

The Oregonian

Fired Portland administrator Jack Graham tells city he'll sue for racial discrimination, defamation

By Brad Schmidt

Portland's former chief administrative officer, Jack D. Graham, plans to sue the city for racial discrimination, defamation and a lack of due process tied to his firing last year in the wake of a financial scandal.

Graham's attorney notified the city Wednesday that he expects to receive "substantial economic damages" as a result of his eventual lawsuit.

Mayor Charlie Hales fired Graham, who is African American, in November because of "controversies" involving the Office of Management & Finance that Graham supervised.

In 2012, Graham proposed a budget transfer of nearly \$200,000 in water and sewer funds from a reserve account to the city's general fund, a move he later said was meant to help free up money so then-Mayor Sam Adams could bail out Portland Public Schools.

A city investigation concluded that there is "credible evidence that Mr. Graham was explicitly warned that the transfer" of water and sewer money "was improper but he consciously chose to ignore the warnings."

The Oregonian disclosed the investigation and its findings in June 2013.

In his tort claim, Graham's attorney, Dana Sullivan, said the investigation's "patently inaccurate findings" have "contributed to the false and stigmatizing public assertions that Mr. Graham attempted to use ratepayer money for improper purposes."

At a public hearing last month, Graham acknowledged that his staff objected to the proposed transfer but they didn't provide any specific information about what rules, laws or policies it would violate.

Graham said he made a "judgment call" to move forward. Ultimately, the transfer didn't go through after whistleblowers stepped forward to complain.

Graham's tort claim alleges that he faced racial discrimination almost immediately after being named the city's top administrator in July 2011. The tort claim also questions Commissioner Amanda Fritz's motives for pushing a successful plan to create a City Budget Office outside of Graham's control.

"It was rumored that Mr. Graham's race, at least in part, motivated Commissioner Fritz's efforts to remove budget operations away from Mr. Graham and OMF, and civil discovery will confirm the basis for these rumors," the claim reads.

The tort claim also alleges that the city's investigation of Graham, conducted by an outside attorney, came five months after the proposed budget transfer and corresponded with Graham's objections to Fritz's plan.

"The timing of the investigation ... is indicative that the investigation was driven, at least in part, by Commissioner Fritz's desire to interfere with Mr. Graham's employment with the City through improper means and for her own improper purposes," the claim reads.

Graham also alleges that Fritz and Commissioners Steve Novick and Nick Fish made misleading public statements and did not give him an opportunity to clear his name before his firing.

Fritz said she wouldn't comment directly because of the potential for litigation. But she said her record for pushing equity initiatives benefiting minorities and women, such as leading efforts to create the Office of Equity and Human Rights, "speaks for itself."

Graham now blames the city for his inability to land a new job, including being cut from a list of 28 semifinalists for a position with the Metropolitan Washington County of Governments.

"It is beyond dispute that Mr. Graham has suffered harm as a result of the City's and the Commissioners' actions of spreading false and disparaging information related to his termination," the complaint reads.

Tracy Reeve, Portland's attorney, declined to comment

'Convolutd and confusing' Portland streetcar bureaucracy needs clear goals, responsibilities

By Brad Schmidt

The bureaucracy behind Portland's \$251 million streetcar system is "convoluted and confusing," according to a new city audit, and no more money should be spent expanding it until city leaders set clear goals.

In the 19 years since Portland launched its nationally known streetcar revitalization efforts, the city has authorized contracts worth nearly \$21 million to the same nonprofit company, Portland Streetcar Inc., for administrative work without seeking a second round of competitive offers.

All the while, city officials within the Bureau of Transportation have broadly failed to set expectations for Portland Streetcar. And when clear responsibilities did exist, the audit found, the company didn't always deliver.

Thursday's report, released by Auditor LaVonne Griffin-Valade, is the most complete look into the Byzantine administrative structure behind the city's streetcar system.

It found that Portland Streetcar failed to provide annual reports to the City Council on performance and revenues, and city officials didn't even know those reports were required or how much they've paid the company.

"As the structure is more convoluted, it's harder to see the lines of responsibility and accountability," said Drummond Kahn, Portland's auditing director.

The city's link to Portland Streetcar Inc. began in 1995, when a group of boosters formed the nonprofit to explore building a modern streetcar route through downtown.

Portland's first line opened in 2001; next year, the eastside extension will close a loop around downtown by connecting across a new transit bridge to the South Waterfront.

While Portland owns, operates and is financially responsible for the 16-streetcar system, Trimet employees drive the streetcars and the city contracts with Portland Streetcar Inc. for some administrative work. Consulting firm Shiels Obletz Johnsen has played the primary role, with the company's Rick Gustafson serving as Portland Streetcar's only executive director until this month.

While Portland Streetcar states publicly that it operates the system on the city's behalf, auditors found that isn't really the case. Portland's agreement with the nonprofit places full risk and responsibility on the city while Portland Streetcar has "no responsibility" for operation and maintenance safety.

Given the city's ownership and responsibility over operations, the audit found, Portland needs to provide "greater clarity and transparency in how and why the private sector is involved at each level of the organization."

Commissioner Steve Novick, who oversees Portland's transportation bureau, agrees.

Novick praised Portland Streetcar's role raising money through sponsorship agreements and efforts to convince property owners along the routes to help foot the bill for construction.

But summoning a quote from the movie Spiderman – “with great power comes great responsibility” – Novick said city leaders need to clarify the role of Portland Streetcar Inc.

“I think it's a fair question,” he said. “What are they? Are they a contractor? Are they a governing body? Or are they an advisory group?”

Among the audit's recommendations, the City Council should adopt a strategic plan for streetcar; transportation officials should enforce existing contract provisions through June 30, 2015; and the city should launch a competitive process for its next contract, ensuring performance measurements carry penalties for non-compliance.

Dan Bower, executive director of Portland Streetcar Inc. since April 1, said that even if all of the audit's recommendations are implemented, riders shouldn't necessarily notice any difference.

“There's a good story to be told in streetcar,” said Bower, a former transportation bureau employee appointed by Portland Streetcar's board of directors to a \$130,000-a-year post.

Bower said new numbers are likely to exceed the target of 15,000 riders each weekday. Service is reliable, too, with streetcars arriving within five minutes of schedule nearly 99 percent of the time.

“While they're pointing out issues of oversight, the issues of performance aren't really there,” Bower said.

City auditors expect to release a second report on streetcar performance, which could include reliability and revenue projections, this winter or early next year.

Google Fiber reaches preliminary franchise agreement with Portland

By Mike Rogoway

Google Fiber has hit a major milestone with Portland, inking a tentative franchise agreement for hyper-fast Internet in the city.

The deal doesn't guarantee Google will bring its fiber-optic service to Portland – the company still must evaluate local regulations, topography, existing utility networks and other factors that will influence its decision. The 29-page, 10-year franchise also needs sign-on from the city council – the franchise is scheduled to go before commissioners May 7.

Additionally, Portland and Google must reach agreement on the company's desire to put big “network huts” on public property in parts of the city, and small utility cabinets on parking strips in neighborhoods throughout Portland.

But the franchise agreement brings service a good deal closer, outlining the terms under which Google would operate in Portland.

“This franchise agreement is an important step along the path to Fiber. It gives us permission to build here, and it also outlines the ways that we'll partner with the city to invest in local infrastructure and give back to the community,” Google spokeswoman Jenna Wandres said in a written statement. “There's still a lot of work to do beyond this one agreement, but we hope to provide an update about whether we can bring Fiber here later this year.”

Google announced in February that it hopes to bring its fiber-optic service to Portland and five other cities in the metro area – Beaverton, Hillsboro, Gresham, Lake Oswego and Tigard. The company plans to offer connections at 1 gigabit per second – roughly 100 times faster than standard broadband connections now – along with an accompanying cable TV service.

Companies need franchise agreements to install utility lines in the publicly owned right of way. Google's deal resembles Comcast's existing franchise agreement with Portland in some ways, with some notable differences.

Portland agreed to a different type of franchise because it expects different types of benefits from Google's service, according to Mary Beth Henry, director of Portland's Office for Community Technology.

"The overall public benefits are commensurate with the kinds of public benefits available under local cable franchises for many years," Henry wrote in an e-mail

Here's an overview of Google's deal:

- Google would pay a 5 percent franchise fee on its video revenues, which utilities typically pass on to customers. Google said it's too soon to say whether it will do that in Portland.
- Portland levies a 3 percent fee on Comcast's TV service to cover the cost of locally produced public access, educational and governmental (PEG) cable TV programming. In lieu of that fee, Google would offer free gigabit Internet service to some nonprofits and up to three free Wi-Fi networks in parts of Portland – conferring with the city on specific locations. Google would also offer free Internet service for at least seven years, at considerable slower speeds, to customers who pay a one-time installation fee. In other markets, that fee is \$300.
- The agreement does not require Google to serve all parts of the city. Google plans to roll out its service incrementally to "fiberhoods" where residents have demonstrated an interest in the service, so parts of Portland could go without service indefinitely. The franchise agreement says the city will be available to consult on picking service areas regarding neighborhood association boundaries and "public goals of equity and inclusion."
- Google's TV service will offer the local PEG channels.

Comcast did not immediately respond to a request for comment on Google's pending deal.

Portland and Google quietly began negotiating their franchise agreement last fall, months before the company announced its interest in serving the city. Portland has a particularly involved franchise approval process, and Google hasn't started negotiations with the other cities yet.

While negotiating the franchise agreement, Portland was simultaneously working to meet Google's May 1 deadline for a checklist of information about Portland's existing utility lines and geography to help the company evaluate costs and strategies for building its network.

That work is proceeding apace, Henry said: "We will meet the checklist deadline."

The Portland Tribune

Audit questions Portland Streetcar organization

By Jim Redden

The Portland Auditor's Office is urging the City Council to postpone future expansion of the Portland Streetcar system until questions about its financing and organizational structure can be resolved.

In its first audit of the system, the auditor's office found the mix of public agencies and private organizations involved its operation confusing and potentially risky to the city's finances. Although Portland owns the tracks, streetcar and other equipment, the system is operated by a non-profit organization called Portland Streetcar Inc., and the streetcars are driven by TriMet employees.

The audit, "Portland Streetcar: City bears financial burden and operational risk while relying on outside partners," was released Thursday, April 17, and includes four recommendations to the Portland Bureau of Transportation to resolve some the questions.

"After years of system growth, the city needs to focus on aligning its mission, strategic direction and partnership structure to ensure the success of Portland Streetcar operations. With that in mind, we also recommend the City Council defer future Portland Streetcar system expansion decisions until PBOT has implimented our recommendations," according to the audit.

The recommendations include:

- Conducting a strategic planning effort.
- Better protecting the public interest.
- Improving transparency for Portland Streetcar financial reporting.
- Mitigating risks related to conflicts of interest and/or related-party partnerships.

In his response letter, Transportation Commissioner Steve Novick says he agrees with the audit's recommendations.

The audit can be read at www.portlandonline.com/auditor/index.cfm?c=64479&a=487580

Willamette Week

Former Portland Finance Chief Jack D. Graham Will Sue City for Racial Discrimination

By Aaron Mesh

The City of Portland's former finance chief, Jack D. Graham, has filed notice of his intent to sue the city for racial discrimination and defamation.

The tort claim filed by Graham this afternoon says Graham intends to individually sue three city commissioners—Nick Fish, Amanda Fritz and Steve Novick—for comments they made about a city investigation into his handling of a money transfer.

"Even more shocking," writes Graham's attorney Dana Sullivan, "Commissioners Fritz and Novick made false and stigmatizing statements about Mr. Graham to the media without even having read the investigation findings."

Graham, the city's chief administrative officer, was investigated last year when two co-workers complained he tried to shuffle money improperly between bureaus to help ease a budget crunch in May 2012.

Mayor Charlie Hales fired Graham in November, saying ongoing quarrels over his handling of money were distracting the city. Graham's claim says that he was treated differently than other financial officials who shuffled money in the same way.

"In contrast, Sullivan writes, "the City turned a blind eye when white financial managers completed a comparable transfer in 2011 and did not make public statements impugning those managers' ethics or professional competency."

The claim describes a pervasive atmosphere of racism throughout Portland's city bureaucracy—including a financial manager writing about the number of African-American employees and asking why he wasn't allowed to refer to them as "colored."

"The widespread stereotyped perception that Mr. Graham and other African Americans whom he hired were not competent for their roles influenced how Mr. Graham was treated throughout his employment," Sullivan writes, "caused the City to treat him less favorably than his white peers and subordinates and contributed to the City's decision to terminate him."

Graham's claim singles out Commissioner Amanda Fritz, whose formation of a City Budget Office in 2012 is one of her signature accomplishments. It also removed city budget creation from Graham's office—and led to a promotion for Andrew Scott, one of the whistle-blowers on Graham's attempted money transfer.

"When Mr. Graham expressed opposition to Commissioner Fritz's proposal to establish an independent budget office under the direction of Mr. Scott, one of his principal detractors, Commissioner Fritz retaliated by seeking to publicly discredit him to serve her own political agenda," Sullivan writes.

Fritz could not be immediately reached for comment.

Portland Streetcar Audit Says City Violated State Law

By Aaron Mesh

A new city audit of Portland Streetcar says City Hall is breaking state law in how it allows the streetcar's private operator to control public money.

City Auditor LaVonne Griffin-Valade also says the city has never made a strategic plan to fit the streetcar into its larger transportation spending, since creating the streetcar system in 1995.

"The City's decisions have resulted in a structure that is not readily transparent to the public," writes Griffin-Valade, "does not reflect an actual level of City control to match its contractual responsibilities, and raises concerns about related-party relationships and perceived conflicts of interest."

Griffin-Valade's new audit slams the Portland Bureau of Transportation for allowing private operator Portland Streetcar, Inc. to manage two funds of city money—revenue collected from fares, sponsorships and parking revenue.

The audit says that money was spent by Portland Streetcar, Inc. in violation of Oregon law—and that while the city has made gestures toward compliance, it still hasn't finalized agreements allowing the streetcar operator to use the money legally.

The report also criticizes the city because it "does not fully report Portland Streetcar operations and maintenance costs."

More than a year ago, Griffin-Valade slammed the City Council and the Portland Bureau of Transportation for spending on capital projects without having the money to pay for road maintenance. Now, 15 months later, the City Council is hunting for new taxes and fees to fund transportation projects.

But Griffin-Valade's latest audit, released today, says PBOT still hasn't followed through on the auditor's recommendation that it decide which transportation projects are the most important.

"In our 2013 audit on transportation funding, we agreed with the City Budget Office's recommendation that PBOT develop a transportation strategy to prioritize and reconcile potentially competing transportation priorities," Griffin-Valade writes. "PBOT has yet to create a written strategic plan." The admonition arrives at a particularly damaging moment.

Mayor Charlie Hales and City Commissioner Steve Novick are trying to rally support for a \$12-a-month "street maintenance fee" that would deliver as much as \$52 million a year to the cash-strapped transportation bureau.

The audit suggests that City Council not approve any further streetcar expansion until it develops "consistent goals" and a strategy to link the streetcar to its larger mission.

The Mercury

The Jack Graham Saga Just Got Worse: Tort Claim Includes Allegations of Racism

By Denis C. Theriault

Portland's fired chief administrative officer, Jack Graham, followed through with an implied threat that came along an awkward "name-clearing" hearing last month where he attempted to give his side of the story.

His attorney has filed a formal notice (pdf) that Graham plans to sue the city over his dismissal—accusing officials of ignoring his due process rights and also engaging in racial discrimination and defamation. Attorney Dana Sullivan emailed the tort claim notice to reporters earlier this afternoon.

Graham was told he'd be fired last November, after a handful of controversies—including a high-profile Oregonian story about a 2012 attempt to transfer \$200,000 from utility reserve funds into the city's general fund. Graham has argued the transfer, if it went through, would have been legal and has pointed to a past example of such a transfer.

The racial discrimination accusations are among the most stinging. They're also not unexpected. As I noted in my column after the name-clearing hearing (which pretty accurately presaged the nature of Graham's claims), Graham, who is African American had made some of those assertions when talking to an outside investigator hired to probe his 2012 fund transfer plan.

He singles out Commissioner Amanda Fritz and says his race played a part in her push to lift the city budget office out of the Office of Management and Finance. His lawyer says she can prove it during discovery... a big claim. (That plan was actually meant to lift the budget office out of the mayor's sole control—so it couldn't be used politically during budget negotiations.) Fritz declined to comment when the Mercury phoned her office.

Graham also mentions Fritz alongside Commissioners Steve Novick and Nick Fish, angry over comments they gave to the Oregonian when it reported on his dismissal and on his plan to transfer the utility reserve cash. Because, he contends, his actions weren't illegal or against policy—their strong comments amount to defamation.

And while also lays out much of the same arguments he made in his name-clearing hearing—that his underlings who blew the whistle on his planned transfer never told him it was against policy—he's also accused the city of stacking the deck at that hearing. He says Novick, Fritz, Fish, and human resources director Anna Kanwit weren't allowed to speak.

Graham intends to sue the city for damages—and also seek the same from Novick, Fish, and Fritz individually.

Hall Monitor

A City Manager? Here?

By Denis C. Theriault

AS MUCH AS Portland loves to complain about its unique "commission-style" form of government—with administrative power spread nearly evenly across our tiny, at-large city council—Portland also loves keeping the damned thing around.

Which might be to the chagrin of the big-money consulting team Mayor Charlie Hales has hired to help him sort out management problems in the sprawling Portland Office of Management and Finance (OMF)—including, most notably, whether Hales ought to restore a chief financial officer (CFO) position he axed ostensibly because of budget cuts.

Because according to multiple sources in city hall, interim OMF Director Fred Miller has been meeting with individual city commissioners and their chiefs of staff about that restructuring review and raising an interesting and vexing question.

Namely, should Portland creep down the road to a partial government makeover—sapping the council's power and giving it to the mayor—by giving its next OMF director many of the powers of a proper city manager, if not the actual title?

That sentiment is quietly tucked inside a two-page briefing document (a teaser to a full report by consultant Moss Adams) first leaked to the Oregonian earlier this month. And without context from the people who've seen it, it would be easy to glide right past it. (The Oregonian, in fact, did just that—focusing instead on the document's CFO findings: Yes, Charlie, it really is time to hire a new one.)

Under a section titled "leadership solutions," a bullet point says council might want to consider letting OMF's director "perform the dual role of managing OMF and supporting citywide administration activities on behalf of the city council."

That sounds boring. Don't be fooled. Right now, the head of OMF mostly oversees back-office functions—like human resources, revenue collection, and fleet management—and the city's investments and financial planners.

Adding "citywide administration activities" to that role could give the OMF boss more power over the city's main-line bureaus, like parks and water and fire. And because the head of OMF historically reports to the mayor, that power would also flow up to the mayor's office.

Practically, it's hard to imagine city commissioners taking that kind of change seriously.

And, indeed, some sources suggest the idea is merely one end of a continuum that could even see OMF revert to a far less centralized state. They say it reflects Moss Adams' bias—they're just not used to dealing with a system as quirky as Portland's.

But there's already concern in certain quarters that Hales' office might be using the report's findings to make a strong case for consolidation.

Multiple sources say Miller, in his briefings with city commissioners, has been skillfully exploiting the closed-door, one-on-one nature of his visits. They say he's made sure to point out that the various council offices are split on the question—suggesting some room to lobby for the change.

It's not clear, of course, where Hales' office actually stands on all of this. His spokesman didn't return either of my calls seeking comment on the "city manager" question.

Instead, sources say, the mayor is scuffling with Commissioners Amanda Fritz and Nick Fish over whether the restored CFO job should report to council—and not the mayor—and whether he can maybe layer those duties over an existing job.

Of course, it might help if we could see the report itself, and not just a leaked preview. Because that way a private conversation—on a controversial subject—might also become a public one. It's wonky, but it's worth it.

Once More into the Fray

The Ex-Commissioner Who Sued over Utility Spending Doesn't Want a Water District

By Dirk VanderHart

LLOYD ANDERSON is a relatively difficult man to interview.

His number's not listed, for starters, and his attorney won't call back when you ask for help reaching out. Then, when you do get ahold of Anderson—a former Multnomah County planning director, Portland city commissioner, and director of the Port of Portland—he'll only agree to answer questions via mail. (Want to avoid postage costs and delay by dropping a letter off at Anderson's Sellwood houseboat yourself? You'll be stymied by the gate at the Oregon Yacht Club.)

But there are good reasons to keep trying. Anderson, now 89, is still affecting city policy from the depths of retirement. He's one of the litigants in an ongoing lawsuit charging the city with flagrant misuse of millions in sewer and water funds. That suit recently spurred a Multnomah County judge to chastise the city for using utility money on publicly financed elections and Portland Loos.

And yet—despite his anger over the expenditures—Anderson says the answer to Portland's ongoing debate isn't snatching the utilities away from city council, a move some of his allies in the lawsuit have managed to put before voters in May. He tells the Mercury he opposes that effort, fearing it could imperil the city's ability to borrow money for utility projects.

Anderson's been thinking about these subjects for decades. As a newly appointed public works commissioner in 1970, he pushed for new sewer fees to combat pollution—a provision that laid the groundwork for giant projects that have helped keep sewage from Portland's rivers (and pushed rates higher).

He's perhaps best known, though, as a leading player in Portland's 1974 decision to scrap the Mount Hood Freeway—a landmark victory in the city's land-use history.

The Mercury corresponded, and subsequently chatted, with Anderson about what the city's done wrong, how policy has changed over the years, and why he doesn't support the Portland Public Water District.

MERCURY: How did you come to be involved in the lawsuit?

LLOYD ANDERSON: I believe strongly that the water and sewer funds should be used for water and sewer purposes, as was intended. Several actions by the council caused me to shudder about the use of those funds outside of that commitment. I heard about the possible lawsuit and indicated a willingness to participate. I hoped that the suit would make the council more cautious in what the funds could be used for.

You've been involved in high-level Portland policy discussions for decades. Is there a notable change in how the City of Portland handles and spends water, sewer, and stormwater money today?

The money available from the general fund for various city needs is scarcer now, so the council has taken money out of the water and sewer funds for general fund uses to help relieve the pressure. Some of it may be legal, some may not. But legal or not, the council has been involved in mission creep that has the water and sewer ratepayer acquiring land, and constructing facilities that should be financed by other means.

Not that the city was rolling in money in 1970 when I was commissioner of public works. The sewer rates at that time were fixed at two-thirds of the water rates. The city was dumping primary sewage (settling out the solids and chlorinating the outflow) into the Columbia River and had no money to upgrade the system. I recommended that a citywide vote be held that allowed the sewer rates to be independent of the water rates. The vote was authorized and passed by the voters in May 1970. That led to the building of the secondary treatment plant and the financing of the multitude of the other improvements up to now. With the rates what they are (high) and the continuous need to maintain a system that is aging—some of it well over 100 years old—the prudent use of the sewer and water funds is in order.

What use of ratepayer funds have you found most egregious?

The use of ratepayer money for the Rose Festival building, the building of a section of sewer that others beside the city (TriMet) should have paid for, and the acquisition of park land. All of these efforts have merit. But the water and sewer ratepayer should not be anointed to finance them.

You're frequently noted for your role in helping kill the Mount Hood Freeway project. Are there similar things at play here in terms of wise/unwise use of public funds? Or are the issues completely separate?

I believe they are separate for the most part. The change in values about transportation, neighborhood values, and leadership brought the Mount Hood Freeway to an end.

Given your criticisms of the city's stewardship of ratepayer money, do you support the current push to create an independent Portland Public Water District (backed by many of the same people who filed the lawsuit)?

No, I do not support the effort. The council has changed, and its look at the issues involved is more prudent. I believe they should be held accountable and the change should occur at the council. I also believe a public review of the mission associated with the water and sewer funds should be clearer and developed with substantial open public input. We'll see what happens.

So the matter needs to be handled within city council?

Yes. One of the problems, and it's going to be a legal one, is that the new district has as its boundaries the Portland school district. That excludes part of the City of Portland, but includes areas outside the city. You've got a kind of lawsuit potential. If in fact it occurs and the city needs to then sell more bonds to finance its facilities, the bond buyer has a very real possibility of saying, "Well, I'm going to wait until any lawsuits are settled before I buy."

Were you asked to sign on to the Portland Public Water District campaign?

At the time I indicated that I was willing to enter into a lawsuit opposed to the city taking money out of the water and sewer funds for other purposes, I made it clear that's what I was doing and not anything more.

The Portland Business Journal

Damning city audit blasts Portland's streetcar operations, oversight

By Andy Giegerich

Portland's City Auditor strongly warned that city is taking too much of a financial and operational risk on Portland's streetcar projects.

What's more, LaVonne Griffin-Valade said the current streetcar oversight systems could lead to conflicts of interest due to a lack of transparency and other faulty operational tactics. She recommended the city forgo expanding the system until the issues are addressed.

Griffin-Valade issued the report, called "Portland Streetcar: City bears financial burden and operational risk while relying on outside partners," Thursday morning. It's the first in a two-part city audit on the streetcar.

The report is highly critical of the city's streetcar projects, touted as public-private partnerships designed to promote development around the tracks' stations. At one point, Griffith-Valade mentions "poor contract management" by the Portland Bureau of Transportation.

"While public-private partnerships generally allow for more private sector participation and/or ownership, we found the City applied an approach that includes the use of (transportation department) management and staff, with no real transfer of responsibility or risk to its partners," Griffin-Valade wrote. "... The investments in Portland Streetcar's system expansion and ongoing operations have increased over time. The City has leveraged financial resources from numerous sources, with TriMet jointly paying for annual operations.

"However, we found the City has retained enough overall financial responsibility to result in PBOT spending an increased proportion of its discretionary transportation dollars for Portland Streetcar.

"Moreover, the City does not fully report Portland Streetcar operations and maintenance costs, and it has authorized PSI to possess public dollars that are not managed in compliance with Oregon law."

The contract management issues stem from a lack of adequate communication from Portland Streetcar Inc., according to the audit.

Portland's streetcar projects have recently been held out as development models in other cities.

However, Portland's auditor "found that the Portland Streetcar structure is convoluted and confusing. Such partnerships should be tailored with the overall aim of matching risk with the partner best able to control that risk. Given the City's clear ownership and operations responsibility, we question how and why the private sector is involved at each level of the organization.

"The City's decisions have resulted in a structure that is not readily transparent to the public, does not reflect an actual level of City control to match its contractual responsibilities, and raises concerns about related-party relationships and perceived conflicts of interest."

Griffin-Valade recommended the city defer decisions about expanding the streetcar system until the transportation department tackles her recommendations.

City Commissioner Steve Novick, who oversees the transportation department, and bureau director Leah Treat said in a response to the suggestions that they agree with the audit's recommendations.

On the expansion front, though, Novick pointed out that it takes several years to initiate a public transportation project, and that the city should continue to explore such matters as identifying funding sources for future endeavors.