

REPORT BY THE
INTERNAL AUDIT DIVISION
OFFICE OF THE CITY AUDITOR

FINANCIAL AND SERVICE IMPACT OF ANNEXATIONS:
AN URBAN SERVICES PROGRAM REVIEW

INTERNAL AUDIT REPORT
#3-86

SEPTEMBER 1986



CITY OF
PORTLAND, OREGON
OFFICE OF CITY AUDITOR

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September 30, 1986

TO: J.E. Bud Clark, Mayor
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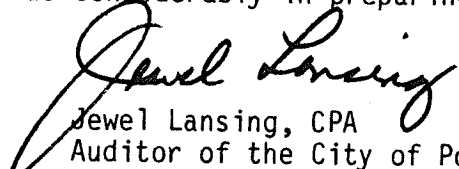
SUBJECT: Audit of the Financial and Service Impact of Annexations: An
Urban Services Program Review (IAR #3-86)

Attached is our Internal Audit Report #3-86 concerning our review of the City's Urban Services Program. The audit was part of our FY 1985-86 Internal Audit Schedule. A summary is printed on the blue pages at the beginning of the report.

We have discussed the report with the Mayor and his staff, and with the staff of the Office of Fiscal Administration. They are in general agreement with the conclusions and findings of the report. We have also discussed the sections on specific bureaus with the appropriate Commissioners-in-Charge and their bureau managers.

We would appreciate receiving a written status report from the Mayor and the Office of Fiscal Administration in six months indicating what action has been taken regarding the recommendations presented in this report. This response will be circulated to City Commissioners.

The data and information on bureau costs, workload, and service levels were extremely difficult to collect and verify. We greatly appreciate the cooperation and assistance we received from all City bureaus and staff. Their assistance and advice aided us considerably in preparing this report.


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Attachment

TABLE OF CONTENTS

	<u>Page</u>
SUMMARY	i
INTRODUCTION	1
BACKGROUND	1
AUDIT SCOPE AND METHODOLOGY	10
AUDIT RESULTS	13
I SUMMARY OF CITY BUDGET AND SERVICE DELIVERY IMPACT	13
II URBAN SERVICES REVENUE INCREASES	17
III BUREAU REQUIREMENTS, WORKLOAD AND SERVICE LEVELS	29
BUREAU OF POLICE	32
OFFICE OF TRANSPORTATION	42
BUREAU OF FIRE	52
BUREAU OF PARKS AND RECREATION	62
BUREAU OF BUILDINGS	70
BUREAU OF WATER WORKS	75
BUREAU OF ENVIRONMENTAL SERVICES	83
OTHER BUREAUS AND COSTS	89
IV IMPACT ON TAXES, FEES, AND UTILITY RATES	93
IMPACT ON EXISTING CITY RESIDENTS	93
IMPACT ON NEWLY ANNEXED RESIDENTS	95
ADDRESSING THE URBAN SUBSIDY	97
V ACCOMPLISHING URBAN SERVICES POLICY OBJECTIVES	99
RECOMMENDATIONS	106

APPENDICES	109
A. URBAN SERVICES POLICY	111
B. RESOLUTION A	113
C. METHODOLOGY AND ASSUMPTIONS USED TO ESTIMATE AND PROJECT URBAN SERVICES REVENUES FY 1980-81 THROUGH FY 1990-91	115
D. CITY OF PORTLAND REVENUE SOURCES	119
E. SOURCE OF BUDGETED DOLLARS AND POSITIONS, AND EXPLANATION OF CONSTANT DOLLAR METHODOLOGY	123

RESPONSES TO CITY AUDITOR'S REPORT

Mayor J.E. Bud Clark	125
Stephen Bauer, Director, Office of Fiscal Administration	127

INDEX TO GRAPHS AND TABLES

GRAPHS

	<u>Page</u>
1 - Urban Service Property Tax Revenues	21
2 - Urban Services Utility Franchise Fee Revenues	22
3 - Urban Services Business License Fee Revenues	23
4 - Urban Services State Shared Revenues	24
5 - Urban Services State Tax Street Revenues	26
6 - Urban Services County Road Revenues	27
7 - Projected Residential Water Rates	79
8 - Bureau of Water Works Increase in Capital Structure	82
9 - Forecast Sewage Disposal Rate Comparison	86
10 - General/Transportation Fund Revenues	119

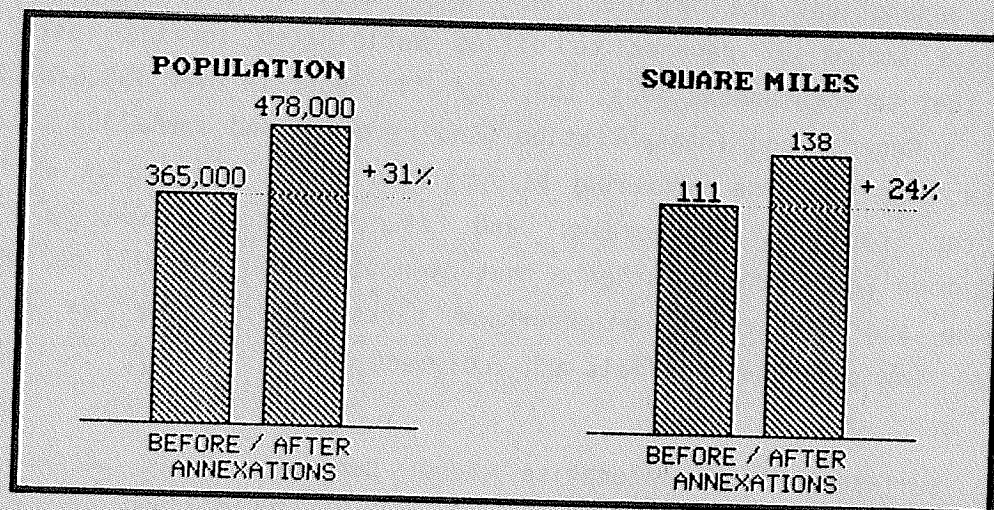
TABLES

1 - Urban And County-Wide Services	6
2 - Estimated Revenues and Requirements for the Urban Services Area	14
3 - One-Time-Only Urban Services Costs	15
4 - Estimated City General/Transportation Fund Revenues Resulting from Annexations	19
5 - Bureau of Police's Cost to Serve the Urban Services Area	34
6 - Bureau of Police Budget and Staffing	36
7 - Police Service Population	37
8 - Call Load of Portland Police and Multnomah County Sheriff	38
9 - Average Officer Response Times	39

10 - Police Staffing Per 1,000 Residents	40
11 - Service Calls Per Sworn Officer	41
12 - Office of Transportation Cost to Serve the Urban Services Area	44
13 - Office of Transportation Budget and Staffing	46
14 - Inventory of Existing City and Urban Services Area Street Miles, Bridges, and Signals	49
15 - Bureau of Fire's Cost to Serve the Urban Services Area	54
16 - Bureau of Fire Budget and Staffing	55
17 - Fire Service Population	56
18 - Number of Calls for Service	57
19 - Budgeted Positions Per 1,000 Residents	58
20 - Stations Per 100,000 Residents	59
21 - Inspections Per 1,000 Residents	60
22 - Bureau of Parks' Cost to Serve the Urban Services Area	63
23 - Bureau of Parks Budget and Staffing	65
24 - Inventory of Existing City and Urban Services Parks	67
25 - Neighborhood and Community Park Acreage Per 1,000 Residents	68
26 - Bureau of Buildings Cost to Serve the Urban Services Area	71
27 - Bureau of Buildings Budget and Staffing	73
28 - Bureau of Water Works 10-Year Financial Projections	77
29 - Bureau of Water Works 10-Year Revenue Projections	78
30 - Bureau of Water Works Budget and Staffing	80
31 - Sewage Disposal Debt Service and Construction Funds	85
32 - Estimated City Tax Rates	94
33 - Tax and Fee Rates for Selected School and Water Districts	96

SUMMARY

Since 1983, local governments in Multnomah County have restructured the way they provide services to their constituents. Guided by the City of Portland's Urban Services Policy and the County's Resolution A, the City of Portland and other cities in the County have assumed the major role in providing municipal services. The County has largely withdrawn from police patrol, parks, and street maintenance services, and focused its resources on county-wide activities such as health care, corrections, and elections. Portland has formalized its service authority by annexing over 37,000 residents and 11 square miles to the City between 1983 and July 1986. The City plans to annex an additional 76,000 residents and 16 square miles within the urban services boundary by 1988. When all annexations are complete, the City will have added a population comparable to the City of Eugene, for a total population of approximately 478,000 and an area of 138 square miles.



Our analysis of the fiscal and service impact of the City's Urban Services Policy has shown considerable progress in shifting services from the County to the City. When annexations are complete, the City will generally provide a higher level of municipal services to the newly annexed

areas and generate sufficient operating revenues to support expanded City bureau operations. Although the City should recover sufficient revenue to pay for bureau service costs beginning in FY 1986-87, the cost of extending new services during the last three years has exceeded revenues collected by 10 percent. Future projections show that annual revenues will exceed operational costs. However, significant capital expenditures will be needed over the next 20 to 30 years to bring City-level services to the newly annexed areas.

Net Effect on City Budget

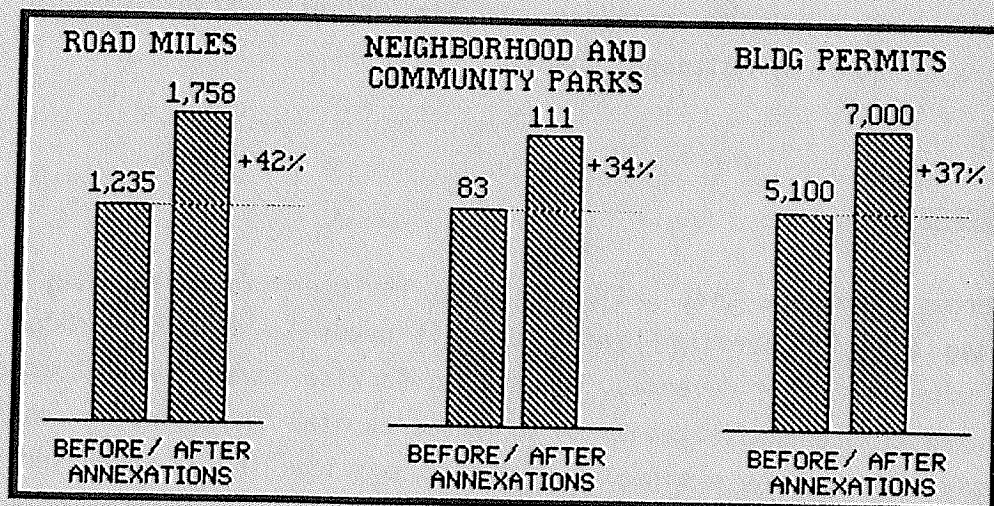
We estimate that from FY 1983-84 through FY 1985-86, urban services costs exceeded new revenues by approximately \$1.6 million. City management personnel maintain that actual expenditures in the newly annexed areas are less than amounts budgeted, therefore, annexation costs have not exceeded revenues. However, because the City has not documented the actual cost of service delivery in the newly annexed areas, we have relied on budgeted expenditures in our analysis.

When annexations are complete, we project that the City will generate an adequate amount of revenue to offset anticipated service costs. We estimate that through annexations, the City will generate over \$38.5 million annually in General and Transportation Fund revenues and spend \$35 million to deliver services. The remaining \$3.5 million operating surplus will be needed for capital improvements and start-up costs. General and Transportation Fund bureaus estimate that over \$26.1 million will be needed to develop and improve 28 neighborhood parks, build satellite office facilities, and purchase materials and equipment.

The self-supporting enterprise fund bureaus, Water Works and Environmental Services, are also projecting over \$90 million in capital expenditures that will be funded primarily with revenue from water rates and sewer charges. These expenditures will be made to improve water services and to provide state-mandated sewers in the mid-County area.

Bureau Workload and Service Levels

Annexations will significantly increase the workload of City bureaus - police service population will increase by 31 percent, City neighborhood and community park facilities by 34 percent, City road miles by 42 percent, and building permits by 37 percent. Approximately 300 employees have been hired to handle this new work and an additional 300 employees will be added over the next several years.



Newly annexed residents should expect a higher level of municipal services from the City of Portland than they received from the County and some water districts. New residents should receive expanded parks and recreation services, faster police response to emergencies, and more effective water service. However, during the first three years of the Urban Services Program, services to existing residents, such as police response and street cleaning, have declined due to a combination of City-wide budget reductions and increased annexations workload. Bureau managers expect to restore service levels when additional revenue is provided as areas are annexed to the City.

Taxpayer Impact

Urban services annexations should lower the required property tax and sewer rates to existing City residents, although this will be partially offset by slight increases in water rates. A major reason for the decreased property taxes is a spreading of the cost of the City's Fire and Police Disability and Retirement Fund over a larger assessed valuation base. Annexations will have minimal impact on other City government fees and charges. New City residents will experience increases in property taxes and fees to pay for the additional services they receive. This should substantially eliminate the tax subsidy paid by Portland residents in the past to support municipal services provided almost exclusively to the unincorporated areas of Multnomah County.

Recommendations

In order to ensure that the City covers its operational expenses while maintaining existing service levels, Council needs to closely monitor and evaluate urban services revenues, costs, and service levels. We recommend a detailed and comprehensive review of expected capital and start-up costs to efficiently plan for the eventual delivery of services in the urban services area. More effort is also needed to clarify City/County service roles in order to achieve operational efficiencies and to fully comply with the intent of the Urban Services Policy.

The findings of this report are based on various assumptions and City bureau cost estimates which we have reviewed and analyzed. Our projected revenue amounts could vary depending on future economic conditions. Similarly, changes in bureau operational and capital cost estimates would cause expenditure requirements to vary from those presented here. The audit also does not attempt to analyze the impact of future economic development or the political and sociological implications of the City's annexation program.

INTRODUCTION

This report covers our review of the fiscal and service impacts of annexations and the implementation of the City of Portland's Urban Services Policy. The audit was approved by the City Auditor and was included in the Internal Audit Division's Fiscal Year (FY) 1985-86 Audit Schedule. We conducted this audit in accordance with generally accepted governmental auditing standards and limited our work to those areas specified in the Audit Scope and Methodology section of this report (page 10).

Our audit focused on the fiscal and service delivery impacts of the Urban Services Policy but did not evaluate some potential effects. Specifically, we did not review the potential for increased economic activity in the urban services area or the improved regional image and power that Portland may experience as a result of increased population and legislative representation. While there may be considerable economic benefits and improved prestige as a result of the Policy, we could not reliably assess or project results.

BACKGROUND

On February 23, 1983, the Portland City Council adopted Resolution Number 33327 establishing a policy regarding the provision of City services to the unincorporated areas surrounding Portland. The Policy calls for the establishment of a defined geographical area - an "urban services boundary" - within which Portland would be the major provider of City-level services. City services such as police and fire protection, parks, and water would be provided following annexation of these areas into the City or, on an interim basis, through other methods such as intergovernmental service agreements. The Policy requires the City to closely coordinate and plan with other jurisdictions to ensure continued service delivery in the most efficient and effective manner during the transition period.

Under the Policy provisions, the City may provide services wherever the following conditions exist:

- a majority of residents and property owners request services,
- new service demands will not diminish services to existing City residents,
- service investment will be recaptured, and
- the City can supply the services most efficiently and effectively.

To implement this policy, the resolution also calls for a public education and communication program to inform residents of the costs, need, and benefits of the services the City delivers. A process for public participation is required to ensure residents, property owners, and community organizations affected by changes in service delivery have an opportunity to review and comment on proposed plans. A copy of the City's Urban Services Policy (Resolution 33327) is attached as Appendix A.

Reasons for Developing
Urban Services Policy

The Urban Services Policy was developed to address a variety of problems and issues facing the City of Portland, Multnomah County, and the residents of the Portland metropolitan region. After several years of study and research on the provision of municipal services to the urbanized unincorporated areas, the City Council found that:

- The unincorporated urban area surrounding Portland needed a higher level of services to ensure economic growth and residential, commercial, and industrial development. The areas with the best potential for future industrial development lay outside the City's boundaries but within its natural service area.
- The lack of sanitary sewage collection and treatment posed long-term health and environmental problems.
- The City had the financial and physical capacity to serve a wider geographical area, particularly so for sewage treatment and drinking water distribution.
- State and local planning goals required establishment of a long-range plan for public facilities and services. In order to ensure coordinated service delivery and to efficiently plan, design and construct existing and future facilities, an appropriate and logical urban services boundary needed to be adopted.

- Some municipal services such as roads and police patrol that were provided in the unincorporated urban area were substantially paid for by City residents. A need existed to eliminate this "urban subsidy" by spreading the cost of providing urban services more equitably among all residents and property owners receiving services.
- Portland's population represented a relatively low percentage of the region's total population and was declining. To ensure continued economic growth, the size and influence of the central city needed to grow.
- The City could provide a full-range of municipal services to the unincorporated area more efficiently and effectively than other service providers.

Multnomah County's Resolution A

A companion measure to the City's Urban Services Policy was adopted by the Multnomah County Board of Commissioners on March 15, 1983. Termed Resolution A, this measure stated the County's position with regard to phasing out the delivery of urban level services within Multnomah County. In short, the Board resolved to reduce the level of County municipal services provided to unincorporated residents to a minimal, essentially rural, level throughout Multnomah County. This transition from an "urban" level of municipal services to a "rural" level of County municipal services was to start in FY 1983-84 and be complete in FY 1985-86. A copy of Resolution A is contained in Appendix B.

As stated in the Resolution, the Board found that the County needed to clearly express its mission and purpose regarding the provision of services in mid-Multnomah County. The residents within Multnomah County's urban growth boundary, but outside incorporated cities, required long-range planning for services, especially since the County had insufficient revenues

to provide services at current levels and was facing a \$14 million revenue shortfall in FY 1983-84. The Board gave funding priority to those services available to all County residents, such as assessment and taxation, elections, corrections, libraries, and health services. Those services defined as municipal, such as police, parks, and planning, were reduced to a lower "rural" level.

Resolution A, the City's Urban Services Policy, and the City-County Transition Agreement broadly defined the service level roles of the City and County and provided a timeline for transitioning the delivery of urban services from the County to the City.

Urban Versus County-Wide Services

The Urban Services Policy, Resolution A, and the development of intergovernmental agreements generally define the allocation of urban and county-wide service responsibilities within the Portland metropolitan region. The City of Portland will provide urban services while the County will focus on county-wide services. As shown below, municipal or urban services include police and fire protection, street construction and maintenance, parks and recreation facilities, drinking water supply, and sanitary sewer services. County services include property assessment and taxation, election services, corrections, libraries, and human/health services.

TABLE 1

URBAN AND COUNTY-WIDE SERVICES PORTLAND METROPOLITAN AREA	
<u>Urban</u>	<u>County-Wide</u>
Police Patrol	Property Tax Assessment and Collection
Fire Protection	Elections
Street and Road Construction and Maintenance	Jails and Correctional Facilities
	Libraries
Neighborhood Parks and Recreation Programs	Human/Health Services
Land Use Planning and Building Permits	
Sanitary Sewage Collection and Treatment	
Drinking Water Distribution	

Urban Services Program:
Management and Administration

The Urban Services Division within the Office of Fiscal Administration (OFA) has the primary responsibility for directing and coordinating the implementation of the City's Urban Services Policy. The Division has a FY 1986-87 budget of \$333,000, five full-time staff, and is supervised by the Urban Services Manager.

The Urban Services Division is responsible for three major activities: implementation of the Urban Services Policy, coordination of City data on service delivery, and participation in budgeting for annexation-related capital expenditures. The Division plays the central role in the City for

coordinating urban services issues and intergovernmental agreements. The Division provides public information and promotes citizen involvement to support the annexation effort. The Division also assists in establishing and developing the urban services boundaries, developing the neighborhood service plans, and monitoring service delivery following annexation.

The implementation of the Urban Services Policy involves close cooperation of City and County governments and special districts, and active involvement by residents in neighborhoods within the urban services boundary. To ensure the orderly transition of services from the County and special districts to the City of Portland, a number of intergovernmental agreements were adopted stipulating various funding, personnel, equipment, and service delivery agreements based on a phased-in transition process. The major agreements include:

- City-County Transition Agreement,
- transportation, personnel and equipment agreements,
- Sheriff's sworn personnel agreement,
- Multnomah County Rural Fire Protection District No. 10 Agreement,
- road jurisdiction transfers,
- water district agreements,
- sanitary sewer maintenance and operation agreements, and
- land use planning and building inspection agreements.

Annexation Process and Status

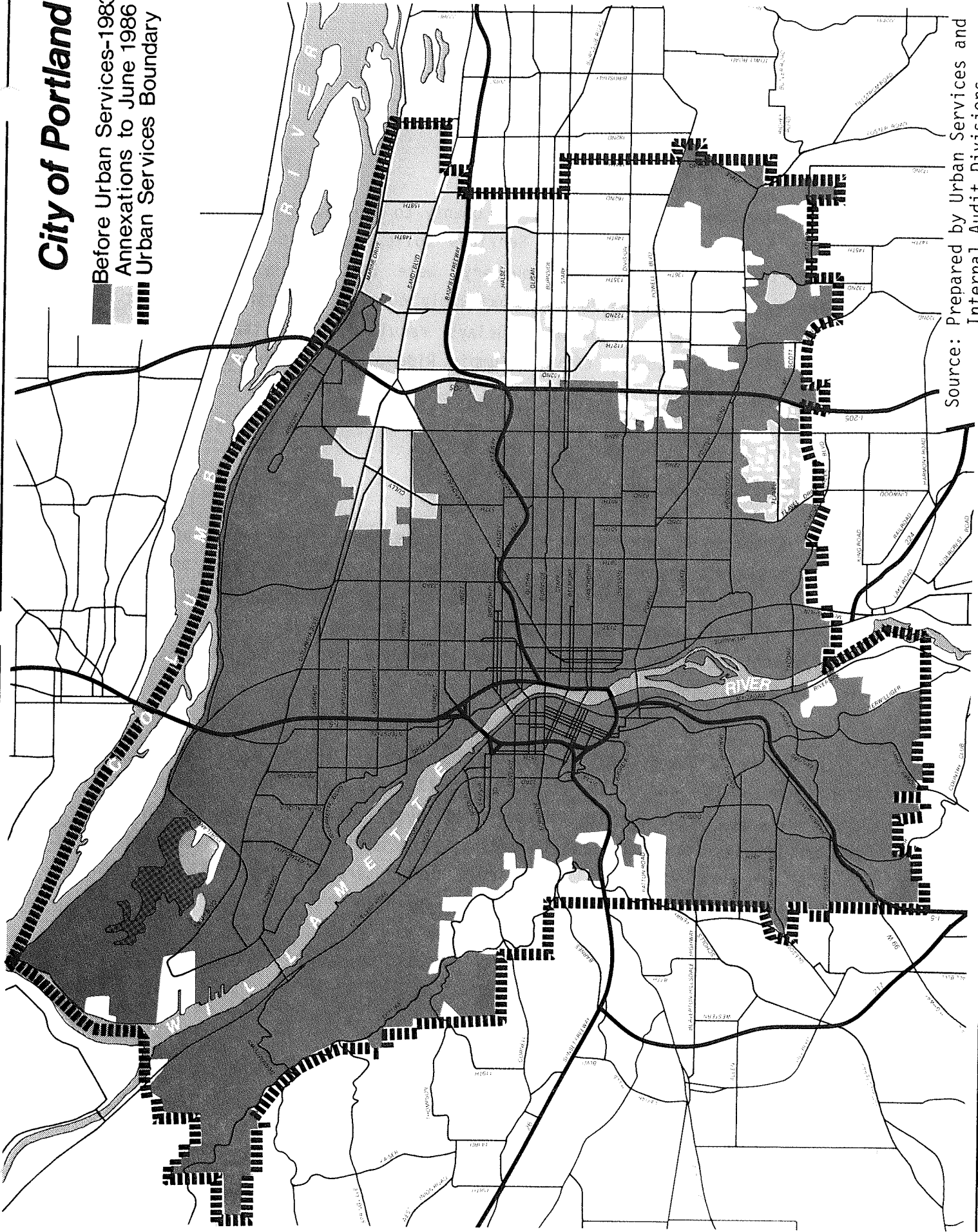
The transition of services under the Urban Services Policy is dependent on the annexation of areas into the City of Portland. An annexation petition is the formal expression of a property owner's support for incorporation into the City of Portland. The annexation formally alters the political boundaries, triggers service delivery, and generates new revenue for the City (see Appendix D for an explanation of the types of revenue the City receives). Under current City policy consistent with State law, an area within the urban services boundary may apply for annexation when a majority of the property owners who own a majority of the land area and assessed value sign annexation petitions. This method is called the "triple majority" process. Both the Portland City Council and the Portland Metropolitan Area Local Government Boundary Commission must approve the petition before annexation is final.

According to the Urban Services Division, the City has participated in over 100 public meetings since 1983 to explain the Urban Services Policy to residents of the City and unincorporated areas. The Division has worked with citizen volunteers, neighborhood groups, elected officials, and government staff to support the annexation process.

Since the passage of the Urban Services Policy, over 37,000 residents and 11 square miles representing \$1.3 billion in assessed value had been annexed into the City of Portland as of July 1, 1986. When complete, over 113,000 residents and 27 square miles will be added to the City. The City will then have a total population of approximately 478,000 and an area of 138 square miles. The map below shows the urban services boundary area, the City of Portland city limits prior to the Urban Services Policy, and the areas annexed to the City through July 1, 1986.

City of Portland

- Before Urban Services-1983
- Annexations to June 1986
- Urban Services Boundary



Source: Prepared by Urban Services and Internal Audit Divisions.

The transition of services from the County to the City envisioned under Resolution A and the City's Urban Services Policy, and the annexation of areas out to the urban services boundary, were initially planned to be completed by July 1986; however, approximately 60 percent of the remaining land area remains to be annexed. Delays resulting from the proposed formation of the mid-County city, Columbia Ridge, slowed the progress of annexations.

AUDIT SCOPE AND METHODOLOGY

The objective of our review was to evaluate the implementation of the City of Portland's Urban Services Program. We focused our analysis on the impact the Policy has had on City revenues and expenditures, service delivery, and on taxes, user charges, and fees. We also reviewed the accomplishment of Urban Services Policy objectives and tested compliance with Policy provisions.

In reviewing the accomplishment of Urban Services Policy objectives, we interviewed City and County elected officials and staff, private consultants, and other parties. We reviewed special studies prepared by the City and County, Portland State University, Don Barney and Associates, and Tabletop Computations. We also reviewed urban services information and annexation data provided by the City Bureau of Planning and the Office of Fiscal Administration. Finally, we reviewed the provisions of the Urban Services Policy and Multnomah County's Resolution A to identify Policy objectives.

To evaluate revenues, expenditures, and service delivery impact, we interviewed program managers and staff from the City, Multnomah County, and special districts. We also interviewed staff from the City's Budget and Urban Services Divisions of the Office of Fiscal Administration. We reviewed and analyzed City accounting records, budgets, and program data. We obtained City bureau estimates on annexation-related workload and projections on service costs. We also obtained data from Multnomah County, the State of Oregon, and regional public utilities in order to estimate annexation revenues. We utilized computer-aided statistical tests and models to project new revenues generated by annexations. Appendix C provides additional explanation on the economic assumptions and projection methodology we used. Appendix E provides a more detailed explanation of the source of bureau budgets and positions, and an explanation of our methodology for developing constant dollars.

The revenue and expenditure projections presented in this report were developed from data provided us by various City bureaus and the City's Office of Fiscal Administration and are based on certain assumptions which are explained more fully in Appendix C. We cannot ensure that the revenue projections and cost estimates contained in this report will be achieved due to the variability inherent in our assumptions and the lack of defined City workload measures and performance standards needed to evaluate appropriate service levels. However, the Office of Fiscal Administration reviewed the workload estimates we obtained from the bureaus to assess their reliability. Any changes recommended by OFA were reviewed by bureau representatives. We spent extensive time collecting and verifying budget and program data at bureaus and at OFA.

For purposes of this report, "existing City" refers to the area inside the Portland City limits as of February 1983, and "urban services area" refers to the area between the City boundary at that time and the eventual urban services boundary.

IAR #3-86
URBAN SERVICES
September 1986

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AUDIT RESULTS

CHAPTER I

SUMMARY OF CITY BUDGET AND SERVICE DELIVERY IMPACT

When the urban services area is fully annexed, we project that the City will receive approximately \$3.5 million annually in excess revenues over operating costs. However, significant start-up and capital expenditures, required to bring City-level services to the newly annexed areas, will absorb some of this excess revenue. During the first few years of the annexation program, the cost of extending City services has exceeded revenues generated from the urban services area. In addition, some service levels have declined due to City-wide budget cuts and increased annexations workload. If the City completes its annexation program as planned and bureau expenditure estimates are accurate, we project that newly annexed areas will generally receive higher levels of police, parks, and water services than were provided before annexation to the City.

Given the assumptions described in Appendix C, and assuming that all areas are annexed by the end of FY 1988-89, we estimate that the City will generate an operating surplus from annexation activities beginning in FY 1987-88 that should increase each year. As Table 2 below shows, the City will receive approximately \$38.5 million annually in new revenues in FY 1990-91. This compares to City bureau expenditure requirements of approximately \$35 million to fund daily operations and annually recurring capital costs, resulting in a \$3.5 million surplus. However, during the first three years of the Urban Services Program (FY 1983-84 through FY 1985-86), we estimate that revenues were not sufficient to cover bureau service costs and the City spent \$1.6 million more on the Urban Services Program than were received in revenues from the area. Although the Office of Fiscal Administration believes that actual urban services spending has been less than budgeted and revenues have exceeded costs, expenditure data to support this contention does not exist.

TABLE 2

ESTIMATED REVENUES AND REQUIREMENTS FOR THE URBAN SERVICES AREA*
General and Transportation Funds

	<u>FY 1983-84</u>	<u>FY 1984-85</u>	<u>FY 1985-86</u>	<u>FY 1986-87</u>	WHEN FULLY ANNEXED**
	<u>Estimated Actual</u>	<u>Estimated Actual</u>	<u>Estimated Actual</u>	<u>Estimated</u>	<u>Estimated</u>
<u>URBAN SERVICES REVENUES</u>					
General Fund	\$963,316	\$2,943,941	\$ 5,666,276	\$11,022,110	\$27,013,762
Transportation Fund (Dedicated)	-	2,692,640	4,202,940	6,873,692	11,494,351
Estimated Revenues	<u>\$963,316</u>	<u>\$5,636,581</u>	<u>\$ 9,869,216</u>	<u>\$17,895,802</u>	<u>\$38,508,113</u>
<u>URBAN SERVICES OPERATING REQUIREMENTS</u>	<u>Budgeted</u>	<u>Budgeted</u>	<u>Budgeted</u>	<u>Budgeted</u>	<u>Estimated</u>
<u>General Fund</u>					
Bureau of Police	\$177,812	\$2,938,643	\$ 4,751,391	\$ 6,251,391	\$10,078,000
Bureau of Fire	-	-	920,603	2,124,084	8,280,000
Bureau of Parks	38,020	354,570	500,000	1,100,000	2,132,000
Bureau of Buildings	-	-	150,384	187,091	1,170,000
Other Bureaus and Costs	209,727	756,355	929,913	1,102,140	1,760,000
Subtotal	\$425,559	\$4,049,568	\$ 7,252,291	\$10,764,706	\$23,420,000
<u>Transportation Fund</u>					
Office of Transportation	\$ -	\$2,226,328	\$ 4,140,963	\$ 6,229,213	\$11,554,000***
Total Operating Requirements	<u>\$425,559</u>	<u>\$6,275,896</u>	<u>\$11,393,254</u>	<u>\$16,993,919</u>	<u>\$34,974,000</u>
=====					
<u>REVENUES OVER (UNDER) REQUIREMENTS</u>					
General Fund (Non-Dedicated)	\$537,757	(\$1,105,627)	(\$1,586,015)	\$ 257,404	\$ 3,593,762
Transportation Fund (Dedicated)	-	466,312	61,977	644,479	(59,649)
Total Revenues Over (Under) Operating Requirements	<u>\$537,757</u>	<u>(\$ 639,315)</u>	<u>(\$ 1,524,038)</u>	<u>\$ 901,883</u>	<u>\$ 3,534,113</u>

*Source: Revenues from Chapter II and requirements from Chapter III of this report.

**Future revenues and requirements are expressed in FY 1985-86 dollars and exclude inflation factors. They do not include one-time-only costs shown in Table 3, nor do they reflect possible cost requirements for some general government activities.

***Includes \$3.4 million in estimated annual capital replacement funding. The Office of Transportation states that actual capital expenditure needs could double this amount.

Excess revenues from the annexation program will be available to fund one-time-only start-up and capital costs that will face General and Transportation Fund bureaus. As shown in the table below, start-up costs such as equipment, materials, and special maintenance expenditures account for approximately \$4.3 million, and major capital costs for buildings, parks, and other construction projects, account for almost \$22 million. The most significant one-time capital need facing the City is the \$12.6 million for improving and developing 28 neighborhood parks in the mid-County area.

TABLE 3
 ONE-TIME-ONLY URBAN SERVICES COSTS*

	<u>Start-Up</u>	<u>Major Capital</u>	<u>Total</u>
<u>GENERAL FUND</u>			
Police	\$1,465,000	\$ 3,500,000	\$ 4,965,000
Fire	-	750,000	750,000
Parks	2,037,000	12,600,000**	14,637,000
Buildings	-	-	-
Other	322,000	280,000	602,000
Subtotal	<u>\$3,824,000</u>	<u>\$17,130,000</u>	<u>\$20,954,000</u>
<u>TRANSPORTATION FUND</u>			
All Transportation Bureaus	\$ 436,000	\$ 931,000	\$ 1,367,000
Unfunded Vehicle Replacement	-	1,480,000	1,480,000
Subtotal	<u>\$ 436,000</u>	<u>\$ 2,411,000</u>	<u>\$ 2,847,000</u>
<u>SATELLITE FACILITIES</u>	<u>\$ -</u>	<u>\$ 2,300,000</u>	<u>\$ 2,300,000</u>
TOTALS	<u>\$4,260,000</u>	<u>\$21,841,000</u>	<u>\$26,101,000</u>

*Source: See Chapter III.

**Estimated costs to develop 28 existing neighborhood parks that will be annexed to the City. Does not include an estimated \$9 million in capital costs to build new facilities in park deficient areas.

The Bureaus of Water Works and Environmental Services also project significant capital-related expenditures to improve water and sewer services in the newly annexed area. The Bureau of Water Works estimates that approximately \$30 million will be needed during the next 10 years to upgrade and improve water facilities in the newly annexed areas. State-mandated sewer construction costs are estimated to be over \$362 million. According to the Bureau of Environmental Services, the City expects to spend about \$41 million on sewer facilities. While state, federal, and private funding will finance most of the residents' sewerage costs, the City will issue approximately \$60 million in general obligation Bancroft Bonds to assist residents. The debt service on sewer bonds will be the responsibility of the residents receiving the new sewers.

Our analysis of City service levels during the first three years of the Urban Services Program shows that service levels in some City bureaus have declined. Police response times are slightly slower while road maintenance services have experienced workload backlogs. The number of fire stations and fire inspections per resident has dropped. Service declines appear to be caused by both City-wide budget reductions and increased annexation-related workload.

Although some City services have declined during the first years of the Urban Services Program, newly annexed residents will generally receive a higher level of municipal services than they received before annexation. When fully annexed and funded, police response times should be faster, parks and recreation services more readily available, and water services more reliable. Road and street services, and fire response should remain largely unchanged as a result of annexations.

Chapter II that follows presents detailed information on urban services revenues and describes each revenue source and projected increases due to annexations. Chapter III provides detailed information on bureau funding requirements to serve the urban services area and data on bureau workload and service levels.

CHAPTER II

URBAN SERVICES REVENUE INCREASES

The City's Urban Services Program will add approximately \$38.5 million annually in new General and Transportation Fund revenue when all areas are annexed. FY 1990-91 property tax revenues are estimated to increase by 27 percent, utility franchise fee revenues by 28 percent, business license fee revenues by 16 percent, and state and county sources by 90 percent. Approximately \$11.5 million will be derived from gasoline taxes, which by State Constitution is dedicated to transportation services. The City will also receive \$2.2 million annually in additional revenue for street lighting purposes. These revenue estimates are expressed in constant FY 1985-86 dollars and do not include the effects of inflation or changes in the area's economy.

Our revenue projections are based on the assumption that all the unincorporated property in the urban services area will be annexed by FY 1988-89. This assumes that the unincorporated areas of Hayden Island and Dunthorpe will be annexed into the City by June 30, 1989; however, the City has made efforts in the past to annex these areas without success. If the City cannot annex these two areas, it will not receive approximately \$1.3 million of the projected property tax revenues and over \$2.4 million in total revenues annually. At the time of this writing, annexation petitions for the commercial properties of Hayden Island had been submitted to City Council.

Similarly, if the inflation rate during the next five years averages less than the 6 percent property tax growth allowed by the State Constitution, the surplus of revenues over requirements could be higher than we estimate. For example, an average 3 percent inflation rate would produce an additional surplus of \$2.5 million annually, and no inflation would provide the City with an additional surplus of \$5.1 million, in terms of FY 1985-86 spending power.

The table below summarizes General and Transportation Fund revenues from FY 1982-83 through FY 1990-91. As shown, urban services revenues added very little new revenue during the first years of the Program, FY 1983-84 through FY 1985-86, reflecting the City's rate of annexation in those years. However, urban services revenues are projected to increase City revenues by 21 percent in FY 1987-88 and by 29 percent in FY 1990-91.

TABLE 4

ESTIMATED CITY GENERAL/TRANSPORTATION FUND REVENUES RESULTING FROM ANNEXATIONS*
FY 1982-83 to FY 1990-91

REVENUE SOURCE	FY 1982-83	FY 1983-84	FY 1984-85	FY 1985-86	FY 1986-87	FY 1987-88	FY 1988-89	FY 1989-90	FY 1990-91
NON-DEDICATED REVENUES									
Local Sources									
Property Taxes	-	\$336,464	\$1,565,411	\$2,754,920	\$ 5,679,845	\$ 8,819,563	\$11,876,372	\$15,183,961	\$15,346,702
Lodging Taxes	-	-	10,725	76,931	338,250	400,950	825,000	825,000	825,000
Business Licenses	\$ 720	132,948	267,201	519,741	900,345	1,263,909	1,627,472	1,794,106	1,794,106
Franchise Fees	2,585	477,102	958,892	1,865,176	3,122,315	4,427,030	5,731,745	6,438,466	6,438,466
Other Fees and Charges	-	-	100,000	250,000	525,000	\$850,000	1,175,000	1,500,000	1,500,000
State Sources									
Liquor Tax	-	8,062	20,287	99,844	237,284	404,740	623,976	657,961	657,961
Cigarette Tax	-	2,283	5,905	29,064	69,071	117,816	181,634	191,527	191,527
State Revenue Sharing	-	6,457	15,520	70,600	150,000	219,000	280,200	260,000	260,000
Subtotal Non-Dedicated	\$3,305	\$963,316	\$2,943,941	\$5,666,276	\$11,022,110	\$16,503,008	\$22,321,399	\$26,851,021	\$27,013,762
DEDICATED REVENUES									
Local Sources									
County Road Fund Sharing	-	-	\$2,445,000	\$3,645,000	\$ 5,811,792	\$ 8,995,963	\$ 9,620,344	\$ 9,590,009	\$ 9,558,551
State Sources	-	-	-	557,940	1,061,900	1,555,800	1,973,600	1,935,800	1,935,800
State Tax Street	-	-	247,640	-	-	-	-	-	-
Subtotal Dedicated	-	-	\$2,692,640	\$4,202,940	\$ 6,873,692	\$10,551,763	\$11,593,944	\$11,525,809	\$11,494,351
GENERAL/TRANSPORTATION FUND									
TOTAL ANNEXATION REVENUES	\$3,305	\$963,316	\$5,636,581	\$9,869,216	\$17,895,802	\$27,054,771	\$33,915,343	\$38,376,830	\$38,508,113
STREET LIGHTING FUND									
ANNEXATION REVENUES	-	-	-	\$ 294,211	\$ 576,713	\$ 980,084	\$ 1,428,154	\$ 1,945,526	\$ 2,185,742
911 FUND	-	-	-	-	-	-	-	-	-
ANNEXATION REVENUES	-	\$ 23,065	\$ 40,318	\$ 90,946	\$ 171,059	\$ 251,172	\$ 331,285	\$ 331,285	\$ 331,285

*Revenues expressed in constant FY 1985-86 dollars. In order to allow comparison to bureau expenditure estimates in Chapter III that are expressed in FY 1985-86 dollars, revenue estimates do not include the effects of future inflation, growth, or changes in the area's economy.

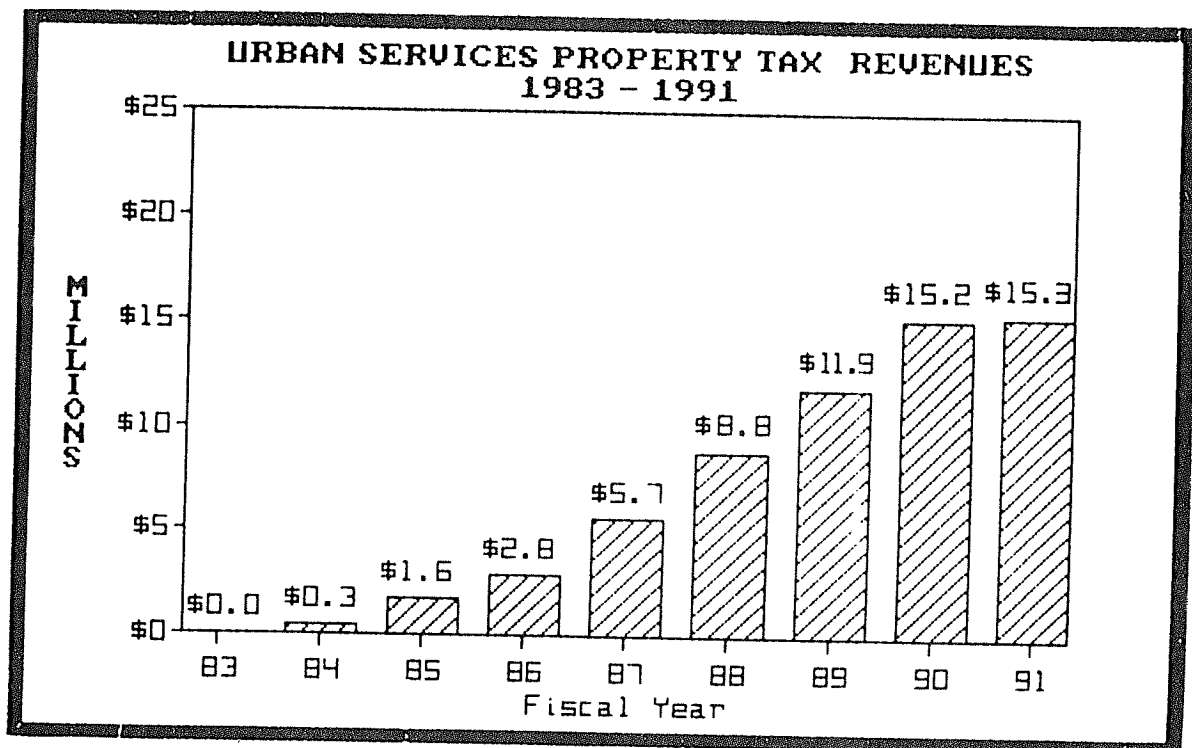
Property Taxes. Assuming that all unincorporated property within the urban services boundary is annexed, the City can expect \$15.3 million in additional property taxes, expressed in FY 1985-86 dollars, which excludes the 6 percent increase allowed in the base levy by the Oregon Constitution. This is a 27 percent increase over the City's property tax revenues without the Urban Services Program. The Street Lighting Fund would also increase by \$2.2 million as a result of taxes levied on the annexed properties.

One of the elements taken into account in our analysis was the timing of annexations. Because of differences in deadlines between the Oregon Revised Statutes (ORS) and the State Constitution, annexations that occur between April 1 and June 30 are treated differently than annexations during the remainder of the year. The Constitution recognizes annexations occurring through June 30 and allows jurisdictions to increase their base levy by the amount that the annexed property owners would pay. However, ORS set March 31 as the deadline for adding annexed properties to the jurisdiction's total assessed value. Any properties annexed to the City after that date are not assessed City property taxes until the following tax year even though they begin receiving City services when annexed. This means that existing City residents pay a higher tax rate for annexations occurring during April 1 through June 30 because the City base levy is increased by the amount of taxes that the annexed property would produce, but the assessed value of such property is not taken into account in computing the City's tax rate until the following fiscal year.

Because of lags between service requirements and revenues, annexations result in either increased costs or reduced service levels to existing City residents. The timing of Portland's annexations have resulted in higher property taxes for existing City residents. We estimate that existing City property owners will pay an additional \$1.4 million (\$0.10 per \$1,000 assessed value) in FY 1986-87 due to annexations that occurred from April 1 through June 30, 1986. However, if annexations were delayed to July, the City would have to provide services for a major portion of the fiscal year without any additional property tax revenue, hence service levels City-wide would likely decline.

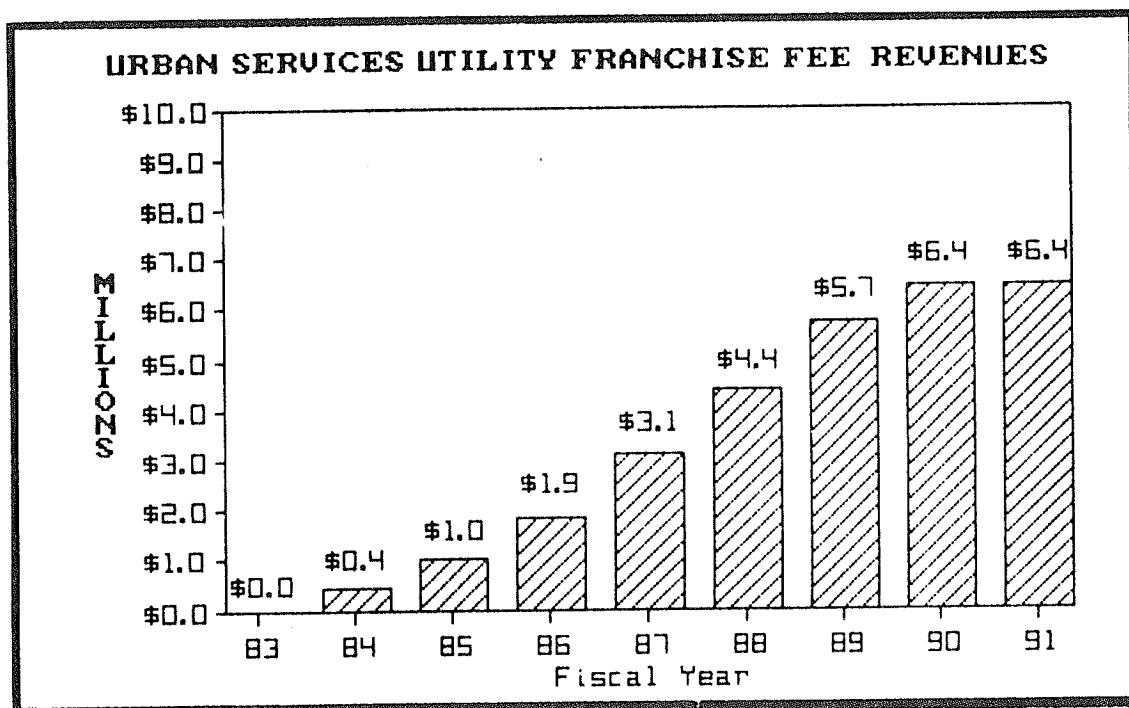
Graph 1 below shows projected property tax revenues resulting from urban services annexations through FY 1990-91.

GRAPH 1



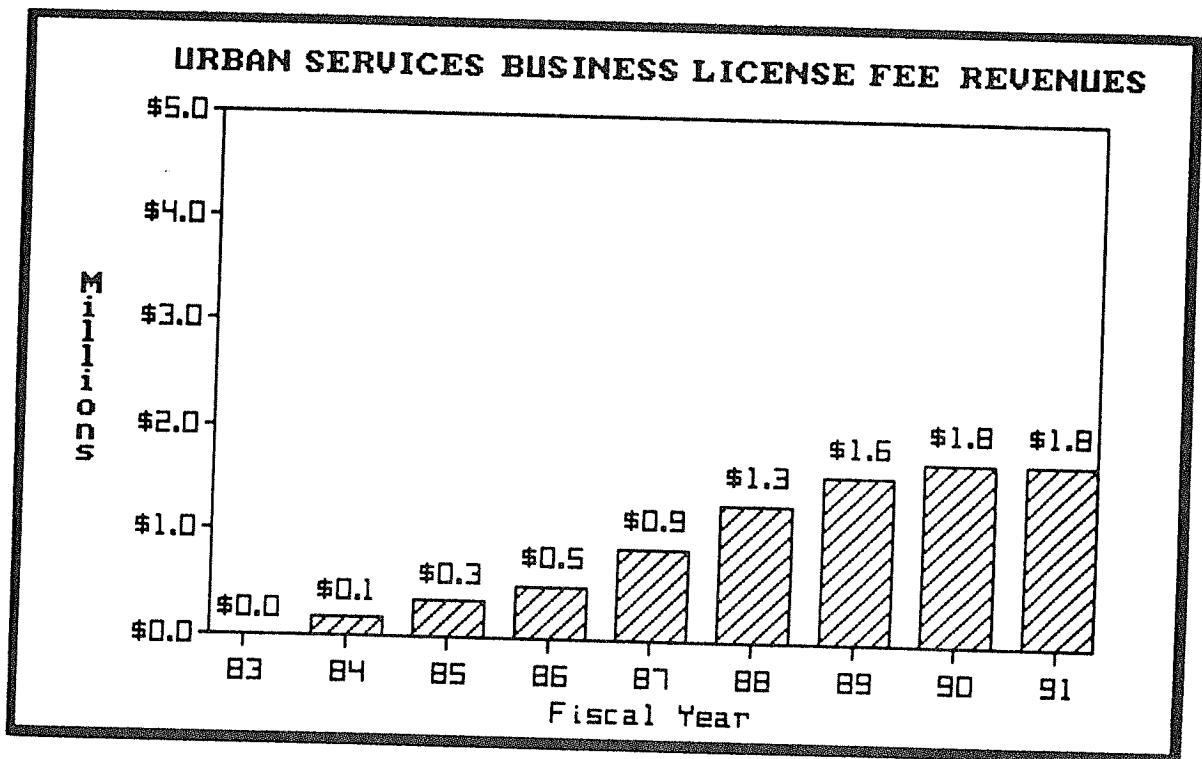
Utility Franchise Fees. When the City annexes all the unincorporated property within its urban services area, we estimate it will receive approximately \$6.4 million in additional utility franchise fees, expressed in FY 1985-86 dollars. This is a 28 percent increase over the fees the City is projected to receive without annexations. Franchise fee revenue can fluctuate depending on the revenue generated by local gas and electric, telephone, and water utilities. Changes in power and water sales and telephone usage caused by economic or other market factors therefore will influence City revenue collections. The graph below shows the major impact annexations will have on franchise fee revenues.

GRAPH 2



Business License Fees. We estimate that the City will receive approximately \$1.8 million in increased business license fees as a result of annexations, expressed in FY 1985-86 dollars. This is a 16 percent increase over projected business license fee revenues without annexations. Improvements in the economic climate of the region and the resulting increase in business start-ups and/or increased net income, will have a significant influence on the amount of business license revenue. Conversely, economic downturns reduce business license fee revenues. Graph 3 below shows new business license revenue associated with the Urban Services Program.

GRAPH 3



Federal and State Sources. As a result of the discontinuation of Federal Revenue Sharing in Fiscal Year 1986, there will be no additional federal General Fund revenues as a result of annexations unless the federal government reauthorizes Revenue Sharing.

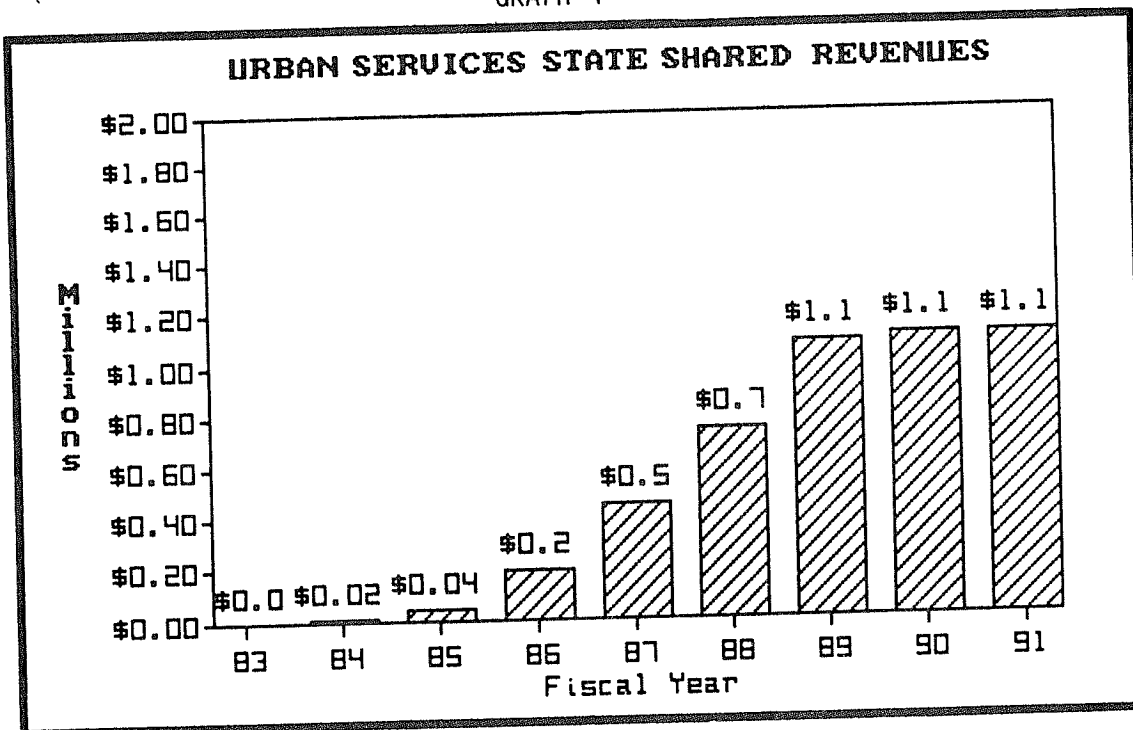
We estimate that the City will receive approximately \$660,000 in shared liquor taxes and \$190,000 in shared cigarette taxes from the State as a result of annexations. This is 22 percent more in projected state revenue sharing than the City would receive without annexations.

The City is also projected to receive an additional \$260,000 in general State Shared Revenues as a result of annexations. This is 16 percent more than would be anticipated without annexations.

State Shared Revenues are distributed according to a formula set forth in ORS 221.770. The formula is based upon a city's population, consolidated property taxes per capita, and a city's per capita income.

State revenues, from liquor, cigarette, and State Shared Revenues are non-dedicated funds available for general operating purposes. Graph 4 summarizes the projected increase to City revenues from these sources, expressed in constant FY 1985-86 dollars.

GRAPH 4

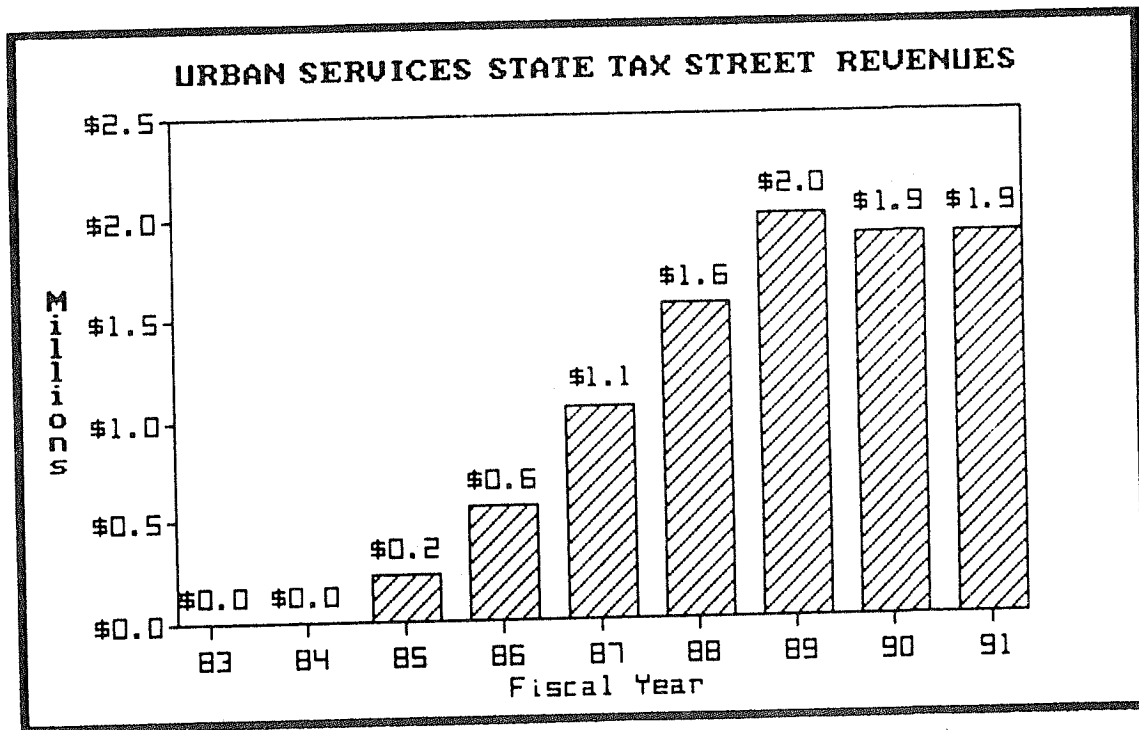


911 Tax and State Gasoline Taxes. When annexations are completed, the City is projected to receive approximately \$330,000 in revenue from the State specifically to pay for the City's emergency dispatch (911) system. This does not represent an increase in revenues because the City presently bills Multnomah County for this amount. The County currently receives those revenues from the State.

The State levies an 8 cent per gallon gasoline tax and shares a portion of its revenues with local jurisdictions. The State distributes 12.17 percent of its total revenues, less administrative costs, to Oregon cities based upon their share of the total Oregon incorporated population. It recently raised the tax an additional 2 cents per gallon and shares 20 percent of these added revenues with Oregon cities on the basis of population. As Portland increases its share of all incorporated population, its gas tax revenues will increase. As discussed on the following page, the City also receives a portion of State gasoline taxes that are shared with the County.

As shown in Graph 5 below, our estimates indicate that the City can also anticipate \$1.9 million in additional State gasoline tax revenue sharing which, according to the State Constitution, is dedicated to roads and streets. This is a 23 percent increase in these revenues without annexations.

GRAPH 5



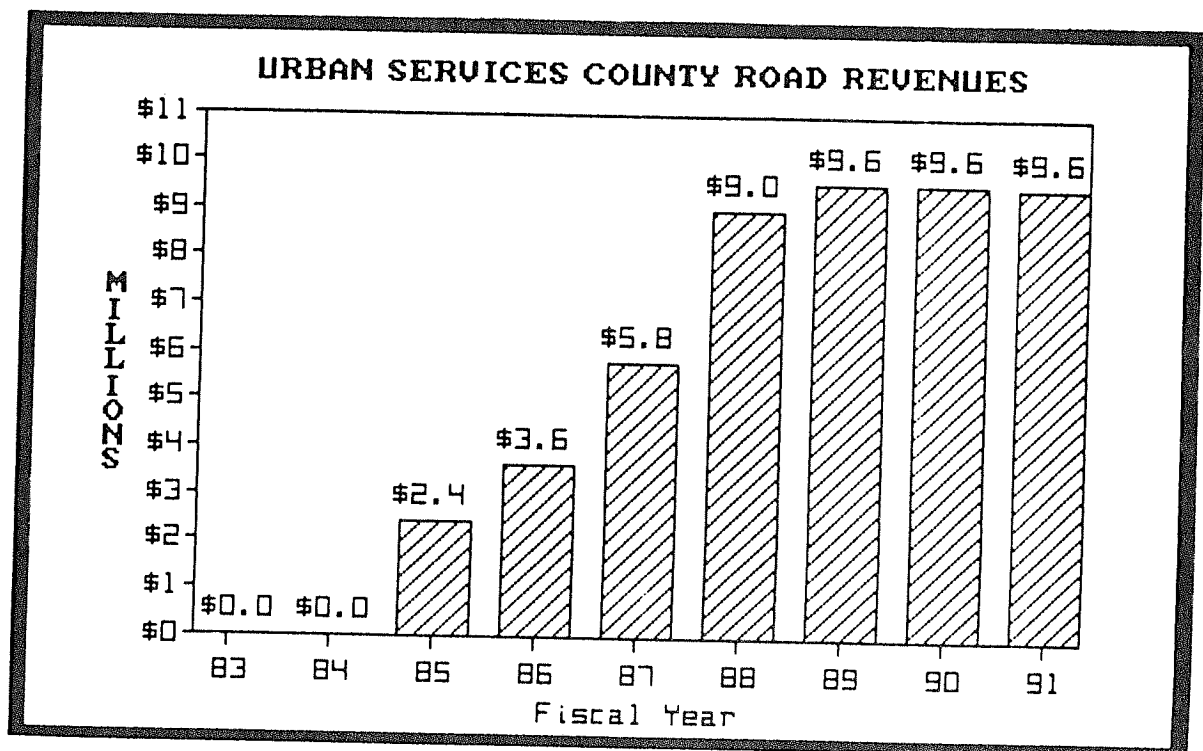
City of Portland/Multnomah County Transition Agreement. When the City annexes its urban services area, we estimate it will receive an additional \$9.6 million in transportation-dedicated revenues under the provisions of the Transition Agreement.

The Transition Agreement specifies that the City will receive a portion of the County's total road revenues, less the costs for maintaining Willamette River bridges. The portion transferred to the City is determined by dividing the number of road miles assumed by the City by the total road miles maintained by the County. In addition, any additional road revenues that the County receives are shared with the City on the basis of its percentage of the population in the County.

The Agreement also includes a "non-appropriation clause" stipulating that the transfer of County road funds is contingent upon annual appropriation by the Board of County Commissioners. This clause was necessary to comply with State constitutional provisions restricting local government debt.

The Office of Transportation has developed a forecasting model to estimate future revenues from the Transition Agreement, which we modified to conform to our assumptions on the rate of annexations over the next three fiscal years. Graph 6 below shows additional County road revenues provided to the City.

GRAPH 6



City of Portland/Fire Service District Contracts. The City of Portland received approximately \$11.6 million in FY 1984-85 to provide fire services to several service districts representing a large portion of its urban services area.

As the City annexes into areas served by fire protection contracts, property tax revenues will increase and revenues from these contracts will diminish. Accordingly, we anticipate the City will neither lose nor gain any fire service revenues as a result of annexations.

Other Miscellaneous Revenue

There are a variety of other revenues received by the City of Portland that are not affected by annexations, such as parking meter revenues and District Court fines. These do not appear to materially affect our estimate of revenues resulting from annexations and have not been included in the revenue tables.

CHAPTER III

BUREAU REQUIREMENTS, WORKLOAD AND SERVICE LEVELS

City bureaus supported by the General and Transportation Funds estimate that it will cost approximately \$35 million annually and require over 600 staff to provide City services to the entire urban services area when it is fully annexed. The five major offices we analyzed in detail - the Bureaus of Police, Fire, Parks and Recreation, and Buildings, and the Office of Transportation - will experience average increases in workload of 30 to 40 percent.

Increases in workload and operational costs will also be felt by the City's self-supporting enterprise fund activities. The Bureau of Water Works anticipates operating costs of over \$1 million to service the annexed residents. The Bureau of Environmental Services estimates that when sewerage is complete, its operating costs will be in excess of \$8 million annually to serve the 54,000 new customers. Costs for these activities will be recovered through water and sewer bills.

Many of the bureaus we analyzed will also experience significant capital costs and one-time-only expenditures as a result of annexations. General and Transportation Fund bureaus estimate that over \$26 million will be needed to build and develop new parks, police, and maintenance facilities; to purchase additional equipment; and to fund one-time-only cleanup, repair, and maintenance costs. The Office of Transportation also expects major expenditures will be needed to repair and reconstruct streets acquired from the County, especially after Environmental Quality Commission (EQC) mandated sewers are installed. Based on the County's rate of capital funding for these roads, costs would exceed \$3.4 million annually.

The City's two major enterprise fund bureaus also will face significant capital expenditures in the urban services area. The Bureau of Water Works estimates that approximately \$30 million in capital funding is needed in mid-County to repair, maintain, and upgrade the annexed water district system. Approximately \$362 million in capital will be needed over the next 30 years to build sewers in mid-County as mandated by the State Environmental Quality Commission. However, sewer construction costs will be borne largely by residents in the area and will be incurred regardless of whether or not the area is annexed into the City of Portland. The City expects to issue approximately \$60 million in general obligation Bancroft Bonds to help finance the sewer construction. State and federal funds are expected to finance the remaining \$302 million. Debt service on all bonds is paid by the residents benefiting from new sewers.

Since the start of the annexation program in July 1983, the level of municipal government services provided to City residents has varied. Some bureaus have continued to provide services at pre-urban services levels while others have experienced slight declines and some workload backlogs. The Bureaus of Fire and Police have experienced declines in staffing levels and the Bureau of Police has had a slight increase in emergency response times. While the building permit function will be improved through the consolidation of City and County activities, road and street services are experiencing backlogs in cleaning, resurfacing, and traffic requests. The Bureau of Parks continues to provide current City residents with a broad range of parks and recreation activities; however, the total Bureau budget and staffing have declined over the last seven years while Bureau workload has increased.

Service declines and workload backlogs experienced by the bureaus appear to be caused by both reductions in non-urban services budgets and increases in annexation workload. The greatest reductions in budget and positions occurred in FY 1985-86 while FY 1986-87 saw a slight recovery. The Office of Fiscal Administration indicates that the major cause for diminished City services is reductions in non-urban services budgets and staffing levels. Despite these cuts, Bureau managers indicate that the level of services provided to residents in the urban services area by police, water, parks, and other City services should be higher than before annexations.

The following sections present information on each of the major General and Transportation Fund bureaus and the Bureaus of Water Works and Environmental Services. Each analysis contains the bureau's estimate of costs associated with providing services to the urban services area plus data on budgets over the last seven years and workload and service levels before and after the Urban Services Program.

BUREAU OF POLICE

Summary

The Bureau of Police estimates that it will cost approximately \$10 million annually to serve the entire urban services area. This level of funding will provide for 188 sworn officers to serve 113,000 citizens residing in the area. The Bureau also estimates an additional \$5.1 million will be needed for start-up costs and the construction of a new East Precinct building. The Bureau will provide a higher level of patrol services to the urban services area, as measured by response times and staffing per resident, than was provided by the Sheriff's Office prior to annexations.

Over the last three years, there has been a decline in City-wide service levels provided by the Bureau of Police. The average time taken to respond to high priority calls increased by approximately one minute (from 7.3 to 8.3 minutes) and approximately two minutes for low priority calls (from 22.6 to 24.5 minutes). These increased response times appear to be tied to a decline in relative staffing due to budget cuts and an increase in the number of calls from an increasing service area. For example, the number of calls received per sworn officer increased by 23 percent, from 298 to 367, and the ratio of sworn personnel per 1,000 residents served declined by 13 percent, from 1.94 to 1.68. Between FY 1982-83 and FY 1985-86, total positions increased by 3 percent while total calls for service grew by 32 percent.

Transition Agreement and Contracted Police Service

The City-County Transition Agreement stated that transition of police services from the County to the City should occur primarily as a result of annexation to the City. However, the Agreement provided that if sufficient annexations, representing 26,000 calls for service annually, had not occurred by January 1, 1985, the City would provide police service to a portion of unincorporated Multnomah County. Sufficient annexations had not occurred by that time, and the two jurisdictions agreed that Portland's Bureau of Police would patrol all unincorporated areas west of 122nd Avenue. As part of the Agreement, the County Sheriff's Office transferred 58 officers to the Bureau of Police.

The Bureau began serving unincorporated residents west of 122nd Avenue (the "contract area") in January 1985. Because annexations continued to lag behind, the contract was extended beyond its June 30, 1986, expiration date to November 5, 1986. As of June 30, 1986, approximately 35,000 residents west of 122nd Avenue and 41,000 residents east of 122nd Avenue had not been annexed.

Urban Services Costs

The Bureau's estimate of costs to serve the entire urban services area is summarized in the following table.

TABLE 5
 BUREAU OF POLICE'S COST
 TO SERVE THE URBAN SERVICES AREA*

	Annual Ongoing				One-Time-Only	
	<u>Dollars</u>	<u>Personnel</u>			<u>Start-Up</u>	<u>Major Capital</u>
		<u>Sworn</u>	<u>Non-Sworn</u>	<u>Total</u>		
West of 122nd	\$ 4,833,000	101	25	126	\$ 541,000	-
East of 122nd	<u>5,245,000</u>	<u>87</u>	<u>23</u>	<u>110</u>	<u>1,084,000</u>	<u>\$3,500,000**</u>
TOTAL	<u>\$10,078,000</u>	<u>188</u>	<u>48</u>	<u>236</u>	<u>\$1,625,000</u>	<u>\$3,500,000</u>

*Source: Costs for serving west of 122nd Avenue represent what the Bureau budgeted to serve the area in FY 1984-85. Costs for serving east of 122nd Avenue were estimated by Bureau of Police personnel for the Auditor's Office in May 1986.

**\$3.5 million is the estimated cost for construction of a new precinct building to serve the mid-County area (see further discussion on page 90).

The Bureau's estimate of the number of positions to serve the urban services area reflects a staffing ratio of 1.66 sworn officers per 1,000 residents. This ratio is 14 percent lower than the Bureau's sworn staffing ratio of 1.94 prior to implementation of the Urban Services Program (see Table 10).

The \$5.1 million in one-time-only costs is primarily for the purchase of new police vehicles and construction of a new East Precinct building. The new precinct building is estimated to cost \$3.5 million to construct and new police vehicles and related equipment and services will cost about \$1.6 million.

The Bureau indicated that the urban services contract has increased the staffing levels at East Precinct to a level that is too large for the building and puts too much strain on command staff. While they can adequately manage the manpower allocation, the precinct is "overloaded" in regard to its size and its ability to work with neighborhood groups, businesses, and residents. The addition of the new precinct is intended to eliminate this problem.

Bureau management also told us that additional urban services costs will be incurred to establish new dispatch channels and to support training, records, and the property room. The Bureau has not yet estimated the cost of these services.

Budget and Staffing Levels

The following table displays budgeted dollars and positions of the Bureau from FY 1980-81 through FY 1986-87.

Sworn personnel positions per 1,000 residents declined from 1.94 in FY 1982-83, the year preceding urban services, to 1.68 in FY 1985-86, as shown in Table 10 below.

TABLE 10
 POLICE STAFFING PER 1,000 RESIDENTS
 FY 1980-81 THROUGH FY 1985-86*

Fiscal Year	Budgeted Positions			Estimated Service Population (at 12/31)	Budgeted Positions Per 1,000 Residents		
	Sworn	Non-Sworn	Total		Sworn	Non-Sworn	Total
1980-81	677	191	868	365,863	1.85	0.52	2.37
1981-82	693	196	889	367,565	1.89	0.53	2.42
1982-83	712	193	905	367,000	1.94	0.53	2.47
1983-84	700	184	884	370,753	1.89	0.50	2.38
1984-85	767	204	971	432,702	1.77	0.47	2.24
1985-86	732	204	936	435,139	1.68	0.47	2.15

*Source: See sources footnoted in Tables 6 and 7.

As a result of the decline of sworn personnel per 1,000 residents and other factors, the average number of calls for service received per officer increased. As shown in Table 11, the Bureau received 367 calls per officer in CY 1985, compared to 298 calls in CY 1983, an increase of 23 percent.

TABLE 11
SERVICE CALLS PER SWORN OFFICER*

<u>Fiscal Year</u>	<u>Budgeted Sworn Positions</u>	<u>Calendar Year</u>	<u>Calls for Service</u>	<u>Number of Calls Per Officer</u>
1981-82	693	1982	215,219	311
1982-83	712	1983	212,189	298
1983-84	700	1984	228,314	326
1984-85	767	1985	281,150	367
Change, FY 1982-83 to FY 1984-85				23%

*Source: See Tables 8 and 10.

It appears the decline in service level may be attributed to both non-urban services staff reductions and additional urban services workload. Non-urban services staffing declined by 25 positions in FY 1984-85 and by 30 positions in FY 1985-86. Urban services positions grew to 126 in FY 1984-85 and declined slightly to 121 in FY 1985-86. While the Bureau's total budgeted positions grew by 3 percent from FY 1982-83 to FY 1985-86, population served and calls for services grew by 18.6 percent and 32 percent respectively.

Bureau management told us that residents in annexed areas will receive a higher level of services than was provided by the County Sheriff's Office before annexations. Police patrol should respond to calls faster and more sworn officers will be available per 1,000 residents.

OFFICE OF TRANSPORTATION

Summary

It will cost approximately \$11.6 million annually and require 118 staff to provide street and road services to the entire urban services area. The Office of Transportation estimates an additional \$1.4 million in one-time expenditures will be needed for equipment and other start-up costs.

When the entire urban services area is annexed, the City will experience a significant increase in transportation-related workload. The City will have 42 percent more streets, 53 percent more bridges, and 22 percent more signalized intersections to maintain. In addition, the types and levels of service demanded by the newly annexed areas are very different from areas in the existing City. This workload increase, plus budget cuts not related to urban services, has resulted in reduced street cleaning and resurfacing services and backlogs in traffic management activities. According to the Office of Transportation, the level of street maintenance and repair services in the urban services area will be largely comparable to pre-urban services levels when annexations are complete.

Transition Agreement and Transfer of County Roads, Personnel, and Funding

The urban services Transition Agreement between Portland and Multnomah County establishes a framework for transferring County personnel, equipment, and road revenues to the City as annexations occur. The Transition Agreement calls for the transfer of a portion of the County's transportation revenues based on two formulas: a road mile formula that prorates the County's revenues on the basis of the County's 907 miles of roads, and a population formula that transfers a portion of new or additional road revenues based upon the City's percentage of total County population.

By the end of FY 1985-86 the County had transferred jurisdiction of 263 miles of road, with 260 remaining to be annexed in the urban services area. Along with these roads, an estimated 36 County positions had been transferred to the City under the terms of the Agreement, with approximately 42 more positions to be transferred when annexations are complete. The City received \$2.4 million from the County in FY 1984-85, \$3.6 million in FY 1985-86, and is anticipating approximately \$5.8 million in FY 1986-87. The City will receive a total of \$9.6 million annually when the entire urban services area is annexed.

Urban Services Costs

The Office of Transportation has estimated its costs to serve the urban services area as follows.

TABLE 12
 OFFICE OF TRANSPORTATION COST
 TO SERVE THE URBAN SERVICES AREA*

	Annual Ongoing		One-Time-Only	
	Dollars	Staff	Start-Up	Capital
Maintenance	\$ 6,142,000	81	-	\$613,000
Transportation Engineering	1,016,000	23**	\$301,000	31,500
Traffic Management	757,000	9	95,000	286,500
Planning & Finance	239,000	5	40,000	-
	-	-		
Subtotal	\$ 8,154,000	118	\$436,000	\$931,000
Annual Capital Construction	\$ 3,400,000***	-	-	-
TOTAL	\$11,554,000	118	\$436,000	\$931,000

*Source: Office of Transportation personnel. Table does not include street lighting costs.

**Engineering positions provide structural and street engineering permits, mapping, street vacation and acquisition, and inspection services.

***Costs for annual capital construction estimated by auditors based upon County rate of capital budgeting.

These estimates reflect the costs associated with managing and maintaining the 523 miles of roads to be transferred from Multnomah County to the City under the terms of the City-County Transition Agreement. Approximately \$11 million annually and 118 staff would be sufficient to provide a level of City transportation services equivalent to FY 1986-87.

We estimated annual capital costs for urban services on the basis of the County's rate of transportation capital funding for the roads to be transferred. The County allocates approximately 35 percent of its road fund to capital, which represents about \$3.4 million of the \$9.6 million to be transferred annually to the City when annexations are complete. However, personnel in the Office of Transportation point out that the capital needs of the urban services roads may be as high as \$6.9 million annually.

The \$3.4 million amount does not provide for the impact of sewer construction over the next 25 years, which will shorten the useful life of these roads, requiring additional resurfacing and reconstruction costs. This factor, along with the loss of federal funds for capital projects, indicate that the City's current funding level may not be adequate to address the capital needs of the streets in the urban services area.

Due to the increased service area, the Office of Transportation will need at least one additional satellite maintenance facility (this cost is discussed on page 90 of the report). In addition, because of differing operational methods used by the City and County transportation departments, there are some one-time costs associated with converting parking and traffic signs and surveying and mapping rights-of-way. Approximately \$2.4 million in capital is also needed to purchase mid-County street lights from the utilities, eliminating rental costs and allowing the City to convert this equipment to greater energy-efficiency. Bureau management indicate that this one-time expenditure will be paid back within 3 to 4 years with street light revenues raised in annexed areas and with the savings from reduced annual operating costs.

Budget and Staffing Levels

The following table displays budget and staffing levels of the bureaus that now comprise the Office of Transportation from FY 1980-81 through FY 1986-87.

TABLE 13
 OFFICE OF TRANSPORTATION BUDGET AND STAFFING
 FY 1980-81 THROUGH FY 1986-87*

Fiscal Year	Urban Services		Non-Urban Services		Bureau Total	
	Dollars	Staff	Dollars	Staff	Dollars	Staff
1980-81	-	-	\$33,592,891	635	\$33,592,891	635
1981-82	-	-	\$30,896,365	626	\$30,896,365	626
1982-83	-	-	\$29,586,608	626	\$29,586,608	626
1983-84	-	-	\$33,958,256	585	\$33,958,256	585
1984-85**	\$2,226,328	31	\$34,116,694	595	\$36,343,022	626
1985-86	\$4,140,963	44	\$35,839,090	572	\$39,980,053	616
1986-87	\$6,229,213	67	\$35,308,418	583	\$41,537,631	650

*Source: See Appendix E.

**An additional \$471,000 special appropriation for urban services transportation costs was not utilized.

The Office of Transportation is composed of four bureaus that encompass the full range of City transportation services. The Bureau of Maintenance represents 48 percent of the agency's total FY 1986-87 budget and 64 percent of its personnel. It is responsible for maintaining the streets, structures, signs and striping, as well as maintenance of the City's sewers. Transportation Engineering comprises 14 percent of the agency's budget and 18 percent of its personnel. It is responsible for designing and inspecting the City's streets and structures, managing the construction of these

projects, as well as acquiring, mapping, and managing the right-of-ways throughout the City. Traffic Management, with 23 percent of the budget and 13 percent of the personnel, is responsible for managing traffic flow and problems, signals, street lighting, and parking. The Bureau of Planning and Finance provides direction and administrative support to the other bureaus, with 4 percent of the budget and 5 percent of the personnel. The Transportation Construction Fund is specifically for capital construction projects, with no personnel and approximately 11 percent of the agency's budget.

It is difficult to evaluate and compare the Office of Transportation's budget and staffing levels over the last seven years. The agency's revenues vary dramatically from year to year due to changes in federal, state, and local improvement funding. In addition, the agency has experienced a variety of changes in organizational structure and program responsibilities over the last several years. It has gone from 6 bureaus to 4 bureaus, with changes in program responsibilities. Examples of these changes include the transfer of 8 Planning positions and \$386,217 from the Bureau of Planning in FY 1983-84, the purchase of parking meter mechanisms at a one-time cost of \$620,000 in FY 1982-83, and the addition of 12 new parking patrol positions and \$397,238 in FY 1985-86.

As shown in Table 13, the Office of Transportation's non-urban services budget has increased from \$33.6 million in FY 1980-81 to \$35.3 million in FY 1986-87, an increase of 5 percent. In constant dollars, the non-urban services budget decreased by 15 percent, while budgeted positions decreased by 8 percent, from 635 to 583, during this same period.

With urban services included, the total budget increased 24 percent from \$33.6 million to \$41.5 million since FY 1980-81. In constant dollars, however, the Bureau's total budget remained unchanged, while budgeted positions increased by 2 percent, from 635 to 649.

Funding and positions for urban services-related activities have increased steadily since the initiation of the Urban Services Policy. In FY 1984-85 the Transportation Operating Fund received \$2.4 million in urban services money from the County in accordance with Transition Agreement provisions and \$3.6 million in FY 1985-86. An additional \$1 million in utility franchise fees was also budgeted in FY 1985-86. Transportation's FY 1985-86 budget was reduced by \$5 million in undedicated revenues, which were transferred back to the General Fund. According to the Office of Fiscal Administration, a portion of this money was used to fund the police patrol services that were to be provided in accordance with the Transition Agreement.

Workload and Service Levels

Prior to the Transition Agreement, the City had jurisdiction over approximately 1,235 miles of streets. The inventory of structures and signs accompanying these streets includes 72 bridges, 9 miles of guardrail, 745 signalized intersections, and 83,845 traffic and parking signs. Although City personnel have not prepared a full inventory of the urban services area, they have identified street miles, structures, and signalized intersections that are expected to be transferred to the City under the urban services Transition Agreement. The table below shows these elements of the City inventory and the estimated amounts in the urban services area. The 523 miles represent a 42 percent increase to the City's existing inventory of 1,235 miles, a 53 percent increase in bridges, and a 22 percent increase in signalized intersections.

TABLE 14
INVENTORY OF EXISTING CITY AND
URBAN SERVICES AREA STREET MILES, BRIDGES, AND SIGNALS

	<u>Street Miles</u>	<u>Bridges</u>	<u>Signalized Intersections</u>
EXISTING CITY	1,235	72	745
URBAN SERVICES AREA	<u>523</u>	<u>38</u>	<u>164</u>
TOTAL AFTER ANNEXATION	<u>1,758</u>	<u>110</u>	<u>909</u>
Increase (Entire Area)	42%	53%	22%
Increase as of July 1, 1986	21%	46%	11%

According to Office of Transportation managers, the roads in the urban services area are significantly different from the average City street. Transferred County roads would include 7-lane thoroughfares at one extreme and narrow, hilly, unimproved roads with inadequate drainage at the other. While the condition of 370 miles of these roads in the mid-County area is judged by Bureau managers as comparable to the City's existing inventory, approximately 153 miles of County roads that were transferred to the City are below City standards in construction and condition. A County manager indicated that these roads would probably cost the City more to maintain than a comparable City street because of the need for brush-cutting and maintaining and cleaning culverts, sumps, ditches, and shoulders.

The Office of Transportation has also experienced an increase in Traffic Management workload. Possibly as a result of citizen involvement in the annexation process, Portland's newest citizens are initially requesting solutions to traffic and parking problems in their neighborhoods at a rate that is significantly higher than other neighborhoods. Traffic management personnel attributed a large portion of the 28 percent increase during FY 1983-84 and FY 1984-85 in traffic requests to the newly annexed areas, whereas the annexations added only 4 percent to the City's population.

Until these newly annexed areas have their zoning designations converted to the City's classification, Traffic Management and Transportation Planning personnel must conduct design reviews on every construction and zoning activity in those areas. Another manager indicated that these areas require different types of considerations and standards than those adopted by the City because they were developed with a greater dependence upon the automobile with less emphasis on pedestrians.

In large measure, the workload and service level impact on City transportation activities is still being determined. The considerable increase in total workload and the changes in the kinds of tasks to be performed may place some strain on the ability to provide services. Because the workload will place greater demands on the agency than it experiences from existing City streets, a proportionate increase in the Office's funding may not be sufficient to offset the added workload resulting from a 42 percent increase in street miles and a 53 percent increase in bridges.

While it is difficult to distinguish this impact to date, because of the coincident budget cuts, there are some signs that transportation service levels are affected. For example, the Bureau of Maintenance has experienced an increasing backlog of streets needing resurfacing or reconstruction, and street cleaning has been reduced in residential areas from a sweeping frequency of once every 3 weeks to once every 4 months. Also, a backlog of traffic requests has more than doubled from 300 at the beginning of FY 1983-84 to approximately 700 at the beginning of FY 1985-86. These service reductions are the result of several factors besides urban services, but indicate a problem that was worsened by the added responsibility of more roads, structures, and traffic.

County and City managers indicate that when annexations are completed, the level of funding provided for the newly acquired roads should be adequate to provide a comparable level of services to annexed residents as the County provided prior to annexations.

BUREAU OF FIRE

Summary

Since implementation of the Urban Services Policy in 1983, the service population of the Bureau of Fire has increased by 44 percent, from 369,000 to 531,000 residents. This increase is due to annexations and the Bureau's contracts to serve Multnomah County Rural Fire Protection District No. 10 and a portion of Clackamas County Rural Fire Protection District No. 1. With the addition of these service areas, there are slightly fewer fire personnel and stations per resident than existed before the Urban Services Program. The impact on fire call response times and fire suppression effectiveness due to the relative decrease in staff and stations could not be determined because of the lack of reliable data. The Bureau states that response times are unchanged. However, there has been a 16 percent decrease in the number of fire inspections provided per resident since FY 1982-83.

When annexations are complete, the Bureau of Fire estimates that it will cost about \$8.3 million a year to serve the entire urban services area. The Bureau will also experience additional costs to serve contract areas outside the urban services boundary but should recover these expenditures under contract agreements. The Bureau indicates the level of services provided to the newly annexed area should remain largely unchanged from the level provided to the area before annexations.

Fire District 10 and Other Service Contracts

The Bureau of Fire provides fire protection to areas outside Portland's city limits through a variety of service contracts. Over 128,000 non-City residents are served by the Bureau through these contracts, approximately one-fourth of the total number of residents served by the Bureau. The major contracts are with Multnomah County Rural Fire Protection District No. 10 and Clackamas County Rural Fire Protection District No. 1.

The Fire District 10 contract was adopted in anticipation of the City's eventual annexation of the majority of the District's area. When the contract began on July 1, 1984, 220 district personnel were transferred to the City, along with operational responsibility for 10 fire stations and associated apparatus. The contract provides that the District pay the City an annual amount equal to the cost of providing fire service to the District. The District paid about \$10.9 million to the City in FY 1984-85. As the City annexes property in District 10, the amount of tax revenues received by District 10 and transferred to the City will decrease, while City property tax and other revenues increase.

Beginning in FY 1986-87, the City began serving 26,000 residents and 8 square miles of Clackamas County Fire District 1. Approximately 6,000 residents in District 1 live in Errol Heights, within the City's urban services boundary, and the remaining 20,000 residents live in Clackamas County, outside the urban services boundary. Thirty-eight personnel from Fire District 1 were transferred to the Bureau of Fire in FY 1986-87. The City's fee for serving this area in FY 1986-87 is \$2.1 million.

Urban Services Costs

As shown in the following table, Bureau of Fire personnel estimated that it will cost about \$8.3 million annually for the Bureau to serve the entire urban services area.

TABLE 15
 BUREAU OF FIRE'S COST
 TO SERVE THE URBAN SERVICES AREA*

	<u>Annual Ongoing</u>		<u>One-Time-Only</u>	
	<u>Dollars</u>	<u>Positions</u>	<u>Start-Up</u>	<u>Major Capital</u>
Prevention, Emergency, and Logistics	\$7,666,000	163	-	\$750,000**
Management	464,000	5	-	-
Equipment Replacement	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL	<u>\$8,280,000</u>	<u>168</u>	<u>-</u>	<u>\$750,000</u>

*Source: Bureau of Fire personnel.

**Estimated cost of a new fire station to serve Columbia South Shore.

The above estimates represent the costs associated with serving those areas inside the urban services boundary and excludes costs related to areas in Fire Districts 1 and 10 outside the urban services boundary.

Budget and Staffing Levels

Although the Bureau's non-urban services budget has increased by 33 percent from FY 1980-81 to FY 1986-87, in constant dollars it increased only 2 percent. Budgeted positions decreased by 4 percent, from 695 to 669, during this same period.

Since FY 1980-81, the Bureau's total budget, including urban services and contracts with Fire Districts 10 and 1, increased 85 percent, from \$23.1 million to \$42.6 million. In constant dollars, the Bureau's total budget increased by 41 percent, while budgeted positions increased by 27 percent, from 695 to 885.

TABLE 16

BUREAU OF FIRE BUDGET AND STAFFING
 FY 1980-81 THROUGH FY 1986-87*

(millions of dollars)

Fiscal Year	Urban Services		Fire District 10 Contract		Fire District 1 Contract		Non-Urban Services		TOTAL	
	Dollars	Staff	Dollars	Staff	Dollars	Staff	Dollars	Staff	Dollars	Staff
1980-81	-	-	-	-	-	-	\$23.1	695	\$23.1	695
1981-82	-	-	-	-	-	-	\$25.7	702	\$25.7	702
1982-83	-	-	-	-	-	-	\$25.6	676	\$25.6	676
1983-84	-	-	-	-	-	-	\$25.3	649	\$25.3	649
1984-85	-	-	\$10.9	220	-	-	\$29.5	641	\$40.4	861
1985-86	\$0.9	18	\$ 9.2	189	-	-	\$27.8	616	\$37.9	823
1986-87	\$2.1	39	\$ 7.7	139	\$2.1	38	\$30.7	669	\$42.6	885

*Source: See Appendix E.

Increased Workload Due to Urban Services

Since FY 1983-84, the Bureau's service population has increased significantly due to the Urban Services Program which lead to subsequent service contracts with Multnomah County Fire District 10 and Clackamas County Fire District 1. In FY 1984-85, the first year of the service

contract with Fire District 10, the Bureau's service population was 508,000, a 38 percent increase over the 369,000 City residents served the year before. In FY 1986-87, with the addition of 26,000 residents in Fire District 1, the Bureau is serving 531,000 total residents. Once annexations are complete, and assuming that the Bureau serves no unincorporated residents, the Bureau will serve about 478,000 City residents, 30 percent more than the pre-urban services population figure.

TABLE 17
 FIRE SERVICE POPULATION
 1983 THROUGH 1986*

Date	Residents Served by the Bureau of Fire Service Contracts				Urban Services Area Residents Not Served By Bureau of Fire
	City Residents	Inside US Boundary	Outside US Boundary	TOTAL	
7/1/83	365,000	4,111	-	369,111	109,260
1/1/84	370,753	4,111	-	374,864	103,507
7/1/84**	372,734	91,688	43,730	508,152	13,949
1/1/85	373,118	91,304	43,730	508,152	13,949
7/1/85	379,974	84,448	43,372	507,794	13,949
1/1/86	391,968	72,698	43,370	508,036	13,705
7/1/86***	402,269	69,773	58,994	531,036	6,329
After Full Annexation****	478,371	-	-	478,371	-

*Source: The Center for Population Research and Census, the Urban Services Program, 1980 Census - Population and Housing Characteristics, City of Portland annexation maps, and the Portland Fire Bureau.

**Contract to serve approximately 130,000 residents in Fire District 10 began on July 1, 1984.

***Contract to serve approximately 26,000 residents in Clackamas County Fire District 1 began on July 1, 1986.

****Assumes no contract services outside urban services boundary and the approximately 59,000 residents outside the urban services area currently served by the Fire Bureau will be served by other jurisdictions.

The number of calls for emergency fire service have generally increased since FY 1980-81, as shown in the following table. During the first year of the contract with Fire District 10 in FY 1984-85, the Bureau's calls for service increased dramatically from 26,000 to 36,000.

TABLE 18
NUMBER OF CALLS FOR SERVICE
BUREAU OF FIRE AND FIRE DISTRICT 10
FY 1980-81 THROUGH FY 1984-85*

<u>Fiscal Year</u>	<u>Bureau of Fire</u>	<u>Fire District 10</u>	<u>Combined</u>
1980-81	19,732	6,111	25,843
1981-82	21,234	6,762	27,996
1982-83	20,818	7,128	27,946
1983-84	26,005	7,428	33,433
1984-85**	35,918	-	35,918

*Source: Portland Fire Bureau annual reports for FY 1980-81 through FY 1984-85, and Fire Protection Trends for the City of Portland, published in October 1984.

**The Bureau began serving Fire District 10 by contract beginning in July 1984.

Changes in Bureau Service Levels

The number of fire personnel and stations per resident served has declined since the implementation of the Urban Services Program in 1983. The staffing ratio to the combined City and Fire District 10 populations has declined 6 percent from 1.77 fire personnel per 1,000 residents in FY 1982-83 to 1.67 personnel per 1,000 residents in FY 1986-87, as shown in the following table.

TABLE 19
 BUDGETED POSITIONS PER 1,000 RESIDENTS
 BUREAU OF FIRE AND FIRE DISTRICT 10
 FY 1980-81 THROUGH FY 1986-87*

Fiscal Year	Estimated Service Population		Budgeted Positions		Budgeted Positions Per 1,000 Residents		
	Fire Bureau	Fire District 10	Fire Bureau	Fire District 10	Fire Bureau	Fire District 10	Combined
1980-81	374,111	139,670	695	223	1.86	1.60	1.79
1981-82	376,111	139,670	702	227	1.87	1.63	1.80
1982-83	371,111	139,670	676	227	1.82	1.63	1.77
1983-84	369,111	139,670	649	224	1.76	1.60	1.72
1984-85**	508,152	-	861	-	1.69	-	1.69
1985-86	507,794	-	823	-	1.62	-	1.62
1986-87***	531,036	-	885	-	1.67	-	1.67

*Source: The Center for Population Research and Census, the Urban Services Program, 1980 Census - Population and Housing Characteristics, City of Portland annexation maps, FY 1980-81 through FY 1986-87 budget documents, and Portland Fire Bureau.

**Contract to serve approximately 130,000 residents in Fire District 10 began on July 1, 1984.

***Contract to serve approximately 26,000 residents in Clackamas County Fire District 1 began on July 1, 1986.

Since the Urban Services Program began in 1983, the number of stations per 100,000 residents in the City and Fire District 10 also has declined. In FY 1986-87 there are 6.6 stations per 100,000 residents, 9.6 percent fewer than the 7.3 stations in FY 1982-83.

TABLE 20

STATIONS PER 100,000 RESIDENTS
BUREAU OF FIRE AND FIRE DISTRICT 10
FY 1980-81 THROUGH FY 1986-87*

Fiscal Year	Estimated Service Population		Stations		Stations Per 100,000 Residents		
	Fire Bureau	Fire District 10	Fire Bureau	Fire District 10	Fire Bureau	Fire District 10	Combined
1980-81	374,111	139,670	28	10	7.5	7.2	7.4
1981-82	376,111	139,670	28	10	7.4	7.2	7.4
1982-83	371,111	139,670	27	10	7.3	7.2	7.2
1983-84	369,111	139,670	26	10	7.0	7.2	7.1
1984-85**	508,152	-	34	-	6.7	-	6.7
1985-86	507,794	-	33	-	6.5	-	6.5
1986-87***	531,036	-	35	-	6.6	-	6.6

*Source: The Center for Population Research and Census, the Urban Services Program, 1980 Census - Population and Housing Characteristics, City of Portland annexation maps, FY 1980-81 through FY 1986-87 budget documents, Portland Fire Bureau, and Fire Protection Trends for the City of Portland, published in October 1984.

**Contract to serve approximately 130,000 residents in Fire District 10 began on July 1, 1984.

***Contract to serve approximately 26,000 residents in Clackamas County Fire District 1 began on July 1, 1986.

No reliable statistics are available on Fire Bureau response times, and the impact of reduced fire stations and staff on fire emergency response times has not yet been determined. However, the Bureau has indicated that the decrease in personnel and stations has not increased the response times to City residents.

The number of fire inspections provided by the Fire Bureau decreased with the takeover of Fire District 10. The residents of both the City of Portland and Fire District 10 received 48.4 inspections per 1,000 residents in FY 1984-85, compared to 57.8 inspections per 1,000 residents in FY 1982-83, a decrease of 16 percent. The Bureau indicates that reduction in inspections was the result of eliminating superfluous inspections.

TABLE 21

INSPECTIONS PER 1,000 RESIDENTS
 BUREAU OF FIRE AND FIRE DISTRICT 10
 FY 1980-81 THROUGH FY 1986-87*

Fiscal Year	Estimated Service Population		Inspections		Inspections Per 1,000 Residents		
	Fire Bureau	Fire District 10	Fire Bureau	Fire District 10	Fire Bureau	Fire District 10	Combined
1980-81	374,111	139,670	20,183	7,412	53.9	53.1	53.7
1981-82	376,111	139,670	23,756	8,773	63.2	62.8	63.1
1982-83	371,111	139,670	21,114	8,390	56.9	60.1	57.8
1983-84	369,111	139,670	20,670	7,502	56.0	53.7	55.3
1984-85**	508,152	-	24,615	-	48.4	-	48.4

*Source: The Center for Population Research and Census, the Urban Services Program, 1980 Census - Population and Housing Characteristics, City of Portland annexation maps, FY 1980-81 through FY 1986-87 budget documents, Bureau of Fire annual reports, Fire District 10 budget documents, and Bureau of Fire personnel.

**Contract to serve approximately 130,000 residents in Fire District 10 began on July 1, 1984.

Because information was not available from the Bureau of Fire, we were unable to determine if there had been any resultant increase in fire response times or deterioration of fire suppression effectiveness due to a lower number of inspections. The Bureau of Fire told us that the level of fire services to the newly annexed areas should remain unchanged from that provided before annexations. However, they indicated that fire insurance rates for residents of annexed areas would decline due to better fire ratings in the City of Portland as a whole.

BUREAU OF PARKS AND RECREATION

Summary

The City currently maintains 130 parks and park facilities, totaling 7,756 acres. The annexation of mid-Multnomah County will add 28 neighborhood parks, an increase of 34 percent over the City's 83 existing neighborhood and community parks. Bureau of Parks and Recreation personnel estimate that it will cost \$12.6 million to improve the 28 mid-County parks and \$9 million to add new neighborhood parks in areas identified as park deficient. They also estimate it will cost \$1.3 million annually to maintain the 28 mid-County parks, plus another \$335,000 annually if the 9 new parks are added. It will cost about \$800,000 to provide recreational services at City levels once all parks are developed.

Over the last seven years, the Bureau of Parks has experienced budget and staffing declines despite absorbing increased workload in both urban services and non-urban services activities. Because the mid-County parks are largely undeveloped and have not been maintained by the County for five years, it will take significant capital expenditures over many years before these parks are improved to a level comparable to the City's current park system. Recreational staff cannot be assigned to these parks while they are undeveloped, and only minimal recreational services will be available until they are developed. If sufficient revenues are allocated to the Bureau, a significantly higher level of parks and recreational services will be provided to newly annexed residents than they currently enjoy.

Urban Services Costs

The following table shows the costs estimated by Bureau of Parks personnel to serve the urban services area.

TABLE 22
BUREAU OF PARKS' COST
TO SERVE THE URBAN SERVICES AREA*

	<u>Annual Ongoing</u>		<u>One-Time-Only</u>	
	<u>Dollars</u>	<u>Staff</u>	<u>Start-Up</u>	<u>Major Capital</u>
<u>EXISTING 28 MID-COUNTY PARKS</u>				
Fix-up	-	-	\$ 670,000	-
Maintenance	\$1,332,000	30	-	-
Equipment	-	-	531,000	-
Improvements	-	-	-	\$12,600,000
Sewer Assessments	-	-	836,000**	-
SUBTOTAL	<u>\$1,332,000</u>	<u>30</u>	<u>\$2,037,000</u>	<u>\$12,600,000</u>
<u>RECREATIONAL PROGRAMS***</u>				
	<u>\$ 800,000</u>	<u>16</u>	<u>-</u>	<u>-</u>
<u>NINE NEW PARKS****</u>				
Development	-	-	-	\$ 9,000,000
Maintenance	\$ 335,000	7	-	-
Equipment	-	-	\$ 133,000	-
SUBTOTAL	<u>\$ 335,000</u>	<u>7</u>	<u>\$ 133,000</u>	<u>\$ 9,000,000</u>
GRAND TOTAL	<u>\$2,467,000</u>	<u>53</u>	<u>\$2,170,000</u>	<u>\$21,600,000</u>

*Source: City budget documents and Bureau of Parks personnel. Costs associated with possible City assumption of six County parks in southwest Portland are not included because they are not considered part of urban services.

**Estimated by the Assessments and Liens Division of the City Auditor's Office.

***Estimated based on the Bureau's per capita expenditures on recreational services in the existing City.

****Cost estimates were prepared by Bureau of Parks personnel on the acquisition and development of nine new neighborhood parks in mid-Multnomah County. These parks are needed according to the Mid-Multnomah County Master Plan for Neighborhood Parks. However, Bureau of Parks staff indicate that development of new park sites is not likely to occur for many years. For this reason, we have excluded these costs from Tables 2 and 3 of this report.

About \$670,000 will be spent to fix-up and repair deteriorated grounds and facilities because Multnomah County stopped maintaining its neighborhood parks in FY 1980-81. Because the majority of the parks are either undeveloped or semi-developed, the Bureau estimates that about \$12.6 million will be required to develop them to equal current City park standards. Also, mid-County has less parks available per resident than does the existing City, and Bureau planners estimate it will cost \$9 million to build new neighborhood parks in park deficient areas identified in the Mid-Multnomah County Master Plan for Neighborhood Parks.¹ The Bureau estimates that it will cost about \$1.33 million a year to maintain the 28 mid-County parks and about \$335,000 a year to maintain the 9 additional new parks.

Only minimal recreational programs will be provided to mid-County residents until the parks are improved and developed. Park personnel estimate that it will cost approximately \$800,000 a year to provide recreational services to this area at current City levels.

We were told by Bureau personnel that maintenance of mid-County parks is currently less efficient than maintenance of existing City parks because of the travel required by work crews. Construction of satellite facilities is planned to allow City bureaus to better serve the mid-County area. The cost of these facilities is discussed on page 90 of this report.

Finally, the City of Portland will have to absorb sewer assessments on the parks transferred from the County. In FY 1986-87, \$48,000 is budgeted in General Fund Special Appropriations to pay for sewer assessments on parks accepted in FY 1984-85. A total of \$836,000 in assessments will need to be paid by the City's General Fund to the LID (Local Improvement District) Construction Fund (\$547,000 within five years, and the remainder sometime thereafter).

¹ The Mid-Multnomah County Master Plan for Neighborhood Parks was prepared for Multnomah County and the Cities of Portland and Gresham by KM Associates, a private consulting firm.

Budget and Staffing Levels

The following table displays budget and staffing levels of the Bureau of Parks from FY 1980-81 through FY 1986-87.

TABLE 23
BUREAU OF PARKS BUDGET AND STAFFING
FY 1980-81 THROUGH FY 1986-87*

Fiscal Year	Urban Services		Non-Urban Services		Bureau Total	
	Dollars	Staff	Dollars	Staff	Dollars	Staff
1980-81	-	-	\$15,055,372	330	\$15,055,372	330
1981-82	-	-	\$15,305,025	306	\$15,305,025	306
1982-83	-	-	\$14,486,970	309	\$14,486,970	309
1983-84	\$ 38,020	-	\$15,664,833	273	\$15,702,853	273
1984-85	\$ 354,570	7	\$16,113,592	279	\$16,468,162	286
1985-86	\$ 500,000	11	\$16,176,926	271	\$16,676,926	282
1986-87	\$1,100,000	26	\$16,666,524	273	\$17,766,524	299

*Source: See Appendix E.

As shown, the Bureau's non-urban services budget has increased from \$15.1 million in FY 1980-81 to \$16.7 million in FY 1986-87, an 11 percent increase. However, in constant dollars, the Bureau's non-urban services budget decreased by 11 percent while budgeted positions decreased by 17 percent, from 330 to 273, during this same period.

With urban services included, the Bureau's total budget increased by 18 percent, from \$15.1 million to \$17.8 million. In constant dollars, the Bureau's total budget decreased by 5 percent, while budgeted positions decreased by 9 percent, from 330 to 299.

Workload and Service Levels

The City of Portland provides a broad range of parks and parks-related services for its residents. The Bureau's two major functions are the maintenance and improvement of the City's parks, playgrounds, and landscaped areas, and the provision of organized recreational services, including community classes, aquatics, athletics, arts, and other special programs. Approximately three-fourths of the Bureau's budget supports park maintenance and the remaining one-fourth provides recreational services.

Prior to adoption of the Urban Services Policy, the City had a total of 7,756 acres of parks and park facilities, including 58 neighborhood parks, 25 community parks, 9 regional parks, and 38 special facilities. The following table lists the number, acreage, and status of existing City parks and the 28 mid-County parks.

TABLE 24
 INVENTORY OF EXISTING CITY
 AND URBAN SERVICES PARKS*

	Developed**		Semi-Developed**		Undeveloped**		Total	
	<u>No.</u>	<u>Acres</u>	<u>No.</u>	<u>Acres</u>	<u>No.</u>	<u>Acres</u>	<u>No.</u>	<u>Acres</u>
EXISTING CITY								
Neighborhood and Community	72	804	7	47	4	23	83	874
Regional	6	494	3	4,974	0	0	9	5,468
Special Facilities***	<u>31</u>	<u>651</u>	<u>3</u>	<u>712</u>	<u>4</u>	<u>51</u>	<u>38</u>	<u>1,414</u>
TOTAL	<u>109</u>	<u>1,949</u>	<u>13</u>	<u>5,733</u>	<u>8</u>	<u>74</u>	<u>130</u>	<u>7,756</u>
MID-COUNTY								
Neighborhood	7	50	9	44	12	84	28	179
Increase in Total City Parks	6%	3%	69%	1%	150%	114%	22%	2%
Increase in Neighborhood and Community Parks Only	10%	6%	129%	94%	300%	365%	34%	20%

*Source: Bureau of Parks planning staff and the Mid-Multnomah County Master Plan for Neighborhood Parks published in 1984. Data does not include six park sites in southwest Portland which are located in areas annexed by the City but still owned by Multnomah County. The Bureau has not included these six parks in their urban services cost estimates. Also not included are median strips and other traffic-related properties, and park sites considered undevelopable.

**Developed parks generally have paved walkways, softball backstops, repair and cleanup facilities, some court sports, and are irrigated, seeded, and graded. Semi-developed parks usually are graded and seeded, and have limited play equipment. Undeveloped park sites have no formal grading or seeding. They may be mowed occasionally and are used informally as an open space area.

***Examples include Hoyt Arboretum, Japanese Gardens, Portland Tennis Center, and Pittock Mansion.

The 28 mid-County parks represent a 2 percent increase in the City's total park acreage and a 20 percent increase in the City's neighborhood and community park acreage. The mid-County parks are generally much less developed than the City's neighborhood parks. As shown in Table 24, the majority (81 percent) of the City's neighborhood parks are developed while a majority (75 percent) of the mid-County parks are either undeveloped or semi-developed. As a result, the City is adding a large number of neighborhood parks to its system which will require significant improvement before they are comparable to City parks. According to the Mid-Multnomah County Master Plan for Neighborhood Parks, "Many of the parks are undeveloped or are not being maintained and consequently, cannot fulfill their intended purpose."

The mid-County area has 29 percent fewer neighborhood and community park acres available per resident than does the existing City. As shown in Table 25, existing City residents have 2.4 acres of neighborhood and community parks per 1,000 residents compared to 1.7 acres per 1,000 residents in mid-County. Bureau planners estimate it will cost \$9 million to add new neighborhood parks in park deficient areas in mid-County.

TABLE 25

NEIGHBORHOOD AND COMMUNITY PARK ACREAGE PER 1,000 RESIDENTS
 MID-COUNTY VERSUS EXISTING CITY

	<u>Total Acreage</u>	<u>Population</u>	<u>Acres Per 1,000 Residents</u>
Existing City Neighborhood and Community Parks	874	365,000	2.4
Mid-County Neighborhood Parks	179	105,000	1.7

Bureau personnel told us that areas in mid-County will receive limited recreational services until the mid-County parks are fully developed and have essential facilities such as restrooms and maintenance buildings needed to support recreational activities. However, recreational programs are planned for two community schools and mid-County residents can use recreational services provided within the existing City limits.

Although the City planned to develop one park per year beginning in FY 1985-86, the development of mid-County parks will begin later than anticipated. To date, the Bureau has performed basic cleanup (e.g., repair of irrigation systems and disposal of hazardous play equipment) and ongoing maintenance for the 10 parks it has accepted. The Bureau has not, however, spent any money on development. Although \$187,500 was budgeted in FY 1985-86 to redevelop Knott Park, that money was utilized to pay for costs associated with accepting four more parks than originally budgeted for. Bureau personnel said that none of the mid-County parks will be developed until all have been accepted and brought up to minimum maintenance standards.

The newly annexed areas will receive a higher level of parks and recreation services once they are annexed to the City of Portland. Even minimal improvement and cleanup will be an increase from County service levels because the County discontinued its neighborhood park maintenance several years ago. However, Bureau budget and staffing levels have been declining, and extension of services comparable to the existing City is contingent on allocation of sufficient urban service revenues.

BUREAU OF BUILDINGS

Summary

The City's Bureau of Buildings assumed the County's permit and inspection functions on July 1, 1986. The consolidation will eventually result in one permit system and fee schedule for the building community and improve the efficiency of field staff deployment. The Bureau has estimated that it will need approximately \$1.2 million and 26 positions to serve the urban services area. While most Bureau costs will be recovered by operational revenues, approximately \$430,000 in additional revenue will need to be provided by the General Fund once the entire urban services area is annexed.

Consolidation of City and County Permit Functions

The building permit and inspection activities of the City and County were consolidated on July 1, 1986, by means of an intergovernmental agreement. The County's permit staff was transferred to the City; however, actual merger of operations will occur in two phases over about an 18-month period of time. Merger of inspection activities began immediately while permit issuance functions will be combined around January 1988. The County's permit staff will continue to work out of the County's office until that time. The City's housing, nuisance abatement, and noise control ordinances will not be enforced in unincorporated areas until they are annexed.

The Bureau's cost to serve unincorporated Multnomah County prior to annexation will be paid for by the County. The consolidation agreement requires the County to remit to the City all permit revenues generated and

general fund dollars that would have been appropriated to support its permit office. In FY 1986-87, the County has agreed to turn over its anticipated \$685,000 in permit fee revenue and approximately \$126,000 in general fund dollars. The amount of County general fund dollars shared with the City will decrease each year proportionate to the number of unincorporated Multnomah County residents annexed to the City.

Bureau of Buildings management believes the merger of the two offices will result in several benefits, including common procedures for builders to deal with, extension of greater technical expertise to Multnomah County, and more efficient assignment of field staff.

Urban Services Costs

The Bureau of Buildings' cost to serve the urban services area is presented in the following table.

TABLE 26
BUREAU OF BUILDINGS COST
TO SERVE THE URBAN SERVICES AREA*

	<u>Annual Ongoing</u>	
	<u>Dollars</u>	<u>Staff</u>
Transfer of County Permit Office	\$ 811,000	18
Other	<u>359,000</u>	<u>8</u>
TOTAL	<u>\$1,170,000</u>	<u>26</u>

*Source: FY 1985-86 and FY 1986-87 budget documents and Bureau of Buildings personnel.

The City and County permit and inspection activities are very similar because both jurisdictions enforce the same State building regulations. The \$359,000 and eight positions in addition to the transferred County costs are, according to the Bureau of Buildings, due to providing a higher level of service than the County (e.g., more inspections per permit) and enforcing the City's housing, nuisance abatement, and noise control codes which the County does not have.

The Bureau projects that it will recover about \$740,000 of the \$1.2 million in annual urban services costs from operational revenues. This \$740,000 includes \$685,000 the County expects to receive in permit fees, plus \$51,000 in nuisance abatement and abandoned auto fees. While the City has had a lower cost recovery rate than the County, the Bureau is in the process of raising several of its permit fees to bring them more in line with the County's fee schedules. The remaining amount of approximately \$430,000 will need to be provided by the City's General Fund.

Budget and Staffing Levels

The following table shows the budget and staffing levels of the Bureau of Buildings from FY 1980-81 through FY 1986-87.

TABLE 27

BUREAU OF BUILDINGS BUDGET AND STAFFING
 FY 1980-81 THROUGH FY 1986-87*

Fiscal Year	Urban Services		County Service Contract		Non-Urban Services		Bureau Total	
	Dollars	Staff	Dollars	Staff	Dollars	Staff	Dollars	Staff
1980-81	-	-	-	-	\$3,640,219	108	\$3,640,219	108
1981-82	-	-	-	-	\$3,941,206	112	\$3,941,206	112
1982-83	-	-	-	-	\$4,201,343	113	\$4,201,343	113
1983-84	-	-	-	-	\$4,232,295	104	\$4,232,295	104
1984-85	-	-	-	-	\$4,276,065	102	\$4,276,065	102
1985-86	\$150,384	4	-	-	\$4,781,529	102	\$4,931,913	106
1986-87	\$187,091	5	\$811,073	18	\$4,931,649	103	\$5,929,813	126

*Source: See Appendix E.

As shown, the Bureau's non-urban services budget has increased from \$3.6 million in FY 1980-81 to \$4.9 million in FY 1986-87, a 35 percent increase. In constant dollars, the Bureau's non-urban services budget increased by 9 percent, while budgeted positions decreased by 5 percent, from 108 to 103, during this same period.

With urban services included, the Bureau's budget increased from \$3.6 million to \$5.9 million since FY 1980-81, an increase of 63 percent. In constant dollars, the Bureau's total budget increased by 32 percent, while budgeted positions increased by 17 percent, from 108 to 126.

Increased Workload

The urban services area includes about 113,000 residents, a 31 percent increase over the City's 365,000 population prior to the Urban Services Program. In recent years, the County has issued approximately 1,900 building permits a year in the urban services area. This represents a 37 percent workload increase over the average 5,100 permits issued by the Bureau of Buildings.

Increased Service Level to Annexed Residents

The Bureau of Buildings provides a higher level of service to City residents than was provided by the County to unincorporated residents. The City has more technical experts on staff, provides more inspections, and enforces neighborhood quality standards relative to housing, nuisance abatement, and noise control. The Bureau's urban services cost estimate includes dollars and positions needed to extend these services to the entire urban services area.

BUREAU OF WATER WORKS

Summary

As the City annexes the urban services area, it will take over the independent water districts that currently serve this area. Although the Bureau of Water Works will add about 36,000 new retail customers, its revenues will not significantly increase because the Bureau already receives water sales revenues through its wholesale agreements with the existing water districts. The Bureau will also assume maintenance and operational costs which are currently the responsibility of the water districts. To improve water systems in newly annexed areas, the Bureau currently projects that approximately \$30 million in capital improvements will be required over the next 10 years and an additional \$24 million will be needed beyond 10 years. The Bureau also stresses that capital spending projections are subject to change as the Bureau absorbs water districts and thoroughly evaluates the condition of facilities and the need for capital improvements.

Additional revenues from annexed areas will not offset increased maintenance, operational, and capital costs. As a result, water rates for existing City customers will increase faster than would be necessary without annexations. City of Portland water rates to be paid by new City residents within the urban services boundary may be higher or lower than the rates they are now paying, depending on which water district currently supplies services. Planned capital improvements in the annexed areas will improve the effectiveness of water services in the urban services area.

Urban Services Costs

There are two major cost areas associated with providing water to areas within the urban services boundaries - ongoing operational costs and capital improvement costs. These costs will affect Water Bureau operations over a number of years. The extent and timing of the cost impact is dependent on several factors. The most important factor is the speed at which the City assumes jurisdiction over the independent water districts because this impacts the timing of annexation-related construction and the timing of bond sales.

Operational costs associated with mid-County annexations include maintaining water mains and storage facilities, establishing and processing customer accounts, and providing other customer services. The Bureau of Water Works estimates that \$13.3 million in additional operational costs will be incurred over the next 10 years. Capital costs include major improvements to water supply, water distribution, and water quality systems. The Bureau's April 1986 financial forecast plans for \$30 million in additional capital improvements over the next 10 years due to annexations. In addition, approximately \$24 million more will be needed in the years following FY 1995-96. The Bureau indicates that these projections are subject to change and are used for planning purposes. Table 28 below summarizes the Bureau's projected operational (Base) and capital costs with and without annexations.

TABLE 28

BUREAU OF WATER WORKS
 10-YEAR FINANCIAL PROJECTIONS
 With and Without Annexations
 (Thousands of Dollars)

	<u>Fiscal Year</u>										
	<u>1986-87</u>	<u>1987-88</u>	<u>1988-89</u>	<u>1989-90</u>	<u>1990-91</u>	<u>1991-92</u>	<u>1992-93</u>	<u>1993-94</u>	<u>1994-95</u>	<u>1995-96</u>	<u>TOTAL</u>
"BASE" OPERATING COSTS											
With Annexations	\$20,308	\$21,554	\$22,543	\$23,067	\$23,829	\$24,119	\$24,964	\$25,837	\$26,742	\$27,678	\$240,641
Without Annexations	19,380	20,059	20,761	21,487	22,239	23,018	23,823	24,657	25,520	26,413	227,357
Difference	\$ 928	\$ 1,495	\$ 1,782	\$ 1,580	\$ 1,590	\$ 1,101	\$ 1,141	\$ 1,180	\$ 1,222	\$ 1,265	\$ 13,284
CAPITAL IMPROVEMENTS											
With Annexations	\$ 6,472	\$ 6,765	\$ 6,416	\$ 6,931	\$ 7,928	\$ 8,750	\$10,933	\$15,237	\$18,684	\$17,938	\$106,054
Without Annexations	6,170	6,242	6,024	5,087	5,287	6,583	8,646	11,651	13,618	6,685	75,993
Difference	\$ 302	\$ 523	\$ 392	\$ 1,844	\$ 2,641	\$ 2,167	\$ 2,287	\$ 3,586	\$ 5,066	\$11,253	\$ 30,061
TOTAL DIFFERENCE	\$ 1,230	\$ 2,018	\$ 2,174	\$ 3,424	\$ 4,231	\$ 3,268	\$ 3,428	\$ 4,766	\$ 6,288	\$12,518	\$ 43,345

Source: Bureau of Water Works.

Water Revenues and Rates

The Water Bureau plans to fund annexation-related costs by increasing water rates and selling an additional \$28 million in bonds. Rate increases affect current water customers, whereas bond sales provide immediate construction funds but spread the costs to customers over the life of the bond, typically 15 years. Table 29 below shows the Bureau's forecast of bond sales, percentage increase in revenues, and estimated City water rates over the next 10 years, with and without annexations.

TABLE 29

BUREAU OF WATER WORKS
10-YEAR REVENUE PROJECTIONS
With and Without Annexations*

	<u>Fiscal Year</u>									
	<u>1986-87</u>	<u>1987-88</u>	<u>1988-89</u>	<u>1989-90</u>	<u>1990-91</u>	<u>1991-92</u>	<u>1992-93</u>	<u>1993-94</u>	<u>1994-95</u>	<u>1995-96</u>
BOND SALES (000's)										
With Annexations	-	-	-	-	\$13,000	-	-	\$42,000	-	-
Without Annexations	-	-	-	-	\$ 6,000	-	-	\$21,000	-	-
REVENUE INCREASES OVER INFLATION**										
With Annexations	2.0%	3.0%	2.0%	-	-	-	-	-	-	-
Without Annexations	0.5%	3.5%	-	-	-	-	-	-	-	-
CITY WATER RATE*** (Per ¹⁰⁰ / ₁ Cubic Foot)										
With Annexations	\$0.55	\$0.59	\$0.62	\$0.64	\$0.66	\$0.69	\$0.71	\$0.73	\$0.76	\$0.79
Without Annexations	\$0.52	\$0.56	\$0.58	\$0.60	\$0.62	\$0.64	\$0.66	\$0.69	\$0.71	\$0.74

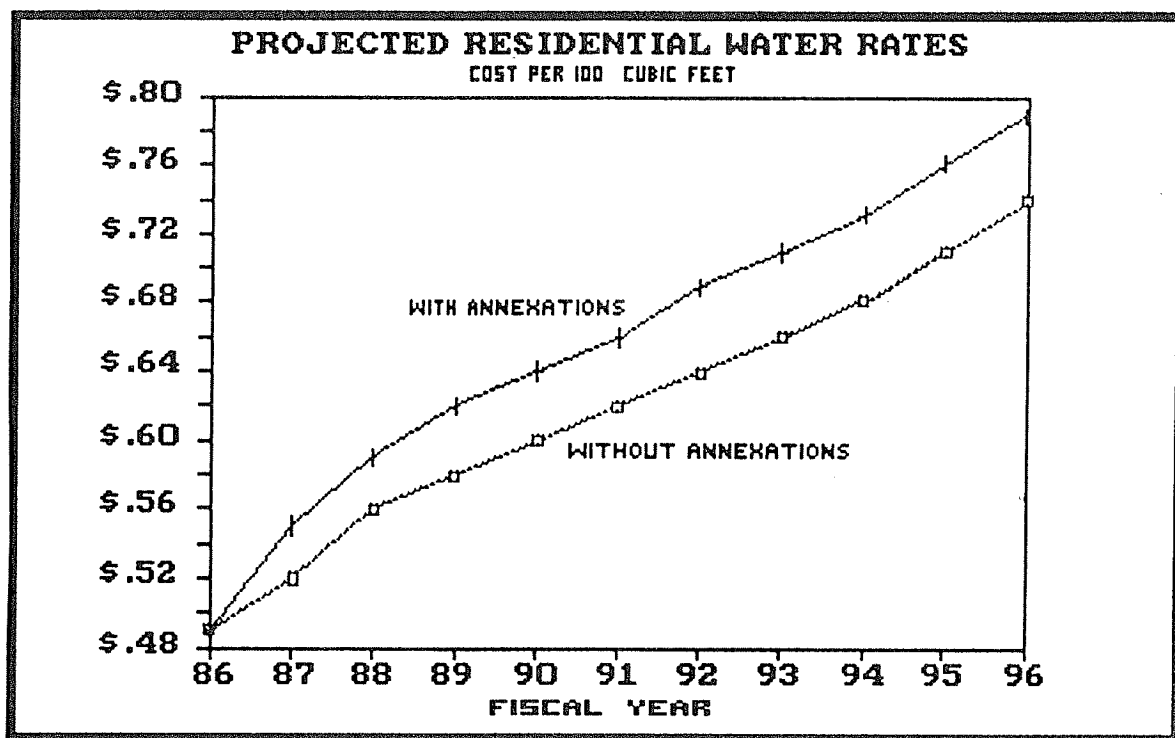
*Source: April 16, 1986, Ten Year Financial Plan; April 21, 1986, Financial Forecast (unpublished).

**Inflation estimated to be 3.5 percent per year.

***Rate forecast assumes equal revenue increases for City customers and outside customers.

Graph 7 shows the Bureau's projected rates over the next 10 years.

GRAPH 7



Annexations cause rates to increase, in part, because the Bureau must assume added maintenance and service costs when it absorbs water districts without adding additional customer revenues. In addition, the Bureau also loses "return on investment" revenues previously charged to the independent water districts. Consequently, the Bureau must raise additional revenue to cover its operating costs. Rates for newly annexed areas will vary depending on the rate previously charged by the independent water district. Some residents will pay more for water, others less. Rate impacts are discussed more fully on pages 93 to 97.

Budget and Staffing Levels

The Water Bureau's budget has varied significantly over the last seven years, primarily as the result of fluctuations in the level of capital improvements. Table 30 displays budgetary and staffing levels of the Bureau from FY 1980-81 through FY 1986-87.

TABLE 30
 BUREAU OF WATER WORKS BUDGET AND STAFFING
 FY 1980-81 through FY 1986-87*

Fiscal Year	Urban Services		Non-Urban Services		Bureau Total	
	Dollars	Staff	Dollars	Staff	Dollars	Staff
1980-81	-	-	\$37,253,589	442	\$37,253,589	442
1981-82	-	-	\$36,418,825	450	\$36,418,825	450
1982-83	-	-	\$36,970,266	441	\$36,970,266	441
1983-84	-	-	\$34,097,430	417	\$34,097,430	417
1984-85	\$ 352,467	3	\$27,722,507	428	\$28,074,974	431
1985-86**	\$1,817,563	18	\$28,324,061	425	\$30,141,624	443
1986-87***	\$1,443,115	19	\$27,990,383	429	\$29,433,498	448

*Source: See Appendix E.

**FY 1985-86 budgeted, but unfilled, limited-term positions were excluded.

***FY 1986-87 urban services amounts include the loan to the Planning Bureau for an Annexation Coordinator position. They do not include limited-term positions scheduled for May 1987 hire.

The division between urban services and non-urban services budgets is somewhat blurred because some capital improvement projects benefit both existing and newly annexed areas. We were told that projects which would have eventually been necessary without annexations will be undertaken sooner because of annexation-related demands. Some of these projects are listed as annexation-related, others are in the regular capital improvement plan. According to the Bureau, existing City residents will benefit from some of the annexation-related projects because system-wide supply and storage capacity will be enhanced.

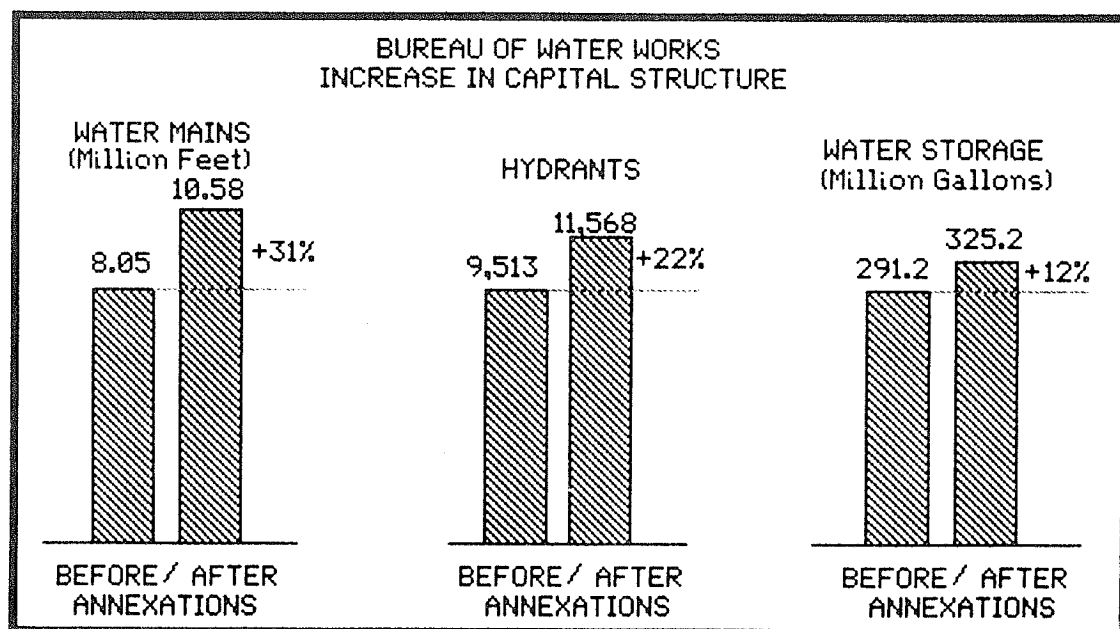
Workload and Service Levels

The Bureau of Water Works is charged with supplying a safe and adequate supply of water to the citizens of Portland. In addition, the Bureau supplies water from the Bull Run watershed to approximately 270,000 residents in surrounding communities. In some cases, the Bureau sells water directly to residential and commercial customers, and, in other cases, water sales are to independent water districts which in turn sell water to their customers.

Upon annexation of an area, the City becomes responsible for the water systems of annexed residents through a defined statutory procedure. Upon annexation of 50 percent of a water district, the City can absorb the district, taking over its assets and liabilities. Bureau management currently projects that it will acquire \$21 million in capital assets and \$640,000 in liabilities from the water districts it will absorb. The Bureau will also acquire maintenance responsibilities for approximately 36,000 residential and commercial services, an increase of 27 percent. However, annexations will not significantly increase the number of people who receive Bull Run water because these independent water districts currently purchase their water from City supplies.

Annexations will significantly increase the Bureau's workload. According to Bureau documents, annexations will add approximately 2.5 million feet of water mains (31 percent increase), 2,000 fire hydrants (21 percent increase), and 34 million gallons of water storage (11 percent increase). These increases are shown in Graph 8 below.

GRAPH 8



The Bureau indicates that for some annexed residents, the quality and reliability of water services will be better upon completion of capital improvements planned over the next 10 years. These residents will experience more reliable service, higher pressures, and/or more fire hydrants. Other residents already receive a City level of service from their water districts and will experience little change in service.

BUREAU OF ENVIRONMENTAL SERVICES

Summary

In April 1986, the state Environmental Quality Commission (EQC) mandated that residents in mid-Multnomah County install and connect to a sanitary sewer system. Total costs for sewerage are estimated to be \$362 million. As the result of federal pollution control grants received by the City of Portland in the 1970's, the City is obligated to provide the trunk lines and treatment facilities for the sanitary sewer system without regard to whether the area is annexed to the City.

The Bureau of Environmental Services is currently planning to meet the City's sewerage obligation which will add approximately 54,000 new users to the City's sanitary sewer system. Much of the area to be sewerage is in the urban services area, although part of the area was in the City prior to adoption of the Urban Services Policy.

Annexations will not significantly impact sewer rates. However, the EQC-mandated sewerage of mid-Multnomah County is projected to result in lower sewer rates when completed. Additionally, annexed residents will likely pay a lower monthly charge and lower sewer connection fees than non-incorporated residents.

Urban Services Costs

While the extension of sewers into the urban services area, with or without annexations, will cause the Bureau of Environmental Services to incur additional capital and operational costs, the Bureau states that it will continue to be self-sustaining and will operate without General Fund subsidy. The Mid-Multnomah County Sewer Implementation Plan, developed by

the Cities of Portland and Gresham, and Multnomah County, projects that mid-County sewerage will cost an estimated \$362 million. A majority of this cost will be paid by new sewer customers and the remainder by local jurisdictions, including the City of Portland. The Bureau projects that it will expend about \$41 million attributable to mid-County sewerage.² Operational costs are forecast to increase from \$18.5 million to about \$30 million in 2005. Approximately \$8 million of this increase will be the result of mid-County sewerage.

Distinct from EQC-mandated sewerage costs, urban services area annexations will increase Bureau operational costs primarily in the area of drainage (storm sewer) maintenance. Annexations have already added about 2,700 sumps and a small number of storm sewers which the City must maintain. Based on County cost forecasts, storm sewer maintenance will cost the City approximately \$291,000 per year through 2005.

Budget and Staffing Levels

The Bureau of Environmental Services was created in FY 1983-84 upon consolidation of the Bureaus of Sanitary Engineering, Refuse Disposal, and Wastewater Treatment. The sewage treatment operations are primarily funded through sewage user fees and charges. Surplus disposal fee revenues, together with federal grant revenues and bond sales, support capital construction. Collection system sewers are paid for by property owners through local improvement district assessments.

² Includes apportioned costs of in-City facility improvements based on anticipated sewage flows.

Table 31 below details sewer and solid waste appropriations for the Bureau's operating, construction, and debt funds from FY 1980-81 through FY 1986-87.³ As shown, the Bureau has not budgeted significant annexation related projects through FY 1986-87. Although the City's Budget Office identified over \$14 million of Environmental Services' capital expenditures as urban services-related during FY 1984-85 and FY 1985-86, these expenditures are actually related to EQC-mandated mid-County sewerage, not annexations. Bureau management state that the only personnel expenditures which could be considered to be annexation-related are in the Engineering Division which has dedicated about one staff position to mid-County storm sewers. This cost is estimated in the table below.

TABLE 31
 SEWAGE DISPOSAL DEBT SERVICE AND CONSTRUCTION FUNDS
 TABLE OF BUDGETED EXPENDITURES*
 (FY 1980-81 through FY 1986-87)

Fiscal Year	Urban Services**		Non-Urban Services		Bureau Total	
	Dollars	Staff	Dollars	Staff	Dollars	Staff
1980-81	-	-	\$24,371,428	223	\$24,371,428	223
1981-82	-	-	\$26,383,082	227	\$26,383,082	227
1982-83	-	-	\$42,057,683	226	\$42,057,683	226
1983-84	-	-	\$27,667,037	229	\$27,667,037	229
1984-85	-	-	\$31,683,445	233	\$31,683,445	233
1985-86	\$41,000	1	\$38,856,041	239	\$38,897,041	240
1986-87	\$44,000	1	\$40,350,516	247	\$40,394,516	248

*Source: See Appendix E.

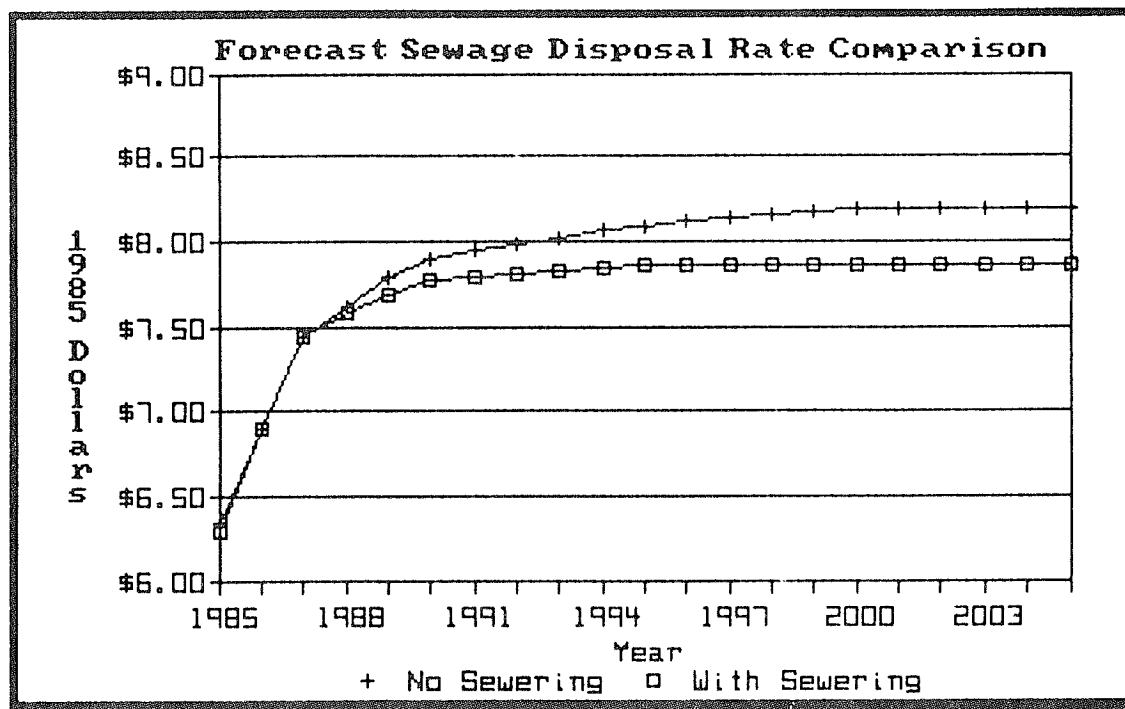
**Excludes costs which are primarily for EQC-ordered sewerage.

³ From FY 1979-80 through FY 1982-83, expenditures were budgeted in the Bureaus of Wastewater Treatment, Sanitary Engineering, and Refuse Disposal.

Sewer Rates and Charges

Bureau of Environmental Services managers predict the EQC-mandated sewerage of mid-County will ultimately have a positive impact on sewer rates because needed plant expansion costs and operating costs will be spread over a larger customer base. Rates for existing and newly annexed customers will likely be lower than rates for non-City residents. The graph below shows that sewage disposal rates are forecast to stabilize at a lower rate than they would without mid-County sewerage. It is estimated that rates will average \$7.87 a month with sewerage and \$8.20 without sewerage.

GRAPH 9



Financing costs for sewerage will be similar for both City and non-City residents. Non-City residents will be offered the opportunity to secure long-term loans through State Department of Environmental Quality bonding authority. The City plans to make \$60 million in low interest Bancroft Bonding available to residents, as well as to offer the alternative of state-backed financing to non-City residents. State funding may carry slightly different interest rates. Bureau managers anticipate that the differences in financing costs will be negligible.

Workload and Service Levels

The Bureau of Environmental Services is responsible for all planning, construction, financing, and operations of the City's sewage facilities and systems. It provides sanitary sewage collection and treatment to about 115,000 retail customers⁴ and several wholesale customers. It is responsible for maintenance and operation of about 1,500 miles of sewer lines, 62 major pumping facilities, and the Columbia Wastewater and Tryon Creek treatment plants. Additionally, the Bureau is responsible for storm drainage systems within the City (storm sewers, combination sewers, and sumps).

Annexation has added approximately 2,700 storm sumps and an unknown inventory of storm sewers to City maintenance responsibilities. However, annexation-related storm sewers should not significantly impact the Bureau's workload because maintenance is performed by the Bureau of Maintenance in the Office of Transportation.

The Bureau's sewage treatment workload will increase significantly as mid-County sewerage progresses, adding approximately 54,000 customers upon completion (estimated in year 2005). The Bureau estimates that 33 million gallons of sewage per day will flow from mid-County in 2005.

⁴ 11,000 commercial customers account for about 50 percent of the wastewater treated. Mid-County sewerage will primarily add low-volume residential customers.

Despite the predicted increase in workload, Bureau managers project that sewage operations will continue to be self-supporting. Furthermore, Bureau managers state that their long-range planning and forecasting will enable them to meet the increased workload with no change in service levels to existing residents.

OTHER BUREAUS AND COSTS

Other urban services costs in addition to those listed in the previous bureau discussions are included in Table 2 and Table 3 of this report. Table 2 includes urban services dollars budgeted for the Bureau of Planning, the Bureau of Purchases and Stores, the Office of Neighborhood Associations, the Bureau of Personnel, the City Attorney's Office, the Office of Cable Communications, and the Bureau of Human Resources. We have projected the annual operating costs of these bureaus to serve the entire urban services area, plus annual insurance costs, to be about \$1.76 million. While there may be increased workload and additional staffing needs in other general government functions such as the City Auditor's Office, the Bureau of Risk Management, the Bureau of Licenses, and the Office of Fiscal Administration, we have not included these potential costs due to their relatively minor nature.

Table 3 includes about \$6.6 million in new facility costs and \$1.8 million in unfunded vehicle replacement costs. Below we discuss Bureau of Planning cost estimates, costs associated with liability and workers' compensation insurance, satellite facilities needed to serve mid-County, and vehicle replacement for vehicles transferred to the City.

Bureau of Planning. Both Multnomah County and the City of Portland have planning offices which administer land-use and zoning regulations. Multnomah County is reducing its planning activities to county-wide planning while the City of Portland's Bureau of Planning is expanding to serve the urban services area. Bureau of Planning personnel estimated that the Bureau will need 18 positions and \$829,000 annually to serve the entire urban services area. There will also be approximately \$322,000 in start-up costs to administer annexations, amend the City's Comprehensive Plan, and revise other planning and zoning documents.

Insurance Costs. The City's annual insurance costs will increase by \$600,000 due to additional personnel, structures, and equipment. These costs include liability and workers' compensation claim costs and property insurance premiums paid to commercial insurance carriers. Most of these increased costs are reflected in the previous urban services cost estimates. We estimate that the City will incur an additional \$160,000 annually above the amounts included in the previous bureau estimates.

Satellite Facilities. The Bureau of Facilities Management has completed a bureau survey to identify needed satellite facilities to allow City bureaus to more effectively serve the mid-County area. The plan includes a new East Precinct building for the Bureau of Police with a projected cost of \$3.5 million. Another facility costing \$1.7 million is planned in mid-County to provide space for the Bureaus of Maintenance, Parks and Recreation, Water Works, Fleet Management, and Electronic Services. A third facility costing \$600,000 is planned to provide space for the Bureau of Buildings and the Office of Neighborhood Associations, and additional space for the Bureaus of Parks and Recreation and Water Works. Finally, the Bureau of Fire plans to construct a new fire station to serve annexed residents in the Columbia South Shore area, which will cost an estimated \$750,000 for property acquisition, building construction, and fire apparatus and equipment.

Vehicle Replacement. As part of the Transition Agreement, 88 pieces of used road maintenance vehicles and equipment are scheduled for transfer from Multnomah County to the City of Portland. These vehicles have an estimated replacement value of \$2 million. Another 12 vehicles, with a replacement value of \$96,000, have been transferred from the County with the consolidation of the City and County building permit functions. An additional 36 automobiles and light trucks, with a replacement value of \$311,000, have been transferred from Multnomah County Fire District 10 and Clackamas County Fire District 1.

These vehicles have an estimated market value of about \$828,000. Reserves to finance replacement of City vehicles and heavy equipment are accumulated in the City's Fleet Operating Fund. However, because no vehicle replacement funds are being transferred with any of these vehicles, there will be about a \$1.8 million reserve shortage in the Fleet Operating Fund. This shortage could be less if all vehicles are not replaced.

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URBAN SERVICES
September 1986

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CHAPTER IV

IMPACT ON TAXES, FEES, AND UTILITY RATES

City tax rates should be lower in future years than they would be without annexations due to the increased assessed value resulting from annexations. Current City residents will experience a slight decrease in property taxes and sewer rates, and an increase in water rates. Residents in the urban services area who annex to the City will receive a higher level of services but will also experience increases in property taxes. User charges for new residents will go up or down, depending on the type of service and the resident's location. This increased tax burden will eliminate the existing "urban subsidy" by requiring new residents to pay for services that are now supported in the main by revenues from City residents.

IMPACT ON EXISTING CITY RESIDENTS

Many components of the total property tax levy, such as school levies, depend on elections and other non-annexation factors. However, based on the assessed value of property within the urban services area and on predicted growth in assessed valuation, it is possible to project the City's tax levy for future years. Our analysis shows that through FY 1990-91, urban services annexations will lower the total tax levy to existing Portland residents by 5 percent, or \$0.36 per \$1,000 assessed value. The City's base levy and street levy rates will be unaffected. The major cause of the reduction is that the Fire and Police Disability and Retirement Fund and City bonded debt annual costs will be applied to a larger City assessed value. The costs for these two programs will not be affected by annexation activity for several years.

Table 32 presents historic and estimated future tax rates through FY 1990-91, with and without urban services annexations.

TABLE 32

ESTIMATED CITY TAX RATES
 WITH AND WITHOUT ANNEXATION

	<u>Fiscal Year</u>							
	<u>1983-84</u>	<u>1984-85</u>	<u>1985-86</u>	<u>1986-87</u>	<u>1987-88</u>	<u>1988-89</u>	<u>1989-90</u>	<u>1990-91</u>
CITY PROPERTY TAX RATES PER \$1,000 OF ASSESSED VALUE								
Without Annexation	\$6.57	\$6.48	\$ 6.81	\$ 7.15	\$ 7.09	\$ 7.03	\$ 6.97	\$ 6.91
With Annexation	<u>6.58</u>	<u>6.43</u>	<u>6.71</u>	<u>7.04</u>	<u>6.90</u>	<u>6.78</u>	<u>6.66</u>	<u>6.55</u>
TAX SAVINGS PER \$1000	<u>(\$0.01)</u>	<u>\$0.05</u>	<u>\$ 0.10</u>	<u>\$ 0.11</u>	<u>\$ 0.19</u>	<u>\$ 0.25</u>	<u>\$ 0.31</u>	<u>\$ 0.36</u>
TAX SAVINGS ON \$40,000 HOME								
	(\$0.40)	\$2.00	\$4.00	\$4.40	\$7.60	\$10.00	\$12.40	\$14.40
TAX SAVINGS ON \$80,000 HOME								
	(\$0.80)	\$4.00	\$8.00	\$8.80	\$15.20	\$20.00	\$24.80	\$28.80
TAX SAVINGS ON \$120,000 HOME								
	(\$1.20)	\$6.00	\$12.00	\$13.20	\$22.80	\$30.00	\$37.20	\$43.20

Based on information available from rate forecasting models, the impact of annexations on water and sewer rates will be mixed. Bureau of Water Works rate forecasts show annexations will cost City residents about \$5 more per year by 1992, while sewer forecasts show annexations will save residents about \$4 per year by the year 2000. The actual rates are set by City Council and may differ from projections due to unforeseen economic changes or capital needs.

IMPACT ON NEWLY ANNEXED RESIDENTS

To show the impact of annexations on newly annexed residents, we selected three different locations in the urban services area served by three separate school and water utility districts. We compared the differences in tax rates and service fees currently paid by residents in these areas with the rates and fees that will be paid when these areas are annexed.

As shown in Table 33 below, school and County tax rates will remain unchanged while levies for general City property taxes, the Fire and Police Disability and Retirement Fund, and bonded debt will be added when annexed to the City. The fire protection tax will be eliminated as this service will be provided in the general tax levy. Water rates for newly annexed properties will be more, less, or the same, depending on the water rates charged by the water district currently serving the area. Monthly sewer rates are estimated to decline by 30 percent when a sewered resident annexes. The total average residential monthly bill for gas, electric, and telephone service will increase by \$20.64 a year after annexation due to the City's franchise fee on utility revenues. Some utilities pass these fees along to City customers. Street lighting levies will change from a flat charge of \$45 to a rate of \$0.50 per \$1,000 of assessed value.

TABLE 33

TAX AND FEE RATES FOR
 SELECTED SCHOOL AND WATER DISTRICTS
 BEFORE AND AFTER ANNEXATION
 FY 1985-86 Rates

	<u>School District</u>			
	<u>Centennial</u>	<u>Parkrose</u>	<u>David Douglas</u>	<u>When Annexed</u>
<u>PROPERTY TAXES (Rate/\$1,000)</u>				
SCHOOL DISTRICT TAX	\$17.00	\$11.49	\$11.21	No Change
OTHER COUNTY AND REGIONAL TAXES	\$ 6.76	\$ 6.76	\$ 6.76	No Change
FIRE PROTECTION TAX	\$ 3.03	\$ 3.03	\$ 3.03	None
GENERAL CITY PROPERTY TAX	-	-	-	\$4.52
FIRE AND POLICE DISABILITY AND RETIREMENT TAX	-	-	-	\$1.41
CITY BONDED DEBT	-	-	-	\$0.28
STREET LIGHTING LEVY	-	-	-	\$0.50

	<u>Water District</u>			
	<u>Rockwood</u>	<u>Richland</u>	<u>Hazelwood</u>	<u>When Annexed</u>
<u>AVERAGE ANNUAL SERVICE FEES</u>				
WATER	\$117.48	\$ 86.40	\$ 75.84	\$82.20*
SEWER**	\$120.60	\$120.60	\$120.60	\$82.80
STREET LIGHTING FEE	\$ 45.00	\$ 45.00	\$ 45.00	None
ADDITIONAL CITY FRANCHISE FEES	-	-	-	\$20.64

*FY 1986-87 average bill.

**Represents sewer fees which would be charged if connected to the City's system.

While Tables 32 and 33 appear to show that City residents will be getting decreased taxes at the expense of newly annexed residents, in fact, the data demonstrates the elimination of the current urban subsidy that is discussed in the following section. City residents have been paying for most of the services in the County but are not receiving a proportional amount of services. By contrast, unincorporated residents have paid less than the cost of services they have received. Specifically, the Portland State University study showed that City residents provided an annual \$9.2 million subsidy to residents in unincorporated Multnomah County in FY 1976-77. In effect, the increase in property taxes for newly annexed residents reduces the existing tax subsidy provided by City residents and funds a higher level of municipal services than was received before annexations.

ADDRESSING THE URBAN SUBSIDY

The Urban Services Program should address and eliminate the urban subsidy identified in a series of reports issued in the late 1970's by Multnomah County and Portland State University's Center for Urban Studies. The reports concluded that City taxpayers were paying for municipal services delivered to them by City government, but were also funding municipal services delivered by County government to residents in the unincorporated areas of the County. In effect, City taxpayers were subsidizing unincorporated taxpayers. This subsidy was attributed to municipal services which the County provides almost exclusively to the unincorporated area, but mainly funds from county-wide revenue sources.

The Portland State University report found that Portland, containing 69.1 percent of the County's population, received 50.8 percent of County services while contributing 63.4 percent of the revenues. The unincorporated area, containing 24.8 percent of the population, received

39.3 percent of the services while contributing 27.0 percent of the revenues. Other cities containing 6.1 percent of the population received 3.5 percent of services while contributing 4.6 percent of the revenues. While the study suggested that the results were not a definitive analysis of the problem, there was little doubt that a significant tax subsidy existed.

The Portland State University report also studied ways to solve the problem by evaluating four alternatives involving some form of annexation and/or incorporation for all or part of the urbanized unincorporated area. The report concluded that it was fiscally feasible to eliminate the urban subsidy and to improve the position of most County residents. However, from the viewpoint of residents of the unincorporated area, none of the alternatives provided "a 'have your cake and eat it too' outcome." Residents would be faced with either a loss of services or increased taxes depending on the alternatives chosen. For example, the study said that new City incorporation without additional taxes would produce insufficient revenues to continue current (FY 1976-77) service levels while annexation to existing cities would result in higher taxes but with increased service levels.

Assuming the conditions existing during the time of the Portland State University study are still true today, annexations resulting from Portland's and Gresham's urban services programs should address the urban subsidy problem. While new City residents will experience higher property taxes, they will also receive higher levels of police patrol, parks and recreation, and water services. Removal of the subsidy more equitably balances the tax burden between those paying and receiving services but also improves municipal service levels to unincorporated urban areas that faced continued erosion of services due to County revenue shortfalls.

CHAPTER V

ACCOMPLISHING URBAN SERVICES POLICY OBJECTIVES

The City of Portland has accomplished many of the objectives of the Urban Services Policy (Resolution 33327). The City has initiated a coordinated transition of urban services delivery from the County to the City through annexing areas and by establishing intergovernmental service agreements. An extensive public education and participation program has been established to inform residents in the urban services area of the impacts of annexation and to receive comments on proposed changes. However, several major objectives remain unresolved and some Policy provisions have not been complied with. Specifically, the City has not adequately planned for capital improvements in the urban services area nor fully clarified service delivery roles in certain areas. In addition, some service levels have diminished during the first three years of the Urban Services Program due in some degree to increased annexation-related workload coupled with City-wide budget reductions. The sections that follow provide detail on the Program accomplishments to date, Policy compliance, and on capital planning and role clarification needs.

Program Accomplishments

The City of Portland, specifically the Urban Services Division of the Office of Fiscal Administration, has implemented most of the objectives of the City's Urban Services Policy. The City has achieved four major Policy objectives as described in the following pages.

1. Delivered Urban Services by Annexations and Through Interim Agreements and Contracts

In accordance with Section 5 of the Urban Services Policy, the City has delivered services to the urban services area by annexing areas to the City or through a variety of interim transition agreements and contracts with Multnomah County and other special districts. In most cases, the City has approved annexation of areas within the urban services area consistent with Policy Section 4 that requires a majority of property owners and residents to demonstrate a desire to be annexed to the City.

Since the passage of the Urban Services Policy in February 1983, the City has annexed over 37,000 residents and 10.9 square miles within the established urban services boundary. As of July 1, 1986, approximately 76,000 residents and 16.2 square miles remain to be annexed, 67 percent of the urban services population and 60 percent of the total urban services area. The Urban Services Division initially planned to complete annexations by July 1986, consistent with the County's goal to phase out of municipal services, but annexations may not be complete for several years.

2. Coordinated Transition to Ensure Continued Delivery of Services

The City has worked closely with Multnomah County, special districts, and other cities in the urban services area to ensure continued service delivery during the transition period as mandated by Section 3 of the Policy. The City has participated in developing 28 intergovernmental agreements, contracts, and plans that specify various conditions of how and when services will be delivered in the urban services area. The agreements specify how services will be phased out and transferred, and define service responsibility and ownership of facilities and equipment. Rules for personnel transfers are also detailed as is the timing of funding arrangements. The Urban Services Division indicates that it has also provided information on service delivery to other jurisdictions and testified before elective and appointed boards.

3. Provide for Public Education and Participation in Implementing Policy

Sections 7 and 8 of the Policy require the City to initiate and provide for public education and a participation process to inform residents and owners of the need, costs, and benefits of City services, and to ensure all parties have an opportunity to review and comment on plans for implementing the Policy.

City documents indicate that the City has addressed this requirement through a variety of efforts. Specifically, the City has developed 10 neighborhood service plans, conducted over 100 public meetings, produced and distributed over 100,000 pieces of public information, and coordinated television shows that describe City services. The Urban Services Division also has prepared and assisted in the development of a variety of studies and surveys on the nature and financial impact of municipal services in the urban services area. City Council has obtained and reviewed public input on all proposed annexations.

4. Demonstrated that Service Investment can be Expected to be Recaptured

Although the costs of providing expanded services has exceeded the revenues received during the first three years of the Urban Services Program, our analysis in Chapter I indicates that the City should expect to recapture its service investment as required by Section 4 of the Policy. We project that annual operating revenues should exceed operating expenditures by approximately \$3.5 million when all annexations are complete. This projection is contingent upon completing the annexation of all areas within the boundary, the accuracy of bureau cost estimates, and the reliability of the economic assumptions we used to project future revenues. It should also be noted that these revenues will be needed to address the significant amount of capital-related and one-time-only start-up costs identified by City bureaus and discussed in Chapter III.

Lack of Capital Planning

Although Policy Section 2 calls for the City to "... plan for the eventual delivery of urban services according to a phased program of improvements meeting the service needs of individual areas...", the City has not adequately defined and analyzed the capital needs in the urban services area. Although various bureaus, including Environmental Services and Water Works, have completed estimates on the level of capital expenditures that will be needed, the City has not identified the total capital needs in the area, established priorities among these needs, nor evaluated the cost, source of funds, or timing of delivery. Additionally, we found no evidence that the City has evaluated the effect of these capital costs on future debt sales, debt service requirements, or City debt burden. The City's approved FY 1986-87 capital budget presents data on capital investments for the current fiscal year and contains descriptions of projects, many of which are within the urban services area; however, it does not identify or specifically evaluate annexation-related capital costs or assess the impact of these future capital needs.

Our summary of bureaus' estimated costs in Chapter I shows that the City faces about \$22 million in one-time capital costs and at least \$3.4 million in annual transportation capital costs in order to provide services in the annexation area. In order for the City to effectively plan for the eventual delivery of urban services, the City needs to place additional efforts in evaluating annexation capital costs. The Office of Fiscal Administration indicates that the City's financial advisor, Government Finance Associates, is preparing a comprehensive capital financing plan to identify future capital needs and funding requirements. A report and plan on capital and debt concerns is expected by October 1986.

Need to Further Clarify Service Roles

Although the City has acknowledged its role as the principal provider of urban services within the urban services boundary according to Section 2 of the Policy, there are opportunities to further define urban and county service roles and to achieve savings through elimination of potentially duplicate services. A City-County task force has evaluated several areas and recommended changes in emergency management and basic needs, but more can be done to define roles in human services and law enforcement and to implement the intent of the Urban Services Policy and the County's Resolution A.

The County's Resolution A and the City-County Transition Agreement define human service activities as county-wide services that will be provided by Multnomah County. Despite this role definition, the City continues to provide a level of funding for human services. The City's FY 1986-87 budget contains \$3.4 million in General Fund support for human services, including approximately \$1.4 million for youth service centers and \$350,000 for summer employment for teens. Although recognizing that the County is the area's principal human service provider, youth services is a service priority in the City's FY 1986-87 budget.

The City-County Services Evaluation Task Force established by intergovernmental agreement to assess City and County service roles has recommended transferring the youth centers to the County effective July 1, 1987, in order to improve planning, policy, and service coordination. The City Council has not yet acted on the Task Force recommendations nor have they assessed the need to transfer the responsibility for other human services activities, such as the Metropolitan Human Relations Commission, summer employment for teens, and the Metropolitan Youth Commission.

According to County budget staff, the County has realized approximately \$3 million in savings primarily from transferred police and planning responsibilities. These savings have been used to enhance other County services in the human and environmental service areas such as health clinics, animal control, and youth alcohol services. Additional savings would be achieved if the Sheriff transferred more responsibilities to the City's Bureau of Police. However, the County may continue to maintain some functions such as criminal investigations, special traffic enforcement, and truck safety that are also carried out by cities in the region. The City-County Task Force recommended that both the City and County continue to perform major criminal investigations concluding that "great value can be achieved with two law enforcement entities providing this service." However, this recommendation appears to be in direct conflict with the spirit and intent of the Urban Services Policy and Resolution A in respect to eliminating duplicating services and moving toward rationalization and specialization in service delivery.

The City-County Task Force also recommended that the County Sheriff continue rural patrol and associated services east of the City urban services boundary. However, a minority report from the Task Force suggests that some of the recommended actions miss opportunities to save dollars and also are not consistent with the intent of the Urban Services Policy and Resolution A.

Our review of bureau workload and service delivery also revealed another condition in which service roles need to be clarified in order to achieve the intended efficiencies of the Urban Services Policy. For example, County transportation-related equipment and facilities may not be utilized in an efficient manner. The County continues to maintain its road maintenance facility, Vance Shops, but will lose almost 60 percent of its workload when annexations are complete. Sharing this facility with other cities could reduce County operational costs and achieve dollar savings.

Diminished Service Levels

Policy Section 4 requires that the City consider delivering services within the urban services boundary when the City can meet the new workload demands without diminishing its ability to serve existing City residents and businesses. We found that during the first few years of implementation, some service levels have declined. Specifically, police response times are slower, road and traffic maintenance workload is backlogged, the number of fire inspections per resident has dropped, and budget and staffing in the Bureau of Parks and Recreation have declined. Other services such as permits and planning appear largely unchanged.

Diminished service levels have been caused in large part by City-wide budget cuts. However, increased annexation-related workload has also had an impact. Bureau managers indicate that service levels should return to pre-urban services levels when annexations are complete and sufficient revenue is available to support operations.

Urban Services Boundary Not Formally Adopted

Policy Section 1 of the Urban Services Policy requires the City to formally adopt an urban services boundary by amending the City's Comprehensive Plan. Although an informal boundary has been established by the City, it has not been reviewed by the Council or the public, and has not been adopted as an amendment to the City's Comprehensive Plan. To comply with Policy provisions, a formally adopted boundary should be achieved.

RECOMMENDATIONS

In order to accomplish the objectives of the Urban Services Policy and achieve full compliance with Policy requirements, we recommend the City of Portland, through the Office of Fiscal Administration:

1. Closely monitor urban services revenues and costs to ensure adequate revenues are generated to support expanded bureau operations and to ensure the City recaptures its service investment.
2. Annually perform detailed analysis during the budget process of urban services workload demands, service levels, and funding requirements for all major bureau functions. The analysis should report on the degree to which service levels are maintained, and recommend methods to ensure that levels will not be diminished due to annexations. The Office of Fiscal Administration should coordinate with City operating bureaus to establish generally accepted workload measures and performance standards to ensure accurate and consistent evaluation of workload and performance.
3. Develop a comprehensive analysis of future capital needs in the urban services area and prepare a capital plan that:

Defines the total urban services-related capital expenditure needs;

Establishes priority and timing of expenditures;

Identifies sources of funds;

Identifies timing for issuing and marketing City bonds;

Evaluates the relationship to current outstanding debt and impact on future debt burden and sales; and

Evaluates conformance with City debt policy relative to the magnitude and composition of debt.

4. Continue to explore opportunities to achieve the intents of the Urban Services Policy and Resolution A through service role specialization and minimizing service overlap. Specifically, the City, County, and others should further evaluate human services delivery, county-wide law enforcement, and road and street operations for consolidation and cost-saving opportunities.
5. Formally establish the eastern and western urban services boundaries in the City's Comprehensive Plan.

IAR #3-86
URBAN SERVICES
September 1986

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APPENDICES

	<u>Page</u>
A. URBAN SERVICES POLICY	111
B. RESOLUTION A	113
C. METHODOLOGY AND ASSUMPTIONS USED TO ESTIMATE AND PROJECT URBAN SERVICES REVENUES FY 1980-81 THROUGH FY 1990-91	115
D. CITY OF PORTLAND REVENUE SOURCES	119
E. SOURCE OF BUDGETED DOLLARS AND POSITIONS, AND EXPLANATION OF CONSTANT DOLLAR METHODOLOGY	123

IAR #3-86
URBAN SERVICES
September 1986

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APPENDIX A
URBAN SERVICES POLICY

Resolution No. 33327

WHEREAS, the City of Portland finds there is a need for a higher level of urban services in the urbanized, unincorporated area surrounding Portland, and that it is in the City's interest to participate in resolving the service needs; and

WHEREAS, the City recognizes the integrated nature of the metropolitan area and the essential role of the central city and wishes to enhance the economic well-being of the entire area; and

WHEREAS, the present lack of services constrains the region's economic growth and its residential, commercial and industrial development; and

WHEREAS, the service deficiencies may also create long-term health hazards for the region; and

WHEREAS, the City has established the existing physical, financial and institutional capacity to serve a wider area, particularly for the most costly, capital-intensive services such as sanitary sewage collection and treatment and drinking water; and

WHEREAS, future jobs for City residents depend upon timely provision of a full range of urban services to developable industrial sites, while many of the region's potential industrial sites presently unserved are located within the City's rational service area, but outside present City boundaries; and

WHEREAS, the City finds it must establish an urban services boundary to know where it will ultimately be responsible for providing services so that it may efficiently plan, design, finance, and construct facilities to serve both existing and prospective areas; and

WHEREAS, the City's Comprehensive Plan calls for an urban services boundary, prepared in coordination with Multnomah County and adjacent jurisdictions; and

WHEREAS, the City of Portland finds Portland taxpayers may bear a significant cost of future services to the urbanized, unincorporated area surrounding Portland, even if these services are delivered by other jurisdictions, and that there is a need to spread the cost of providing urban services in the region more equitably among all residents and property owners receiving services; and

WHEREAS, the City finds that the most cost effective and rational method for the delivery of urban services within the urban services boundary is through full-service city government but is prepared to consider other service delivery approaches that may be effective and efficient, such as contract agreements with those desiring City services; and

WHEREAS, the City is prepared to provide property owners and residents in portions of the urbanized, unincorporated area with the option of receiving urban services from Portland upon request of those desiring such services;

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Portland that the City of Portland hereby adopts the following Urban Services Policy:

1. The City shall establish, in cooperation with neighboring jurisdictions, an urban services boundary for the City of Portland that defines a rational service area within which the City can meet the service needs most effectively and at the lowest cost. The urban services boundary shall be approved by the City Council upon completion of the public process provided for amendment of the City's Comprehensive Plan and may be amended from time to time in accordance with this policy and the Comprehensive Plan.

2. The City shall acknowledge its role as principal provider of urban services within the established boundary and plan for the eventual delivery of urban services according to a phased program of improvements meeting the service needs of individual areas.

3. The City shall coordinate closely with other jurisdictions providing services within the established Portland urban services boundary to ensure continuing delivery of effective and efficient urban services.

4. The City shall consider requests for delivery of services within the urban services boundary wherever the following conditions exist:

- A majority of residents and property owners within an area to be served desire delivery of services by the City of Portland.
- The City can meet the new demands without diminishing its ability to serve existing City of Portland residents and businesses.
- The City can supply the needed services most effectively and efficiently.
- The City can expect to recapture its service investment.

5. The City shall deliver services within the urban services boundary by means of annexation to Portland or, on an interim basis, through alternative approaches that are demonstrated to be in the best long-term interest of both the City and future service areas.

6. The City shall consider delivery of services to areas outside the established City of Portland urban services boundary only where the City determines that there is a clearly defined need for each service, that expansion of the urban services boundary and full-service provision by the City are not appropriate, that the conditions in number 4, above, are met and that improved services may be expected to enhance the City's ability to meet the service needs of existing City residents and businesses.

7. The City shall initiate and maintain a public education program within the Portland urban services boundary to inform residents and property owners of the need, benefits and costs to deliver City of Portland services within that area. The City will coordinate this public education program with similar efforts by service providers and community organizations operating in the Portland metropolitan area.

8. The City shall provide for a process of public participation in the implementation of this policy, assuring that property owners, residents, and existing community organizations in areas affected by proposed changes in service delivery have opportunity to review and comment on plans for such changes.

BE IT FURTHER RESOLVED that nothing in the Urban Services Policy shall be construed to amend or repeal the City of Portland's existing service and annexation commitments stated in Resolutions 31762 and 32750

Adopted by the Portland City Council
February 23, 1983

IAR #3-86
URBAN SERVICES
September 1986

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APPENDIX B
RESOLUTION A
BEFORE THE BOARD OF COUNTY COMMISSIONERS
OF MULTNOMAH COUNTY, OREGON

In the matter of Phasing Out of Delivery of)
Urban Level of Services in the Unincorporated)
Area of Multnomah County during the next three) RESOLUTION
years (Resolution A))

WHEREAS, the Board of County Commissioners is considering the mission and purpose of Multnomah County; and

WHEREAS, the 150,000 persons currently residing within Multnomah County's urban growth boundary outside incorporated cities require long-range planning for services; and

WHEREAS, it is in the public interest to clearly express the County's mission regarding providing services in mid-Multnomah County; and

WHEREAS, Multnomah County's resources are insufficient to continue current service levels and the government is facing a significant revenue shortfall of approximately \$14 million in general resources for FY 1983-84; and

WHEREAS, the first priority for the available resources of Multnomah County shall be for those services available to all residents of the County, such as Assessment and Taxation, Elections, Corrections, Libraries and Health Services; and

WHEREAS, "municipal services" is defined as governmental services usually provided by city governments and shall include but not be limited to police service, neighborhood parks, and land-use planning and permits, "urban" shall be defined as governmental service comparable in quantity and quality to incorporated municipalities, and "rural" shall be defined as governmental service comparable in quantity and quality to unincorporated service areas outside urban growth boundaries.

THEREFORE BE IT RESOLVED, that County services generally described as "municipal services" at a level considered "urban" rather than "rural" shall be proportionately reduced starting FY 1983-84 through FY 1986-87 to establish a minimal and essentially rural level of municipal services throughout Multnomah County.

ADOPTED March 15, 1983

IAR #3-86
URBAN SERVICES
September 1986

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APPENDIX C

METHODOLOGY AND ASSUMPTIONS USED TO ESTIMATE AND PROJECT URBAN SERVICES REVENUES FY 1980-81 THROUGH FY 1990-91

For purposes of projecting total City revenues and providing City services, we have assumed that the City will complete annexations by July 1, 1989. In the first two-and-a-half years of the Urban Services Policy, the City has annexed approximately 27 percent of the population within the urban services area. We assumed that one-third of the remaining population will be annexed in FY 1986-87, another one-third in FY 1987-88, and the final one-third in FY 1988-89. If annexations occur more rapidly than we assumed, then the City will receive revenues more quickly and incur service costs sooner.

We calculated property tax revenues by analyzing a computer file provided by the Tax Assessor which listed the assessed values of real property in Multnomah County. Using Assessor Map Numbers, we isolated the urban services area and identified all unincorporated properties. Utility and personal property assessed values were identified for certain portions of the area based upon Assessor records, and an estimate was made for the mid-county area by prorating the amount of Fire Service District 10 inside the urban services area. Once the assessed value was determined, a computer model of property taxes was developed to simulate annexations and their impact on City revenues.

Our computer model makes several other assumptions in projecting property tax rates and revenues through FY 1990-91. In projecting tax rates, our model assumes that assessed value would increase at 6.5 percent per year, except in FY 1986-87 which, according to a preliminary estimate by the Tax Supervising and Conservation Commission, will increase by only 0.2 percent. Our model assumes a growth of 5 percent per year in costs for the Fire and Police Disability and Retirement Fund and that the

Street Lighting Levy will continue at its present rate of \$0.50 per \$1,000 assessed value through FY 1990-91. Property tax delinquencies were projected using the City Economist's forecasting methods. The model also assumes that 25 percent of all annexations will occur during the April 1 to June 30 quarter of the year. Over the past four fiscal years, approximately 40 percent has occurred during that quarter.

To adjust future property tax revenues to constant FY 1985-86 dollars, the model did not include the 6 percent annual growth in the City's Base Levy allowed by the Oregon Constitution. We did not include this annual growth factor in order to permit a comparison with estimated expenditures that are expressed in constant FY 1985-86 dollars.

We obtained estimates of 1985 utility franchise fee revenues in the unincorporated areas from all utilities. Pacific Northwest Bell provided an estimate of its revenues in unincorporated Multnomah County, and a per capita rate was applied to the population in the urban services area. The Water Bureau and the Office of Cable Communications provided estimates of annual franchise fee payments when the urban services area is annexed. In order to estimate the revenues that the City is presently receiving as a result of past annexations, a ratio of franchise fees to assessed value was used. For projecting changes in revenues as a result of changes in the gross revenues of the utilities, we used the City Economist's franchise fee revenue forecasting methods.

In order to project business license fee revenues, we identified the assessed value of commercial property in the City of Portland by census tract and the business license fees received by census tract. A regression equation with an r^2 of .75 was developed and applied to the assessed value of commercial property in the urban services area to obtain an estimate of potential business license fee revenues. For projecting changes in business license fees, we again used the City Economist's revenue forecasting methods.

To determine lodging tax revenues, we analyzed the County's lodging tax revenues. Virtually all the hotels and motels in the unincorporated area are in the City's urban services area. We obtained the County's receipts for FY 1980-81 through the first three quarters of FY 1985-86 by area to determine revenues that the City is presently receiving from past annexations and what it will be receiving when the entire urban services area is annexed. We applied the City Economist's revenue forecasting methods to the transient lodging tax revenues to project changes as a result of changes in room rates and occupancy.

Revenue from building permits and inspection fees was based on a City per capita rate applied to permit and license activity in the unincorporated area. The City Revenue Officer's revenue forecasting methods were applied to this estimate to project future license and permit revenues.

IAR #3-86
URBAN SERVICES
September 1986

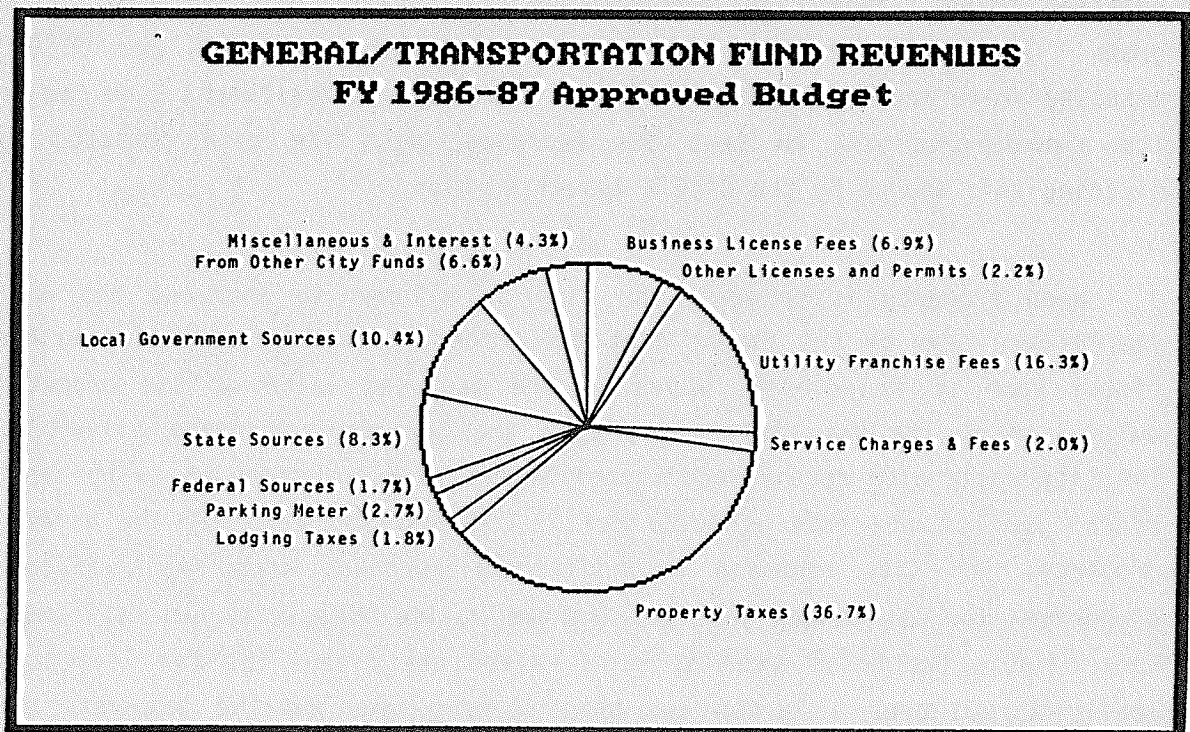
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APPENDIX D

CITY OF PORTLAND
REVENUE SOURCES

In order to pay for the services described in the previous sections, the City and County governments obtain revenues from a variety of sources. Each of these revenue sources is described and discussed below. The pie chart illustrates the percentage of total revenue each source represents of the City's FY 1986-87 budget.

GRAPH 10



Property Taxes. The property tax is used by Oregon cities, counties, schools, and other special districts to repay bonded debt and to finance capital construction and general operating expenses. Property taxes are based on the assessed values of real (land and buildings), personal (vehicles and equipment used in business), and utility property. The City of Portland's property tax revenues are generated by four separate levies that support General Fund programs, retire capital construction debts, and fund street lighting and fire and police disability and retirement.

The Oregon Constitution allows the Base Levy for General Fund programs to be increased 6 percent over the previous year's levy without a vote of the taxpayers, and the rate is computed by dividing the new levy amount by the taxing unit's new assessed value, which usually increases as a result of new construction and increases in market value. Debt levies are relatively fixed amounts with the rates computed by dividing the amount by the City's assessed value. These rates diminish as the City's total assessed value grows. The Street Lighting Levy is a fixed rate of \$0.50 per \$1,000 assessed value and the Fire and Police Disability and Retirement Fund levies the amount necessary to meet its expenses, with the rate computed by dividing this amount by the City's assessed value.

When property is annexed, the City is allowed to increase the next year's Base Levy by the amount that the property would be taxed during the fiscal year it is annexed, which is the assessed value of the property multiplied by the base levy rate, plus the 6 percent increase allowable. The City would also receive additional Street Lighting revenues in the next fiscal year at the rate of \$0.50 per \$1,000 assessed value of the annexed property. The City receives no additional revenues from newly annexed properties for its bonded debt or Fire and Police Disability and Retirement Fund because the total amounts to be raised are fixed. The tax levied is merely spread over a larger tax base thereby reducing the tax rate per \$1,000 of assessed value.

Utility Franchise Fees. Public utilities (gas, electric, telephone, cable television, sewer, and water) are required by City ordinances to pay a franchise fee to operate within the City limits. The base is 5 percent of each utility's gross revenues earned within the City boundaries, except water and sewer, which pay 7 percent. Some utilities pass the fee on to customers by adding a charge to each customer's billing, while other utilities pay the fee as an operating cost without any specific mention on customers' bills. As the City annexes, the growing number of customers served by each utility will increase franchise fee revenues.

Business License Fees. The City charges all businesses a license fee of 2.2 percent (minimum \$25) of gross profits raised within the City limits. As the City annexes unincorporated areas, more businesses will be subject to the City's business license fee. In addition, businesses serving the metropolitan area will be receiving a higher proportion of their revenues from within City boundaries, and will pay a larger amount in business license fees.

Transient Lodging Tax. The City has a 6 percent tax on hotel and motel room rates, which is paid by customers through a surcharge on their bill. As the City annexes hotels and motels in the unincorporated area, it will receive additional transient lodging tax revenues. One sixth of all revenues go to the Convention and Tourism Fund, with the remainder going to the General Fund.

Permits and Fees. A majority of these fees are raised by the City's Bureau of Buildings for building permits and inspection fees. As annexations occur, additional property and activities become subject to City permits and inspections. These permits and fees cover approximately 70 percent of the costs for operating the Bureau of Buildings, with the remaining portion from the General Fund.

Federal Shared Revenues. With the discontinuation of revenue sharing in the Fiscal Year 1986 Federal Budget, the City of Portland will not receive any additional revenues as a result of annexations. Revenue sharing averaged \$13 million a year over the last five years. Had revenue sharing continued, approximately \$600,000 in additional funds would have been added when the entire urban services area was annexed.

State Shared Revenues. The State taxes liquor, cigarettes, gasoline, and telephone usage. A portion of these revenues is shared with local jurisdictions. Liquor and cigarette tax revenues are available for general purposes while gasoline taxes are dedicated to transportation purposes and telephone taxes are dedicated to 911 emergency dispatch systems. Shared State revenues are distributed by means of differing formulas specified by Oregon Statutes. Cigarette and a portion of liquor taxes are distributed on the basis of a jurisdiction's population, tax rates and per capita income in comparison to other jurisdictions. The 911 revenues, gasoline taxes, and a majority of shared liquor taxes are distributed according to the City's percentage of population among all cities in Oregon. As Portland annexes the unincorporated area, its population as a percentage of all incorporated populations will increase and the City's amount of State shared revenues will increase.

The City of Portland and Multnomah County signed a Transition Agreement in 1984 that transferred a portion of the County's road responsibilities, personnel, equipment, and road fund revenues to the City. The County receives gasoline tax revenues from the State and from its own 3 cent per gallon tax. According to the Oregon Constitution, gasoline taxes must be spent on transportation-related services. As annexations occur, positions, pieces of equipment, and a percentage of the County's road-related revenues are transferred to the City based on specific formulas contained in the Transition Agreement.

APPENDIX E

SOURCE OF BUDGETED DOLLARS AND POSITIONS AND EXPLANATION OF CONSTANT DOLLAR METHODOLOGY

Source of Budget Information

We worked closely with City budget analysts and various bureau representatives to derive and verify the budget information presented in this report. Dollar figures listed under "Bureau Total" columns are revised appropriations from FY 1980-81 through FY 1985-86, taken from year-end financial reports (FY 1980-81 through FY 1984-85) and the City's Financial Management System (FY 1985-86). "Bureau Total" positions were taken from approved City budget documents plus midyear budget adjustments for urban services and other significant midyear adjustments. "Urban Services" dollars and positions are cumulative and were taken from approved budgets and midyear budget adjustment documents. All figures for FY 1986-87 were taken from the City's FY 1986-87 approved budget. Prior to FY 1986-87, "Non-Urban Services" dollars and positions were derived by subtracting "Urban Services" dollars and positions from corresponding "Bureau Total" figures. Intrafund transfers were excluded from Transportation Fund and Environmental Services figures. Street Lighting dollars were excluded from Transportation appropriations.

Constant Dollar Methodology

Budget information presented in the various tables in this report are actual budgeted figures. In our discussion of budget histories we present the change in "constant dollars" to focus on the change in real "buying power" since FY 1980-81.

The City revenue officer of the Office of Fiscal Administration indicated that changes in the number of budgeted positions is the best indicator of change in a bureau's "buying power". Because employee costs constitute the majority of bureau budgets, we adjusted budget dollars by applying annual wage settlements of the major trade unions. The wage and salary settlements we used to adjust to "constant dollars" were:

<u>Fiscal Year</u>	<u>Bureaus of Fire and Police</u>	<u>All Other Bureaus</u>
1981-82	9.00%	7.43%
1982-83	6.50%	5.50%
1983-84	0.00%	0.00%
1984-85	7.50%	4.00%
1985-86	5.00%	5.00%



CITY OF
PORTLAND, OREGON
OFFICE OF THE MAYOR

Office of
J.E. Bud Clark, Mayor
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INTERNAL AUDIT

SEP 25 1986

September 25, 1986

Jewel Lansing
City Auditor

Dear Jewel:

I would like to congratulate you and your staff on completing your evaluation of the City's Urban Services program. The task that was before you was truly enormous, and I am sure that the City of Portland and all of Multnomah County will benefit from your conclusions.

I am pleased to see your report conclude that the City has been successful in implementing the objectives of the Urban Services Policy. We have provided a high level of critically-needed urban services, both through annexation and through interim agreements and contracts. We have successfully coordinated the transfer of municipal service responsibilities from Multnomah County and a patchwork of special districts to the City of Portland. We have provided an extensive public education and participation program to inform residents and businesses of the need, cost and benefits of City services. Finally, we have ensured that the City's service investments in newly-served areas will be returned. These benefits accrue not only to the City of Portland and its residents but to all of Multnomah County and the region.

No program is without areas for improvement, and I appreciate your recommendations that, when implemented, will help improve the quality of the Urban Services Program. Indeed, we have already begun to implement several of these recommendations.

The Urban Services Program is a cooperative City-County effort to improve services to the public that is unparalleled in the history of Portland and Multnomah County. It involves no less than a major restructuring of the service delivery responsibilities of local government. It has successfully improved the quality and quantity of urban services provided to over 59,000 Multnomah County residents through annexations to the Cities of Portland and Gresham. Police protection has more than doubled, parks have been reclaimed from neglect, and neighborhood associations have organized. This program provides neighborhoods the highest level of service at the lowest possible cost.

Jewel Lansing
September 25, 1986
Page Two

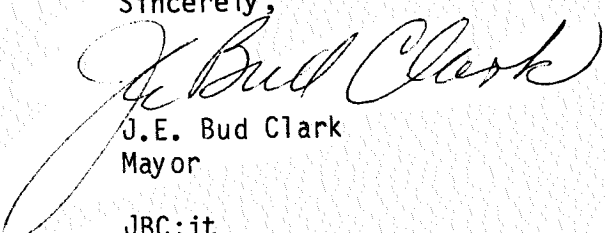
There are other benefits to the program that are outside the scope of the report but which need recognition. The program has yielded regional benefits in the form of increased opportunities for economic development and produced cooperation among the various units of local government. All citizens and businesses of Multnomah County have already benefitted from the transfer of service responsibility because the program is ending the urban subsidy and allowing the County to reallocate over \$3 million annually for County-wide services such as corrections and human services.

Without the Urban Services Program, we would be facing a less promising future. More than 134,000 urban residents of Multnomah County would be without an adequate level of services to assure their safety and economic future. Private investment in the unincorporated areas would be limited because of a lack of urban services. These problems would not affect the unincorporated area only; they would be felt by the residents of Portland and the entire region.

Over \$165 million dollars in newly completed and committed development in the Columbia South Shore area would not have come about without the services committed through the Urban Services Policy. The potential for 20,000 new jobs in the South Shore area alone would not be possible if we had not implemented this program. Instead of an overall increase in the level of police protection in Multnomah County, the unincorporated area would face continuing service declines, while the City would not be in a position to rebuild its police strength as it has begun to do this year. The City's ability to maintain and improve its transportation system would have suffered without the equitable distribution of gas tax revenues and maintenance responsibilities brought about by the Urban Services Policy. The \$9.2 million urban subsidy paid annually by City residents to unincorporated residents would have continued. The list goes on.

The City of Portland and Multnomah County are half-way to full implementation of the Urban Services Policy. Your report points to the benefits of completing this process as quickly as possible. I appreciate your office's assistance in improving the Urban Services Program.

Sincerely,



J.E. Bud Clark
Mayor

JBC:jt

cc: Stephen Bauer
David Lawrence



CITY OF

PORTLAND, OREGON

OFFICE OF FISCAL ADMINISTRATION

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INTERNAL AUDIT

September 25, 1986

SEP 25 1986

Jewel Lansing, City Auditor
City Hall
1220 S.W. 5th
Portland, OR 97204

Dear Jewel:

This Report reaffirms the values of the Urban Services program and offers a series of recommendations that will improve the program in the future. This office will work with other City bureaus to implement the recommendations in the report.

The report clearly shows that the City has met its policy objectives in the Urban Services Program. It shows that services have been delivered as promised to annexed neighborhoods. Further, the report demonstrates that City residents have benefitted through elimination of the urban subsidy and improvement of City and County services.

While the Office of Fiscal Administration agrees with the vast majority of the report, we do wish to clarify several issues in the document which we have previously discussed with your office.

The review suggests that a few City service levels have declined, both as a result of City budget cuts and the Urban Services Program. However, the information in the review suggests a City-wide service decline only in the area of police services. Even in this area, the data points to a large increase in service calls within the City and a reduction in City budgets unrelated to the Urban Services Program as the real reasons for this decline. On the contrary, the report acknowledges that the Urban Services Program will add almost \$18 million in revenues to the General and Transportation funds in 1986-87. Over four years, the program has also added almost 300 personnel to City bureaus while budget cuts were occurring. Without these Urban Services positions and revenues, services to both existing City residents and annexed residents would have suffered. Even during this period of City budget cuts, the report makes it clear that services to the newly-annexed areas have exceeded service levels to those areas prior to annexation.

The review states that urban services costs have exceeded revenues during two of the first three years of the program. This is consistent with the original consultant's 1982 study, presented to Council prior to adoption of the program, which stated:

"Recent research by the City's Office of Fiscal Administration suggests that if Portland provided services to the mid-County area, the City could expect to subsidize the services in the short-term (less than five years) with a modest gain in the long-term."

Further, the review notes that the program will receive almost \$1 million in revenues over expenditures in the 1986-87 year. Over the initial four years of the program, then, the subsidy is slightly over \$700,000 or some 2% of program revenues. No further subsidy of the program is projected by either OFA or this report.

In fact, excess revenues over expenditures in future years should be considerably larger than projected in this report, due to the report's very conservative basis of projecting revenues. If inflation is under 8% in future years and City revenue growth continues at historical rates, it is very likely that the Urban Services program will produce revenues beyond immediate operating needs ranging from the \$3.5 million stated in the report to as much as \$7 million annually. As the report notes, this revenue would be available to meet capital and program needs within the City and newly annexed areas.

The area of transportation finance is one of the greatest benefits for City residents from the Urban Services program. Because of the cooperation between the City and Multnomah County, a major source of the urban subsidy will disappear. The County has agreed to share county road funds that, when annexation is complete, will equal some \$9.6 million per year to meet road needs. In addition, annexations will result in an increase in the City's share of the state gas tax that will amount to some \$2 million per year that the region would not have received without annexation.

The audit recommends that OFA closely monitor Urban Services revenues and costs to ensure compliance with the Urban Services Policy. Such financial planning and monitoring functions do need improvement, but it should also be clearly noted that the City has conducted a series of analyses of this ambitious program beginning with both policy and financial analyses prior to adoption of the program by the City and County. The effort has continued in each years' budget process where Urban Services requirements and revenues have been separated from normal budgets to facilitate the management of Urban Services costs. This has been particularly important during recent City budget cuts. The financial implications of sewerage the mid-County area received careful Council scrutiny as a result of the Environmental Quality Commission's order mandating sewers in that area. The City's Five-Year Financial Plans have included estimates for Urban Services revenues and expenditures, and OFA released a special study entitled "Annexation Impacts From 1960 to 1985." OFA will continue its efforts to improve financial planning for service delivery within the entire City.

Jewel Lansing
September 24, 1986
Page Three

In closing, let me thank you and your staff for their professional and constructive attitude during the review of the final drafts of this report. We believe that the document has been improved as a result of this cooperative effort and truly represents a template for needed future changes in this very successful and historic program.

Sincerely,



Stephen C. Bauer, Director
Office of Fiscal Administration

SB:cc:LM3

cc: Mayor J.E. Bud Clark
David Lawrence

