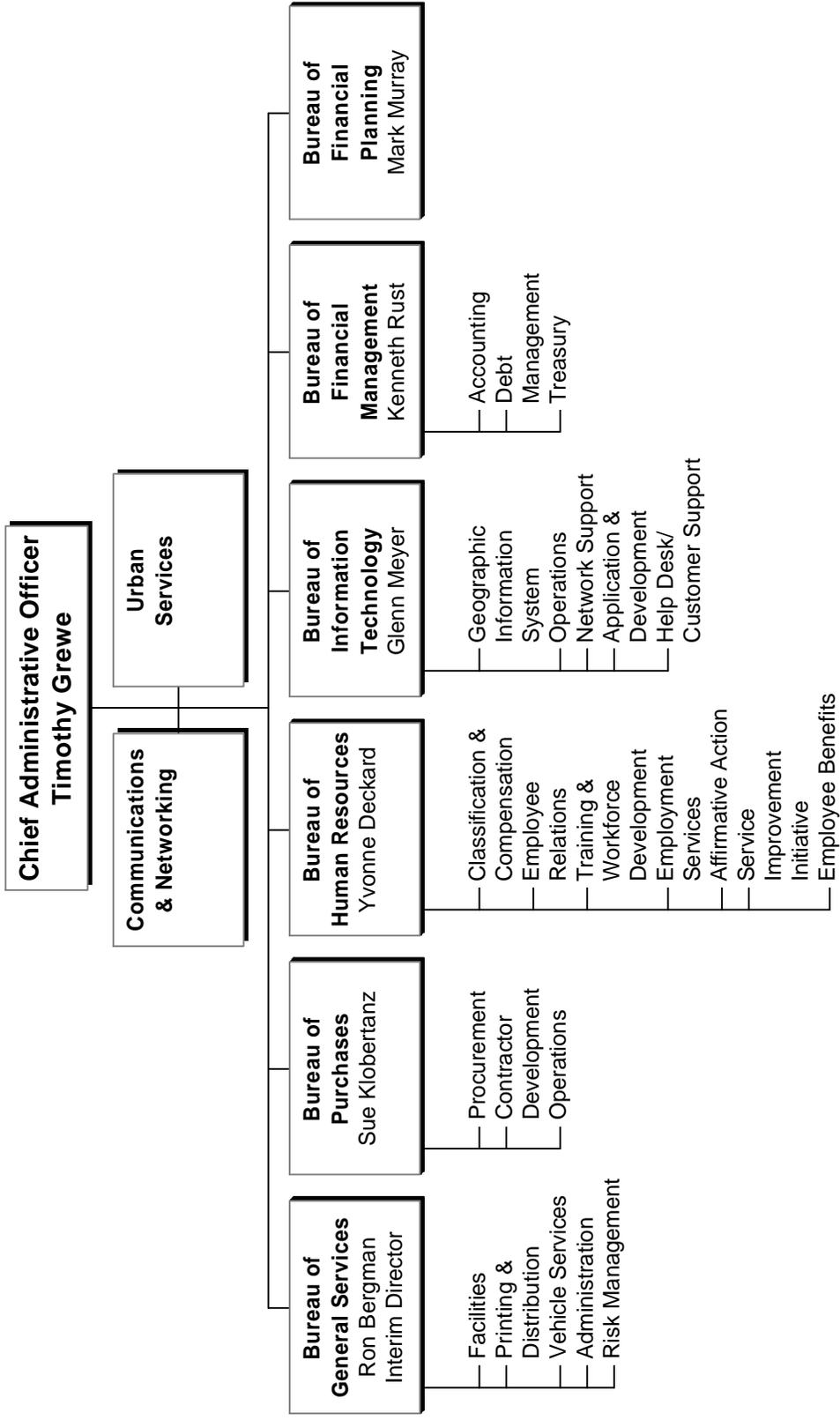
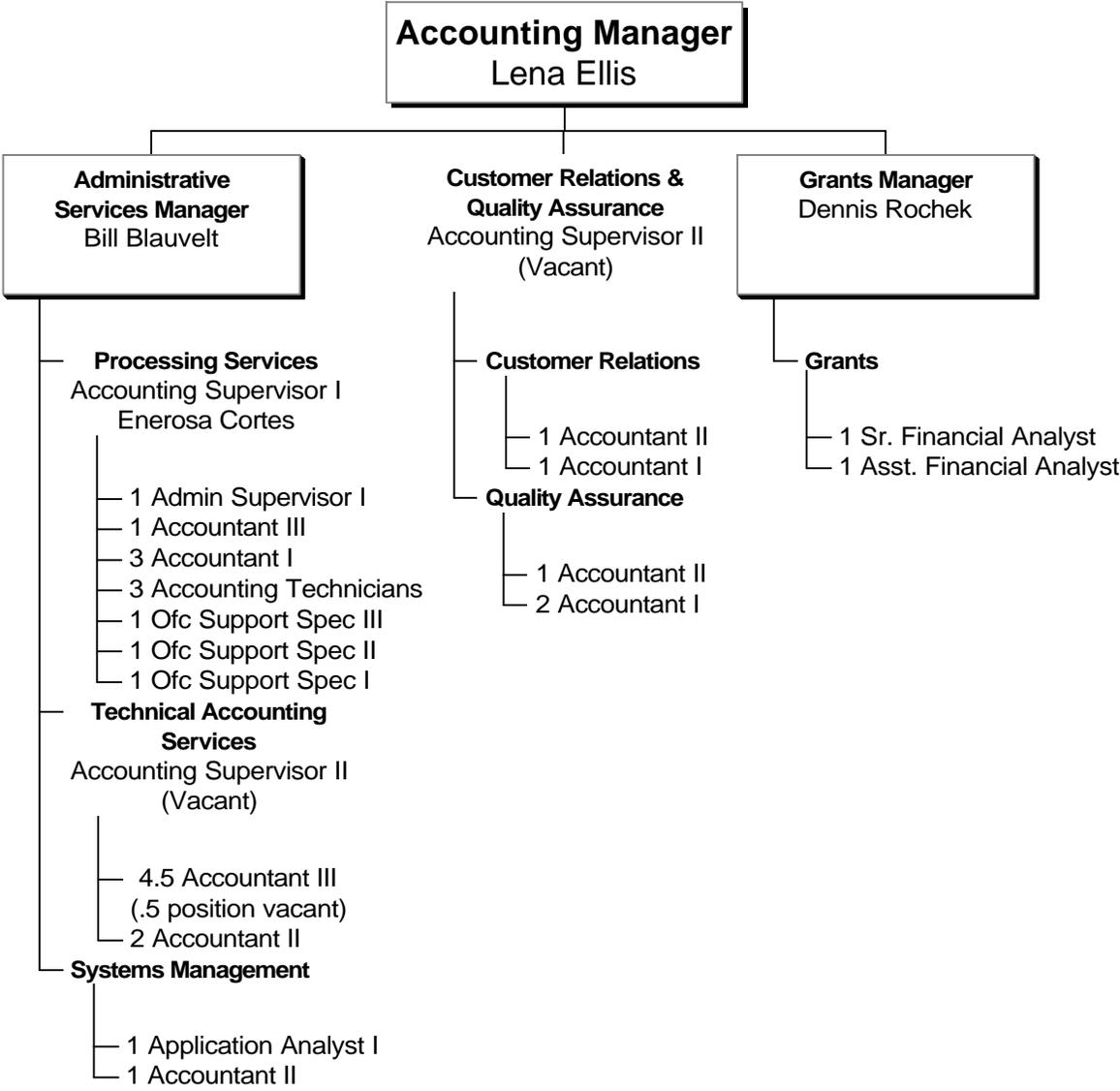


Office of Management and Finance



**Office of Management and Finance
Accounting Division
FY 99-00**





CITY OF PORTLAND

OFFICE OF MANAGEMENT AND FINANCE

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November 22, 2000

The Honorable Mayor, City Commissioners,
City Auditor, and Citizens of the
City of Portland, Oregon

INTRODUCTION

A. Management Responsibility

The Comprehensive Annual Financial Report (CAFR) of the City of Portland, Oregon, (City) for the fiscal year ended June 30, 2000, is submitted herewith. The Bureau of Financial Management's Accounting Division of the Office of Management and Finance (OMF) prepared the majority of this report. Other portions of this report were prepared by other OMF Divisions and other City Bureaus. Responsibility for the accuracy, the completeness and fairness of the presented data, including disclosures, rests with the City. We believe this data to be accurate in all material aspects; that it fairly sets forth the financial position and results of operations of the City; and that all disclosures necessary to enable the reader to gain maximum understanding of the City's financial affairs have been included.

B. CAFR Explanation

The CAFR is comprised of three main sections. They are the introductory, the financial, and the statistical sections. The introductory section, of which this letter of transmittal is a part, is intended to familiarize you with the organizational structure of the City of Portland, the nature and scope of the services the City provides, and a summary of the City's financial activities and the factors which influence these activities.

The second section of this report is the financial section. The financial section is divided into separate subsections employing the pyramid approach to government financial reporting. The financial reporting pyramid owes its name to the pattern of reporting financial information at different levels of increasing detail.

The third primary section contains certain comprehensive statistical data. It is hoped that this data will provide you with a broader understanding of the City of Portland than is possible from the financial statements and supporting schedules in the financial section alone.

C. Reporting Entity

This report includes all of the funds and account groups of the City including those organizations required to be included because the City is financially accountable for them. Under the Charter of the City of Portland, Oregon, the City's autonomous commissions, the Fire and Police Disability and Retirement Plan, the Hospital Facilities Authority, and the Portland Development Commission (PDC), are required to have separate financial audits conducted by external certified public accountants. The various funds of these commissions are included in this report, and the information presented has been condensed from the separately commissioned audit reports to conform to City reporting formats.

The City provides these services as authorized in its Charter:

- *Planning and community development*: buildings review, housing services, employment and economic development
- *Citizen and community services*: neighborhood improvements, housing development and shelter programs
- *Public safety*: police, fire, and rescue
- *Transportation and parking*: street maintenance, neighborhood traffic studies and street improvements
- *Support services/legislative/administrative*: communications, facilities, financial, fleet, human resources, information, printing, and risk,
- *Parks, recreational and cultural services*
- *Utilities*: water and sewer
- *Other operations*: Refuse disposal and environmental remediation

ECONOMIC CONDITIONS AND OUTLOOK

A. Recent Economic Performance

The Portland metropolitan area, as expected, experienced somewhat slower economic growth during FY 1999-2000. Both the State and regional economies registered slower growth when compared to the national economy. The national economy, registering between 1.3 to 1.4 percent employment growth, continued to post good growth and job gains over the last 12 months despite a series of interest rate hikes engineered by the Federal Reserve. In contrast, Oregon employment growth during the second quarter of calendar 2000 was actually negative, and the state experienced some job losses. Average employment for the past twelve months is still positive, but job growth clearly slowed due to the lingering effects of the Asian financial crisis and rising interest rates. For the Portland metropolitan area, June 2000 employment appears to be about 45,800 above year-ago levels.

The metro area's unemployment rate for June 2000 was about 4.1 percent, while the comparable number for the State was 5 percent. Unemployment nationally is at a thirty year low and the June national unemployment rate was 4.1 percent. The regional economy outperformed the State's economy and more closely resembles the national economy. The region's unemployment rate has remained around 4 percent throughout much of FY 1999-00.

Inflation in the Portland area as measured by the Portland consumer price index increased markedly during FY 1999-00. The local price index increased 3.7 percent from the second half of calendar 1998 to the second half of calendar 1999. At the national level price increases were somewhat lower and seem to consistently run between 2.5 and 3 percent. The most recent data point for the metro-area suggests that inflation will remain above 3 percent for the coming months. For the first half of calendar 2000 prices were 3.3 percent above the previous six-month period.

The outlook for the regional economy continues to be mixed. Six Federal Reserve interest rate hikes have slowed some sectors of the local economy. Freightliner, a manufacturer of heavy trucks, recently announced layoffs, citing reduced demand for heavy long haul trucks as a result of higher interest rates and rising energy prices. The high-tech sector on the other hand continues to create jobs and Intel recently announced plans to further expand regional operations. LSI Logic continues to add jobs at its Gresham facility and expects to add about 100 additional jobs by early 2001. The large electronics and semi-conductor firms that have located in the metro-area seem to have recovered from the slowdown caused by the Asian crisis. Most economic forecasters see continued slower growth over the next 12 to 18 months. Forecasts remain positive but weaker; the State's economist is forecasting slower growth without a recession. On the other hand, the City's central retail core saw construction start on a second "class A" office tower in downtown area. In addition, upwards of 1,000 new hotel rooms were completed during FY 1999-00 and several new hotels opened their doors for business. Two more large hotels are currently under construction. Building and construction work continues to offset some of the slowdown in other sectors of the metro-area economy.

B. FY 1999-00 Revenue Growth

FY 1999-00 was the third year under a new property tax limitation system known as Measure 50. Voters approved this new system in the spring of 1997. This measure's first year impact was to roll back General Fund property tax levy authority reducing FY 1997-98 property tax revenues. FY 1997-98 property tax revenues (net of delinquent and in-lieu taxes) totaled about \$117.2 million versus revenues of about \$127.6 million for FY 1996-97. Revenues were down about \$10.4 million or by 8.1 percent. FY 1999-00 General Fund property tax revenues (budgetary basis, net of delinquent and in-lieu taxes) totaled about \$128.5 million, and grew this year over last year by about 5 percent. Property taxes for all funds for FY 1999-00 increased 3.8 percent to \$224.7 million from \$216.5 million in FY 1998-99. Measure 50 limits assessed value growth to 3 percent on existing properties plus new construction. Year-to-year property tax revenue growth of 4 to 5 percent represents the likely long-term growth rate.

Overall General Fund revenues (budgetary basis) totaled about \$298 million and grew by about 3.6 percent. Transient lodging taxes were up about 5.1 percent versus about 4 percent last year. Business license revenues were about 2.3 percent below last year reflecting an on-going problem with the loss of taxable corporate income; mergers and acquisitions have caused corporate headquarters to be moved out-of-state. Utility license and franchise fees continued to be the bright spot with year-to-year revenue growth of just over 6 percent. State shared liquor and cigarette tax revenues reversed last year's decline and grew by about 6.6 percent. Bureau fee revenues were mixed; the Office of Planning and Development Review's revenues appear to have been flat while Parks and Recreation fee revenues totaled \$5.6 million reflecting a large one-time increase due to new community center fee revenues.

C. Outlook

The economic outlook for FY 2000-01 remains guarded and calls for slower growth without recession. Judging from the first half of calendar 2000, inflation remains above 3 percent. Property taxes are growing more slowly due to Measure 50 tax limitation as well as the creation of two more urban renewal districts during FY 1999-00. Transient lodging tax revenue growth remains considerably slower due to a large supply of new rooms coming to market and a delay in expansion of the Oregon Convention Center. Business license revenue growth is flat at best due to continuing losses of taxable headquarters income mentioned above.

General Fund FY 2000-01 revenue estimates are consistent with this environment but the appearance of higher inflation clouds the outlook and may make it more difficult to fund current service levels. The basic outlook calls for much slower revenue growth over the next several years due principally to constitutionally mandated slower property tax revenue growth and special problems associated with the business license and transient lodging revenue streams. A slower regional economy also continues to slow revenue growth in all areas. Council's Adopted FY 2000-01 Budget and five year financial plan continues to use excess reserves to transition the General Fund into a Measure 50 world while maintaining current service levels for basic urban services such as public safety and parks. The General Reserve Fund remains fully funded at 10 percent of expected General Fund revenues.

The November election included passage of a number of initiatives and referenda, one of which could affect City revenues. Measure 7 requires governments to compensate property owners for any loss in property value due to the imposition of laws and/or regulations that limit use of their property. It is unclear at this time what impact Measure 7 will have on the City, although it could increase the cost of planning and regulatory initiatives undertaken by the City to maintain a livable city and satisfy regulatory requirements associated with federal environmental laws. Because of pending legal actions on the constitutionality, Measure 7's implementation has been postponed by the courts.

MAJOR INITIATIVES

A. Current Initiatives

The City of Portland continues to face many challenges in the preparation of its budget and management of finances since the passage of Measure 50, the most recent voter approved property tax limitation in the spring of 1997. Since passage of the measure, the City has adapted to affects on city finances.

Measure 50 set a permanent tax rate of \$4.57 per \$1,000 of assessed value. Growth in existing assessed value is limited to a maximum of three percent per year plus new construction assessed value. The City had estimated growth of about four percent per year. The actual rates for FY 1999-00 was 5.1 percent reflecting continued construction in the region.

Initial revenue projections affecting budget development were essentially flat. Council directed reductions in citywide administrative and support services to ensure support for high priority programs and delivery of services to citizens. These were accompanied by other targeted reductions, enabling Council to redirect limited resources to high priority programs and services.

Due to these efforts, the FY 2000-01 Adopted Budget and five-year financial plan includes modest increases in on-going expenditures for bureau programs in the amount of \$5.4 million. In addition, \$1.6 million in one-time resources were available for allocation by Council. Highlights of specific initiatives incorporated in the budget are listed below:

- Council allocated \$100,000 in one-time funding to update the citywide strategic plan, or the Portland Future Focus. This existing document has guided overall planning efforts for the previous ten years. Completion of an update will encourage and support an integrated approach to managing the business of the City.
- The City supports economic development activities related to growth and the management of that growth. The Central City Streetcar project continues in earnest this year. This project will increase transportation options between our most active urban renewal district, the River District, and the westside of downtown up to Portland State University.
- The City continues its commitment to strong citywide planning efforts through the allocation of over \$2.3 million to address regional and local/neighborhood planning efforts. This amount includes a General Fund allocation of \$960,000 to address the listing of several fish species under the Endangered Species Act (ESA). Total City support for ESA activities in the next fiscal year is \$2.7 million.
- The Council provided \$1 million to support implementation of the various neighborhood plans.
- Current initiatives include a new focus on sustainability. The City will promote improvements to planning and construction efforts through the establishment of the Green Building Initiative. A new organization will be developed from existing sources in the City. This effort will encourage livability and sustainability in construction and operation of City owned assets, and other construction within the city.
- Council continued funding for affordable housing through the allocation of \$4.85 million, of which \$4.35 million is funded from the General Fund. The City will commit a total of \$1.0 million per year in ongoing funding.
- The City will increase accountability and citizen access through the establishment and funding of an independent government ombudsman in the Auditor's office. The City Auditor is an independently elected city official.
- The majority of General fund discretionary resources were allocated to Parks and Recreation Bureau, including \$1.7 million for capital projects and a \$750,000 increase for park maintenance. This allocation continues efforts to ensure adequate infrastructure maintenance within the City's parks. An additional \$250,000 was allocated to expand programs for seniors, and \$265,000 to complete Parks and Recreation long-range strategic plan.

- City-owned utilities implemented the first phase of utility rate reform. The reform effort was directed to make City-utility bills more controllable for customers, to enhance conservation incentives, and to increase the fairness of bills to customers. The fixed monthly or quarterly service charges were reduced significantly, and volumetric rates were increased accordingly to keep the rates revenue neutral. By achieving more of the cost recovery through the volume rates for water and wastewater service, customers will have more of an incentive to reduce the use of water and control their bills in light of anticipated rate increases over the next five years or more. In addition, rate reform resulted in the decision to offer credits to stormwater customers who make on-site improvements that prevent runoff from entering the City's system. The specifics of this credit program are being developed, and implementation is anticipated during FY 2000-01. Also, some customers who were not being billed at all for stormwater service, such as riparian properties, will begin receiving bills for the right-of-way component of stormwater costs. These stormwater changes are aimed at increasing the fairness of the method for recovering system costs.
- The Office of Management and Finance has been tasked with identifying and implementing additional reductions in administrative and support services by the close of the second year of this biennium budget process. The overall target for reductions is 10 percent of present costs. This effort will identify potential savings and opportunities for improved efficiency and effectiveness of service delivery. Savings will be applied to the delivery of services directly benefiting citizens.

B. Major City Achievements

The FY 1999-00 budget, which represented the first year the City's two-year budget process, continued efforts on service improvements that directly addressed the City Council priorities and goals. Among these achievements were:

- Continued General Fund allocation of tax increment and federal funds to support affordable housing efforts throughout the city. This amount is in excess of \$55 million.
- Maintained the Moody's Aaa bond rating for the City's unlimited tax general obligation bond issues, which results in lower funding costs for City capital improvements.
- Continued Moody's Aa1 bond rating for the Water Bureau.
- Continued funding to arts organizations of over \$2.5 million per year.
- Increased capital set-aside for General Fund cash financed capital projects by \$1 million per year. The annual amount is \$5 million for FY 2000-01.
- Began the construction of a new fire station, extensive renovation of a second station and seismic upgrades to as many as four others.
- Increased operating and maintenance allocation for Parks and Recreation by over \$750,000.
- Continued planning efforts that help intelligently manage growth in the City. Over \$2.3 million in General Fund support was allocated for these efforts.
- Began funding to address Federal Endangered Species Act requirements.
- Completed agreements for the renovation of Civic Stadium and its continued operation as a multi-use facility. The private/public partnership enhances a City-owned asset that provides recreation opportunities for local and regional citizens. This effort was completed in conjunction with surrounding neighborhoods and is expected to enhance area revitalization as well.

- Continued partnership with other jurisdictions and private industry to expand integrated planning and development efforts on the eastside of the Willamette River running north to the Columbia River. This effort includes support for expanding the Oregon Convention Center. The City continues to work with the hotel/motel industry, car rental companies, Metro, Tri-Met and Multnomah County on this expansion.

C. Future Initiatives

The City continues to face significant challenges in the future. Many of these are directly affected by the actions of other agencies such as the State legislature, pension retirement systems, and citizen based initiatives.

- The cap on property tax growth will continue to limit the City's ability to respond to new initiatives or expand existing ones. The slowdown in local and regional economic growth will also limit the City's abilities. However, the City can, and has increased the ability to fund economic development activities through tax increment financing.
- The FY 2000-01 budget anticipates establishment of one additional urban renewal area along the corridor proposed for the north-south expansion of the light rail network. The tax increment funding in this area will allow the City to focus efforts in geographical areas with significant potential for economic development.
- The City will use an existing urban renewal area and tax increment financing to partner with Portland State University in support of building a world class engineering school facility.
- The City's pension obligations remain as one of its most significant long-term financial issues. The Fire and Police Disability and Retirement (FPD&R) system remains on a pay-as-you-go basis. A task force examined options and alternatives for addressing this obligation. Their report was presented to Council in April of 2000 and included recommendations for improvements to the system. The task force recommended structural changes to the composition of the board that were voted on and approved by citizens in the November 2000 election. Other recommendations include funding of pension obligations over 30 years using the existing FPD&R levy authority or other City funds.
- Although City Council did not, for the first time in years, appropriate new funds to help local school districts, the ability to meet school district needs remains a significant issue and may drive tax reform statewide.
- Transportation infrastructure is another major issue for the City. During the 1999 State legislative session, an increase in the gas tax passed for the first time since 1993. A portion of this tax is apportioned to local governments. A subsequent increase was referred to the voters and failed in May of 2000. This failure will result in major realignment of services and programs in transportation efforts citywide. Council continues to augment bureau specific resources through the allocation of \$6.4 million in General Fund support for transportation programs.
- The City is re-examining its performance measurement systems and reporting mechanisms. This effort is expected to realign and better coordinate performance measurement efforts citywide. This effort will enable the City to enhance its reputation as a national leader in the use and reporting of performance measurements.

- Oregon Public Employees Retirement System (OPERS) costs are still a key factor affecting the City's future finances. Although the City funded its prior outstanding pension liability with OPERS through the issuance of pension obligation bonds, about half of the borrowing was in the form of variable rate bonds. Because interest rates over the past year have risen due to actions taken by the Federal Reserve Board, interest costs on the City's variable rate bonds have also increased. By paying the \$257,917,529 Unfunded Actuarial Accrued Liability (UAAL), the City has an over funded actuarial accrued liability of (\$60,894,234) and will benefit in a reduced employer contributions rate with PERS. The employer contribution rate will decrease from 8.56 to 7.58 percent in July 2001.

FINANCIAL INFORMATION

A. Accounting System and Budgetary Control

The City's general governmental operations and expendable trust funds are maintained on a modified accrual basis, with revenues being recorded when measurable and available and expenditures being recorded when the goods or services are received and the liabilities are incurred. The City's enterprise, internal service and pension trust funds are maintained on the accrual basis.

The City's accounting system supports an adequate internal control structure. This structure helps to safeguard the City's assets against loss, theft, or misuse. The accounting system provides reliable financial records for preparing financial statements in conformity with generally accepted accounting principles. The internal control structure provides reasonable, but no absolute, assurance that the City's assets are safeguarded. The concept of reasonable assurance first recognizes that the cost of a control should not exceed the benefits likely to be derived and; secondly, the evaluation of costs and benefits requires estimates and judgements by management.

The City is required by state law to budget all funds with the exception of certain trust and agency funds. The budgeting process includes citizen input through various stages of preparation, public hearings and approval of the original budget adopted by the City Council and review and approval by the Tax Supervising Conservation Commission. Additional resources not anticipated in the adopted budget may be added through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers and approval by the City Council. Adopted and supplemental budgets may be modified by the use of appropriation transfers between the major cost categories. Such transfers require approval by the City Council.

Budgetary control is maintained through monitoring of the following cost categories at the bureau level:

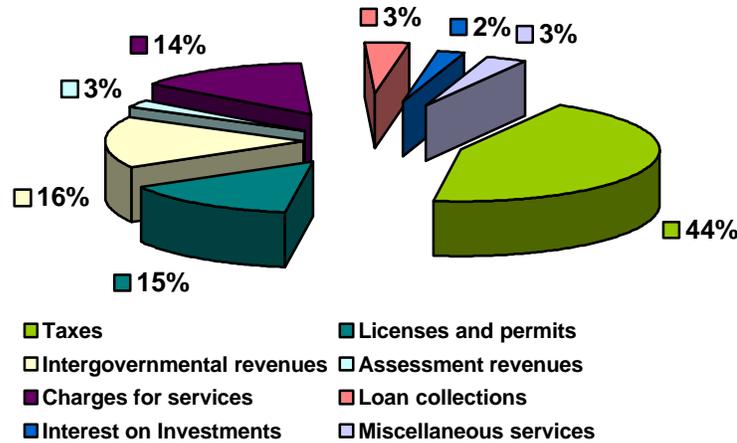
- Personal Services – includes the salaries and fringe benefits of full time and part-time employees
- Materials and Services – includes rent, utilities, supplies, and contracts for professional services, maintenance, and internal services such as printing, data processing, fleet, telephone and insurance
- Capital Outlay – includes the cost of land, buildings and improvements, furniture and equipment
- Other Expenditures – includes special appropriations not included in above categories

Budgetary basis expenditures do not include encumbrances. Encumbrances are used as a management tool and canceled at year-end. Associated appropriation is carried over and re-appropriated in the next fiscal year by council action. Total expenditures may not legally exceed total appropriations in each of the above cost categories.

B. General Governmental Functions

General governmental functions are reported in the General, Special Revenue, Debt Service, and Capital Projects funds of the City and its component units. Revenues for general governmental functions on a Generally Accepted Accounting Principles basis totaled \$713,987,131 in FY 1999-00, an increase of 25.3 percent over last year. Current and prior year revenues from various sources and changes are as follows:

**General Governmental Revenues
Fiscal Year 1999-2000**



<u>Revenue Source</u>	<u>FY 1999-00</u>	<u>FY 1998-99</u>	<u>Percentage Increase (Decrease) from FY 1998-99</u>
Taxes	\$313,956,727	\$182,188,985	72.3%
Licenses and permits	103,833,633	102,942,590	.9
Intergovernmental revenues	115,875,880	119,915,922	(3.4)
Assessment revenues	18,140,776	16,832,628	7.8
Charges for services	97,509,268	89,180,433	9.3
Loan collections	24,651,785	24,736,894	(.3)
Interest on investments	16,284,390	14,419,075	12.9
Miscellaneous revenues	<u>23,734,672</u>	<u>19,849,026</u>	19.6
Total	<u>\$713,987,131</u>	<u>\$570,065,553</u>	25.3%

Taxes consist primarily of commercial and residential property taxes within the City. Taxes increased by \$131.8 million or 72.3 percent over last year. An increase of \$56.6 million or 31.1 percent was attributed to the classification requirement in Governmental Accounting Standards Statement No. 27. These property tax revenues were reported directly in the Pension Trust Funds in FY 1998-99 at \$56 million. These special property tax revenues in FY 1999-00 are now reported in the General Fund. Employer contributions are then transferred from the General Fund to the Fire and Police Disability and Retirement Fund. PDC's tax revenues increased \$65.9 million or 36.2 percent due to the issuance of tax increment bonds for Airport Way.

Interest on investments showed an increase of \$1.9 million or 12.9 percent, consistent with market returns.

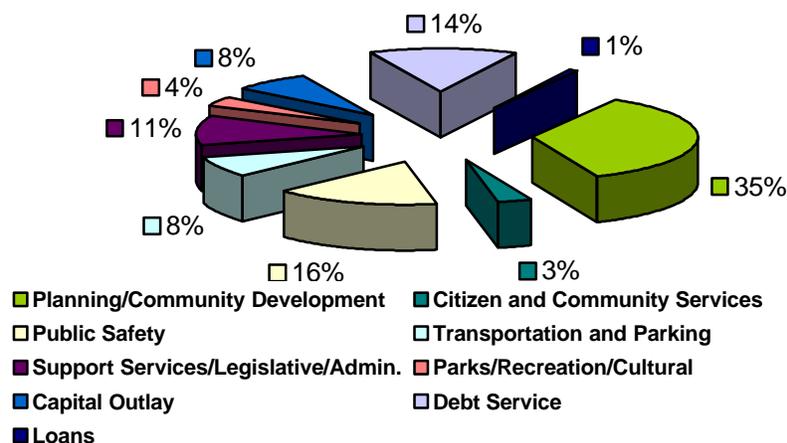
Miscellaneous revenues increased by \$3.9 million or 19.6 percent. Transportation showed an increase of \$5 million or 25.3 percent due to the bond revenues received for the Central City Streetcar Project. The remaining \$1 million or 5.7 percent decrease is attributed to overall decreases in other funds.

Assessed property valuations (real market value) of approximately \$43 billion represent an increase of 9.4 percent over last year. Current tax collections were 93.7 percent of the current tax levy. The total collections (current and delinquent) to the current tax levy were 97 percent. Last year's collection rate was 97.3 percent. Allocations of property tax collections by fund type for the last six years are as follows (as a percentage of the total collections):

	<u>FY 1999-00</u>	<u>FY 1998-99</u>	<u>FY 1997-98</u>	<u>FY 1996-97</u>	<u>FY 1995-96</u>
Governmental funds:					
General fund	57.0%	56.6%	56.8%	63.9%	68.8%
Special revenue funds	0.0%	0.0%	0.0%	0.0%	0.0%
Debt service funds	<u>18.5%</u>	<u>18.2%</u>	<u>18.6%</u>	<u>12.6%</u>	<u>6.2%</u>
	75.5%	74.8%	75.4%	76.5%	75.0%
Trust and agency funds:	<u>24.5%</u>	<u>25.2%</u>	<u>24.6%</u>	<u>23.5%</u>	<u>25.0%</u>
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Expenditures for general government purposes on a Generally Accepted Accounting Principles basis totaled \$1,128,916,856 in FY 1999-00. This represents a 72.5 percent increase over last year. The amount of expenditures by major functions of the City as compared to the preceding year average as follows:

General Governmental Expenditures Fiscal Year 1999-2000



<u>Functions</u>	<u>FY 1999-00</u>	<u>FY 1998-99</u>	<u>Percentage Increase (Decrease) from FY 1998-99</u>
Citizen and Community Services	\$36,952,694	\$44,847,271	(17.6)%
Planning/Community Development	400,339,157	54,808,510	630.4
Public Safety	181,725,290	177,339,231	2.5
Parks/Recreation/Cultural	40,954,220	37,031,995	10.6
Support Services/Legislative/Admin.	122,256,950	60,795,550	101.1
Transportation and Parking	89,087,693	84,345,134	5.6
Capital Outlay	85,242,598	86,861,964	(1.9)
Loans	9,835,442	21,686,936	(54.6)
Debt Service	<u>162,522,812</u>	<u>86,847,957</u>	87.1
Total	<u>\$1,128,916,856</u>	<u>\$654,564,548</u>	72.5%

Citizen and community service expenditures decreased 17.6 percent, most of which is attributable to changes within the Local Improvement Districts (LID) capital projects fund. During FY 1999-00, due to the demands of property owners, LID staff temporarily stopped or delayed several street improvement projects to allow for a review of the LID process. Expenditures will vary from year-to-year depending on the number and size of LID projects. LID expenditures will likely increase again during the subsequent fiscal year.

Planning and community development expenditures were up \$345.5 million or 630.4 percent, of which \$335.2 million or 611.6 percent is due to expenditures in the newly established Special Finance and Resource Fund. This fund was set up to serve as a staging area for bond proceeds. This includes \$257.9 million or 470.5 percent of the increase in planning and community development expenditures were used to fund the City's unfunded liability with Public Employees Retirement System. \$21.7 million or 39.6 percent of the increase was expended to Portland Development Commission (PDC) for the Airport Way Project. \$51.9 million or 94.7 percent increase was used for other urban renewal. The remaining \$3.7 million or 6.8 percent of the increase was expended for bond issuance costs and fiscal administration for all of the above.

The Buildings Operation Fund experienced an increase of \$6.9 million or 12.6 percent increase in expenditures. This increase was due to the creation of the Office of Planning and Development Review (OPDR). Permit issuance and current land use planning are now accounted for in OPDR, formerly Buildings. This reorganization included approximately sixty transferred employees and moving costs to the new 1900 Building. Finally, 8 percent of the increase or \$2.8 million represents expenditures reimbursed to the Portland Development Commission (PDC) for the Housing Investment Fund.

Parks, recreation, and cultural expenditures increased by 10.6 percent due to implementation of expanded after school programs and activities, printing and distribution of Citywide program guides advertising activities within Portland parks and the opening of two community centers in FY 1999-00.

Support, legislative, and administrative services expenditures were up 101.1 percent due to sizable business license refunds, the cost of office remodeling, and shifting of office space throughout the Portland Building to conform to the City's new ergonomic and space use standard requirements. The increase was also due to higher spending on professional services to bring all computer equipment into Y2K compliance.

The increase of 5.6 percent in transportation and parking expenditures was due to major projects such as creating the Central City Streetcar and removing the Lovejoy ramp.

Reduced loan expenditures of 54.6 percent were due to increased financial assistance programs in PDC's housing projects and the return of reserves held by the trustee of the City's Hospital Facilities Authority.

Debt service expenditures increased by 87.1 percent due to early calls of special assessment bonds and the payment of new sewer and urban renewal bonds.

Office of Transportation

The City of Portland's Office of Transportation (PDOT) is a community partner in shaping a livable city. PDOT plans, builds, manages and maintains an effective and safe transportation system that provides access and mobility. PDOT also maintains the City's sewer system and responds to snow and wind storms and other disruptions of the right-of-way.

The Bureau of Maintenance repairs, preserves, maintains, and cleans transportation facilities valued at \$5.5 billion and sewer facilities valued at \$1.5 billion. This includes 3,841 lane miles of streets, 2,117 miles of sidewalks, 234 miles of bicycle ways, 149 bridges, 959 traffic signals, 1,253 major intersections, 969 traffic calming devices, 51,500 street lights, 151,000 street signs, and 6,732 parking meters. Maintenance programs include street preservation, traffic maintenance, street cleaning, sidewalk preservation, structural maintenance, environmental maintenance, drainage maintenance, and emergency preparedness.

PDOT's Systems Management operates and manages the City's traffic, parking and street lighting systems. Key objectives for the bureau include maintaining and improving the safety of the systems for the traveling public, reducing the number of traffic accidents, optimizing the efficiency of the transportation system, and protecting the

livability of the City's residential areas while accommodating economic development. Programs include traffic investigations, transportation options, signals/street lighting, and parking enforcement.

PDOT's Engineering and Development is the capital investment and development service area. Key objectives for the bureau include supporting economic development and neighborhood livability through improvements to the arterial/collector street network and transit systems, facilitating public and private development of job opportunities, housing, pedestrian facilities and cultural amenities, and improving neighborhood access and livability. Engineering and development programs include project management, engineering services, and development services.

The Office of the Director is responsible for overall administrative, financial and planning direction for PDOT. The Director's Office provides regional direction and leadership in transportation issues, including planning for regional growth and promoting alternative forms of transportation, transit, and the regional light rail system. Programs include planning, information technology, and finance.

Bureau of Fire, Rescue and Emergency Services

The Bureau of Fire, Rescue and Emergency Services continues to serve the metropolitan area with a highly trained and effective work force, both sworn and civilian.

The Bureau is comprised of four divisions: Emergency Operations, Management Services, Prevention, and Training. Emergency Operations includes the staff of all the fire stations, the people who provide emergency response to fires, accidents, hazardous materials incidents, and many other emergency situations. Management Services provides the fiscal support and accountability for the Bureau in compliance with the rules of the State's Budget laws as well as the City's requirements. It also includes the Logistics section which purchases, maintains and repairs supplies for all the fire stations, as well as supervising capital projects and maintaining the emergency apparatus, and Information Services, which maintains and upgrades computer systems. Prevention includes the Office of the Fire Marshal and his staff of fire inspectors, as well as arson investigators. Fire Inspectors survey buildings for fire code violations, inspect plans for new buildings to ensure compliance with the fire code, and provide education to the public, particularly school children, of fire safety and prevention. The Training Division provides training for new fire fighter recruits, and ongoing training for all sworn personnel.

The Bureau is proud that its workforce diversity has increased substantially over the past five years. Increased minority and female representation among sworn ranks means personnel can more closely represent the different elements of the community, an important goal of the Portland City Council. The Bureau is in the process of renovating existing fire stations and constructing new fire stations, funded by the Fire Facilities General Obligation Bond.

Police Bureau

The Portland Police Bureau provides law enforcement, investigations and neighborhood problem solving services with 1,045 sworn and 308 nonsworn personnel. Officers responded to 403,737 radio dispatched and self-initiated calls for service and 51,981 requests for service from the Telephone Report Unit during the 1999 calendar year. In addition, the Police Information and Referral Line answered 137,187 calls.

In FY 1999-00, the Portland Police Bureau initiated strategies outlined in the Community Policing Strategic Plan which was adopted by City Council in June 1998. The Strategic Plan sets forth the following mission statement:

"The mission of the Portland Police Bureau is to maintain and improve community livability by working with all citizens to preserve life, maintain human rights, protect property and promote individual responsibility and community commitment."

In FY 1999-00, the Bureau reaffirmed its four goals: reduce crime and fear of crime; empower the community; develop and empower personnel; strengthen planning, evaluation and fiscal support. The following are the goals with initiatives for FY 1999-00:

Reduce crime and fear of crime

- **Crime rate reduction:**
Comparing the first six months of 2000 with 1999, statistics for reported Part 1 crimes in Portland show a reduction by 6 percent. There were four murders for the first six months of 2000, compared to 18 during that same time period in 1999.
- **Drug Free Zones expanded:**
A new drug free zone, in the Woodlawn neighborhood, was added in 1999. In addition, a current one was expanded to include more residential neighborhoods near Beech Street. In addition to the North/Northeast zones, the city's other zones include the inner Eastside and the Westside sections of the city that encompasses most of downtown, Old Town and Chinatown.
- **DUII enhanced vehicle forfeiture ordinance:**
The Police Bureau's Drugs and Vice Division and the City Attorney's Office asked for and received an ordinance from City Council allowing immediate impounding of vehicles driven by intoxicated drivers. The Bureau will be allowed to hold vehicles for a reasonable period of time (three to five days), giving the Bureau time to investigate if the drivers meet the prior conviction criteria for driving while intoxicated in the last three years in any state.

Portland police expect, based on past years, to impound 2,600 vehicles next year from drunken drivers. Most will be returned; approximately 300 to 400 will meet criteria for forfeiture.

The ordinance also allows for impounding, and possible forfeiture, in cases where the driver's license has been criminally suspended or revoked, or where the driver was eluding or fleeing police.

- **Domestic violence photographic funds:**
Through a federal grant, the Police Bureau bought 650 new cameras to document domestic violence victims' cuts, bruises, swelling and bleeding when officers are called to the scene. The instant photos help prosecutors proceed with a case, even if a victim chooses later to drop the charges.

Empower the community

- **Race based profiling:**
The Portland Police Bureau, along with the metro area Chiefs and Sheriffs and the Superintendent of the State Police, joined together with their union and labor representatives to sign the Law Enforcement Non-Discrimination Resolution in April. The resolution took a strong stand against the practice of race-based profiling or any other type of discrimination within the scope of daily contact with individuals in communities, or anyone driving or moving about roads, highways and neighborhoods.

Develop and empower personnel

- **Employee survey:**
The 2000 Employee survey was conducted in March. The 2000 survey is the fifth such survey of all Bureau employees. The survey, formerly conducted every 18 months, is now being conducted every two years, in conjunction with the Strategic Plan.

- **Recruit a Partner:**
The Police Bureau implemented its Recruit a Partner program in June 2000, to assist with the challenges of recruiting personnel. This program encourages employees to actively recruit personnel for the Bureau. Following successful recruitment, the employee will receive a commendation letter from the Chief and will be able to welcome the new employee at the hiring ceremony. There will also be recognition for active, successful recruiters.
- **Work Improvement Network:**
Chief Mark Kroeker formed a Work Improvement Network in January 2000. This network encompasses Work Improvement Teams (WITs). These teams are formed on an as-needed basis to discuss issues or problems and make recommendations on solutions. In late June 2000, there were currently 13 WITs ranging from discussing the Internal Affairs process to implementing an employee evaluation system.

Strengthen planning, evaluation and fiscal support

- **Community survey:**
The Portland Police Bureau contracted with Campbell DeLong Resources, Inc., to conduct a citizen survey. The survey provides important citizen feedback regarding the Police Bureau's performance. Previous surveys were done in 1994, 1996, and 1998. The number of Portland residents interviewed in the current survey was 1,565.

Overall, the perceived level of community safety has improved since the 1998 survey. Household victimization rates declined, as well as the percent of residents who had been in contact with the Portland Police Bureau in the last year.
- **2000-2002 Strategic Plan:**
The Bureau began work on the 2000-2002 Strategic Plan in January 2000. The Bureau conducted a two-month initial input period for community members and Bureau employees to provide feedback. A draft plan was issued in March 2000. Additional feedback will be gathered through January 2001.
- **Police Bureau's vision:**
In fall 1999, a final report was issued by the Steering Committee for the Police Bureau's Institute for Law and Justice (ILJ) project. The Steering Committee's report was based on the ILJ's initial report, PPB Vision: Taking Community Policing to the Next Level.

Parks and Recreation

The mission of the Bureau of Parks and Recreation is to ensure access to leisure opportunities and enhance natural beauty. In pursuing this mission, the Bureau of Parks and Recreation has three interrelated responsibilities:

- To establish and protect parks, natural areas, and the urban forest
- To develop and maintain places where citizens can pursue recreational activities on their own initiative
- To organize recreational activities that promote positive values in the community

As the single largest recreation provider in the region, the Bureau of Parks and Recreation provides a variety of recreational opportunities that are safe, clean, accessible and affordable to users. Events and programs stimulate understanding and appreciation of the arts, celebrate cultural differences, encourage a healthy lifestyle, benefit the local economy, and contribute to the public safety and stability of Portland neighborhoods.

The Bureau of Parks and Recreation maintains 214 buildings and nearly 200 parks and natural areas spread over 9,500 acres. Majestic trees, colorful flowers, specialty gardens, natural areas and trails beautify the city and add to the quality of life for both residents and visitors.

Notable accomplishments for FY 1999-00 include:

- First full year of operation of the Southwest Community Center and Pool
- Reopened of Mt. Scott Community Center after a year of remodeling including a new indoor pool
- Established the after school program “Schools Uniting Neighborhoods”, or SUN schools to support youth and families by offering a variety of recreational and social services at school sites during non-school hours
- Increased funding to allow improved stewardship of natural resource parks, including maintenance and protection of natural areas, improved planning and effectively attracting and managing volunteer support of natural park areas

Planning and Development Review

The Office of Planning and Development Review issued over 47,500 construction related permits in FY1999-00, approximately 7,900 of which were building permits. The valuation of the building permits was over \$851,924,687, a decrease of 3 percent from the prior year. These permits generated approximately 179,970 inspections. Over 98 percent of the residential and 97 percent of the commercial inspections were made within 24 hours of receiving a request for inspection.

The neighborhood inspections teamwork facilitated the cleanup of 4,276 properties and 175 illegal dumpsites. Enforcement activities resulted in the rehabilitation or demolition of 227 dangerous buildings and the rehabilitation of 1,722 housing units.

C. Proprietary Operations

The City's enterprise utility operations consist of water, sewer and hydroelectric power. The enterprise cultural and recreational activities consist of golf, Portland International Raceway events and the Rose Garden Arena Project. Other operations consist of City parking facilities, refuse disposal and environmental remediation. Comparative data for the last two fiscal years are as follows:

	<u>Utilities</u>	<u>Cultural and Recreation</u>	<u>Other</u>	<u>Total</u>
<u>FY 1999-00</u>				
Operating Revenues	\$196,865,380	\$11,733,156	\$13,391,571	\$221,990,107
Operating Income (loss)	56,452,943	4,418,198	(8,372,158)	52,498,983
Net Income (loss)	34,124,672	1,847,748	(9,602,086)	26,370,334
<u>FY 1998-99</u>				
Operating Revenues	\$181,489,077	\$10,251,507	\$12,828,898	\$204,569,482
Operating Income (loss)	46,836,451	2,887,959	(1,661,873)	48,062,537
Net Income (loss)	23,268,069	704,867	(2,822,839)	21,150,097

The operating revenue and operating income of the utilities operations increased \$9.3 and \$3.6 million, respectively. The Sewage Disposal Fund's operating revenues increase was due to a 9 percent increase in sewer rates. The Water Fund's operating revenues were slightly higher than FY 1998-99 because the wholesale volume to other water districts increased 9 percent.

The Parking Facilities Fund had an operating loss of \$8.8 and a net loss of \$10.2 million. This was due to a large transfer to the Transportation Fund for the Central City Street Car Project. The Refuse Disposal Fund had an operating loss of \$.5 million and a net loss \$.2 million. These losses were offset by an operating income of \$.9 million and a net income of \$.8 million.

Bureau of Environmental Services

The Bureau of Environmental Services provides Portland residents with Clean River programs including water quality protection, wastewater collection and treatment, sewer installation, and oversees solid waste collection and recycling services. Environmental Services had 464 employees as of June 30, 2000. Five work groups operate under the Office of the Director - Planning, Industrial and Solid Waste, Engineering Services, Wastewater, and Business Services.

Environmental Services had approximately 151,000 residential sewer customers and 13,000 commercial and industrial customers within Portland, as well as customers served through wholesale contracts with six other municipal agencies adjacent to Portland. Retail user fee revenues totaled approximately \$121.4 million, and \$2.3 million for wholesale contracts, for the fiscal year ending June 30, 2000. The Bureau's capital improvement program (CIP) is funded from federal grants, system development charges, net operating income, and from the sale of sewer system revenue bonds. The coming 5-year CIP totals \$385 million, of which approximately 65 percent will be funded from revenue bond proceeds.

Service Area

The service area boundary for the City of Portland covers approximately 94,000 acres (including wholesale customers) of which 26,000 acres are served by a combined sewer system. 68,000 acres are served by a separate sanitary sewer system.

Portland's sewerage system consists of a network of more than 2,264 miles of collection system piping ranging in diameter from 4 to 144 inches; 93 pump stations; 14,450 stormwater sumps, and two sewage treatment plants with a combined average dry weather flow capacity of 108.3 million gallons per day.

Treatment Plants

Environmental Services operates two sewage treatment plants, Columbia Boulevard and Tryon Creek. Both are activated sludge, secondary treatment plants. The Columbia Boulevard plant has the capacity to treat 100 million gallons a day and the Tryon Creek plant 8.3 million gallons a day. A National Pollutant Discharge Elimination System (NPDES) permit is required for the discharge of treated effluent from each treatment plant. The City has an effective permit for each treatment plant. The Oregon Department of Environmental Quality certifies the permits and the City is in compliance with their provisions.

Financial Information

Environmental Services is funded entirely from fees and charges levied for services provided. The Bureau receives no tax revenues, other than federal and state grant funds.

User fees fund all operating and maintenance expenses, including general fund overhead expenses, debt service on outstanding revenue bonds, and contribute towards costs of the Bureau's capital improvement program. The majority of capital costs are funded from revenue bond proceeds, which in turn generate additional rate revenue requirements in the form of higher debt service payments. The Bureau currently has \$623 million in outstanding debt, and the five-year financial forecast includes issuance of an additional \$275 million.

Combined Sewer Overflows

The Combined Sewer Overflow program has been part of Environmental Services work plan since 1991. The Bureau organized the program into three components.

- Cornerstone Projects - to remove as much stormwater from the system as possible to reduce the number and volume of overflows before starting on large-scale facility construction. The projects to remove stormwater include sewer separations, sump installations, downspout disconnections and stream diversion projects. Through the cornerstone projects, the Bureau has already achieved a 47 percent reduction in overflow volumes. In 1991, there were 6 billion gallons of overflow annually. That amount has been reduced by 2.8 billion gallons
- Columbia Slough Combined Sewer Overflow (CSO) Projects - to significantly reduce CSO discharge violations to the slough by January 2001. CSO cornerstone projects include: the Consolidation Conduit or Big Pipe, a new Influent Pump Station, expansion of the primary clarifiers at Columbia Boulevard Wastewater Treatment Plant, and a second Outfall Pipe from the treatment plant to the Columbia River. Construction of "the Big Pipe" (the first project in CSO series) is complete. The 3.5-mile pipeline is scheduled to go into service in late October 2000, two months ahead of the project deadline and more than \$2 million below the

projected budget of \$80 million. Construction of the new Outfall Pipe and Influent Pump Station are also complete. The new Dry Weather Primary Clarifiers are scheduled to be finished by late October 2000. The conversion of the existing primary clarifiers to wet weather service will be completed by 2001.

- Willamette River Projects - to control and reduce combined sewer overflows to the Willamette River. Westside Projects currently in design include Westside Stream Diversions, the Southwest Parallel Interceptor, the Westside CSO Tunnel, and the Northwest CSO Force Main. The Westside projects will be built and in operation by 2006. Environmental Services will build new CSO conduits and pump stations on the eastside of the Willamette River between 2006 and 2011.

Clean River Plan

Environmental Services intends to address combined sewer overflows, water quality, urban stormwater, and fish habitat protection and restoration all at the same time, tackling all of these objectives in a comprehensive and integrated manner. To act on one or two objectives on the list at the expense of the others misses tremendous opportunities. This presents an opportunity to reinvent existing programs. Environmental Services has developed an adaptive management approach that will allow the City to accomplish the objectives the Clean Water Act and the Endangered Species Act in a coordinated and comprehensive manner.

The City's Clean River Plan consists of ten actions that will result in improved water quality in both the Willamette River and urban streams that feed the Willamette. It will also result in improved water quality, enhanced fish and wildlife habitat, better educated citizens regarding water quality issues, and improved air quality.

Endangered Species Act Response

In June 2000, the Portland City Council adopted a resolution supporting a framework for a citywide recovery plan for steelhead and Chinook salmon in the Willamette River, its Portland tributaries and the Bull Run. Both species are listed as threatened under the Endangered Species Act (ESA). When the National Marine Fisheries Service (NMFS) listed steelhead in March 1998, Portland became the first major city required to address the needs of fish that spend most of their lives in the ocean.

The framework will guide the development of a plan that will address all activities within the city of Portland that have an impact on threatened fish species. It calls for a coordinated approach to activities like the Clean River Plan, the Combined Sewer Overflow Program, Portland Harbor Cleanup, land use planning, parks maintenance and acquisition, and the Willamette River Greenway Plan.

Within its own portfolio of services, the Bureau of Environmental Services will assess everything from the quality of treatment plant effluent to sewer pipe maintenance in riparian areas. The Office of Planning Development Review will be the lead agency for the City in responding to the ESA in FY 2000-01.

Water

The Portland Bureau of Water Works provides drinking water to more than 850,000 Oregonians in the Portland metropolitan area. The Bureau is a provider for both retail and wholesale water. The primary water source is the Bull Run watershed located 30 miles east of Portland in the Mt. Hood National Forest. The Columbia South Shore wellfield provides supplemental and emergency supply.

In FY 1999-00 the Bureau completed important Y2K compliance projects throughout the Bureau including control systems at the Water Control System, mapping and GIS functions, billing information, and inventory management. Other capital improvement projects focused on supply reliability. The Bureau worked to extend capacity at its groundwater wellfield on the Columbia South Shore, including important seismic improvements to the groundwater pump station. In addition, work went forward for summer greenhouse improvements at the Bull Run Headworks.

The City's water quality continues to meet or exceed the required state and federal standards. In June of 2000, the Bureau mailed copies of its 1999 water quality report to all consumers within the City.

The Bureau continued its commitment to regional water planning through the Regional Water Providers Consortium. The Consortium provides a forum for continued cooperation among water providers to meet the region's water needs and participate in regional, state, and federal water issues.

The Water Bureau's conservation program has focused on award-winning community education and outreach. Water use per person system wide has dropped 15 percent and residential use by 10 percent in the last seven years. The Bureau's BIG (Business, Industry, and Government) water conservation program provided technical assistance to business customers. Some have reduced water use by 80 percent or more by implementing new water efficient technologies, reusing water, changing cooling processes, or using alternatives to potable water sources.

The Water Bureau is a self-financed City-owned utility. The Water Bureau does not receive general fund monies. The water system is operated within available resources. City Council approves the budget annually. Water rates are established each year to assure adequate revenues for water system support. The block structure of water volume rates encourages efficient water use.

Golf

The Golf Program operated and maintained the City's five regulation golf courses, four clubhouses and three driving ranges. Services include course programming and maintenance, clubhouse and pro shop staffing through concessionaires, and golf instruction to Portland Middle School students. In addition, the Golf program continued its innovative youth apprenticeship program "Operation EAGLE," which has provided over 40 college scholarships to local high school students since 1990. In FY 1999-00 construction was completed on a remodeling project of the course at Progress Downs, with the course renamed "Redtail."

Portland International Raceway

Portland International Raceway is host to over 135 events every year, including driver training sessions, recreational activities and competitive events. The facility was in use nearly every day of the year. Participants numbered over 20,000 and spectators over 400,000.

Approximately 95 percent of the use days were by individual hobbyists and nonprofit organizations. Major events were the Portland Swap Meet, the Rose Cup races, the Freightliner/G.I. Joe's Portland 200 CART Race, the Formula USA Motorcycle Road Races and the "Celebration of Lights."

D. Fiduciary Operations

The City's fiduciary operations consist primarily of pension trust funds for the Fire and Police Disability and Retirement Plan and two small supplemental retirement plans for current and former fire and police officers as well as agency funds and an expendable trust fund.

The Fire and Police Disability and Retirement Fund for police and fire employees is financed primarily by a special property tax levy which cannot exceed two and eight-tenths mills on each dollar valuation of property not exempt from such a levy. Total tax revenues for FY 1999-00 in the fund were \$56,647,877.

Virtually all other City employees are participants in the statewide Oregon Public Employees Retirement System. For more information on the City's retirement and deferred compensation plans, see Note 17 to the general-purpose financial statements.

E. Debt Administration

The City of Portland issues a variety of debt types for the purpose of carrying out its capital financing activities. These various debt types are summarized below.

Unlimited Tax General Obligation Bonds

Tax Supported General Obligation Bonds

As of June 30, 2000, the City had \$75.8 million in outstanding tax-supported general obligation bonds. These bonds were originally issued for stadium improvements, construction of a performing arts center, park system improvements, and for citywide emergency facilities improvements. The City is authorized to levy an unlimited ad valorem tax to pay these bonds.

Self-supporting General Obligation Bonds

As of June 30, 2000, the City had approximately \$41.6 million in outstanding self-supporting general obligation water bonds. While the City has the authority to levy an unlimited ad valorem tax to pay these bonds, these bonds have been paid entirely from revenues of the water system.

General Fund Bonds

Bonds Paid and/or Secured by the General Fund

The City has issued a variety of debt types which are secured by, and paid, from resources of the City's General Fund. These debt types include limited tax revenue bonds, full faith and credit obligations, and certificates of participation. As of June 30, 2000, the City had approximately \$228.9 million in outstanding debt paid in whole or in part of resources from the City's General Fund. Of that amount, approximately \$111.7 million reflects the General Fund portion of the City's pension obligation bonds. The remaining \$111.2 million has funded a variety of capital projects including building improvements and renovations, equipment acquisition, and other capital projects. While these bonds are paid primarily from the General Fund, other revenues, such as building lease payments from other City bureaus, are used to pay a portion of the debt service.

Bonds Secured by the General Fund

In addition to outstanding debt paid from the General Fund, the City has additional outstanding debt secured by the General Fund but paid from sources other than the General Fund. These include certain urban renewal bonds, limited tax improvement bonds, bonds issued to fund infrastructure improvements, and short-term lines of credit.

Urban Renewal Bonds

The City has approximately \$51.4 million in outstanding urban renewal bonds, which are secured by the General Fund but paid from property taxes authorized by and collected from the City's urban renewal districts.

Limited Tax Improvement Bonds

As of June 30, 2000, the City had \$16.8 million in outstanding limited tax improvement bonds. These bonds were issued for the purpose of financing local improvement district projects and are expected to be fully self-supporting from assessment payments received from benefiting property owners.

Limited Tax Pension Obligation Revenue Bonds

As of June 30, 2000, the City had approximately \$300.8 million in limited tax pension obligation bonds outstanding, of which approximately \$111.7 million is attributed to General Fund bureaus and approximately \$189.1 million to non-General Fund bureaus.

Arena Limited Tax Bonds and Arena Limited Tax Revenue Bonds

During FY1996-97, the City issued \$24.8 million in Arena Limited Tax Bonds and Arena Limited Tax Revenue Bonds to fund public infrastructure improvements relating to the Oregon Arena Project. As of June 30, 2000, \$21.8 million of these bonds were outstanding. Though the bonds are secured by the General Fund, the City expects the bonds to be fully self-supporting from user fees, parking revenues and other revenues derived from the operations of the Oregon Arena Project.

Lines of Credit

As of June 30, 2000, the amount outstanding on these lines of credit was approximately \$6 million secured by the General Fund. Approximately \$5.3 million of the outstanding balance represents interim financing of local improvement districts while the remaining represents financing of other City capital projects. The City expects to retire the lines of credit from the proceeds of long-term bonds.

In addition, as of June 30, 2000, the City has approximately \$35.1 million outstanding on urban renewal lines of credit. These lines of credit, also secured by the General Fund, provide interim financing for the City's urban renewal districts. It is expected that these lines of credit will be retired from the proceeds of long-term bonds secured by tax increment revenues.

Other Obligations

The City has made limited, subject-to-appropriation pledges of the General Fund to restore reserve funds on certain conduit housing revenue bond issues. The aggregate amount of these pledges is approximately \$24.8 million. Under the bond indentures, the City has agreed to provide funds to maintain the required minimum balance in the respective debt service reserve funds. The City has never appropriated funds to replenish revenues for these projects.

Revenue Bonds

The City issues bonds for capital projects that are backed solely by fees and revenues derived from the provision of certain services such as water, sewer, transportation, golf, environmental remediation, parking and hydroelectric generation. The types and amounts of outstanding revenue bonds, as well as issues discussed above are shown in the table below.

Other Bonds

The City has issued special assessment bonds to the Oregon Department of Environmental Quality to finance certain local sewer improvement projects in Mid-Multnomah County. As of June 30, 2000, these bonds were outstanding in the amount of \$5.5 million. The bonds are secured solely by the assessment payments received from benefiting property owners as well as a subordinate pledge of revenues of the City's sewer system.

The City has also issued Urban Renewal Bonds that are not secured by the General Fund. The balance of the bonds outstanding at June 30, 2000 was approximately \$54.5 million. These bonds are secured with tax increment revenues.

The types and amounts of outstanding bonds are shown in the table below.

CITY OF PORTLAND, OREGON
Long-Term Debt Statement
As of June 30, 2000

Type of Obligation	Amount Outstanding
I. UNLIMITED TAX GENERAL OBLIGATION BONDS	
A. Tax Supported	
General Obligation Parks Bonds	\$50,390,000
General Obligations Emergency Facilities Bonds	23,710,000
General Obligation Refunding Bonds	1,680,000
Total Tax Supported General Obligation Bonds	<u>75,780,000</u>
B. Self-Supporting	
General Obligation Water Bonds	41,577,868
Total Self-Supporting General Obligation Bonds	<u>41,577,868</u>
II. BONDS AND OTHER OBLIGATIONS PAID AND/OR SECURED BY THE GENERAL FUND	
A. Non-Self-Supporting	
Full Faith and Credit Obligations/Limited Tax Revenue Bonds	111,180,000
Limited Tax Pension Obligation Revenue Bonds (General Fund Share)	111,689,046
Short-Term Lines of Credit	6,016,521
Total Bonds Secured and Paid from the General Fund	<u>228,885,567</u>
B. Self-Supporting	
Urban Renewal Bonds	51,396,120
Limited Tax Pension Obligation Revenue Bonds (Non-General Fund Share)	189,159,300
Limited Tax Revenue Bonds (Streetcar Project)	28,840,000
Limited Tax Improvement Bonds	16,800,000
Fourth and Yamhill Parking Notes	3,900,000
Urban Renewal Lines of Credit	35,100,000
Arena Limited Tax Revenue Bonds	12,775,000
Arena Limited Tax Bonds	9,070,000
Total Self-Supporting Bonds Secured by the General Fund	<u>347,040,420</u>
III. REVENUE BONDS	
Sewer Revenue Bonds	622,610,000
Water Revenue Bonds	102,320,000
Parking Revenue Bonds	8,860,000
Golf Revenue Bonds	3,941,000
Environmental Remediation Revenue Bonds	1,075,000
Hydroelectric Revenue Bonds	32,685,000
Arena Gas Tax Revenue Bonds	12,618,102
Gas Tax Revenue Bonds	8,600,000
Total Revenue Bonds	<u>792,709,102</u>
IV. OTHER BONDS	
Urban Renewal Bonds (Non-GF Secured)	54,471,000
Special Assessment Bonds	5,450,000
Total Other Bonds	<u>59,921,000</u>
TOTAL – ALL OUTSTANDING LONG-TERM DEBT *	<u><u>\$1,549,103,958</u></u>

* Excludes "Other Obligations" discussed in the next section.

Other Obligations

In addition to the bonded indebtedness noted above, the City has entered into a number of other financing arrangements with financial institutions, the State of Oregon and other public bodies for energy improvements, building purchases and other projects. These other obligations are shown in the table below:

<u>Obligation</u>	<u>Amount Outstanding</u>
SELP Loan – Buckman Field House	\$3,993
SELP Loan – Multnomah Arts Center	72,433
Fleet capital lease	148,391
Water Bureau capital lease	1,165,296
Bureau of Environ. Services Brookside Notes	652,182
Bureau of Environ. Services capital lease	<u>2,950,545</u>
Total – Other Obligations	<u><u>\$4,992,840</u></u>

New Long-Term Debt Issued. The following is a list of long-term debt issued during FY 1999-00. The listing does not include “Other Obligations” described in the previous section:

<u>Type of Bonds</u>	<u>Amount</u>
Limited Tax Pension Obligation Revenue Bonds, 1999 Series C, D & E	\$302,883,920
Airport Way Urban Renewal & Redevelopment Bonds, 2000 Series A & B	53,000,000
Water System Revenue Bonds, 2000 Series A	35,000,000
Limited Tax Revenue Bonds, 1999 Series B	18,630,000
Golf System Revenue Bonds, 2000 Series A & B	<u>3,941,000</u>
Total New Long-Term Debt Issued, FY 1999-00	<u><u>\$413,454,920</u></u>

Debt Limitation. Oregon Revised Statutes provide a limit on non-self-supporting general obligation debt of 3 percent of the real market value of all taxable property within the City’s boundaries. Based on the City’s 1999-00 real market value, this debt limitation is approximately \$1,288,371,907. The amount of outstanding City debt subject to this limitation is \$75,780,000.

Debt Ratings. The City’s unlimited tax general obligation debt is rated “Aaa” by Moody’s Investors Service. This rating was confirmed in June of 2000. The various credit ratings of City debt are listed below (rating shown is from Moody’s Investors Service unless indicated otherwise):

Unlimited Tax G.O. Bonds	Aaa
Water Revenue Bonds	Aa1
Limited Tax Bonds	Aa2
Sewer Revenue Bonds	A1/A+ (S&P)
Parking Revenue Bonds	A1
Arena Gas Tax Revenue Bonds	A1
Gas Tax Revenue Bonds	A1
Environmental Remediation Bonds	A
Hydroelectric Revenue Bonds	A/A (S&P)
Downtown Waterfront Urban Renewal Bonds	A2
South Park Blocks Urban Renewal Bonds	A2
Airport Way Urban Renewal Bonds (Senior Lien)	Aa3
Airport Way Urban Renewal Bonds (Junior Lien)	A1

Debt Ratios. The City's debt ratios as of June 30, 2000, are shown below:

	<u>Amount</u>	<u>Per Capita</u>	<u>Percent of Real Market Value</u>
Population, July 1, 1999	512,395		
1999-00 Real Market Value	\$42,945,730,222	\$83,814	
Gross Bonded Debt	\$712,350,151	\$1,390	1.66%
Net Direct Debt	\$75,780,000	\$148	0.24%
Overlapping Debt	\$589,305,436	\$1,150	1.37%
Net Direct and Overlapping Debt	\$665,085,436	\$1,298	1.55%

F. Cash Management

Temporary excess cash of all funds is pooled and invested in short-term instruments. Investments are restricted to collateralized time deposits, certain commercial paper, bankers' acceptances, repurchase agreements secured by U. S. Treasury securities, and securities guaranteed by the U. S. government and its agencies and the State Treasurer's Investment Pool in accordance with Oregon Revised Statutes 294.035 and 294.046.

The City's investment policy defines each instrument's maximum percentage of the total portfolio. It further defines their maximum maturity and where each instrument is held for safekeeping. As economic conditions change, the policy can be amended by the City Council to reflect new trends and opportunities.

The primary objective of the investment policy is to establish a conservative set of investment criteria that will prudently protect the City's principal sums and enable the City to generate a fair rate of return from its investment activities. The investment policy applies to all funds on deposit at the City's Treasury.

Interest earnings on investments (budgetary basis) for the last five fiscal years are as follows:

	<u>FY 1999-00</u>	<u>FY 1998-99</u>	<u>FY 1997-98</u>	<u>FY 1996-97</u>	<u>FY 1995-96</u>
Governmental Fund Types	\$14,346,479	\$12,951,272	\$10,506,504	\$9,882,232	\$12,337,757
Proprietary Fund Types	15,497,130	16,556,537	14,203,243	14,770,586	16,479,973
Fiduciary Fund Types	<u>1,535,587</u>	<u>1,399,077</u>	<u>1,231,182</u>	<u>1,279,655</u>	<u>1,174,185</u>
	<u>\$31,379,196</u>	<u>\$30,906,886</u>	<u>\$25,940,929</u>	<u>\$25,932,473</u>	<u>\$29,991,915</u>
Annual Average Yield	5.54%	5.32%	5.87%	5.69%	6.11%

G. General Fixed Assets

The general fixed assets of the City are those fixed assets used in the performance of general governmental functions and exclude the fixed assets of Enterprise, Internal Service, and Pension Trust Funds. As of June 30, 2000, the general fixed assets of the City amounted to \$362,542,835. This represents the original or estimated historical cost of the assets except for those assets transferred from closed proprietary funds. Those assets are recorded at their depreciated value at the time of transfer.

H. Internal Service Operations

The Facilities Services Fund manages most of the City's real property, provides construction planning and management services to most City bureaus, and is responsible for the upkeep and preservation of all major City buildings. The fund is supported by interagency charges for space rental at the Portland Building, City Hall, various police facilities, and the Communication Center. Rental rates cover the costs of maintenance, utilities, repairs, security, and improvements for buildings the fund owns. Facilities Services also charges user bureaus for project management of capital improvement projects, property management, and maintenance services to customer owned facilities. Major programs of the fund include Facilities Maintenance, Project Management, and Property Management.

Facilities Maintenance maintains all major City owned buildings. It also provides various degrees of maintenance service to other City buildings, including janitorial, security, elevator maintenance, garbage removal, recycling, H.V.A.C. maintenance, carpentry, plumbing, and electrical maintenance, painting, and other miscellaneous repairs.

Project Management provides construction planning and management to all City bureaus. These services include construction cost estimating, consultant selection and management, capital improvement project planning, coordination of moves, construction supervision, record keeping of contract documents, and the prequalifying of contractors in building related work.

Property Management provides management of the City's real properties. The division evaluates real property transactions and completes the negotiations for acquisitions and disposal of real property. The division manages the City's commercial property leases and rentals. The division also evaluates the value of unassigned or surplus property and completes disposition of those properties.

The last five years have been an intense period of construction and major remodeling for the Facilities Services Fund. After completing the renovation and new construction of Police facilities, the fund worked with the Bureau of Fire, Rescue and Emergency Services in FY 1997-98 to develop a plan to improve their facilities. The fund organized and planned a prudent, cost effective cause of action to accommodate the bureau's response to new City boundaries, new operational requirements (ADA and facilities for both men and women), and new seismic requirements for essential public safety facilities. The resulting plan was referred to the voters in November of 1998 to be funded by General Obligation bonds and was approved. Work on the 10-year program began in FY 1998-99.

In FY 1997-98 the fund received approval from City Council to solicit proposals from developers and building owners to purchase or lease office space in the downtown area. Working with City bureaus, the fund had determined additional office space was needed to accommodate growth in City bureaus, the expiration of existing leases, and the need to consolidate City operations in locations that could better serve the public. A developer's proposal to construct an office building at 1900 SW 4th Avenue was selected. A debt sale to fund the project took place in May of 1998. Construction proceeded throughout FY 1998-99 and into FY 1999-00. Bureaus moved into the building in August 1999. Rental rates charged to building tenants provide the resources to cover the debt service payments.

I. Risk Management

Risk Management's function is to prevent and mitigate losses to the City's assets: property, personnel and finances. Risk Management administers the City's self-insurance programs (workers' compensation, liability, and employee benefits), as well as purchasing commercial insurance where appropriate (most notably for property coverage and a selection of benefits coverage). Bureaus pay for the cost related to the Workers' Compensation and Insurance and Claims funds through a cost allocation formula based on exposure and loss experience. Rates for the Health Insurance fund are actuarially prepared and a premium billed to each bureau based on the number of each bureaus' employees in the program and the coverage provided.

OTHER INFORMATION

A. Independent Audit

The City's Single Audit for FY 1999-00 conducted pursuant to OMB Circular A-133 included Federal Financial Assistance from 15 federal agencies under 54 federal programs. To elaborate further, there were 138 individual grants active under these programs with total Federal expenditures of \$39,034,633.

All major programs, determined in accordance with OMB Circular A-133, are required to be audited. A risk-based approach is used to determine which Federal programs are considered major. This approach includes consideration of current and prior audit experience, oversight by federal agencies and pass-through entities, and the inherent risk of the federal program. The City of Portland is considered a low-risk auditee and therefore, the total federal program expenditures audited as major programs, in the aggregate, must encompass at least 25 percent of the total Federal program expenditures.

Three federal programs in the City were selected to be audited to determine compliance with laws and regulations that may have material and direct effect on each major federal assistance program. Major federal assistance programs selected were: the Home Investment Partnerships Program from HUD, the Local Law Enforcement Block Grants Program and the Public Safety Partnerships and Community Policing Grants. The latter are from the U.S. Department of Justice. Expenditures for these programs totaled \$10,728,701.

In addition to Federal Financial Assistance, the City received 28 state, local and foundation grants with expenditures totaling \$770,393.

B. Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) has awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Portland, Oregon, for its comprehensive annual financial reports for the last seventeen fiscal years which end each June 30.

In order to be awarded a Certificate of Achievement the City must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

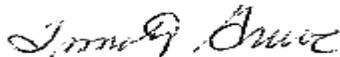
A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

In addition, the GFOA presented an award of Distinguished Budget Presentation to the City of Portland, Oregon for its biennial budget for the biennium beginning July 1, 1998.

C. Acknowledgments

I would like to express my sincere gratitude to the City personnel who contributed to this report; especially personnel in the Accounting Division. Appreciation is also extended to the major bureaus, City Council, City Auditor, and the many City managers whose leadership and commitment are vital to the health and vitality of Portland.

Respectfully submitted,



Timothy Grewe, Chief Administrative Officer
Office of Management and Finance