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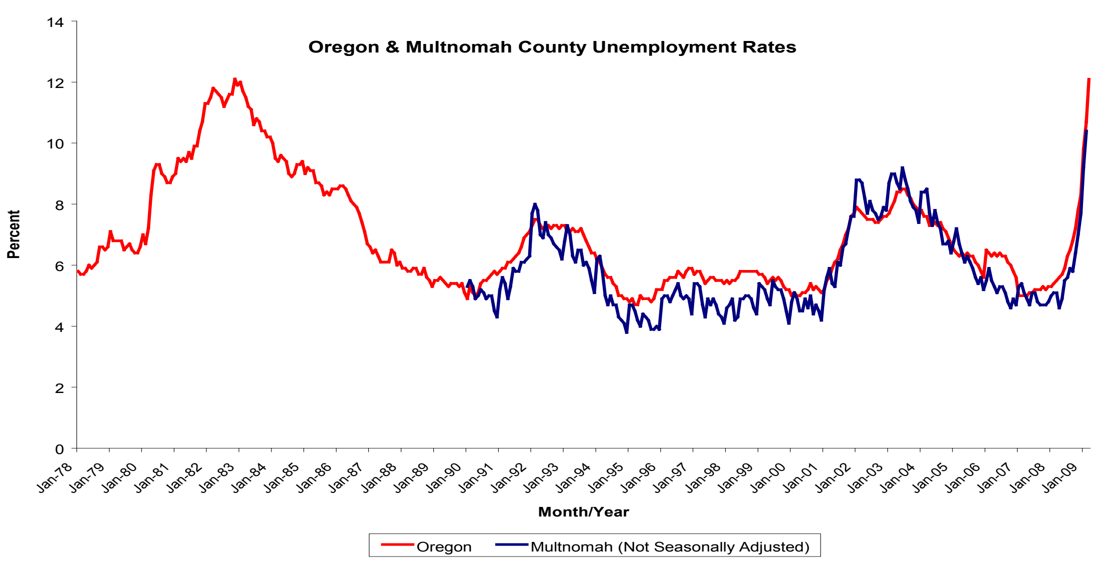
Budget Director's Message - Introduction

As Multnomah County prepared its FY 2010 budget, it was faced with its most significant fiscal challenge since the early 1980's. These continue to be difficult and uncertain economic times. The global economic recession is having a profound effect on individuals, businesses and governments around the world. The nation is in the midst of a severe recession and many businesses and government agencies are unable to continue operating at levels they have in the past. As the County began budget preparation last winter, it faced a $36.5 million general fund operating deficit between expenditures and revenues. It is estimated that if left unchecked, that gap would grow to $46 million in FY 2011. Further exacerbating the County's financial outlook was the impact of the State of Oregon's projected $4.4 billion budget gap in the 2009-2011 biennium. As the County provides many state-funded services, it was reasonable to expect that the state's shortfall would translate into additional cuts to County programs.

Multnomah County residents, businesses, and non-profits continue struggling to maintain their standards of living, profitability, and services. The downturn in the national economy has brought with it falling house prices, tight credit, significant job losses, and overall reductions in consumer spending. Nowhere is this more pronounced than in the rapid raise in the unemployment rate as the chart shows below. By the time the Chair released his proposed budget, unemployment across Oregon more than doubled to 12.1% in March, 2009, up from 5.5% in March, 2008. Oregon had the second highest unemployment rate in the Country, and the pattern is similar in Multnomah County. For February, 2009 the unemployment rate in the County was 10.4%, up from 5.1% in February, 2008. Given current trends, unemployment rates will likely surpass the high rates last seen in the early 1980's.



Notice of mortgage default filings in Multnomah County has also increased dramatically. In March, there were 513 mortgage default filings, versus 304 in March, 2008 – a 68.8% increase. Over a two-year period, filings increased from 171 per month to 513 per month. Regionally, house prices, as measured by the S&P Case-Shiller price index, have been falling. Prices were down 14% on a year-over-year basis in January, 2009 and are down 17.5% from their peak in 2007. These trends have continued as the budget process progressed.

Not surprisingly, the County revenues that depend on economic activity- such as recording fees, motor vehicle rental taxes, and the business income tax- are showing significant declines. For instance, the business income tax was projected to fall by 31% in FY 2009. The County's primary General Fund revenue source is property tax, which is projected to grow slowly and will not be sufficient to cover increased County costs such as health care and falling revenues elsewhere. Lower revenue estimates mean that Multnomah County has less money available to fund the services it provides, and will need to make reductions, raise revenues, and become more efficient. All nine departments experienced cuts to varying degrees depending on the types of services they provide and the revenues that fund those services.

The County receives approximately 30% of its total revenue from federal and state sources. The State of Oregon, which has no sales tax, is heavily dependent on personal income taxes. That makes it especially sensitive to economic conditions, and in particular, to employment levels. With unemployment increasing rapidly, the state revenue picture has been deteriorating at a similar speed. State revenues support County programs in nearly every department, and range from parole and probation to support for mental health programs. Those programs that are especially reliant on State funding are exceptionally vulnerable to anticipated reductions. While the state met its June 30th deadline for budget adoption, final allocations to counties are not yet known. Therefore, Multnomah County will undertake a midyear budget process to rebalance our FY 2010 budget to address budget reductions from the State for the 2009-2011 biennium.

Although the Federal American Recovery and Reinvestment Act (ARRA) will provide much needed support at the state and local level, any ARRA awards the County might receive would not come close to filling the gap between County revenues and expenditures. We do not expect a rapid economic recovery. Historically high household debt, high unemployment, diminished retirement accounts, excess housing and commercial real estate inventory, and a dampened consumer psyche will make it difficult for consumer spending, which accounts for two-thirds of economic activity, to return to prior levels, which were arguably unsustainable. Consequently, it has been and will continue to be difficult for County leaders to balance the need for services in these difficult times with the diminished ability to pay for services.

During the budget process in the spring, two County employee groups agreed to suspend wage increases and cost-of-living-adjustments (COLAs) for FY 2010. AFSCME Local 88 members voted in March to suspend their step and cost of living increases, and wage and COLA increases for management and exempt employees have been suspended as well. Local 88 is the County's largest employee group, and its salary freeze generated savings of $8,724,000 County-wide. The General Fund portion of that totaled $2,665,000. The additional salary freeze for management and exempt staff generated savings of $3,949,000 Countywide, with $1,786,000 of that in the General Fund.

Additionally, Local 88 members agreed to suspend the negotiated process for classification and compensations studies in FY 2010, and to release the balance set aside for such studies in order to preserve Local 88 jobs. The classification compensation study balance totaled $1,320,000. The savings from the Local 88 wage freeze and class comp study fund were used to retain approximately 78 Local 88 positions.

In the weeks before the Board adopted the budget, the Multnomah County Deputy Sheriff's Association (MCDSA) also agreed to a COLA freeze for FY 2010, saving the General Fund $212,000 and other funds $35,000. These savings were used to restore MCDSA positions. Since budget adoption, two additional employee groups have agreed to wage or COLA freezes. The Multnomah County Prosecuting Attorneys' Association (MCPAA) agreed to a wage and COLA freeze, saving $413,000 in the General Fund and $95,000 in other funds which will be used to restore positions. The Federation of Oregon Parole and Probation Officers (FOPPO) agreed to a COLA freeze in FY 2010, saving $82,500 in the General Fund and $240,000 in other funds. The savings will retain 3 FTE that would have been subject to layoff.

The FY 2010 adopted budget was developed under extraordinarily difficult economic conditions, and there remains a significant degree of uncertainty. The bad economic news is likely to continue for many months, and it may get worse before it gets better. In order to manage the downside risks that still exist, the County is prepared to address and weather any further negative economic news. The FY 2010 adopted budget includes a fully-funded General Fund reserve of $29.3 million and a $6 million Business Income Tax (BIT) reserve for meeting possible FY 2010 revenue shortfalls.

The Financial Challenge

The adopted budget is a balanced budget as required by state law, and serves as a policy document and fiscal plan for the fiscal year starting July 1, 2009 and ending June 30, 2010. Multnomah County will continue to monitor current year and projected revenues closely and look for ways to manage the operating budget conservatively without significantly impacting levels of service.

Multnomah County faced an estimated $36.5 million ongoing gap between revenues and expenditures in the General Fund for FY 2010. This deficit, if left unchecked, would have grown to $45.9 million in FY 2011. This shortfall did not take into account the County's many unmet needs, such as capital infrastructure, building maintenance, and operating costs associated with the Wapato Jail.

The shortfall was a direct result of:

- Reduced revenues ($19.0 million)
- An ongoing structural deficit ($5.3 million)
- One-time-only (OTO) funds in FY 2009 supporting ongoing programs ($4.2 million)
- Additional FY 2009 spending and annualized program costs ($4.3 million)
- Higher personnel costs ($3.7 million)

The outlook for our non-General Fund resources was equally gloomy. As previously mentioned, the impact to Multnomah County of reductions from the State of Oregon will likely have a significant impact on the services provided in the local community.

How We Balanced the General Fund

Overall, the FY 2010 adopted General Fund budget decreased 7.2% ($29.5 million) from the FY 2009 adopted budget. In order to close the revenue/expenditure gap, meet obligations and still balance the budget within available revenues, significant reductions have been made in county expenditures and services. The County also plans to raise revenues and control increases in its personnel costs.

How We Balanced the General Fund	
Reduced Personnel Costs (not position cuts)	
CPI/COLA at 2.8% vs. the 4.0% assumed	$1,937,395
Local 88 Wage/COLA Freeze	2,665,340
Exempt Wage/COLA Freeze	1,785,658
Deputy Sheriffs' Association COLA Freeze	212,000
Local 88 Wage/COLA Freeze (Library Fund to GF)	499,529
Exempt Wage/COLA Freeze (Library Fund to GF)	335,470
	$7,435,392
Increased Revenues	
Motor Vehicle Rental Tax increased from 12.5% to 17%	$4,740,000
US Marshal bed rentals increased from 125 to 200	3,421,875
	$8,161,875
Net Departmental Reductions from Current Service Level, adjusted for Wage & COLA Freezes	
Nondepartmental	$367,637
District Attorney	2,055,496
County Human Services	420,595
Health	5,023,946
Community Justice	2,475,903
Sheriff	8,529,309
County Management	807,259
Community Service	329,070
Library	2,013,106
	$22,022,321
Total	**$37,619,588**
One-Time-Only Expenditures Included Above	3,062,791
Net Ongoing Reduction in Expenditure/Revenue Gap	**$40,682,379**

The table above outlines how the General Fund was balanced. Taken together, reduced personnel costs ($7.4 million), increased revenues ($8.2 million), and ongoing program reductions ($25.1 million), resulted in closing the expenditure/ revenue gap by $40.7 million. These actions also closed a significant portion of the gap for FY 2011.

Personnel costs were reduced or moderated in three ways. First, a lower CPI than forecasted resulted in lower contractual COLA obligations for all union employees, saving $1.9 million. Second, an agreement with AFSCME Local 88 to implement a wage and COLA freeze saved the General Fund $3.2 million, including reduced support to the Library Fund. Third, a wage and COLA freeze for the County's exempt (managers and professional) staff saved $2.1 million. Lastly, the Deputy Sheriff's Association agreed to a COLA freeze as the budget was adopted, saving $0.2 million.

FY 2010 Budget Overview - All Funds

On the revenue side, the Motor Vehicle Rental Tax was increased from 12.5% to 17%, generating $4.74 million. The number of jail beds rented to the US Marshal was increased by 75 to 200, equaling $3.42 million.

On the expenditure side, the County started the budget process by asking all departments and agencies to submit budget requests that incorporated a 12% reduction in current service levels. This action generated approximately $39 million in General Fund reductions. As the table shows, the adopted budget included $22 million of those reductions. The actual, ongoing reductions are closer to $25.1 million when $3.1 million of one-time-only expenditures are included (listed in detail later).

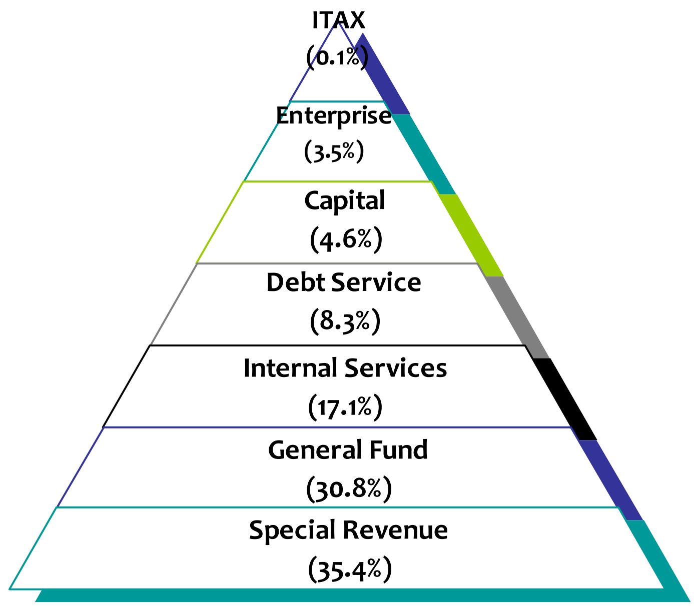
The FY 2010 adopted budget incorporates both the difficult choices that were made for the upcoming fiscal year, and the equally difficult choices that will need to be made next fiscal year. Department program offers were prepared with the best available information, but adjustments will be inevitable now that the State of Oregon's biennial budget has been finalized.

Local Budget Law (ORS 294) requires a reporting of the total budget. The adopted budget for FY 2010 totals $1,232,494,223. 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. Because this accounting overstates what is actually spent, the County often refers to the net budget.

The net budget ($883,554,443) 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. Internal transactions between funds are typically the result of one department providing a service to another, such as information technology or facilities services.

FY 2010 Adopted Budget	
Department Expenditures	*$859,079,558*
Contingency	*$24,474,885*
Total Net Budget	**$883,554,443**
Service Reimbursements	*$177,582,871*
Internal Cash Transfers	*$48,601,262*
Reserves	*$122,755,647*
Total Adopted Budget	**$1,232,494,223**

The following diagram provides an overview of the County's total budget by type of fund*:



**Note: ITAX is part of the General Fund but is shown separately because the funds are passed through to Portland Public Schools.*

Types of Funds

Multnomah County prepares budgets for 31 funds. Funds are defined on the basis of generally accepted accounting principles (GAAP) and include the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds, and Internal Services Funds. The budget also includes one Enterprise Fund (the Behavioral Health Managed Care Fund).

As its name implies, the General Fund is made up of resources that are available to support a wide array of services. It is the largest source of discretionary revenue that can be allocated by the Chair and Board of County Commissioners. Special Revenue funds account for revenues dedicated to specific services; examples of Special Revenue funds in the Multnomah County budget include the Road Fund, the Willamette River Bridge Fund, and the Library Fund.

The budget includes four Debt Service funds. The General Obligation Bond Fund is supported by a property tax levy dedicated to the repayment of bonds issued for library construction and renovation, and for construction of the Wapato Jail. Other debt service funds are used to account for financing proceeds related to capital acquisitions and improvements, deferred pension obligations, and bonds issued on behalf of non-profit agencies.

Capital Project funds account for spending on capital improvements as well as acquisition and preservation of County assets. Internal Services funds account for business functions such as fleet management, self-insurance, information technology, and operation of County facilities. These funds derive their revenues from chargebacks to County and external agencies.

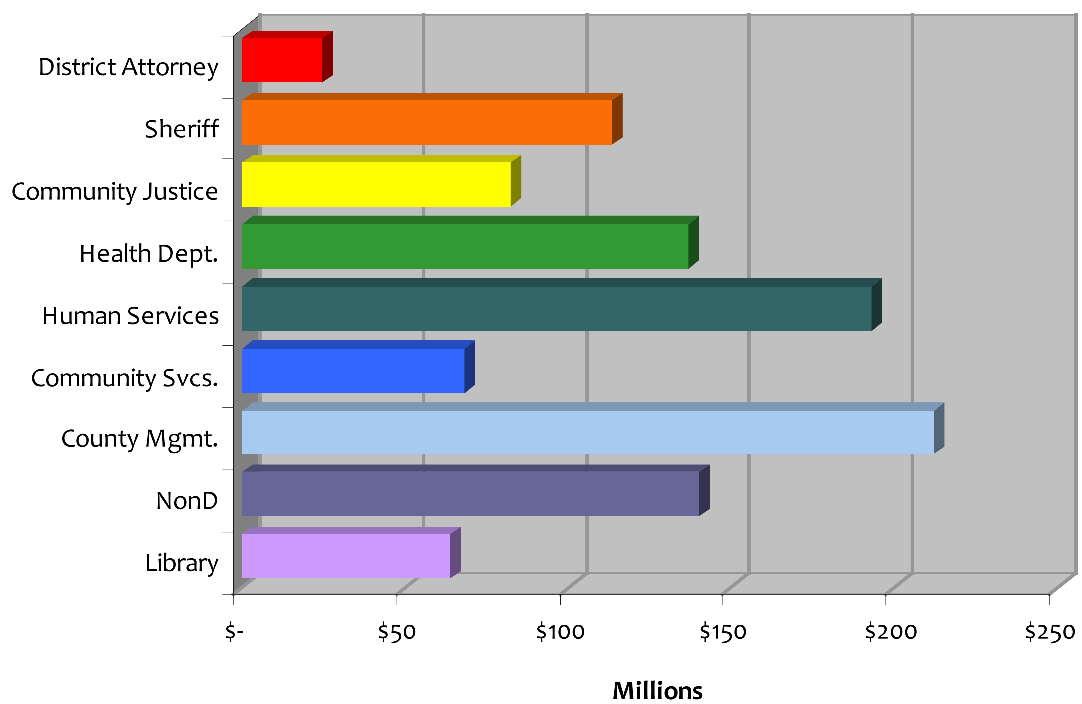
Please see the next page for a table detailing a comparison of funds from the FY 2009 adopted to the FY 2010 adopted budget. Note that the table shows 32 funds. The Justice Bond Project Fund will not be used in FY 2010, and it is shown here for historical purposes only.

Fund	Fund Name	FY 2009 Adopted	FY 2010 Adopted	Change	Notes
1000	General Fund	$410,669,016	$381,187,593	$(29,481,423)	BWC -$39m, Property Tax +$6m, Business Income Tax -$13m , Cash Transfer +$15m
1500	Strategic Investment Program Fund	488,258	733,963	245,705	In Lieu of Tax +$246k
1501	Road Fund	51,626,824	46,389,474	(5,237,350)	BWC -$1.3m, Intergov. Rev. -$5.6m, Service Reimbursements & Cash Transfer revs +$1m
1502	Emergency Communications Fund	240,000	250,000	10,000	
1503	Bicycle Path Construction Fund	639,000	1,692,075	1,053,075	+$1m American Recovery & Reinvestment Act (ARRA) Funds
1504	Recreation Fund	120,000	123,264	3,264	
1505	Federal/State Program Fund	235,945,572	241,391,104	5,445,532	Increase in ARRA Funds
1506	County School Fund	260,000	205,000	(55,000)	
1507	Tax Title Land Sales Fund	678,016	668,601	(9,415)	
1508	Animal Control Fund	1,850,885	1,785,958	(64,927)	
1509	Willamette River Bridge Fund	21,733,096	15,850,003	(5,883,093)	BWC -$7.6m, Intergov. rev. +$3.6m, cash transfer rev. -$1.8m
1510	Library Serial Levy Fund	76,537,520	79,615,995	3,078,475	BWC +$3m, Foundation funds +$875k, financing proceeds +$1.6m, General Fund support -$2.4m
1511	Special Excise Taxes Fund	23,000,000	20,680,000	(2,320,000)	Transient Lodging Tax -$1.6m & Motor Vehicle Rental Tax -$400k
1512	Pub Land Corner Preservation Fund	2,680,000	2,060,000	(620,000)	
1513	Inmate Welfare Fund	2,526,212	1,572,436	(953,776)	BWC -$600k & Sales to Public -$300k
1516	Justice Services Special Ops Fund	5,779,075	8,226,617	2,447,542	Intergov. -$910k, Licenses & Fees +$1.7m, Service Charges +$670k, Sales +$500k
1517	General Reserve Fund	15,600,000	15,645,460	45,460	
2001	Revenue Bond Sinking Fund	5,211,500	2,184,740	(3,026,760)	BWC -$2.9m
2002	Capital Lease Retirement Fund	36,496,843	35,392,902	(1,103,941)	
2003	General Obligation Bond Sinking Fund	17,217,474	16,736,004	(481,470)	
2004	PERS Bond Sinking Fund	43,017,288	48,364,000	5,346,712	BWC higher
2500	Justice Bond Project Fund	990,000	0	(990,000)	Not budgeted in FY2010
2504	Financed Projects Fund	8,550,000	6,545,000	(2,005,000)	Financing Proceeds -$3.7m, Cash Transfer +$1.5m
2507	Capital Improvement Fund	50,447,941	45,028,051	(5,419,890)	BWC -$5.9m, Intergov. -$1.8m, Sales -$12.4m, Financing Proceeds +$12m, Cash Transfer +$2.6m
2508	Capital Acquisition Fund	363,135	557,400	194,265	BWC higher
2509	Asset Preservation Fund	6,612,240	4,655,806	(1,956,434)	BWC -$1.5m & Cash Transfer -$418k
3002	Behavioral Health Managed Care Fund	40,575,884	43,723,284	3,147,400	Intergovernmental revenue higher
3500	Risk Management Fund	94,880,662	99,412,389	4,531,727	BWC +$1.9m, Service Reimbursements +$2m, Retiree Insurance/Employee Benefit contributions +$600k
3501	Fleet Management Fund	11,283,022	8,725,343	(2,557,679)	BWC -$1.2m. Service Reimburse -$829k
3503	Data Processing Fund	43,951,153	52,280,209	8,329,056	Financing Proceeds +$6m, service reimbursements higher
3504	Mail Distribution Fund	8,134,815	7,713,000	(421,815)	
3505	Facilities Management Fund	41,098,002	43,098,552	2,000,550	BWC $1.6m higher
	Total	**$1,259,203,433**	**$1,232,494,223**	**($26,709,210)**	

FY 2010 Department Requirements - All Funds ($1.04 billion)

Most departments experienced absolute decreases in their budgets over the previous fiscal year. The three exceptions include the Library, Nondepartmental, and County Human Services (DCHS). The Library which increased by $3.5 million or 5.8% over last year reflects the capital and operating costs associated with opening two new branch libraries as called for in the 5-year local option levy. It also includes one-time funding for a materials movement project, and it includes Library Foundation funding which was not part of the FY 2009 adopted budget. The Library is also drawing down its beginning working capital to offset reductions. Nondepartmental increased due to the shift of the County Information Technology and Emergency Management organizations from the Department of County Management. DCHS' increase of $5.7 million or 3.1% was due largely to the ARRA funds for Energy and Anti-Poverty programs.

The bar chart below shows the amount of funding required by each department. This figure includes internal service payments, and thus represents some double-counting.

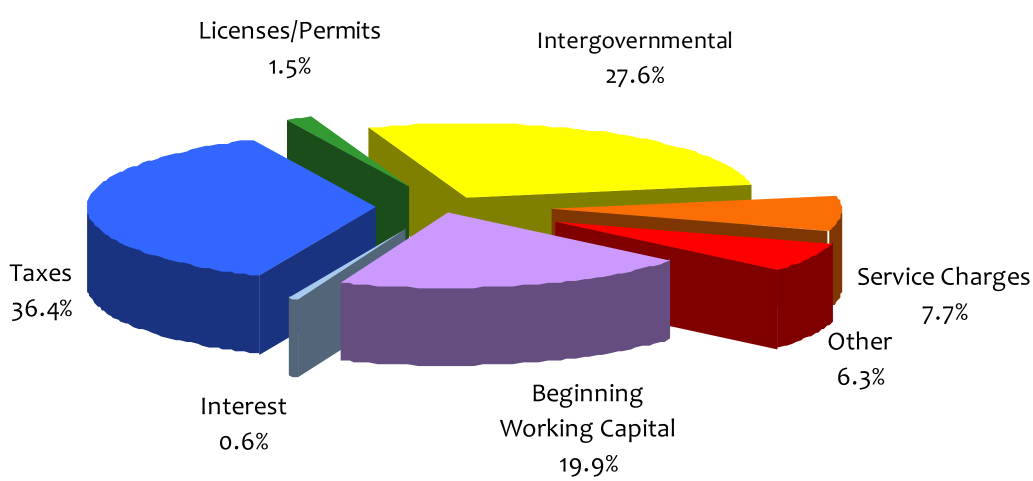


FY 2010 Revenues - All Funds ($990.7 million)

Revenues have been budgeted at about the same or lower levels than FY 2009, because local revenues are either declining or growing at reduced rates. Taxes constitute the largest single revenue source and include property tax, business income tax, motor vehicle rental tax, transient lodging tax, and county gas tax.

Beginning Working Capital (BWC), as a share of total budgeted resources, has decreased from the last year. The FY 2009 adopted budget assumed $62.0 million of General Fund BWC, but FY 2010 contains $23.1 million. The decline is due to planned debt buy downs and spending in FY 2009 on both for ongoing and one-time-only activities.

The increase in Other Sources is attributable to a planned debt issue for facilities and information technology capital projects in FY 2010.



FY 2010 General Fund Overview

The $381,187,593 General Fund comprises about a third of the County's budget and includes the largest pool of discretionary funds, which the Board of County Commissioners can allocate to support any department with few restrictions. Discretionary resources include property taxes, business income taxes, motor vehicle rental taxes, interest earnings, state shared revenues (i.e., video lottery, cigarette tax.), and beginning working capital. These sources make up about 90% ($342.2 million) of total General Fund revenues.

The remaining 10%, or $39.0 million, of the General Fund represents revenues primarily 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.

A useful way to look at General Fund revenues is to focus on those revenues that are ongoing or recurring. This is because a significant portion of the $381.2 million reflects one-time-only resources or the rolling of reserve funds over from the prior year. Based on the May, 2009 forecast and Board actions in the adopted budget, ongoing General Fund revenues are approximately $337 million.

The County takes a relatively balanced approach to forecasting General Fund revenues. Property tax is the single largest source of revenue in the General Fund and it accounts for about 63% of ongoing revenues. General Fund revenue growth, therefore, is particularly sensitive to changes in taxable value.

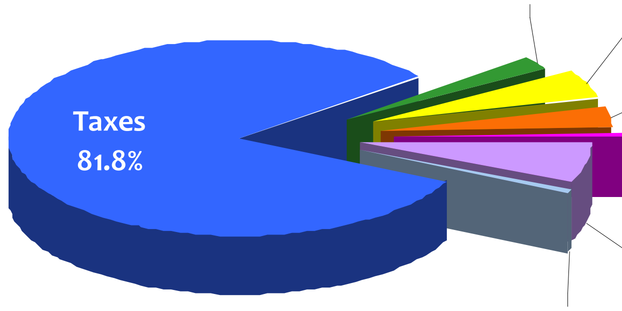
Expenditures are forecasted to grow by 4% to 5% annually – a rate of growth that takes into account inflation, employee compensation, and long term fixed costs. The voter approved 3% cap of property taxes means that there is a gap between ongoing expenditures and ongoing revenues that is about 2% annually.

In September 2009, there was a $36.5 million gap forecasted between ongoing revenues and expenditures. This deficit was projected to grow to $45.9 million in FY 2011 if no action had been taken. That translates to about 11% of ongoing General Fund costs. The adopted budget reduced ongoing costs by a net of $25.1 million, and the remainder of the gap was closed though a combination of new revenues and wage freezes for Local 88 and management employees as discussed earlier.

FY 2010 Revenues - General Fund ($381.2 million)

Overall, General Fund direct resources, which do not include service reimbursements and cash transfers, have decreased significantly from the previous year. Total General Fund direct resources are just less than $346.4 million – a decrease of 12.0% over the FY 2009 adopted budget. The reduced BWC accounts for 82.8% of the reduction. 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, business income tax (BIT), motor vehicle rental tax, state-shared assessment and taxation and recording fees, other state shared revenues (including video lottery, liquor control commission, cigarette and amusement device taxes), and interest earnings.

The following chart shows the major direct revenue resources within the General Fund.



Property Taxes

Property tax is the largest source of revenue in the General Fund at $221.2 million; it represents roughly 66.5% of *ongoing* General Fund revenue (which excludes items such as the $23.1 million of budgeted BWC). Property tax revenues have been limited in Oregon, in one form or another, since FY 1991. As a result of Measure 47/50 which passed in November 1996, taxes on existing properties cannot grow by more than 3% per year. In 1998, Measure 50 established a permanent property tax rate for each local government. In other words, we have a revenue source that accounts for two-thirds of the General Fund and is limited to a growth rate that, at best, just keeps pace with inflation. 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 exception is new construction, which can be increased more than the 3% maximum growth.

FY 2010 property tax estimates were based on the assumption that total assessed value growth would average 2.4%, reflecting the Measure 50 limits and "exception" value associated with new construction. Measure 5 compression loss is estimated at $6.2 million.

Business Income Tax (BIT)

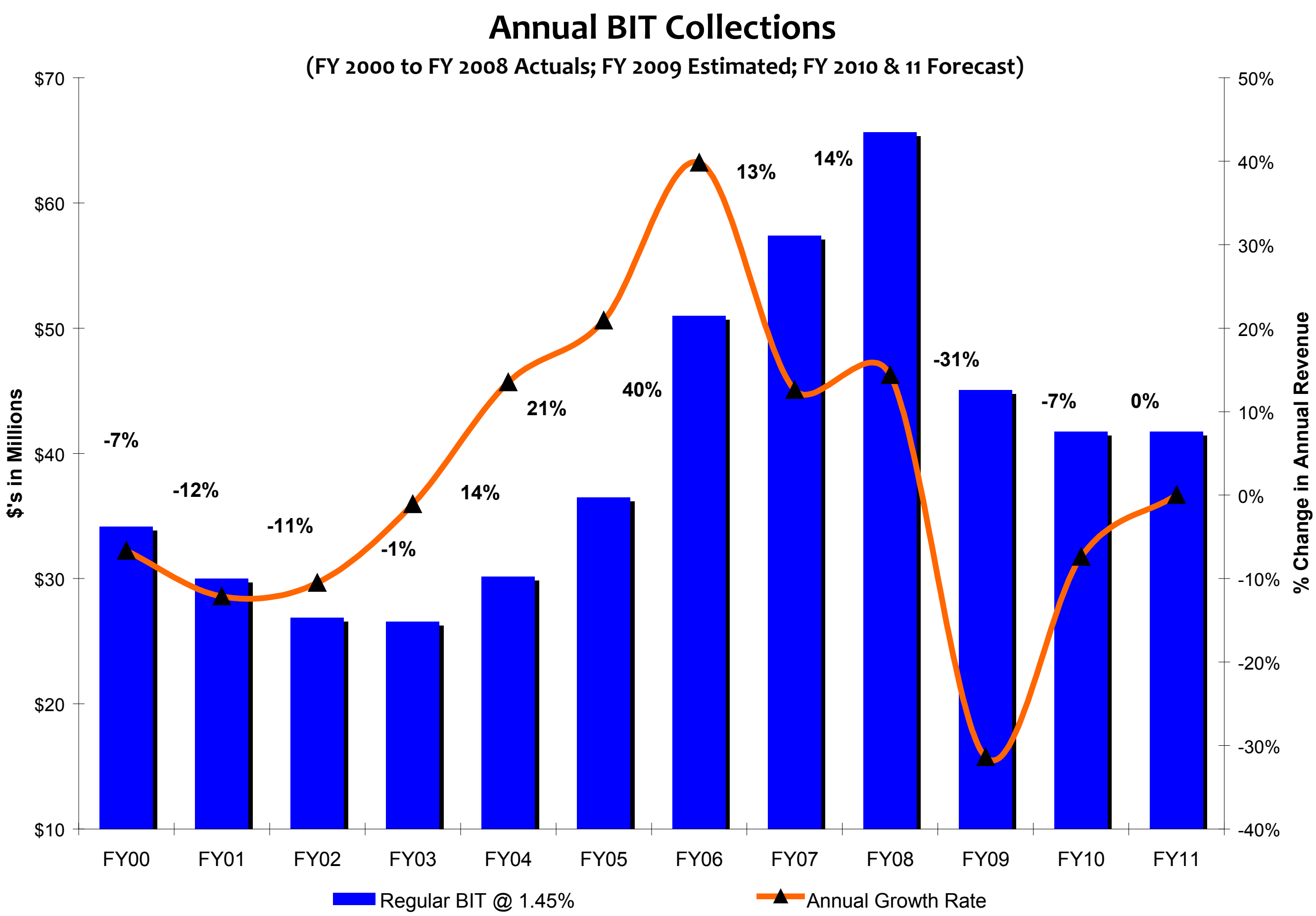
The Business Income Tax (BIT), established in 1976, is the second largest source of revenue in the General Fund. Since 1993, it has been set at a rate of 1.45% of net income. In March 1998, voters in Multnomah County passed a one-year 0.50% BIT surcharge. Proceeds from this surcharge were dedicated to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

On December 20, 2007, the Board of County Commissioners passed Ordinance No. 1104, which amended the Business Income Tax code. Starting in tax year 2008, the following adjustments were made:

- Increased gross receipts exemption from $25,000 to $50,000;
- Increased the owner's compensation allowance deduction to $80,000 plus the City of Portland's inflation-adjustment per owner; and,
- Instituted a $100 minimum per year for filers with gross receipts in excess of $50,000.

The third of these changes was designed to help offset revenue loss from the first two.

The BIT is a volatile revenue source that is cyclical and extremely dependent upon 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 since FY 2000. The right axis, represented by the line, tracks the annual percentage change in collections over that same time period.



After hitting a low of $26.6 million in FY 2003, Business Income Tax collections rebounded strongly. The County experienced five years of double-digit growth, and collections topped out in FY 2008 at $65.7 million – a 147% increase. As the BIT is sensitive to economic conditions, FY 2009 collections are expected to fall by 31%, or $21 million from FY 2008 levels. Through June, collections are down over 34% from the same point last year. In dollar terms, collections are down $20.9 million. Estimated quarterly payments for the current tax year have been weakening as the year has progressed. For the full year they are down 15.8%, but recent months are running around 30%. Refunds have increased very roughly in the range of 50% YTD, and exceeded 100% earlier in the year.

The adopted budget assumes an "L" shaped pattern in BIT collections – a rapid decline with a very gradual recovery. The FY 2010 budget plans for $42.5 million in BIT revenues, which would represent an additional 7.2% decline from FY 2009, or a cumulative 36% decline from the FY 2008 high. FY 2011 has been modeled with a 0% increase. The adopted budget includes a $6 million BIT reserve to protect against further declines.

Motor Vehicle Rental Tax (MVRT)

The County imposes a Motor Vehicle Rental Tax (which was increased to 17%) that is paid by individuals who 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 (MVRT) collections are closely related to the number of deplanements at Portland International Airport. As the economy has weakened, the demand for air travel has fallen. From November 2008 to March 2009, the monthly deplanements at PDX have fallen 14.5% to 18.7% on a year-over-year basis. While we originally assumed falling MVRT revenues, the Board voted in May, 2009 to increase the MVRT rate to 17%, an increase of 4.5 percentage points. This increase is expected to bring in an additional $4.7 million of revenue in FY 2010.

A&T Grant and Recording Fees

In 1989 the Legislature created a grant-funded program (CAFFA) to pay for County property assessment and taxation functions. Statewide, County Assessment and Taxation (A&T) programs were competing with other County services, which resulted in the deterioration of the state and local A&T 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 property tax collection system contribute to its costs. Other users of the system also contribute to this fund through a property recording fee.

The State Department of Revenue (DOR) reviews grant applications, which include appraisal plans and staffing. DOR sets minimum standards and compares each grant application to those standards to ensure that each county maintains sufficient support for its property assessment and tax collection functions. For FY 2010, the CAFFA grant and various recording fees are budgeted at $7.3 million, an 18% drop from the FY 2009 budget, but up 6.6% from expected FY 2009 collections. This estimate is consistent with lower revenues experienced in FY 2009 and assumes a modest increase in recordings from the low point in December 2008.

State Shared Revenues

State shared revenues include video lottery, cigarette, liquor, and amusement device taxes that are distributed by formula to Oregon counties. Together, these sources account for about $9.2 million (3%) of ongoing General Fund revenues.

With the exception of video lottery revenues, these sources have remained fairly flat or have declined over the past several years. The introduction of line games to the Oregon Lottery spurred rapid growth in total video lottery proceeds. Collections in FY 2009 have been weaker, possibly due to the economic downturn and to a smoking ban that went into effect in Oregon restaurants and bars, where many of the machines are located. FY 2010 revenues for video lottery are projected at $5.56 million.

Temporary Personal Income Tax (ITAX)

In 2003, County voters approved a temporary personal income tax (Measure 26-48) to benefit public schools, public safety, and human services. The measure enacted a 1.25% personal income tax that was estimated to raise $132 million annually for three years, ending in December 2005. While the tax has ended, the County continues to collect delinquent prior year taxes and pass the funds on to schools. For FY 2010, $1 million of prior year ITAX revenue is budgeted for the collection of delinquent collections. The schools will continue to receive 70% of the total revenue collected.

General Fund Reserve Status

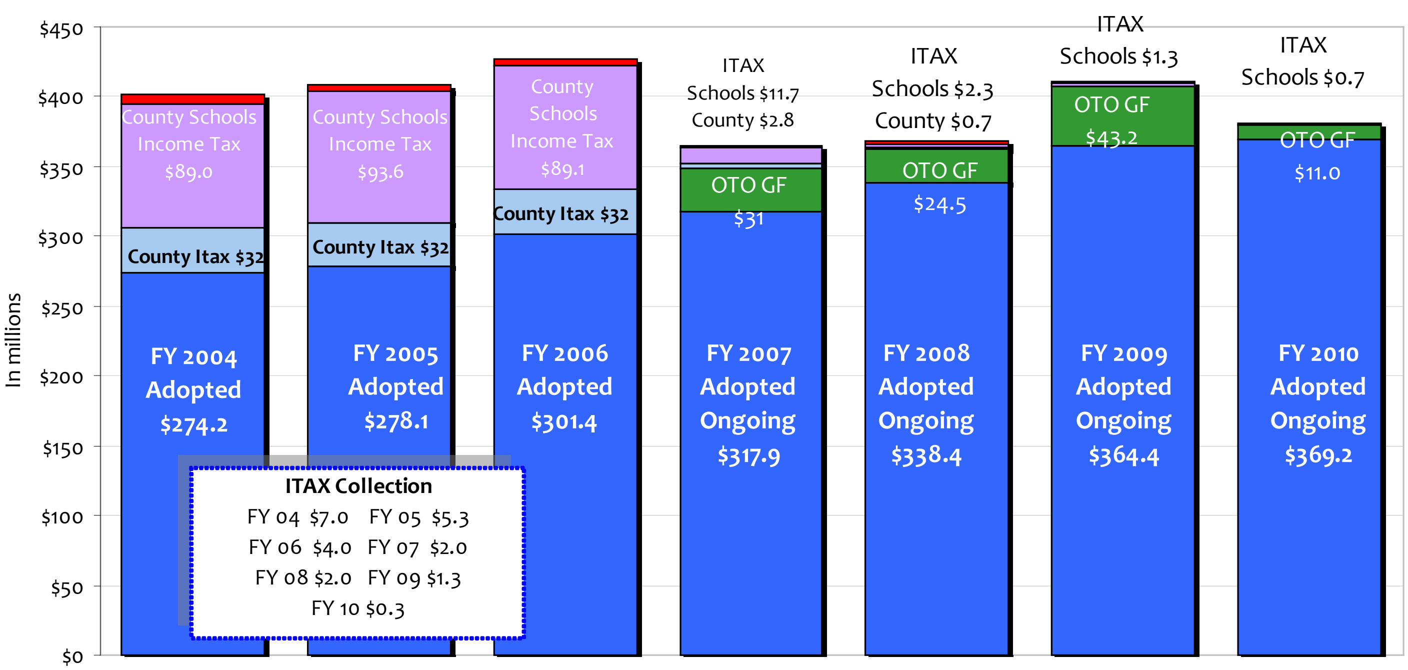
The County maintains General Fund reserves as outlined in the County's Financial and Budget Policies. In FY 2010, reserves are maintained in the General Fund and in the General Reserve Fund. Each fund has a target equal to 5% of ongoing "corporate" General Fund revenues – typically those revenues that the Board has wide discretion over, such as property taxes.

The FY 2010 adopted budget fully funds the General Fund reserves at $29.3 million and is in compliance with the Finance and Budget Policies. 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 Investors Services 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. The level of General Fund reserves is considered a fundamental measure of financial health and is closely monitored by the credit rating agencies. Moody's looks very favorably on the maintenance of reserves at adequate levels.

A technical side-note is that due to accounting changes under the Governmental Accounting Standards Board (GASB) Statement No. 54, the adopted budget includes the necessary budget authority to move the General Reserve Fund into the General Fund. This is being done pro-actively to ensure compliance with the new accounting standards.

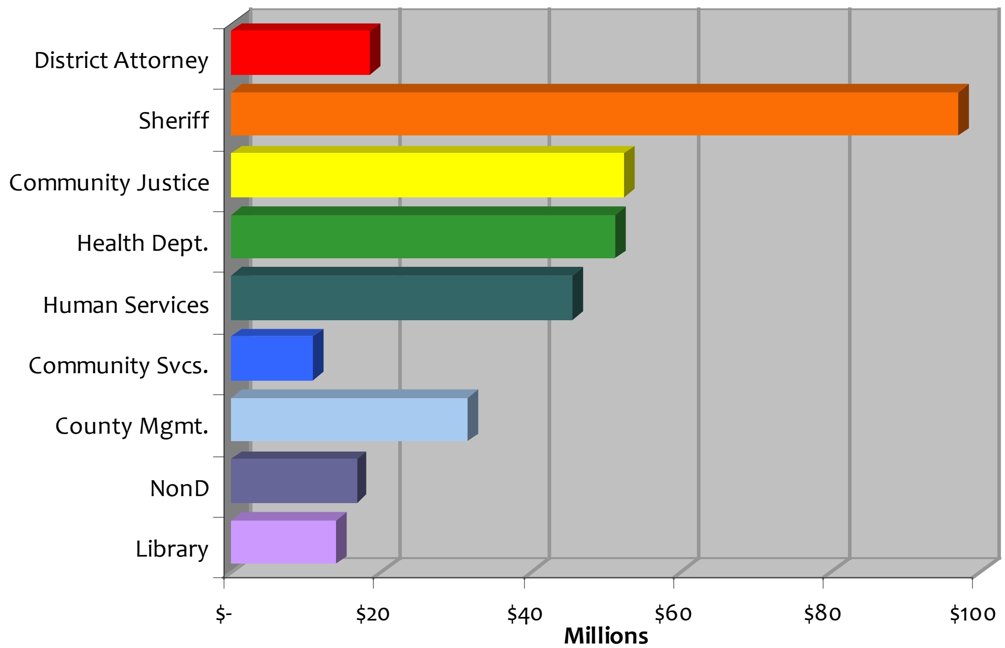
General Fund Expenditure Summary

The following graph shows the total General Fund appropriation (including cash transfers and service reimbursements) from FY 2004 through FY 2010 adopted budget with the Temporary Personal Income Tax. In addition, it shows for FY 2007, FY 2008, FY 2009, FY 2010 how much one-time-only funding was spent in the General Fund.



FY 2010 Departmental Expenditures - General Fund ($337.5 million)

The departmental General Fund expenditures below do not include cash transfers, contingency, the unappropriated balance, or the $1.0 million budgeted for ITAX. However, the $13.9 million cash transfer from the General Fund to the Library Fund is included.



Use of One-Time-Only Funds

The FY 2010 adopted General Fund budget has approximately $11.0 million of one-time-only resources available to be used after fully funding the County's General Fund reserves. The majority of the funds are attributable to the anticipated FY 2009 ending balance. Delinquent payments from the expired Temporary Personnel Income Tax constitute $1 million of this amount, and are tied to collecting the delinquent amount and passing it through to schools. These funds are not available for the Board to spend on County programs. This leaves $10.0 million of discretionary OTO funds.

The table on the following page shows the OTO funding in the adopted budget.

Prog #	Program Name	FY 2010 General Fund Adopted	Other Funds	OTO Only General Funds	% OTO General Funds
Descretionary OTO					
10000B	Business Process Re-Engineering	$150,000	$0	$150,000	100%
10001	District 1	444,000	0	1,500	0.3%
10029	Complete Count Census 2010	25,000	0	25,000	100%
25061	Bridgeview Building Redevelopment	250,000	0	250,000	100%
72048	Assessment & Taxation System Upgrade	1,500,000	6,500,000	1,500,000	100%
72057A	Central HR- Management Class Comp Study	2,488,251	0	300,000	12%
95000	Business Income Tax Reserve (contingency)	6,000,000	0	6,000,000	100%
95000	Facilities Vacant Space Support	1,100,000	0	1,100,000	100%
	Subtotal	**$11,957,251**	**$6,500,000**	**$9,326,500**	78%
Dedicated OTO					
10019	Multnomah County Schools	$700,000	0	$700,000	100%
72014	ITAX Collections	300,000	0	300,000	100%
	Subtotal	**$1,000,000**	**0**	**$1,000,000**	**100%**
Negotiated Local 88 Class Comp OTO					
40013A	Early Childhood Svcs for First Time Parents	$2,962,160	$3,930,435	$100,000	3%
40016A	Medicaid/Medicare Eligibility	537,799	1,162,358	292,000	54%
40035	Health Planning & Evaluation	1,433,818	1,826,678	205,000	14%
40041	Business & Quality Medical Billing	3,020,738	0	115,000	4%
91024	Animal Shelter Operations Restoration	584,291	0	584,291	100%
	Subtotal	**$8,538,806**	**$6,919,471**	**$1,296,291**	**15%**
	Total One-Time-Only Funds	**$21,496,057**	**$13,419,471**	**$11,622,791**	

Expenditure Changes to Departments

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

Community Justice (DCJ)

Budget Trends	FY 2008 Actual	FY 2009 Current Estimate	FY 2009 Adopted Budget	FY 2010 Adopted Budget	Difference
Staffing FTE	534.80	563.15	566.26	537.35	(28.91)
Personal Services	$46,521,685	$51,655,642	$52,431,293	$50,824,062	($1,607,231)
Contractual Services	15,883,830	17,157,796	18,234,370	16,725,772	(1,508,598)
Materials & Supplies	14,394,694	13,418,309	13,505,342	14,770,254	1,264,912
Capital Outlay	65,423	0	0	16,000	16,000
Total Costs	**$76,865,632**	**$82,231,747**	**$84,171,005**	**$82,336,088**	**(1,834,917)**

The FY 2010 adopted budget is approximately $82.3 million dollars and includes 537.35 FTE. The positions have decreased by 28.91 FTE or 5.1%.

The General Fund supports $52.3 million of programs and is $1.7 million less than the FY 2009 adopted budget. The decrease is due primarily to:

- elimination of the Juvenile Multi-Systemic Therapy Treatment and Foster Care (programs 50017A & B) $958,799 and 3.0 FTE;
- reduction in Adult Field Services Felony Supervision (program 50030B) $864,737 and 8.00 FTE;
- reduction in Juvenile Culturally Specific Intervention Services (program 50014B) $220,869; and
- wage freeze and cost of living adjustments for Local 88 and management employees $1,096,894.

Community Services (CS)

Budget Trends	FY 2008 Actual	FY 2009 Current Estimate	FY 2009 Adopted Budget	FY 2010 Adopted Budget	Difference
Staffing FTE	221.50	217.50	217.50	206.50	(11.00)
Personal Services	$17,872,702	$18,915,291	$19,703,428	$18,752,884	($950,544)
Contractual Services	27,067,763	27,461,442	28,605,669	29,433,617	827,948
Materials & Supplies	8,893,966	10,717,153	11,163,701	10,296,763	(866,938)
Capital Outlay	11,475,955	20,165,439	21,005,666	9,950,846	(11,054,820)
Transfers & Contingency	2,470,607	3,296,452	3,433,804	5,318,585	1,884,781
Total Costs	**$67,780,992**	**$80,555,777**	**$83,912,268**	**$73,752,695**	**($10,159,573)**

The Department of Community Services is responsible for County roads and bridges, elections, animal services, land use and transportation planning, as well as maintaining County land corners and operating the Tax Title Program for the County's tax foreclosed property.

The County's Road and Bridge Funds are supported by gas tax revenues that continue to decline. For FY 2010, the Roads program has reduced positions, sign and traffic marking maintenance, and the chip sealing and asphalt overlay programs to adjust to a revenue shortfall of nearly $2 million. The Willamette River Bridge Fund will drop by about $635,000, with 6.00 FTE, maintenance activities, and pre-engineering services being reduced. Department General Fund-supported program reductions include reducing positions in Elections and Land Use Planning, and reducing materials and supplies in all programs.

Animal Services shelter operations are maintained at six days open per week with one-time-only resources for FY 2010. The County continues to work with the City of Portland on plans for shared resources and responsibilities for animal services in both jurisdictions.

County Human Services (DCHS)

Budget Trends	FY 2008 Actual	FY 2009 Current Estimate	FY 2009 Adopted Budget	FY 2010 Adopted Budget	Difference
Staffing FTE	631.75	676.55	694.05	697.72	3.67
Personal Services	$50,289,095	$55,282,329	$58,580,309	$59,958,471	$1,378,162
Contractual Services	119,174,049	115,878,594	115,331,711	118,360,569	3,028,858
Materials & Supplies	13,490,406	12,787,734	13,766,386	15,085,600	1,319,214
Capital Outlay	0	80,000	0	0	0
Total Costs	**$182,953,550**	**$184,028,657**	**$187,678,406**	**$193,404,640**	**$5,726,234**

The DCHS adopted budget is $193.4 million $5.7 million more than the FY 2009 adopted budget. The adopted staffing level of 697.72 FTE is 3.67 FTE higher than the FY 2009 budget.

The General Fund supports $45.5 million and is $1.4 million less than the FY 2009 adopted. The General Fund decrease is due largely to:

- elimination of Touchstone School Based Case Management (program 25146A) $1,009,529 and 6.47 FTE;
- elimination of At Risk Girls Programming (program 25153) $61,409; and
- wage freeze and cost of living adjustments for Local 88 and management employees $619,526.

Non-General Fund appropriations are $147.8 million, $7.1 million higher than the FY 2009 adopted. Most of the increase is in Energy Services (program 25119). This program increased nearly $9.0 million from 2009 with $4.4 million awarded from the American Recovery and Reinvestment Act (ARRA). Additionally, $1.4 million ARRA funds were award for Anti-Poverty Services (program 25139).

County Management (DCM)

Budget Trends	FY 2008 Actual	FY 2009 Current Estimate	FY 2009 Adopted Budget	FY 2010 Adopted Budget	Difference
Staffing FTE	405.00	404.50	409.50	380.40	(29.10)
Personal Services	$35,167,686	$36,727,385	$38,257,693	$36,089,431	(2,168,262)
Contractual Services	12,768,661	27,988,849	29,155,051	10,680,372	(18,474,679)
Materials & Supplies	102,555,045	117,437,092	122,330,304	114,534,787	(7,795,517)
Capital Outlay	7,757,758	39,812,085	41,470,922	51,015,793	9,544,871
Contingencies & Transfers	7,678,801	16,935,788	23,003,288	30,919,763	7,916,475
Total Costs	**$165,927,951**	**$238,901,199**	**$254,217,258**	**$243,240,146**	**($10,977,112)**

The Department of County Management (DCM) provides the essential infrastructure that supports all County operations and services. DCM touches every other County department and is responsible for managing key County resources – people, finances, and facilities and equipment – with a county-wide perspective.

The adopted budget contains the following changes in DCM's structure:

- The County's Information Technology, Emergency Management, and SAP Support Team programs moved to Nondepartmental.
- The Budget Office Evaluation and Central HR's Quality & Analytics units have been eliminated.

One-time-only General Funds support the costs of vacant space in County facilities for FY 2010, pending "re-stacking" of tenants in County buildings; final Personal Income Tax (ITAX) collections; partial payment for a new Assessment & Taxation IT system; and classification and compensation review studies in Human Resources.

District Attorney (DA)

Budget Trends	FY 2008 Actual	FY 2009 Current Estimate	FY 2009 Adopted Budget	FY 2010 Adopted Budget	Difference
Staffing FTE	222.30	225.30	225.30	205.00	(20.30)
Personal Services	$20,355,635	$21,156,443	$21,975,694	$20,562,083	(1,413,611)
Contractual Services	1,184,342	1,397,737	1,535,813	1,042,911	(492,902)
Materials & Supplies	2,815,821	2,696,006	2,805,974	2,762,394	(43,580)
Capital Outlay	0	0	25,000	0	(25,000)
Total Costs	**$24,355,799**	**$25,250,186**	**$26,342,481**	**$24,367,388**	**($1,975,093)**

The District Attorney's Office budget is about $24 million. The General Fund supports about $18 million. Grants and other dedicated revenues account for approximately $6 million.

The adopted budget has decreased by 7.5% from FY 2009, with the largest decrease in personnel costs. The number of positions has been reduced by 20.30 FTE to 205.00. The District Attorney's FY 2010 budget supports 69.50 Deputy DA positions; a decrease of 15.30 FTE from the FY 2009 adopted budget. The Deputy DA reductions are in the felony, juvenile, and domestic violence trial units. There are also Deputy DA reductions in the child abuse team, misdemeanor trial and neighborhood DA programs.

Health Department (HD)

Budget Trends	FY 2008 Actual	FY 2009 Current Estimate	FY 2009 Adopted Budget	FY 2010 Adopted Budget	Difference
Staffing FTE	909.53	865.33	921.17	871.16	(50.01)
Personal Services	$79,798,420	$85,362,856	$89,821,528	$85,684,824	(4,136,704)
Contractual Services	16,138,644	$16,131,605	14,905,433	16,672,648	1,767,215
Materials & Supplies	32,977,172	$31,195,983	33,378,621	34,648,505	1,269,884
Capital Outlay	0	$92,000	92,000	150,000	58,000
Total Costs	**$128,914,235**	**$132,782,444**	**$138,197,582**	**$137,155,977**	**($1,041,605)**

The Health Department seeks to protect against threats to health, to ensure access to healthcare for Multnomah County residents, and to promote health. Despite financial constraints, the Health Department's FY 2010 budget sustains health services for the most vulnerable populations. Changes to service delivery format and personnel levels were made in order to maintain capacity in most areas of service.

The FY 2010 program offers reflect a large reduction in services in the Dental Clinics which is the result of reductions in the state funding for adult dental care. Overall, revenues increased by approximately $2.0 million which decreased the impact of reductions to the General Fund. The FY 2010 adopted budget funds 9.00 FTE with one-time-only General Fund resources. These positions are identified as promoting the Health Department's ability to produce more revenue in future years.

Library (LIB)

Budget Trends	FY 2008 Actual	FY 2009 Current Estimate	FY 2009 Adopted Budget	FY 2010 Adopted Budget	Difference
Staffing FTE	464.75	483.00	477.50	486.51	9.01
Personal Services	$32,588,332	$35,352,769	$34,795,542	$36,607,971	1,812,429
Contractual Services	1,009,722	833,158	1,343,052	1,273,281	(69,771)
Materials & Supplies	18,946,439	19,805,959	23,348,885	21,386,389	(1,962,496)
Capital Outlay	65,509	638,277	689,000	4,410,316	3,721,316
Total Costs	**$52,610,002**	**$56,630,163**	**$60,176,479**	**$63,677,957**	**$3,501,478**

The FY 2010 adopted budget for the Library maintains the level of service promised in the five-year levy, which was approved in the fall of 2006. Included in the operating budget are $4.5 million of OTO funds for the opening of the two new neighborhood libraries in Kenton and Troutdale. Partial-year staffing is included for these new branches. A $1.9 million appropriation is also included for the Materials Movement Project. Reduced General Fund support was absorbed by utilizing beginning working capital and by the implementation of a wage freeze for Local 88 and exempt/management employees. The book budget was reduced by $500,000; and planned travel, training, repairs, and maintenance expenses were reduced by roughly $160,000.

Nondepartmental (NOND)

Budget Trends	FY 2008 Actual	FY 2009 Current Estimate	FY 2009 Adopted Budget	FY 2010 Adopted Budget	Difference
Staffing FTE	247.10	248.21	248.21	248.40	0.19
Personal Services	$25,387,414	$28,595,990	$28,595,990	$30,743,358	2,147,368
Contractual Services	35,914,161	34,168,452	35,592,137	30,575,650	(5,016,487)
Materials & Supplies	16,235,815	20,340,583	20,340,583	19,634,994	(705,589)
Capital Outlay	1,107,074	6,299,024	6,299,024	14,966,988	8,667,964
Debt Service	37,691,001	36,535,339	36,535,339	45,531,872	8,996,533
Transfers & Contingency	40,680,373	28,671,232	90,477,766	60,874,850	(29,602,916)
Total Costs	**$157,015,838**	**$154,610,620**	**$217,840,839**	**$202,327,714**	**($15,513,127)**

Nondepartmental consists of the Board of County Commissioners and Chair; Auditor; County Attorney; Public Affairs Office; Non-County Agencies; Independent County Organizations; the County's ITAX for the school districts; and Accounting Entities. Fund level program offers also are shown. In FY 2010 the County's Information Technology (IT) and Emergency Management organizations have been transferred to Nondepartmental from the Department of County Management; expenses for maintaining the Wapato Jail in its "mothballed" state have been transferred from the Sheriff's Office; and expenses for operating the County's Decision Support System-Justice (DSS-J) database have been transferred from the Sheriff's Office, County Management, the Department of Community Justice, and the District Attorney's Office.

Sheriff's Office (MCSO)

Budget Trends	FY 2008 Actual	FY 2009 Current Estimate	FY 2009 Adopted Budget	FY 2010 Adopted Budget	Difference
Staffing FTE	802.52	797.19	797.19	765.47	(31.72)
Personal Services	$87,762,006	$94,128,372	$93,658,159	$91,170,194	($2,487,965)
Contractual Services	1,861,661	983,685	1,146,241	1,516,808	370,567
Materials & Supplies	18,572,111	19,953,081	19,822,000	20,250,396	428,396
Debt Service	10,962	0	0	0	0
Capital Outlay	661,302	206,769	253,069	575,627	322,558
Total Costs	**$108,868,042**	**$115,271,907**	**$114,879,469**	**$113,513,025**	**($1,366,444)**

The Sheriff's Office total budget for FY 2010 is about $113.5 million. General Funds are $97 million, or 85% of its total budget. A year-over-year adopted budget comparison shows the General Fund decreased by $1.8 million. Most of this decrease is attributable to personnel reductions of 26.00 General Fund FTE.

The Sheriff has the budgeted capacity to support 1,367 jail beds. 126 beds were closed in March 2009, so the FY 2010 capacity is 46 fewer beds than the current capacity. The US Marshal Service is anticipated to pay for 200 of the available beds, which is an increase of 75 beds over FY 2009.

Challenges and Opportunities

The FY 2010 adopted budget is based on the information available at the time of development. Future decisions regarding jail operations, bridges, and State funding add some uncertainty to the County's financial future and need to be noted.

Ongoing Structural Deficit

The County continues to experience a structural budget deficit which is masked by the more serious decline in revenues associated with the recession. A structural deficit occurs when expenditures, on average, grow faster than anticipated revenues. In Multnomah County, labor costs tend to drive overall expenditure growth: in addition to wage inflation, the County faces increasing costs for employee pensions and healthcare for employees and dependents. As property tax revenues have been limited in Oregon in one form or another since 1991, the property tax is a revenue source that is limited to a growth rate that, at best, just keeps pace with inflation. Overall county expenditures grow between 4% and 6% each year, on average, so the ongoing gap related to this dynamic can be as much as 2%, or approximately $6 million annually.

SB 400

Legislation was recently passed that requires employers to bargain over safety issues or staffing levels that may affect the on-the-job safety of employees. Examples of possible safety issues in County workplaces include those related to weapons, vehicles, radios, the configuration of our jails, use of force policies, and general safety. The new language increases the number of issues that are subject to bargaining, such that whenever the County changes a past practice or policy that may have a nexus to safety, the subject might require bargaining or interest arbitration. Therefore, the County has increased its attention to ensuring required collective bargaining notice procedures, and has moved away from unilaterally implementing changes in practice that may reduce safety in the workplace.

State of Oregon 2009-2011 Budget

County departments were instructed to build their budgets based on the Governor's 2009-2011 budget. There were two exceptions to these instructions. The Department of Community Justice's budget plans for a current service level of state resources; and the Department of County Human Services (DCHS) planned for state resources based on a budget proposal prepared by the state Ways & Means Committee.

The Governor's budget, released in December, 2008, assumed a $1.2 billion state revenue shortfall. Subsequent revisions to the state revenue forecast left the Legislature to plan instead for a $4.2 billion biennial shortfall. While the Legislature met its obligation to adopt a budget prior to June 30, 2009, allocations to counties have not yet been finalized. Thus, the impacts of the State of Oregon's budget decisions are not reflected in the County's budget. We expect to revisit the County's budget to adjust for state-funded programs during the summer of 2009.

Sub-Acute Facility for Mental Health

In FY 2009, the county contributed $1,000,000 toward a sub-acute mental health facility. Multnomah County is working with Central City Concern to leverage this county funding to build this facility, the total cost of which is estimated at approximately $1,800,000.

The proposed facility will have 16 beds and offer short-term stabilization in a secure environment to 600-800 clients annually. Sub-acute treatment is a critical component in a full continuum of mental health community based services and is a secure and less expensive alternative to jail or inpatient psychiatric hospitalization. The program works with other community agencies that provide long-term care, but the mission of the sub-acute treatment program is brief intervention when a person becomes a danger to self or others due to his or her mental illness, or when a individual's symptoms become unmanageable in an outpatient setting.

The Department of County Human Services (DCHS) will require funding of about $3,400,000 per year to operate the sub-acute mental health facility. Under our current agreement with Central City Concern, that agency will complete renovation of the former Hooper Detox Center sometime in 2012 to allow the County to choose a provider who will operate sub-acute treatment services at that site. Approximately fifty percent of the ongoing budget is anticipated to be reimbursed through the Oregon Health Plan. Additional funding will be identified from county, state or other local sources.

Employee Compensation

The County strives to offer its employees a wage package that is competitive with peer organizations in the public and private sector labor markets. Over the last few years, the greatest challenge facing the County has been the increased cost of health insurance, property and liability insurance, workers compensation and retirement. Additionally, 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.

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, outlining reporting requirements for post-employment benefits other than pensions. GASB 45 recognizes that those expenses represent a liability to governments, and requires the liability be reported as such in the annual financial report. Previously, these costs were not 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 1.5% of current payroll costs to support the retiree medical insurance program. The County shares the cost of the monthly premium with retirees, at a rate of half the monthly premium that is set for active employees 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. The unfunded liability is approximately $130 million and our current reserve is approximately $14.6 million.

Motor Vehicle Rental Tax (MVRT)

The adopted budget assumes an increase in the MVRT of 4.5 percentage points, to a rate of 17%. This increase is expected to bring the County an additional $4.7 million of revenue. The chart below shows the program offers that the increased MVRT contributed to preserving.

Pgm #	Program Name	FY 2010 General Fund	Other Funds	FTE
25021	ADS Emergency Basic Needs for Vulnerable Adults	871,039	0	1.50
25091	Sobering	468,812	0	0.00
25050C	Mental Health Administration	173,278	0	2.00
25053A	Mental Health Quality, Mgmt & Protective Services	665,544	1,040,794	14.00
25055B	Mental Health Crisis Services - Scaled CGF	103,611	0	0.00
25063B	MH Treatment & Medication for Uninsured Indigent (Scale Up)	1,959,819	0	0.00
25094C	Family and Youth Addictions Treatment Continuum scale-up	127,373	0	0.00
25156A	Bienestar Social Services	480,385	0	3.30
50027B	DCJ Adult Offender Housing Restore	346,494	8,605	0.00
50042A	DCJ Addiction Services-Adult Drug Court Program	1,012,064	30,264	0.00
50044C	Adult Residential Treatment Restore-20 beds	933,056	23,171	0.00
50045B	Women's Residential Treatment Restore 5 beds	224,159	5,738	0.00

Wapato Operations

Construction of the Wapato Jail, a 525-bed facility, was completed in FY 2007. There is currently insufficient funding to operate this facility. The adopted budget includes $373,000 for "mothball" costs for the year. The County continues to work with the State Department of Corrections on options for the state to lease or purchase this facility.

Urban Renewal

Oregon statutes provide for the establishment of urban renewal agencies that have broad powers in the areas of economic development and redevelopment. Urban renewal agencies typically receive most of their funding through tax increment financing (TIF) whereby property taxes generated within a plan area are dedicated to the repayment of bonds issued for public improvements. These property tax receipts are subject to tax limitations Measure 5 and Measure 50.

The City of Portland, through its urban renewal agency, the Portland Development Commission (PDC), operates eleven urban renewal plan areas. The cities of Gresham and Troutdale also operate one urban renewal plan area apiece. Per state law, when urban renewal agencies must identify "blight" conditions and how those conditions will be addressed they create a new plan area. Plan areas must also establish a maximum level of indebtedness and identify a date after which no further debt may be issued.

As a result of the property tax limitations established in the state constitution, urban renewal taxes compete directly with other taxing jurisdictions. This means that taxes collected by other taxing districts (cities, counties, special districts, schools) are limited because incremental value growth within plan areas is retained by the urban renewal agency. We have estimated that the taxes foregone by Multnomah County total more than $22 million annually. However, there is a reasonable debate as to how much tax revenue would be available absent the work of the urban renewal agency.

Within the past year, the County has gained a "seat at the table" in discussions about the future of urban renewal in Portland. In addition, as this budget message is being written, efforts are underway in the state legislature to revise urban renewal statutes in order to provide other taxing districts with greater legal standing in establishing and amending urban renewal plans.

Public Employee Retirement System (PERS)

On March 31, 2006, the PERS Board adopted changes to the methods used for future actuarial valuations. These changes are considered acceptable under retirement financial guidelines and generally accepted accounting principles. In addition, the PERS board 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, as well as budgeting requirements that are more manageable than the previous methods generated. For FY 2010, the County's PERS rates have essentially remained unchanged from the previous year. This is primarily the result of a recent ruling by the PERS Board which requires employers to pay the same rate on their entire payroll, regardless of the eligibility status of their employees (Tier 1, Tier 2, or OPSRP), and is reflective of the actuarial valuation for the period ending 12/31/07. The next actuarial valuation will be based on the period ending 12/31/09 and will be produce revised PERS rates. The employer's unfunded liability fluctuates based on stock market activity and current economic conditions. It is anticipated that the County's PERS rates may be increased in FY 2012.

Retirement Incentive Pilot Program

By resolution, the Board of County Commissioners approved a voluntary retirement incentive pilot program on a trial basis for the Sheriff's Office. The purpose of this incentive program was to encourage higher-cost employees to retire while allowing the County to retain newly-trained and less expensive employees; the anticipated effect would be to reduce layoffs and their adverse impacts on County services.

In the Sheriff's Office, 60 employees were eligible to receive the incentive. If all of the eligible employees would have accepted the incentive, the County could have generated savings exceeding $250,000 in the first year with a total savings estimated at $3.5 million by year three. Of the 60, only 7 applications were received to participate in the pilot, costing $144,000 in FY 2009. The modest savings in FY 2010 were put towards restoring the TSI Weekender Program (see program offer 60038A).

New Debt

The County anticipates issuing debt for a number of deferred maintenance and information technology capital projects, including the planned replacement of our Assessment & Taxation Information System. Once the list of projects has been finalized, the County will finance the projects with Full Faith and Credit Obligations (formerly known as Certificates of Participation, or COPs). The County plans to issue up to $24.6 million of debt which will require approximately $3.25 million in debt service beginning in FY 2011. The projects will be financed over a 7-year period. The annual debt service costs for projects has been included in the FY 2010 budget and will be paid for with savings generated by paying off other bonds, cutting internal service costs, and using an annual departmental contribution towards capital needs. This planned debt issue coincides with a drop in interest rates which makes short-term borrowing very favorable.

BIT Stabilization Reserve

The FY 2010 adopted budget establishes a $6.0 million BIT Stabilization Reserve. This reserve is in addition to other General Fund reserves and is specifically set aside for use in the event of a revenue shortage or budgetary imbalance. The Business Income Tax (BIT) is a very volatile revenue source, and the BIT reserve will help mitigate the risk of an unexpected downturn in the regional economy. In the event that this reserve is not needed, it is anticipated that $2.5 million will be used to pay off the debt for three Health Clinics and the Yeon Annex Facility in June, 2010.

Business Process Reengineering & Internal Services

The adopted budget includes $150,000 for a business process re-engineering project (program 10000B). This project will focus on redesigning internal support processes, improving customer satisfaction, managing demand expectations, meeting our legislative requirements, and limiting liability and mitigating risk.

US Marshall Revenue

The adopted budget includes an additional $3.4 million of General Fund revenue from renting 75 additional jail beds to the US Marshal Service. This would bring the number of County jail beds rented to the US Marshal to 200. The County does not have a formal agreement with the US Marshal for the additional 75 jail beds; therefore, if the US Marshal revenue does not materialize, the Sheriff's Office will reduce its appropriation by a similar amount. This revenue will be tracked in the expenditure and revenue report compiled by the Budget Office and reported monthly to the Board.

City Funding for Jail Beds, District Attorney and Alcohol & Drug Treatment

The City of Portland has reimbursed Multnomah County for some of the cost of 57 jail beds under an inter-governmental agreement (IGA) that has been in place since FY 2006. The program has been referred to informally as "P57." For the last fiscal year, the City reimbursed the County for 10 jail beds per day, although usage remained higher. City revenue of $228,000 for P57 in FY 2010 is assumed in the Sheriff's Budget, which represents less than ten jail beds. At this time, the funding for this program is *not* included in the City's adopted budget.

Property Disposition

In FY 2010, The Facilities Division will continue with projects that align with the adopted Disposition Strategy (2004) and Strategic Plan (2005). The Capital Budget for FY 2010 and plan for FY 2010-14 have been developed to concentrate spending on facilities the County expects to keep, and to avoid spending on facilities it may be eliminating.

Notable FY 2010 projects include:

- The East County Courts Project scope of work, location, and budget is being reviewed. Once the revised plan and budget is approved by the County Commissioners, design and construction can begin.
- The Downtown Courthouse site zoning and land use issues need to be addressed before executing the design and construction phases of a relocated Hawthorne Bridge off ramp.

The Facilities division will also be researching solutions for buildings that still have major deferred maintenance and operating issues such as Mead, Animal Services, Walnut Park, Yeon and Kelly Buildings.

Bridge and Road Funding

Fuel tax collections generate the single largest amount of revenue for the state highway fund. The state highway fund and the county gas tax of $0.03 per gallon represent the county's primary revenue sources for the care of county roads and bridges. Due to a combination of factors including the economic slowdown, the high price of fuel in 2008 and the demand for more fuel efficient vehicles, gas tax revenues are declining.

Existing transportation revenues are inadequate to address road and bridge maintenance, preservation, and modernization in current program budgets. The impacts of declining revenues are seen in staffing reductions, in redesigned program service delivery, and in deferring maintenance and delaying capital projects. Although the County has been successful in securing Federal and State funds for bridge capital projects, a shortfall in excess of $500 million for bridges and $350 million for roads exists between identified needs and identified funds over the next 20 years.

Even if the County receives federal dollars for road or bridge projects, federally-funded projects require a local match, placing additional pressure on the County's transportation budget. One source of optimism is the current legislation proposed by the Governor to address statewide transportation funding. HB 2001 is anticipated to increase investment in transportation infrastructure in Oregon by $960 million.

Asset Preservation and the Capital Budget

Beginning in FY 1999, a Capital Improvement Fee was assessed to all County tenants based on space occupied. The fee is intended to pay for the replacement of building systems at the end of their useful lives; this is the major ongoing source of revenue for the capital program. For FY 2010, the fee is $2.55 per square foot and is budgeted to collect approximately $6.0 million for repairs to County buildings.

Annual capital fees have proved to be an inadequate source of funding in the light of an estimated deferred maintenance and seismic liability of approximately $209 million for County buildings, last calculated in February of 2009. A full solution to deferred maintenance will require new sources of revenue in order to replace or repair important County buildings. The Facilities divison will continue to aggressively manage County building vacancies and move forward with the Disposition Strategy and Long Term Strategic Plan to create a portfolio of well sited, functional, flexible buildings that could be managed with the Asset Preservation and Capital Improvement Fees.

Courthouse Construction (Downtown & East County)

On December 14, 2006 the Board passed resolution 06-203 declaring the North Bridgehead Block as the preferred site for the proposed new downtown Courthouse. With the siting decision made, the County is proceeding to address the zoning and land use issues which currently encumber the site. Relocating the Hawthorne Bridge off-ramp that bisects the property will take place after the zoning and land use issues are addressed. In March 2008, the County received $9 million from the Portland Development Commission as part of the final bond sale for the Downtown Waterfront Urban Renewal Area. The County will continue its pursuit of different funding sources for the actual design and construction of the Courthouse.

In February 2009, the County Chair and Gresham Mayor endorsed a proposal to relocate East County courts to a new facility on NE 8th Street in downtown Gresham. In coming months, the County will be developing funding strategies to move the project forward. This proposal would be to build a three-courtroom facility to replace the current one-courtroom serving east Multnomah County.

IT Advisory Group & Innovation Fund

County programs can leverage information technology solutions to streamline business processes and gain staff productivity, as well as increase citizen access to services. These technology solutions require significant capital and ongoing support. This demand has created a number of problems:

- No county-wide process exists for prioritizing IT investments that impact more than one department or the entire County.
- 90% of the IT budget maintains existing applications.
- Citizens do not have easy access to services due to lack of unified IT strategies across departments.
- Projects are developed without clear business requirements and sponsors.

To address these issues, an Information Technology Innovation & Investment Fund (ITIIF) was established in November, 2007. Oversight is provided by the Information Technology Advisory Board (ITAB). The ITAB defines, implements, and monitors processes for selecting and managing IT investment projects across the County. In the first year, FY 2009, a project evaluation model was created and six projects were funded totaling, $2.5 million. $9.4 million is included in the FY 2010 adopted budget, of which $3.4 million is carryover for FY 2009 projects still in process. Six million is for new capital projects anticipated to be funded with a FY 2010 bond issue for facilities and IT capital projects.

Where to Find Other Information

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.

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.

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.

The Progress Board Benchmarks – this site contains data and graphic information about benchmarks obtained through surveys and other analysis.

Citizen Involvement Process – Citizen Budget Advisory Committees
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.

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 Board of County Commissioners.

Public Testimony & Public Hearings
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.

Citizens have the opportunity to testify at:

Annual Budget Hearings— for FY 2010, the Board, sitting as the Budget Committee, will hold several public hearings after the approval, but before the adoption, of the budget. Hearings were held:

- May 5, 2009 Public Budget Hearing – North Portland Library, Second Floor meeting Room, 512 N. Killingsworth Street, Portland.
- May 13, 2009 Public Budget Hearing – Multnomah County East Building, Sharron Kelley Conf, Room A & B, 600 NE 8th Street, Gresham (IRCO) Gymnasium, 10301 NE Glisan
- May 18, 2009 Public Budget Hearing – Communities of Color at the Immigrant and Refugee Community Organization (IRCO) Gymnasium, 10301 NE Glisan, Portland
- May 26, 2009 Public Budget Hearing – Multnomah Building, Commissioners Boardroom, 501 SE Hawthorne Boulevard, Portland.

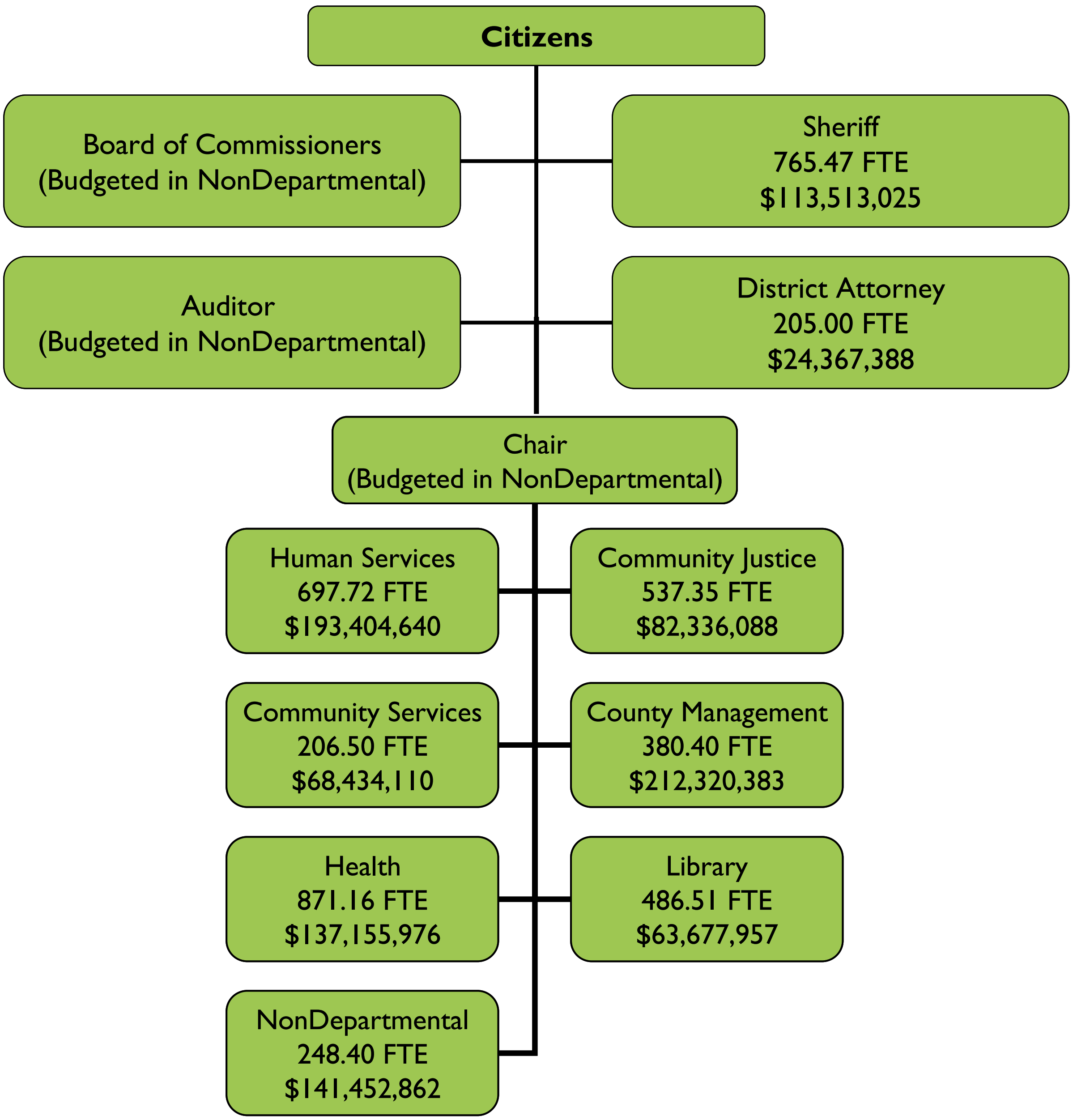
The Tax Supervising and Conservation Commission Hearing – On May 27, 2009, TSCC held a public hearing on the budget.

Budget Adoption—testimony was taken at the Board session for final adoption of the budget on June 4, 2009.

Budget Website
Citizens and employees have the opportunity to participate in the budget process through the County's web site. From the County's home page, http://www.co.multnomah.or.us/budget, citizens and employees may access the site that contains the FY 2010 budget, links to frequently asked questions; the calendar; live and archived video of work sessions; and other information, input opportunities and employee resources.

Multnomah County Organization Chart

Multnomah County delivers its services through nine departments including three managed by independently-elected officials: Bob Skipper, Sheriff; Michael Schrunk, District Attorney; and Steve March, County Auditor, . There are 4,342.69 full time equivalent (FTE) positions in this budget. Department spending, including internal services which are double-counted, totals just over $1.04 billion in the adopted budget. Below is an organization chart for the County:



Appreciation

This document is the outcome of many hours of hard work and analysis by County 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 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, Sarah Durant and especially Rodney Gibbs who is the glue that keeps the office running smoothly.

Karyne Kieta
Multnomah County Budget Director

Tax Information

Property tax administration, governed by the Oregon Constitution, State tax laws, and regulations of the Department of Revenue, includes the assessment, equalization, levy, and collection of taxes. A tax limitation measure (Measure 50) affecting property tax collections was approved by the voters in the May 1997 special election. This legislation changed the property tax administration system substantially, with changes to levy rates, assessments and equalization. For information regarding the history of tax revenues and property tax limitations please see the Financial Policies.

Permanent Tax Rate

Each local taxing district which imposed operating ad valorem taxes in FY 1998 received a permanent tax rate. The rate was calculated by dividing the total operating ad valorem taxes imposed by the County in FY 1998 (reduced by an average of approximately 17% statewide) by the property's AV. Measure 50 prohibits increases in permanent tax rates. Permanent tax rates are subject to the Measure 5 limitations. The County's permanent tax rate is $4.3434 per $1,000 Assessed Value.

Exemptions

Measure 50 exempted from its limitations taxes levied to pay voter-approved general obligation bonds. Levies to pay general obligation bonds are also exempt from the Measure 5 limitations. See "General Obligation Bonded Indebtedness" below.

Measure 50 also exempted the following levies, which are subject to Measure 5 limitations:

1. Levies to pay bonds and other borrowings, if they were made before December 5, 1996, and were secured by a pledge or explicit commitment of ad valorem property taxes or a covenant to levy or collect ad valorem property taxes.
2. Certain local government pension levies.

The County has no levies of these types.

Local Property Tax Option

Local governments are able to override Measure 50 for limited-term local option levies subject to voter approval under the participation requirements discussed below. Local option levies may last up to five years for any purpose or ten years for capital projects.

Local option levies are subject to "special compression" under Measure 5. If operating taxes for non-school purposes exceed Measure 5's $10 per $1,000 limit, local option levies are reduced first to bring operating taxes into compliance with this limit. This means that local option levies can be entirely displaced by future approval of permanent rate levies for new governments, or by urban renewal and the City of Portland's pension levy.

Measure 50, which passed in 1997, requires that local option levies be approved by a majority of the voters at a general election in an even-numbered year or at any other election in which not less than 50% of the registered voters cast a ballot. For example, voters approved an extension of the Library Levy in the May, 2002 election but less than 50% of the registered voters cast a ballot. Therefore, the Library Levy failed. Subsequently the County resubmitted the Library Local Option to voters in November 2002 and the measure passed.

Voter Participation

In November, 2008 voters passed Measure 56 which eliminated the voter turnout requirement for property tax elections head in May and November but keeps the voter turnout requirement for elections held at any other time (50% of qualified voters must vote and a majority of those voters have to approve the property tax measure). As a result, for May and November elections, local property tax measures become law when approved by a majority of those voting.

General Obligation Bonded Indebtedness

Levies to pay the following general obligation bonds are exempt from the limitations of Measure 50 and Measure 5:

1. General obligation bonds authorized by a provision of the Oregon Constitution;
2. General obligation bonds issued on/before November 6, 1990; or
3. General obligation bonds incurred for capital construction or capital improvements; and
    - if issued after November 6, 1990, and approved prior to December 5, 1996, by a majority of voters; or
    - if approved after December 5, 1996, in accordance with Measure 50's voter participation requirements, or bonds issued to refund the preceding bonds.

Tax Collection

The County Tax Collector extends authorized levies, computes tax rates, bills and collects all taxes, and makes periodic remittances of collections to levying units. Tax collectors are charged with calculating public school and local government taxes separately, calculating any tax rate reductions to comply with tax limitation law, and developing percentage distribution schedules. The tax collector then reports to each taxing district within five days the amount of taxes imposed.

Tax collections are now segregated into two pools, one for public schools and one for local governments, and each taxing body shares in its pool on the basis of its tax rate (adjusted to tax limitation rate caps), regardless of the actual collection experience within each taxing body. Therefore, in effect, the amount for each taxing body becomes a pro rata share of the total tax collection record of all taxing bodies within the County. Thus, an overall collection rate of 90% of the County-wide levy indicates a 90 percent tax levy collection for each taxing body.

Taxes are levied and become a lien on July 1 and tax payments are due November 15 of the same calendar year. Under the partial payment schedule, the first third of taxes are due November 15, the second third on February 15 and the remaining third on May 15. If property taxes are paid in full by November 15, a 3% discount is allowed; if two-thirds of property taxes are paid by November 15, a 2% discount is allowed. For late payments interest accrues at a rate of 1.33% per month. Property is subject to foreclosure proceedings four years after the tax due date.

A Senior Citizen Property Tax Deferral Program allows homeowners to defer taxes until death or the sale of the home. Qualifications include a minimum age of 62 and household income under $24,500 for claims filed between January 1 and December 31, 2000 and $27,500 for claims filed after January 1, 2001. Taxes are paid by the State, which obtains a lien on the property and accrues interest at 6%.

The property tax computation can be found in Volume 1 in the Summaries section on page 7.