Office of Management & Finance



Significant Issues

Critical Technology Recovery in a Disaster

The City relies extensively on technology in order to provide critical services to the public. A large scale natural or man-made disaster could result in catastrophic destruction of numerous technology systems that are essential for the ongoing operation of the City. Key service areas on technology include: law enforcement, fire and rescue, emergency dispatch, payroll, revenue collection, and accounts payable.

Facilities and Technology Asset Major Maintenance and Replacement

BTS and BIBS Facilities Services are both responsible for maintaining critical City assets, including key buildings and technology systems. Both BTS and BIBS do not have funding models to support adequate major maintenance/asset preservation projects for City's facilities, as well as regular replacement schedules for technology assets.

Best practice for technology assets is to set aside money annually for replacement based on the length of the asset's useful life. Annual set asides for larger technology infrastructure and assets are not being fully covered. Best practice for facility assets is to annually set aside 3% of replacement value to fund major maintenance/ asset preservation projects so the facility can remain functional. Current collection is 1.6% annually.

Workforce Planning

Over the next three years, one-third of the City's workforce will be eligible for retirement. This will represent a significant loss of critical institutional knowledge that bureaus depend upon for the effective delivery of City services. The current trend shows that there will not be enough work ready candidates in the market; therefore it is critical for the City to develop programs internally and externally to attract and retain employees.

Adequate Funding of Internal Service Funds' Reserves

OMF's internal service funds maintain operating reserves, which serve as a financial backstop for the fund's operations to avoid mid-year rate increases or requests for funding due to unanticipated expenses or losses of revenues. OMF policies and industry standards call for funding the operating reserves at 5-10% of each funds' fixed cost annual operating budget. Currently, the funds operating reserves are at the low end of these ranges. Additionally, through years of cuts to reserves and budgets, the service providers have less ability to respond to cost fluctuations and this increases the risk of requiring mid-year rate increases.

Negative Five-Year Forecast (FY 2013-14 through FY 2018-19)

The City's current five-year forecast is \$25 million out of balance. The deficit will need to be addressed in the FY 2013-14 budget. There are three primary factors driving the deficit: Council approved ongoing expenditures for four City bureaus with no additional resources identified; the Multnomah County library taxing district that will reduce City property tax revenues on an ongoing basis; and the cost of the City's agreement with the Department of Justice to implement reforms in the Police Bureau. In addition, the forecast includes the costs of a new labor agreement with Portland Fire Fighters Association.

These factors, absent any other forecast adjustments, create an ongoing shortfall of up to \$25 million for FY 2013-14. OMF must insure that City Council has comprehensive information about the impacts of their decisions on this deficit.

Significant Issues

Capacity Limits in Debt Issuance

City policy establishes debt limits for different types of debt, including self supporting and non-self supporting debt secured by the General Fund. These limits are put in place to avoid the City's over-commitment of resources to the retirement of indebtedness and are a factor in maintaining Moody's Aaa bond rating on the City's General Fund-backed debt. For self-supporting General Fund backed debt the limit is 1% of Real Market Value and for non-self supporting debt the limit is the lower of 1% of Real Market Value or debt service up to 7% of General Fund revenue. Due to reductions in Real Market Value and General Fund revenue as a result of the recession, the City has come closer to reaching those policy limits. The City will need to prioritize debt proposals against these limits until there is sufficient growth in Real Market Value, General Fund revenue and retirement of existing debt.