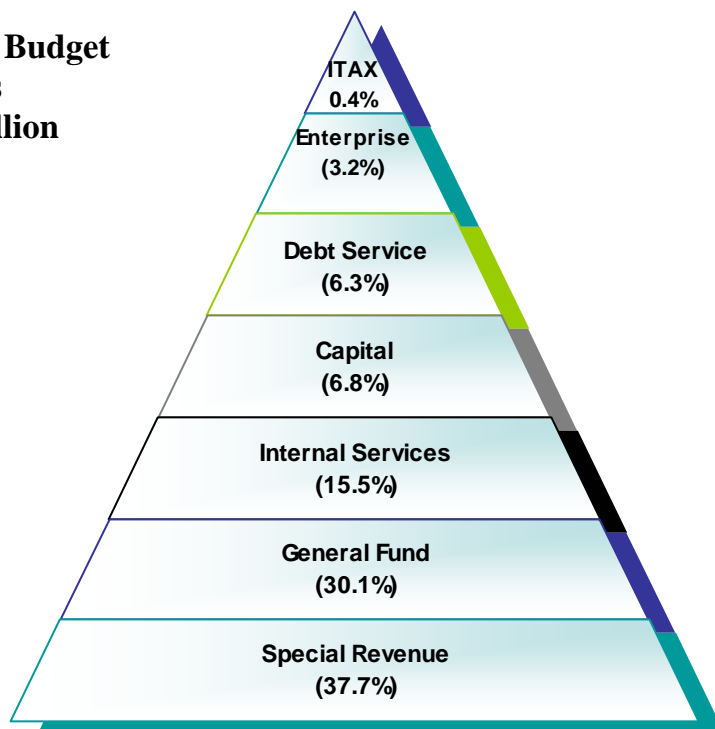
FY 2008 Budget Overview — All Funds

The FY 2008 Proposed Budget takes into consideration both the difficult choices that must be made now, and the equally difficult choices that will need to be made next year. The program offers have been prepared with the best available information, but adjustments will be inevitable as the details of the State's budget are revealed.

With the focus provided by the priority-based budgeting process and a FY 2009 planned ramp-down of programs using \$10 million of one-time only funds, the County continues to ameliorate the negative impacts of the loss of the ITAX revenue as much as possible. Services will be reduced or eliminated over the next two years, and the County will likely be required to shrink the size of its workforce.

Local Budget law (ORS 294) requires a reporting of the total budget. The Proposed Budget for FY 2008 totals \$1,202,348,201. When adopted, the total budget sets the legal appropriation. The total budget reflects the actual resources needed by the County, plus internal charges, transfers, loans, and accounting entities. The total budget figure overstates actual program expenditures because internal transactions are counted twice. Internal transactions between funds are typically the result of one department providing a service to another, such as information technology or facilities services. Because this overstates what is actually spent, the County often refers to the net budget.

FY 2008 Proposed Budget All Funds \$1.202 Billion



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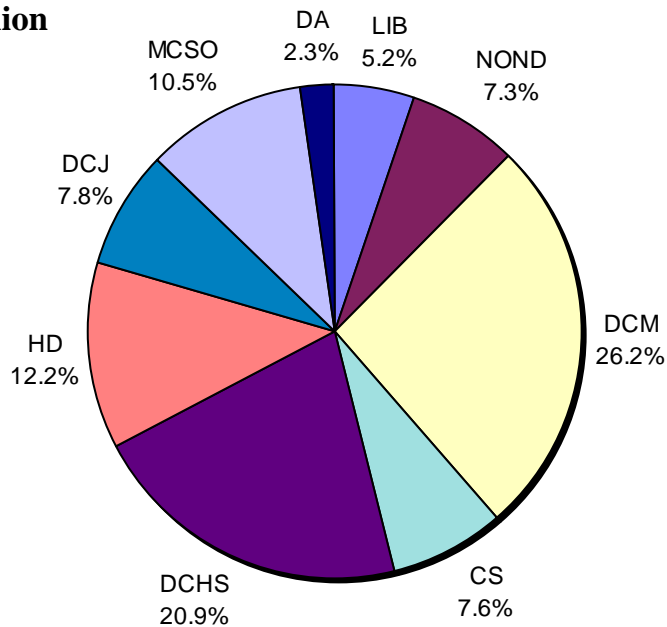
The net budget is a more accurate statement of the money the County actually plans to spend during the year. The net budget subtracts all internal charges, transfers, and loans from one fund to another. It also removes all reserves for future years to more accurately reflect the ongoing operational budget.

The following provides a brief overview of the County's net budget:

Department Expenditures	\$900,185,786
Contingency	\$28,744,376
Total Net Budget	\$928,930,162
Service Reimbursements	\$165,801,786
Internal Cash Transfers	\$31,359,781
Reserves	\$76,257,181
Total Proposed Budget	\$1,202,348,203

The below chart shows the amount of the budget required by each department. This figure includes internal service payments, and thus represents some double-counting. In addition, this figure does not include \$2.25 million ITAX revenue which is passed directly to schools and \$1.4 million of County expenditures that are not attributed to a particular department.

FY 2008 Dept. Requirements All Funds \$1.062 Billion

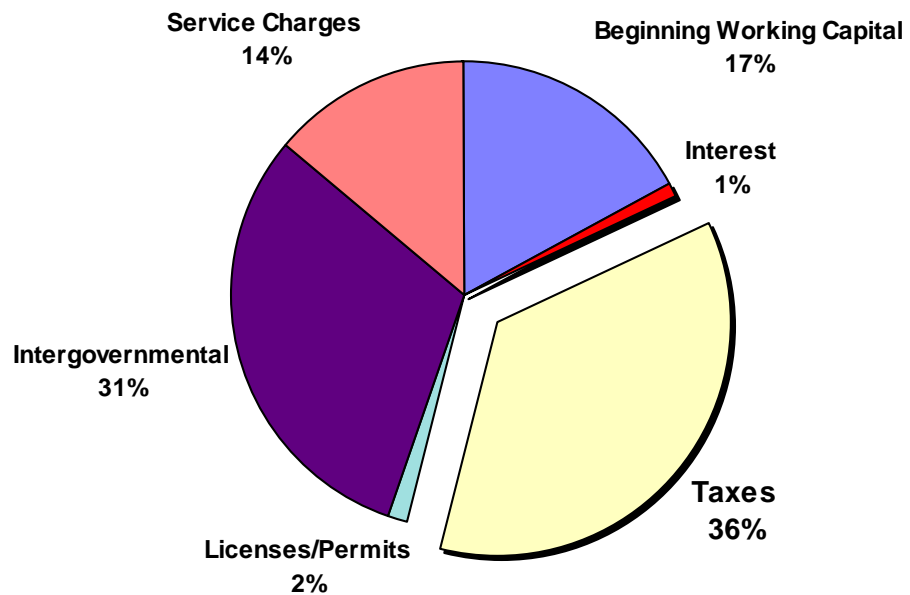


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The Proposed Budget represents a reduction in County services. The impacts of the reduction are blunted because there is \$25 million of OTO revenue available in FY 2008. This revenue will allow us to continue a number of vital services for another year and will fund a number of required upgrades to our financial infrastructure systems.

Most departments experienced nominal increases in their budget over the previous fiscal year. The notable exception is the Department of County Management which increased by over \$46 million. This was a result of the addition of information technology capital projects and capital improvements associated with planning/design of two new courthouse facilities.

FY 2008
Revenues
All Funds
\$1.202 Billion



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General Fund Overview

Multnomah County funds include the General Fund and several smaller funds such as bridge funds or library funds. These Non-General Funds are comprised mostly of money from outside sources such as the federal or state government, donations, and bonds or levies. Non-General Fund resources represent about two-thirds of the County's budget, and there is little flexibility in how they are spent.

The General Fund comprises about a third of the County's budget and includes the largest pool of discretionary funds. Discretionary resources are those that the Board of County Commissioners can allocate to support any department; there are few restrictions on how these resources can be allocated.

Discretionary resources include property taxes, business income taxes, motor vehicle rental taxes, interest earnings, and state shared revenues (i.e., Video Lottery, Cigarette Tax.). These sources make up about **90%, or \$330 million**, of total General Fund revenues.

The remaining **10%, or \$37 million**, of the General Fund represents revenues budgeted within departmental program offers. These revenues are credited to the General Fund but they may be non-discretionary in nature. Examples include contracts with other governments, fees that fully support program costs, and reimbursements for the cost of conducting elections.

General Fund resources are further categorized as on-going or one-time-only (OTO). Examples of OTO resources are receipts from the settlement of a lawsuit or the collection of prior year Multnomah County ITAX. The FY 2008 budget includes \$25 million of OTO in the General Fund. An on-going resource is one that can reasonably be expected to recur in the future. For example, an increase in property tax revenues associated with increased assessed valuation would be considered to be an ongoing resource.

The County takes a conservative approach to forecasting General Fund revenues. Overall revenue growth is forecast to range from 3% to 4% annually for the current five year forecast period. Property Tax is the single largest source of revenue in the General Fund and it accounts for about 65% of total revenues. General Fund revenue growth, therefore, is particularly sensitive to changes in taxable value.

Expenditures are forecast to grow between 4.5% and 5.5% – a rate of growth that takes inflation, employee compensation, and long term fixed costs into account. This creates a gap between ongoing expenditures and ongoing revenues that is about 1.5% to 2% annually. That gap is in addition to the shortfall created by the sunset of the ITAX.

For FY 2008, we originally forecasted that there would be a \$25 million funding level gap. That translates to about 8% of ongoing General Fund

Budget Manager's Message

program costs. The Chair's proposed budget reduces ongoing program costs by approximately \$15 million. It also funds \$10 million of ongoing programs with OTO revenue and outlines a plan for addressing those programs in FY 2009.

The proposed budget also allocates \$15 million of OTO funds to support information technology projects, targeted programs to reduce future jail costs, and increases in reserves for both operations and capital.

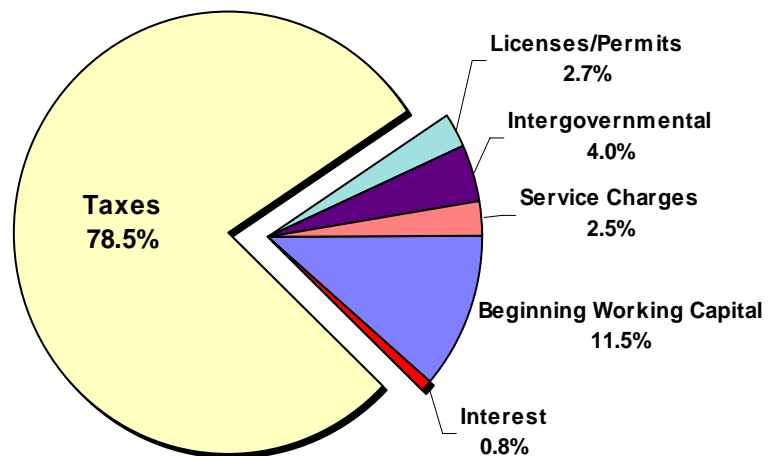
General Fund Revenues

There are six revenues in the General Fund that make up about 90% of the ongoing revenue stream. Those revenues are in order of magnitude: property tax, BIT, Motor Vehicle Rental, A&T – Grant Recording fees, State Shared Revenues (Video Lottery, OLCC, Cigarette and Amusement Device Taxes), and Interest Earnings.

Overall, General Fund resources have increased slightly from the previous year. General Fund resources are \$2 million or, one half of one percent, higher than the FY 2007 adopted budget. This figure is not adjusted for inflation. General Fund resources are limited by property tax caps and thus are not easily changed.

The following chart shows the major revenue sources within the General Fund.

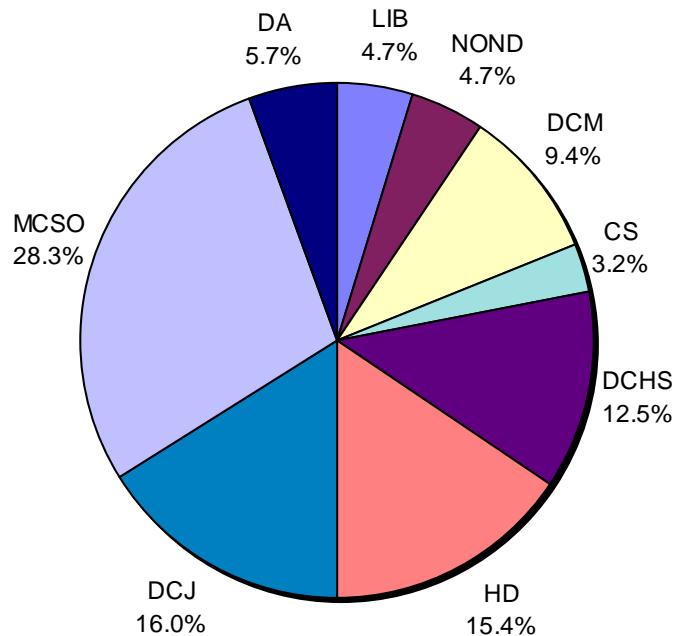
**FY 2008
General Fund
Revenues
\$367,273,085**



Of the General Fund revenues, the following pie chart shows how those resources are allocated by department.

Budget Manager's Message

FY 2008 General Fund Expenditures by Department \$338 Million



Property Taxes

Property taxes are Multnomah County's largest single source of revenue. Revenue from this source constitutes roughly two-thirds of the total General Fund. In 1998, Measure 50 established a permanent property tax rate for each local government. Multnomah County's permanent tax rate is \$4.3434 per \$1,000 of assessed value. As assessed value grows, the taxes collected by Multnomah County also grow. Assessed value grows in two ways:

- For most properties, it can grow no more than 3% annually;
- The value of new construction is added above the 3% maximum growth.

FY 2008 property tax estimates were based on the assumption that value growth would average 3.5% throughout the County, reflecting the Measure 50 limits and a \$450 million increase in "exception" value associated with new construction. There is \$205 million of property taxes appropriated in the General Fund.

Business Income Tax

The Business Income Tax (BIT), established in 1976, is the second largest source of revenue in the General Fund. Since 1993, it has been set at a rate of 1.45% of net income. In March 1998, voters in Multnomah County passed a one-year 0.50% BIT surcharge. Proceeds from this surcharge were dedicated to school districts within the county.

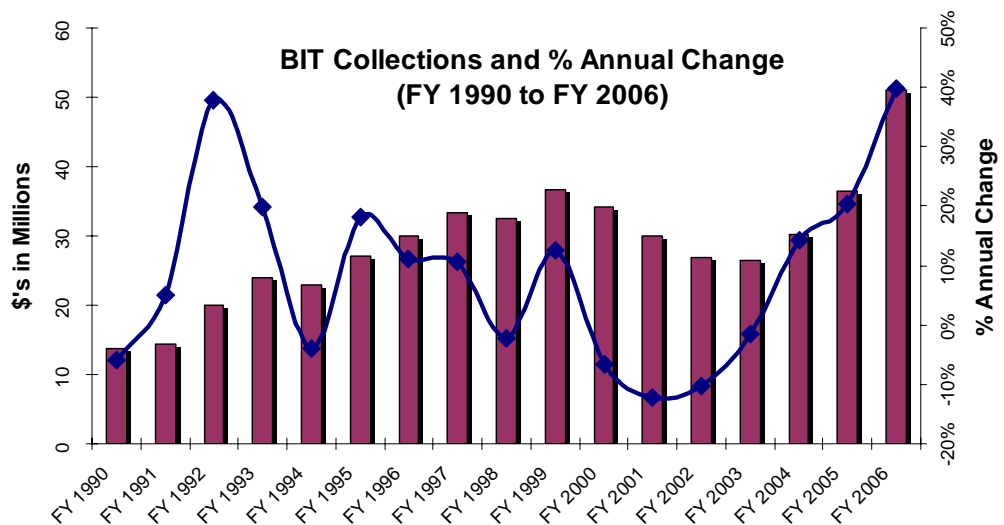
Budget Manager's Message

Business Income Tax collections have soared over the past three years, a clear indication of the resurgent regional economy. In FY 2006, for example, the BIT **grew by 40% over the previous year**. The trend has continued into the current year. It is very likely that BIT revenue will reach another record high in FY 2007. Current collections are running about 10% higher than last year.

The forecast for FY 2008 is much more conservative. Given that we are at historically high levels of BIT collections experience suggests that it cannot continue to expand at such a rapid rate.

The Adopted Budget assumes an immediate 7% reduction for FY 2008 while the five year revenue forecast sets the annual rate of growth at about 3.5% - the “average” trend experienced over the past dozen years.

If there is one thing that is clear about the BIT it is that it is a very volatile revenue source that is clearly cyclical with economic conditions. The following chart highlights the volatility of this revenue source over time. The left axis, represented in columns, shows the change in actual revenue collected over the past 17 years. The right axis, represented by the line, tracks the annual percentage change in collections over that same time period.



The ups and downs generally follow the same cycles that we have witnessed in the regional economy. This makes the development of a long range BIT forecast somewhat problematic. As with any income tax, the indicators tend to lag – in other words when we start to see collections head downward we will typically be a year behind the curve in our ability to forecast annual revenue. There is evidence that the economy is beginning to slow but we do not expect a recession of the magnitude experienced a few years ago.

Budget Manager's Message

In addition, on April 12, 2007 the Board of County Commissioners adopted a resolution which will increase the levels for the owner's compensation allowance and gross receipts exemption. When enacted, the increase in these tax deductions will reduce revenue collections in the short term. The resolution further stated that the County would implement a minimum tax but the details of how the minimum will be implemented are yet to be addressed.

For the reasons outlined above we feel it is prudent to take a conservative approach towards this particular revenue source. In addition to taking a conservative forecasting approach the Chair has proposed to increase the BIT stabilization reserve established last year to \$5 million as a further cushion against the volatility of the annual collections. The availability of the stabilization reserve suggests that the General Fund could absorb a 15% reduction in BIT revenue without having an adverse impact on service delivery.

Motor Vehicle Rental Tax

The County imposes a Motor Vehicle Rental Tax (currently set at 12.5%) that is paid by businesses that lease or rent vehicles within Multnomah County. The majority of this tax revenue is a General Fund resource. It is the third largest source of discretionary revenue in General Fund. The balance supports costs and programs associated with the Oregon Convention Center.

Motor Vehicle Rental Tax collections are expected to remain flat in FY 2008 and are estimated at \$12.4 million. The longer range forecast suggests a much slower rate of growth, primarily as a result of two factors. First, the impact of the airport MAX line on automobile rentals has not been fully assessed but it has proven to be very popular with travelers. Also, increased airfares may tend to depress the number of casual fliers who may choose other modes of transportation for their vacation travel.

A&T Grant - Recording Fees

In 1989 the Legislature created a grant funded program (CAFFA) because Assessment & Taxation programs were competing with essential services which resulted in the deterioration of the state and local system. This program spread some of the costs of administering the property tax to the users of the system through two sources: interest on unpaid taxes, and real property document recording fees. In this way, all taxing and education districts that benefit from the county and state administration of the tax collection contribute to its costs. Other users of the system also contribute to this fund through a property-recording fee.

The State Department of Revenue reviews grant applications, which include appraisal plans and staffing. DOR sets minimum standards and the compares each grant application to those standards to ensure each county maintains sufficient support for its assessment and collection functions. For FY 2008 A&T grant recording fees at estimated at \$9.4 million which is virtually identical to the FY 2007 budget.

Budget Manager's Message

State Shared Revenues

State shared revenues include Video Lottery proceeds, Cigarette Tax, and Liquor Tax that are distributed by formula to Oregon counties. Together, these sources account for about \$8.2 million, or 2.5%, of ongoing General Fund revenues.

Video Lottery proceeds, in particular have grown at a very fast rate over the past three years. Counties in Oregon share 10% of the gross revenue generated from the video lottery. The revenue sharing formula is based on population (10%) and volume of play within each county (90%). Recent increases in video lottery can be directly associated with the introduction of “line games” in 2005.

Liquor Tax and Cigarette Tax receipts have increased at a rate roughly equivalent to the change in population over time.

Temporary Personal Income Tax

In 2003, County voters approved a temporary personal income tax (Measure 26-48) to benefit public schools, public safety, and human services. It enacted a 1.25% ITAX that was estimated to raise \$132 million annually for three years, ending in December, 2005. The tax has sunset but we continue to collect delinquent prior year taxes. In FY 2008, the proposed budget includes \$5.1 million of ITAX receipts, with \$2.2 million of this amount allocated to school districts within the county.

General Fund Reserve Status

The FY 2008 Proposed Budget fully funds reserves. One of the major reasons the County has been able to maintain its high general obligation bond rating of Aa1 is because of the Board's adherence to established fiscal policies. Moody's monitors how the County manages its finances during both strong and challenging economies and has based its rating on how the County has managed budget issues over the last several years. Moody's also looks very favorably on the maintenance of reserves at adequate levels. The County maintains two separate reserves as outlined in the Financial & Budget Policies. Each reserve has a target equal to 5% of General Fund ongoing revenues. Based on FY 2008 budgeted revenues that target amounts to approximately \$13.5 million. This budget fully funds the two reserves – one is in the General Fund, the other is in a separate, General Reserve Fund – at \$28.2 million.

BIT Stabilization Reserve Fund

As noted above, the FY 2007 budget established a **BIT Stabilization Reserve** in the amount of \$3.5 million. For FY 2008, the Chair is proposing to continue, and increase, the stabilization reserve based on historical cycles.

This “stabilization reserve” is in addition to the reserves described above. The Business Income Tax (BIT) is a General Fund revenue source that has historically demonstrated itself to be very volatile. BIT revenue collection increased to record levels in FY 2007 and will very likely top \$56 million. For FY 2008 the BIT is budgeted at \$52.2 million.

Budget Manager's Message

The continuation of the BIT reserve will help mitigate the risk of an unexpected downturn in the regional economy. Furthermore, the Board has adopted a resolution to reduce the volatility of the BIT and guard against some of the downside impacts. The resolution aligned the County BIT code with the City of Portland's Business License Fee (BLF) code to, among other reforms, establish a minimum BIT payment. Previously, the County had no provision for a minimum payment and it was not unusual for businesses with high gross receipts to pay no annual tax.

Balancing the General Fund

Fortunately, economic conditions have improved considerably since the ITAX was implemented and subsequently sunset. The unemployment rate in Multnomah County has been heading down towards 4% and Oregon currently ranks fifth of all the 50 states in year over year job growth. Corporate profits, as reflected in our Business Income Tax (BIT) collections, are nearing record high levels. The BIT grew by more than 40% last year and annual revenue collections were higher than any year since the tax has been in place.

But, improving economic conditions do not necessarily translate to revenue windfalls for local governments. It is true that the BIT grew by more than 40% last year – but it only accounts for between 10% - 15% of total General Fund revenue. Property Tax is the largest source of revenue in the General Fund. It represents roughly 65% of ongoing General Fund revenue. Property Tax revenues have been limited in Oregon, in one form or another, since FY 1991. As a result of the most recent limitation (Measure 47 passed in November, 1996) taxes on existing properties cannot grow by more than 3% per year.

In other words we have a revenue source that accounts for more than half of the General Fund and is limited to a growth rate that, at best, just keeps pace with inflation. In fact, there are only a handful of revenue sources that account for most of the General Fund. With the exception of the BIT and Recording Fees, we have few revenue sources that are responsive to changes in economic conditions. Assuming, therefore, that Property Tax revenue cannot grow much more than 3% per year all the other revenue sources in the General Fund would have to grow by about 8% in order to totally offset the loss of ITAX revenue.

Overall expenditure growth in FY 2008 is forecast to be about 4.2% over last year's adopted budget. Inflation, as measured by the Consumer Price Index (CPI) has been fairly moderate over the past few years. In that regard we have, perhaps, fared better under the Property Tax limitation measures than we might otherwise have. Recently inflation has begun to creep back towards 3% on an annual level. High energy and housing prices are usually cited as the two main factors that are driving inflation upward.

Budget Manager's Message

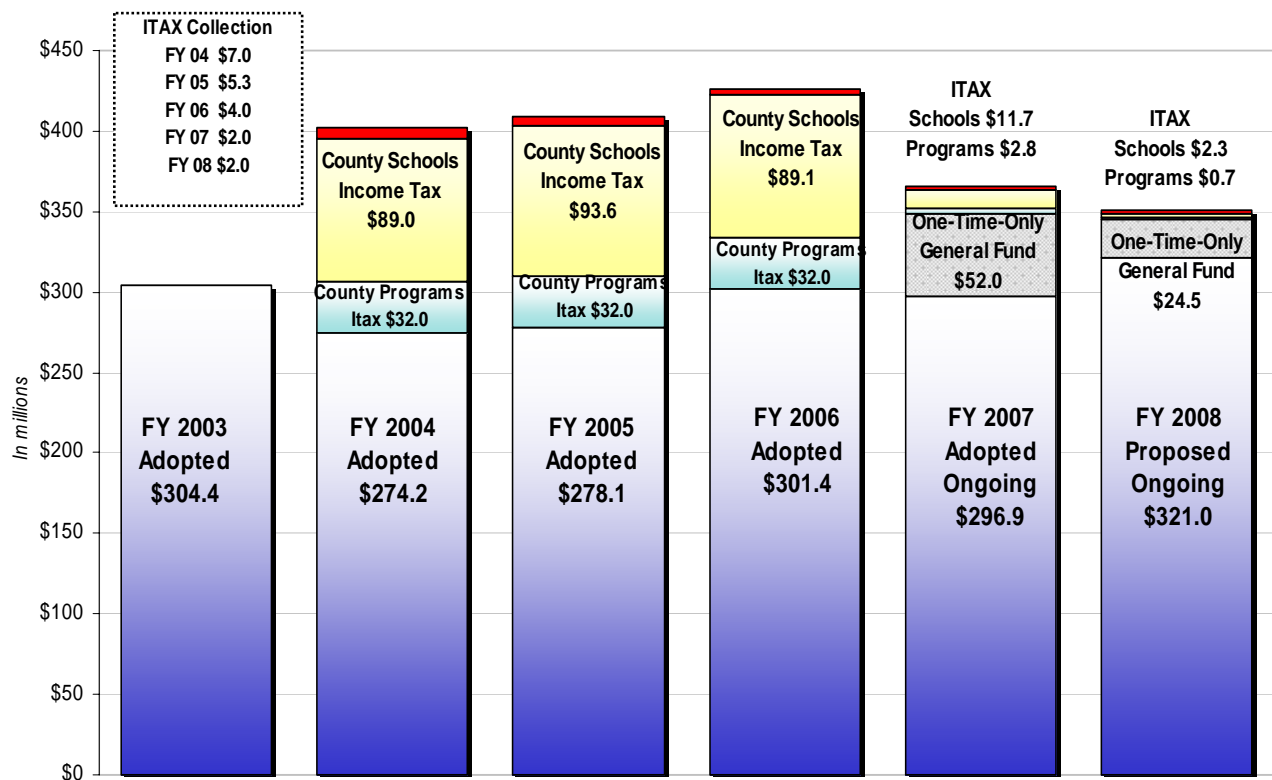
In Multnomah County labor costs tend to drive overall expenditure growth and that will certainly be true in FY 2008. The County engages in collective bargaining with ten bargaining units, representing nearly 5,000 employees. Most labor contracts are open for wage negotiations and payroll costs have been estimated for the budget. As a point of reference, each one percent change in payroll increases costs in the General Fund by more than \$1.25 million. In addition to wage inflation, Multnomah County also faces increasing costs for employee pensions and medical/dependent healthcare.

The Proposed Budget has been balanced within available revenues. Ongoing program expenditures total \$322 million. However, the Proposed Budget also includes \$10 million of ongoing programs that are funded with one-time-only resources. There is also an additional \$15 million of funding for one-time-only programs that are supported by one-time-only revenues.

GF Expenditure Summary

The following graph shows the General Fund appropriation from FY 2003 Adopted through FY 2008 Proposed with and without the Temporary Personal Income Tax. In addition it shows for FY 2007 and FY 2008 how much one-time-only funds were expended in the General Fund.

**County General Fund Comparison
FY 2003-2008 Proposed**



Budget Manager's Message

Use of One-Time Only Funds

The FY 2008 Proposed budget has approximately \$25 million of one-time-only revenue. About \$10 million of that is targeted for on-going programs. A word of caution must be exercised regarding the use of OTO money. Our financial policies state that, *“it is the policy of the Board that the County will fund ongoing programs with ongoing revenues.”*

Use of one-time-only funds for ongoing programs results in an expansion of operational levels (and public expectations) beyond the capacity of the organization to maintain them. If any of the “ongoing” program offers funded with OTO do not ramp down and sunset by the end of FY 2008, it will have the effect of creating an even larger funding deficit for FY 2009. Use of OTO in the Proposed Budget reflects the difficult position of balancing the need to continue critical services to our residents for one more year or strictly comply with the financial policies. The Proposed Budget strikes that balance by allowing one year of bridge funding to ramp down programs, find alternative revenue sources or redesign process to mitigate the anticipated loss of services in FY 2009.

Expenditure Changes to Departments

The following is a brief summary of changes to department. For more detail consult the department sections in Volume Two.

Community Justice (DCJ)

Budget Trends		FY 2007	FY 2007	FY 2008	
	FY 2006	Current	Adopted	Proposed	
	<u>Actual</u>	<u>Estimate</u>	<u>Budget</u>	<u>Budget</u>	<u>Difference</u>
Staffing FTE	532.21	532.21	532.21	533.80	1.59
Personal Services	\$43,035,393	\$46,833,008	\$46,498,251	\$48,832,907	\$2,334,656
Contractual Services	14,317,206	15,877,990	15,392,549	18,708,386	3,315,837
Materials & Supplies	16,252,459	14,441,996	14,242,074	15,601,938	1,359,864
Capital Outlay	41,316	0	0	0	0
Total Costs	\$73,646,374	\$77,152,994	\$76,132,874	\$83,143,231	\$7,010,357

The Department of Community Justice is responsible for the supervision of adults and juveniles involved in the criminal justice system as well as the detention of youth. DCJ has focused on core services, and prioritized high-risk offenders. The budget has increased by \$7.0 million or 9.2% which includes a combination of general fund and state fund increases. Most of the increase in the General Fund and is due to the purchase of new alcohol and drug treatment beds (programs 50047C and 50055). The Juvenile Early Intervention Unit was eliminated in this budget based on the results of the program.

Budget Manager's Message

Community Services (CS)

Budget Trends		FY 2007	FY 2007	FY 2008	
	FY 2006	Current	Adopted	Proposed	
	<u>Actual</u>	<u>Estimate</u>	<u>Budget</u>	<u>Budget</u>	<u>Difference</u>
Staffing FTE	219.27	223.67	223.67	223.00	(0.67)
Personal Services	\$17,766,662	\$18,068,721	\$19,298,888	\$19,648,920	\$350,032
Contractual Services	27,410,306	26,949,868	28,302,517	28,819,490	516,973
Materials & Supplies	9,052,677	9,101,145	10,254,495	11,017,368	762,873
Capital Outlay	13,194,700	16,477,753	21,525,220	21,043,926	(481,294)
Total Costs	\$67,424,345	\$70,597,487	\$79,381,120	\$80,529,704	\$1,148,584

The Department of Community Services provides road and bridge engineering and maintenance, transportation planning and capital improvement program, animal services and land use planning, tax title, survey, elections, and emergency management services. A significant change is that Animal Services is discontinuing nuisance complaint services such as picking up loose animals. Another significant change is the addition of staff to further develop emergency response plans and to coordinate response activities during emergencies.

County Human Services (DCHS)

Budget Trends		FY 2007	FY 2007	FY 2008	
	FY 2006	Current	Adopted	Proposed	
	<u>Actual</u>	<u>Estimate</u>	<u>Budget</u>	<u>Budget</u>	<u>Difference</u>
Staffing FTE	593.26	623.68	623.68	615.15	(8.53)
Personal Services	\$46,340,677	\$51,196,270	\$50,894,697	\$51,073,931	\$179,234
Contractual Services	88,798,836	94,961,151	92,744,556	91,417,929	(1,326,627)
Materials & Supplies	77,236,913	76,952,521	74,729,501	79,416,591	4,687,090
Capital Outlay	0	0	0	0	0
Total Costs	\$212,376,426	\$223,109,942	\$218,368,754	\$221,908,451	\$3,539,697

The Department of County Human Services provides a range of care and support to the elderly and to people with serious physical, emotional or developmental disabilities. It also focuses on childhood poverty as it pertains to education. Services are delivered through direct case management, contracts with community-based organizations, and linkage to external resources, such as food stamps and Medicaid.

The DCHS Proposed Budget for FY 2008 is \$221.9 million, or \$3.5 million more than FY 2007. General Fund appropriations are \$42.3 million, or \$4.6 million less than FY 2007. Non-General Fund appropriations are \$179.6 million, or \$8.1 million more than FY 2007. The General Fund decrease is due largely to a reduction in personnel costs associated with 1) program offer 25147A – SUN Service System: Touchstone not being funded (\$2.2 million total) and 2) personnel and their costs being shifted from the General Fund to other funds paid for by external sources. For example, in offer 25055 – Mental

Budget Manager's Message

Health Crisis Call Center over 9 FTE were shifted to the Oregon Health Plan.

The DCHS Proposed staffing level of 615.15 FTE is 8.53 FTE lower than the Adopted FY 2007 budget. The FTE reduction is due largely to the 18.10 FTE not purchased in the Touchstone program offer. The FTE reduction is offset to some degree by increases elsewhere in the Department.

County Management (DCM)

Budget Trends	FY 2006	FY 2007	FY 2007	FY 2008	
	<u>Actual</u>	<u>Current Estimate</u>	<u>Adopted Budget</u>	<u>Proposed Budget</u>	<u>Difference</u>
Staffing FTE	607.70	567.63	567.63	569.00	1.37
Personal Services	\$53,540,607	\$50,933,418	52,730,325	55,145,190	\$2,414,865
Contractual Services	11,927,395.98	8,264,181.00	6,656,599.00	33,571,032.00	26,914,433.00
Materials & Supplies	107,518,653.28	107,392,628.00	132,648,046.00	132,604,862.00	(43,184.00)
Capital Outlay	<u>8,229,121.80</u>	<u>8,535,226.00</u>	<u>39,442,782.00</u>	<u>56,315,952.00</u>	<u>16,873,170.00</u>
Total Costs	\$181,215,779	\$175,125,453	\$231,477,752	\$277,637,036	\$46,159,284

The Department of County Management (DCM) programs support the financial, infrastructure, human resource and tax functions of the County. The major areas of responsibilities in DCM are budget, accounting, treasury, property tax valuation & collection, income/excise taxes, facilities/property management, information technology, fleet, records, electronics, distribution, materiel management, SAP, sustainability, human resources, procurement, accounts payable and risk management functions. The budget has increased significantly due to the ongoing development of the downtown courthouse plan and IT-related projects such as the Assessment and Taxation, SAP personnel and budget data system enterprise, and the Corrections Health electronic medical records systems.

District Attorney (DA)

Budget Trends	FY 2006	FY 2007	FY 2007	FY 2008	
	<u>Actual</u>	<u>Current Estimate</u>	<u>Adopted Budget</u>	<u>Proposed Budget</u>	<u>Difference</u>
Staffing FTE	211.90	218.30	221.30	216.80	(4.50)
Personal Services	\$18,341,524	\$19,773,793	\$19,929,895	\$20,538,269	608,374
Contractual Services	1,033,446	1,350,686	1,263,949	1,262,109	(1,840)
Materials & Supplies	3,016,344	2,497,362	2,558,277	3,066,935	508,658
Capital Outlay	<u>92,590</u>	<u>40,000</u>	<u>43,000</u>	<u>20,000</u>	<u>(23,000)</u>
Total Costs	\$22,483,904	\$23,661,841	\$23,795,121	\$24,887,313	\$1,092,192

The District Attorney is responsible for prosecuting crimes that occur in Multnomah County, representing the State in dependency and delinquency cases, and enforcing child support. The core services of the prosecutor's office reflect these statutory obligations and include prosecution of criminal cases, protection of children and enforcement of child support, victims' assistance services, and attention to crime reduction strategies. The budget has essentially remained flat year over year while the number of positions has decreased from 221.30 to 216.8 FTE, a 2% decrease. The most significant change was the elimination of 4.0 FTE in the Family and Community Justice area of the

Budget Manager's Message

District Attorney's office.

Health Department (HD)

Budget Trends	FY 2006	FY 2007	FY 2007	FY 2008	
	<u>Actual</u>	<u>Current</u>	<u>Adopted</u>	<u>Proposed</u>	<u>Difference</u>
Staffing FTE	842.10	897.58	897.58	895.71	(1.87)
Personal Services	\$70,025,164	\$81,142,186	\$81,142,186	\$83,968,649	2,826,463
Contractual Services	14,960,734	\$13,050,181	13,050,181	13,415,474	365,293
Materials & Supplies	30,789,306	\$29,943,164	29,943,164	32,264,507	2,321,343
Capital Outlay	<u>337,409</u>	<u>\$492,468</u>	<u>492,468</u>	<u>171,948</u>	<u>(320,520)</u>
Total Costs	\$116,112,613	\$124,627,999	\$124,627,999	\$129,820,578	\$5,192,579

The Health Department seeks to protect against threats to health, to ensure access to healthcare for Multnomah County residents, and to promote health. The department operates an array of health protection and promotion programs, and is a major healthcare provider for low-income residents by operating an extensive and integrated system of care.

The Health Department's FY 2008 program offers total \$129,820,578, which is a 4.1 percent increase over the FY 2007 adopted budget. The budget includes \$76,662,359 in Federal, State and Medicaid revenue and \$52,158,220 in General Fund. The FY 2008 program offers contain 895.71 FTE, 1.87 FTE fewer than the FY 2007 adopted budget.

Library (LIB)

Budget Trends	FY 2006	FY 2007	FY 2007	FY 2008	
	<u>Actual</u>	<u>Current</u>	<u>Adopted</u>	<u>Proposed</u>	<u>Difference</u>
Staffing FTE	449.00	453.25	453.25	464.80	11.55
Personal Services	\$28,779,798	\$31,104,781	\$31,804,937	\$32,273,068	468,131
Contractual Services	945,529	670,643	910,269	965,483	55,214
Materials & Supplies	16,502,845	17,413,130	16,927,473	20,748,490	3,821,017
Capital Outlay	<u>502,133</u>	<u>50,000</u>	<u>260,500</u>	<u>244,000</u>	<u>(16,500)</u>
Total Costs	\$46,730,305	\$49,238,554	\$49,903,179	\$54,231,041	\$4,327,862

In the fall of 2006, the voters renewed a five-year levy to continue funding for the Libraries in Multnomah County. The Library's FY 2008 operating budget request is \$55.1 million, of which approximately 70% is funding from the levy. This budget reflects a 10% increase from FY 2007. The total department FTE is 464.75.

This budget includes the funds to maintain the levels of service promised in the levy as well as begin the first steps in opening neighborhood libraries in East County (Troutdale) and North Portland (near New Columbia). This budget provides approximately \$3.0 million for public siting processes, necessary site improvements, and equipment and collection for openings for both facilities.

Budget Manager's Message

Non- Departmental (Non-D)

<u>Budget Trends</u>	FY 2006	FY 2007	FY 2007	FY 2008	
	<u>Actual</u>	<u>Current</u>	<u>Adopted</u>	<u>Proposed</u>	<u>Difference</u>
Staffing FTE	67.37	72.07	72.07	79.10	7.03
Personal Services	\$6,663,630	\$7,087,456	7,087,456	8,238,214	\$1,150,758
Contractual Services	110,001,776	42,496,473	42,496,473	28,895,468	(13,601,005)
Materials & Supplies	42,261,196	43,442,067	43,442,067	42,837,004	(605,063)
Capital Outlay	<u>21,666</u>	<u>452,141</u>	<u>452,141</u>	<u>17,400</u>	<u>(434,741)</u>
Total Costs	\$158,948,268	\$93,478,137	\$93,478,137	\$79,988,086	(\$13,490,051)

The Nondepartmental section of the budget includes support for the Chair's Office, the Commissioners' offices, the County Auditor, Public Affairs Office, the County Attorney Office, non-County Agencies, independent County organizations, the County's ITAX transfer to school districts, and accounting entities. The significant expenditure reduction reflects the end of ITAX payments to schools, and a one-time-only payment of \$6.4 million to schools in FY 2007.

Budget Manager's Message

Sheriff's Office (MCSO)

Budget Trends		FY 2006	FY 2007	FY 2007	FY 2008	
		<u>Actual</u>	<u>Current Estimate</u>	<u>Adopted Budget</u>	<u>Proposed Budget</u>	<u>Difference</u>
Staffing FTE		812.91	819.86	819.86	794.71	(25.15)
Personal Services	\$79,220,939		\$86,637,766	\$85,446,231	\$90,014,352	\$4,568,121
Contractual Services	1,730,942		1,523,153	1,523,153	2,063,782	540,629
Materials & Supplies	19,717,857		18,847,350	18,847,350	19,353,391	506,041
Capital Outlay	<u>373,060</u>		<u>209,816</u>	<u>209,816</u>	<u>124,835</u>	<u>(84,981)</u>
Total Costs	\$101,042,798		\$107,218,085	\$106,026,550	\$111,556,360	\$5,529,810

The Sheriff's Office performs law enforcement and corrections functions. The Sheriff will have the budgeted capacity to support 1,576 beds, a reduction of 114 beds. The budget also includes Field Based Work Release and Supervision for Sentenced Offenders (60020A) a new program that provides direct supervision outside of the jail. This alternative increases efficiency and system capacity. The program will serve 80 to 100 persons.

Other significant program changes include a \$750,000 reduction in River Patrol (offer 60043A), a reduction in the Special Investigations Unit of the East County Major Crimes (offer 60045A), and a \$380,000 reduction in the Countywide services (offer 60048A)

Challenges & Opportunities

The FY 2008 Proposed Budget is based on the information available at the time of development. Future decisions regarding new jail operations, bridges, and State funding add some uncertainty to the County's financial future and need to be noted.

Employee Compensation

The County strives to offer the employees a wage package that is competitive with our peers in the public and private sector labor markets. Over the last few years, the single biggest challenge facing the County has been the impacts of increased costs of health insurance, property and liability insurance, workers compensation and retirement. The most dramatic increases have been increased contributions to the Public Employee Retirement System (PERS). In the General Fund where salaries and benefits make up approximately two-thirds of total operating costs, recently negotiated and approved salary and benefit increases have added stress to the overall balancing of the General Fund.

Assuming that cost of living adjustments will follow the change in inflation, the Budget Office directed departments to budget a 3.25% increase in wages for the development of program offers.

In addition to the cost of living (COLA) and steps increases, certain contractual costs have increased, including employee medical insurance premiums, and PERS contributions. Since personnel costs comprise the majority of local

Budget Manager's Message

government expenses, even small percentage increases have a significant impact on the bottom line.

Like most employers, Multnomah County faces rising healthcare costs. Annual increases (e.g., for treatment, hospitalization, and prescriptions) continue to rise at roughly double the rate of core inflation. Changes to benefit plans are governed by an Employee Benefits Board (EBB). The EBB is comprised of representatives from all labor unions, and changes to benefit plans need to be ratified by 80% of the voting members before they can take effect.

At the time the budget was proposed, the County was in negotiations with the EBB to determine the governance structure and operating agreements. Because the negotiations have not been completed this budget makes no assumptions about increases in employee healthcare costs.

Post-Employment Unfunded Liability

The Government Accounting Standards Board (GASB) issues statements that dictate how governments should account for incurred and anticipated costs in their annual financial reports. In 2004, GASB issued Statement 45, which outlines reporting requirements for post-employment benefits other than pensions. GASB 45 dictates that those expenses represent a liability to the County and must be reported as such in the annual financial report. Previously these costs did not have to be reported, and many jurisdictions will discover that they are not prepared for the impact of this statement.

Multnomah County subsidizes post-employment medical benefits to retirees and their dependents until the time that the employee is eligible for Medicare. The County contributes 1.1% of current payroll costs to support the retiree medical insurance program and the former employees pay half the premium rate that is set by the EBB each year. Multnomah County established a reserve in the Risk Fund to account for post-employment medical benefits. That reserve is not sufficient to cover the anticipated liability.

Wapato Jail Operations

Wapato Jail is a 525-bed facility that was completed in FY 2007. There is currently insufficient funding to fully operate this facility. The Proposed Budget includes funds to maintain the facility in its current condition. The Proposed Budget also provides policy direction for a long and short term plan. In the long term, the Chair is proposing that general population beds be leased to the State for re-entry programs and services (with a potential Tri-County benefit). Negotiations are underway at this time.

In the interim to maximize existing capacity, the Chair proposes to create alternatives to incarceration. Best practice indicates that the existing jail bed capacity could be used more effectively if it is used for combined treatment options. Residential and/or alcohol and/or mental health and/or sex offender treatment programs could be expanded as an alternative to incarceration. Conceptually, in the short term the Chair proposes to include funding for 75

Budget Manager's Message

alcohol and drug treatment beds at the Wapato facility. \$2.5 million of OTO is appropriated for a midyear start up of this program.

PERS

On March 31, 2006 the PERS Board adopted some changes to the way the actuarial valuations will be performed in the future. These changes are considered acceptable under retirement financial guidelines and generally accepted accounting principles. In addition, they modified how they would smooth interest earnings and the use of reserves.

Over time, these changes should produce significant savings for all PERS covered employers. For FY 2008 the County's PERS rates have essentially remained unchanged from the previous year. This is primarily the result of a ruling made by the PERS Board last year. That ruling requires employers to pay the same rate on their entire payroll (Tier 1/Tier 2 and OPSRP) to support unfunded liabilities that occurred as a result of the stock market downturn. In future years we believe that the County can expect a 2% - 3% ongoing reduction in PERS rates.

School & City Partnerships

Multnomah County has always maintained a close relationship with its neighbors like the Cities of Portland, Gresham, Troutdale and the 12 school districts in the County. When faced with decisions about cutting tens of millions of dollars from services and programs, the County has needed to reach out even further to our partners. In that effort, the Chair is exploring options to create joint decision-making and ownership between other jurisdictions. The County has reached out to cities and school districts to give them a menu of options to choose from. If jurisdictions choose not to fund those programs, they face elimination from the County budget.

School districts received will receive more ITAX revenue in FY 2008 than they expected, and many are looking at buying County services that could otherwise be cut from the County budget. School-based mental health clinics, for example, are services that could be managed and staffed by Multnomah County but paid for by a combination of state and federal funds, with individual school districts paying the remaining balance.

The City of Portland has also been presented with options for the continuation of threatened County services, including a program to help citizens with short-term sobering needs. The County continues to provide longer term programs for addictions, but cannot afford to also provide a sobering program. The City of Portland now has the opportunity to decide if those services are a priority for their budget. Other partnerships with cities include sharing in the development of a public safety plan and a reassessment of the Business Income Tax. As the County thinks strategically about how to provide citizens with the best possible services at the lowest cost, good working relationships with our partners is key. Providing those partners with choices, chances for joint ownership, and transparent decision-making is a priority for the County.

Budget Manager's Message

Employee Benefits Board (EBB) Governance Structure	<p>The Employee Benefits Board (EBB) was established in 1999 under an agreement between the County and its bargaining units. That agreement set out guidelines about how employee healthcare insurance would be funded and established the role of the EBB in making proactive decisions regarding insurance plan designs. The current governance agreement expires at the end of FY 2007 and negotiations are underway and not completed at the time this document was printed. The County has an interest in maintaining healthcare benefits that provide employees and their families with adequate insurance coverage, but the County also must also recognize that employee compensation is the single biggest cost driver in the budget. Healthcare costs are becoming an increasingly larger share of total employee compensation.</p>
City One-Time-Only Funding for Jails	<p>The City of Portland has reimbursed Multnomah County for the cost of 57 jail beds under an IGA that has been in place since FY 2006. This budget reflects the third year of funding for the so-called, "Project 57". The FY 2008 Proposed Budget maintains the same level of funding as in previous years - \$1.3 million.</p>
Property Disposition	<p>In FY 2008, Facilities will continue putting major efforts into projects that align with the adopted Disposition Strategy (2004) and the adopted Strategic Plan (2005). One of the larger potential projects involves moving staff out of the McCoy and Mead Buildings and into the Lincoln Building. This move involves 76,000 square feet of clinic and Health Administration space, as well as 72,000 square feet of Community Justice offices. In total over 500 County employees will need to be relocated. The net impact of this effort will be to eliminate 3 sites from the County portfolio in order to reduce the County's "footprint" by nearly 30,000 sq ft. Furthermore this will shrink our deferred maintenance backlog by more than \$14 million.</p> <p>In addition, Facilities will be researching solutions for buildings that still have major deferred maintenance and operating issues such as Walnut Park, Yeon, and Kelly Buildings. Other notable projects that Facilities will be working on in FY 2008 are preparation of the Downtown Courthouse site for development; and site acquisition, design, and construction bidding for the planned new East County Justice Facility.</p> <p>Facilities will be working with the Departments beginning in May, 2007, to develop a major update of the Strategic Plan specifically aimed at finding solutions for the long-term problems and needs identified in the current Plan.</p> <p>The Capital Budget for FY 2008 and plan for FY 2008-11 has been developed to concentrate spending on facilities the County expects to keep, and to avoid spending on facilities it may be eliminating.</p>

Budget Manager's Message

Library Levy Renewal

In November 2006, Multnomah County voters approved a new, five-year local option levy with 62% of the vote. With a rate set at \$.89 per \$1,000 of assessed value, the levy supports approximately 65% of the Library's expenditures and will take effect in FY 2008, replacing the final year of the current levy. The levy, in combination with a transfer from the County's general fund, maintains the current programs and services for the next five years and adds two planned new libraries in 2010.

Though the levy vote reflects strong public support for the library, there is increasing concern on the part of library stakeholders about the growing reliance on the levy as the Library's primary funding source. In FY 2003, the levy was 46% of the library's budgeted revenues; that increased to 55% by 2006. The latest vote approved a levy rate increase of 13.5 cents, bringing the levy portion of library revenues up to 65% for 2008. Efforts are underway to form a task force with the purpose of studying other funding options in order to make recommendations to the Board of County Commissioners.

Bridges & Road Funding

Current funding is inadequate to address bridge rehabilitation and replacement. The County has been successful in securing Federal and State funds for bridge capital projects, but despite these funds, a \$325 million shortfall exists between identified needs and identified funds over the next 20 years.

Federally funded projects require a local match, placing additional pressures on the County's transportation budget. Bridge Fund repayment of an \$8 million loan from the County's General Fund to cover a higher than expected bid impacts the ability to fund other priorities. The new Sauvie Island Bridge is currently under construction. The next priority on the horizon is rehabilitation or replacement of the Sellwood Bridge, estimates range as high as \$140 million.

Current road service expenditures are outpacing dedicated road fund revenues. The gasoline tax in Multnomah County has been flat while expenditures are growing between 4% - 6%. The State has not increased the state gas tax since 1993. The absence of new revenue to offset inflation will make it increasingly difficult to meet the needs of the county road system. As well, the fluctuation in the petroleum markets will continue to be a significant factor for fuel tax revenues coming into Multnomah County.

Information Technology Projects

The Thin Client project was scaled back in FY 2007 to focus on work groups with well defined, common desktop needs. The scaled roll out and other desktop efficiencies have resulted in \$455,000 of on-going operational savings in managing the county's desktop environment.

Thin Client

Maintaining a stable and reliable infrastructure to support the business operations in Multnomah County is IT's highest priority. There are several major upgrades needed to maintain secure, reliable infrastructure including

Budget Manager's Message

Infrastructure Upgrades

SQL2005 database, firewall replacement, Active Directory, Exchange, and Crystal Enterprise reporting services.

IT has been targeted to reduce \$1.4 million in on-going operational cost savings beginning in FY 2009. The sources of these savings have not been fully analyzed, but will include application consolidation and server virtualization.

Operational Efficiencies

There are approximately \$4 million of approved IT projects in FY 2008 which will provide technology to enable business process improvements. These include MultStat performance management, improved voice access to county services, a redesign of the county web presence, a pre-trial release program, an SAP Enterprise Requirements Planning (ERP) upgrade, constituency tracking, land use planning, electronic medical records for Corrections Health, Assessment and Taxation, Facilities Mobile Assets and others.

Business Process Improvement

Asset Preservation and the Capital Budget

Beginning in FY 1999, a Capital Improvement Program Fee was assessed to all County tenants based on space occupied. The fee is intended to pay for the replacement of major building systems as they reach the end of their useful life; this is the major ongoing source of revenue for the capital program.

For FY 2008 this fee will be \$2.35 per sq. ft. and is budgeted to collect approximately \$2.3 million from tenants of Tier I buildings and \$3.0 million from tenants of Tier II and Tier III buildings.

- Tier I buildings = Structures in substantial compliance with all applicable building codes.
- Tier II buildings = Building not up to current building standards and may require substantial capital work but are deemed appropriate for continued investment and long-term retention in the County facilities inventory.
- Tier III buildings = Facilities that are uneconomical or impractical for long-term retention, and will be analyzed to determine if they should be declared surplus and offered for disposition.

This fee has increased only once since 2003 and is being raised an additional 50 cents to \$2.35 per sq ft in FY 2008 to align funding with building needs.

Facilities and Property Management identified a deferred maintenance and seismic liability of approximately \$120 million for County buildings in 2004. This figure would grow to an estimated \$220 million over the next 15 years without the work being done in support of the Disposition Strategy. Through the Disposition plan, Facilities has successfully reduced the deferred maintenance liability by over \$14 million. A full solution to deferred maintenance will require new sources of revenue in order to replace or repair important County buildings, such as the County Courthouse. Facilities will continue to aggressively manage County building vacancies and move forward with the Disposition Strategy and Long Term Strategic Plan in order to create a

Budget Manager's Message

portfolio of well sited, functional, flexible buildings that could be managed with just the Asset Preservation and Capital Improvement Fees.

Courthouse Construction (Downtown and East County)

On December 14, 2006 the Board passed resolution 06-203 declaring the North Bridgehead Block as the preferred site for the new Courthouse. With the siting decision made, the County is proceeding with plans to relocate the Hawthorne Bridge off ramp that dissects the property and address the zoning and land use issues which currently encumber the site.

In addition, the County will continue its pursuit of different funding sources including obtaining \$9 million TIF funding from PDC in the final bond sale for the Downtown Waterfront Urban Renewal Area in the fall of 2007.

In February 2007, the Board passed resolution 07-038 which shifted the East County Justice Center concept from planning to an actual Capital Project. County staff is currently working toward site acquisition and submission of an RFP for design services. The project should break ground around April 2008 with completion possibly in June 2009.

Innovation Fund

The Innovation Fund is a program which sets aside \$2 million at the beginning of the budget cycle to be used for funding programs which can generate long term County savings and efficiencies or better services for clients. Programs will apply to the Innovation Fund with a clear description of expected performance, costs, and realistic results. Success of the Innovation Fund will be measured by the number of Innovation Fund offers funded, the satisfaction of County Management with Innovation Fund expenditures, and the overall cost savings to the County by funding and implementing these programs mid-year.

Multstat

The history of performance measurement in Multnomah County has been marked by ebbs and flows in the quantity and quality of available data, in part because data lack a formal ongoing and accountable review process. This lack of review limits opportunities to use the data for service delivery management. The development of a "MultStat" model as a management tool for the County is one possible way to accomplish greater use of performance data to increase accountability, efficiency and transparency.

The goals of the MultStat process are to increase accountability, expedite problem solving, and ultimately improve the performance of government agencies and their service outcomes. MultStat is based on the best practice approach of a structured continuous management process for ongoing review of government agencies' performance indicators measuring use of available resources and delivery of services to the public, with a specific focus upon immediate results.

Data about the performance of programs and services will be reviewed by the Chair, an executive leadership team, and department heads on a monthly or quarterly basis to facilitate timely, data-driven, and collaborative decisions about program management and resource deployment.

Budget Manager's Message

Longer-Range Considerations

Despite many difficult challenges ahead, we will have the courage to address the financial issues facing the County. Our organization has the talent and the dedication to solve the problems we face and to continue to move the County forward in a positive direction.

Future considerations and long-range goals include:

- Single East County Law Enforcement Agency
- Aligned and uniform Pretrial release and early supervision.
- Contract and management changes to control escalating corrections overtime costs.
- Reduce deferred maintenance for our roads and bridges
- Maintain sound fiscal policies for debt management and maintenance of fund balance.
- Maintain a fair and competitive employee compensation package
- Reduce costs through innovation, use of technology, and alternative ways of delivering services – without loss of quality or attention to County residents.
- Seek legislative relief for necessary statutory changes.

The Budget Process

Local Budget Law

Budgeting in Oregon is governed by Local Budget Law, Chapter 294 of the Oregon Revised Statutes. The law has four major objectives:

- To provide standard procedures for preparing, presenting, and administering local budgets;
- To ensure citizen involvement in the preparation of the budget;
- To provide for a method of estimating revenues, expenditures, and proposed taxes; and
- To offer a way of outlining the programs and services provided by local governments and the fiscal policy used to carry them out.

Budgeting in Oregon is a collaboration between the citizens who receive the services funded by the budget and the elected or appointed officials who are responsible for the provision of those services. Citizens involved in the budget process work to ensure that the services they need and want are adequately funded. County officials are responsible for ensuring that the annual budget reflects the public interest, balances competing needs and interests, is sustainable over the long term, and meets the technical requirements of the law. To plan for the effective delivery of services and to manage efficiently the revenue that supports these services, the Board of County Commissioners adopts an annual budget.

At an advertised public meeting, the budget prepared by the Chair of the Board was will be approved by the Board of County Commissioners by appropriation

Budget Manager's Message

categories—i.e., personal services, materials and services, and capital outlay—and by department for each fund (April 19, 2007). The Budget is then sent on to the Tax Supervising and Conservation Commission (TSCC).

The TSCC, a five-member citizen board appointed by the Governor, reviews the budgets of all governmental jurisdictions in Multnomah County. The Commission, together with the State Department of Revenue, is responsible for ensuring that budgets comply with local budget law.

The budget must be approved by the Board no later than May 15, when it is submitted to the TSCC. TSCC holds a public hearing and then returns the budget to the County no later than June 28. Accompanying the budget is a letter of certification with instructions for corrections, recommendations, and objections. The Board is required to respond to these recommendations and objections. Another public meeting is held at which the Board adopts the final budget, makes appropriations, and declares tax levies.

Basis of Budgeting

The County budget is prepared in a manner consistent with its financial structure and as required by Oregon Revised Statutes. All funds are included in the budget with the organizations and programs that they support. The budget is prepared on a modified accrual basis; this means that the budget anticipates revenues based on when they will actually be received and upon expenditures when they will likely occur.

One exception to this rule is the acknowledgement of revenues. Property tax and BIT revenues are acknowledged in the budget for 60 days after the close of the fiscal year. Items which are not fully expended at year-end must be re-budgeted in the following fiscal year.

Modifying the Budget During the Fiscal Year

The Adopted Budget is the County's financial and operational plan for the fiscal year. However, during the year, events occur which require the plan to be modified. State law gives the Board of County Commissioners wide latitude to change the budget during the year. County departments request changes, and the Board reviews them and then passes a resolution signifying their approval. During the year, the Board has the authority to:

- Alter appropriations to reflect changed priorities during the year;
- Incorporate new grant revenue into the expenditure plan;
- Change approved staffing levels; and
- Transfer appropriations from contingency accounts.

Supplemental Budgets

The appropriation of new, unanticipated revenue requires that the Board adopt a supplemental budget through a resolution. If the adjustment is greater than 10% of the affected fund, the supplemental budget process must include a review by TSCC prior to adoption.

Basis of

Governmental accounting, governed by State statute and Generally Accepted Accounting Principles (GAAP), differs substantially from private sector

Budget Manager's Message

Accounting	accounting. Private sector financial reports measure economic profits, whereas governmental accounting focuses on disclosing how public money is spent.
Where to Find Other Financial Information	<p>Comprehensive Annual Financial Report (CAFR) – this reports actual revenues and expenditures for the last completed fiscal year, discusses financial policies, and provides demographic and economic information about the region. The CAFR, required by state statute, is prepared in accordance with GAAP (Generally Accepted Accounting Principles). It reconciles differences between the budgetary basis – as presented in the annual Adopted Budget – and the modified accrual method used for the CAFR.</p> <p>Tax Supervising and Conservation Commission Annual Report – this discusses the property tax system and taxing levels for all governments in Multnomah County; as well as summarizing budgets and actual revenues and expenditures for all governments in Multnomah County.</p> <p>County Auditor's Financial Condition Report – this discusses the performance of the County and the region according to guidelines recommended by the International City Managers' Association.</p> <p>The Progress Board Benchmarks Web Site – this site contains data and graphic information about benchmarks obtained through surveys and other analysis. http://www.portlandonline.com/auditor/index.cfm?c=27358</p>
Citizen Involvement Process Citizen Budget Advisory Committees	<p>The Citizen Budget Advisory Committees are made up of citizens appointed by the Citizen Involvement Commission. The committees monitor department budgets and operations and identify issues for the Commissioners' consideration. All County departments have a CBAC. Each Committee is provided with time during the Budget worksessions to present its reports. The CBACs are partners with the Commissioners, departments, and the public during the budget cycle.</p> <p>During the budget development process, citizens and employees are encouraged to submit their questions, thoughts, or suggestions about the budget. This input is compiled and communicated to the elected officials. The input is also reviewed by the Budget Office with feedback to participants provided as appropriate.</p>
Public Testimony	In addition to participating in the budget advisory committees and other forums described above, citizens have several opportunities to personally testify on the budget. Or written material can be hand delivered, mailed, faxed or submitted via email.
Public Hearings	<p>Specifically, citizens had the opportunity to testify at:</p> <p>The Tax Supervising and Conservation Commission Hearing – TSCC holds a public hearing on the Budget, and public testimony is taken.</p>

Budget Manager's Message

The Budget Hearing—testimony is taken at the Board session for final adoption of the budget. This is scheduled to occur on June 7, 2007.

Annual Budget Hearings— for FY 2008, the Board, sitting as the Budget Committee, will hold several public hearings after the approval, but before the adoption, of the budget. The public may testify on any topic. Three evening hearings are scheduled for 6:00 – 8:00 p.m. at the following dates and locations:

- April 24, 2007 Public Budget Hearing – Multnomah County East Building, Sharron Kelley Conference Room, 600, NE 8th, Gresham
- May 8, 2007 Public Budget Hearing – North Portland Library Conference Room, 512 North Killingsworth, Portland
- May 31, 2007 Public Budget Hearing – Multnomah Building, Commissioners Boardroom 100, 501 SE Hawthorne Boulevard, Portland

Citizens may also contact the Chair's or Commissioner's offices directly to provide input to the budget work-sessions.

Budget Website

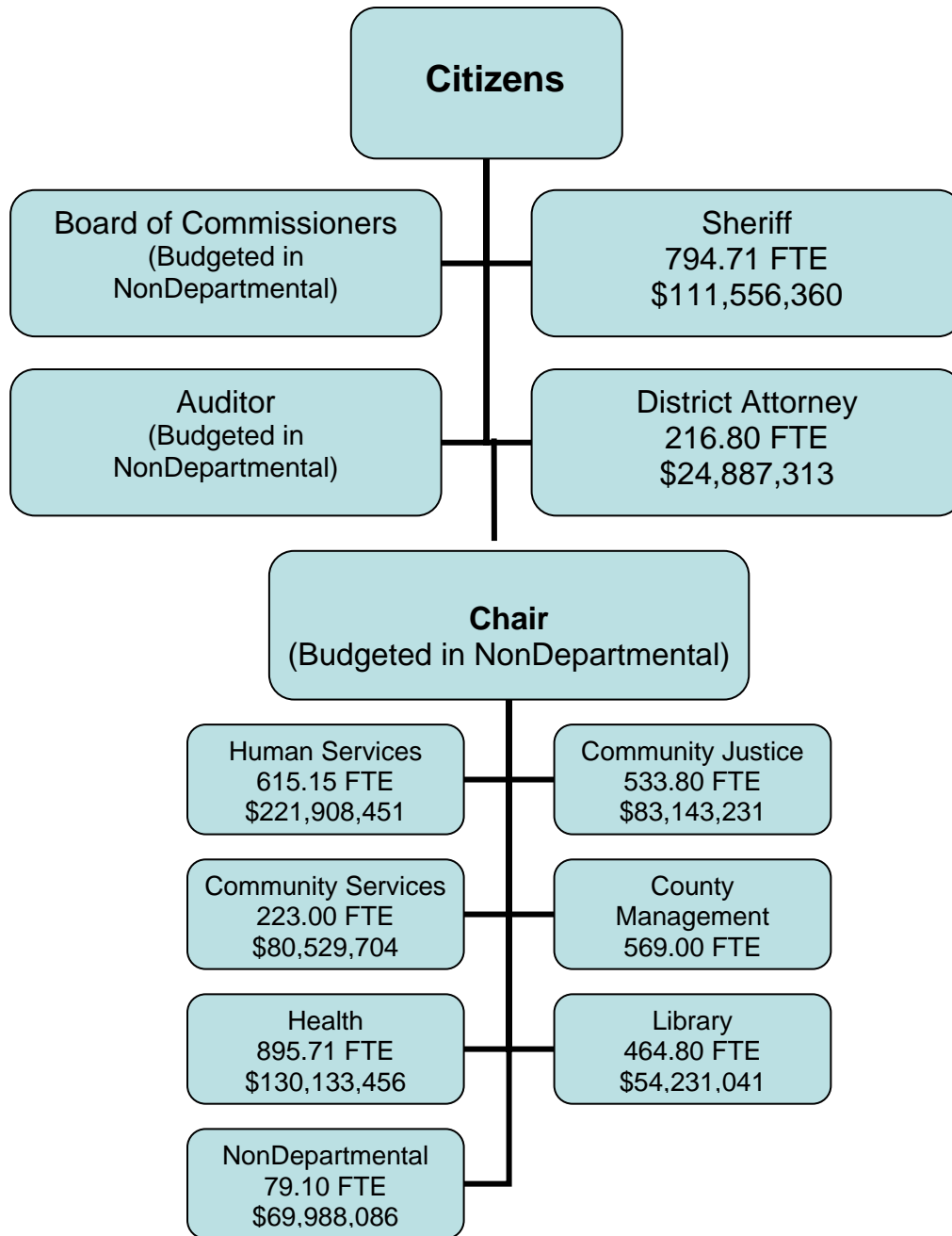
Multnomah County offers its citizens and employees the opportunity to participate in the budget process through the County's internet site. From the County's home page, <http://www.co.multnomah.or.us/>, citizens and employees may access a budget site that contains a summary of the FY 2008 Adopted Budget and links to frequently asked questions (FAQs); budget summaries; a timeline of events; live and archived video streaming of budget work sessions; and other information, input opportunities and employee resources. The Budget Webpage can be accessed directly by going to <http://www.co.multnomah.or.us/budget>

Budget Manager's Message

County Org. Chart

Multnomah County delivers its services through nine departments including the following elected officials: Bernie Giusto, Sheriff; Michael Schrunk, District Attorney; and LaVonne Griffin-Valade, County Auditor. The total number of adopted full time equivalent (FTE) positions is 4,329.07. Below is an organization chart for the County:

Multnomah County Organization



Budget Manager's Message

SUMMARY OF RESOURCES 2007-08

Fund		Beginning Working Capital	Taxes	Intergovern- mental	Licenses & Permits	Service Charges	Interest	Other Sources	Direct Resources	Service Reimburse- ment	Cash Transfers	Total Resources
General Fund	1000	40,266,074	275,047,932	14,183,851	9,332,602	8,894,713	2,710,000		350,435,172	14,940,913	1,897,000	367,273,085
Strategic Investment Program Fund	1500	400,137	350,000						750,137			750,137
Road Fund	1501	2,891,430	7,525,000	36,113,810	65,000	4,543,900	400,000		51,539,140	599,155		52,138,295
Emergency Communications Fund	1502			200,000					200,000			200,000
Bicycle Path Construction Fund	1503	450,000					10,000		460,000		64,000	524,000
Recreation Fund	1504		120,000						120,000			120,000
Federal/State Program Fund	1505	36,052		207,758,465	2,468,651	53,550,323	8,541		263,822,032	2,053,234		265,875,266
County School Fund	1506			75,000					75,000			75,000
Tax Title Land Sales Fund	1507	300,000	43,994	100,000	200	252,328	23,994		720,516			720,516
Animal Control Fund	1508	252,298		60,000	882,000	70,000			1,264,298	125,000		1,389,298
Willamette River Bridge Fund	1509	18,464,675		5,000,000		573,199	141,840		24,179,714	70,000	5,365,351	29,615,065
Library Serial Levy Fund	1510	51,145	38,063,832	500,500	80,000	367,000	200,000		39,262,477	1,723,000	15,812,876	56,798,353
Special Excise Taxes Fund	1511	410,000	19,166,000				24,000		19,600,000			19,600,000
Pub Land Corner Preservation Fund	1512	1,777,500				1,100,000			2,877,500			2,877,500
Inmate Welfare Fund	1513	907,735		8,654		1,517,921	52,500		2,486,810	5,246		2,492,056
Justice Services Special Ops Fund	1516	361,374		66,500	2,628,528	1,907,591	16,000		4,979,993	290,559		5,270,552
General Reserve Fund	1517	14,250,000					500,000		14,750,000			14,750,000
Revenue Bond Sinking Fund	2001	3,330,000				2,324,380	67,000		5,721,380			5,721,380
Capital Lease Retirement Fund	2002	7,639,368					235,000		7,874,368	11,330,930		19,205,298
General Obligation Bond Sinking Fund	2003	8,307,881	8,953,704				280,000		17,541,585			17,541,585
PERS Bond Sinking Fund	2004	19,600,000					850,000		20,450,000	13,000,000		33,450,000
Justice Bond Project Fund	2500	685,606							685,606			685,606
Building Projects Fund	2504	300,000							300,000		8,650,000	8,950,000
Capital Improvement Fund	2507	5,445,000				52,717,427	860,000		59,022,427	50,000	3,007,794	62,080,221
Capital Acquisition Fund	2508	2,585,496							2,585,496	124,100		2,709,596
Asset Preservation Fund	2509	3,131,000					150,000		3,281,000		3,517,274	6,798,274
Behavioral Health Managed Care Fund	3002	2,658,148		35,403,157					38,061,305			38,061,305
Risk Management Fund	3500	20,455,564				25,000			20,480,564	65,292,043		85,772,607
Fleet Management Fund	3501	3,147,874				1,247,604	150,000		4,545,478	5,898,681		10,444,159
Data Processing Fund	3503	9,178,430				1,122,998			10,301,428	29,075,432	1,495,486	40,872,346
Mail Distribution Fund	3504	1,389,642		5,000		3,306,720	30,000		4,731,362	3,214,710		7,946,072
Facilities Management Fund	3505					2,231,910			2,231,910	39,408,719		41,640,629
Total All Funds		168,672,429	349,270,462	299,474,937	15,456,981	135,753,014	6,708,875	0	975,336,698	187,201,722	39,809,781	1,202,348,201

Budget Manager's Message

SUMMARY OF DEPARTMENTAL EXPENDITURES 2007-08

Fund		NonD	District Attorney	Overall County	Human Services	Health	Community Justice	Sheriff	County Management	Library	Community Services	Total Department Expenditure
General Fund	1000	18,811,131	19,201,346	1,404,000	42,314,228	52,158,220	54,225,356	95,821,091	31,966,441		10,974,266	326,876,079
Strategic Investment Program Fund	1500				400,137							400,137
Road Fund	1501										46,708,944	46,708,944
Emergency Communications Fund	1502							200,000				200,000
Bicycle Path Construction Fund	1503										524,000	524,000
Recreation Fund	1504								120,000			120,000
Federal/State Program Fund	1505	1,515,570	5,562,072		143,790,929	76,348,218	27,944,130	10,184,441	121,321		408,587	265,875,268
County School Fund	1506	75,000										75,000
Tax Title Land Sales Fund	1507										720,516	720,516
Animal Control Fund	1508										124,000	124,000
Willamette River Bridge Fund	1509										19,774,615	19,774,615
Library Serial Levy Fund	1510									55,112,106		55,112,106
Special Excise Taxes Fund	1511	19,600,000										19,600,000
Pub Land Corner Preservation Fund	1512										1,294,776	1,294,776
Inmate Welfare Fund	1513						21,635	2,470,421				2,492,056
Justice Services Special Ops Fund	1516		123,895			1,314,140	952,110	2,880,407				5,270,552
Revenue Bond Sinking Fund	2001	843,621										843,621
Capital Lease Retirement Fund	2002	13,987,653										13,987,653
General Obligation Bond Sinking Fund	2003	9,227,848										9,227,848
PERS Bond Sinking Fund	2004	12,824,765										12,824,765
Justice Bond Project Fund	2500								600,000			600,000
Building Projects Fund	2504								4,100,000			4,100,000
Capital Improvement Fund	2507								62,080,221			62,080,221
Capital Acquisition Fund	2508	17,400							1,196,710			1,214,110
Asset Preservation Fund	2509								6,798,274			6,798,274
Behavioral Health Managed Care Fund	3002				35,403,157							35,403,157
Risk Management Fund	3500	3,085,098							82,687,509			85,772,607
Fleet Management Fund	3501								9,912,791			9,912,791
Data Processing Fund	3503								37,572,346			37,572,346
Mail Distribution Fund	3504								6,688,619			6,688,619
Facilities Management Fund	3505								33,792,804			33,792,804
Total All Funds		79,988,086	24,887,313	1,404,000	221,908,451	129,820,578	83,143,231	111,556,360	277,637,036	55,112,106	80,529,704	1,065,986,865

Budget Manager's Message

SUMMARY OF DEPARTMENTAL REQUIREMENTS 2007-08

Department	Personal Services	Contractual Services	Materials & Services	Principal & Interest	Capital Outlay	Total Direct Expenditure	Service Reimbursements	Total Spending	FTE
Nondepartmental	7,177,650	28,895,468	553,153	37,547,298	17,400	74,190,969	5,797,117	79,988,086	79.10
District Attorney	17,602,775	1,262,109	674,168	0	20,000	19,559,052	5,328,261	24,887,313	216.80
Overall County	0	0	0	0	0	0	1,404,000	1,404,000	0.00
County Human Services	42,949,006	91,417,929	68,304,254	0	0	202,671,189	19,237,262	221,908,451	615.15
Health	71,419,127	13,415,474	13,551,660	0	171,948	98,558,209	31,262,369	129,820,578	895.71
Community Justice	41,488,183	18,708,386	3,130,247	0	0	63,326,816	19,816,415	83,143,231	533.80
Sheriff	76,902,803	2,063,782	6,025,931	0	124,835	85,117,351	26,439,009	111,556,360	794.71
County Management	47,001,629	33,571,032	112,006,443	0	56,315,952	248,895,056	28,741,980	277,637,036	569.00
Library	27,438,644	981,583	9,397,589	0	244,000	38,061,816	17,050,290	55,112,106	464.75
Community Services	16,465,225	28,819,490	3,476,687	0	21,043,926	69,805,328	10,724,376	80,529,704	223.00
TOTAL	348,445,042	219,135,253	217,120,132	37,547,298	77,938,061	900,185,786	165,801,079	1,065,986,865	4,392.02

Budget Manager's Message

FUND LEVEL TRANSACTIONS 2007-08						
Fund		Total Department Expenditure	Cash Transfers	Contingency	Unappropriated Balance	Total Requirements
General Fund	1000	326,876,079	17,312,876	9,584,130	13,500,000	367,273,085
Strategic Investment Program Fund	1500	400,137	350,000			750,137
Road Fund	1501	46,708,944	5,429,351			52,138,295
Emergency Communications Fund	1502	200,000				200,000
Bicycle Path Construction Fund	1503	524,000				524,000
Recreation Fund	1504	120,000				120,000
Federal/State Program Fund	1505	265,875,268				265,875,268
County School Fund	1506	75,000				75,000
Tax Title Land Sales Fund	1507	720,516				720,516
Animal Control Fund	1508	124,000	1,047,000	218,298		1,389,298
Willamette River Bridge Fund	1509	19,774,615	500,000		9,340,450	29,615,065
Library Serial Levy Fund	1510	55,112,106		1,686,247		56,798,353
Special Excise Taxes Fund	1511	19,600,000				19,600,000
Pub Land Corner Preservation Fund	1512	1,294,776		1,582,724		2,877,500
Inmate Welfare Fund	1513	2,492,056				2,492,056
Justice Services Special Ops Fund	1516	5,270,552				5,270,552
General Reserve Fund	1517				14,750,000	14,750,000
Revenue Bond Sinking Fund	2001	843,621			4,877,759	5,721,380
Capital Debt Retirement Fund	2002	13,987,653		5,217,645		19,205,298
General Obligation Bond Sinking Fund	2003	9,227,848			8,313,737	17,541,585
PERS Bond Sinking Fund	2004	12,824,765			20,625,235	33,450,000
Justice Bond Project Fund	2500	600,000		85,606		685,606
Building Projects Fund	2504	4,100,000			4,850,000	8,950,000
Capital Improvement Fund	2507	62,080,221				62,080,221
Capital Acquisition Fund	2508	1,214,110	1,495,486			2,709,596
Asset Preservation Fund	2509	6,798,274				6,798,274
Behavioral Health Managed Care Fund	3002	35,403,157		2,658,148		38,061,305
Risk Management Fund	3500	85,772,607				85,772,607
Fleet Management Fund	3501	9,912,791		531,368		10,444,159
Data Processing Fund	3503	37,572,346	200,000	3,100,000		40,872,346
Mail Distribution Fund	3504	6,688,619		1,257,453		7,946,072
Facilities Management Fund	3505	33,792,804	5,025,068	2,822,757		41,640,629
Total All Funds		1,065,986,865	31,359,781	28,744,376	76,257,181	1,202,348,203