



Department of County Management
MULTNOMAH COUNTY OREGON

501 SE Hawthorne Blvd, Suite 531
Portland, Oregon 97214
(503) 988-3312 phone
(503) 988-3292 fax

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Multnomah County, Oregon, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on pages 1-7 of this report. All dollar amounts, unless otherwise indicated, are expressed in thousands.

Financial Highlights

- Multnomah County's assets exceeded its liabilities at June 30, 2011, by \$790,284 (*net assets*). Of this amount, \$23,541 is restricted for capital improvement projects, \$9,108 is restricted for improvements to roads, bridges and bike paths, \$7,831 is restricted for future years' debt service, and \$9,326 is restricted for various community support and other programs.
- Total net assets increased by \$57,572 or 8% in fiscal year 2011. The primary reasons for the increase over the prior year are discussed in more detail below.
- Health Services charges for services increased by \$6,821 or 10% over the prior year. Approximately \$5,000 of this increase can be attributed to increased Federally Qualified Health Centers (FQHC) wraparound billable Managed Care visits of 15% over the prior year, with 44% of the increased encounters a result of a new health clinic opened during fiscal year 2011. There was also a 1% increase in the prospective payment system (PPS) billable rate per visit increased in 2011, and a 9% Multicare Dental enrollment increase resulted in an additional \$619 in capitation revenue for the year. These increased revenues are offset by increased expenses of \$13,712, or 10%.
- Another significant increase in charges for services includes \$8,024 in Roads and Bridges, or 725%. The increase is a result of a new vehicle registration fee, established to provide funds for the replacement of the Sellwood Bridge. The \$19/year fee began in fiscal year 2011, and will be in place for 20 years to provide resources for construction and subsequent debt service requirements.
- Capital grants and contributions increased by \$13,530 over the prior year, or 469%. The increase is primarily attributable to significant improvements on the Broadway Bridge to add tracks for the Portland Streetcar. These improvements, totaling \$13,539 in fiscal year 2011, were performed by the City of Portland, and have been recognized as capital contributions on the Statement of Activities. The project was not yet complete as of June 30, 2011, so these improvements are included as construction in progress on the Statement of Net Assets.
- Net assets for business-type activities increased by \$3,758 or 22% in fiscal year 2011. The increase is primarily attributable to the Behavioral Health Managed Care fund where the total revenues exceeded total expenditures by \$3,450. The increase is due to a significant increase in the number of clients enrolled in the Department of County Human Services Verity mental health program. Total Verity enrollment increased by 20% over the prior year due to policy changes at the State for mental health enrollment. Also, changes in the methodology to calculate the liability for incurred but not reported

(IBNR) claims resulted in an overall net increase to net assets for the Behavioral Health Managed fund.

- Total assets for business-type activities increased by \$6,677 or 31% over the prior year and total liabilities increased by \$2,919 or 64% from fiscal year 2010. Both increases are directly attributable to the early receipt of a fiscal year 2012 allotment payment in the Behavioral Health Managed Care fund. The \$4,032 allotment payment for the Verity enrollment in the Oregon Health Plan (OHP) was received at the end of the fiscal year and increased deferred revenues and cash in the Behavioral Health Managed Care fund. The changes to the methodology for the calculation of the IBNR claims payable decreased total liabilities by \$1,008 in this fund.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$210,735, an increase of \$23,506 or 13%.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$44,576, or approximately 14% of both total General Fund expenditures and total "corporate" revenues of General Fund. Corporate revenues include Property Tax, Business Income Tax, Motor Vehicle Rental Tax, State Revenue Sharing, and Interest Earnings, revenues that are available for general use and over which the Board has complete discretion. This balance is consistent with the County's finance and budget policies requiring a 10% reserve.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Multnomah County's basic financial statements. The County's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *Statement of Activities* presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, health and social services, public safety and justice, community services, roads and bridges, and libraries. The business-type activities of the County include sanitary sewer and street lighting districts, and a behavioral health managed care operation.

The government-wide financial statements include not only the County itself (known as the *primary government*), but also a legally separate sanitary sewer district and a legally separate street lighting district, for which the County is financially accountable. The statements also include a legally separate, tax exempt foundation whose purpose is to support the County's libraries through raising, receiving, administering and

disbursing funds, grants, bequests and gifts for the benefit of the County libraries. Financial information for the two *blended component units* and one *discretely presented component unit* is reported separately from the financial information presented for the County itself.

The government-wide financial statements can be found on pages 30-32 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains 23 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, the Federal State Program Fund, the Library fund, the PERS Pension Bond Fund and the Capital Improvement Fund, which are considered to be major governmental funds. Data from the remaining governmental funds (non-major governmental funds) are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The County adopts an annual appropriated budget for all funds. A budgetary comparison statement has been provided for each fund to demonstrate compliance with this budget.

The basic governmental fund financial statements and respective reconciliations can be found on pages 33-39 of this report.

Proprietary funds. The County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for its sewer and lighting operations, and for behavioral health managed care services. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses *internal service funds* to account for its risk management activities, fleet operations, telephone and data processing systems, mail distribution, and facilities management operations. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise fund financial statements provide aggregate information for the sewer and lighting districts and the behavioral health fund. The internal service funds are also combined into a single, aggregated

presentation in the proprietary fund financial statements. Individual fund data for the proprietary and internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 43-45 of this report.

Fiduciary funds. *Fiduciary funds* are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support County programs. The accounting used for fiduciary funds is similar to that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 46 of this report. The combining balance sheet for agency funds and combining statement of changes in assets and liabilities for agency funds can be found on pages 126-127 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the financial data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 47 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the notes to the basic financial statements. Combining and individual fund statements and schedules can be found beginning on page 85 of this report.

Required Supplementary Information (RSI)

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the County's progress in funding its other post employment healthcare benefits obligations. Required supplementary information can be found on page 84.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the County's financial position. The County's assets exceeded liabilities by \$790,284 at the close of the most recent fiscal year.

Multnomah County's Net Assets

	Governmental Activities		Business- Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 503,996	\$ 468,665	\$24,924	\$18,163	\$ 528,920	\$ 486,828
Capital assets	755,558	735,358	3,612	3,696	759,170	739,054
Total assets	<u>1,259,554</u>	<u>1,204,023</u>	<u>28,536</u>	<u>21,859</u>	<u>1,288,090</u>	<u>1,225,882</u>
Long-term liabilities outstanding	359,269	360,839	7	16	359,276	360,855
Other liabilities	131,055	127,768	7,475	4,547	138,530	132,315
Total liabilities	<u>490,324</u>	<u>488,607</u>	<u>7,482</u>	<u>4,563</u>	<u>497,806</u>	<u>493,170</u>
Net assets:						
Invested in capital assets, net of related debt	637,922	620,544	3,612	3,696	641,534	624,240
Restricted	49,806	103,600	-	-	49,806	103,600
Unrestricted	81,502	(8,728)	17,442	13,600	98,944	4,872
Total net assets	<u>\$ 769,230</u>	<u>\$ 715,416</u>	<u>\$21,054</u>	<u>\$17,296</u>	<u>\$ 790,284</u>	<u>\$ 732,712</u>

The largest portion of the County's net assets, approximately 81%, reflects investment in capital assets (land, work in progress, buildings, improvements, machinery and equipment, bridges and infrastructure), net of accumulated depreciation, and the outstanding debt used to acquire the assets in the amount of \$641,534 as compared to \$624,240 a year ago. The County uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The County's restricted net assets in the amount of \$49,806 or approximately 6% are restricted for capital projects, debt service, and various community support programs. Restricted net assets represent resources that are subject to external restrictions on how they may be used. The remaining balance is the County's unrestricted net assets of \$98,944 or approximately 13%. At the end of the current year, the County is able to report positive balances in the three categories of net assets for governmental and business-type activities.

Total net assets increased by \$57,572 during the current fiscal year. This increase is attributable to the factors discussed in the financial highlights section of management's discussion and analysis.

On the following page is a summary of the County's changes in net assets for fiscal years 2010 and 2011.

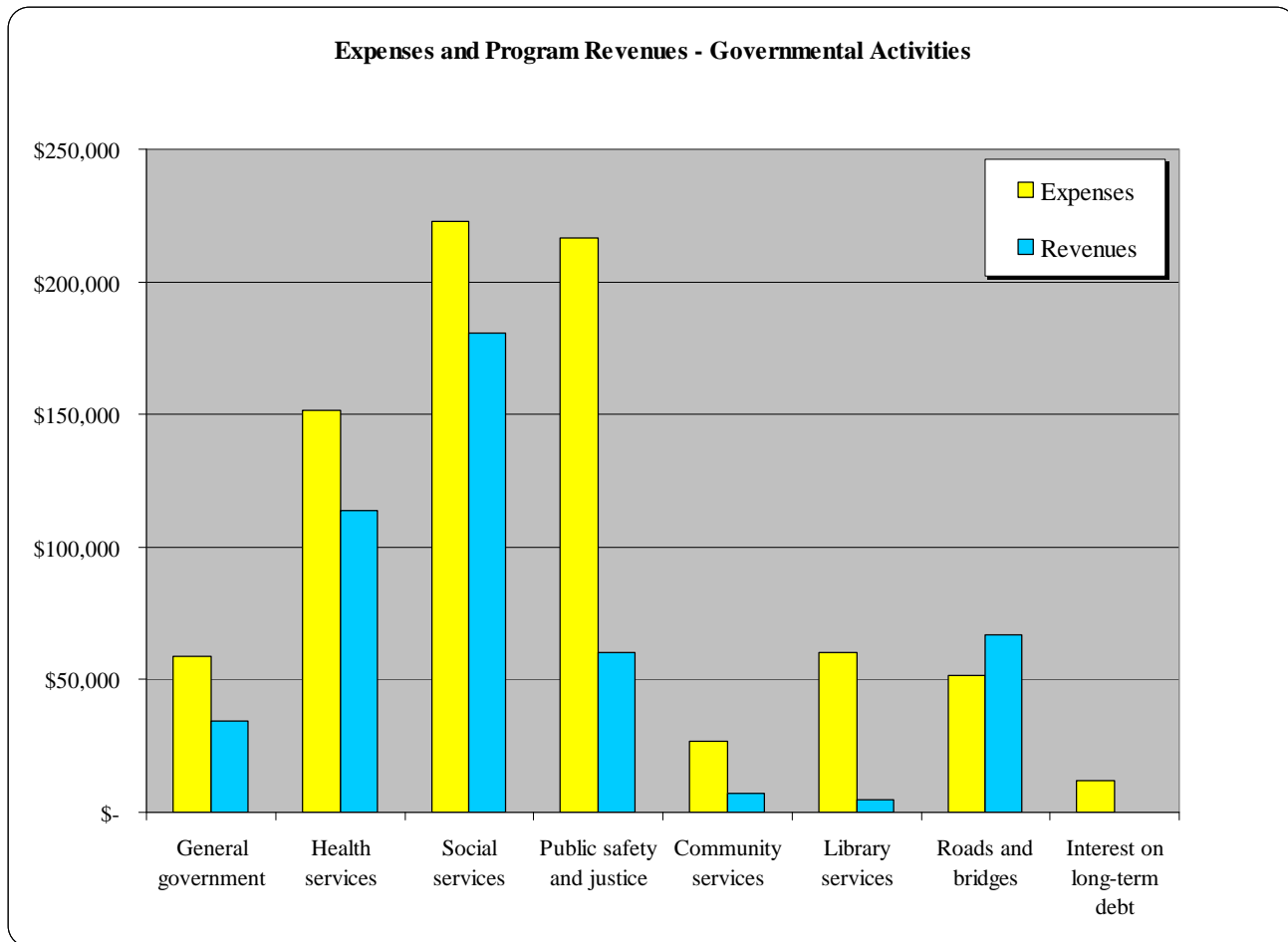
Multnomah County's Changes in Net Assets

	Governmental		Business-type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$135,657	\$115,554	\$47,289	\$44,081	\$182,946	\$159,635
Operating grants and contributions	316,218	299,735	-	-	316,218	299,735
Capital grants and contributions	16,415	2,885	36	133	16,451	3018
General revenues:						
Taxes:						
Property taxes	276,851	275,295	-	-	276,851	275,295
Business income taxes	48,570	44,150	-	-	48,570	44,150
Other taxes	48,350	43,997	-	-	48,350	43,997
State government shared revenues	7,423	7,768	-	-	7,423	7,768
Grants and contributions not restricted to specific programs	1	27	-	-	1	27
Interest and investment earnings	2,946	2,589	115	128	3,061	2,717
Miscellaneous	667	1,665	871	7	1,538	1,672
Gain on sale of capital assets	175	228	-	-	175	228
Total revenues	<u>853,273</u>	<u>793,893</u>	<u>48,311</u>	<u>44,349</u>	<u>901,584</u>	<u>838,242</u>
Expenses:						
General government	58,642	59,572	-	-	58,642	59,572
Health services	151,327	137,615	-	-	151,327	137,615
Social services	222,515	224,928	-	-	222,515	224,928
Public safety and justice	216,403	210,079	-	-	216,403	210,079
Community services	26,683	22,796	-	-	26,683	22,796
Library services	60,343	56,548	-	-	60,343	56,548
Roads and bridges	51,772	49,571	-	-	51,772	49,571
Interest on long-term debt	11,774	12,800	-	-	11,774	12,800
Dunthorpe-Riverdale Service District Number 1	-	-	486	516	486	516
Mid County Service District Number 14	-	-	427	403	427	403
Behavioral Health Managed Care	-	-	43,640	39,207	43,640	39,207
Total expenses	<u>799,459</u>	<u>773,909</u>	<u>44,553</u>	<u>40,126</u>	<u>844,012</u>	<u>814,035</u>
Increase (decrease) in net assets	53,814	19,984	3,758	4,223	57,572	24,207
Beginning net assets	715,416	695,432	17,296	13,073	732,712	708,505
Ending net assets	<u>\$769,230</u>	<u>\$715,416</u>	<u>\$21,054</u>	<u>\$17,296</u>	<u>\$790,284</u>	<u>\$732,712</u>

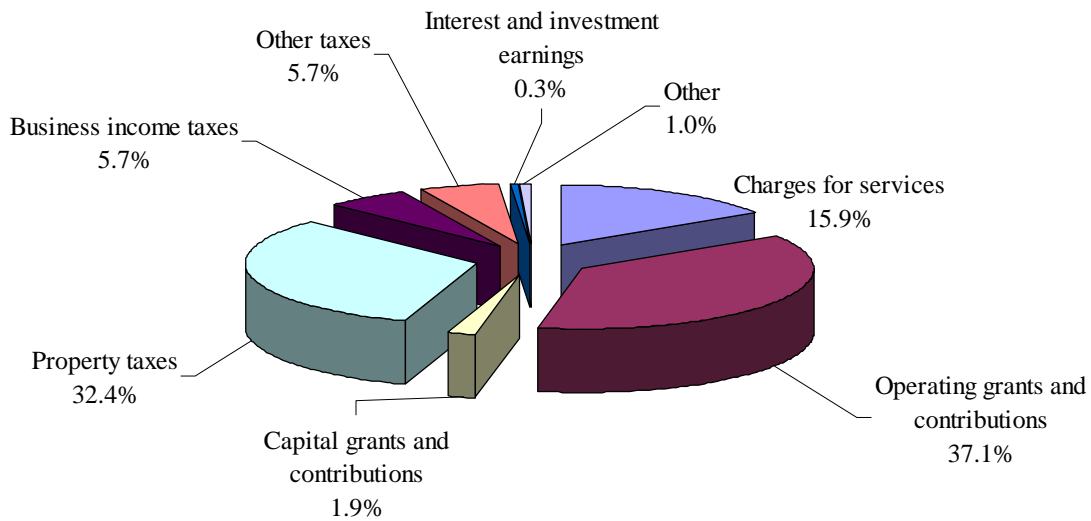
Governmental activities. Governmental activities increased the County’s net assets by \$53,814; key elements of this increase are highlighted below:

- Fees, fines and charges for services increased by \$20,103 or 36%. The increase is related to Roads and Bridges which increased \$8,024 or 725% over the prior year, which represents the collection of a new vehicle registration fee dedicated to the construction of the Sellwood bridge replacement project. Also included in the increase is \$6,821 in Health Services, which was primarily the result of increased billable encounters in the County’s health clinics. Approximately 44% of the increased encounters were a result of a new health clinic opened during fiscal year 2011 in the County’s Rockwood neighborhood.
- Capital grants and contributions increased by \$13,530, or 469%. The increase is primary related to improvements to the Broadway bridge to install tracks for the Portland Streetcar, and represents work completed by the City of Portland.
- Business income taxes increased by \$4,420 or 10% from the prior year as the economy continues to rebound. Prior to fiscal year 2009, business income tax revenues grew at an average of 20% annually over the past five years. However, as the economic recession set in during fiscal year 2009, the County’s business income tax revenues plummeted.

The graph below and on the following page, shows the County’s Governmental Activities expenses and revenues by program area and revenue by sources.



Revenues by Source, Governmental Activities

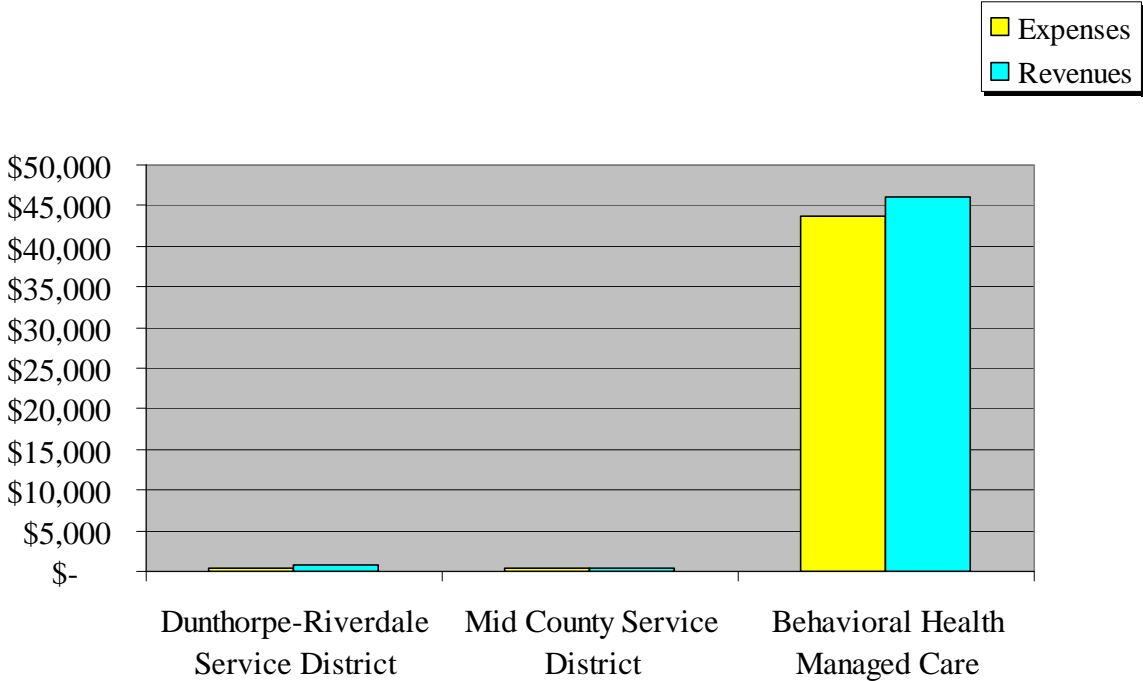


Business-type activities. Business-type activities increased the County’s net assets by \$3,758, compared to an increase of \$4,223 in the prior year. The primary reasons for the current year’s increase are:

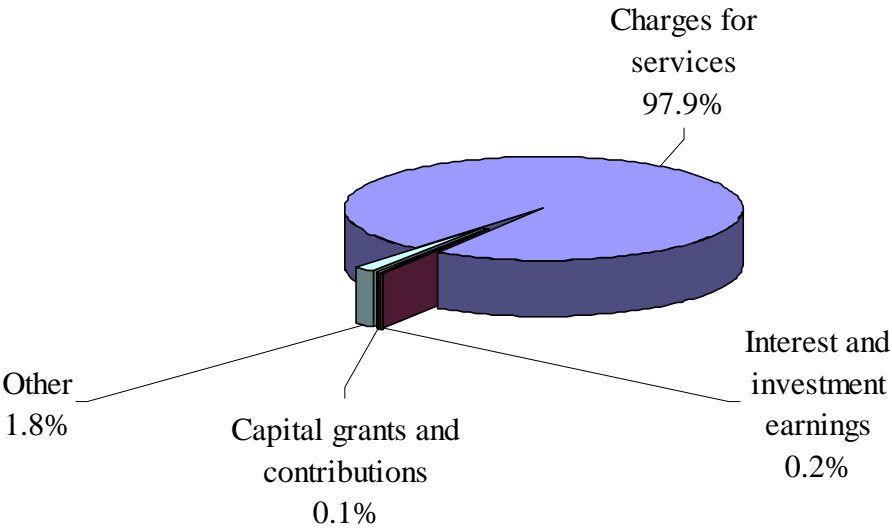
- The Behavioral Health Managed Care fund manages the insurance for Medicaid and Oregon Health Plan enrolled members within Multnomah County. Verity Integrated Behavioral Healthcare Systems works with the Oregon Health Plan to manage mental health services. Net assets in this fund increased by \$3,450 as compared to an increase of \$3,845 in the prior year. During fiscal year 2011, the enrollment in the Verity increased by approximately 20% as a result of policy changes at the State for enrollment.
- The Dunthorpe-Riverdale Service District’s revenue source is primarily sewer assessments collected through property taxes. During fiscal year 2011 the District collected \$816 in fines, fees and charges for services which is essentially unchanged from the prior year’s collection of \$809.
- The Mid County Service District’s revenue source is primarily street lighting assessments collected through property taxes. During fiscal year 2011 the District collected \$363 in fines, fees and charges for services which is an increase of \$22 or 6% over the prior year collections of \$341. This increase is attributable to an increase in user fees from \$45 to \$48 per household.
- Interest revenue decreased by \$13 as interest rates fell from .57% in June 2010 to .53% in June 2011. Interest is allocated based on the average daily cash balance and the average monthly yield of the County’s investment portfolio.

The following graphs show the County’s Business-type Activities expenses and revenues by program area and revenue by sources.

Expenses and Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$210,735, an increase of \$23,506 over the prior year. Approximately 31% or \$65,178 of this total amount constitutes *assigned and unassigned fund balances*, which is available for spending at the government's discretion. Unassigned fund balances are amounts available in the General Fund, while assigned fund balances are amounts available in other governmental funds. The remainder of fund balance is *unspendable, restricted, or committed* to indicate that it is not available for discretionary spending because it has already been dedicated to 1) to prepaid items and inventories (\$1,891), 2) to pay for ongoing capital projects (\$42,278), 3) to pay debt service (\$73,529), 3) to pay for improvements to roads, bridges or bike paths (\$18,108), or 4) to pay for various community support and other programs (\$9,751). Additional information on the County's fund balances can be found in note 3.G on page 76 of this report.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance was \$44,576 in the General Fund or approximately 98% of the total fund balance of \$45,717. As a measure of the General Fund's liquidity, it may be useful to compare fund balance to total fund expenditures. Unreserved fund balance represents 13% of total General Fund expenditures.

The fund balance of the County's General Fund decreased by \$13,698 due to unrestricted Health Department clinic fees and the related expenditures that were reclassified from the Federal State Program Special Revenue fund to the General Fund in fiscal year 2011. The reclassification of the Health Department's program was related to the County's implementation of GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This decrease is offset by increases in property taxes of \$4,329 and business income taxes of \$4,420.

The Federal and State Program Special Revenue Fund has a total fund balance of \$8,172, of which \$439 is unspendable due to balances reported for prepaid items and inventories. The restricted balance of \$8,045 includes grants and other amounts received in advance that are restricted to specific purposes by external parties. In general, Federal revenues are closely matched with Federal expenditures. The remaining deficit balance of \$312 is reported as unassigned because the total unspendable and restricted amounts were greater than the total ending fund balance. Ending fund balance in the Federal and State Program fund increased over the prior year by \$2,230 or 38% primarily due to unspent revenues at year-end related to the State Mental Health Block grant in the Department of County Human Services.

The Library Special Revenue Fund reported a total fund balance of \$16,609, of which \$16,355 is assigned at year-end. This is a decrease of \$2,486 or 13% from the prior year. The decrease is primarily attributable to the Library's local option levy that expires June 30, 2012. Approximately 60% of Library operations are supported by a five year local option levy. The five year levy is designed to operate at a surplus in the early years and at a deficit as the levy nears the end of the five year period.

The PERS Pension Bond Fund is a debt service fund with a total fund balance of \$54,737 which is an increase of \$13,234 or 32% over the prior year's ending fund balance of \$41,503. The total fund balance is committed for future debt service. The increase in fund balance is due to an increase in the internal service rates charged to County departments as a part of personnel costs.

The Capital Improvement Fund is a capital project fund with a total fund balance of \$30,586, of which \$18,621 is restricted by external parties to specific capital projects. The remaining \$11,965 is committed by the Board to other capital projects. Ending fund balance in the Capital Improvement fund increased over the prior year by \$8,378 or 38% due to the issuance of debt for \$15,000 for the construction of a new East County Courthouse, with \$9,418 of these proceeds remaining unspent during fiscal year 2011.

Proprietary funds. The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the proprietary funds at year end amounted to:

- Dunthorpe-Riverdale Service District Fund, \$765
- Mid County Service District Fund, \$252
- Behavioral Health Managed Care Fund, \$16,425

The total change in net assets for all proprietary funds was an increase of \$3,758. Other factors concerning the finances of these three funds have already been addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights

The adjustments necessary to bring the expenditure budget into agreement with the revised revenue budget account for some of the differences between the original General Fund budget and the final adopted budget. Total final adopted budgeted revenues were increased by \$1,932 and total final adopted budgeted expenditures were increased by \$2,824 from the original budgeted numbers. During the year the General Fund contingency was reduced by \$504 or 7% for the following reasons:

- District Attorney and Sheriff – \$406 was allocated for an investigation and search effort for a missing person. \$196 of this amount was added to the District Attorney's Office budget, and \$210 was added to the Sheriff's Office budget.
- Community Justice –\$117 was allocated for increased gang violence intervention programs in response to a significant increase in gang related problems.
- Human Services – Approximately \$482 was added to the budget for the Department County Human Services. Of this, \$61 was allocated to domestic violence emergency shelter beds, \$318 for additional homeless family shelter services and capacity through the Rapid Re-Housing Initiative, and \$103 for initiatives to help seniors receiving assistance through the Department's Aging and Disability Services division for assistance with dentures and extractions and support for bed bug treatments.
- Multiple Departments – Approximately \$501 increased the General Fund revenues as a result of additional grants and awards to various County Departments in restricted funds that allowed for indirect costs or an overhead allocation.

The contingency transactions account for increases in budgeted expenditures not related to increased revenues, and may be used only when approved by the Board for a specific purpose and department. There was no effect on the ending General Fund budgetary fund balance as a result of these budget amendments. The following list highlights department expenditures that had significant changes from the original budget to the final adopted budget or variances between the final adopted budget to actual expenditures in the General Fund:

- Human Services – The department's final budget exceeded the original budget by \$501. This increase is explained by the changes in the Human Services General Fund contingency as noted above. The department's final budget also exceeded actual spending by \$2,738 or 6%. The underspending was concentrated to contracts in the Aging & Disability Services division and Community Services division.

- Nondepartmental – The final budget exceeded the original budget for nondepartmental offices and agencies by \$1,301. This increase was to allow for the distribution of personal income tax collections to schools, for delinquent collections that have continued to be received on the expired tax. The final budget for nondepartmental offices and agencies exceeded the actual spending by \$1,763 or 8%, of which \$706 is related to the budget modification above, as final collections and the related distribution of the income tax revenues were not as high as expected.
- County Management – The department’s final budget exceeded actual spending by \$1,863 or 6%. The under-spending is due to a number of positions in the Division of Assessment, Recording and Taxation that were held open throughout the fiscal year.
- Health Services – The final budget in the Health Department exceeded actual spending by \$3,499 or 7%. This underspending is primarily related to increased fee collections in the Federal and State Program fund, which provided alternative resources for the Department’s expenditures and reduced spending in the General fund.

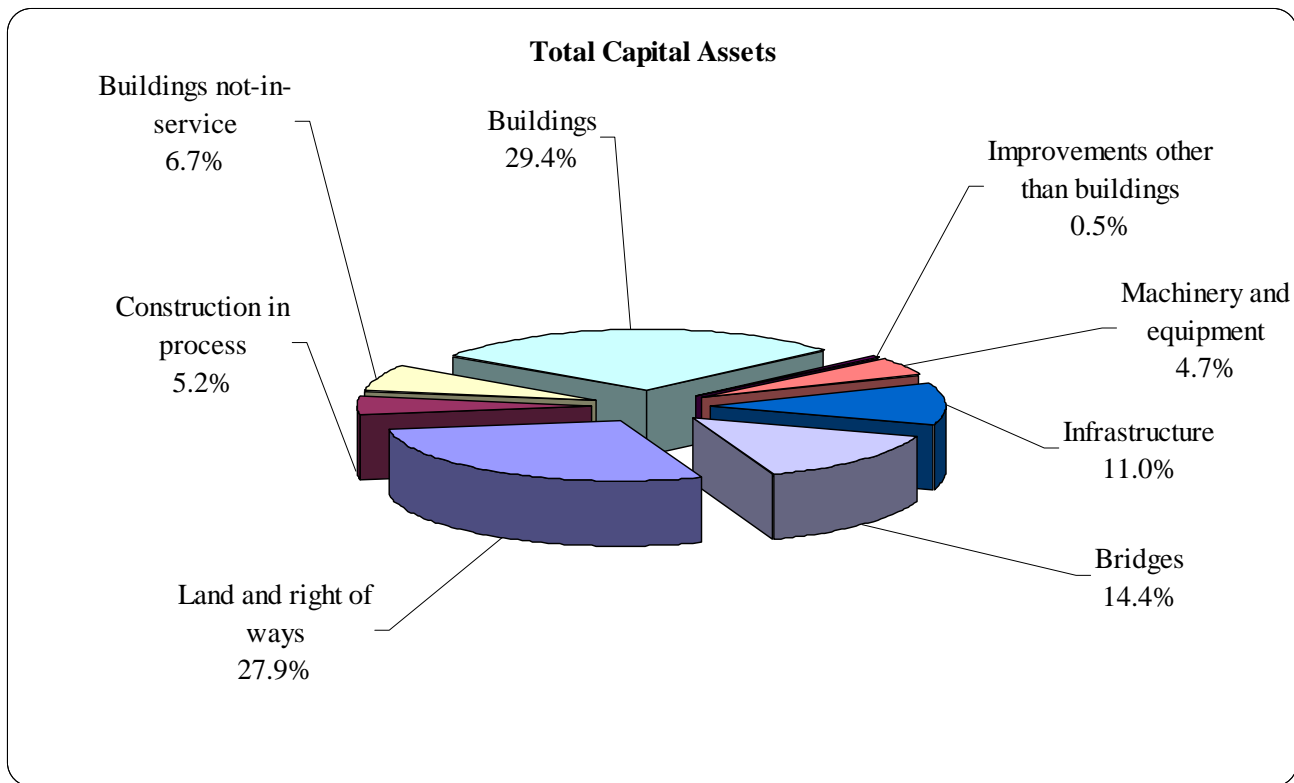
Capital Projects and Debt Administration

Capital assets. The County’s investment in capital assets for its governmental and business-type activities as of June 30, 2011, amounts to \$759,170 (net of accumulated depreciation). This investment in capital assets includes land, right of ways, buildings and improvements, machinery and equipment, internally developed software, roads and bridges, sewer and street lighting systems, and motor vehicles. The total overall change in the County’s investment in capital assets for the current fiscal year was an increase of \$20,116 or approximately 3%. This increase is primarily related to several projects still under construction at the end of fiscal year 2011, including \$14,218 for the Broadway bridge, \$9,019 for the Sellwood bridge replacement, and \$7,135 for the new East County Courthouse. Additionally, buildings not-in-service, which represents a County jail facility whose construction was completed in fiscal year 2005. However, the County does not have sufficient resources to operate the facility.

Multnomah County’s Capital Assets (net of depreciation, where applicable)

	Governmental Activities		Business- Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land and right of ways	\$ 212,029	\$ 212,024	\$ -	\$ -	\$ 212,029	\$ 212,024
Construction in process	39,542	8,401	-	305	39,542	8,706
Buildings not-in-service	51,164	51,164	-	-	51,164	51,164
Buildings	223,379	227,121	-	-	223,379	227,121
Improvements other than buildings	433	283	3,612	3,391	4,045	3,674
Machinery and equipment	36,014	34,979	-	-	36,014	34,979
Bridges	83,587	85,825	-	-	83,587	85,825
Infrastructure	109,410	115,561	-	-	109,410	115,561
Total capital assets	<u>\$ 755,558</u>	<u>\$ 735,358</u>	<u>\$ 3,612</u>	<u>\$ 3,696</u>	<u>\$ 759,170</u>	<u>\$ 739,054</u>

The following chart indicates the County’s capital assets as of June, 30, 2011. Additional information on the County’s capital assets can be found in note 3.C on pages 66 – 67 of this report.



Long-term debt. At the end of the current fiscal year, the County had total debt outstanding of \$268,687. Of this amount, \$42,794 comprises debt backed by the general obligation bonds; \$218,330 represents debt backed by the full faith and credit bonds; \$3,414 comprises long term loan obligations; and the remainder of the County’s debt represents bonds secured solely by specified sources (e.g., revenue bonds, capitalized leases). Both general obligation bonds and full faith and credit bonds are direct obligations pledging the full faith and credit of the County.

Multnomah County’s Outstanding Debt

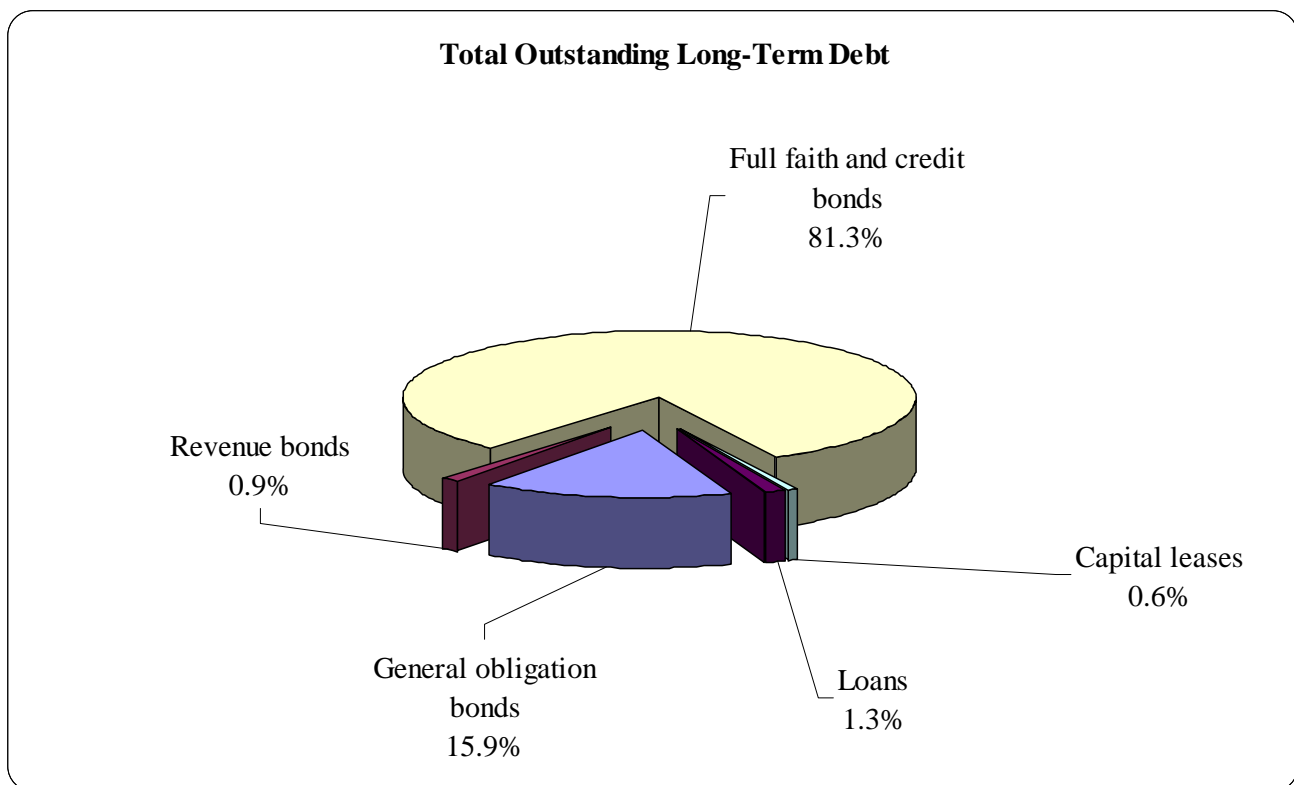
	Governmental Activities		Business- Type Activities		Total	
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$ 42,794	\$ 50,045	\$ -	\$ -	\$ 42,794	\$ 50,045
Revenue bonds	2,430	2,845	-	-	2,430	2,845
Full faith and credit bonds	218,330	220,352	-	-	218,330	220,352
Capital leases	1,719	1,020	-	-	1,719	1,020
Loans	3,414	2,132	-	-	3,414	2,132
Total outstanding debt	<u>\$ 268,687</u>	<u>\$ 276,394</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 268,687</u>	<u>\$ 276,394</u>

The County's total debt decreased by \$7,707 or approximately 3% during the current fiscal year. In fiscal year 2011 the County issued \$15,000 in Full Faith and Credit bonds to finance the construction of the new East County Courthouse. Other changes to the County’s long-term debt during fiscal year 2011 consisted primarily of principal payments.

The County maintains an “Aaa” rating with a stable outlook from Moody’s, for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to two percent of the real market value of all taxable property within the government's boundaries. The current debt limitation for the County for general obligation debt is \$1,992,567, which is significantly in excess of the County's outstanding general obligation debt. State statutes also limit the amount of full faith and credit obligations to one percent of the real market value of all taxable property within the government's boundaries. The current debt limitation for the County for full faith and credit obligations is \$798,436, which is in excess of the County's outstanding full faith and credit debt. The County is also subject to State statute on revenue bonds used to finance pension liabilities by 5% of the real market value of all taxable property within the County's boundaries. The current debt limitation for pension revenue bonds is \$4,935,745, which is also in excess of the County's outstanding pension revenue bonds.

The following chart indicates the County's long-term liabilities as of June 30, 2011. Additional information on the County's long-term liabilities can be found in note 3.F on pages 68 – 76 of this report.



Key Economic Factors and Budget Information for Next Year

- The unemployment rate for the Portland-Vancouver-Beaverton PMSA (Primary Metropolitan Statistical Area) at the close of the fiscal year was approximately 9.2% which is down one percentage point from 10.2% at the same time last year. The unemployment rate has remained near 10% since the onset of the economic recession in 2008. The consensus forecast has Oregon unemployment growing 2.1% in 2011 and 2.7% in 2012.
- Property tax revenues are the single largest source of revenue in the General Fund and it accounts for approximately 63% of ongoing revenues. Property tax revenues are not expected to be significantly different than the original budget estimates. Voter approved Property Tax measures, while they have limited revenue growth, have tended to make tax collections more stable and predictable from year to year.
- The forecast for fiscal year 2012 anticipates business income tax revenues will be slightly higher than fiscal year 2011 levels. Actual collections could be higher or they could be lower. Business income

tax (BIT) is highly sensitive to economic conditions and has been volatile since fiscal year 2008. Over the past five years tax collections have grown by as much as 40% and declined by as much as 35% on a year over year basis. The County has established a “BIT Stabilization Reserve” to help balance the difficulty of budgeting for this revenue source.

- Recording fees and the CAFFA grant are expected to increase by 7.3% which is attributable to refinancing activity as mortgage rates remain low.
- State shared revenues, including video lottery, Oregon Liquor Control, cigarette and amusement device taxes, are expected to increase by 16.2% in 2012. The increase is primarily in video lottery as a temporary state reduction expired in 2011 and consumer spending related to these revenues continues to grow.

All of these factors were considered in preparing the County’s budget for fiscal year 2011-2012.

During the current fiscal year, unassigned fund balance in the General Fund increased to \$44,576. At this level, the County is able to fully fund the reserve account in the General Fund unappropriated fund balance as described in the Financial and Budget policies. The Finance and Budget policies state it is the goal of the Board to fund and maintain a General Fund budgeted reserve, designated as unappropriated fund balance and funded at approximately 10% of specifically identified revenues, “corporate” revenues, of the General Fund. In fiscal year 2011, reserves are equal to 10% of the “corporate” revenues of the General Fund. The fiscal year 2011-2012 budget fully funds the reserve in the General Fund.

Requests for Information

This financial report is designed to provide a general overview of Multnomah County’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for separately issued component unit reports should be directed to the following address:

Multnomah County
Department of County Management
501 SE Hawthorne Blvd. Suite 531
Portland, OR 97214