

URBAN SERVICES POLICY AND RESOLUTION A:

Core City services not articulated;
30-year-old commitments obsolete

March 2013

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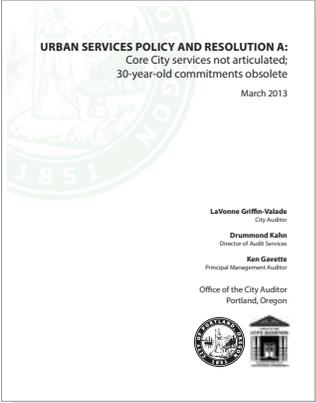
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March 26, 2013

TO: Mayor Charlie Hales
Commissioner Nick Fish
Commissioner Amanda Fritz
Commissioner Steve Novick
Commissioner Dan Saltzman

SUBJECT: Audit Report – *Urban Services Policy and Resolution A: Core City services not articulated; 30-year-old commitments obsolete* (Report #433)

Adopted in 1983, the general intent of the City's Urban Services Policy and Multnomah County's Resolution A was to ensure the efficient use of limited local resources by having each jurisdiction deliver those services that drew on their respective strengths. These documents were essentially formalized through an intergovernmental agreement (IGA) signed by both entities in 1984.

The attached audit found the IGA does not provide enough specificity to work in today's government environment and does not provide, as some appear to believe, a comprehensive listing of the City's core, basic services. Moreover, even if core services were fully spelled out, some of the commitments reflected in the IGA may no longer align with contemporary social, demographic, and economic realities.

Inter-governmental cooperation is as important today as it was thirty years ago, but it is past time to revisit the service commitments made in 1983. We recommend that the City, County and other local government partners work together to develop a division of services that reflects modern government activities and public expectations, building on the expertise and funding capacity of each and clearly identifying roles and responsibilities.

We recognize this report primarily reflects the perspective of the City of Portland. As such, many of the examples and support for our recommendations focus on City services. Multnomah County officials could likely provide examples from the County's point of view.

We ask the Mayor's Office to provide us with a status report in one year, detailing steps taken to address the recommendations in this report. We appreciate the cooperation and assistance we received from City officials and their staffs and all those in the various bureaus we spoke with.


LaVonne Griffin-Valade
City Auditor

Audit Team: Drummond Kahn
Ken Gavette

Attachment

URBAN SERVICES POLICY AND RESOLUTION A:

Core City services not articulated:
30-year-old commitments obsolete

Summary Clear priorities and articulation of core City services can help Council choose between competing programs vying for scarce resources, prevent duplication of services with other governments, and hold appropriate levels of government accountable for the programs they oversee.

Not having a firm understanding and agreement on basic City responsibilities inhibits the internal decision-making process and may also contribute to inefficient service delivery between jurisdictions.

Thirty years ago, to address these potential issues, the City of Portland and Multnomah County documented their largely aspirational commitments to provide particular types of services within their overlapping jurisdictions. City Council approved its Urban Services Policy in February 1983, and the County Commission passed Resolution A in March 1983. Both entities formalized their commitments through an intergovernmental agreement signed in August 1984.

We found that these three key documents cannot be used in most cases to obligate either party to perform specific services, nor do they clarify each jurisdiction's core services. The lack of well defined definitions for service areas was further compounded by significant changes to local demographics, service boundary areas, program responsibilities, and other factors that occurred over the course of the 30-year period.

During difficult economic times, City leaders may decide to reduce or even eliminate funding to programs that are possibly outside the City's primary responsibilities or which may be better provided and financed by another government. But to focus its limited funding on core services, Council must first identify those core services.

We also found:

1. The City Charter and State statutes do not specifically list responsibilities.
2. The City mission and goals in the budget are so broad as to cover all livability issues, and they provide little help in setting spending priorities among competing goals and with limited resources.
3. City elected and bureau officials have a general notion of core services as being police, fire, water, sewer and transportation.
4. The Portland Plan offers an updated division of responsibilities among local governments, but it is also aspirational and may not be as useful as a guiding document for core services.

We recommend the Mayor's Office:

1. Work with City Council to develop, document, and adopt a clear listing of City government's basic responsibilities.
2. Work with the County and other local jurisdictions to develop and implement updated and broader versions of what is contained in Resolution A and the Urban Services Policy.

Audit Results

The City and County intended to divide responsibilities in 1984, but the agreement is now obsolete

We found that the 1984 intergovernmental agreement (IGA) with the County, which initially sought to divide many duties between the two governments, is not a viable document that can be used to identify core services. Further, it cannot be used to obligate either party to perform particular services as initial terms were not well defined and social and economic changes since 1984 have diminished its usefulness.

Urban Services Policy and Resolution A - Background

Each year, the City of Portland enters into many contracts for services with other governments (called intergovernmental agreements, or

IGAs). Some IGAs are used to purchase direct services from other governments. Some are used to support programs that seem to be beneficial to City goals and priorities.

A primary IGA with Multnomah County, executed in 1984 and often mistakenly referred to as Resolution A, is sometimes cited by local government officials and in the media as the seminal document that divides responsibilities between City and County government. While that was the intention of the agreement, it was limited to just those two participants. In the intervening years, local government has taken on an expanding role in areas such as housing, the environment, transportation and the economy, rendering the original agreement less useful as a public policy document. Nonetheless, it is still important as a framework for discussion of intergovernmental cooperation.

The two key documents that led to the IGA were the City's Urban Services Policy, approved in February 1983, and Resolution A, adopted by the County in March of 1983. These led to the IGA, adopted by both parties in 1984.

The primary purposes of the agreement were two-fold. First, it recognized the fact there were many people living in unincorporated Multnomah County who needed urban services that could more efficiently be provided by the City. This was addressed in both the County's Resolution A and the City's Urban Services Policy.

The agreement's second purpose, as stated in Resolution A, was to address financial problems of the County. The resolution stated the County was facing a \$14.5 million shortfall which threatened what it considered its core services of assessment and taxation, elections, corrections, libraries, and health services. Resolution A proposed the City concentrate on police services, neighborhood parks, and land use planning, enabling the County to reduce funding in those specific areas.

The 1984 IGA further listed Urban and County services as shown in Figure 1.

Figure 1 Key documents and elements relating to implementation of Resolution A and the City’s Urban Services Policy

Urban Services Policy	Resolution A	Intergovernmental Agreement
Adopted by City February 1983	Adopted by County March 1983	Signed by City and County August 1984
General need to provide urban services to unincorporated areas	150,00 people in unincorporated UGB, County facing \$14M shortfall	Municipal services best done by City
<p>Specifically mentioned Water Sewer</p>	<p>County priorities assessment & tax elections corrections libraries Health services</p> <p>Municipal services “not limited to” Police neighborhood parks land-use Planning</p>	<p>County concentrate on human services justice services libraries “and other” County-wide</p> <p>Urban services “not limited to” Police Neighborhood parks Transportation Sewers Water Fire service Land use planning</p>

Source: Audit Services Division document review

Some initial terms not well defined

The final IGA called for a general division of responsibilities between the City and County. Contrary to what appears to be the widely held view, it does not provide a comprehensive list of services the City or County should provide.

Figure 1 shows a listing of key elements of the City’s Urban Services Policy, Resolution A, and the final IGA which implemented those two documents. It also illustrates the confusing and open-ended nature of some of the language used in each document.

County services in particular are broadly listed and different terms are used in the documents. We may assume that “health services” and “human services” are roughly equal, as are “corrections” and “justice services,” but specific definitions are not provided.

Likewise, the use of the phrase “not limited to” and “other” implies an open-ended description of services. This ambiguity also makes the documents less useful in clearly listing each government’s responsibilities.

Some services such as transportation, sewers and water were sufficiently defined, however, and that specificity has been useful over the years.

Importance has diminished over time

At its creation in 1984, the IGA, and the subsequent agreements, were good efforts toward delineating responsibilities of the City and County. However, the environment in which local government operates has changed substantially since 1984. Property tax limitation measures in the 1990’s challenged local governments to find new ways of funding programs and in some cases, pit one government against another for limited tax dollars.

Examples of some important environmental changes include:

Increased interaction between police and the mentally ill - City and County roles in this area have changed significantly in recent years. The agreement originally called for the County to focus on Human Services. But mental health funding cuts by the State has forced the County to try and fill that gap.

In Portland, a recent U.S. Department of Justice report noted that the lack of a comprehensive community mental health infrastructure often makes law enforcement agencies the first responder to persons in a mental health crisis. This is happening with increasing frequency.

The result is that Portland Police are now playing a role in the mental health system. Programs such as the Mobile Crisis Unit represent

ventures by the City into functions originally envisioned for the County in the agreement. In a settlement with the U.S. Department of Justice, the City pledged to expand the Mobile Crisis Unit to all precincts and to institute a specialized Enhanced Crisis Intervention Team to complement existing crisis intervention training.

Increased numbers of school-aged children requiring after-school activities - The need for extra-curricular activities for school-aged children has increased as the number of two-earner families and the percent of children living with a single parent have increased.

Nationally, the percent of children living in two parent households declined from 85 percent to 73 percent between 1970 and 1990. Likewise, the number of two-earner families has increased almost 40 percent from 1980 to 2011. As a result, the U.S. Department of Education estimates that between 5 and 15 million school-age children are left alone at home each week.

To address this trend, the City and County joined with the State and local school districts to offer after school options for children through the SUN Community Schools program. The program was built upon the City's experience in providing recreation programs and the County's experience in providing health clinics, case managers and mental health workers. Critical components of the program are education, human services, recreation, and health services, most of which were not envisioned as a City responsibility in the 1984 agreement.

Through the Portland Parks and Recreation bureau, the City operates 11 of the 58 community schools.

Increased need for housing assistance and homeless services - Homelessness in Portland is a significant issue despite efforts by both the City and the County. In a 2011 count of the homeless in Multnomah County, 4,655 persons were counted as unsheltered, or sleeping in transitional housing. This was a 9 percent increase over the previous count. Increasing demand for services, along with funding reductions from Federal sources has placed pressure on housing program funding.

The City created the Portland Housing Bureau to handle housing issues. The Bureau was created specifically to enhance the delivery of housing services by the City, even though this was likely envisioned as a County service when the agreement was adopted. The Bureau of Housing spent over \$11 million from the general fund in FY 2011-12.

Core services not articulated in documents or legal sources

If the 1984 IGA cannot be used as a comprehensive guide to core services, is there another document that can be used? One that cuts across multiple City Council and Mayoral administrations and that can be used to guide allocation of work and spending priorities? We found there is a general notion of core services, but nothing documented or with a firm legal basis. We found:

City Charter and State statutes do not specifically list responsibilities

Representatives of both the City Attorney's Office and the Office of Management and Finance (OMF) said they were not aware of a specific list of core, or required City functions. There are prohibitions, primarily through State statutes or judicial decisions that specify activities the City may not be engaged in, but that is on a case-by-case basis. For example, the City cannot run a port or a court. Those activities are reserved for the port authority and the County by State statute. And of course, the City cannot conduct activities that are otherwise illegal.

Likewise, the City Charter only says that the City Council can exercise all powers granted by the Charter itself or by general law. But there is no description of specific, or core responsibilities.

The City mission and goals in the budget are so broad as to cover all livability issues and provide little help in setting spending priorities

The City's mission and goals are broad and seem to cover almost any type of livability or economic issue, including supporting education, affordable housing, neighborhood livability, multi-modal transportation options, etc.

City elected and bureau officials do, however, have a general notion of core services

City elected officials and bureau leaders told us they know of no documented listing of core services. They did, however, generally gravitate toward a consensus. The most frequently mentioned core services were public safety, water, sewer, and transportation. This was true even for Commissioners and bureau personnel with no responsibilities in these areas.

OMF staff told us that numerous attempts have been made to document core services. These efforts have not been successful. They told us that such a list would help them make consistent recommendations to City Council as to which programs should receive funding, and that having such a list is considered a best practice for organizational management.

Figure 2 Basic public services provided by Portland Plan Partners

Service area	City	County	Metro	TriMet	State	Port	School Dist.
Water	x						
Sewer	x						
Solid Waste	x		x				
Transportation	x	x	x		x		
Public Transit				x			
Airport and Marine						x	
Education							x
Libraries		x					
Parks	x		x				
Natural areas	x		x				
Health & Human Svcs		x					
Police/Fire/911	x						
Emergency Mgmt	x						
Justice		x					
Recycling			x				
Affordable Housing	x						

Source: The Portland Plan

The Portland Plan offers an updated division of responsibilities between local governments, but is aspirational and may not be as useful as a guiding document for core services

On April 25, 2012, the City Council adopted The Portland Plan, a strategic planning document intended to guide the City through 2035. The plan stresses public partnerships and lists public services currently provided by the local government participants. Figure 2 shows the listing as described in The Portland Plan.

Even though the process included the participation of representatives from many local governments and organizations, the plan's goals and performance objectives have not been formally adopted by the City's largest partner, Multnomah County.

Why it is important to have a clear sense of City core responsibilities

While cooperation between local governments is important, we conclude that not clearly articulating core responsibilities can have significant negative consequences:

The City may create programs which generate a public good, but may not align with basic functions and may not be sustainable during difficult economic times

Budgeting for a large city government is difficult under the best of circumstances, but during times of declining revenue or increasing demands, it is especially hard. One task of the City Budget Office is to make recommendations to City Council as to which programs should receive funding and which should not. A list of defined core responsibilities would provide additional criteria for these recommendations and would assist City Council decision-making.

In addition, the City may be asked to fund services that have been traditionally funded by other entities. Without clear documentation of core responsibilities, public or political pressure to help other governments may make it harder to make budgetary decisions about important City programs. As one example in recent years, there was successful public pressure to grant money to Portland Public Schools.

Elected officials and professional managers may be duplicating services with other jurisdictions

In the current local budgeting environment, it would be difficult to determine the extent of potential duplication. There is little budgeting or programming cooperation between the jurisdictions, although attempts have been made on the City’s part to organize meetings with other governments on specific service areas. These attempts had mixed results. As a result, there is no way to know the level of resources going to either competing or duplicative programs.

We are not aware of multi-jurisdictional studies on this issue. In our multi-jurisdiction audit of housing programs in 1997, the City and County Auditors jointly reported on the fragmented nature and conflicting priorities of housing programs in Portland and Multnomah County. In 2008, a City-hired consultant found that similar problems persisted more than a decade later.

Although we do not know the extent to which different governments are duplicating programs, we do know by reviewing financial documents from various local jurisdictions that different local governments are involved in similar activities. Figure 3 shows the results of our review of budget documents from each jurisdiction, concentrating on five major areas.

Figure 3 Similar programs offered by various local jurisdictions ⁽¹⁾

	City	County	Metro	TriMet	PPS ⁽²⁾
Transportation	x	x	x	x	
Public safety	x	x		x	x
Parks	x		x		x
Education	x	x			x
Housing	x	x			

Source: Audit Services Division review of budget documents

(1) Other jurisdictions may also offer similar programs, this is not intended to be a comprehensive listing.

(2) Portland Public Schools

Voters may have a hard time choosing between competing government programs at election time when they have no clear idea which jurisdiction their money is funding

Besides potentially duplicating services, not having clear division of responsibilities lessens transparency of government. Voters may be unable to tell by voting guides and tax bills what their dollars are actually paying for and what entity is responsible for results. They may find it difficult to make deliberate decisions to fund certain taxing jurisdictions, either to a greater or a lesser degree, if their tax dollars are flowing between the various local governments. They may also find it difficult to hold elected officials accountable for tax dollars when those dollars are flowing between governments.

Figure 4 Sample property tax bill of Multnomah County homeowner

2012-13 CURRENT TAX BY DISTRICT:	
MULTNOMAH ESD	113.25
PORTLAND COMMUNITY COLLEGE	69.35
PORTLAND PUBLIC SCHOOL	1,292.85
PORTLAND PUBLIC SD LOC OPTION	491.72
EDUCATION TAXES:	\$1,967.17
PORT OF PORTLAND	17.47
CITY OF PORTLAND	1,131.45
METRO	24.02
WEST MULT SOIL & WATER CD	17.50
MULTNOMAH COUNTY	1,073.23
CITY OF PORTLAND CHILD LOC OP	100.46
MULT CO HIST SOCIETY LOC OPT	12.57
MULT CO LIBRARY LOCAL OPT TAX	221.76
PORTLAND FIRE/POLICE PENSION	644.77
URBAN RENEWAL - PORTLAND	679.97
GENERAL GOVERNMENT TAXES:	\$3,923.20
CITY OF PORTLAND BONDS	44.18
CITY OF PORTLAND NEW BONDS	11.59
METRO BONDS	76.58
MULTNOMAH COUNTY BONDS	34.89
PORTLAND COMM COLLEGE BONDS	94.24
BONDS AND MISC TAXES:	\$261.48
2012-13 TAX (Before Discount)	\$6,151.85

Source: Multnomah County

For example, Figure 4 a sample property tax bill, shows the share of a taxpayer's bill going to each taxing authority. When significant money flows between the taxing jurisdictions, this bill no longer represents a complete statement of funding. It is less useful to the taxpayer as a means of holding government accountable or for making funding decisions come election time.

The City may have difficulty assuring its money is spent wisely or as intended

The City risks losing control of its own scarce tax revenues if appropriate controls are not in place to ensure that the other governments we transfer money to are spending those dollars wisely.

Conclusion and recommendations

The 1984 intergovernmental agreement with Multnomah County is no longer a useful document for dividing responsibilities between the City and County. There is no accepted, comprehensive list of core responsibilities to help guide decision-makers.

In many cases, it would be more efficient and effective to clearly divide the provision of services between governments.

The City of Portland has worked to develop relationships with other local governments to provide services in an efficient and effective manner. The IGA and the Portland Plan are examples of that cooperative intent. However, demographic, social, technical, and economic changes in the past 30 years contributed to blurring the lines of responsibility originally intended in the agreement. Moreover, the Portland Plan has not been signed by all regional partners and was likely not intended to substitute for a listing of core services.

Before the City can enter into a revised agreement to divide services (for example, to update the agreement) the City must first define its core responsibilities. Therefore, we recommend the Mayor's Office:

- 1. Work with City Commissioners and their respective bureaus to develop and document a clear listing of City government's basic responsibilities.**

It might be helpful to consider and list tasks the City:

- a. Must do – to fulfill basic obligations,
- b. Should do – if resources allow, and
- c. Would be good to do – under ideal circumstances.

2. Work with the County and other local jurisdictions to develop, update, and implement broader versions of what is contained in Resolution A and the Urban Services Policy and the IGA.

In order to avoid duplication and inefficient service delivery and to improve public accountability for multiple levels of local government, City Council should take a lead role in developing an updated version of the 1984 IGA to include as many regional partners as appropriate. The agreement should be formalized into an IGA with each of the City's regional partners. The Portland Plan could be used as a starting point for such a document.

Objectives, scope and methodology

Our first objective was to determine if the 1984 IGA with Multnomah County is a useful document in listing the City's core responsibilities. If not, our second objective was to determine if City government possesses an accepted, documented list of core responsibilities that can be used to guide allocation of work and spending priorities.

To accomplish these objectives, we interviewed 22 City employees in nine bureaus and Commissioner's Offices. This included three Commissioners, the City Budget Director, the Chief Administrative Officer, and a representative of the Mayor's Office.

We reviewed financial documents of the City of Portland, Multnomah County, Metro, TriMet and Portland Public Schools. We reviewed historical documents relating to the agreement, the City Charter, City Code and State Statute.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

RESPONSE TO THE AUDIT



Office of Mayor Charlie Hales
City of Portland

March 20, 2013

Dear Auditor Griffin-Valade:

Thank you for the opportunity to respond to Audit Report # 433, *Urban Services Policy and Resolution A: Core City services not articulated; 30-year-old commitments obsolete*. I appreciate the Auditor's review and analysis of the City and County agreements to provide services.

The City of Portland's partnership with Multnomah County is a close and valued one. We serve the same constituents in our overlapping jurisdictions, and can combine in powerfully beneficial ways on their behalf. As Mayor, I am committed to working collaboratively with Multnomah County to ensure that our efforts are delivered with maximum efficiency and effectiveness.

This emphasis on efficiency and effectiveness is especially important now, during one of the City's most pressing budgetary times in recent history. To succeed as a City, the rest of the Council and I must, as the report emphasizes, first articulate and define Portland's core services. This report accurately notes that programs that generate a public good may not align with basic functions and become unsustainable during difficult economic times. As good stewards of the public's money, we must prioritize programs—funding our most basic obligations and highest priorities first.

We appreciate your thoughtful recommendations.

Sincerely,



Charlie Hales

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Report #433, March 2013

Audit Team: Ken Gavette

This report is intended to promote the best possible management of public resources. This and other audit reports produced by the Audit Services Division are available for viewing on the web at: www.portlandoregon.gov/auditor/auditservices. Printed copies can be obtained by contacting the Audit Services Division.

LaVonne Griffin-Valade, City Auditor
Drummond Kahn, Director of Audit Services

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