



MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

As management of Multnomah County, Oregon, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2014. The information presented here should be read in conjunction with the letter of transmittal, which can be found on pages 1-8 of this report. All dollar amounts, unless otherwise indicated, are expressed in thousands.

Financial Highlights

- Multnomah County's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at June 30, 2014, by \$935,134 (*net position*). Of this amount, \$18,242 is restricted for capital projects and buildings, \$71,524 is restricted for improvements to roads, bridges and bike paths, \$7,170 is restricted for various community support programs, \$2,692 is restricted for Library operations and \$254 is restricted for document storage and retrieval. \$126,102 is unrestricted and \$709,150 is for net investment in capital assets.
- During the fiscal year 2014, the County's total net position increased by \$112,126 or 14% over fiscal year 2013 net position of \$823,008. Following are some significant financial highlights accounting for the increase from the prior year. The reasons for the increase are noted in the financial analysis section of the MD&A.
- Total assets for governmental activities increased by \$98,431 or 7% over the prior year. The increase in assets is primarily due to the increase in capital assets related to the construction of the Sellwood Bridge. Land, right-of-way and construction in progress increased by \$91,143 or 25% over 2013. Capitalized construction costs for the Sellwood Bridge were approximately \$80,941 in fiscal year 2014.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$265,244. The net change in governmental fund balances during the year was an increase of \$19,194 or 8% over fiscal year 2013.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$44,477, or approximately 11% of total General Fund expenditures and 14% of total "corporate" revenues of General Fund. Corporate revenues include Property Tax, Business Income Tax, Motor Vehicle Rental Tax, State Revenue Sharing, and Interest Earnings, revenues that are available for general use and over which the Board has complete discretion. This balance is consistent with the County's finance and budget policies requiring a 10% reserve.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Multnomah County's basic financial statements. The County's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the County's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *Statement of Activities* presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, health and social services, public safety and justice, community services, roads and bridges, and libraries. The business-type activities of the County include sanitary sewer and street lighting districts, and a behavioral health managed care operation.

The government-wide financial statements include not only the County itself (known as the *primary government*), but also the legally separate library district, legally separate sanitary sewer district and a legally separate street lighting district, for which the County is financially accountable. The statements also include a legally separate, tax exempt foundation whose purpose is to support the County's libraries through raising, receiving, administering and disbursing funds, grants, bequests and gifts for the benefit of the County libraries. Financial information for the three *blended component units* are each presented as separate funds with separately issued financial statements. The *discretely presented component unit* is reported separately from the financial information presented for the County itself.

The government-wide financial statements can be found on pages 33-36 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the *governmental funds* with similar information presented

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains 24 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, the Federal State Program Fund, the PERS Pension Bond Fund and the Sellwood Bridge Replacement Fund, which are considered to be major governmental funds. Data from the remaining governmental funds (non-major governmental funds) are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The County adopts an annual appropriated budget for all funds. A budgetary comparison statement has been provided for each fund to demonstrate compliance with this budget.

The basic governmental fund financial statements and respective reconciliations can be found on pages 37-43 of this report.

Proprietary funds. The County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for its sewer and lighting operations, and for behavioral health managed care services. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses *internal service funds* to account for its risk management activities, fleet operations, telephone and data processing systems, mail distribution, and facilities management operations. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise fund financial statements provide aggregate information for the sewer and lighting districts and the behavioral health fund. The internal service funds are also combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the proprietary and internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 46-48 of this report.

Fiduciary funds. *Fiduciary funds* are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support County programs. The accounting used for fiduciary funds is similar to that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 49 of this report. The combining balance sheet for agency funds and combining statement of changes in assets and liabilities for agency funds can be found on pages 132-133 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the financial data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 50 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the notes to the basic financial statements. Combining and individual fund statements and schedules can be found beginning on page 89 of this report.

Required Supplementary Information (RSI)

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the County's progress in funding its other post employment healthcare benefits obligations. Required supplementary information can be found on page 88.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the County's financial condition. The County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$935,134 at the close of the most recent fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Multnomah County's Net Position

	Governmental Activities		Business- Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 579,172	\$ 554,013	\$24,027	\$23,028	\$ 603,199	\$ 577,041
Capital assets	924,868	851,596	3,631	3,672	928,499	855,268
Total assets	<u>1,504,040</u>	<u>1,405,609</u>	<u>27,658</u>	<u>26,700</u>	<u>1,531,698</u>	<u>1,432,309</u>
Deferred outflows of resources	-	1,684	-	-	-	1,684
Current and other liabilities	156,498	150,676	5,341	4,787	161,839	155,463
Long-term liabilities outstanding	434,385	455,472	-	-	434,385	455,472
Total liabilities	<u>590,883</u>	<u>606,148</u>	<u>5,341</u>	<u>4,787</u>	<u>596,224</u>	<u>610,935</u>
Deferred inflows of resources	340	50	-	-	340	50
Net position:						
Net investment in capital assets	705,519	670,483	3,631	3,672	709,150	674,155
Restricted for, expendable:						
Capital projects	18,242	9,247	-	-	18,242	9,247
Debt service	-	8,181	-	-	-	8,181
Roads, bridge and bike path	71,524	76,838	-	-	71,524	76,838
Other programs	10,116	11,971	-	-	10,116	11,971
Unrestricted	<u>107,416</u>	<u>24,375</u>	<u>18,686</u>	<u>18,241</u>	<u>126,102</u>	<u>42,616</u>
Total net position	<u>\$912,817</u>	<u>\$ 801,095</u>	<u>\$22,317</u>	<u>\$21,913</u>	<u>\$ 935,134</u>	<u>\$ 823,008</u>

The largest portion of the County's net position, approximately 76%, reflects investment in capital assets (land, work in progress, buildings, improvements, machinery and equipment, bridges and infrastructure), net of accumulated depreciation, and the outstanding debt used to acquire the assets in the amount of \$709,150 as compared to \$674,155 a year ago. The County uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The County's restricted net position in the amount of \$99,882 or approximately 11% are restricted for capital projects, debt service, and various community support programs. Restricted net position represents resources that are subject to external restrictions on how they may be used. The remaining balance is the County's unrestricted net position of \$126,102 or approximately 13%. At the end of the current year, the County is able to report positive balances in all categories of net position for governmental and business-type activities.

Total net position increased by \$112,126 during the current fiscal year. A significant portion of this overall increase was the increase in capital assets of \$73,231 or approximately 9%. This increase is attributable to the County's Sellwood Bridge project under construction at the end of fiscal year 2014. The County also had a net reduction in long-term debt of \$27,878, attributable to scheduled principal payments. The remainder of this increase is attributable to the factors discussed in the financial highlights section of management's discussion and analysis.

On the following page is a summary of the County's changes in net position for fiscal years 2014 and 2013.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Multnomah County's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$179,903	\$131,646	\$54,441	\$44,086	\$234,344	\$175,732
Operating grants and	340,367	318,956	-	-	340,367	318,956
Capital grants and contributions	60,776	68	-	10	60,776	78
General revenues:						
Taxes:						
Property taxes	310,870	279,731	-	-	310,870	279,731
Business income taxes	61,800	58,750	-	-	61,800	58,750
Other taxes	59,293	54,030	-	-	59,293	54,030
State government shared revenues	9,198	9,090	-	-	9,198	9,090
Grants and contributions not restricted to specific programs	24	15	-	-	24	15
Interest and investment earnings	2,119	1,638	102	95	2,221	1,733
Miscellaneous	2,302	2,613	10	97	2,312	2,710
Gain on sale of capital assets	279	119	-	-	279	119
Total revenues	1,026,931	856,656	54,553	44,288	1,081,484	900,944
Expenses:						
General government	97,325	72,049	-	-	97,325	72,049
Health services	152,854	148,528	-	-	152,854	148,528
Social services	245,233	233,990	-	-	245,233	233,990
Public safety and justice	228,463	221,744	-	-	228,463	221,744
Community services	39,182	36,895	-	-	39,182	36,895
Library services	64,708	58,488	-	-	64,708	58,488
Roads and bridges	66,622	55,383	-	-	66,622	55,383
Interest on long-term debt	20,822	18,932	-	-	20,822	18,932
Dunthorpe-Riverdale Service District Number 1	-	-	573	554	573	554
Mid County Service District Number 14	-	-	420	389	420	389
Behavioral Health Managed Care	-	-	53,156	38,586	53,156	38,586
Total expenses	915,209	846,009	54,149	39,529	969,358	885,538
Change in net position	111,722	10,647	404	4,759	112,126	15,406
Beginning net position	801,095	790,448	21,913	17,154	823,008	807,602
Ending net position	\$912,817	\$801,095	\$22,317	\$21,913	\$935,134	\$823,008

Governmental activities. Governmental activities increased the County's net position by \$111,722; noteworthy reasons for the change from the prior year are noted below:

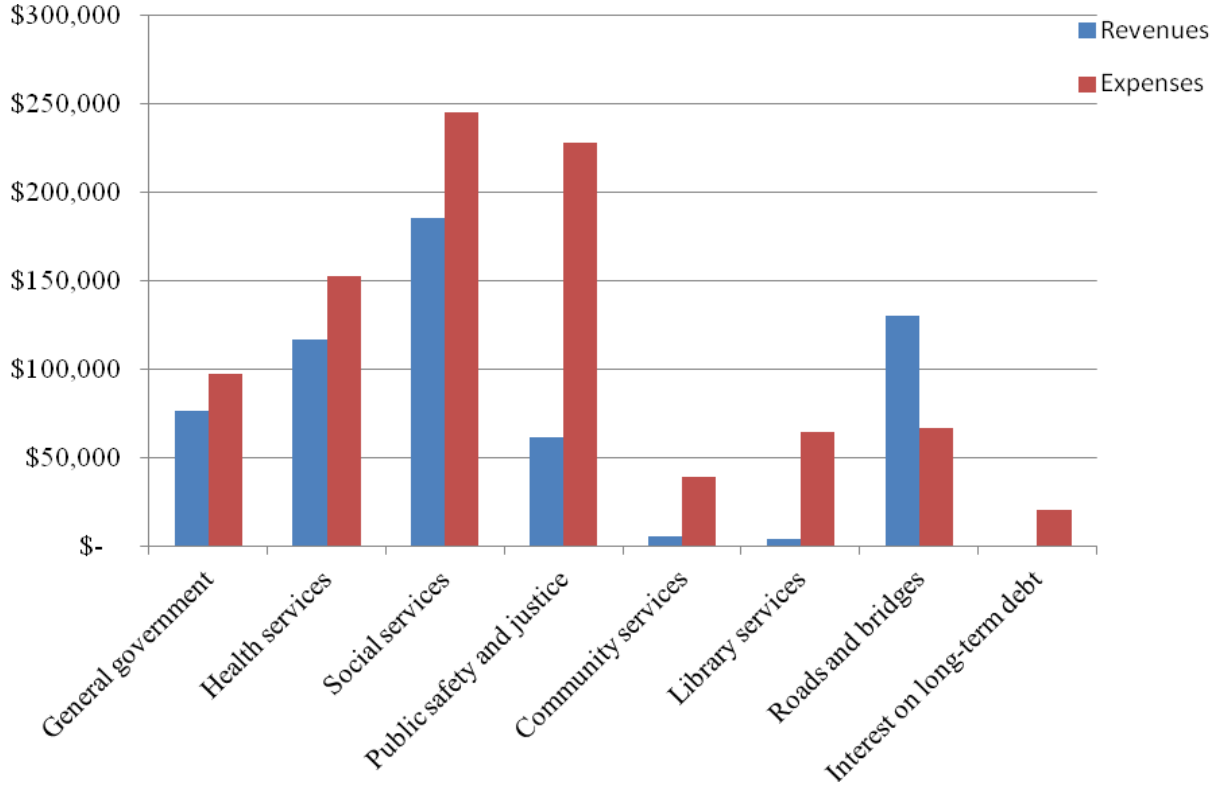
- Property tax revenues are up by \$31,139 or 11% over 2013. The increase is due to the creation of the Library District on July 1, 2013. The formation of the District provided for a separate taxing district for the Library as a mechanism to secure permanent funding for Library operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

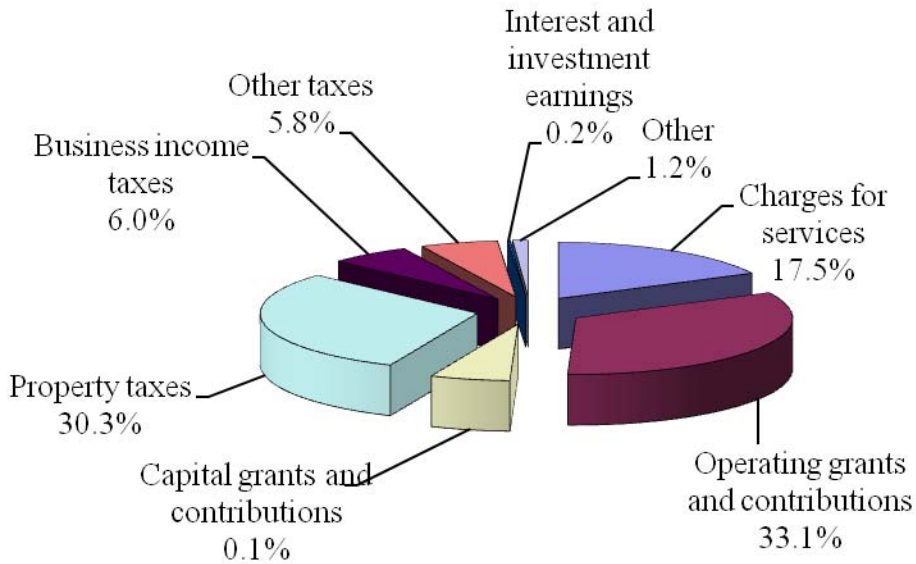
- Other taxes increased by \$5,263 or 10% over the prior year. Other taxes includes selective excise and use taxes such as transient lodging and motor vehicle rental tax which were up in fiscal year 2014 primarily due to an increase in travel and tourism in the Portland area.
- Operating grants and contributions for Public Safety and Justice increased by \$5,444 or 13% from 2013. The increase is attributable to a grant from the State Criminal Justice Commission of approximately \$3.2 million. The District Attorney's Office, the Department of Community Justice and the Sheriff's Office received the justice reinvestment grant program in fiscal year 2014. This was a new grant from the State that the County has not received in prior years.
- Operating grants and contribution revenues for Roads and Bridges increased by \$23,894 over the prior year, or 56%. The increase is due to direct State funding of approximately \$5.2 million and \$19.5 million in Federal awards for the construction of the Sellwood Bridge project. The Federal awards include Highway Planning and Construction and the National Infrastructure Investment award.
- Capital grants and contributions for Health Services increased by \$10,000 or 100% over the prior year. In fiscal year 2014 the Health Department received \$10,000 from the Portland Development Commission as an initial payment per an Intergovernmental Agreement for the construction of a new downtown health department headquarters. Fiscal year 2013 did not report capital grants and contributions for Health Services.
- Capital grants and contributions for Roads and Bridges increased by \$50,524 or 100% over fiscal year 2013 due to payment from the City of Portland in the amount of \$50,000 for the construction of the Sellwood Bridge project.
- Expenses for General Government increased by \$25,276 or 35% over fiscal year 2013. This is due primarily to increases in personnel costs from COLA, merit and step increases in hourly rates as well as an increase in PERS costs.
- Expenses for Roads and Bridges increased by \$11,239 or 20% over the prior fiscal year. This increase is directly related to the construction of the Sellwood Bridge.

The graphs on the following page show the County's Governmental Activities expenses and revenues by program area and revenue by sources.

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

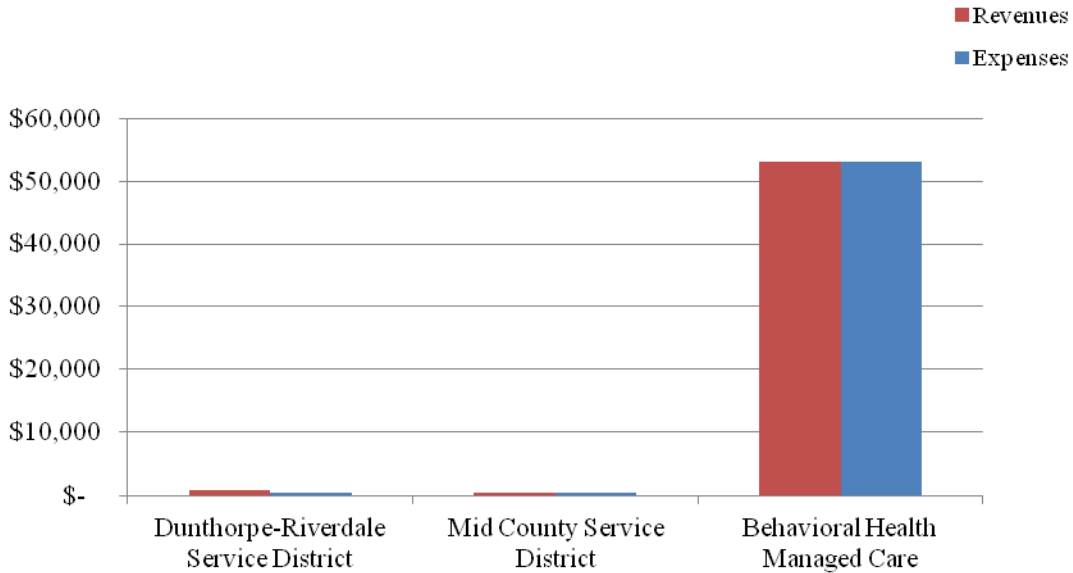
Business-type activities. Business-type activities increased the County's net position by \$404, compared to a increase of \$4,759 in the prior year. The primary reasons for the current year's increase are:

- In the Behavioral Health Managed Care Fund, State and local health care changes impacted the County's Medicaid mental health organization in the Department of County Human Services (DCHS). Throughout fiscal year 2013 Multnomah County's Mental Health transitioned to Health Share Oregon (HSO). Charges for services in the Behavioral Health Managed Care fund increased by \$10,255 or 24% over the prior fiscal year. The primary reason for the increase is due to an increase of approximately 18% in the number of members served by the HSO which resulted in a higher overall capitation payment. Multnomah County HSO continues to collaborate with neighboring counties to standardize administrative functions and reduce the burden and cost on mental health providers in connection with Health Care transformation.
- The Dunthorpe-Riverdale Service District's revenue source is primarily sewer assessments collected through property taxes. During fiscal year 2014 the District collected \$877 in fines, fees and charges for services which is a slight increase from the prior year's collection of \$852. The monthly household customer sewer user assessments fees increased from \$125 (reported in dollars) in fiscal year 2013 to \$130 (reported in dollars) in fiscal year 2014. The increase in the rate provided the District with the necessary operating resources to match needs.
- The Mid County Service District's revenue source is primarily street lighting assessments collected through property taxes. During fiscal year 2013 the District collected \$452 in fines, fees and charges for services which is a slight decrease from the prior year collections of \$377. User fees were increased from \$50 (reported in dollars) per property per year for fiscal year 2013 to \$60 (reported in dollars) per property per year for fiscal year 2014.
- Interest revenue for business-type activities was relatively unchanged from fiscal year 2013. Interest revenue for 2014 was \$102 as compared to \$95 in fiscal year 2013. Interest rates improved slightly over the prior fiscal year, but continue to be low. Interest is allocated based on the average daily cash balance and the average monthly yield of the County's investment portfolio.

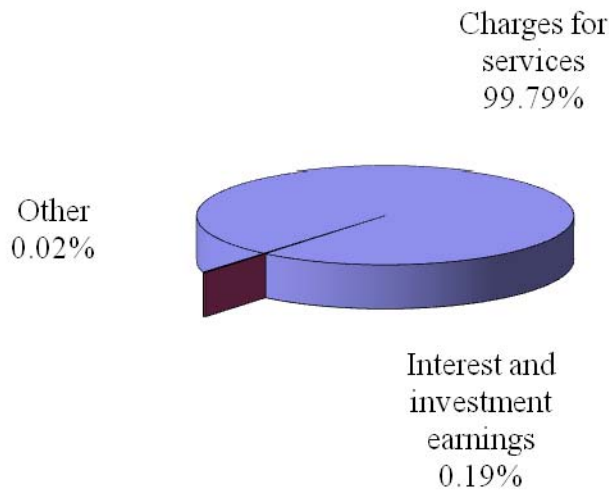
MANAGEMENT’S DISCUSSION AND ANALYSIS (continued)

The following graphs show the County’s Business-type Activities expenses and revenues by program area and revenue by sources.

Revenues by Source -Business-type Activities



Revenues by Source - Business-type Activities



MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Financial Analysis of the Government's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$265,244 an increase of \$19,194 over the prior year. Approximately 22% or \$58,764 of this total amount constitutes *assigned and unassigned fund balances*, which is available for spending at the government's discretion. Unassigned fund balances in the General Fund represent available amounts. A deficit unassigned fund balance in Federal and State Special Revenue Fund represents over spending on assigned amounts. Assigned fund balances in other governmental funds represents available fund balance in those funds. The restricted fund balance is \$105,092 or 40% of the total fund balance. Most of the restricted balance is dedicated to the Sellwood Bridge replacement capital project. Other restricted resources include grant programs, improvements to roads or bike paths, various community support or future debt service. The remainder of fund balance is either *committed* for resources constrained on use by the Board of County Commissioners via a County Ordinance or Board resolution or is *nonspendable* to indicate that it is not available for discretionary spending because it has already been dedicated to prepaid items and inventories. Additional information on the County's fund balances can be found in note 3.G on page 80 of this report.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance was \$44,477 in the General Fund or approximately 98% of the total fund balance of \$45,353. As a measure of the General Fund's liquidity, it may be useful to compare fund balance to total fund expenditures. Unassigned fund balance represents 11% of total General Fund expenditures.

The fund balance of the County's General Fund increased by \$845 or 2%, reflecting spending levels in alignment with revenues recognized during the fiscal year.

The Federal and State Program Special Revenue Fund has a total fund balance of \$6,177, of which \$437 is nonspendable due to balances reported for prepaid items and inventories. The restricted balance of \$5,947 includes grants and other amounts received in advance that are restricted to specific purposes by external parties. In general, Federal revenues are closely matched with Federal expenditures. The remaining deficit balance of (\$207) is reported as unassigned because the total nonspendable and restricted amounts were greater than the total ending fund balance. Ending fund balance in the Federal and State Program fund decreased from the prior year by (\$2,640) or (30%) resulting from an increase in spending of carry-over funds from fiscal year 2013 in the Department of County Human Services for the 2011-2013 biennium settlement of the State Mental Health Block grant for various mental health and developmental disabilities programs.

The PERS Pension Bond Fund is a debt service fund with a total fund balance of \$69,365 which is an increase of \$11,533 or 20% over the prior year's ending fund balance of \$57,832. The increase is directly related to the County's conservative approach to recover PERS costs through internal service charges. The total fund balance is committed for future debt service.

The Sellwood Bridge Replacement Capital Project Fund reported a total fund balance of \$70,974 of which \$251 is nonspendable for balances reported in prepaid items and inventories, \$2,419 is committed and \$477 is assigned. The largest balance is reported as restricted fund balance of \$67,827. The restricted balance primarily represents unspent grants and capital contributions to finance construction of the new Sellwood Bridge.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Proprietary funds. The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the proprietary funds at year end amounted to:

- Dunthorpe-Riverdale Service District Fund, \$1,522
- Mid County Service District Fund, \$453
- Behavioral Health Managed Care Fund, \$16,711

The total change in net position for all proprietary funds was an increase of \$404. Other factors concerning the finances of these three funds have been addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights

The adjustments necessary to bring the expenditure budget into agreement with the revised revenue budget account for some of the differences between the original General Fund budget and the final adopted budget. Total final adopted budgeted revenues had a decrease of (\$2,902) and the total final adopted budgeted expenditures increased by \$367 from the original budgeted numbers. During the year the General Fund contingency was reduced by (\$3,269) or (31%). Following are noteworthy changes from the original budget to the final adopted budget in the General Fund.

- Department of County Human Services - \$300 allocated to the division of Mental Health and Addiction Services for the Lines for Life program. Lines for Life provides statewide suicide intervention and other crisis counseling services. The contingency funding allows the Crisis Lines program to continue to operate for the current fiscal year, while the organization develops a strategy for long term viability.
- Sheriff's Office – \$2,244 earmarked for overtime across Sheriff's Office divisions but primarily in the Corrections Health and Law Enforcement divisions to manage acute mentally ill population in County jails. Inmates on constant suicide watch and prevention of suicides are highly costly programs within the Sheriff's Office.
- Department of County Management - \$279 was allocated to the District Attorney's Office for the fiscal year 2014 cost of the Multnomah County Prosecuting Attorney's Association (MCPAA) collective bargaining agreement. The allocation represented a COLA to bargaining unit members.

The contingency transactions account for increases in budgeted expenditures not related to increased revenues, and may be used only when approved by the Board for a specific purpose and department. There was no effect on the ending General Fund budgetary fund balance as a result of these budget amendments. There were not any significant variances between the final budget and actual expenditures.

Capital Projects and Debt Administration

Capital assets. The County's investment in capital assets for its governmental and business-type activities as of June 30, 2014, amounts to \$928,499 (net of accumulated depreciation). This investment in capital assets includes land, right of ways, buildings and improvements, machinery and equipment, internally developed software, roads and bridges, sewer and street lighting systems, and motor vehicles. The total overall change in the County's investment in capital assets for the current fiscal year was an increase of \$73,231 or approximately 9%. This increase is attributable to the County's Sellwood Bridge project under construction at the end of fiscal year 2014, which accounts for the significant increase in construction in process. Buildings not-in-service represents a County jail facility whose construction was completed in fiscal year 2005, but the

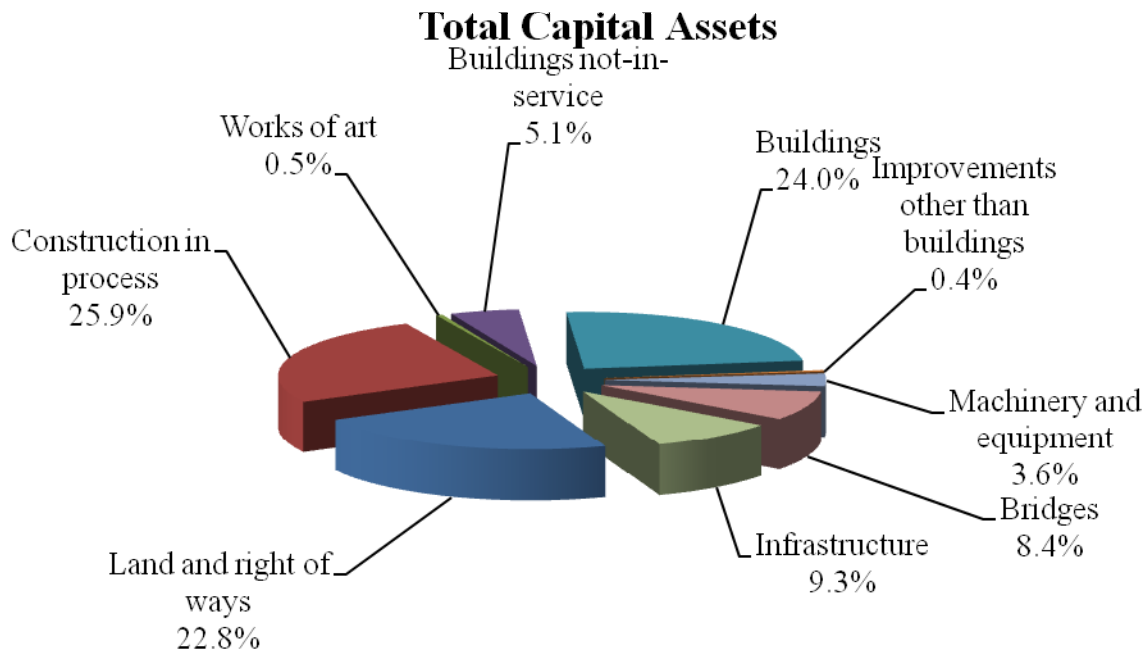
MANAGEMENT’S DISCUSSION AND ANALYSIS (continued)

County does not have sufficient resources to operate the facility. In fiscal year 2014 management determined the asset had been impaired and wrote the County jail down by \$300 to an adjusted amount of \$47,109.

Multnomah County’s Capital Assets
(net of depreciation, where applicable)

	Governmental Activities		Business- Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land and right of ways	\$ 212,016	\$ 211,957	\$ -	\$ -	\$ 212,016	\$ 211,957
Construction in process	239,982	148,898	174	74	240,156	148,972
Works of art	4,430	4,430	-	-	4,430	4,430
Buildings not-in-service	47,109	47,409	-	-	47,109	47,409
Buildings	222,928	231,893	-	-	222,928	231,893
Improvements other than Buildings	714	661	3,457	3,598	4,171	4,259
Machinery and equipment	33,654	31,758	-	-	33,654	31,758
Bridges	77,736	80,166	-	-	77,736	80,166
Infrastructure	86,299	94,424	-	-	86,299	94,424
Total capital assets	\$ 924,868	\$ 851,596	\$ 3,631	\$ 3,672	\$ 928,499	\$ 855,268

The following chart indicates the County’s capital assets as of June, 30, 2014. Additional information on the County’s capital assets can be found in note 3.C on pages 71 – 72 of this report.



MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Long-term debt. At the end of the current fiscal year, the County had total debt outstanding of \$341,516. Of this amount, \$19,812 is general obligation bonds; \$317,452 represents full faith and credit bonds; \$2,919 comprises long term loan obligations; and the remainder of \$1,333 represents capitalized leases. Both general obligation bonds and full faith and credit bonds are direct obligations pledging the full faith and credit of the County.

Multnomah County's Outstanding Debt

	Governmental Activities		Business- Type Activities		Total	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 19,812	\$ 27,718	\$ -	\$ -	\$ 19,812	\$ 27,718
Full faith and credit bonds	317,452	337,075	-	-	317,452	337,075
Capital leases	1,333	1,468	-	-	1,333	1,468
Loans	2,919	3,133	-	-	2,919	3,133
Total outstanding debt	<u>\$ 341,516</u>	<u>\$ 369,394</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 341,516</u>	<u>\$ 369,394</u>

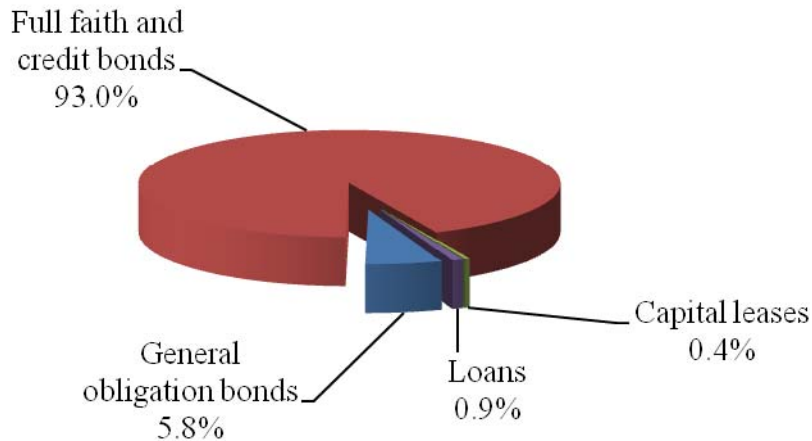
The County's total debt decreased by (\$27,878) or approximately (8%) during the current fiscal year. In fiscal year 2014 the County issued full faith and credit refunding bonds for a current refunding of the 2004 full faith and credit obligation bonds in the amount of \$24,395. Other changes to the County's long-term debt during fiscal year 2014 consisted primarily of principal payments.

The County maintains an Aaa rating with a stable outlook from Moody's, for general obligation debt and Aa1 for full faith and credit bonds. Standard & Poor's rated the County's full faith and credit bonds as AA+.

State statutes limit the amount of general obligation debt a governmental entity may issue to two percent of the real market value of all taxable property within the government's boundaries. The current debt limitation for the County for general obligation debt is \$1,961,574, which is significantly in excess of the County's outstanding general obligation debt. State statutes also limit the amount of full faith and credit obligations to one percent of the real market value of all taxable property within the government's boundaries. The current debt limitation for the County for full faith and credit obligations is \$980,787, which is in excess of the County's outstanding full faith and credit debt. The County is also subject to State statute on revenue bonds used to finance pension liabilities by 5% of the real market value of all taxable property within the County's boundaries. The current debt limitation for pension revenue bonds is \$4,903,936, which is also in excess of the County's outstanding pension revenue bonds.

The following chart indicates the County's long-term liabilities as of June 30, 2014. Additional information on the County's long-term liabilities can be found in note 3.F on pages 73 – 79 of this report.

Total Outstanding Long-Term Debt



Key Economic Factors and Budget Information for Next Year

- The unemployment rate for the Portland-Vancouver-Beaverton PMSA (Primary Metropolitan Statistical Area) at the close of the fiscal year the rate had dropped to approximately 6.1% from 7.3% at the same time last year. The consensus forecast has Oregon employment growing 2.6% in 2014 and 2.5% in 2015. Personal income growth is projected to increase 5.0% in 2014 and 5.3% in 2015.
- Property tax revenues are the single largest source of revenue in the General Fund and it accounts for 62% of ongoing revenues. Therefore, General Fund growth is particularly sensitive to taxable value growth and compression. Property tax revenues are based on projections and estimates. This data notes an increase in the 2015 budget of 4.7% due to an increase in assessed values.
- The forecast for fiscal year 2015 projects business income tax revenues will increase by 8.9% over budgeted fiscal year 2014 levels. Business income tax (BIT) is highly sensitive to economic conditions and has historically been a volatile revenue source. The fiscal year 2015 budget contains an additional 10% BIT Stabilization Reserve to help mitigate the risk of an unexpected downturn in the regional economy.
- Recording fees and the County Assessment Function Funding Assistance (CAFFA) grant are projected to decrease by 8.5% in fiscal year 2015 primarily due to reduced refinancing activity as mortgage rates have increased from historic lows.
- U.S. Marshal Jail bed rental revenues are projected to decrease by 14.5% in fiscal year 2015. The decrease is due in part to the availability of other local facilities, and in particular, the Columbia County jail. In fiscal year 2014, U.S. Marshal usage of County jail beds were below historical averages as prisoners were held in the Columbia County jail rather than Multnomah County facilities. The fiscal year 2015 budget assumes 18% decrease in beds rented per day from the 2014 budget.
- Construction of the Sellwood Bridge replacement project continues in fiscal year 2015. Work during fiscal year 2015 includes the construction of the structures that will support the new bridge main spans and fabrication installation of the steel arches. Work on the interchange and East approach structures continues. The project is expected to be approximately 75% complete by the end of fiscal year 2015. Traffic will be on the new bridge by late calendar year 2015, and the remaining project work will be completed by November 2016. Total cost of the project is estimated to be \$307.5 million and agreements for all sources of funding have been signed. Challenging geotechnical conditions and other unanticipated issues may impact the final cost of the project. To date the project has spent approximately \$201,000. The remaining \$106,500 in expense will be spent in fiscal years 2015

MANAGEMENT’S DISCUSSION AND ANALYSIS (continued)

through 2017. A summary of total project resources and anticipated fiscal year 2015 sources is as follows:

	Sellwood Bridge Project Resources	
	Project Total	Fiscal Year 2015
County Vehicle Registration Fees	\$ 164,392	\$ 10,830
City of Portland	74,750	20,000
State of Oregon	35,000	15,000
FHQA – TIGER III Federal Grant	33,358	1,218
Totals for Sellwood Bridge Project	\$ 307,500	\$ 47,048

All of these factors were considered in preparing the County’s budget for fiscal year 2014-2015.

During the current fiscal year, unassigned fund balance in the General Fund increased to \$44,477. At this level, the County is able to fully fund the reserve account in the General Fund unappropriated fund balance as described in the Financial and Budget policies. The Finance and Budget policies state it is the goal of the Board to fund and maintain a General Fund budgeted reserve, designated as unappropriated fund balance and funded at approximately 10% of specifically identified revenues, “corporate” revenues, of the General Fund. In fiscal year 2014, reserves are equal to 10% of the “corporate” revenues of the General Fund. The fiscal year 2014-2015 budget fully funds the reserve in the General Fund.

Requests for Information

This financial report is designed to provide a general overview of Multnomah County’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for separately issued component unit reports should be directed to the following address:

Multnomah County
Department of County Management
501 SE Hawthorne Blvd. Suite 531
Portland, OR 97214