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Date: April 30, 2009

To: Ted Wheeler, Multnomah County Chair
Deborah Kafoury, Commissioner, District 1
Jeff Cogen, Commissioner, District 2
Judy Shiprack, Commissioner, District 3
Diane McKeel, Commissioner, District 4

From: Sarah Landis, Deputy Auditor
Judith DeVilliers, Principal Auditor

Subject: Financial Condition Report

We are pleased to present the *2009 Financial Condition Report on Multnomah County*, our 9th biennial review. A government whose financial condition is strong can successfully manage economic downturns, adapt to meet changing service needs, and provide continuity of services to the public. The report provides public officials, managers, and residents with an independent perspective and analysis of these challenges. The objective of this report is to evaluate the financial condition of Multnomah County government using the Financial Trend Monitoring System developed by the International City and County Management Association (ICMA) and indicators developed by the Government Accounting Standards Board (GASB).

It is important to note that because this report covers the financial period from FY99 through FY08, it does not reflect the current troubling economic situation or its impact on county revenues. However, it does provide valuable historical information about the county's financial health and identifies areas that need attention.

A number of interesting trends in this year's report are worth highlighting:

- The condition of the economy at the national, state, and local levels continues to have an impact on the county's ability to manage day-to-day operations and provide services. This includes providing public safety services, sustaining programs for the county's most vulnerable residents, and maintaining general services such as public health, roads, bridges, libraries, elections, and animal services.
- Over time, the proportion of operating revenues from intergovernmental sources has grown to be the county's largest single source of revenue. These funds, mainly state and federal dollars, are generally designated for specific programs. As a result, the county is more dependent on these revenues to provide services, has less discretion over how these funds are spent, and must respond to fluctuations in these external revenue sources.
- The county must continue to balance its responsibility to provide for both current and future needs, including stabilizing the deteriorating infrastructure of roads, bridges, and county buildings. Future liabilities in the form of debt and unfunded obligations – such as Other Post Employee Benefits (OPEB) – need to be planned for now, rather than put off until a future date.

In recent years, the Board of County Commissioners has been faced with a number of difficult choices with regard to the funding of county programs and services. The Board responded in a responsible and deliberative manner and maintained its commitment to the long-term financial health of the county. We encourage the Board to continue its proactive stewardship of county funds even as it faces difficult budget decisions and shaky economic times.

Introduction

This is the ninth report completed by the Auditor's Office on the financial condition of Multnomah County. The report is issued biennially and covers indicators for a ten-year period. These measures are commonly used by local governments to demonstrate their ability to fund services on a continuing basis. A local government in good financial condition can continue to provide services to the public, withstand economic slumps, and meet the demands of changing service needs.

The Auditor's Office looked at measures of resources coming into the county, how these resources were used, and the county's financial health over time. We also included indicators showing changes in population and the economy, as well as how those changes can affect county services.

Since we began issuing these reports, the county has undergone major shifts in the property tax system and assumed responsibility for some state human service and public safety programs. The county has responded to these challenges by developing policies to provide for the financial health of county government to better serve the public.

This report shows financial indicators over a ten-year period. However, we found it interesting to look at revenues over the last twenty years to see how the county got to where it is today. Chart 1 below shows operating revenues over twenty years; these include revenues from all funds used to pay for on-going services but not bond proceeds for capital projects or some pass-through revenues collected for other governments. (For further details see Appendix 2).

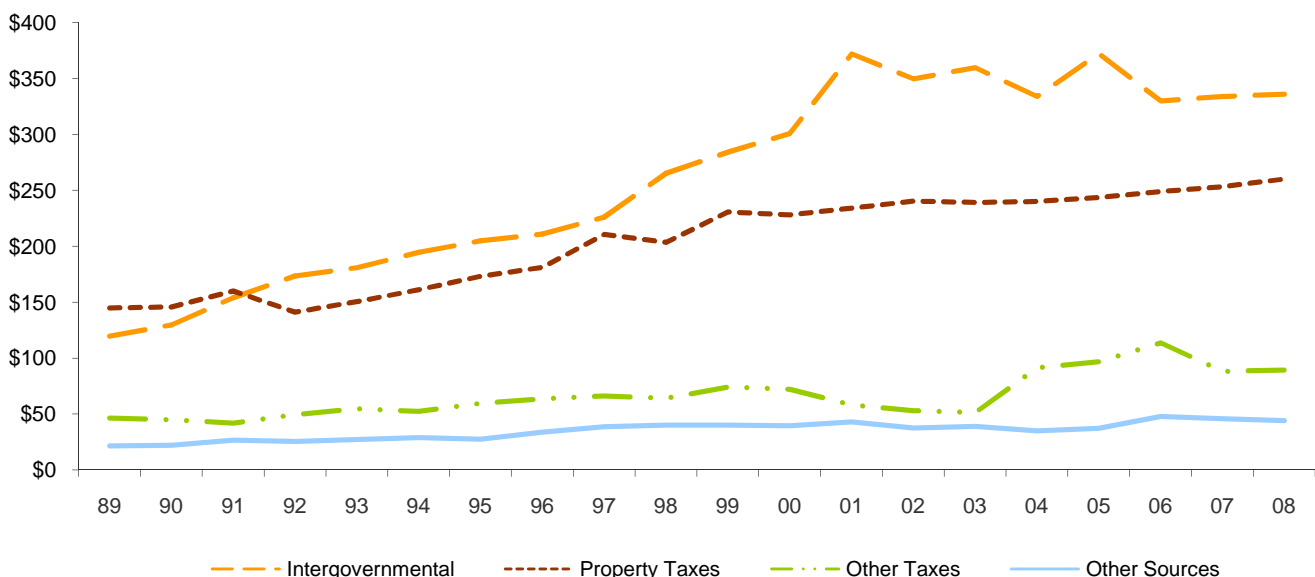
Intergovernmental revenues increased until 2001 as the county took on the responsibility for many state run programs, such as probation and parole in 1992, increased criminal justice services for felony offenders in 1997, and disability services in 1998. As a result of these changes, the county has become more dependent on these resources and has limited discretion over how they are spent.

Property taxes also have grown over the last twenty years, although at a reduced pace over the last ten due to property tax limitation measures. Other taxes and other sources have increased more slowly. The increase in other taxes for FY04 through FY06 was from the county's temporary personal income tax (ITAX).

Chart 1 Total Operating Revenues by Source

Fiscal year ended June 30

Adjusted for inflation (in millions)



County Revenues

Chart 2 Total Operating Revenues

Fiscal year ended June 30

Adjusted for inflation (in millions)

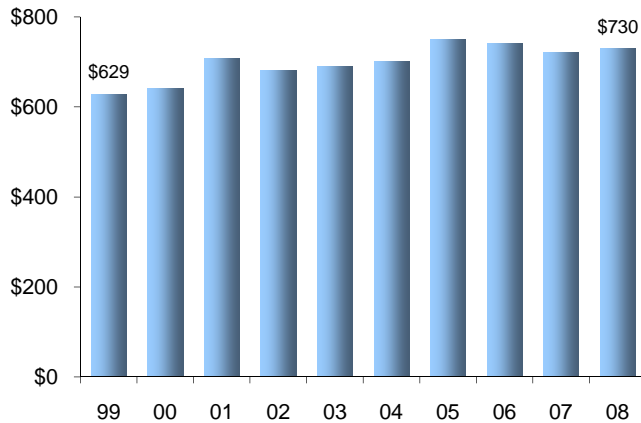


Chart 3 Total Operating Revenues by Source

Fiscal year ended June 30, 2008

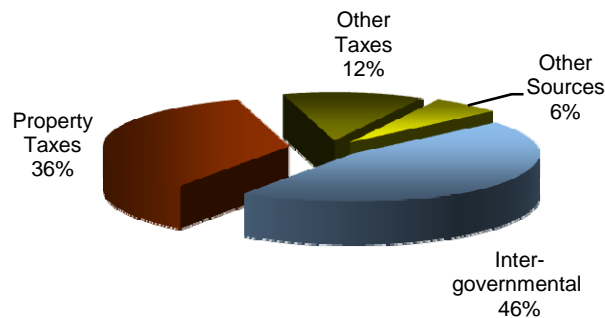
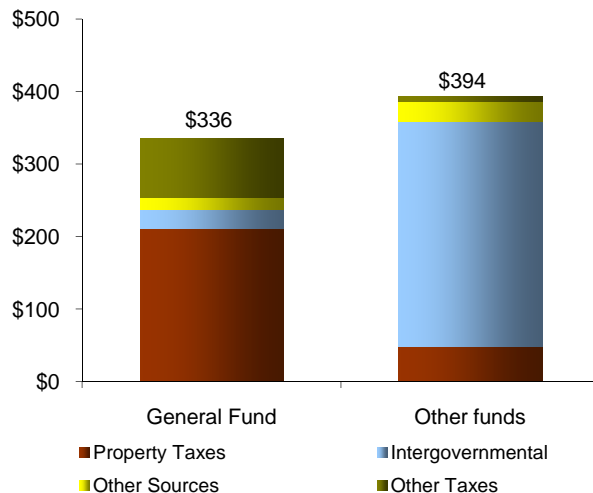


Chart 4 Total Operating Revenues by Fund

Fiscal year ended June 30, 2008 (in millions)



Operating Revenues

Since we began reporting on the county's financial condition, the nature of county services changed as responsibility for maintaining all parks and some roads was transferred to other local governments. In addition, the county took over responsibility for community justice programs and for additional health and human service programs from the state.

Consequently, the county has become more dependent on intergovernmental revenues, primarily federal and state resources, which increased 18% over the last 10 years.

Most intergovernmental revenues are restricted to specific programs. The county has discretion for much of the revenues from property taxes, other taxes, and other sources.

Overall, the county increased total operating revenues by \$101 million, from \$629 million in FY99 to \$730 million in FY08 (adjusted for inflation).

Operating Revenues by Fund

In FY08, 46% of the county's operating revenues were accounted for in the General Fund, with the remainder in other funds. The largest of these is the Federal and State Program Fund, which accounts for most of the intergovernmental revenues. The county has more discretion over General Fund spending because other funds are dedicated to specific programs or services.



Multnomah Building Green Roof

County Revenues

Budgeting County Revenues

Revenue shortfalls measure how well the county estimates expected revenues each year. Significant shortfalls could require mid-year cuts of services or spending of reserve funds since Oregon budget law does not allow deficit spending. Revenues have exceeded estimates in the last few years.

Short-term Revenues

The county's budget is reliant on short-term revenues to finance on-going operations, primarily the libraries. Also, in FY04 - FY06 the ITAX allowed the county to continue services which had lost federal and state funding. It is the intent of the Board to use short-term and one time only revenues to fund priority services only after all other sources have been determined to be unfeasible.

Intergovernmental Revenues

Federal and state policies shifted more responsibilities to lower levels of government to increase local control over service delivery. Intergovernmental revenues increased significantly from FY89 to FY01 (see Chart 1). Revenue decisions made in Salem or Washington, DC have a large impact on the county's budgeting decisions. When these revenues decrease, the county is forced to find additional revenues or cut services.

Most of the increases in the last ten years were used for health and human service programs.

Chart 7 Intergovernmental Revenues

Fiscal year ended June 30
Adjusted for inflation (in millions)

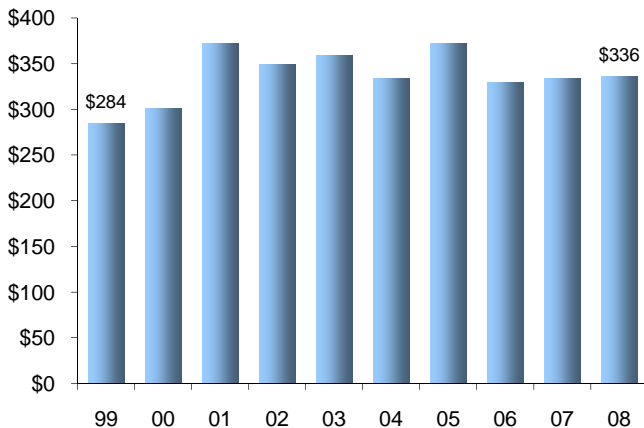


Chart 5 Revenue Shortfalls

As a percent of budgeted revenues
Fiscal year ended June 30

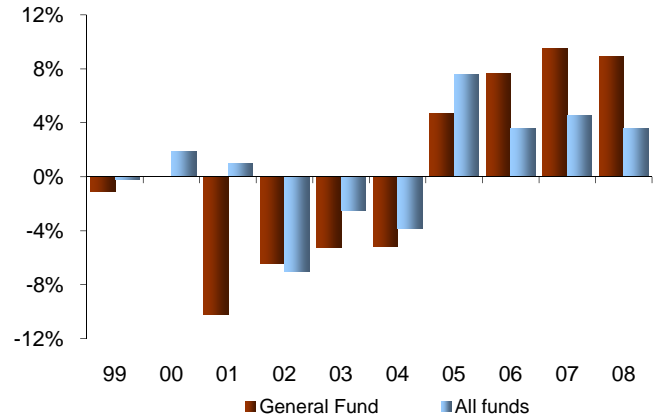


Chart 6 Short-term Revenues

Fiscal year ended June 30
Adjusted for inflation (in millions)

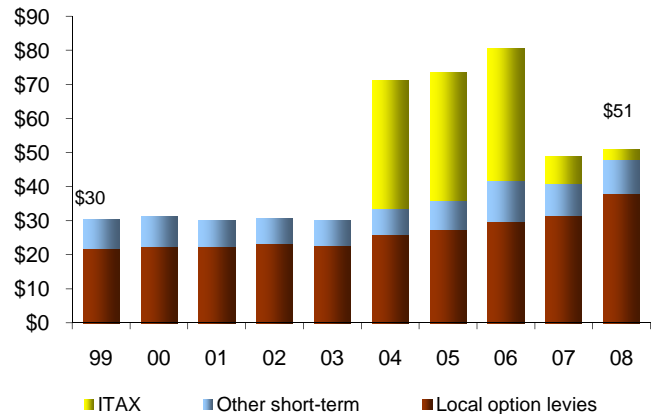
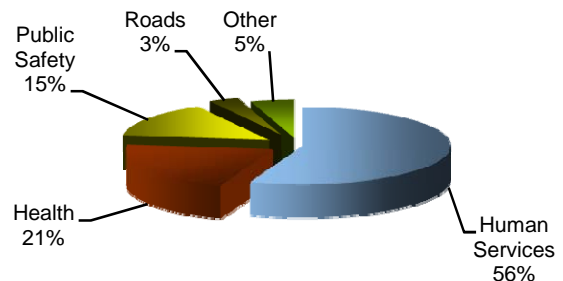


Chart 8 Intergovernmental Revenues by Program Area

Fiscal year ended June 30, 2008

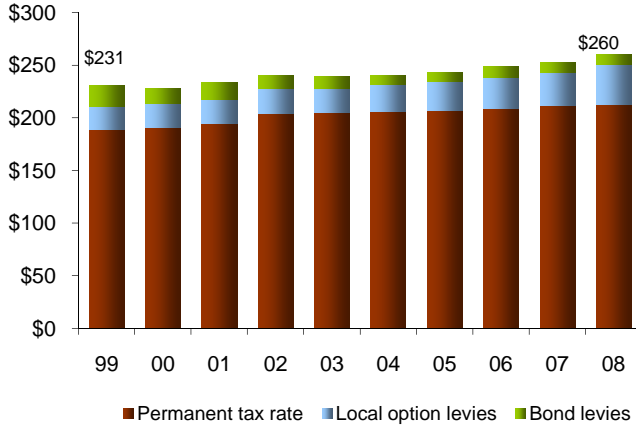


County Revenues

Chart 9 Property Tax Revenues

Fiscal year ended June 30

Adjusted for inflation (in millions)



Property Tax Revenues

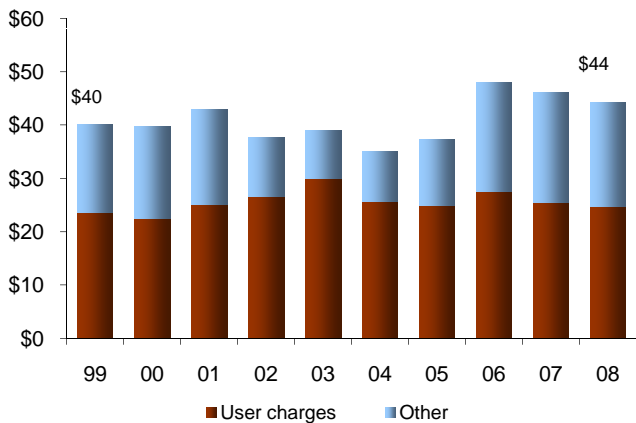
In total, property tax revenues increased 13% from FY99 through FY08. About 82% of property taxes in FY08 was for general county operations. The voter approved local option and bond levies are dedicated to specific uses.

County local option levies for library operations increased 74% over the last ten years. Voters approved a new levy of about \$35 million per year in November 2006. Payment on the general obligation debt has reduced the bond levies from \$20 million to \$9 million over the last ten years (adjusted for inflation).

Chart 10 Other Revenues

Fiscal year ended June 30

Adjusted for inflation (in millions)



Other Revenues

User charges include fees and charges intended to recover the cost of services whenever possible. Other income from fines, non-governmental grants, donations, and interest income varies and may be affected by the economy.

Other Taxes

Other taxes include the Business Income Tax (BIT) and Car Rental Tax which are unrestricted. About 10% of the BIT is passed through to east county cities. The county gas tax is dedicated to roads and bridges. The temporary income tax (ITAX) is dedicated to specific uses. The ITAX in this chart includes only the county's share; school districts received approximately 69% of ITAX revenues collected.

Chart 11 Other Taxes

Fiscal year ended June 30

Adjusted for inflation (in millions)

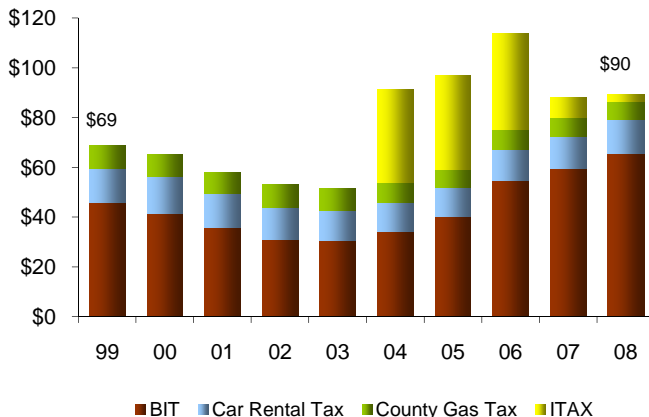
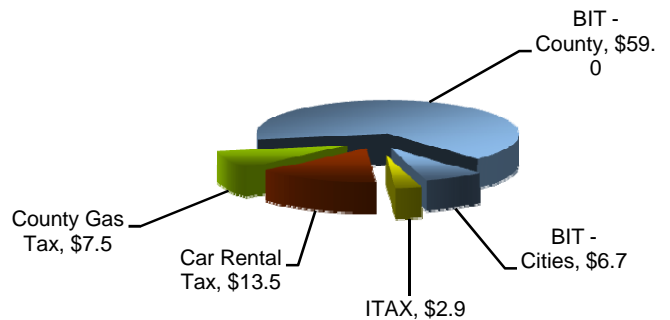


Chart 12 Other Taxes

Fiscal year ended June 30, 2008 (in millions)

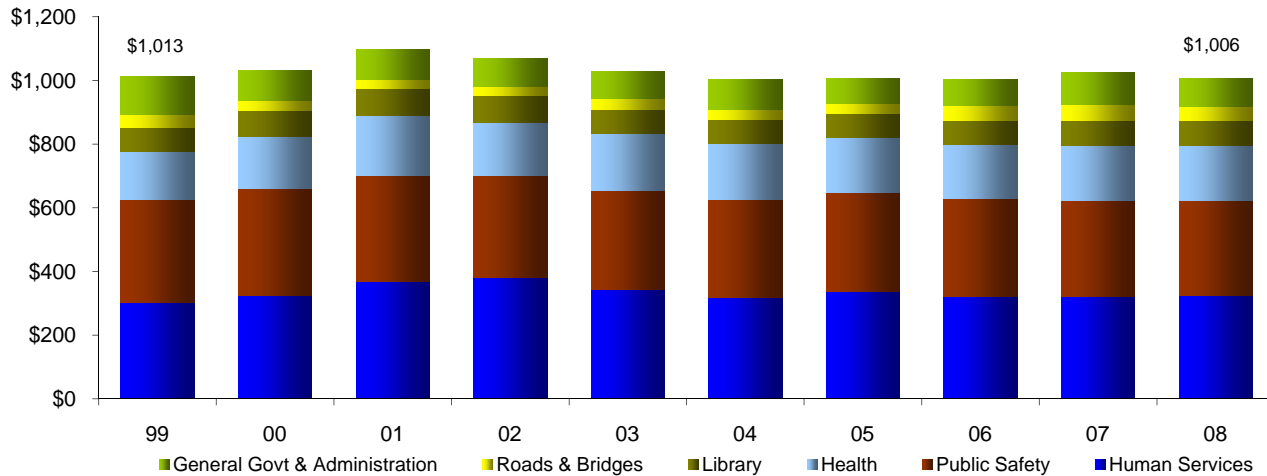


County Spending

Chart 13 Spending Per County Resident

Fiscal year ended June 30

Adjusted for inflation



Total Spending Per County Resident

Total spending per county resident has been stable over the last ten years: \$1,013 in FY99 and \$1,006 in FY08, when adjusted for inflation. Total spending decreased about 1% from FY99 to FY08, while total county population increased 9% over this ten-year period.

The economic downturn after FY01 had an impact on county services. The county was forced to cut programs and services when federal and state funding decreased and BIT revenues declined. FY04 through FY06 include approximately \$38 million per year in spending from the three-year temporary ITAX.

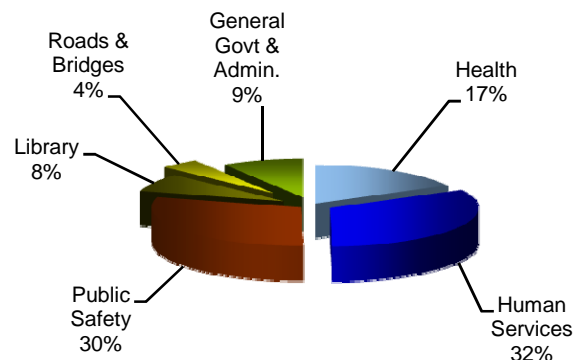


Spending by Program

In FY08, about half of spending was for health and human service programs. Public safety programs, which include jails, community justice programs, and prosecution, made up 30%. The remaining 21% was for programs which serve most citizens: library services; road and bridge operations and maintenance; and general government services, such as animal control, elections, property tax assessment and collection, emergency management, and land use planning.

Chart 14 Spending by Program

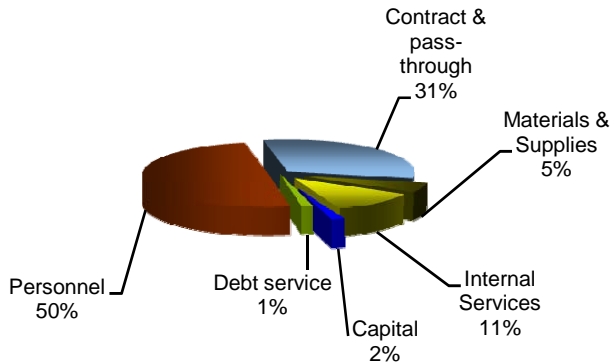
Fiscal year ended June 30, 2008



County Spending

Chart 15 Spending by Type

Fiscal year ended June 30, 2008



Spending by Type

Personnel costs, which include salaries, benefits, and other related costs, is the largest category of spending for operations.

Contracted services and pass-through represent 31% of the county's spending for operations. Many services are provided by non-profit organizations, which contract with the county to provide services to citizens.

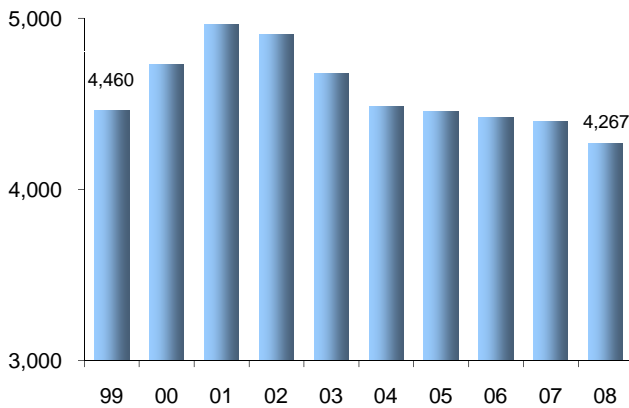
Internal services are those provided internally by the county, such as building maintenance, motor pool, telecommunications, information technology, and mail and distribution services.

Materials and supplies, capital spending, and debt service make up the remainder of spending categories for county operations.

Chart 16 County Employees

Total FTE

Fiscal year ended June 30



Number of Employees

The county experienced a total increase in full time equivalent employees (FTE actual hours worked) of 11% from FY99 to FY01 as new programs and services were added. However, as the economy declined, the total FTE was reduced by 701 between FY01 and FY08.

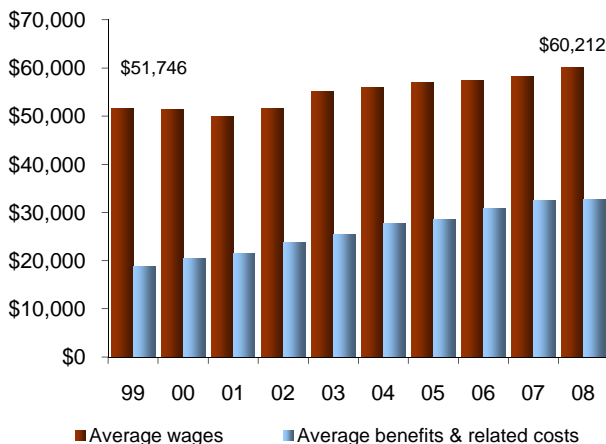
Wages and Benefits

Chart 17 shows average wages, benefits, and other related costs. The average benefits and related costs include spending for employee benefits, social security, payroll taxes, workers compensation, and administrative costs for the Risk Management Fund. Growing health insurance costs contributed to the increased costs.

Chart 17 Wages, Benefits and Other Costs

Averages per FTE, adjusted for inflation

Fiscal year ended June 30



County Spending

Public Safety

Total spending for public safety was the same in FY08 as in FY99 as the county's general fund made up for lost revenues from other sources. For FY08, resources were primarily from the county's General Fund (71%). Intergovernmental sources represented 23% and other sources, including property taxes to repay the debt for public safety bonds, totaled 6%. ITAX revenues in FY04, FY05, and FY06 helped mitigate some of the effect of declining federal and state resources for public safety programs.

Spending for public safety in FY08 includes: the Sheriff's Office, which operates the county's jails and other corrections services and provides law enforcement to smaller cities and unincorporated Multnomah County; the Department of Community Justice, which provides supervision of juvenile and adult offenders in the community; the District Attorney's Office, which prosecutes criminals and protects crime victims; and debt repayment of general obligation bonds used for technical upgrades for public safety. Corrections Health spending is included with the Health Department.

Roads and Bridges

Spending for roads and bridges includes bridge operations and maintenance, road maintenance, and capital for repairs and improvements. No General Fund dollars are allocated for these functions.

Funding comes primarily from the county gas tax and state motor vehicle tax revenue sharing. The portion of revenue sharing which is passed through to cities in the county is not included here (\$23 million in FY08). Most of the other sources represent project revenues from the federal and state governments dedicated for specific capital repairs or improvements. Most of the increased spending from other sources in FY06 - FY08 was attributable to an award from the Oregon Transportation Investment Act for bridge projects.

According to the County's Transportation Division, the county is facing a \$325 million shortfall over the next 20 years.

Chart 18 Public Safety Programs

Fiscal year ended June 30

Adjusted for inflation (in millions)

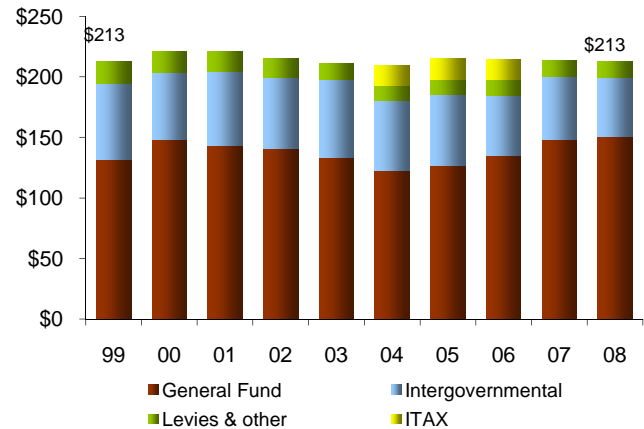


Chart 19 Public Safety by Department

Fiscal year ended June 30, 2008

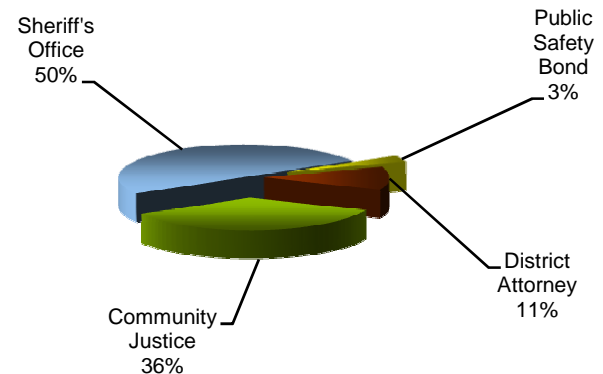
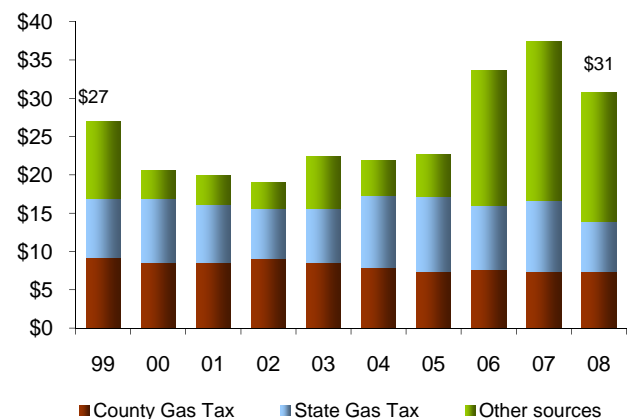


Chart 20 Roads and Bridges

Fiscal year ended June 30

Adjusted for inflation (in millions)

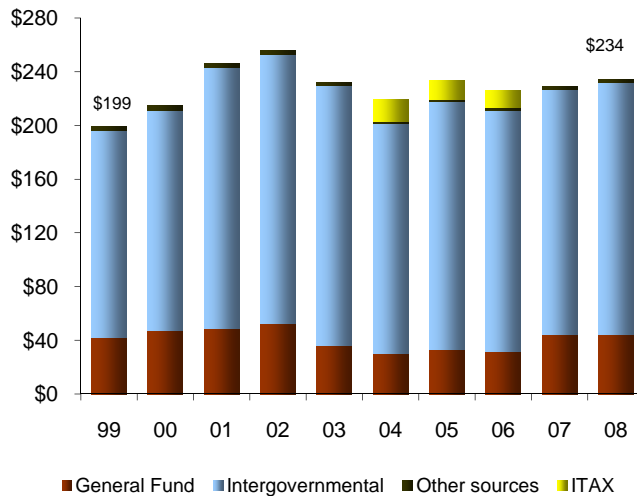


County Spending

Chart 21 Human Services

Fiscal year ended June 30

Adjusted for inflation (in millions)



Human Services

Spending on human service programs has fluctuated over the last ten years. Some of the early increases is from new or additional intergovernmental funding, primarily from state and federal sources. Overall human service programs increased by \$35 million (17%) from FY99 to FY08, when adjusted for inflation.

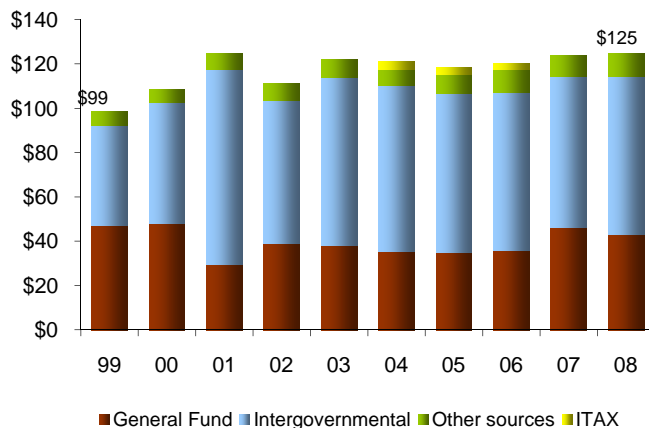
Human services are provided by the Department of County Human Services for school age children; the elderly; people with emotional, developmental, or physical disabilities; people with alcohol and drug addictions; people with mental health concerns; victims of domestic violence; and people in poverty.

In FY08, about 30% of the money to provide these services was for direct client assistance, 39% went to community-based providers, and another 31% was for county staff and other costs.

Chart 22 Health Services

Fiscal year ended June 30

Adjusted for inflation (in millions)



Health Department

The Health Department's services include medical and dental clinics, public health services, school clinics, and other health care and education services for the community. The Department also provides health care for the county's jail population. The Health Department spent about \$125 million in FY08, an increase of \$26 million (27%) from FY99, when adjusted for inflation. The Department received a large, one-time, retroactive Medicaid reimbursement in FY01.

Most Health Department services are provided by county employees, including medical doctors, nurses, outreach workers, sanitarians, interpreters, epidemiologists, environmental health experts, and educators.



County Spending

Library

Multnomah County serves the public with a main library downtown and 16 library branches throughout the community. Spending for library services totaled \$55 million in FY08 and has increased 12% since FY99. Most of this increase is from five-year local option levies: one began in FY98 and another in FY03.



In November 2006, voters approved a new five-year local option levy for an average of \$35 million per year beginning in FY08 for continued

services plus opening two new branches. The debt levy shown here is for general obligation bonds for new libraries and improvements and is paid for directly by a separate property tax debt levy.

General Government

There has been very little change in the spending for general government services over the last ten years. These services include mandated services such as property tax assessment and collection, and elections. It also includes Animal Services, Land Use Planning, the County Surveyor's Office, Emergency Management, and other services.

Most general government services are funded by the General Fund, user fees and charges, and some intergovernmental sources.



Chart 23 Library Services

Fiscal year ended June 30

Adjusted for inflation (in millions)

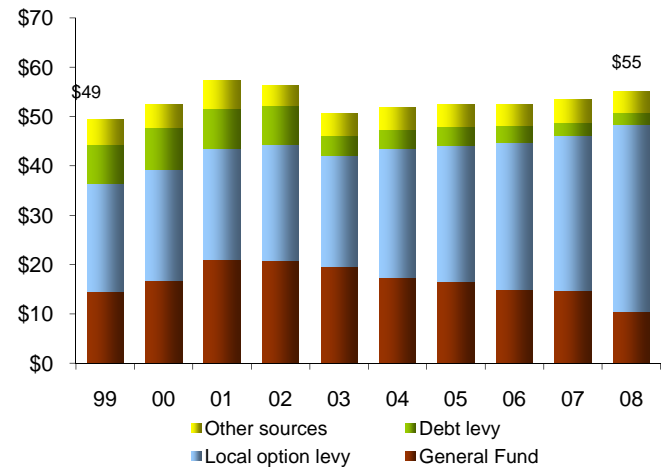


Chart 24 General Government

Fiscal year ended June 30

Adjusted for inflation (in millions)

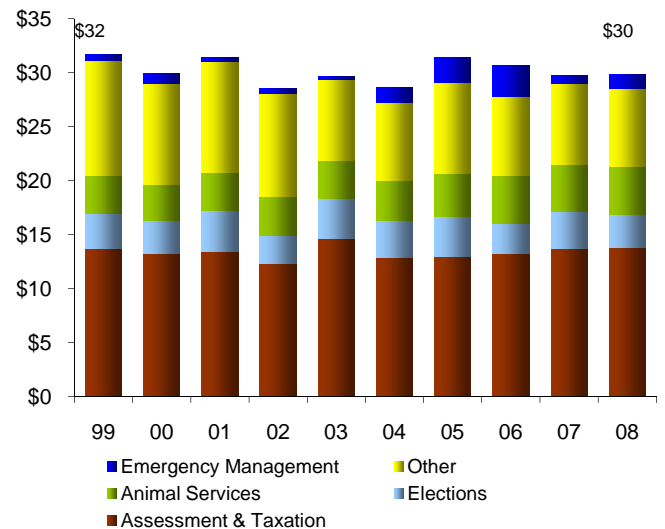
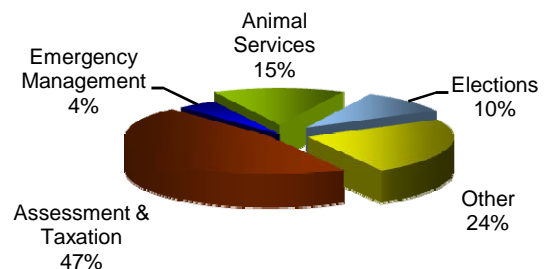


Chart 25 General Government by Program

Fiscal year ended June 30, 2008 (in millions)

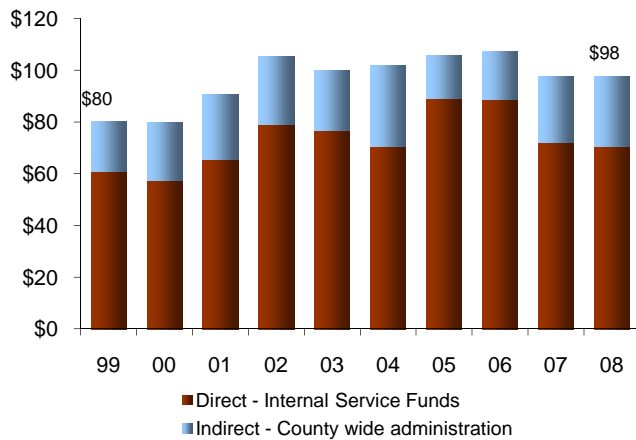


County Spending

Chart 26 Internal Services and Administration

Fiscal year ended June 30

Adjusted for inflation (in millions)



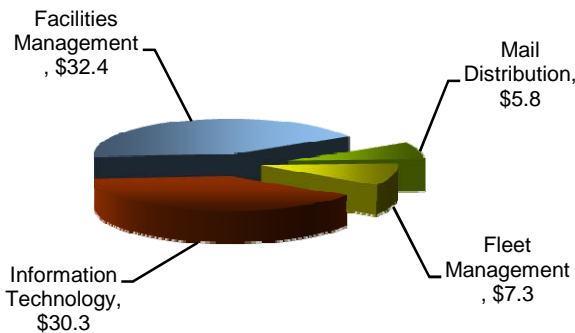
Internal Services and Administration

Spending for internal services and administration has increased 22% over the last ten years. The increases in FY05 and FY06 resulted from the county's shared services initiative which centralized some services and staff from individual departments into the Business Services Fund for those years only.

Internal services and countywide administration costs are included in county departments' total program spending. Of the total for FY08, \$71 million was charged directly to departments by internal service funds; \$27 million was for countywide administrative costs.

Chart 27 Direct - Internal Service Funds

Fiscal year ended June 30, 2008 (in millions)



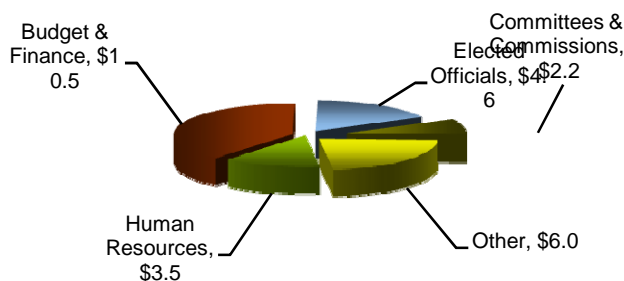
Direct - Internal Service Funds

As noted above, services provided by the Internal Service Funds are charged directly to county departments and programs. About 7% of internal service funds costs, not included in Chart 26, are charged to other governments and non-profit organizations that purchase these services. Internal Service Funds include:

- Facilities - manages all owned and leased properties
- Mail Distribution - manages mail and distribution
- Fleet - manages county vehicles and motor pool
- Information Technology - manages data processing and telephone services

Chart 28 Indirect - Countywide Administration

Fiscal year ended June 30, 2008 (in millions)



Indirect - Countywide Administration

County wide administrative costs are primarily paid by the General Fund, much of which is charged indirectly to other funds and programs through the indirect cost allocation plan.

- Elected Officials, including the Chair, Commissioners, and County Auditor's Office
- Budget & Finance also includes risk management, treasury, payroll, benefits, central stores, procurement, and SAP administration
- Central Human Resources
- Other includes Department of County Management director's office, Public Affairs, independent organizations and interest on tax anticipation notes.
- Various committees and commissions

Financial Health

Unreserved Fund Balances

The unreserved fund balance for the General Fund constitutes the amount available for county discretionary spending. For FY08, the total General Fund balance was \$51.5 million, of which \$13.5 million was designated in the budget as a reserve account. Although the General Fund's unreserved fund balance has grown, the county is facing declining revenues and increasing costs. As of January 1, 2007, the county had an unfunded liability of \$123 million for Other Post-Employment Benefits (OPEB). The OPEB provides post-employment healthcare insurance for retirees and their spouses.

General Fund Reserves

It is the goal of the Board to fund and maintain two General Fund reserves funded at approximately 5% each of the "corporate" revenues of the General Fund. For the purpose of this calculation revenues include Property Tax, Business Income Tax, Motor Vehicle Rental Tax, State Revenue Sharing (Cigarette, Liquor, Video Lottery, and Amusement Device Taxes), and Interest Earnings.

The first reserve is a budgeted reserve account designated as an unappropriated fund balance. For FY08, this reserve was 4.4% of General Fund revenues (\$13.5 million). The second reserve is maintained separately in the General Reserve Fund. For FY08, the General Reserve Fund was 4.9% of General Fund revenues (\$15 million). Since FY03 both of these reserve accounts have been funded at approximately 5% of General Fund revenues, except for the budgeted reserve in FY08.

Liquidity

The liquidity ratio compares total cash and short-term investments to current liabilities, measuring the ability to pay short-term obligations. FY99 through FY01 includes amounts from bond sales for capital projects. The credit industry considers a liquidity ratio of \$1 of cash and investments to \$1 of current obligations to be acceptable. The county had an acceptable liquidity ratio for all years shown except FY04.

Chart 29 General Fund Unreserved Fund Balance

Fiscal year ended June 30

Adjusted for inflation (in millions)

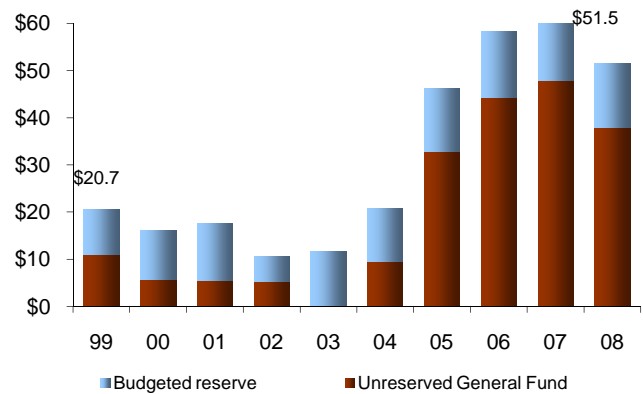


Chart 30 General Fund Reserves

As a percent of budgeted General Fund revenues

Fiscal year ended June 30

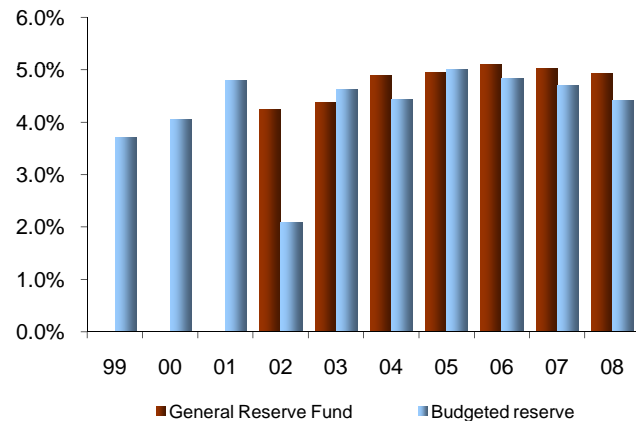
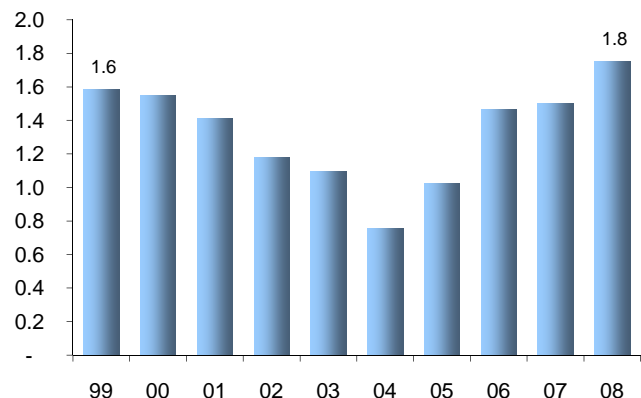


Chart 31 Liquidity

Current assets to current liabilities

Fiscal year ended June 30

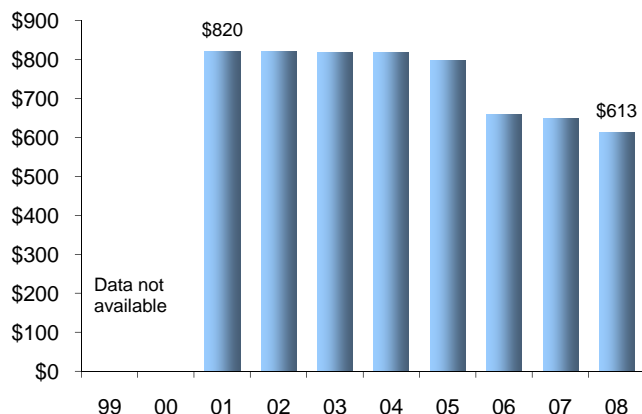


Financial Health

Chart 32 Capital Assets

Fiscal year ended June 30

Adjusted for inflation (in millions)



Capital Assets

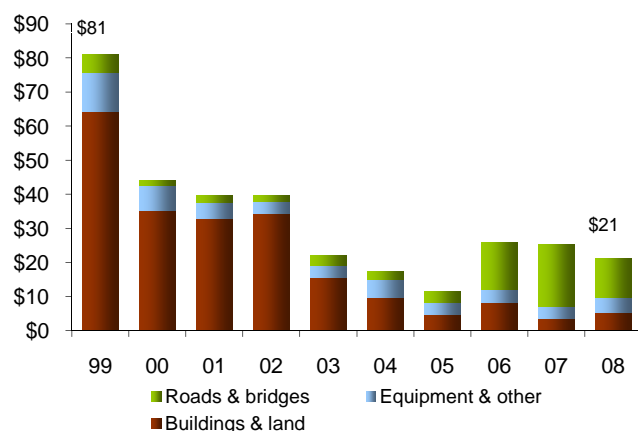
Capital assets include land, buildings, equipment, and infrastructure to provide county services. Accounting standards require that assets are reported in financial statements at their original purchase or construction costs minus accumulated depreciation. Replacement value for assets would be substantially more than the depreciated values.

The decrease from FY05 to FY06 resulted from the transfer of 50 miles of county roads to the City of Gresham. Facilities identified a deferred maintenance and seismic liability of approximately \$120 million for county buildings in 2004.

Chart 33 Capital Spending

Fiscal year ended June 30

Adjusted for inflation (in millions)



Capital Spending

Capital spending has been decreasing since FY99. Prior years' capital spending included purchase, construction, and remodeling of jails, libraries, an east county health and aging facility, and the county's administration building. The spending increase for roads and bridges in FY06 - FY08 was for bridge construction.

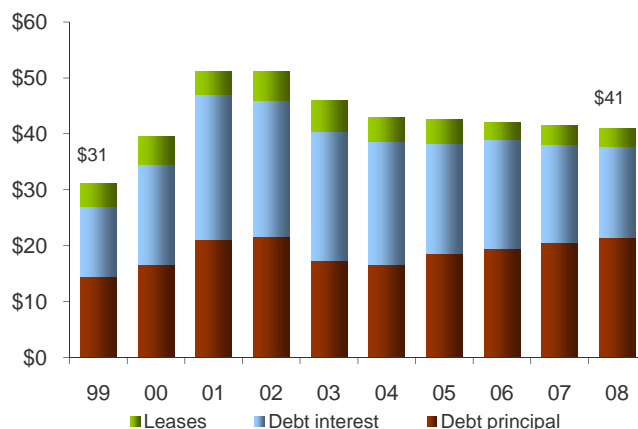


Bridge Construction on the New Sauvie Island Bridge

Chart 34 Fixed Costs

Fiscal year ended June 30

Adjusted for inflation (in millions)



Fixed Costs

Fixed costs include the principal and interest on long-term debt and operating leases. These costs increased through FY02 as a result of construction of new libraries, jails, and other facilities financed by general obligation bonds and other debt.

The increases in FY01 and FY02 are for new bond issues: \$184 million for the county's unfunded pension liability, which will result in a savings of nearly \$36 million over a 30 year period; and \$61 million to finance the costs of acquiring and installing an integrated enterprise computer system, purchase of the Multnomah Building, construction of the Multnomah County East Building, and other projects.

Revenue Base and the Economy

Real Market Value

Real market value is an indicator of the health of the economy. Except for additions due to new construction, the real market value is not the basis on which property taxes are assessed.

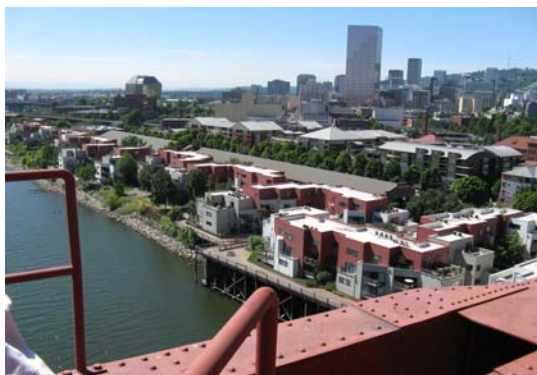
The real market value for properties in Multnomah County continued to increase in the last ten years from \$66 billion in FY99 to \$107 billion in FY08 when adjusted for inflation. The largest increase is in residential property values, increasing by 81% over the last 10 years, compared to 40% growth for commercial and industrial property values. We expect to see this trend change to reflect the declines in new construction over the last few years.

New Residential Construction

New construction figures are based on permits in the Portland PMSA (Portland Metropolitan Statistical Area). The value of new construction units increased from \$2.1 billion in 1999 to \$3.3 billion in 2005, adjusted for inflation. The trend began declining in 2006, with a 57% drop between 2005 and 2008. Declines in new construction and property sales affect county revenues from recording fees.

Number of Businesses

The number of businesses in the county is another trend related to the county's revenue base and the economy. There was a 12% increase from 1999 to 2007. Changes in the number of businesses has an effect on the county's business income tax.



View from Broadway Bridge

Chart 35 Real Market Value

Fiscal year ended June 30

Adjusted for inflation (in billions)

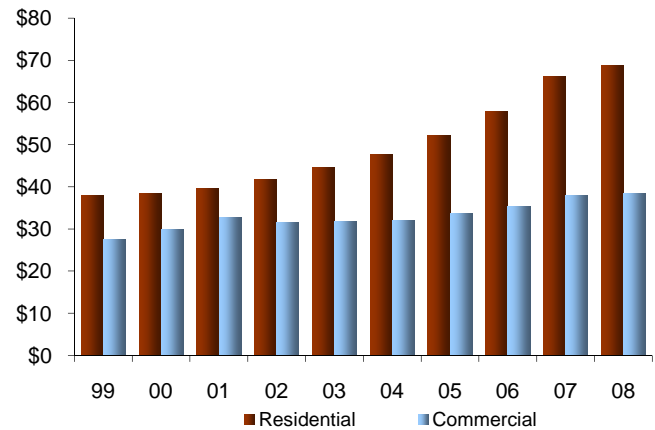


Chart 36 New Construction-PMSA

Calendar year ended December 31

Adjusted for inflation (in billions)

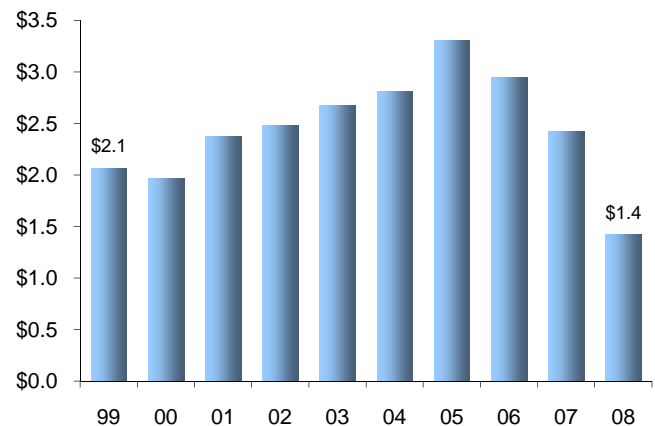
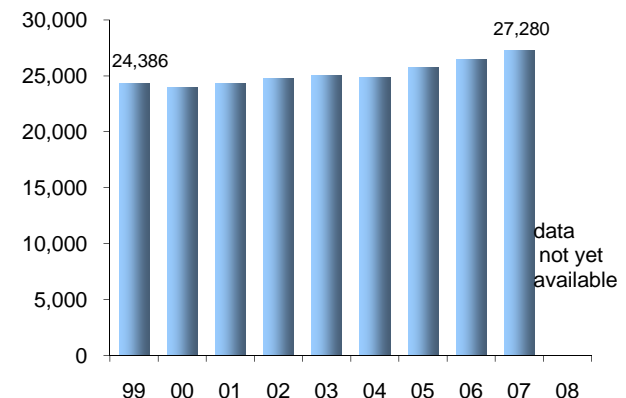


Chart 37 Number of Businesses in Multnomah County

Calendar year ended December 31



Revenue Base and the Economy

Chart 38 Unemployment Rate-PMSA

At June 30

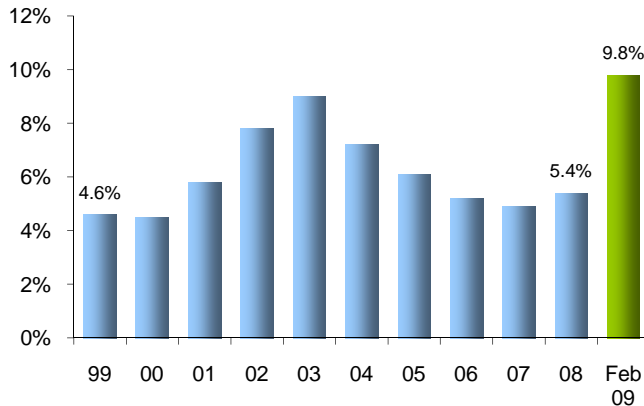


Chart 39 Jobs Provided by Employers

in Multnomah County

At December 31

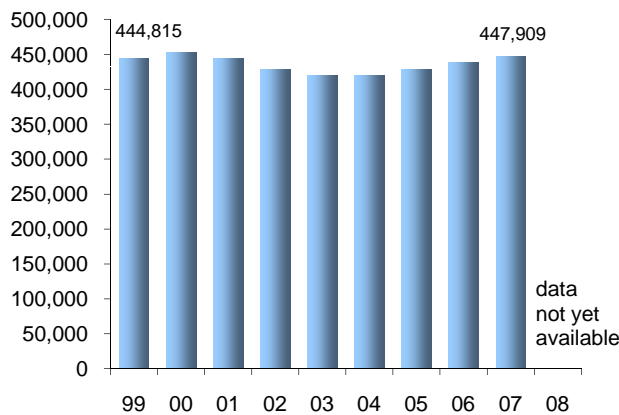
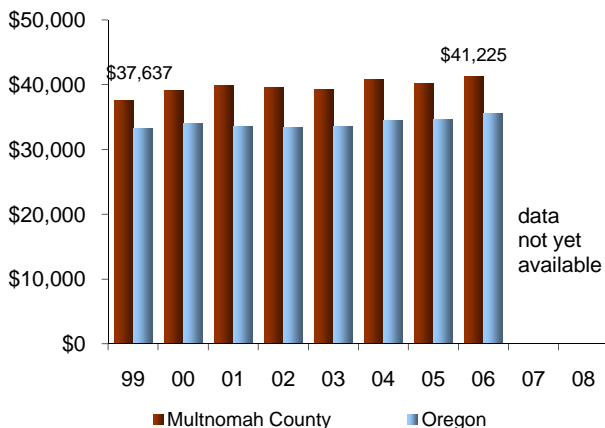


Chart 40 Average Annual Per Capita Income

Calendar year ended December 31

Adjusted for inflation



The Economy

Three major indicators of economic health include the unemployment rate, number of jobs in the county, and per capita income. Although official data lags for two of these indicators, the unemployment rate reflects the current economic climate for the county.

Unemployment Rate

The unemployment rate improved between FY03 and FY07, going from a high of 9.0% to 4.9% but increased to 5.4% by June 30, 2008. The rate continued to climb in 2008 and for February 2009 was at 9.8%.

Number of Jobs

The number of jobs provided by employers in Multnomah County has fluctured since 1999. In total there were about 3,000 more jobs in 2007 compared to 1999.



New Sauvie Island Bridge

Per Capita Income

The average annual per capita income in Multnomah County has been increasing. The rate of growth for this indicator has been greater for Multnomah County than for Oregon as a whole.

Demographics

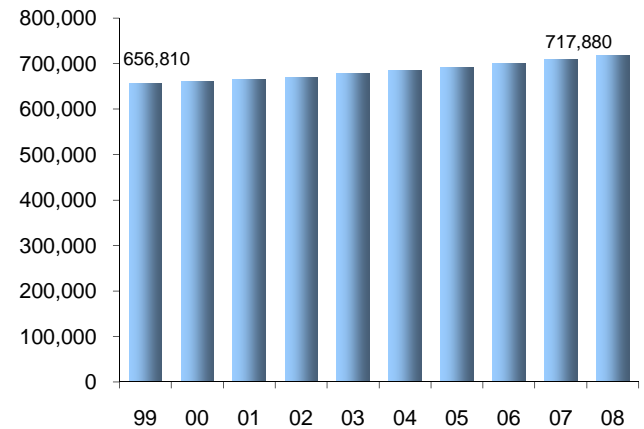
Total County Population

The county's population grew from 656,810 to 717,880 (9.3%) between FY99 and FY08, with a growth rate of a little over 1% since FY03. Neighboring counties had greater growth, with Clackamas County at 12.1% and Washington County at 18.8% from FY99 to FY08.

Many county services are for the elderly or families with children. Large changes in these groups could dramatically effect the need for county services. The population of people over 70 years of age declined 9%, while the population of people under 20 years of age increased 4% since FY99.

Chart 41 County Population

At June 30



Population Over 70 Years of Age

Chart 42 shows the population over 70 years of age. There has been a net decrease of 4890 (-9%) from 56,778 in FY99 to 51,888 in FY08.

Population Under 20 Years of Age

Chart 43 shows the population under 20 years of age. This number has fluctuated, but increased from 170,323 in FY99 to 176,496 in FY08, a 4% increase.

Chart 42 Over 70 Years of Age

At June 30

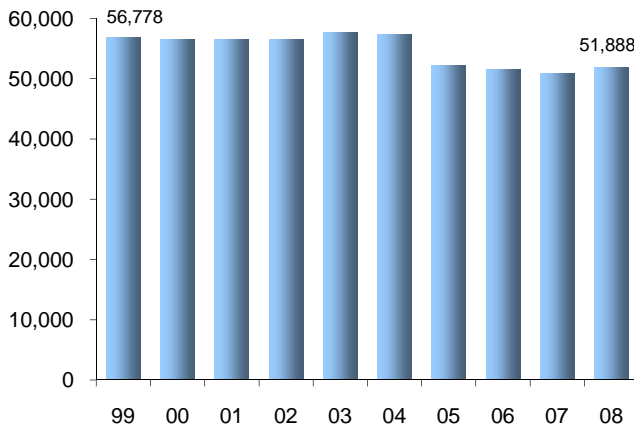
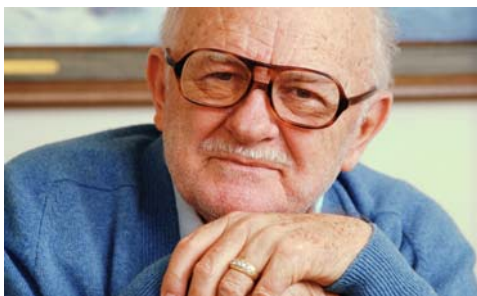
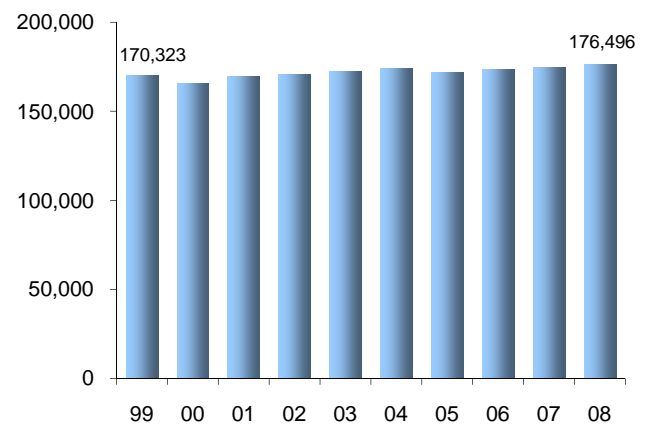


Chart 43 Under 20 Years of Age

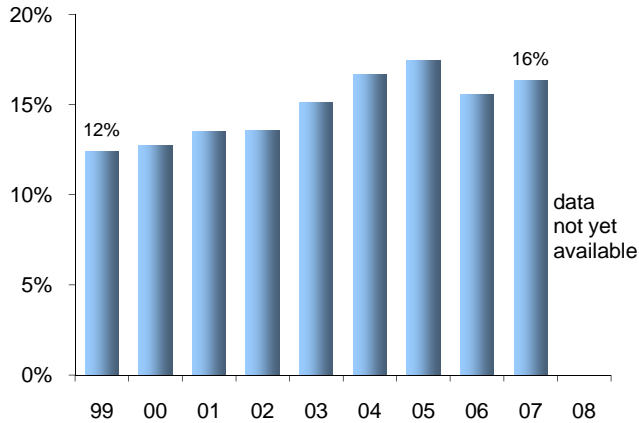
At June 30



Demographics

Chart 44 Percent of County Residents in Poverty

Calendar year ended December 31



Residents in Poverty

According to the US Census Bureau's annual American Community Survey, the number of Multnomah County residents in poverty increased from 12.4% in 1999 to 16.3% in 2007.

This indicator provides some measure of the number of low income persons who might utilize county human service and health programs.

Reported Crimes

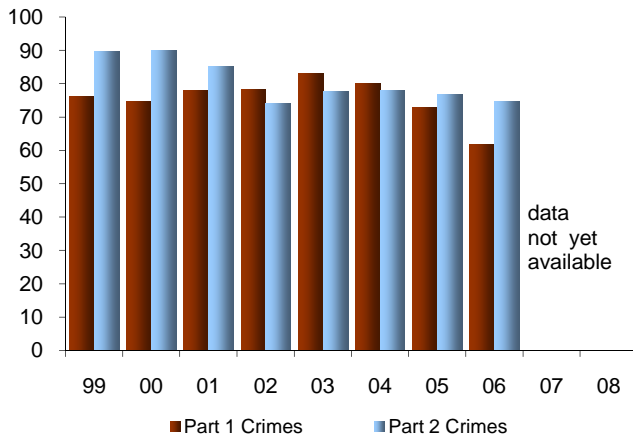
Public safety services represent a large and costly responsibility for the county at 30% of operating expenditures for FY08.

The number of reported crimes has decreased for both Part I and Part 2 crimes. Part I crimes include murder, rape, robbery, aggravated assault, burglary, larceny, motor vehicle theft, and arson. Part 2 crimes include drug possession or distribution, driving under the influence of intoxicants, vandalism, and other crimes.

The actual crime rates are likely to be higher because some crimes are not reported by victims.

Chart 45 Reported Crimes per 1,000 Residents

Calendar year ended December 31



Ten Year History of Significant Financial Events

FY99

- \$36 million Certificates of Participation (COPs) for Multnomah Building purchase
- \$15.4 million to schools

FY00

- \$184 million taxable revenue pension obligation bonds
- \$61 million bond issues for new construction and financial software

FY01

- \$20 million revenue shortfall

FY02

- Major reorganization of human services, business functions, and environmental services
- Mid-year revenue shortfall of \$22 million
- 5-Year Local Option Library Levy for approximately \$25 million per year
- Fairview and NW Portland libraries opened
- New Hollywood library opened

FY03

- Voters approved 3-year temporary personal income tax
- \$15.6 million mid-year budget cut

FY04

- First year of ITAX, \$66.9 million to schools and \$33.2 million to county
- New Hillsdale Library opened

FY05

- \$25 million Oregon Transportation Investment Act awarded for county bridges
- Second year of ITAX, \$96 million to schools, \$34.2 million to county
- Construction of Wapato Jail completed
- Departments of County Management and Community Services created

FY06

- Transfer 50 miles of county roads to City of Gresham
- Third year of ITAX, \$84.8 million to schools, \$36.1 million to county

FY07

- Remaining ITAX collections, \$8.3 million to schools, \$7.7 million to county
- \$6.4 million one-time-only to schools

FY08

- Remaining ITAX collections, \$3.7 million to schools, \$2.9 million to County
- Sauvie Island Bridge opened to traffic in June 2008. Total cost of the bridge was \$45.7 million.
- Sale of Edgefield property for \$14.2 million

Reporting Methodology and Sources

Objectives, Scope, and Methodology

The objective of this report was to evaluate the financial condition of Multnomah County using the Financial Trend Monitoring System developed by the International City and County Management Association (ICMA) and the indicators suggested by the Government Accounting Standards Board (GASB). In developing and analyzing the indicators of financial condition, we interviewed personnel in Finance and Budget and other county departments.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The prior reports covered the years FY82 through FY06 and are available on the County Auditor's web page at www.co.multnomah.or.us/auditor

ICMA and GASB stress the importance of developing a consistent and meaningful definition of the entity being evaluated. For the purposes of this report, "the county" includes the revenues, expenditures, and activities covered by the General Fund, Special Revenue Funds, and Debt Service Funds. Excluded are Capital Construction, Internal Services, Enterprise, and Fiduciary Funds. However, we did include the Behavioral Health Managed Care Fund, which is an Enterprise Fund, because it is an integral part of mental health and addiction services provided by the county.

We also excluded revenues collected for and turned over to other governments and internal revenues and spending that are duplicated in financial reports. For FY08, this amounted to \$3.7 million in remaining ITAX dollars transferred to the county's school districts, \$22.9 million in State Motor Vehicle and Gas Tax revenues transferred to the cities of Portland, Gresham, Fairview, and Troutdale, and \$21.9 million Transit Lodging Tax collected for Metro.

We expressed most indicators in constant dollars. These adjustments for inflation convert dollar amounts over the ten-year period to the equivalent of the purchasing power of money in fiscal year ending June 30, 2008. The adjustments are based on the Portland-Salem Consumer Price Index for all urban consumers.

Data Sources

We relied on the county's enterprise accounting system, budgets, Comprehensive Annual Financial Reports, and other management reports for revenues, spending, and financial health indicators.

We used published sources for most economic and demographic indicators as follows:

- County Assessor's Office - Chart 35 "Real Market Value"
- State of Oregon Employment Division - Chart 37 "Number of Businesses," Chart 39 "Jobs Provided by Employers" and Chart 38 "Unemployment Rate"
- U.S. Census Bureau - Chart 36 "New Construction"
- U.S. Census Bureau, American Community Survey - Chart 44 "Percent of County Residents in Poverty"
- U.S. Department of Commerce, Bureau of Economic Analysis Chart 40 "Average Annual Per Capita Income"
- Portland State Population Research Center - Charts 41, 42 & 43 for population indicators
- Oregon Uniform Crime Reporting Law Enforcement Data System for Chart 45 "Reported Crimes"

County photos:

- Multnomah Building Green Roof - Judith DeVilliers
- Bridge Construction on the New Sauvie Island Bridge, and New Sauvie Island Bridge - Mike Pullen
- View from Broadway Bridge - Tom Griffin-Valade

Reporting Methodology and Sources

For More Information

The county's financial policy is adopted and published annually in its adopted budget. The county's financial statements and budget can be accessed at www.co.multnomah.or.us

Additional economic information can be obtained through the State of Oregon for the State Employment Department at www.qualityinfo.org or the Office of Economic analysis at www.oregon.gov/DAS/OEA

For information about the county's property tax structure and limitations, see Tax Supervising & Conservation Commission at www.co.multnomah.or.us/orgs/tscc