



CITY OF PORTLAND

Office of City Auditor LaVonne Griffin-Valade

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March 29, 2013

To: Mayor Charlie Hales
Commissioner Amanda Fritz
Commissioner Nick Fish
Commissioner Dan Saltzman
Commissioner Steve Novick
City Budget Office

From: City Auditor LaVonne Griffin-Valade

Re: Spring Budget Monitoring Report

The Auditor's Office Spring Budget Monitoring Report shows that overall operational expenditures are within the spending plan. We are requesting a number of transfers to Internal Materials and Services in order to ensure adequate funding for unanticipated expenditures. We are also establishing or increasing a few interagency agreements to provide Hearings Officer services and eliminating interagency agreements for external financial audit charges that were not incurred.

Lower than anticipated spending in our External Materials and Services budget means that resources will be returned to the General Fund at the end of the year. The majority of these savings, \$185,000, will come from funds we requested be carried over from the previous fiscal year for work that was later determined to be unnecessary.

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

BUDGET AMENDMENT REQUEST

Office of the City Auditor

PERIOD Spring BuMP

FISCAL YEAR FY 2012-13

AU_013 - AU Technical Adjustments Spring BMP

The Auditor's Office requests technical adjustments in its operating budget totaling a reduction of \$22,478. The adjustments are: elimination of interagency agreements with multiple bureaus for lower than anticipated expenditures on the Single Audit component of the annual financial audit (-\$62,620); increase in the interagency agreement with PBOT for a higher number of tow hearings (\$25,000); new interagency agreement with Parks for Hearings Officer services (\$5,000); new interagency agreement with ONI for Hearings Officer services (\$2,502); new interagency agreement with Fire for Hearings Officer services (\$1,251); transfer funds from EM&S (-\$14,200) to IM&S (\$14,200) for higher than anticipated costs in Technology Services; increase for higher than budgeted projections in professional services (\$49,000, for contract with vendor to provide on-line public access to the lien docket); an increase in the interagency agreement with Printing and Distribution for increased postage and mail service projections (\$2,389); and a decrease in the interagency agreement with Technology Services for lower than anticipated need for programming on the Lien Accounting System (-\$45,000).

Dollar Amount: **(\$22,478)**

Type: Technical Adjustment

Resources: Internal Transfer

AU_014 - LID Beginning Fd Balance Adjustment

Adjust LID FY 2012-13 Beginning Fund Balance to actual FY 2011-12 CAFR ending balance. Increase beginning fund balance by \$43,407 with an off-set to contingency.

Dollar Amount: \$43,407

Type: New Request

Resources: Bureau Contingency

AU_015 - LID Fund Technical BMP Adjustments

Adjust LID Revenues, Expenditures, and Contingency to reflect projected actual year end activity: 1) Decrease Bond Sale Revenue due to cancelled bond sale (off-set is cash transfer & debt service). 2) Decrease Interest Income due to delayed Portland Streetcar Eastside Loop LID. 3) Decrease Assessment Payments due to delayed LID assessment. 4) Decrease Cash Transfer to BES for portion of estimated bond proceeds not received. 5) Increase Auditor-LID IA for increased internal service costs. 6) Decrease Bond/Note Refunding Principal Expense due to canceled bond sale. 7) Decrease Bonded Debt Retirement due to reduced assessment payments from delayed Portland Streetcar Eastside Loop LID. 8) Decrease Contingency for various miscellaneous adjustments to current year budget activity.

1) Bond Sale Revenue-451100 = (\$14,130,000)

2) Interest Income (assessments)-454100 = (\$160,000)

3) Assessment payments-482100 = (\$2,634,801)

4) Cash Transfer to BES -650020 = (\$700,000)

5) Increase Auditor-LID IA-652201 = \$6,389

6) Bond/Note Refunding Princ-551250 = (13,347,963)

7) Bonded Debt Retirement-551200 = (\$2,794,801)

8) Contingency-571100 = (\$88,426)

Dollar Amount: **(\$16,924,801)**

Type: New Request

Resources: New Revenues

BUDGET AMENDMENT REQUEST

Office of the City Auditor

PERIOD Spring BuMP

FISCAL YEAR FY 2012-13

AU_016 - Bancroft Bond Beginning Fd Balance Adjustment

Adjust Bancroft Bond Fund FY 2012-13 Beginning Fund Balance to actual FY 2011-12 CAFR ending balance. Increase beginning fund balance by \$2,521,099 with an off-set to Reserve for Debt Service.

Dollar Amount: \$2,521,099
Type: New Request
Resources: Bureau Contingency

AU_017 - Bancroft Bond Fund Technical BMP Adjustments

Adjust Bancroft Bond fund for projected decrease in revenues and a increase in debt service. Off-set will be a decrease to Reserve for Debt Service.

Interest other – 454100 = (\$167,512)
Assessment Payments-482200 = (\$1,048,767)
Debt Retirement-551200 = \$225,000
Reserve for Debt Service-500003 = (\$1,441,188)

Dollar Amount: **(\$1,216,279)**
Type: New Request
Resources: Bureau Contingency

Business Area Projection Report

	Spring BuMP Revised Budget	FY 2012-13 YTD Actuals Thru AP8	Spring BuMP Year-End Projection	% of Projected Actuals to Revised Bud
Office of the City Auditor				
EXPENDITURES				
Personnel Services	\$5,126,036	\$3,242,496	\$4,968,099	97%
External Materials and Services	\$1,752,452	\$669,871	\$1,300,906	74%
Internal Materials and Services	\$2,460,939	\$1,594,215	\$2,348,992	95%
TOTAL EXPENDITURES	\$9,339,427	\$5,506,581	\$8,617,997	92%
REVENUES				
Charges for Services	\$423,621	\$225,180	\$445,470	105%
Interagency Revenue	\$905,203	\$46,676	\$883,478	98%
Miscellaneous	\$5,500	\$15,364	\$17,365	316%
General Fund Discretionary	\$3,883,014	\$0	\$3,149,595	81%
General Fund Overhead	\$4,122,089	\$0	\$4,122,089	100%
TOTAL REVENUES	\$9,339,427	\$287,220	\$8,617,997	92%

Bureau Projection Narrative

The Auditor's Office projects that Personnel Services and Internal Materials and Services will be slightly underexpended at the end of FY 2012-13. External Materials and Services expenditures are projected 26% below budgeted amounts due to a number of factors: approximately \$162,000 lower expenditures for the contract with the City's external auditor (Moss Adams); approximately \$65,000 lower expenditures for the contract with OIR to provide analysis of officer-involved shootings and in-custody deaths; cutting the \$35,000 planned for an outside review of the City's system of civilian oversight of police; lower than anticipated utilization of other professional services contracts across the bureau; and significant savings from restrained spending on supplies, education, travel, and other operational expenditures. Revenues are expected to slightly exceed budgeted amounts in Charges for Services and be slightly lower than anticipated in Interagency Revenues primarily because of fluctuations in the type of appeals heard by Hearings Office. Miscellaneous revenues exceed budgeted amounts due to a reimbursement of \$8,400 for specialized equipment purchased for an employee. The General Fund Discretionary amount required by the Auditor's Office is 19% lower than budgeted as a result of the decreased spending.

Fund Projection Report

	Spring BuMP Revised Budget	FY 2012-13 YTD Actuals Thru AP8	Spring BuMP Year-End Projection	% of Projected Actuals to Revised Bud
Assessment Collection Fund				
EXPENDITURES				
Unappropriated Fund Balance	\$77,627	\$0	\$79,241	102%
Internal Materials and Services	\$1,510	\$1,008	\$1,510	100%
Contingency	\$4	\$0	\$0	0%
TOTAL EXPENDITURES	\$79,141	\$1,008	\$80,751	102%
REVENUES				
Budgeted Beginning Fund Balance	\$78,060	\$0	\$80,060	103%
Fund Transfers - Revenue	\$81	\$73	\$81	100%
Miscellaneous	\$1,000	\$277	\$610	61%
TOTAL REVENUES	\$79,141	\$350	\$80,751	102%

Fund Projection Narrative

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

Fund Projection Report

	Spring BuMP Revised Budget	FY 2012-13 YTD Actuals Thru AP8	Spring BuMP Year-End Projection	% of Projected Actuals to Revised Bud
Bancroft Bond Interest and Sinking Fund				
EXPENDITURES				
Unappropriated Fund Balance	\$14,091,391	\$0	\$14,109,962	100%
Bond Expenses	\$7,524,992	\$3,373,905	\$7,515,099	100%
TOTAL EXPENDITURES	\$21,616,383	\$3,373,905	\$21,625,061	100%
REVENUES				
Budgeted Beginning Fund Balance	\$14,775,233	\$0	\$14,775,233	100%
Miscellaneous	\$6,841,150	\$4,284,484	\$6,849,828	100%
TOTAL REVENUES	\$21,616,383	\$4,284,484	\$21,625,061	100%

Fund Projection Narrative

In the Spring BMP two budget adjustments will be requested. The first adjustment will increase beginning fund balance by \$2,521,099. The second adjustment will increase Bond Expenses by \$225,000, decrease Miscellaneous Revenues by \$1,216,279, and decrease Reserve for Debt Service by \$1,441,188. It is expected that after the adjustments expenditures and revenues will be within the planned budget.

Fund Projection Report

	Spring BuMP Revised Budget	FY 2012-13 YTD Actuals Thru AP8	Spring BuMP Year-End Projection	% of Projected Actuals to Revised Bud
Local Improvement District Fund				
EXPENDITURES				
Unappropriated Fund Balance	\$0	\$0	\$3,625,142	
External Materials and Services	\$5,000	\$1,400	\$5,000	100%
Internal Materials and Services	\$1,404,435	\$430,184	\$1,356,984	97%
Bond Expenses	\$604,425	\$103,735	\$547,425	91%
Fund Transfers - Expense	\$7,981,795	\$994,124	\$7,981,795	100%
Contingency	\$3,755,446	\$0	\$0	0%
TOTAL EXPENDITURES	\$13,751,101	\$1,529,443	\$13,516,346	98%
REVENUES				
Budgeted Beginning Fund Balance	\$4,202,019	\$0	\$4,202,019	100%
Charges for Services	\$779,100	\$585,942	\$866,580	111%
Fund Transfers - Revenue	\$148	\$0	\$148	100%
Bond and Note	\$8,130,953	\$965,208	\$7,933,599	98%
Miscellaneous	\$638,881	\$422,695	\$514,000	80%
TOTAL REVENUES	\$13,751,101	\$1,973,844	\$13,516,346	98%

Fund Projection Narrative

Charges for Services are projected to be higher than budgeted due primarily to an increase in assessment collection program revenue and external revenues collected for lien searches. It is estimated that collection fees and external revenues will be approximately \$87,000 greater than budgeted.

Miscellaneous revenues will be significantly lower than budgeted due to decreased assessment payment revenues that will not be received as a result of the delayed assessment of the Portland Streetcar Eastside Loop LID project. It is estimated that assessment principal and interest payments will be approximately \$124,000 less than budgeted.



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**Office of the City Auditor
FY 2012-13 Decision Package Update
Spring BMP
March 29, 2013**

- 1. AU_02 – 6% Mandatory Reduction.** “This cut eliminates the Deputy City Ombudsman position, leaving 1.00 FTE in the Office of the Ombudsman, diminishing the Ombudsman’s ability to revitalize the program and resulting in fewer complaints being investigated. It leaves the office with no back up or continuity in the event of an absence. Reductions made to external materials and services across the Auditor’s Office program will decrease resources for professional development and credential maintenance, contracting for outside professional expertise, and purchase of software and supplies.”

Status Report: Complete. Staffing in the Office of the Ombudsman was reduced to 1.00 FTE at the beginning of FY 2012-13. During the first few months of the year, it became clear that the program required a minimum level of support with complaint intake, providing information to the public, and assistance with outreach activities. To meet this need, an existing position in the Council Clerk/Contracts Division was reclassified and split between that division and the Ombudsman’s Office. This has removed some of the workload burden from the Ombudsman, who was able to concentrate more on conducting investigations of the 414 complaints that came into the office in 2012.

The reductions to external materials and services have strained the Auditor’s Office’s ability to meet the operational, training and professional services needs of the bureau, but have been absorbed without putting the bureau’s ability to continue providing services at jeopardy.

- 2. AU_08 – Carryover: Independent Police Review Contracts.** “The bureau reduced their FY 2011-12 budget in spring 2012 by \$85,000 and will carryover the funding for two separate IPR contracts in FY 2012-13. The contracts will fund 1) a consultant review of officer-involved shootings and in-custody deaths and 2) expert evaluation of the City’s system of civilian oversight of police.”

Status Report: Unexpended. The funds carried over in this request will not be expended by the end of FY 2012-13. The Auditor has determined that, given the significant changes to police oversight that will occur as a result of the Department of Justice investigation and settlement, she will not contract for an outside review of the civilian oversight of police as planned. This will return \$35,000 to the General Fund.

The other contract was for outside expert review of officer-involved shootings and in-custody deaths. The first of three or more anticipated reports on this contract was delivered by the OIR Group in May 2012 and the second report will be delivered this spring. Expenditures this year have been lower than originally anticipated, due in part to efficiencies gained by having the same expert consultant review multiple cases and conducted site visits and interviews during work on the first report, thus increasing their familiarity with Portland Police procedures and limiting their need to travel to Portland. The Auditor does not anticipate expending these funds, resulting in a \$50,000 return to the General Fund.

3. **AU_09 – Carryover: External Financial Audit.** “The bureau reduced their FY 2011-12 budget in spring 2012 by \$100,000 and will carry forward the resources to FY 2012-13 to ensure there will be adequate funding available for the City’s external financial audit.”

Status Report: Unexpended. At the time of the carryover request in spring 2012, a new contractor for the annual external financial audit had not yet been selected. Normally, the contracted firm would begin work on the current year audit in May and June, continuing the work into the next fiscal year. Because of the uncertainty at the time around who the next vendor would be, when the work would start and what the rates would be, the Auditor’s Office requested carryover to ensure adequate funding in the next fiscal year. The new contract was awarded to Moss Adams, which was able to commence its work in the spring at a price consistent with its prior years’ rates. The funding from this carryover request was therefore not required, resulting in a \$100,000 return to the General Fund.