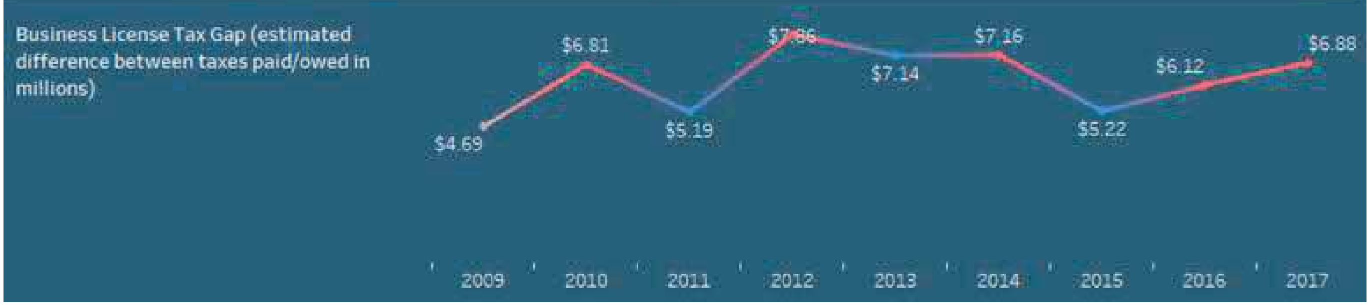
Office of Management & Finance

Analysis by Claudio Campuzano and Katie Shifley

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.

Bureau Performance

Management & Finance	Number of CAFR review audit deficiency comments from external auditors	Not yet available
	Basic Copy Center rate as a percentage of private sector rate	48%
	Business License Tax Gap (estimated difference between taxes paid/owed in millions)	$6.88
	Change in the cost of general liability claims over the prior four-year average	2%
	City's unlimited tax General Obligation bond rating (1=Aaa)	1
	Help Desk satisfaction rating (scale 1 to 5)	4.90
	Percentage availability of network excluding scheduled maintenance	99.98%
	Percentage of all subcontract dollars awarded to Minority, Women, and Emerging Small B..	43%
	Percentage of focused outreach program participants on an eligible list who are hired	27%
	Percentage of OMF owned City facilities (excluding spectator venues) maintained in good ..	61%
	Percentage of recruitments meeting original or renegotiated timelines	100%
	Percentage of sedans that are electric or plug-in hybrid	39%



www.portlandoregon.gov/cbo/performance

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 (BIBS)

BIBS 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:

2016 Customer Satisfaction Survey Results (1-5 scale)

	P&D	CityFleet	Risk Management	Facilities Services
Professionalism	4.3	4.1	4.1	3.7
Overall Customer Service	4.1	3.7	3.6	3.1
Quality	4	3.8	3.4	2.8
Timeliness	4.2	3.4	3.4	2.6
Innovation	4	3.5	3.3	2.9
Responsiveness	4	3.6	3.5	2.8
Communication	3.9	3.7	3.4	2.8
Expertise	4.1	3.7	3.4	2.7
Division Average	**4.1**	**3.7**	**3.5**	**2.9**

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 bureaus 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.

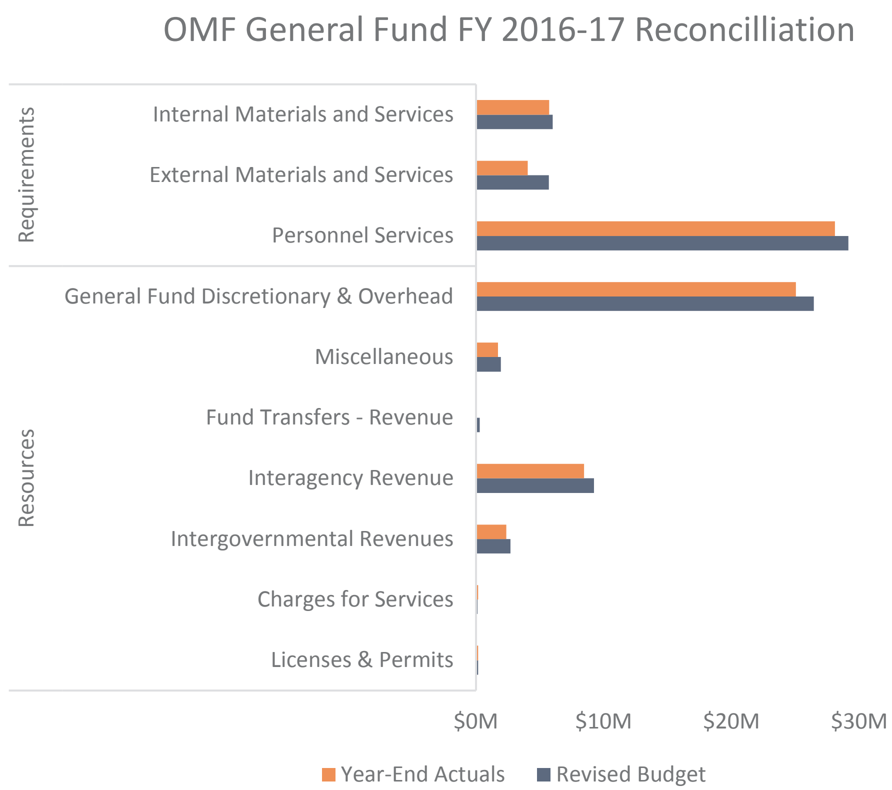
The Procurement division is not currently tracking performance measures that are informative from a customer service perspective. A key takeaway from recent stakeholder discussions in response to the OMF Funding Model budget note (FY 2017-18 Adopted Budget) was the desire of bureau customers for greater 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.

Bureau of Internal Business Services

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.

Bureau Finances: Budget-to-Actuals and Key Issues

OMF General Fund



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.

Bureau of Human Resources

	Bureau of Human Resources (GF)	Revised Budget	Year-End Actuals	Variance	% of Budget
Resources	Budgeted Beginning Fund Balance	$ 40,966	$ 40,966	$ -	100%
	Charges for Services	26,000	48,492	(22,492)	187%
	Interagency Revenue	385,445	235,584	149,861	61%
	Miscellaneous	319,531	340,697	(21,166)	107%
	General Fund Discretionary & Overhead	8,911,206	8,289,124	622,082	93%
	Revenue	**$ 9,683,148**	**$ 8,954,863**	**$ 728,285**	**92%**
Requirements	Personnel Services	$ 8,179,308	$ 7,807,702	$ 371,606	95%
	External Materials and Services	711,559	386,412	325,147	54%
	Internal Materials and Services	792,281	760,749	31,532	96%
	Expenses	**$ 9,683,148**	**$ 8,954,863**	**$ 728,285**	**92%**

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

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

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

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

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

	Facilities Services Operating Fund	Revised Budget	Year-End Actuals	Variance	% of Budget
Resources	Budgeted Beginning Fund Balance	$ 40,782,540	$ 38,754,109	$ 2,028,431	95%
	Charges for Services	1,593,523	1,547,476	46,047	97%
	Intergovernmental Revenues	-	8,590	(8,590)	N/A
	Interagency Revenue	34,884,875	30,123,666	4,761,209	86%
	Fund Transfers - Revenue	4,417,059	4,417,059	-	100%
	Bond and Note	24,829,045	15,707,364	9,121,681	63%
	Miscellaneous	640,097	837,593	(197,496)	131%
	Revenue	**$ 107,147,139**	**$ 91,395,857**	**$ 15,751,282**	**85%**
Requirements	Personnel Services	$ 5,049,538	$ 4,682,171	$ 367,367	93%
	External Materials and Services	55,303,987	29,788,388	25,515,599	54%
	Internal Materials and Services	3,526,995	3,243,618	283,377	92%
	Capital Outlay	9,271,432	1,547,217	7,724,215	17%
	Bond Expenses	5,564,435	13,238,904	(7,674,469)	238%
	Fund Transfers - Expense	927,778	927,778	-	100%
	Contingency/Ending Balance	27,502,974	37,967,781	(10,464,807)	138%
	Expenses	**$ 107,147,139**	**$ 91,395,857**	**$ 15,751,282**	**85%**

The 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

	CityFleet Operating Fund	Revised Budget	Year-End Actuals	Variance	% of Budget
Resources	Budgeted Beginning Fund Balance	$ 20,509,796	20,509,796	$ -	100%
	Intergovernmental Revenues	1,156,623	861,993	294,630	75%
	Interagency Revenue	32,222,275	29,092,724	3,129,551	90%
	Bond and Note	12,604,127	-	12,604,127	0%
	Miscellaneous	796,700	1,128,318	(331,618)	142%
	Revenue	**$ 67,289,521**	**$ 51,592,831**	**$ 15,696,690**	**77%**
Requirements	Personnel Services	$ 8,316,859	$ 7,912,221	$ 404,638	95%
	External Materials and Services	13,277,349	11,977,424	1,299,925	90%
	Internal Materials and Services	2,412,192	2,028,526	383,666	84%
	Capital Outlay	17,546,490	11,066,253	6,480,237	63%
	Bond Expenses	1,751,667	456,771	1,294,896	26%
	Fund Transfers - Expense	1,134,500	1,134,500	-	100%
	Contingency/Ending Balance	22,850,464	17,017,136	5,833,328	74%
	Expenses	**$ 67,289,521**	**$ 51,592,831**	**$ 15,696,690**	**77%**

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

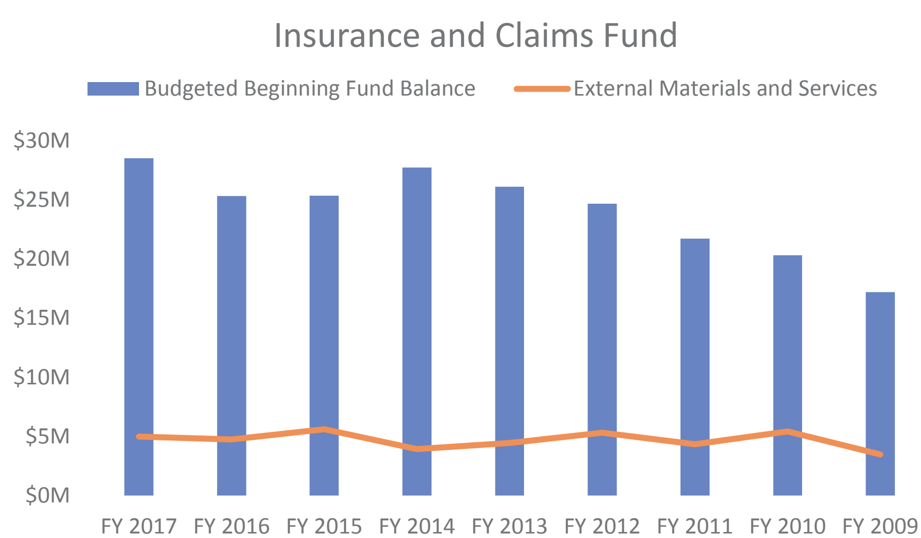
The Printing & Distribution Services Operating Fund ended the FY 2016-17 year with $1.3 million in balance, a 25% increase from the previous year. The increasing balance in this fund represents a relatively recent positive trend, achieved in part by managing personnel costs relative to increasing demand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

Insurance and Claims Operating Fund

	Insurance and Claims Operating Fu	Revised Budget	Year-End Actuals	Variance	% of Budget
Resources	Budgeted Beginning Fund Balance	$ 28,541,744	20,509,796	$ 8,031,948	72%
	Interagency Revenue	10,931,236	10,913,469	17,767	100%
	Miscellaneous	303,507	551,077	(247,570)	182%
	Revenue	**$ 39,776,487**	**$ 31,974,342**	**$ 7,802,145**	**80%**
Requirements	Personnel Services	$ 1,356,992	$ 1,312,336	$ 44,656	97%
	External Materials and Services	6,729,969	4,985,400	1,744,569	74%
	Internal Materials and Services	2,746,682	2,725,628	21,054	99%
	Bond Expenses	87,114	85,294	1,820	98%
	Fund Transfers - Expense	217,859	217,859	-	100%
	Contingency/Ending Balance	22,850,464	22,647,825	202,639	99%
	Expenses	**$ 33,989,080**	**$ 31,974,342**	**$ 2,014,738**	**94%**

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.