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Introduction

Multnomah County's \$2.0 billion FY 2019 Proposed budget attempts to strike a balance between addressing our community's needs today and investing in the future. It provides for financial resiliency and flexibility for the County to address its future budget challenges.

It reflects the County's commitment to provide services ranging from elections and health care to animal services and road maintenance. It provides for civic infrastructure such as bridges, courthouses, and medical facilities. Beyond the numbers, it reflects Multnomah County's core goal to provide our residents with a sense of belonging, safety, and trust.

The FY 2019 budget addresses our community's needs today. Several examples include:

- Continuing to fully fund the Joint Office of Homeless Services, providing shelter capacity for 1,900 people, and adding \$600,000 of funding for supportive housing for families and providing \$315,000 to fund the Sheriff's HOPE Team for another year.
- Maintaining the County's current 1,192 jail beds.
- Continuing to address our community's mental health needs and reduce the use of incarceration by providing \$750,000 for the LEAD program.
- Providing primary health care for 44,000 people and adding funds for five additional syringe boxes.
- Providing \$182,000 for a Deputy District Attorney position to continue working on the sexual assault kit backlog.
- Providing \$230,000 to fund two additional SUN School sites and address a funding gap for two others.
- Providing \$90,000 for improved voter access, including ballot tracking, translation of materials into more languages, a voting express center in Gresham, and 24-hour ballot drop site support.

The budget devotes an additional \$21.5 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:

- \$14.0 million for the new Downtown Courthouse, in addition to the \$66.0 million provided in the prior three years.
- \$5.0 million for Emergency Shelter Capital.
- \$1.0 million for Cell Lighting and Window Covers at the Multnomah County Justice Center to reduce suicide risks.
- \$1.0 million for repairs to the Sheriff's River Patrol Boathouses

A strong economy and sound management cannot fully compensate for our long-term structural deficit caused by Oregon's constitutionally enshrined property tax system and PERS costs.

- \$500,000 for replacement of the District Attorney's CRIMES software, in addition to the \$2.6 million funded in FY 2017 and FY 2018.

The Proposed budget also recognizes that the strong Portland economy is not recession-proof. Even without a recession, the County's revenue growth is slowing while labor costs are growing at a faster rate. Oregon's constitutional limits on property tax growth, paired with higher wage growth due to the strong labor market, increased local inflation, and increasing PERS costs, mean the County will need to make reductions or raise revenue in the coming years. The proposed budget provides for financial resiliency and flexibility by:

- Treating a very modest "surplus" in FY 2019 as one-time-only funds to avoid funding programs that cannot be supported in the future.
- Accepting \$3.6 million in proposed reductions and treating the funds as one-time-only to reduce the projected FY 2020 deficit, and investing the savings in capital projects in FY 2019.
- Contributing the third \$25 million installment to a PERS side account to address the County's unfunded liability.
- Fully funding our General Fund Reserves per the Board's Policy.
- Increasing our General Fund Contingency from \$1.25 million to \$1.5 million.
- 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 \$826,459 in ongoing debt payments.

The County's prudent management of its financial resources has been noted by the credit rating agencies. In November 2017, both S&P Global Ratings and Moody's Investor Services awarded Multnomah County the highest possible rating (AAA and Aaa, respectively) for our long-term debt associated with the new County Courthouse and Health Department Headquarters building. The S&P Global Rating also reflects an upgrade from AA+ to AAA on the County's full faith and credit obligations. S&P noted the County's "strong management, with good financial policies and practices" and the County's strong budgetary performance and flexibility.

The FY 2019 budget includes a number of reductions and reallocations. Several of significant note are:

- Transferring responsibility for a portion of communicable disease program to the Coordinated Care Organization, saving \$197,605 this year, and a total of \$349,051 in FY 2020.

- Cutting 2 Deputies in the Sheriff's River Patrol Unit, saving \$251,116.
- Reducing jail re-entry programs to provide ongoing funding of \$337,720 for the Adult Community Healing Initiative that engages 17-25 year old African American males convicted of felonies and misdemeanor gun crimes and was previously funded with one-time-only funds.
- Cutting a Senior District Attorney, saving \$271,372.
- Administrative and back-office reductions across a number of departments.

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 2018, with more than 5,000 County employees continuing to provide services ranging from law enforcement and health care to bridge maintenance and elections in FY 2019.

The following pages of the FY 2019 budget contain much more information on the County's financial picture and operational and investment plans for FY 2019.

The County's budget information for FY 2019, as well as past years, can be found at: www.multco.us/budget.

Planning for FY 2019

Economic Climate

The Portland metropolitan economy remains remarkably strong, growing above its historical growth rate since mid-2012. As of December 2017, the 3.7% unemployment rate in Multnomah County was at historical lows. At the state level, Oregon's unemployment rate matched the U.S. rate at 4.1% in January.

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 2.5% in the final quarter of 2017, and 3.1% and 3.2% in the preceding two quarters. The 2018 annual growth rate is expected to be in the 2.1% to 2.7% range.

Locally, the residential real estate market remained strong in calendar year 2017, but has slowed relative to recent years. As measured by the S&P Case-Shiller Home Price Index for the Portland metropolitan area, home prices increased 8.1% during 2017. Portland no longer leads the country in year-over-year home price appreciation, but growth remains strong and on par with other large, West Coast cities.

The Federal Reserve has begun to raise interest rates and is poised to raise rates further in 2018. Despite this, limited inventory, population growth, and employment and wage gains should continue to push house prices up. These increases continue to be tempered by affordability concerns as most Portland neighborhoods have become increasingly unaffordable, and strong price growth is expected to continue in 2018. Apartment construction remains strong, and rents are leveling off as supply gets closer to population growth. Permits for new housing units are slowing, which could cause supply to lag population growth going forward. During calendar year 2016, real market values of multifamily housing grew 34%, following 37% real market value growth in calendar year 2015.

Unemployment rates at the local, state, and national levels continue to fall from the double digits seen in 2009 and 2010. As of January 2018, the U.S. unemployment rate stood at 4.1% vs. 4.8% a year earlier. For Oregon, the January 2018 rate was 4.1% vs. 4.2% a year earlier. In Multnomah County, the similar figures are 3.7% vs. 3.9% a year earlier. With nonfarm employment in Multnomah County at 514,000, employment levels are roughly 10,300 or 2.0% higher than the previous year. The strong job growth and falling unemployment rate have led to real wage growth at all income levels, and real wages for workers in the lowest quintile have finally caught up to pre-recession levels.

The Oregon Office of Economic Analysis forecasts employment growth of 2.1% in 2018 and 2019, and personal income growth of 5.5% in 2018 and 5.7% in 2019.

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 2018 Five-Year Forecast projected ongoing revenues exceeding ongoing expenditures by \$3.1 million for FY 2019. As the table below shows, the surplus turns into an \$11.0 million deficit in FY 2020. The gap grows to a deficit of \$30.8 million or 5.2% of expenditures in FY 2023, the fifth year of the forecast.

Forecasted Ongoing General Fund Expenditures, Revenues, and Operating Balance (In Millions)					
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Revenues	\$504.6	\$514.2	\$531.1	\$548.6	\$566.6
Expenditures	<u>501.6</u>	<u>525.1</u>	<u>550.5</u>	<u>573.5</u>	<u>597.4</u>
Surplus/(Deficit)	3.1	(11.0)	(19.4)	(24.9)	(30.8)
<i>Change in Surplus from Prior Year</i>		<i>(14.0)</i>	<i>(8.4)</i>	<i>(5.5)</i>	<i>(5.9)</i>
<i>Surplus/(Deficit) is this % of Expenditures</i>	<i>0.61%</i>	<i>-2.09%</i>	<i>-3.52%</i>	<i>-4.34%</i>	<i>-5.16%</i>

Note: Revenues/Expenditures include video lottery, but exclude reserves, FQHC wraparound and prospective health payments

These estimates do not account for potential cost increases associated with labor contracts currently under negotiation. These include the County's Parole & Probation Officers (127.50 FTE), Deputy Sheriffs (130.25 FTE), Nurses (180.09), and Prosecuting Attorneys (73.95 FTE) and together account for about 10% of the County's workforce.

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.

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 2019 budget assumes the following rates of growth (as measured from the FY 2018 Adopted budget) for each revenue source:

- Property Tax – An increase of 4.4%
- Business Income Tax – An increase of 0.6%
- Motor Vehicle Rental Tax – A decrease of 0.4%
- Recording Fees/CAFFA Grant – A decrease of 7.1%
- US Marshal Jail Bed Rental – An increase of 6.2%

As measured from the FY 2018 Adopted budget, ongoing General Fund resources for FY 2019 are projected to increase by nearly 3.1%. However, as measured from currently forecasted FY 2018 revenues, ongoing General Fund resources will increase by a more modest 1.9%.

Cost Drivers

The County's General Fund expenditures are forecast to grow at roughly 4.2% to 4.9% annually through FY 2023, a rate of growth that takes into account inflation, employee compensation, and long-term fixed costs. For FY 2019, the cost of providing current service levels is expected to grow at 4.7%. This relatively strong rate vs. prior years is driven by personnel costs, which are forecast to grow at 5.7%. Specifically, the personnel cost increase is driven by:

- Cost of Living Adjustment: 3.5% (of base pay)
- Step/Merit Increases/Contract Adjustments: 2.0% (of base pay)
- Medical/Dental: 6.5%
- PERS: 0.85% (of base pay)

Inflation, which has been modest for most of the recovery, has picked up significantly as measured by the Portland CPI-W. The increase has been driven in part by the strong rise in both housing prices and rents in the Portland area. This is significant as the County's labor contracts are tied to this index to determine employees' COLA. The Portland CPI-W is being phased out by the Bureau of Labor Statistics, and the County's labor contracts are expected to be tied to the West Coast Size A CPI-W index in the future. This index continues to show inflation at 3.8%.

The strong job market is also pushing base wage growth above inflation levels. Combined, these two factors are driving significant wage growth.

The County's pension costs via the Public Employees Retirement System (PERS) are also 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 five basic factors:

1. In April 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 has steadily reduced the assumed earnings rate from 8.0% to 7.2%.
3. The impact of using collared rates.
4. The PERS Board updating its mortality assumptions.
5. The PERS system earning less than assumed in recent years.

The impact of these decisions and events is to increase the County's unfunded liability (UAL) from \$89.2 million as of December 2013 to \$660 million as of the December 31, 2016 valuation.

The County's PERS rates are set biennially and FY 2019 is mid-biennium, so the County's rates are unchanged. However, the County is expecting its PERS rates to increase by 5.0% to 5.5% of base pay for FY 2020. In light of this and past rate increases and volatility, the County has historically "smoothed" the internal rates it charges to departments to provide predictability, stability, and mitigate risk.

For FY 2019, the rates charged to departments are increased by 0.85% of base pay to address the significant future increases in the County's rates, our unfunded liability, and to smooth the increases. This internal rate increase, combined with the establishment of PERS side accounts, should address just less than half of the anticipated FY 2020 rate increase.

For FY 2019, internal service rates charged to departments for items such as information technology and facilities services are assumed to increase 7.06%. 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 and Balancing the General Fund

*These actions also
lower the FY 2020
projected deficit from
\$11.0 million to \$7.4
million.*

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 2019 budget. These reductions generated \$8.3 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 was balanced by:

- Treating the previously noted \$3.1 million FY 2019 "surplus" as one-time-only (OTO) since new or expanded programs funded with the surplus can not be supported on an ongoing basis.
- Accepting approximately \$5.8 million of the \$8.3 million in proposed departmental reductions or cost shifts, recognizing \$826,000 of ongoing savings from reduced debt servicing costs due to the \$14 million OTO capital contribution to the Courthouse, and recognizing \$1.2 million of additional revenue and savings based on departments' submitted budget. This provided \$7.9 million of ongoing funds to be "spent".
- Of the \$7.9 million, \$3.6 million was treated as OTO, lowering the FY 2020 projected deficit from \$11.0 million to \$7.4 million.
- The remaining \$4.3 million was allocated to various programs and to cover the expected cost of labor agreements.

The Proposed budget allocates the \$25.4 million of discretionary one-time-only (OTO) General Fund as follows:

- Allocating \$21.5 million to major capital projects.
- Allocating the remaining \$3.9 million to a variety of costs, such as the LEAD program, residential appraiser development program, and various studies and ramp-down or transition costs.

The Proposed budget also includes \$4.275 million of Tax Title resources in the Joint Office of Homeless Services and \$5.0 million from the sale of the Wapato Jail in the Supportive Housing Fund, per Board resolution.

Per past practice, the Business Income Tax reserve is funded at 10% of BIT revenues for FY 2019. This is on top of the County's 10% General Fund revenue reserve. The FY 2019 budget conservatively assumes that departments will fully spend their FY 2018 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 detail on the County's one-time-only resources and spending.

Overview of Additions, Reductions, & Reallocations

Health & Human Services Additions

The FY 2019 budget includes a number of General Fund additions, reductions, and reallocations. The following tables summarize these by broad service area. Investments in infrastructure have been included by the most relevant service area.

The tables include both ongoing and OTO funds and do not reflect cuts that were proposed by departments but restored in the Chair's Proposed budget. They do not include Tax Title funds restricted by Oregon Law.

Several tables also show how Departments internally reallocated General Fund resources to higher priorities.

Prog. #	Program Offer Name	General Fund Adds	FTE Adds
Joint Office of Homeless Services			
10050B	Emergency Management	\$55,000	0.50
10050C	JOHS Administration	153,000	1.00
10053A	Housing Placement & Retention - Gresham Community Volunteer Coordinator	50,000	0.00
10053C	Housing Placement & Retention - Homeless Families	404,323	0.00
10054D	Supportive Housing - Families	600,000	0.00
10058	Emergency Shelter Strategic Investment	5,000,000	0.00
County Human Services			
25047B	YFS - DVERT Services for Seniors	150,000	1.00
25136	YFS - Legal Aid for Immigrant & Refugee Communities	160,000	0.00
25139B	YFS - Culturally Specific Asset Building	100,000	0.00
25143	YFS - Renter Relations	125,000	0.00
25145B	YFS - SUN Schools Expansion	230,000	0.00
25153	YFS - Universal Pre-School Study/Taskforce	100,000	0.00
25162	YFS - Family of Friends Mentoring Project	25,000	0.00
Health			
40024B	Student Health Centers Transition Planning	111,586	1.00
40052B	Add One Deputy Medical Examiner	62,846	0.30
40085B	Law Enforcement Assisted Diversion (LEAD)	750,000	0.00
40061B	Safe Sharps Disposal	143,756	0.00
40048B	Pacific Islander Community Equity Study	<u>175,000</u>	<u>0.00</u>
Total		\$8,395,511	3.80

Health & Human Services Reductions

The largest General Fund reductions in the Health and Human Services area are administrative, with most in the Department of County Human Services. The closure of FamilyCare in early 2018 resulted in more services being contracted with the County. The additional funds and added efficiencies allowed the Health Department to shift funding for some services from the General Fund to the Behavioral Health Care Fund, thereby freeing up General Fund without a service impact.

Prog. #	Program Offer Name	General Fund Reductions	FTE Cuts
County Human Services			
25000	Director's Office	(\$419,284)	(4.00)
25002	Business Services	(507,389)	(4.00)
Health Department			
40003	Health Department Leadership Team Support	(122,585)	(0.50)
40014	Immunizations (Assumes transfer of responsibility to CCO by the end of December 2018)	(197,605)	(1.81)
40024	School Based Health Centers	(52,111)	(0.30)
40043	Health Department Operations	(117,037)	(1.00)
40044	Health Clinical Data and Reporting	(114,013)	(1.00)
40050	Corrections Health (MCDC)	(152,531)	0.00
40058	Healthy Birth Initiative	(72,551)	(0.50)
40059	Corrections Mental Health Services (eliminating long term vacancies)	(151,176)	(1.40)
40074	Mental Health Residential Services	(10,288)	0.00
40082	School Based Mental Health Services	(11,633)	0.00
40085	Adult Addictions Treatment Continuum	(80,303)	0.00
Multiple	Health Officer Division	(71,575)	(0.75)
Multiple	Mental Health/Addiction Services Administration	(29,651)	(0.34)
Multiple	Mental Health and Behavioral Services Contracts (Funding shifted to Other Funds)	<u>(140,643)</u>	<u>0.00</u>
Total		(\$2,250,374)	(15.60)

Health & Human Services Reallocations

By using State Homeless Assistance Program (SHAP) funding, the Joint Office of Homeless Services was able to reallocate \$475,000 of ongoing General Fund from the Gresham Women's/DV Shelter to cover the \$475,000 of one-time-only General Fund resource from FY 2018 in the Housing Placement & Retention - Homeless Families program.

The Department of County Human Services reallocated ongoing funds from several existing programs to continue two, higher-priority programs that were previously funded on a one-time-only basis.

Prog. #	Program Offer Name	General Fund Reallocated	FTE Reallocated
Joint Office of Homeless Services			
Made these reductions			
10052C	Safety off the Streets - Gresham Women's/DV Shelter (funded with State SHAP funding)	(\$475,000)	0.00
To fund these programs			
10053C	Housing Placement & Retention - Homeless Families (OTO funded in FY 2018, now ongoing)	475,000	0.00
County Human Services			
Made these reductions			
25115	YFS - Benefits Acquisition Program	(50,000)	0.00
25118	YFS - Youth and Family Administration	(68,000)	0.00
25139B	YFS - MSI Healthy Birth Initiatives	(200,000)	0.00
To fund these programs			
25118	YFS - LGBTQ Economic Empowerment (Services and Advocate at Gateway Center for DV Victims)	68,000	0.00
25133	YFS - Housing Stability Team	\$250,000	0.00

Public Safety Additions

The additions in the public safety area are focused on infrastructure. 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. Not captured on these tables are significant labor costs increases that impact the majority of the programs.

Prog. #	Program Offer Name	General Fund Adds	FTE Adds
District Attorney's Office			
15012	CRIMES Replacement	\$158,844	0.75
15307B	Sexual Assault Kit Backlog Elimination Project	182,233	1.00
Community Justice			
50002	DCJ Business Applications & Technology - (Victim Portal/Case Companion)	80,000	0.00
50065B	CHI Early Intervention - Youth Gang Coordinator	65,000	0.50
50065B	CHI Early Intervention - Prevention Services	90,000	0.00
Sheriff's Office			
60316	MCDC Suicide Prevention - Cell Lighting & Window Covers	50,000	0.00
60515	Ongoing Boathouse Operations & Maintenance	84,000	0.00
60540	Homeless Outreach and Programs Engagement (HOPE) Team	315,497	2.00
County Assets			
78212	Facilities Downtown Courthouse	14,000,000	0.00
78227	MCSO River Patrol Boathouses Capital Improvements	1,036,728	0.00
78228	MCDC Suicide Prevention - Cell Lighting & Window Covers	950,000	0.00
78319	CRIMES Replacement	<u>300,000</u>	<u>0.00</u>
Total		\$17,312,302	4.25

Public Safety Reductions

The public safety reductions are sprinkled throughout the system, but do not impact the number of jail beds. Jail operation costs constitute the majority of the General Fund spending on public safety, so not reducing jail beds requires reductions elsewhere.

Prog. #	Program Offer Name	General Fund Reductions	FTE Cuts
District Attorney's Office			
15201	Unit C/Gangs	(\$271,372)	(1.00)
15203	Neighborhood DA Program	(87,471)	(0.56)
Various	Reduced Licensing Costs/Professional Services	(163,770)	0.00

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Public Safety Reductions (Continued)

Prog. #	Program Offer Name	General Fund Reductions	FTE Cuts
Community Justice			
50000	DCJ Director's Office	(133,459)	(1.00)
50066	Juvenile Community Interface Services	(62,491)	(1.00)
50017	Adult Support Services	(82,720)	(1.00)
50039	Formal Supervision & Misdemeanor Monitor Program	(296,364)	(2.50)
50023	Adult Field Generic Supervision High Risk - West	(142,532)	(1.00)
50018	Adult Recog/Pretrial Supervision	(104,744)	(1.00)
50058	Juvenile Probation Services	(100,000)	0.00
50054	Juvenile Detention Services	(94,163)	(1.00)
Sheriff's Office			
60445	Close Street	(123,467)	(1.00)
60100	Executive Office	(176,831)	(1.00)
60521	In-Jail Human Trafficking	(191,108)	(1.00)
60515	River Patrol	(251,116)	(2.00)
Various	No inflation on Overtime, Premiums, Temporary, & Capital	(491,556)	0.00
Various	Miscellaneous Reductions	<u>(90,093)</u>	<u>0.00</u>
Total		(\$2,863,257)	(15.06)

Public Safety Reallocations

The Department of Community Justice made several significant reallocations from programs that were not fully utilizing their budget or were deemed to be less effective than other programs. For instance, jail re-entry services were reduced to provide ongoing funding for the Community Healing Initiative pilot that engages 17-25 year-old African American males convicted of felonies and misdemeanor gun crimes and was funded with one-time-only funds in FY 2018.

Prog. #	Program Offer Name	General Fund Reallocated	FTE Reallocated
Community Justice			
Made these reductions			
50011	Recovery System of Care	(\$263,671)	0.00
50012	Adult Residential Treatment Services	(300,000)	0.00
50025	Adult Sex Offense Supervision and Treatment	(100,000)	0.00
50032	Adult Gang and African American Program - Jail Re-entry Services	(193,965)	0.00

Public Safety Reallocations (Continued)

Prog. #	Program Offer Name	General Fund Reallocated	FTE Reallocated
To fund these programs			
50005	DCJ Human Resources - Equity & Inclusion Officer	108,371	1.00
50014	Adult Treatment First/Stop Court Program	247,276	2.00
50024	Adult Mental Health Unit - Supervision and Treatment	250,000	0.00
50032	Adult Gang and African American Program - Community Healing Initiative	337,720	0.00

General Government Additions

The General Government additions respond to a variety of priorities and needs, such as workforce equity and ensuring voter access to elections. The second year of funding for the DART Residential Appraiser Development program provides for workforce development, but also ensures the County accurately and fully appraises property, which impacts the County's and other jurisdictions' property tax revenues. Savings within the SummerWorks program allowed 40 slots to be added. An additional 60 were added with new General Fund, resulting 100 new ongoing slots. OTO funding for the high risk youth slots was continued for another year.

Prog. #	Program Offer Name	General & Video Lottery Fund Adds	FTE Adds
Nondepartmental			
10012B	Office of Emergency Management	\$125,090	1.00
10017C	College to County	95,517	1.00
10029A	SummerWorks - Additional 40 Slots	0	0.00
10029C	SummerWorks - Additional 60 Slots	158,700	0.00
10029D	SummerWorks - High-Risk Youth	132,250	0.00
10031	Elected Official Office Transitions	100,000	0.00
County Management			
72000B	Organizational Development	284,998	0.00
72000C	Workforce Strategic Equity Plan	500,000	1.00
72005	FRM Purchasing - METRO Workforce Equity	25,000	0.00
72036	DART Residential Development Program	760,225	0.00
72042	Mental Health System Analysis Follow-up	100,000	0.00
72044	Construction Diversity and Equity Fund	100,000	0.00
County Assets			
78224	Vance Property Master Plan	150,000	0.00
78225	Facilities Dedicated Facilities Specialist for Shelter Transitions	137,215	0.00

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General Government Additions (Continued)

Prog. #	Program Offer Name	General & Video Lottery Fund Adds	FTE Adds
Community Services			
91007A	Animal Services Animal Care - Facilities Planning	250,000	0.00
91007B	Veterinary Assistant - Animal Care	83,189	1.00
91010B	Elections Voter Access	90,000	0.00
91014	Levee Ready Columbia	149,824	0.00
91018B	Road Capital Improvement Plan Update (year 2 of 2)	<u>200,000</u>	<u>0.00</u>
		Total \$3,442,008	4.00

General Government Reductions

The reductions in the General Government area are mainly in the Department of County Management and are modest. Community Services was able to shift over \$300,000 of costs to other funds, freeing up ongoing General Fund.

Prog. #	Program Offer Name	General Fund Reductions	FTE Cuts
Nondepartmental			
10009A	LPSCC - Decision Support System-Justice	(\$14,878)	0.00
10012	Emergency Management	(33,991)	0.00
10016	Government Relations	(21,840)	0.00
County Management			
72001	Budget Office	(34,238)	0.00
72014	Evaluation and Research Unit	(15,737)	0.00
Various	Finance and Risk Management Programs	(24,944)	0.00
Various	Division of Assessment, Recording, and Taxation	(123,578)	0.00
Various	Central Human Resources	(37,730)	(0.60)
County Assets			
Various	Administrative Hub	(20,000)	0.00
78104	Countywide Strategic Sourcing	(20,558)	0.00
Community Services			
Various	Shift costs to other funds via increased indirect	<u>(314,876)</u>	<u>0.00</u>
		Total (\$695,625)	(0.60)

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 2019 is \$2.03 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 2019 net budget of \$1.68 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 2018 Adopted budget to the FY 2019 Proposed budget at the fund level. Two new funds, 1521 - Supportive Housing Fund and 2515 - Burnside Bridge Fund, are established to record funds the Board has dedicated to supportive housing and the Burnside Bridge replacement or reconstruction. Year-over-year, the budget (including internal charges, transfers, and loans) has decreased by 1.7%. While most operating funds have increased, spending out funds allocated for major capital projects, such as the new Courthouse, pulls the overall budget down.

FY 2019 Budget	
Direct Department Expenditures	\$1,656,581,169
Contingency	<u>\$22,804,767</u>
Total Net Budget	\$1,679,385,936
Service Reimbursements	\$192,404,021
Internal Cash Transfers	\$32,958,172
Reserves	<u>\$129,895,667</u>
Total Budget	\$2,034,643,796

Budget Director's Message

fy2019 proposed budget

Fund Comparison: Year over Year

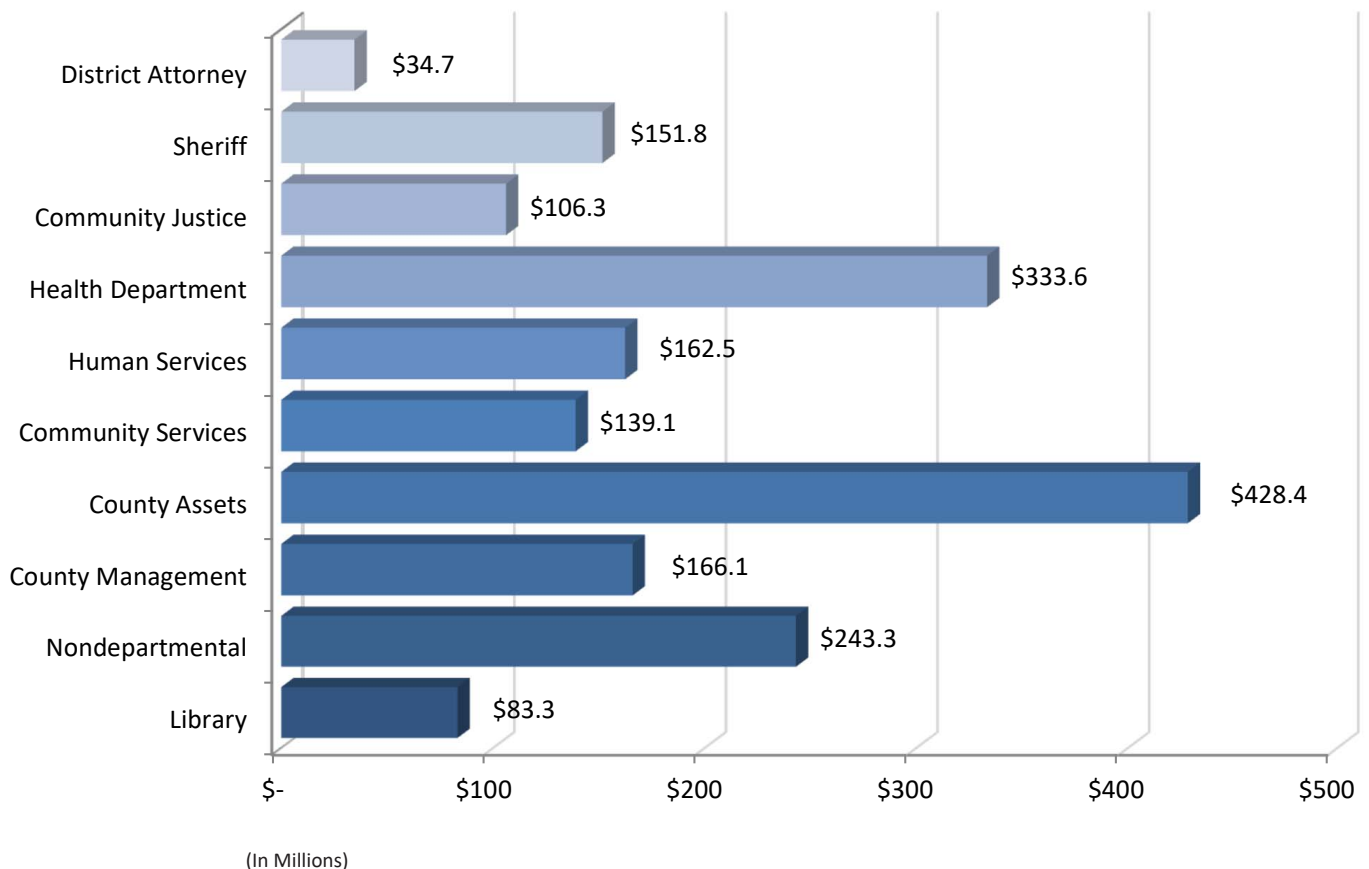
Fund	Fund Name	FY 2018 Adopted	FY 2019 Proposed	Change	% Change
1000	General Fund	\$616,384,562	\$639,727,161	\$23,342,599	3.8%
1501	Road Fund	58,457,562	79,090,135	20,632,573	35.3%
1503	Bicycle Path Construction Fund	248,532	356,400	107,868	43.4%
1504	Recreation Fund	87,287	51,400	(35,887)	-41.1%
1505	Federal/State Program Fund	321,247,734	336,483,350	15,235,616	4.7%
1506	County School Fund	80,300	80,300	0	0.0%
1508	Animal Control Fund	2,954,573	2,890,417	(64,156)	-2.2%
1509	Willamette River Bridge Fund	20,749,985	15,733,515	(5,016,470)	-24.2%
1510	Library Fund	80,098,876	83,303,490	3,204,614	4.0%
1511	Special Excise Taxes Fund	49,392,254	48,228,593	(1,163,661)	-2.4%
1512	Land Corner Preservation Fund	4,167,000	3,975,000	(192,000)	-4.6%
1513	Inmate Welfare Fund	980,190	1,050,072	69,882	7.1%
1516	Justice Services Special Ops Fund	7,572,508	7,470,498	(102,010)	-1.3%
1518	Oregon Historical Society Levy Fund	3,072,786	3,240,821	168,035	5.5%
1519	Video Lottery Fund	5,515,875	6,104,483	588,608	10.7%
1521	Supportive Housing Fund	0	5,750,000	5,750,000	NA
2002	Capital Debt Retirement Fund	32,323,014	35,131,249	2,808,235	8.7%
2003	General Obligation Bond Sinking Fund	125,000	0	(125,000)	-100.0%
2004	PERS Bond Sinking Fund	92,431,104	74,892,493	(17,538,611)	-19.0%
2500	Downtown Courthouse Capital Fund	241,751,743	193,834,205	(47,917,538)	-19.8%
2503	Asset Replacement Revolving Fund	450,086	120,139	(329,947)	-73.3%
2504	Financed Projects Fund	3,138,900	2,043,268	(1,095,632)	-34.9%
2506	Library Capital Construction Fund	3,729,318	3,670,397	(58,921)	-1.6%
2507	Capital Improvement Fund	23,169,402	26,589,218	3,419,816	14.8%
2508	Information Technology Capital Fund	4,147,442	2,313,021	(1,834,421)	-44.2%
2509	Asset Preservation Fund	15,851,201	12,639,733	(3,211,468)	-20.3%
2510	Health Headquarters Capital Fund	78,678,661	28,802,186	(49,876,475)	-63.4%
2511	Sellwood Bridge Replacement Fund	28,340,710	22,212,821	(6,127,889)	-21.6%
2512	Hansen Building Replacement Fund	3,364,422	4,166,405	801,983	23.8%
2513	ERP Project Fund	41,300,000	19,849,934	(21,450,066)	-51.9%
2515	Burnside Bridge Fund	0	6,000,000	6,000,000	NA
3002	Behavioral Health Managed Care Fund	35,322,092	48,644,194	13,322,102	37.7%
3500	Risk Management Fund	172,840,830	187,887,508	15,046,678	8.7%
3501	Fleet Management Fund	10,639,718	6,160,382	(4,479,336)	-42.1%
3502	Fleet Asset Replacement Fund	6,800,494	7,334,503	534,009	7.9%
3503	Information Technology Fund	55,804,940	58,598,417	2,793,477	5.0%
3504	Mail Distribution Fund	3,524,608	3,601,275	76,667	2.2%
3505	Facilities Management Fund	<u>45,352,808</u>	<u>56,616,813</u>	<u>11,264,005</u>	<u>24.8%</u>
Total		\$2,070,096,517	\$2,034,643,796	(\$35,452,721)	-1.7%

Department Expenditures All Funds (\$1.85 billion)

Department expenditures for all funds, excluding cash transfers, contingencies, and unappropriated balances, total \$1.85 billion in FY 2019 vs. \$1.86 billion in FY 2018.

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 \$240 million or 56 percent of County Assets spending, greatly distorting the size of its budget.



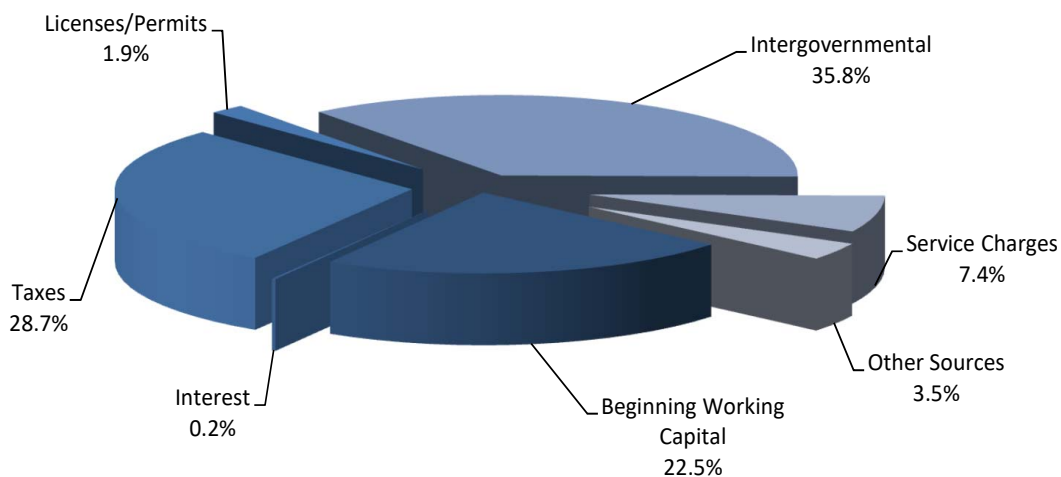
Department Revenues All Funds (\$1.67 billion)

Total direct resources, or "revenues," for FY 2019 are \$1.67 billion vs. \$1.73 billion in FY 2018 (excluding service reimbursements and cash transfers between funds). Intergovernmental revenues are the County's single largest revenue category at \$596.2 million or 35.7%. This reflects a \$48.1 million or 8.8% increase from FY 2018.

Taxes constitute the next largest revenue source (28.7%) and include property tax, business income tax, motor vehicle rental tax, transient lodging tax, and county gas tax. For FY 2019, tax collections are anticipated to increase 2.6% from \$466.7 million in FY 2018 to \$478.9 million.

Beginning working capital (BWC) is the County's third largest resource for FY 2019, at \$375.1 million or 22.5%. BWC as a percentage of total resources is significantly larger in FY 2019 than in FY 2018, increasing from 19.2% to 22.5%. In dollar terms, BWC increased from \$331.7 million in FY 2018 to \$375.1 million in FY 2019. Several significant changes include:

- A \$39.2 million increase in the Downtown Courthouse Fund.
- A \$5.2 million decrease in the General Fund.
- A \$22.7 million decrease in the PERS Bond Sinking Fund.
- A \$11.4 million increase in the Capital Improvement Fund.
- A \$19.8 million increase in the ERP Project Fund.

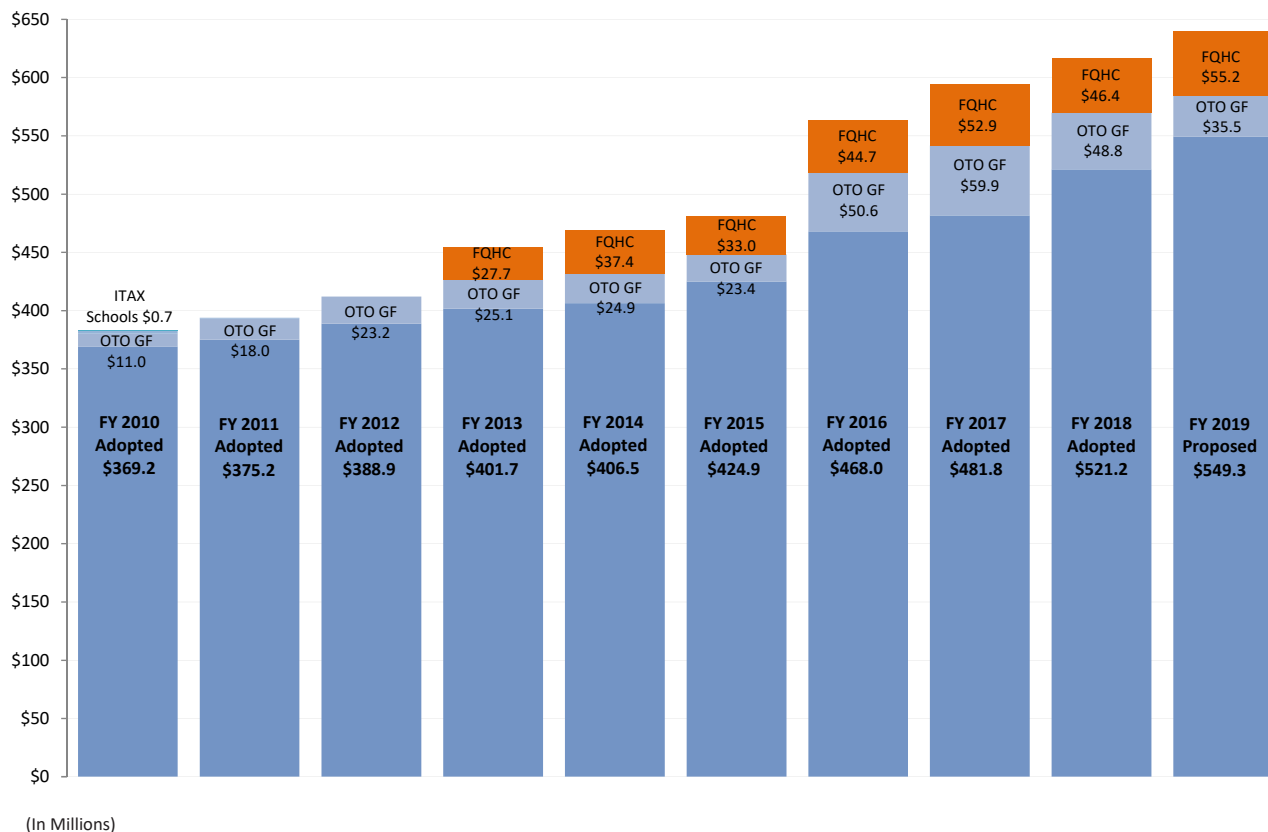


The General Fund

General Fund Expenditures and Reserves (\$639.7 million)

The \$639.7 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.

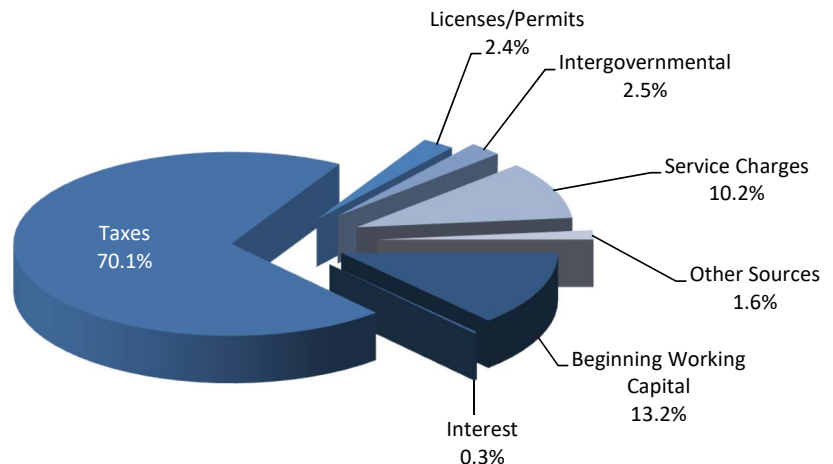
The following graph shows total General Fund "spending," including cash transfers, service reimbursements, contingencies, and unappropriated balances (reserves), from FY 2010 through FY 2019. The Temporary Personal Income Tax (ITAX) is shown in FY 2010 and is not significant enough to warrant being called 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 2010 to FY 2019. Combining each segment provides the total General Fund.



General Fund Revenues

General Fund resources for FY 2019 (excluding service reimbursements and cash transfers) have increased from FY 2018. Direct resources are budgeted at \$602.2 million – a \$19.5 million or 3.3% increase over FY 2018. Ongoing taxes are budgeted to increase by \$13.3 million or 3.3%, while one-time-only BWC is projected to be \$5.2 million (6.1%) lower.

As the graph below shows, taxes make up the majority of General Fund revenues. If one excludes BWC, service reimbursements, and the \$55.2 million of budgeted FQHC and prospective health payments, taxes account for nearly all of the Board's discretionary ongoing funds. Property taxes, accounting for \$304.2 million, are budgeted to increase by \$13.0 million or 4.5%. Business income taxes, accounting for \$85.0 million, are budgeted to be up \$500,000 or 0.6%. Motor vehicle rental taxes, accounting for \$30.9 million, are budgeted to decrease by \$600,000 or 1.8%.



Use of One-Time-Only (OTO) Funds

The FY 2019 budget contains approximately \$35.5 million of one-time-only General Fund resources after fully funding the General Fund reserve and the BIT reserve. These funds include:

- \$18.7 million of additional BWC in FY 2018 (from departmental underspending in FY 2017) and higher FY 2018 revenues (mainly from higher than-budgeted business income taxes) less reserve adjustments.
- \$3.1 million of FY 2019 ongoing funds that were treated as one-time-only.
- \$3.6 million of FY 2019 ongoing reductions treated as one-time-only to reduce the FY 2020 deficit.
- \$5.1 million of funds carried over (unspent) from FY 2018, including \$4.3 million of restricted TaxTitle Funds.

The tables on the following pages show how the County plans to use one-time-only resources in FY 2019. The table lists one-time-only resources supporting one-time-only expenditures, or programs not expected to continue beyond FY 2019.

Budget Director's Message

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

Prog #	Program Name	Dept.	FY 2019 TOTAL General Fund	Other Funds	OTO General Funds
10029D	SummerWorks - High-Risk Youth	NOND	\$132,250	\$0	\$132,250
10031	Elected Official Office Transitions	NOND	100,000	0	100,000
10053A	Housing Placement & Retention - Gresham Community Volunteer Coordinator	JOHS	864,120	0	50,000
10053C	Housing Placement & Retention - Homeless Families	JOHS	3,811,710	991,920	404,323
10058	Emergency Shelter Strategic Investment	JOHS	5,000,000	0	5,000,000
15012	CRIMES Replacement	MCDA	158,844	0	158,844
15307B	Sexual Assault Kit Backlog Elimination Project	MCDA	182,233	0	182,233
25136	YFS - Legal Aid for Immigrant & Refugee Communities	DCHS	160,000	0	160,000
25139B	YFS - Culturally Specific Asset Building	DCHS	100,000	0	100,000
25153	YFS - Universal Preschool Study/Taskforce	DCHS	100,000	0	100,000
25162	YFS - Family of Friends Mentoring Project	DCHS	25,000	0	25,000
40010B	Immunizations Clinic Redesign	HD	151,446	15,614	151,446
40024B	Student Health Centers Transition Planning	HD	111,586	157,392	111,586
40074B	Mental Health Residential Services Restoration	HD	65,000	0	65,000
40085B	Law Enforcement Assisted Diversion (LEAD)	HD	750,000	0	750,000
40061B	Safe Sharps Disposal	HD	143,756	0	143,756
40074B	Mental Health Residential Services	HD	65,000	0	65,000
40048B	Pacific Islander Community Equity Study	HD	175,000	0	175,000
50002	DCJ Business Applications & Technology - (Case Companion)	DCJ	8,522,841	0	80,000
50041	Justice for Families - Supervised Parenting Time	DCJ	358,761	0	358,761
60315	MCDC Detention Electronics	MCSO	390,000	0	390,000
60316	MCDC Suicide Prevention - Cell Lighting & Window Covers	MCSO	50,000	0	50,000
60540	Homeless Outreach and Programs Engagement (HOPE)	MCSO	315,497	0	315,497
72000B	Organizational Development	DCM	284,998	0	284,998
72000C	Workforce Strategic Equity Plan	DCM	500,000	0	250,000
72005	FRM Purchasing - METRO Workforce Equity	DCM	2,404,024	107,073	25,000
72022	DCM Workday Management Team	DCM		2,273,389	0
72025B	DART County Clerk Carryover	DCM	150,000	0	150,000
72036	DART Residential Development Program	DCM	760,225	0	760,225
72042	Mental Health System Analysis Follow-up	DCM	100,000	0	100,000
91007A	Animal Services Animal Care	DCS	3,965,329	1,156,917	250,000
91014	Levee Ready Columbia ^{1/}	DCS	149,824	0	149,824
91018B	Road Capital Improvement Plan Update (yr 2 of 2) ^{1/}	DCS	200,000	0	200,000

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

Budget Director's Message

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One-Time-Only Resources Spent on One-Time-Only Programs (cont.)

Prog #	Program Name	Dept.	FY 2019 TOTAL General Fund	Other Funds	OTO General Funds
95000	Cash Transfers	Countywide			
	~Vance Property Master Plan (78224)		\$150,000	\$0	\$150,000
	~Facilities Specialist Dedicated for Shelter Transitions (78225)		137,215	0	137,215
	~MCSO River Patrol Boathouses Capital Improvements (78227)		1,036,728	0	1,036,728
	~MCDC Cell Lighting and Window Covers (78228)		950,000	0	950,000
	~CRIMES Replacement (78319)		300,000	0	300,000
	~Facilities Downtown Courthouse (78212)		14,000,000	0	14,000,000
95000	BIT Reserve at 10%	Countywide	<u>8,500,000</u>	<u>\$0</u>	<u>\$8,500,000</u>
		Total One-Time-Only	\$55,321,387	\$4,702,305	\$36,312,686

General Fund Reserves

The County maintains General Fund reserves as outlined in the County's Financial and Budget Policies. In FY 2019, 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 2019 budget fully funds the General Fund reserves at \$43.4 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 2019 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

Like many other communities, Multnomah County is experiencing a significant increase in homelessness. The February 2017 point-in-time count found 4,177 people living on the streets, in shelter, or in transitional housing, which was nearly 10% more than the previous count. However, unlike in other communities, the number of entirely unsheltered people fell by 11% and the rate of unsheltered families fell by half.

The credit for some of this progress is attributable to the Joint Office of Homeless Services (JOHS), which was created in 2016 in response to the growing homelessness and housing affordability crisis. The JOHS brought together new and existing General Fund resources of Multnomah County and the City of Portland, including homelessness-related staff and programs, into a single office that operates under policy guidance from both jurisdictions.

The FY 2019 budget includes total Joint Office of Homeless Services funding of \$67.1 million, with \$29.0 million of discretionary County Funds. This reflects over \$14.0 million of County General Fund resources that have been added in the last four years. Significant challenges remain, including:

- Finding suitable shelter locations and operating shelter facilities.
- Establishing and maintaining funding for permanent supportive housing as the Federal Government reduces funding and rents continue to climb.
- Reducing the racial disparities within the homeless population.
- Addressing the chronically homeless who may have mental health or addictions struggles.

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.

Open 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 from two to four years. As of April 2018, five labor contracts were open or will be open for renegotiation during FY 2019. This includes the County's Parole and Probation Officers, Deputy Sheriffs, Oregon Nurses Association, Prosecuting Attorneys, and Juvenile Custody Services Specialists. The five open contracts cover 11% of total County FTEs. 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, 2016 valuation, the County's unfunded actuarial liability increased to \$660 million due to these reforms not being upheld, the PERS Board reducing the assumed earnings to 7.20% and updating its mortality assumptions, and below assumed earnings.

The County expects its rates to increase 5.0 to 5.5% of base pay in FY 2020. In response, the County has increased its internal PERS rates by 0.85% of payroll to pro-actively address the UAL in FY 2019. The County also established a \$25 million PERS side account in FY 2017, and contributed another \$25 million in FY 2018, to reduce future rate increases. The FY 2019 budget includes funds to make a third \$25 million contribution to our PERS side account. These actions should address just less than half the expected FY 2020 increase.

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, in the County's Comprehensive Annual Financial Report, and in staff's PERS Briefing to the Board, which is located at www.multco.us/file/42452/download.

Investing in Infrastructure

Burnside Bridge

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, which authorized a \$3.0 million internal loan to fund a feasibility study for the seismic rehabilitation or replacement of the Burnside Bridge. The three year feasibility study is expected to be completed in the fall of 2018.

The County has been talking with community members and a team of experts to better understand what options should be considered. To date, the project has considered over 100 Burnside crossing options. After two rounds of screening, the list has been narrowed down to two groups that represent over 20 remaining options for further evaluation: Enhanced Seismic Retrofit and Replacement. A final decision will be made in the fall of 2018.

Passage of HB 4064 during the 2018 legislative session will allow large counties to use vehicle registration fees for bridges without distributing a portion of the funds to cities, providing funding for the National Environmental Policy Act (NEPA) analysis phase of the project. The County is funding the current study period but is working to get local, state and federal support for the bridge design and construction. A new capital fund (2515) to track revenues and expenses for the Burnside Bridge project is contained in the FY 2019 budget. The County's FY 2019 budget earmarks \$6 million to start the NEPA study phase, which is expected to last approximately three years.

More project information can be found at <https://multco.us/burnside-bridge-projects> and <https://multco.us/earthquake-ready-burnside-bridge>

Earthquake Ready Burnside Bridge Project Timeline



Investing in Infrastructure (Continued)

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 \$324.5 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 \$69.3 million of one-time-only General Fund resources contributed in prior fiscal years plus another \$14 million proposed in the FY 2019 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, with most having been sold in December 2017.

Debt payments will be covered by \$4.44 million of ongoing County General Fund resources set aside in the FY 2019 budget, as well as a \$5 surcharge on Circuit Court parking and traffic violations legislatively authorized by HB 4093.

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

Investing in Infrastructure (Continued)

New Information Technology

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 \$94.1 million. The new facility will house approximately 500 employees providing administrative, clinical, pharmacy and laboratory services. Project funding includes \$36.4 million from Prosper Portland. An additional \$20.4 million of one-time-only General Fund resources has been dedicated to the project. The County issued debt of \$43.5 for the balance of the project in December 2017. A portion of that debt will be repaid from the sale of McCoy building which Health currently occupies. The FY 2019 budget includes \$3.0 million of ongoing General Fund to support debt service.

Construction began February 20, 2016 and is expected to be completed in FY 2019.

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 system integration testing phase, with user acceptance testing scheduled to begin in July. Deployment and training will occur through late summer and into December. The system is expected to be live in late 2018 or early January 2019.

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.

New Information Technology (Continued)

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 court proceedings, including information on hearings, judgements, 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 and FY 2018 budgets included a total of \$2.5 million for the project, and the FY 2019 budget includes an additional \$458,844 of one-time-only funds for final project completion (program offers 15012 and 78319). Project completion is anticipated by the fall of 2019.

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 2019, with \$515,599 budgeted in program offer 78318. Major elements for work in FY 2019 include continued implementation of the County's 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.

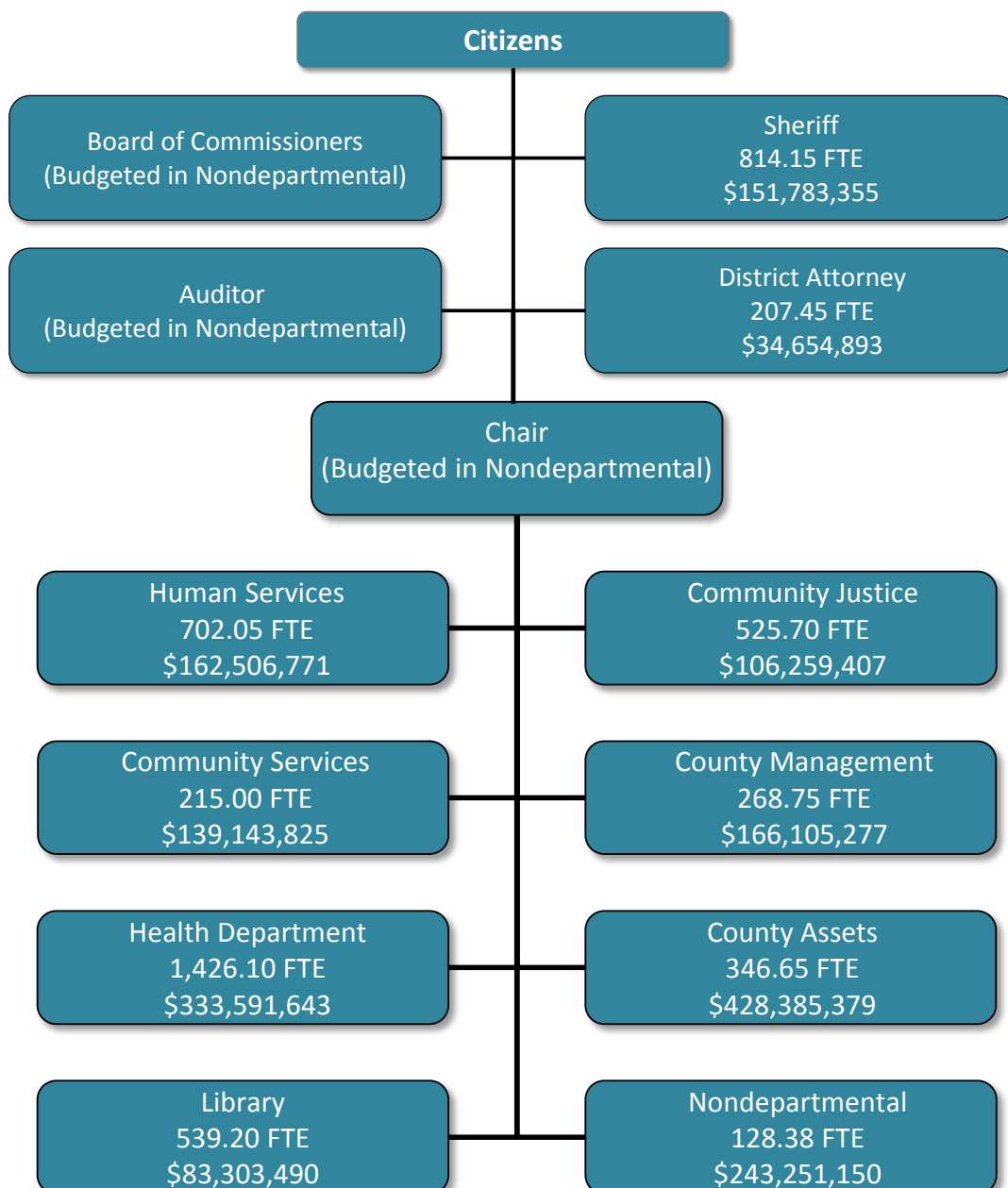
Future Budget Pressure

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 budgets. The following list is a brief outline of the budget pressures the County will monitor for impacts beyond FY 2019.

- Revenue – The Business Income Tax is inherently volatile and will invariably decline during the next recession. Property tax, while relatively stable, is constitutionally limited in its growth rate. As inflation increases, costs are expected to grow faster than the County's core property tax revenue stream.
- Capital Investment and Debt – The County is undertaking several major capital projects, including replacement of the downtown Courthouse and construction of a 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, and servicing that debt will put pressure on future budgets and reduce flexibility.
- Healthcare Costs – While the rate of growth in County healthcare costs has been relatively modest 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 overturning of the 2013 PERS reforms will add cost pressures 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 10 departments, including three managed by independently elected officials: Mike Reese, Sheriff; Rod Underhill, District Attorney; and Steve March, County Auditor. There are 5,174.13 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 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 Kim Melton; 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 were instrumental in putting this budget together: Jackie Arbour, Adam Brown, Shannon Gutierrez, Ching Hay, Dianna Kaady, Ashyle Manning, Jeff Renfro, Chris Yager, and Trista Zugel-Bensel, and to the Evaluation and Reseach Unit: Jillian Girard, Anna Plumb, and Allison Sachet.

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

Mike Jaspin