

Prior Year Performance Report

Fiscal Year 2017-18



City
Budget
Office

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Preface

This marks the third annual Prior Year Performance Report produced by the City Budget Office. In previous years, the City Budget Office provided a detailed, bureau-by-bureau analysis of each bureau's performance measures and budget-to-actuals spending. This year's report is focused on the information most relevant to citywide performance and budgetary priorities. We welcome your feedback on the FY 2017-18 Prior Year Performance Report by contacting Shannon.Carney@portlandoregon.gov.

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Introduction

Amid Portland's continued economic expansion, the FY 2017-18 Adopted Budget directed a significant portion of new General Fund resources to address the top concerns of Portlanders – including homelessness, housing, and public safety. City Council also made investments in Portland's future by directing new resources to maintaining the City's roads and other critical infrastructure, and by continuing to invest in improvements to community resiliency and sustainability. These priorities reflect many of the goals in the City's long-range planning documents including the Portland Plan, the City's strategic plan to create a prosperous, educated, healthy and equitable community.

This report is organized to reflect upon the outcomes which have in recent years been highlighted by decision-makers as consistent priority areas for service level performance and financial investment. These areas include:

- Ensuring Public Safety and Police Accountability
- Reducing the Unmet Housing Need
- Addressing the Livability Impacts of Unsheltered Homelessness
- Impacts of City Services on Equity and Affordability
- Maintaining the City's Critical Infrastructure
- Trends in Sustainability and Resiliency
- Use of Data and Technology to Improve Government Outcomes

The FY 2017-18 Revised Budget appropriated \$5.1 billion across the City's six service areas: Community Development; Public Safety; Legislative, Administrative, and Support; Parks, Recreation, and Culture; Public Utilities; and Transportation and Parking. The biggest area of spending across these service areas was in Public Utilities, which represented over 40% of the Revised Budget.

One important trend when looking at the "big picture" of the City's budget is the significant difference between budgeted and actual spending each year. In FY 2017-18, the City spent only 83.2% of the total Revised Budget, continuing a three-year downward trend in budgeted to actual expenditure. While some level of underspending is expected to maintain sufficient reserves and contingencies, the growth in underspending is worth exploring, as it may indicate the existence of operational constraints or issues which delay the City's progress in areas of greatest need in the current year.

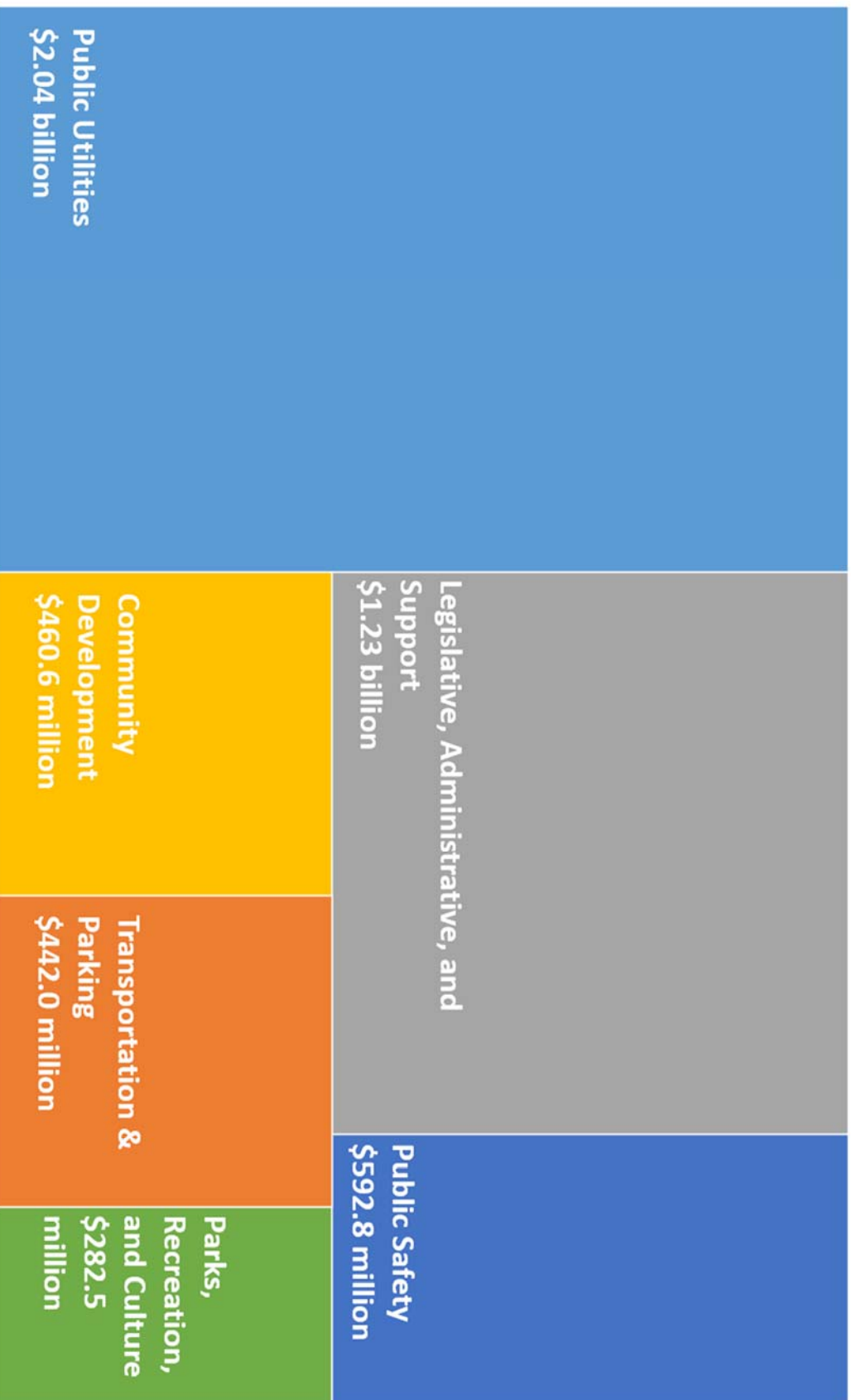
The figures below show the relative investment size of the City's major service areas. The General Fund component of the budget last year totaled \$553.5 million with 59% of that amount going towards Public Safety, 13% towards the Legislative, Administrative, and Support service area, 12% for Parks, 11% for Community Development, 5% for Transportation and less than 1% for Utilities.

The Prior Year Performance Report discusses progress towards goals in the City's programs and services most relevant to these priorities. In doing so, this report looks to answer the following questions:

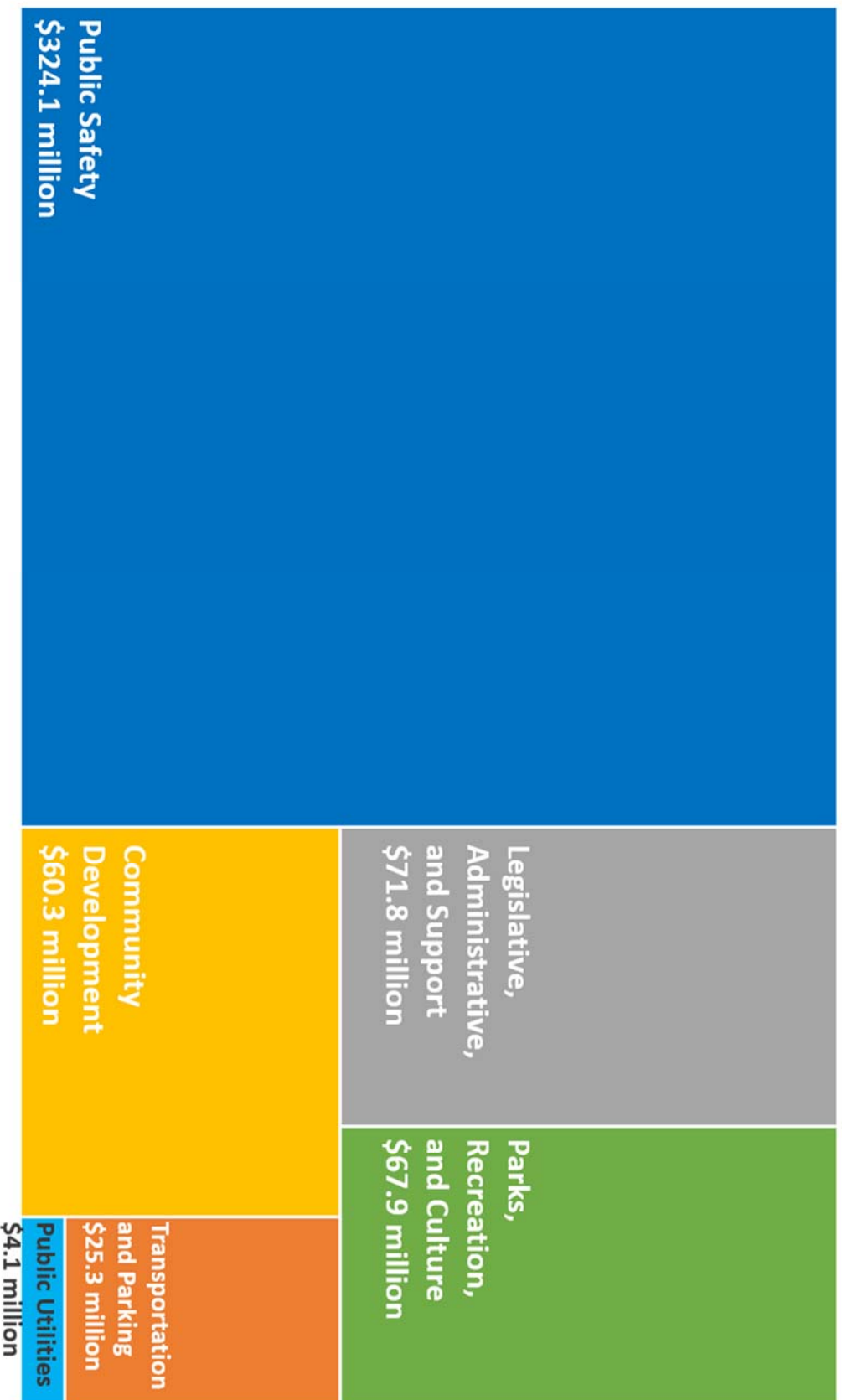
- ✓ *What did our programs and services accomplish?*
- ✓ *How efficiently did we perform this work?*
- ✓ *What impact did our programs and services have on the community?*

In each priority area, some City programs have made significant strides against established goals – many of which offer a model for other bureaus to consider in their own work. This report highlights these achievements and offers recommendations for improved results in areas of continued challenge. A subsidiary goal is to promote a robust discussion of budget priorities as the City develops the FY 2019-20 budget.

FY 2017-18 TOTAL REVISED BUDGET BY SERVICE AREA



FY 2017-18 GENERAL FUND REVISED BUDGET BY SERVICE AREA



I. Ensuring Public Safety and Police Accountability

Public safety services comprise a majority of the City's General Fund expenditures.

Are City efforts improving safety and emergency response for Portlanders?

The City of Portland seeks to provide safety and emergency response to all members of the Portland community. Key issues in public safety include crime rates, call volumes, emergency response times, and police accountability. Trends in staffing and use of overtime provide relevant information regarding public safety bureaus' ability to manage their operations and ensure efficient use of City resources.

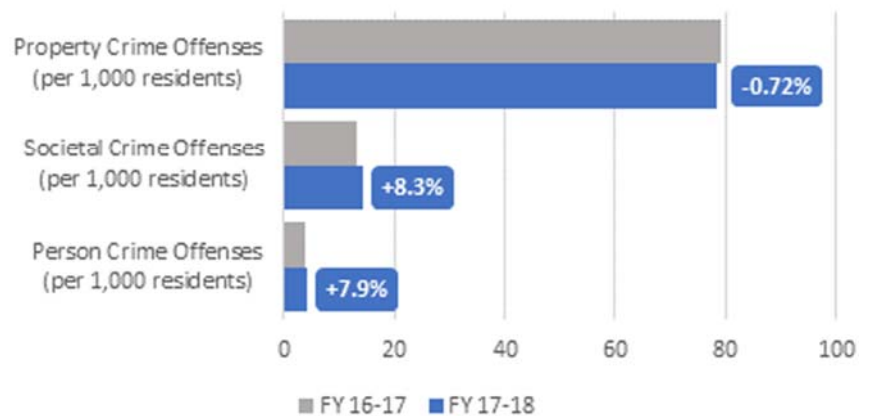
Reported Crime Rates

Reported crime rates, particularly violent crime rates, in Portland generally remain low when viewed over a longer time horizon. Due to the transition in crime reporting in 2015, only three years of annual data is available to assess reported crime rate trends on a more granular level.

The majority of reported crimes committed are

property crimes – approximately 80% of the total offense count in FY 2017-18. While the total number of property crimes increased in FY 2017-18, the population-adjusted property crime rate is actually down relative to FY 2016-17 data. The population-adjusted rate for person and societal crimes increased relative to FY 2016-17, though these crime types comprise a much smaller portion of total offenses in the city¹.

The overall crime rate was fairly flat relative to the prior year, and a prior year uptick in property crime appears to have stabilized



The Office of Community & Civic Life seeks improved public safety outcomes through modifying the Crime Prevention Program. Civic Life's changes are intended to make the program less reactionary and less siloed from other bureau and neighborhood coalition efforts. Operationally, this means a change in how Crime Prevention Coordinators (CPCs) provide service – transitioning from neighborhood boundaries to a team-model approach. The new structure, launched October 1, 2018 will also allow CPCs to build capacity for civic engagement and community building within the program by engaging different community groups, such as Neighborhood Watch and Business Watch.

The new structure organizes ten CPCs into three teams (North, Central, and East) aligned with the current Portland Police Bureau Boundary Lines by precinct. One CPC has been reallocated to focus on communications and community organizing. The bureau identifies these changes as providing more equitable support to neighborhoods and communities. CBO recommends that Civic Life and the Portland

¹ For more information on these types of crimes, please refer to the Police Bureau's [open data reporting dashboard](https://www.portlandoregon.gov/police/71978) at <https://www.portlandoregon.gov/police/71978>

Police Bureau revisit a data sharing agreement conversation, given new leadership at both bureaus and the restructuring of the Crime Prevention Program, to measure where/if Crime Prevention efforts impact local crime rates. Additionally, Civic Life should work with the City Budget Office to identify if and which questions to include in the upcoming Community Insights Survey to best capture Portland residents' perception of safety. These efforts would help demonstrate the effectiveness of the reorganized Crime Prevention Program.

Community perception of safety is another important outcome for both the Police Bureau and the Civic Life's Crime Prevention program but was not reported on in FY 2017-18 due to the discontinuation of the Auditor's Community survey. The City Budget Office's launch of the new Community Insights Survey in FY 2018-19 will provide a better understanding of community perception of safety across the city.

Call Volume

Total call volume continues to increase at the **Police Bureau**, with the *number of incidents dispatched* up 5.6% compared to FY 2016-17. Interestingly, the number of officer-initiated calls for service are up as well, by 13%. Historically, the bureau has relied on this measure as an indicator of officer time spent on proactive policing.

Call volume continues to be driven by increases in "disorder" call types², which drove 69% of overall call volume increase from the prior year. Within the 'disorder' call type:

- Welfare checks – 7% increase in this call type over the prior year, or about 1,800 additional calls
- Unwanted person – 19% increase in this call type over the prior year, or about 4,600 additional calls
- Suspicious persons, cars, or circumstances – 10% increase in this call type over the prior year, or 2,000 additional calls

As call volume continues to increase year over year – particularly for lower priority calls – a key question for the Police Bureau and the City will be determining what can be done to manage call volume not just on the supply side (i.e. additional officers), but also on the demand side. Portland Fire & Rescue is also facing increases in calls for service, and has implemented strategies to manage call demand. The Police Bureau does have some demand management programs in place, particularly in the Behavioral Health Unit, but additional targeted strategies may be a cost-effective way to address continued growth in call volume.

Portland Fire & Rescue responded to a total of 87,166 incidents in FY 2017-18, an increase of 1.71% over the prior fiscal year. While overall incidents increased, the *number of Medical Incidents as a percentage of total incidents* decreased by 0.9%. The decrease in medical incidents may be attributable to the Fire Bureau effectively managing call demand as it relates to low-acuity response.

² Portland Police Bureau's Open Data portal has a full description of call groupings and categories here: <https://www.portlandoregon.gov/police/article/676725>

The Fire Bureau adjusted dispatch protocol, which enabled the Bureau to reduce workload by 753 incidents in the two months closing the fiscal year. Extrapolated, this represents an annualized reduction of approximately 4,500 calls— a five percent reduction in incident workload.

The Bureau’s Community Health Assessment Team (currently 1.0 FTE) has been working with high-utilizers to reduce incident workload. The program helps coordinate care for individuals who frequently utilize emergency response services and educates them on the appropriate uses of 9-1-1. To date, the program has reached 15 individuals who were calling 9-1-1 three or more times per month. The 15 clients served by the CHAT program on average reduced their calls to 9-1-1 for assistance by 55% (a decrease from 5.31 to 2.36 incidents per patient, per month over a five month period).

Emergency Response Times

Call taking times at the **Bureau of Emergency Communications** are measured using two core metrics established by the National Emergency Number Association (NENA):

- Ninety percent (90%) of all 9-1-1 calls arriving at the Public Safety Answering Point (PSAP) shall be answered within ten (10) seconds during the busy hour (the hour each day with the greatest call volume).
- Ninety-five (95%) of all 9-1-1 calls should be answered within twenty (20) seconds.

For FY 2017-18, BOEC answered 16.4% of calls within 10 seconds in the busy hour and 63.9% of all 9-1-1 calls within 20 seconds. These numbers show the discrepancy between current service levels and the national standard. However, it should be noted that this is the first full fiscal year that BOEC has reported data on both NENA standards using valid data, establishing both a performance benchmark and a new direction towards transparency.

Call taking performance is more clearly analyzed by disaggregating by landline or wireless calls because wireless calls have historically gone through a “call filter” designed to screen accidental dials. This filter required the individual calling to confirm that they were calling about an emergency before reaching an operator—effectively adding 10-12 seconds per wireless call for ~75% of all 9-1-1 calls. Thus, the call filter made it nearly impossible for wireless calls to be compliant with the NENA standard. However, early results from the bureau’s recent re-programming of the call filter show a potentially significant reduction in call-taking times.

Depending on the nature of the 9-1-1 call, BOEC dispatches response unit that can best address the emergency. For the **Police Bureau**, despite an increase in total call volume, the average time to reach high priority calls remained stable relative to the prior year – 6.6 minutes in average travel time and 2 minutes in average dispatch queue time.

Portland Fire & Rescue response times to high priority incidents ticked downward 4.36% in FY 2017-18, moving from 7 minutes and 39 seconds to 7 seconds and 19 seconds. It is worth noting that the data from FY 2016-17 may have been affected by the winter storms that delayed response times for a significant time period, and the average FY 2017-18 response time is comparable to FY 2015-16. Additionally, the percentage of high-priority responses with a turnout of less than 80 seconds held steady over the prior year at 61%. The number of high priority incidents has increased an annualized

2.8% since FY 2014-15, moving from 59,198 to 64,311 “high-priority” incidents, which include medium- and high-acuity medical calls. Therefore, the Fire Bureau has effectively held steady or improved response metrics over a time when workload has increased. It is difficult to determine what specifically the bureau is doing to accomplish this, but actions that might contribute include:

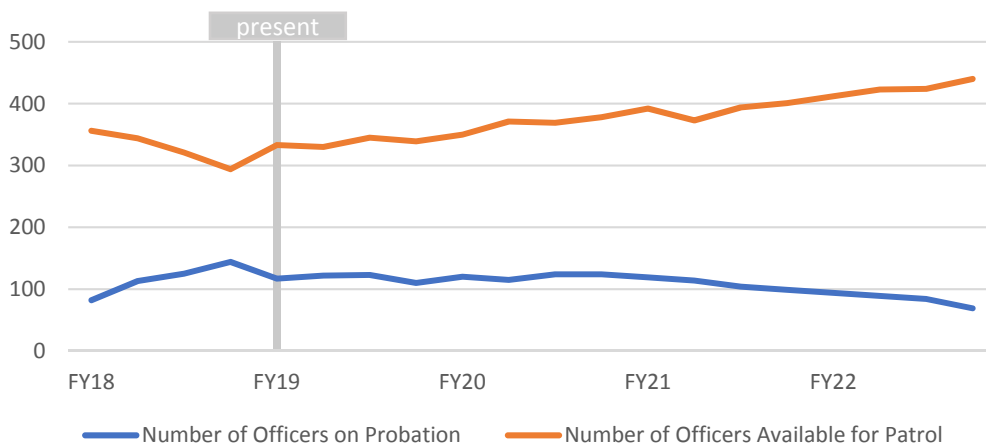
- The reopening of Fire Station 23, decreasing response times in the Clinton Triangle in Southeast Portland;
- Implementation of “Automatic Vehicle Locator,” which dispatches the apparatus nearest an emergency rather than the Fire Company assigned to that Fire Management Area (FMA);
- In-service training efforts that allow firefighters to train at their station, reducing out-of-service time at the training grounds.

Staffing

The **Police Bureau** continues to manage through a period of heavy attrition, as a substantial number of its sworn force are projected to retire in the next several years. The cycle of attrition and hiring into those vacant officer positions has an impact on multiple aspects of bureau performance and spending, as vacancies and high numbers of officers on probation reduces the number of officers available for patrol and emergency response.

The Police Bureau had a total of 92 total sworn vacancies as of September 2018. Of those vacancies, 67 were vacant officer positions, which is inclusive of the 55 officer positions added in the FY 2018-19 Adopted Budget. A total of 82 officers are expected to come off probation in FY 2018-19.

Estimated officers available for patrol and officers on probation over time



The bureau will continue to manage through two more cycles of heavy attrition in the coming years, with the next cycle projected for February and March of 2019, but generally new officers coming off probation will more than offset anticipated attrition. By FY 2021-22, the currently high number of officers on probation is expected to stabilize, as will the number of officers on patrol more generally. Absent any other action, a 33% increase in the number of officers available for patrol is projected by the

end of FY 2021-22. A resulting reduction in spending on the amount of backfill overtime required to meet patrol staffing minimums is anticipated, but any service level impacts will be dependent on fluctuations in call volume and bureau staffing assignment decisions.

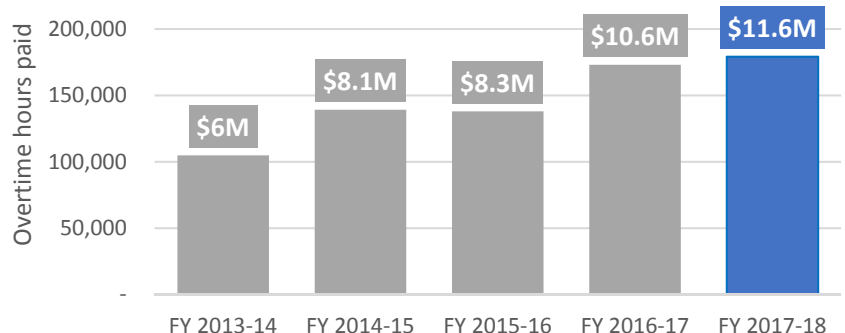
At the **Bureau of Emergency Communications**, one impediment to improved call-taking times has been a lack of adequate staffing. The bureau has taken measures to reach its authorized staffing levels and is currently at its 118 FTE allotment for dispatchers, of which approximately 32 are progressing through various stages of the training program. The bureau anticipates meeting NENA compliance within the next five years as newly recruited employees achieve full certification.

Overtime

The total cost of **Police Bureau** overtime spending³ was \$11.6 million in FY 2017-18, a 9.4% increase over the prior year. The total number of overtime hours worked increased by 5% over the prior year, though when normalized for the spike in demonstration and protest-related overtime in 2016, the total overtime hours worked is 20% higher than FY 2016-17. The increased number of overtime hours worked is not the only driver of increased spending; cost of living increases as well as bargained pay increases translated into per-hour costs that were 5% higher than the prior year.

In the near term, the bureau remains reliant on overtime to backfill patrol shifts at precincts. The cost of personnel backfill overtime was \$2.7 million in FY 2016-17, compared to \$3.7 million in FY 2017-18; the increase is driven both by a 29% increase in the number of ‘backfill’ overtime hours worked and increases in the per hour cost of overtime. Generally, this type of overtime is driven by the low number of officers available for patrol relative to the bureau’s minimum staffing levels. This component of overtime spending is not expected to decrease substantially until additional officers are available for precinct patrol shifts, or if the bureau reassesses its staffing plan and identifies opportunities to reduce required backfill on certain shifts.

Spending on Police overtime continues to increase, driven by increases in the number of paid overtime hours and the per-hour cost of overtime



*Excludes overtime reimbursed by third parties

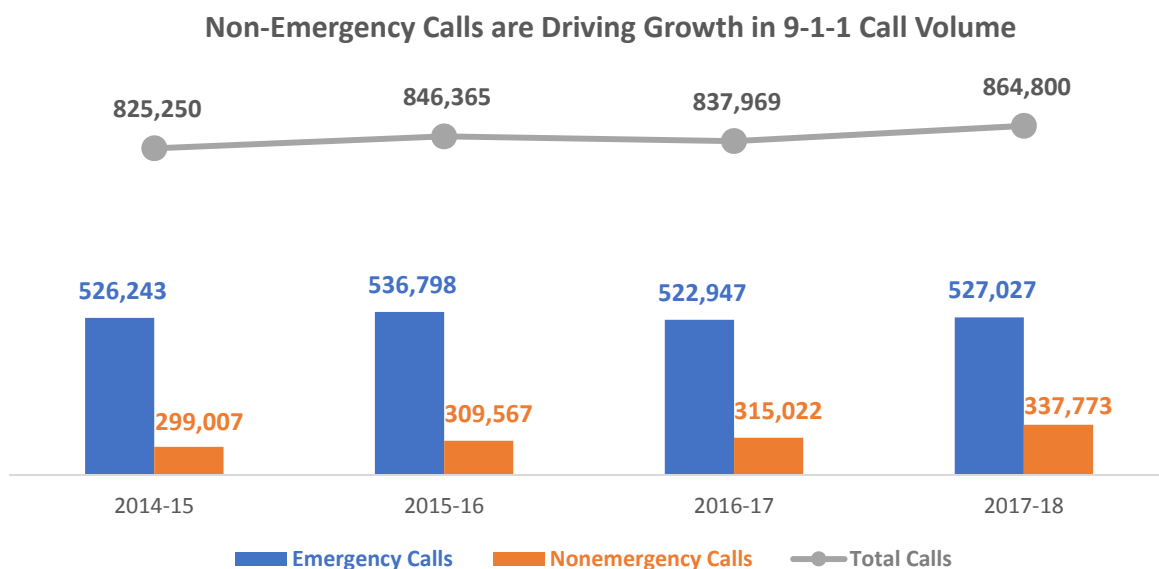
Backfill overtime is not used uniformly across the bureau’s three precincts. In particular, of the \$3.7 million spent on “personnel shortage” overtime, nearly 50% is spent at the North Precinct. Officers from the North Precinct often support work at the Training Division, which requires backfill for the precincts

³ In this report, Police overtime calculations exclude reimbursable overtime, which is paid by third parties (e.g. secondary employment). It is also important to note that, while the bureau authorizes overtime hours worked, employees determine whether to receive payment or compensatory time for overtime hours worked.

patrol function, so the FY 2018-19 addition of four dedicated training officers may alleviate some of the shift backfill at the North Precinct.

Personnel backfill overtime is a large driver of the bureau’s total overtime spending, but it is not the only one. Priority projects, case follow-up, court time, and call-backs⁴ collectively drive about \$3.4 million in annual overtime spending. The Police Bureau and the Bureau of Human Resources are currently engaged in an analysis of how to reduce overtime spending, as some options will involve bargaining by the labor relations team.

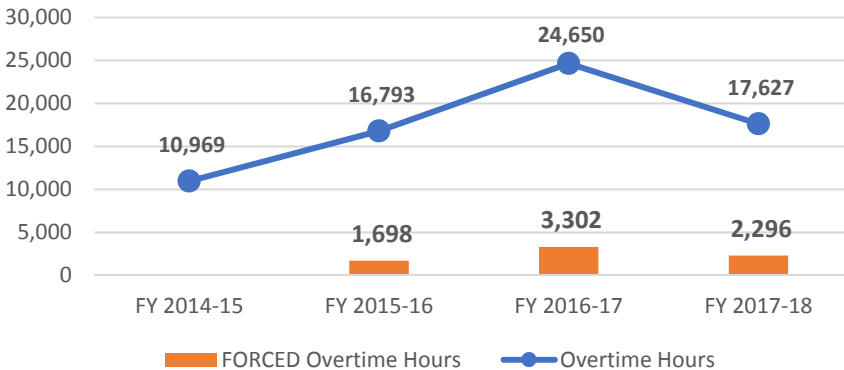
Excessive use of overtime has also been an ongoing concern at the **Bureau of Emergency Communications**, where overtime hours have grown at an annualized rate of 12.6% since FY 2014-15. Call volume over that same four-year period has grown 4.79% (an annualized rate of 1.18%) from 825,250 to 864,800 emergency and non-emergency calls (this does not include text-to-9-1-1 sessions). Over the last two fiscal years, *forced* overtime—overtime used to augment staffing to ensure enough call takers and dispatchers are on the emergency communications operations floor at any given point in time—has comprised approximately 13% of total overtime, up from 10% in FY 2015-16. A staffing study conducted in April 2017 found that 91% of BOEC employees either agreed or strongly agreed that their agency “works too much overtime” and 62% agreed or strongly agreed that they worked “too much



⁴ Call-backs occur when an employee is called out to a specialty unit such as Homicide or the Gang Enforcement Team, or in other situations where an employee is called back to work in their off hours.

Use of Overtime at BOEC Decreased in FY 2017-18

(There is no Forced OT data for FY 2014-15)



mandated (forced) overtime.⁵ It is important to note the goal of these metrics is not zero. However, by reducing the use of overtime, the bureau may be able to positively impact staff morale.

The decrease in overtime from FY 2016-17 to FY 2017-18 is largely attributable to increased levels in overall staffing.

The bureau now has 103 emergency communications operators who are certified in 9-1-1 call taking—up from 92 in February 2018. This is in addition to four part-time working retirees, 15 candidates currently in training, and another 12 who started the Basic Academy in August. It is reasonable to assume that as staffing levels increase, the use of forced and regular overtime will continue to decrease.

Police Accountability

The issues of accountability and community trust have been at the forefront of community conversations about policing in recent years, both nationally and in Portland. Accountability and trust can be difficult to measure through numerical performance data, but between the **Police Bureau** and the Independent Police Review housed in the **Auditor’s Office**, the City does have a few measures that speak to accountability in the Police Bureau. Generally speaking, the availability and robust analysis of a wide variety of policing data on the bureau’s [Open Data portal](#)⁶ is a positive step toward overall police accountability.

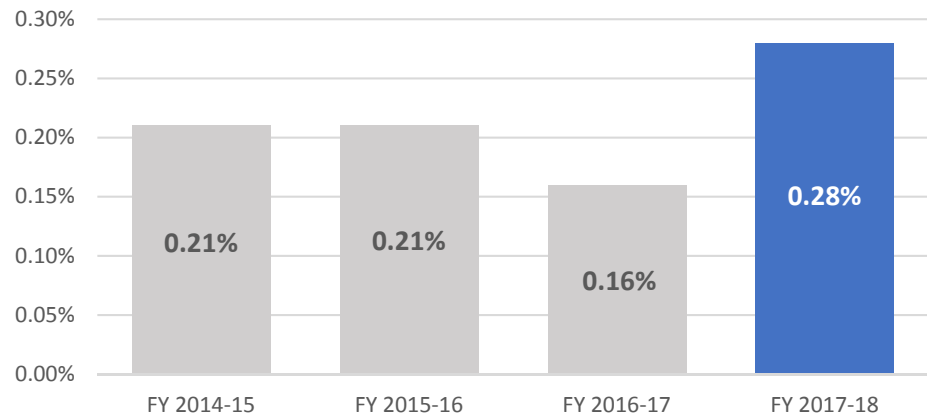
Use of Force – As mandated by the U.S. Department of Justice agreement, the Police Bureau reports on use-of-force incidents on a quarterly basis. The bureau measures use-of-force as both a percentage of calls for service and custodies in which there was a use-of-force event. The bureau’s overall use of force had been trending downward for the last several years, but FY 2017-18 data shows an uptick in use-of-force. This uptick is caused by the addition of 10 new ‘force types’ in the bureau’s use-of-force reporting. New force types, such as ‘Control Against Resistance’ and ‘Resisted Handcuffing’, made up a substantial portion of the increase in use of force events.

⁵ From the Matrix Consulting Group. “Staffing Study and Plan for the Bureau of Emergency Communications.” April 2017, p. 16. Available at <https://www.portlandoregon.gov/cbo/article/653859>.

⁶ <https://www.portlandoregon.gov/police/71673>

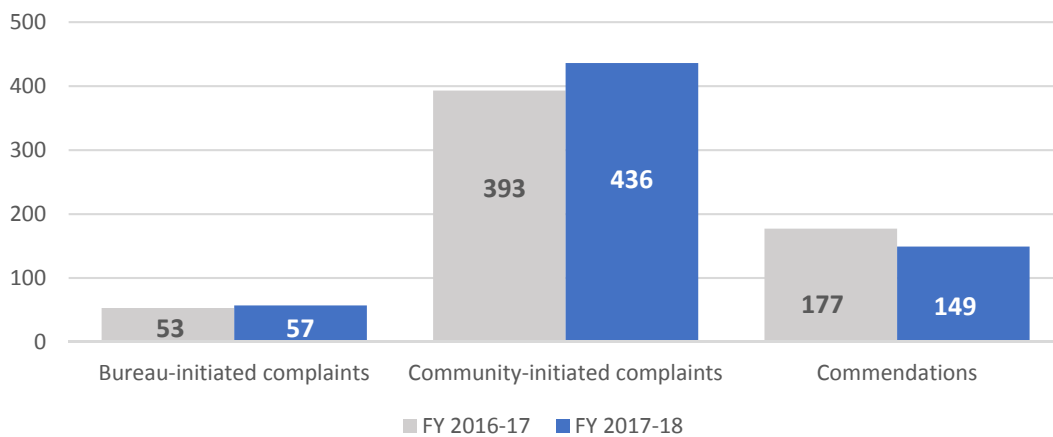
Going into FY 2018-19, the Police Bureau was authorized 3.0 additional staff within the audit team in the Professional Standards Division. One of the goals of this addition was to augment use-of-force reporting and provide additional communication back to operational staff, which may have an impact on FY 2018-19 use-of-force measures.

The percentage of calls for service resulting in a use-of-force event increased substantially over the prior year due to the addition of new force types



Complaints and Commendations – The Independent Police Review tracks community-driven complaints and commendations regarding the Police Bureau. While useful and in some ways indicative of the community’s perceptions of the police, this data is not as informative as longitudinal survey level data. With the advent of a revamped citywide survey in FY 2018-19, there are new opportunities to more accurately track and measure the community’s perceptions of police going forward. The Portland Committee on Community-Engaged Policing (PCEP) is also coming online in FY 2018-19 and will provide additional community-driven feedback on police accountability and community trust.

Data from the Independent Police Review shows that community-generated complaints have increased 11% over the prior year



Stops data analysis – The Portland Police Bureau (PPB) performs robust analysis of its stops data on a quarterly and annual basis. The [2016 annual report](#), released in June 2018, provides information on both driver and pedestrian stops and searches across both traffic and non-traffic divisions. Generally, both pedestrian and driver stops have decreased substantially over the last five years. The report notes where stop or search rates for specific populations are disparate from expected rates based on

benchmarking, but also notes the challenges associated with benchmarking or drawing specific conclusions from these disparities.

In FY 2018-19, the Police Bureau was allocated funds to partner with an academic or research organization to provide an external analysis of PPB's stops data and help establish protocols or tools to inform operations, as well as a position to support the analysis of stops data from an equity lens.

II. Reducing the Unmet Housing Need

State of Housing Emergency

October 7th, 2018 marks three years since Portland City Council declared a State of Emergency on Housing and Homelessness ([Ordinance 187371 as amended](#)). Since that time, the City has dramatically expanded funding and programming along the housing continuum, including a significant investment of one-time funding for both short-term and ongoing services. With the State of Emergency currently set to expire in April 2019, Council will need to consider the City's long-term goals for housing and homeless services, direct staff to update modeling for sustainable service levels, and work with public and private partners to clarify each stakeholder's role in achieving regional outcomes for affordable housing and homeless services. The State of Housing Emergency has evolved over the last several years from being more narrowly focused on immediate responses to homelessness to encompass a much broader swath of the entire housing spectrum, adding new policies, programs, and regulatory responsibilities to the City's portfolio.

The original ordinance specified a one-year duration and was focused primarily on addressing immediate needs of people experiencing unsheltered homelessness, waiving zoning code provisions to expand emergency shelter opportunities, outlining a strategy for managing campsite cleanup, and deploying a mobile day storage pilot with sanitation facilities. Shortly after, Council also passed legislation increasing the amount of Tax Increment Financing resources set aside for affordable housing development from 30% to 45% ([Ordinance No. 187415 as amended](#)).

When Council extended the State of Emergency for an additional year, the ordinance ([187973](#)) noted all of the actions the City had taken over the past year to address unmet housing need more broadly, including expanding both temporary and permanent emergency shelter capacity, streamlining affordable housing development, and lobbying for changes at the state level lifting the preemption on local inclusionary housing ordinances. Most significantly, the City and County partnered to create the new **Joint Office of Homeless Services** to help meet the goal of [reducing unmet housing need by half by June 2017](#) by increasing housing placement and retention, homelessness prevention services, and capacity of shelter and other investments to ensure safety off the streets.

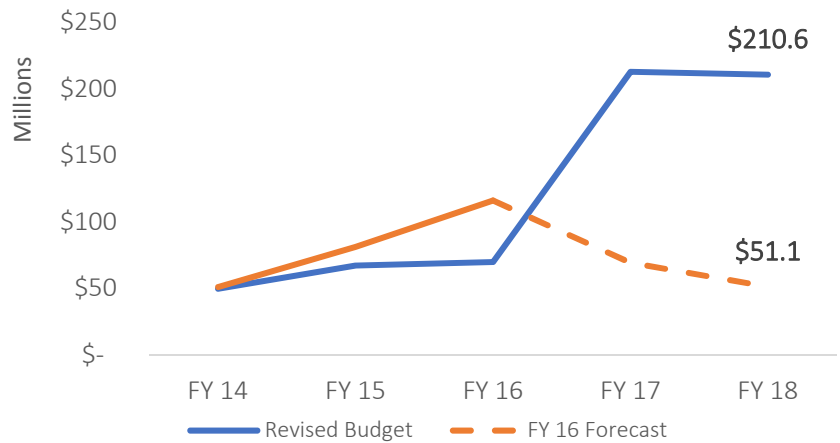
The most recent Council action to extend the State of Housing Emergency through April 2019 ([Ordinance 188627](#)) highlights the dramatic changes to the City's funding, programs, and services over the two prior years. The City implemented a new [Inclusionary Housing Program](#), adopted new tenant protections and created a Rental Services Office in the **Portland Housing Bureau**; Portland voters passed a \$258.4 million affordable housing bond; and, together with Multnomah County through the Joint Office of Homeless Services, served a record number of people with emergency shelter, housing placement, and prevention services. And in December 2016, Multnomah County was recognized as the first jurisdiction on the West Coast to functionally end Veteran homelessness.

Homeless services provision and affordable housing development are at record levels, yet it is evident that there are continued challenges to ensuring that all Portlanders have access to safe and stable housing.

What will it look like to transition from a State of Emergency to an ongoing service level focused on outcomes?

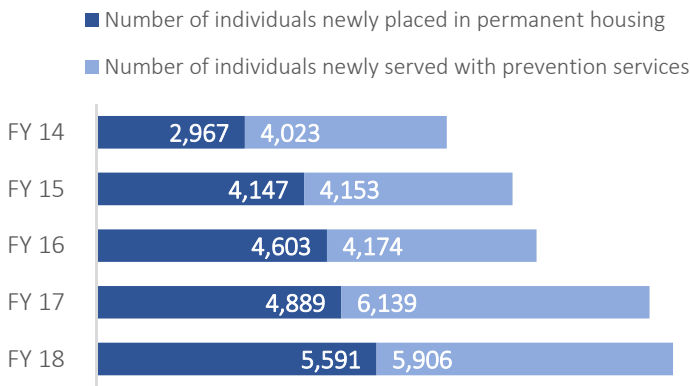
The Portland Housing Bureau’s budget was on a downward trajectory prior to the State of Housing Emergency. The spike in resources from FY 2016-17 to FY 2017-18 included significant increases in homeless services, new rental services programming, increased funding allocations for home repair, and an influx of new development dollars.

The increase in development funds reflects both passage of the affordable housing bond and the increase in the amount of Tax Increment Financing dollars set aside for affordable housing development.

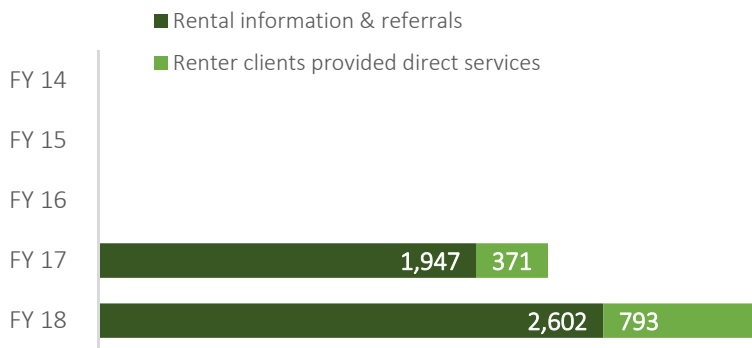


Service Levels and Long-Term Goals

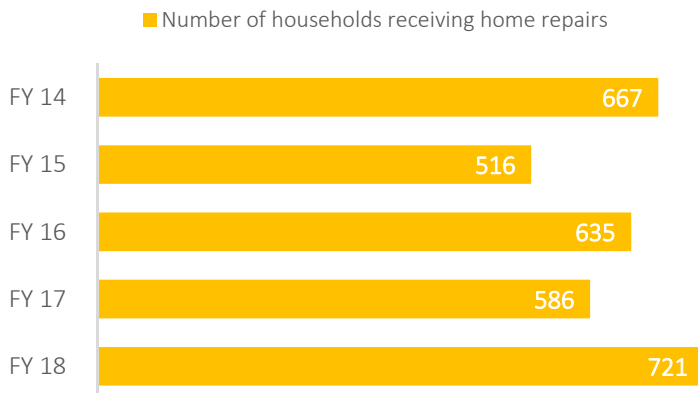
The City had already begun increasing its funding for housing and homeless services prior to the State of Housing Emergency, and due to significant new investments, the City served more people than ever across the housing spectrum in FY 2017-18.



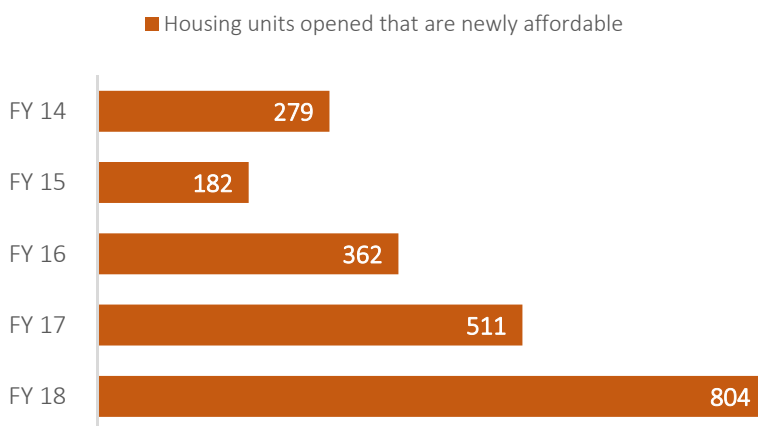
Not only did the Joint Office serve a record number of people last year, performance actuals continue to significantly exceed service targets. In FY 2017-18, the Joint Office provided a combined 23% more individuals with new housing placements and homelessness prevention services compared to Revised Budget projections.



Rental Services is a new program for the Portland Housing Bureau. Combined actual service levels for FY 2017-18 were almost 40% higher than projected, which is especially notable given the significant underspending by service providers.



The Home Repair Program has recalibrated after several years of new programming and investments. The increase in the number of home repairs provided last year is both a reflection of increased funding and process improvements led by the Neighborhood Housing Program team.



These numbers represent regulated affordable housing units, including both City-owned buildings and projects where PHB serves as a gap financier. Changes being considered by voters at the state level in November 2018 will impact the number of units the bureau can fund using bond resources, as well as potential additional local resources should the Metro affordable housing bond pass.

It is more difficult to assess to what extent this increased service level has met the evolving intent of the State of Housing Emergency. Comprehensive housing data lags by several years, making it difficult to conduct real-time analysis in a region with a housing market that is just starting to cool after significant year-over-year growth. The City also currently has limited information about the number of private

rental units, their size, current rent, or other data that could help the City better target services and policy interventions. The new Rental Registration system, set to launch in early 2019, will allow the City to begin to collect this data comprehensively.

For homeless services, there are efforts underway to standardize systemwide data collection and increase analytical capacity to better interpret service outcomes. While fewer people were newly homeless in FY 2017-18 than the year before, this number is still significantly higher than FY 2015-16. There was also a slight increase in the number of people who returned to homelessness after receiving a housing placement. New tools and staff resources will hopefully help in using data to understand how people enter into, out of, and return to the homeless services continuum. This includes efforts underway to revamp how demographic data is collected and reported to more accurately identify disparities by race and ethnicity. CBO has previously – and continues to – recommended that PHB and the JOHS focus on provider contract performance information and data to help illuminate what is working, for whom, and at what cost.

This information should be used to help prioritize resources, which – even at record levels – fall short of demand. This is evidenced by waitlists for housing placements, rental assistance, home repair dollars, and legal aid. It is not clear to what extent the increased demand reflects any or all of the following: 1) a new need for services; 2) that the existing need was higher than originally modeled; 3) pressures coming from the regional needs and trends outside of Multnomah County; and/or 4) the persistent affordable housing gap.

The largest supply deficit exists for units affordable to those earning 0-30% of Area Median Income⁷, including units that have dedicated funding for wrap-around services to support tenancy, otherwise known as Supportive Housing. In October 2017, Council adopted [Resolution 37323](#) to create 2,000 additional supportive housing units by 2028. Council recently accepted a report outlining a system-level path to create these units, identifying local, state, federal, and private resources that may be used toward developing units, subsidizing operating costs and rents, and providing services. The next critical step will be assessing the potential funding capacity of these entities – including for those ongoing services that have been historically outside the scope of the City – to create a comprehensive roadmap for implementation.

Beyond the State of Housing Emergency

It is not clear what criteria Council will use to declare the end of the State of Housing Emergency, as this is not defined by ordinance. The Portland Housing Bureau and the Joint Office of Homeless Services have been asked to develop and recommend these measures. To help guide this effort, CBO recommends that Council consider the following:

- What are the long-term desired outcomes for housing and homeless services, and what are the ongoing service levels required to achieve these goals?
- What is the City's role in housing and homeless services within the regional context? Where is additional support required from other public and private stakeholders?
- What is the role of programs that manage the impact of unsheltered homelessness?

⁷ Based on analysis from the Portland Housing Bureau using tabulations of HUD's CHAS 2011-2015 County and Place Data (most current available).

- What does the data help us understand about equity, efficiency, and effectiveness in service outcomes?
- What data do we not currently collect that should be incorporated in the new Rental Registration system, future Point-in-Time Counts, or the new Community Insights Survey?

III. Addressing the Livability Impacts of Unsheltered Homelessness

The City's growing efforts to address the impacts of unsheltered homelessness dominated the livability narrative in FY 2017-18.

For many years, Portland has epitomized the traditional concept of a livable city – one that provides more transportation choices, promotes equitable, affordable housing, enhances economic competitiveness, and that values communities and neighborhoods. These principles are measured by indices of accessibility to amenities, such as *percentage of Portlanders that live in complete neighborhoods* and tracking of active transportation modes such as biking and walking. However, in recent years, the increasingly visible

impacts of unsheltered homelessness in the public space have brought about an expanded reference to the term “livability.” Used in this way, “livability issues” associated with unsheltered homelessness typically refer to things like visible trash, illegal drug use, and tent camping in the public right of way.

In FY 2017-18, the City directed at least \$10 million to programs addressing livability, with \$29 million spent over the past five years. In June 2018, The Mayor’s Office convened a [Government Accountability, Transparency and Results \(GATR\) session on Community Livability](#) as a first step towards a more coordinated strategy for managing the city’s public spaces. Below is an assessment of the results from key programs in the City outside of public safety addressing these types of livability concerns in FY 2017-18.

Homeless and Urban Camping Impact Reduction Program

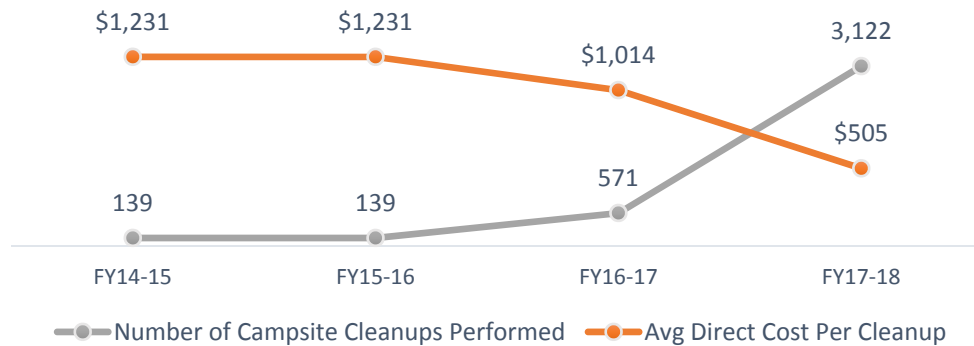
Total FY 2017-18 costs of the Homeless and Urban Camping Impact Reduction Program (HUCIRP), which is housed in the **Office of Management and Finance**, were approximately \$2.1 million, which includes \$1.6 million in direct campsite clean-up costs, \$330,000 for the Clean Start program⁸, and staff time. Additional one-time resources totaling \$400,000 were spent in FY 2017-18, primarily for work at the Kenton Women’s Village project, an alternative shelter comprised of tiny homes.

HUCIRP performed a total of 3,122 clean-ups on City property in FY 2017-18, a substantial increase over the prior year total of 571. As the number of clean-ups has increased and program operations have stabilized, the total cost per clean-up has decreased substantially as well.

** Portland Police Bureau Open Data: <https://www.portlandoregon.gov/police/71673>

⁸ The Clean Start program provides clean-up services at designated camping areas within the City of Portland. This program also manages a day use storage unit in downtown Portland.

As the number of campsite cleanups increased, cost per cleanup has declined



Over 1,300 tons of garbage were collected as a result of direct campsite clean-up efforts in FY 2017-18. Separately, the Clean Start program reported the following performance measures:

Clean Start	FY 17-18
Needles removed	16,793
Shopping carts removed	2,192
Bio-hazards cleaned/removed (incidents)	1,038
Bags of trash collected	32,604

In FY 2018-19, the Mayor and Council set the HUCIRP budget at \$3.5 million, an almost 70% increase over FY 2017-18 spending levels, indicating that the numbers of campsites cleaned and garbage collected are likely to increase in the coming year.

Perception of Safety in Parks

Concerns about safety in Portland parks seem to be increasing, a notion supported by several performance indicators.

Specifically, in a recent bureau survey that asked residents about barriers to participation, “concerns for safety” was the second highest rated barrier – and was rated as the key barrier to park use by 30% of citywide respondents. Similarly, the number of calls for Parks Ranger services has increased from 2,201 in FY 2014-15 to 3,691 in 2017-18. 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 proportion of calls for camping related issues in parks has increased from 40% of all calls to 63% of calls in FY 2017-18. The Auditor’s Community Survey previously asked residents about their perceived safety of parks during the day and at night. Notably, perceptions of safety greatly differed in East Portland as compared to the rest of the city in the most recent 2016 survey. Specifically, whereas approximately 7% of citywide respondents felt unsafe in the park closest to their home during the day, 21% of East Portland respondents felt unsafe in the park closest to their home.

In FY 2018-19 Parks expanded the Ranger program on the Vera Katz Eastbank Esplanade, which added two additional Park rangers to patrol the Esplanade. There is currently no anticipated budget impact for the program in FY 2019-20 as Parks plans to stabilize the program.

Derelict Recreational Vehicles (RVs)

The Derelict RV Program at the **Portland Bureau of Transportation** addresses the issue of broken-down recreational vehicles on City streets. The program identifies, removes, and dismantles these vehicles to support neighborhood livability and promote public safety, as these RVs often present public health hazards. As part of the Adopted Budget for FY 2018-19 City Council directed the bureau to continue current work within existing bureau resources and return to Council with a report on program challenges and successes in advance of the budget development for FY 2019-20.

For the current year (FY 2018-19) PBOT reassigned six positions from Parking Enforcement and Parking Operations to formally create this new program and allocated \$1.5 million in General Transportation Revenue (GTR) and \$180,000 in tow fees to this program. In FY 2018-19, PBOT estimates responding to 1,200 inquiries for RVs, dismantling 400-600 vehicles, and disposing of 6,000 gallons of human waste, 240 tons of garbage, and 18,000 sharps/needles.

Prior to the formalization of this program, PBOT allocated staff time and resources to addressing the growing number of complaints and towing of derelict RVs within its existing Abandoned Autos program. Because of the increasing number of instances and the bureau's initial successes, Council and the bureau formalized the program to address ongoing livability issues for Portlanders.

The bureau processed 219 RVs – 196 demolished and 23 released back to owners in calendar year 2017 (pre-program formulation). By the close of August in 2018, PBOT had already processed 373 RVs – 299 demolished and 31 released back to owners. As a result, the program has led to a reduced number of derelict RVs occupying the right of way while enforcing the law.

Program enforcement officers provide education and information to RV users including their legal rights related to their RV use, where to properly store/keep their RV, and various support services to help individuals return to healthier housing. PBOT is in the process of clarifying and developing procedures for the storage and return of personal property.

The bureau highlights challenges around securing ongoing funding for this program, noting that the six positions reallocated from other parking enforcement citywide may impact future parking citation revenue. The bureau plans to request additional funding for the derelict RV program from FY 2019-20 General Fund resources, and if not available, the bureau will make reductions to other services.

CBO recommends that PBOT establish and report on performance measures related to the derelict RV program's efforts to reduce right-of-way obstructions and improve community livability. Furthermore, PBOT should discuss with Council how to fund this program on an ongoing basis to determine if a program enhancement is warranted for FY 2019-20.

Graffiti Abatement

While not tied to impacts of unsheltered homelessness, it is worth noting that the **Office of Community and Civic Life** received new one-time General Fund resources of \$440,000 for its Graffiti program in FY 2017-18 to enhance community livability. The bureau spent 92% of these funds, mostly through proactive cleanup agreement(s). Contractors removed roughly 5,000 tags (incidents of graffiti), more than eight times as many removals than the prior fiscal year. The bulk of these were completed proactively, meaning contractors directly engaged with local businesses, residents, nonprofits, and property owners to offer removal assistance as a means of helping reduce the negative impacts of lingering graffiti vandalism throughout Portland.

Furthermore, nearly 800 volunteers were engaged in 1,725 hours of graffiti and litter cleanup at 43 separate cleanup events facilitated by Civic Life's Graffiti Program. As the bureau notes, if the average volunteer hour is valued at \$17, these events leveraged almost \$30,000 in graffiti removal cost-savings. The program also covered 16 murals with anti-graffiti coatings to protect them from vandalism and to support street art projects in Portland.

In the prior fiscal year, Civic Life added a new measure for graffiti performance tracking: *Timeline (days) to address graffiti incident (receipt of complaint to resolution)*. The bureau has set a target for the current fiscal year (FY 2018-19) of ten days. The bureau plans to continue making changes to performance measures bureau-wide in the current year, utilizing its new data workgroup to ensure programs are tracking the right information, seeking causal data, and testing methodologies.

IV. Impacts of City Services on Equity and Affordability

By most traditional economic measures, Portland has been the picture of a thriving city for nearly a decade. Unemployment is near an all-time low. The region continues to attract a highly skilled workforce and add new businesses. However, Portland is increasingly unaffordable to many members of the community. Much of the concern around affordability has focused on the rising cost of local housing and rental markets.

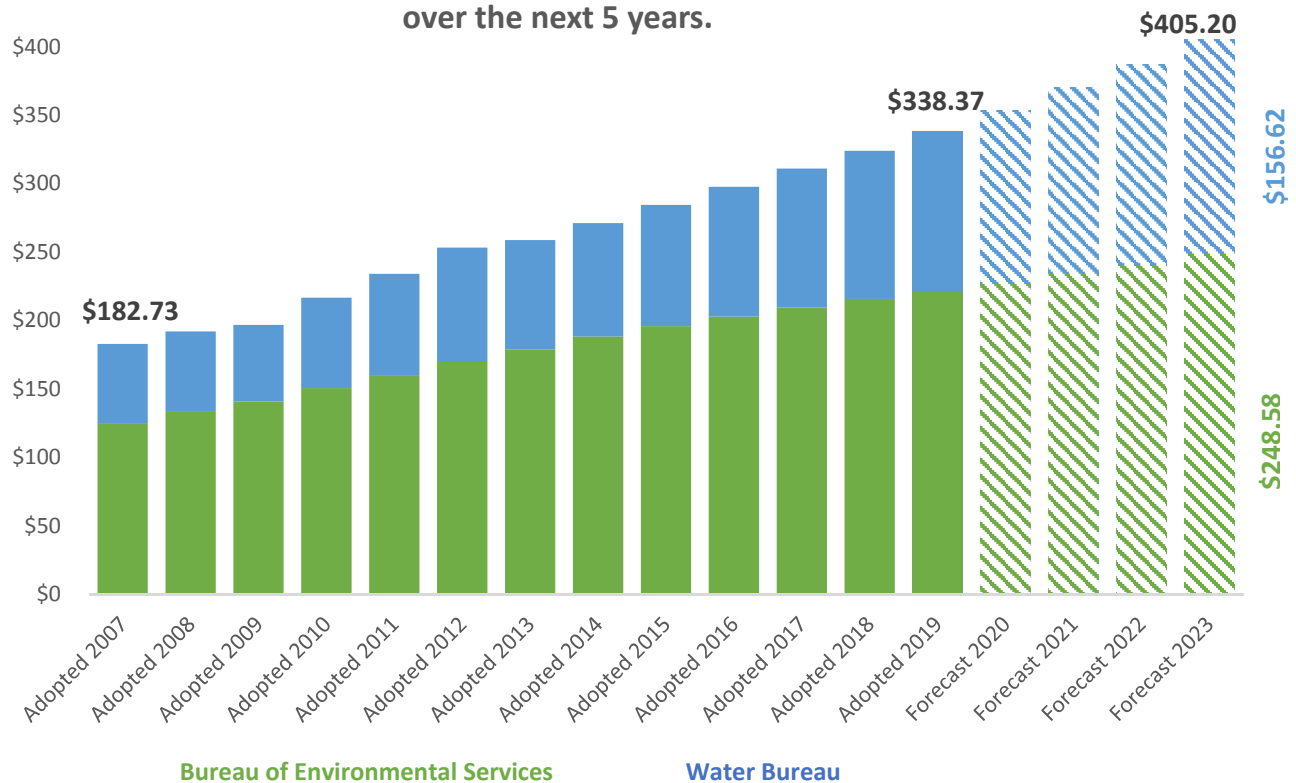
The City's actions impact resident affordability through utility service costs, production of market-rate housing, and programs supporting small businesses.

This report's analysis finds that the City impacts the cost of living for residents in important ways beyond the development of affordable housing (see [here](#) to learn more about development of City-financed affordable housing units). One major way is the City's processing of market rate housing development, which is affected by the implementation of the City's land use, permitting, and inspection policies led by the Bureau of Development Services. Several City efforts aim to increase affordability by building wealth, especially for communities of color. Prosper Portland has recently revamped its reporting in this area to better capture outcomes for businesses participating in its technical assistance programs. On the other hand, the impact on affordability and community equity from utilities services is mixed. Though the utilities have recently developed more comprehensive low-income assistance programs, the steadily rising monthly bill has resulted in a greater cost burden on communities of color in Portland.

Utilities Services and Costs

Recent and forecasted utility rates for the **Portland Water Bureau** and the **Bureau of Environmental Services** have been relatively stable compared to the previous trend of varied rate increases. Although stability provides some predictability for utility customers, annual increases to the water and wastewater and stormwater bill contribute to rising costs and broader affordability issues for Portlanders. In FY 2018-19, the quarterly combined bill for a typical single-family household increased by nearly 4.5% to \$338 for water, wastewater and stormwater services. By the end of the five-year forecast, the combined quarterly bill is forecast to increase to \$405, a 20% increase for water, wastewater and stormwater services. This increase is noted in the graph below.

The quarterly typical single-family household bill for water, wastewater, and stormwater services **increased almost 4.5%** to \$338 in FY 2018-19 and is forecast to increase **more than 20%** to \$405 over the next 5 years.

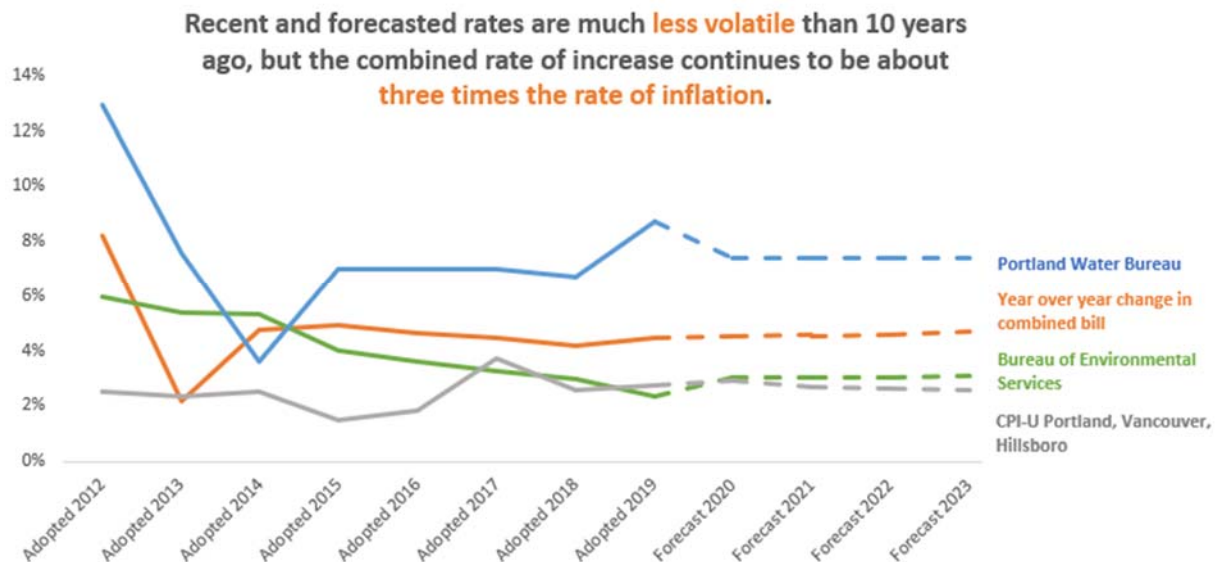


CBO’s analysis also demonstrates that the rate increase for the combined water, wastewater and stormwater bill is rising at a faster rate than the consumer price index (CPI-U) forecasted by the Bureau of Labor Statistics. For example, the combined typical single-family household bill is expected to increase by 20% by FY 2022-23 compared to 11% if the bill increased at the same rate as inflation. This means that the typical single-family household will pay approximately \$138 more for its quarterly combined utility bill (\$554.53 annually) than if the bill increased by the forecasted CPI-U.

Bureau of Environmental Services (BES) recently added a key performance measure that identifies the typical single-family household bill as a percent of median household income (the measure applies to only the sewer and stormwater portion of bill). In CBO’s analysis of both bureaus’ FY 2018-19 Requested Budgets, we applied this measure to the Water Bureau’s portion of the bill as well as the combined. This analysis showed increases for the Water Bureau’s portion of the bill relative to median household income growth over the last decade. When combined with BES’s portion of the bill, the utility bill was approximately 2.0% of median household income in Portland in FY 2017-18 and increased to 2.1% in FY 2018-19.

Compared to white households, communities of color—particularly median income black households in Portland—devote a higher portion of their household income to the combined utility bill. In FY 2017-18, median income black households spent approximately 4.2% of their income on their water, wastewater,

and stormwater bill compared to median income white households, which spend about 1.88% of their income on this bill.



The rates included in the FY 2018-19 Adopted Budget increased the portion median household income spent on utilities to 4.27% for black households and 1.91% for white households. However, CBO notes that as income stratification in a community increases, median household income conceals affordability issues and does not account for differences in cost of living, particularly for the households that make less than the median household income. Unlike most median-income households, paying for the utility bill may force economic tradeoffs for lower-income households.

Portland Water Bureau (PWB) administers a suite of low-income assistance programs for both bureaus. In FY 2018-19, City Council approved changes to the programs that include creating a low-income services team, increasing the crisis voucher amount, expanding the income guidelines, increasing bill discounts for extremely low-income customers, and providing crisis assistance to multi-family low-income customers. The team has a newly hired manager and has hired one of two approved Program Specialists. They have begun to engage the community and are developing an outreach and communication plan. Because the cost of living is much higher in Portland than the rest of Oregon, the Water Bureau changed from using the state’s Median Family Income (MFI) to the City’s, allowing more families to qualify. The discount for families earning below 30% MFI was increased, and as of recent reporting to the Portland Utility Board, 3,893 customers have been moved to the larger discount. This program expansion also increased the Crisis Voucher from \$150 to \$500. Assistance to customers in multi-family housing is being provided through Home Forward, which has issued 40 vouchers as of September 20th, out of a budget available for 1,200 vouchers.

CBO recommends that the PWB develop additional performance measures that address the impacts of service on the utilities’ low-income customers. Measures assessing participation of low-income customers in the financial assistance programs, and the number of shut-off prevention efforts, could be useful in measuring the effectiveness of program delivery.

Prosper Technical Assistance for Small Businesses

A little more than a year ago, **Prosper Portland** began restructuring the entrepreneurship and business technical assistance programs in order to better track outcomes for participating businesses and have a client centered service delivery model for businesses in multiple industries and stages of business. The new Inclusive Business Resource Network (formerly known as the Small Business Technical Assistance Partnership) integrated program evaluation and set up longer-term performance measures to longitudinally track individual business development as participating businesses progress through the various programs administered through Prosper Portland. The new measures have five-year performance goals to establish 1,000 strong and stable businesses, focusing on women and minority-owned businesses. The bureau is tracking employment, revenue, and growth milestones for businesses in the program.

Though still early in the five-year window, this evaluation structure will allow Prosper Portland to better evaluate the effectiveness of these programs. Below are examples of metrics that Prosper Portland is collecting in these efforts. This improved measurement of five-year outcomes may even provide a model for measuring the success in other areas where the City provides grants or technical assistance to improve socioeconomic equity.

Prosper Portland General Fund Performance Metrics	Target FY 2017-18	Actual FY 2017-18	Target FY 2018-19
1000 strong and stable businesses in five years	175	97	200
250 businesses grow sales or profit margins in five years	40	4	45
25 businesses invest in expansion in five years	2	1	4
100 startup businesses launched in five years	25	12	25
Number of businesses receiving light touch technical assistance	300	513	400
Number of businesses receiving long term technical assistance	350	370	400
Percent of business owners of color served by the Inclusive Business Resource Network	75%	75%	75%

Accelerating Housing Development

The development of market-rate housing is an important piece of maintaining affordability as Portland continues to attract new residents. While designated affordable units retain housing options for Portlanders earning lower incomes, building more overall units offers a more scalable strategy that, over the long term, helps bend the supply curve for all residents.

The **Bureau of Development Services**, in coordination with several other City bureaus, is the conduit for building development. In 2017, the bureau permitted a record number of new residential and commercial new construction, alternations, additions, and other types of development. BDS leads

the land use, plan review, and inspections for the City’s development process, alongside PBOT, which leads the Public Works review process.

In all, six bureaus contribute directly to the development process: Development Services, Transportation, Environmental Services, Portland Water Bureau, the Fire Bureau, and Parks. BDS’ performance measures for plan review actually reflect the results from the review groups from all six bureaus. In recent years, most development bureaus have struggled to provide timely review services to customers as workload skyrocketed, staffing rebounded from the recession, building code complexity increased, and during the permitting system upgrade implementation. The City’s results for the past several years have reflected this reality. Historical trends for the key performance measures tracking permitting timeliness:

- *Percentage of residential plans reviewed by all bureaus within scheduled end dates*
- *Percentage of commercial plans reviewed by all bureaus within scheduled end dates*

demonstrate that the turn-around times for first review have consistently fallen short of the level of service goal of 85% in 15 days for residential applications, and 75% in 20 days for commercial applications, as shown below:



To address these challenges, the Bureau of Development Services has taken significant action to improve its operations:

- Deploying greater use of technology, including transition from paper to digital plan review, inspections scheduling. Upcoming initiatives include a new online customer portal, contractor application, and digitizing historic records.
- Offering more customer information and education in a variety of formats, including trainings, guides, and videos.
- Updating Development Services Agreements between BDS and interagency partner bureaus. The agreements, which replace the existing memoranda in place since 2003, will include agreements about services, staff coverage, and conflict resolution.

- Conducting the Mayor’s “Fast Track Project” program to expedite review and test business process improvements such as “review gates” and stricter pre-screening for 13 high-priority commercial projects, including the Hyatt Convention Center, Providence Park, Adidas campus, and Portland Public Schools.
- Participating in [Government Accountability, Transparency and Results \(GATR\) sessions on Housing Development](#)⁹, which has led to:
 - Creation of the Development Director’s Group with a formal charter in December 2017 to establish a shared accountability framework amongst the six bureaus responsible for the permitting process.
 - Regular reporting internally and with partner bureaus to identify area where review goals are not being met.
 - Establishment of online payment for Minor Improvement Permits in November 2017 (a change led by **Portland Bureau of Transportation**).
- Lastly, addressing continued staffing needs by establishing contracts to hire agency workers for specific job classifications, and making improvements to its recruiting process. BDS filled recruitments in an average of 87 days in FY 2017-18, lower than the 97-day average for non-public safety bureaus Citywide.

Over the next several years, the implementation of electronic plan review is expected to create efficiencies for staff. The corresponding permit software upgrade, which will happen after electronic plan review, will provide greater information to actively manage the development process. In the meantime, BDS is pursuing additional efforts to improve customer service. These include the bureau’s first customer survey since 2014, and a 30-day research project investigating best practices from comparable jurisdictions, bureau staff, and the development community. Any recommendations to reduce unnecessarily complex code requirements will rely on collaboration from partner bureaus like the **Bureau of Planning and Sustainability** to complete.

By increasing its throughput of land use applications, building plans, and inspections, BDS and the other City development bureaus can contribute in a practical and scalable way to maintaining housing affordability in Portland.

⁹ <https://www.portlandoregon.gov/cbo/72474>

V. Maintaining the City's Critical Infrastructure

More resources and better asset management aim to reverse the deterioration of the City's critical Infrastructure in PBOT, BES, Water, Parks, and OMF.

City-owned Critical Infrastructure Status and Needs

The **City Budget Office** tracks citywide performance measures that identify asset condition and infrastructure funding gaps as indicators of financial and service level resiliency. These measures paint a stark picture of the challenge still at hand:

- The City's *annual repair, rehabilitation, and replacement funding gap* has continued to increase over the past several years, and now stands at \$310 million. The goal of eliminating the gap by 2025 is likely unattainable unless the City Council continues to make even more significant investments in infrastructure maintenance over the next 10 years.
- The *percent of the total value of assets in the City that are in good or better condition* also declined in FY 2017-18 by five percentage points to 67%. This decline is the combined result of challenges to adequately fund comprehensive asset maintenance, as well as bureaus being able to more accurately assess their asset condition and needs.

In 2015, Council approved a change to financial policies to allocate 50% of available one-time General Fund resources to infrastructure maintenance. Additionally, voters have approved funding for maintaining critical assets through the Parks General Obligation Bond and the Fixing Our Streets gas tax, and the \$195 million renovation of the Portland Building is currently underway. These changes have slowed the rate of growth of the annual funding gap (from 20% between FY 2013-14 and FY 2015-16 to 16% between FY 2015-16 and FY 2017-18) but have yet to reverse the trend.

The City has taken additional measures to reverse these trends: Build Portland was announced as part of the FY 2017-18 budget with the expectation to fund \$600 million for the City's infrastructure maintenance and replacement needs over the next 20 years. In March 2018, the first tranche of Build Portland projects were selected. The City appropriated \$49 million for seven capital improvement projects. In addition, the Bureau of Revenue and Financial Services – in partnership with CBO – is in the process of updating the City's financial and capital planning policies with the goal of highlighting and facilitating solutions to medium- and long-term asset financing needs. Finally, the Citywide Asset Managers Group (CAMG) meets regularly and continues to look for ways to improve asset maintenance practices and opportunities. The City Budget Office received a limited term Capital Analyst position in the FY 2018-19 Adopted Budget; one of the tasks of this new position will be to help identify additional funding sources strategies to continue addressing this issue.

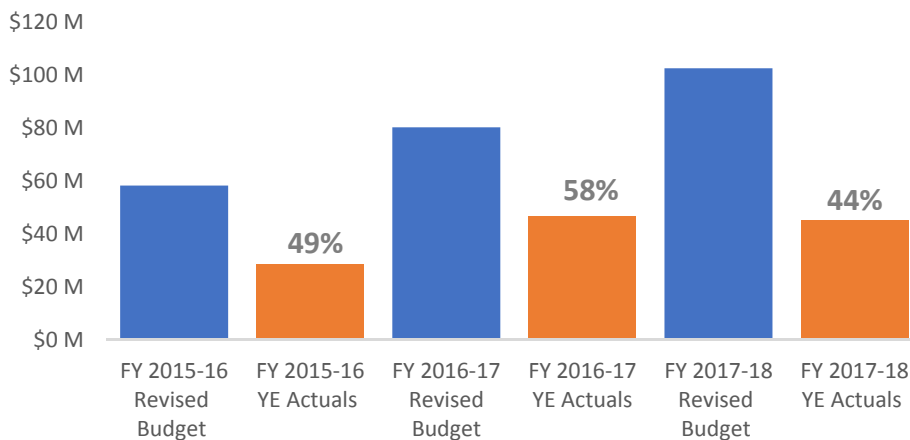
It is important to note that different capital-owning bureaus are experiencing distinct challenges in achieving their major maintenance and asset management goals. While insufficient resources are a primary factor impeding progress towards major maintenance goals in several bureaus, some bureaus' most immediate challenge is operational or informational in nature. This report provides analysis and recommendations for the City's primary capital-owning bureaus in subsections below.

Transportation Revenues and Project Delivery Ramp-Up

In 2017, the **Portland Bureau of Transportation (PBOT)** reported an annual repair, rehabilitation and replacement (R/R/R) gap of \$214 million to bring the bureau’s assets up to current service levels, or replace assets considered obsolete. Although revenues still fall short of meeting estimated asset condition need, PBOT revenues have increased dramatically in recent years. Over the past eight years, total PBOT revenues increased by \$202 million, or 86%, and ongoing bureau discretionary resources increased by \$46 million, or 63%.

Much of the historical revenue growth relates to the strong economy: parking and fee revenue has notably increased in recent years. However, in the last two years, the bureau has also been the beneficiary of new publicly funded revenue streams. In FY 2017-18, PBOT received new funding for infrastructure projects from the new voter-approved Fixing Our Streets gas tax (\$16 million), Oregon State House Bill 2017 (\$5.4 million), City General Fund capital-set aside (\$7.5 million). Additionally, \$34 million in Build Portland resources were dedicated for PBOT projects. Ramping up project delivery in response to new revenues is notoriously difficult and PBOT is no exception to this challenge: while PBOT’s capital budget has grown 33% per year since FY 2015-16, the bureau has underspent its budget by 49% over the same period. Some reasons for the underspending are outside of the bureau’s control, but it merits discussion given the significant unmet capital needs of the bureau.

On average, PBOT has underspent its capital budget by 50% over the past three years



Given the condition of the bureau’s assets and the current and future increases in resources, it is critical that projects be delivered in as timely a manner as possible. Over the past several months, PBOT began to identify process improvements to reach its capital delivery goals. The bureau has also added 72 positions in the FY 2018-19 Adopted Budget, many of which will assist with the scoping, planning, design and construction of capital projects. Additionally, the bureau is taking steps to build its Asset Management Group; the bureau’s FY 2018-19 Fall BMP Submission includes a request for a Senior Management Analyst to bring the bureau into closer alignment with the City’s other asset-owning

bureaus. This work is critical in tackling the bureau's infrastructure maintenance gap and the prioritization of finite resources.

CBO encourages PBOT to expand its Key Performance Measures to include indicators of capital output. Adding measures that reflect this work will help align the publicly reported measures to the bureau's current priorities, and track the effectiveness of the bureau's strategies to improve the delivery of its capital improvement program. CBO also encourages the bureau to add a performance measure on the bureau's annual R/R/R funding gap as well as establish an output measure and performance target on funding budgeted for repair and replacement projects.

Paved Street Condition

The **Portland Bureau of Transportation (PBOT)** maintains 4,851 lane miles of paved streets and has a goal of maintaining 80% of arterial and collector roads and 70% of local roads in fair or better condition. In FY 2017-18, the bureau fell short of both performance targets with 48% of busy collector/arterial streets and 31% of local streets in fair or better condition. The performance on this metric has gradually but consistently been moving away from the target over the past several years.

With a total asset value of \$7.9 billion,¹⁰ paved streets comprise the majority of PBOT assets. Pavement preservation is also critical to controlling asset cost: the cost of repairing or reconstructing pavement that has fallen into disrepair is typically ten times more expensive than maintaining pavement in fair or better condition.¹¹

Insufficient resources has been commonly cited as the primary factor impacting the ability to meet pavement condition needs, with an estimated funding gap of \$142.6 million/year over 10 years to reach the bureau's goal of maintaining 80% of arterial/collector roads and 70% of local roads in fair or better condition.¹² While highlighting the need for additional resources to meet the City's intended level of service is important, targeting a level of service that is significantly beyond the City's current financial reality makes it difficult for City and bureau leaders to make and celebrate meaningful progress toward asset management goals.

A more realistic and proactive approach would be for PBOT to instead focus on preventing further deterioration by stabilizing the average network pavement condition index for arterial and collector streets in the near term.

¹⁰ 2017 Transportation Asset Status and Condition Report DRAFT numbers provided by PBOT.

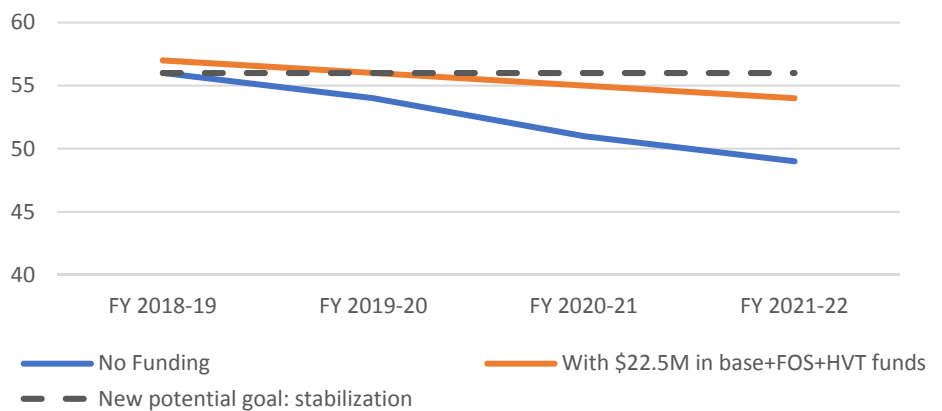
¹¹ PBOT's Pavement Maintenance Policy website, <https://www.portlandoregon.gov/transportation/article/453877>

¹² 2017 Transportation Asset Status and Condition Report DRAFT numbers provided by PBOT.

The bureau’s Streetsaver database is capable of recommending optimal treatment options for a given segment based upon pavement condition, functional classification, traffic volumes, and other measures in order to maximize improvements across the system given available resources. Streetsaver estimates that, with the \$12.5 million base funding allocation and \$10 million in Fixing our Streets and Heavy Vehicle Use tax resources, PCI will deteriorate by one point per year over the next four years. Provided increased resources currently budgeted from House Bill 2017 (HB 2017), continued Fixing our Streets gas tax revenues, and the flexibility to manage to this goal, stabilizing the PCI *may* be an achievable goal and would be a significant first step in reversing the bureau’s asset maintenance cost curve. The bureau estimates that stabilizing the average PCI would require an additional annual investment of approximately \$28 million-\$38 million.

While this level of increased investment is ambitious and would require significant tradeoffs, it is not impossible. CBO recommends that the bureau develop options for near-term performance measures that will help guide the bureau towards its larger pavement preservation goals, as well as a plan to increase investment in pavement preservation to begin reversing this trend.

Streetsaver projects that existing bureau funds will slow the deterioration of pavement condition. CBO recommends the bureau adopt an annual goal to stabilize pavement condition.



Bureau of Environmental Services Capital Project Delivery

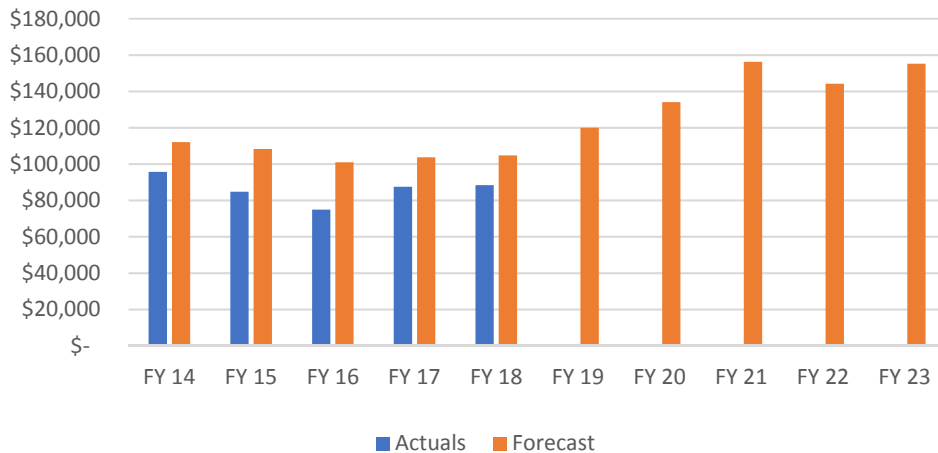
Compared to PBOT and Parks, the **Bureau of Environmental Services (BES)** has a relatively small funding gap. The bureau reported a \$10 million funding gap in 2017, \$5 million of which is in the stormwater system. With the bureau’s robust asset management program, the bureau is well positioned to assess and prioritize resources toward reducing its funding gap. For example, the bureau is devoting significant resources to conduct condition and risk assessments of the stormwater system to address the existing data gaps.

Since the completion of the Combined Sewer Overflow program in 2012, the bureau has begun to shift its capital program toward smaller, more rehabilitation focused projects. However, with this change came an observed decrease in capital spending. In response, BES began a multiphase, multiyear effort to improve how the bureau delivers Capital Improvement Plan (CIP) work. BES released a transition plan over the summer of 2018, but significant improvements in delivery aren’t expected to be realized for several years.

While the organizational and process improvements have not yet been implemented, BES’s five-year CIP continues to assume significant program growth despite low capital expenditure rates. As illustrated in

the chart below, the bureau has underspent its CIP budget by approximately 20% every year since FY 2013-14. Despite this, the bureau forecasts spending \$120 million in capital expenditures in FY 2018-19, a 15% increase from the previous year’s forecast. When comparing FY 2017-18 actuals to the FY 2018-19 capital expenditure forecast, the bureau would need to increase its capital throughput by over 40% to reach its goal.

From 2014 through 2018, BES underspent its Capital budget forecast on average by approximately 20%



Given the priority of this work at the bureau, CBO encourages BES to begin to measure its performance on capital output. Adding measures that reflect this work will help align the bureau’s performance with current priorities, and will better track the effectiveness of the bureau’s efforts to improve capital improvement program delivery.

Portland Water Bureau Capital Project Delivery

The **Water Bureau** also underspent its capital program in FY 2017-18. Compared to the bureau’s FY 2017-18 Adopted Budget of \$106.3 million, the bureau spent \$61.5 million or 58% of its capital budget. The bureau reduced its capital budget to \$72.1 million in the FY 2017-18 Spring BMP Budget due primarily to delays in the Washington Park project and the Willamette River Pipe Crossing. Based on the FY 2017-18 Revised Budget, the bureau underspent its capital budget by 15%. With just a few months into the current FY 2018-19 budget year, the bureau is reducing its capital program budget from \$129.4 million to \$84.7 million, or by 35%. This significant reduction is driven primarily by delays in awarding the contract to construct the seismically resilient Willamette River Pipe Crossing.

In previous analysis, CBO has noted concerns that 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, like the Washington Park Reservoir Project and the Willamette River Pipe 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. Although PWB reorganized

CIP delivery a number of years ago and has indicated that it evaluates improvements annually, CBO continues to encourage the bureau to look for opportunities to improve its capital improvement planning process. Finally, given the priority of these large capital projects at the bureau, CBO also continues to encourage Water to expand its Key Performance Measures (KPMs) to include more 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 capital improvement program.

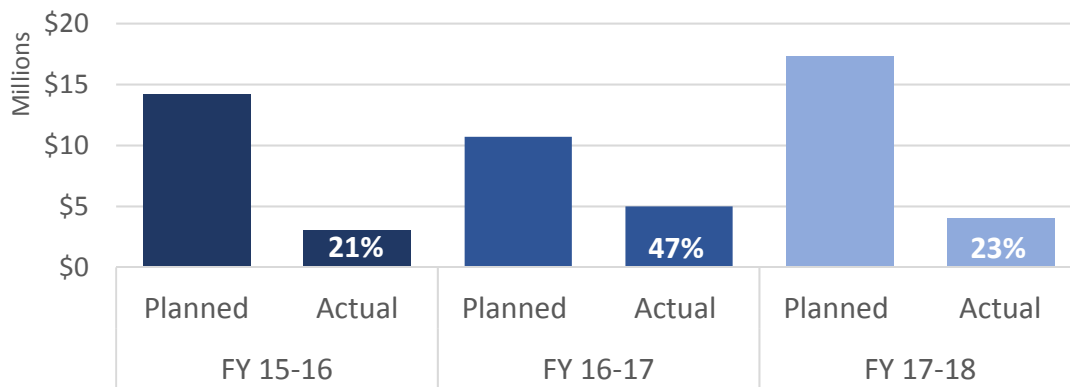
OMF-Facilities Services Major Maintenance Funding and Project Delivery

The **Facilities Services Division of the Office of Management and Finance (OMF)** is responsible for the overall maintenance and management of a portfolio of 15 buildings valued at approximately \$500 million.

The division’s key performance measure, *the percentage of OMF-owned and managed buildings in good or better condition*, has been reported at 61% for the last four years. However, this is likely not a meaningful data point in 2018, as the 61% is based on a 2015 condition assessment performed by an external consultant and the division’s practices and systems do not currently allow for meaningful annual updates on building condition.¹³

Generally, the division’s work is highly reactive, focusing on demand work orders rather than performing preventive maintenance, and with low throughput of planned major maintenance projects. The division has been challenged in achieving planned spending on major maintenance projects across its portfolio over the last several years. The percentage of actual compared to planned major maintenance work declined in FY 2017-18, down from 47% in FY 2016-17 to 23% in FY 2017-18. Delaying planned major maintenance work can lead to higher overall life cycle maintenance costs.

Throughput of Facilities Services Major Maintenance Work Declined in FY 2017-18



Despite the low spend rate on existing major maintenance reserves, there is general agreement among City staff that the major maintenance component of the rental rate should be increased in order to fully fund known major maintenance needs in out-years. The annual funding for major maintenance across

OMF's portfolio currently hovers around 1.4% of replacement value, while industry standards suggest this should be in the 2-3% range. The low-confidence estimate to bring major maintenance contributions in-line with industry standards is \$6.8 million per year, once rate increases have been fully phased in.

The division's efforts to improve its asset management practice have taken various and shifting tacks over the last several years. In July 2017, Council directed OMF to improve its asset management practice and develop a plan for phasing in increased major maintenance funding as part of a FY 2017-18 budget note. Currently the division is in the midst of a consultant engagement designed to develop strategies to achieve better practice around asset management, but has yet to substantially achieve key aspects of that budget note (i.e. clarity around service levels and roles, a robust asset management prioritization framework, and a suite of actionable and relevant performance measures). This work is critical in tackling the City's infrastructure maintenance gap, as well as ensuring that the prioritization of limited available resources is informed by good data and strong asset management principles.

Despite limited progress on key aspects of Council's direction in the Adopted Budget note, Facilities Services has made progress in other areas. Specifically, preventive maintenance is becoming a greater focus for the division, and as a result on-time preventive maintenance completion rates are rising in several buildings. The overall preventive maintenance regimens across buildings are under review to ensure the correct maintenance and diagnostic testing are being completed at the appropriate frequency.

Parks Major Maintenance Funding and Project Delivery

The primary challenge facing Portland Parks & Recreation's ability to maintain its assets is a significant gap in major maintenance funding. To sustain the current condition of all Parks assets, which is estimated at approximately 50% in fair or better condition, an additional \$10 to \$15 million dollars per year would be needed. Given the limited resources and the vast infrastructure needs of the City, it is incumbent upon the bureau to develop a major maintenance and replacement funding plan and adopt sustainable service levels with the explicit goal of operating and maintaining a parks system that can be maintained indefinitely within the resources allocated. The principal strategy to achieve sustainable services levels is either increase resources and/or decrease service levels until future park users can anticipate the same level of service as current park users.

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 2017-18, 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.

VI. Trends in Sustainability and Resiliency

City Sustainability and Carbon Reduction Efforts

In FY 2017-18, the **Bureau of Planning & Sustainability (BPS)** continued its efforts to create an "efficient, low-carbon built environment" and increase "reuse, recycling, and composting," as outlined in its 2018-19 Strategic Plan. Several of BPS' programs, including its Sustainability Education & Assistance program, and the Waste Reduction & Recycling program, also aim to further the City's goals to reduce carbon emissions to 80% below 1990 levels by 2050 and recover 75% of all waste.

The City has met its annual goal of using 100% renewable electricity since FY 2015-16, and the percentage reduction in per person carbon emissions from 1990 levels has remained steady at 41% since FY 2015-16. While this is a great improvement from previous levels, more dramatic interventions will be needed to reach emission reduction goals of 50% by 2035. For the first time since 2007, total transportation sector emissions have climbed above 1990 levels, likely a result of population growth and an increased number of drivers on the road.

BPS plans to continue to work with the **Portland Bureau of Transportation (PBOT)** to address this issue by working to implement the Climate Action Plan. Strategies focus on increasing use of active transportation, renewable fuels, and fleet electrification to reduce emissions. The bureau also anticipates that projects conducted through its Smart Cities initiative, launched in FY 2017-18, may also be able to leverage urban data to reduce carbon emissions.

The City worked to reduce carbon emissions in FY 2017-18 through the requirement of Home Energy Scores. The requirement that all houses listed for sale in Portland have Home Energy Scores took effect January 1, 2018. To ensure that this requirement did not create barriers for low-income sellers, Council directed BPS to establish a mechanism to assist those sellers. In the Fall 2017-18 Supplemental Budget, \$150,000 was appropriated from the Solid Waste Management Fund for Home Energy Scores to provide services to an estimated 750 households. These funds supported contracts for service delivery of home energy scores. The demand for this service has been much softer than BPS originally estimated: the program has served 39 low-income sellers since its launch in January 2018. However, the bureau's focus on implementing the Home Energy Score program this year has increased the number of annual contacts for sustainability training and outreach by 7,000 (increasing to 212,655 total contacts in FY 2017-18).

BPS also received \$50,000 in the Fall 2017-18 Supplemental Budget to join the Zero Net Carbon Cities Project. Mayor Wheeler signed the Net Zero Carbon Buildings Declaration prior to the Climate Action Summit, further pledging Portland's commitment to lowering carbon emissions, by pledging to enact regulations and/or planning policies to ensure Portland's buildings assets operate at net zero carbon by 2050.




Portland has been at the forefront of policies and regulations in this arena, but more drastic interventions may be needed to ensure the City meets its goals in the future.

In recent years, Portland's recovery rate for recycling and composting has been roughly twice the national average, which was 34.7 percent in 2015.¹⁴ However, the *percentage of waste recycled or composted* decreased drastically from FY 2016-17 (63%) to FY 2017-18 (54%). In line with strategic targets set out in the Climate Action Plan, by 2030 BPS would like this to rate to be 90%.

Several external factors have likely contributed to this adverse trend, including a booming construction industry and poor recycling markets, resulting from changes in China’s recycling market in 2017. To address this, BPS plans to continue resident and business outreach to ensure Portland's recycling is clean and marketable, work with regional and state partners to address these issues, and work to find new markets for materials. Portland has been at the forefront of many policies and regulations surrounding sustainability and the environment, but more drastic interventions may be needed to ensure the City can meet its strategic targets in these areas in the coming years. Further developing BPS’ performance measures so that they are more reflective of localized sustainability efforts may also prove useful. This could more aptly demonstrate Portland’s progress to meeting our larger goals in this arena.

Trends in Transportation Mode Share

An important sustainability outcome measure from the **Portland Bureau of Transportation**, the *percentage of trips made by people walking and bicycling, including to transit (calendar year)* has fluctuated for several years, but has remained well below the bureau’s long-term target of 70%. In FY 2017-18, 24.6% of Portland residents regularly used “active transportation”¹⁵, including:

	2017	Prior Year
 Walking	5.7%	5.8% in 2016
 Biking	6.3%	6.3% in 2016
 Transit	12.6%	12.9% in 2016

The percentage of people driving alone decreased to 56.7%, a new record low for Portland. This is believed to largely be attributable to the growth of carpooling (which went from 8.1% in 2016 to 8.7%) and working at home (7.8% to 8.6%). However, despite the decrease in the percentage of those driving alone, the total number of commuters on the road increased from 347,260 to 357,258 (up 2.9%).

While bike/walk/transit mode share dropped from 2016 to 2017, the number of bike/walk/transit commuters grew from 86,659 to 87,978. However, the population of bike and walk commuters are relatively small, and as such are subject to greater fluctuation and higher margins of error.

¹⁴ <https://www.epa.gov/facts-and-figures-about-materials-waste-and-recycling/national-overview-facts-and-figures-materials>

¹⁵ Data collected from the American Community Survey (ACS) and is for the calendar year.

Given the challenges of the current measure to communicate progress toward bureau goals, CBO recommends that PBOT add a more comprehensive suite of performance measures — particularly output measures — to better capture the impact of bureau investments in active transportation. The bureau’s new Office of Strategic Innovation and Performance (OSIP) is well positioned to identify more specific “intermediate” performance goals and measures in this area.

Portland Resiliency: Unreinforced Masonry Buildings, NET, and Planning

Each year the **Portland Bureau of Emergency Management’s (PBEM’s)** planning and mitigation section focuses on maintaining and updating critical preparedness, mitigation, and resiliency plans for the City. For FY 2017-18 the bureau expected to maintain 72% of plans to ensure that they are current and meeting published standards. The bureau fell short of this target with a 62% completion rate, largely because the bureau dedicated personnel resources to lead a collaborative effort with **Prosper Portland** and the **Bureau of Development Services** to strengthen the City’s resilience through reducing unreinforced masonry (URM) buildings, as directed by City Council.

A URM building is the building type most likely to collapse in an earthquake. A cross-jurisdictional work-group, led by PBEM, produced recommendations last year on new policies to address this risk. As a result, City Council committed to requiring retrofits of public safety buildings, schools, and community centers; to placarding all URM buildings; and to continue to develop strategies to both require and support the retrofiting of private URM buildings in Portland. The City is also developing a strategy to retrofit all City-owned URM buildings.

Other resiliency achievements in FY 2017-18 included advancing operational continuity planning citywide through the COOP process, co-convening the Resilient Infrastructure Planning Exercise (RIPE), convening a joint staff-resident committee to advocate for implementation of the citywide Mitigation Action Plan (MAP), contributing to the Lents Collaborative, and sponsoring collaboration with Portland State University and Portland General Electric to pilot permanently installed earthquake communication nodes. All of these achievements leveraged the resources of multiple bureaus. PBEM has prioritized these citywide efforts, and feedback from partners indicates the collaborative approach is impactful and may be a model for making progress in other areas.

Finally, the bureau exceeded performance targets with its increased resources for the Neighborhood Emergency Team (NET) program, with 80 active NET teams now covering 82% of neighborhoods in the city. This support expanded outreach opportunities, including new training locations in underserved communities. Outreach efforts focused on communities of color and communities that have not participated with the NET program before.

VII. Use of Data and Technology to Improve Government Outcomes

Operationalizing Equity to Improve Service Outcomes

In 2015, City Council took two key steps toward advancing equity within City government: first, adopting the [Citywide Racial Equity Goals & Strategies](#) as binding City policy, and second, mandating that all City of Portland employees complete an Equity 101 Training. Since that time, the **Office of Equity and Human Rights (OEHR)** has trained 91% of the City's workforce, and all bureaus have completed detailed Racial Equity Plans to operationalize these commitments within their own policies, programs, and services. Bureaus are looking both internally and externally for support in putting equity goals into practice. The number of bureau equity managers and staff has increased to at least 17 FTE across ten bureaus, and several bureaus have created larger Equity and Policy Teams to provide bureau-specific guidance and technical assistance. OEHR has been asked to provide increasing levels of technical assistance and consulting related to equity issues, particularly Civil Rights, with total requests for assistance more than quadrupling since FY 2013-14.

These indicators all point to an organizational shift in understanding and operationalizing equity. And yet, several key shared Citywide performance measures do not demonstrate progress toward desired equity outcomes. However, this does not necessarily reflect a lack of movement towards goals, but rather highlights continued challenges around data collection and reporting.

First, individual bureaus are not being held accountable for meeting annual reporting requirements. Eight bureaus failed to provide OEHR with data on the translation of essential documents into safe harbor languages and the percentage of ADA Title II Transition Plan barriers removed in FY 2017-18. Seven of these bureaus have dedicated equity staff. This dynamic is not unique to FY 2017-18 but rather continues a trend that has persisted over the last several years.

CBO has previously noted the ambiguity around OEHR's role in [Citywide equity efforts](#), and recommends that Council clarify a) expectations for bureaus to report to OEHR and b) the consequences for failing to do so. OEHR will complete a new strategic plan once a permanent director is hired; this represents a critical opportunity to sanction OEHR's Citywide responsibilities and authority.

Second, OEHR intends to collaborate with CBO to develop a more robust suite of outcome measures that better assess progress toward Citywide racial and disability equity goals. Critical to this effort is strengthening the underlying data collection, reporting, and analysis so that the City can develop targeted, specific policies and interventions to address equity gaps and barriers. The current level of data analytics and management capacity varies widely by bureau, and there are limited Citywide

This section identifies four important trends in City business intelligence in FY 2017-18:

- 1) Improved reporting is needed to help the City deliver on equity outcomes;*
- 2) Multiple bureau efforts are addressing challenges in Citywide data management;*
- 3) Data analytics led to improved recruitment and hiring timelines in the City; and*
- 4) A budget ask for a new integrated tax system is on the horizon.*

standards for how data should be collected and at what level of detail. Historically, most of this data is not centrally stored or accessible, further reinforcing siloes rather than leveraging collective resources to work toward comprehensive solutions.

Challenges in Citywide Data Management

The City's lack of accurate reporting on equity places a spotlight on the lack of enterprise data management in the City. However, there were multiple collaborative bureau efforts in FY 2017-18 that aimed to advance Citywide data sharing and analysis.

Portland Urban Data Lake Pilot

One such project is the Portland Urban Data Lake, a pilot enterprise data management system from **Bureau of Planning and Sustainability's** Smart Cities program.^[1] BPS received two new program manager positions in FY 2017-18 to further Smart Cities partnerships and projects, and to implement the new City Open Data Ordinance.

With regards to data management, the Smart Cities program notes that:

The City of Portland does not have good, centralized systems in place for managing, integrating and analyzing the data we have today, much less the large volumes of data coming from Smart Cities technologies like sensors, connected vehicle infrastructure, and private-sector services. The City needs to derive insight from data we have now, and the data we will be collecting in the future. This will help City leadership and City staff to make and evaluate decisions, design and evaluate policies and programs, enhance community engagement, and allow us to better partner with the private sector, researchers, and non-profits to meet City goals around livability, affordability, safety, sustainability, resiliency and equity.^[3]

The goal of the Portland Urban Data Lake (PUDL) pilot is to collect, store, integrate, and analyze data from a variety of sources to provide a foundation for data-driven decision making in those areas. Though the project is still in its early stages, the project pursues a cutting-edge model for storing and accessing data across the city. Potential limitations of the project include a lack of dedicated resources for technology and data management to support a citywide effort. The Open Data Work Group, which BPS has begun convening in FY 2018-19 in accordance with the City's [Open Data Policy passed in May 2017](#)¹⁶, seeks to catalyze this process.

Data Analytics and Data Visualization Advances in the Bureaus

Additionally, in FY 2017-18 the City of Portland Tableau Users Group began highlighting the need for an enterprise implementation of a data visualization and analytics tool such as Tableau, which has broad adoption across City bureaus. Insights from the use of Tableau include better incorporation of equity into decision-making at **Parks & Recreation** (such as where to invest in Parks expansions), decreased recruitment and hiring times at **Bureau of Human Resources**, reduced times to address work orders in **OMF-Facilities**, greater transparency for [Citywide performance results](#) and the [Adopted](#)

^[1] <https://www.smartcitypdx.com>

^[3] <https://www.portlandoregon.gov/bps/76771>

¹⁶ Ordinance #188356, Establish an Open Data Policy and Create an Open Data Program for the City of Portland, <https://www.portlandoregon.gov/cbo/article/636448>

[Budget](#) from the **City Budget Office**, have enabled the **Bureau of Emergency Communications** to better analyze emergency call data, have been a key tool of **Portland Bureau of Transportation's** Office of Innovation and Performance to support improved outcomes across the bureau.

Despite the dramatic improvement in bureaus' ability to transform tabular data into information or decision-making in recent years^[4], the City lacks a platform for collaboratively developing and securely sharing these dashboards. The one exception has been at **Parks & Recreation**, which uses the Tableau Online platform to share content within the bureau.

Notably, from January through August 2018, the **Portland Police Bureau** conducted a pilot project to test the feasibility and usefulness of Tableau Server for the Police Bureau generally, and for command staff specifically. The pilot found that Tableau Server offered a high value-add for the Police Bureau's efforts to use data in decision-making, and recommended that the Police Bureau roll-out Tableau Server for sergeants (and non-sworn sergeant-equivalents) and above over the course of 1-2 years.

While minimal resources were needed from IT for account maintenance and patching, the evaluation noted that acquiring Tableau Server would accelerate the bureau's need for improved data management practices.

With Police and now Parks utilizing their own instances of data visualization platform, there is a significant risk that other bureaus with a sufficient user base will simply purchase a platform on their own, due to the critical need for secure distribution of content. Such an approach would reinforce existing data access siloes that stifle productivity. It would also result in increased costs to the City when compared to an enterprise platform – not to mention leaving the bureaus with fewer in-house data management resources behind.

Bureaus are increasingly recognizing that business intelligence is critical to managing their operations and are prioritizing existing resources accordingly. To make the most of these advancements and improve outcomes across service areas, the City must prioritize and invest in *Citywide* enterprise data management and business intelligence in the coming years.

Human Resources Recruitment & Hiring

Over the past year, the **Bureau of Human Resources (BHR)** has reorganized staff and implemented process changes informed by data analytics, in order to improve the recruitment and hiring process. Specifically, these changes aim to reduce the *average number of days to complete recruitment*. As a result of these changes, the average recruitment time decreased from 110 days/recruitment in FY 2015-16 to 97 in FY 2017-18, and currently stands at 93 days/recruitment, achieving their target timeline of 100 days per full-cycle recruitment.

Improvements to the process began in FY 2017-18 when OMF engaged their customers on areas where customers had been particularly vocal about their needs, including recruitment. Concurrently,

^[4] The City has centralized management of geographic data by CGIS in the Bureau of Technology Services, and open distribution of geographic data to the public on [PortlandMaps](#), among other sites.

recruitments have continued to surge, increasing from approximately 400 requisitions in FY 2012-13 to the current number of requisitions of over 1,000 per year. Through this surge, bureaus have been dissatisfied, and so BHR began discussing recruitment service levels with customers, aiming to identify the desired service levels.

This discussion led to several key process improvements: increased strategic outreach, expedited scoring for minimum qualifications, integration of SAP and NeoGov, and faster provision of eligible lists to bureaus. The bureau also began analyzing recruitment data internally to inform these changes, and now shares information via its recruitment and hiring dashboard. For the first time, this dashboard enables City bureaus to easily compare the length of their processes historically and to each other.

Human Resources has also begun piloting a full-cycle process improvement process, during which they work specifically with bureaus to address barriers in the back-and-forth handoffs between BHR and themselves. BDS and BES have engaged in this process thus far. In addition, as part of the FY 2018-19 budget, BHR received funding for two FTE, which were previously funded via interagency agreement revenues, solely to support specific bureaus. These positions will support increased engagement between bureaus and BHR through the entire recruitment process.

It is also worth noting that BHR recently changed this performance measure, taking on greater ownership of the entire recruitment process with the goal of providing full-cycle support and reducing time-to-fill vacancies.

The Business License Tax Gap & a New Integrated Tax System

Efficient collection of revenues owed to the City is a central tenet of the City's financial policy, and is similarly foundational to Council priorities around fiscal sustainability. With FY 2018-19 forecasted revenue of \$120 million, Business Licenses Tax (BLT) revenue comprises approximately 20% of the City's overall General Fund discretionary revenue. Set as a percentage of business income, this revenue source is highly cyclical with the economy and is the most volatile of the City's General Fund revenue streams. Preserving overall BLT collection rates and compliance is important to maintaining the City's service levels, especially as the likelihood of a near-term economic downturn increases.

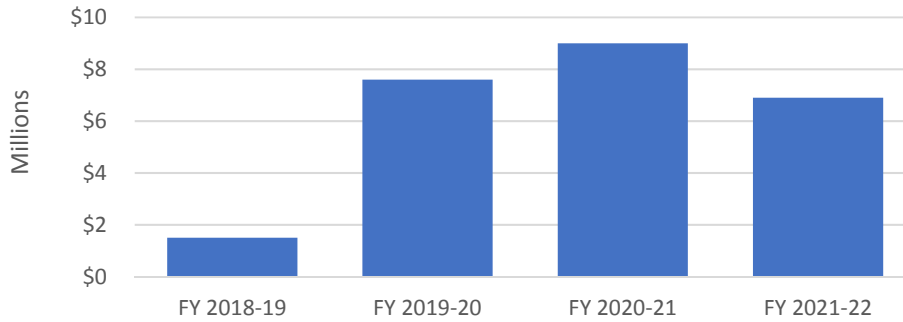
The Revenue Division's key performance measure is the Business License Tax (BLT) Gap, which is defined as the estimated difference between business license tax owed and taxes paid. The estimated tax gap will always be a non-zero number and is not a precise measure of uncollected taxes; rather, it is an estimation of the overall effectiveness of collection efforts. The FY 17-18 BLT gap was estimated at \$8.6 million, which is 24% over the FY 2016-17 estimate of \$6.9 million. Initially, this percentage increase could seem concerning, as it suggests a substantial change in overall compliance rates.

Given that approximately one third of non-filing businesses are ultimately exempt, according to the Revenue Division, the \$8.55 million BLT tax gap estimate is likely inflated and should be noted as a low-confidence estimate.¹⁷ The Revenue Division is aware of this and will be performing an updated tax gap analysis as part of the Integrated Tax System (ITS) project implementation. An integrated tax system will

¹⁷ As the Revenue Division has noted previously, the methodology used to estimate the tax gap is somewhat outdated and has not kept pace with structural changes in economic activity. In particular, the explosion in the number of business license accounts in Portland is in part due to large numbers of individuals registering businesses for sharing economy type income (private for hire, homestay, etc.). As many as 20,000 of new business accounts are likely to be exempt from paying the BLT because they fall under the \$50,000 revenue exemption.

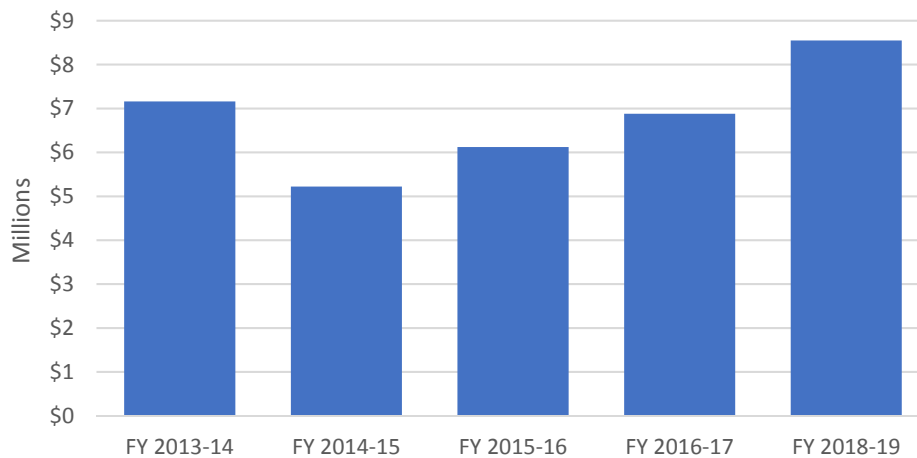
replace multiple and aging tax application systems, allow for modernized e-filing, as well as allow for the full integration of IRS federal tax information into any tax gap analysis.

Revenue Division estimates \$25 million in additional resources will be required for tax system replacement over the next 4 years



Council has previously allocated funding for staff to develop requirements and issue a request for proposal for the ITS project. At this point, the Revenue Division estimates it will require an additional \$25 million over the next four years to implement a replacement of its existing tax systems (this estimate is exclusive of any anticipated County contribution).

The estimated Business License Tax Gap is increasing, but is based on an outdated methodology



This project is anticipated to provide more precise information on the BLT tax gap and useful compliance data, but the primary impetus for this project is that the existing tax application system is nearing the end of useful life. This cost estimate is relatively low-confidence, as it does not include any hard procurement contract cost information – but it is significant due to the substantial General Fund resource requests on the horizon. The estimated FY 2019-20 General Fund request from the Revenue Division for this project is \$7.6 million.

Conclusion

In FY 2017-18, the City continued to direct its resources towards outcomes that have in recent years been highlighted by decision-makers as consistent priority areas for the community.

Additionally, beyond simply increasing budgeted resources, bureaus are delivering better results for the community through improvements in their business processes, cross-sector collaboration, and a heightened focus on program outcomes. In doing so, Portland is part of a greater movement of forward-thinking governments that are optimizing the power of data to create better results for their communities.

We hope that this report has provided insight into the progress of the City's top priorities, and will offer valuable context for budget, management, and policy decision-making moving forward.

Some of our key take-aways from reviewing progress on City priorities:

- With regards to public safety, which represented nearly 60% of General Fund Discretionary resources in FY 2017-18, key measures of success such as emergency response time and crime rates are most accurately viewed as outcomes of the efforts of multiple bureaus. An improved understanding of more holistic measures, such as total dispatch time for high-acuity calls, may provide insight on where the City's next public safety dollars are best spent.
- When considering further investments to address homelessness and housing affordability in FY 2019-20, it would be helpful to gain clarity on how much the increased service levels over the past several years have met the evolving intent of the State of Housing Emergency. What are the long-term outcomes sought by the City through its homeless service investments? These reflections have a natural nexus with the development of a more coordinated strategy for City programs that manage the impact of unsheltered homelessness.
- On the topic of increasing affordability and equity for Portlanders, the City should certainly celebrate its new programs supporting low-income customers, but also consider the cost of service impacts on the broader population.
- Finally, examples from resiliency planning and Smart Cities highlight programs that have made strides in the past year by collaborating strategically with other City bureaus. Adoption of improved citywide data management practices and analytical tools will enable the City to develop targeted, specific policies and interventions to address equity gaps and barriers – not to mention improve outcomes in bureaus that do not have dedicated business intelligence staff.

To be effective, performance management is an ongoing and systematic means of monitoring progress towards goals. When a focus on results permeates the City's strategies, processes, culture and decision-making, bureaus and elected officials can confidently address the challenges faced by our community, and in doing so improve Portlanders' lives.