

# **Adopted Budget**

## *In Brief*

**City of Portland, Oregon**  
**Fiscal Year 2011-12**

*Mayor Sam Adams*

*Commissioner Nick Fish*

*Commissioner Amanda Fritz*

*Commissioner Randy Leonard*

*Commissioner Dan Saltzman*

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# Budget Award

The Government Finance Officers Association of the United States and Canada (GFOA) presented an award for Distinguished Budget Presentation to the City of Portland, Oregon for its annual Budget for the fiscal year beginning July 1, 2010.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communication device.

The award is valid for a period of one year only. We believe our current budget document continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.





# Mayor's Message

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Office of Mayor Sam Adams  
City of Portland

## Introduction

This is the third budget that I have the privilege of presenting as Mayor. The City is beginning its recovery from the worst global recession in more than a generation. Job creation is accelerating, and business activity is increasing. Unemployment is still high, but trending downward. This budget remains focused on our top priority: returning the City to full prosperity and making strategic investments that will result in a stronger, more resilient City. At the same time, the budget continues to support the most vulnerable in our community through investments in housing, homelessness prevention, mental health, and addiction services. And I have increased the City's focus on equity to ensure that every Portlander has access to the most equal of opportunities. Finally, I have surveyed citizens to identify neighborhood nuisances and livability issues, and I will hold City bureaus accountable for addressing them. Taken as a whole, this budget will make Portland's economy stronger and more resilient, our streets safer, our communities more equitable, and our government more responsive.

### Early, Decisive Action

Starting in late 2008, it was clear that our City was going to face the worst recession in decades. In addition to declining business license and other local revenues, the City had many ongoing programs and positions that were being funded with one-time revenue, creating a "shadow obligation" for the City to fund in the future. Considering these risks and factors, we started preparing early:

- ◆ As Mayor-elect, I worked with the City Council to make mid-year reductions in fall 2008 in anticipation of declining revenues.
- ◆ In FY 2009-10, we asked bureaus to propose programmatic reductions of up to five percent. And during the year, we continuously monitored and adjusted bureau spending based on the latest available data, allowing us to stay ahead of the financial crisis and avoid deeper, more damaging cuts. In April 2010, I implemented a citywide hiring freeze, directed bureaus to slow down all discretionary spending, and asked bureaus to find additional personnel savings by holding positions vacant.

- ◆ In FY 2010-11, I asked public safety bureaus to prepare two percent reductions, and non-public safety bureaus to prepare four percent reductions. These reductions produced enough savings to balance the General Fund and create one-time resources that were reinvested in the City's highest priorities.

For the FY 2011-12 budget process, even though City revenues were recovering, I asked for modest program and administrative reductions, and asked bureaus to be creative in terms of realignments and efficiencies that could save money without reducing services. The actions in this budget and over the last two years have kept Portland ahead of the recession, and prepared to move into the future.

## Mayor's Approach

In building the FY 2011-12 budget, I had five key goals:

1. Return the City to full prosperity and invest in a stronger, more resilient City.
2. Help those hit hardest by the recession and provide support to the most vulnerable in our community.
3. Protect public safety services.
4. Increase the City's focus on equity to ensure that every Portlander has access to the most equal of opportunities.
5. Identify neighborhood nuisances and ensure more responsive City services.

### **Investing in a Stronger, More Resilient City**

For the first time in 15 years, Portland has a tight focus on the key areas where our city and region can outcompete others. Though we have more work to do, Portland is already ahead of the curve when it comes to competing globally, and I am focused on maintaining that advantage. The budget contains the following investments that will strengthen our local economy:

- ◆ \$3.2 million for programs that grow local businesses in neighborhoods and in high-growth, cluster, and traded sector industries, restoring previous reductions to the Portland Development Commission's budget.
  - \$205,000 for International Business Development
  - \$500,000 to continue Neighborhood Main Streets and almost \$250,000 for the new Partners in Prosperity initiative. The budget also includes \$600,000 for technical assistance and \$200,000 for working capital assistance for small businesses.
  - Funding for programs that foster high-growth, export-oriented businesses totals more than \$1.4 million: the Seed Fund is increased by \$500,000; and other cluster initiatives and targeted recruitment funding totals almost \$1 million.
- ◆ \$635,000 to complete the Portland Plan and continue progress on the state mandated Comprehensive Plan.
- ◆ \$235,000 for Cradle to Career, a key initiative aimed at strengthening the education system for all youth.
- ◆ \$500,000 in scholarships for Portland Community College students, an investment in our local talent pool to prepare students for competitive and growing job sectors.



- ◆ \$50,000 to support The Right Brain Initiative and arts integrated learning for K-8 students through the collaboration of teachers and artists.
- ◆ \$100,000 to the Oregon Food Bank as they work to combat our region's record level of hunger and food insecurity.

### Helping Those Hit Hardest by the Recession

This budget helps those most in need during this economic crisis, which has been brutal for far too many Portlanders. The adopted budget:

- ◆ Invests General Fund resources in housing, including \$4.9 million for shelter services, rent assistance, and access services, including:
  - \$1.7 million to continue critical emergency and shelter services
  - \$1.9 million to continue rent assistance to prevent homelessness and rapidly rehouse those that have become homeless
  - Nearly \$500,000 for housing access services
  - \$150,000 for an in-depth housing strategy to support the Portland Plan
  - \$250,000 to help homeowners avoid foreclosure and keep their homes
  - \$390,000 to support new programming at the Bud Clark Commons housing resource access center, which opened at the end of FY 2010-11.
- ◆ Provides \$600,000 in ongoing operational funding for the City-County Crisis Assessment and Treatment Center, which will serve individuals experiencing a mental health crisis.
- ◆ Budgets over \$3 million in comprehensive responses to the addiction and mental health issues that impact the livability of our community and the work of our Police staff.
  - Continues funding for the Service Coordination Team (\$1.9 million)
  - Continues funding for the CHIERS van and Hooper sobering station (\$1 million)
  - Extends the Central Precinct mental health staff ride along program (\$100,000)

### Protecting Public Safety Services

Public Safety is the most basic of City services. The adopted budget keeps our police sworn staff at full strength, restores a fire bureau medical rescue unit, and continues programs that keep our streets safe. The budget:

- ◆ Ensures that all existing fire stations remain open, keeps the Rescue 11-Lents medical rescue unit running, and restores into operation the Rescue 19-Mt. Tabor medical rescue unit.
- ◆ Provides a 4.2 percent increase in overall public safety general fund spending, including a 6.1 percent increase for police.
- ◆ Maintains Portland Police Bureau sworn staff strength by making \$1 million in administrative cuts.
- ◆ Increases funding for Police Bureau equipment and training by \$2 million so that staff is adequately supported in their work.
- ◆ Continues funding for programs against human trafficking.
- ◆ Allocates \$250,000 to continue progress on the Police Bureau training facility.
- ◆ Funds Parks Teen Programs at current levels to allow continued programming at five locations throughout Portland.

- ◆ Provides \$30,000 for the Police Activities League, to fund programs that engage youth in healthy activities that keep them off of the streets.
- ◆ Grants \$65,000 for the Outside In needle exchange harm reduction program.

### **Creating a Fair and Equitable Portland**

In Portland, inequities exist across racial, geographic, and socio-economic lines. We need to address this, and ensure that all Portlanders have access to equal opportunity. This budget addresses these inequities by providing over \$1 million to create an Office of Equity, and continuing funding for programs that support education and academic achievement:

- ◆ \$373,000 to fund the first phase of the citywide compliance assessment project related to the Americans with Disabilities Act. This package will be overseen by the new Office of Equity.
- ◆ \$279,692 in funding for the East Portland Action Plan.
- ◆ \$500,000 to develop and improve parks east of I-205. Funding will be used as leverage to begin outreach to individuals and business partners so that donors know their contributions are going directly to building new amenities.
- ◆ Funding to implement zoning changes along NE 122nd to encourage the development of 20 minute neighborhoods.
- ◆ \$100,000 to fund a Portland SUN School at David Douglas High School, the Portland high school with the highest percentage of low-income students
- ◆ Continued funding to fill the gap in the school districts' Summer Lunch Program
- ◆ \$75,000 grant to CASH Oregon to fund tax preparation programs for low-income families, helping them capture tax credits and refunds.

### **Ensuring More Responsive Neighborhood City Services**

As part of this year's budget, I directed staff to create a survey asking Portlanders to report specific nuisances, irritations, or infrastructure issues in their neighborhoods and throughout the City. More than 5,000 responded. The budget uses one-time resources to fund some of these high priority annoyances, and I have asked City bureaus to address the most critical needs. Highlights include:

- ◆ Portlanders reported nearly 1,800 potholes in need of repair. Bureau of Transportation staff are currently reviewing all responses to eliminate those already reported or repaired. All remaining potholes on the list will be repaired by the end of the 2011 calendar year.
- ◆ The Bureau of Development Services will address the 130 Priority 1 or 2 complaints received, which include imminent health and safety hazards, serious code violations, environmental protection, and violations adversely impacting quality of life.
- ◆ Nearly 20 percent of respondents requested additional restroom availability within City parks. The Bureau of Parks and Recreation will leave existing restrooms open longer by 30 days in the following parks: Wilshire, Mt Scott, Rose City, Alberta, Berkeley, Glenhaven, Fernhill, Irving, Custer, and Wallace. The Parks Bureau will also add portable ADA accessible restrooms to sites like Linnton/Kingsley, Flavel, Sewallcrest, Portsmouth, Piccolo, Harrison, O'Bryant, Forest Park, and Council Crest for 6 to 9 months.

- ◆ Of the 1,110 graffiti reports, the Office of Neighborhood Involvement will utilize \$447,332 in additional funding proposed for graffiti abatement to address complaints with verifiable locations by the end of the fiscal year.

The City also conducted a separate phone survey, where over 16 percent of respondents cited "more or better community gardens" as a high priority Parks improvement. The adopted budget invests in the construction of up to 10 additional Community Gardens to meet the City's Climate Action goals of 1,000 new garden plots by the end of 2012. These new gardens will create over 300 additional plots.

The budget also includes bureau Service and Performance Improvement plans, which list three key areas each bureau has identified that need improvement, and outlines how those improvements will be realized. This is the third year for this requirement, and bureaus are required to show progress against last year's plan.

## Conclusion

I want to commend all the Portlanders who participated in our budget process, through community budget forums, service on a bureau or citywide budget advisory committee, or filling out a Curbsider survey. With your input and feedback, we have been able to focus this budget on the programs and services that matter most to you.

While other cities are raising taxes, laying off key public safety employees, cutting essential services, or reaching into their reserves, the City of Portland is in strong financial shape. We took early, aggressive action when revenues started declining in order to weather the economic storm and emerge a stronger, more vibrant community. This budget continues to make investments in economic development, core City services, and livability.

In these uncertain times, this is a budget that gets to the heart of equity. It is a budget guided by both empathy and common sense. We are looking out for our most vulnerable neighbors-resident, business owner, or student. These basic needs are at the core of this budget.

Thank you,



Sam Adams

Mayor



# City Overview

## Introduction

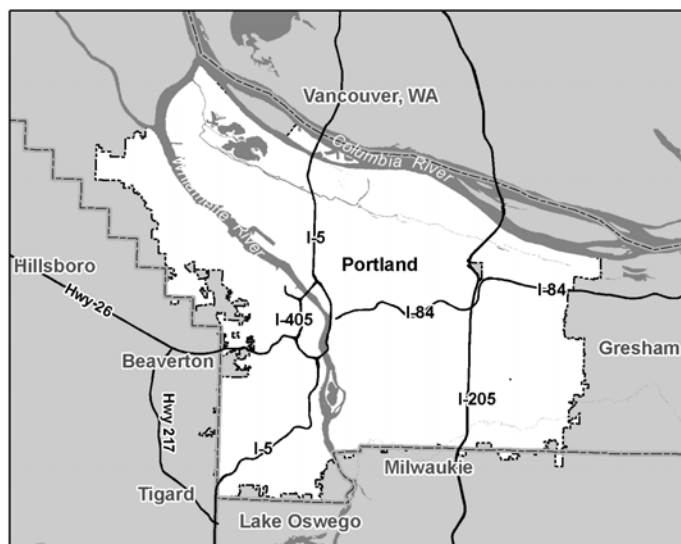
This section of the FY 2011–12 budget document provides general information on the city of Portland, its demographics, and its government management systems. The information will help the reader understand the environment in which decisions are reached during the budget process. This section will also make it easier to examine and understand other sections of this budget document.

Portland's budget document reflects City policies, goals, and priorities. In reviewing how revenues are collected and spent, readers of the budget are watching policy at work. The budget implements the City's long-range strategic and financial plans and serves as an operations guide for the government and its activities. It is also a communications tool, informing residents of the short- and long-term issues and challenges confronting the City. The budget document reflects the goals of residents and leaders alike.

## City of Portland Characteristics

### Basic Statistics

The city of Portland, with a population of 583,776 in 2010, comprises an area of approximately 145 square miles in northwestern Oregon. Located astride the Willamette River at its confluence with the Columbia River, Portland is the center of commerce, industry, transportation, finance, and services for a metropolitan area of more than two million people. (The Portland/Vancouver/Beaverton Primary Metropolitan Statistical Area includes the Oregon counties of Clackamas, Columbia, Multnomah, Washington, and Yamhill, as well as Clark County in Washington). Portland is the largest city in Oregon, the seat of Multnomah County, and the second largest city in the Pacific Northwest.



# City Overview

## Overviews

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### Recreation

*Nearby Cascade mountain peaks, the Columbia Gorge, and city parks provide abundant opportunities for lovers of the outdoors.*

### Natural Areas

Portland is situated in the heart of a vast and diverse recreational area encompassing desert, marine, forest, and mountain environments. The city is a convenient point of departure for Pacific Ocean beaches, located 78 miles to the west, and the forested Cascade Mountains to the east.

Among the snow-capped peaks is 11,235-foot Mt. Hood, one of the world's most climbed mountains and home of the world famous Timberline Lodge, only 60 miles from Portland. There are two major ski resorts on the mountain. On a clear day, Mt. St. Helens, an active volcano, is visible to the north.

The Columbia River Gorge National Scenic Area is within 20 miles of downtown Portland. The gorge presents opportunities for swimming, hiking, boating, sailing, and camping, and is a world center for windsurfing.

The city, with one of the highest parks-per-capita ratios in the United States, prides itself on its many beautiful parks, forests, trails, and wetlands. These include the 40-Mile Loop (a trail circling the city that is now much more than 40 miles long); Forest Park, at 5,000 acres the largest wilderness park in the United States; Tom McCall Waterfront Park, built on the site of a freeway dismantled in 1974; and Tryon Creek State Park.

### Visitor Opportunities

Known as the City of Roses, many tourist and business visitors are drawn to Portland's attractions. The Oregon Symphony and Portland Opera, the annual Rose Festival, art and historical museums, the Oregon Museum of Science and Industry (OMSI), the Western Forestry Center, the Classical Chinese and Japanese Gardens, the International Rose Test Garden, and the Oregon Zoo are some of Portland's cultural and recreational highlights.

Portland's professional sports teams include the Trail Blazers of the NBA, the Winter Hawks hockey team, and the Timbers of Major League Soccer. The city's main arena, the Rose Garden, was opened in October 1995 as a private-public joint venture. The renovation of the city's Civic Stadium, now called Jeld-Wen Field, brought the Timbers soccer team to Portland. In early 2009, Portland was awarded an expansion Major League Soccer franchise, and the Timbers began play as a Major League team in 2011.

### The Economy

*A diverse economy is key to Portland's future.*

### Overview

Portland's economy has slowly diversified over the past decades. Steady growth in nontraditional sectors, such as the manufacture of electrical equipment, instruments, and related products, has helped Portland's economy adapt to national and global trends.

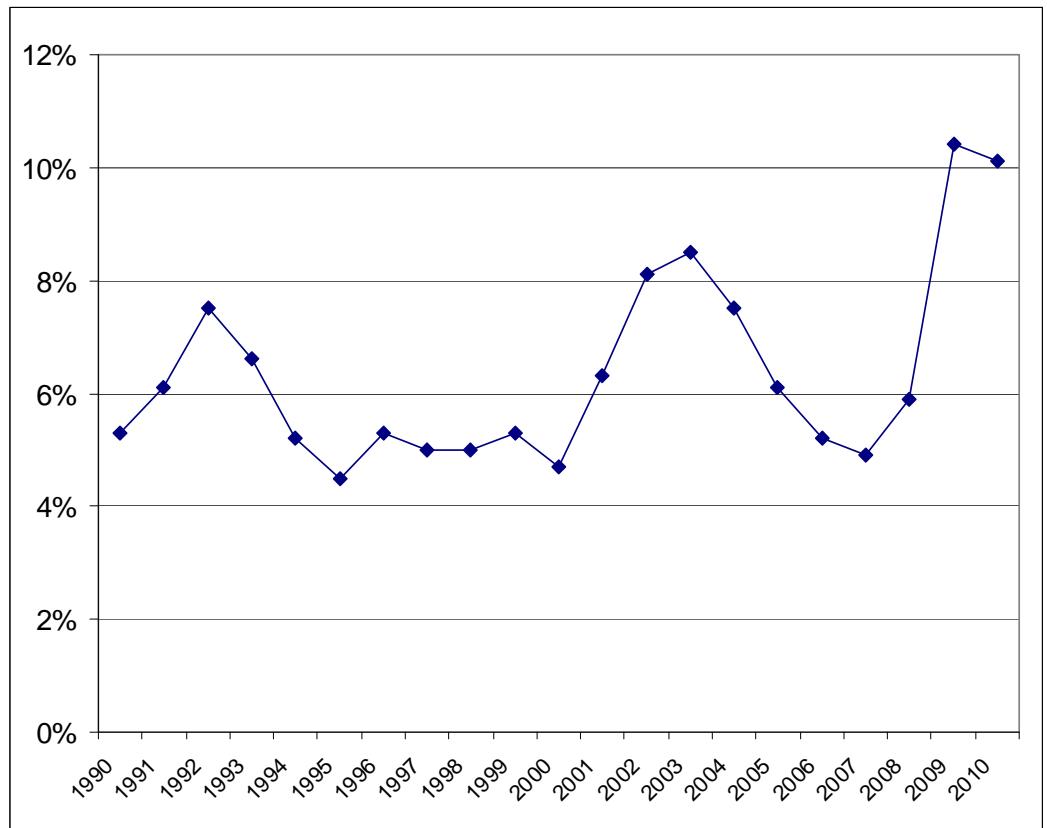
Semiconductor manufacturers, such as Intel and Wacker Siltronic, have established major facilities in the region. Tektronix, Nike, Providence Health & Services, Kaiser Permanente, and Legacy, as well as retailers Safeway, Albertsons, and Fred Meyer are some of the other major nongovernment employers in the Portland metropolitan area. Major public employers include Oregon Health and Science University (OHSU) and Portland State University (PSU).

**Recent Trends**

*Though still far from pre-recession levels, the local area economy has shown mild recovery over the last year.*

The lingering effects of the "Great Recession" continue to impact the Portland area economy. Though the city unemployment rate dropped two percentage points over the last two years, it still remained at a historically high level of 8.5% in April 2011. The rate peaked at 11% in January and February of 2010. Home prices have yet to see any of the tepid economic recovery seen in other indicators with prices falling 7.6% over the 12 months ending in March 2011, according to the S&P/Case-Shiller Index for Portland. Inflation also picked up over the first half of 2011. Local figures are not published until August; however, regional data suggest that, following two years of very low inflation, we could be approaching pre-recessionary levels of over three percent for 2011.

**Figure 1: Portland Metro Unemployment**



*The Port of Portland manages shipping facilities and the Portland International Airport.*

### Shipping and Other Port Facilities

The Port of Portland, the governmental unit responsible for air and marine port facilities, offers outstanding opportunities for expanding export industries, investments, business, and travel. Portland's deep water location on the Columbia River gives it substantial geographic and economic advantages for freight shipping – over 13 million tons of cargo in 2010. The Columbia River shipping channel is maintained at a depth of 43 feet from the Portland harbor to the Pacific Ocean, 103.5 miles downstream. The Portland Harbor is the largest wheat export hub in the country. The Port also owns and operates Portland International Airport (PDX). The airport serves more than 13 million annual passengers via 14 passenger carriers that average 237 scheduled flights daily to 48 nonstop domestic destinations and five international cities including Amsterdam, Calgary, Tokyo, Toronto and Vancouver. PDX is also served by 11 air cargo carriers that move more than 200,000 tons of air freight and mail annually, and offers nonstop air cargo service to Asia. The Port is the largest industrial landowner in the Portland metro area and the state. Within its 10,000 acres of property holdings, the Port oversees four industrial parks that offer businesses fast, efficient access to markets via nearby airports, deep-draft marine terminals, transcontinental rail lines, interstate freeways, and a river system that stretches from the Pacific Ocean to Idaho.

### Downtown and Surrounding Redevelopment Projects

*The City of Portland balances housing, retail, and office space in its development plans.*

The City's financial commitment to its downtown has resulted in one of the nation's most attractive urban cores. Development activity has balanced well with strong gains in housing, retail, and office space. Through 2002, the downtown area experienced one of the strongest building expansions in its history.

The City of Portland maintains strong historic preservation and multifamily housing programs. The preservation of downtown housing and historic structures has created a unique urban atmosphere. The blend of old and modern facilities enhances downtown livability. This livability is exemplified by the Pearl District, a modern mix of loft apartments, condominiums, small shops, and galleries, built in an area north of downtown formerly used for warehouses and factories.

As a means to build upon the growth in the Pearl District, and recognizing the need for additional development in parts of downtown, several changes are occurring in downtown urban renewal areas. Plans are for the South Park Blocks and Downtown Waterfront urban renewal districts to end (final debt service payments in 2024). As part of the development of the Portland Plan, citizens will have input on potential new urban renewal areas in the downtown core.

### Transportation and Land Use

#### TriMet: Tri-County Metropolitan Transportation District

TriMet provides transit services to about 570 square miles of the metropolitan area. TriMet operates 81 bus lines and a light rail system. In FY 2008-09, TriMet provided nearly 100 million bus, MAX light rail, and Westside Express Service (WES) commuter rail trips. TriMet carries more people than any other U.S. transit system its size. TriMet's rail lines and buses combined to eliminate 205,300 daily car trips or 65 million trips in 2009.



*The downtown Transit Mall is at the heart of TriMet's regional system.*

The centerpiece of the system is the downtown Portland Transit Mall. The Transit Mall has been revitalized with the addition of light rail and the return of buses along 5th and 6th Avenues in 2009. Fareless Square has become the Free Rail Zone, with free rides on MAX light rail in downtown Portland to the Lloyd District, as well as on the Portland Streetcar in downtown.

### **Growth of Regional Light Rail System**

*TriMet continues to expand the light rail system.*

TriMet's nationally recognized light rail system MAX extends 52 miles and now serves all three counties in the region. Portland was the first West Coast city to have rail service to its airport. The growth in MAX lines has also added significant economic value to the region. To date, more than \$8 billion has been invested in new development within walking distance of the 85 MAX stations.

### **Portland Streetcar Expansion**

*The Portland Streetcar complements bus and light rail transit.*

The City completed 2.4 miles of track to open the first modern streetcar line in July 2001. The alignment runs from Northwest Portland through the Pearl District to Portland State University's Urban Plaza. This successful system later added 0.6 miles to RiverPlace, 0.6 miles to SW Moody and Gibbs to connect with the Portland Aerial Tram to OHSU, and 0.4 miles in August 2007 to the South Waterfront District to complete a total system of 4.0 miles.

The City is currently extending the streetcar system across the Willamette River adding 3.3 miles from the Pearl District, across the Broadway Bridge, through the Rose Quarter, Convention Center, Lloyd Center, and Central Eastside to a temporary terminus at OMSI. The Streetcar to OMSI will begin operations in September of 2012. The Streetcar expansion will help stimulate and support new high-density, mixed-use development in the Central City east of the Willamette River. Serving as a catalyst for \$3.5 billion in transit-oriented investment, the streetcar system has helped revitalize Portland's urban core with more than 10,212 new housing units and 5.5 million square feet of office, institutional, retail and hotel construction, all within 2-3 blocks of the streetcar route and in some areas that were formerly home to industrial land in decline.

### **Metro**

*Metro is the country's only elected regional government.*

Under Oregon land use law, the Portland area is surrounded by an urban growth boundary. Metro, the country's only elected regional government, manages the boundary and growth within it. Balancing growth with the maintenance of natural amenities is one of the region's major challenges. Citizen desire for parks and natural areas was demonstrated through passage of a \$227 million Metro park and natural areas bond measure in 2006. Funds from the bond will preserve natural areas at the regional, local, and neighborhood levels.

### **The Region and Its Environment**

*Portland is one of the first cities in the country to have waterways listed under the Endangered Species Act.*

Portland works to maintain a high quality of life and a healthy environment. Under the Endangered Species Act, steelhead and salmon within Portland-area watersheds were listed as threatened species. In that context, the City must carefully balance environmental, recreational, and commercial concerns as it develops both banks of the Willamette River through the River Renaissance project.

# City Overview

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## Overviews

### Post-Secondary Education

PSU, one of three large state universities in Oregon and the largest in the Portland area, is located on a campus encompassing more than 28 blocks adjacent to the downtown business and commercial district. As part of its nationally recognized University District Plan, PSU opened a new public administration building and urban plaza in 2001, and built a new \$70 million Northwest Center for Engineering, Science, and Technology nearby, which opened in 2006. In 2010, the university unveiled its new LEED-Gold certified Academic and Student Recreation Center which houses the School of Social Work, the Oregon University System Chancellor's Office, the PSU Student Recreation Center, the PSU Bike Hub, and the City of Portland's Archives.

*Many fine schools dot the Portland landscape.*

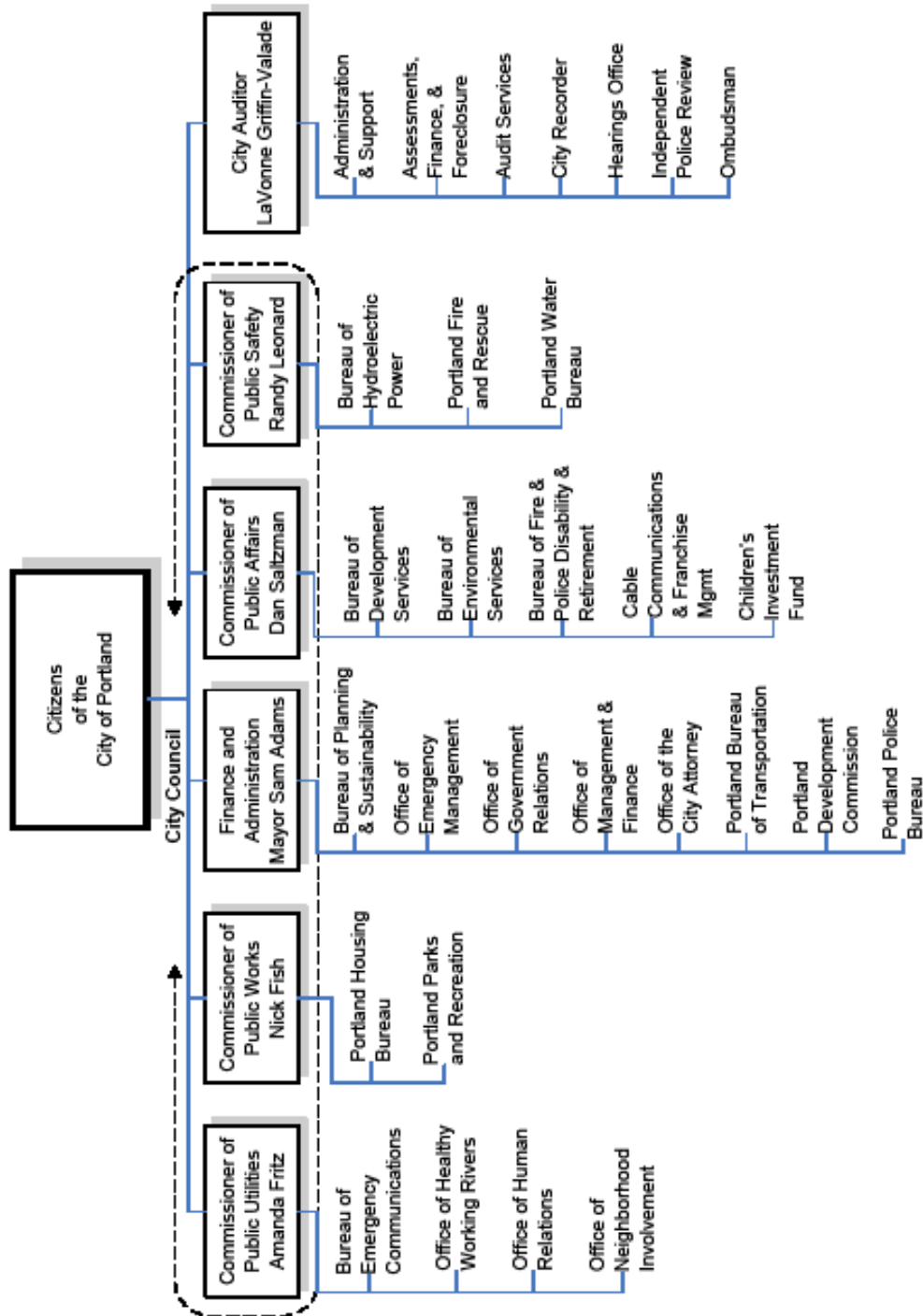
The Portland area also hosts many other notable institutions, including public, private, and health-oriented schools. Portland, Mount Hood, and Clackamas community colleges provide excellent and affordable two-year programs for area residents. Private institutions like Lewis & Clark College, Reed College, Concordia College, and the University of Portland have outstanding programs in diverse fields. Three health science institutions are found in Portland: OHSU, National College of Naturopathic Medicine, and Western States Chiropractic College.

These educational assets, plus clean water and air, cultural diversity, architectural beauty, and the relative ease of getting around, combine to make Portland a popular, livable city. Portland is consistently rated as one of the best cities in the United States in which to live.

Figure 2: A Profile of Portland's Citizens

| General Characteristics  | 2000      | Percent of Total | 2009      | Percent of Total | Percent Change |
|--|-----------|------------------|-----------|------------------|----------------|
| <b>City Population</b> <sup>1</sup>  | 529,121   | --               | 566,606   | --               | 7.1%           |
| Male   | 261,565   | 49.4%            | 277,939   | 49.1%            | 6.3%           |
| Female   | 267,556   | 50.6%            | 288,667   | 50.9%            | 7.9%           |
| <b>Age</b>   |           |                  |           |                  |                |
| Median age (years)   | 35.2      | --               | 35.3      | --               | 0.3%           |
| Under 5 years  | 32,300    | 6.1%             | 37,974    | 6.7%             | 17.6%          |
| 25 years and older   | 363,106   | 68.7%            | 405,807   | 71.6%            | 11.8%          |
| 65 years and older   | 61,163    | 11.6%            | 56,430    | 10.0%            | -7.7%          |
| <b>Race/Ethnic Distribution</b>  |           |                  |           |                  |                |
| One Race   | 507,166   | 95.9%            | 542,157   | 95.7%            | 6.9%           |
| White  | 412,241   | 77.9%            | 442,980   | 81.7%            | 7.5%           |
| Black or African American  | 35,115    | 6.6%             | 36,917    | 6.8%             | 5.1%           |
| American Indian & Alaska Native  | 5,587     | 1.1%             | 3,706     | 0.7%             | -33.7%         |
| Asian  | 33,470    | 6.3%             | 36,839    | 6.8%             | 10.1%          |
| Native Hawaiian & other Pac. Is.   | 1,993     | 0.4%             | 2,494     | 0.5%             | 25.1%          |
| Some other race  | 18,760    | 3.5%             | 19,221    | 3.5%             | 2.5%           |
| Two or more races  | 21,955    | 4.1%             | 24,449    | 4.3%             | 11.4%          |
| Hispanic or Latino (of any race)   | 36,058    | 6.8%             | 50,824    | 9.0%             | 41.0%          |
| <b>Household Population</b>  | 514,129   | --               | 544,850   | --               | 6.0%           |
| Average household size   | 2.30      | --               | 2.28      | --               | -0.9%          |
| Average family size  | 3.00      | --               | 3.19      | --               | 6.3%           |
| <b>Social Characteristics</b>  |           |                  |           |                  |                |
| Population 25 years and over   | 363,851   | --               | 405,807   | --               | 11.5%          |
| High school graduate or higher   | 311,725   | 85.7%            | 365,083   | 90.0%            | 17.1%          |
| Bachelor's degree or higher  | 118,698   | 32.6%            | 173,623   | 42.8%            | 46.3%          |
| Civilian veterans (18 years and over)  | 49,757    | 11.9%            | 34,925    | 7.9%             | -29.8%         |
| Speak language other than English at home (population 5 years and over)                            | 84,128    | 16.9%            | 92,483    | 17.7%            | 9.9%           |
| <b>Portland at Work</b>  |           |                  |           |                  |                |
| Management, professional, and related occupations  | 102,760   | 37.2%            | 132,081   | 44.4%            | 28.5%          |
| Service occupations  | 41,444    | 15.0%            | 46,634    | 15.7%            | 12.5%          |
| Sales and office occupations   | 73,250    | 26.5%            | 69,048    | 23.2%            | -5.7%          |
| Farming, fishing, and forestry   | 679       | 0.2%             | 1,443     | 0.5%             | 112.5%         |
| Construction, extraction, and maintenance occupations  | 19,405    | 7.0%             | 13,025    | 4.4%             | -32.9%         |
| Production, transportation, and material moving occupations  | 38,546    | 14.0%            | 33,070    | 11.1%            | -14.2%         |
| Median Household Income (dollars) <sup>2</sup>   | \$40,146  | --               | \$50,203  | --               | 25.1%          |
| Median Family Income (dollars) <sup>2</sup>  | \$50,271  | --               | \$61,557  | --               | 22.5%          |
| <b>Housing in Portland</b>   |           |                  |           |                  |                |
| Total Housing Units  | 237,307   | --               | 258,001   | --               | 8.7%           |
| Owner-occupied housing units   | 124,767   | 55.8%            | 128,432   | 49.8%            | 2.9%           |
| Renter-occupied housing units  | 98,970    | 44.2%            | 110,469   | 42.8%            | 11.6%          |
| Vacant housing units   | 13,570    | 5.7%             | 19,100    | 7.4%             | 40.8%          |
| Median home price <sup>3</sup>   | \$163,400 | --               | \$220,000 | --               | 34.6%          |
| <sup>1</sup> All data is from the US Census Bureau's 2009 American Community Survey, unless noted. |           |                  |           |                  |                |
| <sup>2</sup> Source: US Census Bureau, adjusted for inflation.                                     |           |                  |           |                  |                |
| <sup>3</sup> For the Metro Area. Source: local RMLS, May 2011                                      |           |                  |           |                  |                |

Figure 3: City of Portland Organization Chart



**FORM OF CITY GOVERNMENT**

The City of Portland, incorporated in 1851, is a home rule charter city. The City Charter is the basic law under which the City operates and can be amended only by a vote of the people. In 1913, a modified commission form of government was created, which is rare in cities as large as Portland. The City operates under the provisions of the City Charter and City Code, which are consistent with the Oregon Constitution and state law (the Oregon Revised Statutes). Nonemergency ordinances are passed by a simple majority vote of three of the five Council members.

The Charter provides for five nonpartisan Council members, called Commissioners, including the Mayor. They are elected at-large to four-year terms. The positions are full-time and salaried. The City Auditor is also elected and required by Charter to be a Certified Public Accountant. The Auditor is not part of the Council and has no formal voting authority.

*The Mayor and Commissioners act as legislators and administrators.*

The Mayor is the formal representative of the City and is responsible for assigning each of the Commissioners responsibility for one of five departments: Finance and Administration, Public Affairs, Public Safety, Public Utilities, and Public Works. The Mayor also decides which bureaus the Commissioners will manage. The Mayor can change these assignments at any time. Traditionally, the Mayor has been the Commissioner of Finance and Administration.

The Mayor and Commissioners act as legislators and administrators. Thus, Council members are responsible for both enacting and enforcing City laws, as well as administering bureaus under their supervision.

The Auditor receives and maintains all documents relating to the accounts and contracts of the City, including its debts, revenues, and financial affairs. The position is responsible for conducting financial and performance audits of City bureaus and their functions. In addition, the Auditor's Office serves as the Council Clerk, responsible for the processing and filing of all official Council actions.

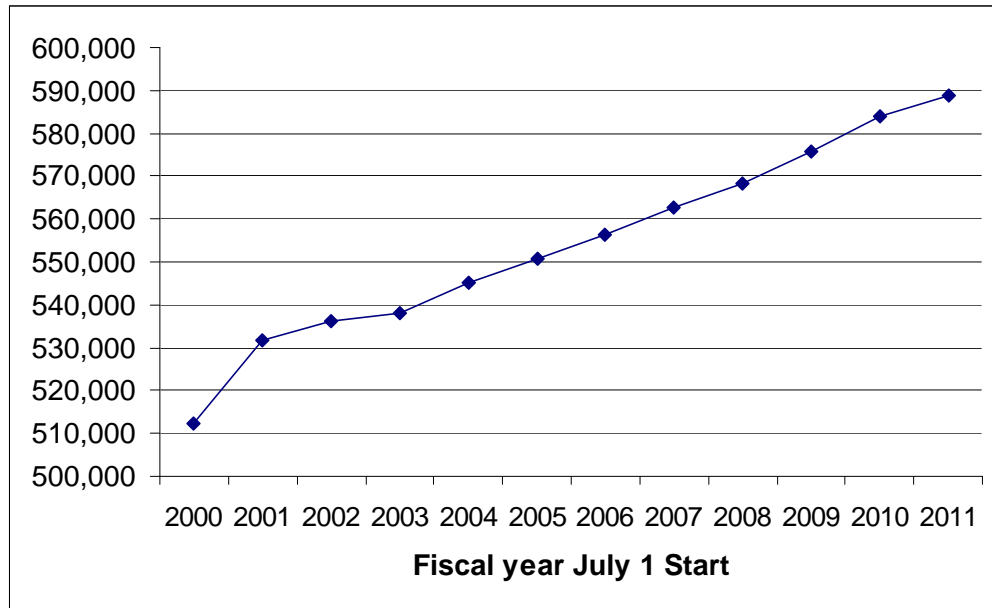
**DEMOGRAPHIC DATA**

**Population**

*Since 2000, Portland's Population has been growing at 1.19% per annum, which is well below the Metro average of 1.28.*

Rapid increases in population can be a negative trend if service demands increase faster than revenue growth. Similarly, declines in population can reduce demand and revenue requiring cuts in expenditures. From July 1, 1999 to July 1, 2010 Portland's population increased by about 74,166. This is overall increase of about 14.6% over eleven years or about 1.1% annually.

**Figure 4: Portland's Population Growth**

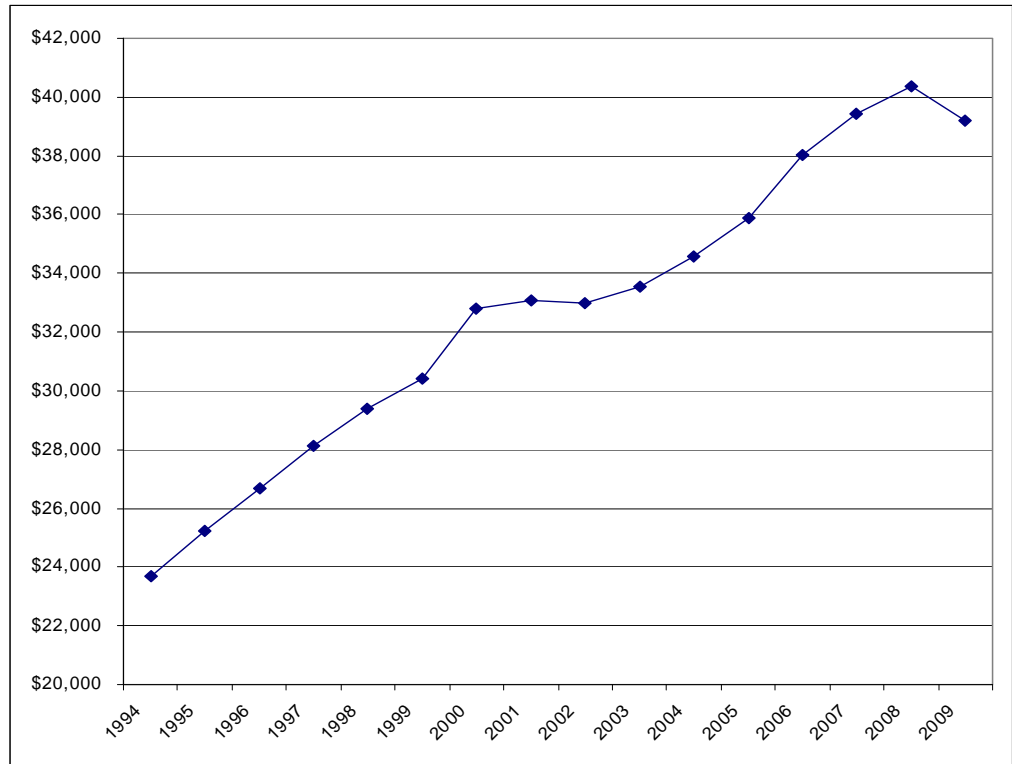


### Per Capita Income

*Portland's 2009 per capita income of \$39,206 is 5.7% higher than the state average.*

Per capita personal income is one measure of a community's ability to pay for government services. Though the data lags somewhat, we are beginning to see the effects of the "Great Recession" on per capita personal income. In 2009, per capita personal income in the Portland-Vancouver-Hillsboro MSA declined for only the second time since records were started in 1969 and by the greatest amount ever, 2.9%. From 1994 to 2008 per capita personal income in the Portland metro area increased by 3.8 percent per year in nominal dollars or by about 1 percent in constant dollars adjusted for inflation.

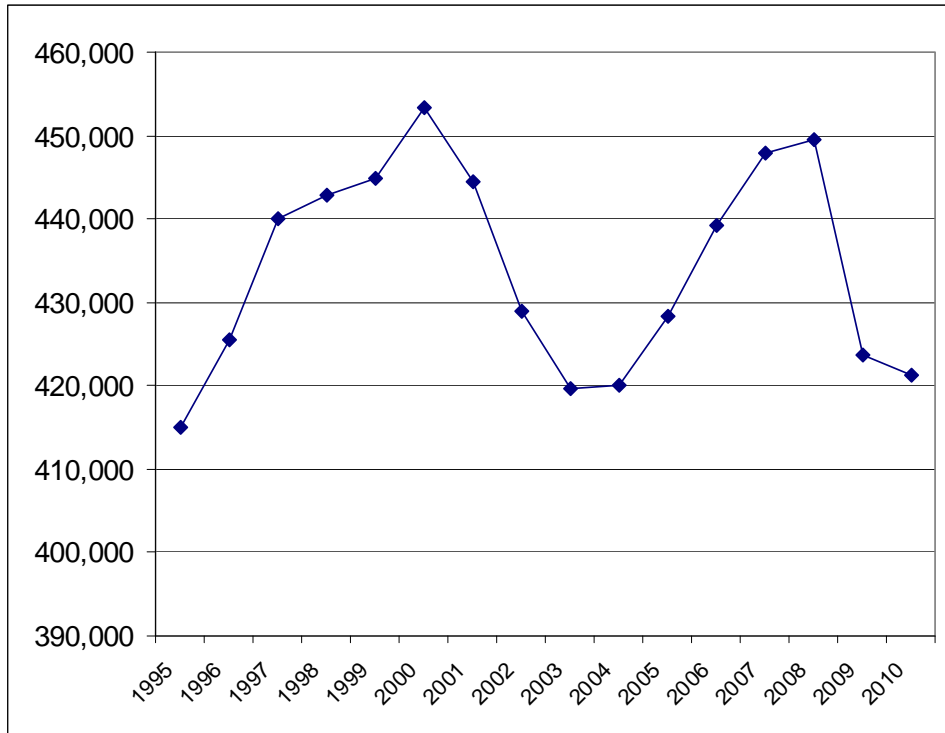
**Figure 5: Portland's Per Capita Income**



**Job Growth**

After gaining almost 77,500 jobs during the 1990's (20.6% growth), Multnomah County lost nearly 32,000 during the 2000s, representing a 7% decline. In fact the economic expansion between 2003 and 2008 failed to return to the peak level of employment achieved in 2000. Year-over-year growth returned in August 2010 and remained through at least April 2011, though at only modest levels.

Figure 6: Multnomah County Employment



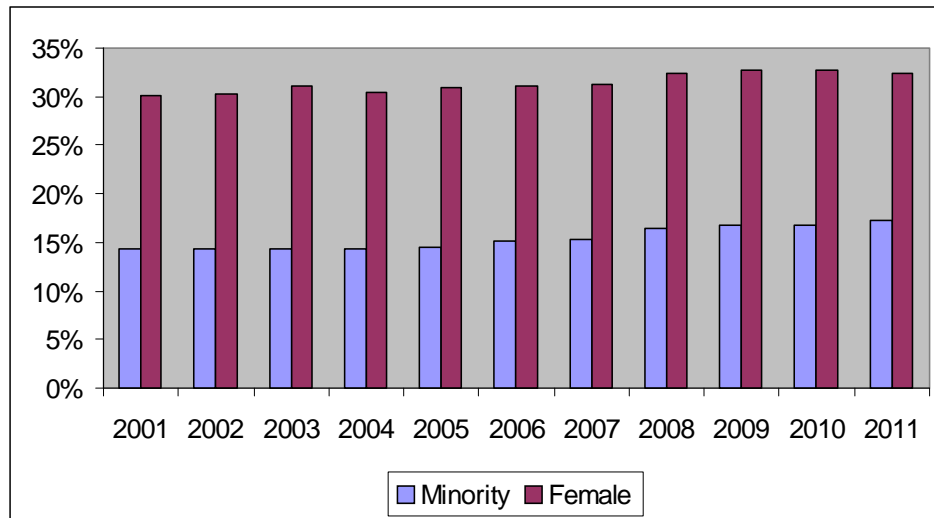
## Workforce Diversity

The Council has directed that all City bureaus develop a workforce reflecting the rich cultural diversity of Portland as a community. The figure below indicates that the percentage of all City employees who are women has roughly stabilized at 32.4% in 2011. The percentage of minority employees hovers at 17.2%.

The table below the figure is current as of March 31, 2011. It shows female and minority employment as a percentage of total employment within City bureaus, with a slight increase in racial diversity being reported in 2011.



**Figure 7: Citywide Workforce Diversity History  
Women and Minorities as a % of City Employees**



Citywide Workforce Diversity by Bureau—2011

| Bureau                                | Female Employees as a Percent of Total | Minority Employees as a Percent of Total | Total Employees |
|---------------------------------------|--|--|-----------------|
| Attorney                              | 67.8%                                  | 13.6%                                    | 59              |
| Auditor                               | 64.0%                                  | 12.0%                                    | 50              |
| Cable                                 | 55.6%                                  | 44.4%                                    | 9               |
| Comm. Of Public Affairs (Saltzman)    | 66.7%                                  | 20.0%                                    | 15              |
| Comm. Of Public Safety (Leonard)      | 33.3%                                  | 16.7%                                    | 6               |
| Comm. Of Public Utilities (Fritz)     | 75.0%                                  | 25.0%                                    | 8               |
| Comm. Of Public Works (Fish)          | 70.0%                                  | 20.0%                                    | 10              |
| Development Services                  | 43.1%                                  | 15.0%                                    | 160             |
| Emergency Communications              | 72.4%                                  | 7.5%                                     | 134             |
| Emergency Management                  | 58.8%                                  | 11.8%                                    | 17              |
| Environmental Services                | 33.0%                                  | 14.7%                                    | 525             |
| Fire & Police Disability & Retirement | 94.1%                                  | 29.4%                                    | 17              |
| Fire & Rescue                         | 10.3%                                  | 18.2%                                    | 760             |
| Government Relations                  | 50.0%                                  | 12.5%                                    | 8               |
| Housing                               | 59.0%                                  | 29.5%                                    | 61              |
| Human Relations                       | 50.0%                                  | 100.0%                                   | 4               |
| Management & Finance                  | 42.1%                                  | 25.8%                                    | 648             |
| Mayor Sam Adam's Office               | 50.0%                                  | 29.2%                                    | 24              |
| Neighborhood Involvement              | 64.9%                                  | 16.2%                                    | 37              |
| Parks and Recreation                  | 37.0%                                  | 15.0%                                    | 419             |
| Planning & Sustainability             | 62.7%                                  | 20.0%                                    | 110             |
| Police                                | 26.4%                                  | 13.4%                                    | 1,205           |
| Transportation                        | 26.2%                                  | 17.5%                                    | 707             |
| Water                                 | 31.6%                                  | 17.6%                                    | 601             |
| <b>City Totals</b>                    | <b>1,813</b>                           | <b>961</b>                               | <b>5,594</b>    |

# Budget Overview

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## A Guide to the Budget Overview

The City of Portland (the City) budget document for FY 2011-12 serves as a fiscal, programmatic, and policy information guide. The document is organized to provide Citywide information at levels of increasing detail.

Within the Budget Overview, the City's budget decisions and financial information are presented from a variety of perspectives. There is special emphasis on the General Fund as it contains the discretionary resources available to the City, resources that can be allocated to any City program. In most instances, dollar amounts in the Budget Overview are shown in comparison with the Revised Budget for FY 2010-11. In the following pages, you will find information on:

- ◆ The total City budget
- ◆ The General Fund budget
- ◆ Highlights of budget decisions
- ◆ Highlights of the Capital Improvement Plan
- ◆ A description of the budget process

Summary financial tables are located in the Financial Overview section of this document.

## Preparing For Financial Challenges

The General Fund financial forecast for FY 2011-12 shows a City that has weathered the worst national recession in decades and is emerging on a path to a stronger, more resilient economy. Job creation is accelerating, business activity is increasing, and exports shipped out of the Port of Portland have already returned to their pre-recession peak. While unemployment is still high, it is trending downward.

The Mayor and Council started preparing early for the recession. In FY 2009-10, they asked bureaus to propose programmatic reductions of up to 5% in anticipation of declining revenues. In FY 2010-11, they asked public safety bureaus to prepare 2% reductions, and non-public safety bureaus to prepare 4% reductions. For this year's budget, they continued to ask for modest program and administrative savings, and asked bureaus to be creative in terms of realignments and efficiencies that could save money without reducing services. The actions in this budget and over the last two years have kept Portland ahead of the recession, and prepared to move into the future.

### Council Vision, Mission, Values, and Goals

#### Vision

We aspire to be a beautiful, safe, and clean city of choice for ourselves and future generations - a city with a healthy and sustainable economy, strong businesses, vital neighborhoods, a diverse population, excellent schools, a vibrant downtown, an honest government that is open and participatory, extensive recreational and cultural opportunities, a healthy environment, and sufficient housing stock to meet our needs.

## Mission

The City of Portland is a responsive and accessible local government that strives to continually identify and seize opportunities to improve the quality of life in our community. We work to support civic excellence and effective, responsive community and intergovernmental partnerships.

We provide urban services to meet the public health and safety, transportation, environmental, recreational, planning, and neighborhood livability needs of our citizens and visitors. We are responsible for providing clean and safe drinking water and for the maintenance of the City's water system. We are responsible stewards of our City's fiscal health and resources. We utilize a diverse, skilled, and dedicated workforce to provide seamless service to our citizens and visitors. We strive for excellence in all we do.

## Values

- ◆ **Commitment** We believe that service to our citizens and customers is our most important job. We will make sure that people can count on us to be responsive to the needs of the community.
- ◆ **Integrity** Whenever we make a decision, provide a service, or interact with citizens and customers, we act with honesty and integrity. People learn from experience that they can continue to trust us. We treat all people equally and equitably.
- ◆ **Partnerships** Our team supports and complements the leadership of our Mayor and City Council. We involve people and key stakeholders because we value their commitment, diversity, and ownership.
- ◆ **Innovation** We apply creative and cost-effective solutions when delivering services to our community with a goal of continuously improving the quality of life.

## Goals

The current goals of the Mayor and the City Council follow. In the coming years, these goals will be updated and realigned to reflect results of the Portland Plan.

### *Ensure a safe and peaceful community:*

- ◆ Protect life
- ◆ Preserve property
- ◆ Promote community responsibility, commitment, and preparedness

### *Promote economic vitality and opportunity:*

- ◆ Support quality education
- ◆ Provide high quality, reasonably priced public utility services
- ◆ Create an attractive location for businesses and jobs

### *Improve the quality of life in neighborhoods:*

- ◆ Ensure growth and development are well managed
- ◆ Provide access to transportation and recreation services
- ◆ Provide affordable housing and reduce neighborhood nuisances

# Budget Overview

## Overviews

### *Protect and enhance the natural and built environment:*

- ◆ Protect the city's land, water, air, and open spaces
- ◆ Provide safe drinking and waste water services
- ◆ Protect endangered species

### *Operate and maintain an effective and safe transportation system:*

- ◆ Provide multi-modal transportation choices
- ◆ Maintain and improve street conditions
- ◆ Support economic development and neighborhood livability

### *Deliver efficient, effective, and accountable municipal services:*

- ◆ Deliver responsive, competitive government services
- ◆ Maintain healthy City financial condition
- ◆ Manage government to achieve goals

## Budget Preparation Process and Direction

In building the budget, the Mayor outlined five key goals:

6. Return the City to full prosperity and invest in a stronger, more resilient City.
7. Help those hit hardest by the recession and provide support to the most vulnerable in our community.
8. Protect public safety services.
9. Increase the City's focus on equity to ensure that every Portlander has access to the most equal of opportunities.
10. Identify neighborhood nuisances and ensure more responsive City services.

Please see the Mayor's message for more detail on these goals and how they were achieved in the FY 2011-12 budget.

## Budget Summary

### Total City Budget

*The total City budget is down by \$84.9 million from the FY 2010-11 Revised Budget.*

### Total Legal Budget

State of Oregon Local Budget Law requires the City to report its total legal budget. This is defined to include total operating costs and the internal transactions between funds. The total Adopted Budget for FY 2011-12 is \$3.56 billion, which reflects a \$84.9 million (2.3%) decrease from the FY 2010-11 Revised Budget. As shown in Figure 1 below, the decreases are in bureau expenses, debt service, and cash transfers, offset somewhat by increases in contingency and ending balance.

### Total Net Budget

Although state budget law requires that all expenditures within and between funds are documented in the legal budget, this overstates actual expenditures for programs because it double counts internal transactions (internal materials and services and fund-level cash transfers). Such transactions occur between City funds, when one City agency provides services to another. Because this technically inflates the budget, the City usually references a net budget.

*The net City Budget is \$2.7 million more than the FY 2010-11 Revised Budget.*

After eliminating the intracity transfers, the City's net budget in FY 2011-12 is \$2.78 billion. Table 1 of the Financial Summaries provides greater detail of the total and net City budget figures. A summary is shown below.

Figure 8: Requirements by Major Object Category

| Major Object Category             | Revised<br>FY 2010-11   | Adopted<br>FY 2011-12   | Dollar<br>Change     | Percent<br>Change |
|-----------------------------------|-------------------------|-------------------------|----------------------|-------------------|
| Personal Services                 | \$ 577,551,360          | \$ 598,405,086          | \$ 20,853,726        | 3.6%              |
| External Materials & Services     | 720,434,585             | 643,486,204             | (76,948,381)         | -10.7%            |
| Internal Materials & Services     | 189,329,929             | 189,326,907             | (3,022)              | 0.0%              |
| Capital Outlay                    | 372,818,374             | 305,092,120             | (67,726,254)         | -18.2%            |
| <b>Total City Bureau Expenses</b> | <b>1,860,134,248</b>    | <b>1,736,310,317</b>    | <b>(123,823,931)</b> | <b>-6.7%</b>      |
| Contingency                       | 500,947,364             | 608,315,179             | 107,367,815          | 21.4%             |
| Ending Fund Balance               | 155,560,015             | 217,123,416             | 61,563,401           | 39.6%             |
| Debt Service                      | 451,881,829             | 409,445,145             | (42,436,684)         | -9.4%             |
| Cash Transfers                    | 680,722,478             | 593,154,065             | (87,568,413)         | -12.9%            |
| <b>Total City Budget</b>          | <b>3,649,245,934</b>    | <b>3,564,348,122</b>    | <b>(84,897,812)</b>  | <b>-2.3%</b>      |
| Less Intracity Transfers          | (870,052,407)           | (782,480,972)           | 87,571,435           | -10.1%            |
| <b>Total Net City Expenses</b>    | <b>\$ 2,779,193,527</b> | <b>\$ 2,781,867,150</b> | <b>\$ 2,673,623</b>  | <b>0.1%</b>       |

Resources for the net City budget are summarized in the figure below.

Figure 9: Resources by Major Object Category

| Major Object Category        | Revised<br>FY 2010-11   | Adopted<br>FY 2011-12   | Dollar<br>Change    | Percent<br>Change |
|------------------------------|-------------------------|-------------------------|---------------------|-------------------|
| Beginning Fund Balance       | \$ 628,379,953          | \$ 734,526,424          | \$ 106,146,471      | 16.9%             |
| Taxes                        | 447,566,283             | 452,073,547             | 4,507,264           | 1.0%              |
| Licenses & Permits           | 143,418,134             | 154,333,950             | 10,915,816          | 7.6%              |
| Service Charges & Fees       | 496,912,940             | 522,298,691             | 25,385,751          | 5.1%              |
| Intergovernmental            | 360,857,100             | 277,016,033             | (83,841,067)        | -23.2%            |
| Miscellaneous Sources        | 42,574,132              | 65,099,604              | 22,525,472          | 52.9%             |
| Bond & Note Proceeds         | 659,484,985             | 576,518,901             | (82,966,084)        | -12.6%            |
| Intracity Transfers          | 870,052,407             | 782,480,972             | (87,571,435)        | -10.1%            |
| <b>Total City Budget</b>     | <b>3,649,245,934</b>    | <b>3,564,348,122</b>    | <b>(84,897,812)</b> | <b>-2.3%</b>      |
| Less Intracity Transfers     | (870,052,407)           | (782,480,972)           | 87,571,435          | -10.1%            |
| <b>Total Net City Budget</b> | <b>\$ 2,779,193,527</b> | <b>\$ 2,781,867,150</b> | <b>\$ 2,673,623</b> | <b>0.1%</b>       |

### Major Resources

The largest resource categories in the net City budget are beginning balance, taxes, service charges and fees, intergovernmental revenues, and bond and note proceeds.

Beginning fund balance is increasing by \$106.1 million (16.9%).

Tax revenues are increasing by \$4.5 million (1.0%).

Service charges and fees are up \$25.4 million (5.1%). The FY 2011-12 average effective sewer and stormwater bill increase is 6.0%, and the average effective water rate increase is 12.9%.

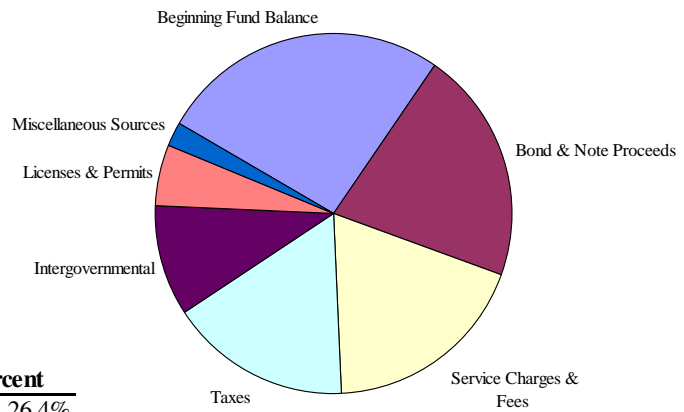
Intergovernmental revenues are decreasing by \$83.8 million (23.2%).

Bond and note proceeds are decreasing by \$83.0 million (12.6%).

# Budget Overview

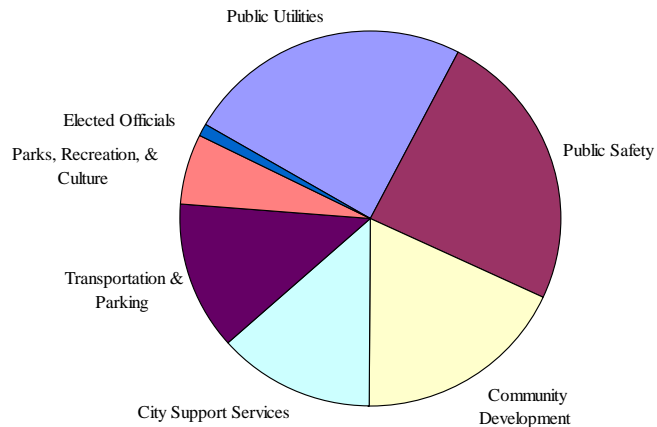
## Overviews

**Figure 10: City Net Budget—Resources**



| Resource                | Budget                  | Percent       |
|-------------------------|-------------------------|---------------|
| Beginning Fund Balance  | \$ 734,526,424          | 26.4%         |
| Bond & Note Proceeds    | 576,518,901             | 20.7%         |
| Service Charges & Fees  | 522,298,691             | 18.8%         |
| Taxes                   | 452,073,547             | 16.3%         |
| Intergovernmental       | 277,016,033             | 10.0%         |
| Licenses & Permits      | 154,333,950             | 5.5%          |
| Miscellaneous Sources   | 65,099,604              | 2.3%          |
| <b>Total Net Budget</b> | <b>\$ 2,781,867,150</b> | <b>100.0%</b> |

**Figure 11: Total City Bureau Expenses—Requirements by Service Area**



| Service Area                      | Budget                  | Percent       |
|-----------------------------------|-------------------------|---------------|
| Public Utilities                  | \$ 425,641,159          | 24.5%         |
| Public Safety                     | 417,789,824             | 24.1%         |
| Community Development             | 312,458,319             | 18.0%         |
| City Support Services             | 233,936,266             | 13.5%         |
| Transportation & Parking          | 219,172,410             | 12.6%         |
| Parks, Recreation, & Culture      | 109,810,998             | 6.3%          |
| Elected Officials                 | 17,501,341              | 1.0%          |
| <b>Total City Bureau Expenses</b> | <b>\$ 1,736,310,317</b> | <b>100.0%</b> |

**General Fund Budget** General Fund resources are categorized as either discretionary or nondiscretionary. Discretionary resources are those that the City Council can allocate to programs and services in any area. In other words, these resources have few restrictions on how they can be allocated. General Fund discretionary resources are typically used to support such basic City services as police, fire, and parks.

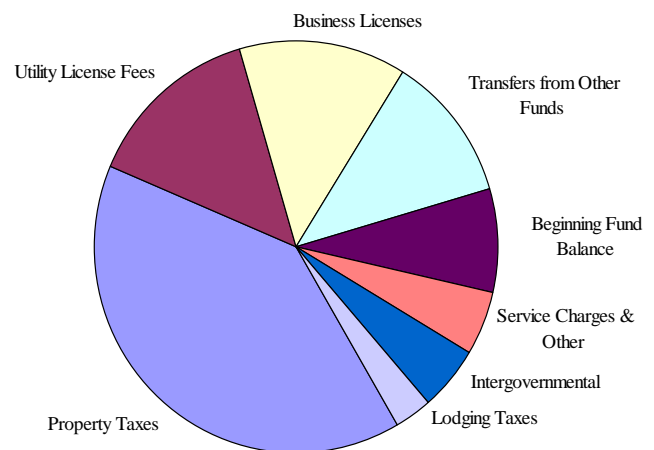
*Discretionary resources total \$408.6 million, 81.8% of the General Fund.*

Discretionary resources include property taxes, utility license fees, business license fees, transient lodging taxes, state shared revenues (from cigarette taxes and liquor sales), interest income, miscellaneous revenues, and cash transfers into the General Fund. Nondiscretionary resources include grants, contract revenues, service reimbursements, and other revenues specifically dedicated to a particular purpose.

All General Fund resources are also categorized as either one-time or ongoing. An example of a one-time resource is an increase in beginning fund balance. While available in the specific year, it is not a resource that can be relied on in future years. An example of an ongoing resource is an increase in property tax revenues that would be sustained over time. The City budget uses a combination of one-time and ongoing resources to fund programs and services. City financial policies state that one-time resources may not be used to fund ongoing expenses.

The following charts summarize the City's General Fund budget. General Fund resources are discussed in detail in the Financial Overview, and Table 9 in the Financial Summaries section shows General Fund discretionary and total resources as well as General Fund bureau appropriations backed by discretionary revenue.

**Figure 12: General Fund—Resources by Major Category**

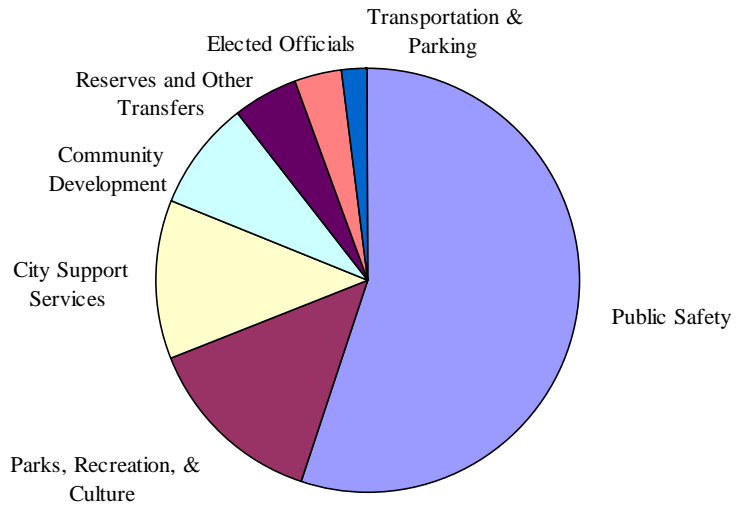


| Resource                         | Budget                | Percent       |
|----------------------------------|-----------------------|---------------|
| Property Taxes                   | \$ 198,009,386        | 39.6%         |
| Utility License Fees             | 70,813,350            | 14.2%         |
| Business Licenses                | 67,386,974            | 13.5%         |
| Transfers from Other Funds       | 58,741,237            | 11.8%         |
| Beginning Fund Balance           | 39,382,981            | 7.9%          |
| Service Charges & Other          | 25,537,604            | 5.1%          |
| Intergovernmental                | 24,705,316            | 4.9%          |
| Lodging Taxes                    | 15,248,600            | 3.1%          |
| <b>Total General Fund Budget</b> | <b>\$ 499,825,448</b> | <b>100.0%</b> |

# Budget Overview

## Overviews

Figure 13: General Fund—Requirements by Service Area



| Service Area                     | Budget                | Percent       |
|----------------------------------|-----------------------|---------------|
| Public Safety                    | \$ 274,766,508        | 55.0%         |
| Parks, Recreation, & Culture     | 69,524,856            | 13.9%         |
| City Support Services            | 60,938,543            | 12.2%         |
| Community Development            | 41,239,887            | 8.3%          |
| Reserves and Other Transfers     | 26,150,055            | 5.2%          |
| Elected Officials                | 17,501,341            | 3.5%          |
| Transportation & Parking         | 9,704,258             | 1.9%          |
| <b>Total General Fund Budget</b> | <b>\$ 499,825,448</b> | <b>100.0%</b> |

## Capital Improvement Plan

### Overview

The FY 2011-12 Proposed Capital Improvement Plan (CIP) budget totals \$399.9 million, not including the Portland Development Commission. The Citywide CIP for FY 2011-12 through FY 2015-16 is projected to be \$1.7 billion.

### FY 2011-12 Highlights

#### *Public Safety*

- ◆ Fire & Rescue Facilities GO Bond Program \$3,142,141
- ◆ Public Safety Systems Revitalization Project \$13,705,991
- ◆ Fire Apparatus Replacement \$2,724,000
- ◆ Emergency Coordination Center \$5,305,229

#### *Parks, Recreation, and Culture*

- ◆ Heron Lakes Clubhouse \$4,700,000
- ◆ River District Neighborhood Park \$4,000,000
- ◆ Dawson Park Improvements \$500,000

#### *Public Utilities*

- ◆ Water Treatment \$19,500,000
- ◆ Terminal Reservoirs \$43,300,000



|   |              |
|---|--------------|
| ◆ Distribution Mains                              | \$14,945,000 |
| ◆ Regulatory Compliance                           | \$16,500,000 |
| ◆ Combined Sewer Overflow Program                 | \$26,470,000 |
| ◆ Sewer Maintenance and Reliability               | \$29,661,000 |
| ◆ Surface Water Management                        | \$24,499,000 |
| <i>Transportation</i>                             |              |
| ◆ Paving Preservation                             | \$2,800,000  |
| ◆ Streetcar Eastside Extension & Vehicle Purchase | \$21,669,826 |
| ◆ Moody Parkway                                   | \$20,899,111 |
| ◆ Red Electric Trail                              | \$389,413    |
| <i>City Support Services</i>                      |              |
| ◆ New Archives Center                             | \$900,000    |
| ◆ CityFleet Replacement                           | \$7,304,540  |

## The Budget Process

### Local Budget Law

Local government budgeting in Oregon is governed by Local Budget Law, Chapter 294 of the Oregon Revised Statutes. The law has two major objectives:

- ◆ Provide standard procedures for preparing, presenting, and administering local budgets
- ◆ Ensure citizen involvement in the preparation of the budget

Budgeting in Oregon is an effort shared by citizens and elected and appointed officials. Citizens involved in the budget process work to ensure the services they require and want are adequately funded. City officials are responsible for building a budget that reflects the public interest and is structurally correct.

The Tax Supervising and Conservation Commission (TSCC), a five-member citizen board appointed by the Governor, reviews the budgets of all governmental jurisdictions in Multnomah County. The TSCC, together with the State Department of Revenue, is responsible for ensuring the City budget complies with Local Budget Law.

### Budget Officer and Budget Committee

To give the public ample opportunity to participate in the budget process, Local Budget Law requires that a Budget Officer be appointed and a Budget Committee formed. The Budget Officer prepares the Proposed Budget under direction of the Mayor. The Budget Committee then reviews and revises the Proposed Budget before it is formally adopted by the governing body. For the City, the Budget Officer is the Chief Administrative Officer, and the Budget Committee consists of the members of the City Council.

Notices are published, budgets are made available for public review, and opportunities for public comment are provided. These actions encourage public participation in the budget decision-making process and give public exposure to budgeted programs and fiscal policies prior to adoption.

# Budget Overview

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## Overviews

### Preparing the Proposed Budget

Acting as the Budget Officer, the Chief Administrative Officer is responsible for overseeing the preparation of the Mayor's Proposed Budget for presentation to the City Council, sitting as the Budget Committee. The Proposed Budget is the culmination of an extensive process of budget development, analysis, and revision. Bureaus prepare Requested Budgets in accordance with direction given by the Mayor. These are submitted to the Bureau of Financial Services, Financial Planning Division, which then analyzes the requests.

### Public Involvement Process

The City engages in a proactive public outreach effort as part of the budget process. In the past, the City has utilized a variety of methods to solicit budget input, including telephone and mass mailed surveys, community forums, and a community budget web site.

In order to ensure that all stakeholders were involved in the budget development process, the Mayor directed bureaus to continue with the Budget Advisory Committee (BAC) process that included management, labor, customers, and internal and external experts. These committees reviewed the bureau's draft budget request, weighed in on the program and service rankings, and provided input on proposed reductions.

This year, the City held two community forums, where specific input was gathered from Portland residents. The feedback Portlanders provided helped Council prioritize services and focus on specific areas for improvement as well as areas that could be cut. The City also conducted an extensive public information and survey process in order to statistically validate the input that was received at the community forums and to gauge public opinion on some high profile policy issues. Small groups, such as neighborhood coalitions and advocacy groups, were also given an opportunity to host Budget 101 sessions with their members, where members could both learn more about the city budgeting process as well as provide feedback and input about City programs. A public hearing was also held on May 19th to gather citizen input on the Proposed Budget.

Finally, the Mayor added a new component to public outreach this year, directing staff to create a survey asking Portlanders to report specific nuisances, irritations, or infrastructure issues in their neighborhoods and throughout the City. More than 5,000 responded. This budget uses one-time resources to fund some of these high priority annoyances, and City bureaus have been directed to address the most critical needs.

### Budget Web Site

The City maintains a community-oriented web site that includes a community budget web page: [www.portlandonline.com/communitybudget](http://www.portlandonline.com/communitybudget). At the web site, the public can submit questions about the budget and offer budget suggestions. During the budget decision-making process, electronic testimony is accepted from the web site. The web site also contains bureaus' Requested Budgets, financial analyses of the requests, current and historical budget documents, and other financial reports.

### **Portland Utility Review Board (PURB)**

PURB is an appointed body of nine community members who provide independent and representative review of water, sewer, stormwater, and solid waste financial plans, budgets, and rates. PURB operates in an advisory capacity to the City Council. Council expects the PURB to provide common ground between the rate makers and the ratepayers through analysis of financial plans and budgets. The board meets monthly to ensure a comprehensive understanding and assessment of the workings of the City's utilities.

### **Direct Public Testimony**

Community members may directly contact the Mayor and Commissioners with input for the budget. In addition to participating in the budget advisory committees, the PURB, and community budget forums described above, community members also have several opportunities to personally testify on bureau budget requests:

- ◆ Annual Budget Hearings - the City Council, sitting as the Budget Committee, holds one or more public hearings before the budget is approved. The public may testify on any budget topic during these hearings or submit online testimony. The teams of Commissioners and Community Budget Advisors also took public comments at their meetings, and the City held two budget forums, where participants' comments were transcribed and forwarded to Council.
- ◆ Tax Supervising and Conservation Commission Hearing - public testimony is taken during the TSCC hearing on the City's Approved Budget.
- ◆ Adopted Budget Hearing - testimony is taken at the City Council session for the final adoption of the budget.

Each year, the Office of the City Auditor issues a report identifying workload and performance trends for each of the City's public services. Part of the report, entitled Service Efforts and Accomplishments ([www.portlandonline.com/auditor](http://www.portlandonline.com/auditor)), is a nationally-recognized public opinion survey for the City overall and for each of the covered service areas. This report represents another form of public input used by the Council during the budget process.

### **Approving the Budget**

In accordance with Local Budget Law, the City Council will convene as the Budget Committee to consider the Proposed Budget. The public is encouraged to attend and provide testimony on the Proposed Budget. Announcements advertising the Budget Committee meeting are printed in local newspapers prior to the meeting. The timing and frequency of the public notices are governed by Local Budget Law.

### **Public Process**

The Budget Committee meets to accomplish four actions:

- ◆ Receive the budget message and budget document
- ◆ Hear and consider public testimony
- ◆ Review and approve a balanced budget
- ◆ Approve the rate for property taxes

The Budget Officer may provide a copy of the Proposed Budget to each member of the Budget Committee at any time prior to the first Budget Committee meeting. The budget becomes a public record at this point.

At the first Budget Committee meeting, the Mayor delivers the budget message, explaining the Proposed Budget and significant changes in the City's financial position. After the initial meeting, the Budget Committee may meet as many times as needed to revise and approve the budget. If two or more meetings are held to take comment from the public, the first meeting must meet Local Budget Law publication requirements. Notice of other meetings of the Budget Committee must be provided as required by Oregon public meeting law. All meetings are open to the public.

### **Output from the Approved Budget Process**

The Financial Planning Division summarizes the changes from the Mayor's Proposed Budget to the Approved Budget. This information and copies of the Proposed Budget are sent to TSCC for review and analysis.

### **Tax Supervising & Conservation Commission Hearing**

TSCC is responsible for reviewing, holding hearings, and producing a report on the budgets of every jurisdiction in Multnomah County. They hold a required public hearing, with Council in attendance, on the Approved Budget. The outcome of this hearing is a letter certifying that the budget is in compliance with Local Budget Law. The letter may contain recommendations and/or objections. The City is responsible for addressing any objections or recommendations.

### **Adopting the Budget**

City Council will vote to officially adopt the budget before the start of the new fiscal year. Changes that are allowed between the time the budget is approved and final adoption are defined by Local Budget Law and are limited. Changes normally include technical adjustments and carryover amendments.

### **Amending the Budget**

Changes after budget adoption are completed through the budget monitoring process (BMP), which also includes a supplemental budget. In a BMP, bureaus can request to transfer appropriation. In supplemental budgets, bureaus may ask to increase appropriation. The BMP and supplemental budgets provide Council the opportunity to change the budget three times a year.

### **Budget Calendar**

Below is a summary of the FY 2011-12 budget calendar, adopted in fall 2010.

**Figure 14: FY 2011–12 Budget Schedule**

|   |               |
|---|---------------|
| Budget kickoff  | November 17   |
| Presentation of General Fund financial forecast to Council  | December 8    |
| Bureaus submit Requested Budgets, capital improvement plans, and if required, five-year financial plans | January 31    |
| Financial Planning analysis of five-year plans, CIPs, and Requested Budget due                          | March 7       |
| Bureaus present Requested Budgets to City Council   | Mar 14-Apr 12 |
| Mayor releases Proposed Budget decisions  | April 29      |
| Proposed Budget document available  | May 17        |
| Budget Committee meetings on the Proposed Budget  | May 18-19     |
| Utility Rate Review (two hearings)  | May 18 & 25   |
| Budget Committee action to approve budget   | May 25        |
| Tax Supervising & Conservation Commission hearing on Approved Budget                                    | June 15       |
| Council action to adopt budget  | June 16       |

# Financial Overview

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## City Financial Planning Process

The first step in the budget process involves preparing updated five-year financial forecasts for each major fund. In addition to the General Fund, specific forecasts are prepared for other major City funds, including Transportation, Environment Services, Development Services, and Water.

These forecasts, which project resources and expenditure requirements over a five-year period, identify long-term service and financial issues requiring attention during the budget process. The forecasts aid Council by placing decisions in a long range financial context for purposes of developing budgets that are balanced for the coming year and subsequent out-years of the five-year financial forecast horizon. Council reviews these plans during work sessions early in the budget process. At that time, bureau managers are given direction on identified issues that provides guidance for preparing and finalizing budgets.

A summary of these financial forecasts is included in this section. Due to its significance to the City's annual budget, the General Fund five-year financial forecast is described in greater detail.

## General Fund Financial Forecast

### Overview

Financial Planning regularly generates five-year estimates of General Fund discretionary resources and requirements for Council. Discretionary resources include revenues plus beginning balance that are allocated by Council without restriction. Discretionary resources include property taxes, utility license fees, business license taxes, lodging tax revenues, state shared (cigarette and liquor) revenues, some interest income, some court fines, some cash transfers into the General Fund, and small amounts of other miscellaneous revenues. Discretionary resources exclude grants, bureau contract and service reimbursement revenues, bureau fee revenue, bureau overhead recovery, and other revenues dedicated for a specific purpose.

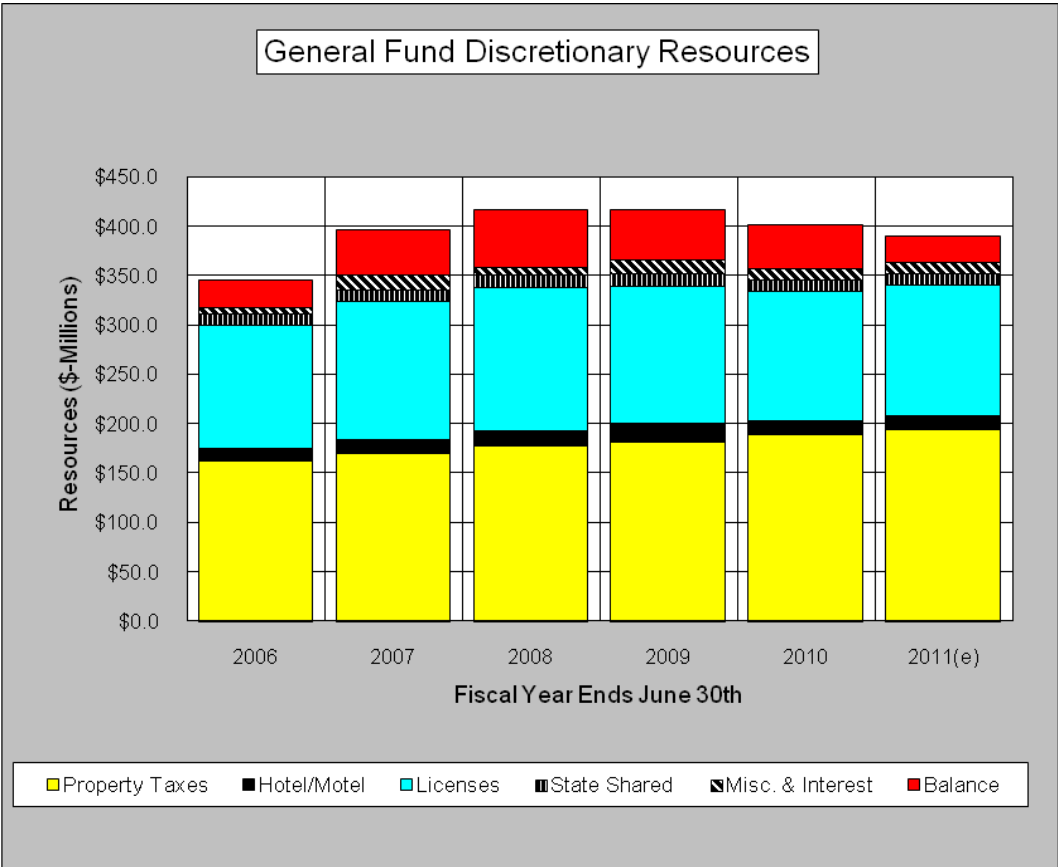
The Council's financial planning process starts with the preparation of a five-year revenue forecast. The five-year revenue forecast is used to develop the five-year financial forecast. The financial forecast compares estimated annual resources (revenue plus beginning fund balance) with projected costs of maintaining General Fund "current appropriation levels" (CAL). Initial revenue and financial forecasts were published in December 2010 and formally reviewed with Council. Both of these forecasts are typically updated prior to the Council's approval of an Adopted Budget. The original December financial forecast has since been updated once:

- ◆ Both the revenue and financial forecasts were updated in late April. The revenue forecast was updated using the most recent financial and economic data. The discretionary beginning balance estimate, a key resource of the General Fund, is updated each quarter and published in the Quarterly General Fund Budget and Economic Tracking Report. This report is electronically distributed within the City and to numerous outside recipients. The report provides current information on the General Fund's financial condition with the updated ending fund balance estimate fed into the financial forecast of General Fund resources. The most recent beginning balance estimate reflects financial information available to OMF through March 31, 2011.

Historical Resources

The figure below summarizes General Fund revenue growth over the past five years.

Figure 15: General Fund Discretionary Resources



## Financial Overview

### Overviews

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In spite of the recent downturn, revenue growth over the past five years has averaged about 2.7% per year. The General Fund's beginning fund balance has averaged about \$42.4 million. Prior to FY 2009-10, beginning balances were higher than normal due to under-expenditure of budgets and higher revenues than forecasted. Overall resource growth (revenues plus beginning fund balance) has declined to about 2.4% per year reflecting a strong downturn in both the national and regional economies. The graph clearly shows the strong revenue growth over the period FY 2005-06 to FY 2007-08, followed by flat growth in FY 2008-09, and subsequent declines experienced over the last two years. General Fund discretionary revenue growth for the three-year period ending FY 2007-08 was about 6.3% per year. This was well above what could be considered "trend" growth in the 3% to 4% range. This financial environment, along with only modest inflation will allow the General Fund to modestly expand current appropriation levels and programs.

General Fund business license revenue growth averaged about 7.6% over the five-years ending FY 2008-09. Business license revenues declined in FY 2008-09 to about \$68.8 million from a peak of \$76.5 million realized in FY 2007-08. Business license revenue further declined in FY 2009-10 to \$59.8 million, representing a 21.8% decline since FY 2007-08. These revenues appear to be rebounding slightly in FY 2010-11, as record levels of corporate profits increase tax liabilities.

Utility license and franchise fees have grown steadily, but more slowly, averaging about 2.1% per year over the last five years. Growth has been weaker in this area due in part to the continuing decline in Qwest's franchise fee revenues and Council's action capping the Water Bureau's and Bureau of Environmental Services (BES) utility license fee revenues at FY 2004-05 levels. Qwest's franchise fee revenues are in a long slow decline as wireless and other telecom technologies displace traditional landline telecom technology. Traditional investor-owned electric utility franchise fees have also been growing very slowly. Recession and past electric rate increases have combined to depress energy consumption and revenue growth. NW Natural implemented a large rate and revenue decrease in November 2009. Meanwhile, PGE and PacifiCorp had rate cases before the Oregon Public Utilities Commission (OPUC) that resulted in substantial rate increases of 3.9% and 14.5%, respectively.

Transient lodging tax revenues are similar to business license revenues in that they follow the business cycle. Transient lodging tax revenues peaked at \$19.6 million during FY 2008-09, but this number is the result of an accounting adjustment to revenue recognition that shifts fiscal year revenues to the twelve month period September through August. Netting out this accounting adjustment for FY 2008-09 puts actual revenues at an estimated \$15.3 million, down 6.7% from FY 2007-08's \$16.4 million. These revenues fell further in FY 2009-10 to \$14.2 million, but are expected to slightly increase in FY 2010-11.

State-shared cigarette and liquor tax revenues grew at a 1.1% rate over the last five years, with most of this growth occurring by the end of FY 2008-09. Miscellaneous revenues and interest income stagnated for most of the last five years due, in large part, to a much lower interest rate environment. The low interest rate environment has sharply cut General Fund interest income revenue, and this revenue is expected to continue to decline over the next 12 to 18 months.



**Forecast Assumption    Slow Economic Recovery**

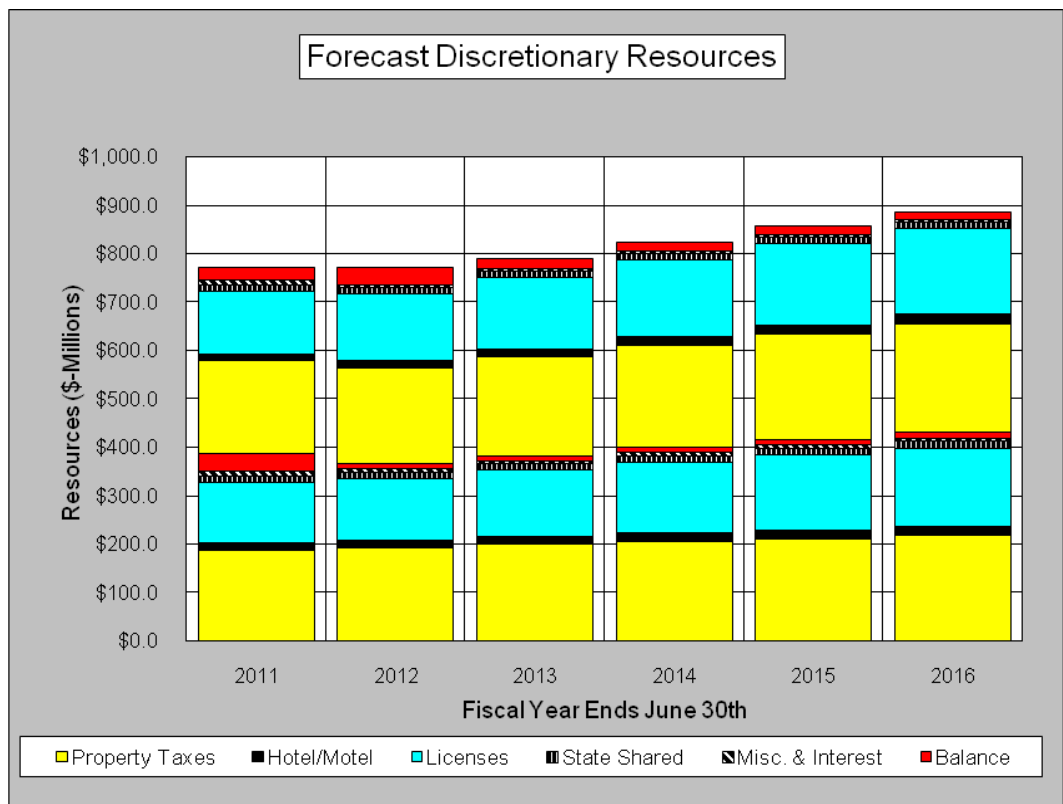
In spite of some recent better economic news, the hangover from the most recent recession persists. Employment growth has been extremely limited, as companies have been willing to eliminate furloughs and increase hours, but have not been willing to bring on new employees in large numbers. Though broad economic measures suggest significant positive momentum, it is important to recognize we are, in many cases, simply bouncing off of historic lows and have a long way to recover to the previous peak. This is particularly the case with the real estate industry, as new lows for housing prices are still being reached, even as permitting activity begins to resume again. The unemployment rate reached a post-recession low in April 2011. The non-seasonally adjusted rate of 8.3% represented a decrease of 1.6 percentage points from the prior April.

Specific revenue projections as of the April forecast are as follows:

- ◆ Transient Lodging Taxes - The transient lodging revenue forecast calls for FY 2011-12 revenues of about \$15.2 million versus an expected FY 2010-11 year-end of about \$14 to \$14.5 million and a current year FY 2009-10 budget of \$14.5 million. Revenues are forecast to grow strongly during the next two years of the five year forecast horizon.
- ◆ Utility License and Franchise Fees - The April forecast projects very modest energy-related revenue increases. Revenues are projected to continue to grow slowly but consistently over the life of the forecast. NW Natural implemented a large rate and revenue decrease in November of 2009. The price of natural gas has stayed at very low levels for the last couple of years, as new supplies continue to put downward pressure on prices. Water and BES license fees are expected to resume growth in the out-years of the forecast after having been capped for the last five years. Cable and telecom franchise and utility license revenues are expected to grow briskly over the five years while Qwest land line related revenues will continue to decline. Overall revenues are projected to grow at 3.2% per year.
- ◆ Property Taxes - Property taxes are expected to grow by about 2.8% annually over the life of the forecast. Revenue growth remains constrained by Measure 50 constitutional mechanics. Among the modest changes in April was a slightly lower property tax forecast, as conditions in the housing market have worsened since December. While General Fund property taxes are generally insulated from market conditions because of voter-approved Measures 5 and 50, changes to the real market values of properties will have an impact at the margins. The result is lower near-term growth in property tax collections.
- ◆ Business License - Revenues peaked at \$76.5 million (inclusive of audit recovery) in FY 2007-08 and then declined to \$68.8 million in FY 2008-09 and \$59.8 million in FY 2009-10. Revenue Bureau staff currently estimates an FY 2010-11 year-end of between \$63 and \$64 million. The forecast for FY 2011-12 has been set at \$67.4 million indicating the expectation of continued growth broadening to smaller firms, in addition to record corporate profits seen with larger companies. Revenues are forecast to grow moderately from this bottom but do not reach the previous cycle's peak until FY 2013-14.

Figure 2 summarizes the current five-year revenue forecast (as of April). Average annual revenue growth is projected at about 4%, but all of the revenue growth occurs in the out-years of the forecast. The critical resource forecast assumption is growth slightly accelerating during FY 2011-12 along with some much needed stabilization of the local housing market by the summer of 2012.

**Figure 16: Forecast General Fund Discretionary Resources**



### December and March Financial Forecast Results

At this point both the state and regional economies are experiencing a modest and protracted economic recovery following the most severe recession in nearly 80 years. When viewed in terms of cyclical revenue impacts (business license and transient lodging tax revenues), this past recession was deeper than the recession of the early 1980s and has already exceeded the length of all post World War II recessions. As noted above, Oregon and metro area unemployment rates remain stubbornly high.

This environment translated initially into a December resource forecast for FY 2011-12 of about \$397.6 million. The December financial forecast showed that sufficient resources would be available in FY 2010-11 and beyond to fund estimated General Fund CAL requirements of \$376 million leaving Council about \$21.6 for one-time projects, additional ongoing spending and future budgets. The increased resources were almost entirely the result of the City realizing a \$16.8 million accrual adjustment, as well as \$3.9 million carried forward by Council from the FY 2009-10 ending balance.

The December financial forecast was updated in late April using more recent current year revenue and expenditure information. The April revenue forecast update increased estimated revenues slightly but these revenues were more than offset by increases in expenses associated with newly agreed to labor contracts. The result was that the City needed to make \$1.5 million in ongoing spending cuts in order to meet current service levels over the five-year forecast horizon. The beginning balance estimate was increased from \$30.1 million to \$36.3 million, largely due to a change to the FY 2009-10 ending balance compared to what was estimated in early December. Though changes from December to April were largely modest in nature, the most significant revenue adjustments were lower near-term property taxes and higher lodging taxes throughout the forecast.

The table below summarizes April financial forecast results showing that \$1.5 million in ongoing CAL reductions were necessary to balance the General Fund over the life of the financial forecast. In addition, an estimated \$17.4 million in new one-time resources were available to the budget process. It is important to note that these results assumed that \$10 million is held in reserve for future spending.

**Figure 17: Five-Year Financial Plan**

| <b>Fiscal Year</b>                                      |                |                |                |                |                |
|---|----------------|----------------|----------------|----------------|----------------|
| <b>Budget Category</b>                                  | <b>2011-12</b> | <b>2012-13</b> | <b>2013-14</b> | <b>2014-15</b> | <b>2015-16</b> |
| <b>Total Resources</b>                                  | <b>\$405.6</b> | <b>\$408.3</b> | <b>\$423.9</b> | <b>\$439.7</b> | <b>\$454.2</b> |
| Necessary Ongoing Cuts <sup>1</sup>                     | -\$1.5         | \$0.0          | \$0.0          | \$0.0          | \$0.0          |
| One-Time Spending                                       | \$17.4         | \$5.0          | \$4.0          | \$3.4          | \$2.5          |
| <b>Total Expenses with Cuts &amp; One-Time Spending</b> | <b>\$395.6</b> | <b>\$401.4</b> | <b>\$419.6</b> | <b>\$437.1</b> | <b>\$454.2</b> |
| <i>Reserved for Future Spending</i>                     | <i>\$10.0</i>  | <i>\$6.8</i>   | <i>\$4.4</i>   | <i>\$2.6</i>   | <i>\$0.0</i>   |

<sup>1</sup> An ongoing cut of \$1.5 million in FY 2011-12 is necessary in order to balance ongoing revenues with ongoing expenses throughout the five-year forecast.

The April financial forecast is based on two key assumptions:

- ◆ An expectation of modest economic growth, below that of a "typical" economic expansion. Of course, the preceding recession was anything but "typical" and economies coming out of financial crises have a harder time finding firm economic footing.
- ◆ The financial forecast assumes all of the City's labor contract costs above cost-of-living increases are borne by the General Fund (i.e., none are absorbed within existing bureau budgets). The most notable of these is with the Police Bureau where costs are expected to be \$2.9 million in FY 2011-12.

Future financial uncertainties that may upset the forecast include:

- ◆ The Multnomah County Library is currently funded, in part, from a local option property tax levy that is expiring next year. The County will refer to voters a measure that will in all likelihood either renew the current levy at a higher rate or establish a permanent levy. While voter approval of either scenario would result in lower property taxes to the City, the establishment of a permanent district would have a much larger impact - a decrease of at least \$5 million to the General Fund is likely.
- ◆ While the forecast is built on the expectation of slow economic growth, it does not assume that the U.S. will fall back into a recession. Should the economy deteriorate rapidly, especially in the near-term, the City could realize lower revenue, particularly in business licenses. It should be noted that this is also a risk on the upside, as a stabilizing housing market and sharper increases in job growth could help push revenues above forecasted levels.
- ◆ Commodities prices have stoked fears of rampant inflation. Absent underlying wage pressure, which in the current labor market is nonexistent, presumably limits the potential of a wage-price spiral. However, should prices escalate for a sustained period, there would be substantial increases in expenses above the current forecast. Ultimately, because a large majority of the forecast is based on inflation expectations, the exposure to the forecast from deviations in inflation could significantly move in either direction.
- ◆ The process of collecting business license taxes was changed in FY 2009-10 to a system in which total collections are net of refunds and after adjustments for the buildup of credits. Forecasts may tend to be less accurate than in the recent past because there is little or no historical data available to generate forecasts on net revenue.

The primary downside risks to the budget and five-year financial plan include a return to recession locally and the potential loss of property tax revenue due to compression from a newly formed county library district. Subsequent revenue forecasts, particularly for business licenses and property taxes, could show lower revenues making it difficult for Council to fund the ongoing CAL levels.

## Changes In Fund Balance - All Funds

The following table shows the beginning fund balance, change in fund balance, and ending fund balance for each fund within the City. Please note that most funds do not budget ending fund balance. Anticipated unspent funds are typically budgeted in contingency. Please also note that reserves for debt service are displayed as ending fund balance in the following table, but are broken out separately in the fund detail pages of Volume 2.

































































































































































































