

Tax Supervising and Conservation Commission Budget Review 2017-18

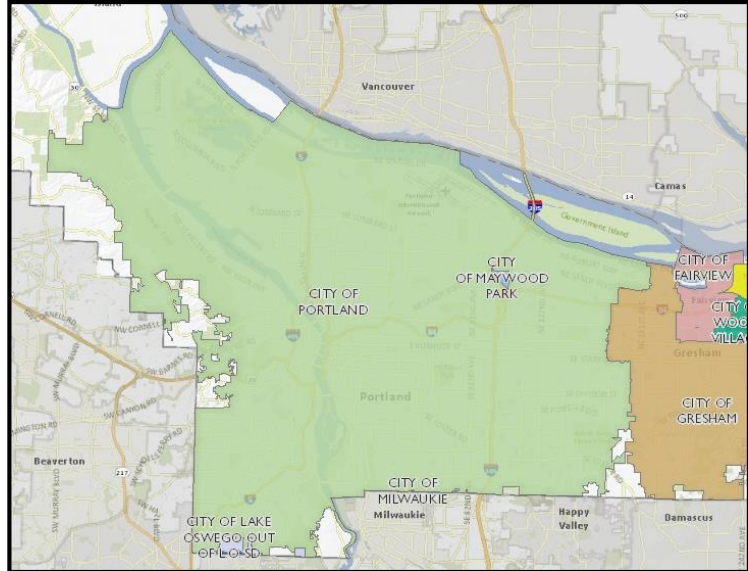
City of Portland

1. Introduction to the District

The City of Portland serves an area of 146.6 square miles with an estimated population of 613,355. The City's boundaries extend into Clackamas and Washington Counties.

The City is governed by a full-time, salaried Council comprised of the mayor and four commissioners. All are elected at large to four year terms on a non-partisan ballot. The Mayor is the formal representative of the City.

The administrative service of the City is divided into six operational areas and the Mayor assigns bureaus to Commissioners who then serve as Bureau Heads.



- Public Safety
- Parks, Recreation & Culture
- Public Utilities
- Transportation and Parking
- Legislative, Administration & Support Services
- Community Development

The City has two semi-autonomous commissions.

- Fire and Police Disability and Retirement Plan (FPD&R). This Commission provides disability, death, and retirement benefits to firefighters and sworn police officers. Portland voters first authorized it in 1902, and it has existed in its current form since 1948. The plan is unique in the nation, in that it is supported by a dedicated property tax levy. The City is obligated to levy the tax, limited to \$2.80 per thousand of real market valuation. The rate has dropped in the last four years from \$2.78 to \$2.49 (2016-17). The City is required to cover fund shortfalls if revenue from the levy is inadequate. The costs of the program account for 29% of the Public Safety expenditure budget.
- Prosper Portland (formerly called the Portland Development Commission). Prosper Portland (PP) is the City's urban renewal/redevelopment and economic development agency. It was established by voters under ORS Chapter 457 in 1958. The Commission consists of five members appointed by the Mayor, subject to approval of the Council.

City of Portland	2014-15	2015-16	2016-17	2017-18
Assessed Value in Billions	\$56.772	\$59.353	\$62.369	
Real Market Value (M-5) in Billions	\$92.618	\$102.628	\$120.786	
Property Tax Rate Extended:				
Operations	\$4.5770	\$4.5770	\$4.5770	
Fire Police Disability & Retirement	\$2.6671	\$2.4990	\$2.4859	
Children's Initiative Local Option	\$0.4026	\$0.4026	\$0.4026	
Urban Renewal Special Levy	\$0.2642	\$0.2527	\$0.2405	
Debt Service	\$0.2448	\$0.2840	\$0.2645	
Total Property Tax Rate	\$8.1557	\$8.0153	\$7.9705	
Measure 5 Loss	\$-37,395,091	\$-36,803,219	\$-25,013,364	
Number of Employees (FTE's)	5,593.2	5,708.7	6,302.9	6,343.6

2. Strategic Plan/Performance Objectives

The City's strategic plan is captured in the Portland Plan, a document developed over several years and with much community involvement. The plan is intended to be a guide for the City's development efforts and in prioritizing limited resources through 2035. The plan is comprised of three integrated strategies:

1. Thriving, educated youth;
2. Economic prosperity and affordability; and
3. A healthy, connected City.

All strategies are tied together by an equity framework to guide the plan implementation and improve City operational business practices, support actions that promote accountability, close disparity gaps, and increase community engagement in civic activities.

The City Budget Office is working with bureaus to develop performance measures for the goals of the Portland Plan. The office has hired professional staff for this work. Several high level dashboards are available on the City web site to track progress on bureau goals.

The 2017-18 Budget is the first budget proposed by Mayor Ted Wheeler. His priorities are:

- Homelessness,
- Livability,
- Road maintenance,
- Community policing,
- Housing and
- Resilience.

Each priority is addressed with additional budget resources, including \$25 million of General Fund dollars allocated to the Joint (with Multnomah County) Office of Homeless Services and the creation of an Office of Landlord-Tenant Affairs. To address the community policing priority the budget funds a new Community Service Officer program with 12 officers. The budget begins the process of developing an infrastructure financing plan using increased property tax revenues from a reduction of urban renewal areas.

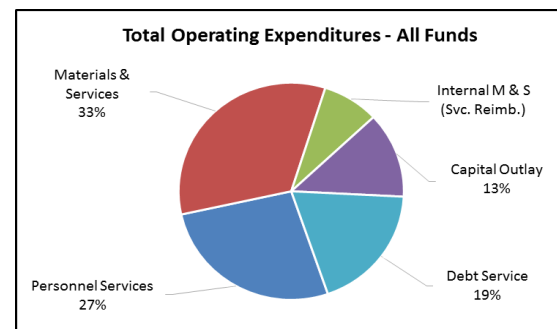
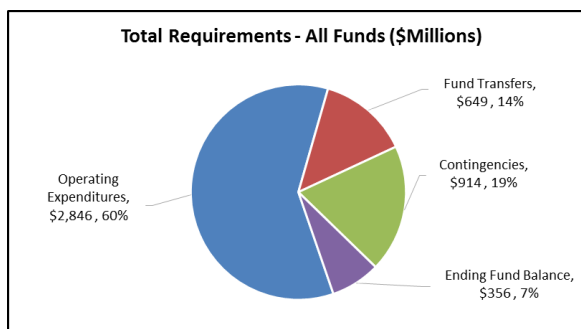
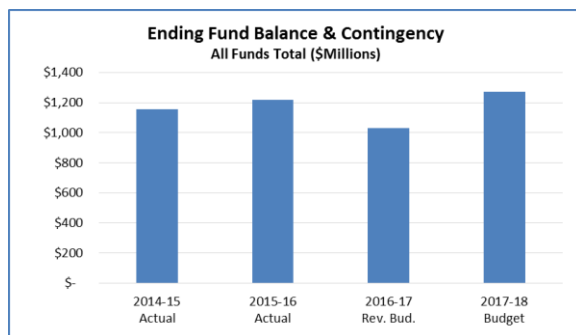
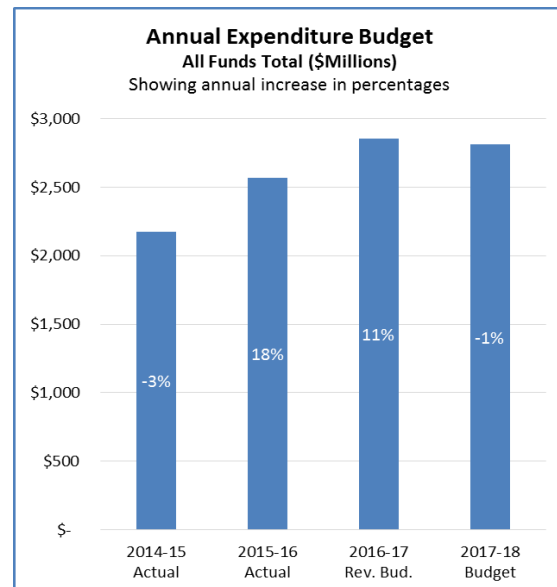
3. Budget in Total

Requirements

The City of Portland's budget is the largest local municipal corporation budget in the State of Oregon. It is increasing from \$4.5 billion to \$4.8 billion in 2017-18 (\$237 million, 5%).

City of Portland				
Total Requirements - All Funds Combined				
(\$ Millions)				
	2014-15	2015-16	2016-17	2017-18
	Actual	Actual	Rev. Bud.	Budget
Personnel Services	\$ 636	\$ 677	\$ 741	\$ 765
Materials & Services	608	642	888	949
Internal M & S (Svc. Reimb.)	188	194	221	231
Capital Outlay	154	107	328	363
Debt Service	587	950	674	539
Subtotal Expenses	\$ 2,174	\$ 2,569	\$ 2,852	\$ 2,847
Fund Transfers	569	568	647	648
Contingencies	-	-	726	913
Ending Fund Balance	1,153	1,220	304	356
TOTAL REQUIREMENTS	\$ 3,897	\$ 4,357	\$ 4,529	\$ 4,765

However, the expenditure portion of the budget (Personnel Services, Materials & Services, Capital Outlay, and Debt Service) is *decreasing* by 1%. The graph to the right illustrates this. The budget increase is in Contingency and Fund Balance, as shown in the graph below.



Personnel Services:

The City is adding 70 new positions next year and eliminating 40 positions for a net increase of 30 positions. The decreases are in Parks and Rec and the majority of increases are in Public Safety.

City of Portland					
Summary of Authorized Positions					
Full Time Equivalent Positions					
	2014-15 Actual	2015-16 Actual	2016-17 Rev. Bud.	2017-18 Budget	Change
Public Safety	2,077	2,116	2,160	2,190	30
Parks & Rec.	457	580	666	626	(40)
Administration	872	905	919	934	16
Comm. Dev.	451	499	544	546	2
Transportation	760	794	866	878	12
Public Utilities	1,091	1,111	1,148	1,158	11
TOTAL Positions (FTE)	5,709	6,006	6,303	6,333	30

The average cost per Full Time Equivalent positions in the 2017-18 budget is \$120,720, a 3% increase from the current year.

City of Portland				
Personnel Services Cost per FTE				
	2014-15 Actual	2015-16 Actual	2016-17 Rev. Bud.	2017-18 Budget
Total Personnel Services Costs	\$ 635,943,135	\$ 677,095,349	\$ 741,134,397	\$ 764,523,914
Total FTE	5,709	6,006	6,303	6,333
Personnel Svcs Cost per FTE	\$ 111,399	\$ 112,745	\$ 117,586	\$ 120,720
Percent Increase		1%	4%	3%

Materials and Services:

The City budgets two categories of Materials & Services: External and Internal. External M&S is the typical expenditures for supplies, materials, professional services, utilities, and payments to other units of local government. Internal M&S (Service Reimbursements) accounts for services provided by one office or bureau to another office or bureau.

City of Portland				
Total Requirements - All Funds Combined				
(\$Millions)				
	2014-15 Actual	2015-16 Actual	2016-17 Rev. Bud.	2017-18 Budget
Materials & Services	\$ 608	\$ 642	\$ 888	\$ 949
Internal Service Reimbursements	188	194	221	231
Total Materials and Services	\$ 797	\$ 836	\$ 1,109	\$ 1,180

External Materials and services are increasing by \$61 million (7%) to \$949 million. The major change is a reallocation of funding to housing programs.

Capital Outlay:

Capital Outlay is increasing by \$35 million to \$363 million in 2017-18 (11%). Capital Improvements (which includes Capital Outlay and capitalized Personnel Services and Materials and Services expenses) are increasing by \$156 million to \$502 million. The major types of capital improvement projects are listed in the following chart.

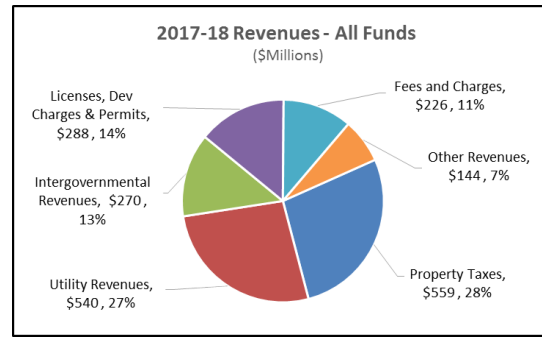
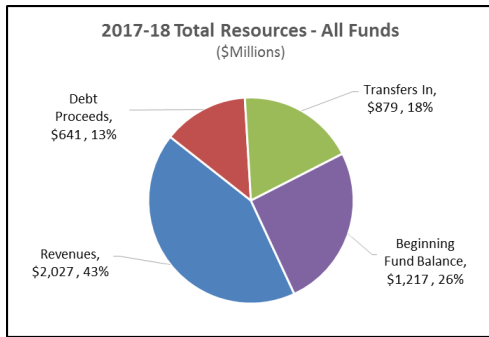
City of Portland			
Capital Improvement Projects - All Funds Combined			
(\$ Millions)			
	2017-18 Budget	Projects	Main Funding Source
Transportation	\$ 118.4	Road rehabilitation, sidewalk upgrades, signal replacement, contributions to transit corridor studies	Gas Tax, Parking, SDCs
Environ Services	\$ 114.3	Sewer Pipe Replacement, flooding mitigation, pump station rehabilitation, flood plain restoration, culvert replacement	Rate Payers, bond proceeds, SDCs
Water System	\$ 109.2	Distribution and storage maintenance and upgrades	Rate Payers, bond proceeds, SDCs
Facilities & Fleet	\$ 82.3	Vehicle replacements, Portland Building rehabilitation, software	Payments from Bureaus
Parks	\$ 61.0	Parks acquisition and improvements	SDCs, Debt Proceeds
All Others	\$ 16.4	Computer systems	Various

Resources

Total resources balance to total requirements. Revenues (cash coming into the city) are budgeted to increase by \$167 million to \$2.7 billion. Major increases include

- \$38 million increase (7.4%) in property tax revenue,
- \$29 million increase (12%) in intergovernmental revenues, and
- \$64 million increase (11%) in debt proceeds.

City of Portland				
Total Resources - All Funds Combined				
(\$Millions)				
	2014-15 Actual	2015-16 Actual	2016-17 Rev. Bud.	2017-18 Budget
Property Taxes	\$ 480	\$ 502	\$ 520	\$ 559
Utility Revenues	480	514	536	540
Other Taxes	52	61	79	90
Intergovernmental Revenues	181	181	241	270
Licenses, Development Charges, Permits	277	303	296	288
Fees and Charges	190	210	219	226
Other Revenues	46	39	33	53
Debt Proceeds	579	630	577	641
Subtotal Revenues	\$ 2,285	\$ 2,442	\$ 2,501	\$ 2,668
Transfers In	758	762	868	879
Beginning Fund Balance	854	1,153	1,160	1,217
TOTAL RESOURCES	\$ 3,897	\$ 4,357	\$ 4,529	\$ 4,765



Property Taxes: The largest source of operating revenue is property taxes, budgeted at \$559 million for all levies, including urban renewal taxes. This is an increase of \$38 million (7.4%) over the current year.

City of Portland					
Property Taxes Budgeted - All Funds					
(\$Millions)					
	2014-15 Actual	2015-16 Actual	2016-17 Rev. Bud.	2017-18 Budget	Percent Increase
Permanent Rate	\$ 211.3	\$ 225.5	\$ 232.8	\$ 245.8	5.6%
Children's Local Option Levy	12.5	15.3	17.2	19.0	10.2%
GO Debt	12.2	14.9	14.3	16.8	18.1%
FPD&R Pension	122.8	122.8	128.1	144.3	12.6%
Urban Renewal	120.9	123.6	128.1	132.9	3.7%
Total Property Taxes	\$ 479.8	\$ 502.0	\$ 520.5	\$ 558.9	7.4%

The city used an assumed assessed value increase of 4% and a continued decrease in the loss due to compression in calculating its tax receipts.

Utility charges (\$540 Million): The total utility revenue is \$540 million, an increase of less than 1%. Average sewer and stormwater rates are increasing 2.95% and water rates are scheduled to increase 6.7% for a combined average increase of 4.17%... Rates have been increasing for several years for both water and sewer as the City has spent hundreds of millions of dollars on several large capital projects to improve the systems and protect the environment. The current year combined increase was 4.45%

Other Taxes (\$90 million): This category includes:

- Transient Lodging Taxes, up \$4 million (8%)
- Arts Tax, down \$2 million (-16%) due to a current year revenue bump for past due collections
- Other taxes, primarily gas tax, up \$6 million (36%)

Intergovernmental Revenues (\$270 million): State revenue is unchanged from the current year budget at \$58 million. Federal funding is up by 11% to \$59 million. Local revenue will increase by \$23 million (17%) due to \$28 million increase in transfers in from Prosper Portland for housing projects.

Analysis of General Fund

Requirements

The General Fund budget is increasing by \$5.6 million (1%) to \$628.5 million. Increases are uniform across the bureaus.

However, even with only minor increases, expenses are rising faster than revenues. The chart below shows that the city has budgeted for fund balance drawdowns for the current year and 2017-18.

City of Portland				
Annual Gain/(Loss)				
(\$ Millions)				
	2014-15 Actual	2015-16 Actual	2016-17 Rev. Bud.	2017-18 Budget
Revenues	478.3	514.8	517.6	538.9
Expenditures	477.0	505.4	554.9	568.9
Net Transfers	7.8	(11.3)	2.4	17.7
Annual Gain/(Loss)	\$ 9.0	\$ (1.9)	\$ (34.9)	\$ (12.3)

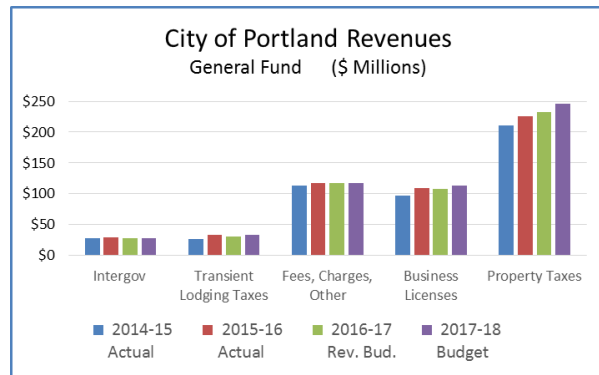
Continuing a practice started last year, the city is matching a county investment by contributing \$25 million of general fund money to the Joint Office on Homelessness.

City of Portland				
Total Requirements - General Fund				
(\$ Millions)				
	2014-15 Actual	2015-16 Actual	2016-17 Rev. Bud.	2017-18 Budget
Planning and Sustainability Bureau	\$ 8.7	\$ 9.4	\$ 9.7	\$ 10.0
City Budget Office	1.9	2.2	2.5	3.5
Commissioner of Public Affairs	1.5	1.7	2.1	2.1
Commissioner of Public Safety	0.9	1.0	1.1	1.2
Commissioner of Public Utilities	0.9	0.9	1.1	1.2
Commissioner of Public Works	0.9	0.9	1.1	1.2
Office of Equity & Human Rights	1.6	1.8	1.7	1.8
Government Relations	1.4	1.5	1.6	1.8
Management & Finance	40.1	37.9	40.9	42.7
Neighborhood Involvement	7.8	8.9	10.6	11.2
City Attorney	10.9	10.8	12.2	13.0
City Auditor	8.7	8.6	9.7	10.7
Mayor	2.5	3.1	3.0	3.9
Emergency Management	2.1	2.3	2.7	3.5
Portland Development Commission	5.3	7.0	5.8	6.0
Fire, Rescue & Emergency Services	102.7	111.2	117.4	116.9
Housing Bureau	13.4	18.2	27.4	28.5
Parks & Recreation	69.1	77.3	84.3	87.1
Police	179.0	182.8	198.2	202.0
Special Appropriations	8.9	9.7	12.8	10.5
Debt Service	8.8	8.2	9.2	10.0
Total Expenditures	\$ 477.0	\$ 505.4	\$ 554.9	\$ 568.9
Contingency	-	-	9.3	13.1
Fund Transfers	43.4	63.1	58.7	46.5
Ending Fund Balance	46.1	44.2	-	-
TOTAL FUND REQUIREMENTS	\$ 566.5	\$ 612.7	\$ 622.9	\$ 628.5

Resources

The General Fund, home to nearly all of the discretionary revenue and spending, will increase by \$5.6 million (1%), to \$629 million in 2017-18. Property taxes and business related taxes are increasing while other revenue lines are constant. The city is drawing down its General Fund balance by \$19 million to balance the budget.

City of Portland				
Total Resources - General Fund				
(\$ Millions)				
	2014-15 Actual	2015-16 Actual	2016-17 Rev. Bud.	2017-18 Budget
Property Taxes	\$ 211.3	\$ 225.5	\$ 232.8	\$ 245.8
Business Licenses	97.9	109.2	108.1	114.0
Transient Lodging Taxes	27.0	33.1	30.6	33.8
Intergovernmental Revenues	28.5	29.6	28.6	28.4
Licenses, Development Charges, Permits	87.0	89.8	88.7	87.6
Fees and Charges	22.4	23.5	25.1	25.4
Other Revenues	4.1	4.2	3.7	3.9
Subtotal Revenues	\$ 478.3	\$ 514.8	\$ 517.6	\$ 538.9
Transfers In	51.2	51.8	61.1	64.3
Beginning Fund Balance	37.1	46.1	44.2	25.3
TOTAL RESOURCES	\$ 566.5	\$ 612.7	\$ 622.9	\$ 628.5



4. Analysis of Other Funds

Operations of the City are structured around six service areas

1. Public Safety
2. Parks, Recreation and Culture
3. Public Utilities
4. Community Development
5. Transportation and Parking
6. Legislative and Administration

All bureaus, offices and departments are organized under one of these six areas for budget purposes. The budget amounts used below include only operations and capital improvements expenditures. They do not include debt service, expenditures funded by grants, contingencies, or interfund transfers

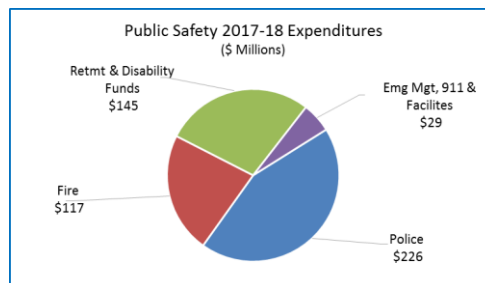
City of Portland				
Total Requirements - All Funds Combined				
(\$ Millions)				
	2014-15 Actual	2015-16 Actual	2016-17 Rev. Bud.	2017-18 Budget
Public Safety	\$ 438	\$ 458	\$ 500	\$ 516
Parks, Rec. & Culture	102	109	183	178
Public Utilities	372	346	420	487
Community Dev Svcs	159	172	307	341
Transportation & Parking	173	158	220	242
Leg and Admin	313	354	511	497
Federal Grants	29	21	37	46
Debt Service	587	950	674	539
Total Expenses	\$ 2,174	\$ 2,569	\$ 2,852	\$ 2,847
Fund Transfers	569	568	647	648
Fund Bal/Contingency	1,153	1,220	1,030	1,270
Total Requirements	\$ 3,897	\$ 4,357	\$ 4,529	\$ 4,765

Public Safety Service Area

Public Safety					
	2014-15 Actual	2015-16 Actual	2016-17 Rev. Bud.	2017-18 Budget	Change
Budget (Millions)	\$ 438	\$ 458	\$ 500	\$ 516	\$ 17
FTE	2,077	2,116	2,160	2,190	30

This service area includes:

- Bureau of Police,
- Bureau of Fire and Rescue,
- Bureau of Emergency Management,
- Bureau of Emergency Communications (911), and
- Fire and Police Disability & Retirement.



Total spending in 2017-18 is decreased by \$2 million. The budget adds 13 positions in the Police Bureau and 18 in Emergency Communications. Twelve of the Police positions are

Community Service Officers. This is a new position, common in other municipalities, that is intended to relieve workload on sworn officers while actively engaging with the community. The added Emergency Communications positions are all dispatch positions. A similar number were added in last year's budget.

The budget also includes the following changes.

- Adds over \$700,000 in discretionary funding to the Emergency Communications budget.
- Eliminates the Mounted Patrol Program
- Dedicates \$2.3 million in recreational marijuana tax revenues to existing programs.
- Reduces spending from the Public Safety GO Bond fund by \$14 million.
- Reduces funding for police body worn cameras by \$1.3 million for one fiscal year, reducing hardware purchases and deferring hiring for two new positions.

Parks, Recreation and Culture Service Area

Parks, Rec, & Culture					
	2014-15 Actual	2015-16 Actual	2016-17 Rev. Bud.	2017-18 Budget	Change
Budget (Millions)	\$ 102	\$ 109	\$ 183	\$ 178	\$ (4)
FTE	457	580	666	626	(40)

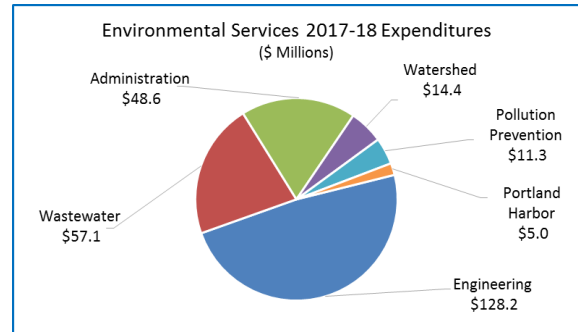
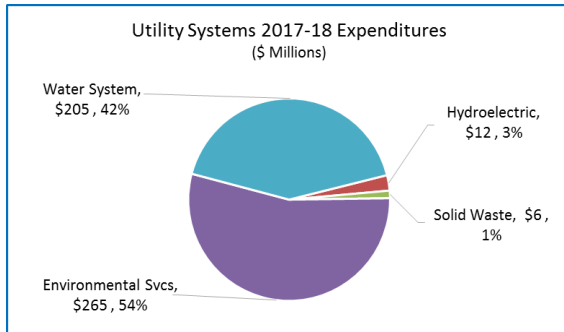
The Bureau of Parks and Recreation is the only organization in this service area. The Bureau is responsible for city parks, natural areas, golf courses and sports, raceway, arts, and spectator facilities. Without a dedicated revenue source, the Parks Bureau is challenged to operate and maintain existing parks and develop new parks to serve an increasing population. The decrease in positions is the result of an error in the City's position Control System. Bureau staffing is consistent, but some temporary positions have been changed to permanent park rangers.

Parks, Rec, & Culture					
(\$ Millions)					
	2014-15 Actual	2015-16 Actual	2016-17 Rev. Bud.	2017-18 Budget	Funding Source
Parks Operations	\$ 69.1	\$ 77.3	\$ 84.3	\$ 87.1	Gen Fund
Golf Fund	9.4	8.6	8.9	8.7	User Fees
Cap Improvements	16.2	14.7	66.4	63.7	Bonds & SDCs
Endow ment	0.0	0.0	0.0	0.0	Endow ment
Local Option Levy	0.5	-	0.7	-	Remnant*
PDX Int'l. Raceway	1.4	1.4	1.5	1.4	User Fees
Memorial Fund	2.4	3.1	9.5	9.8	User Fees
Venues & Visitors	2.7	4.2	11.4	7.6	User Fees
Total	\$ 101.7	\$ 109.3	\$ 182.6	\$ 178.4	

* Levy expired, no new funding

Public Utilities Service Area

Utility Systems					
	2014-15 Actual	2015-16 Actual	2016-17 Rev. Bud.	2017-18 Budget	Change
Budget (Millions)	\$ 372	\$ 346	\$ 420	\$ 487	\$ 67
FTE	1,091	1,111	1,148	1,158	11



This service area includes the Bureau of Environmental Services; the Water Bureau; Solid Waste; and, included within the Water Bureau, the Hydroelectric Power Division. The City owns three small hydro power plants that are managed by Portland General Electric.

The budget includes a water rate increase of 6.7% and a sewer rate increase of 2.95%. The combined increase for a typical homeowner will be 4.17% for an average monthly bill of \$107.97 in 2017-18.

Environmental Services (\$265 Million): This Bureau’s expenditure budget is increasing by \$13 million. Materials and Services increases account for \$10 million of that increase.

The Bureaus’ services and the sizes of their budgets are shown in the chart to the right. FTE will increase by 9 in the 2017-18 budget.

Water Bureau (\$205 Million): The expenditure portion of the Water Utility budget is increasing by \$42 million. The increase is due primarily to increased capital project expenses, including a \$54 million water transmission project in Washington Park. Staffing will increase by 3 FTE.

Community Development Service Area

The Community Development Services expenditure budget is increasing by \$45 million (15%) in 2017-18 to \$352 million. The increase reflects the City’s increasing allotment to homelessness and affordable housing issues. Community Development is adding two new positions.

Community Development Services					
	2014-15 Actual	2015-16 Actual	2016-17 Rev. Bud.	2017-18 Budget	Change
Budget (Millions)	\$ 159	\$ 172	\$ 307	\$ 341	\$ 34
FTE	451	499	544	546	2

Included here are:

- Bureau of Development Services (land use, building permitting and inspections),
- Portland Housing Bureau,
- Bureau of Planning and Sustainability (land use planning),

- Office of Neighborhood Involvement,
- The Office of Equity and Human Rights,
- Arts Education Tax
- Urban renewal debt service funds, and the
- City’s General Fund economic development allocation to Prosper Portland.

Community Development Programs				
(\$ Millions)				
	2014-15 Actual	2015-16 Actual	2016-17 Rev. Bud.	2017-18 Budget
Development Services	\$ 39.9	\$ 46.5	\$ 60.2	\$ 59.7
Housing	17.8	25.5	87.4	88.5
Urban Renewal Areas	22.5	15.1	62.6	95.2
Conv & Tourism	14.8	17.5	19.4	20.1
Comm Dev Block Grant	13.9	9.1	12.6	9.6
Planning & Sustainability	8.7	9.4	9.7	10.0
Neighborhood Involv.	7.8	8.9	10.6	11.2
Econ Devel (to Prosper PDX)	5.3	7.0	5.8	6.0
All Other	8.4	8.7	8.6	8.9
Arts Income Tax	9.4	9.9	11.7	13.1
Childrens Local Option Levy	10.8	14.9	18.7	18.9
Total	\$ 159.3	\$ 172.4	\$ 307.3	\$ 341.2

The Portland Housing Bureau is the largest General Fund budget within this service area and is responsible for implementing the City’s goals to “solve the unmet housing needs of the people of Portland.” The Bureau is the focus of new investments. See the addendum to this budget review for an update and analysis of the Bureau’s new responsibilities.

The Bureau of Planning and Sustainability is responsible for the Comprehensive Plan, the Portland Plan, the Central City Plan, the City’s solid waste and recycling rules and programs, as well as other sustainability, climate protection, economic development, housing, historic preservation and community development programs and strategies. Since 2007 the bureau has been working on updating the City’s Comprehensive Plan as required by state land use planning laws. The plan has been updated and now the Bureau will focus on implementing changes in city codes.

This budget includes the Children’s Investment Local Option Levy Fund which is supported by a \$0.4026 per \$1,000 of assessed value property tax rate approved by voters. This fund’s expenditures are increasing 11%, from \$17.2 million to \$19.0 million due to expected increases in property tax collections. This increase is caused by assessed value increases and Measure 5 compression loss decreases.

Transportation and Parking Service Area

The Transportation and Parking budget will increase by \$22 million to \$242 million in 2017-18, a 10% increase. Staffing will increase by 12 positions. This increase is partially funded by the first full year of City gas tax revenue, budgeted at \$18.5 million.

Transportation and Parking					
	2014-15 Actual	2015-16 Actual	2016-17 Rev. Bud.	2017-18 Budget	Change
Budget (Millions)	\$ 173	\$ 158	\$ 220	\$ 242	\$ 22
FTE	760	794	866	878	12

The Transportation and Parking Service Area is synonymous with the City’s Transportation Bureau. The Bureau is funded by city and state gas taxes, parking fees, grants, General Fund discretionary transfers, urban renewal funds from Prosper Portland and interagency service charges. The 2017-18 budget is increasing due to the Mayor’s commitment to deal with three high profile transportation issues: pedestrian and cyclist safety, snow and ice removal, and transportation infrastructure maintenance and repair needs.

- Build Portland, a plan calling for a \$600 million investment over 20 years in roads, parks, facilities, and other civic infrastructure. The Mayor intends to make an initial \$50 million investment in this program after a startup project and funding analysis in 2017-18. The project will be funded by increased property tax revenue returned to the General Fund as several urban renewal districts close as debt service is paid off. The 2017-18 budget provides \$2 million to pay interest only on the planned initial debt issuance.
- \$8.6 million in one-time-only General Fund resources (and \$125,042 in Recreational Marijuana taxes) for increased funding for ADA curb corners, signaled pedestrian crossings, traffic light replacement, a multi-use path on N. Greeley, replacement of deficient guardrails, and Vision Zero (pedestrian/bicyclist safety) projects.
- \$330,000 for snow and ice removal contracts and equipment.

The budget also includes \$300,000 for continued high school student bus passes, conversion of 18 temporary positions to regular positions, and the addition of 12 new positions. Capital expenditures will increase from \$34 million in the current year budget to \$81 million in 2017-18. The increase will be funded by carry over funds from this year.

Legislative, Administrative and Support Services

Legislative, Administrative, & Support Services					
	2014-15 Actual	2015-16 Actual	2016-17 Rev. Bud.	2017-18 Budget	Change
Budget (Millions)	\$ 313	\$ 354	\$ 511	\$ 497	\$ (14)
FTE	872	905	919	934	16

This service area includes the offices of the:

- Mayor and Commissioners,
- City Auditor,
- City Attorney,
- Office of Government Relations,
- City Budget Office, and
- Office of Management and Finance (OMF) and Budget

OMF in turn consists of the following organizational units:

- Human Resources
- Enterprise Business Solutions
- Business Operations
- Revenue
- Treasury
- Public Finance

- Technology Services
- Accounting
- Internal Business Services (fleet, facilities, procurement, printing & distribution, procurement and risk management)

OMF supports, and in some cases oversees, specific programs and projects for other bureaus. The City's Chief Administrative Officer also acts as the director of OMF.

Legislative, Administration, and Support Services				
\$ Million				
	2014-15 Actual	2015-16 Actual	2016-17 Rev. Bud.	2017-18 Budget
Mayor and Commissioners	\$ 6.8	\$ 7.6	\$ 8.4	\$ 9.5
City Auditor	8.7	8.6	9.7	10.7
City Attorney	10.9	10.8	12.2	13.0
Government Relations	1.4	1.5	1.6	1.8
City Budget Office	1.9	2.2	2.5	3.5
Office of Mgmt & Finance	40.1	37.9	40.9	42.6
Support Functions	243.3	285.8	436.0	415.7
Total Budget	\$ 313.0	\$ 354.3	\$ 511.2	\$ 496.9

The large increase in the budget for Support Functions in the current year is from a \$60 million budget for the Portland Building rehabilitation project, \$6 million for data center move, and \$20 million in vehicle and fueling station replacements.

Also included in this service area are "special appropriations", budgeted in the General Fund. These expenditures, managed by OMF, total \$10.5 million for 2017-18, a \$2 million decrease from the current year. Programs funded by Special Appropriations do not fall under any specific bureau, have a city-wide impact and often are transfers to non-profit agencies, such as SUN schools, Symphony in the Park, the Last Thursday event, and a contribution to the Columbia River Levy Project. The levy, which extends from Sauvie Island to Troutdale is currently undergoing recertification by the US Army Corps of Engineers.

New Funds

The City added three funds to the budget midway through the current year and adds three funds to the budget in 2017-18. The following chart summarizes the purposes and budget of the new funds.

City of Portland			
New Funds, Established in 2016-17 and 2017-18			
New Fund	Purpose	2016-17 Rev. Bud.	2017-18 Budget
Housing Capital Fund	To account for expenditures and debt service from \$258 million Housing bond measure (Nov 2016 election)	\$ 84,480,499	\$ 51,931,848
Housing Property Fund	To record the transactions of resources and requirements resulting from the acquisition, development and operation of property by the Portland Housing Bureau.	\$ 4,297,695	\$ 5,046,355
Inclusionary Housing Fund	To receive revenues from the newly created Construction Excise Tax for purposes primarily related to the production and preservation of affordable housing.	\$ 3,288,000	\$ 5,379,309
Rec Marijuana Tax Fund	Funded by recreational Marijuana sales tax. Pays for some administrative costs. Transfers most revenue to General Fund Police budget.	\$ 703,200	\$ 3,593,000
Campaign Finance Fund	Initial funding is \$250K transfer from General Fund. The funds will be used for the City's public elections program passed by Council (City Code 2.16), in which qualified candidates receive public funds to match allowable contributions.	\$ -	\$ 250,000
PPA Health Ins Fund	To account for Police Union's new self-insured health insurance program, to collect premiums and pay claims.	\$ -	\$ 24,325,691

The Recreational Marijuana Fund channels marijuana sales tax revenues to the following activities:

1. Drug and alcohol education and treatment programs, including but not limited to services that increase access to these programs and programs that support rehabilitation and employment readiness.
2. Public safety investments to reduce impacts of drug and alcohol abuse such as police DUII training and enforcement, support for firefighter paramedics, street infrastructure projects that improve safety, other initiatives to reduce the impacts of drug and alcohol abuse.
3. Support for neighborhood small businesses, especially women-owned and minority- owned businesses, including but not limited to business incubator programs, management training, and job training opportunities; and providing economic opportunity and education to communities disproportionately-impacted by cannabis prohibition.

5. Debt Status

The City of Portland issues debt for a variety of purposes and routinely refinances existing debt to secure better interest rates. In addition to debt issued for its own purposes, the City issues all of the debt for urban renewal projects that are then transferred to PDC. The chart below compares the outstanding debt as June 30 of each year. The estimates for June 30, 2017 excludes any additional, unscheduled principal payments and any new debt and/or refinancing that may have occurred during the year. The only exception to that is the inclusion of the GO Bonds, Housing Series 2017 A issued in May 2017 for \$35,085,000. A total of \$539 million is budgeted for debt service in 2017-18. However, this includes \$44.3 million in tax anticipation notes in the Fire & Police Disability & Retirement Fund which is used to make payments from July 1 until property taxes are received in November.

Outstanding Debt As Of June 30 Of Each Year

City of Portland	6-30-2014	6-30-2015	6-30-2016	6-30-2017 est.
GO Bonds	75,850,000	83,625,000	99,250,000	124,010,000
Limited Tax GO / Full Faith & Credit	294,333,252	269,052,393	240,307,440	218,857,102
Revenue Bonds	2,191,284,000	2,354,734,000	2,200,825,000	2,075,317,000
Improvement Bonds	48,625,000	43,315,000	36,805,000	36,355,000
PERS Bonds	235,428,346	219,778,346	202,028,346	182,028,346
Urban Renewal Tax Increment Bonds	490,735,000	457,420,000	445,736,400	407,595,600
Loans	17,810,751	16,273,040	14,920,587	13,554,496
Conduit	26,670,000	26,720,000	26,720,000	26,720,000
Total Debt Outstanding	3,402,197,169	3,470,917,779	3,266,592,773	3,084,437,544

6. Is Budget in Sync with Strategic Plan/Performance Objectives?

Despite the large size of the City’s budget, \$4.8 billion, the City does an excellent job of tracking all expenditures. Adjustments of just several hundred dollars are carefully identified and tracked, either in the original budget or in “change memos”. And the City makes extensive use of budget notes to direct staff to study alternatives to providing services for citizens.

In his Budget Message Mayor Wheeler identified six investment priorities. Here are those priorities and his budgetary responses.

1. Address Homelessness
 - a. Contribute \$25 Million to Joint Office of Homeless Services
2. Improve Livability
 - a. Add Park Rangers
 - b. Increase trash, needle, and temporary structure pickup and removal
 - c. Increase graffiti abatement program
 - d. Maintain noise complaint response
 - e. Improve management of abandoned properties
3. Improve Roads and Critical Infrastructure
 - a. Initiate Build Portland infrastructure program (\$50 million first year)
 - b. Replace, modify, and add pedestrian and bicycle safety systems (\$8.6 Million)
4. Enhance Community Policing
 - a. Launch Community Services Officer Program
5. Improve Housing Stability
 - a. Create Office of Landlord Tenant Affairs
6. Improve Resilience to Disaster
 - a. Increase Emergency Management Funding
 - b. Double funding for Neighborhood Emergency Teams
 - c. Increase staffing for technology disaster plan
 - d. Funding for snow removal contracts and equipment

7. Budget Law Compliance

Yes	No	Compliance Issue
✓		Did district meet publication requirements?
✓		Do resources equal requirements in every fund?
✓		Does the G.O. Debt Service Fund show only principle and interest payments
✓		Are contingencies shown only in operating funds?
✓		Did budget committee approve the budget?
✓		Did budget committee set the levy?
✓		Does audit show the district was in compliance with budget law?

8. Highlights of 2017-18 Budget

- The total budget increases \$236 million (5%) to \$4.8 billion.
- Revenues from external sources exceed expenditures to external sources by \$63 million
- The 2017-18 budget increases the number of positions (FTE) by 30 to 6,333.
- The General Fund increases by \$5.6 million (1%), to \$628.5 million.
- General Fund expenditures exceed revenues by \$12 million.
- Property tax revenue increases by 7.4% to \$559 million.
- Average effective rates for sewer and water will increase 2.95% and 6.7% respectively.

Certification Letter Recommendations and Objections:

The 2017-18 Budget is in substantial compliance with local budget law. Estimates were judged to be reasonable for the purpose shown.

The audit report for fiscal year 2015-16 does not note any expenditures in excess of budget.