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Introduction

The County's budget guides how we make investments in the communities where we live, work, and raise our families. A good budget tells a story about an organization that is not captured by the financial statements. It describes what is important to the organization, how it funds its mission and vision, and how it provides value to the community. These investments reflect the County's shared values and represent the programs and services on which communities depend.

In early 2020, life as we knew it was fundamentally changed. The emergence of COVID-19 spread quickly across the world, creating an unprecedented global health challenge that would ultimately be declared a worldwide pandemic. As communities implemented stay-at-home procedures to stem the escalation of COVID-19, what was first seen as a health crisis evolved into a financial meltdown of global economies.

As we evolve our response to COVID-19, the County remains focused on ensuring communities have the necessary health and financial resources. As the Local Public Health Authority, the County continues to play a key role in providing timely, life-saving public health information. As the largest provider of social safety-net services, the County continues our expanded programming in response to the negative economic impacts from COVID-19.

Over the last two decades the County has faced declining budgets requiring cuts and reductions in services and staff. The County has gone through periods of deferring capital projects and infrastructure maintenance. Thanks in large part to higher than normal property tax revenue growth due to the termination of several large Urban Renewal Areas (URAs) in the City of Portland, for the first time in recent memory the County is entering into a budget cycle where departments can start to think about stabilizing services and making strategic new investments. Although exciting, it is also important to recognize that this opportunity does not mean business as usual. This reprieve allows departments the time to focus on real, meaningful longer-term strategies for efficient and effective service delivery.

Throughout the process of creating this budget, the County has prioritized equity. Departments were asked to use an equity lens to evaluate all funding decisions. The budget also continues the County's commitment to leading with race in all aspects of its work, and fully implements the Workforce Equity Strategic Plan (WESP). This focus on equity is further necessitated by the inequitable distributions of COVID-19 impacts and economic recovery. Negative economic impacts have been concentrated on low-wage industries, while employment for the Black, Indigenous, and People of Color (BIPOC) community has been slower to recover.

The County's \$3.3 billion budget reflects the County's commitment to provide services ranging from SUN schools and homeless services to elections, health care, early learning opportunities, and animal services. It provides for civic infrastructure such as bridges, courthouses, and healthcare 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.

Multnomah County's starting point for the FY 2023 budget is a \$19.3 million surplus of General Funds, allowing departments to focus on strategic new investments while preparing current service level budgets. The surplus is strengthened by our partnerships with both the State and Federal government, including budgeting for year two of the American Rescue Plan Act (ARP).

Due to an upward adjustment of the Business Income Tax (BIT) forecast in FY 2022 and higher-than-normal departmental underspending in FY 2021, the FY 2023 budget includes more One-Time-Only (OTO) resources than is typical. These resources have been allocated for one-time purposes, including several investments which will reduce ongoing expenses. The budget devotes \$32.6 million of new, one-time-only General Fund resources to capital infrastructure. Capital investments include:

- Expanding shelter and housing related capital investments - \$15.0 million
- Rockwood Health Center Capital Improvements - \$2.0 million
- Juvenile Detention Building Improvements - \$3.2 million
- CEDARS Software Replacement - \$5.0 million
- Seeding an Information Technology Innovation and Investment Program - \$2.0 million

The County is also using OTO resources to fund its fifth PERS side account which will reduce ongoing personnel costs, and will likely be partially matched with State resources; and, the budget funds contingency that will contribute to the County's long-term goal of increasing the level of the General Fund and BIT Reserves.

In November 2021, the County began to discuss investing a rare mid-year surplus of over \$30.4 million of one-time-only business income tax (BIT) funding in homelessness services, behavioral health, and public safety.

The surplus was the result of the Board increasing the business income tax rate in 2020, extending the tax filing deadline to May 2021, and a stronger than expected economic recovery. Final tax collections — which came in after the FY 2022 Budget was adopted — were more than \$30.4 million above what was forecasted in May 2021.

Typically, the County would incorporate such revenue into its next budget, for FY 2023. But because of the magnitude of the issues facing the community, the Board decided to make immediate, one-time investments. The City of Portland's

FY 2022 Mid Year Budget Actions: Business Income Tax Funding

Business License Tax (BLT) revenues also exceeded the forecast for similar reasons, and the City and County partially pooled resources to collaborate on this new programming.

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The work will continue into FY 2023, with homelessness-focused investments funded by the City and County:

- \$4.1 million in expansion of navigation and service coordination
- \$2.0 million to fund increased wages for frontline workers through a 3% increase to provider operating budgets
- \$15.8 million of shelter capital carryover, as well as \$0.3 million of County carryover funding for hiring and retention incentives

Behavioral health-oriented programs established during the FY 2022 process are continued in FY 2023, including:

- \$1.9 million of Metro Supportive Housing Services funds for behavioral health support specialists at motel shelters
- \$1.1 million of American Rescue Plan funds for in-reach teams in Old Town.

There are also almost \$0.5 million of American Rescue Plan funds related to gun violence. County General Fund was increased to \$5.0 million in FY 2023 to support for the community capacity building grants through physical infrastructure development and \$0.4 million to continue an expanded vector control response in downtown Portland.

Policy Direction from the Chair

The FY 2023 budget is the third Multnomah County budget drafted under a community landscape deeply transformed by COVID-19. The pandemic has altered every program in the County. As the County engages in the FY 2023 budget process, there are still unanswered questions and uncertainties about the pandemic, our region's economic stability, and the impacts of state and federal government actions. Even with this uncertainty, for the first time in a long time, the County can start planning for both the stabilization of our services and new strategic investments. Based on the County's updated forecast in March 2022 there was a \$19.3 million General Fund surplus.

The Chair directed all departments to submit current service level budgets as a starting point for the FY 2023 budget. The Chair emphasized that although our financial forecast opens up exciting possibilities, it is also imperative that we recognize that this opportunity does not mean business-as-usual. The events of the recent years exposed — and also reminded the County — that the normal we had been living in has always been marred by inequities and injustices. This is the time to focus on ensuring both an equity-driven response to community needs and meaningful longer-term strategies for efficient and effective service delivery. The reprieve resulting from the positive financial forecast allows departments the time to focus on real, meaningful longer-term strategies for efficient and effective service delivery. Departments were directed to continue to rely on data and analytics and process improvement strategies along with using an equity lens when determining which programs to submit within their budget request.

Key highlights and policy guidance from the Chair include the following:

- **Centering Equity** – Multnomah County's core work is to help address — through our services and programs — the persistent and pervasive disparities that harm our communities. Centering equity requires us to be intentional about the tools and processes we use to develop our budgets, to smartly use data to understand how we are meeting our goals, and to be thoughtful and transparent in how we talk about who we serve and the impact we're making. It is crucial that the contents of program offers are thoughtfully reviewed and not simply replicated from prior years. To aid departments in this work, the Office of Diversity and Equity developed the [FY 2023 Budget Equity Tool](#).
- **Internal Service Additions** – Departmental requests to add additional internal services from the Department of County Assets will be treated similarly to requests for new General Fund resources.
- **American Rescue Plan Act Federal Funds** – the County will continue to inclusively lead with race in order to best serve people and populations who have been disproportionately impacted by COVID-19, and historical

and current inequities. As our state's largest safety net system, this work is at its best when we engage and listen to the expertise and insight of those who are in and working with our community each day. And embedding a public health approach within our priorities allows us to consider opportunities to impact the health and wellness of our community at an individual, community and population level, using data and making investments that can have short-term and long-term benefits.

- **General Fund Human Services Contractors** – The COVID-19 pandemic continues to highlight the critical partnerships with our human services contractors. Departments should provide a 4.0% cost-of-living adjustment (COLA) for General Fund human services contractors in line with the forecasted COLA for County employees, unless there are other contractual considerations.

The Proposed budget allocates just over \$99.0 million of discretionary one-time-only (OTO) General Fund allocations as follows:

- \$32.6 million to major capital projects, including funds dedicated to expanding physical infrastructure for community organizations, strategic capital investments related to housing and homelessness, and replacing the Health Department's CEDARS software.
- \$25.0 million to fund a fifth PERS side account which will reduce ongoing personnel expenses. Budgeting \$6.7 million in contingency resources aimed at the County's long-term plan of increasing both the General Fund and BIT Reserves.
- \$34.7 million to a variety of costs, such as cooling support for future extreme weather event, increasing capacity in the Elections Division, and updating the County's Workforce Equity Strategic Plan (WESP).

The Chair's Message provides additional information on her policy initiatives and the County's COVID-19 response; it can be found at www.multco.us/budget.

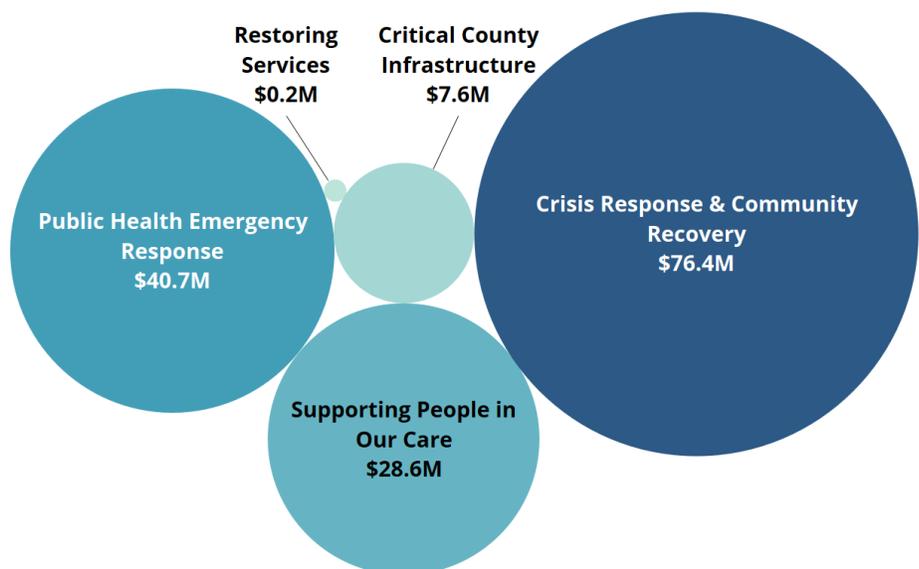
COVID-19 Response & American Rescue Plan (ARP) Act

The American Rescue Plan Act of 2021 (ARP) was signed into law on March 11, 2021, and provides \$350 billion in additional funding for state and local governments navigating the impact of the COVID-19 outbreak. Of this total funding, Multnomah County will receive a total direct allocation of \$157.8 million. The ARP direct funds are being provided to the County in two tranches as follows: 50% or \$78.9 million available on May 1, 2021, and the remaining 50% available no earlier than 12 months from the first payment (or when 80% of the first allocation is expended, whichever is earlier). The funds are available through December 31, 2024. Additionally, the County is receiving program specific revenues to fund activities like vaccine distribution or nutrition services for older adults.

When allocating the Direct ARP funding, the County focused on five priority areas:

- Public Health Emergency Response
- Core Services Supporting People in our Care
- Restore Services Impacted by Budget Reductions
- Crisis Response & Community Recovery
- Critical County Infrastructure

\$153.6 million in resources was allocated across the five priority areas, including the County's direct ARP allocation and other State and Federal ARP funding as follows:



COVID-19 response program offers are listed as a separate “division” in the Departmental sections, and are numbered to appear at the end of department program offer lists. For more information about the County’s approach to allocating these resources, see the Chair’s Budget Message.

Local Public Health Authority and Safety Net Provider

The pandemic has required the County to enhance services provided as part of several of its core functions, including acting as the Local Public Health Authority and the Safety Net Provider:

Public Health Response

The County’s COVID-19 response includes key activities such as outbreak response; testing and vaccination in clinical, community, and corrections settings; vaccination for County staff; crisis counseling; behavioral health services; and culturally specific isolation/quarantine supports. These efforts will continue into FY 2023, and as the pandemic evolves, the County will pivot from an emergency response to long term disease management efforts.

Safety Net Provider

Much of the Federal assistance will go towards serving the most vulnerable people in our community, who have been disproportionately impacted by COVID-19. Throughout the crisis, Multnomah County has had the unique local responsibility of both leading the public health response to a virus we had never seen, COVID-19, and responding to the unprecedented need in the community for shelter, housing, food, and healthcare.

The County continues our focus on preserving essential County services to the fullest extent possible. This includes housing stability, behavioral healthcare, and culturally specific wraparound services. These services are lifelines for individuals and families who face increased housing insecurity, food instability, trauma, and inadequate access to healthcare.

And, where possible, the County seeks to deepen supports for current clients and reach more individuals and families in our community who are now in need of our services. Additionally, the pandemic has created the need for expanded investments to respond to acute COVID-19 impacts, including supports for children returning to school, older adults, those experiencing domestic and sexual violence, and those impacted by increased gun violence in our community.

Continuation of Emergency Rent Assistance (ERAP)

Throughout the pandemic, the Census Household Pulse survey reported that 10-14% of households in Oregon responded that they were worried about their ability to pay rent.

Stable housing is linked to a number of positive health and social outcomes for individuals, families, and communities. Rental assistance is a key strategy to support renters. The COVID-19 pandemic has resulted in unprecedented numbers of layoffs and furloughs, leading to even deeper racial disparities and challenges to pay rent and remain stably housed. A COVID-19 Emergency Rent Assistance program (combined state, federal and county funding) will continue into FY 2023 and includes a total of \$47.5 million.

Summary of ARP Funding

To support the services above, the FY 2023 budget includes new and carryover funding totalling \$153.6 million detailed as follows:

American Rescue Plan/COVID-19 Resources	FY 2023 Proposed Budget
American Rescue Plan - Direct County Allocation*	\$88,944,715
Public Health - State & Federal Funding	8,031,502
Rent Assistance - Federal Funding	5,567,357
Rent Assistance - State Funding	16,489,544
Aging Service - Federal Funding	754,593
Housing & Homelessness Services - Federal Funding	9,417,525
Housing & Homelessness Services - City of Portland	8,261,000
American Rescue Plan - State Funding	2,477,039
Energy Assistance and Weatherization - Federal Funding	3,984,538
Roads & Transportation - Federal Funding	1,580,000
ICS Federal Health Center Funding	<u>8,075,272</u>
Total ARP Funding	\$ 153,583,085

*Includes the second tranche of the Multco direct ARP of \$78.9 million plus \$10 million in carryover from FY 2022.

The County's direct allocation of \$88.9 million continues to be our most flexible funding. It can be used for:

- Supporting COVID-19 response efforts to decrease virus spread
- Replacing lost revenue
- Supporting immediate economic stabilization for households and businesses impacted by COVID-19
- Addressing systemic public health and economics challenges

The following table details out by department and program offer where the ARP funding is being invested for FY 2023. For information about a specific program, please see Volume 2.

American Rescue Plan Funding by Department

Prog. #	Program Offer Name	FY 2023 ARP Investments
Nondepartmental		
10090	ARP Countywide Client Assistance	2,500,000
10091A	ARP COVID-19 Policy and Project Coordination	215,000
10092	ARP Communications Office Public Health Emergency Response	325,000
10093A	ARP EM Logistics	2,425,000
10093B	ARP EM Community Personal Protective Equipment (PPE) & County Supplies	1,040,000
10094	ARP Office of Sustainability Food Access Focus	<u>200,000</u>
Total Nondepartmental		\$6,705,000
District Attorney's Office		
15900	ARP - Domestic Violence Case Backlog	191,354
15901	ARP - Gun Violence Case Backlog	<u>821,802</u>
Total District Attorney's Office		\$1,013,156
County Assets		
78900	ARP - Facilities Air Quality Improvements	800,000
78901	ARP - Staff Telework Software Bundle	1,473,000
78902	ARP - Digital Access Coordinator	<u>165,592</u>
Total County Assets		\$2,438,592

American Rescue Plan Funding by Department (cont...)

Prog. #	Program Offer Name	FY 2023 ARP Investments
County Human Services		
25399A	ARP - ACHP Registered Nurse	200,000
25399B	ARP - Multnomah Mothers' Trust Project (MMTP)	1,350,000
25399C	ARP - Domestic Violence Services	755,000
25399D	ARP - COVID-19 Response Coordination	80,000
25399E	ARP - SUN Community Schools: Family Resource Navigators	4,073,000
25399J	ARP - Peer Support Tenant Services & Housing Stability	515,000
25399Q	ARP - YFS Division Support Staff Expansion	148,000
25490B	ARP - Emergency Rent Assistance	22,785,668
25490C	ARP - YFS Rent Assistance Team Staffing Capacity	2,730,000
25492B	ARP - DCHS Client Assistance	5,400,000
Total County Human Services		\$38,036,668
Joint Office of Homeless Services		
30900	ARP - COVID-19 Emergency Response - Shelter Operations and Outreach Supplies	8,261,000
30902	ARP - COVID-19 Emergency Response - Expanded Hygiene Access	750,000
30903	ARP - COVID-19 Emergency Response - Culturally Specific Outreach	425,000
Total Joint Office of Homeless Services		\$9,436,000
Sheriff's Office		
60990	ARP – Civil Process – Reducing Community Violence Involving Firearms	314,382
60991	ARP – Detectives Unit – Reducing Community Violence Involving Firearms	161,977
60993	ARP - Add'l Close Street Supervision Positions	348,461
60997	ARP - MCIJ Dorm 5	773,344
60998	ARP - MCIJ Dorm 13	637,357
60999	ARP - Electronic Signage and Washing Machine	60,000
Total Sheriff's Office		\$2,295,521
Library		
80099	ARP - Outreach Hotspots	\$200,000

American Rescue Plan Funding by Department (cont...)

Prog. #	Program Offer Name	FY 2023 ARP Investments
Health Department		
40199A	ARP - Public Health - COVID-19 Investigation and Response	4,800,720
40199C	ARP - Public Health - Isolation and Quarantine	11,341,425
40199D	ARP - Behavioral Health - Continuing COVID Response	1,625,888
40199E	ARP - COVID-19 Response Health Officer	205,848
40199I	ARP - COVID-19 Response Support Services	1,406,494
40199J	ARP - Public Health Community Partners and Capacity Building Expansion	1,023,795
40199K	ARP - Public Health Communicable Disease Services Expansion	711,208
40199O	ARP - Health Data Exchange	400,000
40199Q	ARP - Gun Violence Impacted Families Behavioral Health Team	1,214,400
40199R	ARP - Culturally Specific Behavioral Health Programs	625,000
40199W	ARP - Old Town Inreach	<u>1,100,000</u>
Total Health Department		\$24,454,778
Community Justice		
50099A	ARP Expanded Rent Assistance of Justice Involved Individuals	250,000
50099C	ARP Enhanced Cleaning Juvenile Justice Center and East Campus	120,000
50099D	ARP Transportation Services	20,000
50099E	ARP Client Assistance	275,000
50099F	ARP Gun Violence Prevention Incubator Pilot	300,000
50099H	ARP Community Violence Interruption Pilot	<u>300,000</u>
Total Community Justice		\$1,265,000
County Management		
72900	ARP - Federal Grant Compliance and Monitoring	160,000
72901	ARP - Future of Work Coordinator and Space Planning	2,705,000
72902	ARP - Labor Relations Expanded Support	<u>235,000</u>
Total County Management		\$3,100,000
Total Multco American Rescue Plan Funding		\$88,944,715

Financial Context

At this time two years ago, the American economy was losing millions of jobs per week and large portions of the economy were shutting down or moving to online delivery. Thanks in large part to government intervention on a scale unprecedented outside of wartime, consumer spending quickly recovered and has remained above the pre-pandemic trend. The economy has mostly recovered from the pandemic-induced shutdown, but specific sectors are still impacted and subsequent virus surges continue to cause disruptions. Inflation began to pick up during the economic recovery, but was initially limited to COVID-19 impacted industries. The Delta and Omicron surges did not cause the same economic contraction as the initial virus outbreak, but both disrupted global supply chains and exacerbated local worker shortages. Inflation has become widespread, and the Federal Reserve has signaled that it is committed to bringing inflation back to normal levels, which increases the risk of recession. As the world transitions to COVID-19's endemic phase, unemployment and income measures remain strong but macroeconomic uncertainty is growing and consumer spending is getting more pessimistic as inflation cuts into real wage gains.

Despite the positive macroeconomic news, the recovery has been inequitable and many of the communities that the County serves remain below pre-pandemic levels of employment. FY 2023 will be the last year of direct COVID-19 support from the Federal Government, but the need for these services will not disappear. Crucially, the County relies on sound financial practices to ensure that resources are used wisely. The County's prudent management of its financial resources has been noted by the credit rating agencies. Both S&P Global Ratings and Moody's Investor Services have awarded Multnomah County the highest possible rating (AAA and Aaa, respectively) for our long-term debt associated with the new County Courthouse, Health Department Headquarters building, and the Library Bond projects. 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.

Past fiscal discipline means that one-time-only resources have been spent on one-time-only uses, with a particular emphasis on reducing long-term costs associated with capital financing and debt service. In FY 2023, the County is funding a fifth \$25 million PERS side account. The third and fourth PERS side accounts were used to generate matching funds of \$8.5 million, as provided by Senate Bill 1049. It is expected that additional matching funds will be allocated to the County. These side accounts, combined with the SB 1049 PERS reform measures means that County PERS rates have likely topped out. While rates are still a significant cost, PERS rate increases are no longer expected to contribute to year-over-year increases in personnel costs, which significantly contributed to the County's structural deficit.

Beginning in FY 2023, the County is evaluating a multi-year process of increasing both its General Fund and BIT reserves. Resources have been budgeted in contingency to eventually increase these reserves to 11% of revenues (both currently at 10%). The possibility of increasing the reserve targets has the benefit of bringing the County in line with evolving best practices and provide greater stability during economic downturns.

The end of several large Urban Renewal Areas (URAs) in the City of Portland means that the County expects property tax growth to be significantly higher than normal over the next several years. The current five-year forecast suggests that the County will have the opportunity to add new, ongoing services (or continue services started with American Rescue Plan money) over the next several years. Sustained inflation could quickly change the outlook, and the County's structural deficit will be masked by new property tax revenues but will eventually reassert itself. The County will continue to follow sound financial planning practices in order to ensure that it continues to be capable of responding to emerging community needs. The essential services provided by the County are continued in this budget, with more than 5,600 County full time equivalent employees (FTE) providing services ranging from health care and law enforcement to bridge maintenance and elections in FY 2023.

The following pages of the FY 2023 budget contain more information on the County's financial picture and operational and investment plans. The County's budget information for FY 2023, as well as past years, can be found at: www.multco.us/budget.

Planning for FY 2023

Economic Climate

The recovery from the pandemic-induced recession continues to be rapid and uneven. As of February 2022, the unemployment rates in both Oregon and Multnomah County were close to the historically low levels that preceded the pandemic. Overall employment remains around 27,000 jobs (or 5.1%) below pre-pandemic levels with the shortfalls concentrated in industries that were most directly impacted by changes in consumer behavior and public health interventions. Job recovery for white and Asian workers was faster than Black and Latino workers, with the Black unemployment rate recovery stalling at a level that matches recessionary unemployment rates for white workers. Globally, the Delta and Omicron surges caused supply chain disruptions leading to shortages and price increases. Inflation is at levels last seen 40 years ago and has broadened beyond disrupted industries. In March 2022, the Federal Reserve's Open Market Committee began the process of increasing rates and signaled a commitment to controlling inflation. The expected path of rates in FY 2022 increases the likelihood of recession over the next one or two years. Despite the tight labor market and health of household balance sheets, consumer sentiment has started to turn more pessimistic in response to rising prices.

Gross Domestic Product (GDP)

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 7.0% and 2.3% in the last two quarters of 2021. Economic growth has returned to normal after the massive contraction and quick recovery at the beginning of the pandemic.

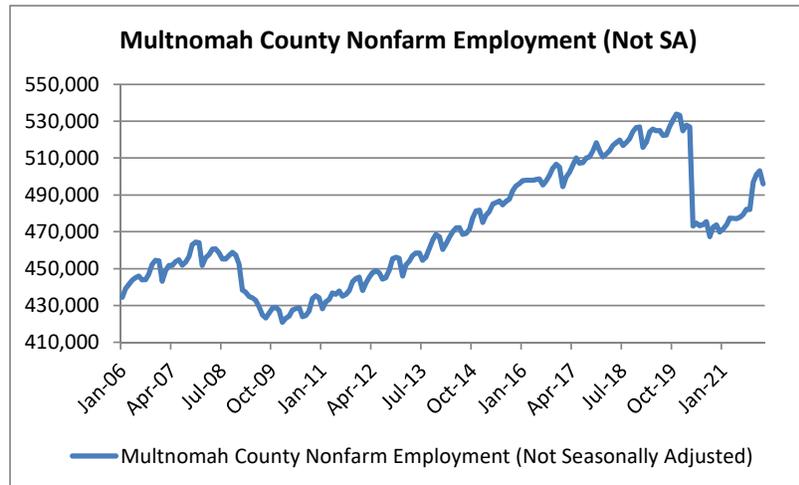
The Housing Market

Locally and across Western cities, the inventory of single family homes for sale has been at record lows which, combined with strong income growth during the recovery, has driven prices up. As measured by the S&P Case-Shiller Home Price Index for the Portland metropolitan area, home prices increased 17.9% during 2021. On the multi-family side, the eviction moratorium put in place during the pandemic has ended. According to the Census's Household Pulse Survey, as of the first week of February 2022, 11.8% of Oregon households reported that they were not currently caught up on rent. Applications for permits for new multifamily housing projects from the City of Portland's Bureau of Development Services decreased during the pandemic. Permitting activity has started to recover but the pause in activity means that increasing rents will not be moderated by new apartment supply for one to two years.

Employment

As of February 2022, the U.S. unemployment rate stood at 3.8% (after peaking at 14.8% in April 2020) vs. 6.2% a year earlier. For Oregon, the February 2022 rate was 4.0% vs. 6.1% a year earlier. In Multnomah County, the similar figures are 4.1% vs. 6.8% a year earlier. With nonfarm employment in Multnomah County at 499,900, employment levels are roughly 27,000 or 5.1% lower than

pre-pandemic levels. Across the country, employment recovery has been slower in metro areas, which have tended to have more comprehensive economic shutdowns as well as a greater concentration of COVID-19-impacted industries.



Inflation

Oregon's constitutional limits on property tax growth make inflation an area of particular concern for the County. Personnel costs are the County's biggest expense, and the tendency of these costs to grow faster than property tax revenues create a structural deficit for County General Funds. Initially, price increases were limited to areas of the economy directly affected by the pandemic, most notably automobiles. It was hoped that as supply chain issues and labor shortages unwound as the pandemic faded, price growth would return to normal. Instead, price increases have spread to energy (exacerbated by the war in Ukraine), rents, and now wages are starting to see increases. These broader price increases are in danger of seeding further price increase cycles as inflation expectations change. The Federal Reserve has signaled a commitment to bring inflation back to normal levels, but high inflation will probably continue in the short- to medium-term.

12-month percentage change, Consumer Price Index, selected categories, not seasonally adjusted



Note: Shaded area represents recession, as determined by the National Bureau of Economic Research.
Source: U.S. Bureau of Labor Statistics.

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 are updated on a quarterly basis. The forecast helps form the basis on which Multnomah County builds its annual budget.

At the beginning of the FY 2023 budget process, an \$18.4 million surplus was forecast for the General Fund due to the fast economic recovery from the pandemic and the first of several large Urban Renewal Areas contributing Assessed Value back to the tax roll. The Budget Office's March 2022 five-year forecast projected an ongoing surplus of \$19.3 million for FY 2023, which becomes a \$38.2 million surplus in FY 2027. There are four major reasons for the increasing surpluses:

- Starting in FY 2023, several large Urban Renewal Areas (URA) in the City of Portland will end, returning Assessed Value (AV) above their frozen base back to the tax roll. In FY 2023 and FY 2025, when two of the largest URAs return to the tax roll, AV growth is expected to be double what it is in a typical year.
- Less than a month after the Board voted to increase the Business Income Tax (BIT) rate in February 2020, the forecast was revised down sharply in response to the pandemic. Due to Federal economic intervention, FY 2021 BIT collections ended up being higher than pre-pandemic expectations. Due to the timing of collections, FY 2023 will be the first year in which the full impact of the BIT rate increase will be incorporated into the decision-making process.
- Several County revenues were impacted by COVID-19, most notably motor vehicle rental taxes (MVRT), which declined by more than 50% in FY 2021. In FY 2023, the forecast assumes that MVRT and several other smaller revenue sources will return to normal as the pandemic moves to the endemic phase.
- The combination of PERS reform at the State level and the commitment to funding PERS side accounts means the forecast does not assume any additional PERS rate increases. These biannual rate increases had been a significant source of personnel cost increases.

The forecast does not include assumptions related to two areas that could lower expected surpluses: open labor contracts and the risk of recession. The County currently has eight open labor contracts, covering the majority of County employees. If contracts settle above current assumptions of personnel cost growth, surpluses will be reduced. As mentioned above, there are several worrying signs suggesting an increasing risk of recession. The BIT is the County's second largest source of discretionary revenue and is particularly vulnerable to changes in the business cycle.

Forecasted Ongoing General Fund Balance

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Adjusted November Forecast	18,422,612	16,121,959	39,322,032	39,657,015	40,367,119
FY 2024 URA Adjustment		1,075,000			
Property Tax Penalties Adjustment	900,000	900,000	900,000	900,000	900,000
FY 2024 COLA Increase		(2,722,604)	(2,829,602)	(2,939,108)	(3,051,382)
Adjusted March Forecast	19,322,612	15,374,355	37,392,430	37,617,907	38,215,737

More information about the forecast can be found at <https://multco.us/budget/fy-2023-economic-forecasts-and-financial-overview>.

Local Revenues

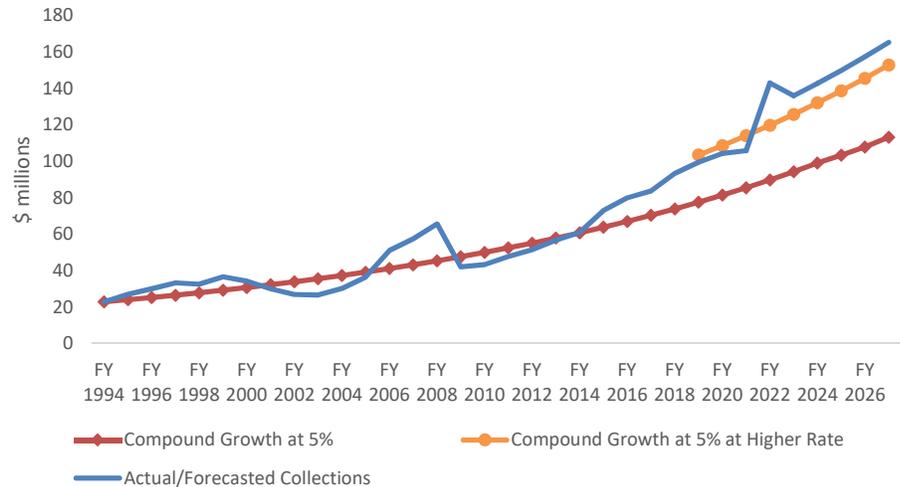
Property tax is the single largest discretionary source of revenue in the General Fund, accounting for approximately 60% of ongoing revenues. General Fund growth, therefore, is particularly sensitive to taxable value growth and compression. As measured from the FY 2022 Adopted budget, ongoing General Fund resources for FY 2023 are projected to increase by 10.1%.

The FY 2023 budget assumes the following rates of growth (as measured from the FY 2022 Adopted budget) for each revenue source:

- Property Tax – An increase of 5.2%
- Business Income Tax – An increase of 21.1%
- Motor Vehicle Rental Tax – An increase of 32.8%
- Recording Fees/CAFFA Grant – An increase of 10.1%
- U.S. Marshal Jail Bed Rental – An increase of 5.6%

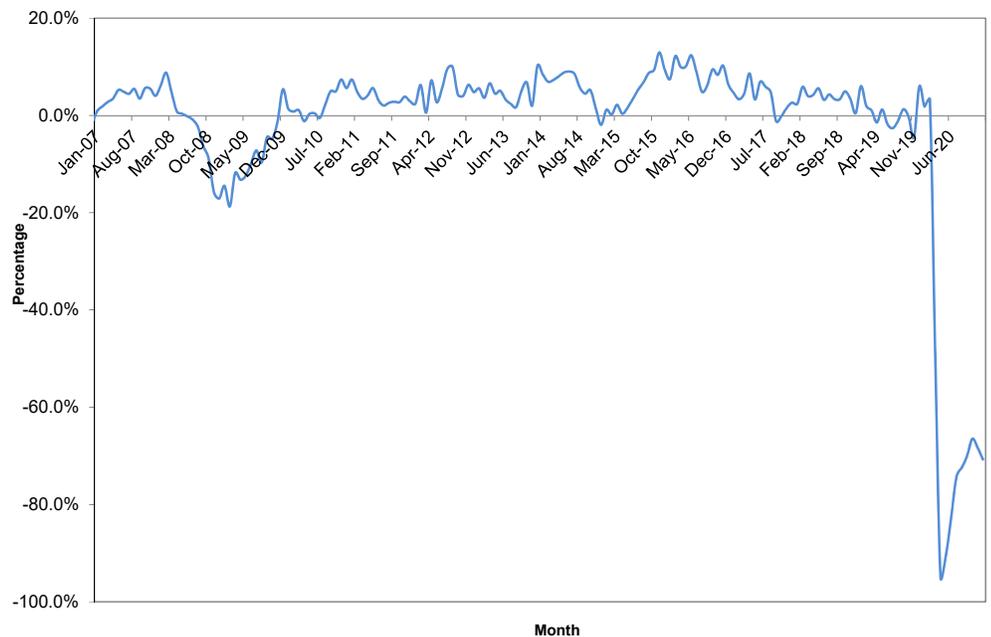
The following graph shows historical BIT revenues and the current forecast through FY 2027 (solid line). Three recessions are shown on the graph, which followed separate paths of decline (or no decline in the most recent case). The recession at the beginning of the century played out over a longer period with the County experiencing three years of decline. The Great Recession impact occurred in one year, followed by a decade of increasing revenues. The pandemic recession did not impact BIT revenues, which actually went up during this period due to the Board passing a rate increase in February 2020.

BIT Revenues



The County revenue most directly impacted by COVID-19 was motor vehicle rental taxes (MVRT), which are responsible for approximately 6% of General Fund revenues. In the first year of the pandemic, revenues were down more than 50% relative to pre-pandemic levels. In April 2020, deplaned passengers at Portland International Airport (PDX) were down 93% relative to April 2019. The following graph shows the deplaned passengers by month at PDX, which is highly correlated with motor vehicle rental tax revenues.

Year-Over-Year Change in Passengers at PDX (Thru January)



Cost Drivers

The County's General Fund expenditures are forecast to grow at roughly 3.1% to 4.4% annually through FY 2027, a rate of growth that takes into account inflation, employee compensation, and long-term fixed costs. For FY 2023, the cost of providing current service levels is expected to grow at 4.4%. The growth is driven by personnel costs, which are forecast to grow at 4.3%. Specifically, the personnel cost increase is driven by:

- Cost of Living Adjustment (COLA): 4.0% (of base pay) ¹
- Step/Merit Increases/Contract Adjustments: 1.4% (of base pay)
- Medical/Dental: 2.0%
- PERS: -0.86% (of base pay)

The County's pension costs via the Public Employees Retirement System (PERS) have risen significantly over the past several budget cycles, but increases have moderated recently. This is due to a number of factors, which are discussed in more detail later, but are driven by four basic factors, with a fifth 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 6.9%.
3. The impact of using collared rates.
4. The PERS Board updated its mortality assumptions.
5. SB 1049 PERS reform package in the 2020 Legislative Session.

The impact of these decisions and events increased the County's unfunded liability (UAL) from \$89.2 million as of December 2013 to \$718 million as of the December 2020 valuation, which includes the SB 1049 reforms, but does not reflect strong investment returns in 2021.

The County's PERS rates are set biennially, and FY 2023 is an interim year. 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.

¹ The actual COLA for FY 2023 is based on the CPI-W West Size A index. The relevant information is not available until January every year, after the budget process has already begun. Therefore, departments are directed to assume a COLA forecast by the Budget Office. For FY 2023, the CPI-W West Size A Index had a year-over-year increase of 6.0%. The actual COLA is assumed to be 4.0% due to COLA caps in County labor contracts.

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 reached its top rate in FY 2022, subject to ongoing stock market performance.

For FY 2023, the rates charged to departments are decreased by 0.86% of base pay. The County's PERS rate is made up of two pieces: PERS rates to collect payments into the PERS system and an internal rate to collect payments to service the County's PERS bond debt. The overall decrease is due to a decrease in the internal PERS Bond rate. This rate is revisited every year to ensure that the rate of collections is on track to make escalating debt service payments. The County's Chief Financial Officer believes the rate can be lowered in FY 2023 without impacting the ability to make future debt payments.

For FY 2023, internal service rates charged to departments for items such as information technology and facilities services are assumed to increase 5.33%. As the County's internal services are heavily labor dependent, the increase in personnel cost growth has put upward pressure on internal costs.

Overview of Additions, Reductions and Reallocations

Human Services General Fund Additions

The budget includes a number of General Fund and Other Funds additions, reductions, and reallocations. The following tables summarize significant changes by broad service areas. The tables include both ongoing and one-time-only (OTO) funds. These tables are focused on changes in the General Fund, but some of the more significant Other Funds changes are included.

In total, the County increased Human Services and General funds by \$25.2 million and 14.00 FTE in the Joint Office of Homeless Services and the Department of County Human Services. The following tables detail these additions.

The County increased the Joint Office of Homeless Services General Fund budget by \$19.9 million and 6.00 FTE for programmatic, administrative, and data-related support. The most significant addition to the Joint Office of Homeless Services is \$15.0 million of one-time-only funds for expanding shelter and housing related capital investments. The budget also adds \$1.0 million ongoing funding for increases in base pay for frontline shelter and outreach workers, with a matching \$1.0 million of Metro Supportive Housing Services Measure funding budgeted for the same purpose (30005F).

Prog. #	Program Offer Name	General Fund Additions	FTE Additions
Joint Office of Homeless Services			
30000C	Additional Administrative & Operational Support	\$368,505	3.00
30003C	Homeless Management Information System	225,000	1.00
30005E	Equity-Focused System Development & Capacity Building - Shelter & Outreach Program Support	1,000,000	0.00
30010	Strategic Capital Investments	15,000,000	0.00
30200B	Safety off the Streets - LGBTQIA2S+ Housing Forum & Engagement	50,000	0.00
30206B	Safety off the Streets - Winter Shelter & Severe Weather - Restoration	575,870	0.00
30210B	Safety on the Streets - Navigation & Service Coordination Expansion	<u>2,675,000</u>	<u>2.00</u>
Joint Office of Homeless Services Subtotal		\$19,894,375	6.00

Human Services General Fund Additions (cont.)

County Human Services adds \$1.3 million in one-time-only General Fund to provide portable air conditioners to 1,000 people in East County and 8,000-10,000 cooling kits to people who have emergency needs during a heat wave. Immigrants and refugees residing in Multnomah County often face language, technology and other barriers to accessing critical social services as they integrate into the community. This budget adds \$165,000 and 1.00 FTE in ongoing General Fund that will focus on advancing equity with and improving the quality of life for immigrant and refugee communities in Multnomah County.

Prog. #	Program Offer Name	General Fund Additions	FTE Additions
County Human Services			
25000B	Director's Office Emergency Management Shelter Response	\$239,844	1.00
25000C	Supporting Immigrant and Refugee Communities	165,000	1.00
25026B	ADVSD Public Guardian/Conservator Data System	161,844	0.00
25049B	YFS - Sexual Assault Services Unified Community Based Response	424,780	1.00
25050B	YFS - Gateway Center Intake Team Increase	113,560	1.00
25121B	YFS - Cooling Support	1,270,740	0.00
25121C	YFS - Wood Stove Replacement	274,292	0.00
25131B	YFS - Peer Navigators	500,000	0.00
25131C	YFS - Eviction Prevention Support	400,000	0.00
25133B	YFS - Homeshare - Connect to Rooms in Private Homes	250,000	0.00
25136B	YFS - Refugee Resettlement Agencies - Support for I-693	250,000	0.00
25138B	YFS - Youth Stability & Homelessness Prevention Expansion	600,000	0.00
25156B	YFS - Bienestar Social Services Staff Expansion	356,032	3.00
25160B	YFS - Data and Evaluation Services: SUN Community Schools Database Support	226,466	1.00
25160C	YFS - Data and Evaluation Services: SUN Community Schools Database Setup	95,000	0.00
25160D	YFS - DSVCO Data and Evaluation Services HMIS Setup	<u>25,000</u>	<u>0.00</u>
County Human Services Subtotal		\$5,352,558	8.00
Human Services Total		\$25,246,933	14.00

Human Services General Fund Reallocations

The reallocations in the Youth and Family Services (YFS) division do not impact client services. The reduction in the Intellectual and Developmental Disabilities Division (IDDS) is part of their fiscal sustainability plan and addresses the recommended actions from the Multnomah County Auditor's Office to apply for the standard match in FY 2023. This change will also allow expenses to be directly funded with General Fund.

Prog. #	Program Offer Name	General Fund Reallocated	FTE Reallocated
County Human Services			
Made these reductions			
various YFS	Various Youth and Family Services Division	(\$140,358)	0.00
25118A	YFS - Youth & Family Services Administration	(102,308)	(1.00)
25010	IDDS Administration & Support	(179,838)	0.00
25011	IDDS Budget and Operations	(179,840)	0.00
To fund these programs			
various YFS	Various Youth and Family Services Division	140,358	0.00
25118A	YFS - Youth & Family Services Administration	102,308	1.00
25010	IDDS Administration & Support	109,125	1.00
25012	IDDS Services for Adults	<u>250,553</u>	<u>2.47</u>
Human Services Total Reallocations		\$0	3.47

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Health Department Additions, Reductions, & Reallocations

Health General Fund Additions

The Health Department is one of the County's largest and most complex departments. The budget reflects a substantial General Fund investment in critical health services. One example is expanding School Based Mental Health from Kindergarten through 3rd grade to services for children and families through 12th grade across six school districts. Another significant addition is the Behavioral Health Resource Center (BHRC), which will provide critical support and services to houseless individuals. The BHRC budget includes \$2.2 million in new General Fund and \$4.3 million of Other Funds plus \$1.0 million of Supportive Housing Services funding. The Other Funds budget assumes \$2.8 million from Ballot Measure 110 funding. Because the exact amount and timing of the Ballot Measure 110 funding is uncertain at this point, the budget also includes \$2.8 million of one-time-only General Fund contingency that can be used if the State funding is reduced or delayed.

Prog. #	Program Offer Name	General Fund Additions	FTE Additions
Countywide Contingency			
95000	Behavioral Health Resource Center (BHRC)	\$2,775,000	0.00
Health Department			
40000C	Director's Office-Deputy Director	264,469	1.00
40000D	COOP Coordination	155,455	1.00
40000E	Behavioral Health Emergency Coordination Network (BHECN) Governance	300,000	1.00
40008B	Vector Control-Encampment Health Hazard Abatement	405,000	3.00
40039C	Human Resources - Additional Recruiters	603,584	4.00
40039E	Human Resources - Class Comp Support	174,948	1.00
40040C	Behavioral Health Billing Support	242,082	2.00
40052B	Additional Medical Examiner	133,301	1.00
40052C	New Medical Examiner- Vehicle	27,000	0.00
40065B	Peer Support Capacity	1,000,000	1.50
40082C	School Based Mental Health Expansion	998,000	8.00
40096C	Future Generations Collaborative	169,762	0.00
40096D	Public Health: Pacific Islander Coalition	350,000	0.00
40105A	Behavioral Health Resource Center Day Center*	1,520,459	0.00
40105B	Behavioral Health Resource Center Shelter/Housing*	653,973	0.00
40107	Rockwood Health Center Capital Improvement	2,000,000	0.00
40108	IT Business System Analyst	690,852	0.00
Health Total		\$12,463,885	23.50

*BHRC program (40105A/B) include \$4,317,039 of Other Funds and \$1.0M in the JOHS

Behavioral Health Other Funds One- Time-Only Funds

The table below shows instances where one-time Beginning Working Capital (BWC) is being used to fund ongoing programs in the Behavioral Health division. The BWC funds 8.8% of these programs' total budget.

Prog. #	Program Offer Name	FY 2023 BWC Amount	Total Budget
Health Department			
40065	Behavioral Health Division Administration	\$822,538	\$2,588,063
40067	Medical Records for Behavioral Health Division	65,996	649,163
40068A	Behavioral Health Quality Management	660,527	3,338,752
40068B	Behavioral Health Quality Management - Staffing	594,864	594,864
40069A	Behavioral Health Crisis Services	203,113	12,780,904
40074	Mental Health Residential Services	34,816	10,055,416
40099D	Early Childhood Mental Health Culturally Specific	165,852	165,852
40105A	Behavioral Health Resource Center Day Center	<u>500,000</u>	<u>4,444,003</u>
Total		\$3,047,706	\$34,617,017

Health Department General Fund Reallocations

The Health Department made reductions in Corrections Health to retain 4.80 FTE in transition services and community health nurse functions. These positions were funded by American Rescue Plan funds in FY 2022, and the reallocation allows them to be retained in the General Fund. In Public Health, the Communicable Disease Prevention and Control program's General Fund was reallocated to other programs, primarily to backfill decreases in Other Funding.

Prog. #	Program Offer Name	General Fund Reallocated	FTE Reallocated
Corrections Health			
Made these reductions			
Various	Pharmaceuticals	(\$379,436)	0.00
Various	Salary Premium Expense	(225,076)	0.00
40051A	Inverness Jail (MCIJ) Clinical Services	(96,428)	(1.00)
To fund these programs			
Various	Transition Services	512,738	4.40
Various	Community Health Nurses	<u>210,479</u>	<u>1.40</u>
Total Corrections Health Reallocations		\$22,277	4.80
Public Health			
Made this reductions			
40010A	Communicable Disease Prevention and Control	(\$467,588)	(2.20)
To fund these programs			
40010B	Communicable Disease Clinical and Community Services	228,656	0.00
40048	Community Epidemiology	107,081	1.20
40037	Environmental Health Community Programs	<u>131,851</u>	<u>0.80</u>
Total Public Health Reallocations		\$0	(0.20)

Public Safety General Fund Additions

General Fund Public Safety additions include \$10.9 million and 28.02 FTE across the District Attorney's Office, Department of Community Justice, Sheriff's Office, and the Local Public Safety Coordinating Council (LPSCC).

The Local Public Safety Coordinating Council (LPSCC) adds a position to provide leadership and subject matter expertise with respect to gun violence responses, as well as assess and coordinate community violence prevention strategies that further the goals of the County.

Additions to the District Attorney's Office focus on equity and marginalized communities with the addition of an equity manager and funding the Justice Integrity Unit Expansion with ongoing funds (previously funded one-time-only as a pilot). Two prosecutors focused on gun violence that were supported by American Rescue Plan funds are now funded with ongoing General Fund.

The Department of Community Justice's funding includes increased capacity for the Habilitation Empowerment Accountability Therapy (HEAT) that serves 18-30 year old men impacted by gun violence and \$3.2 million of one-time funding to renovate two pods (four units) in the Juvenile Detention building to create a safer trauma-informed environment and improve conditions.

Prog. #	Program Offer Name	General Fund Additions	FTE Additions
Local Public Safety Coordinating Council (LPSCC)			
10009C	Transforming Justice Implementation	\$250,000	0.00
10009D	Gun Violence Coordination	<u>175,000</u>	<u>1.00</u>
LPSCC Subtotal		\$425,000	1.00
District Attorney's Office			
15021B	Justice Integrity Unit Expansion	\$275,000	1.56
15023	Equity Leadership	169,273	1.00
15205B	Body Worn Cameras - Expansion	879,313	6.00
15304B	Gun Violence Case Backlog	<u>450,000</u>	<u>2.00</u>
District Attorney's Office Subtotal		\$1,773,586	10.56
Community Justice			
50000B	DCJ Director's Office - Project Manager	\$148,943	1.00
50016B	Adult Services - Senior Manager Section 4	182,397	1.00
50017B	East Campus Security	67,276	0.00
50041	Mental Health Treatment Outreach Program	762,973	0.00
50042	Community Violence Intervention Programs	1,261,570	5.00
50050B	Juvenile Training and Restorative Practices	228,529	1.00
50051B	Juvenile Detention Building Improvements	<u>3,200,000</u>	<u>0.00</u>
Community Justice Subtotal		\$5,851,688	8.00

Public Safety General Fund Additions (cont.)

The Sheriff's Office budget includes new funding for a variety of programs, including additional training and two human resources positions to assist in recruiting. The budget also includes funding for adults in custody to receive two phone calls per week at no cost. This service began in FY 2022 with American Rescue Plan funds but is now funded with ongoing General Fund.

Prog. #	Program Offer Name	General Fund Additions	FTE Additions
Countywide Contingency			
95000	MCSO Body Worn Cameras: Policy/Procedures/Analysis	\$500,000	0.00
Sheriff's Office			
60110B	Additional HR & Backgrounding Staff	220,229	2.00
60250B	Training - Expanded Core Competencies - Sworn	500,000	0.00
60250C	Training- DEI/Leadership/Professional Dev - All Staff/Emphasis on Non-Sworn	189,000	0.00
60305C	Booking & Release Post 3.64 FTE	526,445	3.64
60330H	MCIJ East Control	251,225	1.82
60400B	AIC Phone Calls	120,000	0.00
60430B	Program Supervisor in AIC Programs Unit	129,265	1.00
60430C	Funding for SE Works Program Coordinator	100,000	0.00
60500B	Encryption Package for MCSO Radios	<u>352,082</u>	<u>0.00</u>
Sheriff's Office Subtotal		\$2,388,246	8.46
Public Safety Total		\$10,938,520	28.02

Public Safety General Fund Reductions

Although the table below shows reductions in General Fund programs, both of these programs were funded by other agencies and were reduced based on decisions from those agencies. The reduction in Library facility security began in January 2022 when a new security model was implemented at the Central Library. The reduction in School Resource Deputies (SRD) reflects a decision by the Reynolds School district to remove 1.50 FTE deputies and the Corbett School District to remove 0.35 FTE deputies.

Prog. #	Program Offer Name	General Fund Reductions	FTE Reductions
Sheriff's Office			
60415C	Facilities Security-Libraries	(\$318,702)	(3.00)
60535A	School Resource Deputies	<u>(278,405)</u>	<u>(1.85)</u>
Public Safety Total		(\$597,107)	(4.85)

Public Safety Other Fund Reductions

The Sheriff's Office budget reflects a reduction in the MCIJ Work Crew budget because community partner contracts were not renewed by the City of Portland or Metro. The other significant change is the elimination of the Metro Unit and Illegal Dumpsite Cleanup program.

Prog. #	Program Offer Name	Other Fund Reductions	FTE Reductions
Sheriff's Office			
60432	Adults In Custody Work Crew at MCIJ	(\$686,513)	(3.90)
60330A	MCIJ Dorms 16, 17 & 18	(43,475)	(0.24)
60565	Metro Unit & Illegal Dumpsite Cleanup	<u>(621,014)</u>	<u>(3.45)</u>
Sheriff's Office Total		(\$1,351,002)	(7.59)

Public Safety General Fund Reallocations

The District Attorney's Office reallocated savings from turnover to primarily fund Information Technology and Internal Services. Community Justice reallocated overtime, on-call, and temporary staffing resources to create 5.00 FTE Juvenile Custody Service Specialists in Juvenile Detention to reduce the reliance on ad hoc-staffing strategies and provide increased staffing stability.

Prog. #	Program Offer Name	General Fund Reallocated	FTE Reallocated
District Attorney's Office			
Made this reduction			
Various	Reduced personnel costs due to staff turnover where senior staff are replaced by less experienced staff	(\$708,000)	0.00
To fund these programs			
15002A	Information Technology	280,736	2.00
Various	Salary increases related to new "Lead Deputy"	116,000	0.00
Various	Internal Services	244,792	0.00
15304	Unit D - Violent Person Crimes	<u>66,472</u>	<u>0.26</u>
Total District Attorney's Office Reallocations		\$0	2.26
Community Justice			
Made this reduction			
50054A	Juvenile Detention Services - 40 Beds	(\$490,015)	0.00
To fund this program			
50054A	Juvenile Detention Services - 40 Beds	<u>490,015</u>	<u>5.00</u>
Total Community Justice Reallocations		\$0	5.00

General Government General Fund Additions

General Fund General Government additions include \$26.3 million and 17.33 FTE in Nondepartmental, Department of County Management, Department of County Assets, and Department of Community Services.

The most significant increase to Nondepartmental is \$5.0 million in one-time-only General Fund to support capital expenditures for culturally-specific nonprofit organizations serving communities who have been most impacted by the COVID-19 pandemic. Multnomah County will support community capacity building through physical infrastructure development, land acquisition and improvement, and the costs associated with relocating office spaces, to better serve culturally diverse communities. The Audit Capacity Expansion Adds four auditors and establishes audit teams for public safety and human services. WESP Update Planning and Engagement will update the Workforce Equity Strategic Plan (WESP) with new performance measures extending from 2023 through 2028.

Prog. #	Program Offer Name	General Fund Additions	FTE Additions
Nondepartmental*			
10005B	Auditor Software	\$100,000	0.00
10005C	Audit Capacity Expansion	661,000	4.00
10007B	Communications Coordinator Homeless and Housing Services	165,000	1.00
10007C	Internal Communications Coordinator	165,000	1.00
10007D	Public Records Software	200,000	0.00
10010B	Charter Review Committee Support	50,000	0.00
10010C	Policy & Training Coordinator	80,000	0.00
10017C	WESP Update Planning and Engagement	200,000	0.00
10018B	Climate Justice by Design	50,000	0.00
10018C	Climate Resilience Coordinator	148,000	1.00
10018D	Supporting Community Resilience in East County	175,000	0.00
10020B	RACC - Cultural Planning Process	25,000	0.00
10021B	Courthouse Security	165,000	0.00
10029B	Youth Opportunity and Workforce Development - Expansion	203,870	0.00
10031	Community Capacity Expansion: Physical Infrastructure	5,000,000	0.00
10033	Elected Official Office Transitions	400,000	0.00
10040B	Resolution & Development Coordinator Pilot	190,000	0.00
Nondepartmental Subtotal		\$7,977,870	7.00

*LPSCC is included in Public Safety

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General Government General Fund Additions (cont.)

County Management includes \$3.8 million of new General Funds for Workday support and analysis, recruiter training, and College to County Interns.

Community Services includes \$3.3 million of new funding in the General Fund focused on construction of ADA ramps, expanding elections staffing, voter education and outreach, and a comprehensive update of the Multnomah County Zoning Code in land use planning.

Prog. #	Program Offer Name	General Fund Additions	FTE Additions
County Management			
72000B	DCM Director's Office - COO Professional Services	\$100,000	0.00
72003B	FRM Chief Financial Officer - Admin Support	95,000	1.00
72005B	FRM Purchasing - MMP Contracts + Optimization	250,000	0.00
72008B	FRM Motor Vehicle Tax	175,000	0.00
72013	Capital Planning	150,000	0.00
72017B	Recruiter Training & Capacity Building	622,000	0.00
72022B	HCM Expanded Workday Support	215,000	1.00
72044B	Regional Construction Workforce Diversity Funder Collaborative	200,000	0.00
72046B	FRM Expanded Workday Support - Finance	215,000	1.00
72051	College to County Interns	300,000	0.00
72053	Workday Support - Review & Recommend	1,000,000	0.00
72054	HCM Workday Support Data Mart	215,000	0.00
72055	Contractor Capacity Review	<u>250,000</u>	<u>0.00</u>
County Management Subtotal		\$3,787,000	3.00
Community Services			
90001B	Organizational, Cultural + Equity Support	\$174,881	1.00
90010B	Basic Staffing for Elections	464,975	3.00
90010C	Elections Capacity - Ballot Production	300,000	0.00
90010D	Limited Duration Voter Education & Outreach	123,593	0.00
90010E	Elections Oregon Centralized Voter Registration Implementation	143,566	0.00
90014	Levee Ready Columbia (IGA Obligation)*	50,000	0.00
90018B	Construction of Tier 1 ADA Ramps (1 of 2 years)*	1,450,000	0.00
90021B	Land Use Planning Code Equity Analysis & Update	500,000	0.00
90021C	Land Use Planning Capacity On-call Support	<u>100,000</u>	<u>0.00</u>
Community Services Subtotal		\$3,307,015	4.00

*Funded with Video Lottery funds

General Government General Fund Additions (cont.)

The Department of County Assets' new General Fund provides \$1.0 million for the Countywide Safety and Security Infrastructure program. The General Fund also funds \$1.2 million for the Justice Center Electrical System Upgrade and projects in the Information Technology Capital Fund such as \$5.0 million for the Clarity Extract Database and Reporting System (CEDARS) replacement in the Health Department and \$2.0 million for information technology investments.

Prog. #	Program Offer Name	General Fund Additions	FTE Additions
County Assets			
78003B	Countywide Safety and Security Infrastructure	1,000,000	0.00
78101B	BST Procurement and Contracting Positions	154,772	1.00
78200B	Facilities Administration Position	125,579	1.00
78203B	Facilities Transition to Electric Powered Landscaping	100,000	0.00
78235*	Walnut Park Renovation	200,000	0.00
78202B*	Facilities Operations and Maintenance Position	123,621	1.00
78301A*	IT Innovation & Investment Projects	2,000,000	0.00
78301H*	IT: SQL Server Upgrade Phase 2	300,000	0.00
78330*	IT: Health System CEDARS Replacement	5,000,000	0.00
78329*	IT: Financial Data Mart	400,000	0.00
78301F*	IT: Food Handler Replacement	250,000	0.00
78301G*	IT: Red Cap and Lawlog	250,000	0.00
78311B*	IT General Govt. Application Services Position	75,000	0.33
78233B*	Justice Center Critical Electrical System Upgrade - Bus Duct Replacement	<u>1,200,000</u>	<u>0.00</u>
County Assets Subtotal		\$11,178,972	3.33
General Government Total		\$26,250,857	17.33

*Funded by the General Fund but cash transferred to the respective Internal Service Funds

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 2023 is \$3.29 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 2023 net budget of \$2.64 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 2022 Adopted budget to the FY 2023 Proposed budget at the fund level. Year-over-year, the budget (including internal charges, transfers, and loans) has increased by 16.5%. The increases are due to a variety of factors, the most notable of which are greater than usual Beginning Working Capital (BWC) in the General Fund, increased revenue assumptions and additional carryover for the Supportive Housing and Preschool for All Program Funds, an increase in the PERS Bond Sinking Fund due to adding another \$25 million PERS side account and the additional funding for the Earthquake Ready Burnside Bridge fund.

FY 2023 Budget	
Direct Department Expenditures	\$2,565,187,883
Contingency (All Funds)	<u>\$79,648,429</u>
Total Net Budget	\$2,644,836,312
Service Reimbursements	\$246,793,623
Internal Cash Transfers	\$41,102,019
Reserves	<u>\$361,158,918</u>
Total Budget	\$3,293,890,872

Budget Director's Message

fy2023 proposed budget

Fund Comparison: Year over Year

Fund	Fund Name	FY 2022 Adopted	FY 2023 Proposed	Change	% Change
1000	General Fund	\$721,650,471	\$791,612,069	\$69,961,598	9.7%
1501	Road Fund	70,336,550	77,566,707	7,230,157	10.3%
1503	Bicycle Path Construction Fund	681,476	113,923	(567,553)	-83.3%
1504	Recreation Fund	50,000	40,000	(10,000)	-20.0%
1505	Federal/State Program Fund	411,151,020	375,497,250	(35,653,770)	-8.7%
1506	County School Fund	80,300	80,125	(175)	-0.2%
1508	Animal Control Fund	4,292,080	3,864,186	(427,894)	-10.0%
1509	Willamette River Bridge Fund	45,408,378	50,887,564	5,479,186	12.1%
1510	Library Fund	95,972,034	99,408,174	3,436,140	3.6%
1511	Special Excise Taxes Fund	30,187,210	35,315,375	5,128,165	17.0%
1512	Land Corner Preservation Fund	4,787,919	5,300,439	512,520	10.7%
1513	Inmate Welfare Fund	1,183,702	1,447,151	263,449	22.3%
1515	Coronavirus (COVID-19) Response Fund	171,543,054	153,583,085	(17,959,969)	-10.5%
1516	Justice Services Special Ops Fund	8,579,415	8,013,891	(565,524)	-6.6%
1518	Oregon Historical Society Levy Fund	3,444,440	3,672,039	227,599	6.6%
1519	Video Lottery Fund	6,123,382	7,617,204	1,493,822	24.4%
1521	Supportive Housing Fund	55,887,500	110,124,698	54,237,198	97.0%
1522	Preschool for All Program Fund	96,250,000	191,402,080	95,152,080	98.9%
2002	Capital Debt Retirement Fund	33,499,106	32,195,250	(1,303,856)	-3.9%
2003	General Obligation Bond Sinking Fund	50,435,797	52,773,275	2,337,478	4.6%
2004	PERS Bond Sinking Fund	62,226,220	95,228,611	33,002,391	53.0%
2500	Downtown Courthouse Capital Fund	6,078,931	6,113,978	35,047	0.6%
2503	Asset Replacement Revolving Fund	138,179	521,843	383,664	277.7%
2506	Library Capital Construction Fund	7,507,807	9,729,646	2,221,839	29.6%
2507	Capital Improvement Fund	23,082,966	25,417,037	2,334,071	10.1%
2508	Information Technology Capital Fund	5,494,122	12,699,062	7,204,940	131.1%
2509	Asset Preservation Fund	29,405,586	32,776,869	3,371,283	11.5%
2510	Health Headquarters Capital Fund	1,600,000	260,000	(1,340,000)	-83.8%
2511	Sellwood Bridge Replacement Fund	9,067,929	8,745,172	(322,757)	-3.6%
2512	Hansen Building Replacement Fund	1,377,869	1,000,000	(377,869)	-27.4%

Budget Director's Message

fy2023 proposed budget

Fund Comparison: Year over Year (Continued)

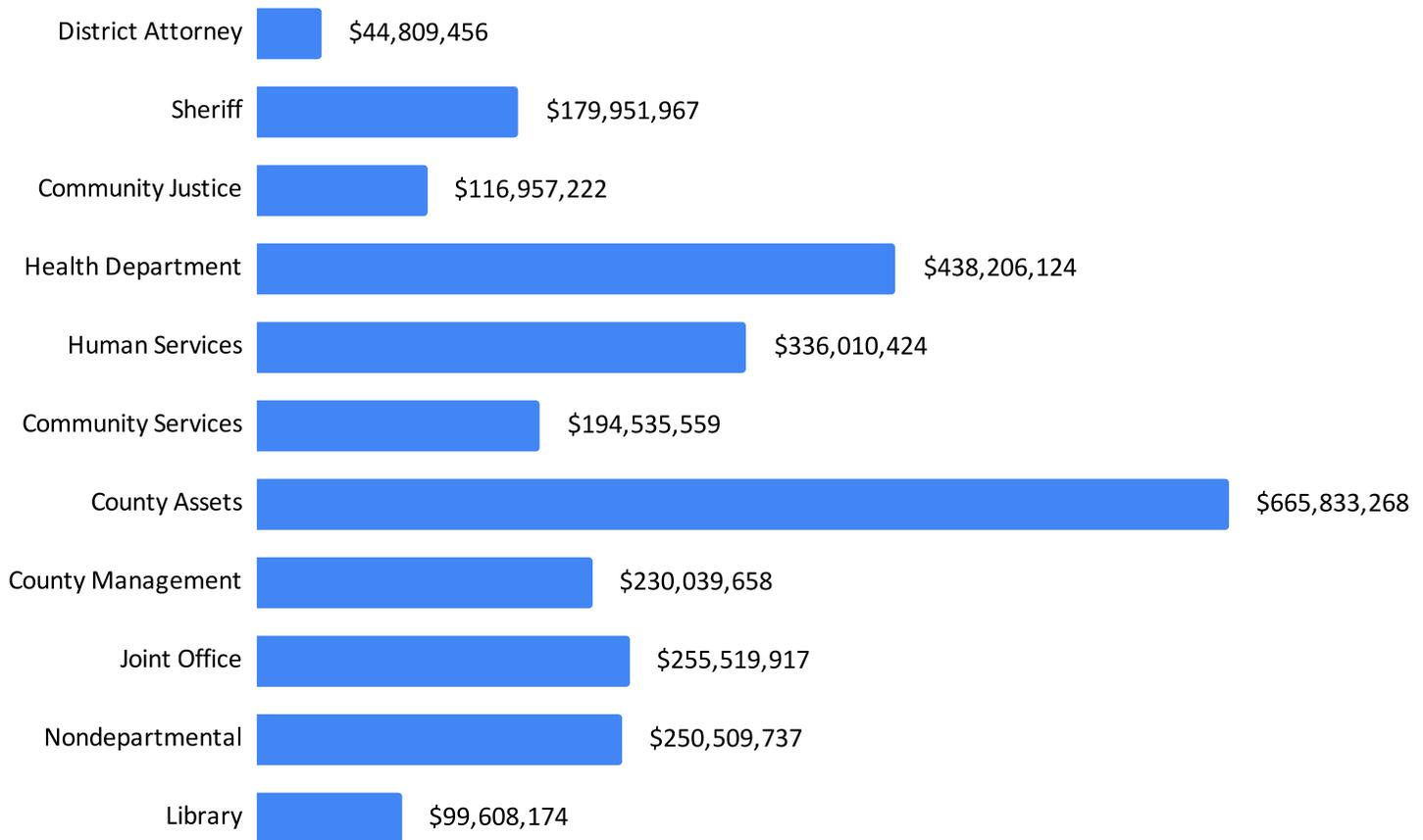
Fund	Fund Name	FY 2022 Adopted	FY 2023 Proposed	Change	% Change
2515	Burnside Bridge Fund	23,558,042	51,085,354	27,527,312	116.8%
2516	Behavioral Health Resource Center Capital Fund	0	20,324,000	20,324,000	NA
2517	Multnomah County Library Capital Construction Fund	436,041,796	416,557,464	(19,484,332)	-4.5%
2518	Justice Center Capital Fund	0	7,100,000	7,100,000	NA
3002	Behavioral Health Managed Care Fund	1,816,997	2,120,076	303,079	16.7%
3003	Health Department FQHC	0	158,088,765	158,088,765	NA
3500	Risk Management Fund	242,193,184	267,126,701	24,933,517	10.3%
3501	Fleet Management Fund	6,686,586	8,167,500	1,480,914	22.1%
3502	Fleet Asset Replacement Fund	9,766,523	10,921,339	1,154,816	11.8%
3503	Information Technology Fund	73,501,445	80,095,948	6,594,503	9.0%
3504	Mail Distribution Fund	4,025,854	4,427,920	402,066	10.0%
3505	Facilities Management Fund	<u>71,508,762</u>	<u>74,869,102</u>	<u>3,360,340</u>	<u>4.7%</u>
Total		\$2,826,622,632	\$3,293,890,872	\$467,268,240	16.5%

Department Expenditures All Funds (\$2.81 billion)

Department expenditures for all funds, excluding cash transfers, contingencies, and unappropriated balances, total \$2.81 billion in FY 2023 vs. \$2.47 billion in FY 2022.

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 Library General Obligation (GO) Bond capital projects and the actual GO Bond financing are budgeted in the Department of County Assets and Nondepartmental (respectively), greatly increasing the size of those departments' budgets.

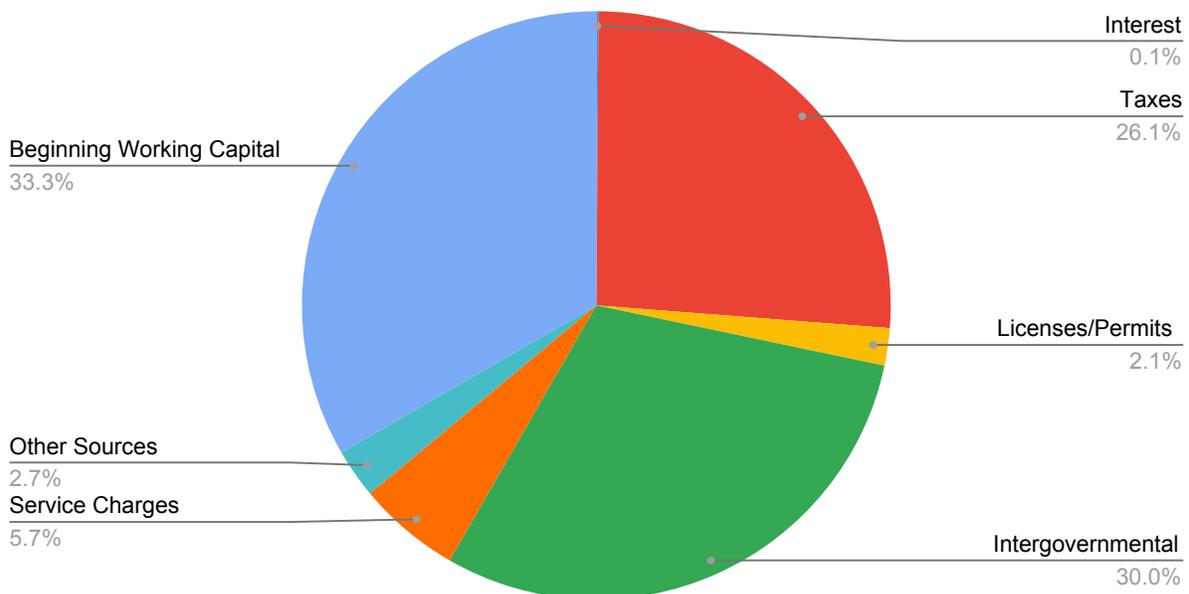


Department Revenues All Funds (\$2.81 billion)

Total direct resources, or "revenues," for FY 2023 are \$2.81 billion vs. \$2.42 billion in FY 2022 (excluding service reimbursements and cash transfers between funds). Intergovernmental revenues are the County's second largest revenue category at \$844.4 million or 30.0%. This reflects a \$98.8 million or 13.3% increase from FY 2022. The increase is mainly due to the Metro Supportive Housing Services revenue and the American Rescue Plan. Intergovernmental revenues include 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 26.1% and include property tax, Business Income Tax, Motor Vehicle Rental Tax, Transient Lodging Tax, and County gas tax. For FY 2023, tax collections are anticipated to increase 1.2% from \$661.1 million in FY 2022 to \$734.9 million.

Beginning working capital (BWC) is the County's largest resource for FY 2023, at \$938.1 million or 33.3%. In dollar terms, BWC increased by \$177.8 million from \$760.3 million in FY 2022 to \$938.1 million in FY 2023. The large increase is due to an increase in General Fund BWC due to higher than expected business income tax collection in FY 2022 and departmental underspending in FY 2021. Overall, the amount remains at higher than normal levels due to the carryover from the Library Capital Bonds. The Library Capital Bonds were issued in January 2021 and most of the bond proceeds will be rolled over to FY 2023. This balance will decrease as project spending increases.

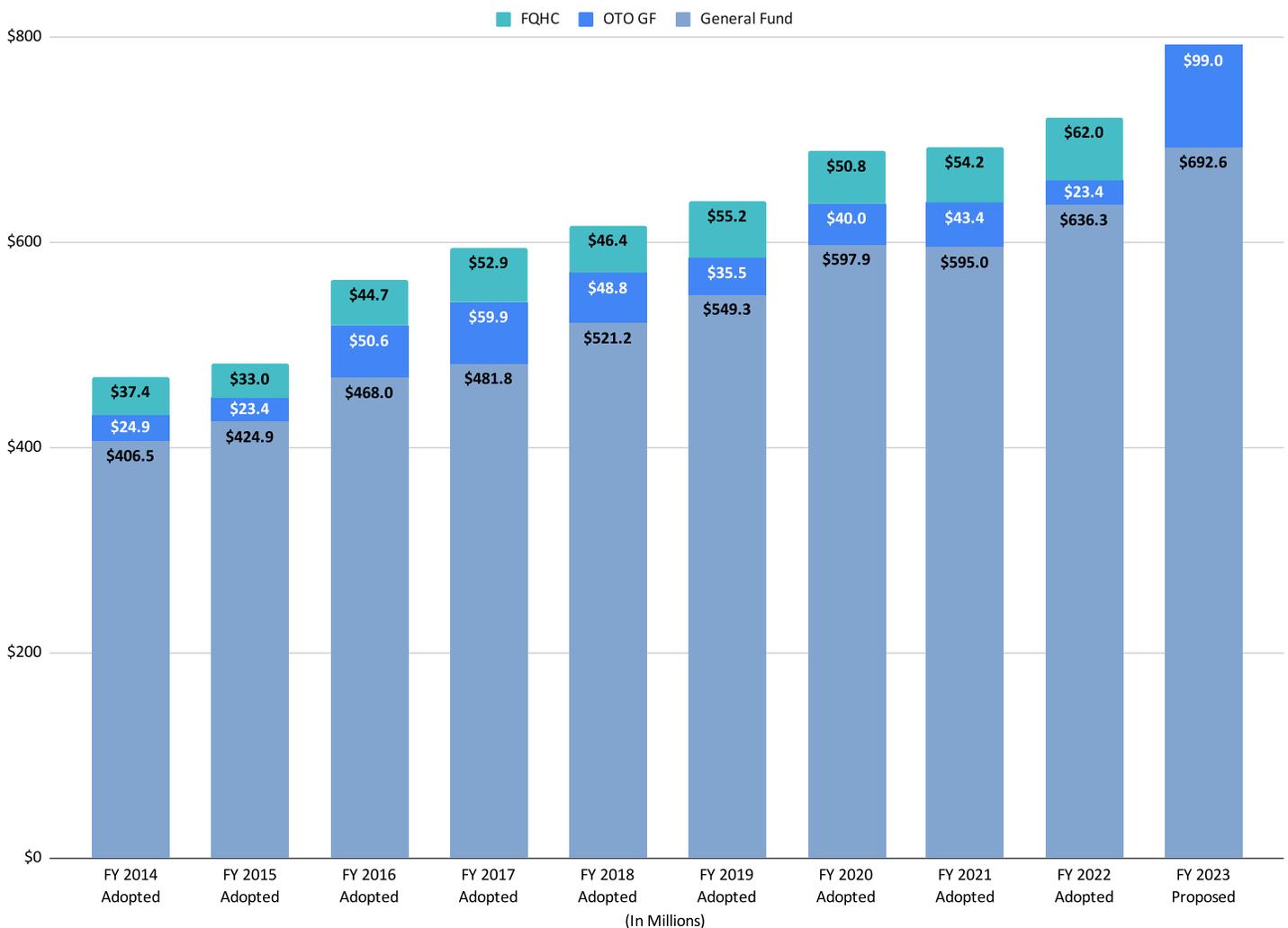


The General Fund

General Fund Expenditures and Reserves (\$791.6 million)

The \$791.6 million General Fund comprises one-quarter 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 (BIT), motor vehicle rental taxes, interest earnings, State shared revenues, and beginning working capital. The General Fund also includes Tax Title Affordable Housing funds in the Joint Office of Homeless Services.

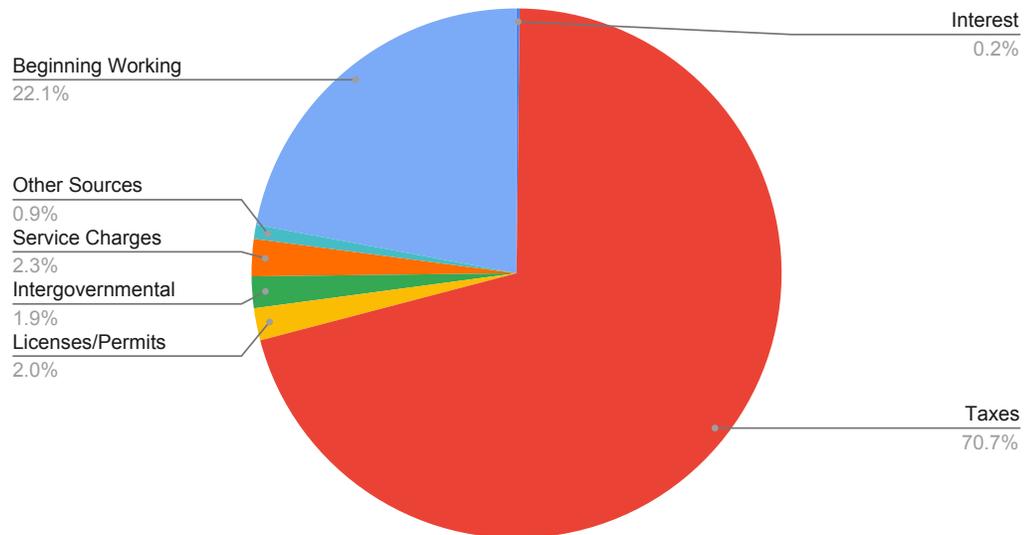
The following graph shows total General Fund "spending," including cash transfers, service reimbursements, contingencies, and unappropriated balances (reserves), from FY 2014 through FY 2023. The graph also shows how much one-time-only (OTO) and ongoing funding was allocated from FY 2014 to FY 2023. Combining each segment provides the total General Fund. The FY 2022 Adopted budget was the last year that the General Fund also included Federally Qualified Health Center (FQHC)/Alternative Payment Method (APM) Medicaid reimbursement funds. In mid-FY 2022, these funds, along with all other FQHC-related funding, were moved to the newly created Health Department FQHC Enterprise Fund for easier reporting.



General Fund Revenues

General Fund resources for FY 2023 (excluding service reimbursements and cash transfers) have increased from FY 2022. Direct resources are budgeted at \$742.4 million – a \$65.9 million or 9.7% increase over FY 2022. The year-over-year increase would actually appear to be even bigger if not offset by the transfer of resources related to the County's Federally Qualified Health Center (\$62.0 million) from the General Fund into a dedicated fund in a FY 2022 mid-year budget action.

As shown in the pie chart below, taxes make up the majority of General Fund revenues. If one excludes Beginning Working Capital (BWC) and service reimbursements, taxes account for nearly all of the Board's discretionary ongoing funds. Property taxes, accounting for \$353.3 million, are budgeted to increase by \$17.2 million or 5.2% due to the end of a large Urban Renewal Area and the return to the tax roll of Assessed Value (AV) above the frozen base. Business income taxes (BIT), accounting for \$136.0 million, are budgeted to be up \$22.7 million or 20.0% due to the faster than expected recovery from the pandemic. Total BIT budgeted in FY 2023 is \$137.2 million which includes \$1.2 million of potential additional collections due to the City's new tax collection software. If these revenues do materialize they will be paid to the City as part of the County's contribution to the software upgrade costs. As such, \$136.0 million is a better reflection of the discretionary BIT revenue available to the County. Motor vehicle rental taxes (MVRT), accounting for \$33.2 million, are budgeted to increase by \$8.2 million or 32.8%. MVRT experienced a significant decline due to the pandemic's impact on travel. The FY 2023 estimate assumes that these revenues have fully recovered.



Use of One-Time-Only (OTO) Funds

One-time-only (OTO) sources of funding are a reality in governmental budgeting. Budgets and actual spending do not perfectly align every year resulting in funding that can be carried forward from one fiscal year to the next. However, it is critically important that those funds are used to support one-time expenditures and reduce the temptation to fund ongoing programs with these limited resources. The Board of County Commissioners has adopted a policy that the County funds ongoing programs with ongoing revenues, and restricts the allocation of one-time revenues to nonrecurring expenditures.

Examples of one time revenues include:

- Proceeds on the sale of capital assets
- Business Income Taxes collected in excess of budgeted revenues
- General Fund ending fund balance in excess of budgeted balance

As the ending balance in the General Fund is typically the largest source of one-time-only resources, it is the policy of the Board that departments may not propose to carryover appropriations from one year to the next.

When the County budgets unrestricted one-time-only resources, the Board's first use is to fund reserves. If reserve requirements have been met, one-time-only resources can be allocated to projects or programs that will not require future financial commitments.

The table on the next page summarizes the \$117.2 million in OTO investments for FY 2023. After excluding the BIT Reserve, video lottery investments, and the restricted Edgefield funds included in the table below, there are a total \$99.0 million in new, one-time investments after fully funding the General Fund and the BIT reserves. The resources supporting these investments include:

- \$77.7 million of additional BWC in FY 2022 from departmental underspending and higher revenues in FY 2021, and November 2022 forecast adjustments. FY 2021 BIT collections above the forecast that were allocated in FY 2022 have been netted out.
- \$3.3 million from March 2022 forecast adjustments.
- \$1.0 million of remaining resources from the Hansen Project and \$0.6 million of remaining resources from the DCJ East County campus project.
- \$12.7 million of remaining resources from FY 2022 BIT allocation process and shelter capital carryover.
- \$3.7 million of FY 2023 surplus treated as OTO to avoid FY 2024 budget shortfall.

Budget Director's Message

fy2023 proposed budget

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

Prog #	Program Name	Dept.	FY 2023 General Fund	FY 2023 Other Funds
10005B	Auditor Software	NOND	100,000	
10007D	Public Records Software	NOND	200,000	
10009C	Transforming Justice Implementation	NOND	250,000	
10010B	Charter Review Committee Support	NOND	50,000	
10010C	Policy & Training Coordinator	NOND	80,000	
10017C	WESP Update Planning and Engagement	NOND	200,000	
10018B	Climate Justice by Design	NOND	50,000	
10018D	Supporting Community Resilience in East County	NOND	175,000	
10020B	RACC - Cultural Planning Process	NOND	25,000	
10021B	Courthouse Security	NOND	165,000	
10031	Community Capacity Expansion: Physical Infrastructure	NOND	5,000,000	
10033	Elected Official Office Transitions	NOND	400,000	
10040B	Resolution & Development Coordinator Pilot	NOND	190,000	
10095	Sustainability - Wood Stove Replacement Pilot	NOND		500,000
10096	Sustainability - Electric School Buses	NOND		500,000
10097	Youth Connect	NOND		1,000,000
25026B	ADVSD Public Guardian/Conservator Data System	DCHS	161,844	
25121B	YFS - Cooling Support	DCHS	1,270,740	
25121C	YFS - Wood Stove Replacement	DCHS	274,292	
25133B	YFS - Homeshare - Connect to Rooms in Private Homes	DCHS	250,000	
25136B	YFS - Refugee Resettlement Agencies - Support for I-693	DCHS	250,000	
25157	YFS - East Multnomah County Resilience Hub	DCHS		100,000
25160C	YFS - SUN Community Schools Database Setup	DCHS	95,000	
25160D	YFS - DSVCO Data and Evaluation Services HMIS Setup	DCHS	25,000	
30005D	Equity-Focused System Development & Capacity Hiring & Retention	JOHS	250,000	
30010	Administration and Operations - Strategic Capital Investments	JOHS	15,000,000	
30200B	Safety off the Streets - LGBTQIA2S+ Housing Forum & Engagement	JOHS	50,000	
30202C	Safety off the Streets - Alternative Shelter Adults - Staffing	JOHS		307,754
30208A-B	Safety off the Streets - Emergency Shelter Strategic Investment	JOHS	12,400,000	16,350,000
30210B	Safety on the Streets - Navigation & Service Coordination Expansion	JOHS	2,675,000	1,425,000
Various	City of Portland commitment to ongoing JOHS programs	JOHS		6,592,453

Budget Director's Message

fy2023 proposed budget

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

Prog #	Program Name	Dept.	FY 2023 General Fund	FY 2023 Other Funds
40040C	Behavioral Health Billing Support	HD	242,082	
40052C	New Medical Examiner- Vehicle	HD	27,000	
40096C	Future Generations Collaborative	HD	15,000	
40105A	Behavioral Health Resource Center (BHRC) - Day Center	HD		477,039
40107	Rockwood Health Center Capital Improvement	HD	2,000,000	
40108	IT Business System Analyst	HD	690,852	
50041	Mental Health Treatment Outreach Program	DCJ	762,973	
50051B	Juvenile Detention Building Improvements	DCJ	3,200,000	
60500B	Encryption Package for MCSO Radios	MCSO	352,082	
72005B	FRM Purchasing - MMP Contracts + Optimization	DCM	250,000	
72008B	FRM Motor Vehicle Tax	DCM	175,000	
72013	Capital Planning	DCM	150,000	
72017B	Recruiter Training & Capacity Building	DCM	622,000	
72044B	Regional Construction Workforce Diversity Funder Collaborative	DCM	200,000	
72053	Workday Support - Review & Recommend	DCM	1,000,000	
72054	HCM Workday Support Data Mart	DCM	215,000	
72055	Contractor Capacity Review	DCM	250,000	
78003B	Countywide Safety and Security Infrastructure	DCA	1,000,000	
78304B	Radio System Replacement	DCA		1,505,000
90010C	Elections Capacity - Ballot Production	DCS	300,000	
90010D	Limited Duration Voter Education & Outreach	DCS	123,593	
90010E	Elections Oregon Centralized Voter Registration Implementation	DCS	143,566	
90014	Levee Ready Columbia (IGA Obligation)*	DCS	50,000	
90018B	Construction of Tier 1 ADA Ramps (1 of 2 years)*	DCS	1,450,000	
90021B	Land Use Planning Code Equity Analysis and Update	DCS	500,000	
90021C	Land Use Planning Capacity Building Resources for On-call Support	DCS	100,000	

* Some or all of the OTO funds for this program are budgeted in Video Lottery Fund (1519)

Budget Director's Message

fy2023 proposed budget

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

Prog #	Program Name	Dept.	FY 2023 General Fund	FY 2023 Other Funds
95000	General Fund Contingency	Countywide		
	~ Balance of Edgefield Proceeds (Restricted)		3,353,689	
	~ MCSO Body Worn Cameras		500,000	
	~ BHRC Contingency		2,775,000	
	~ Add'l Contingency for COVID-19 Uncertainty		2,000,000	
	~ CGF Reserve/Future Financial Planning		5,383,530	
	~ BIT Reserve/Future Financial Planning		1,360,000	
95000	General Fund Cash Transfers	Countywide		
	~Walnut Park Renovation (78235)		200,000	
	~Facilities Operations and Maintenance Position (78202B)		123,621	
	~IT Innovation and Investment Projects (78301A)		2,000,000	
	~SQL Server Upgrade Phase 2 (78301H)		300,000	
	~CEDARS Replacement (78330)		5,000,000	
	~Financial Data Mart (78329)		400,000	
	~Food Handler Software Replacement (78301F)		250,000	
	~Red Cap and Lawlog (78301G)		250,000	
	~IT General Government Applications Services (78311B)		75,000	
	~Justice Center Critical Electric Upgrade (78233B)		1,200,000	
	~Additional PERS Side Account (10028)		25,000,000	
95000	BIT Reserve at 10%		<u>13,600,000</u>	
Total One-Time-Only			\$117,176,864	\$28,757,246

General Fund Reserves

The County maintains General Fund reserves as outlined in the County's Financial and Budget Policies equal to 10% of ongoing "corporate" General Fund revenues – resources that the Board has wide discretion over. The General Fund reserves for FY 2023 are \$53.8 million. The level of General Fund reserves is considered a fundamental measure of financial health. The FY 2023 budget continues to maintain a 10% Business Income Tax (BIT) Stabilization Reserve of \$13.6 million in addition to the General Fund reserve. This reserve is specifically for mitigate the risk of an unexpected downturn in the regional economy.

In FY 2023, the County is budgeting additional contingency as part of a multi-year plan to raise the percent set aside as reserve for both the General Fund and BIT Reserves. For the General Fund, \$5.4 million and \$1.4 million are budgeted in contingency which is enough to increase the General Fund and BIT reserves to 11%, respectively, if the Board chooses to allocate this funding as reserves.

Policy Issues and Opportunities

COVID-19

The FY 2023 Proposed budget is based on the best information available at the time of development. The last two budgets were developed during a time of unprecedented uncertainty. During the transition to COVID-19's endemic phase, significant unknowns remain as community needs continue to evolve and available resources (and their constraints) continue to change.

As the Local Public Health Authority, Multnomah County plays a leading role in the COVID-19 response. In addition to the work of coordinating the response, COVID-19 and the associated economic impacts have increased the demand for County safety net services, while also disrupting County operations. Frontline County employees continued to work directly with the community throughout the pandemic, while employees who had switched to teleworking began either returning to the office or piloting a more permanent teleworking structure in October 2021. The Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act and American Rescue Plan have provided resources to support the COVID-19 work, but the disruption caused by the pandemic and economic contraction will continue beyond this new funding.

Both the health and economic impacts of COVID-19 have fallen disproportionately on communities of color. The County's response has been culturally-specific and has targeted resources to communities hardest hit by both the virus and the economic contraction. The County will continue to provide an equity lens to all policy decisions. The County will remain diligent and focused on serving the most vulnerable in our community and maintain essential services.

American Rescue Plan (ARP)

In March 2021, Congress passed the American Rescue Plan (ARP), which provided resources to the County to continue its COVID-19 response. The County will receive \$157.6 million in a direct allocation, which must be spent by December 2024.

The County received an initial allocation of \$78.9 million in FY 2022, and the FY 2023 budget includes the second \$78.9 million allocation, as well as carryover from FY 2022. The County also received additional funding for vaccine distribution, rent assistance, and other County services through existing allocation mechanisms or indirectly from other government entities. From the beginning of the pandemic, the County has worked to transparently allocate these new resources in alignment with its core values.

For more information about the County's approach to allocating these resources, see the Chair's Budget Message.

Gun Violence and Community Prevention

To address the local increase in gun violence, the FY 2023 budget includes investments using a public health approach, which focuses on identifying root causes, leveraging community strengths, leaning on partnerships with the community, and recognizing the role of systemic racism in who community violence impacts most. The programs focus on upstream interventions designed to reduce risk factors and support individuals, families, and communities most impacted. For more information about the County's approach to Gun Violence prevention, see the Chair's Budget Message.

New Voter Approved Initiatives (Year 2)

In 2021, local voters passed two new taxes and approved a General Obligation (GO) Bond that increased revenues and expanded services for key County programs. FY 2023 will be the first full year for revenue collection.

Metro Supportive Housing Services Measure (SHS Measure) - \$107.1 million

FY 2023 is the second year of a new Metro business income tax and personal income tax on high-income households that will fund an expansion of permanent supportive housing programs. The FY 2023 Proposed budget includes \$107.1 million of SHS Measure-funded supportive housing programming in the Joint Office of Homeless Services, which partners with other County departments and community providers on coordination and implementation. This is an increase of \$54.0 million over the FY 2022 Adopted budget, and includes \$90.8 million in projected FY 2023 revenues and \$16.3 million in carryover. SHS Measure revenues are expected to increase to over \$100 million annually over the next couple of years. These revenues will fund critical shorter-term, equity-focused investments in outreach, shelter, and prevention services; maintain housing capacity created in FY 2022; add hundreds of new units of supportive housing and rapid rehousing; and expand investments in cross-departmental housing-focused programming in other County departments.

Preschool for All - \$191.4 million

Multnomah County voters also passed a new personal income tax on high-income households to fund universal preschool. The FY 2023 Proposed budget includes \$112.0 million in new funding from FY 2023 tax collections. The remaining resources come from carryover from FY 2022 which seeds the program's revenue smoothing set aside to address expected future deficits. Over the full implementation of the program, revenues and expenses are aligned, but there are individual years in which expenses are expected to exceed revenues. The money saved during the early years of Preschool for All (PFA) implementation, when slot numbers remain lower, will be used as "revenue smoothing" dollars to ensure that PFA can provide consistent levels of high-quality preschool experiences for Multnomah County families. Applications for the first round of preschool slots opened in Spring 2022 and the first students will be in classrooms in FY 2023. Eligibility will expand over the course of several years, before reaching universal coverage.

State of Oregon Funding

State Ballot Measure 110 Funding

Behavioral Health Resource Center (BHRC)

Multnomah County - Library GO Bond \$416.6 million

Multnomah County voters passed a General Obligation Bond that will fund capital projects for Multnomah County Libraries. Voters approved over \$387 million in new bonding capacity, which will fund eight Library renovations and redevelopments including a new East County Flagship Library. The Bond will also fund the creation of a new Central Sorting Center, the expansion of Automated Materials Handling (AMH) in the Library branches, and improvements in all Library branches. The total budget includes the contingency funds available through the bond issuance process which are not currently anticipated to be used but are available to use in the event of unexpected costs, which is why the total budget exceeds the voter-approved bonding capacity.

At the outset of the pandemic, the State of Oregon was forecasting a massive drop in revenues, setting up the need for immediate cuts. Federal interventions, in particular the expanded unemployment benefits, prevented the worst outcomes from being realized. Following the initial dire forecast update, revenue estimates have been adjusted upward. While revenue expectations still remain below pre-pandemic levels in some cases, the County's State Funding shortfall has been more mild than initially expected. Both personal and corporate tax revenues at the State level have exceeded expectations, and the State has received its own direct ARP allocation. One area of uncertainty is related to Ballot Measure 110 (BM 110).

Ballot Measure 110 decriminalized the possession of small amounts of a variety of drugs and re-dedicates various State funding streams to drug treatment programs. The ballot measure directly impacted County revenues by decreasing the State's marijuana revenue distribution to counties, but also changed the funding structure of the existing treatment system. As of the release of the FY 2023 Proposed Budget, the vast majority of BM 110 funding has not been dispersed which has impacted community service providers. Although the Ballot Measure 110 funding is uncertain, the FY 2023 budget for the Behavioral Health Resource Center assumes \$2.8 million of BM 110 funding. See the following section for more information.

Scheduled to finish construction and open for operations in fall 2022, the BHRC will be a low-barrier day space, behavioral health shelter, and transitional housing site for homeless individuals. The FY 2023 budget includes \$20.3 million of capital to finish construction and \$7.5 for operating the facility once it opens. The operating budget consists of \$2.2 million of General Fund and \$5.3 million of Other Funds (\$4.3 million in the Health Department and \$1.0 million of Supportive Housing Services funding in the Joint Office). The Other Funds assumes \$2.8 million of Ballot Measure 110 funding, which has been delayed (see above). Because of this uncertainty, the budget includes a safety net of \$2.8 million of one-time General Fund contingency that can be used if the State funding is reduced or delayed.

Homelessness & Housing Affordability

Homelessness and Housing Affordability

The County partners with the City of Portland through the Joint Office of Homeless Services (JOHS) to implement a collective approach to preventing and ending homelessness. In response to the COVID-19 pandemic, the Joint Office has taken on additional critical work leading efforts to protect people experiencing homelessness from the potentially devastating impact of the pandemic.

In addition to dramatically expanding housing options through investments of the SHS Measure funding, the Joint Office is proposing to make an unprecedented commitment to the development and operation of a wide range of shelter options, as well as to the wrap-around services people in shelter need to transition to permanent housing. Using a combination of City and County general funds, SHS Measure funds, American Rescue Plan Act (ARP) funds, Visitor Development Funds (VDF), and State resources, the Joint Office is committing more than \$100 million in capital and operations funding to a record number of congregate, motel, and alternative shelters, serving adults, including adults with serious behavioral health challenges, families with children, domestic violence and sexual assault survivors, and youth. While much of this new capacity will be year-round, the budget also includes allocations for seasonal shelter and severe weather shelter capacity.

Shelter Capital Investments

The FY 2023 budget proposes to invest an unprecedented \$52.9 million in emergency shelter capital funding. These funds are estimated to expand the County's capacity in congregate and non-congregate emergency shelter sites, as well as alternative shelter sites, by between 300 to 420 beds for projects in progress, plus additional beds as more properties are acquired or renovated.

Workforce Equity Strategic Plan (WESP)

Workforce Equity Strategic Plan (WESP)

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 Black, Indigenous and other 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.

In March 2021, the County's Inclusively Leading with Race Design Team presented a letter to the Board that summarized their work, outlined the continued need to lead with race in the County's transformation process, and suggested specific steps that departments and employees can take to incorporate these practices into their work.

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 2023 budget continues the prioritization this organization has placed upon creating an environment of safety, trust, and belonging for all employees. The FY 2023 budget includes new funding to begin the process of planning for the next phase of the WESP. More information about this work is available at <https://multco.us/safety-trust-and-belonging-workforce-equity-initiative>.

Personnel Costs

Merit, Step, and COLA Wage Increases

The backbone of the County has been and continues to be its workforce, which rose to the occasion during the pandemic and continued to provide critical services in the community. 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 Cost of Living Adjustments (COLA) of 4.0% and merit or step increases, for all represented labor groups as outlined in the County's labor contracts. The County is currently in negotiations on eight labor contracts representing the majority of County employees. Changes to the status quo assumptions will impact the personnel cost increases in FY 2023 and beyond.

Public Employees Retirement System (PERS)

The County participates in the Public Employees Retirement System (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 rates taking effect July 1, 2021 based on the December 31, 2019 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, 2020 valuation, the County's unfunded actuarial liability was \$720 million due to these reforms not being upheld. In the 2020 Oregon Legislative Session, a PERS reform package (Senate Bill 1049) was passed that changed the path of expected PERS rate increases. From a forecasting perspective, SB 1049 has two provisions that were intended to significantly reduce PERS rate increases: reamortization of the existing unfunded liability, and the creation of individual employee stability funds. The latest General Fund forecast assumes the County reached its top rate in FY 2022, subject to ongoing PERS investment portfolio performance.

The County has also established four \$25 million PERS side accounts in FY 2017, FY 2018, FY 2019, and FY 2020. The FY 2023 includes funding for a fifth \$25 million side account. Additionally, the County has received \$8.5 million in matching funds established by SB 1049 based on FY 2019 and FY 2020 side account contributions, and it is anticipated that additional matching funds will become available.

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>.

Investing in Infrastructure

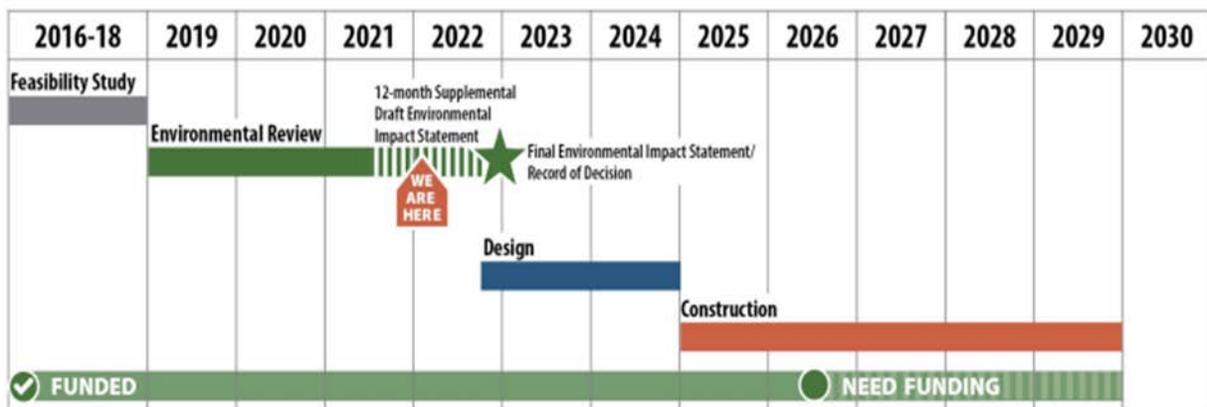
Burnside Bridge

Information and Technology and Facilities Capital
 Due in part to the greater than usual amount of one-time-only resources available, the FY 2023 budget includes a variety of IT and Facilities Capital investments that will improve services and create ongoing savings well into the future. For a full list of projects and descriptions, see the Capital Budget section of the budget.

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 needs rehabilitation or replacement in order to ensure it can meet its obligation to serve as the lifeline corridor. In response, the Board approved Resolution 2018-114 to create a seismically resilient Burnside Bridge project.

In FY 2023, this program will support the completion of the National Environmental Policy Act (NEPA) phase of the project in the summer of 2022. The beginning of the design phase is expected to start October 2022. Approximately 30% of the design will be completed by the end of FY 2023, along with preliminary right of way activities. The budget assumes \$25 million in new Full Faith and Credit debt issuance financed with vehicle registration fee (VRF) revenue to move into the design phase. Current estimated costs to complete 100% design are \$128 million. The County continues to track Federal, State and regional funding options for this project as significant funding gaps remain. More project information can be found at <https://multco.us/earthquake-ready-burnside-bridge>.

Project Timeline



Future Budget Pressure

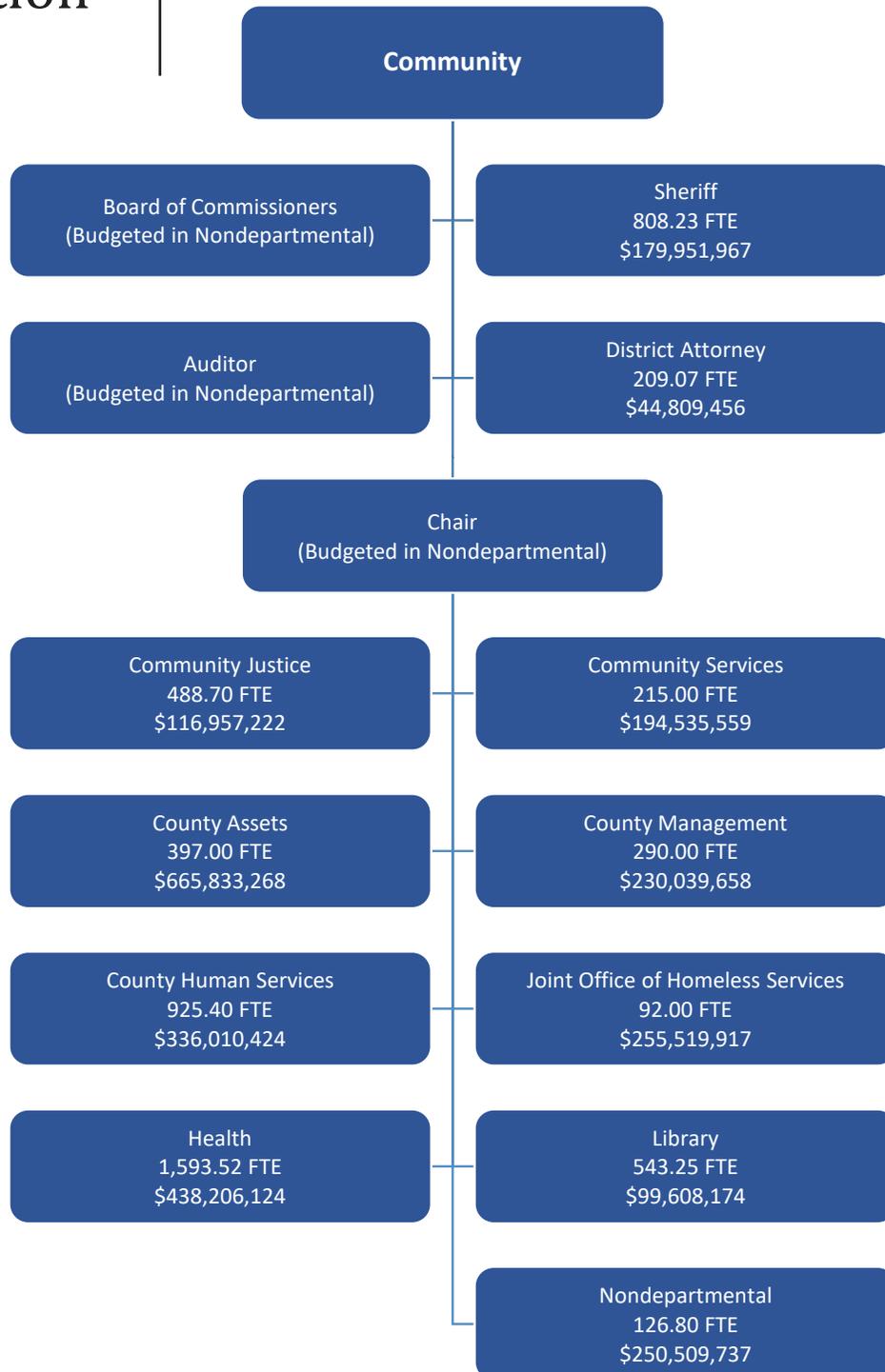
As the economy emerges from the pandemic, supply chain issues, employment shortages, and inflation have created a drag on economic growth. The unemployment rate is low and household incomes remain above the pre-pandemic trend, but the Federal Reserve's planned measures to bring inflation under control increase the risk of recession in the near- and medium-term.

Revenue – The County's property tax revenue is inherently stable, but the pandemic impacts will continue to work through the system for several years. The current forecast assumes that delinquency will be elevated and remain elevated through FY 2024. Assessed Value (AV) growth rate is expected to decline starting in FY 2023 due to a combination of factors, including a decrease in large-scale construction projects across the City of Portland, which will be offset by the increase in AV due to the end of several large Urban Renewal Areas. The business income tax (BIT) revenues were unaffected by the pandemic. Revenue collections have become increasingly concentrated, and the County is reliant on a smaller number of large corporations. The forecast assumes that the current level of corporate profits is unsustainable and that FY 2023 revenues will be slightly below FY 2022 collections. Motor vehicle rental tax (MVRT) is correlated with passengers deplaning at the Portland Airport, which was down more than 90% year-over-year at the beginning of the pandemic, and its recovery is contingent on virus mitigation. 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 is currently at the highest levels recorded in decades. Due to Oregon's property tax structure, a period of sustained, high inflation will quickly change the financial outlook. The forecast assumes that inflation remains elevated through FY 2024 before returning to normal levels. 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. FY 2023 healthcare costs increased by 2.0%. At the time of the release of this budget, eight labor contracts are currently under negotiation.

Multnomah County Organization Chart

Multnomah County delivers its services through 11 departments, including two managed by independently elected officials: Mike Reese, Sheriff; Mike Schmidt, District Attorney; and Jennifer McGuirk, County Auditor whose office resides in Nondepartmental. There are 5,688.98 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 work has continued while County staff have been challenged by the pandemic at work and home, and have navigated the uncertainty around reopening. Nonetheless, everyone stepped up and continued the hard work of the County. And thank you to our community members who take time to participate in the budget process and shape our services.

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 and Chief of Staff Kim Melton, and the County's Chief Operating Officer Serena Cruz. I also want to extend my sincere appreciation to the department leaders 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, Shannon Gutierrez, Ching Hay, Leah Isaac, Dianna Kaady, Aaron Kaufman, Ashlye Manning, Jeff Renfro, Erin Russell, Chris Yager, and to the Evaluation and Research Unit: Jillian Girard and Alison Sachet.

It is an honor to work with the dedicated people who serve our County.

Christian Elkin
Multnomah County Budget Director