PRIOR YEAR PERFORMANCE REPORT

Fiscal Year 2016-17
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Executive Summary
Executive Summary

Analyzing Prior-year Performance: What were the results of the City’s investments?

Continuing the multi-year economic expansion in the Metro region, Fiscal Year 2016–17 brought another year of strong revenues to the City of Portland. This enabled City Council to direct last year’s Adopted Budget surplus and Fall Supplemental excess balance to address its top priorities for the community: 1) Provision of services to prevent and alleviate homelessness, 2) Public safety staffing and other initiatives, and (3) Parks and Recreation staffing. While additional funding was added to many City bureaus (as well as cuts made to reprioritize funds), substantial General Fund resources were focused on these areas.

Did the influx of new resources lead to improved outcomes for the Portland community? For affordable housing and public safety, the additional spending has been successful in expanding services and hiring more police officers. For Parks and Recreation, the new funding increased wages and benefits for over 100 seasonal staff, who are now employed on a year-round basis. Intended outcomes for the community, including lower incidence of homelessness, reduced crime, and greater satisfaction from parks services, are mixed or unknown — though it may be too early to come to conclusions. The discussion below provides more detail on the spending and results of last year’s General Fund priorities. Year-end financial analysis and performance of specific City bureaus, including trends in the non-General fund bureaus that include substantial increases in fund reserves, are linked directly on page 1 of the Prior Year Performance Report.

Discussion

Budgeted Priority 1: Address Homelessness through the Joint Office of Homeless Services

The City allocated a total of $25.3 million ($13.2 ongoing, $12.1 one-time) to address homelessness in FY 2016-17, the most substantial investment made by Council ever towards homelessness. The resources to address homelessness were largely disbursed through the Joint Office of Homeless Services, a new agency created via intergovernmental agreement between the City of Portland and Multnomah County with a combined allocation of $48.1 million. Council also directed an additional $1.3 million to the Office of Management and Finance – Facilities services to provide campsite management and cleanup on City-owned properties.

The Joint Office of Homeless Services (JOHS) administers contracts for services to help those that are experiencing and are at-risk of experiencing homelessness in the region. City funding for JOHS programs included $6.7 million for “Rapid Rehousing” that aims to make homelessness a short-lived experience for recently houseless individuals; $5.8 million on “Supportive Housing” to help individuals gain access to housing and preventative services; and $8.0 million on “Safety Off the Streets” to pay for shelters and services for victims of domestic violence, youth, women and families. The bureau also directed $736,825 to prevent seniors and people with disabilities from becoming homeless, divert at-risk individuals from coming into contact with the criminal justice system, and expand tenant protections.
This increased funding created an expansion of services as well as some positive trends in performance outcomes. While the “Point-in-Time” count—a census that captures how many individuals are experiencing homelessness on one given night—saw a 9.9 percent increase of the homeless population at 4,177 individuals in 2017, the annual percentage of unsheltered individuals saw an 11.6 percent decrease. Programs funded through the JOHS and aligned partners likely contributed to the decline in unsheltered Portlanders, having served a total of 29,221 individuals in the Office’s first year of operation - up from 25,651 in the prior year, when programs were separately managed by the City and County. These services included an increase in shelter capacity, with 600 new shelter beds created in FY 2016-17. Prevention services were expanded as well. In FY 2016-17, the number of people receiving rent assistance and other interventions reached 6,576—up from 3,922 from the year prior, a 67% increase. This figure corresponds with data that shows a 27% drop in individuals who have been homeless for less than one year, indicating that prevention efforts may have helped reduce the number of newly-homeless individuals in Portland.

Other outcome measures are less promising. Portland’s overall homeless rate climbed by 9.9 percent and its per capita homeless rate climbed 6.9 percent since 2015. The number of chronically homeless individuals similarly increased: approximately 31 percent of the homeless population surveyed met the HUD definition for chronic homelessness—an increase of 257 individuals (representing 25 percent growth) over the previous count in 2015. Notably, the incidence of chronically homeless families decreased, while chronically homeless single adults increased. Approximately 29 percent of the unsheltered population reported experiencing homelessness for the first time, which may reflect local housing market and economic conditions. While the news is sobering, it is important to note that homelessness increased less in Multnomah County than in other West Coast jurisdictions (see chart). It is likely that the increased funding prevented the incidence of worse outcomes; however, more analysis is needed to fully understand the effectiveness of City investments towards these efforts.

As an important next step, City Council should work with Multnomah County to determine what results are expected from this significant new outlay of resources. The A Home for Everyone United Community Plan to End Homelessness established a vision for reducing the unmet housing need among people experiencing homelessness by half by June 2017. The A Home for Everyone Coordinating board provides an appropriate venue for community leaders to provide a clear directive on the outcomes contracted providers are expected to deliver in FY 2018-19 and beyond, and to compare quarterly progress towards these goals. A greater focus on management and results – in addition to sustained funding – will be needed to ensure that the region is making the most of its investment to help Portland’s most in need.
Budgeted Priority 2: Ensure Adequate Staffing for the Provision of Public Safety Services

At $341.6 million in total, public safety services provided by the Police bureau, Portland Fire & Rescue, and the Bureau of Emergency Communications represented 56.7% of General Fund allocations in FY 2016-17. That amount included $7.6 million in new funding added to the police, fire, transportation and emergency communications bureaus primarily to ensure adequate staffing. New resources helped fill police patrol officer vacancies, added authorized FTE to the City’s emergency communications dispatch operator ranks, and retained 13 firefighters. The City added new positions to the Police Bureau’s Sex Assault unit and new funding for the new Police bureau body camera program. The City also expanded its SummerWorks internship program and Vision Zero initiative to reduce traffic fatalities.

Police Services

The Police Bureau presented the need to increase patrol staffing in several Government Accountability Transparency and Results (GATR) sessions in 2016. To increase the pace of hiring, the Police Bureau restructured its hiring process, expanded recruitment tactics, and successfully advocated for increased pay and benefits in a new contract with the Portland Police Association – an agreement that required an additional $1.7 million in ongoing and $250,000 in one-time funds in FY 2016-17, with a total ongoing impact of $6.8 million. These efforts precipitated an increase in hiring as intended: the bureau brought on 59 police officers during the fiscal year, up from 21 new recruits in FY 2015-16. The police bureau projects to reach full sworn staffing levels during FY 2017–18, an influx that will help counterbalance the wave of projected retirements in the bureau over the next few years.

While the year saw an uptick in sworn recruits, measures of service quality still indicate the effects of understaffing. Dispatched incidences climbed 1.5 percent while officer-initiated calls dropped 25 percent, reflecting the bureau’s struggle to conduct proactive police work. Average travel time to high priority calls climbed from 5:55 to 6:33 minutes, a 10.7 percent increase from the prior year. Another important aspect of service quality for the Police Bureau is increased accountability and improving relations with the community. Here the bureau’s key performance measure related to use of force (a major focus of the DOJ Agreement) showed positive improvement in FY 2016-17. The percentage of custodies in which there was a Force Data Collection Report (FDCR) level event decreased from 2.9% to 2.3%.

However, some crime rates worsened compared to the prior year. Major property crime was up nine percent from FY 2015-16, a figure that reflects double-digit increases in automobile theft, while person crime (murder, rape and assault) increased 5.4 percent from FY 2015-16. Crimes against society – such as gambling, prostitution and drug violations – dropped 12.8 percent, a shift in the numbers that may have been affected by the Police bureau moving officers from specialty units (including Drugs and Vice) to Patrol services. While the City will continue to analyze crime trends moving forward, less can be said regarding long-term historical trends. The Police bureau transitioned to a new federal standard for reporting in FY 2015-16 and data from previous years are not comparable.

Fire & Rescue

The FY 2016-17 Adopted Budget allocated $1.4 million in ongoing funds to retain 13 firefighters previously supported by a federal grant. This investment allowed the Fire Bureau to sustain its current level of staffing at the City’s 30 fire stations. Though this represents a significant ongoing investment, these levels may not be sufficient if the Fire Bureau continues to provide first response to medical incidents to supplement ambulance providers.
Medical incidents amount to 71.6% of all calls for service for the Fire Bureau. Medical incidents climbed 7.2 percent from the prior year, a trajectory congruent with five-year trends. This increase results in lower availability for other types of emergencies. However, with a total of four civilian deaths from fire for the year (down from nine in the previous year), community outcomes in the area reached close to historic lows.

Emergency Communications

Over the last two budget cycles, the Bureau of Emergency Communications (BOEC) received $1.1 million to add 11 dispatch operator positions, as well as $858,000 in ongoing resources to pay for 13 trainee positions. The positions are intended to bring the bureau’s workforce to more sustainable levels, and to create a consistent pool of trained recruits to move into certified staff roles.

Several reports by the City Ombudsman in FY 2016-17 found that a problem related to BOEC’s cell phone screening system has caused inaccurate reporting in call taking times since 2004. While the bureau had previously reported that 99% of calls were answered in less than 20 seconds, revised data showed that only 63% of calls were answered within that target. Based on the revised call-taking information, the number of calls per operator climbed 40 percent, a figure that more closely corresponds with the 82 percent increase in overtime hours since FY 2014–15. After proposing solutions to address these challenges with Mayor Wheeler and the BOEC User Board at an August 2017 GATR session, the bureau is now implementing an action plan to address staff retention and improve call-taking times to meet national standards.

Transportation

Another initiative to increase public safety in Portland is Vision Zero, the City’s plan to dramatically reduce traffic fatalities by the year 2035. PBOT received $300,000 in the Adopted Budget to conduct a traffic study and perform low-cost safety improvements at high crash locations to provide safer pedestrian crossings. The bureau also received much more substantial funding in the FY 2016-17 Fall Supplemental through the Capital Set-Aside process for major maintenance projects that included safety as a key aim. These projects included $950,000 for Traffic Signal Reconstruction and $864,000 for Traffic Signal System Local Controller replacements. Allocations of $350,000 for seasonal improvements to Naito and $1.0 million for the Outer Halsey Safety Streetscape project were also provided. Results from these investments were not immediately apparent as traffic-related fatalities climbed from 37 in the prior year to 44 in 2016, an 18.9 percent increase. However, the bureau argues that sustained investment is required to increase safety for all users of the roadway and other transportation facilities, especially as the City’s population expands.

Budgeted Priority 3: Parks and Recreation Receive an Injection of Staff and Maintenance Dollars

The FY 2016-17 Adopted Budget added $4.39 million in ongoing general fund to convert seasonal positions into 101.25 FTE as a result of the arbitration settlement with labor union Local 483. This was in addition to $300,000 of ongoing funding for the Parks for New Portlanders Program and $220,000 of ongoing funding for the operations and maintenance of new Parks. This operations and maintenance funding supports increased access to parks as it is necessary due to the opening of new parks in underserved areas. The bureau also added two new park rangers assigned to the North and East Portland. To help balance these new costs, Parks cut $626,808 in ongoing requirements by reducing seasonal and natural area maintenance, reducing administrative support and unemployment reserve, and increasing customer service fees and parking rates, among other actions. The overall increase in General Fund allocation accompanies increases in Parks’ non-General Fund revenues, notably from System Development Charges ($30.4 million in FY 2016-17) which pay for new capital investments and Parks
Replacement Bond dollars. The bureau also received $3.82 million in the Fall Supplemental for major maintenance of the Delta Park Maintenance Facility. Parks’ deteriorating assets and new system expansions will require new resources or efficiencies to maintain today’s service levels for the next generation or require tradeoffs associated with the current level of service.

The primary aim of Parks’ additional $4.39 million in funding for staff was to maintain service levels at the Parks bureau, not necessarily to increase them. That said, increased wages and benefits could reasonably yield a more consistent and satisfied workforce, ultimately resulting in better services. Unfortunately, the bureau’s measure for community sentiment regarding its services and programming is unknown due to the discontinuation of the Auditor’s Community Survey in FY 2016-17. Parks has recently conducted its own resident survey to gather feedback that will inform operations, but this data is not yet available. With regards to access, the percentage of people who live within one-half mile of a park or natural area dropping from 81 percent to 80 percent, a trend driven more by housing development patterns than the location of new parks.

Discontinuation of Community Survey Creates Data Gap

The cancellation of the Auditor’s Community Survey creates a data gap in understanding community outcomes in other areas of City investment, in addition to parks. These include:

- Perception of safety across different parts of the city
- Perception of service levels from transportation facilities and other infrastructure
- Level of community engagement, and
- Community sentiment on overall City livability.

Moving forward, bureaus with the means to do so may elect to conduct their own surveys, but a Citywide approach with a streamlined focus of inquiry would certainly present efficiencies and perhaps more unbiased results. A cross-bureau survey with improved methodology would also provide needed data on the City’s efforts to increase equity in traditionally underserved populations. Ultimately, the City’s ability to address priorities like homelessness, public safety, and livability, rely on shared contributions from many City bureaus and should be evaluated accordingly.
Public Safety Bureaus
The Bureau of Emergency Communications (BOEC) received substantial resources in FY 2016-17 to continue recruitment of dispatch trainee candidates. However, the bureau did not see a substantial improvement with dispatching performance. BOEC continues to struggle with staff retention, leading to continued reliance on overtime hours to meet staffing demands. The difference between staffed positions and total authorized/funded positions remains high, but the bureau has taken measures to reduce this gap. Two reports issued by the Ombudsman’s Office highlighted significant flaws in the method the bureau used to measure how long it took to answer calls to the 911 system. BOEC worked with the Mayor’s Office and CBO to conduct a Government Accountability Transparency Results (GATR) session to determine which of a Matrix staffing study recommendations to implement, as well as what changes to make to its performance measures.
While BOEC’s Key Performance Measures (KPM) pertaining to time to answer emergency calls and time to dispatch calls should continue to be a focus, the bureau is also paying attention to workload and efficiency measures, as factors affecting these also affect the performance of the bureau’s KPMs. The bureau’s renewed focus on performance measures has occurred in the context of the Ombudsman’s report, bureau leadership changes, and attention from City Council.

**Time to Answer Emergency Calls**

Since the discovery of the flaws, BOEC has provided updated and accurate data on its two measures pertaining to call answering time – Percentage of emergency 911 calls answered within 20 seconds (65.0% in FY 2016-17) and Average time to answer emergency 911 calls (25 seconds in FY 2016-17). However, these are not comparable to the prior years’ values, which are erroneous and cannot be recalculated. Therefore, comparisons with prior years are not meaningful, and neither are comparisons to FY 2016-17 Adopted Budget targets. For FY 2017-18, the bureau has set the target for percentage of calls answered within 20 seconds to remain at 65.0%, but the average time to answer calls is expected to increase to 30 seconds. The National Emergency Number Association (NENA) has set as industry standard goals of 95% of calls answered in 20 seconds, and 90% of calls answered in 10 seconds.

**Dispatch Times**

BOEC measures dispatch times for three types of calls: Police emergency priority, Fire urgent priority, and Medical priority one or two calls. For Police emergency priority calls, the bureau dispatched 67% within 120 seconds in FY 2016-17, which did not meet its Adopted Budget target of 75% and also represents a decline in performance when compared to prior years (70% in both FY 2014-15 and FY 2015-16).

For dispatches that are ultimately handled by Portland Fire & Rescue (PF&R), BOEC performed better. At 69%, while it was not able to meet the Adopted Budget target of 70%, the bureau managed to retain the same level of performance as in FY 2015-16 for the Percentage of fire urgent priority calls dispatched in 60 seconds. In addition, year-over-year improvements were realized for the Percentage of medical priority one and two calls, which was 75% last fiscal year. BOEC also met its Adopted Budget target for this measure in FY 2016-17. Please see the Performance Measure section below for a short discussion of the bureau’s future plans for its dispatch measures.

**Staffing, Overtime, and Attrition**

Staffing continues to be an issue at BOEC and the problem may be affecting the bureau’s call answering and call dispatching performance. Depleted staff levels and high attrition rates have resulted in an increase in overtime hours to fill in the delta between staff hours needed and staff available. While the bureau is fortunate that overtime is a deployable tool to meet this demand, reliance on it is not sustainable. Overtime hours reached 19,882 in FY 2016-17, a 9.3% increase over the 18,182 figure of FY 2015-16, and 32.5% higher than the Adopted Budget target of 15,000. While the growth between FY 2015-16 and FY 2016-17 is significantly less than the growth between FY 2014-15 and FY 2015-16, the 9.3% increase is still a significant concern. The connection between high levels of overtime and low morale and low staff retention is well-documented.
Increased recruitment drives and hiring of retirees that do not require training and certification has allowed BOEC to move closer to its staffing goal. BOEC has projected a 3–5 year range for reaching full staffing, citing full capacity in recruitment academies as a signal of future staffing success. However, because the certification process takes up to 18 months, increases in staffing are not reflected in annual fiscal year data. It should be noted that while academy students are not certified dispatchers, they do begin call-taking duties while in training, increasing the number of individuals available for work despite their contributions not being accounted by the bureau’s FTE totals.

In the past, the bureau has managed by augmenting its budget for overtime pay with salary savings resulting from vacancies. In particular, last year, BOEC received $1.1 million in additional resources for the equivalent of 13 dispatch positions, but without position authority. These additional resources enabled the bureau to absorb its high overtime costs. CBO recommends that Council pay close attention to the bureau’s continuing increases in overtime usage, including their ultimate causes, effects on staff morale/retention, as well as their effects on the bureau’s financial condition. BOEC has indicated that it would also like to change how overtime usage is measured by differentiating between whether the overtime usage is for adequate operations, for mandated trainings, or for all other uses. CBO recommends this change as it better enables the bureau to address the root causes of excessive overtime usage.

Performance Measures

Changes in Measurement Methodologies

Concerning the percentage of emergency calls answered within 20 seconds, after the Staffing Study conducted by Matrix Consulting and the GATR session, BOEC plans to adopt the NENA standards. As for measures related to dispatch times, the bureau would like to focus on measuring efforts that it is responsible for and that are within its control. Specifically, the bureau states that the current measures also include time when a responder is not available, and BOEC would like to adjust the measures so that the time measurement ends when the BOEC dispatchers’ duties are completed. Although this approach is not necessarily endorsed by either NENA or the Association of Public-Safety Communications Officials (APCO), CBO does recommend measures that more accurately reflect the bureau’s efforts, with additional scrutiny on whether the Police Bureau and PF&R’s response times measures are also accurate and effective in assessing those bureaus’ efforts.

One measure which the bureau has changed its methodology in data calculation is the number of calls per emergency communications operator. BOEC states that previously, the call volume was simply divided by the allocated FTE to derive the data. For reporting on FY 2016-17, the bureau has changed the denominator to the number of certified staff it had at the most recent sign-up prior to reporting to CBO. As a result, the year-end actual for this figure was 11,106, significantly higher than the Adopted Budget target of 8,000 and prior years’ actuals of 7,502 in FY 2014-15 and 7,937 in FY
2015-16. Thus, comparisons to the target and prior years are also not meaningful for this measure, and CBO recommends that BOEC create a new measure in the budgeting system to avoid confusion.

**Staffing, Training, and Retention**

At 96% at FY 2016-17 year-end, BOEC has managed to meet its Adopted Budget target (75%) for the percent of new hires who graduated from its academy. While the measure has displayed a slight decline from FY 2015-16, when 100% of new hires graduated from the academy, the bureau should be commended for meeting its Adopted Budget target considering its staffing issues. However, the bureau’s ability to graduate new hires does not address issues of staff attrition and retention. This problem is a well-known one for the bureau and was further highlighted by the recent Staffing Study conducted by Matrix. CBO recommends that BOEC develop a performance measure specifically for staff retention/attrition so that further attention can be placed on the issue. It should be noted that the Matrix study recommends that the existing training model be revised to reduce the attrition rate.

BOEC states that it is continuing to work with the Mayor’s Office and CBO to refine its performance measures and their yearly targets and long-term goals. The Mayor’s office will be convening a follow-up GATR session in the second quarter of the fiscal year to review the bureau’s progress on implementing action items from the Matrix study and the recent GATR session. This should also include a detailed assessment of BOEC’s performance measures.

**Bureau Finances: Budget-to-Actuals and Key Issues**

**Emergency Communications Fund**

Emergency Communications Fund FY 2016-17 Reconciliation

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BOEC ended the year needing only 95% of its Personnel Services budget and was able to transfer $400,000 out to External Materials & Services (EMS) during the Over-Expenditure Ordinance because of the additional $1.1 million allocated for the equivalent of 13 dispatch positions. However, CBO notes that most of the underspending was in permanent, full-time salary, with the bureau spending only 69% of the Revised Budget for this line item, while the budget for overtime was overspent by 71%. As discussed above, the bureau was able to spend significantly above budget on overtime due to staffing shortages resulting in salary savings and the additional $1.1 million in its budget for Personnel Services.

No single factor caused EM&S to be underspent by 21%. BOEC states that two projects concerning classroom enhancements and furniture modifications that were originally expected to be completed in FY 2016-17 are now scheduled to be finished during the current year. Moreover, the CAD Server Refresh Project was also completed with significant under-expenditure. See discussion in the Capital section below.

Ending balance is projected to be almost $1.6 million. Of this amount, initial estimates indicate that more than $550,000 would be returned to the General Fund, and more than $85,000 should be returned to partner jurisdictions. Of the amount to be returned to the General Fund, 43% is from unspent funds for the CAD Refresh Project, out of a total of $1.4 million initially allocated, while most of the rest is operating surplus from FY 2016-17. $100,000 of the ending balance is carried forward to the current year to complete the Training Classroom Enhancement project, leaving about $850,000 in unrestricted contingency. However, 56% of the amount in unrestricted contingency, or $477,020, is to be made available to fund the City’s share of potential additional costs resulting from labor contract changes if needed, leaving only about $370,000 in unrestricted contingency.

**Capital**

BOEC had a single capital project last year – the CAD Server Replacement Project – which began in FY 2015-16 and was substantially completed that year, but was completely finished in FY 2016-17. Of the $1.4 million that was initially budgeted for the project in FY 2015-16, only $265,374 was carried over into FY 2016-17. The new servers went live in May 2016, with the decommissioning of the old servers occurring a month later. The FY 2016-17 phase of the project was the final one and consisted of adding environments to assist with training needs. Of the $265,374 budgeted for the project last year, only 11% was spent by the bureau at year-end, contributing to the significant under-expenditure in BOEC’s budget for External Materials & Services.
Bureau of Fire and Police Disability & Retirement

Analysis by Ryan Kinsella

The Bureau of Fire & Police Disability & Retirement (FPDR) ended FY 2016-17 within appropriations as there were adequate tax receipts to meet obligations for benefits payments and bureau operating expenses. There were no significant projects or expenses to note in FY 2016-17.

Bureau Performance

The bureau’s six Key Performance Measures (KPMs) together provide a complete picture of the effectiveness and sustainability of the operation for FPDR. The bureau’s KPMs include measures where FPDR has influence but not direct control of the outcomes, workload measures, and measures where the bureau has greater control over the outcomes. Overall, the bureau’s KPMs are trending positively towards future goals and strategic targets.

Highlights include:

- The number of disability claims filed decreased by 9.7% to 342 in FY 2016-17, when compared to the close of FY 2015-16. The bureau’s strategic target is 356 claims per year.

https://www.portlandoregon.gov/cbo/article/655039

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Highlights include:

- The number of disability claims filed decreased by 9.7% to 342 in FY 2016-17, when compared to the close of FY 2015-16. The bureau’s strategic target is 356 claims per year.
• While the number of disability claims has decreased, the percent of the workforce on disability as of June 30 has marginally decreased from 3.4% in FY 2015-16 to 3.3% in FY 2016-17, which is below the bureau’s current year target of 4.0%.

• As the Portland Police Bureau and Portland Fire & Rescue are hiring new personnel to fill vacancies created through attrition, the percent of the workforce on FPDR 3 is anticipated to continue to increase accordingly. The target for FY 2017-18 is 43% which appears reasonable given the hiring goals of both public safety bureaus.

• FPDR projects the City will experience an increased number of retirements from FPDR 2 members due to the number of members reaching retirement eligibility. In FY 2016-17, there were 57 retirement separations. This is consistent with the projected retirement separations provided by Portland Police Bureau and Portland Fire & Rescue for a continued trend into FY 2016-17 of separations for retirement.

• The bureau reports to the public that administrative costs for managing FPDR are kept within, and often below, the target amount.

In January 2017, FPDR completed its biennial update to the actuarial valuation and levy adequacy analysis. As a result of this analysis, the forecasted pension liability increased due to a change in the discount rate, a change in COLA assumptions for FPDR Two retirees, and longer mortality assumptions. However, growth in Real Market Value (RMV) has lessened the probability of fund expenses exceeding the levy limits and reduced the degree to which the FPDR levy will compress other general government levies. Over the long-term, there remains a period between 2020 and the early 2030s during which FPDR will incur the full pension costs of One and Two retirees and disability costs for current employees while also prefunding the pension costs (via PERS) of Tier Three employees. As noted in previous analyses, there is a very low possibility (2.6%, down from 4.0% in 2014 analysis) that FPDR fund costs may exceed tax capacity during this period. Most likely this would be funded with issuance of pension obligation bonds until costs of One and Two pensions decrease, allowing for a smoothing of this tax rate.
All expenses ended the fiscal year within budget. Claims and pension payments are the largest expense category for FPDR. Personnel services ended the year with less than 5% of budget remaining, mostly due to the bureau operating throughout the year with a low number of vacant positions.

The primary revenue source for FPDR is the receipt of dedicated property taxes and the funds received from the Tax Anticipation Notes (TANs) which are issued in July of each year and repaid the following June. Property tax collections met projection, with revenues exceeding budget by $125,734. The TANs are issued in the summer prior to the collection of property taxes to ensure the bureau has adequate cash flow throughout the year. The amount of the TAN is an estimate and therefore may not match the exact amount issued. FPDR did not require the transfer from FPDR Reserve Fund (budgeted at $750,000) but did utilize TAN proceeds to maintain a positive cash balance in FY 2016-17. Interagency revenues for FPDR are primarily due to pension and disability overhead charges collected by the Portland Police Bureau and Portland Fire & Rescue when sworn employees’ salaries are paid by third parties (such as TriMet); those receipts are then passed to FPDR.
The Police Bureau ended the fiscal year within budget, underspending its General Fund allocation by $1.4 million (net of encumbrances). Personal services spending was within budget, with vacancy savings offsetting substantial unplanned spending on protest-related overtime. The bureau continued to navigate a staffing shortage, but made mid-year adjustments to limit the impact on service levels and made improvements in its recruitment and hiring efforts. Response times continued to increase, exacerbated by the patrol staffing shortage and generally increasing call volume.

**Bureau Performance**

<table>
<thead>
<tr>
<th>Metric</th>
<th>FY 2016-17 Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Crime Against Property offenses per 1,000 residents</td>
<td>79.00</td>
</tr>
<tr>
<td>Number of Crime Against Persons offenses per 1,000 residents</td>
<td>13.40</td>
</tr>
<tr>
<td>Percentage of residents who feel safe walking alone in their neighborhood at night</td>
<td>Not yet available</td>
</tr>
<tr>
<td>Percentage of the DOJ Agreement Tasks assigned to PPB that are actively in progress or completed</td>
<td>Not yet available</td>
</tr>
<tr>
<td>Average travel time to high priority calls in minutes</td>
<td>6.55</td>
</tr>
<tr>
<td>Percentage of new sworn hires comprised of people from communities of color</td>
<td>24.1%</td>
</tr>
<tr>
<td>Percentage of new sworn hires who are female</td>
<td>15.5%</td>
</tr>
<tr>
<td>Percentage of total PPB custodies in which there was no FDCR-level force event</td>
<td>97.68%</td>
</tr>
</tbody>
</table>

The Portland Police Bureau’s (PPB’s) most pressing issues - compliance with the U.S. Department of Justice (DOJ) Agreement and managing staffing shortages - are in many ways foundational to the successful execution of the pillars of 21st Century Policing\(^1\). Although the bureau made progress on these issues in FY 2016-17, its key performance measures showed generally declining service levels.

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\(^1\) The President’s Task Force on 21st Century Policing was structured around six key pillars: Building Trust and Legitimacy, Policy and Oversight, Technology and Social Media, Community Policing and Crime Reduction, Training and Education, and Officer Wellness and Safety.
The bureau was particularly successful in addressing issues, such as the patrol staffing shortage, when a concerted effort was made to base decisions on data and evidence. CBO encourages the bureau to continue to expand its use of data analytics in both strategic and operational decision-making.

**DOJ Agreement Compliance**

PPB has several performance measures that are related to compliance with the DOJ Agreement.

- As of FY 2015-16, the last year for which full data is available, the bureau reported that 96.3% of PPB-assigned tasks required by the DOJ Agreement were either completed or actively in progress. This is up from 88% in the prior year. During FY 2016-17, PPB internally restructured oversight of its DOJ-related activities, increased the throughput of its policy directive review process, and invested in technologies such as a new learning management system as part of DOJ compliance efforts.

- The bureau’s key performance measure related to use of force (a major focus of the DOJ Agreement) showed positive improvement in FY 2016-17. The percentage of custodies in which there was a Force Data Collection Report (FDCR) level event decreased from 2.9% to 2.3%. The actual number of cases where there was a FDCR level event also decreased, from 702 in FY 2015-16 to 600 in FY 2016-17.

The DOJ Agreement stipulated that PPB’s compliance with the Agreement be monitored by an external Compliance Officer/Community Liaison (COCL) and Community Oversight Advisory Board (COAB). The COCL issued its most recent report on DOJ compliance on October 3rd, 2017, covering the period from January – September 2017. The COCL noted that the City and PPB made dramatic progress on satisfying the terms of the Agreement, but highlighted several areas where additional work is needed, most notably around training officers in de-escalation techniques in potential use-of-force scenarios.

The COCL also notes the considerable amount of time and effort PPB has made to reach out to the community on public safety and policing issues and build trust through various initiatives and programs. Although the bureau does not currently have performance measures related to community engagement, it has consolidated its internal efforts into a Community Engagement Office housed within the Chief’s Office. CBO notes that, while not within PPB’s control, the recent re-envisioning of this group as the Portland Committee on Community-Engaged Policing (PCCEP) could have positive effects on PPB’s community engagement compliance efforts.

**Staffing Shortage**

The bureau continues to face a patrol staffing shortage due to recent attrition, which is complicated by the 18+ month lag time between when a new officer is hired and when they are deployable. The chart below (from PPB’s October 2017 Council Work Session) highlights this issue, showing higher vacancies in FY 2015-16 that are eventually replaced by higher numbers of officers on probation in FY 2016-17 and FY 2017-18. The overall impact is that fewer officers are available for patrol or to
replenish specialty units. Absent any action, it will take several years for the bureau to manage through this cycle of attrition and replacement.

However, PPB has made notable progress in addressing elements contributing to the staffing shortage. In 2016, the bureau engaged in a GATR Session (Government Accountability Transparency Results), using data and evidence to develop strategies to address decreased levels of officers available for patrol and the resulting impact on core bureau service levels. The bureau implemented process improvements in its hiring process that have reduced the time-to-hire for officer candidates. Improvements in the testing and hiring process have eliminated case backlogs for backgrounding, increased the percentage of people passing backgrounds (up to 14% from 7-9%), and shortened the background process.

Combined with new resources in the recruitment function, the bureau was able to hire 54 new officers in FY 2016-17, compared to 22 in the prior fiscal year.

- Of the new hires, 24.1% were persons from communities of color. While the percentage declined notably from the 42.9% reported in the prior year and fell short of the 35% target, the actual number of new hires from communities of color increased from FY 2015-16 to FY 2016-17 due to the increased hiring rate.

- Additionally, 15.5% of new hires were women, which fell short of the 18% target but was an improvement over the 14.1% reported in the prior year.
The bureau also transferred 28 sworn personnel from specialty units (Traffic Division, Drugs and Vice, etc.) to precincts and implemented a rotational shift for other specialty unit staff in order to increase the number of officers available for patrol and to help control overtime spending. While this change had impacts on the missions of specialty units\(^2\), the transfer of staff resources to patrol helped to mitigate service level impacts to core bureau functions (i.e. dispatch to priority calls) and slowed overtime spending.

The total number of incidents dispatched in FY 2016-17 was 252,230, an increase of 1.5% from the previous year. The total number of high priority calls has not increased substantially over the last several years, up only 6% from FY 2012-13. High priority calls have decreased as a total percentage of dispatched calls.

Despite the aforementioned efforts towards alleviating the staffing shortage, the number of officers available for patrol declined from FY 2015-16 to FY 2016-17, from 375 to 361. The reduced number of officers available for patrol has contributed to increased average response time on high priority calls. At 6.55 minutes, the measure is up almost 11% from the prior year.

\(^2\) The overall impact of these transfers on service levels is difficult to quantify. However, unit-specific impacts can sometimes be identified. For example, the transfer of five sworn staff from Drugs and Vice has resulted in a 34% decrease in the number of investigatory cases assigned.
As total time spent on dispatched calls increases, high priority or otherwise, officers have less time to engage in proactive police work. The bureau’s measure of officer-initiated calls for service continued to decline in FY 2016-17.

It is worth noting that the officer-initiated calls do not capture the full universe of proactive policing. Officers may go on walking beats, attend community meetings, or otherwise engage with the public, without formally initiating a self-dispatched call.

The bureau expects to reach full sworn staffing during FY 2017-18. However, the bureau is still facing a wave of retirements in the next several years that is complicated by the 18+ month lag time between when a new officer is hired and when they are deployable. Having above average proportions of sworn staff on probation will put pressure on the bureau’s ability to reduce response times and increase levels of proactive police work.

**Crime Reporting System and Crime Analytics**

This is the second year the Police Bureau has reported crime data under the National Incident Based Reporting System (NIBRS), having switched from the Uniform Crime Reporting (UCR) system in April 2015.

- While two years of data is insufficient to identify longer term crime trends, both property crime and person crime increased in FY 2016-17 by 9% and 5.4%, respectively.
• This increase in property crime corresponds with PPB’s analysis showing an increase in auto
theft, as well as generally increasing calls for service. Major crime clearance data is not yet
available under the new system.

PPB made increased use of crime analysis and reporting during FY 2016-17, adding resources to the
Strategic Services Division analytics function and creating both internal and public-facing dashboards.

The bureau has increased its level of analytical support in recent years, and has been successful in
making the case for additional resources in part due to the “multiplier effect” of analytical support. As
the bureau tries to stabilize service levels, it will be important for the bureau to maximize the impact
of analytical support by acting on and operationalizing input from crime analysts in a timely fashion.

Performance Measures

During FY 2016-17, the City of Portland eliminated funding for the Annual Community Survey. Several
of PPB’s performance measures, including the key performance measure “percentage of citizens who
feel safe walking alone in their neighborhood at night,” were drawn from that survey, and will not be
available going forward. In response, PPB is evaluating other performance measures to replace this
measure, as well as researching how to better promote and publicize other existing data that is not
currently part of its performance reporting (i.e. percentage of officers who have received Enhanced
Crisis Intervention Team training).

The bureau intended to begin developing a new strategic plan in FY 2016-17, but that effort was
delayed, in part due to a desire for greater community input. As those efforts are renewed under new
bureau leadership in FY 2017-18, the bureau should see this as an opportunity to develop new or
enhanced performance measures that are well-aligned with the goals and objectives of the strategic
plan.

There are a few key issues where PPB has a heavy organizational focus, but those efforts are not
currently tracked or evaluated through performance measures. CBO recommends the following:

• The bureau should consider developing performance measures around its community
  engagement efforts. The bureau has made substantial efforts, both generally and as related to
  DOJ Agreement compliance, to increase PPB’s level of community engagement. The 2015
  DHM Research report “Portland Police Community Relations Survey Research,” provides
  examples of possible community engagement measures.

• The Records Division, which provides both critical internal support and a public-facing records
  request function, does not have any performance measures that are reported. CBO suggests
  that PPB develop measures for this division, both for the current set of activities and for the
  nascent body worn camera program housed in this division. As the body worn camera
  program is developed, it will be critical to both define “success” for this program, and track
  multiple measures to evaluate the program.
The bureau should also consider developing measures related to the Community Service Officer program. The program has not yet launched in earnest, and likely will not during FY 2017-18, but it will be important to track outcomes of the program (e.g. reduced officer time spent on low priority calls) in order to determine the cost-benefit of scaling the program.

**Bureau Finances: Budget-to-Actuals and Key Issues**

The Police Bureau ended FY 2016-17 with 96.7% of its General Fund budget spent, leaving a balance of $6.5 million. Of this amount, approximately $5.1 million is requested as encumbrance carryover in the Fall Supplemental Budget and $1.4 million fell to balance.

External Materials and Services (EMS) was underspent by approximately $4.8 million, which is the primary driver of encumbrance carryovers. Internal Materials and Services was overspent by almost $800,000, or 2.5%, primarily due to overspending on interagency agreements with CityFleet, Printing & Distribution, and the Bureau of Technology Services. Per the bureau, this was due to midyear budget adjustments that assumed higher levels of underspending than actually materialized.

Personal Services spending was $2.2 million, or 2.5%, under budget. The revised budget of $147.6 million includes $1.4 million in compensation set-aside appropriated in the FY 2016-17 Spring Supplemental Budget. Underspending was driven by lower salary and benefits spending ($4.4 million underspent), which was offset by payouts and overtime spending that was higher than budgeted. Notable personnel expenses include:

- Payouts for attrition and compensatory time totaled approximately $3.2 million, or 180% of budget. Accurate projections of anticipated payouts will become increasingly important as the bureau navigates an expected wave of retirements in the next several years. In particular,
large payouts will likely be made in FY 2018-19 and FY 2020-21 when significant numbers of retirements are expected by sworn staff due to 27 pay-period lookbacks.

- Overtime spending exceeded budget by $824,252. The primary driver for total overtime spending continues to be personnel shortage backfill (i.e. vacation, sick or injury leave, and training). However, overtime related to post-inaugural protests and demonstrations was almost $2 million, contributing to the overspent overtime budget.

- Reimbursable overtime, which is most typically secondary employment at retail stores, was approximately $800,000 higher in FY 2016-17 than in the prior year. This overtime is not a large draw on PPB’s budgetary resources, though the rates charged are not yet at full cost recovery. The increased rate at which officers are engaging in secondary employment does impact the bureau’s ability to draw volunteers for overtime related to the staffing shortage.

The bureau is still experiencing fairly high levels of non-sworn vacancies; in June 2017, the bureau had 42 non-sworn vacancies. While non-sworn vacancy savings is helping to offset heavy overtime and retirement payout spending, maintaining high non-sworn vacancies rates over time will affect internal bureau operations.

### Capital

The majority of the Police Bureau’s capital projects are implemented in tandem with the Bureau of Technology Services.

**Regional Justice Information Network (RegJIN) Records Management System**

The RegJIN Records Management System went live in April 2015. The system was established as a central depository for crime related information shared and funded by approximately 40 law
enforcement agencies in the Portland region. During FY 2016-17, Clark County exited the RegJIN agreement, reducing the total number of RegJIN users by 8.2% and increasing costs for Portland and other system users. This, combined with increased contract costs and wage inflation, increased the FY 2017-18 per-user cost for RegJIN sustainment by 21.8%. Late in FY 2016-17, Clackamas County also elected to exit the system agreement. In order to control costs for other users and reduce the likelihood of further exit, PPB is subsidizing the loss of revenue from Clackamas County (approximately $300,000 in FY 2017-18, increasing to approximately $500,000 in FY 2018-19).

**Body Worn Camera Program**

The development of the Body Worn Camera program has experienced delays. Given the complexity of body camera policy and the current lack of robust research on police camera programs, a slower implementation timeline may ultimately benefit the program. PPB’s program may actually contribute to the existing body of research, as it is required to be responsive to a FY 2016-17 budget note, stating that “The bureau will use an outside program evaluator to document and provide evaluation post-implementation to assess the impacts and outcomes of the investment in body cameras.”

One-time funding of $834,619 for program hard costs was originally approved by Council in FY 2013-14, and then carried into FY 2014-15. Ongoing funding of $1.7 million was awarded for the program in FY 2016-17, to begin in FY 2017-18. During budget development for FY 2017-18, the ongoing body camera allocation was reduced by $1.2 million on a one-time basis.

No substantial progress was made on body worn camera policy development in FY 2016-17, but the bureau did hire a program manager in early FY 2017-18 to oversee the program and shepherd the development of body worn camera policy. Cost estimates for key program components (i.e. hardware, storage, analytical and administrative support, and training) have not changed, but are still low-confidence.
Portland Fire & Rescue (PF&R) ended FY 2016-17 within the General Fund discretionary budget and a majority of reported Key Performance Measures are trending consistently with prior years. The bureau has implemented several key changes to operations under the direction of Chief Meyers and is preparing for several significant changes in future years.

### Bureau Performance

<table>
<thead>
<tr>
<th>Fire &amp; Rescue</th>
<th>Insurance Service Office rating</th>
<th>2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of lives lost per 100,000 residents</td>
<td>1.42</td>
<td></td>
</tr>
<tr>
<td>Number of structural fires per 1,000 inspectable occupancies</td>
<td>10.00</td>
<td></td>
</tr>
<tr>
<td>Percentage of residents rating service good or very good</td>
<td>87%</td>
<td></td>
</tr>
<tr>
<td>Property loss as a percentage of property value</td>
<td>1.30%</td>
<td></td>
</tr>
<tr>
<td>Total number of arson incidents per 10,000 residents</td>
<td>4</td>
<td></td>
</tr>
</tbody>
</table>

Over this past year, Portland Fire & Rescue as restructured its management practices in two notable ways First, the bureau has revised its 2017-2020 Strategic Plan and created performance measures and milestones in seven key areas, including fire protection, prevention, public health, logistics, organizational culture, finance and administration, and information technology. Battalion chiefs tasked with overseeing this measures meet on a regular basis to update bureau leadership on the status for each measure, task, and milestone. Second, the bureau recently developed strategic plans for each of the fire management areas, which are intended to reflect the unique needs of each community.

https://www.portlandoregon.gov/cbo/article/655039
Looking forward, several items with notable fiscal impacts will require careful planning over the next few years:

- **Fire Information System.** The Fire Information System is need of replacement, which includes six modules: Incidents, Pre-Fire, Inspection, Training (recently replaced with Target Solutions), Personnel, and Journal (scheduling, workload tracking). The Fire Inspection System was recently replatformed to an updated environment in 2014, funded by $1.8 million in Public Safety Systems Revitalization Program (PSSRP) funds. This update allowed the system to continue functioning; however, an assessment by BTS and PSRRP (July 2017) found that the bureau would benefit from a new off-the-shelf system, to address the many inefficiencies and problems of its current system. These inefficiencies were evaluated in terms of usability, sustainability/maintainability, governance/management, and accessibility. The replacement of the system will require additional resources, which could include the bureau’s current General Fund appropriation and remaining PSSRP balance.

- **Logistics and Training Relocation.** Per a budget note from the FY 2016-17 Adopted Budget, PF&R in conjunction with Facilities’ Services has hired a consultant to conduct a needs analysis of the Logistics, Prevention and Training divisions, with the goals of identifying the most appropriate and cost-effective locations for these divisions. Options may include the Sears Building in SW Portland, relocating the Logistics division to the current Parkrose site of the Training division, in addition to other options. Once the assessment is complete, the next steps will be for the bureau to develop design, cost estimates and a financing plan prior to seeking Council’s approval. The 1998 Fire Facilities GO Bond balance is mostly expired, and the City would need to identify new revenue sources for any major facility projects.

Lastly, in addition to these changes noted above, there are potential changes to medical dispatch due to the renewal of ambulance service contract procured by the County.

**Performance Measures**

Over the past fiscal year, the majority of PF&R’s identified Key Performance Measures (KPMs) have either trended positively or remained flat when compared to prior year data. However, PF&R leadership is assessing the current bureau KPMs, performance measures, and is currently implementing changes to how performance is monitored in accordance with its revised strategic plan. This is an important step in ensuring the bureau is collecting appropriate data, and subsequently using tools throughout the year to meet bureau-wide goals.

CBO notes that response times for the highest priority calls remain consistent when compared to prior years. In FY 2016-17 there was a slight increase in response times at the 90th percentile from 7:19 to 7:39. There are many factors which impact overall response times, some may be within the bureau’s control such as staffing configurations, and others, like traffic congestion, are not.

**Call Volume.** Medical response call volume continues to increase as a result of fewer residents relying on paramedics and ambulatory transport for chronic and less acute medical issues.
The chart to the left illustrates the changes in call volume:

- Call volume increases as population increases. While not a direct correlation, it is expected that PF&R will need to address a greater number of calls as Portland’s population increases. On average, population has increased by 1% per year over the past ten years (11% total increase). During that same period, total call volume has increased by 3% per year (31% total increase).
- Medical calls remain the largest portion of call volume, representing 70% of total calls over the past ten years.

Based on prior trends, PF&R will need to address an increase of 3% or approximately 2,500 calls per year through various mitigation strategies that shift calls away from 4-person engines’ response to maintain current service levels. PF&R has piloted and implemented strategies with the intent of mitigating the impact from additional medical call volume. These initiatives include the following:

**Rapid Response Vehicle Program.** Implementation of the Rapid Response Vehicle Program, which provides medical response to low acuity calls using two person teams staffed by a paramedic and EMT, thereby lessening the need to use four-person teamed fire engine and truck response.

**Alternative Destination and Alternative Transport (ADAT).** In FY 2014-15, the bureau piloted the ADAT program, the goal of which is to respond to low acuity calls with a Fire paramedic who would determine if patients would be best served by being transported to an emergency room or to a lower cost alternative healthcare provider or urgent care facility.

**High Utilizer Call Program.** This program proactively assists approximately 30 residents who regularly call 9-1-1 for emergency services (“high utilizers”). Conditions of the high utilizers typically include chronic medical illness, drug addiction, and mental illness. The pilot, funded
by the Innovation Fund, has been effective in reducing high utilizer calls. Of a group of 17 pilot enrollees, calls were reduced by 75 percent, from 274 to 69 in the following 6 months.

In addition to these strategies, other fire service agencies have been exploring different ways to respond to increases in medical calls, such as 911 call-center nurse triage and in-field treatment (paramedicine).

Bureau Finances: Budget-to-Actuals and Key Issues

General Fund

At the close of FY 2016-17, PF&R had spent 98% of the General Fund budget. Unspent funds for apparatus replacement have been recommended by CBO as encumbrance carryover, pending Council approval with the Fall Supplemental Budget. Revenues received from the inspections and permitting functions at PF&R continue to grow at a higher rate when compared to prior years. Based on projections from the Bureau of Development Services, the demand for permitting and inspections is not likely to slow down in the next three to five years.

The largest expense category for PF&R is personnel services for station operations. Over the past three years there has been increased reliance on overtime hours to meet the bureau’s desired staffing requirements. This expense constrains the bureau’s limited discretionary resources that are
available to fund other expenses, such as station projects, equipment purchases, and information technology updates.

While unforeseen overtime costs were incurred as a result of the recent winter storms ($62,000) and protests/rapid response team activities ($27,000), the primary driver of bureau personnel spending is due to call shift or replacement overtime. Call shift or replacement overtime is used to meet minimum staffing requirements while firefighters take vacation, sick and other leave. The number of leave hours requiring replacement overtime has increased by 4% compared to previous years; family parental leave, which was not offered as a City benefit in previous years, accounts for 2% in replacement overtime.

Staffing of the Travelers Pool (the group of firefighters – typically filled by new hires – that are designated to fill vacation, sick and other leaves at stations to reduce call shift overtime) has been less than in previous years. Specifically, there are an average of 16.1 firefighters in the Travelers Pool this year, whereas last year there was an average of 20.3 firefighters in the pool. The bureau targets having 45 firefighters in the pool, which results in the least costly balance of having regularly staffed positions in the pool and using call shift overtime. To the degree that there are fewer firefighters to fill shifts in the Travelers Pool, these shifts are then filled by firefighters being paid overtime. As evidenced in the chart below, the number of firefighters is approximately half of the optimal number and has significantly decreased since FY 2013-14, resulting in increased overtime costs.
There are two primary drivers of the current lower numbers of firefighters in the pool: (1) fewer candidates entered firefighting in the past two years as a result of the budget uncertainty resulting from the 26 positions that were converted to limited-term, grant-fund positions in FY 2013-14; and (2) an increased number of retirements, which results in a greater number of positions being transferred out of the Travelers Pool into fire stations.

Increasing the number of new hires – and thus, the size of the Travelers Pool – is constrained by the fact that all new hires are required to complete one year of training and the bureau has limited staff capacity to increase the number of training classes. However, beginning in July 2015, the bureau doubled the number of training classes, resulting in a cohort of 12 new recruits every three months instead of every six months as previously was the case. As a result, 32-35 new firefighters will complete their training and enter the Travelers Pool by the end of 2017, lessening the use of call shift overtime and also preparing for the next spike in retirements.

**Capital**

PF&R capital projects consist mostly of the procurement of replacement engines, trucks, and specialized emergency response equipment. The Public Safety General Obligation (GO) Bond has been the primary funding source for these purchases, with the bureau transitioning to the utilization of the General Fund Apparatus Replacement Reserve in FY 2015-16. Currently PF&R operates a network of 30 stations which are in use 24 hours a day, seven days per week. Since 1998, many stations have received seismic updating and additional enhancements, using resources from the 1998 and 2010 General Obligation (GO) Bonds. As a result of these investments, the overall condition of the stations at present is better than most other assets owned by the City. However, the bureau does not have a major maintenance reserve to fund future costs. PF&R does track and set aside approximately $300,000 for annual station repairs and maintenance, but the funding source is bureau discretionary resources, which may be limited in some years. Items such as additional dormitories, roof work, and HVAC or generator projects have been more urgent in recent years, therefore reducing the bureau’s ability to fund routine station maintenance. Previously, PF&R Management Services Division estimated an annual need of $1 million for major expenses, based on current assets’ condition and approximate scheduled life-cycle replacement.

CBO continues to recommend that the bureau build a reserve dedicated solely to major maintenance needs and asset preservation. Moreover, it is recommended that the bureau develop a scheduled major maintenance plan to submit as part of PF&R’s Requested Budget that consists of project detail, timeline, and level of priority.
In FY 2016-17, the Portland Bureau of Emergency Management (PBEM) met or exceeded 83% of its annual performance targets, most notably within measures focusing on resiliency and disaster response training of internal staff and external volunteers. The bureau also took important steps to refine and improve its performance measures, and CBO encourages the bureau to continue this effort. PBEM ended the year on budget with no major issues.

<table>
<thead>
<tr>
<th>Emergency Management</th>
<th>Number of new PublicAlerts registrations</th>
<th>3,678</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Percentage of bureaus with updated COOP plan that meets or exceeds FEMA standard</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>Percentage of neighborhoods with active NET teams</td>
<td>71%</td>
</tr>
<tr>
<td></td>
<td>Percentage of participants who rate PBEM classes and exercises as “good” or “excellent”</td>
<td>85%</td>
</tr>
</tbody>
</table>

PBEM has successfully led the effort to ensure 100% of City Bureaus have an up-to-date Continuity of Operations (COOP) plan, as directed by Council during FY 2015-16 budget development. In FY 2017-
18, the bureau will continue to work with bureaus to improve plan cross-City coordination, consistency and quality.

In FY 2016-17, PBEM had 17% fewer Public Alert registrations than in FY 2015-16 and fell short of meeting its annual target by 1,322 people. Public Alert registrations tend to increase with emergency events; while the winter storms generated a small amount of increased registrations for FY 2016-17, registrations spiked with the Eagle Creek fire, which occurred in FY 2017-18.

Performance Measures

In the Spring of 2017, the bureau made improvements to a number of its performance measures, including creating the new Key Performance Measure (KPM) “% of Neighborhoods with Active NET Teams” featured above. PBEM also began tracking data for a new measure, “% of ECC responders who rate their competency as “very high” or “high”” to more accurately measure competency rather than participant satisfaction. This measure will replace the current KPM “% of participants who rate PBEM classes and exercises as “good” or “excellent”” beginning in FY 2018-19.

CBO supports these improvements made by the bureau. In addition to the measure tracking annual enrollment in the Public Alert system, CBO would suggest that the bureau develop a KPM that holistically and meaningfully captures the public’s engagement with emergency management systems more generally.

Bureau Finances: Budget-to-Actuals and Key Issues

PBEM finished the year on budget, having spent 92% of their operating budget and ending the year with $206,480 in General Fund underspending. Although actual expenditures on Internal Materials and Services were only $52,799 – or 6% - underbudget, the Grants Fund was able to cover a larger portion of these total costs, leading to greater General Fund savings. While this is an acceptable level
of underspending, CBO notes that the bureau received a significant amount of new General Fund this year for expanded programming. New funding often results in greater levels of underspending. CBO will work with the bureau to track spending throughout the year, and help anticipate and troubleshoot any potential budget issues.

The bureau expended 36% of its budgeted funds in the Grants Fund. Underspending was primarily due to the fact that the bureau received and appropriated an award of $2.8 million for its 2016 Urban Area Security Initiative Grant (UASI) two weeks before the close of the fiscal year. UASI funding for 2015 and 2016 awards will continue to be expended in FY 2017-18.
Parks, Recreation, and Culture
Portland Parks and Recreation faced several significant opportunities and challenges in FY 2016-17, including (1) the implementation of a large capital program funded by the 2014 Parks Replacement Bond, a growing SDC capital program in addition to General Fund projects; (2) the implementation of a new bargaining agreement with Local 483 in which 101.25 FTE were integrated into Parks’ workforce, and (3) fiscal challenges in the Golf Program which ultimately impacted the bureau’s General Fund resources. Additionally, bureau performance measures indicate an emerging issue around safety in parks. These issues and others are highlighted below.

### Bureau Performance

<table>
<thead>
<tr>
<th>Parks &amp; Recreation</th>
<th>Number of acres of invasive weeds treated annually</th>
<th>Not yet available</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Percentage of residents rating the overall quality of parks as good or very good</td>
<td>Not yet available</td>
</tr>
<tr>
<td></td>
<td>Percentage of residents rating the overall quality of recreation centers and activities</td>
<td>Not yet available</td>
</tr>
<tr>
<td></td>
<td>Percentage of residents living within one-half mile of a park or natural area</td>
<td>80%</td>
</tr>
<tr>
<td></td>
<td>Percentage of residents living within three miles of a full-service community center</td>
<td>70%</td>
</tr>
</tbody>
</table>

Portland Parks & Recreation (Parks) ended the fiscal year within its budget but with several challenging factors: the implementation of the arbitration settlement with Local 483, continued volatility of recreation services revenues in the General Fund, and a significant drop in program revenues for the Golf Program. Specifically, the Golf Program continues to struggle to achieve...
revenue targets after the re-opening of Colwood Golf Course, resulting in a net loss of $703,642, whereas Portland International Raceway reversed a negative trend from prior years, ending the year with revenues exceeding budgeted amounts by $200,000. System Development Charges (SDC) revenues exceeded the budget of $22.5 million by $7.8 million (for a total of $30.4 million), primarily driven by the collection of residential SDCs. This marks the largest SDC revenue growth following the economic recovery.

Due to increases in population density in areas not in close proximity to parks and community centers, the bureau showed marginal decrease in two of its key performance measures - percentage of residents living within one-half mile of a park or natural area, and the percentage of residents living within three miles of a community center – despite adding new parks into the system.

**Performance Measures**

Portland Parks and Recreation identified six key performance measures as part of the FY 2015-16 requested budget, which measure core bureau services and assess the bureau’s strategic direction. These metrics track resident access to, and perceived quality of, parks, natural areas, and community centers; the condition of parks facilities; and amount of work on natural areas. Several of these measures will be revised in the upcoming year: due to the discontinuation of the Auditor’s Community Survey, perceptions of park/recreation center safety and quality will no longer be tracked using this survey instrument. Additionally, the bureau is continuing to refine how it will communicate the overall condition of its assets via a performance measure.

*Percentage of Households within 1/2 mile of a Park or Natural Area and within 3 miles of a full service community center*

The bureau has set a goal that all Portland households live within ½ mile of a park or natural area and within three miles of a community center. Proximity to parks and community centers is a key component of the Portland Plan’s 20-Minute Neighborhood. Currently 80% of Portland households live within ½ mile of park or natural area, which is down from 81% in FY 2015-16, due to an increased number of new households being developed in areas that are not located within ½ mile of a park. As housing density increases in parts of the city that are currently underserved, such as East Portland, Parks will continue to struggle to meet this key target.

More generally, this proportion has remained nearly the same over the past four years as park development has tracked at the same pace as new residential development. While over 80% of households have access to parks in most neighborhoods, two areas have significantly less access: only 62% of residents have access to parks in both East Portland (east of I-205) and outer Northeast Portland (Caesar Chavez Ave to I-205). Approximately 82% of households should have access to parks by 2020 based on current plans, including 65% of east Portland households.

Due to the economic recovery over the past four years, the bureau has experienced a steady increase in System Development Charge (SDC) revenues, providing them with resources to build parks that expand access. However, the influx of SDC revenues creates a unique challenge for the bureau
because additional General Fund resources are required to fund ongoing operations and maintenance of these parks. Due to the scarcity of new General Fund resources, funding may not be available for maintenance and operational costs of these new parks, which limits Parks’ ability to expand access to a greater percentage of households.

**Facilities Condition Index**

To communicate the condition of bureau assets and facilities, the bureau previously reported upon its “facility condition index”, which is the ratio of facilities’ current deficiencies (current or deferred replacement and repair needs) relative to the facilities’ current replacement value. The prior year index of 7.5 is considered “fair” by industry standards, and this measure has increased over time, indicating a greater percentage of deficiency, as a result of a greater number of assets having been assessed and included in the calculation. (The measure only includes buildings and pools; other assets – such as playgrounds, park amenities, and roads - will be added as assessments are completed.) The bureau is no longer reporting upon this measure, but is currently considering other measures that more accurately assess and communicate the current status of system assets.

As a proxy of the health of Parks assets, the bureau also reports upon an annual major maintenance gap, which quantifies the amount of annual resources needed to repair, rehabilitate or replace current assets. In FY 2016-17, the annual major maintenance gap (for non-capacity improving projects) was $25.8 million. This amount has remained relatively unchanged over the past five years; for example, the bureau estimated a gap of $24.3 million in FY 2010-11.

Both the Facilities Condition Index and annual major maintenance gap indicate that continued investment is needed to maintain park assets, even following the recent approval of the $68.0 million Parks Replacement Bond and the $1.7 million annual major maintenance appropriation. As illustrated in the chart below, the bureau has benefited from the availability of one-time resources over the past four years, during which the average General Fund appropriation was approximately $3.8 million per year – an amount substantially more than the ongoing appropriation of $1.7 million and closer to meeting their annual major maintenance gap.
CBO also notes that all SDC-funded projects will eventually have major maintenance needs, potentially worsening the overall system asset condition index over the long-term if left unaddressed. As the Parks’ system expands, the major maintenance liabilities will continue to increase. To address the bureau’s long-term major maintenance needs for both current and new assets, CBO has recommended that the bureau consider a variety of solutions to address its major maintenance gap, including increased General Fund appropriation, periodic renewal and replacement bonds, and divestment of assets.

Perceived Safety in Parks

The Auditor’s Community Survey previously asked residents about their perceived safety of parks during the day and at night. Over the past five years, perceptions of safety remained relatively unchanged; however, 2016 data highlighted two key issues. First, perception of safety decreased by 5% during the day and 2% at night as compared to the previous year. Second, perceptions of safety greatly differed in East Portland as compared to the rest of the city. Specifically, 21% of respondents from East Portland believe that their parks are unsafe (or very unsafe) during the day whereas 7% of respondents across the city believe that their parks are unsafe during the day. At night, 72% of respondents from East Portland believe that their parks are unsafe (or very unsafe) versus 42% of respondents across the city. This disparity in perceived safety in East Portland as compared to the rest of the city carries across to safety perceptions in neighborhoods as well, suggesting that park safety may be symptomatic of safety issues in East Portland rather than a distinct issue for parks in this part of the city.

While the Auditor’s Community Survey has been discontinued, other evidence suggest that parks safety is an emerging issue. For instance, the bureau’s recent survey asked residents about barriers to
participation and “concerns for safety” was the second highest rated barrier, identified as the key barrier by 30% of respondents. Similarly, the number of calls for Parks Ranger services has increased from 2,201 in 2015 to 3,533 in 2017. The proportion of calls related to drugs/alcohol, property issues, and safety issues to total calls remained level or decreased in the past three years, but the number of calls for camping in parks issues has increased by 14% from 40% of all calls to 53% of calls in 2017.

![Park Ranger Staffing](image)

This data suggests that park safety is an issue that should be tracked and that bureau should work to (1) establish service levels that identify an allowable threshold of perceived safety, and (2) continue to work on how to address the disparities in perceived safety in parks in East Portland.

Addressing issues of parks safety can be mitigated through a variety of policy mechanisms (e.g., increased police presence, changes to park design), but CBO notes that the Park Ranger Program has increased considerably over the past ten years, a primary task of which is cultivating the sense of safety in parks. Moving forward, monitoring parks safety will be important, particularly as SDC-funded expansion adds parks to East Portland, and the bureau and City will need to evaluate which policy tools most effectively and efficiently mitigate safety concerns, and whether resources should be reallocated to achieve improved outcomes.
Overall, Parks remained within its General Fund discretionary budget of $84.3 million by $171,063. There were several notable factors that impact its General Fund spending as compared to prior years.

As part of its FY 2016-17 Adopted Budget, Parks received ongoing funding of $4,385,199 to convert seasonal positions into 101.25 permanent FTE as a result of the arbitration settlement with Local 483. This provided funding for the entire fiscal year, but many of the positions were not created until the October 1st deadline as provided in the agreement. As a result, underspending in personnel services was expected. However, these savings were offset by two key factors: first, Recreation Services revenues (e.g. fees for classes, drop-ins, room rentals, summer camps) were under budget by $800,000. Additionally, a significant transfer to the Golf Fund was required due to revenue shortfalls in the program (discussed below).

**Golf Program**

Due to a continued trend in decreased golf rounds purchased, the outpacing of personnel cost increases in relation to course revenues, and the delayed utilization of the Colwood Golf Course, the Golf Program drew down fund balance by $286,000 and received an additional $800,000 of General Fund resources to avoid a negative fund balance. In total, expenses exceeded revenues by a total of...
$703,642 in FY 2016-17. Several steps were taken to address the expected revenue shortfall: (1) elimination of greenskeeper positions in order to lower personnel costs, (2) restructuring of a loan from the Golf Fund to the SDC Capital Fund, lowering debt expenses by $224,000 in FY 2016-17, and (3) implementation of other short-term revenue enhancements and cost savings measures, such as delaying the cost of seasonal employees, delaying fertilizing schedules, and implementing voluntary and non-represented/management furloughs.

The larger problem of a decreasing number of persons playing golf, however, is much more challenging to address, and is a trend that is experienced by golf courses across the country. Following the recommended practices in the industry, Portland Parks’ Golf Program has a five-year strategic plan that intends to increase golf participation beyond the traditional, white male customer base. While these marketing initiatives may prove useful in the long-term, the near-term challenges are significant.

CBO and the bureau will continue to track revenue collections at City-owned courses and Colwood, specifically, over the next year while reassessing the long-term fiscal sustainability of the Golf program. Moreover, CBO recommends that the bureau continue to develop strategies to ensure that the Golf Program becomes fiscally sustainable. These strategies should be developed in the context of addressing both overall program goals and bureau’s broader recreation goals.

System Development Charge Revenues

Due to the economic recovery over the past four years, the bureau has experienced a steady increase in System Development Charge (SDC) revenues. In FY 2016-17, SDC revenues exceeded the budget of $22.5 million by $7.8 million (for a total of $30.4 million), primarily driven by the collection of residential SDCs. This marks the largest SDC revenue growth following the economic recovery. Last year service charge revenues in the SDC Capital Fund also exceeded budget of $19.1 million by $2.5 million (for a total of $21.6 million), primarily driven by the collection of residential SDCs. This marks a continued trend over the past three years, during which SDC revenues have exceed $20.0 million per year, resulting in a balance of $60.0 million. Additionally, within FY 2016-17, there were a number of other SDC-funded projects that will be carried into future years. The bureau has typically budgeted SDC revenues to all expected projects that have been publicly announced.

SDCs continue to provide both an opportunity and a liability. With access to recreation centers and parks being proportionally less in East Portland, SDC resources provide an opportunity to build assets that will serve a greater portion of Portlanders while also positively impacting the City’s equity goals. However, the expansion of parks services will necessarily require the reprioritization of resources internally or a shift of General Fund resources away from other City priorities, such as public safety and housing, in order to fund the operations and maintenance of new park facilities. The City needs to take into account the negative impact of reducing these other services – along with the equity impact this may have on specific communities – when making decisions about expanding Parks’ services.
Capital

Parks’ capital program is currently defined by three significant resources: SDC resources with a total current balance of $76.4 million following annual revenues of $30.4 million; the second phase of the 2014 Parks Replacement Bond, and General Fund resources for major maintenance, totaling $8.8 million. Due to the Replacement Bond and the robust balance of SDC resources, Parks’ capital program is distinctly larger than previous years.

Three of the General Fund-funded projects have been delayed due to insufficient project management capacity (the solar panels at Southwest Community Center - $182,000, Southwest Community Center Natatorium Roof - $1.3 million, and Washington Park Pipe Re-lining - $1.0 million), indicating staff capacity constraints may be an issue during this significant period of capital building. Lastly, funding of $2.0 million for the Mt. Scott Community Roof, which was previously funded in FY 2016-17 capital set-aside process, was transferred to fund a portion of the Delta Park Maintenance Facility project as part of the FY 2017-18 budget.

In FY 2016-17, Parks entered the second year of the Park Replacement Bond projects. As part of Phase One, there are 34 projects scheduled, of which 8 are complete, 7 are behind schedule, and 19 remain on schedule.

As evidenced by the delay in General Fund projects and a portion of bond projects, Parks’ in-house capacity to manage capital projects is strained. Additionally, the current construction market is competitive, which has resulted in higher-than-planned costs for projects (funded in project contingencies) and unsuccessful competitive bid processes.
Public Utility Bureaus
The Portland Water Bureau finished FY 2016-17 with higher than projected total revenues, exceeding budget amounts by $5.6 million. Operating expenses were under budget which together with higher revenues, increased the bureau’s FY 2017-18 beginning operating fund cash balance by $7.3 million. The bureau achieved performance targets across their key performance measures (KPMS), however, those measures do not demonstrate whether the services provided are efficient or effective at achieving the desired service levels nor do the measures capture important changes in the bureau’s performance under federal regulations.

The addition of a filtration plant to the bureau’s capital improvement project list comes at a time when the bureau is already managing two large and complex projects: the Washington Park Reservoir Project and the Willamette River Crossing. To finance the bureau’s capital plan, it will need to raise rates above its current five-year forecast. Staff levels and the bureau’s planning process may also need to be reexamined to meet its robust capital delivery schedule.
Performance Measures

There continues to be little variance in the Water Bureau’s performance when compared to prior years, indicating that the bureau continues to maintain stability in its performance measures. In FY 2016-17, there were no violations of drinking water quality or environment regulations and the bureau maintained its water revenue bond AAA credit rating. While the Water Bureau’s key performance measures represent core functions, they do not demonstrate whether the services provided are efficient or effective at achieving the desired service levels. Further, many of the bureau’s performance measures appear to have either flatlined at an acceptable level because the target it always met or sustained or have targets set below the bureau’s capacity.

Recently, the bureau began work on a new strategic plan, and the plan’s schedule includes time to review and revise its performance measures. While the bureau does not plan to revisit its performance measures until January 2019, the bureau can start early by creating a data collection schedule. The schedule can outline data elements for collection, including strategies on how to gather data that is currently unavailable. Doing so will help the bureau establish baseline data for future performance measures, making it easier to set appropriate targets that continuously improve performance.

Below are some notable performance trends from FY 2016-17:

Water Quality

The bureau has two KPMs that address whether the bureau is meeting regulatory requirements; one addresses water quality regulations and the other addresses environmental regulations. While the bureau experienced zero water quality and environmental violations in FY 2016-17, its performance measures did not capture important changes in the bureau’s performance under the conditions of its variance order from the Long-Term Enhanced Surface Water Treatment Rule (LT2). The variance exempted the city from treating for the parasite, Cryptosporidium.

In January 2017, the bureau detected Cryptosporidium in water samples that it collected as part of its monitoring requirements under the variance order. The detection triggered demonstration monitoring which is an increase in the frequency of sampling. After notifying the Oregon Health Authority (OHA) in March 2017 that it was not feasible to conduct the amount of water sampling needed to demonstrate that the concentration of Cryptosporidium was less than the allowable threshold, OHA revoked the City’s variance from treating its water for Cryptosporidium. In response, City Council unanimously voted to pursue filtration as the City’s treatment method for the parasite.

As the bureau proceeds with the planning, design, and construction of the filtration plant, it will follow a compliance schedule and interim control measures to reduce the risk of public exposure to Cryptosporidium. CBO encourages the bureau to incorporate a performance measure that demonstrates how effective the bureau’s interim control measures are at reducing the risk of public exposure to the parasite. CBO notes that water quality information is accessible on the Water
Bureau’s website, but that it may consider adding additional indicators of water quality like turbidity events, lead, and the presence of regulated contaminants to the performance dashboard.

**Hydropower**

Since 1982, the power generated from the bureau’s hydroelectric facilities has been purchased by Portland General Electric (PGE) under a Power Sales Agreement. The sales agreement with PGE expired in August 2017 and was replaced by four new agreements. Historically, a portion of generation revenues totaling a few hundred thousand dollars has been transferred to the General Fund each year due to the methods used to finance the hydroelectric facilities in the 1970s. The expiration of the previous agreement and the uncertainty of the fund’s future cash needs, the Spring 2016-17 BMP ended those transfers. Further, a transfer is not included in the City’s forecast.

This change in business practice is reflected in the bureau’s performance measure, “Amount of transfer of hydropower profits to General Fund” ($0 was transferred in FY 2016-17). The bureau forecasts that minimal profits will be generated during the initial years of the new agreements and that any surplus funds will be used to cover maintenance and capital needs. Given these considerations, cash transfers from the Hydropower Operating Fund to the General Fund will not continue in the future. The FY 2017-18 target of $0 in cash transfers demonstrates this change.

Under the new agreements, the risk assumed by PGE shifted to the Hydroelectric Division of the Water Bureau. These risks fall into five categories: weather conditions, water supply, energy price, operational issues and regulatory changes. Under the PPA with PGE, the division is at greatest risk for incurring delivery damages. These damages occur when the bureau is unable to deliver the specified energy amount to PGE and the wholesale amount exceeds the contract price. Some of this risk can be offset by selling extra (“as-available”) energy into the market at the higher market price. The Hydro division also proposed creating a “sunny day fund” as a mitigation strategy which could be used for a low-water year when energy prices are high. Moving forward, the division should replace the “hydropower profits to the General Fund measure” with ones that demonstrate how well the division is performing under the new agreements, e.g. incurrence of under delivery damages, delivery of specified energy amounts, meeting or exceeding revenue targets, etc.

**Customer service**

In FY 2016-17, the bureau’s KPM for average minutes that customers are on hold for a customer service representative improved from the prior year. In FY 2015-16, the loss of interactive voice response and autopay functionality for water bills resulted in a marked increase in the number of phone calls to the Customer Service Division. This increased hold times to 3:36 minutes from its target of 2 minutes—an industry best practice. In FY 2016-17, the bureau replaced its payment system for a PCI complaint system which allowed for the restoration of autopay. The reduction in hold times from 3.36 to 2.26 reflects the increased functionality. The bureau believes this measure will continue to improve in FY 2017-18.
Bureau Finances: Budget-to-Actuals and Key Issues

Water Operating Fund

<table>
<thead>
<tr>
<th>Resources</th>
<th>Water Operating Fund</th>
<th>Revised Budget</th>
<th>Year-End Actuals</th>
<th>Variance</th>
<th>% of Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budgeted Beginning Fund Balance</td>
<td>$81,956,259</td>
<td>$81,956,259</td>
<td>$ -</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td>-</td>
<td>-</td>
<td>-</td>
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</tr>
<tr>
<td>Licenses &amp; Permits</td>
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<td>-</td>
<td>N/A</td>
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<tr>
<td>Charges for Services</td>
<td>166,325,337</td>
<td>169,393,922</td>
<td>(3,068,585)</td>
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<tr>
<td>Intergovernmental Revenues</td>
<td>555,000</td>
<td>551,743</td>
<td>3,257</td>
<td>99%</td>
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<tr>
<td>Interagency Revenue</td>
<td>3,488,020</td>
<td>2,934,953</td>
<td>553,067</td>
<td>84%</td>
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<tr>
<td>Fund Transfers - Revenue</td>
<td>97,110,074</td>
<td>75,956,178</td>
<td>21,153,896</td>
<td>78%</td>
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<td>Bond and Note</td>
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<tr>
<td>Miscellaneous</td>
<td>1,324,449</td>
<td>2,494,562</td>
<td>(1,170,113)</td>
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<tr>
<td>General Fund Discretionary &amp; Overhead</td>
<td>-</td>
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</table>

<table>
<thead>
<tr>
<th>Requirements</th>
<th>Revenue</th>
<th>$350,759,139</th>
<th>$333,287,617</th>
<th>$17,471,522</th>
<th>95%</th>
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<tbody>
<tr>
<td>External Materials and Services</td>
<td>32,845,972</td>
<td>29,155,052</td>
<td>3,690,920</td>
<td>93%</td>
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<tr>
<td>Internal Materials and Services</td>
<td>21,621,754</td>
<td>20,105,700</td>
<td>1,516,054</td>
<td>93%</td>
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<tr>
<td>Capital Outlay</td>
<td>41,046,000</td>
<td>33,545,589</td>
<td>7,500,411</td>
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<td>Bond Expenses</td>
<td>3,864,842</td>
<td>3,796,319</td>
<td>68,523</td>
<td>98%</td>
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<tr>
<td>Fund Transfers - Expense</td>
<td>91,115,688</td>
<td>90,958,961</td>
<td>156,727</td>
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<td>Contingency</td>
<td>93,620,352</td>
<td>93,387,918</td>
<td>232,434</td>
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<td>Unappropriated Fund Balance</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>N/A</td>
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</table>

| Expenses | $350,759,139 | $333,287,617 | $17,471,522 | 95% |

This is the third year that the Water Operating Fund underspent its budget and revenue exceeded targets by considerable amounts.

Expenses

External materials and service costs were $3.7 million below than the bureau’s Revised Budget or 11% less than planned. Of this, $1.7 million was from capital expenditures coming in less than planned and $2.1 million in operating expenditures. Approximately $920,000 of the operational underspending is attributed to electricity costs. The bureau received a $1.0 million adjustment in its FY 2016-17 Spring Supplemental Budget to fund the estimated electrical charges for running groundwater at 100% between February and March of 2016. The bureau activated groundwater in response to positive tests for Cryptosporidium in the Bull Run water source. The $1.0 million adjustment was in addition to the $640,000 already budgeted in the bureau’s FY 2016-17 Adopted Budget to cover estimated groundwater electrical costs; the bureau estimates that the $640,000 included in its base is sufficient to run groundwater for 24 days at 90 Mgal/day. However, the bureau only needed $560,000 of the $1.0 million adjustment for additional groundwater electrical costs, resulting in approximately $440,000 in unspent funds. In addition to the $440,000, the bureau had approximately $480,000 in underspending from lower than anticipated electric costs for operating pump stations and tanks. This resulted in approximately $920,000 in net underspending of the bureau’s electricity budget.
Revenue

In FY 2016-17, total revenue from water sales and other charges was $5.6 million higher than planned; $1.2 million of which was from higher than projected water sales revenue. This is the third year that water sales exceeded budget for the bureau. For example, water sales were $7.5 million more than the year prior and $0.9 million above budget in FY 2014-15. This contrasts with FY 2013-14 where revenues were $4.8 million less than budget. Over the past five years, the bureau revised its water sales estimates to match observed reductions in demand. The third year of exceeding its target indicates that the bureau has recalibrated its estimates; however, CBO cautions against overcorrecting the problem as the bureau asserts that the recent increase in water sales revenue is due to rate increases rather than additional units sold. This, coupled with underspending its capital and operational budget, suggests the potential for annual rates to increase at a slower pace.

Cash Financing and Debt Issuance

The bureau has been financing a larger share of its capital program in recent years with cash, reaching a high of 90% in FY 2015-16 from a low of 26% in FY 2012-13. After increasing for three years in a row, the share of direct capital financed with cash decreased to 66% in FY 2016-17. The bureau’s most recent bond sale was December 2016 with the next sale of $98.9 million planned for May 2018, though the bureau asserts its current fund position will delay the sale.

In the short to mid-term, the cash to debt finance ratio will change as the bureau finances a portion of the filtration plant. The bureau estimates that a filtration plant will take approximately 10 years to construct and cost as much as $500 million to design and build. To pay for the large investment, the bureau will need to increase water rates; at the outer range of estimated costs, the Water Bureau forecasts continuous rate increases over a 12-year period. The greatest increase in water rates will occur in the first six years of the forecast (FY 2018-19 to FY 2023-24), reaching a peak annual rate of increase of 8.9%. This is 2.2% higher than the 6.7% annual rate of increase in the bureau’s baseline forecast. CBO notes that this analysis is based on low-confidence level cost estimates provided by
Water Bureau. Further, the rate increases for water are based on the five-year adopted forecast; estimates beyond FY 2023-24 are based on estimated escalation factors. Finally, this forecast is subject to change each year with updated assumption factors.

Capital

The bureau experienced substantial underspending of its capital budget in FY 2016-17. Capital outlay expenditures were 82% of the bureau’s FY 2016-17 Revised Budget, resulting in $7.5 million in underspending. For the bureau’s capital improvement program budget, direct capital expenditures were $59.9 million or 84% of the revised budget. The largest variances were driven by delays in the issuance of building permits and contract execution for the Washington Park Reservoir Project. Some capital improvements to the distribution system were also delayed, however, the exclusion of fleet vehicle purchases increases the variance to 12% from 6% of the distribution capital budget.

The addition of the filtration plant to the bureau’s capital improvement project list comes at a time when the bureau is already managing large and complex projects, such as the Washington Park Reservoir Project and the Willamette River Crossing. It will be several years before these projects are completed, positioning the bureau to manage multiple large projects at different stages of design and construction simultaneously. CBO encourages the bureau to look for opportunities to improve its capital improvement planning process like the Bureau of Environmental Services has done. Finally, given the priority of these large capital projects at the bureau, CBO encourages Water to expand its capital performance measures to include more program and workload measures. Adding measures that reflects this work will help align the KPMs with the bureau’s current priorities as well as measure the effectiveness of capital improvement program.
In FY 2016-17, the bureau experienced robust revenues, pushing the fund balance of the Sewer System Rate Stabilization Fund to reach over $100 million. While the bureau continues to experience considerable underspending of the capital budget, BES initiated a comprehensive review of its capital improvement planning process in FY 2016-17 to increase capital delivery. It is the bureau’s goal that this work, in addition to finalizing the bureau’s strategic plan, will put it in a stronger position to reach its capital goals in the next few years. CBO notes that given the bureau’s conservative revenue assumptions, robust retail revenue, and lower than anticipated capital expenditures, the bureau is in a unique position to maintain or potentially lower the rate of increase from its current forecast of 2.95%.

**Performance Measures**

There continues to be little variance in the bureau’s performance when compared to prior years, indicating that the bureau is maintaining stability in its performance measures. For example, the...
bureau had zero combined sewer overflow (CSO) violations in FY 2016-17, maintained its Watershed Health Index for water quality and met or exceeded the bureau’s debt service coverage ratios. While the bureau’s key performance measures (KPMs) represent core functions, few illustrate whether the services provided are effective at achieving the desired service levels. Further, many of the bureau’s performance measures appear to have flatlined because either: 1) the target is consistently met at an acceptable level of service; or 2) the targets are set below the bureau’s capacity.

Over the past year, BES has made significant progress on its strategic plan and has had early discussions about establishing metrics to measure the effectiveness of the strategic plan. As the bureau moves to implement its strategic plan, CBO recommends that BES consider revising its KPMs to better align with the bureau’s mission, vision and values, including measuring the effectiveness of recent investments at the bureau, such as those related to equity, workforce development and the capital improvement planning process.

Below are some notable performance trends from FY 2016-17:

The number of sanitary system overflows (SSOs) increased from 134 SSOs in FY 2015-16 to 180 in FY 2016-17. This figure was above the bureau’s target of 120 SSOs in FY 2016-17. The bureau asserts that this increase was primarily a result of above average significant rainfall events. These events are drivers of sanitary sewer overflows as the conveyance system experiences blockages – particularly during high-wind and early-season events when debris from leaves play a larger role. All SSO events are a violation of the NPDES permits, however, the KPM is based on an industry standard of the number of SSOs per mile of sewer line. Regulators use discretion to issue enforcement actions for these permit violations. That discretion includes the volume and severity of the SSO, the number of SSOs, and the City’s response to SSO events.

The number of combined sewer overflow (CSO) events has remained low with 7 CSO events in FY 2016-17 compared to the 50+ events that occurred annually before the completion of the Big Pipe project in 2011; the Big Pipe’s completion finished a 20-year program to eliminate about 95% of Portland’s combined sewer overflows. While the number of CSOs that occurred in FY 2016-17 is historically low (seven CSO events occurred in FY 2016-17), the figure is above the five events that occurred in FY 2015-16 and greater than the annual target of four. While the target is set at four, the actual number is dependent on weather events.

The bureau reports that last year’s water year (a “water year” runs from October-September) was the fourth wettest on record with two months in FY 2016-17 experiencing more than 4 billion gallons of flow at the Columbia Boulevard Wastewater Treatment Plant (CBWTP). According to the bureau, recorded flows have exceeded 4 billion gallons in one month only four times at the CBWTP, two of which occurred last year. CBO notes that while the bureau’s KPMs for CSO and SSO events are good system level measures, measures on the number of combined sewer overflow and SSO violations is also important. The bureau has had zero CSO violations since 2011 and one enforcement action from DEQ during FY 2016-17. This was a Warning Letter with Opportunity to Correct (WLOT), which carries no civil penalty.
As discussed in recent budget reviews, the bureau’s affordability metric, typical household bill as a percent of median household income, has been expected to continue increasing for the near term. In FY 2016-17, the figure is slightly less than the target as the median income increased while the average single-family household bill grew higher. CBO notes that the bureau has discussed conducting a rate study in 2018 to update rates, fees, and development charges. If the bureau moves forward with the study, it will be interesting to see how the findings could impact rates and the bureau’s affordability metric.

### Bureau Finances: Budget-to-Actuals and Key Issues

#### Sewer Operating Fund

<table>
<thead>
<tr>
<th>Resources</th>
<th>Revised Budget</th>
<th>Year-End Actuals</th>
<th>Variance</th>
<th>% of Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budgeted Beginning Fund Balance</td>
<td>$69,180,000</td>
<td>$61,874,477</td>
<td>$7,305,523</td>
<td>89%</td>
</tr>
<tr>
<td>Taxes</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>N/A</td>
</tr>
<tr>
<td>Licenses &amp; Permits</td>
<td>2,295,000</td>
<td>2,248,625</td>
<td>46,375</td>
<td>98%</td>
</tr>
<tr>
<td>Charges for Services</td>
<td>371,835,000</td>
<td>365,102,907</td>
<td>6,732,093</td>
<td>98%</td>
</tr>
<tr>
<td>Intergovernmental Revenues</td>
<td>140,755</td>
<td>209,077</td>
<td>(68,322)</td>
<td>149%</td>
</tr>
<tr>
<td>Interagency Revenue</td>
<td>2,047,621</td>
<td>1,388,249</td>
<td>659,372</td>
<td>68%</td>
</tr>
<tr>
<td>Fund Transfers - Revenue</td>
<td>121,436,508</td>
<td>98,752,841</td>
<td>22,683,667</td>
<td>81%</td>
</tr>
<tr>
<td>Bond and Note</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>N/A</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>1,405,000</td>
<td>1,724,433</td>
<td>(319,433)</td>
<td>123%</td>
</tr>
<tr>
<td>General Fund Discretionary &amp; Overhead</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>N/A</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Revenue</th>
<th>$568,339,884</th>
<th>$531,300,609</th>
<th>$37,039,275</th>
<th>93%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel Services</td>
<td>$66,735,051</td>
<td>$63,868,793</td>
<td>$2,866,258</td>
<td>96%</td>
</tr>
<tr>
<td>External Materials and Services</td>
<td>58,012,845</td>
<td>54,970,229</td>
<td>3,042,616</td>
<td>95%</td>
</tr>
<tr>
<td>Internal Materials and Services</td>
<td>42,737,344</td>
<td>37,950,976</td>
<td>4,786,368</td>
<td>89%</td>
</tr>
<tr>
<td>Capital Outlay</td>
<td>73,866,331</td>
<td>56,018,995</td>
<td>17,847,336</td>
<td>76%</td>
</tr>
<tr>
<td>Bond Expenses</td>
<td>3,261,971</td>
<td>3,195,000</td>
<td>66,971</td>
<td>98%</td>
</tr>
<tr>
<td>Fund Transfers - Expense</td>
<td>252,117,332</td>
<td>252,071,480</td>
<td>45,852</td>
<td>100%</td>
</tr>
<tr>
<td>Contingency</td>
<td>71,429,010</td>
<td>63,225,136</td>
<td>8,203,874</td>
<td>89%</td>
</tr>
<tr>
<td>Unappropriated Fund Balance</td>
<td>180,000</td>
<td>-</td>
<td>180,000</td>
<td>0%</td>
</tr>
</tbody>
</table>

| Expenses                  | $568,339,884 | $531,300,609 | $37,039,275 | 93%  |

As in the past several years, the Sewer System Operating Fund continued to underspend its budget and revenue exceeded targets.

**Revenues**

During FY 2016-17, the bureau revised its budget and increased planned charges for services revenue from $344.7 million to $371.8 million. While the bureau came in under its revised budget for this resource, the bureau continued to exceed expectations with $20.4 million more in planned revenue compared to the FY 2016-17 Adopted Budget. This increase was driven primarily by greater than anticipated SDC revenue.

Unlike charges for service revenue, the bureau under-collected revenue in some areas. Interagency revenues, which represents revenue from work performed for other City bureaus was 68% of the
bureau’s Revised Budget for that work. Examples of services provided by the bureau include brownfield remediation, engineering services, and revegetation services. The bureau attributes a majority of the variance to Parks and PBOT overbudgeting BES engineering services. Further, fund transfer revenue was 81% of the bureau’s Revised Budget or $22.7 million less than planned. This variance is driven by CIP expenditures coming in under budget which reduced the planned fund transfer from the Sewer Construction Fund to the Sewer Operating Fund to reimburse for capital expenses.

**Expenses**

On the expense side, the bureau continued to underspend its budget with capital outlay representing a majority of the variance in the operating fund. In total, the bureau spent $56 million in capital outlay, resulting in $17.8 million in underspending because of capital project delays. Another area where the bureau had significant underspending was Internal Materials and Services (IMS). By year end, IMS was 89% of the Revised Budget with the bureau spending $37.9 million of the $42.7 million budgeted for this work. $2.6 million of the variance is from the bureau’s IA with PBOT for sewer and stormwater maintenance. The bureau attributes this underspending to winter storms which diverted PBOT maintenance staff to other priorities. Capital project delays also contributed to IMS underspending as only half of the $2.1 million budgeted for survey services was expended.

**Rate Stabilization Ending Fund Balance**

The bureau’s Sewer System Rate Stabilization Fund balance grew $32.3 million from $75.7 million to $108 million in FY 2016-17. The ending fund balance was $11.2 million higher than the $96.8 million in the Revised Budget. The growth of the fund is due to many factors; however, the primary drivers are robust retail revenue, growth in System Development Charges, conservative revenue budgeting, and lower than anticipated capital improvement project expenditures.
CBO anticipates that the business process review to improve capital project delivery and the implementation of the bureau’s strategic plan will decrease the amount of unspent capital expenditures falling to balance in the next few years. However, given the bureau’s conservative revenue assumptions, robust retail revenue, and lower than anticipated capital expenditures, CBO notes that the Rate Stabilization Fund could result in a larger than projected fund balances in the near term. Thus, the bureau is in a unique position to use these funds to potentially lower the rate of increase from its current forecast of 2.95% and/or increase the share of capital financed with cash, lowering future debt service costs.

**Capital**

The bureau continues to experience considerable underspending of its capital budget as the project delivery structure adjusts to a post-Big Pipe program. In FY 2016-17, capital outlay expenditures where only 76% of the bureau’s FY 2016-17 Revised Budget and 80% of its total capital improvement plan budget. To improve the delivery and oversight of the capital program, the bureau is undergoing a comprehensive review of its capital improvement planning process. Given the priority of this work at the bureau, CBO encourages BES to expand its KPMs to include capital output related measures. Adding measures that reflects this work will help align the KPMs with the bureau’s current priorities as well as measure the effectiveness of the bureau’s strategies to improve the delivery and oversight of its capital improvement program.

The underspending is attributable to the following:

- $9.4 million underspending for Phase II Pipe Rehabilitation because of slower than anticipated start dates;
- $7 million underspending for Slabtown Sewer Replacement due to delays in the review and comment period which impacted the procurement schedule.;
- $2.1 million underspending for Alder Basins related to pending issues with utility protection and implementation of new PBOT restoration requirements;
- $2.0 million underspending for Rehab/Repair/Modification Program due to delays in procurement; and
- $1.5 million underspending for Alder Pump Station Update related to procurement delays.
Community Development Bureaus
Bureau of Development Services

The Bureau of Development Services (BDS) aims to provide timely and consistent application of the City development code in an equitable and fiscally prudent manner. The bureau issued permits totaling $2.7 billion in valuation in FY 2016-17, but was also challenged to meet its targets for responsiveness in land use review, permitting, and inspections due to continued increases in workload and reliance on legacy technologies for project tracking and plan review. The General Fund subsidy of the Land Use program has been discontinued, though the bureau will continue to receive General Fund to support the Neighborhood Inspections and Enforcement program. Strong fee revenues continued to build the bureau’s financial reserves, which are intended to support continuity of operations during a future recession, and to be a source of funding for the upcoming Portland Online Permitting System (POPS) software implementation.

### Bureau Performance

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Number of housing units brought up to code as a result of Neighborhood Inspection Division efforts</td>
<td>2,509</td>
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</tr>
<tr>
<td>Percentage of commercial inspections made within 24 hours of request</td>
<td>83%</td>
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<tr>
<td>Percentage of Commercial Permit (New Construction) First Review done within 20 days of application</td>
<td>74%</td>
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<tr>
<td>Percentage of commercial plans reviewed by all bureaus within scheduled end dates</td>
<td>57%</td>
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<tr>
<td>Percentage of pre-issuance checks completed within two working days of last review approval</td>
<td>62.0%</td>
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<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Percentage of residential inspections made within 24 hours of request</td>
<td>73.0%</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage of residential plans reviewed by all bureaus within scheduled end dates</td>
<td>71%</td>
<td></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>Percentage of Type II Land Use Reviews Application Completeness Review done within 14 days of a...</td>
<td>37%</td>
<td></td>
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https://www.portlandoregon.gov/cbo/article/655039
Customer Responsiveness. Timeliness is important to the provision of development services. Development customers are extremely time-sensitive, with delays often causing significant cost increases to a project. In addition, the City faces a housing affordability crisis that could be improved by the rapid construction of new residential units. Prominent commercial development projects are also in the pipeline. As such, the bureau closely monitors the timeliness of its land use, permitting, and inspections divisions.

Land Use

The performance of the land use services division comes the closest to targets for service. For land use review, this is 120 days from when a submitted application is deemed ‘complete’ to a first decision. In calendar year 2016, the City typically met the 120-day state-mandated review deadline for common Type II and Type III land use reviews, such as adjustments, conditional use reviews, and design review, though often missed the City’s more stringent 90-day standard. Type III reviews, which involve a public hearing, take longer than a Type II staff-level decision.

Though more comprehensive than the bureau’s standard performance reporting for the land use program, these timelines still do not take into account the time required for firms to prepare for complex land use review hearings. In 2016, BDS contributed funds toward a project by the Bureau of Planning and Sustainability to assess the City’s design overlay zone. One goal of the project was to identify changes to the design review system that will increase its effectiveness, efficiency, and impact. The resulting Design Overlay Zone Assessment recommendations, accepted by Council on April 26, 2017, offered solutions to reduce the burdens posed by design review on development while maintaining its benefits. BPS and BDS will present next steps for implementation with public review of the Design Overlay Zone Amendments (DOZA) Package, due out this month. BDS should work with BPS to determine what measures the City will use to evaluate whether the changes caused improvement in the form of reduced timelines, better applications, or increased consistency of decision-making.

Permitting

Permitting is an important focus for timeliness, as all construction projects of significance are required to go through some type of building permit review. In FY 2016-17, workload for both commercial and residential permits grew, with a total of 13,013 building permits issued by year-end.

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3 For more details, see GATR session “Housing Development: Accelerate development process & reduce costs to meet City goals for increased housing supply”, January 19, 2017, p. 10. [https://www.portlandoregon.gov/cbo/article/625321](https://www.portlandoregon.gov/cbo/article/625321)
Building permit workload continues steady growth in FY 2016-17

BDS aims to meet timeliness targets for its time to complete all first reviews based off performance standards set by state statute: 20 days for commercial projects and 15 days for residential. For both types of projects, bureau performance remained stubbornly below target again for the year, with 57% of commercial plans reviewed by all bureaus within the 20-day goal and 71% of residential plans within the 15-day target. Turnaround times slowed significantly from FY 2013-14 to FY 2015-16, mirroring the spike in permit requests – but promisingly, the bureau has been able to maintain last year’s performance on this measure.

It is worth noting that the “commercial and residential plans reviewed within end dates” measure is only an indicator for the length of the building permitting process, as it represents just one part of one portion of the total time to issuance. In reality, development customers still need to navigate any necessary corrections and further reviews, and may also be dependent on the issuance of public works permits. The measure is further bifurcated between simple and more complex projects, as over half of all permit requests receive same-day service at the Development Services Center. Actual expected timelines for complex projects are much higher than the 20-day state target. In January 2017, bureau estimates for complex commercial new construction were 8-10 weeks to first review and 16-18 weeks for the total process. These timelines demonstrate that the reality of administering Portland’s increasingly complex building code for commercial new construction is incongruent with a 20-day state standard.

Additionally, it is important to note that BDS is one of six bureaus that contribute to the timeliness of permit reviews. A disaggregated view of review types that did not meet the turn-around targets for first review is below. Clearly, some review types are slower than others, but the reasons why are not well documented. Slow reviews could be due to inadequate staffing or vacancies in that work group; or because of a sequential relationship, in which one review type is dependent on another.
This closer look at permitting timelines brings up several questions. What is an appropriate expectation for how long the building permitting process should take? How might contributing bureaus address chronic pain points in their shared processes? In response to a GATR series on Accelerating Housing Development convened by Mayor Wheeler in 2017, BDS has recently begun convening a monthly meeting of the directors of the six bureaus most heavily involved in providing development services: BDS, PBOT, BES, the Water Bureau, Fire & Rescue, and Parks & Recreation. This “Development Directors Group” will conduct specific projects to promote improved customer service, predictability, collaboration, equity, and increased use of technology in the development services process.

**Inspections**

Timeliness is also central to inspections services for commercial and residential construction. In FY 2016-17, the bureau completed 83% of commercial and 73% of residential inspections within 24 hours of the request. Though this performance fell short of the annual targets of 90% and 95%, respectively, for commercial inspections this was a substantial improvement over FY 2015-16. The bureau reports that a sustained high volume of customer requests often exceeded sufficient staffing levels, however, this calculus appears more relevant for combination inspections – commercial inspections per inspector actually decreased slightly from the prior year. The bureau also reports that delays were caused by City closures due to the hazardous road conditions caused by severe winter weather.

Though the 24-hour turnaround goal drastically exceeds the state requirement of response within 5 days, next-day inspection services help speed the development of new housing stock to address the
city’s housing shortage and reduces delays for other types of construction in a costly market. Concerns about inspection services delays have been substantiated by members of the DRAC. ⁴ To address performance concerns, BDS plans to increase staffing and has requested a total of 14.0 FTE for its Inspections Services Division in the FY 2017-18 Fall BMP.

In addition to action focused on improving the performance of each individual division, BDS has also implemented bureau-wide strategies to meet its goals for service. These include a focused effort to speed hiring and recruitment, including the use of video interviewing, funding a dedicated position in BHR, and conducting open and continuous recruitments for some positions. The bureau has also turned its focus to a new software implementation for project tracking and electronic plan review. Director Rebecca Esau, who had assumed the leadership role on an interim basis in April 2017, is implementing a bureau reorganization in FY 2017-18 that includes a new bureau-wide process improvement function, better span of control, and an expanded communications team.

### Performance Measures

BDS has a number of useful performance measures that provide an indication of the effectiveness of City development services. However, the bureau’s existing set of measures, especially for plan review, is far from complete. Reporting on a standard industry measure, average timelines to issue different types of permits, is unavailable with the current system. The City’s current project tracking functionality also does not easily enable data gathering for activities conducted across the other development services participating bureaus. The public works process in particular currently relies on offline and manual data gathering.

The POPS project is a turning point for development services performance measures, as the new software should enable the City to transition to a more complete sense of measurement of the development services function. BDS is currently working with the other development services bureaus to determine the reporting functionality that will be included in the POPS implementation. Ideally, the new permitting software system will allow each bureau to more easily track performance and determine where to focus their efforts for operational improvement.

As the software implementation moves forward, the City should begin tracking the following measures for its plan review functions:

<table>
<thead>
<tr>
<th>Review Category</th>
<th>Measure</th>
<th>Considerations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Building Permit</strong></td>
<td>Average calendar days from development permit application to issuance</td>
<td>Must be tracked manually.</td>
</tr>
<tr>
<td><strong>Building Permit</strong></td>
<td>Number of checksheets issued</td>
<td>Indicator of clarity of standards and quality of applications.</td>
</tr>
</tbody>
</table>

---

### Land Use
- **Average number of days from application to issuance**
  - Must be tracked manually.

### Land Use
- **Percentage of land use responses by goal date**
  - Reflects cases that are voluntarily extended by the applicant.

### Public Works
- **Percentage of concept, design, and final reviews by goal date**
  - Must be tracked manually, complex projects may have dependencies at each stage of the process.

### Public Works
- **Percentage of permits ready to issue by goal date**
  - Must be tracked manually.

### All
- **Personnel inputs across six permitting bureaus (authorized positions, vacancies, OT).**
  - Indicator of staffing appropriateness for workload.

---

### Bureau Finances: Budget-to-Actuals and Key Issues

#### Development Services Fund

<table>
<thead>
<tr>
<th>Fund Name</th>
<th>Revised Budget</th>
<th>Year-End Actuals</th>
<th>Variance</th>
<th>% of Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budgeted Beginning Fund Balance</td>
<td>$62,159,090</td>
<td>$71,166,201</td>
<td>$(9,007,111)</td>
<td>114%</td>
</tr>
<tr>
<td>Licenses &amp; Permits</td>
<td>$40,705,027</td>
<td>$46,313,836</td>
<td>$(5,608,809)</td>
<td>114%</td>
</tr>
<tr>
<td>Charges for Services</td>
<td>$17,079,963</td>
<td>$18,769,455</td>
<td>$(1,689,492)</td>
<td>110%</td>
</tr>
<tr>
<td>Intergovernmental Revenues</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>N/A</td>
</tr>
<tr>
<td>Interagency Revenue</td>
<td>$1,143,386</td>
<td>$1,092,472</td>
<td>50,914</td>
<td>96%</td>
</tr>
<tr>
<td>Fund Transfers - Revenue</td>
<td>$2,117,744</td>
<td>$2,117,744</td>
<td>-</td>
<td>100%</td>
</tr>
<tr>
<td>Bond and Note</td>
<td>$37,000,000</td>
<td>$37,000,000</td>
<td>-</td>
<td>100%</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>$4,602,414</td>
<td>$5,284,700</td>
<td>$(682,286)</td>
<td>115%</td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td><strong>$164,807,624</strong></td>
<td><strong>$181,744,408</strong></td>
<td>$(16,936,784)</td>
<td>110%</td>
</tr>
<tr>
<td>Personnel Services</td>
<td>$40,515,848</td>
<td>$37,560,419</td>
<td>$2,955,429</td>
<td>93%</td>
</tr>
<tr>
<td>External Materials and Services</td>
<td>$5,587,657</td>
<td>$5,513,312</td>
<td>$74,345</td>
<td>99%</td>
</tr>
<tr>
<td>Internal Materials and Services</td>
<td>$12,837,972</td>
<td>$11,942,233</td>
<td>$895,739</td>
<td>93%</td>
</tr>
<tr>
<td>Capital Outlay</td>
<td>$1,611,117</td>
<td>-</td>
<td>$1,611,117</td>
<td>0%</td>
</tr>
<tr>
<td>Bond Expenses</td>
<td>$48,385,751</td>
<td>$48,361,418</td>
<td>$24,333</td>
<td>100%</td>
</tr>
<tr>
<td>Fund Transfers - Expense</td>
<td>$1,734,257</td>
<td>$1,734,257</td>
<td>-</td>
<td>100%</td>
</tr>
<tr>
<td>Contingency</td>
<td>$14,135,022</td>
<td>$14,135,022</td>
<td>-</td>
<td>100%</td>
</tr>
<tr>
<td>Unappropriated Fund Balance</td>
<td>$40,000,000</td>
<td>$62,497,747</td>
<td>$(22,497,747)</td>
<td>156%</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td><strong>$164,807,624</strong></td>
<td><strong>$181,744,408</strong></td>
<td>$(16,936,784)</td>
<td>110%</td>
</tr>
</tbody>
</table>
The bureau spent 64% of its operating budget in FY 2016-17. BDS ended the year 10% above budget due to permit fee and service receipts continuing to be higher than projected. BDS revenues certainly reflect continued robust construction activity in the Portland area. However, the bureau’s under budgeting of fee revenues by at or above 10% continues a five-year trend, though variances have decreased over that time. The bureau’s consistent under-budgeting of revenues has led to a significant growth of fund reserves: Development Services Fund reserves had a balance of $86,693,248 at the end of FY 2016-17. Reserve targets vary by program, but the bureau’s goal as stated in its five-year financial plan is to maintain a minimum reserve above 50% of total bureau expenditures, which in FY 2016-17 was just under $35.5 million. While recognizing that the bureau’s revenue stream is front loaded, with expenses for inspections and other services incurred after the initial permit revenue is received, a reserve fund $51 million in excess of the target calls into question the time horizon for the bureau’s cost recovery.

On the expenditure side, the bureau underspent its programmatic allocations by $3.9 million, most notably in the areas of personnel expenditures and internal materials and services expenditures. The bureau added 45 positions over the course of the year, primarily in the FY 2015-16 Fall and Spring Supplemental budget processes. These positions were spread across all bureau divisions, with 13 FTE added to Inspections, 12 to Plan Review, eight to Business Operations & Finance, six to Public Information & Enforcement, five to Land Use, and one to Administration. Vacancies in these and other positions, as well as longer than expected timelines for recruitment, resulted in underspending in personnel services.

**Capital**

BDS had a capital budget of $1,611,117 in FY 2016-17 to support implementation of the Information Technology Advancement Project (ITAP). After a series of technical delays, project work was halted in
November 2016 after spending $3.9 million of the projected $11.8 million total budget. BDS has used the balance of the budgeted project funds to begin a new implementation effort called the Portland Online Permitting System (POPS) to upgrade its permitting software and implement electronic records management. POPS is jointly sponsored by BDS and BTS, and will be implemented in phases, with the City’s migration to TRACS Amanda 7 estimated to be completed in October 2018. Budget estimates for the project have not been released.
Portland Housing Bureau

Two years into the City’s State of Housing Emergency, the Portland Housing Bureau (PHB) and the Joint Office of Homeless Services (JOHS) have dramatically ramped up funding and services to meet Portland’s unmet housing need. FY 2016-17 saw record new affordable housing units opened and placements into permanent housing, reflecting unprecedented budget growth - an increase of more than 200% over the prior year.\(^5\) However, outcomes data reflect that increased outputs alone will not solve the housing and homelessness crisis. Current year efforts to better understand how individuals and families move into, out of, and return to the housing services spectrum will provide crucial analysis for decision-makers going into FY 2018-19 Budget Development.

Bureau Performance

<table>
<thead>
<tr>
<th>Bureau Performance</th>
<th>FY 2016-17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing units opened that are newly affordable</td>
<td>650</td>
</tr>
<tr>
<td>Number of individuals prevented from becoming homeless</td>
<td>6,576</td>
</tr>
<tr>
<td>Percentage of households moved from homelessness into housing that subsequently return to home</td>
<td>8%</td>
</tr>
<tr>
<td>Percentage of households receiving home repairs and retaining their homes 12 months after services</td>
<td>88%</td>
</tr>
<tr>
<td>Percentage of households receiving homebuyer education or counseling and subsequently purchase</td>
<td>15%</td>
</tr>
<tr>
<td>Percentage utilization of minority contracts in housing construction (contract $ awarded)</td>
<td>15%</td>
</tr>
<tr>
<td>Retention rate of households placed in permanent housing at 12 months</td>
<td>74%</td>
</tr>
<tr>
<td>Total number of homeless individuals placed in permanent housing</td>
<td>4,889</td>
</tr>
</tbody>
</table>

https://www.portlandoregon.gov/cbo/article/655039\(^6\)

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\(^5\) The Portland Housing Bureau’s FY 2016-17 Revised Budget was $211.2 million, compared to the FY 2015-16 Revised Budget of $69.8 million.

\(^6\) The number of housing units opened that are newly affordable fell short of the annual target of 753 units, but exceeded the bureau’s strategic target of producing 500 units annually over the next two decades.
The **A Home for Everyone United Community Plan to End Homelessness** – a reset of the original ten-year plan to end homelessness - established a vision of reducing the unmet housing need among people experiencing homelessness by half by June 2017\(^7\). In FY 2016-17, the City and County allocated a combined total of $48.1 million to create the new Joint Office of Homeless Services. Programs funded through the JOHS and aligned partners served a record 29,221 individuals in the office’s first year of operation, up from 25,651 in the prior year and an increase of almost 40% over the FY 2013-14 baseline.

The prioritization of funding for Safety off the Streets in the JOHS budget more than doubled the number of publicly-funded shelter beds, which had a direct impact on reducing the number of people who were identified as unsheltered in the 2017 Point-in-Time Count\(^8\) - down 11.6% from the previous count two years earlier. Overall homelessness still increased both in terms of absolute numbers and as a rate in the broader population. However, the authors of the count note that the numbers would have likely been even higher absent massive increases in funding and services. Among West Coast comparison jurisdictions, Multnomah County experienced a much lower increase in the total number of people experiencing homelessness, and was the only location that saw a decrease in the unsheltered population.

\(^7\)The A Home for Everyone Housing Workgroup Action Plan provides details about the modeling to assess unmet need and how targets were developed. Please see [https://tinyurl.com/y8rogez4](https://tinyurl.com/y8rogez4) for more information.

\(^8\) Krishnan, Uma and Elliot, Debi. 2017 Point-in-Time Count of Homelessness in Portland/Gresham/Multnomah County, Oregon. October 2017. [https://tinyurl.com/yc9u2f56](https://tinyurl.com/yc9u2f56)
Although the Point-in-Time Count provides important data, the reader should be mindful of its limitations. The count is a census, a snapshot indicator of what homelessness looks like in Portland on or around the same date on a biannual basis. It does not track individuals over time, and provides limited insights on the causes of inflow and outflow. The official count also excludes people who are temporarily staying with family or friends (also referred to as “doubled up”). This housing instability means that people who are living doubled up are at higher risk of becoming homeless. PHB and the JOHS will conduct complementary qualitative and quantitative research in the current fiscal year to better understand this population.

Due to methodological changes between the last two counts, it is not possible to track how changes in the housing market have impacted the number of people estimated to be living “doubled up.” However, it is likely that this population has been greatly affected by rent increases over the last
several years, as housing supply struggled to recover from the recession and meet unprecedented population growth. The Portland Housing Bureau’s 2016 State of Housing in Portland Report illustrates the loss of affordability across the city, particularly for Black, Native American, Hawaiian-Pacific Islander, and Hispanic-Latino households. However, there are indicators that the Portland metro area’s multifamily market is settling in response to the increase in housing production at all levels of affordability: recent market trends overall show slowed rent increases and inflation, higher vacancy rates, and a continued increase in the number of housing units scheduled to come online.

There are currently approximately 2,200 regulated units affordable for low- and moderate-income Portlanders in the development pipeline over the next three years; more will be added as PHB builds and acquires a projected 1,300 affordable housing units through the $258.4 million bond passed by Portland voters in November 2016.

One of the production goals is to set aside up to 300 units to be made available for Permanent Supportive Housing (PSH) and other supportive housing, broadly considered to be an effective approach helping those who are chronically homeless remain safely and stably housed. The 2017 Point-in-Time Count showed an increase in chronic homelessness of almost 25% over 2015. Studies replicated across the country have demonstrated the systems savings that result from PSH; a recent report out of Orange County found that the average annual service costs for chronically homeless individuals in supportive housing was an estimated 40% lower than for those living on the streets or in emergency shelters, comparing healthcare, housing, and law enforcement savings between the two populations.

Currently, more funding has been allocated on a system level for shelter capacity than permanent supportive housing.

However, the City of Portland and Multnomah County recently committed to create 2,000 new supportive housing units over the next decade to meet the gap between current services levels and projected need – estimated to ramp up to just under $41 million annually in perpetuity for in ongoing service and operations costs. PHB and the JOHS will work over the next nine months to identify adequate federal, state, local, nonprofit, and private sources to support these new units. CBO recommends that this plan also consider what infrastructure is required to manage, regulate, and

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12 HUD changed its definition of chronic homelessness between the 2015 and 2017 Point-in-Time Count. The more restrictive definition possibly excludes individuals who may have been identified as chronically homeless in prior counts.
14 Undated memo from the Corporation for Supportive Housing. 2,000 units of Supportive Housing for Portland and Multnomah County: How much will it cost? Available at http://www.portlandmercury.com/images/blogimages/2017/10/26/1509043353-csh-cost_estimate_2_000_units.pdf.
track service outcomes. Otherwise, dramatically increasing PSH services will only exacerbate existing challenges in managing the current regulated PSH units, which are difficult to track, do not follow consistent definitions, and rely on a complex web of funding from a variety of sources.

Performance Measures

**Homeless Services**

Performance outputs for FY 2016-17 illustrate the successful ramping up of service capacity, outpacing prevention and placement targets by a significant margin. In both cases, the number of individuals actually served in FY 2016-17 exceed targets for the current year, suggesting that service levels may outpace projections in FY 2017-18. A Home for Everyone prioritized funding for culturally-specific providers in FY 2016-17; early data shows progress toward closing disparities in placements among communities of color.

Despite the significant increase in service outputs, the outcomes of those interventions reflect continued barriers to accessing and retaining safe and stable housing. There was no change in the percentage of individuals who remained in housing for at least twelve months, and a slight increase in the percentage of households who returned to homelessness following permanent housing placement. The original A Home for Everyone model showed that services would shift toward prevention over time, assuming that 1) there was sufficient capacity to meet projected need, both in terms of services and available affordable housing units, 2) that the services being provided were the right fit for those needs, and 3) that services were effective. At this time, it is not clear whether improving outcomes hinges on continuing to increase capacity, adjusting the mix of services, or identifying specific service or provider challenges. More analysis will be required to understand the marginal impact on outcomes that would be expected to result from improving any of these areas. Additionally, housing and homeless services are highly impacted by external factors such market forces, federal policy and funding, and other influences that are often difficult to predict.

Council has invested substantial new ongoing and one-time General Fund resources $9.4 million in one-time General Fund resources in the FY 2017-18 Adopted Budget, maintaining the current service level has and will continue to require significant tradeoffs and cuts for other bureaus, programs, and services areas; shifting the analytical focus from outputs toward key outcomes measures – return to
homelessness, the number of people who are newly homeless, and the length of time homeless – can help provide a more robust understanding of how individuals and families move through the homeless services system, where new or additional support is required, and whether there are opportunities to increase service effectiveness.

**Housing**

650 new affordable housing units came online in FY 2016-17, with another 263 units preserved as affordable, for a total of 913 new regulated affordable units. This is close to three times as many units newly opened or preserved in the prior year and significantly exceeds the bureau’s strategic target of producing 500 units annually based on Comprehensive Plan goals. However, this is only half of the annual production target CBO has previously estimated would be required to meet the projected affordable unit gap.\(^{15}\) To help leverage market development to produce affordable units, the City created a new Inclusionary Housing Program that took effect in February 2017. A six-month review of the program found that only six private projects had been subject to the new inclusionary requirements in that time period, as there were 19,000 vested units already in the development pipeline. The Bureau of Planning & Sustainability will continue to monitor market activity biannually.\(^{16}\)

In addition to multifamily housing development, PHB helps families, particularly from communities of color, access and retain homeownership. The Homeownership Access & Retention Program expended 68.3% of its FY 2016-17 Revised Budget, with $3.9 million unspent at the end of the fiscal year. This is reflected in lower numbers of households served both with homebuyer education or counseling and home repairs. Of the households that had received repairs in the prior year, 88% were still living in their home one year later, an increase of 8% over the prior year.

Of the 975 households that received homebuyer education or counseling, 15% (approximately 146 households) went on to purchase homes. This represents an increase over the prior year in terms of percentage, but a slight decline in actual households and short of the bureau’s target of 28% (which translates to 588 households based on the original service target). The bureau is planning to address this in part by increasing down payment assistance subsidies in the current fiscal year, although data from Zillow\(^{17}\) suggests that the market may be cooling after dramatic year-over-year property value increases.

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\(^{15}\) In the FY 2015-16 Prior Year Performance Report, CBO estimated that PHB would need to produce an average of 1,823 affordable housing units of every year for the next 19 years to fill the identified affordable housing gap. See [https://www.portlandoregon.gov/cbo/article/595190](https://www.portlandoregon.gov/cbo/article/595190) for more information.


\(^{17}\) Data from [https://www.zillow.com/portland-or/home-values/](https://www.zillow.com/portland-or/home-values/), accessed 10/26/2017.
The Portland Housing Bureau managed a $68.8 million budget in its first year of operation, which has increased to $214.1 million in the current fiscal year.¹⁸

The Portland Housing Bureau’s budget has increased dramatically since recovering from the recession. This is primarily due to policy choices and community advocacy related to the State of Housing Emergency:

- The red bar shows the increase in the amount of Tax Increment Financing (TIF) dollars set aside for affordable housing development. The amount of funding available on an annual basis will decline over the next several years as Urban Renewal Areas (URAs) expire.
- The orange bar reflects the General Fund discretionary resources dedicated primarily to homeless services, an increase of 165% over the past five years.
- The blue bar shows the new capital fund for spending revenue generated by the $258.4 million Affordable Housing Bond passed by Portland voters in November 2016.

In FY 2016-17, the bureau spent about 91% of its Revised Budget, or $183.6 million. Most of the underspending can be attributed to the need to adjust annual funding allocations for multi-year affordable housing projects based on actual development timelines. Additional information about specific funds follows below.

¹⁸ All budget years in the chart reflect the Revised Budget, with the exception of FY 2017-18.
General Fund

The bureau spent 98% of its FY 2016-17 General Fund budget, the majority of which went to the Joint Office of Homeless Services. As noted above, funding for both temporary and permanent shelter capacity was a priority in part due to unusually severe winter weather. There was some underspending in the “scalable” service areas – Rapid Rehousing, Diversion & Prevention, and Supportive Housing – due to the need to ramp up provider capacity earlier in the fiscal year. Additional funding allocated by the City for Supportive Housing was not fully expended due to the late timing of the transfer. The JOHS expects to fully expend all resources allocated in FY 2017-18, a total combined budget of $58.2 million.

New FY 2016-17 Funds

PHB created three new funds in FY 2016-17.

- The **Inclusionary Housing Fund** tracks receipts from the City’s Construction Excise Tax (CET) and revenues and expenditures related to the Inclusionary Housing Program. Expenditures were minimal in this fund in FY 2016-17 primarily due to delayed ramp-up of CET collections, caused by the lag time between project intake and permit issuance.

- The **Housing Capital Fund** tracks capital acquisition and/or construction activities, funded primarily by the Affordable Housing Bond. The majority of expenditures in FY 2016-17 were in capital outlay ($47.4 million) and bond expenses ($37.5 million), which closely matched the Revised Budget.

- Costs associated with operating income and expenses of those buildings will be tracked in the **Housing Property Fund**. Expenditures in FY 2016-17 were approximately 68% of Revised
Budget figures. This is primarily due to the operating budget for the Ellington Apartments, which only reflects four months of actual operation.

**Capital**

The Housing Bureau added capital assets to its portfolio for the first time in FY 2016-17. This included the Ellington Apartments ($47.3 million, 263 units), the Joyce Hotel ($5.6 million, 69 units), and an acquisition on SE Powell Blvd ($200,000 only in FY 2016-17, property redevelopment to be determined). The main source of revenue for the bureau’s capital program is the $258.4 million General Obligation bond. The bureau will also be issuing the first series of bonds against the Short-Term Rental Revenue City Council directed to be used for development and preservation of or access to affordable housing in Portland.

As part of an overall organizational restructuring, the bureau has added several new positions to assist with both policy implementation and asset management. The bureau is also in the process of developing a strategic plan, which will help guide investments in affordable housing development, land banking for future construction, and preservation of safe, affordable, and high-opportunity housing for both renters and homeowners.
Office of Neighborhood Involvement

Analysis by Yung Ouyang

Staffing and leadership changes at the Office of Neighborhood Involvement (ONI) have impacted the bureau’s work, including its ability to measure the bureau’s performance. On the finance side, program revenues were robust, reflecting an expanding economy (noise and liquor) but most likely also the need to reduce some fees (Marijuana license). Spending on personnel, not only for salaries and benefits but also leave payouts and severance costs, resulted in almost no underspending in that category despite the transfer and allocation of new resources during the Spring Supplemental.

### Bureau Performance

<table>
<thead>
<tr>
<th>Neighborhood Involvement</th>
<th>Number of activities - events, meetings, and community projects by community groups</th>
<th>4,602</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of partnerships among events, activities, and projects with underrepresented</td>
<td>3,359</td>
</tr>
<tr>
<td></td>
<td>leadership and organizational development skills</td>
<td>7,499</td>
</tr>
<tr>
<td></td>
<td>Percentage of calls answered in less than 25 seconds</td>
<td>93%</td>
</tr>
<tr>
<td></td>
<td>Percentage of clients satisfied with mediation services</td>
<td>92%</td>
</tr>
<tr>
<td></td>
<td>Percentage of liquor licenses with complaints addressed through the Time, Place, and ..</td>
<td>65%</td>
</tr>
</tbody>
</table>

Three of ONI’s performance measures involve its Noise Control subprogram, measuring the numbers of noise inspections, noise variances, and noise code violation cases. At 148 at year-end, the number of violation inspections were significantly lower than the FY 2016-17 Adopted Budget target of 500 and the FY 2015-16 actuals of 262. Similarly, at 386, the number of code violation cases ended the year significantly below the target of 750 and prior year actuals of 526. The bureau notes that its targets were somewhat aspirational, and the program was more focused on variances than violations.
last year, since noise construction variances have grown significantly. The Number of noise variances processed increased from 641 in FY 2015-16 to 657 last year. In addition, the program has also been more proactive to prevent violations from occurring in the first place.

Concerning ONI’s Crime Prevention program, the number of crime prevention groups supported by the bureau dropped significantly from 439 in FY 2015-16 to 324 in FY 2016-17 and also did not meet the Adopted Budget target of 530. ONI notes that this was due to staff formerly working in the Enhanced Safety Properties (ESP) subprogram being reassigned to community organizing, and that the bureau should have removed 150 ESP locations from the target. Another Crime Prevention measure, the number of site security assessments performed (93), also ended the year significantly below prior year actuals of 192 and the target of 275. In this case, the bureau attributes the reduction and failure to reach the target to staffing vacancies and turnover. These staffing issues also affected the number of crime prevention trainings for the public, which ended the year at 480, below the target of 550. As these are workload measures, CBO recommends that ONI explore whether the types of crime involved actually increased as a result of these decreases; such an indication may reveal whether the program’s interventions are effective or not.

One positive achievement has been ONI’s ability to establish partnerships among events, activities, and projects with underrepresented groups, which ended FY 2016-17 at 3,359, well above the Adopted Budget target of 2,800.

Performance Measures

As in prior years, ONI continues to struggle with the quality and consistency of its performance data, a problem that the bureau is aware of. For example, concerning the number of people trained on leadership and organization development skills and the number of direct communications distributed, the actuals for FY 2016-17 were significantly higher than both the prior year’s values and the Adopted Budget targets. ONI notes that it has 13 grantees and multiple staff members collecting the data, and that it has not had the capacity to enforce a consistent methodology amongst the various groups and staff who collect the data or investigate anomalies, making it a challenge to compare the measures’ performances from year to year.

This problem also affects at least one of the bureau’s KPMs, the number of participants in civic engagement activities. Another measure, the number of problem location cases processed, increased by 50% from FY 2015-16, and when asked about the large increase, the bureau discovered that it was counting resolved cases, which it did not do in prior years. For another KPM, that of the number of problem solving cases, the bureau began to include graffiti warrants and cannabis violations/warnings, when in the past it had not, accounting for the 21% increase between FY 2015-16 and FY 2016-17. In the absence of having enough resources to apply a consistent and methodological approach to many of its workload measures, CBO recommends that the bureau consider significantly pairing down the number of such measures and apply quality control to a much smaller number of such workload measures.
Two of ONI’s KPMs relied on the annual Community Survey conducted with residents that was discontinued by the City Auditor’s Office - the percentage of residents who feel safe walking alone in their neighborhood at night and the percentage of residents that have been involved in a community project or attended a public meeting at least once. Absence of the survey data has left a data gap in many bureaus’ performance measures. With the discontinuation of the Auditor’s survey, CBO notes the need for an alternate approach to measure resident outcomes in important areas of investment, many of which reflect or are pertinent to ONI’s work. These include: perception of safety across different parts of the city; level of community engagement, particularly with traditionally underserved populations; and perception of service levels of parks, roads, and other infrastructure.

Over this past year, ONI participated in a “What Works Cities” initiative with CBO to examine the bureau’s performance measures for several of its subprograms in the Community and Neighborhood Involvement Center, including the Neighborhood, Diversity and Civic Leadership, Disability, and New Portlander subprograms. The effort resulted in suggestions of some new measures that may provide a better reflection of the effectiveness of some of the subprograms. At the time, ONI noted that it had to consult with various constituencies, as well as combine the effort with other goal and performance developing projects, before deciding which new performance measures should be adopted. Moreover, ONI has indicated that with a new director and a new leadership team, it will be seriously evaluating all of its measures and continue to work with CBO over the next year to ensure its measures are appropriate and align with the new vision of the bureau.

Bureau Finances: Budget-to-Actuals and Key Issues

General Fund

Office of Neighborhood Involvement (General Fund) FY 2016-17

<table>
<thead>
<tr>
<th>Resources</th>
<th>Revised Budget</th>
<th>Year-End Actuals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charges for Services</td>
<td></td>
<td>$0M</td>
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<tr>
<td>Intergovernmental Revenues</td>
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<tr>
<td>Interagency Revenue</td>
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<td>Miscellaneous</td>
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<td>General Fund Discretionary &amp; Overhead</td>
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<td>Personnel Services</td>
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<td>External Materials and Services</td>
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<tr>
<td>Internal Materials and Services</td>
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<td>$10M</td>
</tr>
</tbody>
</table>
Most of ONI’s budget is in the General Fund. There is a small amount in the Grants Fund for a grant from Multnomah County for the East Portland Action Plan.

Most (76%) of the variance between the budget and actual collections in Charges for Services are from Marijuana license fees, with ONI seriously underestimating the number of licensees when creating the budget. During the Fall Supplemental, the bureau is requesting to carry over the amount of revenues above expenditures - $480,486, which CBO is recommending, with further recommendations that the program conduct a fee study as well as create its own fund.

The other two major revenue streams in Charges for Services – liquor revenues and noise revenues – also exceeded budgets, which could be due to a robust economy. For example, noise revenues are highly dependent on strong construction schedules. ONI states that its noise inspectors have been more focused on construction variances instead of violations. Since these two programs are subsidized by the General Fund, excess program revenues means that less General Fund discretionary resources are needed for the programs and more General Fund resources would thus fall to balance at year-end. That liquor program revenues are above budget is significant because the program has recently begun to need General Fund resources to help pay for operations. If the increase is due to the economic expansion, the excess revenues would only be a temporary phenomenon.

On the expense side, only External Materials & Services (EMS) shows any significant variance, ending the year at 88% of budget. The bureau states that this is typical due to the many contracts it has that cross fiscal years, mostly for small grants for various programs. After considering encumbered contracts, advances, and a grant that ONI wants to carry over, only 2.2% of the revised EMS budget would be unspent. Thus, while it would appear that the amount of General Fund discretionary needed by the bureau is excessive, this is actually not the case considering the encumbered contracts and advances.

Spending on Personnel Services was within budget by only $26,447. During the Spring Supplemental last year, $17,522 was redirected from funds formerly allocated for homelessness/housing outreach to the payout for the former bureau director. In addition, $40,000 was allocated from Compensation Set-Aside. Since the under-expenditure is such a small percentage of the bureau’s Personnel Services budget, these appropriations would seem to have been good decisions, at least from a financial perspective.
Office of Equity & Human Rights

Analysis by Jane Marie Ford

A landmark achievement of FY 2016-17 was completion of all bureau five-year Racial Equity Roadmaps, a process guided by the Office of Equity & Human Rights (OEHR) to operationalize the Citywide Racial Equity Goals and Strategies. With the first annual progress reports due at the end of the 2017 calendar year, the City is well-positioned to enhance the collection and use of data to assess progress toward institutional targets, as well as identifying where inequity persists. OEHR has prioritized resources in the current fiscal year to support equity data analytics and Citywide technical assistance, consistent with direction expressed during a Council Work Session on Equity in May 2017. Council will likely again be asked to consider outstanding ambiguity regarding OEHR’s role and authority in leading this work as part of FY 2018-19 budget development.

Bureau Performance

OEHR currently tracks several Key Performance Measures (KPMs) that provide a high-level snapshot of Citywide equity efforts, discussed in further detail below. However, CBO and OEHR agree that more robust, disaggregated data is needed to better inform policies and decision-making. OEHR will utilize data from the annual progress reports required as part of Racial Equity Roadmap implementation to analyze institutional barriers, the need for technical assistance, and other recommendations to support Citywide progress toward shared equity goals.

https://www.portlandoregon.gov/cbo/article/655039

OEHR currently tracks several Key Performance Measures (KPMs) that provide a high-level snapshot of Citywide equity efforts, discussed in further detail below. However, CBO and OEHR agree that more robust, disaggregated data is needed to better inform policies and decision-making. OEHR will utilize data from the annual progress reports required as part of Racial Equity Roadmap implementation to analyze institutional barriers, the need for technical assistance, and other recommendations to support Citywide progress toward shared equity goals.
While each bureau developed Roadmap performance indicators specific to their own programs and priorities, CBO recommends that OEHR also identify organizational measures - such as but not limited to current KPMs - to facilitate comprehensive performance analysis across all bureaus. OEHR recently announced rollout of a new portfolio model to support and align equity efforts Citywide, particularly as the number of embedded equity managers and staff continues to grow. The results of this change will help inform completion of the bureau’s strategic plan and FY 2018-19 Requested Budget.

Performance Measures

OEHR manages the Civil Rights Program, which collects and reports data on two key performance measures that demonstrated progress over the prior year. Approximately 47% of ADA Title II Transition Plan barriers scheduled for removal in FY 2016-17 were completed. However, this number is incomplete, as it does not include data from the Portland Bureau of Transportation (69 barriers scheduled for removal in FY 2016-17) or Bureau of Environmental Services (five barriers rescheduled for removal). CBO and OEHR are currently exploring technological options for streamlining future reporting. The goals are to encourage real-time data entry, ensure consistent data collection and reporting among bureaus, and expand reporting to better track rescheduled improvements. OEHR also intends to create a data visualization mapping barriers removed and remaining.

As of FY 2017-18, 100% of applicable bureaus and offices\(^\text{19}\) have translated at least one essential document or material into at least one of the safe harbor languages. This represents a significant jump over the prior year of 48%. As OEHR notes, this measure does not capture how many essential documents have been translated, into how many languages, and most importantly, whether these efforts are helping target communities access City programs and services. Furthermore, it does not capture real-time communications, like public health and safety notices, or technological tools, such as Text-to-911.

The performance measures highlighted above provide a snapshot of overall progress toward tangible outputs and outcomes, but do not provide insights into how decisions were made and whether the City’s processes have led to disparate levels of access and service among protected classes. Moving forward, the Civil Rights Program has expressed an interest in developing a more nuanced set of performance measures that will help to assess how bureaus are collecting data, how that information is being used to make decisions, and the disaggregated impact of those decisions.

Similarly, previous reviews have noted that the KPM tracking the percentage of City management that are employees of color relies on a flawed methodology that uses “timesheet approval authority” as a proxy for managers in the City’s SAP system. This is not necessarily a useful gauge of how well communities of color are represented in higher-compensated positions of decision-making authority within the organization. A more robust analysis of employee data shows that age and length of time with the City are the most significant contributing factors to pay and status within the organization. This suggests that many of the employees who are now in managerial roles have been promoted

\(^{19}\) Not all bureaus or offices fall under the requirements of Title VI.
through the ranks over time. These employees are also more likely to be older and white, although the gap is closing. Accordingly, in addition to recruitment efforts to increase diversity, the data implies a need to focus on inclusion, retention, and support for employees as they move through the organizational talent pipeline. Individual bureaus have identified action items related to workforce diversity and inclusion as part of their Racial Equity Roadmaps, and will be required to report annually on progress toward these goals. Analysis of hiring, retention, and promotion data may provide further insights on how to move toward a future where City leadership is reflective of the broader Portland community.

Bureau Finances: Budget-to-Actuals and Key Issues

**General Fund**

<table>
<thead>
<tr>
<th>Resources</th>
<th>Revised Budget</th>
<th>Year-End Actuals</th>
<th>Variance</th>
<th>% of Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intergovernmental Revenues</td>
<td>$5,000</td>
<td>$0</td>
<td>$5,000</td>
<td>0%</td>
</tr>
<tr>
<td>Interagency Revenue</td>
<td>5,126</td>
<td>5,126</td>
<td>-</td>
<td>100%</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>-</td>
<td>1,703</td>
<td>(1,703)</td>
<td>N/A</td>
</tr>
<tr>
<td>General Fund Discretionary &amp; Overhead</td>
<td>1,672,530</td>
<td>1,598,468</td>
<td>74,062</td>
<td>96%</td>
</tr>
<tr>
<td><strong>Total Resources</strong></td>
<td><strong>$1,682,656</strong></td>
<td><strong>$1,603,594</strong></td>
<td><strong>$79,062</strong></td>
<td><strong>95%</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Requirements</th>
<th>Revised Budget</th>
<th>Year-End Actuals</th>
<th>Variance</th>
<th>% of Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel Services</td>
<td>$1,359,311</td>
<td>$1,333,966</td>
<td>$25,345</td>
<td>98%</td>
</tr>
<tr>
<td>External Materials and Services</td>
<td>130,320</td>
<td>79,528</td>
<td>50,792</td>
<td>61%</td>
</tr>
<tr>
<td>Internal Materials and Services</td>
<td>193,025</td>
<td>190,100</td>
<td>2,925</td>
<td>98%</td>
</tr>
<tr>
<td><strong>Total Requirements</strong></td>
<td><strong>$1,682,656</strong></td>
<td><strong>$1,603,594</strong></td>
<td><strong>$79,062</strong></td>
<td><strong>95%</strong></td>
</tr>
</tbody>
</table>

OEHR spent 95% of its FY 2016-17 Revised Budget. Most of the bureau’s underspending is related to the Equitable Contracting and Purchasing Commission, which was merged with the Fair Contracting Forum in the FY 2017-18 Adopted Budget. There are no other significant deviations from projected spending. However, a three-year review of OEHR’s programmatic budget highlights how much the bureau’s priorities and responsibilities have continued to shift on an annual basis. OEHR will be completing its new five-year strategic plan prior to FY 2018-19 Budget Development.

The majority of the bureau’s funding comes from General Fund discretionary and overhead revenue. However, OEHR’s leadership in the field of government equity has led to some external consulting opportunities in the past several years. In FY 2015-16, the OEHR Director assisted the City of Oakland in creating its own Office of Equity. The bureau originally anticipated providing some continued support in FY 2016-17, which did not occur, leading to $5,000 less in intergovernmental revenue.

OEHR also collected $1,703 from providing Equity 101 trainings to non-City agencies, and expects to receive a little over $2,400 for this service in the current fiscal year. In total, the bureau increased its Education and Training budget by approximately 25% in FY 2016-17, providing Equity 101 trainings to 452 more employees than originally anticipated. As a result, three-quarters of City employees have now completed the training, a 20% jump over the prior year. This key performance measure assesses
the City’s effort to build organizational equity capacity, as “changes take place on the ground, through building infrastructure that creates racial equity experts and teams throughout city government.” The bureau is on track to train nearly all City employees by the end of FY 2017-18, which may lead to budgetary and programmatic shifts in FY 2018-19 Budget Development.
Bureau of Planning & Sustainability

In FY 2016-17, the Bureau of Planning & Sustainability (BPS) shifted its focus to implementation of the 2035 Comprehensive Plan, the City’s roadmap to accommodate an estimated 260,000 new residents over the next two decades. This Plan is based on a vision where “Portland is a prosperous, healthy, equitable, and resilient city where everyone has access to opportunity and is engaged in shaping decisions that affect their lives.” The bureau’s programs and key performance measures reflect this vision, linking affordable housing development, transportation planning, and climate change mitigation with equity at the forefront of decision-making.

**Bureau Performance**

<table>
<thead>
<tr>
<th>Planning &amp; Sustainability</th>
<th>Percentage of new housing units in the four-county region that are within the City of Portland</th>
<th>48%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Percentage of Portlanders living in complete neighborhoods</td>
<td>65%</td>
</tr>
<tr>
<td></td>
<td>Percentage of waste recycled or composted</td>
<td>63%</td>
</tr>
<tr>
<td></td>
<td>Percentage reduction in per person carbon emissions from 1990 levels</td>
<td>41%</td>
</tr>
</tbody>
</table>

There was a significant increase in the number of new housing units in the four-county region within the City of Portland, up to 48% compared with 37% in the prior year. This number is calculated using permitting data from the Bureau of Development Services, which shows a spike in activity connected with developers vesting permits before the new Inclusionary Housing policy went into effect in February 2017. Notably, 80% of these permits were in complete neighborhoods, up from 71% in the prior year. While these figures are indicative of positive overall housing development trends, careful
monitoring and analysis will be required to ensure that the City’s strategies around affordable housing development – including Inclusionary Housing, zoning code revisions to increase density, and linked transit and housing planning underway in Powell-Division and the Southwest Corridor - are accurately calibrated incentivize affordable housing to development in high opportunity areas.

BPS is simultaneously working to promote energy efficiency in both residential and commercial buildings, which together constitute 42% of local carbon emissions. FY 2016-17 was the second year of phasing in the Energy Performance Reporting Policy for Commercial Buildings, expanding mandatory performance tracking and reporting to include buildings 20,000 square feet and larger. The buildings subject to the policy now comprise approximately 80% of the conditioned commercial floor area in the city of Portland. Commercial buildings generate one-quarter of Portland’s total carbon emissions, and the bureau will use the data collected through this policy to target improvements. Energy performance data is now accessible online, and the bureau will be mapping this information later in the calendar year.

Overall, per person carbon emission has dropped 41% since 1990, counter to national trends and despite significant regional population growth. This number has remained steady for the last few fiscal years, following a general pattern illustrated in the graph above from the 2017 Climate Action Plan Progress Report: significant drops in carbon emissions are connected to new programs and policies, such as curbside composting introduced in 2011. More dramatic interventions will be required to meet the strategic target of reducing carbon emissions by 90% from 1990 levels by the year 2050, as well as the City’s new goal of meeting 100 percent of community-wide energy needs with renewable energy by 2050 (adopted in June 2017). A list of strategies and action items is detailed in the 2017 Climate Action Plan Progress Report.
Bureau Finances: Budget-to-Actuals and Key Issues

General Fund

The bureau spent 94% of its FY 2016-17 General Fund budget. Most of this underspending is related to contracts encumbered prior to the end of the fiscal year that were reconciled through carryover in the FY 2017-18 Fall Supplemental Budget. The bureau also received a significant mid-year bump in interagency revenue, increasing the amount of land use fee revenue transferred from the Bureau of Development Services (BDS) for code development from $279,450 in the Adopted Budget to $939,942. Land use fee support increased further in the FY 2017-18 Adopted Budget – climbing to $1.25 million - for completion of two major code development projects.

Given the bureau’s continued focus on code development and implementation over the next several years, BPS, BDS, and CBO have been directed through a budget note to develop an ongoing plan for allocating Land Use Fee revenue between the bureaus as appropriate and permissible by law. Financial and work plans will be submitted as part of the FY 2018-19 budget development process.

Grants Fund

The bureau manages a number of multi-year grants that are adjusted annually in the Fall Supplemental Budget to true-up prior year expenditures and current year expected spending. While BPS only spent 65% of anticipated grant expenditures in FY 2016-17, the bureau carried over $820,858 into FY 2017-18 for continued project support. The bureau’s single largest grant – funding from Metro for waste reduction and business recycling – has remained stable at just under $770,000 annually. The bureau has also seen an uptick in grant funding related to its work supporting land use, housing, and transportation planning; given the regional focus on these issues, it is possible that this will continue to be a source of revenue for the bureau over the next several years.
Solid Waste Management Fund revenues exceeded FY 2016-17 projections by approximately 8% due to higher collection of service fees (approximately $250,000) and a significantly larger beginning fund balance (nearly $600,000 above allocation). Bureau operating expenses were about 12% lower than anticipated in FY 2016-17 due to vacancy savings and the late timing of the initial rollout of the public trash can program expansion. The bureau placed the first new trash receptacles in Portland’s Jade District in June 2017 as a pilot testing site, and will expand the program into all 31 city centers over a five-year period. BPS expects that ongoing collection costs associated with the expanded program will likely exceed revenues until a scheduled commercial tonnage fee increase takes effect in FY 2019-20.

The fund ended FY 2016-17 with a combined contingency and unappropriated fund balance total of $4.2 million, nearly $1.5 million above projections. The bureau submits a five-year fund forecast as part of its annual budget submission; over the past six budget cycles, these projections have 1) anticipated a lower fund balance to begin the fiscal year, and 2) projected that revenue would decline over the next five years. Actual fund balances have not only been higher than projected for the current year, but continued to increase year-over-year.
Fund balance projections have assumed that the bureau will meet waste reduction and recycling targets, which will lead to a decrease in revenue. However, these measures have remained relatively flat over the last few years. Additionally, recent revenue trends illustrate the correlation between waste disposal and economic growth. An economic downturn will likely drive revenue down, including the bureau’s share of Metro waste reduction funds. Policy changes in China have also created unprecedented uncertainty in the recycling market. There is no anticipated short-term revenue impact, but there could be long-term ramifications for rates and fees.

It should be noted that the increase in Solid Waste Management Fund balance comes while the typical monthly bill for residents has remained steady at just over $29.00 for the last several years. Simultaneously, overall resident satisfaction with both the cost and quality of garbage, recycling and compost services increased over that same time period.\(^\text{20}\)

\(^{20}\) See the 2016 Community Survey, pg. 8.
Prosper Portland met or exceeded all key performance measure targets for FY 2016-17 except for one: percentage of Start-up investments to firms founded, owned, or led by people of color (cumulative) by Prosper Portland backed funds. The actual results (56%) were two percentage points lower than the estimated FY 2016-17 target (58%), and a decline from 72% in FY 2015-16. Conversely, the percentage of Start-up investments to firms founded, owned, or led by women by Prosper Portland backed funds climbed from 44% in FY 2015-16 to 70% in FY 2016-17 (shown above).

Overall, Prosper Portland’s actual performance relative to their estimated performance is good. However, one observation to note is that, half of the FY 2016-17 actuals for key performance metrics are lower than FY 2015-16 actuals. These metrics include: the percentage of workforce in Multnomah County earning at least a middle wage, the percentage of start-up investments to firms founded, owned, or led by people of color (cumulative) by Prosper Portland backed funds, and the ratio of Prosper Portland financial assistance to private investment.
The two latter measures are not exclusively tied to Prosper Portland activities. The percentage of Multnomah County earning at least a middle wage is largely informed by macroeconomic factors, not Prosper Portland’s activity. The ratio of Prosper Portland financial assistance to private investment is volatile because it is dependent on which projects roll out in a given year.

**Performance Measures**

Prosper Portland has 34 performance measures, six of which are key performance measures. In general, economic development is difficult to measure and Prosper Portland may encounter challenges when trying to measure the outcomes of their work. When examining Prosper Portland’s collection of measures, they range from specific and directly linked to single programs to broad measures which, at best, Prosper Portland may have an indirect effect on.

Prosper Portland’s key performance metrics were originally selected following the adoption of the Prosper Portland Strategic Plan. The 2015-2020 Strategic Plan and the measures of success were developed by a stakeholder advisory committee and Prosper Portland believes they are key metrics related to their Economic Development work funded by General Fund resources. However, Prosper Portland is currently working to update and refine the key metrics so they include several new items that are more directly linked to Prosper Portland programming. The new performance measures will be initially presented to council October, 2017 as part of the Financial Sustainability Plan.

CBO recommends that Prosper Portland look for measures that closely align with outcomes. For example, workforce development falls squarely in the realm of economic development and is something that is clearly linked to Prosper Portland activity. In addition, while two of their key performance measures specifically address supporting businesses owned by people of color or women and are backed with Prosper Portland funds, access to capital (while critical) is only one way that Prosper Portland is supporting small businesses and providing technical assistance. We understand that Prosper Portland will also be including additional measures to illustrate the focus of this work in the draft Financial Sustainability Plan.

**Current Key Performance Metrics include:**

Percentage of Households at or above self-sufficiency & Percentage of Workforce in Multnomah County earning at least a middle wage

These metrics are largely informed by macroeconomic factors, but Prosper Portland indirectly impacts the percentage of households earning at least middle wage through their ECED programs. Moving forward, Prosper Portland intends to focus more on metrics that are tied to direct program activity and in turn tie that data back to high level indirect indicators such as self-sufficiency. This will help identify where more work is needed or what should change in terms of future programming.

**Percentage of Start-up investments to firms founded, owned, or led, by women & Percentage of Start-up investments to firms founded, owned, or led, by people of color**
Prosper Portland directly influences these metrics through their Startup PDX program, Increase Project, Inclusive Capital Fund and Small Biz/Entrepreneurship programming.

**Percentage of non-TIF resources for operating budget**

Higher General Fund and Community Development Block Grant funding will help continue and potentially expand direct economic development programs that Tax Increment Financing (TIF) cannot fund. Moving forward, Prosper Portland is looking to benchmark return on investment based on goals in the Financial Sustainability Plan and Investment Policy. While financial sustainability is extremely important as an agency metric, this may not ultimately be included as a key performance measure.

**Ratio of Prosper Portland financial assistance to private investment**

Historically, Prosper Portland dollars leveraged a fair amount of private and other resources into projects that support economic development. As a rule, they target a ratio of 6:1, but this fluctuates from year to year and is highly dependent on which projects get completed in certain years. Prosper Portland does not necessarily aim to invest more in this area and is likely to invest less depending on capital resources. Again, as part of the draft Financial Sustainability Plan, Prosper Portland is moving more toward a portfolio management approach regarding investing remaining TIF dollars.

### Bureau Finances: Budget-to-Actuals and Key Issues

#### General Fund

<table>
<thead>
<tr>
<th>Resources</th>
<th>Revised Budget</th>
<th>Year-End Actuals</th>
<th>Variance</th>
<th>% of Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund Discretionary &amp; Overhead</td>
<td>5,772,465</td>
<td>5,530,837</td>
<td>241,628</td>
<td>96%</td>
</tr>
<tr>
<td><strong>Total Resources</strong></td>
<td><strong>$5,772,465</strong></td>
<td><strong>$5,530,838</strong></td>
<td><strong>$241,629</strong></td>
<td><strong>96%</strong></td>
</tr>
<tr>
<td>Neighborhood Economic Development</td>
<td>$3,963,814</td>
<td>$3,846,814</td>
<td>$117,000</td>
<td>97%</td>
</tr>
<tr>
<td>Traded Sector</td>
<td>1,808,651</td>
<td>1,684,022</td>
<td>124,629</td>
<td>93%</td>
</tr>
<tr>
<td><strong>Total Requirements</strong></td>
<td><strong>$5,772,465</strong></td>
<td><strong>$5,530,836</strong></td>
<td><strong>$241,629</strong></td>
<td><strong>96%</strong></td>
</tr>
</tbody>
</table>
Prosper Portland receives General Fund resources via an intergovernmental agreement with the City of Portland. As such, their expenditures are not detailed by major object category.

Requirements are budgeted by program, with the majority of General Fund resources supporting Neighborhood Economic Development.

Of the $5.77 million of General Fund resources appropriated in FY 2016-17, Prosper Portland spent 96%.

As previously discussed within the performance measures section of this review, Prosper Portland is working on a long term Financial Sustainability Plan. Many of the urban renewal areas that have been bringing in TIF resources will be sun-setting in the upcoming years. After the urban renewal areas expire, the financial resources generated from them will return to the taxing entities that have foregone revenue since their inception. It remains to be seen how much of the returning revenue the City will appropriate to Prosper Portland. Thus, Prosper Portland is working to identify what programming could be delivered more efficiently, how to manage their investment portfolio, and
leverage other resources. A draft of Prosper Portland's Financial Sustainability Plan will be presented to Council in October 2017.
Transportation and Parking
In FY 2016-17, as in prior years, PBOT collected more revenue in many of its funding streams than budgeted due to conservative budgeting in a time of economic expansion. The bureau also significantly underspent its Capital budget at year-end despite reductions in budget during the Spring Supplemental due to project delays and schedule revisions. There are no concerns with variances between budget and actuals, although CBO recommends that PBOT continue its efforts to develop more realistic budgets for its revenues in the future. Two issues significantly affected the bureau’s spending and its performance for the year: 1) the winter snow storms and a wetter than normal spring, and 2) difficulties in recruiting and filling positions.

### Bureau Performance

<table>
<thead>
<tr>
<th>Bureau of Transportation</th>
<th>Total number of traffic fatalities citywide (calendar year)</th>
<th>44</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual streetcar ridership</td>
<td></td>
<td>4,720,474</td>
</tr>
<tr>
<td>Percentage of “busy” (collector/arterial) streets in fair or better condition</td>
<td>50%</td>
<td></td>
</tr>
<tr>
<td>Percentage of local streets in fair or better condition</td>
<td>36%</td>
<td></td>
</tr>
<tr>
<td>Percentage of PBOT-owned bridges in non-distressed condition</td>
<td>85%</td>
<td></td>
</tr>
<tr>
<td>Percentage of trips made by people walking and bicycling, including to transit (calendar year)</td>
<td>25%</td>
<td></td>
</tr>
</tbody>
</table>

**Asset Condition**

Three of PBOT’s Key Performance Measures (KPMs) pertain to the maintenance of capital assets.

- Percentage of PBOT-owned bridges in non-distressed condition (85%): The bureau almost met its target for the year (86%) and remained level with the FY 2015-16 figure. To replace the City’s bridges, the bureau is highly dependent on funding from the General Fund capital set-aside. While
$890,000 was allocated to the Sunderland Bridge in FY 2016-17, the project is still in the scoping phase, with construction anticipated in 2019. In FY 2015-16, $975,800 from the set-aside was allocated for the NE Glisan at 90th Ave bridge. This project is substantially completed, but until final completion, PBOT will not consider it as being in non-distressed condition.

- Percentage of “busy” (collector/arterial) streets in fair or better condition (50%): Performance on this measure has been on the decline since at least FY 2014-15 (55%). PBOT was also not able to meet its Adopted Budget goal of 57%, noting that its Fixing Our Streets capital projects are currently in progress, with those accomplishments to be reflected in FY 2017-18.

- Percent of local streets in fair or better condition (36%): Performance for this indicator has also declined steadily since at least FY 2014-15 (43%), and PBOT was not able to meet its target of 41% for last year. The bureau attributes this inability to meet its goal to the paving program being largely weather dependent and having to shift to repair twice as many potholes as normal and removing/repairing landslides due to the damages from the snow and ice storms.

PBOT eliminated discretionary funding for contracted paving years ago. About $12.8 million of ongoing discretionary resources is dedicated to pavement maintenance in the bureau’s FY 2017-18 Requested Budget, but these funds are used to ensure that the assets are usable up to the end of their useful lives and do not extend the assets’ useful lives, which major maintenance aims to do. In its FY 2017-18 Adopted Budget, PBOT has devoted only $723,685 of discretionary funds for major maintenance and is using these resources for the maintenance of traffic signals and street lighting, as well as for bridge inspections.

With the bureau’s limited discretionary resources dedicated to matching outside grant revenues and the implementation of the City’s Capital Set-Aside policy and process, the bureau has requested General Fund resources to improve the conditions of its assets over the last several years and will continue to do so. It should be noted, however, that paving projects generally do not score high in the ranking process for accessing Capital Set-Aside funds due to the low level of risk associated with the failure of paving assets. Passage of the new gas tax by voters and the new heavy vehicle use tax by City Council is providing the bureau with additional resources that will help it to improve both its assets maintenance and its safety performance goals. However, results from the Fixing Our Streets (FOS) initiative will take a couple of years to be realized, as the pavement condition data from FY 2016-17 shows.

**Safety**

PBOT is implementing its Vision Zero initiative which aims to reduce the number of traffic fatalities to zero by 2025, and one of its KPMs is the total number of traffic fatalities citywide. The city ended FY 2016-17 with 44 fatalities, 19% above the FY 2015-16 number of 37. The number of fatalities has been trending upward since at least FY 2014-15. PBOT has set 42 fatalities as the target for FY 2017-18. Similar to pavement condition, improvements to safety resulting from FOS will take time to materialize as the projects are multi-year ones. During this FY 2017-18 Fall Supplemental, PBOT is
ramping up the program with staff additions and equipment purchases. Furthermore, Council recently allocated $1.5 million of ongoing funding from the Recreational Marijuana Tax for Vision Zero purposes during the FY 2017-18 budget development process. Again, it may take a couple of years for the results from this additional funding to be realized due to the multi-year nature of capital projects.

CBO notes that the City’s transportation infrastructure will need significant upgrades to meet the mobility needs of Portland’s growing population, and PBOT’s continued prioritization of the safety issue should be supported by additional resources. However, it should also be noted that the Safety program of the bureau’s CIP underspent its budget by $19.8 million in FY 2016-17, or 51%. One of the projects which contributed to the underspending was the Traffic Signal Rehabilitation and Reconstruction project. The bid for the project occurred late in the fiscal year, and construction was shifted to FY 2017-18.

**Active Transportation**

Another KPM seeks to measure progress on one of the bureau’s major initiatives, that of increasing the percentage of trips made by people walking and bicycling, including to transit. At 25%, PBOT was unable to meet its FY 2016-17 goal of 27% and also performed below the FY 2015-16 level of 26%. Despite this, PBOT has 28% as the target for FY 2017-18. In the past, the bureau attributed improvements in this measure to ongoing investments in walking, biking, and transit infrastructure, as well as transportation demand management programs. The decrease last year was attributed to a large increase in new commuters to the city, the majority of which opted to drive to work. Another possible explanation is that people could be driving more because of relatively low gas prices amidst an expanding economy. TriMet has recently reported that ridership has declined from the prior year.

**Other Measures**

Another reflection of people driving more is that on-street parking expenses as a percentage of revenues have been on the decline since at least FY 2014-15, ending FY 2016-17 at only 23% and far surpassing the goal of 31%. On-street parking revenues have increased over the years as the economy has expanded, and this revenue is one of the core-components of PBOT’s discretionary revenues - General Transportation Revenues (GTR).

Another notable performance measure is the percentage of public works permits completed within PBOT’s set of interim timelines from the beginning to the end of the permitting process. At 80% at year-end, this measure fell far short of the Adopted Budget target of 95%, and far below the 94% level reached in FY 2015-16. The bureau attributes this decrease to being understaffed and notes that it has a staffing plan in place to address the high volume of permitting activity. One of the bureau’s requests during this current Fall Supplemental is to formalize an Interagency Agreement with the Bureau of Human Resources to provide additional staff capacity in administering the recruitment processes for vacant positions within PBOT, including outreach and establishing eligible lists.
Bureau Finances: Budget-to-Actuals and Key Issues

Transportation Operating Fund

Revenues

In FY 2016-17, the Transportation Operating Fund received $18.2 million from the General Fund; this figure is made up of its ongoing allocation as well as one-time additions, including those for major maintenance projects. The FY 2017-18 Adopted Budget amount for transfers from the General Fund is $17.7 million, but it should be noted that this figure does not include carryovers of General Fund resources from prior years. During this Fall Supplemental, the bureau is carrying over $12.2 million of General Fund resources from prior years.

Tax revenues, consisting of the both the temporary 10-cent gas tax and the heavy vehicle use tax, ended last year at only 74% of budget due to the Oregon Department of Transportation’s three-month delay in implementing the collection. Only six months of revenue were collected, instead of the nine months initially budgeted. However, if the initial budget was adjusted to six-months’ worth using the initial assumptions and not adjusting for seasonality, the bureau would have over-collected by 11%. This may be a reflection of the expanding economy and the inelasticity of gas prices.

PBOT’s collection of Licenses & Permits revenues ended the year at 47% over the budgeted amount mostly due to an expanding economy. $2.5 million of the $3.7 million in variance is attributed to Private-For-Hire activity, while $1.0 million is due to additional construction permits. Although the bureau has stated that it has adjusted the FY 2017-18 budget for Private-For-Hire revenues to reflect more realistic collection amounts, the total budget for Licenses & Permits after Fall Supplemental adjustments is still 14.5% lower than the actuals realized in FY 2016-17. CBO continues to
recommend that PBOT work to improve revenue forecasts for this category. Permit fees are priced for cost recovery and do not contribute to the bureau’s discretionary resources.

Additional parking revenues is one of the primary reasons why Charges for Services ended the year at 27% above budget, although System Development Charges (SDCs) were also above budget due to the robust development activity. Again, although PBOT has stated that its FY 2017-18 budget for this category reflects the additional revenues, CBO notes that the FY 2017-18 Adopted Budget figure for this revenue is 16% lower than the FY 2016-17 Actual.

PBOT attributes the collection of only 82% of the budget for Interagency Revenues to the various winter storms during which its Maintenance crews were used to address weather-related events instead of providing services to the Bureau of Environmental Services.

In contrast, Bond and Note revenues ended the year at almost twice the budgeted amount due to additional bond sales to take out two lines of credit – LED Lighting Efficiency and the Sellwood Bridge Replacement project.

**Expenses**

Personnel Services was underspent by 12% due to difficulties in recruiting and filling newly created positions funded by cost recovery revenues and the temporary gas tax. See the last paragraph in the Performance section above for more details.

Most of the underspending in External Materials & Services can be attributed to two causes: 1) the bureau not being invoiced for an expected local match payment, which it will now pay in FY 2017-18, and 2) underspending in materials used for street preservation due to the excessively rainy spring.

Typical for the bureau, PBOT underspent its capital outlay budget by 41% due to delays in the schedules of capital projects, with the unspent funds carried over into FY 2017-18. The bureau has noted that three projects are the main drivers for the variance: the Traffic Signal Reconstruction, the Bond: Gibbs-River Parkway, and the NW 20th Ave: Raleigh-Upshur LID projects.

A little over half of the ending balance ($87.4 million out of $165.2 million) is constrained by Oregon Revised Statutes, City policy, or contract provisions, with $64.1 million of that made up of revenues restricted to use on Council-approved SDC projects. Another 14% of the balance is devoted to funding appropriations for operations during FY 2017-18. About 33% of the ending balance is used to balance the bureau’s financial forecast over five years, and this includes about $2.8 million intended for contingency purposes.

**Parking Facilities Fund**

Most operations-related expenditure categories show major underspending. Personnel Services ended the year at 30% under budget due to position vacancies. Internal Materials & Services were underspent by 57% due to delays in major maintenance by OMF-Facilities at the parking garages, while Capital Outlay was not spent at all due to a delay in the construction phase of the 10th & Yamhill Garage reconstruction project.
About $10.3 million of the $14.1 million in ending balance is set-aside for the 10th & Yamhill Garage rehabilitation project, with $7.2 million intended for project spending and $3.1 million in reserves. About $700,000 of the ending balance is dedicated as an Equipment Replacement reserve for parking paystations, electronics, etc. About $1.1 million serves as general contingency. The amount meets the required target set by policy. The remaining $2.0 million funds the Facilities maintenance interagency carryover in the Fall Supplemental.

Grants Fund

As with prior years, PBOT continued to significantly underspend its budget in the Grants Fund in FY 2016-17 even after reductions during the Spring Supplemental. This is typical and is due to delays in work on capital projects, as well as the true-ing up of project budgets once the bureau gets a better understanding of their actual costs. In FY 2016-17, PBOT only named one of the projects involved in creating the variance - SE Foster: Powell to 90th. The bureau notes that schedule changes for the project was responsible for $2.7 million of the variance.

Other Funds

PBOT also administers the Transportation Reserve Fund and the Gas Tax Bond Redemption Fund. There were no notable variances between budget and actual spending in these funds.

Capital

During the Fall Supplemental of last year, PBOT increased its Capital Improvement Plan (CIP) budget by roughly 12% from the Adopted Budget. About 28.7% of the adjustment is carryover of General Transportation Revenue (GTR) funding from the prior year due to planned project work shifting from FY 2015-16 to FY 2016-17. Funding was carried over for more than two dozen projects, the largest of
which include: Neighborhood Transportation, Safety, & Livability ($636,910); Immediate Opportunity Safety Grant ($460,000); Sidewalk Infill Projects ($425,927); and the Highway Safety Improvement Program ($407,305) projects. Carryover of resources for General Fund-supported projects amounted to 43.2% of the total increase in CIP budget. The largest amounts were for the Out of the Mud ($1,012,711), NE 122nd Ave: I-84 Ramp-Skidmore ($863,601), Traffic Signal Reconstruction ($757,064), and the SW Corridor Light Rail ($595,232) projects.

<table>
<thead>
<tr>
<th></th>
<th>CIP Budget</th>
<th>Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adopted</td>
<td>$91,142,849</td>
<td>Inapplicable</td>
</tr>
<tr>
<td>Fall Revised</td>
<td>$102,275,656</td>
<td>12.2%</td>
</tr>
<tr>
<td>Spring Revised</td>
<td>$85,723,096</td>
<td>-16.2%</td>
</tr>
<tr>
<td>Year-End Revised</td>
<td>$85,723,096</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

Further substantial changes to the CIP budget were made during the Spring Supplemental, decreasing it by 16% from the Fall Revised amount. The Spring Supplemental is normally a time when PBOT reduces its CIP budget in order to sync up budgets with actual spending and revised construction timelines. The bureau did reduce budgets for many projects in both its Operating Fund, the Parking Facilities Fund, and the Grants Fund, the largest of which includes: $5.0 million for the 10th & Yamhill Parking Garage; $2.3 million for the Highway Safety Improvement Program; $2.3 million for East Portland Access to Transit; $2.0 million for 122nd Ave. Safety Improvements; and $1.75 million for 47th Ave: Columbia-Cornfoot, NE.

However, there were also increases in funding for capital projects during the Spring Supplemental, with the largest including: $3.0 million for the 20s Bikeway: Harney-Lombard; $1.65 million for Bike Share Development; $825,000 for Foster Road: 82nd-90th Ave; $525,000 for Foster: Powell-90th; and $500,000 for East Portland in Motion (Outer Division).

The only change made to the bureau’s capital budget during the Over-Expenditure Ordinance involved a $500,000 draw from contingency to cover professional services for work on the 10th & Yamhill Parking Garage project in order to match anticipated expenditures.

**Budget to Actual Variances in Capital Program Spending**

In regards to actual expenditures, PBOT ended the year spending only about 58% of its Revised CIP budget, with a variance of $33.4 million between budget and actual expenditures, despite the reductions in budget during the Spring BMP. Several projects had their construction schedules revised. These projects were bid on late in the fiscal year while actual construction shifted to FY 2017-18. These include the SW Bond: Gibbs-River Parkway, SE Foster: Powell-90th, the Traffic Signal Rehabilitation & Reconstruction, and the NE Halsey/Weidler: 103rd-113th projects. Most of the under-expenditure is in the bureau’s Safety CIP program. Furthermore, a $5.7 million local match contribution for the Sellwood Bridge Replacement Project that was scheduled for payment to Multnomah County in FY 2016-17 was delayed until FY 2017-18.

Delays in project schedules for three projects in the Transportation Operating Fund are the primary reason for the large underspending in capital outlay in that fund: the Traffic Signal Reconstruction,
SW Bond: Gibbs-River Parkway, and the NW 20th Ave: Raleigh-Upshur LID projects. The underspending was due to a lag in project schedules, with project savings re-budgeted, or to be re-budgeted, in FY 2017-18. In the Parking Facilities Fund, none of the Capital Outlay budget was spent due to a delay in the construction phase of the 10th & Yamhill Parking Garage project. A high percentage of the variances between budget and actuals in the Grants Fund resulted from changes in project schedules, particularly for the SE Foster: Powell-90th project ($2.7 million).

In terms of the CIP program, Safety projects showed the greatest variance between budget and actual spending, at $19.8 million, or underspending of 51%. Large variances also occurred for the Asset Management ($5.3 million or 25%), Economic Vitality ($4.7 million or 52%), and the Health & Livability ($2.1 million or 23%) programs.
Elected Officials
Office of the Mayor (Wheeler)

Bureau Finances: Budget-to-Actuals and Key Issues

General Fund

The Mayor’s Office spent 86% of its budget last year, with the greatest underspending in external materials and services. This is consistent with prior year spending patterns. The majority of mid-year adjustments were related to transitioning from the Hales administration to the Wheeler administration. During the Spring Supplemental Budget process, the Office received $3,250 in compensation set-aside to cover benefit costs for prior administration staff. Additionally, the Office carried over over $100,000 for staffing support in the FY 2017-18 budget.
Bureau Finances: Budget-to-Actuals and Key Issues

General Fund

The budget for the Commissioner of Public Affairs includes the Portland Children’s Levy, which is funded by a tax levy, and the Gateway Center for Domestic Violence (Gateway Center) and Commissioner’s Office, which are supported by General Fund resources. The office spent 95% of its General Fund allocation in FY 2016-17, requesting to carry forward $18,000 in prior year contract encumbrances for services provided through the Gateway Center and to carry forward $27,000 of program expenses for the Gateway Center. The Gateway Center had lower than anticipated intergovernmental revenues due to the elimination of the Jobs program in FY 2016-17.
The Office of the Commissioner of Public Safety spent 94% of their FY 2016-17 budget allocation. Historically, there is underspending in external materials and services for this office; however, in January Commissioner Eudaly took over the office from Commissioner Novick and external materials and services was higher than the historical average. Further, Commissioner Eudaly requested to carry forward $20,000 in external materials and services during the FY 2016-17 Over-Expenditure Ordinance to complete renovations to the office in City Hall.
The Office of the Commissioner of Public Utilities spent 85% of its FY 2016-17 budget allocation, which is consistent with historical spending trends. There were no additional or unexpected costs or revenues for Commissioner Fritz’s office in FY 2016-17.
Office of the Commissioner of Public Works (Fish)

Bureau Finances: Budget-to-Actuals and Key Issues

General Fund

The Office of the Commissioner of Public Works spent 89% of their FY 2016-17 budget allocation. There was substantial underspending in the office’s external materials and services, as was the case in FY 2015-16. There were no additional or unexpected revenue or costs in Commissioner Fish’s office during FY 2016-17.
City Support
Service Bureaus
The Office of the City Attorney ended FY 2016-17 two percent under budget. Charges for Services was double what was forecasted primarily due to forfeiture work for the Police Bureau. In addition, the office received $38,000 in intergovernmental revenue for legal services provided to the Mt. Hood Cable Regulatory Commission (MHCRC). Without these additional funds, the office would have come in approximately one percent under budget. The City Attorney’s performance data indicates an increased level of service to the City.

<table>
<thead>
<tr>
<th>Bureau Performance</th>
<th>City Attorney Annual costs of outside counsel</th>
<th>$508,718</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cost of service per attorney hour</td>
<td>$138</td>
</tr>
<tr>
<td></td>
<td>Number of contracts reviewed and approved</td>
<td>9,938</td>
</tr>
<tr>
<td></td>
<td>Number of litigation cases</td>
<td>1,733</td>
</tr>
<tr>
<td></td>
<td>Number of training hours provided by City Attorney staff to other City staff</td>
<td>468</td>
</tr>
<tr>
<td></td>
<td>Percentage of cases favorably resolved</td>
<td>90%</td>
</tr>
</tbody>
</table>

The overall performance for the City Attorney is positive with nearly every performance measure moving in the anticipated and desired direction.

- The City Attorney **handled almost 7% more litigation cases** in FY 2016-17 than in FY 2015-16
- The City Attorney **reviewed and approved 10% more contracts** in FY 2016-17 than in FY 2015-16
  - It should be noted that while the number of contracts reviewed and approved is climbing, the percentage of contracts returned within two days is slipping and has fallen eight percentage points from 81% to 73% over the last two years.
• The City Attorney provided 4% more training hours, exceeding their target by approximately 11%.

• The City Attorney has kept cost of service per attorney hour low at $138.

While annual cost of outside counsel has risen slightly, this is somewhat out of the City Attorney’s control. Outside counsel is used when there is a conflict of interest or there is not appropriate internal expertise to handle a City matter. Over the course of the last year, the City Attorney has had numerous retirements and has worked diligently to backfill positions and keep in house expertise diverse to best meet the needs of the City.

### Performance Measures

The City Attorney has appropriate key performance measures that directly speak to their core services and bureau mission. Each measure can be directly linked to The City Attorney’s Office five-year strategic plan, which identifies three key goals: provide outstanding customer service and legal advice, provide effective advocacy, and ensure accountability for good stewardship of public resources and compliance with law.

In prior reviews, CBO has suggested the City Attorney work toward measuring the efficacy of training hours provided by City Attorney staff to other City staff, as measuring the number of training hours does not necessarily assess whether this training has provided the intended result of preventing the need for legal intervention. The City Attorney provided data for the number of training hours provided as well as the volume of legal matters handled each fiscal year. Some of the legal matters are in defense of the City and include: Bureau of Labor and Industry (BOLI), grievances against the City, Tort-Employment and Tort-Police cases, and unfair labor practices. CBO compared the sum of all these legal matters over the last five fiscal years to the number of training hours provided by the City Attorney.

It is clear from the graph that there is a potential correlation between the number of training hours provided by the City Attorney and the number of legal matters handled each fiscal year that directly relate to the training hours.
While these are positive results and speak to the efficacy of training City staff, there is still potential opportunity for efficiency gains. The majority of training is performed in person. It is CBO’s understanding that the City Attorney’s Office is functioning close to maximum capacity, and there are competing priorities. As such, CBO recommends considering development of online modules for routine preventive legal trainings so that staff time can be directed toward other responsibilities.

CBO also suggests that the City Attorney consider altering the performance measure identifying the number of litigation cases handled. While it is a workload measure and demonstrates increased productivity, the data does not highlight the balance of litigation handled. For example, litigation overall is increasing primarily from an increase in business license collections and civil forfeitures (resulting in additional revenue for the City) simultaneously, there are fewer tort cases filed against the City. This is important information that should be highlighted.

## Bureau Finances: Budget-to-Actuals and Key Issues

### General Fund

While the City Attorney has managed to continue to increase their performance and offer a high level of service to the City, the bureau is reaching capacity and anticipates workload increases. Capacity concerns are evidenced by slipping timelines for contract review. With personnel and internal materials and services budgets almost completely spent, the bureau has less ability to shift resources and therefore may not have the ability to address unforeseen demand. During the Spring Supplemental Budget Process, the City Attorney realigned funding from personnel to internal materials and services which allowed the bureau to not exceed budget. Expenditures were relatively normal for the City Attorney in FY 2016-17 with no unanticipated events. Internal materials and services was higher than normal due to conference room upgrades.

<table>
<thead>
<tr>
<th>Fund Name</th>
<th>Revised Budget</th>
<th>Year-End Actuals</th>
<th>Variance</th>
<th>% of Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charges for Services</td>
<td>106,000</td>
<td>204,338</td>
<td>(98,338)</td>
<td>193%</td>
</tr>
<tr>
<td>Intergovernmental Revenues</td>
<td>-</td>
<td>38,000</td>
<td>(38,000)</td>
<td>N/A</td>
</tr>
<tr>
<td>Interagency Revenue</td>
<td>5,826,189</td>
<td>5,826,189</td>
<td>-</td>
<td>100%</td>
</tr>
<tr>
<td>General Fund Discretionary &amp; Overhead</td>
<td>6,228,460</td>
<td>5,792,422</td>
<td>436,038</td>
<td>93%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Revenue</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel Services</td>
<td>$ 10,255,677</td>
<td>$ 10,045,088</td>
<td>$ 210,589</td>
<td>98%</td>
</tr>
<tr>
<td>External Materials and Services</td>
<td>741,756</td>
<td>665,995</td>
<td>75,761</td>
<td>90%</td>
</tr>
<tr>
<td>Internal Materials and Services</td>
<td>1,163,216</td>
<td>1,149,867</td>
<td>13,349</td>
<td>99%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 12,160,649</td>
<td>$ 11,860,950</td>
<td>$ 299,699</td>
<td>98%</td>
<td></td>
</tr>
</tbody>
</table>
As is shown by the graph, the City Attorney actual spending closely aligned with budgeted expenses.
The City Budget Office received a one-time increase of $1 million through the capital set-aside process for the development of a successor system to the current enterprise budgeting system. This work was begun and will continue into FY 2017-18 with project completion expected in FY 2018-19. CBO has expanded its efforts to support improved performance through greater use of data and evidence in decision-making, including facilitation of GATR sessions, capacity building for program evaluation, and the launch of a process improvement pilot for City employees.

Optimizing Public Value and Measuring Performance. Performance management is central to the mission of the City Budget Office. In the budget development and monitoring processes, CBO’s information, analysis, and recommendations seek to maximize the public value of limited City resources to best serve the Portland community, particularly those most in need. Outside of the budget process, CBO has a variety of initiatives designed to advance greater use of data and evidence in City decision-making, and to support business process improvements. These include the following:
• **Government Accountability, Transparency and Results (GATR) sessions.** These are a series of data-driven executive level performance management meetings in which the Mayor convenes relevant bureau leadership to address specific operational challenges. GATR sessions in FY 2016-17 focused on accelerating housing development and the overall development services function, as well as police staffing. Action items from these sessions led to notably increased police recruitment, with 54 new patrol officers hired and 18 re-hired out of retirement in FY 2016-17 – compared to 22 total officers hired in FY 2015-16. Regarding the acceleration of housing development, the six permitting bureaus are using the new monthly Development Directors Group to pursue active, coordinated management of the development services process. Also as a result of this GATR series, the City has recently established an online payment option for public works Minor Improvement Permits.

• **What Works Cities & Low-cost Program Evaluation.** In FY 2016-17, CBO partnered with the Bureau of Planning and Sustainability to lead Citywide scopes of work to advance a new open data policy, improve the City’s performance management fundamentals, and to build an entirely new capability around program evaluation. Bureaus launched eight evaluations in FY 2016-17, with two scoped for FY 2017-18. Evaluations have aimed to increase diversity of police recruits, improve employee disaster preparedness, promote bikeshare ridership, and improve code compliance, amongst others.

• **Process Improvement Pilot.** Also in FY 2016-17, CBO partnered with the Bureau of Human Resources to offer a Process Improvement Pilot to enable employees to eliminate waste, add value, and increase their job satisfaction. The approach, a combination of training and ongoing support, is adapted from Denver Peak Academy, where employees have saved over $20 million in five years by applying the tools of continuous improvement and lean process philosophy. This pilot is continuing in FY 2017-18 with additional workshops and targeted improvement projects.

As better information and increased capability to use data improve the City’s allocation of resources and spur more effective management practices, CBO expects that City performance will improve across bureaus over time. This progress is represented by the measure, “Percentage of City KPMs with year-over-year results moving in a positive direction”. In FY 2016-17, 44.7% of City KPMs were trending positively, a strong result considering that key performance measures with flat year-over-year trends do not contribute to the figure. This result has been steadily improving over the last few years from a low of 31.8% in FY 2013-14. However, it should also be noted that the discontinuation of the Auditor’s Community Survey resulted in a significant change to the Citywide KPM index in FY 2016-17. Key performance measures reflecting perception of safety, satisfaction with parks services, and resident engagement are no longer reported and have been removed from the set.

**Assets and Sustainable Levels of Service.** The annual repair, rehabilitation, and replacement funding gap continues to increase Citywide. The goal of erasing the gap by 2025 is probably unattainable unless the City Council continues to make even more significant investments in infrastructure maintenance over the next 5-10 years. Several years ago, Council approved a change to financial policies to allocate 50% of available one-time General Fund resources to infrastructure maintenance.
This policy change has slowed the rate of growth of the gap, but has yet to reverse the trend. A new effort - Build Portland - was announced as part of the FY 2017-18 budget and the expectation is to fund $50 million in projects over the next several years and up to $600 million over the next 20 years - primarily on Parks and Transportation assets. This should further slow the rate of growth of the gap. BES has increased the planned level of reinvestment in assets, also a contributor to slowing the overall trend. OMF is looking to implement an increase in the portion of rents charged for major maintenance reserves. This should assist with the moving toward a more appropriate level of reinvestment. Further measures will be necessary Citywide, however, to achieve a sustainable level of service in the long term.

CBO also tracks the percentage of capital spending allocated to repair, rehabilitation, and replacement (R/R/R). No strategic target has yet been set, but overall the City spent well below the target (55.6% of total CIP spending versus an annual target of 63.7%) based on bureau estimates. This is largely driven by the Portland Bureau of Transportation, which anticipated that 74.9% would be spent on R/R/R projects while the actual was 56.1%.

**Other Measures.** Due to staff turnover, CBO’s customer survey was not performed at the usual time of year – i.e. mid-summer. While CBO will be conducting this survey shortly, the altered timing may have an impact on the quality of the time series; the usual timeframe is immediately after the budget process whereas a fall survey will be during the Fall BMP and the beginning of FY 2018-19 budget development.

No instances of a waiver of City financial policy were identified in FY 2016-17, however, CBO is not confident in the method for tracking the number of waiver instances. CBO noted in the Fall BMP submission that it would be working to implement a more consistent approach as part of FY 2017-18. However, after further discussion, it has been determined that this measure is of little value and will no longer be reported (see below).

**Performance Measures**

Currently, CBO’s mission states: “The City Budget Office provides timely, accurate, and unfiltered information and analysis regarding budgeting, forecasting, and fiscal policy issues to the Mayor, Commissioners, City Auditor, City bureaus, and the public.” This would indicate that performance for the CBO should be measured by the timeliness, the accuracy, and the successful delivery of pertinent analysis and information. The customer service rating is relevant to these aspects as it summarizes feedback from relevant stakeholders (with the exception of the public) about the information and analysis provided by CBO.

With regard to how well CBO serves the public through the provision of information and analysis, receipt of the Government Finance Officers Association award is a reasonable indicator. The award represents a budget office’s effectiveness at providing information to the public regarding the relevant issues; the criteria associated with that award are designed specifically around best practices in communicating budget information. However, there are no measures of the effectiveness of CBO’s
communication with the public during the budget process – a time when public input is most relevant. CBO should explore options to assess this – perhaps by including some sort of interactive feature on bureau analyses (i.e. a ‘Was this helpful?’ button).

This mission statement, however, does not capture other aspects implicit in the CBO’s role including assisting the Mayor and Commissioners in:

- Optimizing the utilization of resources to achieve the most public value given the stated priorities of City Council and
- Ensuring that the City of Portland is able to deliver a sustainable level of service to Portlanders now and in the future.

Nonetheless, several measures currently tracked by CBO are relevant to these aspects of CBO’s role including:

- Annual repair, rehabilitation, & replacement funding gap. This measure, while beyond the immediate control of CBO, is a good long-term measure of the City’s ability to provide a sustainable level of service. To the degree that CBO is able to make effective recommendations to City Council, this gap should close over time, reflecting a successful outcome.
- Percentage of capital project funding that is expended on repair, rehabilitation, & replacement. This measure is less useful in that can fluctuate considerably year to year and does not have any direct relationship with a meaningful outcome as it is independent of the overall level of effort being made to close the gap. That is, the measure may be meeting target, but the total spending may still be inadequate to have an impact on the overall gap. CBO is considering dropping this measure as a KPM.
- Percentage of City KPMs with positive year-over-year results. This measure is relevant to CBO’s role in optimizing the use of City resources. While imperfect in that it does not weight KPMs by priority nor consider whether bureau KPMs are, in fact, relevant or valuable ones, it does provide an indicator of overall trend in whether the City is achieving stated goals.

Regarding non-KPM measures, the number of times financial policy is waived is irrelevant in that it does not correlate to any desired CBO outcome. Financial policy is valuable in that it provides guidance and broad constraints based on best practices. However, Council has the right and the responsibility to waive policy when the situation warrants. Such waivers are neither a positive or negative occurrence. CBO will stop tracking this measure going forward.
Personnel services and internal materials and services were spent within 98% of revised budget. External materials and services were underspent by $53,197. Of this amount, $40,000 was related to anticipated spending on a consultant contract to develop requirements for the budget system replacement, leaving only $13,197 of general EMS underspending.

As part of the General Fund capital set-aside process in the FY 2016-17 Fall BMP, CBO was allocated a project budget of $1 million for the replacement of the current enterprise budgeting system. Work on the replacement project has begun. The majority ($960,000) was carried over in the Spring Supplemental and added to FY 2017-18 in the Approved Budget.

Of the $40,000 remaining budget in FY 2016-17 for the system replacement, $20,000 was encumbered and has been spent in FY 2017-18. CBO requested to carry over the $20,000 that was budgeted and not encumbered in order to maintain the full $1 million project budget. Based on current policy, this constitutes a ‘new’ request and has not been recommended.

Interagency revenues were less than anticipated based on actual cost recovery for the Portland Utility Board program which includes staff, direct materials and services, and indirect charges. Overall, CBO underspent its General Fund Discretionary and overhead allocation by $72,955; underspending is $32,454 if all encumbrances and all IT funds are carried over.
Office of Government Relations

Analysis by Claudio Campuzano

In FY 2016-17, the Office of Government relations (OGR) met or exceeded annual targets for four out of five measures that the office tracks. The one Key Performance Measure (KPM) that didn’t meet the target is focused on receiving international delegations, but did improve over the prior year by 19%, barely missing an aggressive annual target. OGR continues to perform strongly on the other two KMPs reflecting customer service, annual targets and approaching strategic targets. On the financial side, the office underspent its General Fund Discretionary by $94,611 or approximately 6.7% of its General Fund budget. This is more than in the previous year and was largely related to personnel transition and a single underspent contract.

Bureau Performance

<table>
<thead>
<tr>
<th>Government Relations</th>
<th>International delegations received</th>
<th>94</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Percentage of respondents rating</td>
<td>97%</td>
</tr>
<tr>
<td></td>
<td>services as “excellent” or “very</td>
<td></td>
</tr>
<tr>
<td></td>
<td>good”</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Percentage of respondents reporting</td>
<td>75%</td>
</tr>
<tr>
<td></td>
<td>progress made on state, federal, or</td>
<td></td>
</tr>
<tr>
<td></td>
<td>intergovernmental relations</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Percentage of targeted legislators</td>
<td>90%</td>
</tr>
<tr>
<td></td>
<td>contacted</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Responsiveness to client requests</td>
<td>100%</td>
</tr>
</tbody>
</table>

OGR publishes five performance measures. The figure above indicates that the office met or exceeded annual targets for four out of five measures. Of the measures, three have strategic targets (i.e. long-term, aspirational targets). The office has been trending toward meeting those targets and one in particular – the number of international delegations received – is trending strongly toward the target (see graph above). The bureau realigned funding to create an International Relations Associate; the position was filled in October 2016 and contributed to the increase. The measure that
appears most clearly aligned with OGR’s mission – the percentage of respondents that feel that OGR is making progress on their priorities – met the annual target, but is still 10 percentage points short of the strategic target. Overall, however, as measured by the published indicators, OGR is performing well.

**Performance Measures**

OGR’s mission, as stated in the FY 2017-18 Adopted Budget, is “to advance the City of Portland's legislative and intergovernmental policy objectives. The Office provides effective representation, strategic advice, and quality service to the City Council and all City bureaus.” As with many support and indirect functions, measuring success in achieving the mission can be challenging; measures tend to be either outputs (e.g. delegations received) or perceptional (e.g. survey responses) rather than a direct reflection of outcomes. Nonetheless, OGR’s published measures reasonably reflect whether or not progress is being made toward achieving its stated goals.

**Bureau Finances: Budget-to-Actuals and Key Issues**

**General Fund**

OGR is a small office of ten permanent staff (nine in FY 2016-17). Personnel services makes up the majority of the spending. When fully staffed throughout the fiscal year, little to no underspending is expected in this category. Staff turnover in FY 2016-17 resulted in some vacancy savings. A large portion of the materials and services costs in OGR are related to a federal lobbying contract. This contract was underspent in FY 2016-17. Overall, General Fund underspending of $94,611 constituted
6.7% of the discretionary and overhead budget. This is higher than is typical and, given stable staffing, unlikely to repeat.
The Office of Management & Finance ended the 2016-17 fiscal year without major or concerning budgetary issues. Bureau and divisional performance measures trended positively overall, and progress was made on several key initiatives.

The Office of Management & Finance (OMF) is comprised of multiple bureaus with individual missions, but are cohesive in that they are focused on support services that are largely internal to the City of Portland. The OMF-wide strategic plan (2012-2017) has four thematic focuses that cross-cut individual bureaus: quality customer service, operational excellence, financial sustainability, and workforce development.

OMF is in the early stages of developing a new strategic plan. Early indications are that the plan will emphasize OMF’s role in adopting modern business solutions, developing a talented and diverse
workforce, and leading Citywide projects. Already in FY 2016-17, OMF began work on several new Citywide projects, including the development of a 311 system and advancing the Build Portland initiative.

Performance and spending analysis for OMF is most digestible at the bureau level, and is discussed in greater detail below.

**Bureau of Human Resources (BHR)**

The bureau’s reported key performance measures are focused on recruitment – one measure on the percentage of recruitments meeting original or renegotiated timelines and the other measuring the success of the focused outreach program. The former measure shows no change over the prior year, with the bureau reporting that they met the renegotiated timelines 100% of the time. This measure continues to stay at optimal levels despite evidence that the bureau has been experiencing a surge in recruitments and anecdotal evidence that bureau customers have not been satisfied with timelines. This is the result of renegotiated timelines being lengthened.

Last year’s report stated: “While CBO recognizes the challenge of being accountable for a process that is not fully within the bureau’s control, an objective measure of the length of the timelines would be more instructive in understanding the challenges of both BHR and other City bureaus. CBO encourages BHR to explore changing this KPM to a cycle-time measure.”

As part of the bureau’s request in this Fall Supplemental budget for three recruitment positions, the bureau signaled adoption of a cycle time measure similar to the one described above: the time from requisition to position start date (i.e. time to fill). This is a much better measure of the desired outcome – i.e. faster recruitment. While not entirely within the bureau’s control, adopting this measure aligns with and will encourage execution of the full-cycle recruitment approach that is being discussed by management. Full-cycle support will ultimately improve performance on the time-to-fill measure as customer bureaus are better able to keep recruitments moving forward.

BHR’s other KPM is the percentage of focused outreach program participants on an eligible list who are hired. The year-over-year performance was strong, going from 20% in FY 2015-16 to 27%, exceeding the year-end target of 22%. The strategic target of 50% is expected to be reached by the end of FY 2019-20. CBO notes that the year-end target of 22% was not included in the submitted report. The bureau substituted that target with the strategic target of 50%, incorrectly implying that the bureau missed its annual target.

**Bureau of Technology Services**

Trends in BTS are generally positive with network availability staying close to the prior year’s figure of 99.99% from 99.96% and help desk satisfaction increasing from 4.87 to 4.90. Both of these measures exceeded FY 2016-17 targets and strategic targets identified by the bureau. These are indicators of strong performance in important business lines.
**Bureau of Revenue and Financial Services (BRFS)**

BRFS provides centralized revenue collection and business regulation functions, franchise management and cable communications, accounting and financial reporting, procurement services, grants administration, public financing and debt management, and investment and cash management.

BRFS reported generally positive or stable trends for its performance measures during FY 2016-17, and made progress on several key initiatives that tie back to OMF strategic focuses. Many of the bureau’s performance measures underscore BRFS’s role in maintaining long term fiscal sustainability for the City: the bureau was successful in maintaining the City’s Aaa bond rating and received zero audit deficiency comments on the Comprehensive Annual Financial Report (CAFR).

The Treasury division reported an investment portfolio yield that exceeded the benchmark by 14%. The benchmark is based on U.S. Treasuries returns, while the City’s investment mix includes higher-yield US Agency securities and grandfathered corporate securities. While the portfolio yield was well over benchmark, it was down from the prior year when the portfolio yield was 40% higher than benchmark. The current year yield may be more typical going forward, given the changes to the City’s investment policy that preclude the Treasurer from investing in higher-yield corporate securities.

In response to investor demand for timelier financial reporting, the Accounting Division continues to make progress in reducing the time to completion for the CAFR. Despite experiencing budget reductions, the division implemented process improvements to successfully complete the CAFR within 135 days of fiscal year end, 15 days faster than its original target date. The division is on track to further reduce that time in the current year.

The Revenue division maintained its focus on collection of revenues-owed during FY 2016-17, adding several net revenue-generating positions dedicated to Unregistered Compliance and franchise auditing as well as continuing its development of the Federal Tax Information program. The division reported a cost-per-dollar collected that was slightly above target, indicating that, despite increasing revenues and the addition of net positive revenue generating positions, collection expenses across all programs increased relative to revenue generated. The division also continued its investments in the Federal Tax Information program, the goal of which is to match federal tax information with local tax information to identify discrepancies. Program investments were net negative for FY 2016-17, though the division made breakthroughs in its applications late in the year and the program appears to be trending net positive in the current year. The division also reported the Business License Tax Gap (the estimated difference between business taxes paid and owed) at $6.8 million. This is a $760,000, or 12.4%, increase over FY 2015-16 and a 41% increase over the FY 2016-17 target. The division noted that the large increase in the tax gap is driven by the substantial number of new business tax accounts over the past several years.

Procurement Services’ performance measures, which are largely focused on external-facing equity and diversity in contracting efforts, showed positive improvements over the prior fiscal year and met
or exceeded targets. Internally-focused performance is not readily quantified by the division (discussed in more detail below), but the division is discussing process improvements that could reduce time-to-execution for multiple contract types. During FY 2016-17 the division was focused on supporting the substantial Portland Building Reconstruction project in addition to more routine procurement support. OMF instituted a temporary moratorium on technology-related procurements in response to a technology-related procurement backlog exacerbated by the reconstruction project.

**Bureau of Internal Business Services (BIIBS)**

BIIBS is comprised of four divisions: CityFleet, Risk Management, Facilities Services, and Printing & Distribution. Generally speaking, the bureau reported positive or stable performance trends in FY 2016-17. The bureau has also made strides to advance its performance analysis and reporting beyond the more formal performance measures submitted during budget cycles. The bureau has a new performance management dashboard that explores more granular performance data though data visualizations and intends to use this information for a more disciplined, data-driven approach to decision-making.

The bureau has been developing its performance management capabilities using Tableau over the last year. The bureau is currently working to operationalize the use of Tableau within its divisions and is piloting a real-time Facilities Work order dashboard for daily use by supervisors and dispatch. Monthly Performance Dashboards for division and bureau management are also under development. Use of operational dashboards is expected to improve prioritization, reduce response times, and speed up continuous improvement cycles. Additional customer dashboards that reflect bureau performance on metrics written into Service Level Agreements are forthcoming over the next 12-24 months.

One example of the bureau’s use of performance data is its annual customer satisfaction survey, the results of which are published to the performance website:

<table>
<thead>
<tr>
<th></th>
<th>P&amp;D</th>
<th>CityFleet</th>
<th>Risk Management</th>
<th>Facilities Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professionalism</td>
<td>4.3</td>
<td>4.1</td>
<td>4.1</td>
<td>3.7</td>
</tr>
<tr>
<td>Overall Customer Service</td>
<td>4.1</td>
<td>3.7</td>
<td>3.6</td>
<td>3.1</td>
</tr>
<tr>
<td>Quality</td>
<td>4</td>
<td>3.8</td>
<td>3.4</td>
<td>2.8</td>
</tr>
<tr>
<td>Timeliness</td>
<td>4.2</td>
<td>3.4</td>
<td>3.4</td>
<td>2.6</td>
</tr>
<tr>
<td>Innovation</td>
<td>4</td>
<td>3.5</td>
<td>3.3</td>
<td>2.9</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>4</td>
<td>3.6</td>
<td>3.5</td>
<td>2.8</td>
</tr>
<tr>
<td>Communication</td>
<td>3.9</td>
<td>3.7</td>
<td>3.4</td>
<td>2.8</td>
</tr>
<tr>
<td>Expertise</td>
<td>4.1</td>
<td>3.7</td>
<td>3.4</td>
<td>2.7</td>
</tr>
<tr>
<td>Division Average</td>
<td><strong>4.1</strong></td>
<td><strong>3.7</strong></td>
<td><strong>3.5</strong></td>
<td><strong>2.9</strong></td>
</tr>
</tbody>
</table>
Each division received relatively high scores in “professionalism,” while “communication” was a relatively low scoring category within each division. It is clear from the survey that Facilities Services is not meeting customer expectations generally, but also relative to other BIBS divisions. In particular, it seems that the division’s timeliness and expertise did not meet customer expectations. Per the bureau, the results of this survey are being used to drive improvement and improved performance is expected in the 2017 survey.

Facilities Services’ reported performance measures have remained stable, with 61% of OMF-owned facilities in good or better condition and major maintenance funding around 1.3% of replacement value (see additional discussion in Performance Measures section below). Facilities Services’ reported performance measures do not capture emerging changes in the division’s approach to facility management. As part of these efforts, the division is focused on increasing preventive maintenance work. In FY 2016-17, 80% of all maintenance work orders were “demand” work orders and 20% were planned/preventive work orders, while industry best practices suggest that this ratio should be reversed. The division has added several positions and reorganized its staffing to better meet customer needs and asset maintenance. The division is in the process of developing a more robust Asset Management program, and is expected to institute new asset management-related performance measures as directed by a budget note in the FY 2017-18 Adopted Budget.

CityFleet continues to report progress on the measure of the percentage of fleet sedans that are electric or hybrid – 39% at fiscal year-end, and on track to hit 50% by FY 2020-21. Fuel use for fleet sedans continues to decline, and is down 5% from the prior year. Overall fleet utilization was slightly less than target due to the relative increase in specialty vehicles and seasonal equipment. The division is also continuing to explore potential efficiencies through the development of a master plan for fleet operations at the Kerby location.

Risk Management reported slight increases to the cost of general liability claims and workers’ compensation claims, as compared to the four-year rolling average, although annual data is not considered final until currently open claims are resolved. Bureau performance data shows a significant uptick in pothole-related claims in FY 2016-17, as well as an increase in claims related to Police use of force.

Printing & Distribution continued to report 99% of service requests shipped on time. Declining total volume, coupled with managed attrition, has kept total service requests per FTE fairly stable. Black and white copy service continues to decline as a total percentage of workload, offset by increasing demand for digital services.

Performance Measures

Bureau of Human Resources

As discussed above, CBO supports BHR’s move towards the time-to-fill measure to represent the critical function of recruitment. CBO recommends that the bureau looks to develop a comprehensive set of measures for all lines of business, including management of the health insurance program, collective bargaining, and Citywide training, among others.
Bureau of Technology Services

While BTS’s KPMs are reflective of important aspects of BTS’s business, CBO noted in last year’s Prior Year Performance Report that:

“[M]ost measures tracked by the bureau as part of the budget process are uptime metrics with a strong focus on the ‘run and maintain’ aspect of BTS’s business. The Help Desk measure begins to get at customer satisfaction, but is tightly focused on one area. CBO recommends that, going forward, the bureau seek to develop or identify broader measures of the bureau’s activities and outcomes.”

For FY 2016-17, BTS has included as an effectiveness measure the Citywide Technology Leadership Rating, as reflected by their customer survey. No target was set, but the first score was 2.60 on a scale of 1-5. CBO supports the bureau in including the new measure and anticipates growth of the measure with increased focus in this area. CBO recommends that the bureau promote this measure to a KPM from an ‘effectiveness’ measure and include a strategic (i.e. long-term) target.

Bureau of Revenue and Financial Services

Revenue Division – The Revenue division noted that it will likely be refining the methodology it uses to calculate the Business License Tax Gap in the next year or two. The current methodology relies on three components: accounts receivable, non-filers, and unregistered businesses. The total number of accounts has grown by over 50% in recent years, due primarily to the rise of private-for-hire drivers in the sharing economy. The majority of these accounts will likely be exempt due to the gross receipts tax exemption, but they are included in the tax gap methodology.

Procurement Division - All four of the division’s measures relate to utilization of MWESB contractors or apprenticeship hours. The division showed substantial improvement in several of these measures over prior year actuals, but the division noted that this increase may not be sustainable and that, because MWESB utilization targets are per-project, cumulative percentages may not be a good representation of overall efforts if the project mix changes substantially year over year. As OMF implements the Community Opportunities and Enhancements Program and pursues a Community Equity and Inclusion Plan, it may be an opportune time to consolidate the City’s multiple procurement-related equity and diversity measures into a few comprehensive measures.

The Procurement division is not currently tracking performance measures that are informative from a customer service perspective. A key takeaway from recent stakeholder discussions in response to the OMF Funding Model budget note (FY 2017-18 Adopted Budget) was the desire of bureau customers for greater clarity around service levels and performance, and for faster service in general. CBO recommends that Procurement develop customer service-focused performance measures, such as the full cycle time-to-execution for contracts, and begin tracking that information for each contract. The aggregation of this information by contract type and by customer bureau could provide the foundation for more meaningful performance measures as well as help identify process improvement opportunities.
Facilities Services – Facilities Services’ performance measures actuals have been static for the last three years. The measure “percentage of OMF-owned City facilities maintained in good or better condition” is not updated on an annual basis; actuals are being reported based on the last available information from a consultant study performed in FY 2014-15. The division is in the process of developing an internal condition assessment policy, but it may be several years before this measure is updated annually. The division’s other measure, “major maintenance funding as a percentage of 3% of replacement value,” is a measure that does not have a strong link to division performance. It does serve to highlight that major maintenance funding is likely insufficient, but it does not highlight meaningful information about how efficiently the division is managing major maintenance funds that are currently available. Further, the measure itself may soon become obsolete, as the division is pursuing an effort to increase the major maintenance component of rental rates in the next budget cycle. CBO recommends that the division consider changing or expanding its suite of performance measures to focus on meaningful asset management information that is readily available. For example, the division could report on the ratio of preventive maintenance to demand performed by its maintenance division, or identify efficiency measures in its project management groups.
The Office of Management & Finance is composed of a number of bureaus funded through a variety of sources. However, a significant component are those General Fund bureaus funded with discretionary and overhead revenues. While the various components are discussed below, the graph above show budget and actuals for all General Fund spending and revenue for OMF. The bulk of expenses are personnel services in the Bureau of Human Resources (BHR), the Bureau of Financial Services (BRFS), and the Office of the Chief Administrative Officer (CAO).

OMF’s General Fund expenses are primarily supported through the overhead model, with the exceptions of several divisions in BRFS: the Revenue Division is mostly discretionary, Treasury is funded through pooled cash interest earnings, and Debt Management is funded through interagency agreements with customer bureaus. Another source of revenue for OMF is interagency payments from the non-General Fund components of OMF.

Overall, OMF’s discretionary and overhead resource was underspent by $1.4 million. Of that, $549,047 was requested and recommended by CBO in the Fall Supplemental Budget as carryover. The remaining $850,424 falls to General Fund balance.
BHR had considerable underspending in personnel services despite several positions eliminated in the FY 2016-17 budget. The bureau experienced a number of vacancies that drove the underspending. Additionally, a position that was budgeted in BHR and funded by an interagency was directly charged to the bureau. This increased underspending but also reduced revenue. External materials and services were underspent by 46% primarily related to two encumbrances – one for the ongoing classification compensation study ($197,038) and one staffing encumbrance from several years ago ($70,000).

Overall, BHR underspent General Fund discretionary and overhead resources by $622,082.

**Bureau of Revenue and Financial Services**

<table>
<thead>
<tr>
<th>Bureau of Revenue and Financial Services (GF)</th>
<th>Revised Budget</th>
<th>Year-End Actuals</th>
<th>Variance</th>
<th>% of Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resources</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Licenses &amp; Permits</td>
<td>160,000</td>
<td>157,150</td>
<td>2,850</td>
<td>98%</td>
</tr>
<tr>
<td>Charges for Services</td>
<td>78,302</td>
<td>134,343</td>
<td>(56,041)</td>
<td>172%</td>
</tr>
<tr>
<td>Intergovernmental Revenues</td>
<td>2,681,255</td>
<td>2,351,617</td>
<td>329,638</td>
<td>88%</td>
</tr>
<tr>
<td>Interagency Revenue</td>
<td>6,126,544</td>
<td>5,640,808</td>
<td>485,736</td>
<td>92%</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>1,606,989</td>
<td>1,437,359</td>
<td>169,630</td>
<td>89%</td>
</tr>
<tr>
<td>General Fund Discretionary &amp; Overhead</td>
<td>15,132,684</td>
<td>14,213,822</td>
<td>918,862</td>
<td>94%</td>
</tr>
<tr>
<td>Revenue</td>
<td>$ 25,785,774</td>
<td>$ 23,935,099</td>
<td>$ 1,850,675</td>
<td>93%</td>
</tr>
<tr>
<td>Requirements</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel Services</td>
<td>$ 16,616,101</td>
<td>$ 16,012,198</td>
<td>$ 603,903</td>
<td>96%</td>
</tr>
<tr>
<td>External Materials and Services</td>
<td>4,615,928</td>
<td>3,551,173</td>
<td>1,064,755</td>
<td>77%</td>
</tr>
<tr>
<td>Internal Materials and Services</td>
<td>4,553,745</td>
<td>4,371,728</td>
<td>182,017</td>
<td>96%</td>
</tr>
<tr>
<td>Expenses</td>
<td>$ 25,785,774</td>
<td>$ 23,935,100</td>
<td>$ 1,850,674</td>
<td>93%</td>
</tr>
</tbody>
</table>

Of the $918,862 in General Fund discretionary and overhead underspending noted in the table above, $242,866 was recommended as encumbrance carryover, leaving $675,996 – or 4.5% - in underspending.

BRFS manages several revenue collection funds, including the Convention and Tourism Fund, Property Management License Fund, the Arts Education and Access Fund, and the Recreational Marijuana Tax Fund (new in FY 2016-17). The Recreational Marijuana Tax Fund reported approximately 42% less revenue than anticipated; however, this is due in part to the timing of tax remittances received from the State. BRFS is cautiously optimistic that future remittances of marijuana tax proceeds will meet forecast targets and possibly make up the shortfall.
The Arts Education and Access Fund continues to face challenges in meeting the 5% cost limitation on administrative expenses related to collection. Administrative spending on Arts Tax collection was approximately $1 million in FY 2016-17, or approximately 10% of total collections. Revenue Division has put forward several remedies for Council consideration in accordance with a 2016 Resolution, many of which would require changes to City code. Other options are a General Fund subsidy that would maintain collection levels, or a strict adherence to the cost limitation with a predicted decline in collections.

Bureau of Technology Services

<table>
<thead>
<tr>
<th>Technology Service Fund</th>
<th>Revised Budget</th>
<th>Year-End Actuals</th>
<th>Variance</th>
<th>% of Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budgeted Beginning Fund Balance</td>
<td>$24,452,128</td>
<td>$24,452,128</td>
<td>$-</td>
<td>100%</td>
</tr>
<tr>
<td>Charges for Services</td>
<td>272,188</td>
<td>267,719</td>
<td>4,469</td>
<td>98%</td>
</tr>
<tr>
<td>Intergovernmental Revenues</td>
<td>4,079,535</td>
<td>4,852,082</td>
<td>(772,547)</td>
<td>119%</td>
</tr>
<tr>
<td>Interagency Revenue</td>
<td>49,667,044</td>
<td>49,728,647</td>
<td>(61,603)</td>
<td>100%</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>423,477</td>
<td>688,409</td>
<td>(264,932)</td>
<td>163%</td>
</tr>
<tr>
<td>Revenue</td>
<td>$78,894,372</td>
<td>$79,988,985</td>
<td>(1,094,613)</td>
<td>101%</td>
</tr>
<tr>
<td>Personnel Services</td>
<td>$29,414,384</td>
<td>$27,808,354</td>
<td>1,606,030</td>
<td>95%</td>
</tr>
<tr>
<td>External Materials and Services</td>
<td>22,723,118</td>
<td>20,344,352</td>
<td>2,378,766</td>
<td>90%</td>
</tr>
<tr>
<td>Internal Materials and Services</td>
<td>4,108,782</td>
<td>3,912,955</td>
<td>195,827</td>
<td>95%</td>
</tr>
<tr>
<td>Capital Outlay</td>
<td>3,184,972</td>
<td>2,254,769</td>
<td>930,203</td>
<td>71%</td>
</tr>
<tr>
<td>Bond Expenses</td>
<td>554,630</td>
<td>542,881</td>
<td>11,749</td>
<td>98%</td>
</tr>
<tr>
<td>Fund Transfers - Expense</td>
<td>2,457,796</td>
<td>2,163,433</td>
<td>294,363</td>
<td>88%</td>
</tr>
<tr>
<td>Contingency</td>
<td>16,450,690</td>
<td>-</td>
<td>16,450,690</td>
<td>0%</td>
</tr>
<tr>
<td>Unappropriated Fund Balance</td>
<td>-</td>
<td>22,962,240</td>
<td>(22,962,240)</td>
<td>N/A</td>
</tr>
<tr>
<td>Expenses</td>
<td>$78,894,372</td>
<td>$79,988,984</td>
<td>(1,094,612)</td>
<td>101%</td>
</tr>
</tbody>
</table>

Overall, there were no significant issues in BTS’s fiscal performance. The Technology Services Fund’s ending balance, while declining by $1.5 million, was greater than anticipated, primarily as a result of underspending on a number of projects. These projects were delayed in order to ensure organizational capacity for the data center move and the transition out of the Portland Building.

In FY 2016-17, the Enterprise Business Solution program was moved into BTS. That program has its own fund. While it was anticipated that that fund would have a net draw on balances (i.e. expenses greater than revenues) due to the implementation of the Enterprise Asset Management project, that project was delayed, resulting in lower than anticipated expenditures and an overall increase in balance. A large portion of overall EBS expenses in FY 2016-17 were the last debt service payments for the financing of the implementation of SAP. Rates for customer bureaus have dropped in FY 2017-18 as a result.

Bureau of Internal Business Services

The Bureau of Internal Business Services is comprised of Facilities Services, CityFleet, Printing & Distribution, and Risk Management. As internal service providers, these divisions are funded primarily by interagency agreements.
Facilities Services Operating Fund ended the fiscal year with a $38 million ending fund balance, essentially the same as the previous year. Of this total amount, approximately $2.3 million is for operating reserves; the remainder is a building major maintenance reserve and for the completion of planned projects. New in FY 2016-17 was a line of credit for near-term financing of the Portland Building Reconstruction project. CBO notes that the variances in Bond and Note and Bond Expenses are due to refinancing of the Archives Building debt.

As in previous years, the Fund continues to report significant underspending in external materials and service (EMS) and capital outlay - $33.2 million in FY 2016-17. Over half of that amount was driven by underspending on the Portland Building Reconstruction Project. Spending on that project is anticipated to pick up considerably in the current fiscal year, as tenants move out to temporary locations. The remainder of EMS and Capital Outlay underspending is due in large part by low project completion rates for major maintenance projects, as well as the result of customer bureaus budgeting for demand work orders that were ultimately not requested.
CityFleet Operating Fund

The CityFleet Operating Fund ended the fiscal year with a $17.0 million ending fund balance, a $3.5 million decrease from the previous year. Bond and Note revenue was at 0% of budget due to delays in the Fuel Station Reconstruction and Addition project timeline. CityFleet anticipates issuing debt for the project in FY 2017-18. Per Facilities Services, phase one of the fuel station project was wrapped up in May of 2017, with a 30% design phase complete. Facilities intends to bid out the fuel station projects in 2018.

Underspending in capital outlay, which consists of vehicle and equipment purchases, was due primarily to the timing of the receipt of vehicles and equipment that are on order; these purchases are being carried over into FY 2017-18.

Printing & Distribution Fund

The Printing & Distribution Services Operating Fund ended the FY 2016-17 year with $1.3 million in balance, a 25% increase from the previous year. The increasing balance in this fund represents a relatively recent positive trend, achieved in part by managing personnel costs relative to increasing demand for services.
Insurance and Claims Operating Fund

The Insurance and Claims Operating Fund ended the fiscal year with a $30.1 million ending fund balance, a 7.5% increase from the previous year. External materials and services underspending is primarily due to lower claims related expenses than expected.

In FY 2016-17, the division reports a 2% increase in the average cost of claims over the last four years (relative to the prior four-year period). This represents a directional shift in the four-year average cost of claims, but the fund maintains adequate reserves to manage variable claims and increasing costs. In fact, the fund balance has been trending positive over the last decade, compared to relatively flat claims activity.

The Insurance and Claims Operating Fund ended the fiscal year with a $30.1 million ending fund balance, a 7.5% increase from the previous year. External materials and services underspending is primarily due to lower claims related expenses than expected.

In FY 2016-17, the division reports a 2% increase in the average cost of claims over the last four years (relative to the prior four-year period). This represents a directional shift in the four-year average cost of claims, but the fund maintains adequate reserves to manage variable claims and increasing costs. In fact, the fund balance has been trending positive over the last decade, compared to relatively flat claims activity.
Capital

Bureau of Technology Services

The Data Center Move project budget has not changed from the initial high-level estimate of $9.7 million. At this point in time it is anticipated that the project will come in under budget. The second phase of this project - the creation of baseline disaster recovery presence in Denver, Colorado – is anticipated to be funded out of the existing budget. The current plan is for BTS to refund any resources that are collected in excess of requirements for this project. In FY 2016-17 the budget was $2,165,757, actuals were $3,618,623. The project has been moving forward on scope, schedule, and budget such that the completion of the first phase is expected to sync with the schedule needs of the Portland Building reconstruction project.

The other major BTS project – received as part of the transition of EBS to BTS – is the Enterprise Asset Management (EAM) project. The beginning of implementation has been delayed until January 2018. The scope of the EAM project includes implementing SAP modules to manage land, leases, operations and maintenance work for buildings, integration with GIS, and a mobile solution. The central repository of land records will have Citywide impact at go-live, and will be integrated with GIS. Additional functionality will be piloted by BIBS Facilities Services. The total project budget continues to be $2,200,000. In the Fall BMP, a request was made to carryover unspent appropriation from the prior fiscal year. In FY 2016-17, the project budget was $405,000, spending was $5,590.

Bureau of Internal Business Services

The Portland Building Reconstruction Project, which will be under the Chief Administrator’s Office beginning in FY 2017-18, is in progress. The project deadline is 2020, with project costs not expected to exceed $195 million. The project underspent its budget in FY 2016-17, but spending is expected to pick up in FY 2017-18 as tenants move out of the Portland Building. Once the Guaranteed Maximum Price is established (anticipated in mid FY 2017-18), actual reconstruction on the building will begin. During FY 2016-17, the reconstruction project team identified an opportunity to optimize space at the reconstructed building by employing newer office design techniques that require less square footage per employee. Council approved of this project, estimated at $18.8 million, and implementation will occur in tandem with the reconstruction project.

As part of the discussion around the space optimization project, Council reconfirmed its interest in pursuing a co-location opportunity with PSU at the Jasmine Block. The development agreement is expected to be completed in fall 2017, and total project costs are estimated at $22.4 million.

The Fuel Station Reconstruction and Addition project timeline has been extended since the project was first initiated. Per Facilities Services, phase one of the fuel station project was wrapped up in May of 2017, with a 30% design phase complete. Facilities intends to bid out the fuel station projects in 2018, with CityFleet issuing debt in FY 2017-18 as well.
Special Appropriations
Overall, General Fund Special Appropriations underspent its appropriation by approximately $1.27 million, or 11%. This is mostly due to underspending in several ongoing Special Appropriations as reflected in External Materials & Services (EMS). A total of $829,645 for outstanding encumbrances and prior year advances will be carried over into FY 2017-18. All other unspent funds fell to General Fund balance at year-end.

The City does not currently track performance measures for Special Appropriations. However, given the sizable budget of about $12 million, as well as the critical programs and services provided, the City may want to develop a set of Key Performance Measures for this fund. CBO does, though, recognize the varied nature of the programs funded and hence, the difficulty of developing measures that are applicable across the programs, and offers its assistance if a set of measures is deemed valuable. In FY 2017-18, supervision of Special Appropriations was transferred to the OMF-Grants office, which had already been managing the $1.0 million in one-time competitive grant funding that was allocated to the program in FY 2016-17. The Grants office is planning on reporting on those grant outcomes which, although not the same as measuring performance for the program, will likely provide some useful information in the future.

Bureau Finances: Budget-to-Actuals and Key Issues

General Fund
On the revenue side, no Interagency Revenue was collected despite Special Appropriations having a budget of $134,572 in this category. The revenues are for training services provided by the Bureau of Human Resources to the Bureau of Development Services, the Bureau of Environmental Services, Portland Bureau of Transportation, Portland Water Bureau, and the Office of Management and Finance in accordance with the labor agreement with the City of Portland Professional Employee Association (COPPEA). The amount is a set-aside, and the Bureau of Human Resources failed to bill the bureaus at year-end despite providing the training. With the transition of supervision of Special Appropriations to the Grants office staff, this oversight most likely will not be repeated.

In contrast, Intergovernmental Revenues was over-collected by 78%. When the budget was first developed, an estimate was used for the local cost sharing revenues for the Office of Youth Violence Prevention program because the agreement had not been finalized then. After the finalization of the agreement, an adjustment to the budget should have been made during a Supplemental but was neglected due to confusion as to which City entity was managing the program’s budget.

Concerning expenses, Personnel Services was underspent by 14% and Internal Materials & Services was underspent by 12% due to underspending on Council Transition, specifically the one-time funding for transition costs for the Mayor’s Office. However, these major categories are small percentages of the Special Appropriations budget.

After factoring in the encumbrances and advance carryovers mentioned above and discussed in the Fall Supplemental review, the remaining unspent balance is made up of underspending in internal City programs like City Membership and Dues, Discretionary Funds for the Mayor’s Office, Clean & Safe, Citizen Utility Board Bill Inserts, etc., and two external programs – Future Connect and Specified Animals. This underspending, along with the encumbrance and advance carryovers, account for the 10% underspending in EMS. Although the FY 2016-17 funds for Specified Animals were actually fully expended, unspent moneys from prior years were carried forward into the FY 2016-17 budget.