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# Budget Director's Message

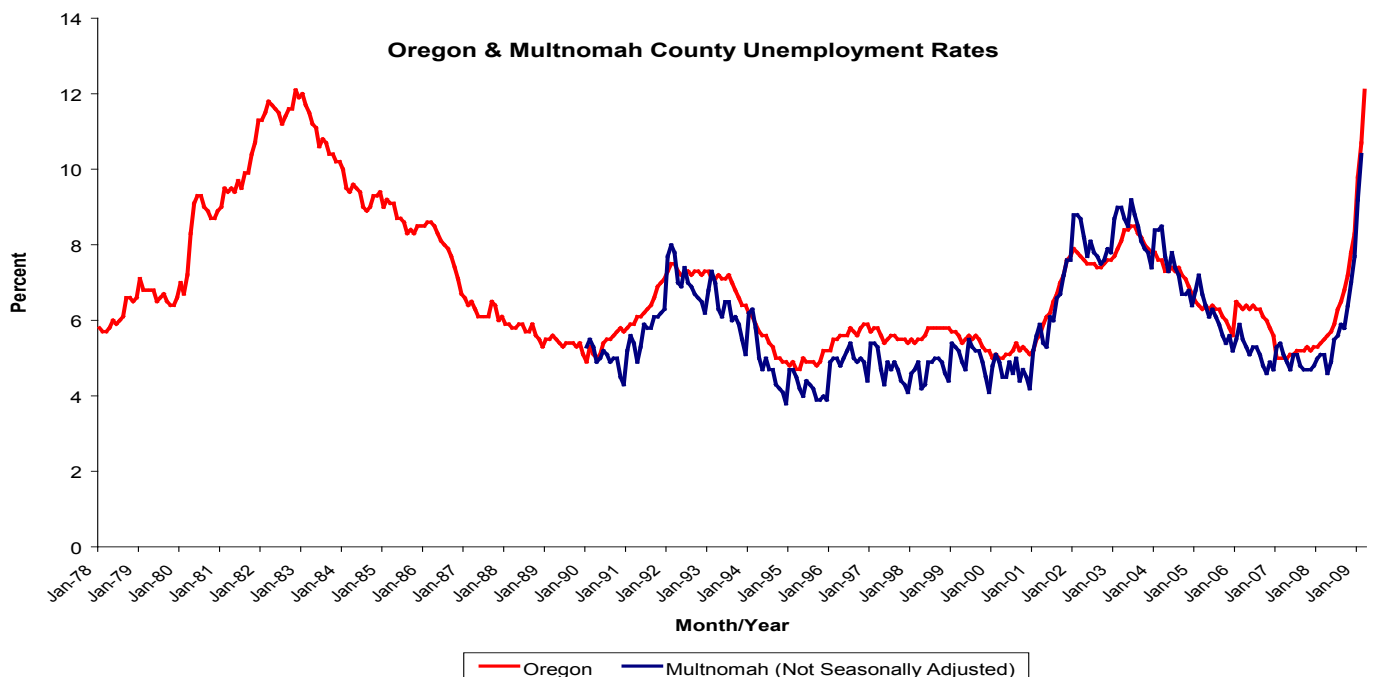
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### Budget Director's Message Introduction

Multnomah County government faces its most significant fiscal challenge since the early 1980's. These are difficult and uncertain economic times. The global economic recession is having a profound effect on individuals, businesses and governments around the world. Our nation is in the midst of a severe recession and many businesses and government agencies are unable to continue operating at levels they have in the past. The County is facing a \$36.5 million general fund operating deficit between expenditures and revenues. If left unchecked, that gap would grow to \$46 million in FY 2011. Further exacerbating the County's financial outlook is the impact of the State of Oregon's projected \$4.4 billion budget gap in the 2009-2011 biennium. This deficit could translate into an estimated \$30-\$60 million of additional cuts to County programs.

Multnomah County residents, businesses and non-profits are also struggling to maintain their standards of living, profitability, and services. The downturn in the national economy has brought with it falling house prices, tight credit, significant job losses and overall reductions in consumer spending. Nowhere is this more pronounced than in the rapid raise in the unemployment rate as the chart shows below. Unemployment across Oregon more than doubled to 12.1% in March, 2009, up from 5.5% in March, 2008. Oregon now has the second highest unemployment rate in the Country. The pattern is similar in Multnomah County. For February, 2009 the unemployment rate in the County was 10.4%, up from 5.1% in February, 2008. Given current trends, unemployment rates will likely surpass the high rates last seen in the early 1980's.



Notice of mortgage default filings in Multnomah County have also increased dramatically. In March there were 513 vs. 304 in March, 2008 – a 68.8% increase. Over a two-year period, they have increased from 171 per month to 513 per month. Regionally, house prices, as measured by the S&P Case-Shiller price index, have been falling. Prices were down 14% on a year-over-year basis in January, 2009 and are down 17.5% from their peak in 2007.

Not surprisingly, the County revenues that are dependent on economic activity, such as recording fees, motor vehicle rental taxes, and the business income tax, are showing significant declines. For instance, the business income tax is projected to fall by 31% in FY 2009. The County's primary General Fund revenue source is property taxes, which are projected to grow slowly and will not be sufficient to cover increased County costs (i.e., health care) and falling revenues elsewhere. This means that Multnomah County will have less money available to fund the services we provide, and we will need to make reductions, raise revenues, and become more efficient. All nine departmental budgets will experience cuts to varying degrees depending upon the types of services they provide and the revenue sources that fund those services.

The County receives approximately 30% of its total revenue from federal and state sources. The State of Oregon, which has no sales tax, is heavily dependent on personal income taxes. That makes it especially sensitive to economic conditions, and in particular, to employment levels. With unemployment increasing rapidly, the state revenue picture has been deteriorating at a similar speed. State revenues support County programs in nearly every department, and range from parole and probation to support for mental health programs. Those programs that are especially reliant on State funding are exceptionally vulnerable for upcoming reductions. The State will present its revised forecast on May 15, 2009 for the upcoming biennium. It is expected that the shortfall will increase to about \$4.4 billion. We anticipate that the State will not complete its budget cycle until after the County has adopted its budget in June. Therefore, it is very likely that we will need a midyear budget process to rebalance our FY 2010 budget to address budget reductions from the State for the 2009-2011 biennium.

Although the Federal American Recovery and Reinvestment Act (ARRA) will provide much needed support at the state and local level, it will not come close to filling the gap between County revenues and expenditures. We do not expect a rapid economic recovery. Historically

high household debt, high unemployment, diminished retirement accounts, excess housing and commercial real estate inventory, and a dampened consumer psyche will make it difficult for consumer spending, which accounts for two-thirds of economic activity, to return to prior levels, which were arguably unsustainable. Consequently, it has been and will continue to be difficult for our County leaders to balance the need for services in these difficult times with our diminished ability to pay for those services.

Two County employee groups have agreed to suspend wage increases and cost-of-living-adjustments (COLAs) for FY 2010. AFSCME Local 88 members voted in March to suspend their step and cost of living increases, and wage and COLA increases for management and exempt employees have been suspended as well. Local 88 is the County's largest employee group, and its salary freeze generated savings of \$8,724,000 County-wide. The general fund portion of that totaled \$2,665,000. The additional salary freeze for management and exempt staff generated savings of \$3,949,000 Countywide, with \$1,786,000 of that in the General Fund.

Additionally, Local 88 members agreed to suspend the negotiated process for classification and compensations studies in FY 2010, and to release the balance set aside for such studies in order to preserve Local 88 jobs. The classification compensation study balance totaled \$1,320,000. The savings from the Local 88 wage freeze and class comp study fund were used to retain approximately 78 FTE of Local 88 positions.

The FY 2010 proposed budget was developed under extraordinarily difficult economic conditions, and there remains a significant degree of uncertainty. The bad economic news is likely to continue for many months, and it may get worse before it gets better. In order to manage the downside risks that still exist, the County is prepared to address and weather any further negative economic news. The FY 2010 proposed budget includes a fully funded general fund reserve of \$29.3 million and a \$6 million Business Income Tax (BIT) reserve for meeting possible FY 2010 revenue shortfalls. The proposed revenue estimates will be reexamined in mid-May before the budget is adopted.

The proposed budget is a balanced budget as required by state law, and serves as a policy document and fiscal plan for the fiscal year starting July 1, 2009 and ending June 30, 2010. This budget is a starting point

### The Financial Challenge

for the community dialogue that will take place over the coming months regarding levels of service, programmatic priorities, taxing policy and fiscal management policy. We will continue to monitor current year and projected revenues closely and are continuing to look for ways to reduce the operating budget further without significantly impacting levels of service.

Multnomah County faces an estimated \$36.5 million ongoing gap between revenues and expenditures in the General Fund for FY 2010. This deficit, if left unchecked, would grow to \$45.9 million in FY 2011. This shortfall does not take into account the County's many unmet needs, such as capital infrastructure, building maintenance, and operating costs associated with the Wapato Jail.

The shortfall is a direct result of:

- Reduced revenues (\$19.0 million)
- An ongoing structural deficit (\$5.3 million)
- One-time-only (OTO) funds in FY 2009 supporting ongoing programs (\$4.2 million)
- Additional FY 2009 spending and annualized program costs (\$4.3 million)
- Higher personnel costs (\$3.7 million)

The outlook for our non-General Fund resources is equally gloomy. As previously mentioned, the impact to Multnomah County of reductions from the State of Oregon has been estimated to be in the \$30-\$60 million range because the state legislature is currently planning for a projected \$4.4 billion budget gap in the 2009-2011 biennium.

### How We Balanced the General Fund

Overall, the FY 2010 proposed General Fund budget decreased 7.2% or \$29.5 million over the FY 2009 Adopted Budget. In order to close the revenue/expenditure gap, meet our obligations and still balance the budget within available revenues, significant reductions have been made in county expenditures and services. The County also plans to raise revenues and control increases in its personnel costs.

How We Balanced the General Fund	
<i>Reduced Personnel Costs (not position cuts)</i>	
CPI/COLA at 2.8% vs. the 4.0% assumed	1,937,395
Local 88 Wage/COLA Freeze	2,665,340
Exempt Wage/COLA Freeze	1,785,658
Local 88 Wage/COLA Freeze (Library Fund to GF)	499,529
Exempt Wage/COLA Freeze (Library Fund to GF)	<u>335,470</u>
	<b>7,223,392</b>
<i>Increased Revenues</i>	
Motor Vehicle Rental Tax increased from 12.5% to 17%	4,740,000
US Marshal bed rentals increased from 125 to 200	<u>3,421,875</u>
	<b>8,161,875</b>
<i>Net Departmental Reductions from CSL, adjusted for Wage/COLA Freezes</i>	
Nondepartmental	612,793
District Attorney	2,506,250
County Human Services	785,519
Health	5,122,035
Community Justice	2,510,236
Sheriff	9,357,625
County Management	1,330,955
Community Service	329,070
Library	<u>2,013,106</u>
	<b>24,567,589</b>
<b>Total</b>	<b>39,952,856</b>
One-Time-Only Expenditures Included Above	<u>3,921,291</u>
<b>Net Ongoing Reduction in Expenditure/Revenue Gap</b>	<b>43,874,147</b>

The table above outlines how the General Fund was balanced. Taken together, reduced personnel costs (\$7.2 million), increased revenues (\$8.2 million), and ongoing program reductions (\$28.5 million), result in closing the expenditure/ revenue gap by \$43.9 million. These actions also close a significant portion of the gap for FY 2011.

Personnel costs were reduced or moderated in three ways. First, a lower CPI than was forecasted resulted in lower contractual COLA obligations for all unionized employees, saving \$1.9 million. Second, the agreement with AFSCME Local 88 to implement a wage and COLA freeze saved the General Fund \$3.2 million, including reduced support to the Library Fund. The wage and COLA freeze implemented for the County's exempt (managers and professional) staff, saved \$2.1 million.



### FY 2010 Budget Overview - All Funds

On the revenue side, the Motor Vehicle Rental Tax was increased from 12.5% to 17%, generating \$4.74 million. The number of jail beds rented to the US Marshal was increased by 75 to 200, resulting in \$3.42 million.

On the expenditure side, the County started by asking all departments and agencies to submit budget requests that incorporated a 12% reduction in current service levels. This action generated approximately \$39 million in General Fund reductions. As the table shows, the proposed budget includes \$24.6 million of those reductions. The actual, ongoing reductions are closer to \$28.5 million where \$3.9 million of one-time-only expenditures are included. These are listed in detail later.

The FY 2010 proposed budget takes into consideration both the difficult choices that must be made now, and the equally difficult choices that will need to be made next year. The program offers have been prepared with the best available information, but adjustments will be inevitable as the State of Oregon finalizes its biennial budget.

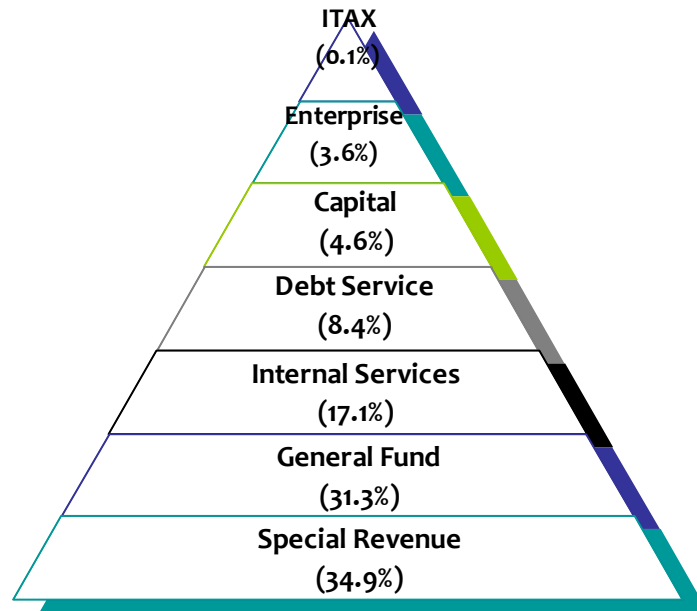
Local Budget Law (ORS 294) requires a reporting of the total budget. The proposed budget for FY 2010 totals \$1,215,569,382. When adopted, the total budget sets the legal appropriation. The total budget reflects the actual resources needed by the County, plus internal charges, transfers, loans, and accounting entities. Because this overstates what is actually spent, the County often refers to the net budget.

The net budget (\$882,757,058) is a more accurate statement of the money the County actually plans to spend during the year. The net budget subtracts all internal charges, transfers, and loans from one fund to another. It also removes all reserves for future years to more accurately reflect the ongoing operational budget. Internal transactions between funds are typically the result of one department providing a service to another, such as information technology or facilities services.

FY 2010 Proposed Budget	
Department Expenditures	\$843,033,792
Contingency	\$39,723,266
<b>Total Net Budget</b>	<b>\$882,757,058</b>
Service Reimbursements	\$174,010,921
Internal Cash Transfers	\$48,601,262
Reserves	\$110,200,141
<b>Total Proposed Budget</b>	<b>\$1,215,569,382</b>



The following diagram provides an overview of the County's total budget by type of fund:



### *Types of Funds*

Multnomah County prepares budgets for 31 funds. Funds are defined on the basis of generally accepted accounting principles (GAAP) and include the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds, and Internal Services Funds. The budget also includes one Enterprise Fund (the Behavioral Health Managed Care Fund).

As its name implies, the General Fund is made up of resources that are available to support a wide array of services. It is the largest source of discretionary revenue that can be allocated by the Chair and Board of County Commissioners. Special Revenue funds include revenues dedicated for specific services. Examples of Special Revenue funds in the Multnomah County budget include the Road Fund, the Willamette River Bridge Fund, and the Library Fund.

The budget includes four Debt Service funds. The General Obligation Bond Fund is supported by a property tax levy dedicated to the repayment of bonds issued for library construction and renovation, and construction of the Wapato Jail. Other debt service funds are used to account for financing proceeds related to capital acquisitions and improvements, deferred pension obligations, and bonds issued on behalf of non-profit agencies.

Capital Project funds account for spending on capital improvements as well as acquisition and preservation of County assets. Internal Services funds account for business functions such as fleet management, self-insurance, information technology, and operation of County facilities. These funds derive their revenues from chargebacks to County and external agencies.

Please see the next page for a table detailing a comparison of funds from FY 2009 adopted to the FY 2010 proposed budget. Note that the table shows 32 funds; however, the Justice Bond Project Fund (2500) is for history purposes only.

# Budget Director's Message

fy2010 proposed budget

Fund	Fund Name	FY 2009 Adopted	FY 2010 Proposed	Change	Notes
1000	General Fund	410,669,016	381,125,439	(29,543,577)	BWC \$39m lower; Property Tax \$6m higher; Business Income Tax \$13m lower; Cash Transfer revenue \$15m higher
1500	Strategic Investment Program Fund	488,258	733,963	245,705	In Lieu of Tax \$246,000 higher
1501	Road Fund	51,626,824	46,051,422	(5,575,402)	BWC \$1.3m lower; intergov. Rev. \$6m lower; Service Reimbursements & Cash Transfer revs \$1m higher
1502	Emergency Communications Fund	240,000	250,000	10,000	
1503	Bicycle Path Construction Fund	639,000	702,075	63,075	
1504	Recreation Fund	120,000	123,264	3,264	
1505	Federal/State Program Fund	235,945,572	233,141,275	(2,804,297)	Intergovernmental revenue lower
1506	County School Fund	260,000	205,000	(55,000)	
1507	Tax Title Land Sales Fund	678,016	668,601	(9,415)	
1508	Animal Control Fund	1,850,885	1,785,958	(64,927)	
1509	Willamette River Bridge Fund	21,733,096	15,850,003	(5,883,093)	BWC \$7.6m lower; Intergov rev \$3.6m higher; cash transfer revenue \$1.8m lower
1510	Library Serial Levy Fund	76,537,520	77,186,996	649,476	
1511	Special Excise Taxes Fund	23,000,000	20,680,000	(2,320,000)	Transient Lodging Tax \$1.6m & Motor Vehicle Rental Tax \$400,000 lower
1512	Pub Land Corner Preservation Fund	2,680,000	2,060,000	(620,000)	
1513	Inmate Welfare Fund	2,526,212	1,572,436	(953,776)	BWC \$600k & Sales to Public \$300k lower
1516	Justice Services Special Ops Fund	5,779,075	7,940,303	2,161,228	Intergovernmental \$950,000 lower; Licenses & Fees \$1.7m, Service Charges \$670,000, Sales \$500,000 higher
1517	General Reserve Fund	15,600,000	15,645,460	45,460	
2001	Revenue Bond Sinking Fund	5,211,500	2,184,740	(3,026,760)	BWC \$2.9m lower
2002	Capital Lease Retirement Fund	36,496,843	35,134,902	(1,361,941)	
2003	General Obligation Bond Sinking	17,217,474	16,736,004	(481,470)	
2004	PERS Bond Sinking Fund	43,017,288	48,364,000	5,346,712	BWC higher
2500	Justice Bond Project Fund	990,000		(990,000)	Not budgeted in FY2010 - Closed Out
2504	Financed Projects Fund	8,550,000	6,500,000	(2,050,000)	Financing Proceeds \$3.7m lower; Cash Transfer \$1.5m higher
2507	Capital Improvement Fund	50,447,941	44,302,051	(6,145,890)	BWC \$6.6m, Intergovernmental \$1.8m, Sales \$12.4m lower; Financing Proceeds \$12m, Cash Transfer \$2.6m higher
2508	Capital Acquisition Fund	363,135	557,400	194,265	BWC higher
2509	Asset Preservation Fund	6,612,240	4,560,806	(2,051,434)	BWC \$1.5m & Cash Transfer \$418,000 lower
3002	Behavioral Health Managed Care Fund	40,575,884	43,364,138	2,788,254	Intergovernmental revenue higher
3500	Risk Management Fund	94,880,662	99,427,484	4,546,822	BWC \$1.9m, Service Reimbursements \$2m, Retiree Insurance and Employee Benefit contributions \$600,000 higher
3501	Fleet Management Fund	11,283,022	8,708,962	(2,574,060)	BWC \$1.2m lower; Service Reimbursements \$829,000 lower
3503	Data Processing Fund	43,951,153	49,520,476	5,569,323	Financing Proceeds \$6m higher
3504	Mail Distribution Fund	8,134,815	7,710,531	(424,284)	
3505	Facilities Management Fund	41,098,002	42,775,693	1,677,691	BWC \$1.6m higher
	<b>Total</b>	<b>\$1,259,203,433</b>	<b>\$1,215,569,382</b>	<b>(\$43,634,051)</b>	

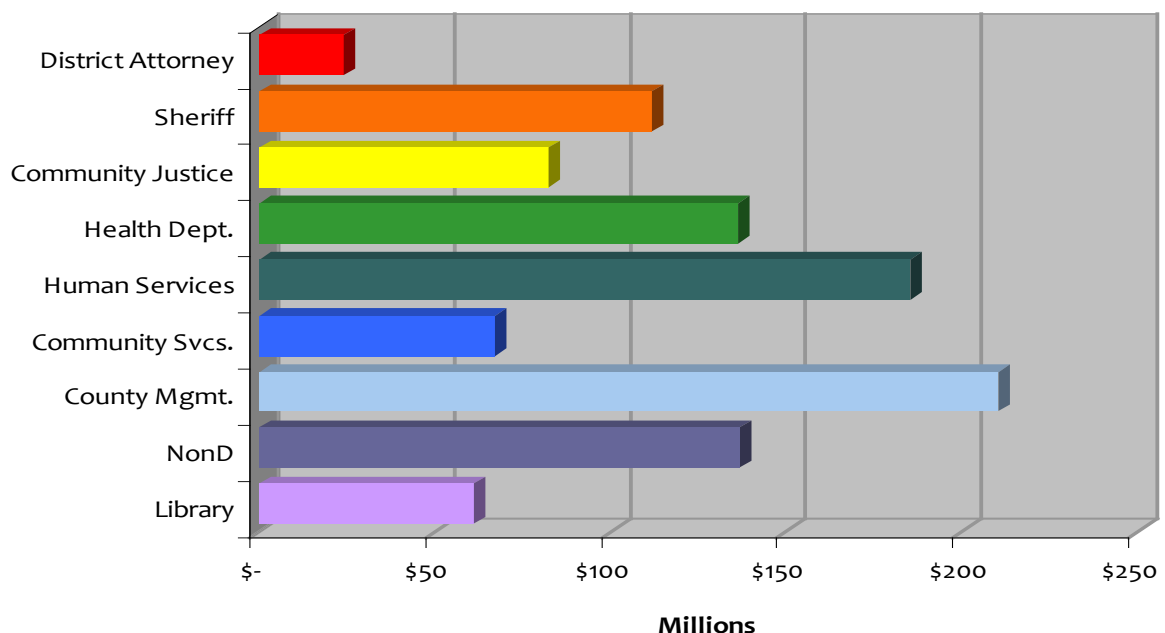
# Budget Director's Message

fy2010 proposed budget

## *FY 2010 Department Requirements - All Funds (\$1.02 billion)*

Most departments experienced absolute decreases in their budgets over the previous fiscal year. The two exceptions include the Library, which increased by \$814,000 or 1.3% over last year; and Nondepartmental, which increased due to the shift of the County Information Technology and Emergency Management organizations from the Department of County Management. The Library's increase reflects the capital and operating cost associated with opening two new branch libraries as called for in the 5-year local option levy. The Library is also drawing down its beginning working capital to offset reductions.

The bar chart below shows the amount of budget required by each department. This figure includes internal service payments, and thus represents some double-counting.

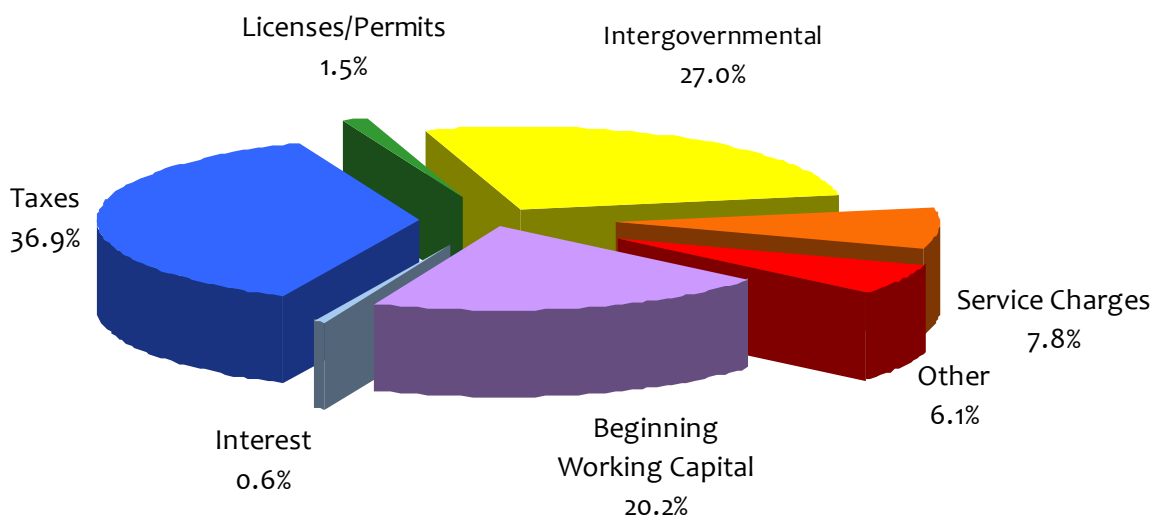


### *FY 2010 Revenues - All Funds (\$977.5 million)*

Revenues are generally budgeted at similar or lower levels than FY 2009. Local revenues are either declining or growing at reduced rates. Taxes constitute the largest single revenue source and include property tax, business income tax, motor vehicle rental tax, transient lodging tax, and county gas tax.

Beginning Working Capital (BWC) as a share of total budgeted resources has decreased from the past year. The General Fund had \$62.0 million of BWC in the FY 2009 adopted budget, but contains just \$23.5 million in the FY 2010 proposed budget. The decline is due to planned debt buy downs and spending in FY 2009 on both ongoing and one-time-only activities.

The increase in Other Sources is attributable to a planned debt issue for facilities and information technology capital projects in FY 2010.



### FY 2010 General Fund Overview

The \$381,125,439 General Fund comprises about a third of the County's budget and includes the largest pool of discretionary funds, which the Board of County Commissioners can allocate to support any department with few restrictions. Discretionary resources include property taxes, business income taxes, motor vehicle rental taxes, interest earnings, and state shared revenues (i.e., video lottery, cigarette tax.), and beginning working capital. These sources make up about 90%, or \$342.4 million of total General Fund revenues.

The remaining 10%, or \$38.7 million, of the General Fund represents revenues primarily budgeted within departmental program offers. These revenues are credited to the General Fund but they may be non-discretionary in nature. Examples include contracts with other governments, fees that fully support program costs, and reimbursements for the cost of conducting elections.

A useful way to look at General Fund revenues is to focus on those revenues that are ongoing or recurring. A significant portion of the \$381.1 million reflects one-time-only resources or the rolling of reserve funds over from the prior year. Based on the February, 2009 forecast and actions in the proposed budget, ongoing General Fund revenues are approximately \$337 million.

The County takes a relatively balanced approach to forecasting General Fund revenues. Property tax is the single largest source of revenue in the General Fund and it accounts for about 63% of ongoing revenues. General Fund revenue growth, therefore, is particularly sensitive to changes in taxable value.

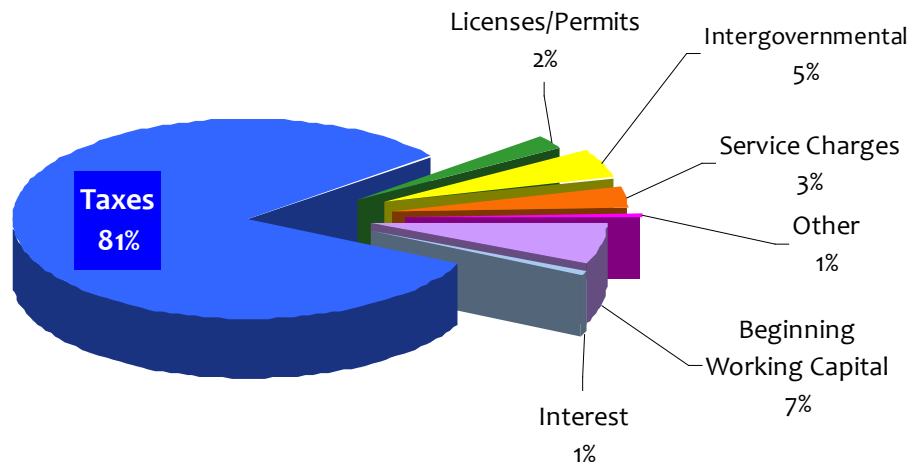
Expenditures are forecast to grow by 4% to 5% annually – a rate of growth that takes into account inflation, employee compensation, and long term fixed costs. This creates a gap between ongoing expenditures and ongoing revenues that is about 2% annually.

For FY 2010, we forecast a \$36.5 million gap between ongoing revenues and expenditures. The operating deficit is projected to grow to \$45.9 million in FY 2011 if no action is taken. That translates to about 11% of ongoing General Fund program costs. The proposed budget reduced ongoing program costs by a net of \$28.5 million, and the remainder of the gap was closed through a combination of new revenues and wage freezes for Local 88 and management employees as discussed earlier.

### *FY 2010 Revenues - General Fund (\$381.1 million)*

Overall, General Fund direct resources, which do not include service reimbursements and cash transfers, have decreased significantly from the previous year. Total General Fund direct resources are just less than \$346.8 million – a decrease of 11.8% over the FY 2009 adopted budget. The reduced BWC accounts for 82.7% of the reduction. There are six revenues in the General Fund that make up about 90% of the ongoing revenue stream. Those revenues are in order of magnitude: property tax, Business Income Tax (BIT), motor vehicle rental, Assessment and Taxation – grant recording fees, state shared revenues (video lottery, OLCC, cigarette and amusement device taxes), and interest earnings.

The following chart shows the major direct revenue resources within the General Fund.



### *Property Taxes*

Property tax is the largest source of revenue in the General Fund at \$221.2 million; it represents roughly 66.5% of *ongoing* General Fund revenue (which excludes items such as the \$23.5 million of budgeted BWC). Property tax revenues have been limited in Oregon, in one form or another, since FY 1991. As a result of Measure 47/50 which passed in November 1996, taxes on existing properties cannot grow by more than 3% per year. In 1998, Measure 50 established a permanent property tax rate for each local government. In other words, we have a revenue source that accounts for two-thirds of the General Fund and is limited to a growth rate that, at best, just keeps pace with inflation. Multnomah County's permanent tax rate is \$4.3434 per \$1,000 of assessed value.



### *Business Income Tax (BIT)*

As assessed value grows, the taxes collected by Multnomah County also grow. Assessed value grows in two ways:

- For most properties, it can grow no more than 3% annually;
- The exception is new construction, which can be increased more than the 3% maximum growth.

FY 2010 property tax estimates were based on the assumption that total assessed value growth would average 2.4%, reflecting the Measure 50 limits and “exception” value associated with new construction. Measure 5 Compression loss is estimated at \$6.2 million.

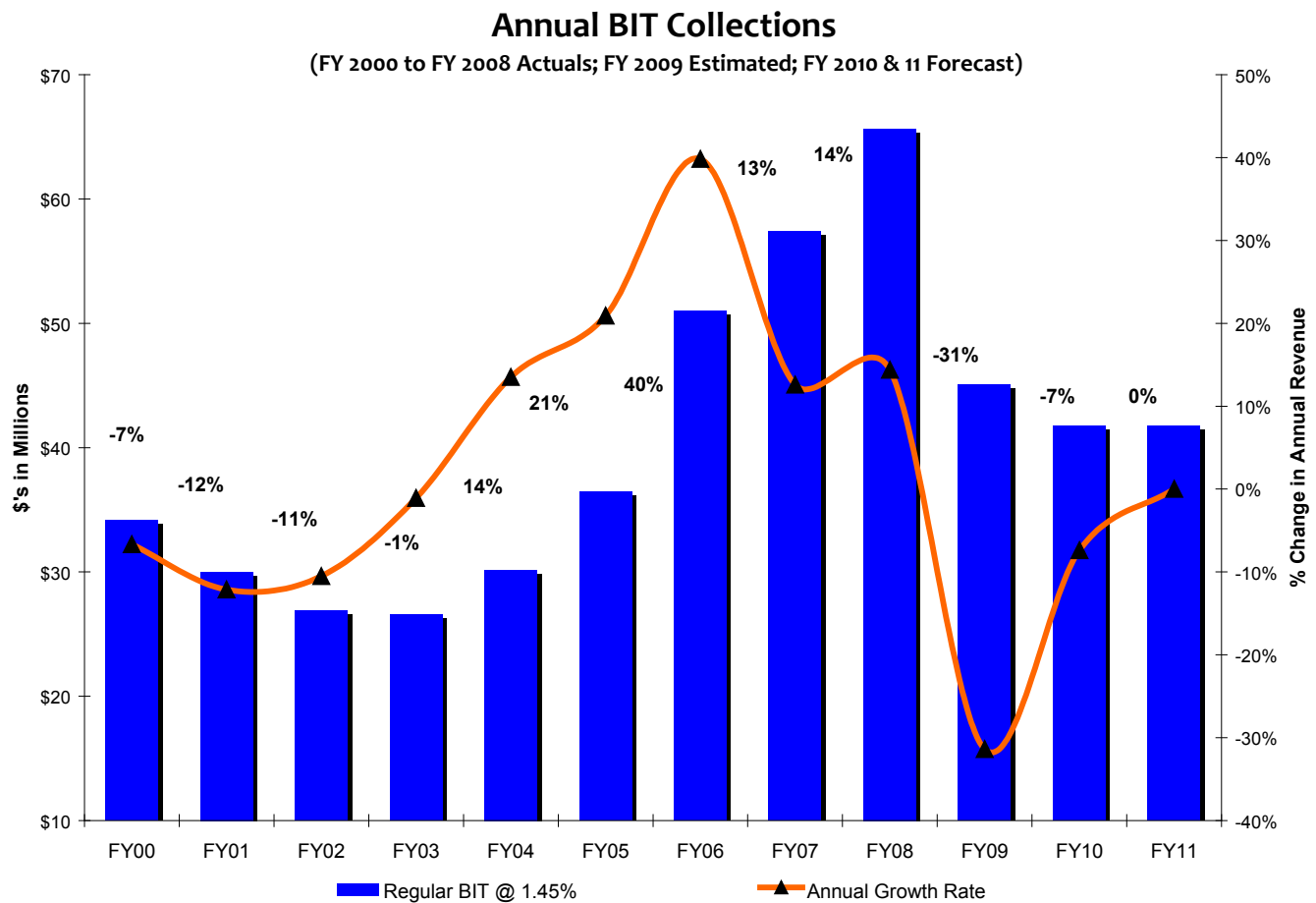
The Business Income Tax (BIT), established in 1976, is the second largest source of revenue in the General Fund. Since 1993, it has been set at a rate of 1.45% of net income. In March 1998, voters in Multnomah County passed a one-year 0.50% BIT surcharge. Proceeds from this surcharge were dedicated to school districts within the county.

On December 20, 2007, the Board of County Commissioners passed Ordinance No. 1104, which amended the Business Income Tax code. Starting in tax year 2008, the following adjustments were made:

- Increased gross receipts exemption from \$25,000 to \$50,000;
- Increased the owner’s compensation allowance deduction to \$80,000 plus the City of Portland’s inflation-adjustment per owner; and,
- Instituted a \$100 minimum per year for filers with gross receipts in excess of \$50,000.

The later of these changes was designed to help offset revenue loss from the first two.

The BIT is a volatile revenue source that is cyclical and extremely dependent upon economic conditions. The following chart highlights the volatility of this revenue source over time. The left axis, represented in columns, shows the change in actual revenue collected since FY 2000. The right axis, represented by the line, tracks the annual percentage change in collections over that same time period.



After hitting a low of \$26.6 million in FY 2003, Business Income Tax collections rebounded strongly. The County experienced five years of double-digit growth, and collections topped out in FY 2008 at \$65.7 million – a 147% increase. The BIT is especially sensitive to economic conditions, and FY 2009 collections are expected to fall by 31% or \$21 million from FY 2008 levels. Through March, collections are down over 29% from the same point last year. In dollar terms, collections are down \$9.3 million. Estimated quarterly payments for the current tax year have been weakening. For the full year they are down 7.7%, but recent months are running around 20%. Refunds have increased very roughly in the range of 100%.

The proposed budget assumes an “L” shaped pattern in BIT collections – a rapid decline with a very gradual recovery. The FY 2010 budget plans for \$42.5 million in BIT collections, which would represent an

### *Motor Vehicle Rental Tax*

additional 7.2% decline from FY 2009, or a cumulative 36% decline from the FY 2008 high. FY 2011 has been modeled with a 0% increase. The BIT forecast will be updated after the April returns have been filed. The proposed budget includes a \$6 million BIT reserve to protect against further declines.

The County imposes a Motor Vehicle Rental Tax (currently set at 12.5%) that is paid by individuals who lease or rent vehicles within Multnomah County. The majority of this tax revenue is a General Fund resource. It is the third largest source of discretionary revenue in General Fund. The balance supports costs and programs associated with the Oregon Convention Center.

Motor Vehicle Rental Tax (MVRT) collections are closely related to the number of deplanements at Portland International Airport. As the economy has weakened, the demand for air travel has fallen. From November 2008 to March 2009, the monthly deplanements at PDX have fallen 14.5% to 18.7% on a year-over-year basis. Consequently, the budget for FY 2010 assumes falling MVRT revenues at \$12.7 million.

The proposed budget also assumes the Board will increase the MVRT rate to 17%, an increase of 4.5 percentage points. This increase would net the County an additional \$4.7 million of revenue. A resolution is expected to be brought for a vote before the Board in May to ratify this increase.

### *A&T Grant Recording Fees*

In 1989 the Legislature created a grant-funded program (CAFFA) to pay for County property tax assessment and taxation functions. Statewide, County Assessment and Taxation (A&T) programs were competing with other County services, which resulted in the deterioration of the state and local A&T system. This program spread some of the costs of administering the property tax to the users of the system through two sources: interest on unpaid taxes, and real property document recording fees. In this way, all taxing and education districts that benefit from the county and state administration of the property tax collection system contribute to its costs. Other users of the system also contribute to this fund through a property-recording fee.

The State Department of Revenue (DOR) reviews grant applications, which include appraisal plans and staffing. DOR sets minimum standards and the compares each grant application to those standards to ensure each county maintains sufficient support for its assessment

### *State Shared Revenues*

and collection functions. For FY 2010, the CAFFA grant and various recording fees are budgeted at \$7.3 million, an 18% drop from the FY 2009 budget, but up 6.6% from expected FY 2009 collections. This estimate is consistent with lower revenues experienced in FY 2009 and assumes a modest increase in recordings from the low point in December 2008.

State shared revenues include Video Lottery, Cigarette and Liquor Tax and Amusement Device Tax that are distributed by formula to Oregon counties. Together, these sources account for about \$9.2 million (3%) of ongoing General Fund revenues.

With the exception of video lottery revenues, these sources have remained fairly flat, or even declined, over the past several years. The introduction of line games to the Oregon Lottery spurred rapid growth in total video lottery proceeds. Collections in FY 2009 have been weaker due most likely to the economic downturn and a smoking ban that went into effect in Oregon restaurants and bars, where many of the machines are located. FY 2010 revenues for video lottery are projected at \$5.56 million.

### *Temporary Personal Income Tax (ITAX)*

In 2003, County voters approved a temporary personal income tax (Measure 26-48) to benefit public schools, public safety, and human services. It enacted a 1.25% personal income tax that was estimated to raise \$132 million annually for three years, ending in December 2005. While the tax has ended, the County continues to collect delinquent prior year taxes and pass the funds on to schools. For FY 2010, \$1 million of revenue is budgeted for the collection of delinquent collections. The schools will continue to receive 70% of the total revenue collected.

### *General Fund Reserve Status*

The County maintains two separate reserves as outlined in the County's Financial and Budget Policies. One is in the General Fund; the other is in the General Reserve Fund. Each reserve has a target equal to 5% of ongoing "corporate" General Fund revenues – typically those revenues that the Board has wide discretion over, such as property taxes.

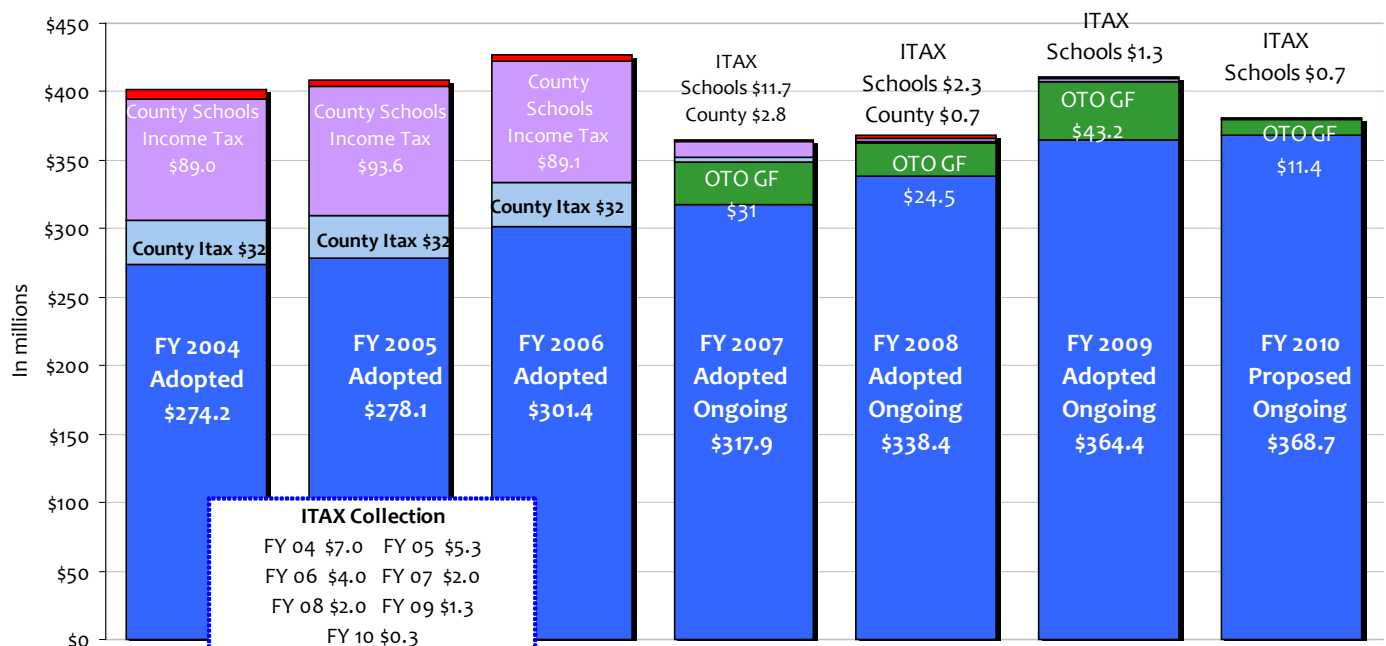
The FY 2010 proposed budget fully funds the two reserves at \$29.3 million and is in compliance with the Finance and Budget Policy. One of the major reasons the County has been able to maintain its high general obligation bond rating of Aa1 is because of the Board's adherence to established fiscal policies. Moody's Investors Services monitors how

### General Fund Expenditure Summary

the County manages its finances during both strong and challenging economies and has based its rating on how the County has managed budget issues over the last several years. The level of General Fund reserves is considered a fundamental measure of financial health and is closely monitored by the credit rating agencies. Moody's looks very favorably on the maintenance of reserves at adequate levels.

A technical side-note is that due to accounting changes under GASB Statement No. 54, the proposed budget includes the necessary budget authority to move the General Reserve Fund into the General Fund. This is being done pro actively to ensure compliance with the new accounting standards.

The following graph shows the total General Fund appropriation (including cash transfers and service reimbursements) from FY 2004 through FY 2010 proposed budget with the Temporary Personal Income Tax. In addition, it shows for FY 2007, FY 2008, FY 2009, FY 2010 how much one-time-only funding was spent in the General Fund.

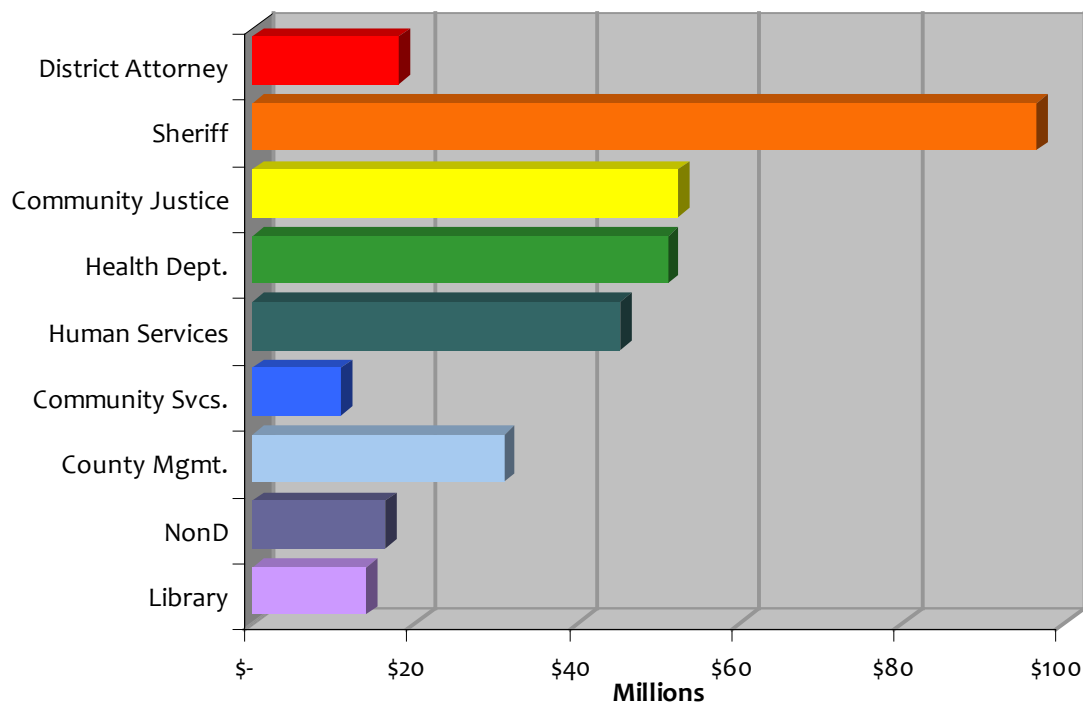


# Budget Director's Message

fy2010 proposed budget

## *FY 2010 Departmental Expenditures - General Fund (\$345.1 million)*

The departmental General Fund expenditures below do not include the \$1.0 million budgeted for ITAX, cash transfers, contingency, or the unappropriated balance. However, the \$14.8 million cash transfer from the General Fund to the Library Fund is included.



## *Use of One-Time-Only Funds*

The FY 2010 proposed General Fund budget has approximately \$11.4 million of one-time-only revenue available to be used after fully funding the County's General Fund reserves. The majority of the funds are attributable to the anticipated FY 2009 ending balance. Delinquent payments from the expired Temporary Personnel Income Tax constitute \$1 million of this amount, and are tied to collecting the delinquent amount and passing it through to schools. These funds are not available for the Board to spend on County programs. This leaves \$10.4 million of discretionary OTO funds. The proposed budget assumes \$3.7 million would have been allocated to courthouse repairs in FY 2009. The Board has not approved this action yet, and if it does, these funds will not be available in FY 2010.

The table on the following page shows how the OTO was allocated in the proposed budget.

# Budget Director's Message

fy2010 proposed budget

Prog #	Name	FY 2010 General Fund Proposed	Other Funds	OTO Only General Funds	% OTO General Funds
<b>Discretionary OTO</b>					
10000B	Business Process Re-Engineering	\$150,000	\$0	\$150,000	100%
10029	Complete Count Census 2010	25,000	-	25,000	100%
25061	Bridgeview Building Redevelopment	250,000	-	250,000	100%
72048	Assessment & Taxation System Upgrade	1,500,000	6,500,000	1,500,000	100%
95000	Business Income Tax Reserve (contingency)	6,000,000	-	6,000,000	100%
95000	Facilities Vacant Space Support	1,100,000		1,100,000	100%
	<b>Subtotal</b>	<b>9,025,000</b>	<b>6,500,000</b>	<b>9,025,000</b>	<b>100%</b>
<b>Dedicated OTO</b>					
10019	Multnomah County Schools	700,000	-	700,000	100%
72014	ITAX Collections	300,000	-	300,000	100%
	<b>Subtotal</b>	<b>1,000,000</b>	<b>-</b>	<b>1,000,000</b>	<b>100%</b>
<b>Negotiated Local 88 Class Comp OTO</b>					
40013A	Early Childhood Svcs for First Time Parents	2,962,160	3,930,435	100,000	3%
40016A	Medicaid/Medicare Eligibility	537,799	1,162,358	292,000	54%
40035	Health Planning & Evaluation	1,433,818	1,826,678	205,000	14%
40041	B&Q Medical Billing	3,020,738	-	115,000	4%
91024	Animal Shelter Operations Restoration	584,291	-	584,291	100%
	<b>Subtotal</b>	<b>8,538,806</b>	<b>6,919,471</b>	<b>1,296,291</b>	<b>15%</b>
<b>Total One-Time-Only Funds</b>		<b>\$18,563,806</b>	<b>\$13,419,471</b>	<b>\$11,321,291</b>	



# Budget Director's Message

fy2010 proposed budget

## *Expenditure Changes to Departments*

The following is a brief summary of changes to departments. For more detail consult the department sections in Volume Two

### Community Justice (DCJ)

Budget Trends	FY 2008	FY 2009	FY 2009	FY 2010	
	<u>Actual</u>	<u>Current Estimate</u>	<u>Adopted Budget</u>	<u>Proposed Budget</u>	<u>Difference</u>
Staffing FTE	534.80	563.15	566.26	532.95	(33.31)
Personal Services	\$46,521,685	\$51,655,642	\$52,431,293	\$50,872,014	(\$1,559,279)
Contractual Services	15,883,830	17,157,796	18,234,370	16,699,987	(1,534,383)
Materials & Supplies	14,394,694	13,418,309	13,505,342	14,734,592	1,229,250
Capital Outlay	<u>65,423</u>	<u>0</u>	<u>0</u>	<u>16,000</u>	<u>16,000</u>
<b>Total Costs</b>	<b>\$76,865,632</b>	<b>\$82,231,747</b>	<b>\$84,171,005</b>	<b>\$82,322,593</b>	<b>(1,848,412)</b>

The FY 2010 proposed budget is approximately \$82.3 million dollars and includes 532.95 FTE. The number of positions has decreased by 33.31 FTE or 5.9%.

The General Fund supports \$52.4 million of services and programs and is \$1.7 million less than the FY 2009 adopted budget. The decrease is due primarily to the following reductions:

- Elimination of the Juvenile Multi-Systemic Therapy Treatment and Foster Care (programs 50017A & B) \$958,799 and 3.0 FTE
- Reduction in Adult Field Services Felony Supervision (program 50030B) \$864,737 and 8.00 FTE
- Reduction in Juvenile Culturally Specific Intervention Services (program 50014B) \$220,869
- Wage freeze and cost of living adjustments for Local 88 and management employees \$1,026,277.

### Community Services (CS)

Budget Trends	FY 2008	FY 2009	FY 2009	FY 2010	
	<u>Actual</u>	<u>Current Estimate</u>	<u>Adopted Budget</u>	<u>Proposed Budget</u>	<u>Difference</u>
Staffing FTE	221.50	215.00	217.50	203.50	(14.00)
Personal Services	\$17,872,702	\$18,718,257	\$19,703,428	\$18,858,296	(845,132)
Contractual Services	27,067,763	27,175,386	28,605,669	29,417,585	811,916
Materials & Supplies	8,893,966	10,605,516	11,163,701	10,350,561	(813,140)
Capital Outlay	11,475,955	19,955,383	21,005,666	8,556,846	(12,448,820)
Transfers & Contingency	<u>2,470,607</u>	<u>3,433,804</u>	<u>3,433,804</u>	<u>5,252,637</u>	<u>1,818,833</u>
<b>Total Costs</b>	<b>\$67,780,992</b>	<b>\$79,888,345</b>	<b>\$83,912,268</b>	<b>\$72,435,925</b>	<b>(\$11,476,343)</b>

The Department of Community Services is responsible for County roads and bridges, elections, animal services, land use and transportation planning, as well as maintaining County land corners and operating the Tax Title Program for the County's tax foreclosed property.

The County's Road and Bridge Funds are supported by gas tax revenues that continue to decline. For FY 2010, the Roads program has proposed reducing positions, sign and traffic marking maintenance, and the chip sealing and asphalt overlay programs to adjust to a revenue shortfall of nearly \$2 million. The Willamette River Bridge Fund will drop by about \$635,000, with 6 positions, maintenance activities, and pre-engineering services being reduced. Department General Fund-supported program reductions include reducing positions in Elections and Land Use Planning, and reducing materials and supplies in all programs.

Animal Services shelter operations are maintained at six days open per week with one-time-only resources for FY 2010. The County continues to work with the City of Portland on plans for shared resources and responsibilities for animal services in both jurisdictions.

### County Human Services (DCHS)

Budget Trends	FY 2008		FY 2009		FY 2010	
	FY 2008		FY 2009		FY 2010	
	Actual	Estimate	Adopted Budget	Proposed Budget	Difference	
Staffing FTE	631.75	676.55	694.05	673.19	(20.86)	
Personal Services	\$50,289,095	\$55,282,329	\$58,580,309	\$57,767,374	(\$812,935)	
Contractual Services	119,174,049	115,878,594	115,331,711	112,911,461	(2,420,250)	
Materials & Supplies	13,490,406	12,787,734	13,766,386	14,720,863	954,477	
Capital Outlay	0	80,000	0	0	0	
<b>Total Costs</b>	<b>\$182,953,550</b>	<b>\$184,028,657</b>	<b>\$187,678,406</b>	<b>\$185,399,698</b>	<b>(\$2,278,708)</b>	

The DCHS proposed budget for FY 2010 is \$185.4 million or nearly \$2.3 million less than the FY 2009 adopted budget. The proposed staffing level of 673.19 FTE is 20.86 FTE lower than the adopted FY 2009 budget.

The General Fund supports \$45.2 million and is \$1.75 million less than the FY 2009 adopted. The General Fund decrease is due largely to the following reductions:

- Elimination of Touchstone School Based Case Management (program 25146A and B) \$1,455,170 and 10.13 FTE.

- Elimination of At Risk Girls Programming (program 25153) \$61,409.
- Wage freeze and cost of living adjustments for Local 88 and management employees \$607,263 (with a equivalent reduction in the federal/state fund of \$1,097,244).

### County Management (DCM)

Budget Trends	FY 2008	FY 2009	FY 2009	FY 2010	
	<u>Actual</u>	<u>Current Estimate</u>	<u>Adopted Budget</u>	<u>Proposed Budget</u>	<u>Difference</u>
Staffing FTE	409.00	403.50	413.50	392.73	(20.77)
Personal Services	\$35,167,686	\$36,727,385	\$38,257,693	\$37,590,796	(666,897)
Contractual Services	12,768,661	27,988,849	29,155,051	10,037,387	(19,117,664)
Materials & Supplies	102,555,045	117,437,092	122,330,304	112,784,119	(9,546,185)
Capital Outlay	<u>7,757,758</u>	<u>39,812,085</u>	<u>41,470,922</u>	<u>50,149,793</u>	<u>8,678,871</u>
<b>Total Costs</b>	<b>\$158,249,150</b>	<b>\$221,965,411</b>	<b>\$231,213,970</b>	<b>\$210,562,095</b>	<b>(\$20,651,875)</b>

*Note: The above are direct operating expenditures. Totals do not reflect amounts in transfers, contingencies, and reserves. Program offers DO include transfers, contingencies, and reserves.*

The Department of County Management (DCM) provides the essential infrastructure that supports all County operations and services. DCM touches every other County department and is responsible for managing key County resources – people, finances, and facilities and equipment – with a county-wide perspective.

The proposed budget makes the following changes to DCM:

- The County's Information Technology and Emergency Management programs are moved from DCM to Nondepartmental.
- The Budget Office Evaluation and Central HR's Quality & Analytics units have been eliminated.
- General Fund support for the Regional Arts & Culture Council is eliminated.

One-time-only General Funds support the costs of vacant space in County facilities for FY 2010, pending "re-stacking" of tenants in County buildings; final Personal Income Tax (ITAX) collections; and partial payment for a new Assessment & Taxation IT system.

# Budget Director's Message

fy2010 proposed budget

## District Attorney (DA)

Budget Trends	FY 2008	FY 2009	FY 2009	FY 2010	
	<u>Actual</u>	<u>Current Estimate</u>	<u>Adopted Budget</u>	<u>Proposed Budget</u>	<u>Difference</u>
Staffing FTE	222.30	225.30	225.30	201.00	(24.30)
Personal Services	\$20,355,635	\$21,156,443	\$21,975,694	\$20,167,304	(1,808,390)
Contractual Services	1,184,342	1,397,737	1,535,813	1,042,911	(492,902)
Materials & Supplies	2,815,821	2,696,006	2,805,974	2,762,394	(43,580)
Capital Outlay	0	0	25,000	0	(25,000)
<b>Total Costs</b>	<b>\$24,355,799</b>	<b>\$25,250,186</b>	<b>\$26,342,481</b>	<b>\$23,972,609</b>	<b>(\$2,369,872)</b>

The District Attorney's Office budget for FY 2010 is about \$24 million. The portion of the budget supported by the General Fund is about \$18 million. Grants and other dedicated revenues account for approximately \$6 million.

The proposed budget has decreased by 9% from FY 2009, with the largest decrease in personnel costs. The number of positions has been reduced by 24.30 FTE to 201.00. The District Attorney's FY 2010 budget supports 66.50 Deputy DA positions; this is a decrease of 18.30 FTE from the FY 2009 Adopted Budget. The Deputy DA reductions are in the felony, juvenile, and domestic violence trial units. There are also Deputy DA reductions in the child abuse team, misdemeanor trial and neighborhood DA programs.

## Health Department (HD)

Budget Trends	FY 2008	FY 2009	FY 2009	FY 2010	
	<u>Actual</u>	<u>Current Estimate</u>	<u>Adopted Budget</u>	<u>Proposed Budget</u>	<u>Difference</u>
Staffing FTE	909.53	865.33	921.17	870.41	(50.76)
Personal Services	\$79,798,420	\$85,362,856	\$89,821,528	\$85,557,747	(4,263,781)
Contractual Services	16,138,644	\$16,131,605	14,905,433	16,249,917	1,344,484
Materials & Supplies	32,977,172	\$31,195,983	33,378,621	34,495,009	1,116,388
Capital Outlay	0	\$92,000	92,000	150,000	58,000
<b>Total Costs</b>	<b>\$128,914,235</b>	<b>\$132,782,444</b>	<b>\$138,197,582</b>	<b>\$136,452,673</b>	<b>(\$1,744,909)</b>

The Health Department seeks to protect against threats to health, to ensure access to healthcare for Multnomah County residents, and to promote health. Despite financial constraints, the Health Department's FY 2010 budget sustains health services for the most vulnerable population of Multnomah County. Changes to service delivery format

and personnel levels were made in order to maintain capacity in most areas of service.

The FY 2010 program offers reflect a large reduction in services in the Dental Clinics which is the result of reductions in the state funding for adult dental care. Overall revenues were increased by approximately \$2.0 million which decreased the impact of reductions to the General Fund. The FY 2010 proposed budget funds approximately 8.0 FTE with one-time-only General Fund resources. These positions are identified as promoting the Health Department's ability to produce more revenue in future years.

### Library (LIB)

Budget Trends	FY 2008	FY 2009	FY 2009	FY 2010	Difference
	FY 2008	Current	Adopted	Proposed	
	<u>Actual</u>	<u>Estimate</u>	<u>Budget</u>	<u>Budget</u>	
Staffing FTE	464.75	483.00	477.50	482.27	4.77
Personal Services	\$32,588,332	\$35,352,769	\$34,795,542	\$36,222,141	1,426,599
Contractual Services	1,009,722	833,158	1,343,052	1,140,596	(202,456)
Materials & Supplies	18,946,439	19,805,959	23,348,885	20,354,095	(2,994,790)
Capital Outlay	<u>65,509</u>	<u>638,277</u>	<u>689,000</u>	<u>3,274,126</u>	<u>2,585,126</u>
<b>Total Costs</b>	<b>\$52,610,002</b>	<b>\$56,630,163</b>	<b>\$60,176,479</b>	<b>\$60,990,958</b>	<b>\$814,479</b>

The FY 2010 proposed budget for the Library maintains the level of service promised in the five-year levy, which was approved in the fall of 2006. Included in the operating budget are \$4.5 million of OTO funds for the opening of the two new neighborhood libraries in Kenton and Troutdale. Partial-year staffing is also included for these new branches. Reduced General Fund support was absorbed by utilizing beginning working capital and by the implementation of a wage freeze for Local 88 and exempt/management employees. The book budget was reduced by \$500,000; and planned travel, training, repairs, and maintenance expenses were reduced by roughly \$160,000.

# Budget Director's Message

fy2010 proposed budget

## Nondepartmental (Nond)

Budget Trends	FY 2008	FY 2009	FY 2009	FY 2010	
	<u>Actual</u>	<u>Current Estimate</u>	<u>Adopted Budget</u>	<u>Proposed Budget</u>	<u>Difference</u>
Staffing FTE	247.10	233.21	248.21	231.50	(16.71)
Personal Services	\$25,387,414	\$27,166,191	\$28,595,990	\$28,605,537	9,547
Contractual Services	35,914,161	33,812,530	35,592,137	30,160,227	(5,431,910)
Materials & Supplies	16,235,815	18,306,525	20,340,583	18,756,529	(1,584,054)
Capital Outlay	1,107,074	5,039,219	6,299,024	14,966,988	8,667,964
Debt Service	37,691,001	36,535,339	36,535,339	45,273,872	8,738,533
Transfers & Contingency	<u>\$40,680,373</u>	<u>\$90,477,766</u>	<u>\$90,477,766</u>	<u>\$60,874,850</u>	(29,602,916)
<b>Total Costs</b>	<b>\$157,015,838</b>	<b>\$211,337,570</b>	<b>\$217,840,839</b>	<b>\$198,638,005</b>	<b>(\$19,202,836)</b>

The Nondepartmental area consists of the Board of County Commissioners and Chair; the Auditor; the County Attorney; the Public Affairs Office; Non-County Agencies; Independent County Organizations; the County's ITAX transfer to school districts; and Accounting Entities. Fund- level program offers also are shown. Additionally, in FY 2010 the County's Information Technology (IT) and Emergency Management organizations have been transferred to Nondepartmental from the Department of County Management; expenses for maintaining the Wapato Jail in its "mothballed" state have been transferred from the Sheriff's Office; and expenses for operating the County's Decision Support System-Justice (DSS-J) database have been transferred from the Sheriff's Office, County Management, the Department of Community Justice, and the District Attorney's Office.

## Sheriff's Office (MCSO)

Budget Trends	FY 2008	FY 2009	FY 2009	FY 2010	
	<u>Actual</u>	<u>Current Estimate</u>	<u>Adopted Budget</u>	<u>Proposed Budget</u>	<u>Difference</u>
Staffing FTE	802.52	797.19	797.19	754.97	(42.22)
Personal Services	\$87,762,006	\$94,128,372	\$93,658,159	\$90,624,667	(\$3,033,492)
Contractual Services	1,861,661	983,685	1,146,241	1,218,102	71,861
Materials & Supplies	18,572,111	19,953,081	19,822,000	19,927,078	105,078
Debt Service	10,962	0	0	0	0
Capital Outlay	<u>661,302</u>	<u>206,769</u>	<u>253,069</u>	<u>224,077</u>	(28,992)
<b>Total Costs</b>	<b>\$108,868,042</b>	<b>\$115,271,907</b>	<b>\$114,879,469</b>	<b>\$111,993,924</b>	<b>(\$2,885,545)</b>

The Sheriff's Office total budget for FY 2010 is about \$112 million. General Funds are \$96.5 million, or 86% of its total budget. A year-over-year comparison shows the General Fund decreased by \$2.3

## Challenges and Opportunities

### *Ongoing Structural Deficit*

### *Labor Contracts*

million. Most of this decrease is attributable to personnel reductions of 37.00 General Fund FTE.

The Sheriff has the budgeted capacity to support 1,367 jail beds. 126 beds were closed in March 2009, so the FY 2010 capacity is 46 fewer beds than the current capacity. The US Marshal Service is anticipated to pay for 200 of the available beds, which is an increase of 75 beds over FY 2009.

The FY 2010 proposed budget is based on the information available at the time of development. Future decisions regarding jail operations, bridges, and State funding add some uncertainty to the County's financial future and need to be noted.

The County continues to experience a structural budget deficit which is masked by the more serious decline in revenues associated with the recession. A structural deficit occurs when expenditures, on average, grow faster than anticipated revenues. Property tax revenues, which make up approximately 66.5% of our General Fund, have been limited in Oregon in one form or another since FY 1991. The property tax, therefore, is a revenue source that is limited to a growth rate that, at best, just keeps pace with inflation. County expenditures grow between 4% and 6% each year, on average, so the ongoing gap related to this dynamic can be as much as 2%, or approximately \$6 million annually.

In Multnomah County, labor costs tend to drive overall expenditure growth and that certainly will be true in FY 2010. The County engages in collective bargaining with ten bargaining units, representing nearly 3,700 employees. One pending labor agreement has been referred to arbitration and we do not expect to hear the results until after this budget is published. As a point of reference, each one percent change in payroll increases costs in the General Fund by more than \$1.25 million. In addition to wage inflation, Multnomah County also faces increasing costs for employee pensions and healthcare for employees and dependents.



### *SB 400*

Legislation was recently passed that requires employers to bargain over safety issues or staffing levels that may affect the on-the-job safety of employees. Examples of possible safety issues in Multnomah County workplaces include those related to weapons, vehicles, radios, the configuration of our jails, use of force policies, and general safety. The new language increases the number of issues that are subject to bargaining, such that whenever the County changes a past practice or policy that may have a nexus to safety, the subject might require bargaining or interest arbitration. Therefore, the County has increased its attention to ensuring required collective bargaining notice procedures, and has moved away from unilaterally implementing changes in practice that may reduce safety in the workplace.

### *State of Oregon 2009-2011 Budget*

County departments were instructed to build their budgets based on the Governor's 2009-2011 Budget. There were two exceptions to these instructions. The Department of Community Justice's budget plans for a current service level of state resources; and the Department of County Human Services (DCHS) planned for state resources based on a budget proposal prepared by the state Ways & Means Committee.

The Governor's Budget was built assuming a forecasted \$1.2 billion state revenue shortfall. The Legislature will be releasing its budget proposal in late April, which is believed to contain a revised revenue shortfall estimate of about \$4.4 billion. The State will be updating its forecast on May 15, and it is likely the gap will continue to grow. Thus, the impacts of the State of Oregon's budget decisions are not reflected in the County's budget, as state funding decisions are not final. There will be further reductions to County programs if state funding does not materialize as budgeted for FY 2010.

### *Sub-Acute Facility for Mental Health*

The proposed Mental Health Sub-Acute Treatment Facility is a 16 bed mental health treatment facility offering short-term stabilization in a secure environment to 600-800 clients annually. Sub-acute treatment is a critical component in a full continuum of mental health community based services and is a secure alternative to incarceration or inpatient psychiatric hospitalization. This program works with other community agencies that provide long-term care, but the mission of the sub-acute treatment program is brief intervention when a person becomes a danger to self or others due to his/her mental illness, or when a individual's symptoms become unmanageable in an outpatient clinic setting. Sub-acute treatment is less expensive than hospitalization or incarceration, and keeps a person with mental illness in a community based setting.

### *Employee Compensation*

In FY 2009 the county contributed \$1,000,000 toward a sub-acute mental health facility. Multnomah County is working with Central City Concern to leverage this county funding to build this facility, the total cost of which is estimated at approximately \$1,800,000.

The Department of County Human Services (DCHS) will require funding of about \$3,400,000 per year to operate the sub-acute mental health facility. Under our current agreement with Central City Concern, they will complete the renovation of the Hooper Center sometime in 2012 to allow the County to choose a provider who will operate sub acute treatment services at that site. Approximately fifty percent of the ongoing budget is anticipated to be reimbursed through Oregon Health Plan. Additional funding will be identified from county, state or other local resources.

The County strives to offer its employees a wage package that is competitive with peer organizations in the public and private sector labor markets. Over the last few years, the single biggest challenge facing the County has been the increased cost of health insurance, property and liability insurance, workers compensation and retirement. Like most employers, Multnomah County faces rising healthcare costs. Annual increases (e.g., for treatment, hospitalization, and prescriptions) continue to rise at roughly double the rate of core inflation.

Departments budgeted a 4.0% increase in wages in program offers, which was later reduced to 2.8% based on CPI. In addition to the cost of living (COLA) and step increases, contractual costs have increased, including employee medical insurance premiums. Since personnel costs comprise the majority of local government expenses, even small percentage increases have a significant impact on the bottom line. In the General Fund, salaries and benefits make up approximately two-thirds of total operating costs, and recently negotiated and approved salary and benefit increases have added stress to the overall balancing of the General Fund.

### *Tax Supervising and Conservation Commission (TSCC)*

The TSCC is an independent, impartial panel of Governor appointees who monitor the financial affairs of local governments. Oregon Revised Statute 294.610 created the Commission in 1919. Prior to that time, the Oregon Legislature controlled local government budgets. The Multnomah County TSCC has jurisdiction over all local governments that are required to follow local budget law and which have more than half of their real market value within Multnomah County. Currently

### *Post-Employment Unfunded Liability*

Multnomah County is the only county in the State of Oregon required to have a TSCC. Commissions are required only in counties with over 500,000 residents. The County is solely responsible to fund this body per ORS at \$280,000 per year. In 2007, 294.608 and 294.310 were amended to give Multnomah County a choice of establishing the TSCC or taking on the responsibility to publish the financial summary of each of the municipal corporations within its jurisdiction.

The proposed budget eliminates funding for TSCC, effective July 1, 2009. In TSCC's absence, the County will be required to publish an annual report of all Multnomah County local government budgets, and will have to store/archive all County taxing district annual budgets. Assessment and Taxation will be absorbing these responsibilities. The County also will be required to incorporate a budget committee into its budget process. This will impose an additional cost on the County, although it could be less than the current cost of TSCC. Additionally, all local government jurisdictions within the County will be required to establish a budget committee. A resolution will follow the adoption of the budget to make this decision part of Multnomah County's permanent recorded actions.

Legislation is currently being discussed in the Oregon legislature (HB2074) which apportions the cost of operating the commission among the Multnomah County taxing districts, and would provide some relief for Multnomah County if it passed and the Board restored funding for the program.

The Government Accounting Standards Board (GASB) issues statements that dictate how governments should account for incurred and anticipated costs in their annual financial reports. In 2004, GASB issued Statement 45, outlining reporting requirements for post-employment benefits other than pensions. GASB 45 recognizes that those expenses represent a liability to governments, and requires the liability be reported as such in the annual financial report. Previously, these costs were not reported, and many jurisdictions will discover that they are not prepared for the impact of this statement.

Multnomah County subsidizes post-employment medical benefits to retirees and their dependents until the time that the employee is eligible for Medicare. The County contributes 1.5% of current payroll costs to support the retiree medical insurance program. The County shares the cost of the monthly premium with retirees, at a rate of half the monthly

### *Motor Vehicle Rental Tax (MVRT)*

premium that is set for active employees each year. Multnomah County established a reserve in the Risk Fund to account for post-employment medical benefits. That reserve is not sufficient to cover the anticipated liability. The unfunded liability is approximately \$130 million and our current reserve is approximately \$14.6 million.

The proposed budget assumes the Board will increase the MVRT rate to 17%, an increase of 4.5 percentage points. This increase would net the county an additional \$4.7 million of revenue. A resolution is expected to be brought for a vote before the Board in May to ratify this increase. The chart below details the program offers that were funded with the new revenue.

Pgm #	Program Name	FY 2010 General Fund	Other Funds	FTE
2502I	ADS Emergency Basic Needs for Vulnerable Adults	871,039	0	1.50
2509I	Sobering	757,812	0	0.00
25050C	MHASD Administration Scaled Offer	173,278	0	2.00
25055B	Mental Health Crisis Services - Scaled CGF	365,000	0	0.00
25063B	MH Treatment & Medication for Uninsured Indigent (Scale Up)	500,000	0	0.00
25094C	Family and Youth Addictions Treatment Continuum scale-up	127,373	0	0.00
50027B	DCJ Adult Offender Housing Restore	346,494	8,605	0.00
50042A	DCJ Addiction Services-Adult Drug Court Program	1,012,064	30,264	0.00
50044C	Adult Residential Treatment Restore-20 beds	933,056	23,171	0.00
50045B	Women's Residential Treatment Restore 5 beds	224,159	5,738	0.00

### *Wapato Operations*

Construction of the Wapato Jail, a 525-bed facility, was completed in FY 2007. There is currently insufficient funding to operate this facility. The proposed budget includes \$373,000 for “mothball” costs for the year. The County participates in on-going discussions with the State regarding options for the state to lease or purchase this facility.

### *Urban Renewal*

Oregon statutes provide for the establishment of urban renewal agencies that have broad powers in the areas of economic development and redevelopment. Urban renewal agencies typically receive most of their funding through Tax Increment Financing (TIF) whereby property taxes generated within a plan area are dedicated to the repayment of bonds issued for public improvements. These property tax receipts are subject to tax limitations Measure 5 and Measure 50.

The City of Portland, through its urban renewal agency, the Portland Development Commission (PDC), operates eleven urban renewal plan areas. The cities of Gresham and Troutdale also operate one urban renewal plan area apiece. Per state law, when urban renewal agencies must identify “blight” conditions and how those conditions will be addressed they create a new plan area. Plan areas must also establish a maximum level of indebtedness and identify a date after which no further debt may be issued.

As a result of the property tax limitations established in the state constitution, urban renewal taxes compete directly with other taxing jurisdictions. This means that taxes collected by other taxing districts (cities, counties, special districts, schools) are limited because incremental value growth within plan areas is retained by the urban renewal agency. We have estimated that the taxes foregone by Multnomah County total more than \$22 million annually. However, there is a reasonable debate as to how much tax revenue would be available absent the work of the urban renewal agency.

Within the past year, the County has gained a “seat at the table” in discussions about the future of urban renewal in Portland. In addition, as this budget message is being written, efforts are underway in the state legislature to revise urban renewal statutes in order to provide other taxing districts with greater legal standing in establishing and amending urban renewal plans.

### *PERS*

On March 31, 2006, the PERS Board adopted changes to the methods used for future actuarial valuations. These changes are considered acceptable under retirement financial guidelines and generally accepted accounting principles. In addition, the PERS board modified how they would smooth interest earnings and the use of reserves.

Over time, these changes should produce significant savings for all PERS covered employers, as well as budgeting requirements that are more manageable than the previous methods generated. For FY 2010, the County's PERS rates have essentially remained unchanged from the previous year. This is primarily the result of a recent ruling by the PERS Board which requires employers to pay the same rate on their entire payroll, regardless of the eligibility status of their employees (Tier 1, Tier 2, or OPSRP), and is reflective of the actuarial valuation for the period ending 12/31/07. The next actuarial valuation will be based on the period ending 12/31/09 and will produce revised PERS rates. The employer's unfunded liability fluctuates based on stock market activity and current economic conditions. We anticipate that the County's PERS rates may be increased in FY 2012.

### *Wage & Salary Freezes for Management & Local 88 Employees & the Classification Compensation Fund*

Two County employee groups have agreed to suspend wage increases and cost-of-living-adjustments (COLAs) for FY 2010. AFSCME Local 88 members voted in March to suspend their step and cost-of-living increases, and wage and COLA increases for management and exempt employees have been suspended as well. Local 88 is the County's largest employee group, and its salary freeze generated savings of \$8,724,000 County-wide. The general fund portion of that totaled \$2,665,000. The management and exempt salary freeze generated savings of \$3,949,000 Countywide, with \$1,786,000 of that in the General Fund.

Additionally, Local 88 members agreed to suspend the negotiated process for classification and compensations studies in FY 2010, and to release the balance set aside for such studies in order to preserve Local 88 jobs. The classification compensation study balance totaled \$1.32 million. The savings from the Local 88 wage freeze and class comp study fund were used to retain approximately 78 FTE Local 88 positions.



### *Retirement Incentive Pilot Program*

By resolution, the Board of County Commissioners approved a voluntary retirement incentive pilot program. The purpose of this incentive program was to encourage higher-cost employees to retire while allowing the County to retain newly trained and less expensive employees; the effect would be to reduce layoffs and their adverse impacts on County services.

The pilot program plan included approximately 60 employees in the Multnomah County Sheriff's Office. If all employees who are eligible were to accept the incentive, the County could generate savings exceeding \$250,000 in the first year with a total savings estimated at \$3.5 million by year three. At the time of writing this document, however, only seven applications were received to participate in this pilot. Two of these are still in their withdrawal period and won't be considered "final" until April 24, 2009.

### *New Debt*

The County is in the process of prioritizing its list of deferred maintenance and information technology capital projects. Once the list is finalized, the County will finance the projects with Full Faith and Credit Obligations (formerly known as Certificates of Participation, or COPs). The County will issue \$18 million of debt which will require approximately \$2.6 million in debt service beginning in FY 2011. The projects will be financed over a 7 year period. The annual debt service costs for projects has been included in the FY 2010 budget and will be paid for with savings generated by paying off other bonds, cutting internal service costs, and using an annual departmental contribution towards capital needs. The County also anticipates issuing an additional \$5 million of debt for the new A&T computer system. This planned debt issue coincides with a drop in interest rates which makes short-term borrowing very favorable.

### *BIT Stabilization Reserve*

The FY 2010 proposed budget establishes a \$6.0 million BIT Stabilization Reserve. This "stabilization reserve" is in addition to other General Fund reserves and is specifically set aside for use in the event of a revenue shortage or budgetary imbalance. The Business Income Tax (BIT) is a very volatile revenue source, and the BIT reserve will help mitigate the risk of an unexpected downturn in the regional economy. It should be noted that the Chair's Office has earmarked \$2.5 million of this reserve to pay off the debt for three Health Clinics and the Yeon Annex Facility in June, 2010. If the BIT reserve has been used, the Chair's Office may direct departments to underspend by a certain percentage to create the necessary resources to pay off the debt.



### *Business Process Re engineering & Internal Services*

The County seeks to maximize service delivery and to manage expenses incurred for internal support costs, with an understanding that dollars spent on internal support costs compete with direct service programs. While seeking maximum support for direct services, the County recognizes that an inadequate internal foundation can increase risk and critically impact the County's capacity to provide those direct services. The proposed budget includes \$150,000 for a business process re engineering project. This project will focus on redesigning internal support processes, improving customer satisfaction, managing demand expectations, meeting our legislative requirements, and limiting liability and mitigating risk.

### *US Marshall Revenue*

The proposed budget includes an additional \$3.4 million of General Fund revenue from renting 75 additional jail beds to the US Marshal Service. This would bring the number of County jail beds rented to the US Marshal to 200. The County does not have a formal agreement with the US Marshal for the additional 75 jail beds; therefore, if the US Marshal revenue does not materialize, the Sheriff's Office will reduce its appropriation by a similar amount. This revenue will be tracked in the expenditure and revenue report compiled by the Budget Office and reported monthly to the Board.

### *City Funding for Jail Beds, District Attorney and Alcohol & Drug Treatment*

The City of Portland has reimbursed Multnomah County for some of the cost of 57 jail beds under an inter-governmental agreement (IGA) that has been in place since FY 2006. The program has been referred to informally as "P57." For the last fiscal year, the City had reimbursed the County for 10 jail beds per day, although usage remained higher. City revenue of \$228,000 for P57 in FY 2010 is included in the Sheriff's Budget, which represents less than ten jail beds. At this time, the funding for this program is not included in the City's proposed budget. The Chair's Office anticipates that funding for this program will be reinstated, and that a clearer picture will be available by the time the County adopts its budget.

### *Property Disposition*

In FY 2010, The County's Facilities Division will continue with projects that align with the adopted Disposition Strategy (2004) and the adopted Strategic Plan (2005). The Capital Budget for FY 2010 and plan for FY 2010-14 have been developed to concentrate spending on facilities the County expects to keep, and to avoid spending on facilities it may be eliminating.

### *Bridge and Road Funding*

Notable FY 2010 projects include:

- The East County Courts Project scope of work, location, and budget is being reviewed. Once the revised plan and budget is approved by the Board of County Commissioners, design and construction of the new East County Courts can begin.
- The Downtown Courthouse site zoning and land use issues need to be addressed before executing the design and construction phases of a relocated Hawthorne Bridge off ramp.
- Facilities will also be researching solutions for buildings that still have major deferred maintenance and operating issues such as Mead, Animal Services, Walnut Park, Yeon and Kelly Buildings.

Fuel tax collections generate the single largest amount of revenue for the state highway fund. The state highway fund and the county gas tax of \$0.03 per gallon represent the county's primary revenue sources for the care of county roads and bridges. Due to a combination of factors including the economic slowdown, the high price of fuel in 2008 and the demand for more fuel efficient vehicles, gas tax revenues are on the decline.

Existing transportation revenues are inadequate to address road and bridge maintenance, preservation and modernization in current program budgets. The impacts of declining revenues are seen in staffing reductions, in redesigned program service delivery, and in deferring maintenance and delaying capital projects. Although the County has been successful in securing Federal and State funds for bridge capital projects, a shortfall in excess of \$500 million for bridges and \$350 million for roads exists between identified needs and identified funds over the next 20 years.

Even if the County receives federal dollars for road or bridge projects, federally- funded projects require a local match, placing additional pressures on the County's transportation budget. One source of optimism is the current legislation proposed by the Governor to address statewide transportation funding. Depending upon the final form of this legislation, it may help to ease the revenue crisis.

### *Asset Preservation and the Capital Budget*

Beginning in FY 1999, a Capital Improvement Fee was assessed to all County tenants based on space occupied. The fee is intended to pay for the replacement of building systems at the end of their useful life; this is the major ongoing source of revenue for the capital program. For FY 2010, the fee is \$2.55 per sq. ft. and is budgeted to collect approximately

### *Courthouse Construction (Downtown & East County)*

\$2.7 million from Tier I buildings and \$3.3 million from Tier II and Tier III buildings.

- Tier I: buildings in the best condition with major systems and repairs current.
- Tier II: buildings not up to current standards and may require substantial capital work but are deemed appropriate for continued investment and long-term retention in the County inventory.
- Tier III: facilities that are uneconomical or impractical for long-term retention, and will be analyzed to determine if they should be disposed, declared surplus and offered for disposition.

Facilities had identified a deferred maintenance and seismic liability of approximately \$120 million for County buildings in 2004. The County's seismic liability is currently being updated but will not be available in time for the FY 2010 proposed budget. Through the Disposition Plan, Facilities has successfully reduced the deferred maintenance liability by over \$14 million. A full solution to deferred maintenance will require new sources of revenue in order to replace or repair important County buildings. Facilities will continue to aggressively manage County building vacancies and move forward with the Disposition Strategy and Long Term Strategic Plan to create a portfolio of well sited, functional, flexible buildings that could be managed with the Asset Preservation and Capital Improvement Fees.

On December 14, 2006 the Board passed resolution 06-203 declaring the North Bridgehead Block as the preferred site for the proposed new downtown Courthouse. With the siting decision made, the County is proceeding to address the zoning and land use issues which currently encumber the site. Relocating the Hawthorne Bridge off-ramp that bisects the property will take place after the zoning and land use issues are addressed. In March 2008, the County received \$9 million from the Portland Development Commission as part of the final bond sale for the Downtown Waterfront Urban Renewal Area. The County will continue its pursuit of different funding sources for the actual design and construction of the Courthouse.

In February 2009, the County Chair and Gresham Mayor endorsed a proposal to relocate East County courts to a new facility at NE 8th in downtown Gresham. In coming months, the County will be developing funding strategies to move the project forward. This proposal would be

### *IT Advisory Group & Innovation Fund*

to build a three courtroom facility to replace the current one courtroom serving east Multnomah County.

County programs can leverage information technology solutions to streamline business processes and gain staff productivity, as well as to increase citizen access to services. These technology solutions require significant capital and ongoing support. This demand has created a number of problems:

- Projects without clear business requirements and sponsors.
- No county-wide process for prioritizing IT investments that impact more than one department or the entire County.
- 90% of the IT budget maintains existing applications.
- Citizens do not have easy access to services due to lack of unified IT strategies across departments.

To address these issues, an Information Technology Innovation & Investment Fund (ITIIF) was established in November, 2007. An oversight role is provided by the Information Technology Advisory Board (ITAB). The ITAB defines, implements, and monitors processes for selecting and managing IT investment projects across the County. In the first year, FY 2009, a project evaluation model was created and six projects were funded totaling, \$2.5 million. \$9.4 million is included in the FY 2010 proposed budget, which includes \$3.4 million carryover for FY 2009 projects in process, and \$6 million for new capital projects anticipated to be funded with a FY 2010 bond issue for facilities and IT capital projects.

### Where to Find Other Information

**Comprehensive Annual Financial Report (CAFR)** – this reports actual revenues and expenditures for the last completed fiscal year, discusses financial policies, and provides demographic and economic information about the region. The CAFR, required by state statute, is prepared in accordance with GAAP (Generally Accepted Accounting Principles). It reconciles differences between the budgetary basis – as presented in the annual Adopted Budget – and the modified accrual method used for the CAFR.

**Tax Supervising and Conservation Commission Annual Report** – this discusses the property tax system and taxing levels for all governments in Multnomah County; as well as summarizing budgets and actual revenues and expenditures for all governments in Multnomah County.

**County Auditor's Financial Condition Report** – this discusses the performance of the County and the region according to guidelines recommended by the International City Managers' Association.

**The Progress Board Benchmarks** – this site contains data and graphic information about benchmarks obtained through surveys and other analysis.

**Citizen Involvement Process – Citizen Budget Advisory Committees**  
The Citizen Budget Advisory Committees are made up of citizens appointed by the Citizen Involvement Commission. The committees monitor department budgets and operations and identify issues for the Commissioners' consideration. All County departments have a CBAC. Each Committee is provided with time during the Budget worksessions to present its reports. The CBACs are partners with the Commissioners, departments, and the public during the budget cycle.

During the budget development process, citizens and employees are encouraged to submit their questions, thoughts, or suggestions about the budget. This input is compiled and communicated to the elected officials.

### **Public Testimony & Public Hearings**

In addition to participating in the budget advisory committees and other forums described above, citizens have several opportunities to personally testify on the budget. Or written material can be hand delivered, mailed, faxed or submitted via email.

Citizens have the opportunity to testify at:

**Annual Budget Hearings**— for FY 2010, the Board, sitting as the Budget Committee, will hold several public hearings after the approval, but before the adoption, of the budget. The public may testify on any topic. Four evening hearings are scheduled for 6:00 – 8:00 p.m. at the following dates and locations:

- May 5, 2009 Public Budget Hearing – North Portland Library, Second Floor meeting Room, 512 N. Killingsworth Street, Portland.
- May 13, 2009 Public Budget Hearing – Multnomah County East Building, Sharron Kelley Conf, Room A & B, 600 NE 8th Street, Gresham (IRCO) Gymnasium, 10301 NE Glisan
- May 18, 2009 Public Budget Hearing – Communities of Color at the Immigrant and Refugee Community Organization (IRCO) Gymnasium, 10301 NE Glisan, Portland
- May 26, 2009 Public Budget Hearing – Multnomah Building, Commissioners Boardroom, 501 SE Hawthorne Boulevard, Portland.

**The Tax Supervising and Conservation Commission Hearing** – On May 27, 2009 TSCC will hold a public hearing on the budget where public testimony will be taken.

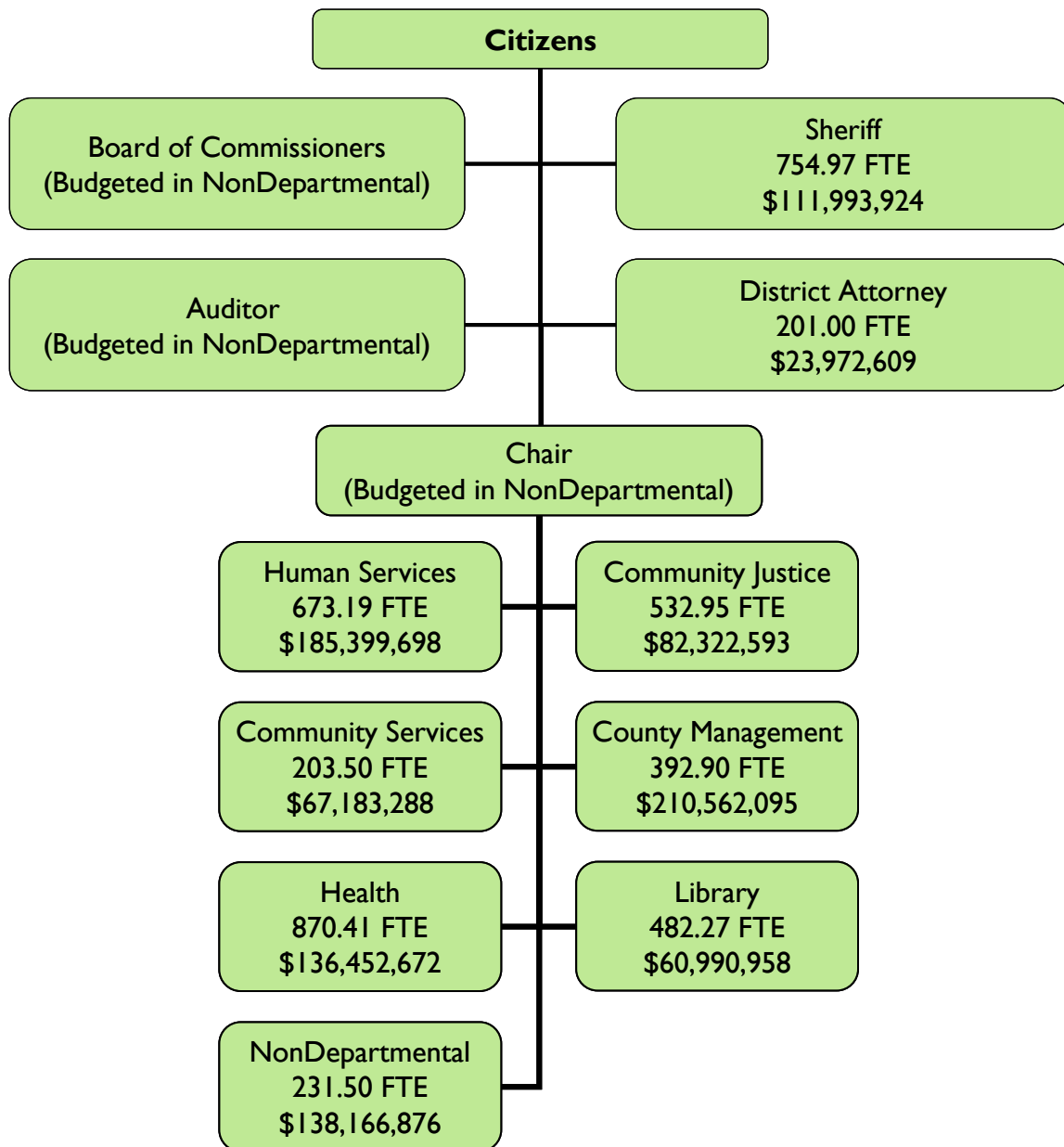
**The Budget Hearing**—testimony is taken at the Board session for final adoption of the budget. This is scheduled to occur on June 4, 2009. Citizens may also contact the Chair or Commissioner's offices directly to provide input to the budget work-sessions.

### **Budget Website**

Citizens and employees have the opportunity to participate in the budget process through the County's web site. From the County's home page, <http://www.co.multnomah.or.us/budget>, citizens and employees may access the site that contains the FY 2010 budget, links to frequently asked questions; the calendar; live and archived video of work sessions; and other information, input opportunities and employee resources.

### Multnomah County Organization Chart

Multnomah County delivers its services through nine departments including the following elected officials: Bob Skipper, Sheriff; Michael Schrunk, District Attorney; and the County Auditor, which is currently vacant. There are 4,342.69 full time equivalent (FTE) positions in this budget. Department spending, including internal services which are double-counted, totals just over \$1.0 billion in the proposed budget. Below is an organization chart for the County:



### Appreciation

This document is the outcome of many hours of hard work and analysis by County agencies and their budget teams. I would like to take this opportunity to thank the many people involved in its preparation. Particularly, I want to thank the department budget teams and recognize with sincere appreciation the assistance and cooperation of our department heads, constitutional officers, and staff for many hours of hard work and assistance to this budget. I specifically want to recognize the Central Budget Team: Mark Campbell, Ching Hay, Julie Neburka, Mike Jaspin, Christian Elkin, Angela Burdine, Sarah Durant and especially Rodney Gibbs who is the glue that keeps the office running smoothly.

I look forward to working with the Board over the coming weeks to review this budget in preparation for adoption of the FY 2010 budget.

Karyne Kieta  
Multnomah County Budget Director



### Tax Information

Property tax administration, governed by the Oregon Constitution, State tax laws, and regulations of the Department of Revenue, includes the assessment, equalization, levy, and collection of taxes. A tax limitation measure (“Measure 50”) affecting property tax collections was approved by the voters in the May 1997 special election. This legislation changed the property tax administration system substantially, with changes to levy rates, assessments and equalization. For information regarding the history of tax revenues and property tax limitations please see the Financial Policies.

### *Permanent Tax Rate*

Each local taxing district which imposed operating ad valorem taxes in FY 1998 received a permanent tax rate. The rate was calculated by dividing the total operating ad valorem taxes imposed by the County in FY 1998 (reduced by an average of approximately 17% statewide) by the property’s AV. Measure 50 prohibits increases in permanent tax rates. Permanent tax rates are subject to the Measure 5 limitations. The County’s permanent tax rate is \$4.3434 per \$1,000 Assessed Value.

### *Exemptions*

Measure 50 exempted from its limitations taxes levied to pay voter-approved general obligation bonds. Levies to pay general obligation bonds are also exempt from the Measure 5 limitations. See “General Obligation Bonded Indebtedness” below.

Measure 50 also exempted the following levies, which are subject to Measure 5 limitations:

1. Levies to pay bonds and other borrowings, if they were made before December 5, 1996, and were secured by a pledge or explicit commitment of ad valorem property taxes or a covenant to levy or collect ad valorem property taxes.
2. Certain local government pension levies.

The County has no levies of the types described in paragraphs 1 and 2, above.

### *Local Property Tax Option*

Local governments are able to override Measure 50 for limited-term local option levies subject to voter approval under the participation requirements discussed below. Local option levies may last up to five years for any purpose or ten years for capital projects.

Local option levies are subject to “special compression” under Measure 5. If operating taxes for non-school purposes exceed Measure 5’s \$10/\$1,000 limit, local option levies are reduced first to bring operating taxes into compliance with this limit. This means that local option levies can be entirely displaced by future approval of permanent rate levies for new governments, or by urban renewal and the City of Portland’s pension levy.

Measure 50, which passed in 1997, requires that local option levies be approved by a majority of the voters at a general election in an even-numbered year or at any other election in which not less than 50% of the registered voters cast a ballot. For example, voters approved an extension of the Library Levy in the May, 2002 election but less than 50% of the registered voters cast a ballot. Therefore, the Library Levy failed. Subsequently the County resubmitted the Library Local Option to voters in November 2002 and the measure passed.

### *Voter Participation*

In November, 2008 voters passed Measure 56 which eliminated the voter turnout requirement for property tax elections held in May and November but keeps the voter turnout requirement for elections held at any other time (50% of qualified voters must vote and a majority of those voters have to approve the property tax measure). As a result, for May and November elections, local property tax measures become law when approved by a majority of those voting.

### *General Obligation Bonded Indebtedness*

Levies to pay the following general obligation bonds are exempt from the limitations of Measure 50 and Measure 5:

1. General obligation bonds authorized by a provision of the Oregon Constitution;
2. General obligation bonds issued on/before November 6, 1990; or
3. General obligation bonds incurred for capital construction or capital improvements; and
  - if issued after November 6, 1990, and approved prior to December 5, 1996, by a majority of voters; or
  - if approved after December 5, 1996, in accordance with Measure 50’s voter participation requirements, or bonds issued to refund the preceding bonds.

### *Tax Collection*

The County Tax Collector extends authorized levies, computes tax rates, bills and collects all taxes, and makes periodic remittances of collections to levying units. Tax collectors are charged with calculating public school and local government taxes separately, calculating any tax rate reductions to comply with tax limitation law, and developing percentage distribution schedules. The tax collector then reports to each taxing district within five days the amount of taxes imposed.

Tax collections are now segregated into two pools, one for public schools and one for local governments, and each taxing body shares in its pool on the basis of its tax rate (adjusted to tax limitation rate caps), regardless of the actual collection experience within each taxing body. Therefore, in effect, the amount for each taxing body becomes a pro rata share of the total tax collection record of all taxing bodies within the County. Thus, an overall collection rate of 90% of the county-wide levy indicates a 90 percent tax levy collection for each taxing body.

Taxes are levied and become a lien on July 1 and tax payments are due November 15 of the same calendar year. Under the partial payment schedule the first third of taxes are due November 15, the second third on February 15 and the remaining third on May 15. If property taxes are paid in full by November 15, a 3% discount is allowed; if two-thirds of property taxes are paid by November 15, a 2% discount is allowed. For late payments interest accrues at a rate of 1.33% per month. Property is subject to foreclosure proceedings four years after the tax due date.

A Senior Citizen Property Tax Deferral Program allows homeowners to defer taxes until death or the sale of the home. Qualifications include a minimum age of 62 and household income under \$24,500 for claims filed between January 1 and December 31, 2000 and \$27,500 for claims filed after January 1, 2001. Taxes are paid by the State, which obtains a lien on the property and accrues interest at 6%.

The property tax computation can be found in the Summaries section on page 7.