

## Table of Contents

Reader’s Guide .....	3
How We Budget .....	4
Local Budget Law .....	4
Fund Structure and Basis of Budgeting and Accounting .....	4
Measuring Performance .....	6
Four Phases of the Budget Process .....	6
<i>Phase I - Requested Budget</i> .....	6
<i>Phase II - Proposed Budget</i> .....	6
<i>Phase III - Approved Budget</i> .....	7
<i>Phase IV - Adopted Budget</i> .....	7
Public Testimony and Hearings .....	8
Budget Calendar .....	9
Modifying the Budget and Supplemental Budgets .....	9
Where to Find Other Information .....	9

(This page intentionally left blank)

## Reader's Guide

The FY 2011 proposed budget document for Multnomah County consists of two (2) separate volumes structured as summarized below.

### **Volume 1 – Policy Document and Legal Detail**

- County Chair's Message – Budget message to citizens.
- How Multnomah County Budgets – Description of the budget process that is used to guide the County in making decisions.
- Budget Director's Message – Introduction and general overview to the budget, explaining major issues affecting decisions.
- Financial Summaries – Summary of resources and requirements.
- Budget by Fund/Legal Detail – Display of financial summaries, as well as detail by department by fund.
- Capital Budget – Summary of the County's plan to determine long term financing for fixed assets.
- Financial and Budget Policies – Summary of the Board approved policies that dictate how the County approaches financial decisions.

### **Volume 2 – Program Information**

The FY 2011 budget is structured around the County's nine departments. Volume 2 contains the program offers that were funded in each of the County's departments and nondepartmental agencies. The departmental sections include an department introduction, budget trends, division narrative and a list of the program offers funded in the budget.

The departmental program offer section contains 2 lists: (1) budget by division and (2) a list of significant changes by program/division.

Programs funded with one-time-only resources have been designated to end by June 30, 2011 unless otherwise noted.

## How We Budget

Multnomah County's Board of Commissioners adopts an annual budget to plan for the effective delivery of services to its citizens and to responsibly manage the public resources that support these services. Budgeting in Oregon is a collaboration between the citizens who receive the services and the elected or appointed officials who are responsible for the provision of those services. Citizen involvement in the budget process ensures that desired services are adequately funded, while County officials ensure that the budget balances competing needs, is fiscally sustainable, and meets legal requirements.

## Local Budget Law

Multnomah County's budget is developed within constraints imposed by Oregon's Local Budget Law, Chapter 294 of the Oregon Revised Statutes. The law has four major objectives:

1. To provide standard procedures for preparing, presenting, and administering local budgets;
2. To ensure citizen involvement in the preparation of the budget;
3. To provide for a method of estimating revenues, expenditures, and proposed taxes; and
4. To offer a way of outlining the programs and services provided by local governments and the fiscal policy used to carry them out.

Local Budget Law requires that appropriations be established by department for each fund. Expenditures may not legally exceed appropriations at the fund level for each department. Local budget Law also establishes the Tax Supervising and Conservation Commission (TSCC) to review the budgets of jurisdictions within Multnomah County (including the County) for compliance with the law.

## Fund Structure and Basis of Budgeting and Accounting

Funds are legally established accounting entities with a self-balancing set of accounts that are established to track specific revenues or services. Multnomah County has 31 funds include the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds, Internal Services Funds, and one Enterprise Fund:

### **Modified Accrual Basis of Budgeting**

Basis is defined as the timing of when revenues and expenditure transactions are recognized for recording purposes. The budget is prepared on a modified accrual basis, the same accounting basis as that of the General Fund, Special Revenue Funds, and Debt Service and Capital Project Funds (the Internal Services and Enterprise Funds are accounted for using accrual accounting). The budget estimates revenues based on whether they are measurable and available within the current period and expenditures on when they will likely occur. This basis is different from private sector accounting, which measures the use of economic resources. Governmental accounting focuses on disclosing how public money is spent during a discrete period.

One exception is the acknowledgement of revenues. Property Tax and Business Income Tax (BIT) revenues are acknowledged in the budget for 60 days after close of the fiscal year. All annual appropriations lapse at fiscal year end. Items not fully expended must be re-budgeted in the following fiscal year.

### Accrual and Modified Accrual Basis of Accounting

Governmental accounting, governed by State statute and Generally Accepted Accounting Principles (GAAP), differs substantially from private sector accounting. Private sector financial reports measure economic profits, whereas governmental accounting focuses on disclosing how public money is spent.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all the provider requirements are met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Type of Fund	Type of Resources or Expenditures	Example	Basis of Budgeting	Basis of Accounting
General Fund	Discretionary	General Fund	Modified Accrual	Modified Accrual
Special Revenue Fund	Restricted to a specific purpose	Road Fund	Modified Accrual	Modified Accrual
Debt Service Fund	Pay debt service	General Obligation Bond Fund	Modified Accrual	Modified Accrual
Capital Projects Fund	Capital Improvements and Asset Preservation	Capital Improvement Fund	Modified Accrual	Modified Accrual
Internal Services Fund	Internal business functions	Fleet Services	Modified Accrual	Full Accrual
Enterprise Fund	External business functions	Behavioral Health Managed Care Fund	Modified Accrual	Full Accrual

## Measuring Performance

## Four Phases of the Budget Process

### *Phase I - Requested Budget*



### *Phase II - Proposed Budget*

An integral part of the budgeting process in Multnomah County is performance measurement. Performance measurement is a management tool to improve operations and services and communicate program results to citizens. Performance measures are integrated into each program offer and the department and division narratives to ensure accountability and to establish a link between resources and results. A more detailed discussion of performance measurement can be found in the Introduction section of Volume 2.

Multnomah County uses a constraint budgeting process in which Departments are given expenditures targets that they cannot exceed. The budget process consists of four distinct phases:

Phase I - The departments submit their requested budgets

Phase II - The Chair develops the proposed budget

Phase III - The Board approves the proposed budget

Phase IV - The Board adopts the final budget

#### **Phase I - Departments Submit their Requested Budgets**

Multnomah County's budget process begins in September with the Budget Director and the Department Heads reviewing the prior fiscal year's budget process. Survey comments are also collected from department budget analysts and this feedback is incorporated into the process where appropriate. The process kicks off in October when the Budget Office presents the General Fund Five-Year Forecast to the Board of Commissioners in order to inform them of the fiscal health of the County for the foreseeable future. The forecast is updated in February when the budget process is further along.

In conjunction with the County Chair's Office, the Budget Office issues guidelines to set broad limits and direction for the County's budget cycle. Based on the General Fund forecast, departments are directed to constrain their operating costs by a targeted amount. From January through February, department heads, the Chair's Office, and the Budget Office meet to discuss proposed budget changes. In order to provide policy direction to the departments prior to submitting their budget requests in March.

#### **Phase II - The Chair Prepares the Proposed Budget**

Beginning in February and ending in March, meetings occur between the Chair, Chief Operating Officer, Budget Office staff, Elected Officials and department directors to review and discuss the department requests. The sessions are designed to provide two-way communication concerning budget needs and assessments, and also to provide information that would assist the Chair in developing a responsible and balanced budget. During this time, the Chair's Office focuses on short and long term goals and objectives to provide the basis of the budget plan for the fiscal year.

### *Phase III - Approved Budget*

#### **Phase III - The Board Approves the Budget and TSCC Reviews**

The Chair's proposed budget is submitted to the Board of Commissioners for discussion. The proposed budget must be approved by the Board no later than May 15 and then submitted to the Tax Supervising and Conservation Commission (TSCC), a five-member citizen board appointed by the Governor that helps determine whether the County's budget complies with Local Budget Law. The TSCC holds a public hearing and then returns the budget to the County no later than June 28. Accompanying the budget is a letter of certification with instructions for corrections, recommendations, and objections. The Board is required to respond to these recommendations and objections. Approval and forwarding the budget meets the legal requirements of Oregon Budget Law and allows the Board to begin public deliberation of the budget.

After the budget has been submitted to the TSCC, no fund may be increased by more than 10% in total revenue, and no property tax greater than the amounts included in the proposed budget may be levied. Voting to forward the budget without extensive public review and comment might produce adverse comment if it were not clearly understood that the process meets a technical requirement of the law, or if the Board were not to hold extensive public review before adopting the budget.

### *Phase IV - Adopted Budget*

#### **Phase IV – The Board Adopts the Budget**

The adoption process begins after the budget is approved. Five weeks of work sessions and four public hearings are scheduled prior to adopting the budget in June. During the work sessions the Board may propose amendments to the approved budget. The amendments get voted on as part of the budget adoption.

An important part of this final phase is citizen input --the Citizen Involvement Committee (CIC), the departments' Citizen Budget Advisory Committees (CBAC's), and public hearings held during the evening all provide an opportunity for direct feedback from the community and facilitate a participatory budget process. The Board adopts the budget, makes appropriations, and declares tax levies in a public meeting.

## Public Testimony and Hearings

In preparing the Chair's Proposed Budget, we actively sought input from the community and stakeholders. On March 4 and 18, 2010, two community forums were held with county leaders, members and leaders of the business community, stakeholders, clients and citizens to receive input on possible budget reductions. The Chair listened to comments and suggestions for consideration into the FY 2011 budget.

This year, the Public Affairs Office introduced MultCommunity Forum, an online community forum which allowed visitors to submit ideas and vote on other people's suggestions. Finally, while preparing the budget, we asked employees to describe their priorities for the FY 2011 programs and savings or efficiency options.

An important part of this final phase is citizen input --the Citizen Involvement Committee, the departments' Citizen Budget Advisory Committees, and public hearings held during the evening provide an opportunity for direct feedback from the community and facilitate a participatory budget process.

### **Public Testimony and Public Hearings**

In addition to participating in the budget advisory committees and other forums, citizens have several opportunities to 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**— 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. Evening hearings are scheduled for 6:00 – 8:00 p.m. at the following dates and locations:

- May 25, 2010 Public Budget Hearing – Hosted by the Communities of Color at the Immigrant and Refugee Community Organization (IRCO) Gymnasium, 10301 NE Glisan, Portland
- May 27, 2010 Public Budget Hearing – Multnomah County East Building, Sharron Kelley Conf, Room A & B, 600 NE 8th Street, Gresham
- June 2, 2010 Public Budget Hearing – Multnomah Building, Commissioners Boardroom, 501 SE Hawthorne Boulevard, Portland

**The Tax Supervising and Conservation Commission Hearing** – On June 9, 2010 TSCC will hold a public hearing on the budget .

**The Budget Hearing**—testimony is taken at the Board session for final adoption of the budget. This is scheduled to occur on June 10, 2010.

Citizens may also contact the Chair or Commissioner's offices directly to provide input to the budget work-sessions.

## Budget Calendar

## Modifying the Budget and Supplemental Budgets

## Where to Find Other Information

The most current version of the FY 2011 budget calendar can be found on the County's website at: <http://www.co.multnomah.or.us/budgetfy2011>.

Major budget milestone dates for FY 2011 are:

- **Nov. -Feb. 2010** Chair's Office meets with departments to provide strategic direction
- **Dec. 15, 2009** Constraint targets released
- **March 5, 2010** Department requested budget submissions due
- **May 13, 2010** Chair proposes the Executive Budget
- **May-June 2010** Budget work sessions and hearings
- **June 9, 2010** TSCC public hearing
- **June 10, 2010** Board adopts the budget

The appropriation of new, unanticipated revenue requires that the Board adopt a supplemental budget through a resolution.

The adopted budget is the County's financial and operational plan for the fiscal year. However, during the year, events occur which require the plan to be modified. State law gives the Board of County Commissioners wide latitude to change the budget during the year. County departments request changes, and then the Board must review them before passing any resolution to approve them.

During the year, the Board has the authority to:

- alter appropriations to reflect changed priorities during the year;
- incorporate new grant revenue into the expenditure plan;
- change approved staffing levels; and
- transfer appropriations from contingency accounts.

**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 (CBAC's)** -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.

**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.multco.us/budget>, citizens and employees may access the site that contains the FY 2011 budget, links to frequently asked questions; the calendar; live and other information, input opportunities and employee resources.