

Multnomah County Auditor's Office

GARY BLACKMER, County Auditor

Principal Auditor

Judith DeVilliers, Senior Management Auditor

May 1997

Financial Condition

*Multnomah County,
Oregon*

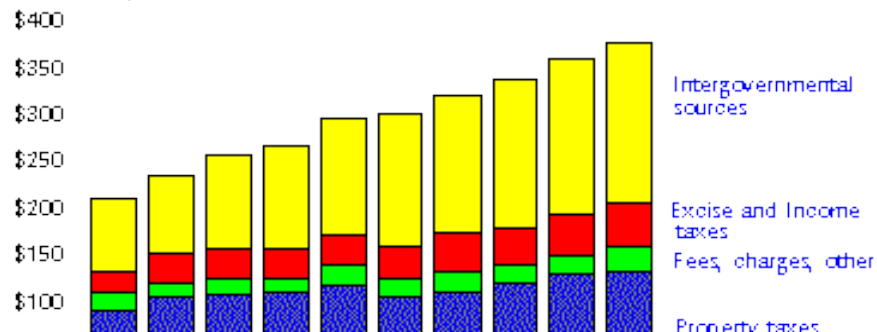
Summary

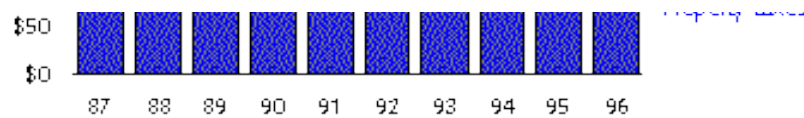
Financial trends over the last ten years indicate continued growth as County government has assumed responsibility for several state programs and expanded others. Although the indicators reflect a strong economy, the County will be faced with new challenges in response to recent changes in property taxation, a major funding source.

During the last ten years Multnomah County's revenues have increased due to a strong local economy and increased transfers from the State of Oregon. Intergovernmental revenues from state and federal sources have doubled, from \$79 million to \$172 million when corrected for inflation. A strong residential real estate market increased property values in the past five years, countering the revenue reductions caused by the 1990 property tax limitation. Despite these increased revenues, the County continues to rely upon three-year serial levies to finance some of its on-going operations. The passage of Ballot Measure 47 will result in a large reduction in future property tax revenues.

Operating Revenues

Millions, adjusted for inflation



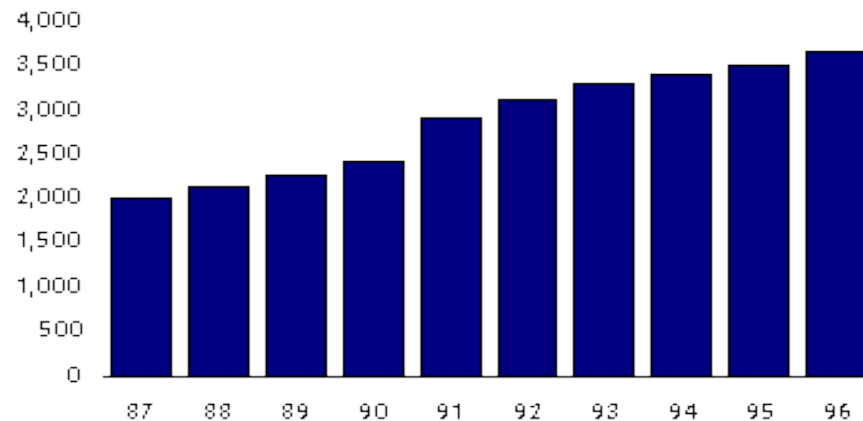


Source: County financial management system

Largely due to the increased responsibilities, the number of County employees has also grown, from about 2,000 to 3,654 in the past ten years. Despite this growth, County administrative costs have increased only slightly during the past decade, when adjusted for inflation. The County has generally succeeded in controlling salary and benefit costs, except for corrections officers and nurses whose wages increased more than inflation over the past ten years.

Number of Employees

Full-time equivalent positions

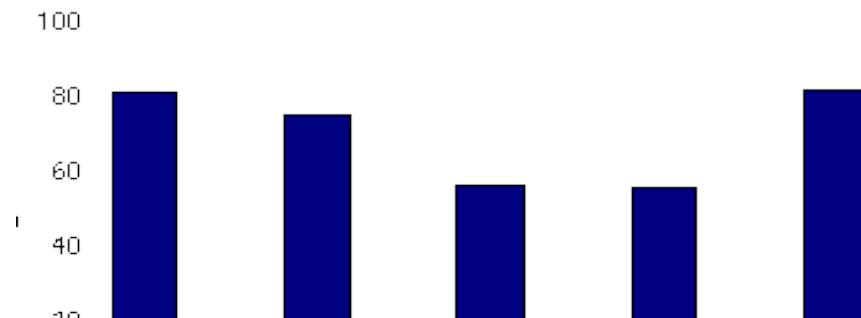


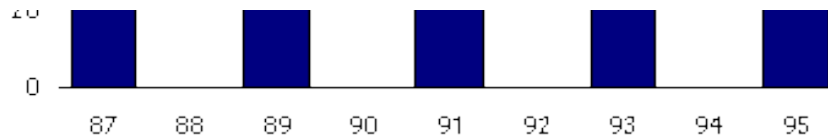
Source: County financial management system

The County has made efforts to increase reserves and capital maintenance activities. Indicators of Multnomah County liabilities show increases in the last few years, an unfavorable trend. The County's unfunded pension liability for employee retirement jumped in the past two years.

Unfunded Pension Liability

millions, adjusted for inflation

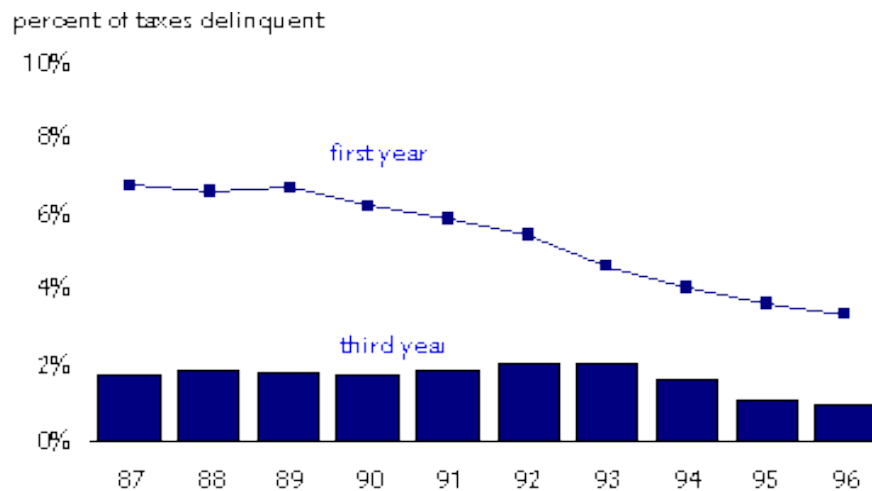




Source: Comprehensive Annual Financial Report

Indicators also showed a strong economic base in the County. Increasing property values and new construction reflect a healthy economy. The number of businesses in the County continues to grow, with over 5,000 new employers added during the decade. Unemployment crept up to 6% in 1992, but has since declined to just under 5%. In addition, property tax delinquencies continued to decline over the last ten years. The percent of taxes delinquent after the first year declined from 7% to less than 4% and taxes still delinquent after the third year declined from 2% to 1%.

Uncollected Property Taxes



Source: Comprehensive Annual Financial Report

While there have been significant changes in County service responsibilities, the populations served by the County have changed gradually. For example, total County residents have increased about 1.4% per year during the past decade. Residents under 20 years old have been increasing during the last 8 years, whereas residents over 70 have remained the same at 9.3% of the population. The number of households receiving State poverty assistance declined from 10,500 in FY93, to 7,700 in FY96. Crime rates have been relatively stable since 1990.

We recommend that the County use its financial and budget

policy as a guide through the difficult budgetary decisions ahead. In addition, the County should work with PERS to review the increased unfunded liability of its employee retirement system.

[Read the response from management](#)

[Read the whole audit](#)