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Introduction

These are difficult and uncertain economic times. As Multnomah County prepared its FY 2021 budget, we faced some of the most significant fiscal challenges we've experienced. The global pandemic related to COVID-19 and the resulting economic recession is having a profound effect on individuals, businesses and governments around the world. We have entered into a worldwide, severe recession brought about by a global health crisis. The economic expansion of the last 10 years finally enabled the County to stabilize our budget, build our reserves, and strategically invest in County priorities. In FY 2021, we are entering a new reality that includes significant revenue losses and at the same time the need to increase resources to fight against COVID-19. The County is both the public health authority leading the local response to the pandemic, and the largest safety net provider responding to an unprecedented surge in demand. The budget implications of being both are unprecedented.

At the beginning of March, the County expected a $7.8 million General Fund deficit for FY 2021 that could be offset by new revenues from planned reforms to the County's Business Income Tax (BIT). The reforms will increase the tax rate from 1.45% to 2.00%, while providing relief to 6,000 small businesses by increasing the owner's compensation deduction to $127,000 and exempting 14,000 small businesses by increasing the gross receipts exemption from $50,000 to $100,000. Instead, just weeks later, the County proactively changed course and decided to plan using a severe recession scenario, resulting in anticipated FY 2021 General Fund revenues being reduced by $37.5 million. Additionally, $12.4 million of programmatic needs were identified, bringing the total budget shortfall to $57.7 million. The BIT reforms and increased BIT revenues helped to close a significant portion of the deficit. The rest was closed by using the flexibility provided by a 2% reduction applied to current service levels in the departmental submissions and additional departmental reductions, freezing the cost of living adjustments (COLAs) for all non-represented employees and merit increases for non-represented employees making more than $100,000, and using one-time-only resources for the remainder. For more detail on these changes, see page 34.

The State of Oregon is also projecting a $2.0 to $3.0 billion shortfall for the current biennium. Because Federal and State funds support 25% to 30% of the County's budget, reductions at the State will mean service reductions to clients served by the County. And because it is the final year of the State's two-year budget cycle, the reductions translate to a roughly 17% cut for the fiscal year. Proposed reductions from State departments are due to the Governor on May 8. There will be much uncertainty in the upcoming month about the reductions. It is unlikely decisions from the State will reach the County before the budget is adopted. The timing and the impact from the State may force the County into a mid-year budget rebalancing process.

Although the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) will provide much needed support at the state and local level, of the $28 million of CARES funding received by the County, we expect to use $8 million in FY 2020, leaving $20 million available for the entirety of FY 2021. This funding will not fill the gap for the expanded resources needed to respond to COVID-19. We do not expect a rapid economic recovery. Historically high unemployment, diminished retirement accounts, and a dampened consumer psyche will make it difficult for consumer spending, which accounts for two-thirds of economic activity, to return to prior levels. Consequently, it has been, and will continue to be, difficult for our County leaders to balance the need for services in these difficult times with our diminished ability to pay for those services.

Multnomah County families, businesses, and non-profits continue struggling to maintain their standards of living, profitability, and services. The downturn in the global economy has brought with it unprecedented job losses, economic insecurity, and overall reductions in consumer spending. Nowhere is this more pronounced than in the rapid rise in the unemployment rate. In the four weeks after stay-at-home orders went into effect around the country, there were more than 22 million new, weekly initial unemployment claims, exceeding total job losses during the Great Recession.

In an effort to maintain critical services across the County, cost of living adjustments (COLA) were suspended for non-represented employees, which includes management and exempt staff. Additionally, merit increases were also suspended for non-represented employees earning over $100,000. The salary freeze for management and exempt staff generated $5.6 million of savings Countywide, with $3.4 million of that in the General Fund. The table below highlights the savings generated by department and by fund.

Department	General Fund Savings	Other Fund Savings	Total Savings
Nondepartmental	$392,462	$280,244	$672,706
Joint Office of Homeless Services	45,429	12,843	58,272
District Attorney	156,518	14,444	170,962
County Human Services	170,645	276,149	446,794
Health Department	990,584	583,251	1,573,835
Community Justice	345,662	52,063	397,725
Sheriff	487,440	18,523	505,963
County Management	527,651	93,604	621,255
County Assets	150,730	338,036	488,766
Library	0	366,424	366,424
Community Services	140,040	115,218	255,258
Total	**$3,407,161**	**$2,150,799**	**$5,557,960**

Even with all of these challenges, the County's $1.98 billion budget reflects the County's commitment to provide services ranging from SUN schools and homeless services to elections, health care, and animal services. 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 community and employees with a sense of safety, trust, and belonging. The budget continues to address our community's needs today, including:

- Continuing to fund the Joint Office of Homeless Services, providing shelter, outreach, and housing placement and retention services to over 37,000 people.
- Continuing to provide literacy services to children and adults at Multnomah County Library Branches and online.
- Opening of the new County Courthouse. The courthouse has 17 stories and houses 44 courtrooms. It is expected to open in the second half of 2020.
- Investing in public safety by providing funds for programs and services to help justice-involved individuals reintegrate into the community.
- Preserving the number of deputy district attorneys serving the community, despite continuing pressure on personnel costs.
- Maintaining support for 90 SUN schools in six school districts.
- Maintaining funding for high-quality, culturally responsive behavioral health services for the most vulnerable, including the homeless, victims of abuse, and other marginalized communities.
- Preserving quality, culturally relevant health services in our clinical system for more than 65,000 unique clients experiencing barriers to health care.

The budget devotes $18.4 million of one-time-only General Fund resources to capital infrastructure. These include:

- Behavioral Health Resource Center - $8.8 million (carryover from prior year)
- SE Health Clinic - $6.0 million (carryover from prior year)
- Emergency Shelter Capital - $2.2 million (carryover from prior year)
- Justice Center Critical Electrical System Upgrade - $0.9 million
- MCSO Radios Replacement Project - $0.5 million

The FY 2021 budget includes a number of General Fund reductions and reallocations in addition to the wage freeze. Several of significant note are:

- The Health Department reallocated $2.9 million of General Fund in FY 2021. This was made possible by shifting some of the budget to other funding sources ($1.6 million) and Beginning Working Capital ($1.3 million) on a one-time-only basis.
- Administrative, support, and back-office reductions across departments.
- A $1.0 million reduction to the Youth Opportunity and Workforce Development program because of uncertainty caused by COVID-19.
- Due to declining utilization, the Assessment and Treatment for Youth and Families is being eliminated, resulting in a reduction of 7.00 FTE ($964,127). Youth served in this program will be referred to community providers.

Besides the General Fund reductions, several programs were impacted by State funding decisions that happened mid year in FY 2020 and are now reflected in the Adopted budget. These include:

- Significant reductions in State SB 1145 funding resulted in a reduction of 19.25 FTE in the Department of Community Justice. The reduction led to the closure of the Adult Services cognitive behavior program, the Change Center. The reductions also included the loss of four probation and parole officer positions, a deputy director, and program manager.
- The Local Public Safety Coordinating Council had a $217,000 reduction in State funding from SB 1145 and HB 3194.

COVID-19 Response

The economic impact of the COVID-19 pandemic puts severe strain on the County's revenues, while the pandemic itself requires the County to provide expanded services as the local Public Health Authority. The Proposed budget features several measures meant to address the crisis while recognizing the uncertainty surrounding both future needs and the ability to fund those needs. These measures include:

- Temporary redeployment of staff to directly address COVID-19 related needs.
- Fully funding the County's emergency response capacity in both Emergency Management and Public Health.
- $1.0 million of additional contingency to respond to COVID-related needs in FY 2021.

Additionally, the budget includes $20 million of carryover (from an original $28 million) of CARES Act funds from the Federal Government to cover the cost of new COVID needs. The County continues to develop a plan for responding to the COVID crisis in FY 2021 and beyond, and will likely need to find additional resources to cover expanded costs.

Financial Context

The FY 2021 budget was developed under extraordinarily difficult economic conditions, and there remains a significant degree of uncertainty. The bad economic news is likely to continue for many months, and it may get worse before it gets better. In order to manage the downside risks that still exist, the County is prepared to address any further negative economic news. To that end, the budget includes a fully-funded General Fund reserve of $45.8 million and a $9.3 million Business Income Tax (BIT) reserve for mitigating possible FY 2021 revenue shortfalls. If the economy worsens, our reserves will provide us with a period of stability so that we can thoughtfully prioritize our services and make further reductions.

Crucially, sound financial and budgetary practices implemented over the last several years have left the County on strong financial footing going into this crisis. 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.

Additionally, the County continues to benefit from past decisions to use revenues above what were expected for longer-term deficit reduction. The Proposed budget includes:

- The first of two years of $6.6 million annual deficit reduction funded from BIT revenues above expectation in FY 2019/FY 2020.
- The second year of spreading $3.2 million of one-time-only funds over five years to cover ongoing operating costs, providing deficit relief of $630,000 in FY 2021.

Additionally, the County has funded four $25 million PERS side accounts, the third and fourth of which were used to generate matching funds of $8.5 million provided by SB 1049 with the possibility of additional matching funds in the future. These matching funds generate additional ongoing PERS rate relief.

While the focus of budget outlook remains uncertain, the essential services provided by the County are continued in this budget, with more than 5,000 County FTE providing services ranging from law enforcement and health care to bridge maintenance and elections in FY 2021.

The following pages of the FY 2021 budget contain much more information on the County's financial picture and operational and investment plans. The County's budget information for FY 2021, as well as past years, can be found at: www.multco.us/budget.

Planning for FY 2021

At the time of this writing, Multnomah County and much of the rest of the world have instituted a shutdown of broad sectors of the economy in order to slow the spread of COVID-19. As a result, Oregon and the U.S. have experienced a rapid, unprecedented increase in unemployment claims. The data is still lagging behind the reality on the ground, but a severe economic contraction in the second quarter of 2020 is all but assured. As of January 2020, the 3.1% unemployment rate in Multnomah County and 3.3% in Oregon were near historical lows, but the current rate (when published in the future) will be significantly higher. In just four weeks starting in Mid-March, over 333,000 Oregonians filed initial unemployment claims.

Economic Climate

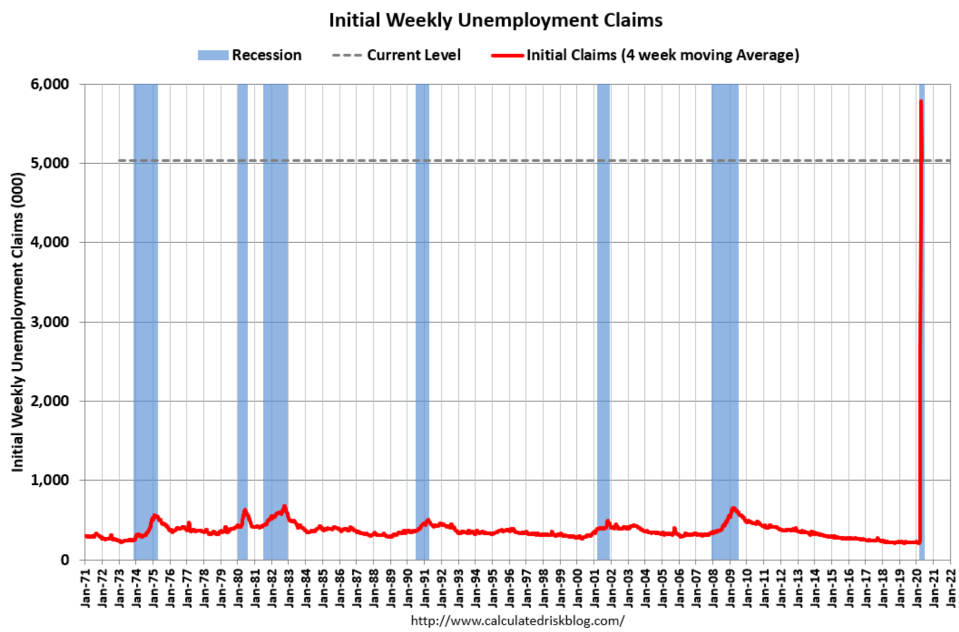
At the national level, Gross Domestic Product (GDP) – the output of goods and services produced in the U.S. – increased at an annual rate of 2.1% in the last two quarters of 2019, and decreased by 4.8% in the first quarter of 2020. Before the pandemic-related economic shutdown, the Federal Reserve Open Market Committee expected the 2020 annual growth rate to be slightly above 2%. Current forecasts produced by larger financial institutions forecast a severe economic contraction in the second quarter of 2020, with a partial recovery in the second half of the year. These forecasts are contingent on the timing of the relaxation of shelter-in-place orders.

Locally, the residential real estate market experienced continued slow growth relative to the last several years, matching activity across large, Western cities. As measured by the S&P Case- Shiller Home Price Index for the Portland metropolitan area, home prices increased 3.7% during 2019. Similarly, multi-family housing rents continued to be flat.

The Federal Reserve undertook two emergency rate decreases in March in response to signs of rapid economic decline. The Federal Reserve continues to make extraordinary interventions into financial markets in order to ensure their proper functioning.

As of February 2019, the U.S. unemployment rate stood at 3.5% vs. 3.8% a year earlier. For Oregon, the February 2019 rate was 3.3% vs. 4.4% a year earlier. In Multnomah County, the similar figures are 3.0% vs. 3.8% a year earlier. With nonfarm employment in Multnomah County at 527,800, employment levels are roughly 5,400 or 1.0% higher than the previous year. On March 9, Former Fed Chair Janet Yellen stated that the current national unemployment rate was probably 12-13%. Given the scale of job losses in Oregon over the last couple of weeks, unemployment rates have already returned to Great Recession levels.

The first national employment report to reflect the COVID-related economic contraction will be released in early May, and the unemployment rate is expected to rival the peaks of the Great Depression. The following table shows the scale of initial weekly unemployment claims at the national level.



In recently released minutes from emergency Federal Reserve Open Market Committee meetings in March, the economic outlook was described as "profoundly uncertain." The ability of the economy to recover from the current shock will depend on the ability to contain the virus, and the success of Federal Government interventions meant to mitigate economic damage to households and businesses.

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 2020 Five-Year Forecast projected an ongoing deficit of $7.8 million for FY 2021. When the as then un-adopted BIT increase was added in, the deficit became a surplus of $21.8 million for FY 2021, decreasing to an $11.0 million surplus in FY 2025. Between the March forecast presentation and the creation of the Chair's Proposed Budget, significant revisions were made to the forecast in response to deteriorating economic conditions. The BIT forecast now assumes a 24% decline (see Local Revenues section on following page) below previous expectations, and the Motor Vehicle Rental forecast assumes a 20% decline. In total, the revenue available in the Chair's budget was reduced by $37.5 million. Given the economic uncertainty, the out years of the forecast remain unchanged for now, but will be updated later in 2020 as more information becomes available. Broadly, by Year 5 of the forecast the expectation is that the County's financial position will return to previously forecasted levels.The path back to that point is uncertain.

Beginning in July 2020, approximately 66% of County employees will have an open labor contract. AFSCME Local 88, Physicians 88-2, and FOPPO are all open. The bargaining process has been disrupted by the stay-at-home order, and it is yet to be determined when new contracts will be ratified.

More information about the forecast can be found at www.multco.us/budget.

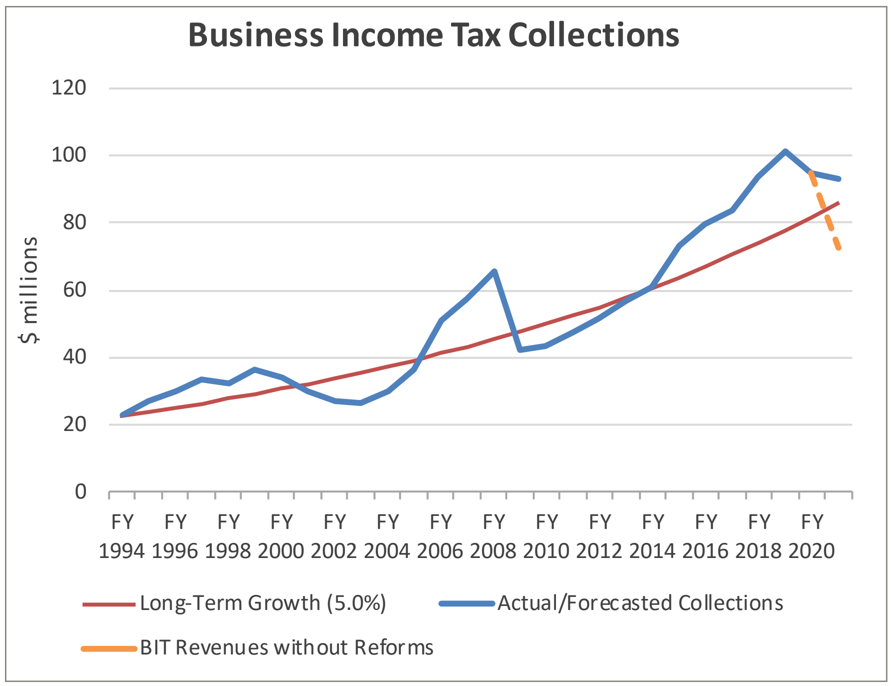
Local Revenues

Property tax is the single largest discretionary source of revenue in the General Fund, accounting for 62% of ongoing revenues. General Fund growth, therefore, is particularly sensitive to taxable value growth and compression. As measured from the FY 2020 Adopted budget, ongoing General Fund resources for FY 2021 are projected to increase by 1.2%.
The FY 2021 budget assumes the following rates of growth (as measured from the FY 2020 Adopted budget) for each revenue source:

- Property Tax – An increase of 3.8%
- Business Income Tax – A decrease of -3.3% (includes rate increase)
- Motor Vehicle Rental Tax – A decrease of -17.6%
- Recording Fees/CAFFA Grant – A decrease of -3.2%
- US Marshal Jail Bed Rental – An increase of 25.9%

In March 2020, the Board voted to make several reforms to the County's Business Income Tax. The Board voted to increase the rate from 1.45% to 2.00%, increase the owners compensation deduction to $127,000, and increase the gross receipts exemption from $50,000 to $100,000. Additionally, the Proposed budget assumes that a portion of the new revenues are shared with the East County Cities. In the March 2020 forecast, the assumed net increase in BIT revenues was $29.6 million bringing the total forecasted BIT to $123.1 million. Following the post-forecast recession adjustments, the new forecasted FY 2021 BIT revenue is $93.3 million.

The following graph shows historical BIT revenues and the current forecast for FY 2020 and FY 2021 in the solid line. There are two recessions shown on the graph, which followed two separate paths of decline. The recession at the beginning of the century played out over a longer period with the County experiencing three years of decline. The Great Recession impact occurred in one year, followed by a decade of increasing revenues. The current forecast expects a large initial impact. Without the BIT reform, following the recession adjustments the forecasted BIT revenues would have dropped by $20.6 million (shown in the dashed portion). The out years of the forecast will be updated when more data becomes available.



The US Marshal Jail Bed Rental increase is driven by a higher rate of $185 per bed per day, compared to a rate of $140 per bed per day assumed in the FY 2020 Adopted budget.

Cost Drivers

The County's General Fund expenditures are forecast to grow at roughly 3.6% to 4.5% annually through FY 2025, a rate of growth that takes into account inflation, employee compensation, and long-term fixed costs. For FY 2021, the cost of providing current service levels is expected to grow at 4.7%. The growth is driven by personnel costs, which are forecast to grow at 5.48%. Specifically, the personnel cost increase is driven by:

- Cost of Living Adjustment (COLA): 3.1% (of base pay)[1]
- Step/Merit Increases/Contract Adjustments: 1.9% (of base pay)
- Medical/Dental: 3.25%
- PERS: 1.0% (of base pay)

Following two years of high inflation, moderating housing prices and a decline in energy prices resulted in a lower COLA for FY 2021. Starting in November 2018, year-over-year changes in the West Size-A CPI-W (the index used to calculate County COLAs) moderated or declined, and the forecast assumes that inflation will return to normal levels (between 2 - 2.5%) in the long run. In the near term, the decline in economic activity as a result of the global pandemic should significantly slow inflation.

The Chair's Proposed budget includes COLA freezes for all non-represented employees and a merit freeze for non-represented employees earning salaries above $100,000 in response to declining revenues. This will reduce the actual increase in personnel costs, generating $3.4 million in savings in the General Fund and $5.6 million in savings across All Funds.

The County's pension costs via the Public Employees Retirement System (PERS) have risen significantly over the past several budget cycles. This is due to a number of factors, which are discussed in more detail later, but are driven by five basic factors, with a sixth factor (SB 1049 PERS Reforms) offsetting the increases:

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. SB 1049 PERS reform package in the 2020 Legislative Session.
6. Significant decline in portfolio earnings due to global pandemic and economic impact.

1 A COLA of 3.1% was assumed in the Departmental General Fund allocations. The actual COLA will be 2.9%.

The impact of these decisions and events increased the County's unfunded liability (UAL) from $89.2 million as of December 2013 to $690 million as of the December 2018 valuation, although the SB 1049 reforms were not included in the most recent estimate.

The County's PERS rates are set biennially, and FY 2021 is the middle of the biennium. The County has historically "smoothed" the internal rates it charges to departments to provide predictability, stability, and mitigate risk. For the last several biennia, PERS rates have risen steadily and there was some amount of certainty about the need to increase rates over time due to the large unfunded liability. During the 2020 Oregon Legislative Session, SB 1049 was passed which was intended to slow the growth of PERS rates. Based on these reforms, the County expected to reach its top rate in FY 2022.

For FY 2021, the rates charged to departments are increased by 1.0% of base pay. This internal rate increase, combined with the establishment of PERS side accounts and matching funds provided by the State as part of SB 1049 reforms, was expected to address just less than half of the anticipated FY 2022 rate increase. At the time of the writing, the value of the PERS investment portfolio was down 7.8% for the year. Poor performance will increase the unfunded liability and create the need for additional rate increases. Rate collaring will limit the magnitude of rate increases in any given biennium, but the path of County PERS rate increases is uncertain at this point.

For FY 2021, internal service rates charged to departments for items such as information technology and facilities services are assumed to increase 5.48%. 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 & Balancing the General Fund

Based on the County's initial forecast in November 2019, there was a $3.2 million General Fund deficit to address. 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 2021 budget. These reductions were estimated to generate $9.1 million of savings if all were submitted and accepted. 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.

During 2019 and in consultations with Department Directors and Business Managers, the Chair also directed the Department of County Assets (DCA), which provides internal services, to prepare 2% reductions to variable internal service allocations (costs associated with debt service, contracts, and other commitments outside of DCA's control were excluded). This resulted in a net savings of approximately $800,000 that was passed on to departments. About half of these savings were in the County General Fund.

The Chair also directed departments to provide a 3.1% COLA adjustment for contracted Human Services providers, in line with the forecasted COLA for County employees.

The Financial Challenge: the Budget, a Recession and the Uncertainity of COVID-19

The March 2020 Forecast update incorporated the beginnings of the COVID-19 economic impacts and increased the expected FY 2021 deficit to $7.8 million. Within weeks, forecasted revenues were reduced by an additional $37.5 million due to the deteriorating economic situation brought on by the pandemic.

The Chair identified an additional $12.4 million needed for programs that were new or restored because they were proposed to be unfunded in the department submissions, bringing the total budget shortfall to $57.7 million.

Closing a $58 million budget gap

To close the gap, the Board implemented the BIT reforms mentioned above, resulting in a net increase in revenue of $29.6 million. The Chair used the flexibility provided by the 2% constraint on current service levels required in departmental submissions ($7.7 million*) and saved another $1.1 million by making additional departmental cuts.

COLA freezes were implemented for all non-represented employees, and non-represented employees making more than $100,000 will not receive a merit adjustment. Taken together, this generated $3.4 million in savings. $15.8 million in OTO resources were used to cover the remaining gap. Under normal circumstances, using OTO resources to fund ongoing programs would be discouraged. However, since the County is forecasting that revenues will start to recover in FY 2022, the County should be able to fund these programs on an ongoing basis. If revenues remain weak in FY 2022, additional cuts will be needed. The table on the next page shows how the General Fund was balanced.

*$7.7 million is the actual savings generated by the 2% constraint that was submitted by departments.

How We Balanced the General Fund	
Deficit	
March Forecast Deficit	(7,827,691)
Post-Forecast Covid Adjustment	(37,513,701)
Total Deficit	(45,341,392)
Additional Programmatic Needs	(12,391,440)
Total Budget Gap to Fill	**(57,732,832)**
Actions Taken to Close the Gap	
Increased Revenue	
BIT Adjustment (net of Owners Comp, Gross Receipts adjustments, and transfer to East County Cities)	29,640,658
Programmatic Reductions	
2% Constraint applied to Dept. Current Service Level	7,745,534
Merit Freeze for Non-Represented making more than $100,000/ Non-Represented COLA Freeze	3,407,161
Additional Programmatic Reductions	1,113,000
OTO Resources Used to Balance	15,826,479
Total	**57,732,832**

The Proposed budget allocates just over $31.5 million of discretionary one-time-only (OTO) General Fund as follows:

- Allocating $18.4 million to major capital projects.
- Allocating $1.0 million of additional contingency for COVID-19 response.
- Allocating the remaining $12.2 million to a variety of costs, such as rent assistance, student health centers, and legal aid.

Per past practice, the Business Income Tax reserve is funded at 10% of BIT revenues ($9.3 million) for FY 2020. This is in addition to the County's 10% General Fund revenue reserve ($45.8 million). The FY 2021 budget conservatively assumes that departments will fully spend their FY 2020 General Fund appropriations.

The Chair's budget message provides additional information on her policy initiatives. That message can be found at www.multco.us/budget. The following sections of the Budget Director's Message provide more detail on the County's spending and one-time-only resources.

Overview of Additions, Reductions and Reallocations

The FY 2021 budget includes a number of General Fund additions, reductions, and reallocations. In light of COVID-19, some additions and reallocations may shift purposes to respond to pressing needs for clients and the community. The following tables summarize these by broad service areas. Investments in infrastructure have been included by the most relevant service area.

The tables include both ongoing and one-time-only (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 allocated General Fund resources were reallocated to higher priorities.

Human Services Additions

Prog. #	Program Offer Name	General Fund Adds	FTE Adds
Countywide			
	SE Health Clinic (Contingency)	$6,000,000	0.00
	Mental Health Resource Center (Contingency)	8,750,000	0.00
	COIVD-19 (Contingency)	1,022,000	0.00
Joint Office of Homeless Services			
10051B	Adult System Redesign - Culturally Specific Services	1,000,000	0.00
10052J	Safety off the Streets - Trans Specific Services	250,000	0.00
County Human Services			
25028B	ADVSD Multi-Disciplinary Team Scale	40,000	0.00
25050B*	YFS - Domestic Violence Immigration Legal Services at the Gateway Center	30,000	0.00
25130B	YFS - Family Unification Program Scale	200,000	0.00
25131*	YFS - Legal Services Day	125,000	0.00
25136*	YFS - Culturally Specific Navigation Services for Immigrant Families	250,000	0.00
25139B*	YFS - Multnomah Stability Initiative - Community Legal Clinics	100,000	0.00
25153A*	YFS - Preschool for All	75,000	0.00
	Total	**$17,842,000**	**0.00**

*Maintains capacity of programs funded with OTO in FY 2020

Human Services Reductions

The largest General Fund reductions in the Human Services area are administrative, with most in the Department of County Human Services. For County Human Services programs 25027 and 25032, the FTE reductions reflect the entirety of the positions being reduced, which were also supported by Other Funds not listed in this table.

Prog. #	Program Offer Name	General Fund Reductions	FTE Reductions
Joint Office of Homeless Services			
	Non-Represented Wage Freeze	($45,429)	0.00
County Human Services			
25023	ADVSD Long Term Services & Supports (Medicaid)	(96,129)	0.00
25027	ADVSD Administration	(60,620)	(1.00)
25032	ADVSD Outreach, Information and Referral	(18,803)	(0.50)
25036	ADVSD Safety Net Program	(31,192)	0.00
25038	ADVSD Advocacy & Community Program Operations	(24,535)	0.00
25118	YFS - Youth & Family Services Administration	(101,082)	(1.00)
25133	YFS - Housing Stabilization for Vulnerable Populations (HSVP)	(237,500)	0.00
Multiple	Department Administration	(27,081)	0.00
Multiple	Youth & Family Services Division (YFS) Materials & Supplies and Travel/Training	(7,669)	0.00
Multiple	Aging, Disability & Veterans Services Division (ADVSD)	(46,126)	0.00
Multiple	Intellectual and Developmental Disabilities Services Division (IDDSD)	(87,464)	0.00
	Non-Represented Wage Freeze	(170,645)	0.00
	Total	**($954,275)**	**(2.50)**

Human Services Reallocations

County General Funds of $128,300 previously allocated for camp clean-ups is reallocated to address the needs related to displacements in East County and supporting related services. This reallocation aligns those investments with the A Home for Everyone (AHFE) priorities and services delivery values. County Human Services is reallocating General Fund match from Intellectual and Developmental Disability Services to multiple program offers to obtain Medicaid billable hours.

Prog. #	Program Offer Name	General Fund Reallocated	FTE Reallocated
Joint Office of Homeless Services			
Made this reduction			
10053A	Housing Placement & Retention - Adults & Women Households (camp clean-ups)	($128,300)	0.00
To fund this program			
10053A	Housing Placement & Retention - Adults & Women Households (East County outreach)	128,300	0.00
	Total	**$0.00**	**0.00**

Prog. #	Program Offer Name	General Fund Reallocated	FTE Reallocated
County Human Services			
Made these reductions			
Multiple	Youth & Family Services Division (YFS)	(165,692)	0.00
Multiple	Intellectual and Developmental Disabilities Services Division (IDDSD) General Fund Match	(506,215)	0.00
To fund these programs			
25118	YFS - Youth & Family Services Administration	165,692	0.00
Multiple	Intellectual and Developmental Disabilities Services Division (IDDSD)	506,215	0.00
	Total	**$0.00**	**0.00**

Health Department Additions, Reductions, & Reallocations

Additions

The Health Department is one of the County's largest and most complex departments. The FY 2021 budget reflects a substantial amount of Health Department reallocations within the General Fund and funding shifts from the General Fund to Other Funds. It also reflects the impact of the transfer of the administration of the Mental Health insurance benefit for individuals on Medicaid to CareOregon.

The most significant additions in the Health Department are ongoing funding for the Law Enforcement Assisted Diversion (LEAD) program (previously funded as one-time-only), and funding to support the ramp up of operations at the Reynolds High School Student Health Center.

Prog. #	Program Offer Name	General Fund Adds	FTE Adds
Health Department			
40024B	Reynolds Student Health Center Ramp Up	$156,991	0.57
40085B	Law Enforcement Assisted Diversion (LEAD)	480,000	0.00
40096B	Suicide Prevention	100,000	0.50
40100	Trauma Intervention Services	50,000	0.00
	Total	**$786,991**	**1.07**

The most significant Health Department reductions reflect cost savings in certain Behavioral Health Adult Addictions programs, shifts in personnel, including retirements, and reduced caseloads in the Maternal Family Child and Health Management Program (MCHM). MCHM programs include the Healthy Birth Initiative and the Nurse Family Partnership. The MCMH reductions do not represent service reductions.

Prog. #	Program Offer Name	General Fund Reductions	FTE Reductions
Health Department			
40004	Ambulance Services (Emergency Medical Services)	($55,789)	0.00
40037	Environmental Health Community Programs	(98,427)	(1.00)
40054	Nurse Family Partnership	(172,493)	(1.00)
40058	Healthy Birth Initiative	(121,444)	(1.00)
40085	Adult Addictions Treatment Continuum	(397,783)	0.00
40097	Maternal Child Family Health Management	(155,405)	(1.00)
40098	Epidemiology, Analytics and Evaluation	(21,699)	0.00
	Non-Represented Wage Freeze	(990,584)	0.00
	Total	**($2,013,624)**	**(4.00)**

Health Department Fund Shifts

The following tables show instances where the Health Department was able to shift funding from the General Fund to Beginning Working Capital and other funding sources such as grants, avoiding reductions in department infrastructure. The BWC is being used as "bridge funding," to give the department time to assess the long term need, and seek out other funding sources, while avoiding reductions in service. The FTE shifted reflect entire positions shifted some of which are supported by Other Funds.

General Fund to Beginning Working Capital

Prog. #	Program Offer Name	General Fund Shifted	FTE Shifted
Health Department			
40019	North Portland Health Clinic	($35,686)	0.00
40020	Northeast Health Clinic	(13,953)	0.00
40022	Mid County Health Clinic	(30,000)	0.00
40023	East County Health Clinic	(17,671)	0.00
40026	La Clinica de Buena Salud	(32,525)	0.00
40027	Southeast Health Clinic	(13,872)	0.00
40032	Lab and Medical Records	(87,068)	(1.00)
40034	ICS Admin, Operations, and Quality Assurance	(436,428)	(4.00)
40065	Behavioral Health Division Administration	(43,863)	(1.00)
40067	Medical Records for Behavioral Health Division	(45,032)	(1.00)
40068	Behavioral Health Quality Management	(53,519)	(0.40)
40069A	Behavioral Health Crisis Services	(198,000)	0.00
40074	Mental Health Residential Services	(652)	0.00
40080	Community Based MH Services for Children & Families	(387,341)	(2.90)
40083	Mental Health First Aid	(38,251)	0.00
40089	Addictions Detox & Post Detox Housing	(148,687)	0.00
	Total	**($1,582,548)**	**(10.30)**

General Fund to Other Funds

Prog. #	Program Offer Name	General Fund Shifted	FTE Shifted
Health Department			
40001	Public Health Admin & Quality Management	($602,297)	(4.76)
40004	Ambulance Services (Emergency Medical Services)	(94,544)	0.00
40018	Women, Infants, and Children (WIC)	(516,000)	0.00
40053	Racial and Ethnic Approaches to Community Health	(95,710)	0.00
	Total	**($1,308,551)**	**(4.76)**

Additions from Reallocations & Funding Shifts

The fund shifts and reductions listed previously were used, in part, to fund increased General Fund expenses throughout the Department. The following is a high level list of those expenses and emerging needs.

Prog. #	Program Offer Name	General Fund Adds	FTE Adds
Health Department			
Various	Replacement of Federal Funds Used to Support Finance	$250,000	0.00
Various	Positions Added During FY 2020	1,882,276	12.00
Various	COLA on positions added in FY2020	82,959	0.00
Various	Other Increased Personnel Costs	582,483	0.00
Various	Miscellaneous adjustments to Internal Service charges (shifting more General Fund to areas with unplanned higher cost in Internal Services)	643,761	0.00
Various	Miscellaneous Increases in Expense (Backfilled Grant Revenue, etc.)	847,266	0.00
	Total	**$4,288,745**	**12.00**

Public Safety Additions

The largest addition in Public Safety involves backfilling a reduction in State SB1145 funding. The backfill allows the County to keep the 73 beds in Inverness Jail Dorm 15 open and maintains the 1,192 jail beds that were in the FY 2020 Adopted budget.

Prog. #	Program Offer Name	General Fund Adds	FTE Adds
County Assets			
78233	Justice Center Critical Electrical System Upgrade	$900,000	0.00
District Attorney's Office			
15017	SB1008 Evaluations	40,000	0.00
15102B	Domestic Violence DDA - VAWA	71,319	0.40
Community Justice			
50014B	Adult Treatment First PPO	129,546	1.00
50027B	Diane Wade House	546,920	0.00
50050B	Juvenile Detention Behavior Management Training	90,000	0.00
Sheriff's Office			
60302	Jail Radios	577,625	0.00
60315*	MCDC Detention Electronics	441,640	0.00
60330I	MCIJ Dorm 15 Restored	1,084,251	7.28
60415F	E. County FSO's Restored	184,608	2.00
	Total	**$4,065,909**	**10.68**

*Currently funded with OTO in FY 2020

Public Safety Reductions

The largest reductions in public safety are due to the Department of Community Justice adjusting contracted services to match the actual use of services and anticipated reimbursable services being paid for by insurance instead of the County. The other reductions in public safety are mostly administrative.

Prog. #	Program Offer Name	General Fund Reductions	FTE Reductions
District Attorney's Office			
15401B	Victims Assistance Program - Restitution Clerk (1.00 FTE)	($101,082)	(1.00)
	Non-Represented Wage Freeze	(156,518)	0.00

Public Safety Reductions (Continued)

Prog. #	Program Offer Name	General Fund Reductions	FTE Reductions
Community Justice			
50000	DCJ Director's Office	(5,036)	0.00
50001	DCJ Business Services	(21,657)	(0.20)
50002	DCJ Business Applications & Technology	(33,985)	0.00
50004	DCJ Research & Planning Unit	(138,172)	(1.00)
50011 50012	Recovery System of Care/Adult Residential Treatment Services	(791,713)	0.00
50051	Juvenile Services Support	(104,087)	(1.00)
50054A	Juvenile Detention Services - 48 Beds	(60,000)	0.00
50064	Juvenile Assessment & Treatment for Youth & Families (ATYF)	(309,171)	(3.00)
	Non-Represented Wage Freeze	(345,662)	0.00
Sheriff's Office			
	Non-Represented Wage Freeze	(487,440)	0.00
	Total	**($2,554,523)**	**(6.20)**

Public Safety Reallocations

The Department of Community Justice (DCJ) made additional reductions to fund other priorities. The budget adjusts contracted services to match the actual use of services and reimbursable services being paid for by insurance rather than the County. Also a new limited duration program manager will provide technical assistance and billing compliance with community providers and ensure providers are maximizing billing. The Sheriff's Office eliminated a 1.00 FTE Corrections Lieutenant to fund the Gun Dispossession/VRO Detail.

Prog. #	Program Offer Name	General Fund Reallocated	FTE Reallocated
Community Justice			
Made these reductions			
50002	DCJ Business Applications & Technology	($148,431)	(1.00)
50011	Recovery System of Care	(298,728)	0.00
50012	Adult Residential Treatment Services	(371,746)	0.00
50051 50063 50064	Juvenile Services Support/Behavioral Rehabilitation (BRS) Assessment & Evaluation/ Assessment, Treatment Youth & Families (ATYF)	(654,956)	(4.00)
Various	Miscellaneous Reductions	(40,426)	0.00
To fund these programs			
50000	DCJ Director's Office	181,679	0.00
50001	DCJ Business Services	92,824	1.20
50004	DCJ Research & Planning Unit	89,423	1.00
50017	Adult Support Services	50,000	0.00
50021A/B	Assessment and Referral Center	216,501	1.00
500024	Adult Mental Health - Supervision & Treatment	358,616	0.00
50027A	Adult Women & Family Services Unit	85,323	1.00
50030	Adult START Court Program	9,667	0.05
50057 50058	Juvenile Intake, Assessment, Informal & Adjudication (IAIA)/Juvenile Field Probation	332,094	3.00
50058	Juvenile Field Probation	98,160	1.00
	Total	**$0.00**	**3.25**

Prog. #	Program Offer Name	General Fund Reallocated	FTE Reallocated
Sheriff's Office			
Made this reduction			
60310A	MCDC Core Jail & 4th Floor	($196,760)	(1.00)
To fund this program			
60555	Gun Dispossession/VRO Detail Restoration	196,760	1.00
	Total	**$0.00**	**0.00**

General Government Additions

The General Government additions are mainly in the Department of County Management (DCM) and continue to respond to two primary priorities and needs: meeting the commitments of the Workforce Equity Strategic Plan (WESP) and supporting County infrastructure, especially through the conversion of existing Workday support from OTO to ongoing.

Prog. #	Program Offer Name	General & Video Lottery Fund Adds	FTE Adds
Nondepartmental			
10012B	Emergency Management - Training Position	$125,000	1.00
County Management			
72000	DCM Director's Office (separates DCM Director & County Chief Operating)	362,400	1.00
72005C*	FRM Labor Compliance	163,779	1.00
72005D	FRM Clean Air Construction Standards	53,000	0.00
72017B*	Leadership Development and Accountability	191,381	1.00
72017C*	WESP - Conflict Mediation & Resolution	175,910	1.00
72022B*	Workday Support - Central Human Resources - Convert to Ongoing	1,060,602	5.00
72046B*	FRM Workday Support - Finance - Convert to Ongoing	272,797	1.00
Community Services			
90010B	Presidential Election	450,000	0.00
90014*	Levee Ready Columbia (IGA Obligation)	50,000	0.00
	Total	**$2,904,869**	**11.00**

*Maintains capacity of programs funded with OTO in FY 2020

General Government Reductions

The reductions in the General Government area are spread broadly. They include a $1.0 million reduction to the Youth Opportunity and Workforce Development Program because of uncertainty caused by COVID-19.

Prog. #	Program Offer Name	General Fund Reductions	FTE Reductions
Nondepartmental			
10000	Chair's Office	($37,213)	0.00
10007	Communications	(36,060)	0.00
10009A	Local Public Safety Coordinating Council	(15,693)	0.00
10011	Office of the Board Clerk	(19,403)	0.00
10012A	Office of Emergency Management	(39,981)	0.00
10016	Government Relations Office	(23,138)	0.00
10018A	Office of Sustainability	(15,957)	0.00
10029	Youth Opportunity and Workforce Development	(1,034,095)	0.00
10040	Complaints Investigation Unit	(141,272)	(1.00)
	Non-Represented Wage Freeze	(392,462)	0.00
County Management			
Various	All Division Programs	(25,885)	0.00
Various	Central Human Resources Division	(150,500)	0.00
Various	Finance & Risk Management Division	(217,073)	0.00
	Non-Represented Wage Freeze	(527,651)	0.00
County Assets			
78101	Administration Hub Procurement & Contracting	(17,000)	0.00
78103	Administration Hub Human Resources	(9,034)	0.00
78104	Countywide Strategic Sourcing	(15,000)	0.00
	Non-Represented Wage Freeze	(150,730)	0.00
Community Services			
90000 90002 90021	Director's Office Business Services Land Use Planning	(76,456)	0.00
	Non-Represented Wage Freeze	(140,040)	0.00
	Total	**($3,084,643)**	**(1.00)**

General Government Reallocations

The Department of County Management made a number of internal reallocations to fund higher priority needs. For program 72003, the FTE reduction reflects the entire position including a small portion supported by Other Funds.

Prog. #	Program Offer Name	General Fund Reallocated	FTE Reallocated
Deparment of County Management			
	Made these reductions		
72003	FRM Chief Financial Officer	($113,830)	(1.00)
72008A	FRM - Treasury and Tax Administration	(35,777)	0.00
	To fund this program		
72007	FRM - Payroll/Retirement Services	117,813	1.00
	Made this reduction		
72012	FRM Fiscal Compliance	(143,569)	(1.00)
	To fund these programs		
72012	FRM Fiscal Compliance	137,821	1.00
72046A	FRM Workday Support - Finance	37,542	0.00
	Made these reductions		
72034	DART Residential Property Appraisal	(89,464)	(1.00)
Various	DART Division programs	(39,676)	0.00
	To fund these programs		
72023	Assessment, Recording & Taxation Administration	129,140	1.00
72017A	Central HR Services	0	0.20
	Total	**$0.00**	**0.20**

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 2021 is $1.98 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 2021 net budget of $1.6 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 2020 Adopted budget to the FY 2021 Proposed budget at the fund level. Year-over-year, the budget (including internal charges, transfers, and loans) has decreased by 1.8%. While most operating funds have increased, spending out funds allocated for major projects, such as the new Courthouse, reduces the overall budget.

FY 2021 Budget	
Direct Department Expenditures	$1,542,933,373
Contingency (All Funds)	$52,381,665
Total Net Budget	**$1,595,315,038**
Service Reimbursements	$214,307,632
Internal Cash Transfers	$8,809,465
Reserves	$165,014,742
Total Budget	**$1,983,446,877**

Fund Comparison: Year over Year

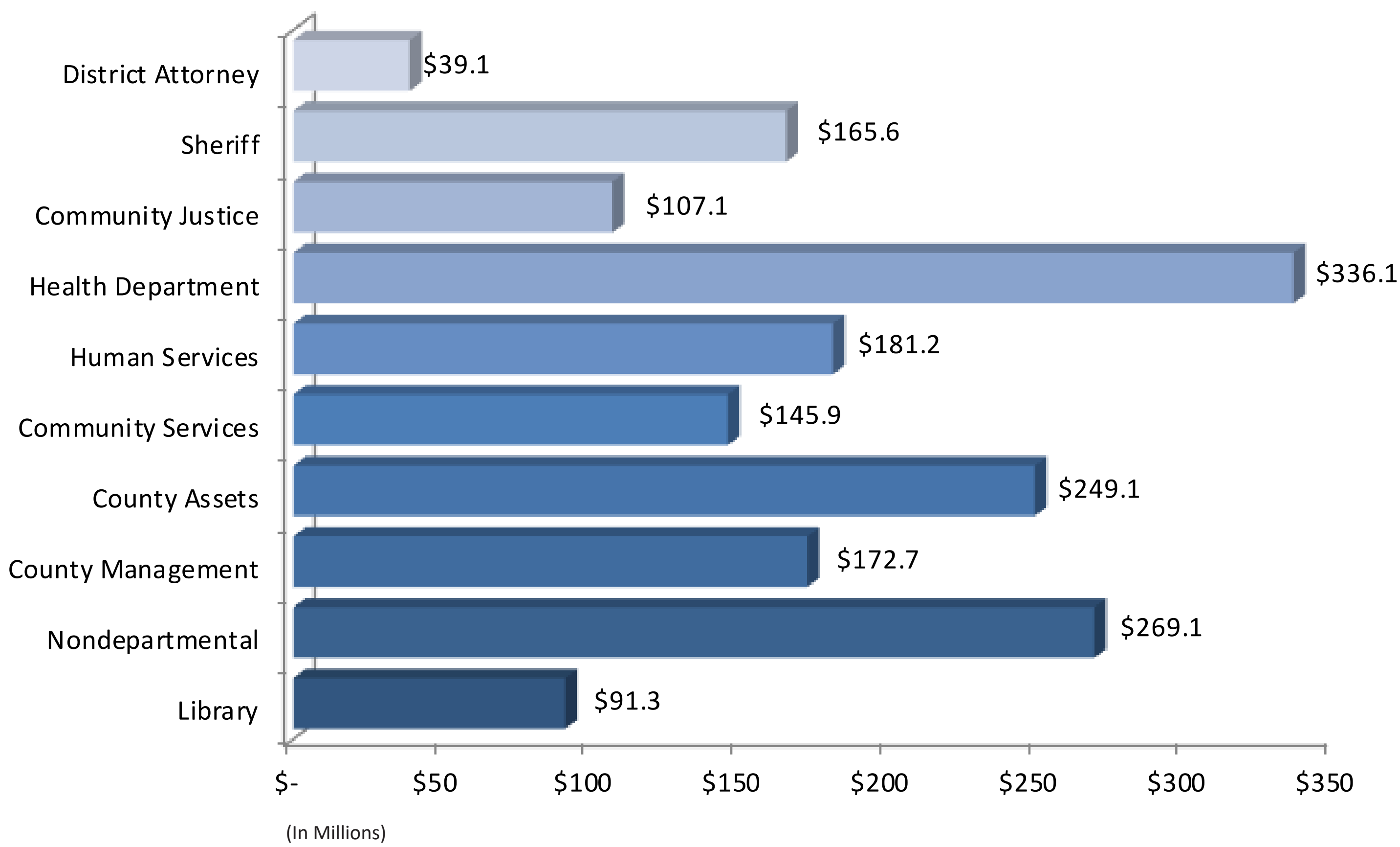
Fund	Fund Name	FY 2020 Adopted	FY 2021 Proposed	Change	% Change
1000	General Fund	$688,660,729	$692,371,274	$3,710,545	0.5%
1501	Road Fund	69,272,503	71,582,078	2,309,575	3.3%
1503	Bicycle Path Construction Fund	475,735	587,886	112,151	23.6%
1504	Recreation Fund	51,400	51,265	(135)	-0.3%
1505	Federal/State Program Fund	356,683,180	398,587,284	41,904,104	11.7%
1506	County School Fund	80,300	80,300	0	0.0%
1508	Animal Control Fund	3,055,051	3,793,950	738,899	24.2%
1509	Willamette River Bridge Fund	12,147,590	21,326,707	9,179,117	75.6%
1510	Library Fund	89,853,519	91,285,506	1,431,987	1.6%
1511	Special Excise Taxes Fund	44,094,044	51,234,050	7,140,006	16.2%
1512	Land Corner Preservation Fund	3,456,206	4,584,279	1,128,073	32.6%
1513	Inmate Welfare Fund	1,290,660	1,341,617	50,957	3.9%
1515	CARES Act Local Government Fund	0	20,000,000	20,000,000	NA
1516	Justice Services Special Ops Fund	7,528,126	7,448,667	(79,459)	-1.1%
1518	Oregon Historical Society Levy Fund	3,460,788	3,410,591	(50,197)	-1.5%
1519	Video Lottery Fund	6,205,234	6,988,338	783,104	12.6%
1521	Supportive Housing Fund	750,000	4,300,000	3,550,000	473.3%
2002	Capital Debt Retirement Fund	37,180,692	37,467,339	286,647	0.8%
2004	PERS Bond Sinking Fund	63,525,637	53,392,433	(10,133,204)	-16.0%
2500	Downtown Courthouse Capital Fund	111,742,337	9,000,000	(102,742,337)	-91.9%
2503	Asset Replacement Revolving Fund	127,671	130,686	3,015	2.4%
2504	Financed Projects Fund	1,386,360	935,000	(451,360)	-32.6%
2506	Library Capital Construction Fund	5,332,881	6,266,852	933,971	17.5%
2507	Capital Improvement Fund	30,030,262	29,911,107	(119,155)	-0.4%
2508	Information Technology Capital Fund	5,841,785	5,539,471	(302,314)	-5.2%
2509	Asset Preservation Fund	17,643,700	21,617,549	3,973,849	22.5%
2510	Health Headquarters Capital Fund	7,500,000	5,500,000	(2,000,000)	-26.7%
2511	Sellwood Bridge Replacement Fund	21,002,562	10,226,131	(10,776,431)	-51.3%
2512	Hansen Building Replacement Fund	4,255,896	3,358,765	(897,131)	-21.1%
2513	ERP Project Fund	6,500,000	2,607,791	(3,892,209)	-59.9%
2515	Burnside Bridge Fund	16,747,679	30,033,483	13,285,804	79.3%
2516	Behavioral Health Resource Center Capital Fund	0	1,700,000	1,700,000	NA
3002	Behavioral Health Managed Care Fund	41,649,542	3,895,444	(37,754,098)	-90.6%
3500	Risk Management Fund	204,771,071	219,963,111	15,192,040	7.4%
3501	Fleet Management Fund	6,615,737	6,628,232	12,495	0.2%
3502	Fleet Asset Replacement Fund	9,018,925	9,497,887	478,962	5.3%
3503	Information Technology Fund	68,955,930	72,795,075	3,839,145	5.6%
3504	Mail Distribution Fund	4,333,285	4,367,448	34,163	0.8%
3505	Facilities Management Fund	68,289,792	69,639,281	1,349,489	2.0%
	Total	**$2,019,516,809**	**$1,983,446,877**	**($36,069,932)**	**-1.8%**

Department Expenditures All Funds ($1.76 billion)

Department expenditures for all funds, excluding cash transfers, contingencies, and unappropriated balances, total $1.76 billion in FY 2021 vs. $1.82 billion in FY 2020.

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.

Large-scale capital projects are budgeted in the Department of County Assets, greatly distorting the size of its budget.



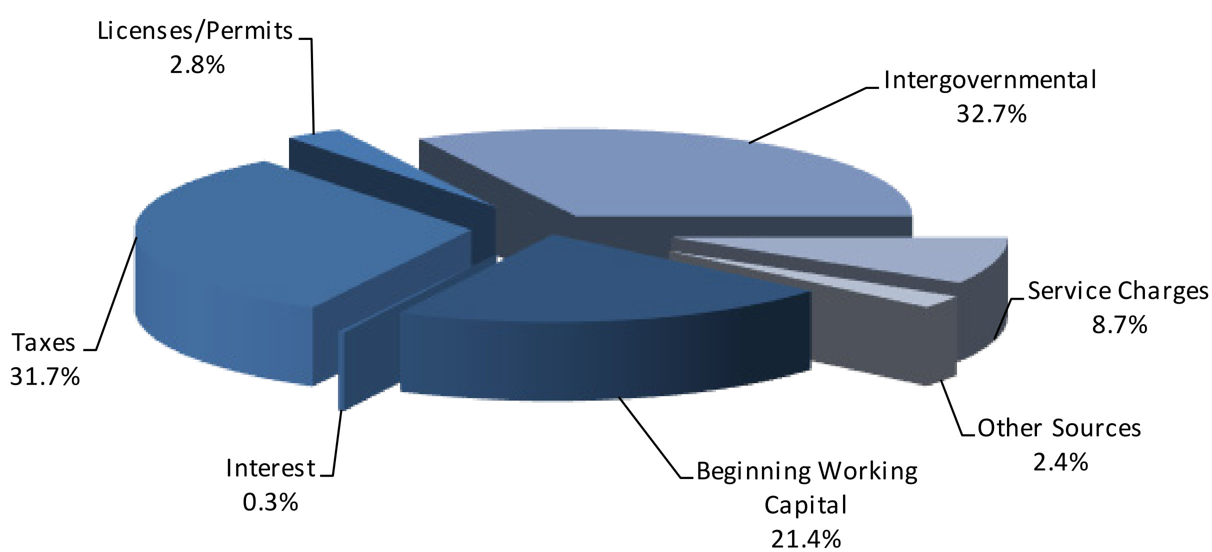
Department Revenues All Funds ($1.60 billion)

Total direct resources, or "revenues," for FY 2021 are $1.60 billion vs. $1.64 billion in FY 2020 (excluding service reimbursements and cash transfers between funds). Intergovernmental revenues are the County's single largest revenue category at $522.0 million or 32.7%. This reflects a $14.8 million or 2.8% decrease from FY 2020. Intergovernmental revenues includes any revenue transferred from another government entity to the County to support County-provided services. These revenues fund a variety of services from Bridge Operations and HIV Harm Reduction, to Nutrition Assistance and Weatherization.

Taxes constitute the next largest revenue source at 31.7% and include property tax, business income tax, motor vehicle rental tax, transient lodging tax, and county gas tax. For FY 2021, tax collections are anticipated to increase 2.0% from $495.7 million in FY 2020 to $505.6 million.

Beginning working capital (BWC) is the County's third largest resource for FY 2021, at $341.0 million or 21.4%. In dollar terms, BWC decreased by $45.8 million from $386.8 million in FY 2020 to $341.0 million in FY 2021. Several significant changes include:

- A $11.1 million decrease in the PERS Bond Sinking Fund.
- A $4.2 million decrease in the General Fund.
- A $59.0 million decrease in the Downtown Courthouse Capital Fund.
- A $2.0 million decrease in the Health Headquarters Capital Fund.
- A $12.5 million increase in the Risk Management Fund.

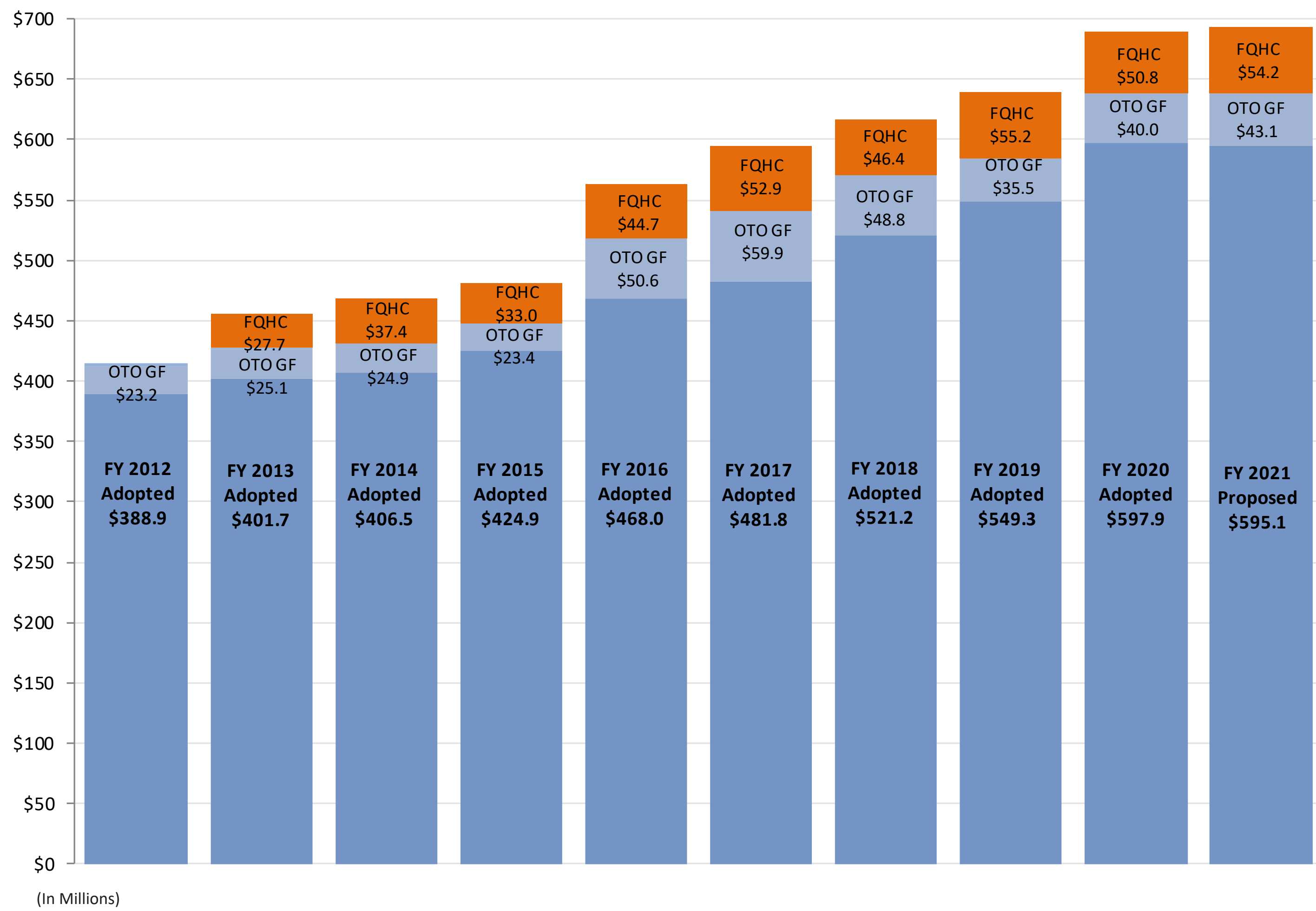


The General Fund

General Fund Expenditures and Reserves ($692.4 million)

The $692.4 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, and Tax Title Affordable Housing funds.

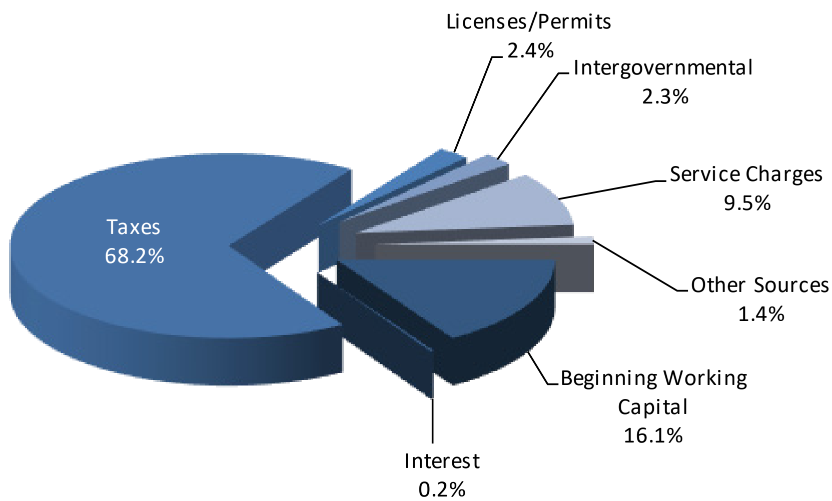
The following graph shows total General Fund "spending," including cash transfers, service reimbursements, contingencies, and unappropriated balances (reserves), from FY 2012 through FY 2021. The graph also shows how much one-time-only (OTO) and ongoing funding was spent in the General Fund from FY 2012 to FY 2021. Combining each segment provides the total General Fund.



General Fund Revenues

General Fund resources for FY 2021 (excluding service reimbursements and cash transfers) have increased from FY 2020. Direct resources are budgeted at $651.1 million – a $1.1 million or 0.2% increase over FY 2020. Ongoing taxes are budgeted to increase by $3.0 million or 0.7%, while one-time-only BWC is projected to be $4.2 million or 3.9% lower.

As the graph below shows, taxes make up the majority of General Fund revenues. If one excludes BWC, service reimbursements, and the $54.2 million of budgeted FQHC and prospective health payments, taxes account for nearly all of the Board's discretionary ongoing funds. Property taxes, accounting for $324.5 million, are budgeted to increase by $11.7 million or 3.7%. Business income taxes, accounting for $93.3 million, are budgeted to be down $3.2 million or 3.3%. This is after an increase in the BIT rate as part of the BIT reforms and significantly lower than originally forecasted in March 2020. Motor vehicle rental taxes, accounting for $26.1 million, are budgeted to decrease by $5.6 million or 17.7%.



Use of One-Time-Only (OTO) Funds

The FY 2021 budget contains approximately $43.1 million of one-time-only General Fund resources after fully funding the General Fund reserve and the BIT reserve. These funds include:

- $11.6 million of additional BWC in FY 2020 from departmental underspending and higher revenues in FY 2019, while FY 2020 revenue reductions have been netted out.
- $14.8 million of remaining resources earmarked projects.
- $2.2 million of Emergency Shelter Capital Development carryover.

Of these OTO resources, $15.8 million are dedicated to closing the County's FY 2021 budget gap. The underlying assumption is that revenues will recover enough by FY 2022 to allow for this to be considered temporary bridge funding of ongoing programs. The table on the following page shows how the County plans to use one-time-only resources on one-time-only programs. The portion of the $15.8 million used to close the FY 2021 ongoing budget gap is not included in the table.

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

Prog #	Program Name	Dept.	FY 2021 TOTAL General Fund	Other Funds	OTO General Funds
10018B	Multnomah County's Fossil Fuel Infrastructure Study - Phase I	NonD	40,000	50,000	40,000
10027	Neighborhood Prosperity Initiative	NonD	600,000	0	600,000
10053L	Housing Placement & Retention - Family System OTO Rent Assistance Restoration	JOHS	435,000	0	435,000
10058	Emergency Shelter Strategic Investment	JOHS	2,200,000	2,200,000	2,200,000
15017	SB1008 Evaluations	MCDA	40,000	0	40,000
25050B	YFS - Domestic Violence Immigration Legal Services at the Gateway Center	DCHS	30,000	0	30,000
25153A	YFS - Preschool for All	DCHS	75,000	0	75,000
40024B	Reynolds Student Health Center Ramp Up	Health	156,991	0	156,991
50050B	Juvenile Detention Services Behavior Management Training	DCJ	90,000	0	90,000
60302	Jail Radios	MCSO	577,625	0	500,000
60315	MCDC Detention Electronics	MCSO	441,640	0	441,640
72025B	DART County Clerk Carryover	DCM	48,410	0	48,410
90010B	Presidential Election	DCS	450,000	0	450,000
90014	Levee Ready Columbia (IGA Obligation)1/	DCS	50,000	0	50,000
95000	Cash Transfers	Countywide			
	~Partial Transfer of Edgefield Proceeds for Animal Shelter FAC-1 (90007)		300,000	0	300,000
	~Justice Center Critical Electrical System Upgrade (78233)		900,000	0	900,000
	~Repayment to Road Fund for Work Performed (91013)		48,091	0	48,091
95000	General Fund Contingency	Countywide		0	
	~SE Health Clinic		6,000,000	0	6,000,000
	~Behaviorial Health Resource Center		8,750,000	0	8,750,000
	~COVID-19 Contingency		1,022,000	0	1,022,000
95000	BIT Reserve at 10%	Countywide	9,333,975	0	9,333,975
	Total One-Time-Only		**$31,588,732**	**$2,250,000**	**$31,511,107**

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

General Fund Reserves

The County maintains General Fund reserves as outlined in the County's Financial and Budget Policies. In FY 2020, 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 2021 budget fully funds the General Fund reserves at $45.8 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 2021 budget continues to maintain a 10% BIT Stabilization Reserve of $9.3 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

The FY 2021 Proposed budget is based on the best information available at the time of development. This year more than ever, there is a level of uncertainty that will need to be addressed as we move through the budget process. Future decisions range in complexity from determining what will be needed to address COVID-19 to impacts from reduced State revenues.

Organization-wide Issues

COVID-19

The County is on the frontlines of the COVID crisis and is facing three simultaneous challenges: unprecedented short term economic shocks resulting in declining revenues, increased need for public assistance, and the legal obligation to balance our budget. The economic recession wrapped up in a larger public health pandemic faced by our nation in the months ahead will strain the County's budget by increasing the need for safety net programs and at the same time, decreasing our revenues to provide those services.

The County's approach will stress the need for adequate health system capacity, a major increase in contact tracing, and resources (including rent and food assistance) for individuals required to quarantine. Initial data suggests that the impact of COVID-19 is falling disproportionately on communities of color. The County's response will be culturally-specific and target resources to communities hardest hit by both the virus and the economic contraction.

There is a high degree of uncertainty about what it will take to respond to the pandemic and for how long. That uncertainty also extends to the depth and length of the economic recession. The County will need to remain diligent and focused on serving the most vulnerable in our community and maintain essential services.

Coronavirus Aid, Relief, and Economic Security Act (CARES)

Over the last several weeks, Congress and the administration have been working to address national challenges related to COVID-19. Congress passed two bipartisan emergency packages directing billions of dollars to Coronavirus response and relief efforts. In April, the County received $28 million in direct CARES funding. While this effort is much needed, the funds come with significant limitations including:

- The funds will expire on December 31, 2020.
- The funds cannot be used to cover budget shortfalls or pay for items which were already budgeted as of March 27, 2020 even if the revenue to support those expenditures decreased due to the sudden economic downturn.
- The existing federal funding structures to distribute the funds are misaligned with the government entity who is responsible for addressing the frontline response.

Our costs and responsibilities will continue to grow throughout the crisis and our partnerships with the City, State and Federal governments will be crucial.

State of Oregon Funding

On April 24, 2020, Governor Brown ordered State agencies to plan for nearly $2.0 billion in budget cuts for the current biennium. This translates into a 17% cut in an agency's allocated State General Fund because the two year budget cycle is half over. Each State agency will submit proposals for their reductions by May 8, 2020. The State of Oregon is heavily dependent on personal income taxes, making it especially sensitive to economic conditions, and in particular, to employment levels. With unemployment likely increasing to levels not seen since the great recession, it is anticipated the State revenue picture will deteriorate rapidly. State revenues support County programs in nearly every department, and range from parole and probation to support for mental health programs. Those programs that are especially reliant on State funding are exceptionally vulnerable to anticipated reductions. As the County provides many State-funded services, it is reasonable to expect that the State's shortfall will translate into additional cuts to County programs. Depending on the timing for the State process, the County may not know the extent of the impact until post adoption. This would require the County to undertake a mid-year budget process to rebalance the budget and address further reductions.

Public Safety Funding

The State Community Corrections SB 1145 funding for the FY 2019-2021 biennium was much lower than was anticipated in the FY 2020 Adopted budget. As a result, the County had to reduce its FY 2020 budget by $3.5 million and 26.53 FTE in mid-FY 2020. The budget was eliminated for the Change Center program and several other positions (19.25 FTE) in the Department of Community Justice and Inverness Jail Dorm 15 (7.28 FTE) in the Sheriff's Office. In FY 2020, the Board of County Commissioners approved one-time General Fund contingency funding to keep Dorm 15 and its 73 jail beds open through the rest of the year. The FY 2021 Proposed budget includes $1.1 million in General Fund backfill for Inverness Jail Dorm 15 on an ongoing basis. The backfill allows the County to maintain its current jail bed capacity at 1,192 beds for FY 2021.

Homelessness and Housing Affordability

Like other communities across the country, Multnomah County has experienced significant increases in homelessness and decreases in housing affordability over the last decade. The January 2019 point-in-time count found 4,015 people experiencing homelessness in our community (unsheltered, in shelter, or in transitional housing). This was a slight decrease overall from the count done in 2017, including decreases in the number of families with children and women experiencing homelessness. Despite the overall decrease, increases were seen in the number of people living unsheltered, the number of people experiencing chronic homelessness, and in the percentage of individuals from communities of color.

The Joint Office of Homeless Services, a partnership between the City of Portland and Multnomah County, has served a record number of families and individuals. Last year alone, over 37,000 individuals received services ranging from emergency shelter to permanent supportive housing.

Despite significant investments by both the City and the County, substantial community needs remain, including in the areas of affordable housing and supportive services. Given the recent economic impacts associated with the COVID-19 public health crisis, we can expect added pressure on the individuals and families most at risk of homelessness, including disproportionate impacts on communities of color. In addition, COVID-19 will likely require a continuation of physical distancing in shelter environments and provision of medical isolation sites for some or all of FY 2021.

In light of all these factors, we expect that the Joint Office will need additional support beyond what is currently budgeted for FY 2021. In May 2020, regional voters will decide on Measure 26-210. If passed, that measure could significantly increase homeless services in the region and in Multnomah County. However, any funds from that measure would likely not be available until FY 2022.

Workforce Strategic Equity Strategic Plan

During FY 2018, the County adopted a Workforce Equity Strategic Plan; a set of goals, standards, and performance measures meant to eliminate employment barriers and create safety, trust, and belonging for all county employees, with a focus on people of color and other marginalized groups. During FY 2019, this plan was updated to include a suite of recommendations from the Jemmott Rollins Consulting group that are intended to strengthen the strategies and performance measures in the original plan.

Workforce equity requires that the County identify and address structural and policy barriers to equal employment opportunities faced by our employees and communities because of their race, ethnicity, national origin, disability, gender and gender identity, sexual orientation and other protected classes. County employees across the organization have stepped forward to develop a strategic plan and help create a workplace where everyone can reach their full potential, and the FY 2021 budget continues the priority this organization has placed upon creating an environment of Safety, Trust, and Belonging for all employees. More information about this work is available at https://multco.us/safety-trust-and-belonging-workforce-equity-initiative.

Transportation Funding

The Department of Community Services (DCS) Director's Office is engaging in a strategic planning process to look at the current and future budget situation for County Transportation. Existing transportation funding has not kept pace with system needs. The process will include engaging with staff internally; externally engage with key stakeholders; and developing a plan for short and long term financial decision making. The process will rely on principles and best practices of budget planning, asset management, the equity lens, understanding the work and mandates, and engagement with local transportation partners. DCS goal is to have a long term plan ready by late August.

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 last economic downturn. A key driver of the County's underlying structural deficit is personnel costs that tend to increase at a faster rate than General Fund revenues. The budget provides for COLAs of 3.1% (actual COLA will be 2.9%) and merit or step increases for all represented labor groups as outlined in the County's labor contracts. COLA freezes have been implemented for all non-represented employees and non-represented employees making more than $100,000 will not receive a merit increase. In the near term, the COVID-19 caused recession will most likely keep inflation (and therefore COLAs) low, but as the economy recovers the structural deficit will eventually re-emerge.

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, 2019 based on the December 31, 2017 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, 2018 valuation, the County's unfunded actuarial liability was $690 million due to these reforms not being upheld.

In the 2020 Oregon Legislative Session, a PERS reform package (SB 1049) was passed which changed the path of expected PERS rate increases. From a forecasting perspective, SB 1049 has two provisions which were intended to significantly reduce PERS rate increases: reamortization of the existing unfunded liability, and the creation of individual employee stability funds. In the November 2019 economic forecast, the Budget Office shared scenarios for future rate increases that assumed the County was close to reaching its top rate. The still-developing economic damage caused by COVID-19 is likely to increase the unfunded liability and lead to additional rate increases.

The County has also established four $25 million PERS side accounts in FY 2017, FY 2018, FY 2019 and FY 2020. Additionally, the County has already received $8.5 million in matching funds established by SB 1049 based on FY 2019 and FY 2020 side account contributions and could receive additional matchings funds in the future. Rate relief from the matching funds begins in FY 2022.

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 https://multco.us/finance/financial-reports.

Pay Equity

In FY 2020, a countywide analysis was completed in order to meet the requirements of Oregon's Pay Equity Law (HB 2005, 2017). The new law prohibits employers from seeking past salary information, expands the protected classes covered by the pay equity law in Oregon, and confirms that each instance of unequal pay is a continuing violation. While Multnomah County has reviewed pay equity in the past, the law required an updated analysis to help ensure that people who do similar jobs and have similar levels of education, experience, seniority, merit, training, and working conditions are paid similarly. As predicted in the pay equity research, the County's union environment and existing classification and compensation structure already limited pay variations to some degree. Approximately 200 employees received pay adjustments, which is just under 4% of the workforce.

Investing In Infrastructure

The Board of County Commissioners approved County Ordinance 1277 in 2019. The ordinance increases the current vehicle registration fee from $19 per registration year of the two year registration period to $56 per registration year of the two year registration period. The fee is dedicated toward maintaining six Willamette River Bridges and takes effect January 1, 2021.

Burnside Bridge

Built in 1926, the Burnside Bridge has been designated as an official emergency transportation lifeline 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.

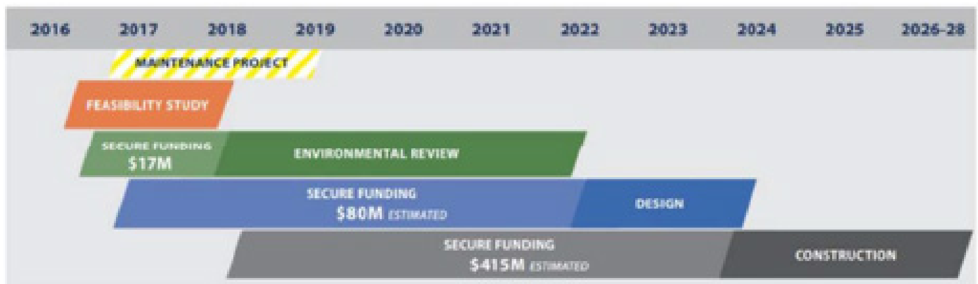
The County Board approved resolution 2015-116 November 5, 2015 authorizing $3.0 million internal loan for funding a feasibility study for the seismic rehabilitation or replacement of the Burnside Bridge. The County has been talking with community members and a team of experts to better understand what 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. The feasibility study was presented to the Board on November 1, 2018. The Board also approved resolution 2018-114 to create a seismically resilient Burnside Bridge project.

Investing in Infrastructure (Continued)

In September 2019, the County issued $16.1 million in Series 2019 direct placement loan to fund the National Environmental Policy Act (NEPA) phase and to repay the internal loan for the feasibility study. Repayment of the Series 2019 loan will be made from Vehicle Registration Fees (VFR). The environmental phase of the project is anticipated to be completed in 2021.

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

Earthquake Ready Burnside Bridge Project Timeline



New Central Downtown Courthouse

The County 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. 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 $86.1 million of mostly one-time-only General Fund resources contributed in prior fiscal years plus another $13.3 million in FY 2020 from the sale of the existing Courthouse (which closed in FY 2019). This additional amount fully funds the project and eliminates the need for a second bond sale. The first $90 million of bonds were sold in December 2017. The Board also allocated $10 million from the sale of the Morrison Bridgehead property to the project.

Debt payments will be covered by $3.5 million of ongoing County General Fund resources built into departmental allocations starting in FY 2020, as well a $5 surcharge on Circuit Court parking and traffic violations legislatively authorized by HB 4093.

The courthouse is scheduled to open in July of 2020. More information can be found at: www.multco.us/central-courthouse

Investing in Information Technology

Online Applicant Services and Information System

In 2013, County IT identified PR Navigator, a software used by the Land Use Division in the Department of County Services (DCS), as the second highest technology risk for the entire County. The proposed program replaces the PR Navigator software and expands it to include permits administered by County Service Districts and the Transportation Division, as well as Code Compliance cases. Approximately 20,000 unique visitors per year seek information for code compliance cases and permits issued by DCS.

Modernizing this permitting software will offer 24/7, mobile-friendly, online permitting to improve access for community members who find it challenging to travel long distances during fixed business hours. The system can be accessed from publicly available computers to further reduce barriers that often result in non-compliance and non-permitted activity. Applicants will also be able to continue to make paper submittals. Improved coordination with agencies who conduct building permit review and inspections will eliminate the need for applicants to hand deliver materials to multiple locations and streamline the approval process.

Future Budget Pressure

The uncertainty surrounding the developing public health crisis and resulting recession creates future budgetary pressure on both revenues and expenses.

Revenue – The County's Property Tax revenue is inherently stable, but will be impacted by the economic decline. Based on the timing of the development cycle and the certification of tax rolls, delinquency is expected to increase in FY 2021, compression is expected to increase in FY 2022, and the AV growth rate is expected to decline starting in FY 2023. The current forecast assumes BIT revenues will be 24% below prior expectations in FY 2021. The data required to inform BIT forecasting decisions is still lacking, and the depth and duration of the BIT decline is currently unknown. Motor Vehicle Rental Tax (MVRT) is correlated with passengers deplaning at the Portland Airport, which is down more than 90% year-over-year. The ability of people to travel (and rent cars) will be dictated by the ability of communities to control the pandemic. Stay-at-Home orders have depressed home sales in urban areas around the County. This is currently being offset by a surge in refinancing, but when refinances return to normal levels, Recording Fees will decline. By the end of the five-year forecast period, the expectation is that revenues will have returned to normal levels but the speed of economic recovery is uncertain.

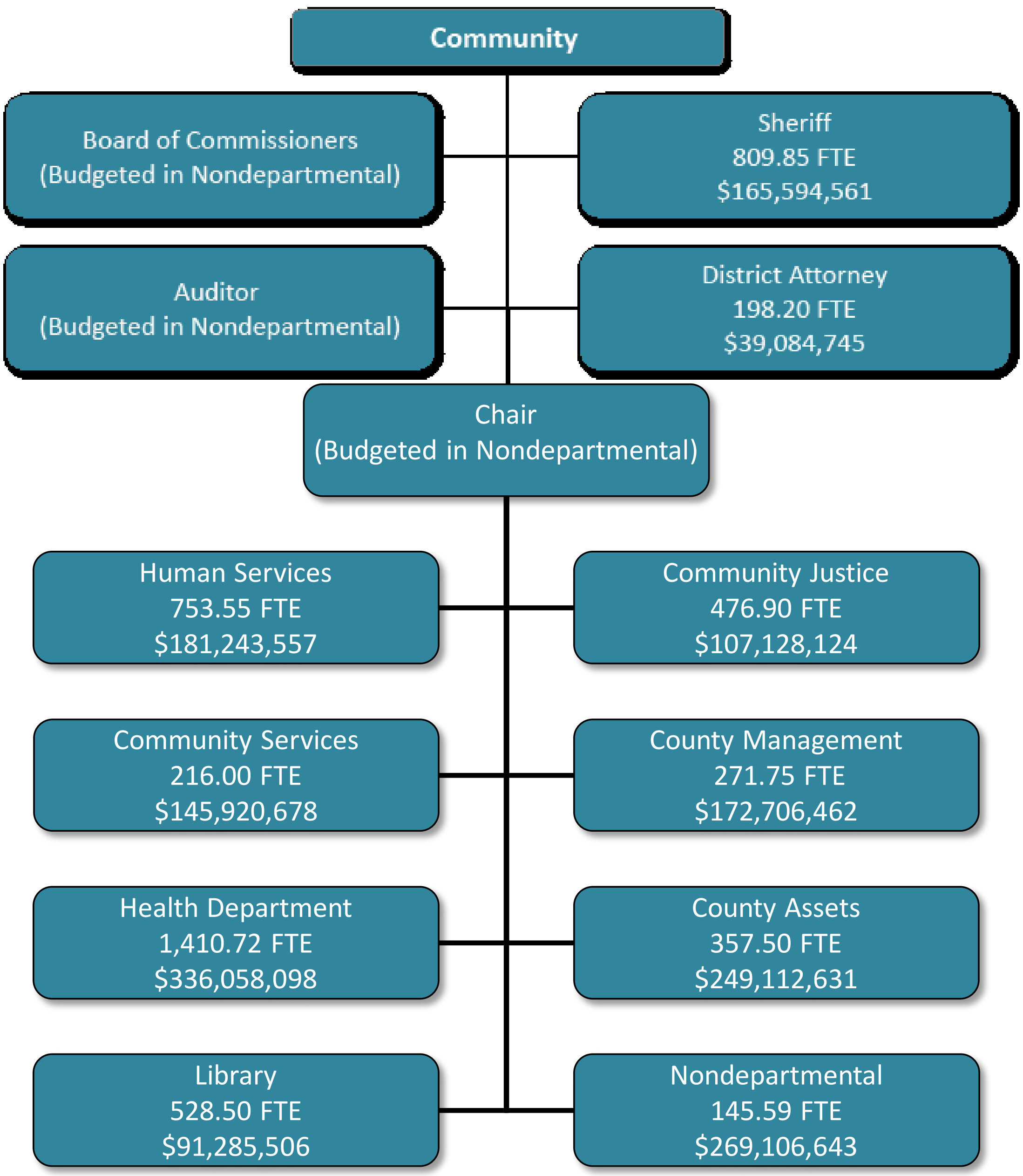
Personnel and Healthcare Costs – Inflation (and the associated COLA) are generally lower during a recession and its early recovery, which should provide some expense relief. While the rate of growth in County healthcare costs has been relatively modest in recent years, a return to previous rates of growth would put significant pressure on County costs. An increase in COVID cases could put upward pressure on internal County healthcare rates.

Pension and Post-Employment Benefit Costs – See page 12 for a summary of recent PERS reforms and uncertainty related to the pandemic.

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 replacements 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 Jennifer McGuirk, County Auditor. There are 5,168.56 full time equivalent (FTE) positions in this budget.



Appreciation

Every year, the budget document is the product of many hours of work and analysis by County agencies and their staff. This year, our budget process, like most of the work at the County, was dramatically impacted by the COVID-19 crisis. Nonetheless, everyone stepped up and continued the hard work of the County. I would like to personally thank each and every one of you for your contributions. Particularly, I want to thank the leadership in the Chair's Office: County Chair Deborah Kafoury; Chief of Staff Kim Melton; and interim Chief Operating Officer Peggy Brey. I also want to extend my sincere appreciation to the department heads and constitutional officers, along with their budget teams and staff, for their hard work, cooperation and flexibility in these uncertain times.

Finally, I want to acknowledge the remarkable teamwork by the people in the Central Budget Office who were instrumental in putting this budget together: Althea Gregory, Ching Hay, Mike Jaspin, Dianna Kaady, Ashlye Manning, Jeff Renfro, Jennifer Williams, Chris Yager, and Trista Zugel-Bensel, 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.
Christian Elkin