

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, 2013. 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, 2013, by \$823,008 (*net position*). Of this amount, \$9,247 is restricted for capital projects and buildings, \$76,838 is restricted for improvements to roads, bridges and bike paths, \$8,181 is restricted for future years' debt service, and \$10,803 is restricted for various community support, \$739 is restricted for Library operations and \$429 is restricted for document storage and retrieval. \$42,616 is unrestricted and \$674,155 is for net investment in capital assets, net of related debt.
- During the fiscal year 2013, the County's total net position increased by \$15,406 or 2% over the restated fiscal year 2012 net position of \$807,602. In fiscal year 2013, the County implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* with a cumulative effect of reducing the County's net position by \$504 at June 30, 2012. 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.
- Business income tax (BIT) increased by \$6,500 or approximately 12% over fiscal year 2012.
- Operating grants and contributions for Social Services increased by \$22,320 or 13% from 2012.
- Operating grants and contribution revenues for Roads and Bridges decreased by \$8,402 over the prior year, or (16%).
- The County's interest on long-term debt was up \$8,237 or 77% over fiscal year 2012.
- Net position for business-type activities increased by \$4,759 or 28% in fiscal year 2013. The increase is primarily in the Behavioral Health Managed Care fund where fiscal year 2013 expenses decreased by (\$10,428) or 21% from fiscal year 2012.
- Total assets for business-type activities increased by \$5,336 or 25% over the prior year and total liabilities increased by \$577 or 14% from fiscal year 2012. The increase in assets is directly related to the Behavioral Health Managed Care fund's cash balance was higher at June 30, 2013 by 30% over June 30, 2012.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$246,050. The net change in governmental fund balances during the year was a

increase of \$79,126 or 47% over fiscal year 2012. The increase is directly related to the \$128,000 in Full Faith and Credit Bonds issued in December of 2012 to replace the County's Sellwood Bridge. The proceeds of the bond issue are recorded to the Sellwood Bridge Replacement capital project fund.

- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$43,503, 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.

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 a 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 two *blended component units* and one *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 32-35 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 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 25 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 36-42 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 45-47 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 statements can be found on page 48 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 134-135 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 49 of this report.

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 90 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 89.

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 \$823,008 at the close of the most recent fiscal year.

Multnomah County’s Net Position

	Governmental Activities		Business- Type Activities		Total	
	2013	2012 Restated	2013	2012	2013	2012 Restated
Current and other assets	\$ 554,013	\$ 468,643	\$23,028	\$17,612	\$ 577,041	\$ 486,255
Capital assets	851,596	807,062	3,672	3,752	855,268	810,814
Total assets	<u>1,405,609</u>	<u>1,275,705</u>	<u>26,700</u>	<u>21,364</u>	<u>1,432,309</u>	<u>1,297,069</u>
Deferred outflows of resources	<u>1,684</u>	<u>1,944</u>	-	-	<u>1,684</u>	<u>1,944</u>
Current and other liabilities	150,676	124,402	4,787	4,198	155,463	128,600
Long-term liabilities outstanding	455,472	361,192	-	12	455,472	361,204
Total liabilities	<u>606,148</u>	<u>485,594</u>	<u>4,787</u>	<u>4,210</u>	<u>610,935</u>	<u>489,804</u>
Deferred inflows of resources	<u>50</u>	<u>1,607</u>	-	-	<u>50</u>	<u>1,607</u>
Net position:						
Investment in capital assets, net of related debt	670,483	686,874	3,672	3,752	674,155	690,626
Restricted for expendable:						
Capital projects	9,247	10,462	-	-	9,247	10,462
Debt service	8,181	8,278	-	-	8,181	8,278
Roads, bridge and bike path	76,838	4,432	-	-	76,838	4,432
Other programs	11,971	6,393	-	-	11,971	6,393
Unrestricted	24,375	74,009	18,241	13,402	42,616	87,411
Total net position	<u>\$ 801,095</u>	<u>\$ 790,448</u>	<u>\$21,913</u>	<u>\$17,154</u>	<u>\$ 823,008</u>	<u>\$ 807,602</u>

The largest portion of the County's net position, approximately 82%, 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 \$674,155 as compared to \$690,626 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 \$106,237 or approximately 13% are restricted for capital projects, debt service, and various community support programs. Restricted net position represent resources that are subject to external restrictions on how they may be used. The remaining balance is the County's unrestricted net position of \$42,616 or approximately 6%. 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 \$15,406 during the current fiscal year. 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 2013 and 2012.

Multnomah County's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012 Restated	2013	2012	2013	2012 Restated
Revenues:						
Program revenues:						
Charges for services	\$131,646	\$135,053	\$44,086	\$45,929	\$175,732	\$180,982
Operating grants and contributions	318,956	308,392	-	-	318,956	308,392
Capital grants and contributions	68	839	10	6	78	845
General revenues:						
Taxes:						
Property taxes	279,731	281,141	-	-	279,731	281,141
Business income taxes	58,750	52,250	-	-	58,750	52,250
Other taxes	54,030	49,709	-	-	54,030	49,709
State government shared revenues	9,090	10,108	-	-	9,090	10,108
Grants and contributions not restricted to specific programs	15	10	-	-	15	10
Interest and investment earnings	1,638	2,604	95	97	1,733	2,701
Miscellaneous	2,613	1,194	97	-	2,710	1,194
Gain on sale of capital assets	119	607	-	-	119	607
Total revenues	856,656	841,907	44,288	46,032	900,944	887,939
Expenses:						
General government	72,049	65,813	-	-	72,049	65,813
Health services	148,528	150,421	-	-	148,528	150,421
Social services	233,990	224,975	-	-	233,990	224,975
Public safety and justice	221,744	217,842	-	-	221,744	217,842
Community services	36,895	34,511	-	-	36,895	34,511
Library services	58,488	61,641	-	-	58,488	61,641
Roads and bridges	55,383	54,287	-	-	55,383	54,287
Interest on long-term debt	18,932	10,695	-	-	18,932	10,695
Dunthorpe-Riverdale Service District Number 1	-	-	554	507	554	507
Mid County Service District Number 14	-	-	389	411	389	411
Behavioral Health Managed Care	-	-	38,586	49,014	38,586	49,014
Total expenses	846,009	820,185	39,529	49,932	885,538	870,117
Change in net position	10,647	21,722	4,759	(3,900)	15,406	17,822
Beginning net position	790,448	769,230	17,154	21,054	807,602	790,284
Cumulative effect to implement <i>GASB Statement No. 65</i>	-	(504)	-	-	-	(504)
Ending net position	\$801,095	\$790,448	\$21,913	\$17,154	\$823,008	\$807,602

Governmental activities. Governmental activities increased the County's net position by \$10,647; noteworthy reasons for the change from the prior year are noted below:

- Business income tax revenues are up by \$6,500 or 12% over 2012. The increase is primarily attributable to a stronger economy in 2013 from 2012 which in turn led to significant gains in corporate profits.

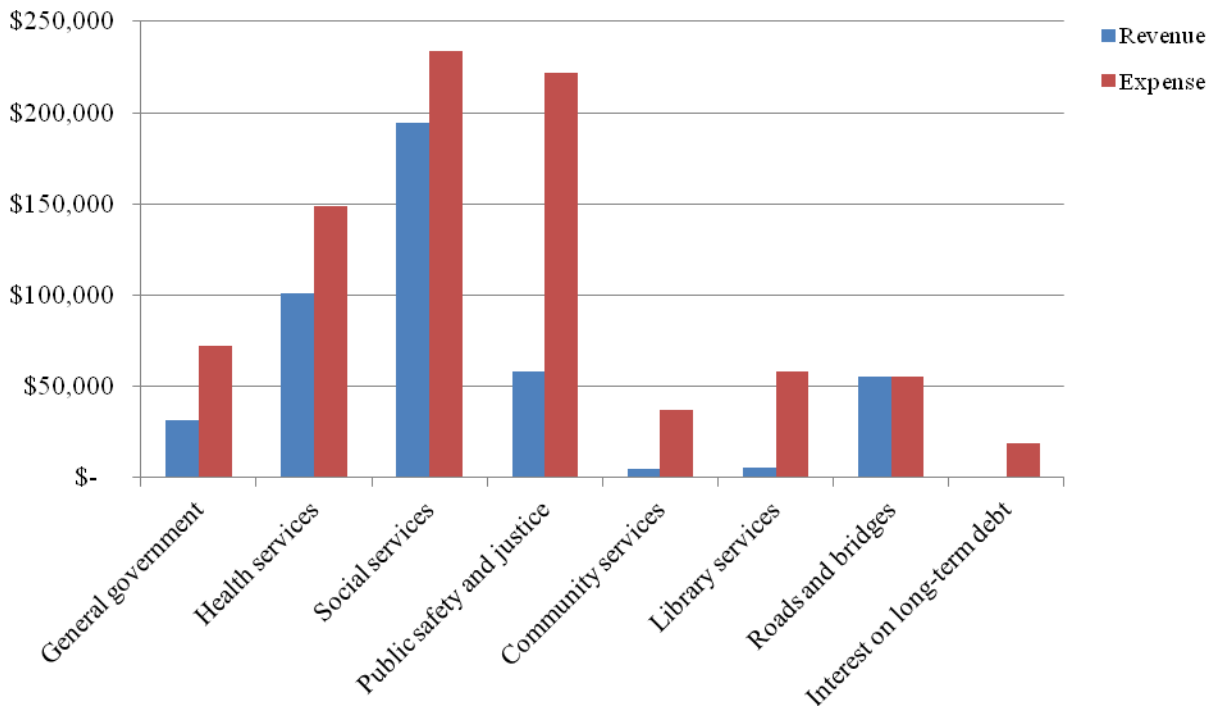
- Operating grants and contributions for Social Services increased by \$22,320 or 13% from 2012. One significant increase is noted in the Developmental Disabilities Services Division (DDSD) division for the Department of County Human Services. The State of Oregon increased DDSD funding by \$8,850 from 2012 to restore pre-2011 comprehensive service rates. The restored funding provided participants with an increase in 24 hour residential services, in-home support services, non-medical transportation services and adult and child foster care services.

The remaining increase in Social Services is attributable to a large State grant, the State Mental Health Grant (SMHG), received by the Department of County Human Services. In 2013 the County received additional SMHG funding targeted for the mental health and addiction services and developmental disabilities services divisions. The increased funding the County received was in anticipation of an increase in mental health clients released from State hospitals into County funded programs as well as an increase in the overall general population for mental health.

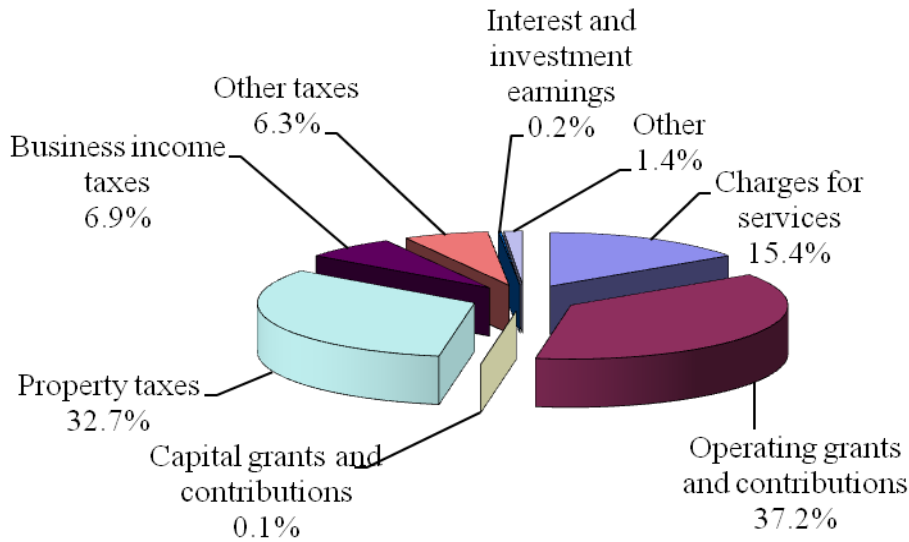
- Operating grants and contribution revenues for Roads and Bridges decreased by \$8,402 over the prior year, or (16%). The decrease is primarily due to two significant Federal awards received in fiscal year 2012 related to County bridge projects. The Sellwood Bridge construction project received \$10,791 in Federal award for right-of-way acquisitions and the Morrison Bridge deck rehabilitation received \$2,736 in Federal awards in fiscal year 2012. The Federal grants that funded these capital projects were not renewed in fiscal year 2013.
- Interest on long-term debt is up by \$8,237 or 77% from fiscal year due to an increase in the total outstanding debt. In December of 2012 the County issued \$128,000 of Full Faith and Credit bonds to provide funding for the construction of a new Willamette River bridge, 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

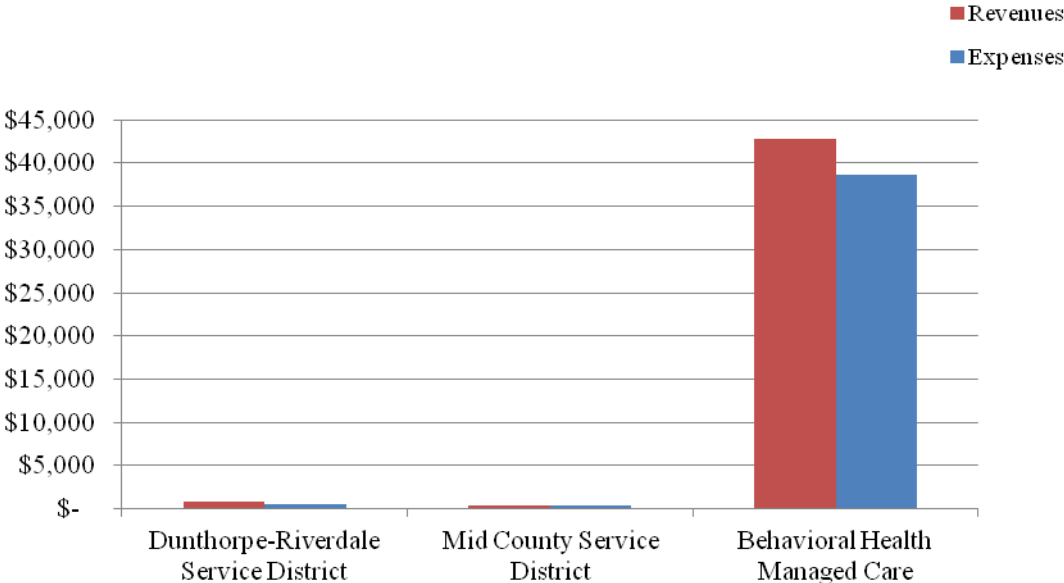


Business-type activities. Business-type activities increased the County's net position by \$4,759, compared to a decrease of (\$3,900) in the prior year. The primary reasons for the current year's increase are:

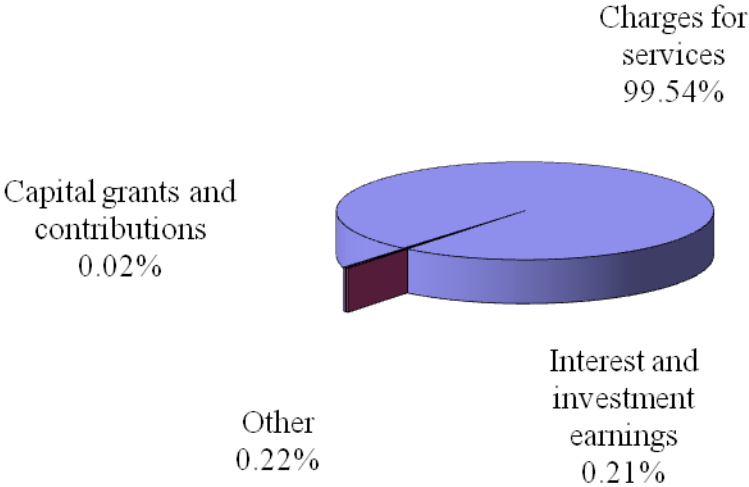
- In the Behavioral Health Managed Care Fund, State and local health care changes impacted the County's Medicaid mental health organization, Verity, in the Department of County Human Services (DCHS). Verity and its 95,000 members transitioned to Health Share/Multnomah Mental Health in September 2012; and a reduction of approximately 5,000 members over the course of fiscal year 2013. Additionally, DCHS Mental Health and Addiction Services Division (MHASD) has managed reductions in both Medicaid and state crisis funding. Effective July 1, 2012, it reduced reimbursement and implemented a monthly budget cap to adjust to an 11% reduction in the Oregon Health Plan reimbursement to remain within revenue. Currently, MHASD is collaborating with neighboring counties to standardize administrative functions and reduce the burden and cost on mental health providers. These changes led to significant cost savings in these DCHS programs.
- The Dunthorpe-Riverdale Service District's revenue source is primarily sewer assessments collected through property taxes. During fiscal year 2013 the District collected \$852 in fines, fees and charges for services which is a slight increase from the prior year's collection of \$837. In fiscal year 2013 the monthly household customer sewer user assessments fees increased from \$122 in fiscal year 2012 to \$125 in fiscal year 2013.
- The Mid County Service District's revenue source is primarily street lighting assessments collected through property taxes. During fiscal year 2013 the District collected \$377 in fines, fees and charges for services which is a slight decrease from the prior year collections of \$380. User fees were not increased during fiscal year 2013 and remained constant from fiscal year 2012.
- Interest revenue for business-type activities was relatively unchanged from fiscal year 2012. Interest revenue for 2013 was \$95 as compared to \$97 in fiscal year 2012. Interest rates continued to be low from 2012. Interest is allocated based on the average daily cash balance and the average monthly yield of the County's investment portfolio.

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



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 \$246,050 an increase of \$79,126 over the prior year. Approximately 21% or \$52,312 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 \$105,770 or 43% 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 *nonspendable or committed* 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.H on page 80 – 81 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 \$43,503 in the General Fund or approximately 98% of the total fund balance of \$44,508. 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 \$4,851 or 12%. This increase is primarily due to an increase in business income tax (BIT) revenues which are highly elastic. Therefore, as the economy strengthened from 2012 to 2013 so did corporate profits and the County's BIT revenues.

The Federal and State Program Special Revenue Fund has a total fund balance of \$8,817 , of which \$472 is nonspendable due to balances reported for prepaid items and inventories. The restricted balance of \$8,791 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 (\$446) 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 increased from the prior year by \$4,876 or 124% resulting from the 2011-2013 biennium settlement of the State Mental Health Block grant in the Department of County Human Services for various mental health and developmental disabilities programs carrying over into the subsequent fiscal year.

The PERS Pension Bond Fund is a debt service fund with a total fund balance of \$57,832 which is an increase of \$1,181 or 2% over the prior year's ending fund balance of \$56,651. The total fund balance is committed for future debt service.

The Sellwood Bridge Replacement Capital Project Fund reported a total fund balance of \$75,694, of which \$353 is nonspendable for balances reported in prepaid items and inventories, \$2,317 is committed and \$265 is assigned. The largest balance is reported as restricted fund balance of \$72,759. The restricted balance primarily represents unspent bond proceeds from the 2012 Full Faith and Credit Obligation debt issue of \$128,000 to finance construction of the new Sellwood Bridge.

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, \$1,237
- Mid County Service District Fund, \$353
- Behavioral Health Managed Care Fund, \$16,651

The total change in net position for all proprietary funds was an increase of \$4,759. 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 slight increase of \$268 and the total final adopted budgeted expenditures increased by \$1,965 from the original budgeted numbers. During the year the General Fund contingency was reduced by \$1,643 or (18%). Following are noteworthy changes from the original budget to the final adopted budget in the General Fund.

- Health Department – \$802 for additional funding for remodeling the Primary Care facility in the Southeast Health Center.
- Non-Departmental – \$504 was appropriated to support various programs: a homeless youth project, Metamorphosis, assist the Veterans Affairs Administration and community partners with chronically homeless veterans housing, homeless family program and Schools Uniting Neighborhoods (SUN) School emergency food pantry to reduce child hunger.
- Sheriff's Office – \$239 was allocated to hire, equip and train corrections deputies. The Sheriff's Office experienced a growing number of vacancies in fiscal year 2013 due to attrition and retirements.

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

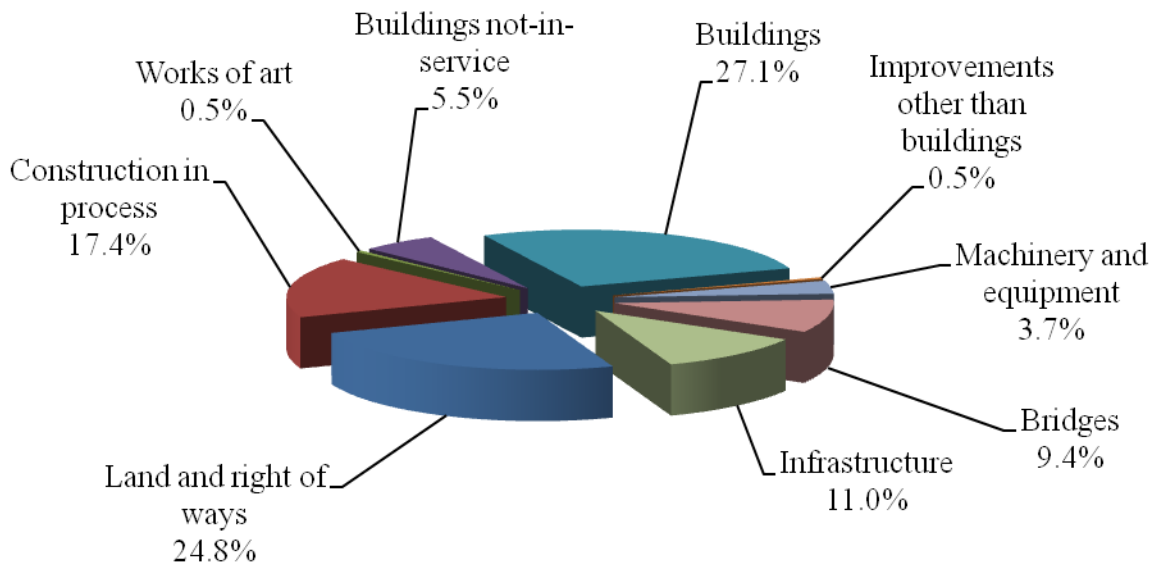
Capital assets. The County's investment in capital assets for its governmental and business-type activities as of June 30, 2013, amounts to \$855,268 (net of accumulated depreciation). This investment in capital assets includes land, right of ways, buildings and improvements, machinery and equipment, 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 \$44,454 or approximately 5%. This increase is attributable to the County's Sellwood Bridge project still under construction at the end of fiscal year 2013, which accounts for the significant increase in construction in process. Additionally, buildings not-in-service, which represents a County jail facility whose construction was completed in fiscal year 2005, but the County does not have sufficient resources to operate the facility. In fiscal year 2013 management determined the asset had been impaired and wrote the County jail down by \$3,755 to an adjusted amount of \$47,409.

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

	Governmental Activities		Business- Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land and right of ways	\$ 211,957	\$ 211,924	\$ -	\$ -	\$ 211,957	\$ 211,924
Construction in process	148,898	85,857	74	23	148,972	85,880
Works of art	4,430	4,430	-	-	4,430	4,430
Buildings not-in-service	47,409	51,164	-	-	47,409	51,164
Buildings	231,893	236,990	-	-	231,893	236,990
Improvements other than Buildings	661	696	3,598	3,729	4,259	4,425
Machinery and equipment	31,758	32,928	-	-	31,758	37,358
Bridges	80,166	81,191	-	-	80,166	81,191
Infrastructure	94,424	101,882	-	-	94,424	101,882
Total capital assets	\$ 851,596	\$ 807,062	\$ 3,672	\$ 3,752	\$ 855,268	\$ 810,814

The following chart indicates the County's capital assets as of June, 30, 2013. Additional information on the County's capital assets can be found in note 3.C on pages 71 – 72 of this report.

Total Capital Assets



Long-term debt. At the end of the current fiscal year, the County had total debt outstanding of \$369,394. Of this amount, \$27,718 is general obligation bonds; \$337,075 represents full faith and credit bonds; \$3,133 comprises long term loan obligations; and the remainder of the County’s debt 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	
	2013	2012 (Restated)	2013	2012	2013	2012 (Restated)
	General obligation bonds	\$ 27,718	\$ 35,274	\$ -	\$ -	\$ 27,718
Full faith and credit bonds	337,075	201,307	-	-	337,075	201,307
Capital leases	1,468	1,597	-	-	1,468	1,597
Loans	3,133	18,171	-	-	3,133	18,171
Total outstanding debt	<u>\$ 369,394</u>	<u>\$ 256,349</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 369,394</u>	<u>\$ 256,349</u>

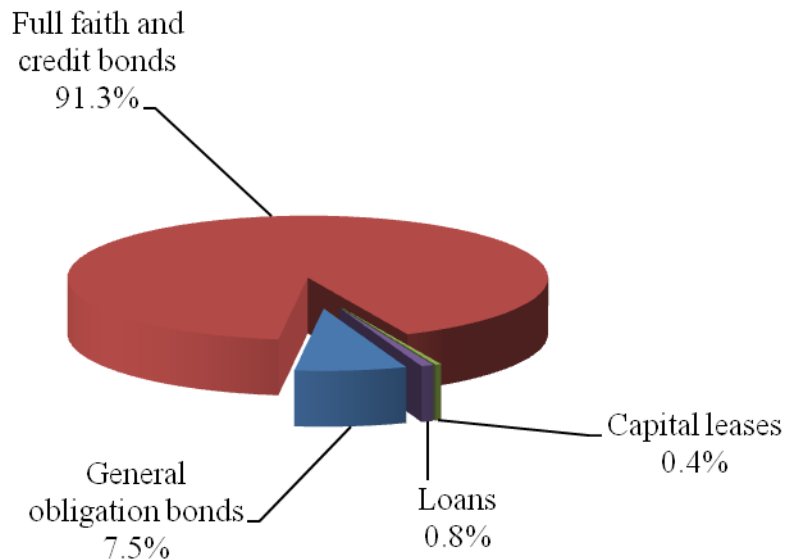
The County's total debt increased by \$113,045 or approximately 44% during the current fiscal year. In fiscal year 2013 the County issued full faith and credit obligation bonds for the Sellwood Bridge replacement project in the amount of \$128,000. In connection with this debt issue, the County repaid a 2011 interim financing agreement for Taxable Non-revolving Credit Facility Bonds of \$40,000. Other changes to the County’s long-term debt during fiscal year 2013 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 \$1,874,708, 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 \$937,354, 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 \$4,686,771, 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, 2013. Additional information on the County’s long-term liabilities can be found in note 3.G on pages 73 – 80 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 7.3% from 8.3% at the same time last year. The consensus forecast has Oregon employment growing 1.7% in 2013 and 2.8% in 2014. Personal income growth is projected to increase 4.1% in 2013 and 5.1% in 2014.
- 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 expected to be flat due to increased compression (caused by formation of a Library District), but offset by a forecasted 3.25% increase in assessed values. Voter approved Property Tax measures, while they have limited revenue growth, have tended to make tax collections more stable and predictable from year to year.
- The forecast for fiscal year 2014 anticipates business income tax revenues will increase by 6.25% over budgeted fiscal year 2013 levels. Business income tax (BIT) is highly sensitive to economic conditions and has historically been a volatile revenue source. The fiscal year 2014 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 expected to increase by 8.6% in fiscal year 2014 due in part to the County receiving a larger proportion of the state-wide funds available for distribution and to refinancing activity associated with record low mortgage rates (which has begun to wane as interest rates have recently increased).
- State shared revenues, including Oregon Liquor Control, cigarette and amusement device taxes, are expected to increase in 2014. The increase (as measured from the fiscal year 2013 adopted budget) is primarily in liquor revenues. Washington State voters passed initiative 1183 that ceased operations of state run liquor stores and liquor distribution and increased taxes, resulting increased sales in Oregon. Absent the Washington State measure, liquor taxes are expected to increase 2.56% from fiscal year 2013 actual collections.

- The County’s construction of the Sellwood Bridge replacement project is fully underway in fiscal year 2014. The existing bridge truss was relocated as a detour bridge and landslide stabilization work is essentially complete. In fiscal year 2014 the focus of the work will be the construction of the structures that will support the new bridge main spans and fabrication of the steel arches. The project is expected to be approximately 50% complete in fiscal year 2014. Traffic will be on the new bridge in the summer of 2015 and the work on the Oregon highway 43 interchange will be completed in the summer of 2016. Total cost of the project is estimated to be \$307,500 and agreements for all sources of funding have been signed. To date the project has spent approximately \$145,000. A substantial portion of the remaining \$162,500 in expense will be spent in fiscal years 2014 through 2106. A summary of total project resources and anticipated fiscal year 2014 sources is as follows:

	Sellwood Bridge Project Resources	
	Project Total	Fiscal Year 2014
County Vehicle Registration Fees	\$ 164,392	\$ 10,800
City of Portland	74,750	50,000
State of Oregon	35,000	16,700
FHQA – TIGER III Federal Grant	33,358	8,850
Totals for Sellwood Bridge Project	\$ 307,500	\$ 86,350

- Fiscal year 2014 is the first year of operations for the County’s Library District, which was approved by voters in November 2012. The effect of the election was to create a separate taxing district for the Library as a mechanism to secure permanent funding for Library operations. Prior to the creation of the Library District, the Library was supported by County General Fund revenues and a temporary local option tax levy. The formation of the Library District has the following impacts to the County:
 - Eliminates the County’s \$15,300 General Fund ongoing contribution to Library operations for fiscal year 2014.
 - Increases property tax compression on the County’s General Fund, resulting in a loss of approximately \$7,200.
 - Eliminates the need for the County’s use of \$10,000 one-time-only funds for Library operations from fiscal years 2013 through 2015, saving and making available an additional \$6,600 of one-time-only funds.

All of these factors were considered in preparing the County’s budget for fiscal year 2013-2014.

During the current fiscal year, unassigned fund balance in the General Fund increased to \$43,503. 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 2013, reserves are equal to 10% of the “corporate” revenues of the General Fund. The fiscal year 2013-2014 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:

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 Portland, OR 97214