



CITY OF PORTLAND

Office of City Auditor LaVonne Griffin-Valade

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March 31, 2014

To: City Budget Office

From: City Auditor LaVonne Griffin-Valade 

Re: Spring Budget Monitoring Report

Enclosed, please find year-end projections, technical adjustments, carryover requests, and a status report on current year decision packages for the general fund supported operations in the Auditor's Office. Also included are several adjustments and requests for the three funds we administer: the Local Improvement District Fund, Assessment Collection Fund, and Bancroft Bond Interest & Sinking Fund.

Auditor's Office Operations

Business Area Projections

The Auditor's Office Spring Budget Monitoring Report shows that overall operational expenditures are within the spending plan. The Auditor's Office projects to be underspent in External Materials and Services and within the budgeted resources for Internal Materials and Services and Personnel Services.

Technical Adjustments

The attached shows requests for transfers to Internal Materials and Services and Personnel Services in order to properly distribute funding for unanticipated expenditures across cost centers. We are also increasing the interagency agreement with the LID fund in part to account for changes in benefits and retirement payout expenses due to a change in staffing.

Carryover Requests

1. *Lien Accounting System.* Savings in External Materials and Services and Personnel Services are being requested as a carryover in the amount of \$250,000 to cover anticipated expenses in FY 2014-15 for urgent replacement of the Lien Accounting System. This is a critical financial system servicing many bureaus in the City who utilize assessments for project financing or to impose fines for property compliance issues. The system currently resides on the City's mainframe, which is scheduled to be decommissioned next year. A solution must be implemented before that occurs.
2. *Records Management Training.* Carryover of savings (\$30,000) in the Archives and Records Management division is requested to help fund development of high-quality online Records Management 101 training for all City employees.

Decision Package Update

An FY 2013-14 Decision Package update report is included to detail the hiring status of two positions.

LID, Assessments Collection, and Bancroft Bond Interest & Sinking Funds

Fund Projections

Year-end projections for the Assessment Collection fund and the Bancroft Bond fund are generally within estimated budget amounts. Projections for the LID fund indicate a higher beginning fund balance and projected excess spending in cash transfers which will be covered by additional bond proceeds and note sale revenue. New requests are being submitted in the BMP to address these issues.

New Requests

There are two new requests for the LID fund. The first is an increase in cash transfer between the LID and PBOT for reimbursement of costs related to the NE 97th Ave LID (\$420,000). This transfer will be covered by an increase in note sale revenue. The second request is for an increase in cash transfers between the LID and the bureaus of Environmental Services (\$720,000) and Water (\$95,000) for estimated bond proceeds that will be received from the sale of their respective assessment contracts in a June bond sale. The transfers will be funded by increased bond sale revenues.

Technical Adjustment

There is one technical request to adjust the beginning fund balance to actual FY 2012-13 ending balance. Additionally, the request includes an adjustment to increase the interagency between the LID fund and Auditor's Office for increased benefits and retirement payout related to staffing changes and increased internal service charges. The offset to the adjustment is an increase in contingency of \$557,877.

Business Area Projection Report

	Spring BMP Revised Budget	FY 2013-14 YTD Actuals Thru AP8	Spring BMP Year-End Projection	% of Projected Actuals to Revised Bud
Office of the City Auditor				
EXPENDITURES				
Personnel Services	\$5,494,785	\$3,544,471	\$5,309,361	97%
External Materials and Services	\$1,191,194	\$529,338	\$1,030,926	87%
Internal Materials and Services	\$2,435,737	\$1,559,645	\$2,379,934	98%
TOTAL EXPENDITURES	\$9,121,716	\$5,633,454	\$8,720,221	96%
REVENUES				
Charges for Services	\$398,512	\$121,153	\$281,542	71%
Interagency Revenue	\$859,476	\$312,790	\$808,040	94%
Miscellaneous	\$5,500	\$8,490	\$10,000	182%
General Fund Discretionary	\$2,859,069	\$0	\$2,621,480	92%
General Fund Overhead	\$4,999,159	\$0	\$4,999,159	100%
TOTAL REVENUES	\$9,121,716	\$442,433	\$8,720,221	96%

Bureau Projection Narrative

The Auditor's Office projects that Personnel Services and Internal Materials and Services will be slightly underspent at the end of FY 2013-14. External Materials and Services expenditures are projected to be 13% below budget due to a number of factors: lower than anticipated utilization of professional services across the bureau; savings from restrictions on travel, training and education; lower than expected expenditures on elections costs; and savings from the budget for operational and office supplies.

Revenues are expected to be under the originally budgeted amount in Charges for Services and Interagency Revenue due to fewer code, land use, and exclusion appeal cases than anticipated in the Hearings Office. Miscellaneous charges are expected to exceed budgeted amounts due to a large volume of document copying fee recovery in the Archives and Records Center.

Fund Projection Report

	Spring BMP Revised Budget	FY 2013-14 YTD Actuals Thru AP8	Spring BMP Year-End Projection	% of Projected Actuals to Revised Bud
Local Improvement District Fund				
EXPENDITURES				
Unappropriated Fund Balance	\$0	\$0	\$3,699,016	
External Materials and Services	\$5,000	\$2,725	\$6,225	125%
Internal Materials and Services	\$1,395,816	\$700,515	\$1,318,244	94%
Bond Expenses	\$20,067,304	\$109,308	\$19,103,098	95%
Fund Transfers - Expense	\$6,475,869	\$915,927	\$6,475,446	100%
Contingency	\$3,607,997	\$0	\$0	0%
TOTAL EXPENDITURES	\$31,551,986	\$1,728,475	\$30,602,029	97%
REVENUES				
Budgeted Beginning Fund Balance	\$4,202,019	\$0	\$4,202,019	100%
Charges for Services	\$789,100	\$498,124	\$747,440	95%
Fund Transfers - Revenue	\$32	\$0	\$32	100%
Bond and Note	\$20,674,912	\$879,932	\$20,653,027	100%
Miscellaneous	\$5,885,923	\$144,145	\$4,999,511	85%
TOTAL REVENUES	\$31,551,986	\$1,522,201	\$30,602,029	97%

Fund Projection Narrative

Expenditures:

It is projected that External Materials and Services may be slightly over budget for the legal review of bond documents. It is unclear at this time if these costs will be classified and paid as bond issuance expenses where they are budgeted or under professional services.

Fund transfers are projected to be above budgeted amounts as a result of increased cash transfers to BES and Water for estimated bond proceeds to be received from a scheduled bond sale in June as well as for additional reimbursements to PBOT for LID project costs. Two requests are being made in the Spring BMP to increase cash transfer expenditures to projected amounts.

Revenues:

The beginning fund balance was greater than budgeted. A request is being made in the BMP to adjust the balance to the actual amount.

It is projected that miscellaneous revenues (lien collections and interest) will be lower than budgeted by approximately \$800,000. The current projection is based on an estimate of lien payoffs versus lien financing of the Portland Streetcar Loop LID project assessments. It is extremely difficult to predict the payment behavior of property owners for this project due to the diverse make-up of private, corporate, non-profit, and government ownership. No adjustment is being made to decrease budget amounts as it could be likely that actual revenues will be greater than projections.

Fund Projection Report

	Spring BMP Revised Budget	FY 2013-14 YTD Actuals Thru AP8	Spring BMP Year-End Projection	% of Projected Actuals to Revised Bud
Bancroft Bond Interest and Sinking Fund				
EXPENDITURES				
Unappropriated Fund Balance	\$15,219,559	\$0	\$15,275,069	100%
Bond Expenses	\$6,948,717	\$2,899,093	\$7,007,247	101%
TOTAL EXPENDITURES	\$22,168,276	\$2,899,093	\$22,282,316	101%
REVENUES				
Budgeted Beginning Fund Balance	\$14,668,389	\$0	\$15,189,064	104%
Miscellaneous	\$7,499,887	\$4,234,253	\$7,093,252	95%
TOTAL REVENUES	\$22,168,276	\$4,234,253	\$22,282,316	101%

Fund Projection Narrative

Although miscellaneous revenues will be slightly less than budgeted, all revenues and expenditures for the fund are projected to be within budget limits by year end.

Fund Projection Report

	Spring BMP Revised Budget	FY 2013-14 YTD Actuals Thru AP8	Spring BMP Year-End Projection	% of Projected Actuals to Revised Bud
Assessment Collection Fund				
EXPENDITURES				
Unappropriated Fund Balance	\$0	\$0	\$78,249	
Internal Materials and Services	\$1,531	\$1,008	\$1,531	100%
Contingency	\$78,550	\$0	\$0	0%
TOTAL EXPENDITURES	\$80,081	\$1,008	\$79,780	100%
REVENUES				
Budgeted Beginning Fund Balance	\$79,053	\$0	\$79,247	100%
Fund Transfers - Revenue	\$28	\$28	\$28	100%
Miscellaneous	\$1,000	\$382	\$505	51%
TOTAL REVENUES	\$80,081	\$410	\$79,780	100%

Fund Projection Narrative

It is expected that miscellaneous revenues will be less than budgeted as no assessment principal payments are anticipated for collection prior to year end. Since there are no scheduled repayments for the significantly delinquent liens in the fund, it is not possible to specifically determine or estimate lien repayments. Payment activity represents either sporadic customer payments or payoff of the lien balance when the property sells. Activity to date represents investment interest earnings and minimal lien interest payments collected on assessments. Year-end projections for miscellaneous revenues account for only investment interest earnings and minimal collection of lien interest.

BUDGET AMENDMENT REQUEST

Office of the City Auditor

PERIOD Spring BMP

FISCAL YEAR FY 2013-14

AU_009 - Spring BMP Tech Adjustment

The Auditor's Office requests technical adjustments in its operating budget that transfer funds from External Materials & Services to Internal Materials & Services to cover expenses for office moves in City Hall (\$14,500), project management of security improvements in the Hearings Office (\$5,500), printing costs in the 1900 Building (\$500), replacement copiers (\$2,221), copier repair services (\$1,000), former employee benefits (\$7,545), postage for increased number of mailings (\$5,000), server storage cost increase (\$9,500), data network charges (\$2,500), a CGIS project to map complaints received by IPR (\$5,000), and various past BTS work orders (\$2,000). Additional adjustments increase Personal Services in the Assessments, Finance and Foreclosure division to cover vacation payout for a retiring employee (\$6,500) and increased benefits costs for the new employee (\$7,500). The Interagency Agreement between the LID fund and the Auditor's Office for this program is increased by \$19,000 to cover expenses incurred by this program.

Dollar Amount: \$19,000
Type: Technical Adjustment
Resources: Internal Transfer

AU_010 - AU Carryover Request: LAS Replacement

The Lien Accounting System (LAS) is a legacy, mainframe-based system that maintains assessments and liens against property for multiple bureaus and funds in the City: Transportation, Parks, Environmental Services, Development Services, Water, the Local Improvement District fund, and the General fund. It has over 4,230 active accounts and 2,240 pending lien accounts. There are approximately 148,000 inactive lien records with permanent retention requirements. The current total outstanding balances being billed is approximately \$85.4 million, with an additional \$16.5 million pending assessment. This system is an Auditor's Office system, but it is a critical financial system for multiple bureaus and thousands of property owners who have financed their assessments.

The LAS is over 25 years old, written in an increasingly obsolete and hard to maintain language; it resides on the City's mainframe, which is scheduled for decommission at the end of FY 2014-15. The Auditor's Office has been aggressively seeking solutions to replacing or re-hosting the LAS for the better part of a decade, but has had numerous setbacks and requests from OMF for project pauses that have delayed implementation of a solution. If the LAS is the only remaining system on the mainframe at the time of its scheduled decommission, maintenance costs alone will be over \$1 million per year, an expense that the Auditor's Office and the LID fund cannot absorb.

The Auditor's Office, along with BTS and others in OMF, is currently evaluating solution proposals for the LAS. The initial review of proposals shows that the project will be more costly and involve more risk than originally planned due to the tight timeline and limited staff resources available to assist. In order to partially offset the costs above what was originally envisioned, the Auditor's Office is requesting carryover of unspent Personnel Services and External Materials & Services funds to next fiscal year. These unexpended funds are primarily resulting from vacancy and salary savings, curtailed travel and education spending, and a significant portion of the Professional Services budget that was not needed in the current fiscal year. Because this project is so critical to so many bureaus and members of the Community, the Auditor's Office would like to apply \$250,000 of its projected General Fund savings to this project next year.

Dollar Amount: **(\$250,000)**
Type: Carryover Request
Resources: General Fund Discretionary

BUDGET AMENDMENT REQUEST

Office of the City Auditor

PERIOD Spring BMP

FISCAL YEAR FY 2013-14

AU_011 - Increase Cash Transfer LID to PBOT

Increase Cash Transfer from LID to PBOT by \$420,000 for costs related to the NE 97th Ave LID project. The offset is increased Note Sale Revenues.

Dollar Amount: \$420,000
Type: New Request
Resources: New Revenues

AU_012 - Increase Cash Transfer to BES & Water

Increase Cash Transfers from LID fund to BES and Water Bureau. Transfer represents an estimate of the portion of bond sale revenues that may be received from a Limited Tax Improvement Bond for assessment loan contracts pending sale for each respective bureau. The cash transfer is offset by an increase in Bond Sale Revenues.

- 1) Increase Transfer to BES = \$720,000
- 2) Increase Transfer to Water = \$95,000

Dollar Amount: \$815,000
Type: New Request
Resources: New Revenues

AU_013 - Misc Technical Adjustments - LID

Adjust LID Beginning Fund Balance, increase Auditor/LID interagency agreement, and increase contingency.
--Increase Beginning Fund Balance to actual FY 2012-13 CAFR ending balance.
--Increase Auditor/LID interagency for additional personnel and internal service costs.
--Increase Contingency for adjustments to Beginning Fund Balance reduced by IA costs.

- 1) Beginning Fund Balance-400001 = \$576,877
- 2) Administration & Support Services-652201 = \$19,000
- 3) Contingency-571100 = \$557,877

Dollar Amount: \$576,877
Type: Technical Adjustment
Resources: Bureau Contingency

BUDGET AMENDMENT REQUEST

Office of the City Auditor

PERIOD Spring BMP

FISCAL YEAR FY 2013-14

AU_014 - AU Carryover Request: RM Training

The Auditor's Office requests carryover of \$30,000 from the Archives and Records Management division budget to fund development of Records Management training for all City employees. The need for general, Citywide training in records management and retention responsibilities is growing as employees move away from paper and increasingly use digital communication and electronic media to generate records. The risks that these changes pose to the City will not diminish until employees are provided with the training, knowledge, and tools they need to better manage the records they generate. This training is one critical piece of improving the City's records management capabilities, although it does not address the need for additional TRIM licenses to ensure employees have a common tool for managing their digital records. Archives and Records Management has generated saving in its External Materials & Services budget this year and requests the carryover of those savings in order to fund this critical training need.

Dollar Amount: **(\$30,000)**

Type: Carryover Request

Resources: General Fund Discretionary



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Office of the City Auditor
FY 2013-14 Decision Package Update
Spring BMP
March 31, 2014

1. **Add 0.5 FTE Hearings Clerk. (AU_03):** "This package adds a 0.5 FTE Hearings Clerk position at \$35,058 to the Hearings Office. This addition is supported by projected increases in program revenue rather than General Fund dollars. The number and type of cases handled by the Hearings Office is anticipated to grow in FY 2013-14. However, the Hearings Office workload will be monitored closely in FY 2013-14 to decide when and whether additional revenues are available to fill this position."

Status Report: Not Implemented. The number of cases handled by the Hearings Office did not increase this year as anticipated, resulting in lower revenues. As a result, the Auditor's Office decided not to hire this position.

2. **IPR OSS II Position for Department of Justice Agreement. (No DP Number):** "This package adds funding for a part time Office Support Specialist II position \$35,652 to the Independent Police Review division in anticipation of the significant increase in workload due to service changes and enhancements required by the Department of Justice agreement with the City. This position will support the increased administrative needs of the Citizen Review Committee and work of IPR investigators who will double in number to 5.0 FTE due to the DOJ agreement."

Status Report: Implemented. This position has been hired and is supporting the Citizen Review Committee, IPR investigators, and visitors to the front counter in IPR.