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## Introduction

Multnomah County's \$2.0 billion FY 2018 Adopted budget is balanced over a three-year period and strikes a balance between addressing our community's pressing needs today, investing for the future, and providing for financial resiliency in a time of great uncertainty.

The County's ability to balance its budget over multiple years and address our community's needs is due to the region's strong economy, but also the prudent financial management by the Chair and Board. As the economy has recovered and grown, the Board has adhered to its financial policies, focused on long-term planning, and maintained low debt obligations and high bond ratings.

In February 2017, Moody's upgraded the County's bond rating associated with our Full Faith & Credit and Pension Obligation Bond debt from Aa1 to Aaa, which is the highest rating on the Moody's scale.

The FY 2018 budget addresses our community's needs today. Several examples include:

- Providing an additional \$3.2 million in ongoing and one-time-only General Fund resources to address homelessness and housing needs, in addition to the over \$10 million added in FY 2017. It also provides roughly \$7.5 million more ongoing funding, rather than relying on one-time-only funds.
- Continuing to address our community's mental health needs and reduce the use of incarceration by providing \$750,000 for the LEAD program and \$589,000 for additional Health department staffing at jails.
- Adding \$211,078 for opioid overdose response training and naloxone.
- Providing \$326,299 for the Adult Community Healing Initiative.

The budget devotes an additional \$29.9 million of one-time-only General Fund resources to capital infrastructure. This not only addresses the County's capital needs, but it also reduces future borrowing needs. These include:

- \$18.0 million for the new Downtown Courthouse, in addition to the \$48.0 million provided in FY 2016 and 2017.
- \$7.0 million for the new Health Department Headquarters, in addition to the \$6.4 million funded in FY 2014 and FY 2015.
- \$4.2 million for upgrading the electronics at the Multnomah County Justice Center.
- \$0.7 million for replacement of the District Attorney's CRIMES software, in addition to the \$1.85 million funded in FY 2017.

The budget also provides for additional ongoing General Fund capacity to cover debt payments of:

- \$5.1 million for the new Downtown Central Courthouse
- \$3.0 million for the new Health Department Headquarters

- \$2.8 million for the Enterprise Resource Planning (ERP) project

The Adopted budget recognizes that the strong Portland economy is not recession-proof. Even without a recession, the County's revenue growth is projected to slow while labor costs are projected to grow at a faster rate. The County also faces a significant degree of uncertainty in its funding from the State of Oregon, which faces a \$1.6 billion funding gap. Funding and policies at the Federal level are equally as uncertain. The proposed budget provides financial resiliency by:

- Balancing the budget over a three-year period
- Setting aside \$2.7 million to ramp-down State and Federal programs if needed
- Contributing \$25 million to a PERS side account to address the County's unfunded liability
- Fully funding our General Fund Reserves per the Board's Policy
- Funding a 10% Business Income Tax (BIT) reserve
- Spending one-time-only resources on one-time-only expenditures
- Using one-time-only funds to address capital needs to reduce future borrowing requirements, saving \$1.5 million in ongoing debt payments

The FY 2018 budget does include a number of reductions and reallocations. Of significant note are:

- The Health Department has cut seven provider teams (and the associated support staff) due to expenditures exceeding revenues generated by the clinical system. This results in a reduction of approximately 70 FTE.
- Cutting the Warrant Strike Team in the Sheriff's Office, saving \$752,809.
- Administrative and back-office reductions across a number of departments
- Ramp down and closure of the Londer Learning Center, saving \$330,000 in FY 2018 and \$660,000 in FY 2019.
- A reduction of 89.90 FTE or 1.7% of FTE across all funds.

While the focus of budget discussions tends to naturally fall on the 'adds and cuts,' the vast majority of the County's programs are unchanged from FY 2017, with over 5,000 County employees continuing to provide services ranging from law enforcement and health care to bridge maintenance and elections in FY 2018.

The following pages of the FY 2018 budget contain much more information on the County's financial picture and operational and investment plans for FY 2018.

The County's budget information for FY 2018, as well as past years, can be found at: [www.multco.us/budget](http://www.multco.us/budget).

## Planning for FY 2018

### *Economic Climate*

The Portland metropolitan economy remains remarkably strong, growing above its historical growth rate since mid-2012. Unemployment in Multnomah County has fallen to 3.3% as of February 2017, which is the lowest unemployment rate in the time it has been tracked. At the state level, Oregon's unemployment rate remained below the U.S. rate, falling to 4.0% in February. Corporate profits have recovered from a short period of decline in 2016, and the energy sector has expanded, removing a source of drag on the broader economy.

At the national level, Gross Domestic Product (GDP) – the output of goods and services produced in the U.S. – increased at an annual rate of 1.9% in the final quarter of 2016, and 3.5% and 1.4% in the preceding two quarters. The 2017 annual growth rate is expected to be in the 1.2% to 2.2% range.

Locally, the residential real estate market remained strong in calendar year 2016. As measured by the S&P Case-Shiller Home Price Index for the Portland metropolitan area, home prices increased 10.0% during 2016. That is actually a slight decline from the 11.4% growth in 2015, but Portland, along with Seattle, continues to experience the highest home price increases in the country.

Even with the Federal Reserve's action to raise rates, mortgage interest rates remain at historically-low levels. Combined with limited inventory, population growth, and employment gains, house prices should see further increases. These increases continue to be tempered by affordability concerns as many inner Portland neighborhoods are becoming increasingly unaffordable, and strong price growth is expected to continue in 2017. While apartment construction continues to boom within Portland and supply starting to catch-up with demand, apartment inventory still lags behind regional population growth. During calendar year 2015, real market values of multifamily housing grew a remarkable 37.3%. For calendar year 2016, multifamily housing market values grew by 22.5%.

Unemployment rates at the local, state, and national levels continue to fall from the double digits seen in 2009 and 2010. As of February 2017, the U.S. unemployment rate stood at 4.7%, vs. 4.9% a year earlier. For Oregon, the February 2017 rate was 4.0% vs. 4.8% a year earlier. In Multnomah County, the similar figures are 3.3% vs. 4.2% a year earlier. With nonfarm employment in Multnomah County at 499,600, employment levels are roughly 43,100 or 9.4% higher than pre-recession levels. The strong job growth and falling unemployment rate have led to real wage growth at all income levels, but real wages for workers in the lowest quintile have still not caught up to pre-recession levels.

The Oregon Office of Economic Analysis forecasts employment growth of 2.7% in 2016 and 2.6% in 2017, and personal income growth of 4.7% in 2016 and 4.6% in 2017.

### *Forecasting the General Fund*

Multnomah County uses ongoing financial forecasting and monitoring to estimate revenues and expenditures in the General Fund, the County's largest source of discretionary revenues. Forecasts are made for a five-year time horizon and updated on a quarterly basis. The forecast helps form the basis on which Multnomah County builds its annual budget.

The Budget Office's March 2017 Five-Year Forecast projected ongoing revenues exceeding ongoing expenditures by \$26.7 million (5.8%) for FY 2018. The 'surplus' shrinks over the life of the forecast, leaving a small deficit of \$1.0 million (0.2%) in FY 2022, the fifth year of the forecast.

These figures do not account for any additional debt payments or costs associated with the new Downtown Courthouse project, the new Health Department headquarters building, or the ERP project. It also does not include \$3.5 million in ongoing costs associated with funding for homeless services per an intergovernmental agreement (IGA) with the City of Portland.

Accounting for these costs, the FY 2018 surplus shrinks to \$12.4 million and is essentially zero in years two and three of the forecast. In the fifth year of the forecast, or FY 2022, the County would face a deficit of \$15.9 million, or 2.9%.

Based on this forecast and assuming a five-year planning horizon, the County cannot support any additional ongoing spending without reallocating from existing programs, increasing revenues, or increasing operational or programmatic efficiencies.

More information on the County's forecast can be found at [www.multco.us/budget](http://www.multco.us/budget).

### *Local Revenues*

Property tax is the single largest discretionary source of revenue in the General Fund, accounting for 60% of ongoing revenues. General Fund growth, therefore, is particularly sensitive to taxable value growth and compression. The FY 2018 budget assumes the following rates of growth (as measured from the FY 2017 Adopted budget) for each revenue source:

- Property Tax – An increase of 4.3%
- Business Income Tax – An increase of 6.1%
- Motor Vehicle Rental Tax – An increase of 10.0%
- Recording Fees/CAFFA Grant – An increase of 9.2%
- US Marshal Jail Bed Rental – An increase of 14.3%

As measured from the FY 2017 Adopted budget, ongoing General Fund resources for FY 2018 are projected to increase by nearly 4.6%. However, as measured from currently forecasted FY 2017 revenues projections show ongoing General Fund resources increasing by a more modest 2.9%.

### *Cost Drivers*

Expenditures are forecast to grow at roughly 4.0% to 4.7% annually through FY 2022, a rate of growth that takes into account inflation, employee compensation, and long-term fixed costs. For FY 2018, the cost of providing current service levels is expected to grow at 4.1%. This relatively strong rate versus prior years is driven by personnel costs, which are forecast to grow at 4.7%. Specifically, the personnel cost increase is driven by:

- Cost of Living Adjustment: 2.25% (of base pay)
- Step/Merit Increases: 1.67% (of base pay)
- Medical/Dental: 4.0%
- PERS: 1.55% (of base pay)

The County's pension costs via the Public Employee's Retirement System (PERS) are expected to rise significantly over the foreseeable future. This is due to a number of factors, which are discussed in more detail later, but are driven by four basic factors:

1. On April 30, 2015 the Oregon Supreme Court in the *Moro* case invalidated the majority of the 2013 reforms passed by the Oregon Legislature.
2. The PERS Board reduced the assumed earnings rate from 7.75% to 7.50%.
3. The PERS Board updated its mortality assumptions.
4. The PERS system calendar year 2015 earnings were 2.21%, significantly below the assumed earnings level.

The impact of these changes was to increase the County's unfunded liability (UAL) from \$89.2 million as of December 2013 to \$540 million as of the December 31, 2015 valuation.

The County has historically 'smoothed' the internal rates it charges to departments to provide predictability, stability and mitigate risk. In FY 2017, the rates charged to departments were increased by 2.3% of base pay to address the significant future increases in the County's rates and unfunded liability. For FY 2018, PERS rates charged to the County are up by 3.85% of base pay, but the amount charged to departments is increasing by only 1.55% due to this smoothing.

For FY 2018, internal service rates charged to departments for items such as information technology and facilities services are assumed to increase 3.73%. As the County's internal services are heavily labor dependent, the increase in personnel cost growth has put upward pressure on internal costs.

### *Policy Direction from the Chair & Board and Balancing the General Fund*

The Chair directed all departments to submit General Fund budgets that reflected a 2% reduction from current service level budgets as a starting point for the FY 2018 budget. These reductions generated \$7.6 million in 'savings' for the Chair to reallocate. Departments could also propose service expansions, restoration of reductions, backfill of grants, and new programs. Departments were also able to request one-time-only funds.

The Chair's Proposed General Fund budget was balanced by:

- First providing \$14.4 million of ongoing funds to cover new debt service requirements and to meet the County's IGA funding level obligations for the Joint Office of Homeless Services, leaving \$12.4 million of ongoing funds.
- Then treating the remaining \$12.4 million of the FY 2018 ongoing 'surplus' funds as one-time-only to balance the budget for the next three years.
- Accepting some, but not all, of the \$7.6 million in proposed departmental reductions, resulting in roughly \$6.1 million of ongoing funds.
- Allocating the majority of the \$6.1 million of ongoing funds to homeless & housing related services, mental health related services, as well as the SummerWorks minimum wage increase.

The Proposed budget allocated the \$46.6 million of one-time-only (OTO) General Fund as follows:

- Allocating \$29.9 million to major capital projects.
- Allocating \$7.9 million to dedicated purposes associated with the OTO funds, such as carrying over the \$1.8 million for the North Portland dental expansion.
- Allocating the remaining \$8.8 million to a variety of costs, such as consulting services for the ambulance service plan, ramp-down of State and Federal programs, and an additional ballot sorter for elections.



The Board subsequently utilized \$2.2 million of higher than previously forecasted Business Income Tax revenues in FY 2017 and FY 2018 to fund a series of additions. These include:

- Providing \$207,602 for the Homeless Outreach Program (HOPE), a pilot project in the Sheriff's Office to connect homeless individuals with needed services and resources.
- Providing \$110,000 for expanded elections voter education and outreach.
- Providing \$250,000 for outreach and youth advocacy for Native American students.
- Providing \$250,000 for a jail reduction strategies pilot which creates alternatives to misdemeanor bench probation.

The Board also changed the funding for YFS - Youth and Family Stability Support (25159A) to one-time-only from ongoing, and carried over \$50,000 of FY 2017 funds for supplies and administrative support in the Summerworks program (10029A). The Board utilized \$250,000 from the State/Federal ramp down set aside funding already in the proposed budget for an OPI Expansion Restoration contingency earmark. The Board's adopted budget remains balanced over three years. A full list of Board adjustments can be found here: <https://multco.us/file/63300/download>.

Per past practice, the Business Income Tax reserve is funded at 10% of BIT revenues for FY 2018. This is on top of the County's 10% General Fund revenue reserve. The FY 2018 budget conservatively assumes that departments will fully spend their FY 2017 General Fund appropriations.

The Chair's budget message provides additional information on her policy initiatives. The following sections of the Budget Director's Message provide more detailed information on the County's one-time-only resources and spending.

### Overview of Additions & Reductions

#### Health & Human Services Additions

The FY 2018 budget includes a number of General Fund additions and reductions. The following tables summarize these by service area. Investments in infrastructure have been included in the most relevant service area. The tables do not reflect cuts that were proposed by departments but restored in the Chair's Proposed budget. They also do not include non-General Fund additions and reductions.

Looking at both the reductions and additions, one can see how resources were reallocated.

Prog. #	Program Offer Name	General Fund Adds	FTE Adds
<b>Joint Office of Homeless Services</b>			
10051B	PSH Coordinated Entry & Annual Point in Time Count	\$100,000	1.00
10052C	Gresham Women's/DV Shelter Preservation	475,000	0.00
10052E	Family Shelter Expansion	250,000	0.00
10052I	Winter Shelter/Severe Weather	821,500	0.00
10052K	Shelter Capacity Preservation for Women/DV	190,000	0.00
10053D	Homeless Families (Part III)	1,374,330	0.00
10053F	Domestic Violence (Part II)	636,610	0.00
10053I	Youth (Part II)	854,760	0.00
10053L	Local Long Term Rental Vouchers	175,000	0.00
10055B	Eviction Pilot	200,000	0.00
10056	Employment Programs (Part II)	255,620	0.00
<b>County Human Services</b>			
25016B	I/DD Eligibility and Intake Restoration	113,516	1.00
25035B	ADVSD RFP Transition Support	114,000	0.00
25046B	YFS - Court Care	31,000	0.00
25048B	YFS - LGBTQ Economic Empowerment	68,000	0.00
25133B	YFS - Housing Stabilization Team	250,000	0.00
25134	YFS - Thriving Communities	75,000	0.00
25134B	YFS - Thriving Communities Expansion	100,000	0.00
25136B	YFS - MSI - Workforce Dev. for Women in East County	75,000	0.00
25136C	YFS - MSI - Legal Aid for Immigrant & Refugee Comm.	100,000	0.00
25139B	YFS - MSI - Healthy Birth Initiative Cohort	200,000	0.00
25145B	YFS - Sun Community School Expansion	55,000	0.00
25149B	YFS - SUN Youth Advocacy Program Funding Rest.	250,000	0.00
25161	YFS - SUN Innovative Services	75,000	0.00
25162	YFS - Family of Friends Mentoring Project	25,000	0.00

# Budget Director's Message

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## Health & Human Services Additions (Continued)

Prog. #	Program Offer Name	General Fund Adds	FTE Adds
<b>Health Department</b>			
40004B	Ambulance Service Plan Consulting Services	100,000	0.00
40017B	North Portland Dental Expansion Carryover	1,800,000	0.00
40024B	East County School Based Health Center Dev.	200,000	0.79
40051D	Corrections Health MCIJ Supplemental Staffing	253,167	2.00
40055B	Baby Booster Partnership	42,000	0.00
40061B	Opioid Overdose Prevention Strategy	211,078	1.70
40061C	Healthy Streets	30,000	0.00
40069B	Mental Health Crisis Services	631,543	0.00
40077B	Supplement Treatment & Rx Funding for Uninsured	150,000	0.00
40079	MH Svcs for Victims and Survivors of Dom. Violence	67,000	0.00
40082B	Supplemental Case Mgmt & Psy. Consulting Svcs.	295,572	3.20
40085B	Law Enforcement Assisted Diversion (LEAD)	750,000	0.00
40096	MCDC Intake and Reception Mental Health Staffing	335,868	3.00
<b>County Management</b>			
72041	A Home for Everyone Capital Investments Carryover	1,175,000	0.00
<b>County Assets</b>			
78214	Health Headquarters Construction	7,000,000	0.00
<b>Total</b>		<b>\$18,966,564</b>	<b>11.90</b>

## Health & Human Services Reductions

The General Fund reductions in Health & Human services are deeper than one might expect for several reasons. The Health department faced additional reductions due to reduced revenues (indirect) from State & Federal grants. It also cut deeper in some areas to reallocate funds to Mental Health crisis services, Communicable Diseases, and Epidemiology, and to avoid cuts in areas such as Corrections Health, where it has less programmatic flexibility.

A number of Health programs, such as WIC or Needle Exchange are being redesigned. Funding for CaCoon is cut because responsibility for funding these services falls with Coordinated Care Organizations.

Prog. #	Program Offer Name	General Fund Reductions	FTE Cuts
<b>County Human Services</b>			
25001	Human Resources - HR Tech Position	(\$84,861)	(1.00)
25002	Business Services and Operations - Red. Audit Fees	(10,936)	0.00
25021	Multnomah Project Independence	(231,083)	0.00
25045	Defending Childhood Initiative - PPS Teacher on SA	(50,000)	0.00

# Budget Director's Message

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## Health & Human Services Reductions (Continued)

Prog. #	Program Offer Name	General Fund Reductions	FTE Cuts
25115C	Benefit Recovery	(272,631)	0.00
25138	Runaway Youth Services - Reception Center	(100,000)	0.00
25145	Sun Community School - Admin Support Position	(57,861)	(0.50)
<b>Health Department</b>			
40001	Public Health Administration and Quality	(253,259)	(2.00)
40003	Health Department Leadership Team Support	(425,102)	(1.40)
40007	Health Inspections and Education	(121,000)	0.00
40011	STD/HIV/Hep C Community Prevention Program - Needle Exchange Redesign	(428,747)	(5.00)
40018A	Women, Infants, and Children (WIC)	(58,327)	0.00
40034	Quality Assurance	(96,305)	(2.00)
40039	Human Resources and Training	(198,068)	(1.80)
40042	Contracts & Procurement	(200,885)	(2.00)
40043	Health Department Operations	(511,143)	(1.00)
40054	Nurse Family Partnership	(167,127)	0.00
40055	Home and Community Based Health Consulting - CaCoon	(538,261)	(3.10)
40077A	Community Mental Health	(53,532)	0.00
Various	Addiction Services - Client Assistance	(55,100)	0.00
Various	Addiction Services - Contract for Family Housing	(135,000)	0.00
Various	Addiction Services - Uninsured and Outpatient/Residential	(140,750)	0.00
Various	Addiction Services - Internal Program Specialist	(112,976)	(1.00)
Various	Direct Clinical Services - Reduce Supportive Services	(39,934)	0.00
Various	Direct Clinical Services - Cut support staffing for Wash. Co. clients	(178,863)	(1.50)
Various	Crisis System - Youth Crisis Outreach	(158,755)	0.00
Various	Crisis System - Contract Monitoring Staffing	(132,913)	(1.00)
Various	Crisis System - Behavioral Health Services	(242,048)	0.00
Various	Early Childhood Services - Reduce Support Functions and Lower Required Matching Funds	(376,297)	(2.80)
Various	Integrated Clinical Services	(196,493)	(1.00)
<b>Total</b>		<b>(\$5,628,257)</b>	<b>(27.10)</b>

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## Public Safety Additions

The additions in the public safety area are mainly infrastructure related. The most notable of these is additional Courthouse funding. These investments will help to reduce future capital and debt requirements, allowing more funds for operations. The Adult Community Healing Initiative pilot is aimed at reducing recidivism among African American males aged 17 to 25.

Prog. #	Program Offer Name	General Fund Adds	FTE Adds
<b>District Attorney's Office</b>			
15012	CRIMES Replacement (New case mgmt system)	\$414,308	1.88
15106B	Portland Building Relocation	140,178	0.00
<b>Community Justice</b>			
50032B	Adult Community Healing Initiative	326,299	0.00
50040	Alternative to Misdemeanor Bench Probation - Pilot	250,000	2.70
50065B	CHI Early Int. & Community Conn. - Culturally Specific	90,000	0.00
<b>Sheriff's Office</b>			
60046	MCDC Detention Electronics	390,000	0.00
60056	MCDC Clinic Escort Deputy to expand clinic hours	186,380	1.82
60083A	Safety Net - Homeless Outreach (HOPE)	207,602	2.00
<b>County Assets</b>			
78212	Facilities Downtown Courthouse	18,000,000	0.00
78221	MCDC Detention Electronics	3,819,155	0.00
78319	CRIMES Replacement	300,000	0.00
		<b>Total \$24,123,922</b>	<b>8.40</b>

## Public Safety Reductions

The most notable public safety reductions are the rampdown and closure of the Londer Learning Center and the elimination of the Warrant Strike Team, as well as administrative and support functions.

Prog. #	Program Offer Name	General Fund Reductions	FTE Cuts
<b>District Attorney's Office</b>			
15201B	Unit C/Gangs - Deputy District Attorney	(\$80,561)	(0.50)
15301B	Unit A - Deputy District Attorney	(198,983)	(1.00)
15101B	Juvenile Trial Court Unit - Deputy District Attorney	(137,899)	(1.00)
15004B	Records/Discovery - Office Assistant	(65,741)	(1.00)
<b>Community Justice</b>			
50028B	Londer Learning Center (for 6 months)	(330,000)	(3.45)
50000	DCJ Director's Office	(161,770)	(1.00)
50021	Assessment and Referral Center	(100,139)	(1.00)
50065A	Juvenile Culturally Specific Intervention (CHI Pass Through Reduction)	(103,722)	0.00
50035	Support to Community Court	(97,300)	(1.00)

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## Public Safety Reductions (Continued)

Prog. #	Program Offer Name	General Fund Reductions	FTE Adds
<b>Sheriff's Office</b>			
60015B	Planning & Research Unit - Development Analyst	(\$122,743)	(1.00)
60068A	Warrant Strike Team	(752,809)	(4.00)
various	Costs transferred to other funds (indirect rate incr.)	(319,865)	0.00
various	No inflation increase for Materials & Services	(235,140)	0.00
various	Personnel savings, misc. other savings	(278,658)	0.00
<b>Total</b>		<b>\$2,985,330</b>	<b>14.75</b>

## General Government Additions

The General Government additions include a number of one-time-only expenditures for elections equipment and planning studies. It also includes additional funds to increase the number of appraisers to ensure accurate property records and to assist with workforce development. Ongoing funds are added to cover the minimum wage increase for Summerworks.

Prog. #	Program Offer Name	General & Video Lottery Fund Adds	FTE Adds
<b>Nondepartmental</b>			
10007	Communications Office	\$264,854	2.00
10012	Office of Emergency Management	70,857	0.00
10018A	Office of Sustainability (Includes Air Quality Survey)	53,222	0.00
10018B	Environmental Justice Summit	15,000	0.00
10029A	SummerWorks - \$50,000 Carryover	50,000	0.00
10029B	SummerWorks - Minimum Wage Increase	353,256	0.00
10029C	SummerWorks - 100 New Slots	275,000	0.00
10029D	Summerworks - 50 High Risk Youth Slots	125,000	0.00
<b>County Management</b>			
72021	FRM MWESB Contract Compliance	0	1.00
72036	DART Residential Development Program	635,648	0.00
72042	Mental Health System Mapping	60,000	0.00
72043	Inclusive Start-Up Investment Project	150,000	0.00
<b>County Assets</b>			
78222	Multnomah Building Seismic Study	100,000	0.00
78224	Yeon-Vance Site Assessment	100,000	0.00
<b>Community Services</b>			
91010B	Elections Voter Education & Outreach	110,000	1.00
91010C	Election's Staffing - Oregon Motor Voter Revenues	75,064	1.00
91010D	Elections Equipment - Sorter	350,000	0.00

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## General Government Additions (Cont.)

Prog. #	Program Offer Name	General Fund Reductions	FTE Adds
91013B	Safe Routes to School Flashers	100,000	0.00
91014	Levee Ready Columbia	146,883	1.00
91018B	Road Capital Improvement Plan Update	<u>400,000</u>	<u>0.00</u>
<b>Total</b>		<b>\$3,434,784</b>	<b>6.00</b>

## General Government Reductions

The reductions in the general government area total \$635,427 and are mainly in the Department of County Management. These cuts will have little impact on direct services for Multnomah County citizens.

Prog. #	Program Offer Name	General Fund Reductions	FTE Cuts
<b>Nondepartmental</b>			
10000	Chair's Office	(\$32,684)	0.00
10001	BCC District 1	(13,003)	0.00
10002	BCC District 2	(13,003)	0.00
10003	BCC District 3	(13,003)	0.00
10004	BCC District 4	(13,003)	0.00
10005	Auditor's Office	(33,341)	(0.10)
10011	Office of the Board Clerk	(20,129)	0.00
10016	Government Relations Office	(20,876)	0.00
10017A	Office of Diversity and Equity	(20,137)	0.00
<b>County Management</b>			
Various	Department-wide	(73,992)	0.00
72001	Budget Division	(49,107)	0.00
Various	Division of Assessment, Recording & Taxation	(205,692)	0.00
72030	DCM DART Special Programs	(39,542)	0.00
<b>County Assets</b>			
78101	Administrative Hub Procurement & Contracting	(15,000)	0.00
78103	Administrative Hub Human Resources	(6,715)	0.00
78405	County-Wide Strategic Sourcing	(16,200)	0.00
<b>Community Services</b>			
Various	Withheld COLA to materials and supplies	<u>(50,000)</u>	<u>0.00</u>
<b>Total</b>		<b>(\$635,427)</b>	<b>(0.10)</b>

### Budget Overview - All Funds

Local budget law requires that Multnomah County report the “total” budget. The total budget reflects the actual resources needed by the County, plus internal charges, transfers, loans, and accounting entities. The total budget for FY 2018 is \$2.07 billion. When adopted, the budget sets the legal appropriation.

Because the total budget overstates what is actually spent, the County often refers to the net budget. The FY 2018 net budget of \$1.73 billion is a more accurate statement of the money the County actually plans to spend on operations during the year. The net budget (shown in the table below) subtracts all internal charges, transfers, and loans from one fund to another. Internal transactions between funds are typically the result of one department providing a service to another, such as information technology or facilities services. It also removes all reserves for future years to more accurately reflect the ongoing operating budget.

The table on the following page compares the FY 2017 Adopted budget to the FY 2018 Proposed budget at the fund level. Two new funds, 2513 - ERP Project Fund and 3502 - Fleet Asset Replacement, are established to track the ERP project and the capital set-aside to replace vehicles. Year-over-year, the budget (including internal charges, transfers, and loans) has increased by 9.9%. Most of the major increases and decreases come from the ramp down/start up of major capital projects.

FY 2018 Budget	
Department Expenditures	\$1,697,585,883
Contingency	<u>30,159,078</u>
<b>Total Net Budget</b>	<b>1,727,744,961</b>
Service Reimbursements	166,206,946
Internal Cash Transfers	45,090,968
Reserves	<u>131,053,642</u>
<b>Total Budget</b>	<b>\$2,070,096,517</b>



# Budget Director's Message

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## Fund Comparison: Year over Year

Fund	Fund Name	FY 2017 Adopted	FY 2018 Adopted	Change	Description
1000	General Fund	\$594,653,467	\$616,384,562	\$21,731,095	Increased business income tax and motor vehicle rental tax revenues.
1501	Road Fund	53,810,897	58,457,562	4,646,665	Increased BWC and County gas tax and State Highway Fund revenues.
1503	Bicycle Path Construction Fund	437,800	248,532	(189,268)	Reduced BWC due to funds spent on projects in FY 2017.
1504	Recreation Fund	102,640	87,287	(15,353)	
1505	Federal/State Program Fund	310,314,241	321,247,734	10,933,493	Decreased revenue across departments due to state budget cuts and declining revenue in Health Department clinic system.
1506	County School Fund	80,300	80,300	0	
1508	Animal Control Fund	2,421,500	2,954,573	533,073	Increased revenue due to increased animal service fees.
1509	Willamette River Bridge Fund	15,631,201	20,749,985	5,118,784	Increased revenue for the Broadway Bridge Rallwheel project.
1510	Library Fund	83,473,619	80,098,876	(3,374,743)	
1511	Special Excise Taxes Fund	42,177,226	49,392,254	7,215,028	Increased revenue in transient lodging and motor vehicle rental tax.
1512	Land Corner Preservation Fund	4,373,000	4,167,000	(206,000)	
1513	Inmate Welfare Fund	903,313	980,190	76,877	
1516	Justice Services Special Ops Fund	6,634,162	7,572,508	938,346	Increased intergovernmental transfers from Trimet for additional transit safety officers.
1518	Oregon Historical Society Levy Fund	2,604,278	3,072,786	468,508	Increased AV growth due to voter re-approval of levy.
1519	Video Lottery Fund	6,736,100	5,515,875	(1,220,225)	Decreased revenue due to opening of Ilani Casino.
2002	Capital Debt Retirement Fund	18,690,593	32,323,014	13,632,421	Increased due to cash transfers for Health Department HQ and Courthouse debt service.
2003	General Obligation Bond Sinking Fund	6,023,100	125,000	(5,898,100)	GO Bond fully paid off in FY 2017.
2004	PERS Bond Sinking Fund	117,895,916	92,431,104	(25,464,812)	Decreased BWC after establishment of PERS side account in FY 2017.
2500	Downtown Courthouse Capital Fund	98,602,542	241,751,743	143,149,201	Increased revenue from financing proceeds and intergovernmental revenue.
2503	Asset Replacement Revolving Fund	410,537	450,086	39,549	
2504	Financed Projects Fund	4,094,000	3,138,900	(955,100)	Decreased BWC as Assessment and Taxation system upgrade nears completion.
2506	Library Capital Construction Fund	3,514,790	3,729,318	214,528	
2507	Capital Improvement Fund	22,104,407	23,169,402	1,064,995	Increased revenue from service charges.
2508	Information Technology Capital Fund	6,861,123	4,147,442	(2,713,681)	Decrease in revenue from financing sources.
2509	Asset Preservation Fund	15,723,233	15,851,201	127,968	
2510	Health Headquarters Capital Fund	65,451,152	78,678,661	13,227,509	Increased BWC and financing revenue.
2511	Sellwood Bridge Replacement Fund	37,499,519	28,340,710	(9,158,809)	Project nearing completion.
2512	Hansen Building Replacement Fund	5,390,766	3,364,422	(2,026,344)	Decrease in financing revenue.
2513	ERP Project Fund	0	41,300,000	41,300,000	New fund for the ERP project.
3002	Behavioral Health Managed Care Fund	68,289,964	35,322,092	(32,967,872)	Decreased BWC due to increased program expenses.
3500	Risk Management Fund	173,006,389	172,840,830	(165,559)	
3501	Fleet Management Fund	11,121,253	10,639,718	(481,535)	
3502	Fleet Asset Replacement Fund	0	6,800,494	6,800,494	New fund for fleet asset replacements.
3503	Information Technology Fund	53,750,176	55,804,940	2,054,764	
3504	Mail Distribution Fund	3,146,130	3,524,608	378,478	
3505	Facilities Management Fund	47,675,124	45,352,808	(2,322,316)	
<b>Total</b>		<b>\$1,883,604,458</b>	<b>\$2,070,096,517</b>	<b>\$186,492,059</b>	

# Budget Director's Message

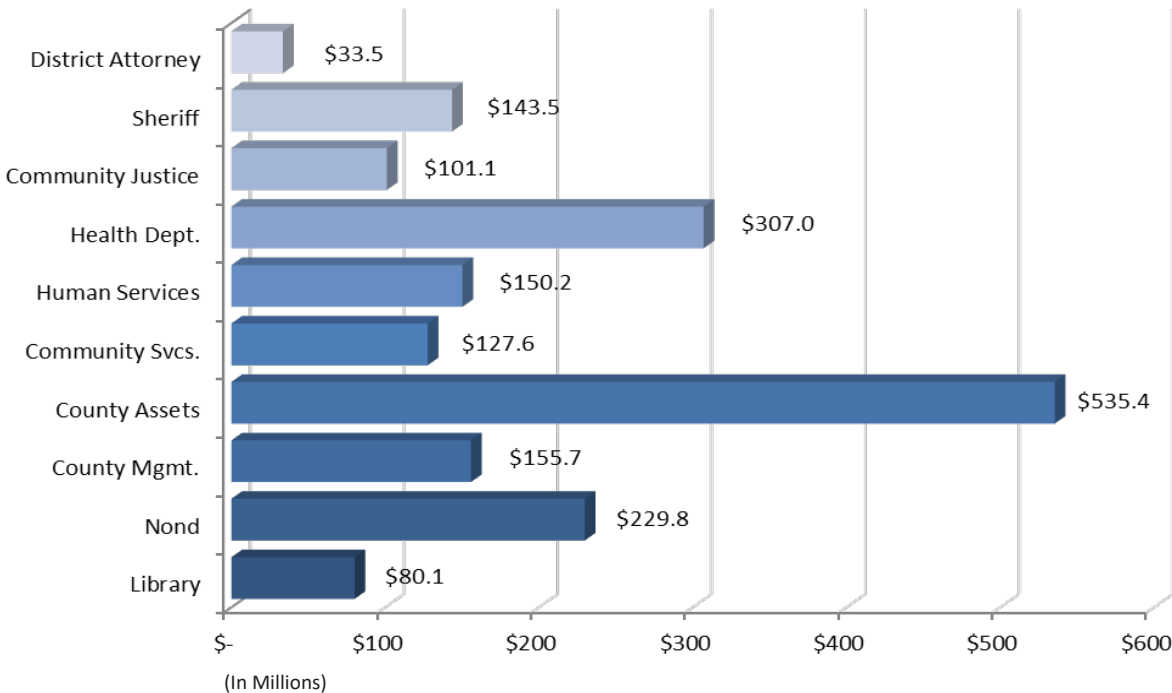
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## Department Expenditures All Funds (\$1.86 billion)

Department expenditures for all funds, excluding cash transfers, contingencies, and unappropriated balances, total \$1.86 billion in FY 2018 vs. \$1.64 billion in FY 2017.

The bar chart below shows appropriations by department in millions of dollars across all funds. This figure includes internal service payments, and thus represents some double-counting.

The construction of the Downtown Central Courthouse, the new Health Department Headquarters, and the ERP project are budgeted in the Department of County Assets. Taken together, these projects account for nearly \$362 million or two-thirds of County Assets spending, greatly distorting the size of its budget.



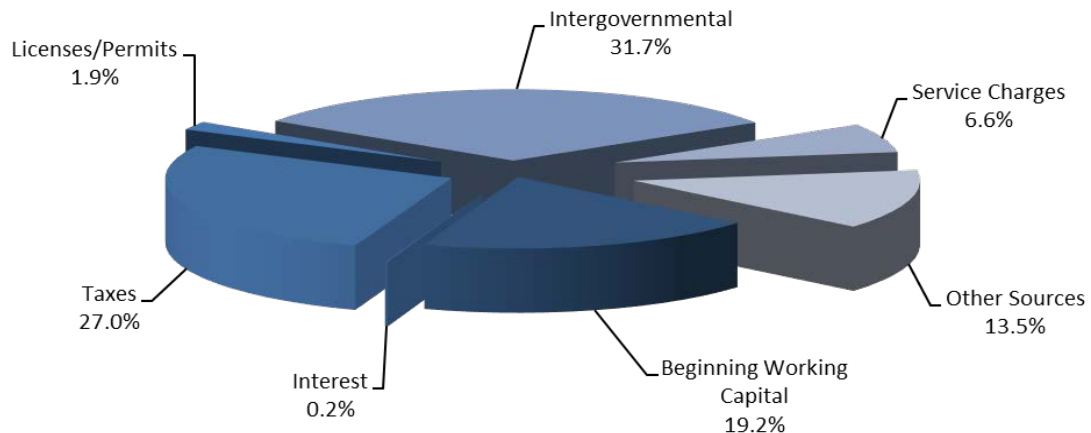
### *Department Revenues All Funds (\$1.73 billion)*

Total direct resources, or 'revenues,' for FY 2018 are \$1.73 billion vs. \$1.56 billion in FY 2017 (excluding service reimbursements and cash transfers between funds). Intergovernmental revenues are the County's single largest revenue category at \$548.1 million or 31.7%. This reflects a \$52.4 million or 10.6% increase from FY 2017.

Taxes constitute the next largest revenue source (27.0%) and include property tax, business income tax, motor vehicle rental tax, transient lodging tax, and county gas tax. For FY 2018, tax collections are anticipated to increase 6.3% from \$439.1 million in FY 2017 to \$466.7 million.

Beginning working capital (BWC) is the County's third largest resource for FY 2018 at \$331.7 million or 19.2%. BWC as a percentage of total resources is significantly smaller in FY 2018 than in FY 2017, falling from 23.8% to 19.2%. In dollar terms, BWC fell from \$370.9 million in FY 2017 to \$331.7 million in FY 2018. Several significant declines include:

- A \$5.9 million decrease in the GO Bond Sinking Fund.
- A \$2.6 million decrease in the General Fund.
- A \$20.0 million decrease in the PERS Bond Sinking Fund.
- A \$3.4 million decrease in the Capital Improvement Fund
- A \$7.1 million decrease in the Library Fund.

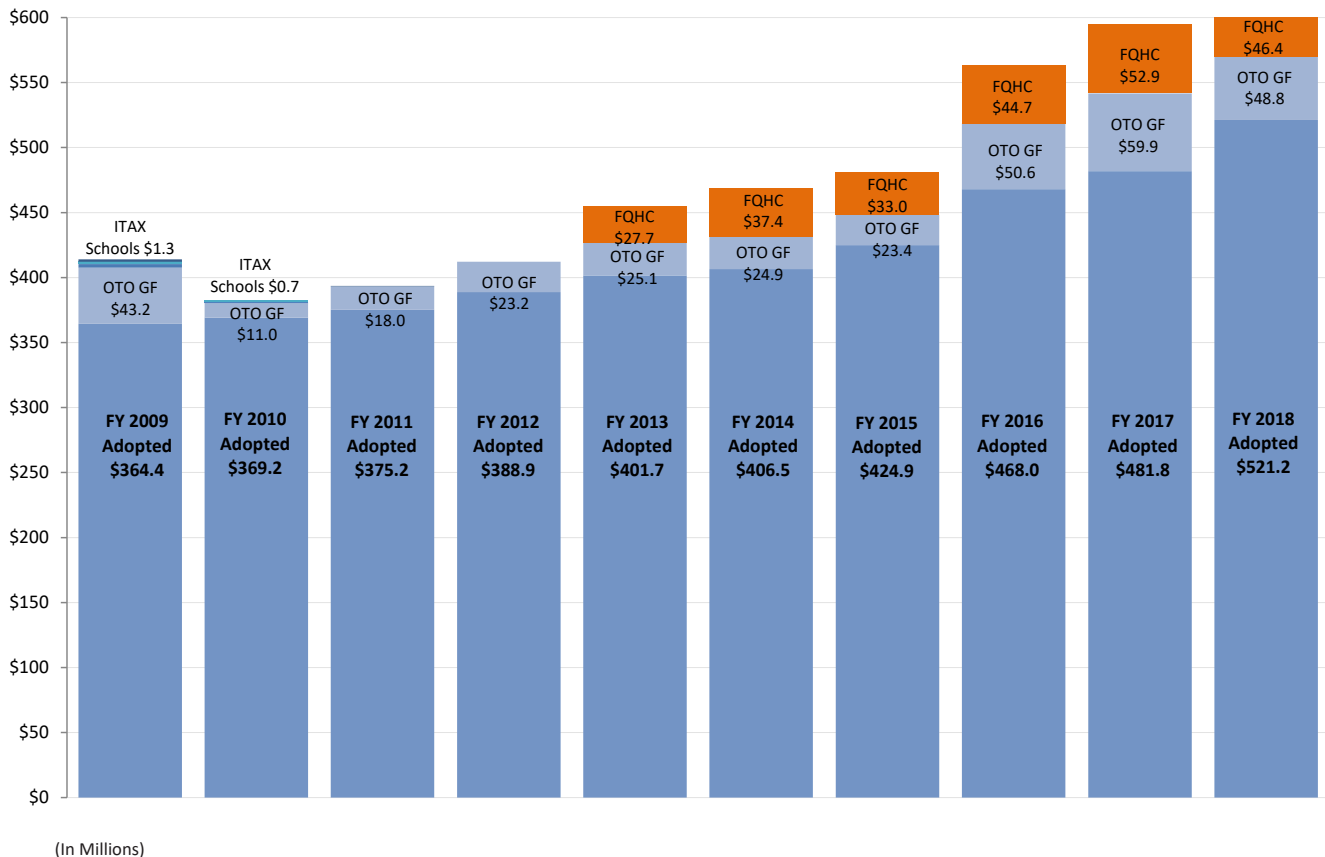


### The General Fund

### General Fund Expenditures and Reserves (\$616.4 million)

The \$616.4 million General Fund comprises one-third of the County's budget. It is the largest pool of discretionary funds that the Board of County Commissioners can allocate. Resources include property taxes, business income taxes, motor vehicle rental taxes, interest earnings, state shared revenues, and beginning working capital. The General Fund also includes Federally Qualified Health Center (FQHC)/Alternative Payment Method (APM) Medicaid reimbursement funds.

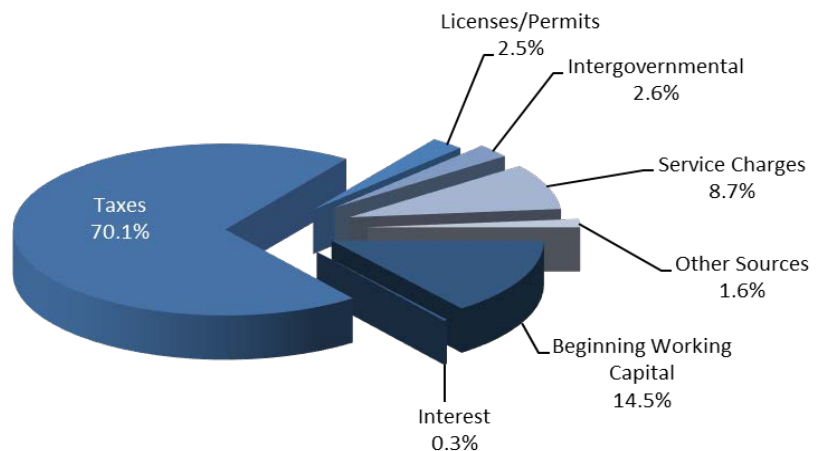
The following graph shows total General Fund 'spending,' including cash transfers, service reimbursements, contingencies, and unappropriated balances (reserves), from FY 2009 through FY 2018. The Temporary Personal Income Tax (ITAX) is shown from FY 2009 to FY 2010 and is not significant enough to warrant being called out separately in subsequent years. Additionally, the graph shows how much one-time-only (OTO) and ongoing funding was spent in the General Fund from FY 2008 to FY 2017. Combining each segment provides the total General Fund.



### General Fund Revenues

General Fund resources for FY 2018 (excluding service reimbursements and cash transfers) have increased from FY 2017. Direct resources are budgeted at \$582.7 million – a \$18.8 million or 3.3% increase over FY 2017. Ongoing taxes are budgeted to increase by \$20.0 million or 5.1%, while one-time-only BWC is projected to be \$2.6 million (3.0%) lower.

As the graph below shows, taxes make up the majority of General Fund revenues. If one excludes BWC, service reimbursements, and the \$46.4 million of budgeted FQHC and prospective health payments, taxes account for nearly all of the Board's discretionary ongoing funds. Property taxes, accounting for \$291.2 million, are budgeted to increase by \$12.1 million or 4.3%. Business income taxes, accounting for \$84.5 million, are budgeted to be up \$4.9 million or 6.2%. Motor vehicle rental taxes, accounting for \$31.0 million, are budgeted to increase by \$2.8 million or 9.9%.



### Use of One-Time-Only (OTO) Funds

The FY 2018 budget contains approximately \$48.8 million of one-time-only General Fund resources after fully funding the General Fund reserve and the BIT reserve. These funds include:

- \$20.4 million of additional BWC in FY 2017 (from departmental underspending and higher revenues in FY 2016).
- \$9.5 million of additional resources from FY 2017 (mainly from higher than-budgeted property, motor vehicle rental, and business income taxes).
- \$13.8 million of FY 2018 ongoing funds that were treated as one-time-only to balance the budget for the next three years.
- \$7.9 million of funds carried over (unspent) from FY 2017.
- Less \$2.6 million used to fully fund reserves.

The tables on the following pages show how the County plans to use one-time-only resources in FY 2018. The first table lists one-time-only resources supporting one-time-only expenditures, or programs not expected to continue beyond FY 2018. The second table lists one-time-only resources supporting ongoing programs or those expected to operate beyond FY 2018.

# Budget Director's Message

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## One-Time-Only Resources Spent on One-Time-Only Programs

Prog #	Program Name	Dept.	FY 2018 TOTAL General Fund	Other Funds	OTO General Funds
10018A	Office of Sustainability (Air Quality Report)	NOND	\$706,756	\$0	\$40,000
10018B	Environmental Justice Summit	NOND	15,000	0	15,000
10029A	SummerWorks - \$50,000 Carryover	NOND	1,300,000	0	50,000
10029C	SummerWorks Additional 100 Slots	NOND	275,000	0	275,000
10029D	SummerWorks - High Risk Youth	NOND	125,000	0	125,000
10052M	Family Shelter Youth Activities	JOHS	100,000	0	100,000
10053D	Homeless Families (Part II)	JOHS	1,374,330	0	846,418
10053L	Local Long Term Rental Vouchers	JOHS	175,000	175,000	175,000
10055B	Eviction Pilot	JOHS	200,000	200,000	200,000
10057	Tax Title Affordable Housing	JOHS	4,683,640	0	4,683,640
15012	CRIMES Replacement	MCDA	414,308	0	414,308
15106B	Portland Building Relocation	MCDA	140,178	0	140,178
25035B	ADVSD RFP Transition Support	DCHS	114,000	0	114,000
25048B	YFS - LGBTQ Economic Empowerment	DCHS	68,000	0	68,000
25133B	YFS - Housing Stabilization Team	DCHS	250,000	0	250,000
25134	YFS - Thriving Communities	DCHS	75,000	0	75,000
25134B	YFS - Thriving Communities Expansion	DCHS	100,000	0	100,000
25136B	YFS - MSI - Workforce Development for Women in East County	DCHS	75,000	0	75,000
25136C	YFS - MSI - Immigration Legal Defense Services	DCHS	100,000	0	100,000
25139C	YFS - Multnomah Stability Initiative - Financial Stability	DCHS	150,000	0	150,000
25159A	YFS - Youth and Family Stability Support	DCHS	209,257	0	209,257
25161	YFS - SUN Innovative Services	DCHS	75,000	0	75,000
25162	YFS - Family of Friends Mentoring Project	DCHS	25,000	0	25,000
40004B	Ambulance Service Plan Consulting Services	HD	100,000	0	100,000
40017B	North Portland Dental Expansion Carryover	HD	1,800,000	0	1,800,000
40018B	Women, Infants, and Children (WIC) Redesign	HD	240,505	0	240,505
40024B	East County School Based Health Center Development	HD	200,000	0	200,000
40055B	Baby Booster Partnership	HD	42,000	0	42,000
40061C	Syringe Collection Expansion	HD	30,000	0	30,000
40077B	Supplemental Treatment & Rx Funding for the Uninsured	HD	150,000	0	150,000
40085B	Law Enforcement Assisted Diversion (LEAD)	HD	750,000	0	750,000
50028B	Londer Learning Center - Rampdown	DCJ	333,313	0	333,313
50032B	Adult Community Healing Initiative	DCJ	326,299	0	326,299
50040	Alternatives to Misdemeanor Bench Probation - Pilot	DCJ	250,000	0	250,000
50065B	CHI Early Intervention & Community Connection - culturally specific	DCJ	687,915	0	90,000
60046	MCDC Detention Electronics	MCSO	390,000	0	390,000
60083A	Safety Net - Homeless Outreach (HOPE)	MCSO	207,602	0	207,602
72013	Capital Asset Strategic Planning	DCM	404,539	0	100,000

# Budget Director's Message

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## One-Time-Only Resources Spent on One-Time-Only Programs

Prog #	Program Name	Dept.	FY 2018 TOTAL General Fund	Other Funds	OTO General Funds
72025B	DART County Clerk Carryover	DCM	211,000	0	211,000
72036	DART Residential Development Program	DCM	635,648	0	635,648
72041	A Home for Everyone Capital Investments Carryover	DCM	1,175,000	0	1,175,000
72042	Mental Health System Mapping	DCM	60,000	0	60,000
72043	Inclusive Start-UP Investment Project	DCM	150,000	0	150,000
91010D	Elections Equipment - Sorter	DCS	350,000	0	350,000
91013B	Safe Routes to School Flashers1/	DCS	100,000	0	100,000
91014	Levee Ready Columbia1/	DCS	146,883	0	146,883
91018B	Road Capital Improvement Plan Update1/	DCS	400,000	0	400,000
95000	Cash Transfers	Countywide			
	~Multnomah Building Seismic Study (78222)		100,000	0	100,000
	~Yeon-Vance Site Assessment (78224)		100,000	0	100,000
	~Downtown Courthouse replacement (78212)		18,000,000	0	18,000,000
	~Health Department HQ (78214)		7,000,000	0	7,000,000
	~CRIMES replacement (78319)		300,000	0	300,000
	~MCDC Detention Electronics (78319)		3,819,155	0	3,819,155
95000	General Fund Contingency	Countywide			
	~State/Fed Ramp Down		2,474,585	0	2,474,585
	~OPI Restoration Earmark		250,000	0	250,000
95000	BIT Reserve at 10%	Countywide	8,450,000	0	8,450,000
<b>Total One-Time-Only</b>			<b>\$59,678,157</b>	<b>\$375,000</b>	<b>\$56,997,791</b>

1/ The OTO funds for these programs are budgeted in Video Lottery Fund (1519)

## One-Time-Only Resources Spent on Ongoing Programs

Prog #	Program Name	Dept.	FY 2018 TOTAL General Fund	Other Funds	OTO General Funds
91010B	Elections Voter Education & Outreach	DCS	\$110,000	\$0	\$110,000
25149B	Sun Youth Advocacy Program Funding Restoration	DCHS	250,000	0	250,000
25159A	Youth and Family Stability Support*	DCHS	209,257	0	(209,257)
40079	MH Services. for Victims and Survivors of Domestic Violence	Health	67,000	0	67,000
<b>Total One-Time-Only</b>			<b>\$636,257</b>	<b>\$0</b>	<b>\$217,743</b>

\*Funding for this program was converted to one-time-only during the amendment process.



### *General Fund Reserves*

The County maintains General Fund reserves as outlined in the County's Financial and Budget Policies. In FY 2018, reserves are maintained in the General Fund equal to 10% of ongoing "corporate" General Fund revenues – resources that the Board has wide discretion over, such as property taxes. The FY 2018 budget fully funds the General Fund reserves at \$41.9 million and is in compliance with the Financial and Budget Policies. The level of General Fund reserves is considered a fundamental measure of financial health.

The FY 2018 budget continues to maintain a 10% BIT Stabilization Reserve of \$8.5 million. This stabilization reserve is in addition to the General Fund reserve and is specifically intended to mitigate the risk of an unexpected downturn in the regional economy as the BIT is a volatile revenue source.

### *Policy Issues and Opportunities*

### *Organization-wide Issues*

#### **Homelessness and Housing Affordability**

Multnomah County, like many other communities, is experiencing significant increases in homelessness. In 2015, a point-in-time count of people experiencing homelessness in Multnomah County found 3,801 individuals living on the streets, in shelter, or in transitional housing. The number of entirely unsheltered people was 1,887, including a growing number of families with children, adult women, and people of color. (The February 2017 point in time count has been completed, but the data is not yet available.)

At the same time, Multnomah County continues to rank among the communities with the most significant year-over-year rent increases and lowest rental vacancy rates.

In 2016, in response to this continuing homelessness and housing affordability crisis, Multnomah County and the City of Portland created the Joint Office of Homeless Services by consolidating homelessness-related government staff and programs, new and existing General Fund resources, and responsibility for administering the Federal Continuum of Care funds. By combining resources into a lead agency, the City and the County aim to improve outcomes within the homelessness system of care through increased coordination, efficiency, and effectiveness.

The FY 2018 budget includes total Joint Office of Homeless Services funding of \$58.2 million, with \$20.6 million of discretionary County Funds. This reflects over \$13 million of County General Fund resources that have been added in the last two years.

The Joint Office of Homeless Services program offers are organized by the following program areas:

- Safety off the Streets



- Housing Placement and Retention
- Supportive housing
- Diversion
- Employment

These homelessness related programs provide services to all populations, including youth, adults, families with children, and survivors of domestic violence. In FY 2016, more than 25,000 people were served by the housing retention and homeless service system. More than 6,600 accessed emergency shelter, more than 4,100 were prevented from losing their home in the first place, and 4,600 were connected with permanent housing.

Despite these efforts, the County continues to face a number of issues and challenges in this area, including high levels of inflow into the system, and State and Federal funding reductions, that could drive even more people into the homelessness system of care.

### **State of Oregon and Federal Impacts**

There is great uncertainty about funding levels from the State of Oregon, which faces a \$1.6 billion budget gap. The County will know funding levels from the State until after the County budget is adopted. Likewise, funding from the Federal government remains both uncertain and under threat. Policy and regulatory changes, whether legislatively or administratively directed, could have significant impacts on County operations. The County will continue to monitor funding sources and may need to make budgetary and operational adjustments as necessary. The FY 2018 budget sets aside a total of \$2.7 million to ramp down programs as necessary, in a thoughtful manner. A special earmark of \$250,000 is set-aside for Oregon Project Independence.

### **Changes to the Clinical System**

In response to the Affordable Care Act and subsequent Medicaid expansion, the Multnomah County Health Department expanded its clinical system to accommodate an expected increase in clinical visits. The number of new patients assigned to the County clinical system and the number of patient contacts per provider has been lower than expected. This has created a persistent gap between revenues and expenditures. In response, the Health Department has cut seven provider teams (and the associated support staff). The year-over-year change in FTE for the affected program offers (40019-40029) was a reduction of 70 FTE. The Health Department will continue to monitor demand for clinical visits and changes in health care policy at the national and state level in order to find the appropriate scope for the clinical system.

### *Personnel Costs*

#### **Merit, Step, and COLA Wage Increases**

The backbone of the County has been and continues to be its workforce, which absorbed increased workloads and achieved increased efficiencies during the economic downturn. The budget provides for COLAs and merit or step increases for all labor groups.

#### **Oregon Labor Contracts**

County employees are members of 11 labor unions. The terms of the labor contracts negotiated between the county and the unions normally run between two and four years. As of April 4, 2017, there are five labor contracts open for renegotiation (AFSCME Local 88, Corrections Deputy Association, FOPPO, IBEW Local 48, and Physicians Local 88-2). Local 88 represents the majority of county employees, and the five open contracts cover 75% of total County FTE. The results of these negotiations could have a significant impact on personnel costs going forward.

#### **Public Employees Retirement System**

The County participates in PERS, a cost sharing, multi-employer defined benefit pension plan administered by the State of Oregon. PERS rates are established biennially, with the most recent set of rates taking effect July 1, 2017 based on the December 31, 2015 valuation.

As noted in the cost driver section, the reforms made by the Oregon Legislature in 2013 were largely invalidated by the Oregon Supreme Court on April 30, 2015. As of the December 31, 2015 valuation, the County's unfunded actuarial liability increased to \$540 million due to these reforms not being upheld, the PERS Board reducing the assumed earning from 7.75% to 7.50% and updating its mortality assumptions, and below assumed earnings for calendar year 2015.

In response, the County increased its internal PERS rates by 2.30% of payroll to pro-actively address the UAL in FY 2017. The County also established a \$25 million PERS side account in FY 2017 to reduce future rate increases. For FY 2018, the budget plans to contribute another \$25 million to a PERS side account. Each \$25 million reduces the County's required PERS contribution by 0.55% of payroll.

Regardless of these measures, the County will face rising PERS costs for the foreseeable future.

More information on PERS can be found at [www.oregon.gov/PERS](http://www.oregon.gov/PERS), in the County's Comprehensive Annual Financial Report, and in staff's PERS Briefing to the Board, which is located here: [www.multco.us/file/42452/download](http://www.multco.us/file/42452/download).

### *Investing in Infrastructure*

#### **Burnside Bridge Feasibility Study**

The Burnside Bridge was built in 1926 and has been designated as an official emergency transportation route by Metro. The bridge is not up to current seismic standards and is in need of rehabilitation or replacement in order to ensure it can meet its obligation to serve as a lifeline corridor in an emergency.

The County Board approved resolution 2015-116 on November 5, 2015 authorizing a \$3.0 million internal loan to fund a feasibility study for the seismic rehabilitation or replacement of the Burnside Bridge. Currently underway, the feasibility study is expected to be complete in the fall of FY 2018. The loan will be repaid over a ten year period, with interest only payments of \$16,200 during years one through five (2017-2021). Next steps include recommend rehabilitation and/or replacement alternatives for further NEPA phase analysis and to secure NEPA funding. The project resides in program offer 91018A.

More project information can be found at [www.multco.us/burnside-bridge-projects](http://www.multco.us/burnside-bridge-projects).

#### **New Central Downtown Courthouse**

The existing Multnomah County Courthouse was built between 1909 and 1914 and is functionally and structurally obsolete. In-custody defendants use the same public hallways as court personnel, crime victims, and the general public and the unreinforced masonry walls do not meet current seismic codes. The Courthouse is also at capacity with no room for additional growth.

The County has partnered with the State of Oregon, as well as other stakeholders, to plan and design a new 17-floor, 44-courtroom courthouse at the corner of SW First Ave and SW Madison street near the west end of the Hawthorne Bridge.

The new Courthouse is estimated to cost \$300 million and will be paid for jointly by Multnomah County and the State of Oregon. Recent legislation passed by the State of Oregon allows it to provide 50% of the construction cost for State court related functions, subject to appropriation of funds from the State Legislature. The project assumes a total of \$125 million from the state.

The County is funding its share of the project with \$51.3 million of one-time-only General Fund resources contributed in prior fiscal years plus another \$18.0 million proposed in the FY 2018 budget. The Board also allocated \$10 million from the sale of the Morrison Bridgehead property to the project. The

balance will be debt financed with bonds, which are anticipated to be issued in September 2017.

Debt payments will be covered by \$5.1 million of ongoing County General Fund resources set aside in the FY 2018 budget, as well as a \$5 surcharge on Circuit Court parking and traffic violations legislatively authorized by HB 4093.

A ground breaking ceremony was held on October 4, 2016 and excavation for the foundation is currently underway. The new Multnomah County Central Courthouse is scheduled to open in Spring 2020.

More information on the Courthouse can be found at: [www.multco.us/central-courthouse](http://www.multco.us/central-courthouse).

### **Health Department Headquarters**

The new Multnomah County Health Department (MCHD) headquarters building will replace the County's aging and obsolete McCoy building. The new facility will be located on the east half of block U, adjacent to Bud Clark Commons in downtown Portland.

The MCHD headquarters will be 157,000 square feet at an estimated cost of \$85 million to \$95 million. The new facility will house approximately 500 employees providing administrative, clinical, pharmacy and laboratory services. Project funding includes \$36.4 million from the Portland Development Commission's River District Urban Renewal Area. An additional \$13.4 million of one-time-only General Fund resources has been dedicated, including \$7.0 million in the FY 2018 budget. The County intends to issue debt for the balance of the project.

The Board approved Resolution 2016-115 on November 10, 2016 authorizing an early work package. Construction began February 20, 2016 and is expected to be 50% completed in FY 2018, with final completion scheduled for FY 2019.

More information on the Health Department Headquarters can be found here: [www.multco.us/gladys-mccoy-health-department-headquarters](http://www.multco.us/gladys-mccoy-health-department-headquarters).

### **Columbia River Levee Improvement Project**

As a regional partner in the Oregon Solutions Columbia River Levee Improvement project, the County helps ensure that improvements are identified and addressed within several draining districts along the Columbia River levee system in Multnomah County. Failure to address identified deficiencies puts communities at risk of flooding and poses risk of losing levee accreditation under the Federal Emergency Management (FEMA) National Flood Insurance Program.

The project is a multi-year effort entering its third year. Future work will include continued levee engineering analysis, implementation of improvements, and completion of certification and accreditation processes. These efforts support the successful levee system improvements necessary to maintain accreditation under the Federal Emergency Management Agency's National Flood Insurance Program and participation in the US Army Corps of Engineers' PL 84-99 Rehabilitation and Inspection Program. Program offer 91014 continues the County's active participation in this project by providing staff assistance (1.00 FTE) and \$146,883 to support these efforts.

Additional information about the Levee Ready Columbia project can be found at: [www.leveereadycolumbia.org/program/](http://www.leveereadycolumbia.org/program/).

### **Road Capital Improvement Plan Update**

The last major Road Capital Improvement Plan (RCIP) update was completed in 2002. Currently, only 34 miles (urban) of the 274 miles of roads under county jurisdiction are covered by the RCIP. The RCIP will provide a comprehensive look at the county's road system needs.

For FY 2018 the County budgets \$1 million of the \$1.2 million needed for the project, with the balance to be provided in FY 2019. The update will provide an in-depth review of existing conditions, improvement needs, preliminary project development, and cost estimates. The update will also use updated policy documents and best practices to rank and prioritize projects. The project will span two years and be completed in FY 2019.

### **CRIMES Replacement**

The District Attorney's (DA's) Office is legislatively required to keep a register of all official business. The DA's Office currently uses a case management system consisting of two modules (CRIMES Juvenile and CRIMES Adult) to keep an official record of all District Attorney Court proceedings, including information on hearings, judgments, defendants, witnesses, and victims. The 16 year-old case management system is built on obsolete technology and has become cost prohibitive to maintain. The CRIMES replacement project will replace the current outdated system with a new web-based application.

The project began in FY 2016 with funding of \$100,000 for planning and vendor identification. The FY 2017 budget included \$1.85 million for the project. The FY 2018 budget carries over \$812,000 of those funds and provides an additional \$714,308 of one-time-only funds for final project completion (program offers 15012 and 78319). Project completion is anticipated by the spring of 2018.

## *New Information Technology*

### **Cybersecurity**

In FY 2016, the County initiated a multi-year cyber security program to upgrade outdated technology, increase cyber security awareness, and implement tools for managing cloud-based data systems. The project will continue through FY 2018, with \$719,669 budgeted in program offer 78318. Major elements for work in FY 2018 include implementation of our enterprise firewall platform and the data center fabric redesign.

Given the constantly evolving cyber security environment, the County will continue to adapt existing technology to remain diligent towards security threats.

### **Enterprise Resource Planning (ERP) Replacement**

Multnomah County is in the process of replacing its SAP Enterprise Resource Planning (ERP) system, which was implemented in 1999. The County first embarked upon a review of its current system and business needs, as well as current technology. That review was completed in March 2015. An RFP was subsequently released in November 2015, with the County selecting Workday as the system with Deloitte Consulting as the system integrator. Jaggaer (formerly SciQuest) was selected to support the County's source to settle needs, while IBM Tririga was selected to support Facilities asset management operations. The County's current Questica software will continue to support budget operations.

The project is currently in the Pre-Work stage, with Planning scheduled to start in June, and Architecture (system & application integration design) to take place July through September. The go-live date is July 2018.

The \$42.8 million implementation cost will be financed over seven-years with debt service covered by allocating costs to departments on a per FTE basis of \$1,323. The \$950,000 annual debt payment associated with the East County data center that was charged to departments was paid off in FY 2017, which will help to mitigate the impact to departments, by \$195 per FTE.

While the County is experiencing strong economic growth, it is not immune to broader economic issues and will continue to face internal and external budget pressures in years to come. For example, today's budget decisions, such as the opening of a new facility, have an impact on future years' budgets. The following list is a brief outline of the budget pressures that the County will monitor for impact beyond FY 2018.

- Revenue – The Business Income Tax is inherently volatile and will invariably decline during the next recession. Property tax, while

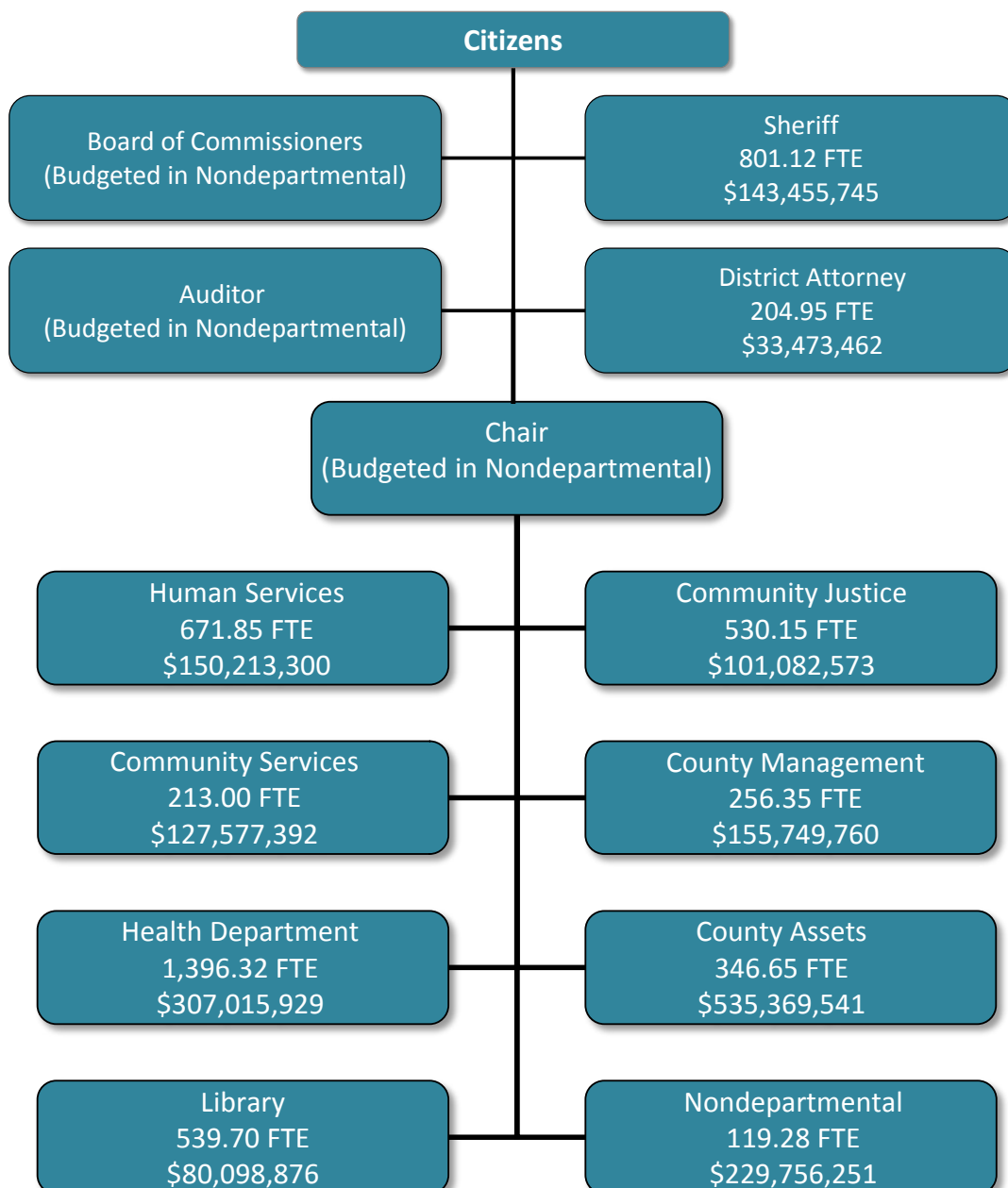
## *Future Budget Pressure*

relatively stable, is constitutionally limited in its growth rate. If inflation were to increase, costs would grow faster than the County's core property tax revenue stream.

- **Capital Investment and Debt** – The County is poised to undertake several major capital projects, such as replacement of the downtown Courthouse and construction of a new Health Department Headquarters building. Board policy directs 50% of one-time-only funds (after contingencies and reserves are fully funded) for capital needs, which will cover a significant amount of the funding for these buildings. However, debt will still be required to some degree and servicing that debt will put pressure on future budgets.
- **Healthcare Costs** – While the rate of growth in County healthcare costs has slowed in recent years, a return to previous rates of growth would put significant pressure on County costs.
- **Pension and Post-Employment Benefit Costs** – While the County's pension and post-employment benefit funds are among the best-funded in the country, the recent overturning of the 2013 PERS reforms will add additional cost pressure in future years. The PERS system is structurally dependent on stock market returns to fund a significant portion of its cost, so poor market returns may create additional budget pressures.
- **Technology** – As technology becomes more prevalent in day-to-day County operations, the associated infrastructure and support costs also increase. The most problematic issue tends to be semi-routine replacement of IT applications. There is currently no ongoing funding stream to pay for these replacements or new technological investments.

### Multnomah County Organization Chart

Multnomah County delivers its services through ten departments, including three managed by independently-elected officials: Mike Reese, Sheriff; Rod Underhill, District Attorney; and Steve March, County Auditor. There are 5,079.37 full time equivalent (FTE) positions in this budget.





## Appreciation

This document is the outcome of many hours of hard work and analysis by County agencies and their staff and I would like to take this opportunity to thank these people for their contributions. Particularly, I want to thank the leadership in the Chair's Office: County Chair, Deborah Kafoury; Chief of Staff, Nancy Bennett; and Chief Operating Officer, Marissa Madrigal. I also want to extend my appreciation to the department heads and constitutional officers along with their budget teams and staff for their hard work, cooperation and assistance.

Finally, I want to acknowledge the remarkable teamwork by the people in the Central Budget Office who gave their best in putting this budget together: Adam Brown, Shannon Gutierrez, Ching Hay, Dianna Kaady, Jeff Renfro, Allegra Willhite, and Chris Yager, and to the Evaluation and Research Unit: Jillian Girard, Anna Plumb, and Allison Sachet.

It is a privilege to work with the dedicated people who serve our County.

Mike Jaspin  
Budget Director

## Budget Notes

### *SBHC & East County School Capital Projects*

The following budget notes were adopted by the Board of County Commissioners on May 25, 2017. Board discussion and deliberation is an integral part of the County budget process. Budget notes document policy discussions and decisions made by the Board of County Commissioners during the budget worksessions and provide direction to departments in achieving the Board's policy goals during the fiscal year.

The Board has provided funds for the development of a plan, coordinated with East County public schools, for the integration of school-based health clinics into new capital construction projects resulting from recently passed bond measures. The Board requests a briefing by January 31, 2018 from the Health Department, along with the school districts receiving support, on expansion and development efforts to date.

### *Youth and Family Stability Support*

The Board requests a review of the County's investments and partnerships with local school districts to define and clarify programming and support for students. The Board requests a briefing by January 31, 2018 from the Department of County Human Services on this effort, including a description of the best service models for the County to pursue.

### *HOPE Team Pilot Project*

The Board has provided funds for a Homeless Outreach and Programs Engagement (HOPE) team pilot project in the Sheriff's Office to connect homeless individuals with needed services and provide resources for community engagement. The Board requests a briefing by January 31, 2018 from the Sheriff's Office on the progress and outcomes from the HOPE team pilot project.

### *Alternative to Bench Probation - Jail Reduction Strategies Pilot*

The Board has provided funds for an alternative to bench probation that is a part of jail reduction strategies. The Board requests a briefing by January 31, 2018 from the Department of Community Justice and the Local Public Safety Coordinating Council to report on the pilot, including program involvement, reduction results, and best models.

### *MCSO Staff Training*

Program offer 60022A provides funding for the MCSO Training Unit. The Board requests that MCSO provide a report by November 2017 about the implementation of training for law enforcement and corrections staff related to crisis intervention, use of force, de-escalation, confrontational simulation, PREA, trauma informed care, Mental Health First Aid, ethics, and other related topics.

### *Clinic Team Reductions - Impacts*

The Health Department budget reduces clinical provider teams across the County's primary care clinics. The Board requests a report by March 2018 from the Health Department about the effect of the reductions at an individual clinic level on patient access to care, on provider teams, and on costs. In addition, the report should include an update about the total patient population served at each clinic, including demographic information and the percentage of patients best served in languages other than English.

### *State/Federal Ramp-Down Set Aside*

To prepare for potential State and Federal reductions to vital county programs, a \$2.45 million appropriation is earmarked in the General Fund Contingency.

The Budget Office will work with departments to gather and analyze information on State and Federal reductions as it becomes available, with a tentative plan to return to the Board of Commissioners in late summer. The Budget Office and departments will brief the Board of Commissioners on the specific cuts and impacts and provide prioritized recommendations to mitigate the reductions or to ramp-down State and Federal programs. If it is determined by the Board that the contingency fund should be tapped, the Budget Office will work with departments to bring a package of budget modifications for Board consideration.

### *OPI Restoration*

The Oregon Project Independence (OPI) Expansion program provides case-managed in-home services and supports to people with disabilities, aged 19- 59, to help prevent nursing facility placements. The goal of the case management and in-home services is to engage participants in a person-centered, comprehensive approach to support their ability to remain at home. These services have been shown to delay an individual's need for more costly Medicaid services and nursing facility care.

The Board earmarks \$250,000 in the General Fund Contingency for use in the event of funding reductions to the OPI Expansion program. The \$250,000 would continue services to 165 County participants.