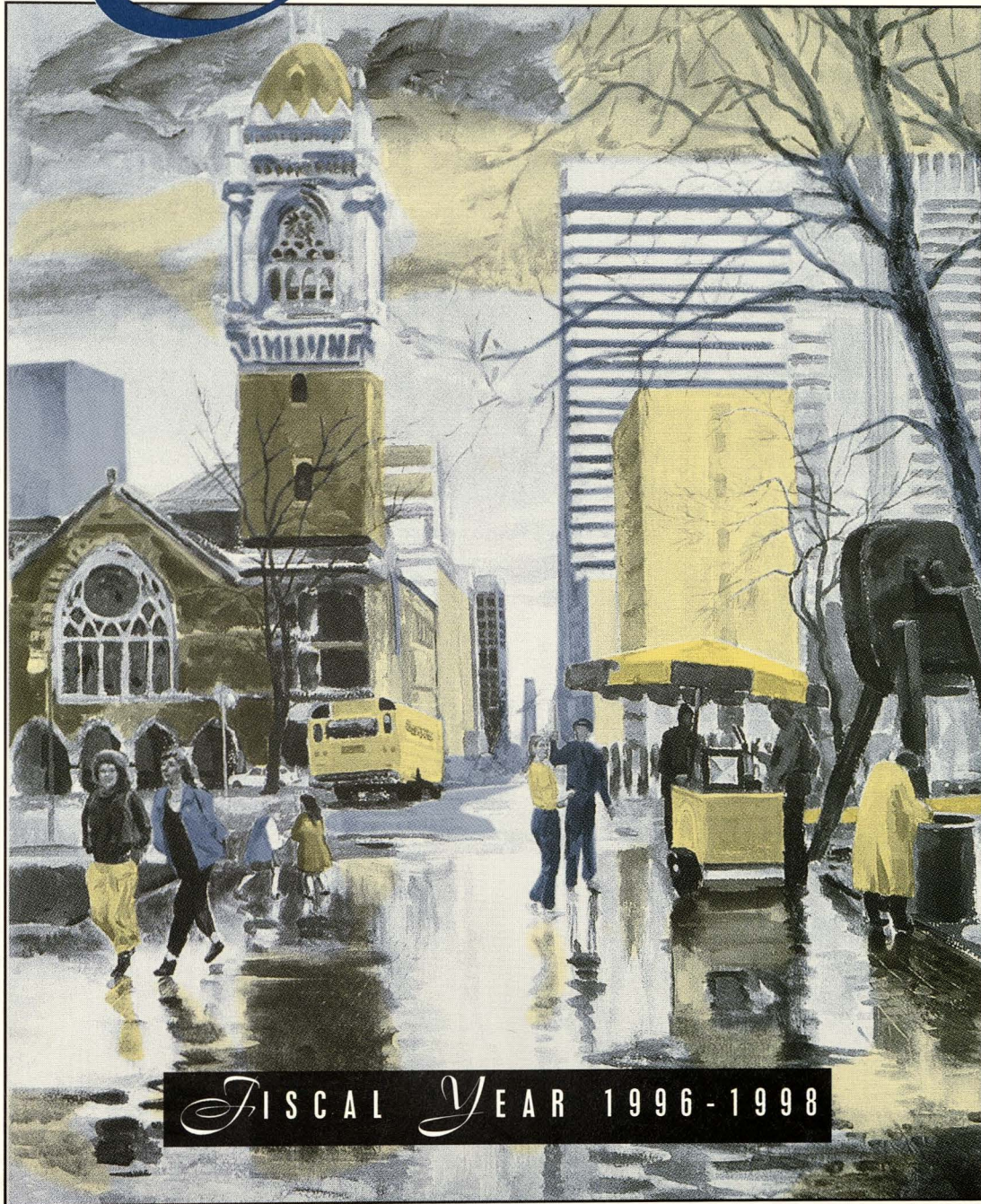


The City Of
Portland



FISCAL YEAR 1996-1998

ADOPTED BUDGET
IN-BRIEF

City of Portland FY 1996-98 Adopted Budget

This document presents a brief overview of the major themes, priorities and decisions of the Adopted Budget for the Fiscal Years 1996-1998. Portland's budget is published in three volumes, summarized here. The Budget-in-Brief presents city services by Portland's six distinct service areas, and the Portland Development Commission. Another document, the Summary Budget is designed as an accessible summary of the Adopted Budget, Volume One, and includes individual bureau budget information.

Volume One contains the budget information that is typically of most interest to the public:

- ◆ The Mayor's Budget Message
- ◆ Overview of financial plans, trends, major achievements and budget decisions
- ◆ Financial Summaries that present, in table form, condensed budget information
- ◆ Service Area and Bureau details, for the City's six service areas:

Public Safety	Parks, Recreation and Culture
Public Utilities	Community Development & Services
Transportation	Legislative, Administrative & Support Services

Volume Two includes:

- ◆ The Capital Improvement Program Budget Summary
- ◆ The Portland Development Commission budget

Volume Three includes

- ◆ Capital Improvement Plan Project Detail

For more information, contact the Office of Finance and Administration at 823-5288.

About the Cover

The cover is a rendering of Paul Missal's the *Coffee Cart at Park and Madison* (1987), an acrylic painting, which is part of the Regional Arts & Culture Council's *Visual Chronicle of Portland*, a city-owned collection of over 100 works depicting various aspects of the City of Portland. This collection of artists' perceptions of life in the last decade of this century provides a vital legacy for future generations.

The *Coffee Cart at Park and Madison* depicts a scene common to students of the Pacific Northwest College of Art as they wander out from classes to grab a quick cup of coffee. A number of landmarks can be identified in the painting including the Gourmet Coffee Club Cart, the first outdoor coffee stand in Portland, and the First Congregational Church, an historic building established in 1851. The Coffee Cart is owned by Barry Bernard and operated by Mr. Bernard and Richard Onishi. The main feature of the painting, however, is the rain. It scatters the light, creates luminous reflections, and gives the overall scene a shimmering quality.

About the Artist

Paul Missal began teaching in 1972 at the Pacific Northwest College of Art where he is currently a Professor of Drawing and Painting. He received his Bachelor of Fine Arts degree from the Cleveland Institute of Art and his Masters of Fine Arts in painting from Yale University. Mr. Missal is one of the founding members of Blackfish Gallery which has been owned and operated by artists since 1979.

His work is represented in numerous collections including the Portland Art Museum, Oregon Health Sciences University, Willamette University, Good Samaritan Hospital, and Kaiser Permanente. His portrait of Governor Bob Straub can be found in the State Capitol, and there are two paintings in the Portable Works Collection of the City of Portland/Multnomah County, as well as private collections throughout the region. With the Philips Emmerling Studios, Mr. Missal has also done murals for hotels in Bangkok, Hong Kong, and Singapore, as well as recently completing a 70-foot long mural depicting Portland's riverfront for the Imperial Hotel in Portland.

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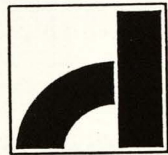
*Office of Finance and Administration
1120 S.W. Fifth, Room 1250
Portland, Oregon 97204
(503) 823-5288*

Budget Award

The Government Finance Officers Association of the United States and Canada (GFOA) presented an award for Distinguished Budget Presentation to the city of Portland for its annual budget for the fiscal year beginning July 1, 1994.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications medium.

The award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.



GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished Budget Presentation Award

PRESENTED TO

City of Portland,
Oregon

"An Outstanding Policy Document"

For the Biennium Beginning

July 1, 1994

President

Executive Director

Budget Overview

City Financial Planning Process

In 1994, the City transitioned to a two year budget cycle. This action continued emphasis on the budget as a long-range plan to improve system efficiency and to provide more time for in-depth review of City services. This document represents the first year of a two year budget process.

As a first step in the two year budget process, each major service area of the City prepares long-range, five year financial plans. These plans forecast fund revenues and requirements over a minimum of five years, identify long-term service and financial issues requiring attention during the budget process. Council reviews these plans during work sessions early in the budget preparation process and give directions to Bureau managers on identified issues as guidance in preparing and finalizing budgets. In addition to the General Fund, financial plans are prepared for the City's other major funds, including Transportation, Environmental Services, and Water.

Assessed Value Growth & Property Tax Revenues

This will be the first two year budget cycle for which property tax revenues will not be affected by Measure 5's \$10 local government property tax rate limit. The City will levy the General Fund property tax base and receive a "normal" revenue yield equal to the levy less delinquency and discounts. There will be no loss of levy or revenue due to levy compression. In addition, there is enough capacity within the \$10 property tax rate limit to allow the City to levy an urban renewal collection that will cover annual principal and interest payments and generate an additional \$5.9 million to \$8.4 million in revenues that will be deposited in urban renewal debt service funds.

Assessed value growth of 9% will generate \$5.9 million for projects while growth at 10.6% will generate \$8.4 million. The additional revenues will be used to pay off indebtedness associated with new projects scheduled for existing urban renewal districts. The PDC budget assumes the higher 10.6% assessed value growth so that the maximum dollar amount can be levied and collected consistent with the city's pro rata share of property tax dollars. The tax increment levy will be scaled back as necessary when final assessed value information is available.

Five Year General Fund Financial Plan

The City Council uses sophisticated forecasting methods in charting Portland's financial future. Looking ahead five years, the Bureau of Financial Planning regularly generates five year estimates of General Fund discretionary resources and requirements for the Council. The five year revenue estimate is used to develop the five year financial forecast, comparing estimated resources to the projected costs of maintaining current services.

The General Fund financial forecast identifies discretionary resources totaling about \$241.3 million. This is composed of \$229.6 million in revenues plus a beginning discretionary fund balance of \$11.7 million. The five year financial plan assumes the continued health of the regional economy which has grown more or less continuously since calendar 1986. The key economic outlook assumption that underpins the forecast calls for moderate economic growth at the national, state, and local levels.

Budget Overview

Similar to forecasting, the Council takes a five year approach to budgeting to ensure that the long range impact of major decisions is considered in developing the budget. The first year of the Mayor's proposed two year budget commits \$6.3 million of on-going resources to program increases and \$13 million to one time projects. The second year of the proposed budget commits an additional \$2.3 million to programs above current service levels and \$3.6 million to one-time non-recurring projects. The following is a summary of major projects and programs funded in the Mayor's Proposed Budget. The Major Budget Decisions section provides a more complete list with funding.

- **Citywide Programs:** Quality Initiative, technology strategic plan, geographical information system, and facility security.
- **Civilianization of Police Desk Positions.** 42 non-sworn customer service aides created to staff precinct desks currently staffed by sworn police officers..
- **Development Review Team.** Funding provided to improve the development review process, including a Customer Resource Center, a Development Coordinator and a Satellite Permit Center.
- **Education and Youth.** Direct aid to Portland area schools. Continued support of the enhanced youth recreation and community school programs instituted two years ago.
- **Fair Wage Initiative.** Funding to support a wage floor for City service contract workers including janitors, security guards and parking attendants.
- **Homeless and Domestic Violence Reduction Services.** Construction of a permanent Men's Housing Facility. Replacement of lost of federal dollars to maintain current services for winter shelter and domestic violence reduction services.
- **Metro 2040 Implementation.** To promote development in response to 2040 concepts.
- **Neighborhood Livability.** Neighborhood Arts program to bring the Oregon Symphony and other performing arts groups to neighborhood sites. Neighborhood Enhancement Fund to improve neighborhood safety and quality of life.
- **Portland Center for Performing Arts/MERC support.**
- **Quality Jobs Initiative and Target Industry Programs.**
- **Task Force on Neighborhood Involvement.** Increase resources to neighborhood associations for improved outreach and linkages and improved mediation and conflict resolution training.
- **Transportation Funding.** To offset the anticipated revenue gap; use for downtown street cleaning, special events barricades, a Development Response Fund and other current services.

Budget Overview

On the economic front, trends continue to be favorable. Over the last year, per capita income has increased by 2.6%. Unemployment has increased over the past year, from 3.5% in July 1995 to an estimated 4.2% for July 1996. Inflation is expected to drop slightly.

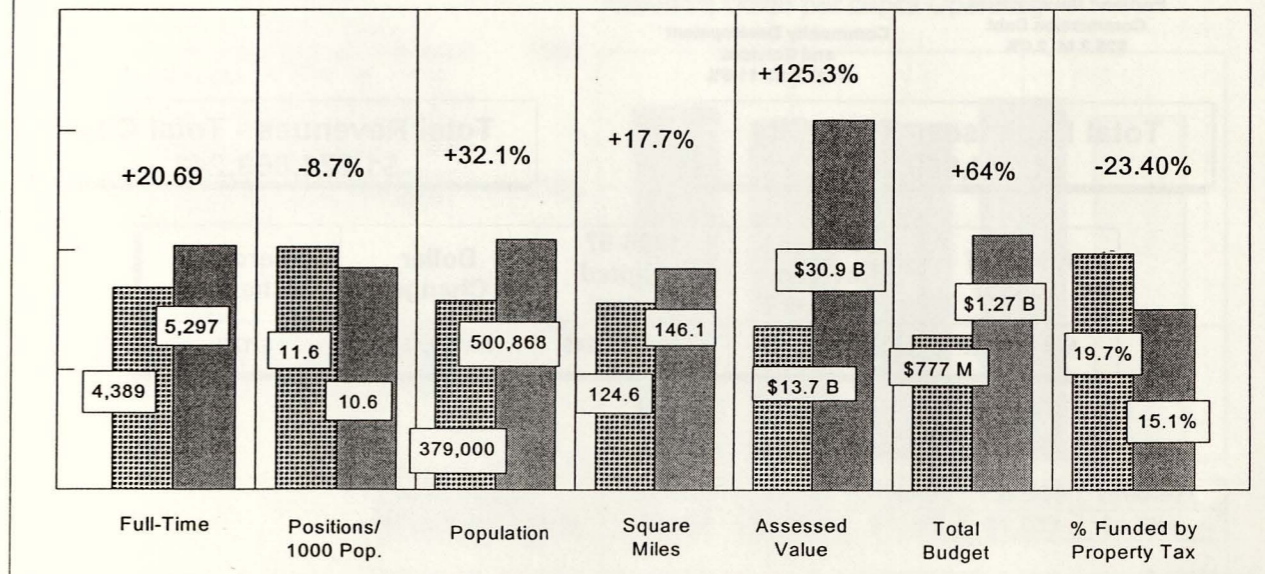
City of Portland - Trends

	July 1995	July 1996 (est.)	Change	% Change
Per Capita Income	\$22,608	\$23,209	\$601	2.6%
Unemployment	3.5%	4.2%	0.7%	16.7%
CPI (Jan 95-Jan 96)	2.9%	2.7%	-0.2%	-7.4%
Population	497,600	500,868	3,268	0.7%
Square Miles	147.1	147.6	0.5	0.34%
Assessed Value\Billion	\$28	\$31	2.56	8.3%
Total Net Budget	\$1,200,775,791	\$1,274,869,248	\$74,093,457	5.8%

Ten Year Comparisons

In Constant Dollars

1986 1996

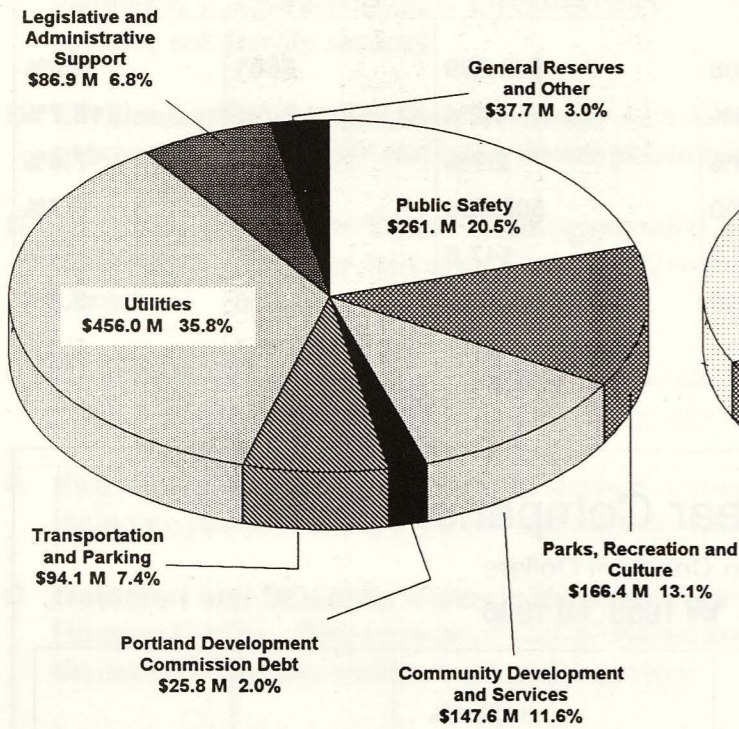


Budget Overview

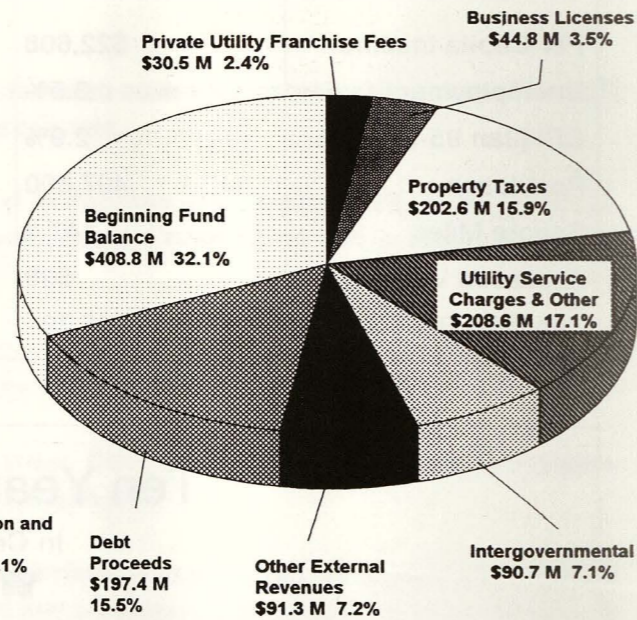
TOTAL CITY BUDGET

Fiscal Year 1996-97

Total Expenses ALL FUNDS



Total Revenues ALL FUNDS



Total Expenses - Total City
\$1,274,869,248

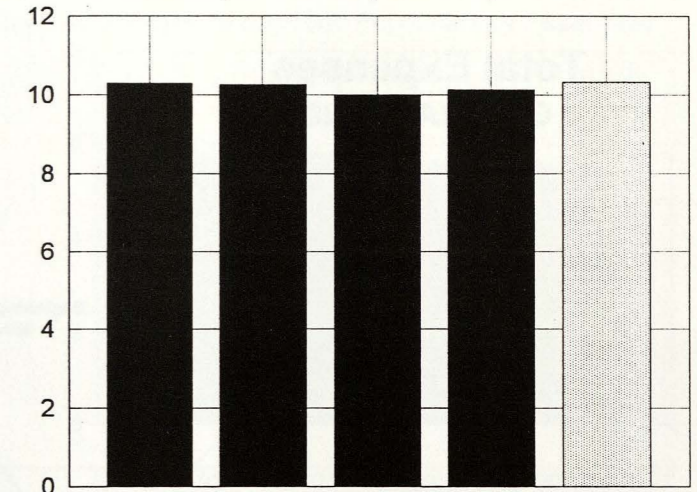
Total Revenues - Total City
\$1,274,869,248

Adopted Budget	1995-96 Revised Budget	1996-97 Adopted Budget	Dollar Change	Percent Change
Net Budget	\$1,200,775,791	\$1,274,869,248	74,093,457	6.17%

Budget Overview

Total Budget Position Trends

Number of Positions per 1000 Population by Fiscal Year



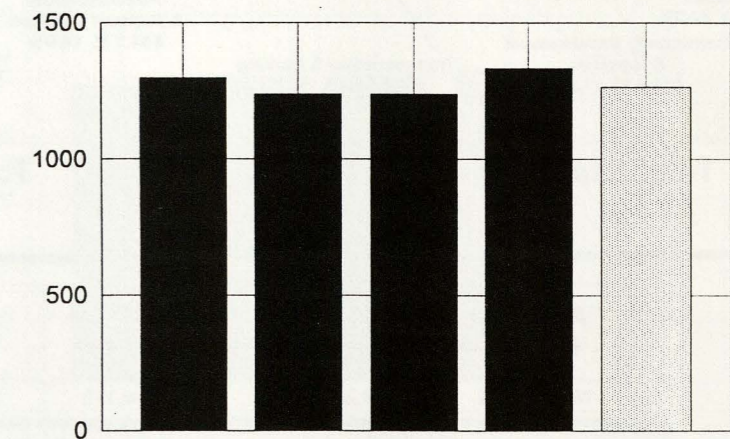
• Positions per thousand are now at the same level as in FY 1992-93. Middle year drops resulted from large increases in population due to annexation combined with only moderate position growth.

• The FY 1996-97 budget authorizes 5,172 positions, an increase of 129, or 2.5%, from the current year. 95 of these positions are being added to the General Fund and are discussed in the GF Position chart. The remaining position adds include 17 in Buildings to deal with increased permit activity and development review, 12 in Water to deal with conservation, water quality and capital projects, and 1 in Communications to handle 800 MHz radio system requirements.

Fiscal Years	1992-93	1993-94	1994-95	1995-96	1996-97
Positions	10.3	10.3	10.0	10.1	10.3

Total Funds Operating Budget Trends

Constant Dollar per capita Operating



• Per capita costs per thousand drop in FY 1996-97 due to an overall \$6.8 million decline in operating budgets from FY 1995-96. This is largely the result of a drop in federal block grant dollars, and a drop in fleet vehicle replacement funding from revised FY 1995-96 levels. Funds will adjust for carryover balances in the fall of 1996 which will cause the revised FY 1996-97 operating total to increase.

• The drop in per-capita cost from FY 1992-93 to FY 1994-95 reflects the addition of 45,000 citizens to the City, largely through annexation.

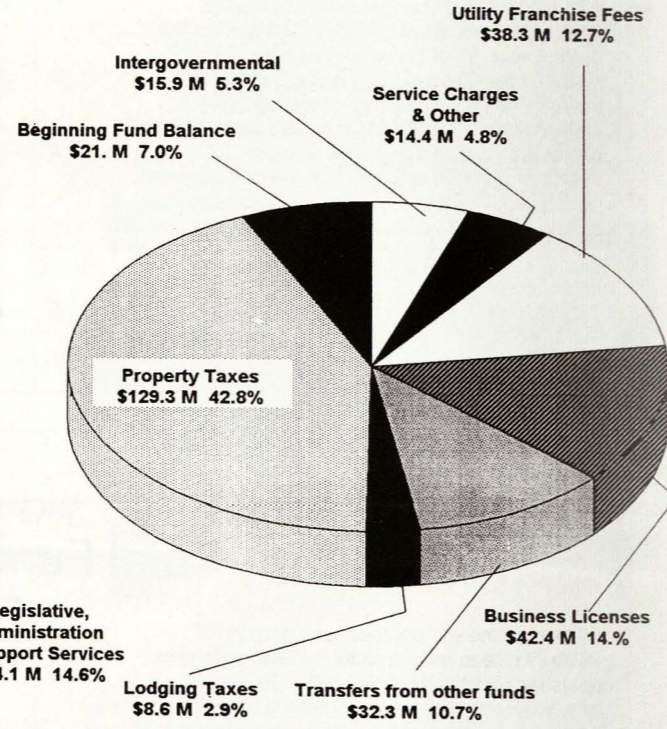
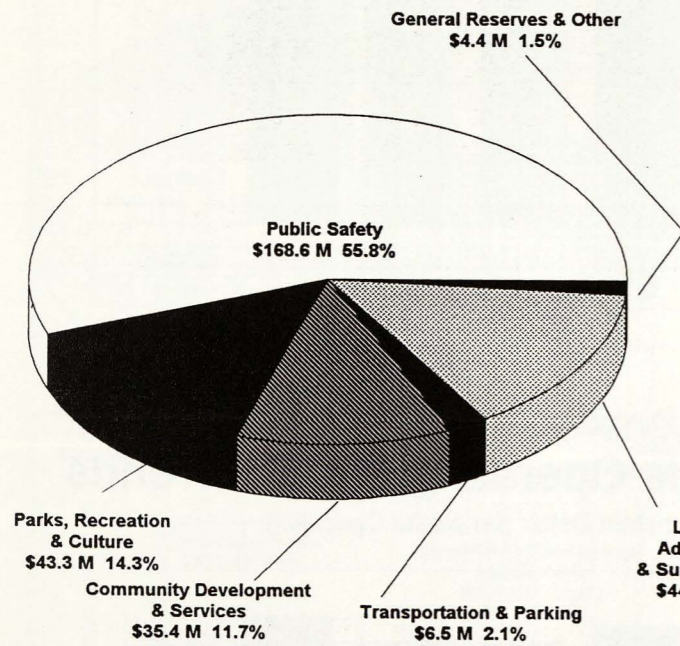
Fiscal Years	1992-93	1993-94	1994-95	1995-96	1996-97
Cost per capita	\$1,296	\$1,238	\$1,238	\$1,333	\$1,264

GENERAL FUND BUDGET

Fiscal Year 1996-97

**Total Expenses
GENERAL FUND**

**Total Revenues
GENERAL FUND**



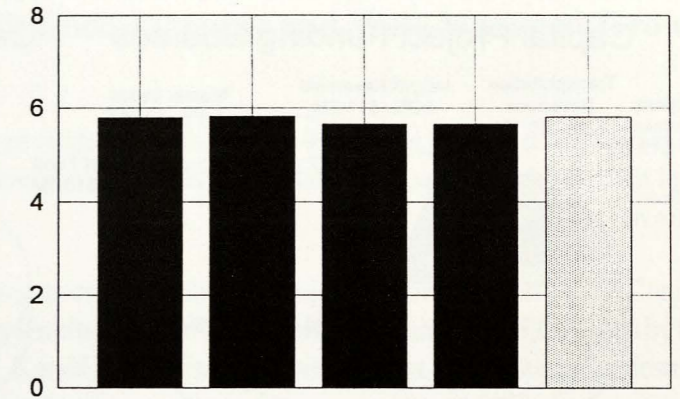
**Total Expenses - General Fund
\$302,344,370**

**Total Revenues - General Fund
\$302,344,370**

Adopted Budget	1995-96 Revised Budget	1996-97 Adopted Budget	Dollar Change	Percent Change
Net Budget	\$286,342,133	\$302,344,370	16,002,237	5.59%

General Fund Position Trends

Number of Positions per 1000 Population by Fiscal Year



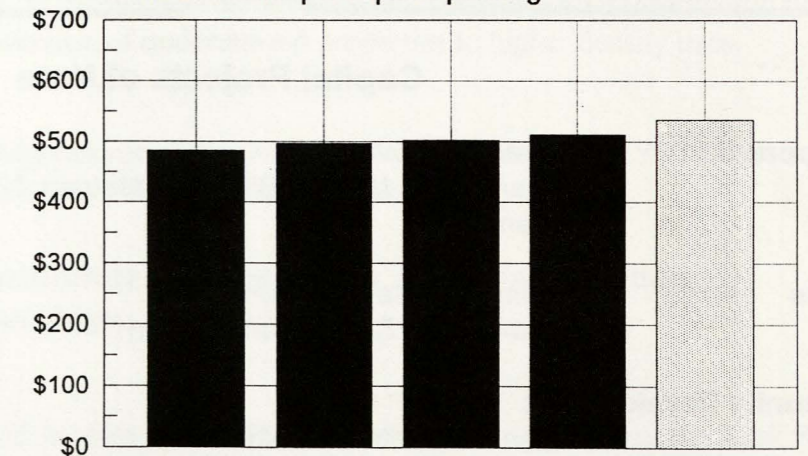
• Positions per thousand are now at the same level as in FY 1992-93. Middle year drops resulted from large increases in population due to annexation combined with only moderate position growth.

• The FY 1996-97 budget authorizes 2,905 positions, an increase of 95 from the prior year. Fifty-four civilian positions have been added to the Police Bureau to free up sworn officers currently staffing precinct front desks, 9 positions have been added to Planning for growth management and development review, 4 positions have been added to Purchasing to deal with workforce development and disparity issues, 10 positions have been added to OF&A to address a range of programs including citywide quality, financial planning, and risk management.

Fiscal Years	1992-93	1993-94	1994-95	1995-96	1996-97
■ Positions	5.8	5.8	5.6	5.7	5.8

General Fund Operating Budget Trends

Constant Dollar per capita Operating



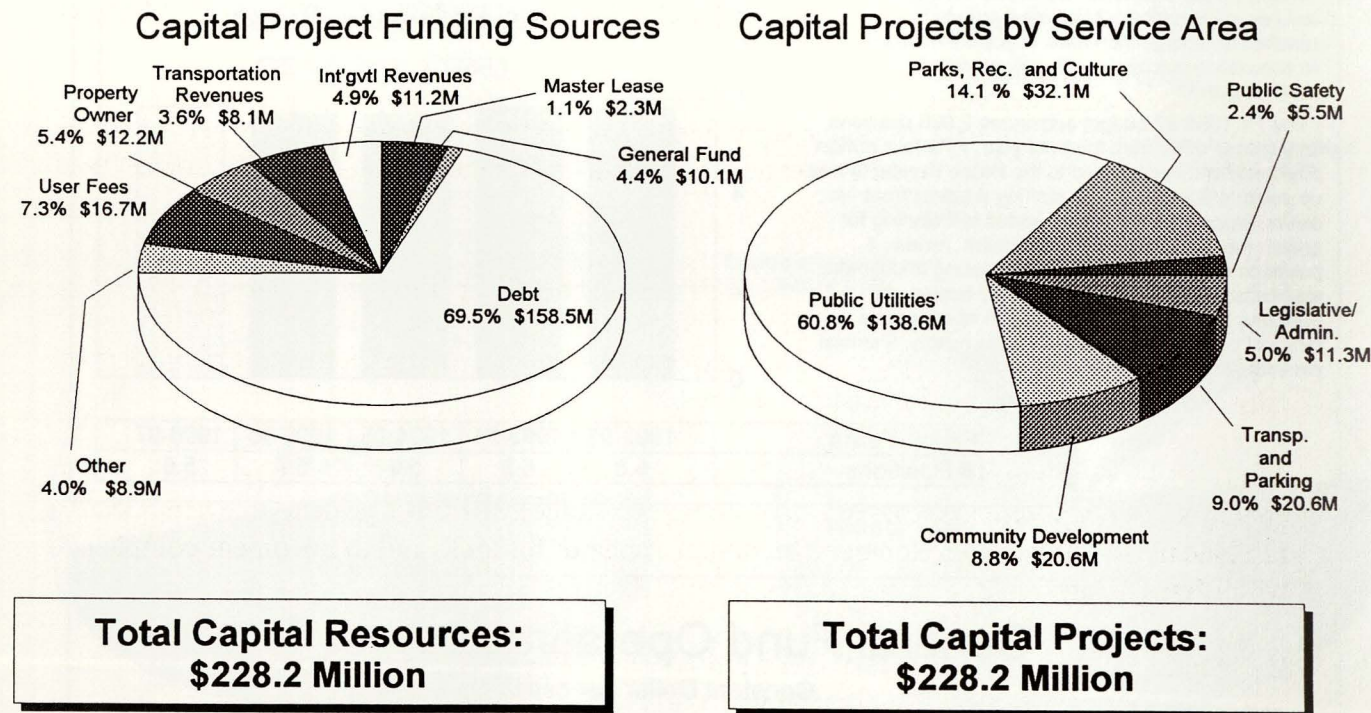
• The FY 1996-97 budget represents a per capita increase of 10.3% indicating that for this one year period, budget growth has been greater than CPI and population growth.

• The General Fund operating cost per capita has increased from \$485 in FY 1992-93 to \$541 in FY 1996-97. The base year reflects the impact of Measure 5 property tax loss. That loss was mitigated by assessed value growth in the following years allowing positions and programs to be restored and enhanced.

Fiscal Years	1992-93	1993-94	1994-95	1995-96	1996-97
■ Cost per Capita	\$485	\$497	\$503	\$512	\$536

TOTAL CAPITAL BUDGET

Fiscal Year 1996-97



Capital Projects of Note

Transportation	Street Improvements	\$10.8 Million
	Alternatives Modes (Bikes, Pedestrian, NTMP)	\$2.5 Million
	Transit	\$3.3 Million
Utilities	Combined Sewer Overflow	\$41.3 Million
	Mid-County Sewer Construction	\$26.5 Million
Community Development	Men's Homeless Shelter	\$6.2 Million
Legislative, Administrative and Support Services	City Hall Renovation	\$4.7 Million
	Portland Building	\$4.7 Million
Parks, Recreation & Culture	Parks General Obligation Bond Projects	\$23.8 Million

Early in the budget process, the City Council held a planning session to establish goals and priorities for the FY 1996-98 budget. Following extensive public outreach, the Council reconvened in mid December to finalize these goals. Key decisions made in the budget relative to the goals include the following new, expanded or continuing programs.

Goal: Build a Livable City Through Good Planning and Well-Managed Growth.

New or Expanded Programs:

- **Transportation Funding.** \$3.8 million is provided over the FY96-98 budget period to help offset the Portland Office of Transportation's revenue gap and to allow for the continuation of the current level of transportation service.
- **Central City 2000.** Tax increment dollars support \$7.8 million in projects recommended by the Central City 2000 Task Force. Projects support the development of 15,000 housing units and 75,000 jobs by the year 2010, including Eastbank Esplanade, MLK and Grand Avenues improvements, Union Station pedestrian improvements, and targeted industries strategy.
- **2040 Implementation.** \$775,000 is allocated over two years to support implementation of Metro 2040 concepts. Funding is provided to amend city code to encourage mixed use, high density development, to facilitate transit oriented development, to design standards for infill, and to document compliance with Metro's Interim Measures and Framework Plan.
- **Development Response Fund.** \$250,000 is provided in General Fund discretionary dollars to the Office of Transportation for FY 96-97 to partner with the development community for transportation system improvements to assist conversion of underutilized properties to higher density uses.

Continuing Programs:

- **Community Planning.** The budget allocates \$816,000 in FY 96-97 and \$858,000 in FY 97-98 to continue the Inner Southeast and Southwest Community Plan processes.

Goal: Build a Sense of Community by Promoting Citizen Participation, Connectedness and Partnerships.

New or Expanded Programs:

- **Task Force on Neighborhood Involvement.** \$96,500 is budgeted to implement the Task Force recommendations. This allows neighborhood associations to expand citizen outreach and to receive training and assistance in mediation and conflict resolution. Equity funding is provided for SE Uplift to hire an additional staff person. Second year funding totals \$183,573.
- **Neighborhood Enhancement Fund.** \$750,000 is provided over two years to support neighborhood grants (\$250,000 in FY96-97 and \$500,000 in FY97-98). The purpose of the program is to improve neighborhood

Major Budget Decisions

- **School Traffic Safety.** \$420,000 is budgeted within the Office of Transportation for each of the next two years to continue its expanded speed bump and school traffic safety program.

Goal: Ensure Decent, Affordable Housing

New Or Expanded Programs:

- **Housing Investment Fund.** The budget fulfills the commitment to establish a \$30 million fund to support creation of 2,500 housing units per year. Funds will be used to expand housing opportunities for all income levels and to increase housing supply in response to expected population growth. Building upon the original \$6.4 million already allocated, an additional \$24.6 million is available to commit over the next two years.
- **Men's Permanent Housing Facility.** The budget supports the construction of a permanent men's housing facility which will be sited and constructed over the next two years as per the City's Shelter Reconfiguration Plan.
- **Winter Shelter Funding.** The budget provides \$130,000 in each of the next two years to replace the loss of federal dollars for emergency winter shelter beds.

Ongoing Programs:

- **Housing Services.** In FY96-97, \$16.8 million in federal dollars support a variety of housing assistance for households with income below 80% of median income.
- **River District.** The Council has committed \$3.9 million over the next two years for infrastructure projects in the Union Station area. These infrastructure projects support the development of a 685-unit housing development at Union Station.

Goal: Maintain a Financially Stable City

New or Expanded Programs:

- **Business License Credit Reserve.** \$2.4 million in business license revenue is budgeted with the General Reserve Fund to create a business license credit reserve. This appropriation will cover an estimated \$2.4 million in credit liability due to overpayments.

Ongoing Programs:

- **Utility Rates.** The City's utilities continue to face significant future challenges that will intensify pressure to increase rates. The Water Bureau has embarked upon a regional study of long-range supply requirements while the Bureau of Environmental Services is extending sewers to east Portland and resolving problems stemming from combined sewer and storm water overflows in area rivers. Careful consideration must be given to balancing the long-term needs of these systems with sensitivity to the growing percentage these costs consume of household income. The budget includes a 12.1% average

Major Budget Decisions

rate increase for sewer and drainage services. The Water Bureau's financial plan estimated the need for an 8.2% increase; their budget came in with a 5.2% increase. Due to the reduction of the utility franchise fee as well as bureau efficiencies, the rate increase has dropped to an estimated 4.3%.

- **Reserves.** The General Reserve Fund totals about \$30 million in the FY 1996-97 budget. The financial forecast continues to show the General Fund's 5% counter cyclical reserve and the 5% emergency reserve fully funded during the entire five year forecast period.

Goal: Promote Economic Vitality and Access to Quality Jobs for all Citizens

New or Expanded Programs

- **Business Development and Disparity Study Implementation.** \$137,000 is budgeted in each of the next two years to support two new positions for the Fair Contracting and Employment Initiatives program.
- **Fair Wage Initiative.** The budget provides \$223,000 on an ongoing basis to support a wage floor for service contract workers including janitors, security guards, and parking attendants. This provides an hourly wage of \$6.75 in FY96-97, increasing to \$7.00 in FY97-98.
- **Quality Jobs Initiative.** \$225,000 in FY 96-97 and \$250,000 in FY 97-98 is allocated to PDC to begin to implement the Quality Jobs Initiative. The plan calls for the identification of resource needs and gaps in training and employment services, and the development of corresponding goals and specific job strategies for targeted neighborhoods.
- **Target Industry Project Management.** The budget allocates \$130,000 in each of the next two years to support target industry growth and target area resident employment through industry, workforce, and training strategies that are responsive to current and expected needs.

Ongoing Programs:

- **Prosperous Portland.** In 1994, Prosperous Portland was adopted as an integrated set of policies which focus the City's economic development and workforce development strategies and efforts. PDC continues the role as lead economic development agency for the City.
- **Economic Development Loan Fund.** City Council has reserved savings from the refinancing of the Airport Way urban renewal debt, \$512,000 per year, for a loan fund program to meet the financial needs of small and medium size business that are growing quality jobs in the city.

Goal: Promote Healthy Families and Children

New or Expanded Programs:

- **Expanded Youth Programs.** This budget continues funding of \$1.1 million for each of the next two years in support of youth oriented recreation programs, an expanded community school programs, environmental and arts education programs and athletics programs offered through the Police Athletic

Major Budget Decisions

League and the Portland Public Schools.

- **Domestic Violence Shelter Services.** In FY 1997-98 the budget allocates \$223,000 to offset half of the loss of federal grant funds currently supporting violence shelter beds. It is anticipated that Multnomah County will provide the other 50% so that the current service level for domestic violence beds can be maintained.
- **Expanded Senior Leisure Opportunities.** \$59,000 is allocated to the Parks Bureau to hire an additional rec coordination to organize activities aimed specially at the large and growing senior population.

Ongoing Programs:

- **Youth Employment.** \$1,209,870 in the Bureau of Housing and Community Development for the continuation of youth employment programs consisting of both year round and summer only programs.

Goal: Support Quality Education to Produce Well Educated Citizens

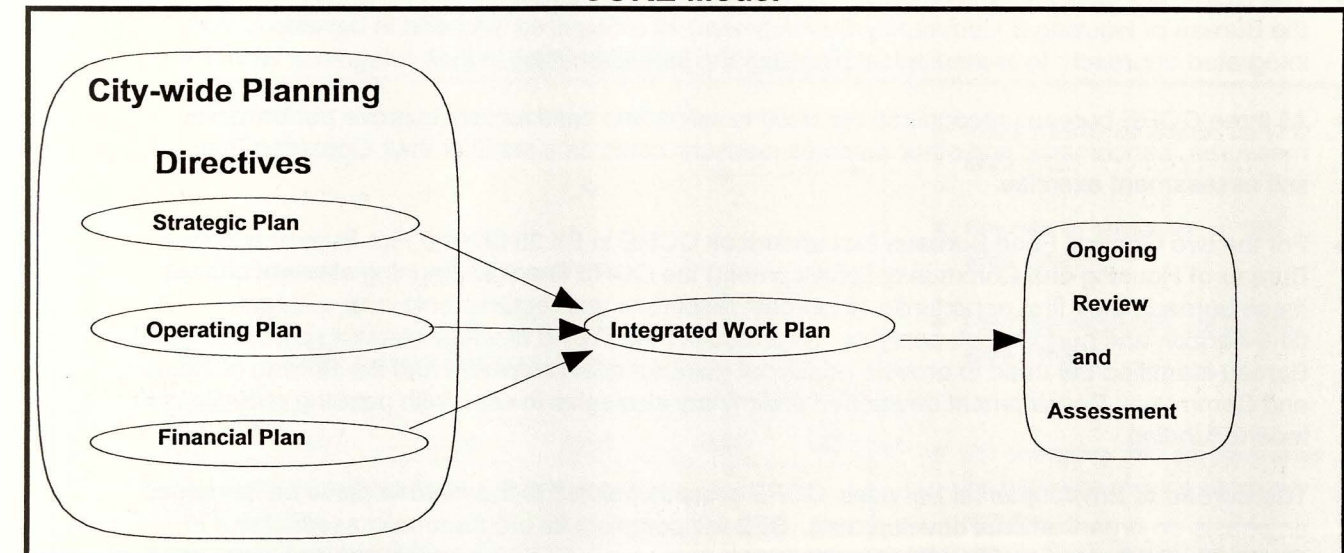
New or Expanded Programs:

- **Support for Portland Area School Districts.** \$10.8 million is provided in direct aid to Portland area schools. Portland Public Schools will receive \$9,024,000 while \$1,786,029 will be divided between Reynolds, Centennial, David Douglas and Parkrose school districts. This aid is provided in light of the school funding crisis and to help ensure that the Portland area school districts remain strong and healthy.
- **School Field Trips.** \$50,000 in one time funding is provided in FY96-97 to support school field trips to the Oregon Museum of Science and Industry.
- **Art in Education.** \$75,000 is allocated to the RACC in support of an expanded arts in education program that provides support for teachers to use the arts in the classroom to improve learning.

Comprehensive Organizational Review and Evaluation (CORE)

In FY 94-95, the Portland City Council adopted an integrated approach to budgetary review and analysis which resulted in a dynamic multi-year plan based on the participating bureaus' strategic direction, operating assumptions, current operations and financial forecasts. The CORE effort was to take place within the overall framework of city-wide planning and policy directives. The model was developed in FY 94-95 and pilot tested in FY 95-96, the assumptions of which were the primary drivers for the FY 96-97 budgets for the three pilot CORE bureaus: Bureau of Environmental Services, Bureau of Housing and Community Development and the Bureau of Fire, Rescue and Emergency Services. The CORE process was directed by the CORE Executive Steering Committee comprised of City-wide Bureau Directors.

CORE Model



SIGNIFICANT CORE WORK PRODUCTS

- ◆ The Strategic Direction process defines where the Bureau is, where it should be going and how to get there. In order to achieve these ends, the CORE strategic direction process asks bureaus to conduct an environmental scan, to articulate the bureau's mission, vision and values and to identify priority issues.
- ◆ The Operating Plan is intended to identify what the bureau is doing programmatically and to define what is needed to further enhance the strategic goals. In order to accomplish this phase, Bureaus are asked to establish a baseline profile of the program, conduct programmatic assessment, evaluate the organizational environment and to compile an operational plan.
- ◆ The Financial Plan encourages long-term planning by asking bureaus to forecast revenues and requirements, analyze risks to these forecasts, and identify potential changes to programs that may be required should these risks materialize. The document also identifies the bureau's financial policies, targets, assumptions and requirements.
- ◆ The Integrated Work Plan reflects a summary of the three planning efforts identified above and presents the findings in an integrated document. The Integrated Work Plan identifies action plans that the bureaus have identified that result from the bureaus extensive self-analysis required by the CORE review.

Comprehensive Organizational Review and Evaluation (CORE)

MAJOR RESULTS OF THE FY 95-96 CORE PROCESS

- ◆ Pilot Bureaus evaluated the CORE process and rated it highly. Specifically the three pilot bureaus identified the following as being especially valuable:
 - * Time spent with Council
 - * Opportunity to gain bureau wide/city wide perspective
 - * Operational assessment findings
 - * Systematic approach to evaluation
 - * Focus on self assessment
- ◆ The CORE Bureaus (Bureau of Environmental Services; Fire, Rescue & Emergency Services, and the Bureau of Housing & Community Development) all recognized the need to develop a more integrated approach to technological planning and implementation in their Integrated Work Plans.
- ◆ All three CORE bureaus recognized the need to refine and continuously improve performance measures, benchmarks and other outcome measurements as a result of their Operating Plan self assessment exercise.
- ◆ For the two General Fund Bureaus that undertook CORE in FY 95-96 (the Fire Bureau and the Bureau of Housing and Community Development) the CORE financial planning element offered these bureaus their first opportunity to forecast resources and requirements over a longer time-horizon and perform risk analysis. As a result of the CORE financial planning process, the Fire Bureau identified the need to provide additional resources for retirement and the Bureau of Housing and Community Development developed preliminary strategies to cope with pending reductions in federal funding.
- ◆ The Bureau of Environmental Services' CORE process pointed to the need to place an increased emphasis on organizational development. BES will complete its programmatic assessment in FY 96-97. BES also identified the need to implement a new employee training as one component of their organizational improvement effort.

CORE ONGOING IMPLEMENTATION AND REVIEW

- ◆ On-going implementation of recommendations and action plan items will be reviewed and assessed on a regular basis through the City's Budget Monitoring Report process. The Auditor's Office is also tasked to conduct performance audits on an as needed basis.

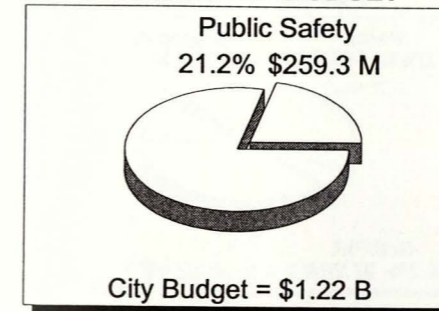
CORE FOR FY96-97

- ◆ Three bureaus will go through the Comprehensive Organizational Review and Evaluation in FY 96-97:
 - Office of Transportation -- Will focus on the Strategic Direction
 - Bureau of Police -- Will focus on Operational Planning and Assessment
 - Bureau of Parks & Recreation -- Will focus on Operational Planning and Assessment

Public Safety

PROGRAM AREA OVERVIEW

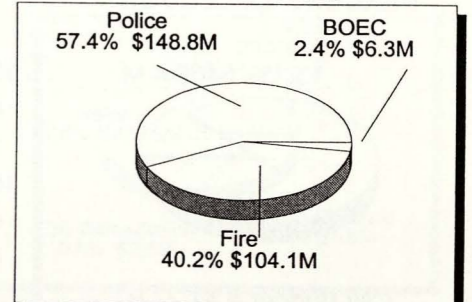
PERCENT OF BUDGET



BUDGET DATA

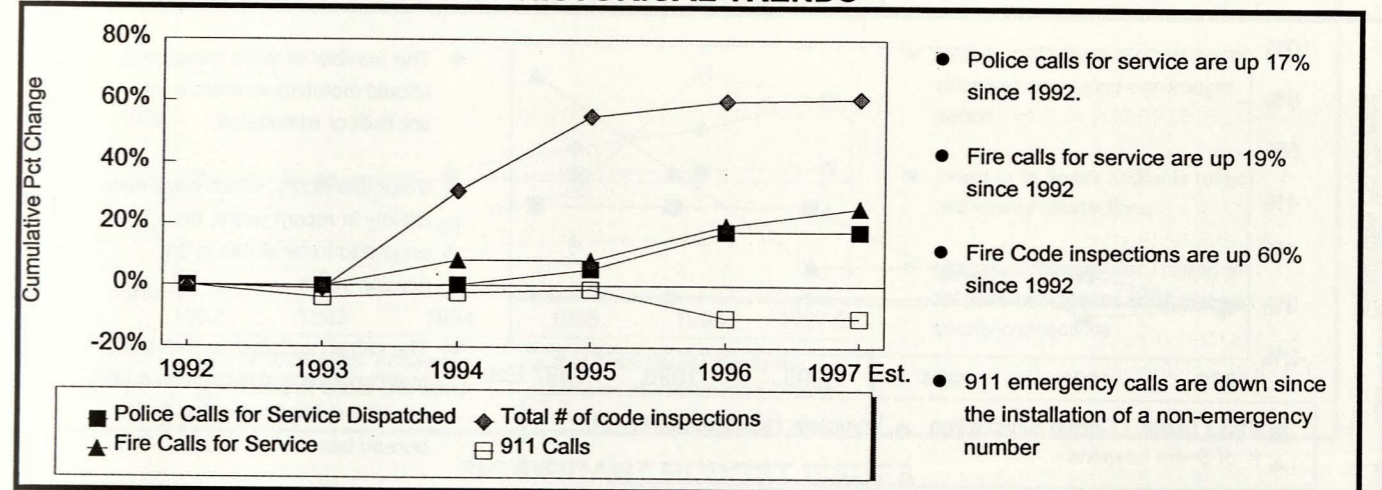
1996-97 Budget \$259.3 M
 Change from 95-96: + \$17.5 M
 Change per Capita: 6.5%
 1996-97 Positions: 2199
 Change from 95-96: 55 FTE
 Change per Capita: 1.9%

EXPENDITURES



Note: Figures on this page include fund contingencies and reflect the full allocation of costs to direct service areas.

HISTORICAL TRENDS



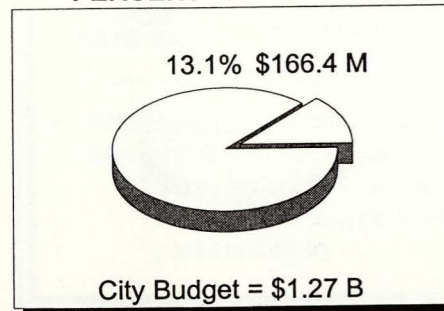
SIGNIFICANT BUDGET ISSUES

- ◆ Front desk positions at the Police Bureau's five precincts will be staffed by civilians instead of sworn officers starting Jan. 1, 1997. This will release 42 sworn officers from desk staffing duties and allow them to return to full time community policing activities and resolve problems that adversely impact neighborhoods.
- ◆ BOEC has no personnel increases for FY 1996-97. The budget will maintain its current service level.
- ◆ The Fire Bureau budget funds current services, including Neighborhood Emergency Teams (NET); expansion of the Firefighter Inspector Program; two Training Academies; Firefighter Trainee Program; and continued development of the Bureau's Fire Information System (FIS)
- ◆ The Fire Bureau's successful completion of the Comprehensive Organization Review and Evaluation (CORE) process in FY 1995-96 provided the extensive review of all services provided by the Bureau. The CORE Plans provide the basis for the Fire Bureau budget.
- ◆ The Fire Bureau will continue to expand Advanced Life Support (ALS) services to all stations.

Parks, Recreation and Culture

PROGRAM AREA OVERVIEW

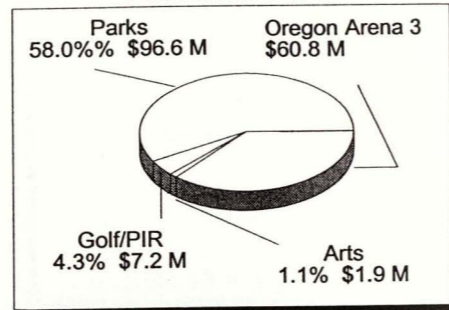
PERCENT OF BUDGET



BUDGET DATA

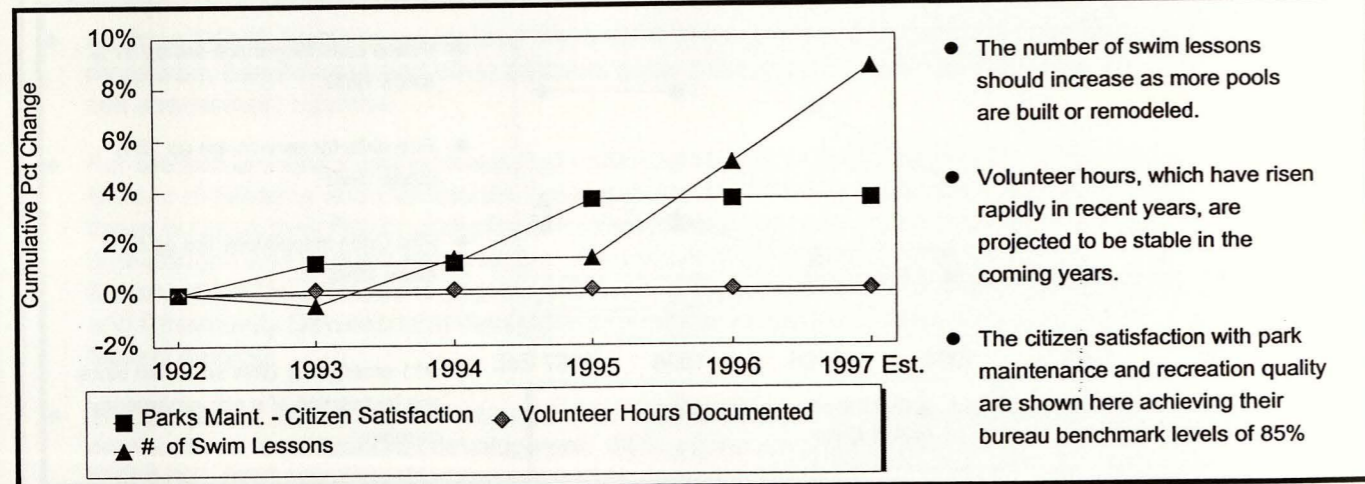
1996-97 Budget \$166.4 M
 Change from 95-96: + \$4.9 M
 Change per Capita: 2.3%
 1996-97 Positions: 376
 Change from 95-96: 6 FTE
 Change per Capita: 1.0%

EXPENDITURES



Note: Figures on this page include fund contingencies and reflect the full allocation of costs to direct service areas.

HISTORICAL TRENDS



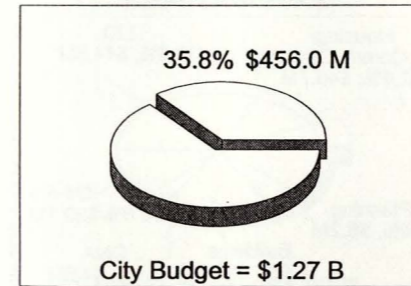
SIGNIFICANT BUDGET ISSUES

- ◆ The 1996-97 Budget represents an increase of 6 positions within the Parks Bureau. Five of the positions are funded from within target and 1 new Senior Recreation Coordinator was approved.
- ◆ The FY 1996-97 Budget continues funding of \$1.6 million in support of expanded community schools, school support, and other youth programs initiated in 1994. The youth recreation programs formerly supported by golf surcharge revenue will now be directly supported by General Fund discretionary dollars.
- ◆ Regional Arts and Culture Council will receive target funding of \$1,241,497 based on room tax receipt growth. New: \$325,000 to bring the Symphony and other performing arts groups out to the community and \$50,000 for school field trips to OMSI. Cultural tourism funding, \$200,000 per year, to the Portland Art Museum is included. \$250,000 is budgeted to support the Portland Center for Performing Arts.
- ◆ Funding for capital projects within the Parks Bureau is continued primarily through the \$58.8 million bond issue approved by the voters in 1994, but also through \$1.6 million of General Fund dollars, \$2 Million of Metro 26-26 money, and \$700,000 in grants.

Public Utilities

PROGRAM AREA OVERVIEW

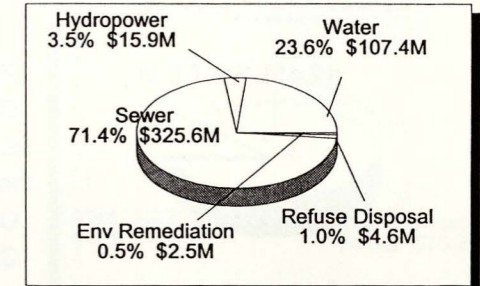
PERCENT OF BUDGET



BUDGET DATA

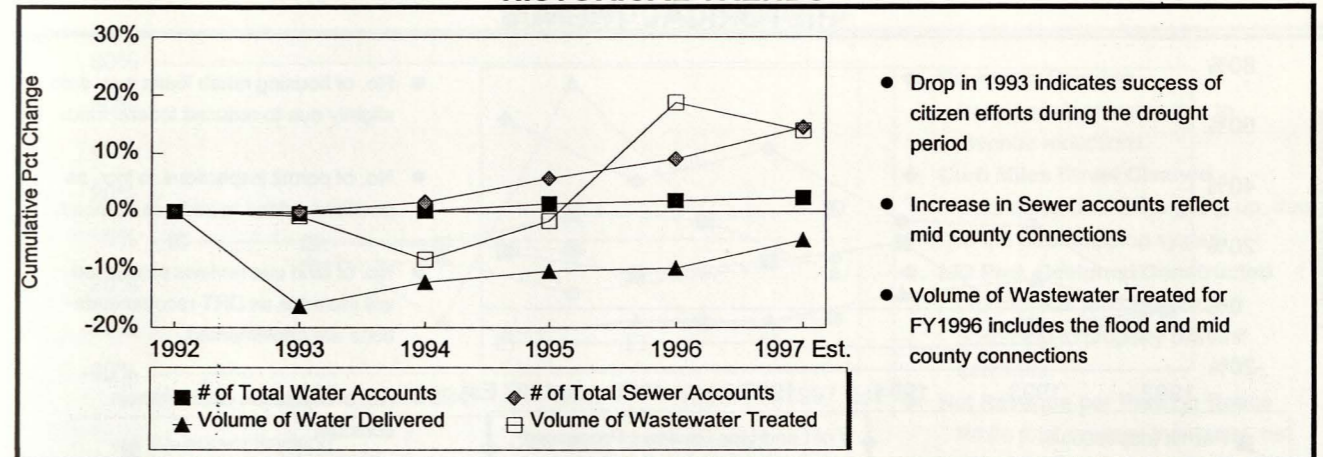
1996-97 Budget \$456.0 M
 Change from 95-96: + \$26.0 M
 Change per Capita: 5.4%
 1996-97 Positions: 966
 Change from 95-96: 43 FTE
 Change per Capita: 4.0%

EXPENDITURES



Note: Figures on this page include fund contingencies and reflect the full allocation of costs to direct service areas.

HISTORICAL TRENDS



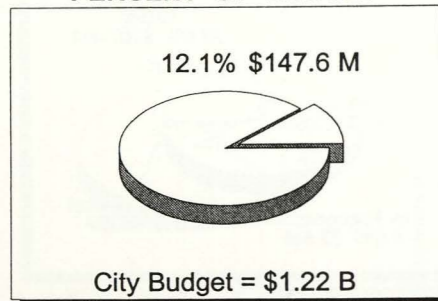
SIGNIFICANT BUDGET ISSUES

- ◆ The adopted budget includes a phase down of the Utility License Fee charged to all ratepayers. The fee is decreased by 0.4% in the next fiscal year, dropping from the current 8% to 6% over 5 years.
- ◆ This budget estimates that the average residential water bill will increase 6.9%. The average sewer rate is estimated to increase 12.1%. This rate of increase for sewer is expected to continue for the next five years as the Combined Sewer Overflow (CSO) project ramps up.
- ◆ The BES budget continues the bureau's emphasis on pollution prevention, water quality analytical services, drainage system maintenance, watershed improvement, and capital funding.
- ◆ The Water Bureau budget addresses the following strategic issues: customer services, water quality, relationship with the community, water conservation, regional water supply planning, capital improvement plan, organizational improvement, financial stability, workforce planning, infrastructure needs, information technology.
- ◆ The Bureau of Environmental Services will continue with its Comprehensive Organizational Review and Evaluation (CORE). This was a pilot process to examine the financial planning, organization, and operations of the bureau at all levels. This effort has identified areas for improvement that the bureau will pursue.

Community Development and Services

PROGRAM AREA OVERVIEW

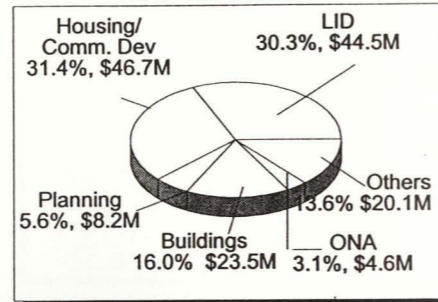
PERCENT OF BUDGET



BUDGET DATA

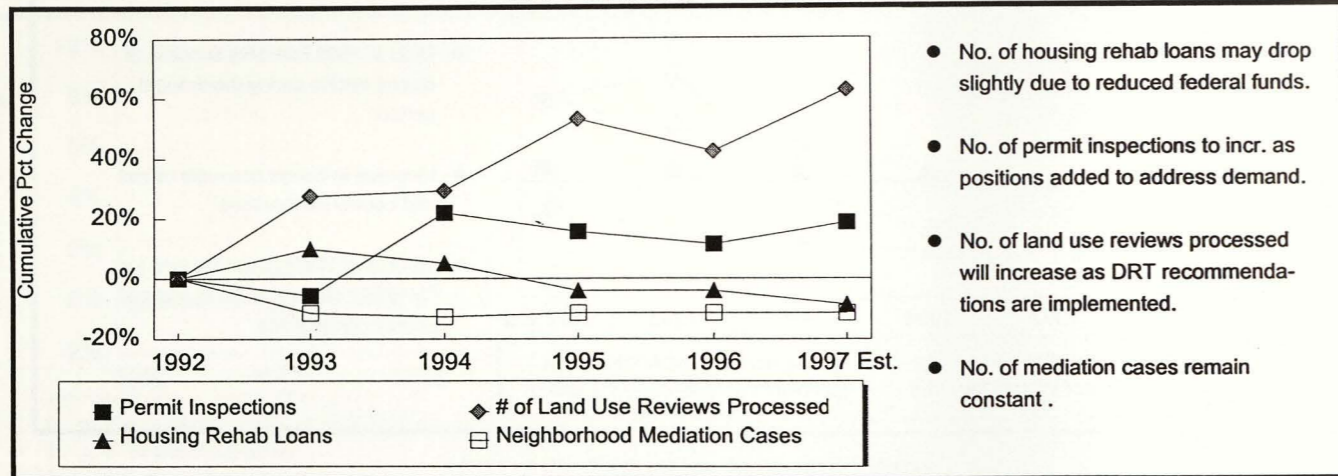
1996-97 Budget \$147.6 M
 Change from 95-96: + \$23.0 M
 Change per Capita: 17.1%
 1996-97 Positions: 352
 Change from 95-96: 29 FTE
 Change per Capita: 7.7%

EXPENDITURES



Note: Figures on this page include fund contingencies and reflect the full allocation of costs to direct service areas.

HISTORICAL TRENDS



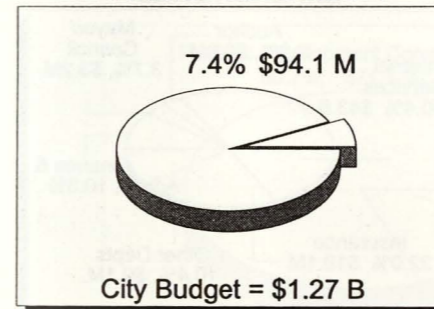
SIGNIFICANT BUDGET ISSUES

- A well-functioning "development review process" as a continuing high priority for the city is reflected the Community Development service area budgets. Recommendations from the Development Review Team (DRT) for customer service, efficiency and productivity improvements in processing development reviews are included, such as new Buildings and Planning positions to assist citizens in navigating the development process and to respond to increasing demands. A Satellite Permit Center for residential permits and plan submittals is included for FY 97-98. 22 FTE have been added to the City's Community Development and Services effort. Most of these are related to the implementation of the DRT recommendations.
- Metro 2040 implementation funded: continued community planning; code amendment to encourage mixed-use high density development, and to demonstrate compliance with Interim Measures/ Framework Plan.
- During FY95-96 the Bureau of Housing and Community Development (BHCD) was a pilot bureau in the Comprehensive Organization Review and Evaluation (CORE) process. CORE plans set strategic direction for BHCD and the FY96-97 budget begins to implement CORE recommendations. In FY96-97, a 5% reduction in federal funds is assumed: some City housing programs are reduced; also General Funds are used for winter shelter services and domestic violence reduction programs which lost federal funds.
- In response to the Task Force on Neighborhood Involvement recommendations, the FY96-97 ONA budget includes increased resources to allow neighborhood associations to enhance citizen outreach, expand capability to respond to citizen and neighborhood concerns, and training on mediation and conflict resolution

Transportation and Parking

PROGRAM AREA OVERVIEW

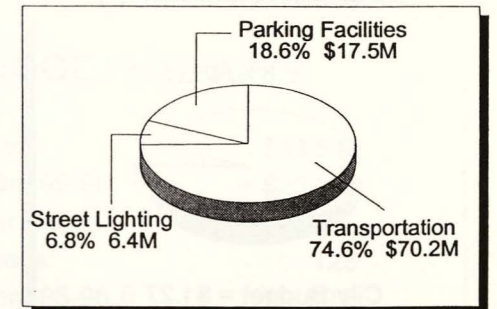
PERCENT OF BUDGET



BUDGET DATA

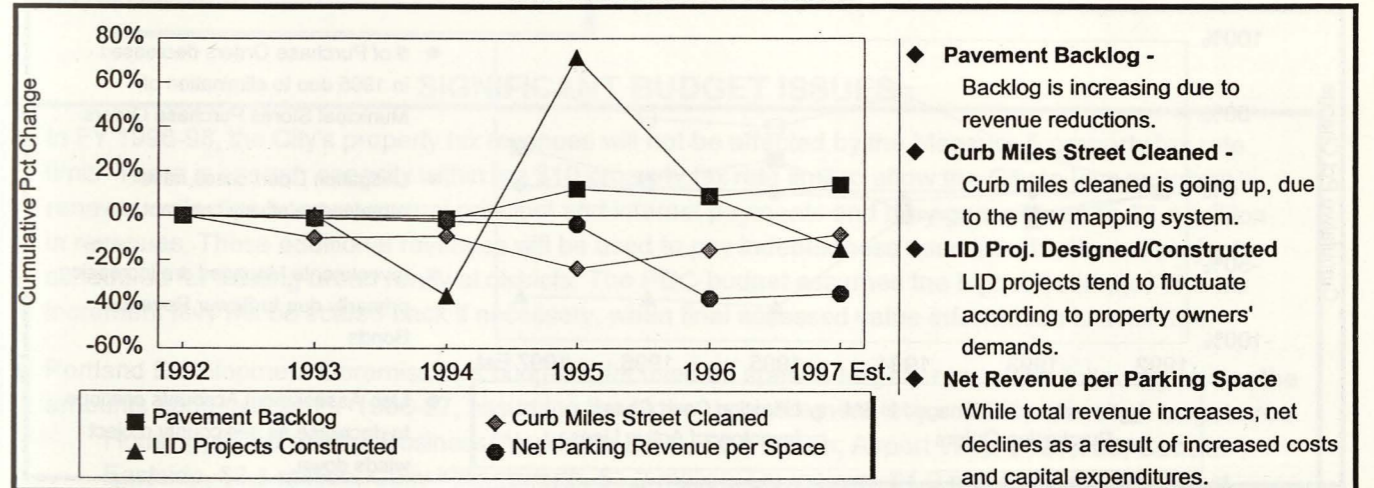
1996-97 Budget \$94.1 M
 Change from 95-96: + \$4.5 M
 Change per Capita: 4.3%
 1996-97 Positions: 733
 Change from 95-96: 0 FTE
 Change per Capita: -0.7%

EXPENDITURES



Note: Figures on this page include fund contingencies and reflect the full allocation of costs to direct service areas.

HISTORICAL TRENDS



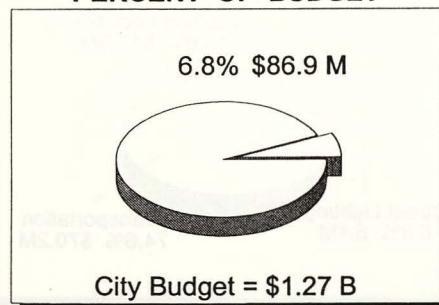
SIGNIFICANT BUDGET ISSUES

- Gas tax revenues continue to fall behind the cost of inflation, and transportation revenues are not sufficient to support current service levels. PDOT faces revenue shortfalls over the next two years.
- The budget allocates \$220,000 from the General Fund and \$500,000 from the Autoport Fund to support current service levels - \$670,000 for street cleaning and \$50,000 for special event barricading. An additional \$250,000 from the General Fund creates a Development Response Fund to partner with the development community for transportation system improvements. The General Fund Financial Plan provides for the anticipated continuing transportation revenue shortfall with an additional \$1.9M set aside for FY 1997-98 to support Transportation projects and \$500,000 in tax increment dollars to support CIP projects.
- The FY 1996-97 Budget generally maintains the current service level while including a number of service reductions and efficiencies; the capital improvement program has been cut by \$72,000; traffic request responses have been cut by \$50,000; a traffic management outreach position has been cut saving \$63,000; a director's office CIP management position has been cut saving \$75,000; the parking patrol shift change will save \$200,000; and contracting out of recycling in Maintenance will save \$100,000.
- The recently completed Central City Public Parking Facilities Plan found a substantial and growing demand for short term parking in the downtown core. This shortage is partially addressed in the FY 1996-98 budget through the addition of two floors of parking to the 4th & Yamhill Garage.

Legislative/Administrative & Support Services

PROGRAM AREA OVERVIEW

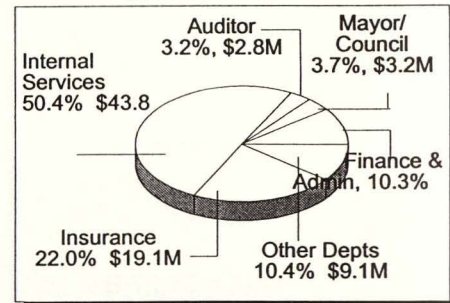
PERCENT OF BUDGET



BUDGET DATA

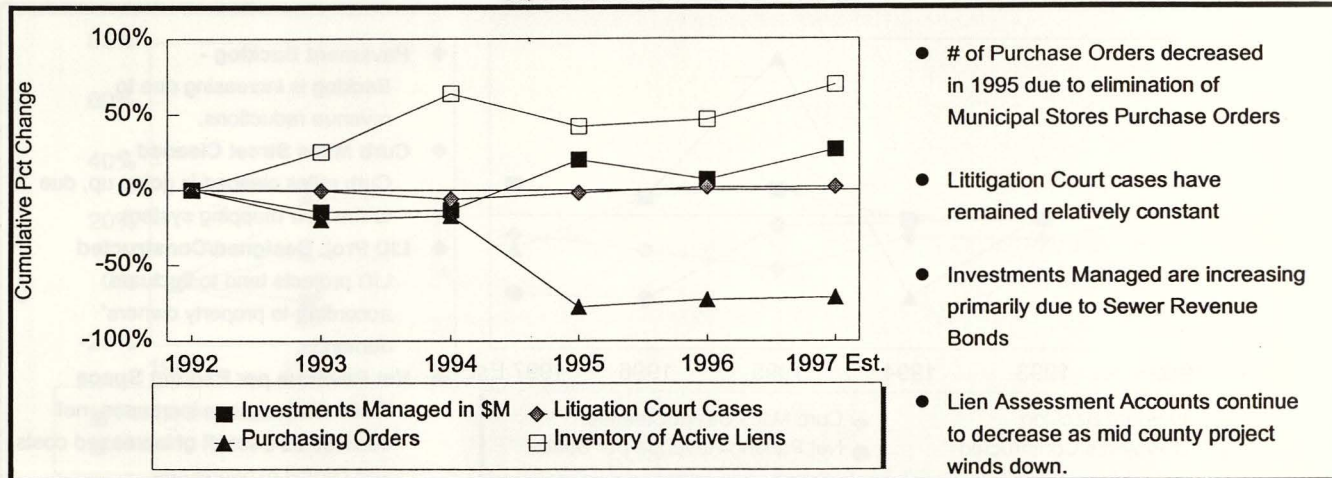
1996-97 Budget \$86.9 M
 Change from 95-96: -\$11.4 M
 Change per Capita: -12.1%
 1996-97 Positions: 516
 Change from 95-96: 22 FTE
 Change per Capita: 3.8%

EXPENDITURES



Note: Figures on this page include fund contingencies and reflect the full allocation of costs to direct service areas.

HISTORICAL TRENDS



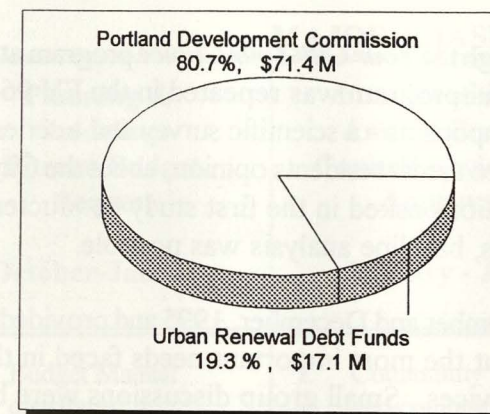
SIGNIFICANT BUDGET ISSUES

- ◆ The overall drop of \$11.4 million is due to a lower level of fleet replacement and capital spending than in FY 1995-96; the 95-96 budget reflected a large fleet prior year carryover and Police precinct CIP costs.
- ◆ Twenty-two new positions were added for Legislative/Administrative & Support Services -- 10 FTE to the Office of Finance and Administration, 2 FTE to the Bureau of General Services, 1 FTE to the Mayor's Office, and 4 FTE to the Auditors (for FPD&R and Assessment and Liens), 4 FTE to Purchases & Stores, and 1 FTE in the Attorney's Office.
- ◆ A number of new capital improvement projects are included in the FY 96-97 budget. These include seismic reinforcement of the Portland Building, and security improvements to City-owned buildings.
- ◆ A newly formed program within the Office of Finance and Administration will assume responsibility for facilitating a City-Wide Technology Strategic Plan.
- ◆ The Treasury and Debt programs' merger in FY 95-96 provided an enhanced level of customer services. The Treasury's source of funding in FY 96-97 moves from primarily General Fund overhead to inter-agencies, freeing up significant General Fund discretionary resources.
- ◆ Government Relations will gear up its activities in FY 96-97 in preparation for the 1997 Legislation Session. The office will be sharing costs of a full-time temporary staff person and permanent office space with the City of Eugene.

Portland Development Commission & Tax Increment Debt Funds

PROGRAM AREA OVERVIEW

BUDGET DATA



1996-97 Budget \$88.5 M
 Change from 95-96: + \$25.0 M
 Change per Capita: 38.7%
 1996-97 Positions: 125
 Change from 95-96: 12 FTE
 Change per Thousand: 9.6%

SIGNIFICANT BUDGET ISSUES

- ◆ In FY 1996-98, the City's property tax revenues will not be affected by the Measure 5 property tax rate limit. There is enough capacity within the \$10 property tax rate limit to allow the City to levy an urban renewal collection to cover annual principal and interest payments and may generate up to \$8.4 million in revenues. These additional revenues will be used to pay indebtedness associated with new projects scheduled for existing urban renewal districts. The PDC budget assumes the higher estimate. The tax increment levy will be scaled back if necessary, when final assessed value information is available.
- ◆ Portland Development Commission's budget is focused on specific target areas. The following shows the amounts budgeted for FY 1996-97, assuming the higher tax increment levy collection, in each target area. Housing, \$28.9 million; Business/Workforce Dev. , \$4.4 million; Airport Way, \$421,000; Central Eastside, \$3.1 million; Cully Killingsworth, \$1.2 million; Downtown, \$4.9 million; Inner Northeast, \$5.8 million; Lloyd District, \$570,000; N. Macadam/South Waterfront, \$940,000; Outer Southeast, \$3.5 million; River District/Old Town, \$8.5 million; and Transit Station Areas, \$1.2 million.
- ◆ PDC's staffing has increased by 12 FTE. Project staff has been added for administration of the Housing Investment Fund, tax increment funded projects and the Quality Jobs Initiative/Target Industry programs. No Professional Services or Executive staff have been added.
- ◆ The FY 1996-97 Budget includes the following allocations to PDC for FY 1996-97:

General Fund Target Funding		Project Funding	
Business Development	\$1,022,064	River District/Union Station	\$2,554,504
NE Workforce Center	\$109,895	Add Packages	
Business Districts	\$55,382	Quality Jobs Initiative	\$225,000
Ec. Dev. Loan Program	\$512,880	Target Industry Development	\$130,000
	\$1,700,221		\$355,000
- ◆ As per Council directions, PDC will manage the Housing Investment Fund, which will provide for \$24.6 million to be committed over the next two years. Actual cash flow requirement for FY 1996-97 is estimated at \$4.5 million. Also, funds have been allocated for site acquisition and construction of the Men's Homeless Facility to be financed by the General Fund.

Budget Process

Citizen Involvement in the Budget Process

In 1993, Council significantly expanded public outreach through the *Your City Your Choice* program at the initiation of the two year budget cycle. This highly successful program was repeated in the FY 96-98 budget process. *Your City Your Choice* has two major components - a scientific survey and a series of community forums. The survey was conducted in November to assess residents opinions about the City of Portland and the provision of city services. It included questions asked in the first study conducted in January 1994, as well as new ones. By repeating questions, baseline analysis was possible.

Your City Your Choice community forums were held in November and December, 1995 and provided the opportunity for 445 citizens to voice their opinions about the most important needs faced in their neighborhoods as well as the importance of various city services. Small group discussions were held between citizens, council members, and city service managers. The forums were rated as excellent opportunities for face to face interaction with City Council and bureau management.

In addition to *Your City Your Choice*, Mayor Vera Katz sponsored four public forums oriented around her administration's four "critical challenges". Those challenges are:

- Improve public safety
- Increase the standard of living through quality jobs
- Ensure our livability as a community
- Restore the public's trust and confidence in government.

The forums gave the Mayor and other city officials an opportunity to hear from selected experts and engage in focused discussion on these issues. The Mayor used these critical challenges as a tool to provide priorities and directions for budget decisions.

In addition to the *Your City Your Choice* public outreach process and the Mayor's critical challenge forums, other options exist for the public to actively participate in the budget process:

- **Budget Advisory Committees (BACs):** The committees are made up of appointed citizens who monitor bureau budgets and operations and identify issues for Council consideration.
- **Public Utilities Review Board (PURB).** The PURB, 15 appointed, citizens provide independent and representative customer review of water, sewer and solid waste financial plans and rates.
- **Annual Budget Hearings.** The Council holds several community budget hearings before the budget is approved where the public can testify on any topic. This year, the hearings will occur on May 4, May 6, and May 7. Also, public hearings are held as City Council formally adopts the budget. Call 823-5288 for times and locations.

The following chart outlines the basic budget process and its general time-line. In order to become more efficient and to encourage a long-range perspective, the City has converted its budget process to a two year cycle. The first year is the full budget process with expanded public outreach. The second year of the budget process is an abridged process in which Council deliberates and takes public testimony on modifications to the adopted two year budget.

Budget Process

MAJOR PHASES OF BUDGET PROCESS

Planning & Guidelines Bureau Budget Request October-January	First Year of Bi-Annual Budget Council Review and Approval January - April	First Year of Bi-Annual Budget Final Review and Adoption May - June	Second Year of Bi-Annual Budget Review, Approval & Adoption March - June
<ol style="list-style-type: none"> 1. Budget Manual distributed to Bureaus. 2. Council holds budget planning session: <ul style="list-style-type: none"> ◆Develops goals and workplan. ◆Reviews General Fund forecast and approves as the Financial Plan. ◆Develops budget guidelines. 3. OF&A calculates target allocations. 4. Bureaus prepare budget requests. 5. OF&A reviews Bureau budget requests and prepares overviews. 	<ol style="list-style-type: none"> 1. Community Survey and community budget forums. 2. Council reviews bureau budget requests. 3. Council hears testimony from public, bureau budget advisory committees and Budget Advisory Committee. 4. Council makes the allocation and policy decisions necessary to balance the budget 5. OF&A produces the Proposed Budget document. 6. Council gives preliminary approval to budget. 	<ol style="list-style-type: none"> 1. Tax Supervising and Conservation Commission reviews the budget and holds public hearing. 2. Council considers updated estimates and makes final decisions for the budget. 3. Council adopts the budget. 	<ol style="list-style-type: none"> 1. Bureaus submit Budget modifications 2. Proposed modified second year budget issued to Council. 3. Public Hearings on modified second year budget. 4. Proposed second year budget revised and approved by Council. 5. Tax Supervising and Conservation Commission reviews budget. 6. Council adopts the modified second year budget.



Mayor Vera Katz

The Council and I faced many tough decisions in crafting this budget. While it does not fund every request made, or solve every problem, it does prepare us for the future and the challenges that face Portland as we grow and prosper.

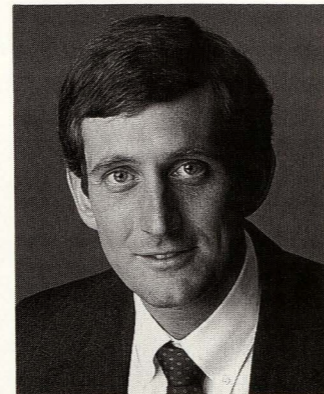
The Council and I made a pledge that we would not abandon Portland's public schools, and I am happy that we were able to step up and help bridge their funding crisis.

We have reaffirmed our commitment to affordable housing through the Housing Investment Fund, and followed through on our pledge to do our part to help hold the Urban Growth Boundary by earmarking dollars to focus our planning on accommodating Metro 2040 goals.

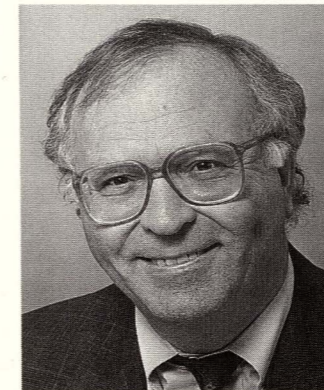
By continuing to focus on our critical challenges of improving public safety, expanding economic opportunity, investing in community livability, and restoring confidence in government, Portland will continue to flourish as one of the rare cities that both enriches and inspires.

I am pleased that the City's adopted 1996-97 budget is able to provide financial support to a broad spectrum of critical community needs, while continuing to improve the quality of life and strengthening neighborhoods in the City of Portland.

- Providing aid to Portland's public school districts. While we helped avert disaster this year, we must work together to find a long-term solution to school funding crisis.
- Increased spending in the areas of growth management, affordable housing, and an improved transportation network.
- Increased funding for the Planning Bureau to improve customer service, further the community planning process, and meet the City's obligations under the Region 2040 growth management plan.
- City Council's decision to spend \$24.6 million over the next two years to develop affordable housing throughout the City.
- City Council's recognition of the critical nature of our transportation funding crisis. By allocating \$4 million from the City's General Fund we avoid making deep cuts in our transportation services at a time of increasing system demand.
- Continued funding for after-school programs and further development of our Park Rangers program.



Commissioner Charlie Hales



Commissioner Mike Lindberg

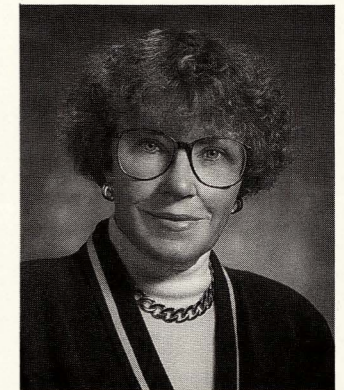
When we adopted a two-year budget for the first time in 1994, no one knew exactly what is expect during 1995's "off-year" adjustments. We hoped we could strike the best possible balance between the planning advantages of a two-year budget and the flexibility that comes with an annual process.

I believe we did that. These adjustments strengthen the two year budget as a blueprint for progress -- and they do so without undermining last year's commitments or shifting financial burdens onto basic services like water and sewer, which are actually seeing lower fee increases than anyone predicted. Especially welcome is the new dedication of funds to sponsor the only West Coast showing of the Imperial Tombs of China. Over time, this decision could prove to be one of the best investments in Portland's future government has ever made.

It is gratifying to work with a Council and staff so committed to find the most effective ways to use City resources.

This year's adopted budget continues to build on years of work to provide a safe, livable community for all our citizens. The new Housing Investment Fund will help us address the growing crisis of housing affordability, which has become a very important issue throughout the region. We continue to improve services to victims of domestic violence and to homeless people who want to stabilize their lives. And we remain committed to improving the quality and safety of existing housing through the cooperative work of our city bureaus. I am especially excited about working with the Bureau of Fire, Rescue, and Emergency Services as they develop new partnerships with citizens.

City Council will work over the next two years to expand this spirit of cooperation into our work with other public agencies, including school districts, counties and neighboring cities. As the region grows, we need to share resources and good ideas with each other. I want to continue to build on our successes as we help our neighbors meet their own challenges.



Commissioner Gretchen Miller-Kafoury



Auditor Barbara Clark

The Auditor's mission is to provide accurate and objective information for decision making. In Portland, the auditor's Office also serves a city recorder, administers Council agenda and minutes, records and archives, assessments and liens, and city payments, and is responsible for the hearings process. The Auditor is responsible directly to the voters.

Audits will address these questions. Are the financial records accurate? Were services delivered efficiency? Were service results effective? All audit reports will be available to the public.