

IMPACT STATEMENT

Legislation title: Direct the Office of Management and Finance (OMF) to establish a Build Portland Advisory Committee and develop a funding plan for infrastructure maintenance.

(Resolution)

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Purpose of proposed legislation and background information:

The purpose of this resolution is to establish a Build Portland Advisory Committee to develop a funding plan for infrastructure maintenance. Like many municipalities, the City of Portland faces challenges maintaining the infrastructure that provides core city services. This “infrastructure gap” represents a significant long-term liability for the City and threatens to deprive future residents of the services that make Portland one of the world’s most livable cities. The Mayor has proposed bold action over the next 20 years to begin addressing this problem by investing up to \$600 million in the roads, bridges, parks, and buildings that our residents use every day.

Portland has grown into a thriving city, in part due to our targeted investment in Urban Renewal Areas (URAs). At the same time, the foundations of Portland’s asset infrastructure are beginning to crumble. Several URAs will expire over the next 10 years, returning tax increment financing to the City and the City has an opportunity to use a portion of this funding to address deferred maintenance.

City owns and manages over \$35.8 billion in assets across Water, Transportation, Environmental Services, Parks, and Office of Management and Finance, representing generations of investment by Portlanders. Like many municipalities, the City faces challenges maintaining the infrastructure that provides core city services. For example, the City’s asset management professionals note that \$288 million more is needed each year for the next 10 years to maintain existing assets. This gap has increased by \$46 million over the last two years because the cost for repairing and maintaining our assets increases as their condition deteriorates.

The City has taken a studied approach to develop options for funding and allocating resources to address recurring major maintenance and replacement needs. In the FY 2014-15 Budget, Council directed bureau asset managers and the City Budget Office (CBO) to develop recommendations for addressing the gap. In October 2014, Council received the Citywide Funding Options Report that outlined a suite of options for closing the major maintenance and asset replacement funding gap. The report recognized that without substantial realignment of resources (existing or new) to address this issue, the City risks higher costs and lower levels of service in the future.

City Council and Portland voters have made notable progress in addressing the infrastructure reinvestment backlog. In January 2015, Council passed Resolution 371707 which sets aside 50 percent of one-time General Fund resources for deferred maintenance in parks, transportation, and emergency management assets); in 2016, voters supported new gas tax revenue for transportation; in 2014, voters approved the Parks Replacement Bond; and Council has taken action to finance the reconstruction of the Portland Building, adequately fund electronic equipment replacement, increase utility rates for significant infrastructure repair, rehabilitation and replacement, and review major maintenance replacement rates for essential civic infrastructure.

The City of Portland currently employs an asset management framework to prioritize reinvestments in the asset base. Asset management balances the triple constraints of risk, service level and cost, with the goal of defining sustainable level of services. The City's asset managers recognize an opportunity to improve citywide coordination of reinvestment in our asset base.

In the FY 2017-18 Proposed Budget the Mayor announced a bold infrastructure plan, Build Portland, to commit at least \$600 million of City resources by 2040 to make critical reinvestments in our core infrastructure. A work session was held on August 29, 2017, on Build Portland, which included the Chief Administrative Officer (CAO) and bureau directors from CBO, Portland Parks & Recreation, Portland Bureau of Transportation (PBOT) and PBOT's asset manager and the Executive Director of Prosper Portland. The team described the vision, investment needs and framework that will prioritize and deliver on multiple priorities and maximize the City's return on investment, minimize risk and consider equity and the priorities of the Portland Plan.

Financial and budgetary impacts:

The resolution establishes a Build Portland Advisory Committee to develop a funding plan for infrastructure maintenance. The advisory committee, comprised of the CAO, CFO, Directors of PBOT, Parks, the City Budget Office, City Asset Managers, and community advisers, will develop a funding plan for Council Consideration that uses a portion of General Fund dollars that will return to the City as Urban Renewal Areas expire over the next 20 years. The plan will address (A) an initial \$50 million investment in Build Portland, and (B) a longer-term plan of how forecasted General Fund resources can be used to fund Build Portland projects, with the goal of reinvesting \$600 million in the City's asset base by 2040. There may be staffing costs associated with both committee administration and plan implementation; however, these costs will likely be absorbed using existing resources.

There are several changes that could impact the amount of revenue that will return to the City as Urban Renewal Areas expire, including reforms to Oregon's property tax system or federal changes to the tax treatment of municipal bonds. Given that Build Portland is intentionally phased, the Advisory Committee will be positioned to assess the current environment to recommend a decision for Council consideration.

The City's asset management professionals note that \$288 million more is needed each year for the next 10 years to maintain existing assets. This gap has increased by \$46 million over the last two years because the cost for repairing and maintaining our assets increases as their condition deteriorates. The Build Portland initiative will help to bend the cost curve of annual funding gap; however, the City will need to identify other resources and strategies to address all its infrastructure maintenance needs.

Community impacts and community involvement:

On August 29, 2017, a City Council work session was held on Build Portland. The session was led by the Chief Administrative Officer (CAO) and included bureau directors from the City Budget Office (CBO), Portland Parks & Recreation, Portland Bureau of Transportation (PBOT) and PBOT's asset manager and the Executive Director of Prosper Portland. The team described the vision, investment needs and framework that will prioritize and deliver on multiple priorities and maximize the City's return on investment, minimize risk and consider equity and the priorities of the Portland Plan.

With the additional investment in maintenance of existing infrastructure that is in need of repair, the City will be able to better maintain the system and better be able to meet desired levels of service.

In the past several years, both City Council and voters have supported additional investments in infrastructure funding. In 2014, voters approved the Parks Replacement Bond; in January 2015, Council passed Resolution 371707 which sets aside 50 percent of one-time General Fund resources for deferred maintenance in parks, transportation, and emergency management assets; in 2016, voters supported new gas tax revenue for transportation. Build Portland provides another funding mechanism to support improvements to the City's infrastructure.

A Technical Advisory Committee will be formed through this resolution - to be comprised of staff and industry experts – who will establish project selection criteria, identify projects and analyze the return on investment of bureau proposals. The Committee will establish a consistent methodology for evaluating and prioritizing projects for funding; using this methodology, the Committee will subsequently forward project funding recommendations to Council.

Budgetary Impact Worksheet

Does this action change appropriations?

- ☐ **YES:** Please complete the information below.
☒ **NO:** Skip this section

Fund	Fund Center	Commitment Item	Functional Area	Funded Program	Grant	Sponsored Program	Amount