

Analysis By: Jeramy Patton

## OFFICE OF THE CITY AUDITOR

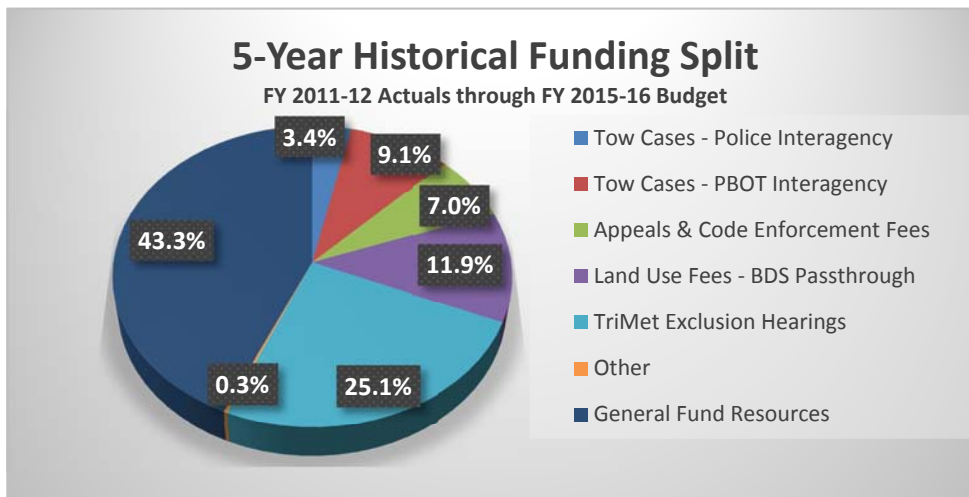
All Funds Budget Summary	Adopted FY 2015-16	Request Base FY 2016-17	Decision Pkgs FY 2016-17	Request Total FY 2016-17	Percent Change
<b>Resources</b>					
Budgeted Beginning Fund Balance	\$16,598,989	\$16,688,763	\$0	\$16,688,763	0.5%
Charges for Services	1,076,341	1,390,998	(244,768)	1,146,230	6.5%
Interagency Revenue	67,190	41,064	(41,064)	0	-100.0%
Bond and Note Proceeds	5,370,065	9,027,599	0	9,027,599	68.1%
Miscellaneous Sources	7,542,520	8,487,937	0	8,487,937	12.5%
General Fund Discretionary	4,102,572	4,078,349	60,105	4,138,454	0.9%
General Fund Overhead	4,742,122	4,876,937	71,875	4,948,812	4.4%
<b>Total Resources</b>	<b>\$39,499,799</b>	<b>\$44,591,647</b>	<b>(\$153,852)</b>	<b>\$44,437,795</b>	<b>12.5%</b>
<b>Expenditures</b>					
Personnel Services	\$5,926,165	\$6,041,993	(\$60,872)	\$5,981,121	0.9%
External Materials and Services	1,554,446	1,529,331	(84,756)	1,444,575	-7.1%
Internal Materials and Services	3,025,252	3,149,854	(8,224)	3,141,630	3.8%
Debt Service	8,001,626	12,375,028	0	12,375,028	54.7%
Fund Transfers - Expense	3,674,222	3,787,317	0	3,787,317	3.1%
Contingency	3,662,578	2,376,170	0	2,376,170	-35.1%
Unappropriated Fund Balance	13,655,510	15,331,954	0	15,331,954	12.3%
<b>Total Requirements</b>	<b>\$39,499,799</b>	<b>\$44,591,647</b>	<b>(\$153,852)</b>	<b>\$44,437,795</b>	<b>12.5%</b>
<b>Total Bureau FTE</b>	<b>50.52</b>	<b>50.40</b>	<b>0.00</b>	<b>50.40</b>	<b>-0.2%</b>

Percent Change is the change from FY 2015-16 Adopted Budget to FY 2016-17 Total Requested Budget.

### Decision Package Analysis & Recommendations

#### Hearings Office Funding, AU\_01, \$15,598

The package requests ongoing General Fund resources to update the funding model for the Hearings Office. The Hearings Office provides appeal hearings on behalf of City bureaus and other local government agencies. The current funding model includes a mix of interagencies charged to City bureaus (mostly for tow appeals, code enforcement, and code appeals), intergovernmental agreements with TriMet and



Multnomah County, land use permit fees, and General Fund resources. The fees are currently charged on a per-case basis, which, as shown in the table below, results in an unstable funding structure. The variable funding stream is backfilled with General Fund resources. In years when collections are lower than budgeted,

General Fund resources are reallocated from other programs in the bureau to support the operating costs of the Hearings Office. Under this proposal, the Hearings Office would be fully funded with General Fund

resources. The bureau would continue to collect fees for land use and TriMet exclusion hearings based on the current fee structure, but would not collect fees for appeals and code enforcement, including tow cases. The fees still collected would offset the need for the General Fund resources. The General Fund savings would fall to ending fund balance at year end and become available to be reallocated as a one-time resource.

As seen in the table below, fee revenues in support of this program over the last five years have ranged from a low of \$268,119 in FY 2013-14 to a high of \$381,459 in FY 2012-13. Although the City Budget Office (CBO) agrees that the variable funding stream can be difficult to manage, replacing the budgeted fee revenues with General Fund resources is not recommended.

Source of Funding	FY 2011-12 Actuals	FY 2012-13 Actuals	FY 2013-14 Actuals	FY 2014-15 Actuals	FY 2015-16 Adopted
Tow Cases - Police Interagency	25,708	30,358	11,031	13,162	17,005
Tow Cases - PBOT Interagency	55,073	48,160	44,817	57,727	50,185
Appeals & Code Enforcement Fees	7,290	55,871	10,304	68,444	54,720
Land Use Fees - BDS Passthrough	52,530	69,772	61,984	79,568	71,341
TriMet Exclusion Hearings	197,469	177,156	136,530	97,416	100,000
Other	1,522	142	3,453	2,477	-
<b>Subtotal of Fee Revenues</b>	<b>339,592</b>	<b>381,459</b>	<b>268,119</b>	<b>318,794</b>	<b>293,251</b>
<b>General Fund Resources</b>	<b>190,943</b>	<b>132,697</b>	<b>244,995</b>	<b>262,246</b>	<b>392,735</b>
<b>Total</b>	<b>530,535</b>	<b>514,156</b>	<b>513,114</b>	<b>581,040</b>	<b>685,986</b>

In order for the bureau to provide Hearings Office services, it needs to maintain a minimum staffing level, regardless of the number of cases heard per year. As an alternative to the bureau's request, CBO recommends implementing fixed interagency charges for Police, Transportation, and Development Services based on historical workload rather than on a per-case basis, which would allow for funding stability throughout the fiscal year. Since historical workload metrics are not currently available, CBO recommends using the average percent share of total revenues collected from each type of case over the last five years as a foundation for the fixed interagency charges in FY 2016-17. CBO's full recommendations for funding in FY 2016-17 are presented in the table below.

Source of Funding	FY 2016-17 Base Budget	5-Year Historical Split	Charges based on Historical %	CBO Recommendation	Change from Base Budget
Tow Cases - Police Interagency	7,816	3.4%	22,462	25,000	17,184
Tow Cases - PBOT Interagency	33,248	9.1%	59,113	60,000	26,752
Appeals & Code Enforcement Fees	69,664	7.0%	45,410	-	(69,664)
Land Use Fees - BDS Passthrough	75,104	11.9%	77,411	80,000	4,896
TriMet Exclusion Hearings	100,000	25.1%	163,640	100,000	-
Other	-	0.3%	1,754	2,000	2,000
General Fund Resources	366,544	43.3%	282,586	385,376	18,832
<b>Total</b>	<b>652,376</b>	<b>100.0%</b>	<b>652,376</b>	<b>652,376</b>	<b>-</b>

CBO recommendations include:

1. Fixed interagencies for the Portland Police Bureau and Portland Bureau of Transportation (PBOT) based on historical average charges.
2. Replace appeals & code enforcement fees with ongoing General Fund resources. In FY 2015-16, the bureau was allocated \$56,088 in one-time General Fund resources to offset the fees charged to citizens for code enforcement and appeal hearings. If not funded with General Fund resources, the fees for these hearings would be passed on to those citizens seeking an appeal. Removing the \$1,368 fee will eliminate the financial barriers for community members seeking these services.
3. Fixed interagency with the Bureau of Development Services (BDS) based on historical average charges. Under the existing funding model, BDS collects a fee on permit applications for Hearing's Office services which are directly posted as revenues in the Hearings Office. Under this model, the fees received by the office vary from year-to-year and are disparate from the actual workload related to land use cases. CBO recommends that BDS continue to collect the fees, but that they be deposited in the BDS fund. To maintain minimum staffing levels in the Hearings Office available for land use cases, BDS should be charged a flat fee for the service via an interagency agreement. Until a workload study is complete, CBO recommends the interagency be based on historical average revenues received for this service.
4. Maintain base budget for TriMet exclusion hearings. Although the historical average charge to TriMet is higher than the current budget amount, CBO recommends maintaining the base budget amount because the funding arrangement has already been agreed upon by the two agencies. If additional TriMet fees are received for work completed, it will offset the General Fund support for the program.
5. Budget \$2,000 for various copier charges and work completed on behalf of Multnomah County.
6. Increase ongoing General Fund support by \$18,832 to fill the gap between the loss of appeals and code enforcement fees and the increase in fixed interagency charges.
7. CBO does not recommend increasing the Hearings Office budget by \$15,598 for materials and services costs. The bureau requested this amount to balance the difference between the base budget for the office and the amount of General Fund resources the bureau believed was necessary to balance based on historical budgeted expenses.

CBO also recommends that the bureau begin tracking the time spent on each type of case starting in FY 2015-16 and create a cost recovery model for future years using this workload data. The cost recovery model should utilize an average of the last three to five years to stabilize the charges from year-to-year.

*CBO Recommendation: \$0*

### **Independent Police Review Investigators, AU\_02, \$215,636, 2.00 FTE**

The package requests ongoing General Fund resources to fund two complaint investigators in the Independent Police Review (IPR) program. The request addresses requirements set forth by the state in House Bill 2002 and by the U.S. Department of Justice (DOJ) settlement agreement. House Bill 2002 broadened the definition of what constitutes police profiling and requires that all complaints alleging the

use of profiling be investigated. The bureau expects that the new law, which went into effect January 1, 2016, will increase the number of cases subject to investigation. According to the bureau's performance measures, cases are expected to increase from 386 in FY 2014-15 to a projected 400 in FY 2016-17. In addition, to gain compliance with the terms of the City's settlement agreement with the DOJ, the City is required to close all police administrative investigations within 180 days (IPR has 60 days to complete its investigation). IPR has projected that it can complete 30% of these cases within the 60 day timeframe without the new positions, and 45% of the cases in FY 2016-17 if the positions are approved. The DOJ agreement also stated that IPR will need to expand the scope of the types of police officer misconduct cases that are fully investigated. This expansion is projected to cause an increase in workload for the five permanent investigators currently staffed, which may result in an increased number of investigations exceeding the 180 day requirement.

In the FY 2015-16 Fall BMP, the bureau requested two complaint investigators to address the additional workload in the program. Council approved one-time resources to add one limited term position, but acknowledged that the second position may be needed once the rules around compliance regarding the DOJ agreement and HB 2002 were finalized. In December 2015, the Police Bureau updated its Biased Based Policing Directive 344.05 to mirror language in HB 2002, which, according to the bureau, has already increased the number of cases that have required an independent investigation.

Given the deadlines set in the DOJ agreement, and the additional workload from the implementation of House Bill 2002, CBO recommends the package as requested.

*CBO Recommendation: \$215,636, 2.00 FTE*

#### **Council Meeting Captioning, AU\_03, \$20,000**

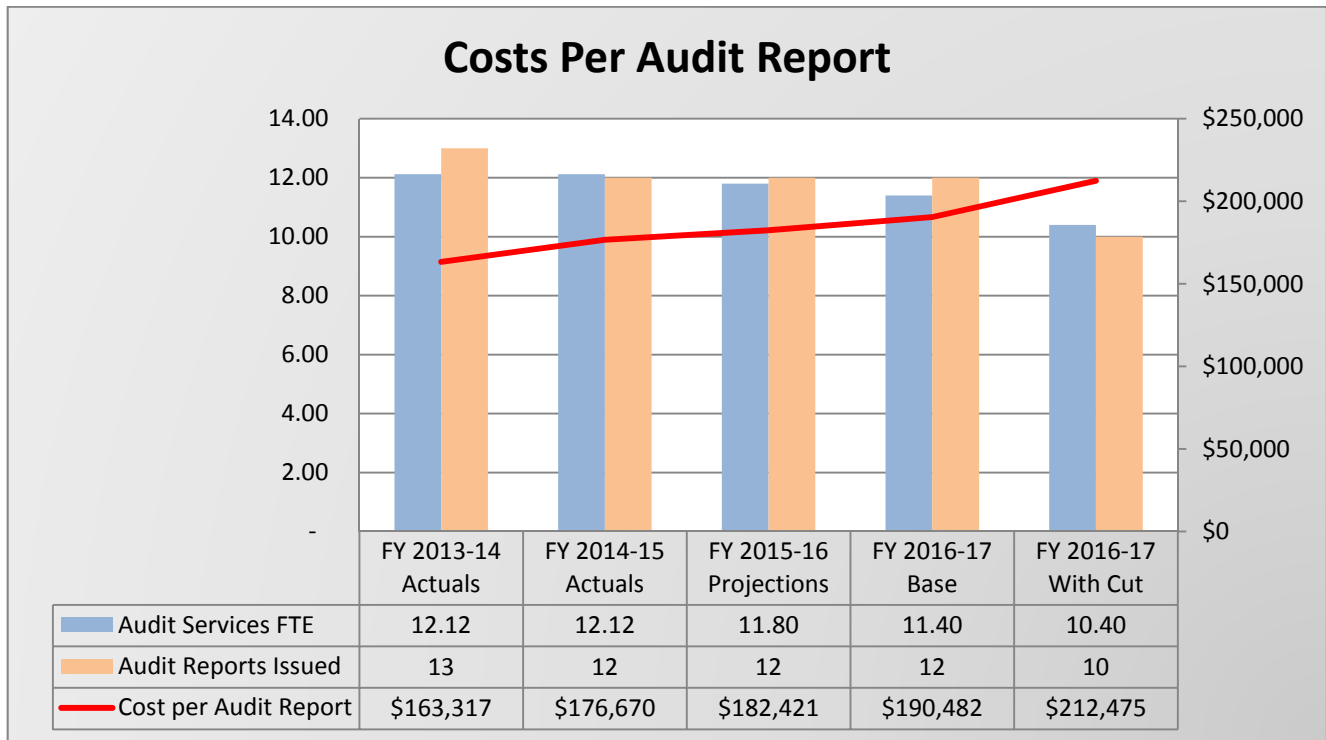
The package requests ongoing General Fund resources to cover the rising costs of captioning City Council meetings. In 2013, Council passed Resolution #37027 which required that all video content produced by or for City bureaus for external use be captioned. The new policy increased the bureau's expenses for captioning services from \$28,942 in FY 2012-13 to \$46,600 in FY 2014-15. Although the costs of the new policy were unfunded at the time of implementation, the City Budget Office recommends that the bureau continue to absorb these costs within its external materials and services budget (see further discussion of materials and services underspending in AU\_06 below).

*CBO Recommendation: \$0*

#### **Audit Services Division Cuts, AU\_04, (\$161,032), (1.00) FTE**

The package eliminates a Community Outreach & Information Representative position (\$118,532), funding for the Community Survey (\$24,500), and consultant services (\$18,000) in order to comply with the 5% reduction guidance given by the Mayor. The position is currently filled and handles community relations for the division, design of audit reports, and general administrative tasks. If eliminated, the workload of the position would be redistributed to other positions within the bureau. According to the bureau's performance measures, approval of the package would reduce the number of audits released

from 12 to 10 per year, a reduction of 17%. Budgetarily, the package represents a 7% reduction to the division's total expenses of \$2,285,781. When reviewing the package in terms of performance vs. cost, the package would increase the costs per audit from \$190,482 to \$212,475.



CBO recommends that the reduction be taken. Although the work would need to be reallocated to other positions within the bureau, CBO believes that the division could absorb most of the increase without a significant loss of productivity. To maintain existing service levels, the division would need to increase its production from 1.05 audits per position to 1.15 audits per position. If the position reduction is approved by Council, CBO does not recommend the reduction in professional services of \$18,000. The professional services funding would prove useful in taking some of the burden off of remaining staff to maintain existing service levels.

The Community Survey has been conducted by the bureau for the last 25 years and provides historical trend data on how the citizens of Portland view their city and government. Given the relatively low cost of the survey, and the importance of the data to the City and community, CBO does not recommend the \$24,500 reduction.

*CBO Recommendation: (\$118,532), (1.00) FTE*

#### **Independent Police Review Cuts, AU\_05, (\$160,100), (1.00) FTE**

The package eliminates a Senior Management Analyst position and \$20,000 of contract funding in the IPR program in order to comply with the 5% reduction guidance given by the Mayor. The analyst position is currently filled and is responsible for data analysis and reporting for the program. The contract funding is used for police accountability experts to review officer-involved shootings and in-custody deaths. The

reduction accounts for about 33% of the total funding for these contracts, however, the bureau believes that it can absorb this reduction by managing the timing and workflow of the cases given to the consultant. No specific impacts to performance measures are expected from either reduction, however, workload currently covered by the analyst position would be spread to other employees in IPR.

CBO does not recommend the elimination of the analyst position due to the additional workload taken on by the unit in response to House Bill 2002 and the DOJ settlement agreement (see write-up for package AU\_02 above). CBO recommends the \$20,000 reduction to consultant services given the bureau’s ability to absorb it without an impact on workload or performance measures.

*CBO Recommendation: (\$20,000)*

**Bureau-wide Cuts, AU\_06, (\$83,954)**

The package reduces ongoing General Fund resources allocated to support external materials and services expenses across the bureau in order to comply with the 5% reduction guidance given by the Mayor. The bureau stated that the package will significantly impact its ability to contract for services, upgrade software, and provide training for staff. The bureau does not expect any impacts to its performance measures if this reduction is taken.

As seen from the table below, the bureau has consistently underspent its external materials and services budget by over \$250,000 per year over the last five years. The table excludes the Assessments, Finance, and Foreclosure program since underspending in this program does not generate General Fund savings. The bureau stated that it intentionally underspends in this category to manage against potential increases in its contract budget, primarily for the City’s external financial audit and contracted land use hearings’ officers.

<b>EMS Spending</b>	<b>FY 2010-11</b>	<b>FY 2011-12</b>	<b>FY 2012-13</b>	<b>FY 2013-14</b>	<b>FY 2014-15</b>
Revised Budget	1,430,796	1,299,630	1,456,193	969,264	1,076,550
Actual Expenditures	917,599	961,416	1,021,210	717,545	800,434
Difference	513,197	338,214	434,983	251,719	276,116
<i>Percent Underspent</i>	<i>35.9%</i>	<i>26.0%</i>	<i>29.9%</i>	<i>26.0%</i>	<i>25.6%</i>

Although the reduction will remove some of the bureau’s flexibility to respond to unforeseen expenses, the City Budget Office believes that the reduction can be taken with minimal, if any, impact to existing programs and services.

*CBO Recommendation: (\$83,954)*

**City of Portland**  
 Decision Package Recommendations  
 (Includes Contingency and Ending Balance)

	Bureau Priority	Bureau Requested					CBO Analyst Recommendations				
		FTE	Gen Fund Ongoing	Gen Fund 1-Time	Other Revenues	Total Expenses	FTE	Gen Fund Ongoing	Gen Fund 1-Time	Other Revenues	Total Expenses
<b>Office of the City Auditor</b>											
<u>Adds</u>											
AU_01 - Hearings Office Funding	01	0.00	137,275	0	(121,677)	15,598	0.00	8,576	0	(8,576)	0
AU_02 - Independent Police Review Investigators	02	2.00	98,203	0	117,433	215,636	2.00	98,203	0	117,433	215,636
AU_03 - Council Meeting Captioning	03	0.00	9,108	0	10,892	20,000	0.00	0	0	0	0
<i>Total Adds</i>		<i>2.00</i>	<i>244,586</i>	<i>0</i>	<i>6,648</i>	<i>251,234</i>	<i>2.00</i>	<i>106,779</i>	<i>0</i>	<i>108,857</i>	<i>215,636</i>
<u>Reductions</u>											
AU_06 - Bureau-wide Cuts	01	0.00	(38,234)	0	(45,720)	(83,954)	0.00	(38,234)	0	(45,720)	(83,954)
AU_04 - Audit Services Division Cuts	02	(1.00)	(73,336)	0	(87,696)	(161,032)	(1.00)	(53,981)	0	(64,551)	(118,532)
AU_05 - Independent Police Review Cuts	03	(1.00)	(72,911)	0	(87,189)	(160,100)	0.00	(9,108)	0	(10,892)	(20,000)
<i>Total Reductions</i>		<i>(2.00)</i>	<i>(184,481)</i>	<i>0</i>	<i>(220,605)</i>	<i>(405,086)</i>	<i>(1.00)</i>	<i>(101,323)</i>	<i>0</i>	<i>(121,163)</i>	<i>(222,486)</i>
<b>Total Office of the City Auditor</b>		<b>0.00</b>	<b>60,105</b>	<b>0</b>	<b>(213,957)</b>	<b>(153,852)</b>	<b>1.00</b>	<b>5,456</b>	<b>0</b>	<b>(12,306)</b>	<b>(6,850)</b>