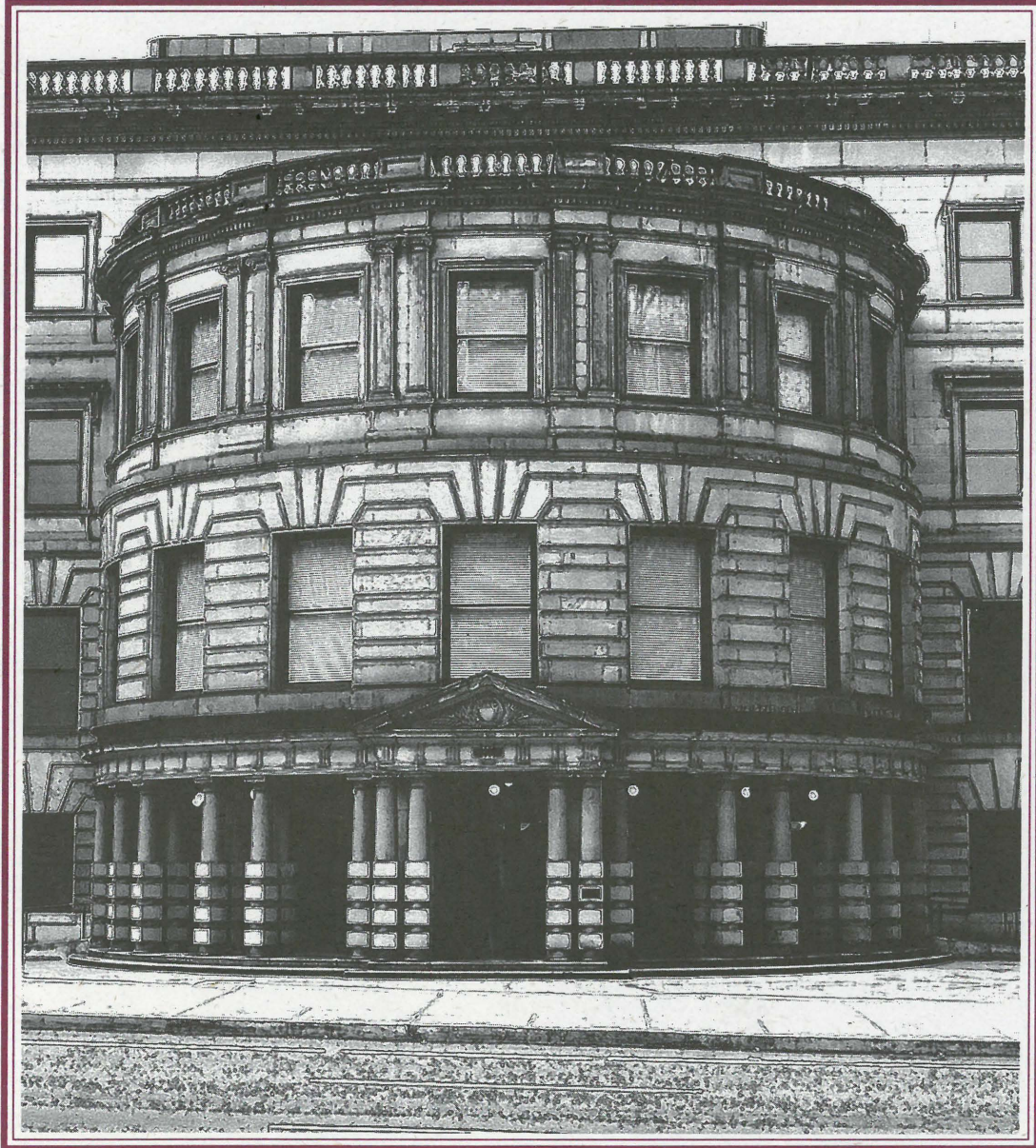


ADOPTED BUDGET

CITY OF PORTLAND OREGON



FISCAL YEAR 2003-2004

BUDGET IN BRIEF

The Portland City Hall

On the cover is the rotunda and 4th Avenue main entrance to Portland's historic City Hall, built in 1895. Diane Bilyeu, an employee in the Office of the City Auditor, took the handsome photograph of the east side of the building using an Olympus C3040 Zoom Digital camera; the photo was edited with Adobe Photoshop 7 software.

City Hall was designed by Portland architects Whidden and Lewis in a 16th century Manneristic Renaissance style. The exterior is made from sandstone quarried in Wyoming while the Aberdine granite columns surrounding the 4th Avenue entrance were imported from Scotland. Marble floor and wall materials inside the building were imported from France and Italy.

During major renovations in the 1930's, the original light courts in the main lobby were closed off, Council Chamber windows (seen above the columns) were sealed, the area in front of the grand entrance on 4th Avenue became parking for City workers, and the main entrance to the building was moved to 5th Avenue.

In the 1990's, the City undertook a \$29 million restoration of the building. The light courts were restored, Council Chambers were returned to their original orientation and completely remodeled, seismic improvements were made to bring the building up to current codes, and once again the 4th Avenue rotunda became the main entrance. On March 30, 1998, City Hall was rededicated for another century of service.

Adopted Budget

In Brief

City of Portland, Oregon
Fiscal Year 2003-04

Mayor Vera Katz

Commissioner Jim Francesconi

Commissioner Randy Leonard

Commissioner Dan Saltzman

Commissioner Erik Sten

Auditor Gary Blackmer

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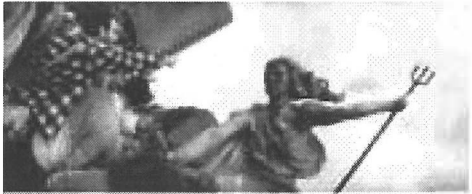
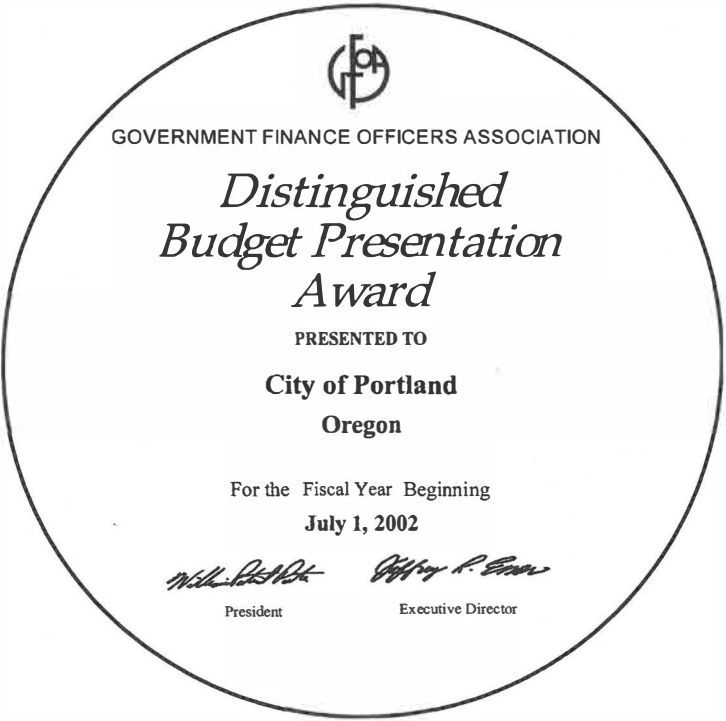
*The contents of this budget are printed on
100% post-consumer waste recycled paper.*

Budget Award

The Government Finance Officers Association of the United States and Canada (GFOA) presented an award of Distinguished Budget Presentation to the City of Portland, Oregon for its annual budget for the fiscal year beginning July 1, 2002.

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 communication device.

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



The office of
Vera Katz
Mayor Portland Oregon The City That Works

Mayor's Message

INTRODUCTION

Portland continues to respond to a recessionary environment, challenging the City's ability to provide the same level of public services of past years. The national recession has hit Portland and Oregon especially hard. Our new and growing economies of the 1990's, including the dot-com and high-technology industries, have not weathered the recession well. As a result, the city's tax base and business fees have experienced a significant drop below the city's projections.

Even with this need to reduce the budget, we have continued to focus efforts on our highest priorities: public safety, economic development, public schools, and the restoration of a healthy Willamette River. We have also continued to require increased government efficiency within all bureaus.

Complicating this year has been the serious financial problems of our governmental partners, Portland's school districts, Multnomah County, and State government. The livability of our City cannot be preserved when one or more of our partners are not healthy. We need to work as an integrated system if we are to achieve progress. As an example, operating our public safety programs at the strength they are today won't do much good if the County can't prosecute offenders or has insufficient jail space to hold them. We cannot ensure the livability of our city if services critical to our most needy residents cannot be maintained by the State. In balancing this budget, we not only needed to minimize impact on our own critical services but also needed to make decisions based on the impacts of the actions of other governments.

The City will use the funds to be raised through the Children's Investment Fund Levy and the Parks Operating Fund Levy to leverage against the efforts of our school districts and Multnomah County partners.

FISCAL BACKGROUND

Over the last four years, there have been reductions or reallocations of over \$32 million in the General Fund of the City. This is done, in part, to ensure our budget will be in balance over a five-year period, based on financial forecasts that provide reasonable certainty of available resources for public services.

- ◆ During FY 2000-01 and FY 2001-02 we reduced internal administrative costs by over \$10.4 million and moved the savings to fund services such as police, fire and parks. This also provided savings for our utility and transportation bureaus.
- ◆ The FY 2002-03 budget reduced Current Service Level budgets by over \$12 million
- ◆ Budgets were reduced twice during FY 2001-02. The first reduction was \$4.1 million, the second \$3.0 million.

This has real impacts on programs and services, as well as jobs. Over the last four years we will have reduced over 110 General Fund positions; 46 of these positions are police officers.

Even with these substantial reductions, budgeting over a five-year period accomplishes two significant objectives. One, it demonstrates to the financial institutions the City's ability to successfully manage its resources, even in difficult financial times. Our 30-year history as a Triple-A bond rated city, one of the few in the US, allows us to secure bonds at the lowest interest rates available. That means essential capital projects cost less overall.

Two, our budgeting practices allow the City to provide a stable funding stream for basic public services, and prevents us from adding new services and programs that will inevitably need to be cut in the near term.

This is a difficult budget, reflecting difficult times. As is my practice and the practice of the commissioners, we strive to promote decisions that will address more than one issue, priority, or objective. You will see that the major budget decisions City Council has adopted do exactly that.

APPROACH TO RESTRUCTURING THE BUDGET

At the beginning of this budget process, the gap between being able to provide the current level of service and available resources was \$5.75 million. By the end of February that gap grew to \$7.6 million.

PERS savings helped offset the budget reductions.

Working with the bureaus and the Office of Management and Finance (OMF), we were able to narrow that gap back to approximately \$5.3 million. We reduced General Fund costs by an estimated \$1.3 million by assuming Public Employee Retirement System (PERS) rate reform savings. Savings to other funds are estimated at \$4.2 million.

Other enterprise bureaus, such as the Bureaus of Environmental Services (BES) and Water, will use their PERS savings to control rate increases. The rate increase for Environmental Services is limited to 6.2%. For Water the increase is limited to 6%. Both are less than originally requested by these respective agencies. The increase in sewer costs to the average residential homeowner is estimated at \$1.00 per month. For water service the increase is \$2.18 per month.

Major maintenance of the City's deteriorating infrastructure will again be deferred until funds are available

Unfortunately, we had to reduce the growth in General Fund Capital Set Aside. This fund was forecast to grow to over \$6.0 million by the end of the five-year forecast. It is now held constant at \$3.2 million per year. This is a short-term solution used in difficult times, but this does not bode well for the future. This short-term solution affects our ability to maintain public infrastructure, for our General Fund bureaus. While this is an acceptable action that allows us to maintain critical services at a higher level, it is not an acceptable long-term policy. The City already faces substantial unfunded capital liability. Long term we must find the means to reduce that liability and avoid the consequence of higher cost in the future.

The final major reduction in the General Fund was \$1 million a year that supports Street Lighting. The Portland Office of Transportation (PDOT) will back fill this reduction for one year through the use of contingency funds. By the second year we anticipate that the State Legislature will have met its responsibility of increasing funding for roads and bridges. If not, we face major finance problems and continued infrastructure deterioration to our transportation system, critical to our economic vitality

We also encouraged and worked with the bureaus to control costs in the current fiscal year to ensure we maintain our budgeted beginning balance and have funds sufficient to address the increased local costs associated with increased need for security related to national foreign policies and domestic threats.

The reductions we are making in the General Fund this next year added to the cuts made during the previous three years make the budget decisions even more difficult.

MAJOR BUDGET DECISIONS

Public Safety

We have worked extremely hard to minimize the impact to public safety. Public safety represents 65% of our General Fund discretionary budget making it impossible to avoid reductions in this area. Public safety remains a priority in my budget.

- ◆ Public safety bureaus are limited to reductions of 2.2%. For the Police Bureau, this represents \$2.5 million.
- ◆ 46 police officer positions are left unfunded throughout the five years of our forecast.
- ◆ An additional \$517,000 is set aside in contingency to cover possible overtime such as experienced in the weeks surrounding the Iraq war.

The Fire Bureau is cutting \$1.5 million from last year's service level budget. Even with these reductions, the good news is that no fire stations are closing, and operating costs for the station scheduled to come on line in FY 2006-07 (Station 21) are included in the five-year forecast.

Emergency management efforts will be centralized and under my direction.

We have realigned existing emergency management efforts scattered throughout various bureaus into a new bureau, the Office of Emergency Management and increased net General Fund support for emergency management efforts by \$77,000. These resources will be used to improve planning and coordination internal to the city and with our regional partners.

We have expanded our community policing online efforts by taking what we have learned in Portsmouth on "virtual public involvement", what I call the e-back fence, and merge it with Portland Online. This will enhance electronic access to crime data and other information pertinent to the neighborhoods on a citywide basis. \$140,000 has been earmarked for the expansion.

Funding is continued for improvements to the 800MHz radio system, for the Public Emergency Notification System (PENS) and NET 8. NET 8 is a channel on the radio system that allows police officers to make information requests, such as warrants. It is available 24 hours a day and enables the officers to focus on their duties and suspects on location, rather than having to move themselves to another site to receive information.

Economic Development

Regulatory Reform and Code Audit

In response to the Auditor's report on improvements needed "to update and improve City building and land use regulations that hinder desirable development," additional staff time was necessary. This budget reprioritizes the use of existing staff in Bureau of Development Services (BDS), adds 2 positions in BES, adds 2 positions in Planning, and 2 positions in PDOT.

\$150,000 is allocated to perform an audit of the existing code to rethink how we use the code to achieve city goals while maintaining flexibility and innovation.

Small Business Advocate

This position, which has been very successful in the pilot stages, will be jointly funded by Portland Development Commission (PDC) and the City's General Fund to ensure our small businesses have the support to weather this recession and thrive in the future.

New Columbia - HOPE VI support

The HOPE VI project, the complete rebuilding of Columbia Villa, is a public and private partnership budgeted at over \$140 million. The City and PDC have committed \$20 million in support. City bureaus involved include BES, Water, PDOT, Parks, Bureau of Housing and Community Development (BHCD).

Housing

This recessionary budget continues our efforts that address the need for affordable housing through a total allocation of over \$94 million. This funding, which is a combination of federal grant funds and urban renewal funds, will spur additional economic development through job creation and business expansion.

During these tough times, we will also assist our homeless residents through over \$5 million for temporary housing, programs and services.

Economic Development

The City will continue its support of economic development activities outside of urban renewal areas through the inclusion of over \$900,000 in General Fund support and \$536,000 in BHCD funds. This will be used to leverage over \$27.6 million in PDC funds.

River Renaissance

We will continue our earlier emphasis on working to ensure we have a "vibrant city anchored by the banks of a healthy Willamette River". We are moving from planning to the construction of actual projects. This budget, partnered with other efforts, includes funding for six specific projects that should be highlighted:

Continued emphasis on our natural environment will increase livability, preserve our rich resources and spur economic development.

- ◆ Restoration and park improvements in Crystal Springs to replace three fish blocking culverts in the Westmoreland Park area.
- ◆ Continuing Fanno Creek protection efforts by removing 14,000 square feet of impervious service adjacent to the creek
- ◆ Property acquisition along the banks of Johnson Creek that will provide natural flood storage and fish and wildlife habitat.
- ◆ Restoration along Kelly Creek at the confluence with Johnson Creek through contouring and native wetland vegetation.
- ◆ Smith and Bybee Lakes restoration will allow resting habitat for salmonids migrating along the lower Willamette.
- ◆ Revegetation projects are funded along the Willamette covering nearly 50 acres.

The combined cost of these projects is over \$1 million. We will partner with the Corp of Engineers, allocating \$481,000 in city funds.

Education

The City, working with the business community, has committed up to \$20 million in FY 2002-03 to support Portland schools. The business community has agreed to tax itself \$6 million per year for the next three years to fund our local schools.

In addition to the business taxes, the Council supported the personal income tax surcharge passed by Multnomah County voters that supports schools, law enforcement and social services countywide.

School police and after school programs, such as SUN Schools, through the Parks Bureau, will continue to be funded.

These are short-term education funding stop-gap measures that will buy time to allow the pursuit of other options. The State Legislature must fulfill its responsibility to adequately fund our public schools. Our schools are at the heart of livability for local jurisdictions throughout the State. Further shortening an already short school year or further increasing already over-crowded classrooms is not a solution, it's a tragedy that will have long term consequences for our residents.

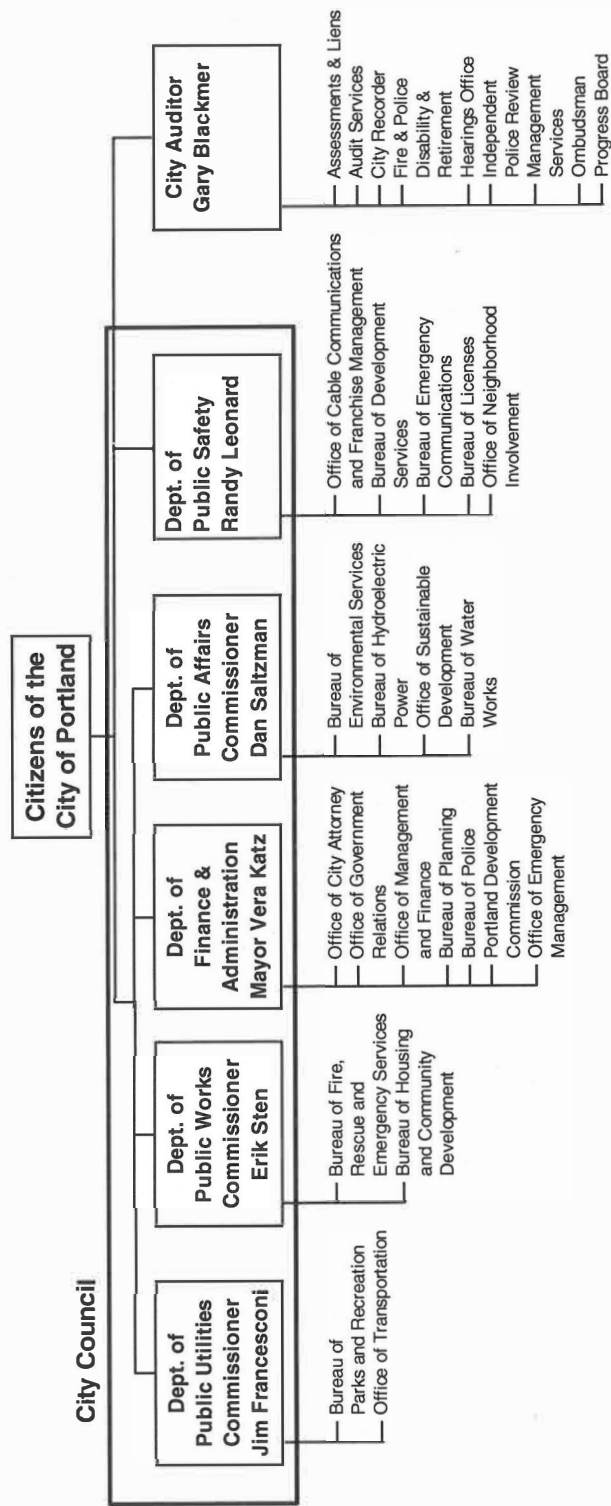
Government Efficiency

We will continue our efforts to ensure an efficient and effective government that support our citizens.

Reductions over the previous three years and continuing into this next year have required us to do business differently. The major efforts in that regard for next year include:

- ◆ Regulatory reform and code audit mentioned previously
- ◆ Establishment of the Office of Emergency Management
- ◆ Implementation of 'Managing for Results'. This initiative builds on the performance management and reporting efforts currently taking place in the city. The effort will develop a more systemized approach to overall strategic planning, performance management, budgeting, and improvement to performance reporting such as the nationally recognized performance measurement efforts highlighted in the budget documents and the Service Efforts and Accomplishments report.
- ◆ Consolidation of our communications and technology services into one bureau.
- ◆ Relocating housing inspections to the Office of Neighborhood Involvement to improve coordination and customer service in the neighborhoods. We hope to leverage this with the Planning Bureau effort to move some planners out into the neighborhoods as well.
- ◆ Closer scrutiny of bureau miscellaneous expenditures, including out-of-town travel. I will be asking the Council to adopt a policy requiring their approval of all out-of-town travel for bureaus within their portfolio.

Figure 1: City Organizational



A PROFILE OF PORTLAND'S CITIZENS

Source: US Census Bureau

General Characteristics	1990	Percent of Total	2000	Percent of Total	Growth or Decline
City Population					
Total ^{1a}	437,319	----	538,180	----	23.1%
Female ^{1b}	225,405	51.5%	267,556	50.6%	18.7%
Male ^{1b}	211,914	48.5%	261,565	49.4%	23.4%
Age					
Below 5 years	30,314	6.9%	32,300	6.0%	6.6%
6 to 24 years	110,264	25.2%	133,715	24.8%	21.3%
25 to 44 years	159,815	36.5%	183,604	34.1%	14.9%
45 to 64 years	73,269	16.8%	118,339	22.0%	61.5%
65 years and older	63,657	14.6%	61,163	11.4%	-3.9%
Race/Ethnic Distribution ^{2,3}					
African American	----	----	35,115	6.5%	----
Asian	----	----	33,470	6.2%	----
Hispanic	----	----	36,058	6.7%	----
White	----	----	412,241	76.6%	----
Other	----	----	26,340	4.9%	----
Education (Age 25 or greater)					
High school or less	125,054	42.0%	133,073	36.6%	6.4%
Some college through Associate degree	95,423	32.0%	112,080	30.8%	17.5%
Bachelor's degree	50,212	16.9%	77,321	21.3%	54.0%
Graduate degree	27,047	9.1%	41,377	11.4%	53.0%

1a. Total city of Portland population data is for 2002 and comes from the Portland State University Population Research Center. Comparable gender, age, and race/ethnic data are not available at this time.

1b. Gender data is from the US Census Bureau, for the 2000 census. Total city of Portland population in 2000 was 529,121.

2. Race and ethnic data before 2000 are not comparable as the US Census Bureau changed its methodology for the 2000 census.

3. Percentages add to more than 100%; some respondents report more than one race or ethnic group.

Portland At Work	1990	Percent of Total	2000	Percent of Total	Growth or Decline
Occupation ⁴					
Management, professional, and related Service	----	----	102,760	33.2%	----
Sales and office	----	----	41,441	30.8%	----
Farming, forestry, and fishing	----	----	73,250	12.9%	----
	----	----	679	0.9%	----
Construction, extraction, and maintenance	----	----	19,405	9.6%	----
Production, transportation, and material moving	----	----	38,546	12.6%	----
Total employed - 16 years and over	218,750		276,081		26.2%
Median household income (2002 dollars) ⁵	\$37,108	----	\$43,327	----	16.8%

4. The census used a new system to categorize occupation in 2000. 1990 data are not comparable.

5. The comparison is 1989 to 1999 data.

Housing in Portland	1990	Percent of Total	2000	Percent of Total	Growth or Decline
Housing Units					
Number of owned units	99,206	53.0%	124,767	55.8%	25.8%
Number of rented units	88,062	47.0%	98,970	44.2%	12.4%
Median home price (2003 dollars)	\$82,216	----	\$164,975	----	100.7%
Building permits issued ⁶	2,562	----	1,672	----	-34.7%

6. The comparison is 1990 to 2001 data.

CITY TRENDS

Trends data will next be updated for the FY 2004-05 budget.

Rapid Growth

The following trends and ten-year comparison charts provide important information to city residents and City management. The ten-year trends shown were current through calendar year 2001 and are updated every two years. All trends will next be updated later in 2003 and the data will be revised for inclusion in the FY 2004-05 budget. Consequently the bulk of the following information is the same as that published in the FY 2002-03 budget.

Over the last ten years, primarily as a result of an aggressive annexation program, the city has experienced significant growth. The area served has increased by 7.5%, with residents served increasing by about 18%. Projections indicate that over the next two decades the Portland metropolitan area can expect over 500,000 new residents.

Revenue Base Adjusts to Property Tax Limitations

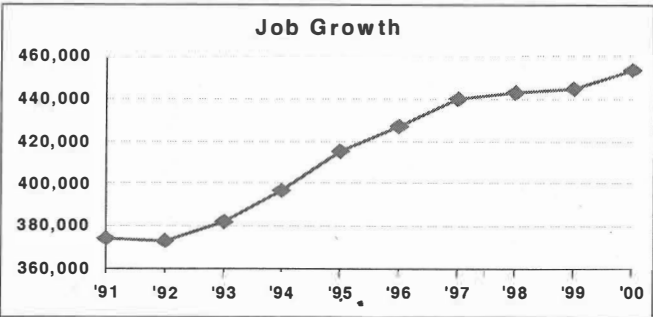
In response to ballot measures that limit property tax growth, City operating revenues have had to diversify to maintain the base necessary to meet citizen service demands. While property taxes have declined as a percentage of operating revenues, user fees and elastic revenues, such as business license and franchise fees, hotel/motel taxes, and building permit fees, have increased.

Expenditures and Financing Meet Service Demands

Expenditures for services have risen faster than inflation until 2001 in response to citizen service requests. In particular, community development programs have expanded significantly over the past few years as the City supports its commitment to affordable housing.

Despite an increasing population, more and varied demands for service, and restrictions on the tax base, the City has maintained a healthy cash position. Unreserved fund balances are adequate to meet service needs in an economic downturn or financial emergency, while the City's liquidity ratio remains over 1.0, an indication that the City can meet its short-term obligations.

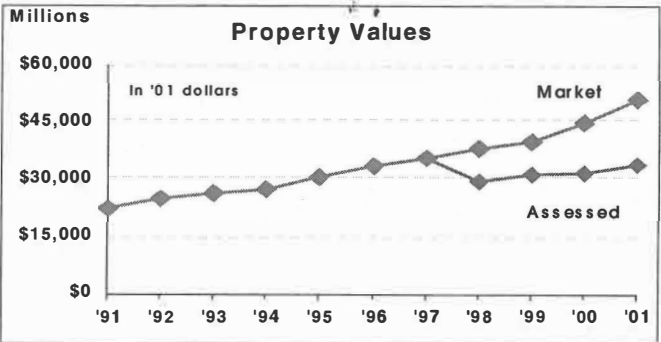
Demographic Data



Declines in the number of jobs indicates potential problems with economic vitality and can contribute to higher unemployment rates.

Over 80,000 jobs were added in Multnomah County from 1992 to 2000. There were over 453,000 private and public sector jobs in 2000, more than any time in history.

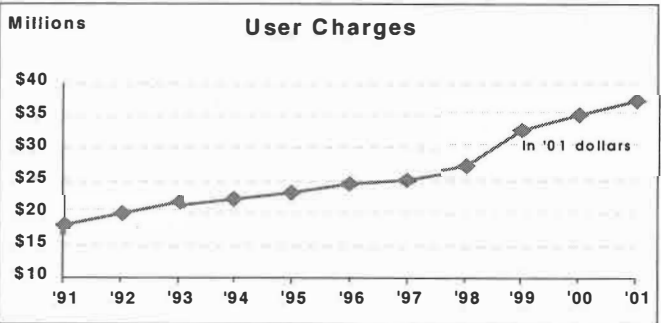
Job growth has been most significant in services, retail trade, construction, transportation, and local government.



Assessed property value is a measure of the taxable value of real, personal, and utility property in the city. Market values are an indicator of sales value and can be an indicator of economic vitality.

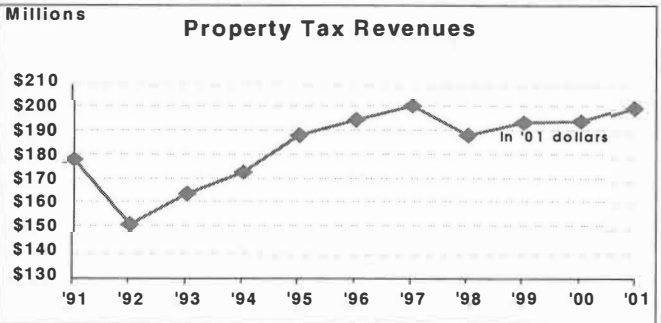
Assessed values mirrored market values and increased steadily from 1990 through 1997. In 1998, assessed values dropped 18% as property tax limitation Measure 50 rolled assessed values back to 90% of 1996 values and limited future growth to 3% a year plus the value of new construction.

Revenue Trends



User charges are designed to cover all or part of the costs of services like recreation programs, building permits, and parking control. Such fees should keep pace with inflation.

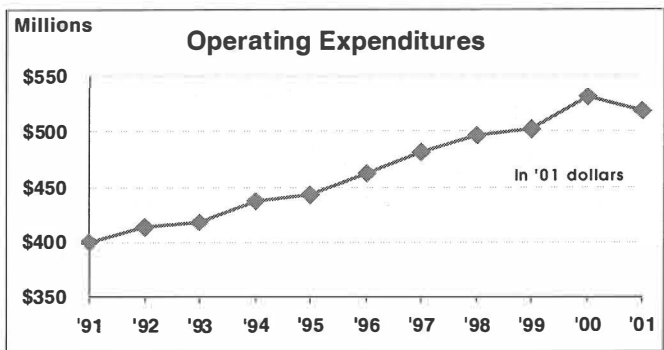
Per capita, city residents paid an average of \$43 in user fees in 1992 and \$69 in 2001. Fees for parks and recreation use, rents and reimbursements, and building and development fees have grown the fastest.



Property taxes are paid on the assessed value of real, personal, and utility property. City property taxes are also generated by separate levies that support police and fire pension benefits and various capital improvements.

Due to property tax limitations measures passed in 1991 and 1997, growth in this type of revenue has been limited. Property taxes now represent about 40% of operating revenues, down from 43% in 1996.

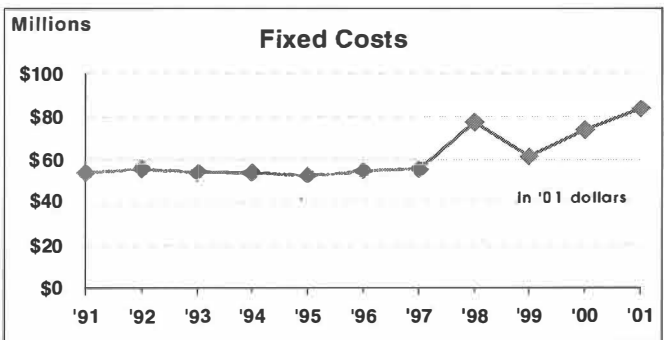
Expenditure Trends



Operating expenditures include personnel, materials and services, and capital costs for public safety, parks and cultural activities, community development, transportation and parking, and legislative and administrative services.

Spending per capita has grown about 7% more than inflation over the last 10 years.

Community development programs had the largest increase, 106%, due to affordable housing commitments, development, planning and building activities, and local neighborhood school support.

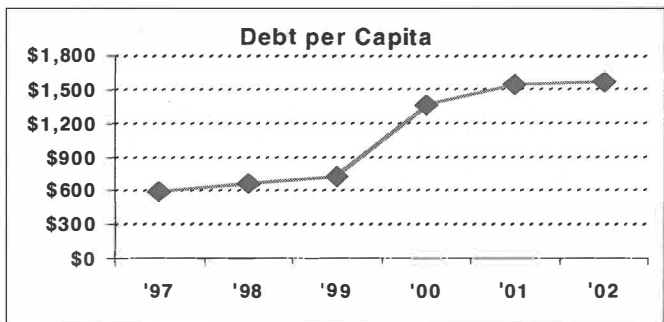


Fixed costs are mandatory expenditures over which the City has little short-term control. Examples include pension benefits and repayments of bond principal and interest.

Fixed costs have increased over the past four years and now represent 16% of total operating expenditures.

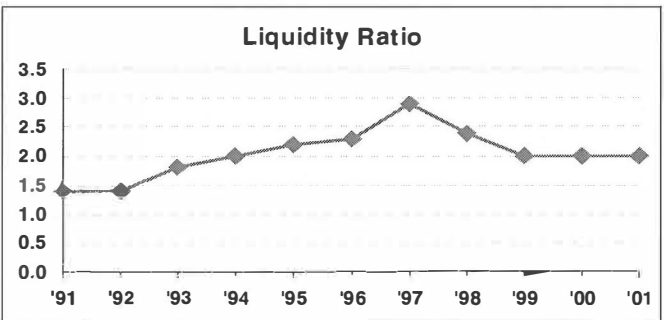
The large increase in 1998 was due to a one-time payment to certain fire and police retirees and payments on street improvement bonds.

Financing Trends



Gross bonded debt includes City's outstanding general obligation bonds, fullfaith and credit obligations, limited tax improvement bonds, limited tax revenue bonds, and urban renewal bonds.

In fiscal year 2000 the City issued Pension Obligation Bonds in excess of \$300 million to cover an unfunded liability. This was less expensive than paying into the PERS system at rates calculated by PERS. Significant urban renewal debt was also issued.



Liquidity is a ratio of cash and short-term investments to current liabilities and is an indicator of the City's ability to pay its short-term obligations. A ratio above one is acceptable.

Adjusted for inflation, net cash after paying current liabilities grew from \$27 million in 1992 to \$106 million in 2001, a 293% increase.

Budget Overview

BUDGET SUMMARY

Total City Budget

The total City budget is up by \$352 million from the FY 2002-03 Revised Budget.

Total Legal Budget

State of Oregon Local Budget Law requires reporting of the City's total budget. This is defined to include total operating costs and the internal transactions between funds. The Total Adopted Budget for FY 2003-04 is \$2.36 billion, which reflects a \$352 million increase from the FY 2002-03 Revised Budget.

Total Net Budget

The calculation for total City budget overstates actual expenditures for programs, because it double counts internal transactions. Such transactions occur between City funds, typically when one City agency provides services to another. Because this technically inflates the budget, the City usually references a net budget.

The net Adopted Budget is \$297.7 million higher than the FY 2002-03 Revised Budget.

Eliminating the double count for the internal transfers, the City's net budget for operating and capital requirements in FY 2003-04 is \$1.74 billion. Table 1 of the Financial Summaries provides greater detail of the total and net City budget figures. A summary is shown below:

Item	Revised FY 2002-03	Adopted FY 2003-04	Dollar Change	Percent Change
Total City Gross Budget	\$2,013,469,887	\$2,365,510,264	\$352,040,377	17.5%
Less: Tax Anticipation Notes and Internal Transfers	(570,949,737)	(625,214,880)	(54,265,143)	9.5%
Total City Net Budget	\$1,442,520,150	\$1,740,295,384	\$297,775,234	20.6%

Expenditures by Major Object Category

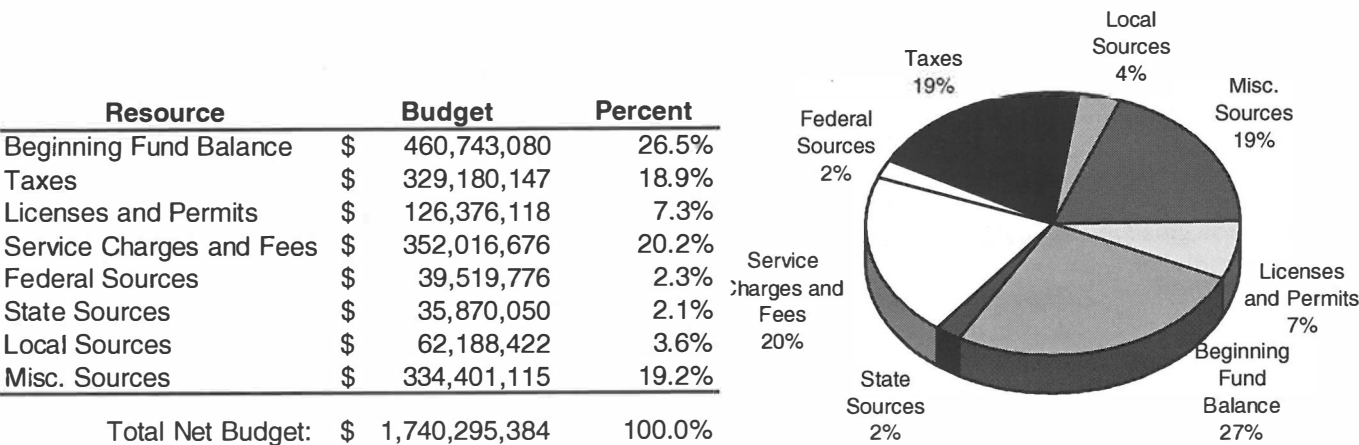
The table below presents another perspective on the Citywide expenditures at the bureau level.

Major Object Category	Revised FY 2002-03	Adopted FY 2003-04	Dollar Change	Percent Change
Personal Services	\$403,133,396	\$416,540,055	\$13,406,659	3.3%
External Materials & Services	419,752,383	520,516,109	100,763,726	24.0%
Internal Materials & Services	143,484,222	155,227,906	11,743,684	8.2%
Capital Outlay	163,920,277	219,641,648	55,721,371	34.0%
Equipment Cash Transfers	97,192	466,545	369,353	380.0%
Total City Bureau Expenditures	\$1,130,387,470	\$1,312,392,263	\$182,004,793	16.1%

Total City Budget Charts

The following charts graphically summarize the total City budget. For a numerical summary, refer to Table 2 - Operating and Capital Budget by Service Area.

Figure 2: City Net Budget - Resources by Major Category



General Fund Budget

General Fund resources are categorized as either discretionary or non-discretionary. Discretionary resources are those that the Mayor and Commissioners can allocate to fund programs and services in any area. Typically General Fund discretionary resources are used to support such basic City services as police, fire and parks.

Discretionary resources total \$282.3 million, 76% of the General Fund.

Discretionary resources include property taxes, utility license fees, business license fees, transient lodging taxes, state shared revenues (from cigarette and liquor taxes), interest income, and miscellaneous revenues and cash transfers into the General Fund. Non-discretionary resources include grants, contract revenues, service reimbursements, and other revenues specifically dedicated for a particular purpose.

All General Fund resources are also categorized as either one-time or ongoing. An example of a one-time resource is an increase in beginning fund balance. While available in the specific year, it is not a resource that can be relied upon in future years. An example of an ongoing resource is an increase in property tax revenues that would be sustained over time. The City budget uses a combination of one-time and ongoing resources to fund programs and services. City financial policies state that one-time resources may not be used to fund ongoing expenses.

Note: The City's Net General Fund Budget is the same as its legal General Fund Budget, and totals \$370.2 million in FY 2003-04.

Figure 3: City Net Budget - Requirements by Service Area

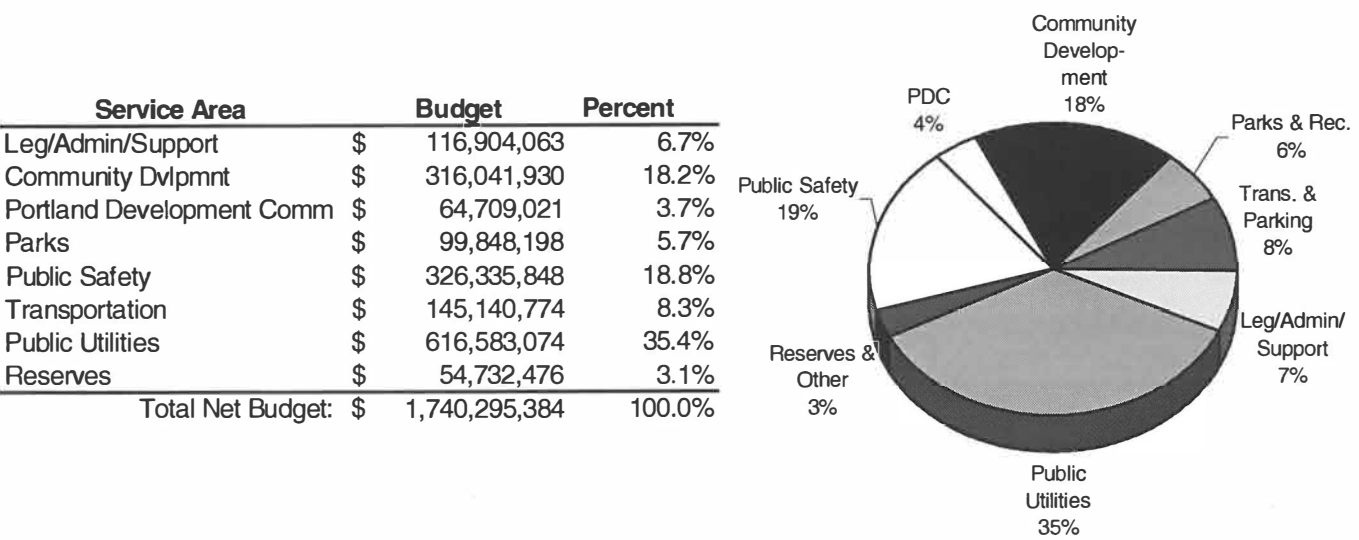


Figure 4: General Fund - Resources by Major Category

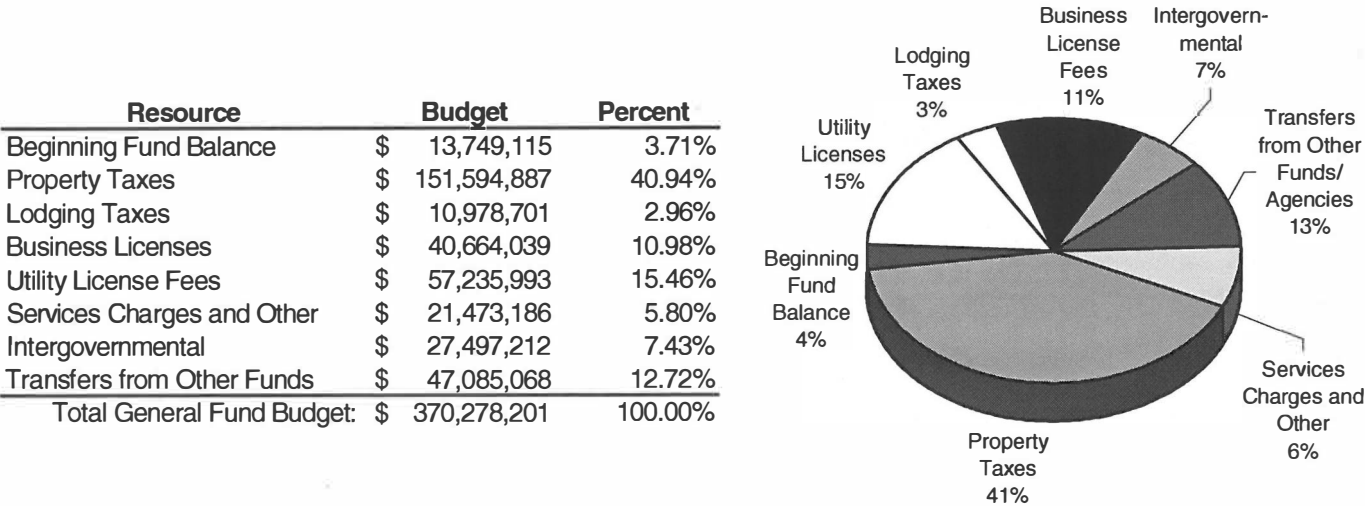
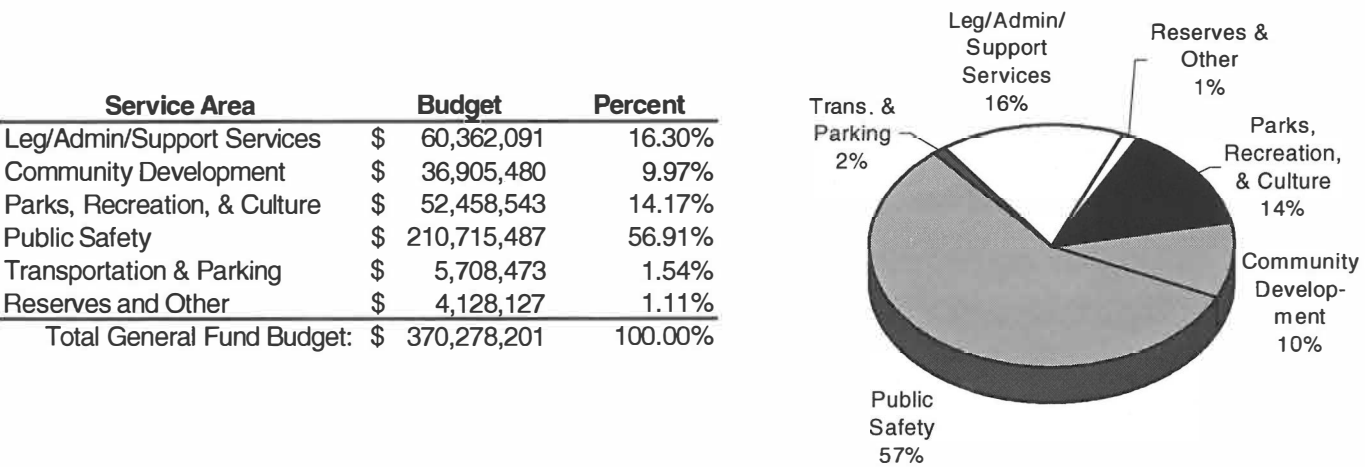


Figure 5: General Fund - Requirements by Service Area



CAPITAL IMPROVEMENT PLAN

Overview

The FY 2003-04 Adopted Citywide CIP Budget totals \$277 million, not including the Portland Development Commission (PDC). This is \$48 million, or 21%, more than the FY 2002-03 Revised CIP Budget of \$229 million.

The General Fund Capital Set Aside was reduced from \$3.19 million to \$2.8 million, net of debt service. Approximately \$366,000 was taken out of the set aside to minimize operating reductions to the Fire Bureau. In addition, \$998,004 of the set aside will now be used to fund ongoing fire apparatus replacement.

Highlights

Public Safety

- ♦ Fire Apparatus Replacement \$998,004
- ♦ Police Facilities \$647,500
- ♦ Remodel Fire Station 1 \$4,175,000

Parks, Recreation and Culture

- ♦ University Park Community Center Phase II \$500,000
- ♦ Springwater Corridor - Three Bridges \$175,000

Public Utilities

- ♦ Combined Sewer Overflow Program \$111,180,998
- ♦ Open Reservoirs \$15,750,000
- ♦ Water Distribution Mains \$4,900,000

Community Development

- ♦ Union Station \$205,685

Transportation

- ♦ Centers and Main Streets \$11,635,710
- ♦ Local Streets and Neighborhoods \$6,815,945
- ♦ Parking Facilities \$1,002,450

Legislative, Administrative, and Support Services

- ♦ Portland Building \$1,269,000

Project Costs

The increase from FY 2002-03 is primarily due to an increase of \$64 million in public utility projects as well as a \$5 million increase in Transportation and Street Lighting projects. These increases are offset reductions in other service areas, such as a decrease of approximately \$11 million in public safety projects and a \$2 million decrease in parking garage projects. The former increases are primarily due to the Westside Sewer Tunnel, Open Reservoir projects, and Local and Main Street capital activities. The latter reductions primarily reflect completed projects for fire stations, the City's 800 MHz system, and the City-owned parking garages.

Total City Budget – Revenues and Expenses

TABLE 1

This table summarizes the City budget as a whole according to the major categories of expenses and revenues. The figures on this page combine all of the City's funds except those of the Portland Development Commission, a semi-autonomous agency that operates under City charter but is budgeted separately. All subsequent budget tables follow this format.

	Revised FY 2002–03	Adopted FY 2003–04
RESOURCES		
External Revenues		
Property Taxes	267,069,802	316,060,543
Other Taxes	12,383,636	13,119,604
Licenses and Permits	110,735,563	126,376,118
Service Charges	326,444,215	352,016,676
Intergovernmental	151,115,814	137,578,248
Miscellaneous	49,218,353	55,254,897
Debt Proceeds	150,660,229	304,146,218
Total External Revenues	1,067,627,612	1,304,552,304
Transfer from Other Funds		
Service Reimbursements	143,581,414	155,694,451
Cash Transfers	397,368,323	444,520,429
Total Transfers from Other Funds	540,949,737	600,214,880
Beginning Fund Balances	404,892,538	460,743,080
Total Budget	2,013,469,887	2,365,510,264
Less Interfund Transfers and Tax Anticipation Notes	(570,949,737)	(625,214,880)
TOTAL NET BUDGET	\$ 1,442,520,150	\$ 1,740,295,384
REQUIREMENTS		
Bureau Expenses		
Personal Services	403,133,396	416,540,055
External Materials & Services	419,865,334	520,516,109
Internal Materials & Services	143,484,222	155,227,906
Capital Outlay	163,920,277	219,641,648
Equipment Cash Transfers	97,192	466,545
Total Bureau Expenses	1,130,500,421	1,312,392,263
Fund Level Expenses		
Debt Service	218,531,424	252,046,721
Fund Level Cash Transfers	397,368,322	444,520,429
Inventory Increases	140,000	140,000
Contingency	214,008,335	265,660,326
Total Fund Level Expenses	830,048,081	962,367,476
Total Appropriated Budget	1,960,548,502	2,274,759,739
Unappropriated Ending Balance	52,921,385	90,750,525
Total Budget	2,013,469,887	2,365,510,264
Less Interfund Transfers and Tax Anticipation Notes	(570,949,736)	(625,214,880)
TOTAL NET BUDGET	\$ 1,442,520,150	\$ 1,740,295,384

Operating and Capital Budget by Service Area

TABLE 2

This table summarizes the operating and capital expenditures included in bureau budgets for each fiscal year, by service area, and by bureau. It does not include fund requirements such as contingencies, reserves, debt principal, or interfund transfers.

	Revised FY 2002–03			Adopted FY 2003–04		
	Operating Budget	Capital Improvements	Total Expenditures	Operating Budget	Capital Improvements	Total Expenditures
Public Safety						
Police	127,394,954	0	127,394,954	125,076,734	0	125,076,734
Emergency Management	0	0	0	956,252	0	956,252
Fire	65,547,643	1,712,268	67,259,911	66,648,219	1,173,004	67,821,223
Fire & Police Disability & Retirement	72,408,865	0	72,408,865	83,510,824	0	83,510,824
Bureau of Emergency Communications	12,739,950	0	12,739,950	12,683,744	0	12,683,744
Public Safety Fund - Capital	0	1,394,956	1,394,956	0	165,268	165,268
Other Public Safety	14,009,607	33,235,381	47,244,988	13,544,252	15,742,435	29,286,687
Total Public Safety	292,101,019	36,342,605	328,443,624	302,420,025	17,080,707	319,500,732
Parks, Recreation and Culture						
Parks and Recreation	42,552,554	0	42,552,554	45,803,469	0	45,803,469
Parks Bond Construction Fund	0	15,573	15,573	0	0	0
Parks Construction Fund	0	8,974,986	8,974,986	0	9,398,038	9,398,038
Parks Local Option Levy	0	0	0	4,983,081	0	4,983,081
Golf	5,252,747	1,425,491	6,678,238	4,920,046	600,000	5,520,046
Portland International Raceway	1,018,396	0	1,018,396	1,118,262	0	1,118,262
Spectator Facilities	2,610,029	849,087	3,459,116	1,634,225	850,000	2,484,225
Other Parks, Recreation and Culture	8,900,589	0	8,900,589	8,759,201	0	8,759,201
Total Parks, Recreation and Culture	60,334,315	11,265,137	71,599,452	67,218,284	10,848,038	78,066,322
Public Utilities						
Environmental Services - Sewer	81,196,876	92,037,249	173,234,125	84,721,809	145,496,711	230,218,520
		0	0		0	0
Hydroelectric Power	936,550	0	936,550	547,267	0	547,267
Water	50,193,783	39,075,300	89,269,083	54,180,688	49,580,400	103,761,088
Sustainable Dev. - Refuse Disposal	3,018,977	0	3,018,977	2,948,814	0	2,948,814
Other Public Utilities	8,230,294	325,000	8,555,294	8,307,951	325,000	8,632,951
Total Public Utilities	143,576,480	131,437,549	275,014,029	150,706,529	195,402,111	346,108,640
Community Development						
Cable and Franchise Management	1,740,124	0	1,740,124	1,719,697	0	1,719,697
Cable Fund	2,964,594	0	2,964,594	2,885,344	0	2,885,344
Housing & Community Dev. Op	13,568,496	0	13,568,496	9,362,037	0	9,362,037
Children's Investment Fund	0	0	0	8,450,000	0	8,450,000
Housing & Community Dev. Fund	20,733,052	0	20,733,052	16,300,867	0	16,300,867
LID Construction	3,398,741	2,249,161	5,647,902	5,444,890	3,359,713	8,804,603
Office of Neighborhood Involvement	5,240,308	0	5,240,308	7,265,955	0	7,265,955
Planning and Development Review	29,729,324	0	29,729,324	28,222,484	0	28,222,484
Planning	8,621,509	0	8,621,509	8,099,627	0	8,099,627
Office of Sustainable Development	2,986,317	0	2,986,317	3,106,040	0	3,106,040
Transfers to PDC	43,440,000	0	43,440,000	152,232,000	0	152,232,000
Other Community Development	46,958,807	288,882	47,247,689	38,169,786	205,685	38,375,471
Total Community Development	179,381,272	2,538,043	181,919,315	281,258,727	3,565,398	284,824,125
Transportation and Parking						
Parking facilities	5,177,686	3,150,151	8,327,837	3,643,786	904,966	4,548,752
Transportation and Street Lighting	82,335,560	39,770,513	122,106,073	84,143,492	44,447,197	128,590,689
Other Transportation and Parking	5,100,386	0	5,100,386	5,456,871	0	5,456,871
Total Transportation and Parking	92,613,632	42,920,664	135,534,296	93,244,149	45,352,163	138,596,312
Legislative, Administrative & Support Services						
City Attorney	4,889,929	0	4,889,929	5,160,224	0	5,160,224

Operating and Capital Budget by Service Area

TABLE 2

This table summarizes the operating and capital expenditures included in bureau budgets for each fiscal year, by service area, and by bureau. It does not include fund requirements such as contingencies, reserves, debt principal, or interfund transfers.

	Revised FY 2002-03			Adopted FY 2003-04		
	Operating Budget	Capital Improvements	Total Expenditures	Operating Budget	Capital Improvements	Total Expenditures
City Auditor	6,660,382	0	6,660,382	6,862,585	0	6,862,585
General Services - Administration	0	0	0	0	0	0
Business License Surcharge	0	0	0	304,594	0	304,594
General Services - Communications	9,264,080	2,743,000	12,007,080	11,039,984	0	10,601,984
General Services - Facilities Services	11,790,546	1,526,479	13,317,025	12,422,731	4,579,213	17,001,944
General Services - Fleet	20,803,034	0	20,803,034	21,195,783	0	21,195,783
General Services - Printing and Dist.	6,433,698	0	6,433,698	6,333,095	0	6,333,095
Government Relations	751,627	0	751,627	730,366	0	730,366
Information Technology	16,594,208	0	16,594,208	16,499,539	0	16,499,539
Insurance and Claims	6,841,934	0	6,841,934	6,986,404	0	6,986,404
Licenses	3,796,755	0	3,796,755	4,031,091	0	4,031,091
Management and Finance	23,112,752	0	23,112,752	25,298,228	0	25,298,228
Mayor and Commissioners' Offices	3,811,916	0	3,811,916	4,033,582	0	4,033,582
Purchases	0	0	0	0	0	0
Worker's Compensation	4,454,294	0	4,454,294	5,375,314	0	5,375,314
Other Leg, Admin & Support Services	14,500,071	0	14,500,071	14,443,399	0	14,443,399
Total Legislative, Administrative & Support Services	133,705,226	4,269,479	137,974,705	140,716,919	4,579,213	145,296,132
PDC Urban Renewal Debt						
Waterfront Renewal Debt Service	15,000	0	15,000	0	0	0
Total PDC Urban Renewal debt	15,000	0	15,000	0	0	0
TOTAL EXPENDITURES	\$ 901,613,993	\$ 228,773,477	\$ 1,130,500,421	\$ 1,035,564,633	\$ 276,827,630	\$ 1,312,392,263
FUND REQUIREMENTS						
Ending Fund Balance			52,921,385			90,750,525
Contingency			214,121,286			265,660,326
GF Overhead Transfers			10,808,064			13,005,058
Grants Transfers			25,763,560			21,834,186
Other Cash Transfers			360,796,698			409,681,185
Inventory Increases			140,000			140,000
Debt Retirement			218,531,424			252,046,721
TOTAL CITY BUDGET	\$	\$	\$2,013,469,887	\$	\$	\$2,365,510,264
TOTAL NET CITY BUDGET	\$	\$	\$1,442,520,150	\$	\$	\$1,740,295,384

Public Safety

Bureau of Police

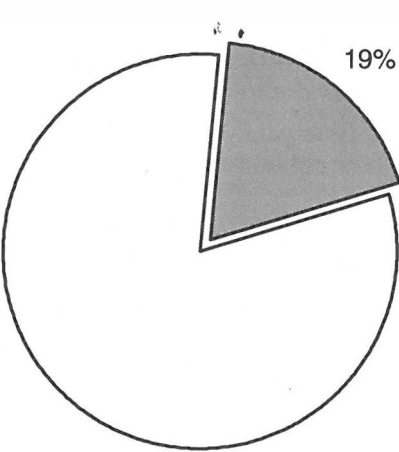
Bureau of Fire, Rescue and Emergency Services

Office of Emergency Management

Bureau of Emergency Communications

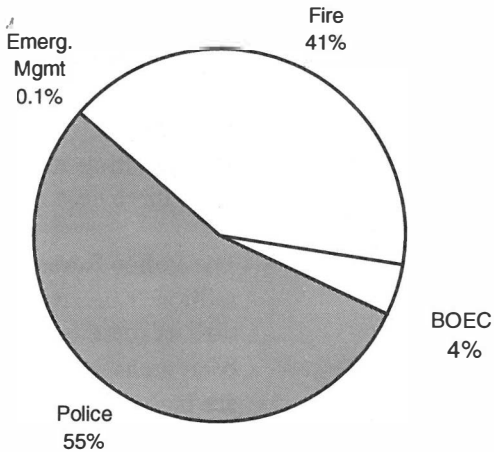
Fire & Police Disability & Retirement

Percent of City Budget
Public Safety = \$326.3 Million



City Budget = \$1.74 Billion

Bureau Pie Chart



Service Area Overview

Expenditures	Revised FY 2002-03	Adopted FY 2003-04	Change from Prior Year	Per Capita Change
Operating	278,091,412	288,875,773	10,784,361	-2.6%
Capital	1,712,268	1,173,004	-539,264	-35.8%
Allocated Overhead Costs	5,147,629	5,789,557	641,928	5.4%
Total Cost with Allocated Overhead	\$ 284,951,309	\$ 295,838,334	\$ 10,887,025	-2.7%
Authorized Full-Time Positions	2,127	2,091	-36	-7.8%

Note: Per capita change values are adjusted for inflation and population growth.

Service Area Highlights

DESCRIPTION

The Public Safety service area includes services provided by the Police Bureau, Fire Bureau, the Bureau of Emergency Communications (BOEC), and the Office of Emergency Management. The Fire and Police Disability and Retirement funds are also included in the service area.

MAJOR THEMES

The Adopted Budget minimizes reductions in the Police, Fire, and Emergency Communications bureaus:

- ◆ Reductions in Police, Fire, BOEC, are limited to 2.19% from their current service levels (CSL). This amounted to cuts of over \$3 million.
- ◆ The Mayor has established a new Office of Emergency Management, transferring existing staff from the Fire Bureau to the new organization and providing funding for three new, additional staff.

Police Bureau

The Police Bureau’s Adopted Budget for FY 2003-04 reflects a net reduction of \$2.45 million from current service level. This includes \$2.49 million in program reductions as well as some budget enhancements. A set aside of \$517,620 for Police overtime has also been included in the City’s General Fund contingency. Some significant budget adjustments are included below:

- ◆ Reduce interagency agreements - (\$143,749).
- ◆ Eliminate Director of Services and Support staff - (\$173,316).
- ◆ Leave 46 sworn staff positions vacant - (\$2,208,184).
- ◆ Transfer support for Domestic Violence Coordinator services to the Police Bureau from the Bureau of Housing and Community Development - (\$34,747).

Other FY 2003-04 Adopted Budget decisions include reduced Public Employee Retirement System (PERS) costs, increased rates from the Bureau of Technology Services, increased interagency funding from the Office of Transportation, and one-time funding for compliance with the Health Insurance Portability and Accountability Act (HIPAA).

Fire Bureau

The Adopted Operating Budget for the Portland Fire Bureau is reduced a net of \$1.5 million. These cuts will impact the bureau’s ability to train personnel and to provide public safety and outreach services to citizens. Some significant reductions include the following:

- ◆ Modify staffing by shifting personnel to a Traveler Pool - (\$648,960). This reduces premium pay by having more staff available to fill in for firefighters at training or who are on leave.
- ◆ Eliminate three positions - (\$239,788).
- ◆ Increase Code Enforcement fees and eliminate some General Fund support - (\$150,000).

In addition, the Community Emergency Services program and part of the Portland Office of Emergency Management program is transferred to the newly created Office of Emergency Management.

Bureau of Emergency Communications

BOEC’s FY 2003-04 Adopted Budget (not including fund-level expenses) reflects a net reduction of approximately \$397,040 from current service level. \$447,452 is added to cover additional expenses, such as restoring Net 8 services and one-time human resources costs related to HIPAA compliance. \$844,492 in reductions are also included and primarily reflect changes in PERS costs, modifications in the Bureau of Technology Services’ rate methodology, and reductions in facilities costs.

Office of Emergency Management

The Adopted Budget creates the City’s Office of Emergency Management with the start of FY 2003-04. The office centralizes leadership and coordination responsibility of emergency management services into a single organization under the direction of the Mayor.

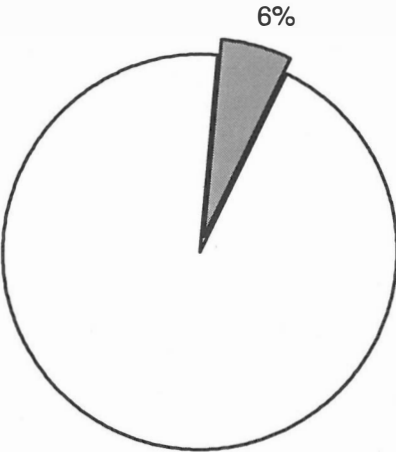
Fire and Police Disability and Retirement Fund

Although the Pension and Disability Programs remain programmatically the same, the fund has experienced significant cost increases in the past few years. The budget for FY 2003-04 assumes that the trend will continue in the immediate future. The current system relies on a tax levy authorized in 1948 which provides up to \$2.80 per \$1,000 of real market value on property within the City of Portland.

Parks, Recreation and Culture

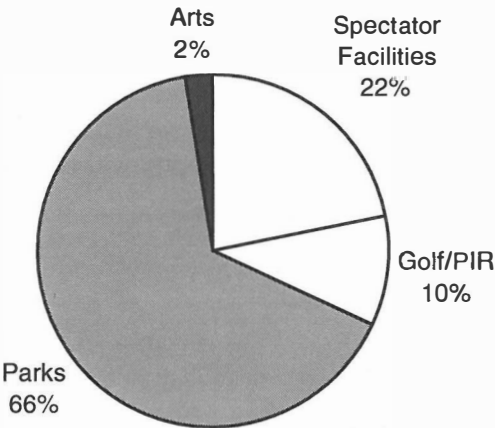
Portland Parks and Recreation

Percent of City Budget
Parks, Recreation, & Culture = \$99.7 Million



City Budget = \$1.73 Billion

Bureau Pie Chart



Service Area Overview

Expenditures	Revised FY 2002-03	Adopted FY 2003-04	Change from Prior Year	Per Capita Change
Operating	49,387,846	51,975,287	2,587,441	-1.3%
Capital	9,876,901	9,889,528	12,627	-6.1%
Allocated Overhead Costs	1,763,108	1,991,936	228,828	5.9%
Total Cost with Allocated Overhead	\$ 61,027,855	\$ 63,856,751	\$ 2,828,896	-1.9%
Authorized Full-Time Positions	366	404	38	3.5%

Note: Per capita change values are adjusted for inflation and population growth.

Service Area Highlights

DESCRIPTION

The Parks, Recreation and Culture service area includes services for Parks, Golf, Portland International Raceway, Regional Arts and Culture Council, Spectator Facilities funds, and Parks construction funds.

MAJOR THEMES

Parks and Recreation

General Fund Reductions

Portland Parks and Recreation (PP&R) has developed \$1.0 million in program and maintenance reductions in response to budget direction balancing the City's General Fund. Reductions affect all areas of the parks system: recreation programs, horticulture and urban forestry, and operations and maintenance.

Reductions to meet Current Service Levels

Adjustments were made to Current Service Level base budget target figures. These include a reduction of approximately \$350,000 due to changes in PERS costs, as well as increases for two items: \$5,000 for ongoing operations and maintenance costs related to an approved ordinance, and \$105,000 in operating support for the Children's Museum.

Parks Local Option Levy

A five-year local option serial levy was approved by voters in the November 2002 election. The levy will provide increased revenues of approximately \$9 million per year over the five years to Portland Parks and Recreation. Funds will be used to address four major themes of the parks system:

- ◆ Restore most of \$2.2 million in cuts made in FY 2002-03;
- ◆ Provide access to recreational programs for approximately \$1.0 million;
- ◆ Provide safe places to play for approximately \$3.9 million; and
- ◆ Restore, renovate, and maintain the parks system for an estimated \$1.7 million.

Capital Improvement Plan

The Portland Parks and Recreation budget for capital improvement plan (CIP) totals approximately \$10.0 million. Of this amount, \$925,000 is supported by the City's General Fund, \$572,000 from federal grants, \$562,000 from levy funds, with the remaining funds coming from various external and internal sources.

Significant projects supported by the General Fund include:

- ◆ University Park Community Center Phase II, \$500,000
- ◆ Springwater Three Bridges Grant Match, \$175,00
- ◆ Westmoreland Park Irrigation Wells Installation, \$125,000
- ◆ Killingsworth Land Acquisition, \$125,000

Service Area Highlights

DESCRIPTION

The Public Utilities Service Area includes utility services provided by the City. These services include water and sewer service, and stormwater management functions. This service area also includes administration of the Solid Waste and Recycling program, which is operated by private companies under franchise and permit systems for residential and commercial service, respectively. Solid Waste program administration is housed within the Office of Sustainable Development. Narrative descriptions of this program are found in the Community Development Service Area, within the Office of Sustainable Development section.

MAJOR THEMES

Utility Rate Increases

The Adopted Budget for FY 2003-04 includes an average effective retail rate increase for water service of 6.0 percent. The average single family sewer rate increase is 6.2 percent. The rate increases for water and sewer service are less than planned because of budget reductions. Solid waste collection and recycling rates are similar to those in FY 2002-03.

Bureau of Water Works

Adopted Budget
The FY 2003-04 Adopted Budget for the Bureau of Water Works (the Water Bureau) is \$103.8 million, excluding the Hydroelectric Division. This budget consists of an operating budget of \$54.2 million and a capital budget of \$49.6 million. The operating budget increased about \$6.5 million from the FY 2002-03 Revised Budget and the capital budget increased approximately \$8.0 million.

Customer Information System (CIS)

The City has decided to replace the current water and sewer CIS billing system. The Water Bureau is working with the Office of Management and Finance, the Bureau of Environmental Services, and the City Auditor’s Office on the procurement of a new system. Implementation of a new billing system will be over a two-year period.

Bond Credit Rating

The Water Bureau continues to be assigned an Aa1 revenue bond credit rating from Moody’s Investor’s Service. This rating, the highest achievable, is only held by six water utilities nationally.

Bureau of Environmental Services

Adopted Budget
The FY 2003-04 Adopted Budget for the Bureau of Environmental Services (BES) is \$230.7 million. The total consists of an operating budget of \$84.9 million and a capital budget of \$145.8 million. The operating budget increased about \$3.5 million compared to the FY 2002-03 Revised Budget, and the capital budget increased approximately \$53.5 million.

Combined Sewer Overflow Program

The Combined Sewer Overflow program continues to be the bureau’s largest capital program, with surface water management, treatment, and maintenance and reliability being other significant areas of capital spending. The construction of the Westside Tunnel and Pump Station is in progress and planning and design are underway for Eastside CSO projects.

Portland Harbor Sediments

This relatively new program manages the City’s response to the federal Environmental Protection Agency’s listing of the Willamette River Portland Harbor as a Superfund site. Funding for this program is budgeted at approximately \$3.3 million in FY 2003-04, an increase of more than \$400,000 from the FY 2002-03 Revised Budget.

Office of Sustainable Development

Adopted Budget

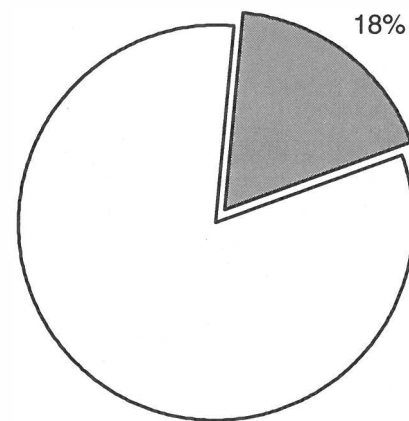
The Solid Waste and Recycling Division’s FY 2003-04 Adopted Budget is \$2.9 million compared to the FY 2002-03 Revised Budget of \$3.0 million. Funding primarily supports the residential and commercial solid waste and recycling programs. Of the total, \$450,000 is budgeted toward implementation of a commercial food waste recycling program. Solid Waste and Recycling program descriptions and details are found in the Community Development Service Area, within the Office of Sustainable Development section.

Community Development

Bureau of Development Services
Cable Communications and Franchise Management
Office of Sustainable Development

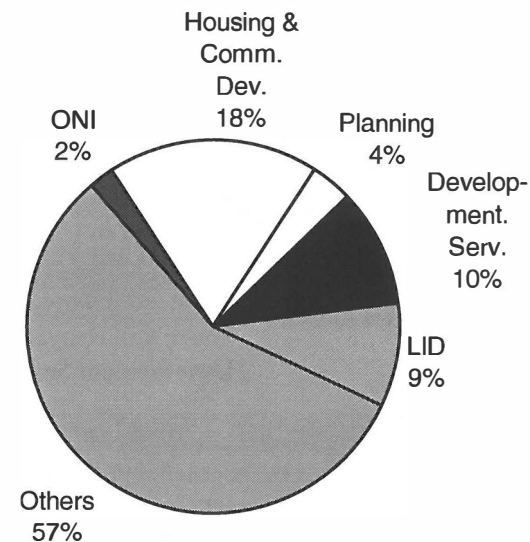
Bureau of Housing and Community Development
Office of Neighborhood Involvement
Bureau of Planning

Percent of City Budget
Community Development = \$316 Million



City Budget = \$1.74 Billion

Bureau Pie Chart



Service Area Overview

Expenditures	Revised FY 2002-03	Adopted FY 2003-04	Change from Prior Year	Per Capita Change
Operating	64,905,054	60,724,654	-4,180,400	-12.3%
Capital	0	0	0	0.0%
Allocated Overhead Costs	2,154,024	2,615,963	461,939	13.9%
Total Cost with Allocated Overhead	\$ 67,059,078	\$ 63,340,617	\$ -3,718,461	-11.4%
Authorized Full-Time Positions	456	439	-17	-9.7%

Note: Per capita change values are adjusted for inflation and population growth.

Service Area Highlights

DESCRIPTION

The Community Development service area includes programs in the Bureau of Housing and Community Development, Bureau of Development Services, Office of Cable Communications and Franchise Management, Office of Sustainable Development, Office of Neighborhood Involvement, and Bureau of Planning.

MAJOR THEMES

Housing and Community Development

Bureau Highlights

The Bureau of Housing and Community Development (BHCD) manages federal funds channeled to the City by the U. S. Department of Housing and Urban Development. Entitlement grants, including the Community Development Block Grant, HOME, Housing for People with AIDS (HOPWA), and the Emergency Shelter Grant, will total \$18,647,221, a net increase of \$620,221 or 3.4% from the previous year. BHCD uses General Fund Discretionary resources to support youth, homeless, and public safety issues. The bureau is also responsible for allocating the General Fund resources transferred annually into the Housing Investment Fund (HIF). Budgeted at \$495,757 in FY 2003-04, these funds will be used to support homeless programs.

Bureau of Development Services

Arising from the Blueprint 2000 process, the City Council created the Office of Planning and Development Review (OPDR) by merging the Bureau of Buildings and the Development Review section of the Bureau of Planning. In 2002, the bureau's name was changed to the Bureau of Development Services (BDS).

Effective July 1, 2003, the Neighborhood Inspections program (Housing, Nuisance Abatement, and Noise functions) will move to the Office of Neighborhood Involvement (ONI). This move will integrate neighborhood-based services into ONI where many neighborhood services already exist.

General Fund revenue is being moved from the Land Use Review program into the Neighborhood Inspections program in ONI. Reductions of six positions in other areas of BDS will fund most of the loss in revenue to Land Use Review. In addition, General Fund resources were reduced by 4.0%. These cuts were spread throughout all BDS programs.

Cable Communications and Franchise Management

The Cable Office enforces cable service franchises, manages community use of the cable system, and works to maximize City franchise revenues. In line with Citywide reduction strategies, the FY 2003-04 Adopted Budget for Cable reduces General Fund Discretionary by 4.0%, or approximately \$59,000 from target budget levels.

In FY 2003-04, the bureau will oversee a 70-city joint audit of Qwest and Verizon. Because of an audit of PGE in FY 2001-02, the City collected \$840,000 in additional revenue. The bureau will also continue its aggressive compliance program.

The compliance program performs lower-level audits or financial reviews, and a variety of other compliance activities. The program generated over \$1 million in each of the previous fiscal years, has brought in over \$500,000 so far in FY 2002-03, and has identified over \$2 million in outstanding franchise fees.

Office of Sustainable Development

The Office of Sustainable Development (OSD) continues to pursue options to protect the City’s economic, environmental, and public interest goals. The FY 2003-04 Adopted Budget continues funding for the current programs of energy, solid waste and recycling, sustainable technologies and practices, and green buildings. In FY 2003-04, OSD will seek to improve on Portland’s already nationally-recognized recycling efforts through implementation of a long-planned food waste recycling program.

The Adopted Budget will reduce direct General Fund support by just under \$15,000. In particular, funding has been eliminated for the Block-by-Block weatherization program, although one-time General Fund support for citywide Fix-It Fairs was retained. Other funding is steady as most of OSD’s support comes from residential and commercial solid waste fees, grants, and charges to other bureaus.

Office of Neighborhood Involvement

The Office of Neighborhood Involvement provides a wide range of programs and services to encourage citizen participation and to improve neighborhood and community livability. The Adopted Budget includes two new programs - Neighborhood Inspections and Noise Control. These programs were transferred from the Bureau of Development Services with the intent of improved service delivery.

Bureau of Planning

In 1999, the City Council adopted recommendations from the Blueprint 2000 Stakeholders Team to reorganize the Bureau of Planning. Planning’s Development Review section merged with the Bureau of Buildings, while long-range planning activities remained in the Bureau of Planning.

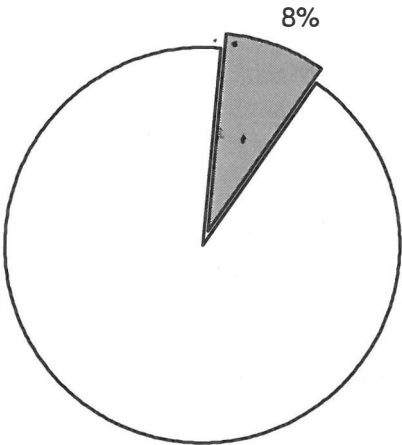
The FY 2003-04 Adopted Budget continues existing programs and functions with some limited realignment of existing staff and a handful of additional proposals.

Two programs were reallocated from one program area to another (Infill Design from Code Development to Urban Design/Historic Resources and River Renaissance Management from Environmental Planning to the Director's Office). The Adopted Budget also includes funding and reassignment of existing staff to work on code monitoring and evaluation and the Regulatory Improvement Work Plan. Within the Area and Neighborhood Planning Program, the bureau is creating District Planning Liaisons for six districts within the city. These positions will be filled by existing staff within Area and Neighborhood Planning.

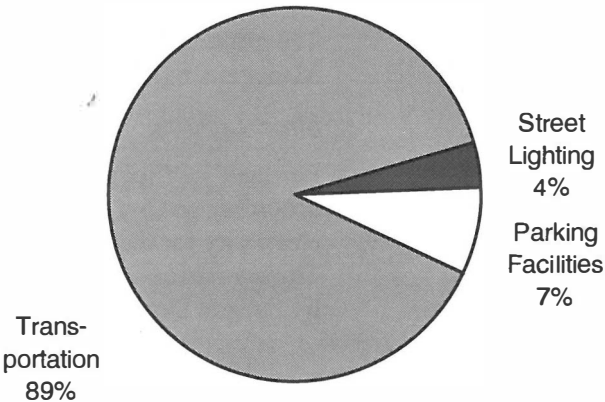
Transportation and Parking

Office of Transportation

Percent of City Budget
Transportation and Parking = \$145.5 Million



Bureau Pie Chart



Service Area Overview				
Expenditures	Revised FY 2002–03	Adopted FY 2003–04	Change from Prior Year	Per Capita Change
Operating	82,335,560	84,143,492	1,807,932	-4.2%
Capital	39,770,513	44,447,197	4,676,684	4.8%
Allocated Overhead Costs	2,492,489	2,690,003	197,514	1.2%
Total Cost with Allocated Overhead	\$ 124,598,562	\$ 131,280,692	\$ 6,682,130	-1.2%
Authorized Full-Time Positions	702	704	2	-6.0%

Note: Per capita change values are adjusted for inflation and population growth.

Service Area Highlights

DESCRIPTION

Transportation

The Transportation and Parking service area includes those funds and bureaus that plan, build, manage, maintain, and facilitate an effective and safe transportation system and provide access and mobility throughout the city.

The service area includes the Office of Transportation and its related funds: Transportation Operating Fund, Transportation Reserve Fund, and Gas Tax Bond Redemption Fund.

The Office of Transportation includes the bureaus of Maintenance, Transportation Systems Management, Transportation Engineering and Development, and the Office of the Director.

Street Lighting

Portland’s Office of Transportation provides street lighting to all improved public streets according to City standards. Through a contract, Portland General Electric provides electricity for the street lights and maintenance for 81% of the City-owned street lights. Transportation staff maintain about 16% of the system. The rest of the system is maintained by Oregon Department of Transportation.

Parking

This service area also includes the Parking Facilities Fund, managed by the Bureau of General Services, and the Parking Facilities Debt Redemption Fund, also managed by the Bureau of General Services with oversight from Debt Management.

The Parking Facilities Fund accounts for the operation and maintenance of six City-owned parking garages in downtown Portland, comprising the Smart Park system. The six garages are the Third & Alder garage (Morrison Park East), the Tenth & Yamhill garage (Morrison Park West), the Fourth & Yamhill garage, the Naito & Davis (Old Town) garage, the O’Bryant Square garage, and the First & Jefferson garage.

The Parking Facilities Debt Redemption Fund serves to achieve a proper matching of revenues with debt service expenditures of the Parking System Revenue Refunding Bonds, 2001 Series A, and the Limited Tax Revenue Bonds (Central City Streetcar Project) 1999 Series A. In August of 2001, proceeds of the Parking System Revenue Refunding Bonds, 2001 Series A, refunded the 1977 Morrison Park East and West Bonds as well as the 1992 Old Town Bonds.

MAJOR THEMES

Portland Office of Transportation

Maintain Current Service Level

For FY 2003-04, Portland’s Office of Transportation will essentially maintain its current service level. However, according to Transportation’s five-year financial forecast, a funding gap will re-emerge in FY 2004-05 and continue through FY 2007-08. This is due to flat revenue, growing responsibilities, and expanding and aging infrastructure.

Reduced General Fund Support

In FY 2003-04, the General Fund transfer to the Office of Transportation will drop by \$1,000,000. This represents an ongoing reduction to the amount of General Fund resources transferred to Transportation.

New Level of General Fund Support

The Adopted Budget for FY 2003-04 includes \$5.2 million in General Fund support as follows:

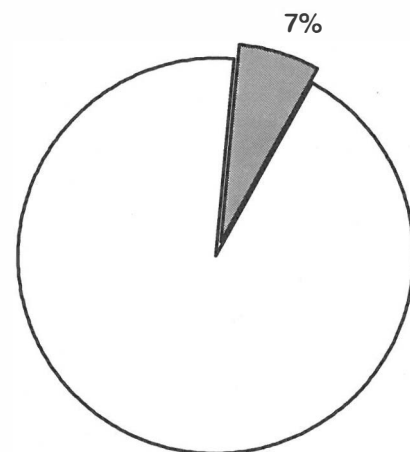
- ◆ \$4.8 million ongoing support for street light operations and maintenance.
- ◆ . . \$400,000 for street light capital improvements.

Legislative, Administrative and Support Services

Office of the City Attorney
Office of the City Auditor
Office of Management and Finance
Office of Government Relations
Bureau of Licenses
Office of the Mayor

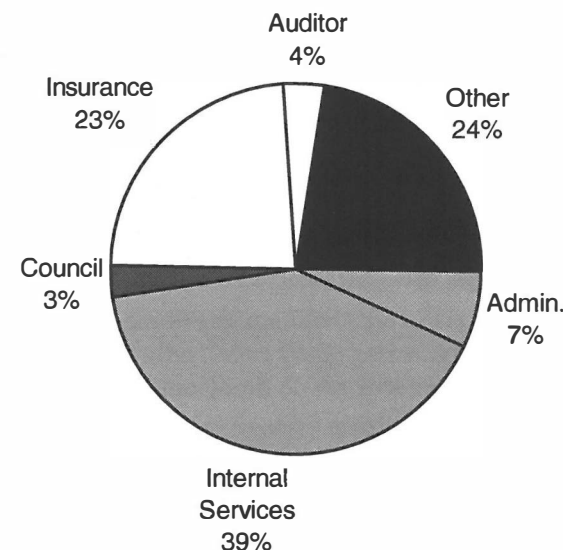
Commissioner of Public Utilities
Commissioner of Public Works
Commissioner of Public Affairs
Commissioner of Public Safety
Special Appropriations

Percent of City Budget
Leg/Admin/Support Services = \$116.9 Million



City Budget = \$1.74 Billion

Bureau Pie Chart



Service Area Overview

Expenditures	Revised FY 2002-03	Adopted FY 2003-04	Change from Prior Year	Per Capita Change
Operating	181,742,380	184,257,464	2,515,084	-4.9%
Capital	41,792,980	22,262,799	-19,530,181	-50.1%
Allocated Overhead Costs	2,736,135	3,881,080	1,144,945	33.0%
Total Cost with Allocated Overhead	\$ 226,271,495	\$ 210,401,343	\$ -15,870,152	-12.8%
Authorized Full-Time Positions	701	700	-1	-6.4%

Note: Per capita change values are adjusted for inflation and population growth.

Service Area Highlights

DESCRIPTION

The Legislative, Administrative and Support Services service area includes the City's internal support bureaus, the offices of the Mayor and Commissioners, the Bureau of Licenses, and all Special Appropriations. The internal support bureaus are the Office of the City Attorney, the Office of the City Auditor, the Office of Government Relations, and the Office of Management and Finance.

MAJOR THEMES

Attorney

The City Attorney's adopted operating budget includes a \$154,210 (2.90%) reduction from current service level. The cuts include eliminating a vacant part-time Deputy City Attorney position, downgrading a full-time paralegal to part-time, and reducing external materials and services. The City Attorney's Adopted Budget also contains increased interagency funding from OMF for a new Senior Deputy City Attorney who will provide legal support on a wide range of employee benefit issues.

Auditor

The Adopted Budget for the Auditor's Office in FY 2003-04 includes a reduction package of \$91,616 as part of the 2.2% across-the-board cut directed by Council. The impact of this package includes the elimination of the City Recorder position and the reduction of a Hearings Officer from .75 FTE to .50 FTE.

The Auditor's Office projects collections of \$354,000 annually in foreclosure revenue for FY 2002-03 and FY 2003-04.

Office of Management and Finance

The FY 2003-04 Adopted Budget for the Office of Management and Finance totals \$166,098,551, which represents an 8% reduction from the Revised Budget of the previous year. Reductions were made in the General Fund-supported portions of OMF, as well as voluntary reductions in rates in OMF's internal service funds.

Special Appropriations

Special Appropriations have been reduced in the FY 2003-04 Adopted Budget by approximately \$2 million. This is due to the elimination of four special appropriations, as well as an approximate 4% reduction to all other existing special appropriations.





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