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Introduction

The County's budget is our policy playbook, guiding how we make investments in the communities where we live, work, and raise our families. The County's budget tells our story in terms of services and community investments in a way that is not captured in the financial statements. Our budget describes what is important to the organization, how the County envisions supporting our mission and vision, and how it provides value to the community. The budget investments reflect the County's shared values and represent a commitment to programs and services that our community members depend on.

The COVID-19 pandemic and the crisis response are receding along with the influx of federal funding through the American Rescue Plan. The good news is that the world has seen a remarkable mitigation of the health impacts of COVID-19. The bad news is that – as the pandemic recedes, and the associated policies and funding expire, we are still facing underlying socioeconomic factors that deeply impact our community. As the economy transitions to a more normal state of affairs and other fiscal parameters return to their pre-COVID trajectories, the County will continue to respond to emerging community needs. The impacts of COVID-19 and its effects on our community will linger for the foreseeable future, requiring County programming to adapt and for available resources to be used thoughtfully and efficiently.

The County's \$3.5 billion budget reflects its commitment to addressing these urgent community needs through services running from homeless services, health care, early learning opportunities, responding to increased gun violence, and running elections. Beyond the numbers, it reflects Multnomah County's core goal to provide our community and employees with a sense of safety, trust, and belonging.

Over the last two decades, the County has been forced to address growing community needs with declining resources. Oregon's constitutional property tax limitations prevent the County's largest source of discretionary revenues from keeping up with inflation in most years. This creates a "structural deficit," necessitating reductions in staff and services. The termination of several large Urban Renewal Areas (URAs) and the return of their associated assessed value to the tax rolls created higher than normal revenue growth and the opportunity to expand programming. This partially came to pass with increased investments in the FY 2023 budget, but inflation and rising personnel costs have quickly changed the financial outlook for the County.

Multnomah County's starting point for the FY 2024 budget was a \$2.6 million deficit in the General Fund, which required departments, other than the Joint Office of Homeless Services, to apply a 1.5% constraint to their current service levels and limited the ability of the Chair to consider including new programs in the budget. This budget also includes a steep decline in Federal pandemic-related resources. During the pandemic, the County has used Federal support to create or expand programming that the community has come to rely on. Without the Federal funding, the most successful programs needed to be moved to the General Fund to preserve their services.

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 budget also includes an initial investment in designing what the next phase of the WESP and the County's equity efforts will look like.

Beyond the response to the urgent issues of today, the County continues to build out programs which will transform the community in the future. FY 2024 will be the third year of both Preschool for All and the Metro Supportive Housing voter-approved initiatives. Students began attending preschool with Preschool for All support in FY 2023, and in FY 2024 available slots will be expanded to 1,400 on the way to full universality over the next decade. Metro SHS funds will fund approximately 1,500 supportive housing units and capacity to create housing placements out of shelters and connect community members with services.

This budget also supports the County's staff and creates increased stability in anticipation of future financial challenges. The FY 2024 budget includes the second year of employee retention incentives using one-time-only (OTO) General Fund resources. This budget also allocates one-time-only resources to pay off the final year of the debt service for the County's new Enterprise Resource Planning (ERP) system, freeing up capacity for programming in both the General Fund and Other Funds. Finally, the County used one-time-only resources to increase the General Fund and Business Income Tax (BIT) Reserves to 12% of anticipated revenues. This is part of a multi-year effort to increase the reserves to 15%, which is in line with best practices and will help the County to preserve programming during future economic downturns.

Policy Direction from the Chair & Balancing the General Fund

The FY 2024 budget was developed during a transition of leadership from Chair Kafoury to newly elected Chair Vega Pederson. Both Chair Vega Pederson and Chair Kafoury hold an abiding belief that Multnomah County's values are foundational to who we are as an organization and how we show up for the people we serve. The transition in leadership had no bearing on what is expected from the department's budget proposals. The department's budget proposals are expected to clearly reflect the County's commitment to creating and advancing equity and justice; to strengthen the health, safety and stability of our community members; and to do so with integrity, creativity and wise stewardship of taxpayer dollars.

Despite the recovery of the County's revenues following pandemic impacts, the County anticipates a budget deficit for FY 2024 due to an uncertain and rapidly shifting national landscape and inflation-fueled cost increases, meaning that we will be unable to continue all of the County's current programming. And because of the dynamic environment, it is difficult to nail down the extent of the deficit. The good news, however, is that the following years look more promising as expiring Urban Renewal Areas (URAs) increase ongoing revenues. Still, the deficit immediately ahead will require the County to take a measured, strategic approach to General Fund proposals, especially in light of the expiration of federal stimulus funds that have allowed us to reach and respond to myriad community needs that emerged during, and because of, the pandemic.

The Chair directed all departments to submit a 1.5% reduction from current service level, with the exception of the Joint Office of Homeless Services, based on the County's FY 2024 General Fund forecast and the ending of the American Rescue Plan funding from the federal government. Departments could ask for restorations of reductions.

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

- **Centering Equity** – Addressing the ever-present disparities that harm our communities is at the core of Multnomah County's work. It's essential for us to center equity and be intentional about the tools, resources and processes we use to develop our budgets. It's imperative that we use data to understand how we are meeting our goals, be thoughtful and transparent when referencing who we serve, and remain mindful of our impact. Gathering and listening to feedback from all stakeholders is key to the success of what we do. Program offers are one important way that the public is able to learn about what Multnomah County does, what we value, what we invest in and how we benefit the community. It is important that all offers are thoughtfully reviewed and not a duplicate of the previous year. To aid departments in this work, the Office of Diversity and Equity developed the Budget Equity Tool including templates and trainings.

- **American Rescue Plan (ARP) Act Federal Funds** – In FY 2023, the County allocated our second and final large tranche of ARP funding. Though the needs in the community and in our organization remain high as a result of the ongoing pandemic, this funding source will not be available at scale in FY 2024 to maintain the ARP-funded programs. There are limited underspent funds available for ramp down. As departments prepared their budgets, they were directed to plan thoughtfully about next steps for ARP-funded programs. Options included preparing for the funding to go away on June 30, pursuing a ramp down plan, or seeking other ways to maintain or sustain the work.
- **General Fund Human Services Contractors** – The COVID-19 pandemic has highlighted the critical partnerships we have with our human services contractors. We must continue to improve how we promote integrity, flexibility and equity in the ways we allocate resources and work together. Departments were instructed to provide a 5.0% cost-of-living adjustment (COLA) for General Fund human services contractors in FY 2024, unless there were other contractual considerations. An allowance for this COLA was included in the General Fund target allocations.
- **Reducing Ongoing Internal Service Costs through Countywide ERP Debt Reduction** – The Chair decided to use one-time-only General Funds to pay the final year of the \$6.7 million Enterprise Resource Planning (ERP) debt. The Department of County Assets removed the ERP debt from the FY 2024 IT rate allocations, creating ongoing countywide capacity in the General Fund and capacity for the departments in the Other Funds.
- **Investing Resources from Voter-approved Initiatives** – The County continues to develop and expand programs that are funded through the voter-approved initiatives: the Metro Supportive Housing Services Measure, Preschool for All and the Multnomah County Library General Obligation Bond. Since these funding sources involve multiple departments, the Central Budget Office created specific guidance that departments followed to ensure that the approach to these services is consistent with the overall goals for the initiatives. In addition, there was dedicated time in the budget preparation process to discuss the strategy and proposed investments for each of these funding streams.

The Chair's Message provides additional information on her policy initiatives; it can be found at <https://www.multco.us/budget/fy-2024-chairs-proposed-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 provided \$350 billion in additional funding for state and local governments navigating the impact of the COVID-19 outbreak. Of this total funding, Multnomah County received a total direct allocation of \$157.8 million. The ARP direct funds were 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.

Entering into the final year of spending for the American Rescue Plan funding, we are planning for a reduction of \$113 million or 72% in both the County's direct allocation and the City, State and other Federal direct allocations which are shown in the table below.

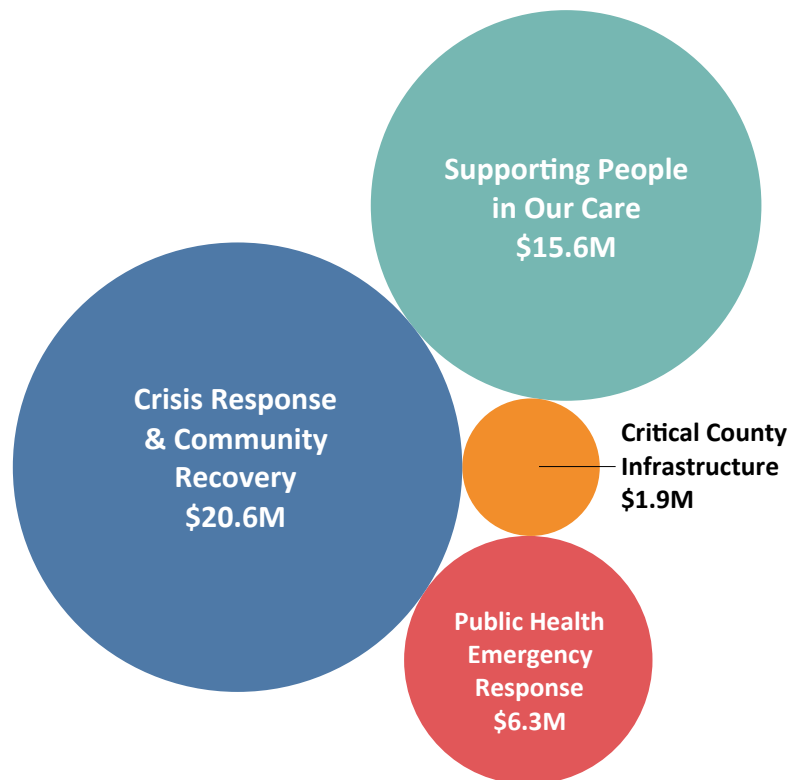
American Rescue Plan/COVID-19 Resources	FY 2023 Adopted	FY 2024 Proposed
American Rescue Plan - Direct County Allocation*	\$89,644,715	18,400,000
Public Health - State & Federal	8,164,835	5,299,499
Rent Assistance - Federal	5,567,357	0
Rent Assistance - State	16,489,544	0
Aging Services - Federal	754,593	577,300
Housing & Homeless Services - Federal	9,417,525	0
Housing & Homeless Services - City of Portland	8,261,000	0
Safe Rest Villages - City of Portland	3,711,333	14,864,912
American Rescue Plan - State	2,320,000	1,600,000
Energy Assistance and Weatherization - Federal	3,984,538	1,762,843
Roads & Transportation - Federal	1,580,000	1,930,000
ICS Federal Health Center Funding	<u>8,075,272</u>	0
Total ARP Funding	\$157,970,712	\$44,434,554

*FY 2023 included the second tranche of the Multco direct ARP plus \$10.7 million in carryover from FY 2022. The FY 2024 Multco direct ARP is underspending from FY 2023.

When allocating the Multnomah County Direct ARP funding, the County focused on five priority areas and is listed in priority order:

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

The \$44.4 million in resources is shown below by priority area:



Local Public Health Authority and Safety Net Provider

The pandemic 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 support. Across the Country these efforts have been incredibly successful in mitigating the spread

of the virus and controlling the impacts of COVID-19. This significantly reduces the investments in the COVID-19 specific public health response. The County will continue to focus its public health investments on long term disease management efforts.

Safety Net Provider

The majority of the final year of the Federal assistance will go towards serving the most vulnerable people in our community. These communities continue to be disproportionately impacted by COVID-19. Throughout the crisis, Multnomah County has had the unique local responsibility of both leading the public health response 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, including with one-time-only General Funds. 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. Additionally, the pandemic has created the need for expanded investments to respond to acute COVID-19 impacts, older adults, those experiencing child abuse, domestic and sexual violence, and those impacted by increased gun violence in our community.

Continuation of Emergency Rent Assistance Program (ERAP)

In the FY 2023 adopted budget, through partnerships with the State and the City, the County provided over \$45 million in rent assistance to over 8,300 households. As this funding declines at the State and Federal level, the County is committing nearly 75% or \$13.6 million of the total direct funding for Rent Assistance. 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 initially resulted in unprecedented numbers of layoffs and furloughs, leading to even deeper racial disparities and challenges to pay rent and remain stably housed.

The table on the next page details the FY 2024 ARP funding by department and program. It also denotes the Multnomah County (Multco) direct ARP and other local/state/federal ARP. Additionally, ARP includes 46.43 FTE supported by this limited term funding. Typically, the County would fund temporary or limited duration positions with short term funding instead of regular FTE; however because the funding expires in December of 2024 just beyond the two years designated for limited duration positions, per our labor agreements, some of the positions were converted to FTE. For information about a specific program, please see Volume 2, the 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.

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American Rescue Plan Funding by Department

Prog. #	Program Offer Name	FY 2024 Multico Direct ARP	FY 2024 Local, State & Fed ARP	FY 2024 Total ARP Investments	Total ARP FTE
Nondepartmental					
10095	Sustainability - Wood Stove Replacement Pilot	\$0	\$500,000	\$500,000	
10096	Sustainability - Electric School Buses	0	500,000	500,000	
10097	Youth Connect	<u>0</u>	<u>600,000</u>	<u>600,000</u>	
	Total Nondepartmental	\$0	\$1,600,000	\$1,600,000	
County Human Services					
25399B	ARP - Multnomah Mothers' Trust Project (MMTP)	1,350,000	0	1,350,000	1.00
25399C	ARP - Domestic Violence Services	813,784	0	813,784	2.00
25399S	ARP - YFS Food Security / Pantry Enhancement	179,235	0	179,235	
25490B	ARP - Emergency Rent Assistance	8,078,059	0	8,078,059	
25490C	ARP - YFS Rent Assistance Team Staffing Capacity	1,921,941	0	1,921,941	17.00
25491	COVID-19 Energy & Housing Services	0	1,762,843	1,762,843	
25492A	COVID-19 ADVSD OAA ARP	<u>0</u>	<u>577,300</u>	<u>577,300</u>	
	Total County Human Services	\$12,343,019	\$2,340,143	\$14,683,162	20.00
Joint Office of Homeless Services					
30902	ARP - COVID-19 - Expanded Hygiene Access	750,000	0	750,000	
30905	ARP - COVID-19 - Outdoor Physical Distancing Shelters & Safe Rest Villages	0	14,864,912	14,864,912	3.00
30907	ARP - COVID-19 Emergency Rent Assistance	<u>3,611,270</u>	0	<u>3,611,270</u>	
	Total Joint Office of Homeless Services	\$4,361,270	\$14,864,912	\$19,226,182	3.00
Health Department					
40199B	ARP - Public Health Communicable Disease Community Immunization Program	0	1,718,068	1,718,068	8.88
40199T	Public Health CDC COVID-19 Health Disparities	0	2,623,098	2,623,098	4.50
40199U	Public Health REACH COVID-19/Flu Vaccine Supplement	0	825,000	825,000	3.05
40199X	ARP - Public Health Gun Violence	449,082	0	449,082	3.00
40199Y	Early Assessment and Support Alliance (EASA) COVID-19 Stimulus Funding	<u>0</u>	<u>133,333</u>	<u>133,333</u>	<u>1.00</u>
	Total Health Department	\$449,082	\$5,299,499	\$5,748,581	20.43
Sheriff's Office					
60989	ARP - Child Abuse Team Detective	172,845	0	172,845	1.00
60990	ARP - Civil Process – Reducing Community Violence Involving Firearms	358,536	0	358,536	2.00
60997	ARP - MCIJ Dorm 5	<u>715,248</u>	<u>0</u>	<u>715,248</u>	
	Total Sheriff's Office	\$1,246,629	\$0	\$1,246,629	3.00
Department of Community Services					
90016	Transportation Supplemental Appropriations Act (CRRSAA)	<u>\$0</u>	<u>\$1,930,000</u>	<u>\$1,930,000</u>	
	Total American Rescue Plan Funding	\$18,400,000	\$26,034,554	\$44,434,554	46.43

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Preserving Essential County Services

As the American Rescue Plan funding expires, we continue to see high needs in the community and that are persistent impacts resulting from the pandemic and the uneven economic recovery. We also recognize that many of the programs funded with ARP are providing valuable and needed services and need to be prioritized alongside the more traditionally funded General Fund programs as part of the budget process. The County is working at the state and federal level to ensure we pursue all avenues for ongoing funding related to mitigating the long term impacts of COVID-19 in our community - from communicable disease to housing stability.

The FY 2024 budget continues to evaluate the need for programs initially designed to serve the community during the pandemic. This has resulted in over 20.64 FTE and \$29.8 million of County General being invested in these critical services over the last two years. The following programs were transferred from American Rescue Plan funding to the General Fund due to the critical and long term need for the services.

Dept.	Prog. #	Program Offer Name	County General Fund	FTE	Ongoing or OTO
FY 2023 Adopted					
MCDA	15304B	Gun Violence Backlog	\$450,000	2.00	Ongoing
DCHS	25131C	YFS - Eviction Prevention Support	400,000		Ongoing
Health	40000D	COOP Emergency Coordination	155,455	1.00	Ongoing
Health	40108	IT Business System Analysts	690,852		OTO
DCJ	50041	Mental Health Treatment Outreach	762,973		OTO
DCJ	50042	Community Violence Intervention Programs	1,261,570	5.00	Ongoing
MCSO	60400B	Adults in Custody Phone Calls	120,000		Ongoing
MCSO	60430B	Program Supervisor: Adults in Custody Program Unit	129,265	1.00	Ongoing
MCSO	60430C	SE Works Program Coordinator	<u>100,000</u>		Ongoing
Total FY 2023 Adopted			\$4,070,115	9.00	
FY 2024 Proposed					
NOND	10012B/C	Logistics & Warehouse	\$1,376,842		OTO
NOND	10018B	Food Access Focus	400,000		OTO
MCDA	15102B	Domestic Violence Case Management OTO	195,805	1.00	OTO
MCDA	15304B	Unit D - Gun Violence Case Management	373,134	2.00	Ongoing
MCDA	15304C	Unit D - Gun Violence Case Management OTO	373,134	2.00	OTO
JOHS	30209	COVID-19 Emergency Response - Shelter Operations	17,041,210	3.00	OTO
JOHS	30210	COVID-19 Emergency Response - Culturally Specific Outreach	446,250	0.00	OTO
Health	40069B	Old Town Inreach	1,100,000		OTO
Health	40109	Behavioral Health - Continuing COVID Response	586,793		OTO
Health	40110	Gun Violence Impacted Families Behavioral Health Team	1,214,400		OTO
MCSO	60330J	MCIJ Dorm 13	905,391	3.64	Ongoing
DCM	72060	Future of Work Planning	1,500,000		OTO
DCM	72061	Labor Relations Expanded Support	<u>215,000</u>		OTO
Total FY 2024 Proposed			\$25,727,959	11.64	
Total General Fund			\$29,798,074	20.64	

Planning for FY 2024

Financial Context

The Federal Reserve's efforts to return inflation to normal levels is starting to strain the economy and expose problems that had been masked by years of low interest rates and easy money. In March 2023, Silicon Valley Bank suddenly failed. The Federal Reserve and Treasury aggressively interceded in the economy to contain further bank runs. Even after this financial disruption, the Federal Reserve still increased rates by an additional 0.25% (and signaled further increases were still to come) in a sign that reducing the rate of inflation remains the top priority. Headline inflation has declined for several months, but core inflation (rate of inflation excluding energy and food prices) remains stubbornly high and the low unemployment rate continues to give workers leverage to bargain for higher wages. The likelihood of a recession resulting from increasing interest rates remains elevated.

While the macroeconomic outlook remains uncertain, the tight labor market has left households in a strong financial position. The unemployment rate has risen slightly but remains low by historical standards. Inflation has eaten into real wage gains but households have more in their bank accounts and have lower credit card debt than before the pandemic. This increase in income has led to record levels of collections for the County's income based taxes: Business Income Tax, Preschool for All Income Tax, and Metro's Permanent Supportive Housing Business and Personal Income Taxes (Multnomah County receives a portion of these collections).

Because of Oregon's Constitutional Property Tax limitations, Multnomah County is vulnerable to prolonged periods of high inflation. Property Tax is the County's largest General Fund revenue source by a significant margin, but does not grow as fast as personnel costs when inflation is high. This structural deficit means that over time, the County expects its expenses to grow faster than its revenues. With inflation at its highest levels in 40 years, this process is supercharged. 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 expected surpluses associated with this increase in revenue were offset by increases in personnel cost following the most recent round of bargaining. Sustained inflation could quickly change the outlook, and the County's structural deficit can be masked by new property tax revenues temporarily 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 nearly 5,800 County full time equivalent employees (FTE) providing services ranging from health care and law enforcement to bridge maintenance and elections in FY 2024.

As the community's social safety net provider, 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. S&P noted the County's "strong management, with good financial policies and practices" and the County's strong budgetary performance and flexibility.

Beginning in FY 2023, the County began a multi-year process of increasing both its General Fund and BIT reserves. The FY 2024 budget increases both reserves from 11% to 12%. Increasing the reserve targets has the benefit of bringing the County in line with evolving best practices and providing greater stability during economic downturns. This is part of a long-term goal to increase the reserves to 15%.

The following pages of the FY 2024 budget contain more information on the County's financial picture and operational and investment plans. The County's budget information for FY 2024, as well as past years, can be found at: www.multco.us/budget.

Economic Climate

Multnomah County revenues are correlated with macroeconomic conditions, but the specifics of individual revenues create opportunities for divergence. As the Federal Reserve has increased interest rates and parts of the economy continue to return to normal following the pandemic, the outlook for revenue growth is strong despite the increasing likelihood of recession. Specifically, increasing interest rates will cool new property development, but Oregon's constitutional limitations on property tax collections already limit growth. New development increases property tax revenue on the margin, but the tax revenue for most properties will increase by 3% per year regardless of the amount of new development. Corporate profits (the basis of the County's Business Income Tax (BIT) collections) reached record highs during the pandemic. In 2022, these profits fell but remained well above historical standards. The employment level does not directly impact County revenues, but challenges related to worker shortages mean that firms will be motivated to push off potential layoffs for as long as possible. The macroeconomic factor that the County is most exposed to is the level of inflation. The County's labor contracts tie annual cost of living adjustments (COLAs) to official measures of inflation, and drives expenditure trends. Due to constitutional property tax limitations, property tax revenues will not keep pace with high inflation. Sustained, high inflation will push the County into deficit in the medium term.

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 3.2% and 2.6% in the last two quarters of 2022. Economic growth remains strong, driven by increasing household consumption.

The Housing Market

The increase in interest rates have directly impacted house prices across the County. Higher borrowing costs mean that potential buyers have a lower maximum offer price in order to keep monthly mortgage costs flat. As measured by the S&P Case-Shiller Home Price Index for the Portland metropolitan area, home prices decreased by 0.6% during 2022. The West Coast, in particular, saw a pronounced decrease in house prices last year. Applications for permits for new multifamily housing projects from the City of Portland's Bureau of Development Services decreased during the pandemic due to uncertainty. 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.

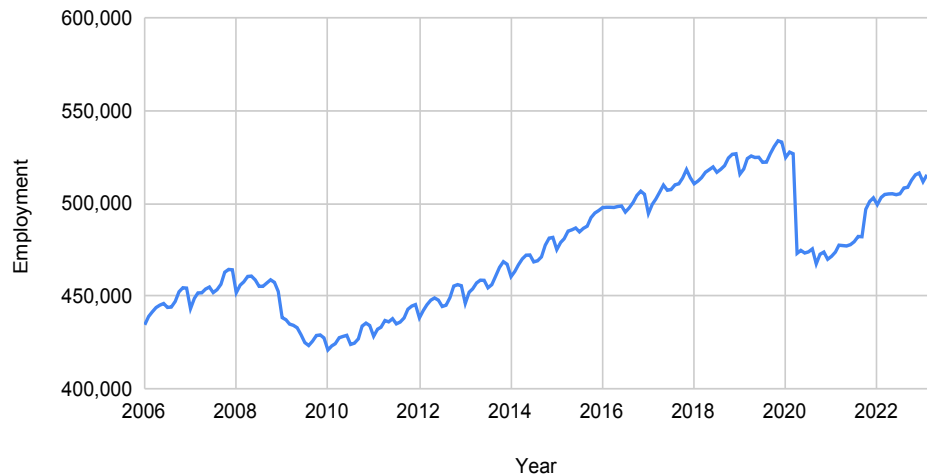
Population

According to Census data released in March 2023, in 2022 Multnomah County lost population for the second year in a row. The decline of 10,510 people was driven by domestic outmigration which was partially offset by international immigration. During the pandemic and recovery, urban cores around the country saw declines in population. Housing affordability will present a challenge to population growth recovery in the most expensive metro areas.

Employment

As of February 2023, the U.S. unemployment rate stood at 3.6% vs. 3.8% a year earlier. For Oregon, the February 2023 rate was 4.7% vs. 3.7% a year earlier. In Multnomah County, the unemployment rate remained unchanged at 4.2%, relative to last year. With nonfarm employment in Multnomah County at 518,200, employment levels are roughly 19,700 or 3.7% lower than pre-pandemic levels. Job growth in Multnomah County has been faster than the national average, but like many other metro areas around the country, employment remains below pre-pandemic levels.

Multnomah County Nonfarm Employment (Not Seasonally Adjusted)



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. While headline inflation has decreased in response to the Federal Reserve increasing interest rates, core inflation remains stubbornly high. According to the CPI-W West Size A (which measures inflation in large cities in the Western US), year-over-year inflation in February 2023 was 5.8% compared to 7.9% a year earlier. The Federal Reserve has slowed the rate of increases, but if the decrease in inflation slows, additional rate increases may be necessary which would increase the risk of recession.

CPI-W West Size A



Forecasting the General Fund

More information about the forecast can be found at <https://www.multco.us/budget/fy-2024-economic-forecasts-and-financial-overview>.

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 2024 budget process, a \$2.6 million deficit was forecast for the General Fund. The Budget Office's March 2023 five-year forecast was unchanged for FY 2024, and becomes a \$10.6 million deficit in FY 2028. There are several factors driving forecast changes:

- 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 2024, 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.
- In FY 2023, several of the County's largest bargaining units settled on new contracts. In response to high inflation, most County employees received COLAs or market adjustments well above the previous assumptions for personnel cost increases. These personnel cost increases offset the expected surpluses
- The forecast assumes that inflation remains higher than usual through FY 2025. Because personnel represents the County's biggest cost driver, sustained inflation would quickly change the out years of the forecast.
- In the March 2023 forecast update, the FY 2025 BIT assumption was updated to include a return to growth. The possibility and timing of a future recession would change the BIT assumptions and impact the forecast.

Table 1: Forecasted Ongoing General Fund Expenditures, Revenues, and Balance

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Revenues	672,116,652	704,076,479	729,283,575	756,275,443	782,092,135
Expenditures	672,204,720	701,050,741	728,417,305	755,127,457	791,117,000
Ongoing Surplus/(Deficit)	(88,068)	3,025,738	866,270	1,147,985	(9,024,865)
BHRC Ongoing Funding Gap	(2,500,000)	(5,650,000)	(5,876,000)	(6,111,040)	(6,355,482)
November Forecast with BHRC	(2,588,068)	(2,624,262)	(5,009,730)	(4,963,055)	(15,380,347)
<i>BIT Revenue Change</i>	0	8,824,745	7,725,983	6,479,882	6,803,876
<i>FY 2025 COLA Increase to 3.5%</i>	0	(1,820,646)	(1,893,472)	(1,969,211)	(2,047,979)
March Forecast with BHRC	(2,588,068)	4,379,837	822,781	(452,383)	(10,624,450)

Note: Revenues/Expenditures include video lottery, but excludes reserves and one-time resources

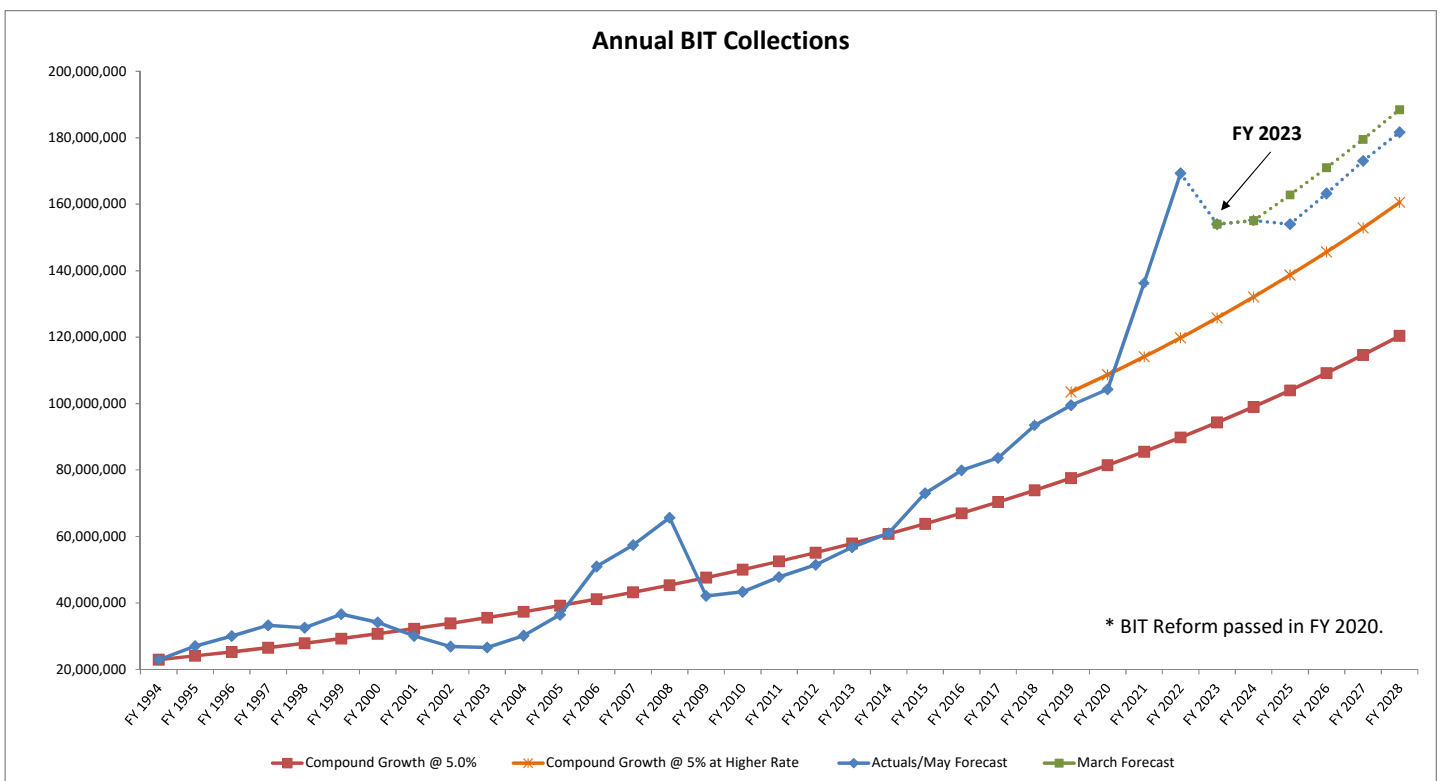
Local Revenues

Property tax is the single largest discretionary source of revenue in the General Fund, accounting for approximately 66% of ongoing corporate revenues. General Fund growth, therefore, is particularly sensitive to taxable value growth and compression. As measured from the FY 2023 Adopted budget, ongoing General Fund resources for FY 2024 are projected to increase by 9.8%.

The FY 2024 budget assumes the following rates of growth (as measured from the FY 2023 Adopted budget) for each revenue source:

- Property Tax – An increase of 9.7%
- Business Income Tax (BIT) – An increase of 13.1%
- Motor Vehicle Rental Tax – An increase of 2.0%
- Recording Fees/CAFFA Grant – A decrease of 18.4%
- U.S. Marshal Jail Bed Rental – Unchanged

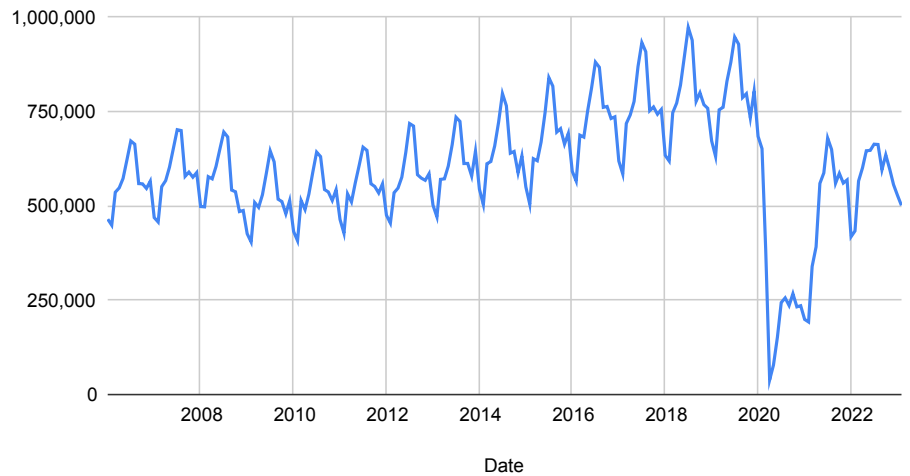
The following graph shows historical Business Income Tax (BIT) revenues and the current forecast through FY 2028 (solid line). Three recessions are shown on the graph, which followed separate paths of decline (or no decline in the most recent case). The recession at the beginning of the century played 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.



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.

Beginning in early 2022, revenues have started to rapidly improve. As of FY 2023, revenues have fully recovered. While deplaned passengers at PDX are still below pre-pandemic levels, motor vehicle rental revenue has been helped by rental car shortages pushing up prices and overall inflation.

PDX Domestic Deplaned Passengers



Cost Drivers

The County's General Fund expenditures are forecast to grow at roughly 3.6% to 4.8% annually through FY 2028, a rate of growth that takes into account inflation, employee compensation, and long-term fixed costs. For FY 2024, the cost of providing current service levels is expected to grow at 7.5%. The growth is driven by personnel costs, which are forecast to grow at 8.7%. Specifically, the personnel cost increase is driven by:

- Cost of Living Adjustment (COLA): 5.8% (of base pay)
- Step/Merit Increases/Contract Adjustments: 3.4% (of base pay)
- Medical/Dental: 6.0%
- PERS: -0.12% (of base pay)

Going into FY 2023, several of the County's largest bargaining units had open contracts. Previous contracts had capped the annual Cost of Living Adjustment (COLA) at 4.0%. With measures of inflation remaining stubbornly high, the County negotiated a higher COLA of 5% for both FY 2023 and FY 2024. The FY 2024 Proposed Budget is the first budget to reflect these higher increases. The new contracts also featured a variety of increases in premium and incentive payments across the bargaining units.

Annual increases of the County's pension costs via the Public Employees Retirement System (PERS) have moderated since the passage of SB 1049, the PERS reform bill. The County's annual PERS costs are a significant portion of overall personnel costs (over 25% of base pay), but no longer increase by 2% or more every year. 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 \$474.9 million as of the December 2021 valuation, which is significantly lower than the \$719.7 million UAL in the previous valuation thanks in part to strong investment returns.

The County's PERS rates are set biennially, and FY 2024 is the start of a new biennium. The County has historically "smoothed" the internal rates it charges to departments to provide predictability, stability, and mitigate risk. For the last several biennia, PERS rates have risen steadily, and there was some amount of certainty about the need to increase rates over time due to the large unfunded liability. During the 2020 Oregon Legislative Session, SB 1049 was passed, which was intended to slow the growth of PERS rates. Based on these reforms, the County reached its top rate in FY 2022, subject to ongoing stock market performance.

For FY 2024, the rates charged to departments are decreased by 0.12% 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 2024 without impacting the ability to make future debt payments.

More information on PERS can be found at www.oregon.gov/PERS and in the County's Annual Comprehensive Financial Report, which is located at <https://multco.us/finance/financial-reports>.

For FY 2024, internal service rates charged to departments for items such as information technology and facilities services are assumed to increase 1.6%. As the County's internal services are heavily labor dependent, the increase was originally projected to be 6.3%. These cost increases were offset by using one-time-only resources to make the final ERP debt service payment.

Overview of Additions, Reductions and Reallocations

Countywide Additions

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

The table below shows \$9.5 million of General Fund additions for the entire County. First, \$2.2 million is set aside in contingency to provide service providers an additional 3% above the 5% originally assumed. Second, the Business Income Tax (BIT) reserve and General Fund reserve were increased from 11% to 12%. This is part of an effort to increase the reserves over time to 15%.

Countywide Investments	General Fund Addition
Human Service Contract Increase - Contingency	\$2,175,000
Business Income Tax Reserve Increase to 12%	1,550,712
General Fund Reserve Increase to 12%	<u>5,809,190</u>
Total	\$9,534,902

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Human Services General Fund Additions

The table below shows additions to Human Services General funds of \$35.6 million and 9.00 FTE. The most significant additions to the Joint Office of Homeless Services is \$17.0 million and 3.00 FTE of one-time-only General Funds for COVID-19 shelter operations, \$9.75 million of one-time-only General Fund for Housing and Homeless Capital and \$1.92 million one-time-only General Fund for Cultivate Initiatives - Mobile Shower & Hygiene Response and Workforce Cleaning Brigade. County Human Services was increased by \$1.3 million and 3.00 FTE. It includes \$267,987 in ongoing General Fund to maintain 4 existing SUN Community School sites in the Centennial and Gresham-Barlow school districts. These sites were previously funded by Federal grants that end in June 2023. It also provides \$244,283 in one-time-only funding to fund two limited duration staff that support the Woodstove Replacement program. This is the second year of this program and it replaces wood stoves, fireplaces and fireplace inserts for cleaner, more efficient options such as new furnaces or heats pumps for people that live in Multnomah County.

Prog. #	Program Offer Name	General Fund		
		Ongoing	OTO	FTE
Joint Office of Homeless Services				
30005A	Equity-Focused System Development & Capacity Building		\$1,050,000	
30010	Housing and Homeless Capital		9,750,000	
30100A	System Access, Assessment, & Navigation		100,000	
30208A	Safety off the Streets - Emergency Shelter Strategic Investment		1,800,000	
30209	COVID-19 Emergency Response - Shelter Operations		17,041,210	3.00
30210B	Safety on the Streets - Navigation & Service Coordination		887,407	3.00
30210C	COVID-19 Emergency Response - Culturally Specific Outreach		446,250	
30400B	Supportive Housing - SHS		1,227,673	
30600	Employment Programs		<u>1,927,380</u>	
Joint Office of Homeless Services Subtotal		\$0	\$34,229,920	6.00
County Human Services				
25118B	YFS - Infrastructure - Expand Staff Capacity	\$287,244		2.00
25121B	YFS - Woodstove Replacement		244,283	
25131D	YFS - Expungement and Legal Services Days		262,500	
25133B	YFS - Housing Stability Team: 1.00 FTE Eviction Prevention Specialist	151,437		1.00
25145B	YFS - Maintain 4 Existing SUN Community School Sites	267,987		
25147B	YFS - Summer Meal Expansion	29,000		
25160B	YFS - SUN Database Cost Increase	<u>78,000</u>		
County Human Services Subtotal		\$813,668	\$506,783	3.00
Human Services Total		\$813,668	\$34,736,703	9.00

Human Services General Fund Reductions

Due to an anticipated increase in Medicaid funding, the Department of County Human Services reduced the Medicaid match by \$1.3 million in the Aging, Disability, and Veterans Services Division (ADVSD). This reduction has no impact on client programs or FTE. They also eliminated the Long Term Rent Assistance (LTRA) program, funded by the General Fund. It can be funded with Metro Supportive Housing Services dollars in the Joint Office of Homeless Services and Regional LTRA vouchers.

Prog. #	Program Offer Name	General Fund Reductions	FTE Reductions
County Human Services			
Multiple	ADVSD - All Medicaid Programs - reduce Medicaid Match	(\$1,267,519)	
N/A	YFS - Long Term Rent Assistance (LTRA)	(150,000)	
25160A	YFS - Data and Evaluation Services	<u>(177,964)</u>	<u>(1.00)</u>
Human Services Total		(\$1,595,483)	(1.00)

Health Department General Fund Additions

The Health Department is one of the County's largest and most complex departments. The largest investment is in the Behavioral Health Resource Center (BHRC), which will provide critical support and services to houseless individuals. The FY 2023 budget assumed the BHRC would open mid-year, and this investment is needed to operate for the entire fiscal year. The budget also includes new revenue from opioid settlements, which is being used to fund the Behavioral Health Emergency Coordinating Network (BHECN) and to backfill a state reduction in harm reduction funding.

Prog. #	Program Offer Name	General Fund		FTE
		Ongoing	OTO	
Health Department				
40040D	Behavioral Health Finance Billing		\$228,142	
40052B	Medical Examiner State Backfill	125,000		
40061B	Harm Reduction - Opioid Settlement Investment	280,000		1.00
40069B	Old Town Inreach		1,100,000	
40105C	Behavioral Health Resource Center (BHRC) - Day Center CGF Support	2,500,000		
40107	Corrections Health Staff Augmentation	1,211,108		6.60
40108	BHECN - Behavioral Health Emergency Coordinating Network	2,000,000		
40109	Behavioral Health - Continuing COVID Response		586,793	
40110	Gun Violence Impacted Families Behavioral Health Team		1,214,400	
40111	Culturally Specific Mental Health Workforce Development		<u>150,000</u>	<u>0.00</u>
Health Total		\$6,116,108	\$3,279,335	7.60

Health Department General Fund Reductions

The table below shows where reductions were taken across the Health Department. The reductions include the Healthy Home Asthma Services and Head Start Nurse consultation. The Head start program will absorb the costs of these nursing programs. The asthma services are incorporated into the other home visiting programs in Public Health.

Prog. #	Program Offer Name	General Fund Reductions	FTE Reductions
Health Department			
40000	Director's Office	(\$94,650)	
40040A	Financial & Business Management	(209,269)	(2.00)
40046	Operations	(51,352)	
40085	Adult Addictions Treatment Continuum	(150,890)	
40065	Behavioral Health Division Administration	(180,000)	
40050A	Corrections Health Multnomah County Detention Center (MCDC)	(39,440)	(1.00)
Various	Home and Community Based Consulting	(509,816)	(3.00)
40060	Community and Adolescent Health	<u>(124,710)</u>	
Health Total		(\$1,360,127)	(6.00)

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 22% of these programs' total budget.

Prog. #	Program Offer Name	FY 2024 BWC Amount	Total Budget
Health Department			
40065	Behavioral Health Division Administration	\$753,578	4,141,864
40068	Behavioral Health Quality Management	<u>1,102,651</u>	<u>4,237,604</u>
Total		\$1,856,229	\$8,379,468

Health Department General Fund Reallocations

The Health Department made a variety of reallocations. The most significant was reducing Corrections Health's overtime and temporary budgets to fund 10.00 FTE to prevent instances of mandatory overtime.

Prog. #	Program Offer Name	General Fund Reallocated	FTE Reallocated
Health Department			
Made these reductions			
40000	Director's Office	(\$14,909)	
40039	Human Resources	(238,706)	(2.00)
40046	Operations	(185,790)	(1.00)
40050A	Corrections Health MCDC	(98,632)	(1.00)
40051	Corrections Health MCIJ Clinical Services	(286,090)	(0.80)
Various	Corrections Health Temporary and Overtime	(1,487,791)	
40060	Community and Adolescent Health	(259,965)	(1.75)
40070	Mental Health Crisis Assessment & Treatment Center	(92,000)	
40077	Mental Health Medication and Treatment for Uninsured	(500,000)	
40097	Parent, Child, and Family Health Management	(113,029)	(1.00)
To fund these programs			
40065	Behavioral Health Division Administration	51,012	0.10
40080	Community Based Mental Health Services for Children & Families	182,084	1.00
40002 & 40052	Health Officer/Medical Examiner	231,797	1.00
40050A	Corrections Health MCDC	151,689	1.00
Various	Corrections Health Community Health Nurses	1,487,791	10.00
40041	Medical Accounts Receivable	262,572	2.00
40046	Operations	466,287	2.00
40040	Financial & Business Management	<u>443,680</u>	<u>3.00</u>
Total Health Reallocations		\$0	12.55

Public Safety General Fund Additions

General Fund Public Safety additions include \$12.8 million and 21.64 FTE across the District Attorney's Office, Department of Community Justice, Sheriff's Office, and the Local Public Safety Coordinating Council (LPSCC).

Additions to the District Attorney's Office include General Fund backfill to continue programs focusing on prosecuting gun violence and domestic violence, which have seen a significant increase since the beginning of the COVID-19 pandemic. The District Attorney's Office budget also includes new one-time-only funding for an organized retail theft task force, an auto theft task force, and a replacement case management software system.

The Department of Community Justice's budget includes one-time-only funding to continue the Stabilization and Readiness Program (SARP) pilot, which focuses on services for individuals with severe and persistent mental illness. The budget also includes ongoing funding for an additional Victim Advocate for the Victim and Survivor Services program and one-time-only funding for architectural plans to enhance safety and security at the Juvenile Justice complex.

The Sheriff's Office budget includes new funding for the Facility Security Unit. It also funds Dorm 13 with ongoing General Fund as part of regular operations. This dorm was previously funded with American Rescue Plan for physical distancing. This dorm will offset jail beds lost when top bunks were removed from various dorms.

The budget includes \$6.0 million of one-time-only General Fund contingency to backfill Senate Bill 1145 Community Corrections (SB 1145) funding if it's not restored by the State. The Governor's budget resulted in a significant shortfall for public safety in Multnomah County. If the State revenue is not increased, the contingency can be used to operate programs for one more year or provide a slow ramp down. However, other ongoing solutions will need to be assessed for FY 2025 and beyond.

Prog. #	Program Offer Name	General Fund		
		Ongoing	OTO	FTE
Local Public Safety Coordinating Council (LPSCC)				
10009C	Transforming Justice Implementation		\$150,000	0.00
	LPSCC Subtotal	\$0	\$150,000	0.00
District Attorney's Office				
15002C	Information Technology - Case Tracking System - OTO		\$916,251	
15102B	Domestic Violence Case Management OTO		195,805	1.00
15301C	Organized Retail Theft Task Force		209,044	1.00
15301D	Auto Theft Task Force		209,044	1.00
15304B	Unit D - Gun Violence Case Management	373,134		2.00
15304C	Unit D - Gun Violence Case Management OTO		<u>373,134</u>	2.00
	District Attorney's Office Subtotal	\$373,134	\$1,903,278	7.00

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Prog. #	Program Offer Name	General Fund		
		Ongoing	OTO	FTE
Community Justice				
50003B	DCJ Victim and Survivor Services Staff Expansion	\$108,277		1.00
50041	DCJ Stabilization and Readiness Program (SARP)		703,965	5.00
50051B	Juvenile Justice Center - Safety & Security		<u>175,000</u>	
Community Justice Subtotal		\$108,277	\$878,965	6.00
Sheriff's Office				
60330J	MCIJ Dorm 13	\$905,391		3.64
60415D	Facility Security - Additional Positions	562,877		5.00
Sheriff's Office Subtotal		\$1,468,268		8.64
Countywide Contingency				
95000	Dorm 10 - SB 1145 Backfill		832,760	
95000	Dorm 11 - SB 1145 Backfill		786,220	
95000	Dorm 12 - SB 1145 Backfill		1,353,563	
95000	Ballot Measure 114		203,826	
95000	DA Statewide Uniformed PERS		700,000	
95000	DA Body Worn Cameras		1,000,000	
95000	DCJ - SB1145 Backfill		<u>3,000,000</u>	
Countywide Contingency Subtotal			\$7,876,369	0.00
Public Safety Total		\$1,949,679	\$10,808,612	21.64

Public Safety General Fund Reductions

Most of the public safety reductions are in the Department of Community Justice (DCJ) and the Sheriff's Office (MCSO). The MCSO reductions are to the Work Crews program, River Patrol, and the In-Jail Human Trafficking sergeant. DCJ's reductions are primarily to the Director's Office, Women & Family Services, Juvenile Court & Community Services, and Research & Planning programs. DCJ's budget also reduces juvenile detention capacity by 8 beds from 56 to 48 beds due to Clackamas and Washington Counties decreasing their bed funding contracts.

Prog. #	Program Offer Name	General Fund Reductions	FTE Reductions
District Attorney's Office			
15105B	Misdemeanor Trial Unit - Restoration of DDA 1	(\$174,898)	(1.00)
15204B	Pretrial - Restoration of DDA 1 Position	<u>(181,346)</u>	<u>(1.00)</u>
District Attorney's Office Total		(\$356,244)	(2.00)
Community Justice			
50000	DCJ Director's Office	(\$227,866)	(1.00)
50004	DCJ Research & Planning	(175,426)	(0.80)
50005	DCJ Human Resources	(32,849)	
50016	Adult Services Management	(1,832)	
50017	Adult Records and Administrative Services	(105,707)	(1.00)
50026	Adult Domestic Violence Supervision	(148,467)	(1.00)
50027	ASD Women & Family Services Unit	(544,281)	(4.00)
50029	Adult Electronic Monitoring	(40,856)	
50032	Adult Gang and African American Program	(157,114)	(1.00)
50054A	JSD Detention & Residential Services - 32 Beds	(102,471)	(1.00)
50056	Juvenile Shelter & Residential Placements	(26,498)	
50057	Juvenile Adjudication	(125,560)	(1.00)
50058	Juvenile Field Probation	<u>(133,172)</u>	<u>(1.00)</u>
Community Justice Total		(\$1,822,099)	(11.80)
Sheriff's Office			
60432B	Restore - MCIJ Work Crews	(\$877,518)	(4.00)
60515B	Restore River Patrol	(382,456)	(2.00)
60521	In Jail Human Trafficking	(240,126)	(1.00)
Sheriff's Office Total		(\$1,500,100)	(7.00)
Public Safety Total		(\$3,678,443)	(20.80)

Public Safety General Fund Reallocations

The District Attorney's Office was able to reallocate savings from turnover to fund a variety of services to pay for increased Internal Services - Records expenses and to add a system administration position within IT. The Department of Community Justice reallocated personnel funding throughout the Director's Office to fund a Finance Supervisor position in Business Services.

Prog. #	Program Offer Name	General Fund Reallocated	FTE Reallocated
District Attorney's Office			
Made this reduction			
Various	Various	(\$373,413)	
To fund these programs			
Various	Internal Service - Records expense increase	200,000	
15002	Information Tech - System Administration	<u>173,413</u>	<u>1.00</u>
Total District Attorney's Office Reallocations		\$0	1.00
Community Justice			
Made these reductions			
50000, 50004, 50005	Director's Office, RAP, and Human Resources	(\$130,543)	(0.90)
50027	Adult Women & Family Services Unit	(80,200)	(0.10)
50029	Adult Electronic Monitoring	(35,000)	
To fund these programs			
50001	DCJ Business Services	130,543	1.00
50017	Adult Records and Administrative Services	100,200	
50016	Adult Services Management	15,000	
Total Community Justice Reallocations		\$0	0.00
Sheriff's Office			
Made these reductions			
60213	Logistics Unit Sgt Position	(\$228,115)	(1.00)
60305B	Gresham Temp Holding	(167,973)	
To fund these programs			
60213	Logistics Unit Manager	177,219	1.00
Various	Materials & Supplies	50,896	
Various	Overtime	167,973	
Total Sheriff's Office Reallocations		\$0	0.00

Public Safety Other Fund Reductions

The majority of the Other Fund reductions are due to a proposed State decrease in Senate Bill 1145 (SB 1145) Community Corrections revenue. The reduction of SB 1145 funding impacts the Department of Community Justice (DCJ) and the Sheriff's Office (MCSO). The MCSO reduction includes Dorms 10, 11, and 12 at Inverness Jail, which would reduce the budgeted jail bed capacity by 215 beds. The reduction in DCJ impacts a broad array of services as shown in the table below. The budget includes \$6.0 million of one-time-only General Fund contingency to backfill Senate Bill 1145 Community Corrections (SB 1145) funding if it's not restored by the State. However, other ongoing solutions will need to be assessed for FY 2025 and beyond.

Prog. #	Program Offer Name	Other Fund Reductions	FTE Reductions
District Attorney's Office			
15104	Child Support Enforcement	(\$287,983)	(2.00)
15206A	Strategic Prosecution Unit (SPU)	<u>(62,677)</u>	<u>(0.31)</u>
District Attorney's Office Total		(\$350,660)	(2.31)
Community Justice			
50002	DCJ Business Applications & Technology	(\$141,565)	(1.00)
50017	Adult Records and Administrative Services	(572,902)	(5.00)
50020	Adult Parole/Post Prison Violation Hearings	(283,100)	(2.00)
50021	Assessment and Referral Center	(436,981)	(3.00)
50022	HB3194 Justice Reinvestment	(327,938)	(2.00)
50023	Adult Field Supervision - West	(541,843)	(3.00)
50025	Adult Sex Offense Supervision & Treatment	(52,500)	
50026	Adult Domestic Violence Supervision	(157,114)	(1.00)
50027	Adult Women & Family Services Unit	(713,954)	(4.00)
50031	Community Service	(350,353)	(3.00)
50034	Transition Services - Housing	(453,255)	
50054A	Juvenile Detention Services - 32 Beds	(307,413)	(3.00)
50055	Community Monitoring Program	(205,585)	
50056	Juvenile Shelter & Residential Placements	(139,112)	
50057	Juvenile Adjudication	<u>(143,883)</u>	<u>(1.00)</u>
Community Justice Total		(\$4,827,498)	(28.00)

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Public Safety Other Fund Reductions (cont.)

Prog. #	Program Offer Name	Other Fund Reductions	FTE Reductions
Sheriff's Office			
60330F	Dorm 11	(\$786,220)	(5.46)
60330G	Dorm 12	(1,353,563)	(5.46)
60330I	Dorm 10	(832,760)	(5.46)
60330I	2.00 FTE Corrections Counselors	(301,200)	(2.00)
60330I	1.00 FTE Records Technician	<u>(116,848)</u>	<u>(1.00)</u>
Sheriff's Office Total		(\$3,390,591)	(19.38)
Public Safety Total		(\$8,568,749)	(49.69)

Public Safety Other Fund Additions

The District Attorney's Office is adding 2.00 FTE from service contracts with the Port of Portland, Gresham Police Department, and Portland Police Bureau.

Prog. #	Program Offer Name	Other Fund Additions	FTE Additions
District Attorney's Office			
15206B*	Strategic Prosecution Unit - Port of Portland Contract Funded FTE	\$313,467	1.00
15207B*	MCDAs Access Attorney Program (MAAP) - Gresham PD & Portland Police Contract Funded FTE	274,000	1.00
District Attorney's Office Total		\$587,467	2.00

*These programs appear in the General Fund even though they are funded by other agencies.

Budget Director's Message

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General Government General Fund Additions

General Fund General Government additions include \$46.4 million and 18.00 FTE in Nondepartmental, Department of County Management, Department of County Assets, and Department of Community Services.

The most significant increase to Nondepartmental is \$14.3 million in one-time-only General Fund for the Employee Retention Incentive Payments. In FY 2023 several bargaining units completed successor bargaining that included retention incentives that would be paid out in two lump-sum payments. The Chair chose to extend the retention incentives to most County employees. This is the second year of the retention incentive payment, to be paid out in July 2023. This is the countywide amount with the exception of Library employees that are covered by Library District funding and budgeted in Library program offers. The Chair's Office adds a new 1.00 FTE Deputy Chief of Staff. Over the past few years new voter approved initiatives have led to new funding for supportive housing services, Preschool for All, and an overhaul of the library facilities, enlarging the scale and scope of the County's work significantly. This new position will support the County Chairperson and their Chief of Staff. And lastly, a new, voter approved 1.00 FTE Ombudsperson is added. In November 2022, more than 85% of Multnomah County voters passed a County Charter amendment establishing the ombudsperson as a role reporting to the County Auditor.

Prog. #	Program Offer Name	General Fund		
		Ongoing	OTO	FTE
Nondepartmental*				
10000B	Deputy Chief of Staff	\$240,000		1.00
10000C	Countywide Visioning Renewal Process		250,000	
10005B	Ombudsperson - Charter Review	257,800		1.00
10007B	Public Records Software		200,000	
10010B	Office of Community Involvement - Policy & Training Coordinator		122,000	
10012B	Logistics & Warehouse		604,842	
10012C	Logistics & Vehicles		772,000	
10017C	WESP Planning and Engagement	240,000		1.00
10018B	Food Access Focus		400,000	
10018C	Tree Memorial		32,200	
10021B	Courthouse Security		191,100	
10026**	Capital Debt Retirement Fund		6,783,000	
10030	Employee Retention Incentive Payments - Year 2		14,303,913	
10040B	Resolution & Development Coordinator	<u>196,400</u>		<u>1.00</u>
Nondepartmental Subtotal		\$934,200	\$23,659,055	4.00

*LPSCC is included in Public Safety

**Funded by General Fund but cash transferred to Other Funds

Budget Director's Message

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General Government General Fund Additions (cont.)

The Department of County Management includes \$8.4 million of new General Fund funding, which includes future of work planning, contracting redesign and process improvement, Workday system analysis, recruiter training, workplace security operations center, and County Charter implementation.

The most significant investments in the Department of Community Services includes \$1.73 million of General Fund and Video Lottery Fund for ADA ramps. In order to better serve the community, as well as animal care and enrichment, the budget includes new ongoing General Fund investment in Animal Services of \$1,116,335 and 10.00 FTE. The majority of the additional staffing focuses on animal care and support animals receive while in the shelter. Recently, voters approved Charter Reform for Rank Choice Voting for elections. Initial implementation includes a one-time-only investment of \$781,000 and 2.00 FTE and associated costs with rank choice voting for voter education and outreach, technology & maintenance and customer service.

Prog. #	Program Offer Name	General Fund		
		Ongoing	OTO	FTE
County Management				
72000B	County Charter Amendment Implementation		\$190,000	
72005B	FRM Purchasing - Contracting Redesign / Process Improvement	532,411		2.00
72008B	FRM Motor Vehicle Tax		175,000	
72017B	Recruiter Training & Capacity Building		511,500	
72017D	Central HR Electronic Personnel Files		290,000	
72044B	Regional Construction Workforce Diversity Funder Collaborative		200,000	
72049B	DCM/Nond Human Resources Team - Increased Capacity		177,000	
72053	Workday Support - Review & Recommend		1,000,000	
72055	Contractor Capacity Review		125,000	
72056B	Workplace Security - Security Operations Center		260,000	
72060	Future of Work Planning		4,550,000	
72061	Labor Relations Expanded Support		215,000	
72063	Client Assistance Integration		<u>160,000</u>	
County Management Subtotal		\$532,411	\$7,853,500	2.00
Community Services				
90004	Vance Vision Next Steps		\$150,000	
90005C	Animal Services Client Services - Two Office Assistants Seniors	216,000		2.00
90007B	Animal Services Animal Care Staffing	786,335		7.00
90008B	Animal Services Animal Health - Dispatcher	114,000		1.00
90009A	Charter Reform Rank Choice Voting Implementation		463,000	
90009B	Charter Reform Rank Choice Voting: Voter Education and Outreach Staffing		318,000	2.00
90010B	Elections Infrastructure	133,000		
90010C	Elections Voters Pamphlet	59,000		
90014*	Levee Ready Columbia (IGA Obligation)		50,000	
90018B*	Tier 2 ADA Ramps		1,735,000	
90021C	Land Use Planning capacity building resources for on-call support		<u>50,000</u>	
Community Services Subtotal		\$1,308,335	\$2,766,000	12.00

*Funded with Video Lottery funds

General Government General Fund Additions (cont.)

The Department of County Assets includes \$9.3 million of new General Funds. This includes \$3.3 million in Information Technology projects like the financial data mart, radio system replacement, and a website digital service transformation strategy; \$5.5 million in Facilities and Property Management projects including the Rockwood Community Health Center and the Justice Center electrical system upgrade, and \$500,000 for the Countywide Safety and Security Infrastructure program.

Prog. #	Program Offer Name	General Fund		
		Ongoing	OTO	FTE
County Assets				
78003	Countywide Safety and Security Infrastructure		\$500,000	
78202B*	Facilities Machine Guards		445,000	
78233B*	Justice Center Electrical System Upgrade - Bus Duct Replacement Phase 2		1,510,000	
78237*	Rockwood Community Health Center - Priority 1		740,535	
78238*	Rockwood Community Health Center - Priority 2		1,210,250	
78239*	Rockwood Community Health Center - Priority 3		1,621,500	
78304C*	Radio System Replacement (Phase 2)		1,400,000	
78329*	Financial Data Mart Phase 2		1,200,000	
78332*	Website Digital Service Transformation Strategy		300,000	
78334*	Health - Supplemental Data sets for Analytics and Reporting		<u>400,000</u>	
County Assets Subtotal		\$0	\$9,327,285	0.00
General Government Total		\$2,774,946	\$43,605,840	18.00

*Funded by the General Fund but cash transferred to the respective Other Funds.

General Government General Fund Reductions

The table below shows where reductions were taken across the General Government departments. The reductions are spread broadly and have no impact on current service level or FTE.

Prog. #	Program Offer Name	General Fund Reductions	FTE Reductions
Nondepartmental			
10000	Chair's Office	(\$32,000)	
10001	BCC District 1	(12,260)	
10002	BCC District 2	(12,260)	
10003	BCC District 3	(12,260)	
10004	BCC District 4	(12,260)	
10005A	Auditor's Office	(42,500)	
10009A	Local Public Safety Coordinating Council	(16,000)	
10012	Office of Emergency Management	(35,800)	
10017A/B	Office of Diversity and Equity	(32,140)	
10018	Office of Sustainability	(20,000)	
10040A	Complaints Investigation Unit	<u>(18,040)</u>	
Nondepartmental Total		(\$245,520)	
Community Services			
90000	DCS Director's Office	<u>(50,233)</u>	
Community Services Total		(\$50,233)	
County Assets			
78101	Business Services Procurement & Contracting	<u>(20,013)</u>	
County Assets Total		(\$20,013)	
General Government Total		(\$315,766)	

General Government Reallocations

The Department of County Assets (DCA) reallocated within the Director's Office, Records Management, and Information Technology programs to fund 2.00 FTE to expand the analytics capacity within DCA, and to onboard staff from multiple departments to the electronic document records management system.

The Department of Community Services budget includes a one-time-only reallocation of \$169,000 and 1.00 FTE (Program Communication Coordinator) from General Fund to Animal Services donation funds for one year.

Prog. #	Program Offer Name	General Fund Reallocated	FTE Reallocated
County Assets			
Made this reduction			
78000A	DCA Director's Office	(\$119,131)	
78404A	Records Management	(36,171)	
78317	IT Data Center & Technical Services	(108,871)	
To fund this program			
78000B	DCA Director's Office Analyst Position	119,131	1.00
78404B	Records Management Content Manager Position	<u>145,042</u>	<u>1.00</u>
Total County Assets Reallocations		\$0	2.00

Prog. #	Program Offer Name	General Fund Reallocated	Other Funds Reallocated
Community Services			
Made this reduction			
90005A	Animal Services Client Services	(\$169,000)	
To fund this program			
90005A	Animal Services Client Services		<u>169,000</u>
Total Community Services Reallocations		(\$169,000)	\$169,000

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 2024 is \$3.5 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 2024 net budget of \$2.7 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 2023 Adopted budget to the FY 2024 Proposed budget at the fund level. Year-over-year, the budget (including internal charges, transfers, and loans) has increased by 4.3%. 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, Preschool for All Fund, and Supportive Housing Fund, increased revenue assumptions and an increase in interest earnings across several funds due to increasing interest rates. These increases are offset by declines in intergovernmental revenues due to the end of American Rescue Plan (ARP) funding.

FY 2024 Budget	
Direct Department Expenditures	\$2,575,393,550
Contingency (All Funds)	<u>\$131,173,195</u>
Total Net Budget	\$2,706,566,745
Service Reimbursements	\$250,420,721
Internal Cash Transfers	\$18,673,797
Reserves	<u>\$493,304,862</u>
Total Budget	\$3,468,966,125

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Fund Comparison: Year over Year

Fund	Fund Name	FY 2023 Adopted	FY 2024 Proposed	Change	% Change	Description
1000	General Fund	\$800,344,569	\$866,029,536	\$65,684,967	8.2%	Taxes +\$53.1m, Other/Misc +\$8.7m
1501	Road Fund	77,566,707	83,644,327	6,077,620	7.8%	
1503	Bicycle Path Construction Fund	113,923	229,603	115,680	101.5%	Beginning Working Capital
1504	Recreation Fund	40,000	40,000	0	0.0%	
1505	Federal/State Program Fund	379,743,881	397,711,850	17,967,969	4.7%	
1506	County School Fund	80,125	80,125	0	0.0%	
1508	Animal Control Fund	3,864,186	3,257,307	(606,879)	-15.7%	Fees, Permits & Charges -\$540,000
1509	Willamette River Bridge Fund	50,887,564	57,837,695	6,950,131	13.7%	Beginning Working Capital +\$13.9m, Intergov -\$5.9m
1510	Library Fund	100,341,769	108,167,618	7,825,849	7.8%	
1511	Special Excise Taxes Fund	35,315,375	41,576,080	6,260,705	17.7%	
1512	Land Corner Preservation Fund	5,300,439	5,061,368	(239,071)	-4.5%	
1513	Inmate Welfare Fund	1,447,151	1,486,311	39,160	2.7%	
1515	Coronavirus (COVID-19) Response Fund	157,970,712	44,434,554	(113,536,158)	-71.9%	End of the American Rescue Plan funding
1516	Justice Services Special Ops Fund	8,073,891	8,630,614	556,723	6.9%	
1518	Oregon Historical Society Levy Fund	3,672,039	3,902,074	230,035	6.3%	
1519	Video Lottery Fund	7,617,204	7,380,994	(236,210)	-3.1%	
1521	Supportive Housing Fund	110,124,698	139,120,341	28,995,643	26.3%	Beginning Working Capital +\$40.0m, Intergov -\$11.0m
1522	Preschool for All Program Fund	191,402,080	362,612,210	171,210,130	89.5%	Beginning Working Capital +\$130.6m, Taxes +\$40.6m
2002	Capital Debt Retirement Fund	32,195,250	31,878,630	(316,620)	-1.0%	
2003	General Obligation Bond Sinking Fund	52,773,275	55,702,015	2,928,740	5.5%	
2004	PERS Bond Sinking Fund	95,228,611	76,137,162	(19,091,449)	-20.0%	Beginning Working Capital +\$6.5m Financing -\$25.0m
2500	Downtown Courthouse Capital Fund	6,113,978	5,485,461	(628,517)	-10.3%	

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Fund Comparison: Year over Year (Cont.)

Fund	Fund Name	FY 2023 Adopted	FY 2024 Proposed	Change	% Change	Description
2503	Asset Replacement Revolving Fund	521,843	535,219	13,376	2.6%	
2506	Library Capital Construction Fund	9,420,382	9,767,727	347,345	3.7%	
2507	Capital Improvement Fund	26,133,358	30,339,398	4,206,040	16.1%	Beginning Working Capital +\$1.0m, Financing +\$2.9m
2508	Information Technology Capital Fund	13,178,544	14,089,997	911,453	6.9%	
2509	Asset Preservation Fund	31,782,714	44,365,934	12,583,220	39.6%	Beginning Working Capital +\$11.6m, Other/Misc +\$1.0m
2510	Health Headquarters Capital Fund	260,000	528,366	268,366	103.2%	Other/Misc +\$240,351
2511	Sellwood Bridge Replacement Fund	8,745,172	8,636,052	(109,120)	-1.2%	
2512	Hansen Building Replacement Fund	1,000,000	0	(1,000,000)	-100.0%	Fund closed in FY 2024
2515	Burnside Bridge Fund	51,085,354	50,988,712	(96,642)	-0.2%	
2516	Behavioral Health Resource Center Capital Fund	21,694,000	1,200,000	(20,494,000)	-94.5%	Beginning Working Capital -\$7.8m, Intergov -\$12.7m
2517	Multnomah County Library Capital Construction (GO Bond) Fund	416,557,464	347,582,325	(68,975,139)	-16.6%	BWC -\$72.6m, Interest +\$2.6m, Intergov +\$1.0m
2518	Justice Center Capital Fund	7,300,458	4,400,000	(2,900,458)	-39.7%	
2519	Joint Office of Homeless Services Capital Fund		8,300,000	8,300,000	N/A	New fund in FY 2024
3002	Behavioral Health Managed Care Fund	2,120,076	1,497,964	(622,112)	-29.3%	Beginning Working Capital decrease
3003	Health Department FQHC	167,761,458	183,861,803	16,100,345	9.6%	Service Charges +\$12.9m, Other/Misc +\$2.7m
3500	Risk Management Fund	268,313,772	277,848,333	9,534,561	3.6%	
3501	Fleet Management Fund	8,157,459	8,301,775	144,316	1.8%	
3502	Fleet Asset Replacement Fund	10,921,339	11,508,887	587,548	5.4%	
3503	Information Technology Fund	79,931,209	77,380,211	(2,550,998)	-3.2%	
3504	Mail Distribution Fund	4,428,590	4,936,087	507,497	11.5%	Other/Misc +\$422,000
3505	Facilities Management Fund	<u>74,880,793</u>	<u>82,491,460</u>	<u>7,610,667</u>	10.2%	Beginning Working Capital +\$1.7m, Other/Misc +\$5.6m
	Total	\$3,324,411,412	\$3,468,966,125	\$144,554,713	4.3%	

Budget Director's Message

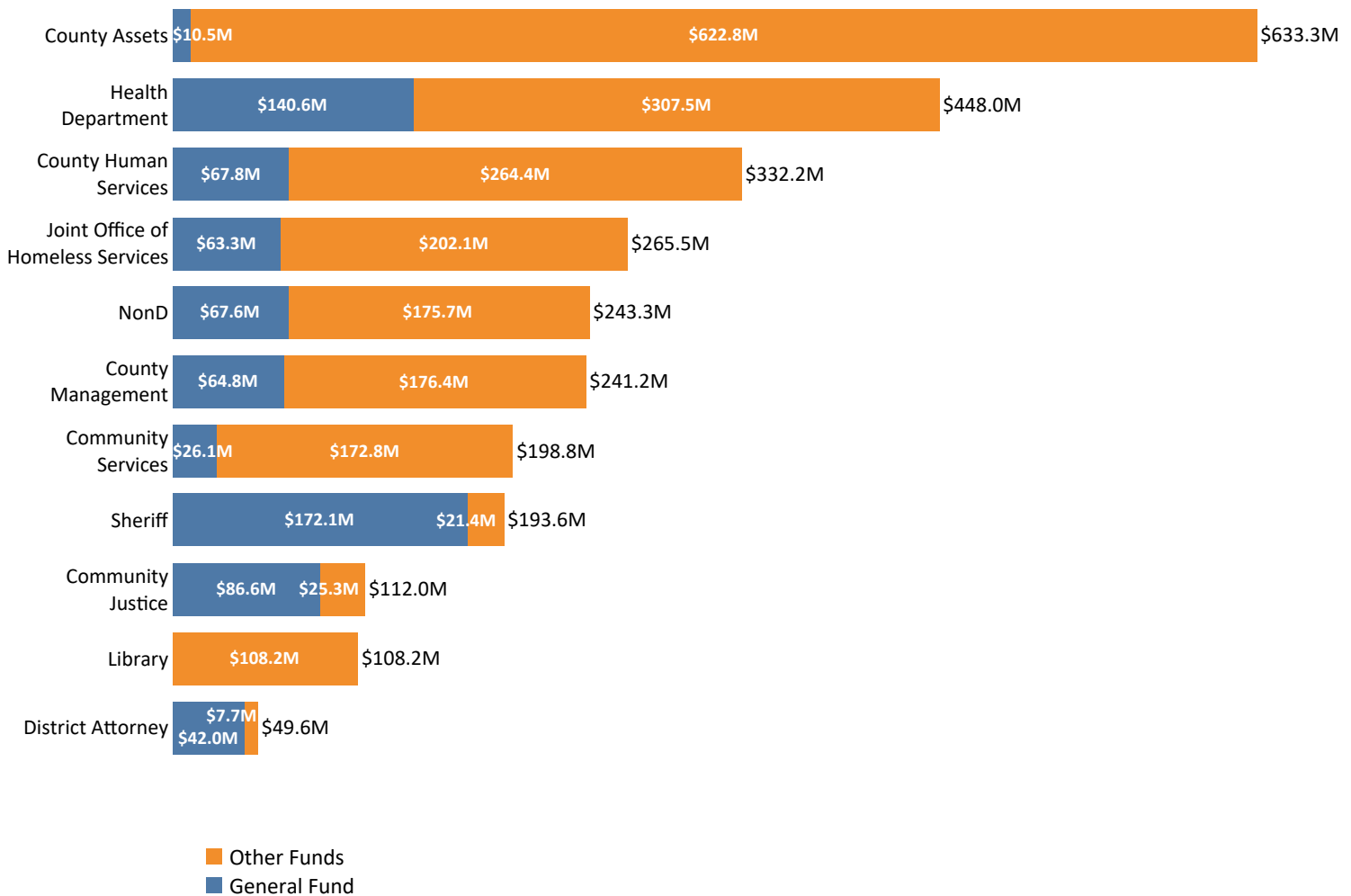
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Department Expenditures All Funds (\$2.83 billion)

Department expenditures for all funds, excluding cash transfers, contingencies, and unappropriated balances, remains \$2.8 billion year over year.

The bar chart below shows appropriations by department in millions of dollars across for both the General Fund and Other Funds. These figures 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.

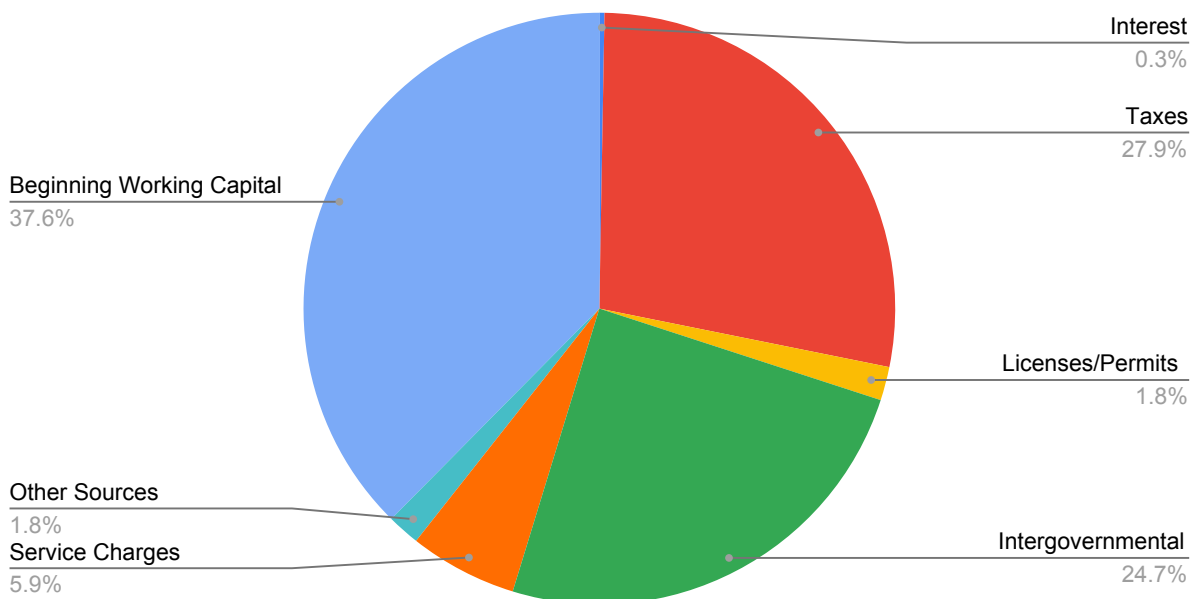


Department Revenues All Funds (\$3.0 billion)

Total direct resources, or “revenues,” for FY 2024 are \$3.0 billion vs. \$2.8 billion in FY 2023 (excluding service reimbursements and cash transfers between funds). Intergovernmental revenues are the County’s third largest revenue category at \$741.3 million or 24.7%. This reflects a \$112.2 million or 13.2% decrease from FY 2023. The decrease is mainly due to the expiration of the American Rescue Plan funding. 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 second largest revenue source at 27.9% and include property tax, Business Income Tax, Motor Vehicle Rental Tax, Transient Lodging Tax, and County gas tax. For FY 2024, tax collections are anticipated to increase 0.9% from \$734.9 million in FY 2023 to \$741.3 million. The increase is driven by additional property tax collections from the return of Urban Renewal Area Assessed Value, and an increase in Preschool for All Personal Income Tax revenue.

Beginning working capital (BWC) is the County’s largest resource for FY 2024, at \$1.1 billion or 37.6%. In dollar terms, BWC increased by \$170.1 million from \$956.9 million in FY 2023. This is the third year in a row of large increases due mainly to rolling over Revenue Smoothing dollars in the Preschool for All Fund, and another year of high departmental underspending in the General Fund in FY 2022. 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 2024. This balance will decrease as project spending increases.

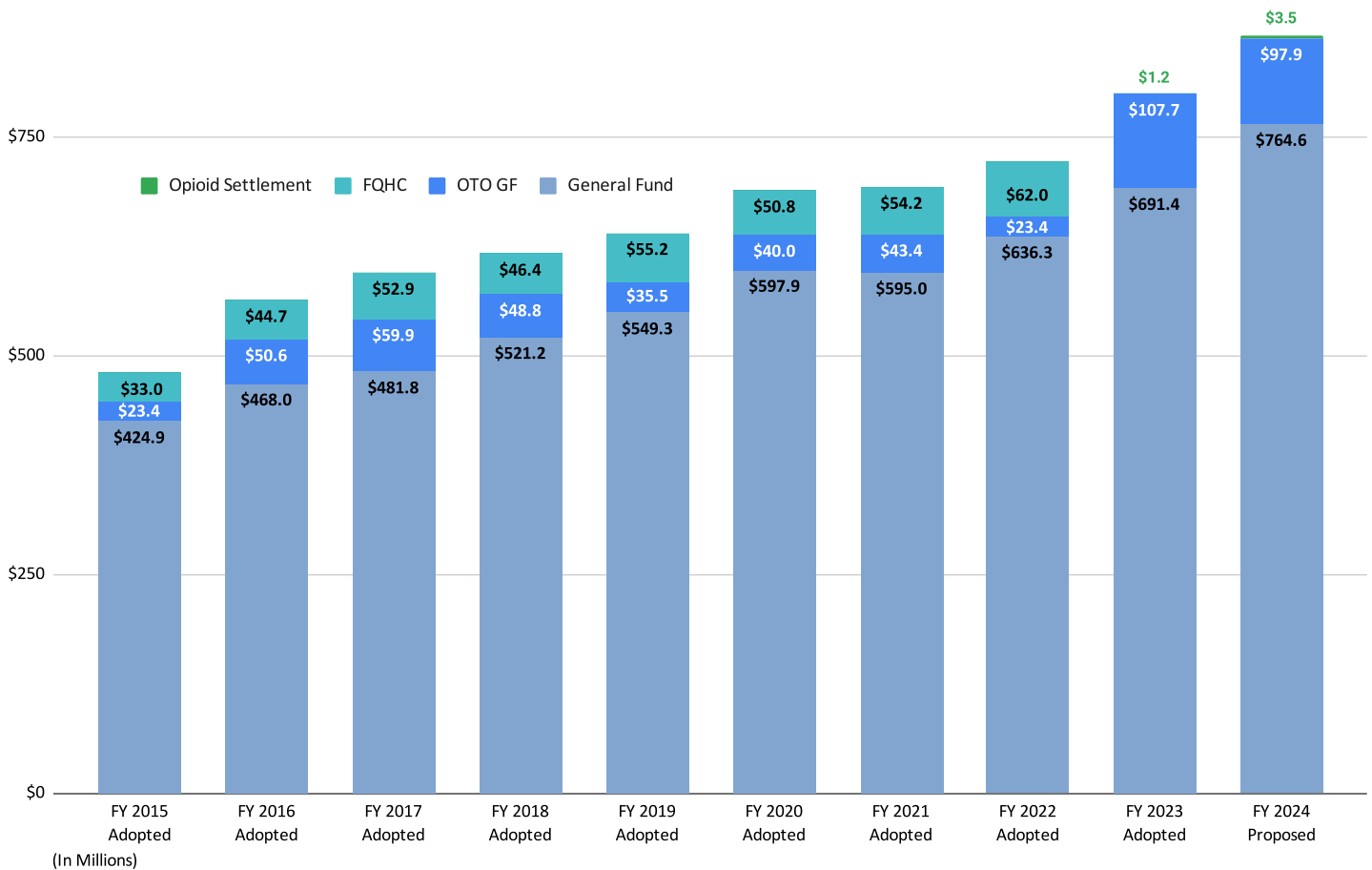


The General Fund

General Fund Expenditures and Reserves (\$866.0 million)

The \$866.0 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 and Opioid Settlement Funds in the Health Department.

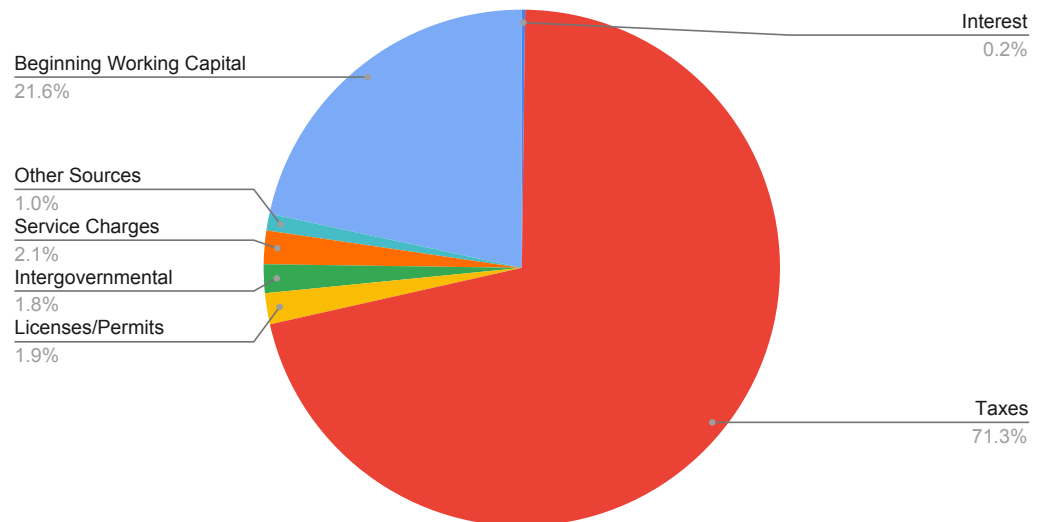
The following graph shows total General Fund "spending," including cash transfers, service reimbursements, contingencies, and unappropriated balances (reserves), from FY 2015 through FY 2024. The graph also shows how much one-time-only (OTO) and ongoing funding was spent in the General Fund from FY 2015 to FY 2024. 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. Starting in FY 2023, resources from Opioid Settlements have been added to the General Fund.



General Fund Revenues

General Fund resources for FY 2024 (excluding service reimbursements and cash transfers) have increased from FY 2023. Direct resources are budgeted at \$811.1 million – a \$68.7 million or 9.3% increase over FY 2023. The majority of the increase is due to increases in tax revenue from property tax and BIT forecast increases.

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 \$388.7 million, are budgeted to increase by \$34.5 million or 9.7% 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 \$155.1 million, are budgeted to be up \$17.9 million or 13.0% due to record high corporate profits. Total BIT budgeted in FY 2024 is \$155.1 million which includes \$1.1 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, \$154.0 million is a better reflection of the discretionary BIT revenue available to the County. Motor vehicle rental taxes (MVRT), accounting for \$33.8 million, are budgeted to increase by \$0.6 million or 1.8%. MVRT experienced a significant decline due to the pandemic's impact on travel. Collections so far in FY 2023 show that MVRT collections have fully recovered.



General Fund Reserves

The County maintains General Fund reserves as outlined in the County's Financial and Budget Policies. In FY 2024, reserves in the General Fund are increased to 12% (from 11%) of ongoing "corporate" General Fund revenues – resources that the Board has wide discretion over, such as property taxes.

The FY 2024 budget fully funds the General Fund reserves at \$71.1 million and is in compliance with the Financial and Budget Policies. The level of General Fund reserves is considered a fundamental measure of financial health. The FY 2024 budget also increases the Business Income Tax (BIT) reserve to 12% at \$18.6 million. This stabilization reserve is in addition to the General Fund reserve and is specifically intended to mitigate the risk of an unexpected downturn in the regional economy as the BIT is a volatile revenue source.

The County continuously reexamines its financial policies and strives to remain in line with best practices related to financial stability. FY 2024 will be the second year of a multi-year project to raise the level of General Fund reserves to 15%.

Use of One-Time-Only (OTO) Funds

The table on the next page summarizes the \$111.6 million in one-time-only (OTO) investments for FY 2024. After excluding the Business Income Tax (BIT) Reserve and video lottery investments from the table, there are a total of \$93.0 million in new, one-time investments after fully funding the County's reserves. In FY 2024, OTO resources were used to increase the County's General Fund Reserve to 12% and \$2.6 million was used to "bridge" ongoing programming to FY 2025, when the financial picture improves. As a result, the OTO investments in this table do not reconcile to the total OTO resources available. The major sources of OTO revenues include:

- \$72.8 million of additional BWC in FY 2023 from departmental underspending and higher revenues in FY 2022.
- \$24.1 million in November 2022 Forecast adjustments, mainly from upward Property Tax and BIT revisions, offset by a \$4.0 million decrease in March 2023 Forecast adjustments.
- \$15.0 million of remaining resources budgeted in FY 2023 for Housing and Homelessness Capital.
- \$10.4 million in property tax revenue from the Interstate Corridor and Eastside URAs returning Assessed Value to the tax rolls one year earlier than anticipated. This revenue was already assumed in FY 2025, and the forecast anticipates growing deficits so this revenue was allocated as OTO.

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One-Time-Only Resources

Prog #	Program Name	Dept.	FY 2024 General Fund	FY 2024 Other Funds
10000C	Countywide Visioning Renewal Process	NOND	\$250,000	
10007B	Public Records Software	NOND	200,000	
10009C	Transforming Justice Implementation	NOND	150,000	
10010B	OCI - Policy & Training Coordinator	NOND	122,000	
10012B	Logistics & Warehouse	NOND	604,842	
10012C	Logistics & Vehicles	NOND	772,000	
10018B	Food Access Focus	NOND	400,000	
10018C	Tree Memorial	NOND	32,200	
10021B	Courthouse Security	NOND	191,100	
10030	Employee Retention Incentive Payments - Year 2	NOND	14,303,913	
10095	Sustainability - Wood Stove Replacement Pilot	NOND		500,000
10096	Sustainability - Electric School Buses	NOND		500,000
10097	Youth Connect	NOND		600,000
15002B	Information Technology - Case Tracking System - DCA Cash Transfer	DA	643,257	
15002C	Information Technology - Case Tracking System - OTO	DA	916,251	
15102B	Domestic Violence Case Management OTO	DA	195,805	
15301C	Organized Retail Theft Task Force	DA	209,044	
15301D	Auto Theft Task Force	DA	209,044	
15304C	Unit D - Gun Violence Case Management OTO	DA	373,134	
25032B	Regional Health and Human Services Contact Center	DCHS		1,300,000
25121B	YFS - Woodstove Replacement	DCHS	244,283	
25131D	YFS - Expungement and Legal Services Days	DCHS	262,500	
30005A	System-wide Investments in New & Expanding Organizations	JOHS	1,050,000	
30010	Housing and Homeless Capital Fund	JOHS	9,750,000	
30100A	Coordinated Access Assessment Tool	JOHS	100,000	
30208A	Safety off the Streets - Emergency Shelter Strategic Investment	JOHS	1,800,000	5,145,685
30209	COVID-19 Emergency Response - Shelter Operations	JOHS	17,041,210	
30210B	Safety on the Streets - Navigation & Service Coordination	JOHS	887,407	887,405
30210C	COVID-19 Emergency Response - Culturally Specific Outreach	JOHS	446,250	
30400B	Supportive Housing - SHS	JOHS	1,227,673	
30600	Cultivate Initiatives - Mobile Shower & Hygiene Response Workforce Cleaning Brigade	JOHS	1,927,380	

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One-Time-Only Resources (cont.)

Prog #	Program Name	Dept.	FY 2024 General Fund	FY 2024 Other Funds
40040D	Behavioral Health Finance Billing	HD	228,142	
40069B	Old Town Inreach	HD	1,100,000	
40109	Behavioral Health - Continuing COVID Response	HD	586,793	
40110	Gun Violence Impacted Families Behavioral Health Team	HD	1,214,400	
40111	Culturally Specific Mental Health Workforce Development	HD	150,000	
50041	DCJ Stabilization and Readiness Program (SARP)	DCJ	703,965	
50051B	Juvenile Justice Center - Safety & Security	DCJ	175,000	
72000B	County Charter Amendment Implementation	DCM	190,000	
72008B	FRM Motor Vehicle Tax	DCM	175,000	
72017B	Recruiter Training & Capacity Building	DCM	511,500	
72017D	Central HR Electronic Personnel Files	DCM	290,000	
72044B	Regional Construction Workforce Diversity Funder Collaborative	DCM	200,000	
72049B	DCM/NonD Human Resources Team - Increased Capacity	DCM	177,000	
72053	Workday Support - Review & Recommend	DCM	1,000,000	
72055	Contractor Capacity Review	DCM	125,000	
72056B	Workplace Security - Security Operations Center	DCM	260,000	
72060	Future of Work Planning	DCM	4,550,000	
72061	Labor Relations Expanded Support	DCM	215,000	
72063	Client Assistance Integration	DCM	160,000	
78003	Countywide Safety and Security Infrastructure	DCA	500,000	
78335	Preschool For All - Preschool Early Learning	DCA		411,386
80025	Library Special Projects	Library		1,362,411
90004	Vance Vision Next Steps	DCS	150,000	
90009A	Charter Reform Rank Choice Voting Implementation	DCS	463,000	
90009B	Charter Reform Rank Choice Voting: Voter Education and Outreach Staffing	DCS	318,000	
90010E	Elections - Special Elections (March and August)	DCS	700,000	
90014*	Levee Ready Columbia (IGA Obligation)	DCS		50,000
90018B*	Tier 2 ADA Ramps	DCS	623,190	1,111,810
90021C	Land Use Planning capacity building resources for on-call support	DCS	50,000	

Budget Director's Message

fy2024 proposed budget

One-Time-Only Resources (cont.)

Prog #	Program Name	Dept.	FY 2024 General Fund	FY 2024 Other Funds
95000	General Fund Contingency	Countywide		
	~ District Attorney's Office Body Worn Cameras		1,000,000	
	~ SB 1145/State Impacts		5,972,543	
	~ District Attorneys move to uniformed PERS (Statewide Legislation)		700,000	
	~ Ballot Measure 114		203,826	
	~ Additional Contingency for Uncertainty		367,800	
95000	General Fund Cash Transfers			
	~ Capital Debt Retirement Fund (ERP Debt Payment) (10026)	NOND	6,783,000	
	~ Facilities Machine Guards (78202B)	DCA	445,000	
	~ Justice Center Electrical System Upgrade - Bus Duct Replacement Phase 2 (78233B)	DCA	1,510,000	
	~ Rockwood Community Health Center - Priority 1 (78237)	DCA	740,535	
	~ Rockwood Community Health Center - Priority 2 (78238)	DCA	1,210,250	
	~ Rockwood Community Health Center - Priority 3 (78239)	DCA	1,621,500	
	~ Radio System Replacement (Phase 2) (78304C)	DCA	1,400,000	
	~ Financial Data Mart Phase 2 (78329)	DCA	1,200,000	
	~ Website Digital Service Transformation Strategy (78332)	DCA	300,000	
	~ Health - Supplemental Data sets for Analytics and Reporting (78334)**	DCA	400,000	400,000
95000	BIT Reserve at 12%		<u>18,608,542</u>	
Total One-Time-Only			\$111,588,279	\$12,268,697

*Includes Video Lottery funds

**Only the \$400,000 shown in the General Fund is a cash transfer. The remaining \$400,000 is budgeted in Other Funds.

Policy Issues and Opportunities

COVID-19

The FY 2024 Proposed budget is based on the best information available at the time of development. The budget document lays out the County's plan to address community needs within budgetary limits, but there are issues that cannot be addressed in one year, or emerging issues that the County is tracking when planning for the future.

COVID-19

As the Local Public Health Authority, Multnomah County played 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 continue to work directly with the community, 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 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.

Community Violence Intervention and Prevention

To address the local increase in gun violence, the FY 2024 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.

Voter Approved Initiatives (Year 3)

In 2021, local voters passed two new taxes and approved a General Obligation (GO) Bond that increased revenues and expanded services.

Metro Supportive Housing Services Measure (SHS Measure) - \$136.7 million

FY 2024 is the third year of a new Metro business income tax and personal income tax on high-income households that funds an expansion of permanent supportive housing programs. The FY 2024 Proposed budget includes \$136.7 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 \$29.6 million over the FY 2023 Adopted budget, and includes \$96.2 million in projected FY 2024 revenues and \$40.5 million of 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 - \$362.6 million funding 1,400 preschool slots

Multnomah County voters also passed a new personal income tax on high-income households to fund universal preschool. The FY 2024 Proposed budget includes \$152.6 million in new funding from FY 2024 tax collections. The remaining resources come from carryover from previous fiscal years (\$210.0 million) 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 were in classrooms in FY 2023. Eligibility will expand over the course of several years, before reaching universal coverage.

Multnomah County - Library GO Bond \$347.6 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.

State of Oregon Funding

The FY 2023-2025 biennium Governor's budget includes a lower allocation for Community Corrections Senate Bill 1145 (SB 1145) funding than in the FY 2021-2023 biennium. The majority of the impact is in the Sheriff's Office (MCSO) and the Department of Community Justice (DCJ). When the revenue reduction is combined with inflationary pressures, the County is facing a significant shortfall in public safety. The Sheriff's Office cut \$3.4 million, including Dorms 10, 11, and 12 at Inverness Jail (215 beds). DCJ cut \$4.0 million, including 24.00 FTE in various programs. The County is hopeful that the State will increase the final budget for SB 1145. However, the Proposed budget includes \$6.0 million in one-time-only General Fund contingency to mitigate the risk. If the State's final budget does not increase, the contingency can be used to preserve jail beds and preserve public safety capacity. This is a short-term solution, and future year solutions will need to be determined.

Behavioral Health Resource Center (BHRC)

The BHRC opened and started to serve the community as a low-barrier day space, behavioral health shelter, and transitional housing site for homeless individuals living with behavioral health issues in late 2022. The FY 2023 budget included \$7.5 million towards its operation, which consisted 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 of Homeless Services). The Other Funds budget assumed the County would receive \$2.8 million of Ballot Measure 110 funding, but this funding was not awarded. Due to the uncertainty around both timing and level of funding, the FY 2023 budget included \$2.8 million of one-time-only General Fund contingency that will be used to cover assumed State Funding.

At the beginning of the FY 2024 budget process, the Health Department anticipated a \$2.5 million funding shortfall for the BHRC that grows to a \$6.4 million shortfall in FY 2028. The FY 2024 Proposed Budget allocates \$2.5 million of new ongoing resources to close the FY 2024 funding gap, but additional resources will need to be found in future years.

Charter Reform

The Multnomah County Home Rule Charter (our local version of a constitution) provides that every six years, a Charter Review Committee (MCCRC) will be convened over 18 months to comprehensively study 95 days before the election. In November 2022, six Charter Amendments approved by the voters. Multnomah County is required to ensure the implementation of the six Charter Amendments.

1. Measure 26-230, Replace Charter Language with Gender Neutral, Terms
2. Measure 26-232, Ranked-Choice Voting for County Elections
3. Measure 26-233, Require County Commissioner Inspection of Jails
4. Measure 26-234, Authorize County Auditor's Office to Investigate County Administration
5. Measure 26-235, Add Right to Audit Clause
6. Measure 26-236, Changes to Charter Review Committee

Workforce Equity Strategic Plan (WESP)

More information about this work is available at <https://www.multco.us/safety-trust-and-belonging-workforce-equity-initiative>.

Burnside Bridge Replacement

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. The FY 2024 Proposed Budget includes funding to begin planning for the next phase of WESP work.

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.

Earthquake Ready Burnside Bridge (90019) will support the completion of the National Environmental Policy Act (NEPA) phase of the project in the summer/fall of 2023 and the beginning of the design phase with a goal of 30% design completion by the end of FY 2024, and the initiation of right of way (ROW) phase of the project. Current estimated costs to complete 100% design are \$128 million. The Department of Community Services Transportation division continues to track Federal, State and regional potential funding options for this project as significant funding gaps remain. More project information can be found at <https://www.multco.us/earthquake-ready-burnside-bridge>

Personnel Costs

Future Budget Pressure

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 5.0% or 4.0% (dictated by each bargaining unit's contract) and merit or step increases for all represented labor groups. The County is currently in negotiations on five labor contracts. Changes to the status quo assumptions will impact the personnel cost increases in FY 2024 and beyond.

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 assessed Value (AV) growth rate began to decline in FY 2023 due to a combination of factors, including a decrease in large-scale construction projects across the City of Portland, but this is more than offset by the increase in AV due to the end of several large Urban Renewal Areas. Looking forward, the slow recovery of Portland's Downtown represents a revenue risk. As of Spring 2023, there are several office buildings downtown for sale, but there have not been big sales post-pandemic. Over the next 2-5 years, as leases expire, the decline in rental revenue will motivate current property owners to sell at lower prices which will lower Real Market Values (RMV) on the County's tax rolls. Many buildings downtown have AV/RMV ratios of 0.5 or less, meaning RMV must fall by a large amount to directly impact tax collections but decreasing RMV will increase compression. Additionally, the County relies on new development to push AV growth above 3%. Weakness in the downtown office market will most likely slow development over the next several years. 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, and will remain flat in FY 2024.

Personnel and Healthcare Costs

Inflation declined over the last several months but still remains well above the historical norm. 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 2024 healthcare costs increased by 6.0% and we are involved in negotiating five labor contracts.

Multnomah County Organization Chart

Multnomah County delivers its services through 11 departments, including two managed by independently elected officials: Nicole Morrisey O'Donnell, Sheriff; Mike Schmidt, District Attorney; and Jennifer McGuirk, County Auditor whose office resides in Nondepartmental. There are 5,749.28 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. I would like to personally thank each and every one of you for your contributions and to our community members who take time to participate in our budget process and shape our services. Particularly, I want to thank the leadership in the Chair's Office - County Chair Jessica Vega Pederson and Chief of Staff Chris Fick, 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.

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, Timothy Ho, and Alison Sachet.

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

Christian Elkin
Multnomah County Budget Director