

Adopted Budget

In Brief

City of Portland, Oregon
Fiscal Year 2002-03

Mayor Vera Katz

Commissioner Jim Francesconi

Commissioner Dan Saltzman

Commissioner Erik Sten

Auditor Gary Blackmer

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

Table of Contents

Mayor’s Message	1
City Overview	7
Introduction	7
Form of City Government	7
City Trends	10
Revenue Trends	11
Expenditure Trends	12
Financing Trends	12
Budget Overview	13
Budget Summary	13
Capital Improvement Plan	17
Table 1 – Total City Budget	18
Table 2 – Operating and Capital Budget by Service Area	19
Public Safety	21
Parks, Recreation and Culture	24
Public Utilities	27
Community Development	30
Transportation and Parking	33
Legislative, Administrative and Support Services	36

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, 2001.

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 -Abridged-

INTRODUCTION

This is a "transition budget" that realigns City services to match lower revenues. It is a budget affected by multiple forces: the economy, environmental mandates and the aftermath of September 11. The budget is a resilient budget, demonstrating the City's ability to respond to the many challenges of these tough economic times.

Our Adopted Budget minimizes the impacts on public safety services that are so critical to keeping our neighborhoods safe and secure, particularly in the aftermath of September 11. It will maintain financial stability by making sure revenues align with expenditures and by preserving our rainy day and emergency reserves to handle any future uncertainties. It moves us ahead in dealing with critical environmental issues like the cleanup of Portland Harbor, restoration of the Willamette River and its banks and protecting endangered species. It will improve the City's ability to retain businesses and attract new business, and it will continue housing and job programs that serve those most in need especially in difficult economic times. Our Adopted Budget allows us to focus on the most basic and important services while strategically positioning ourselves for future growth.

The fiscal challenges this budget addresses are significant:

*Reductions citywide total
more than \$25 million.*

The current year shortfall and actions necessary to achieve a minimum year-end balance of \$5.3 million in the General Fund.

- ◆ The \$18.6 million General Fund gap for next year fueled primarily by the recession and, until recently, the withholding of franchise fee payments by Qwest.
- ◆ The financial issues arising in water and sewer as a result of Customer Information System (CIS) problems, reduced consumption, an aging and growing infrastructure, improved security and environmental mandates.
- ◆ The shortfalls in Transportation due to repeated failure to increase the gas tax; and the Portland Development Commission's need to react to the Shilo Inn court decision, which may reduce tax increment funds available for projects by up to 25% or approximately \$14 million.

The City budget was prepared with the input of citizens who attended one of six "Your City, Your Choice" budget meetings or answered a budget public opinion survey. The budget is structured to protect those services citizens were least willing to cut, such as police and fire emergency response, homeless and low income housing services, domestic violence programs and, youth programs and services. This budget also responds to citizen input by continuing City efforts to reduce administrative and support services costs.

The budget also incorporates significant input from the City Council, bureau managers, my staff and all City staff. I offer my thanks to all who contributed their efforts to this budget, especially staff of the City's Bureau of Financial Planning, who have worked long hours to get it done.

APPROACH TO RECONSTRUCTING THE BUDGET

The Mayor and Council made strategic reductions, protecting basic city services such as police and fire.

After years of constrained budgets it was quite evident that we needed to restore financial stability and therefore service stability. To achieve this it was clear that a strictly across the board cut approach to balancing would no longer work. You can only thin the soup so much. We needed to review all City programs in depth and take more of a surgical approach to the problem.

I used these guiding principles in restructuring the Budget:

- ◆ Take every opportunity to preserve critical public safety services by minimizing reductions in Police and Fire, ensuring continuation of the Portland Office of Emergency Management, and making improvements to the emergency 800 MHz radio system.
- ◆ Continue to reduce the costs of administrative services while maintaining adequate citywide oversight and minimizing long-term impact on support to direct services.
- ◆ Reduce General Fund subsidies to programs that have other sources of funding or are not recovering the full cost of services with existing fees and charges.
- ◆ Support programs that promote jobs and economic development that in the long term will contribute to the stability of the City and City resources.
- ◆ Assume passage of the Parks Levy and the proposed Early Childhood Levy, but reduce services in the event that they do not pass. (The Parks Levy did not pass and reductions are incorporated into this budget. The Parks Levy will be on the ballot again in the fall with the Early Childhood Levy.)
- ◆ Review recent decisions to expand or add services to determine if they are still priorities given current financial conditions.
- ◆ Use reserves only as a last resort to maintain future financial flexibility, to address uncertainties, and to preserve the City's excellent Aaa bond rating; and
- ◆ Ensure that this Proposed Budget and the financial plan that supports it maintain our future financial stability.

I believe the Adopted Budget has successfully and consistently applied these principles.

MAJOR BUDGET DECISIONS

Among the list of potential discretionary expenditures that will help make Portland the best it can be, we will fund those items that most protect and improve our quality of life.

Office of Management and Finance

Beginning in FY 2000-01 we have reduced administration and support by over \$15 million citywide.

Over a two-year period the ASR effort reduced costs by over \$10 million, realigned bureaus and programs, centralized services where appropriate, and improved service consistency and efficiency. We are not finished. The Adopted Budget includes another \$5.2 million in reductions from the administrative and support bureaus. These savings will again be used to protect those services delivered directly to citizens.

- ◆ Fleet vehicle replacement will be extended, potentially resulting in greater down time and higher maintenance costs.

Public Safety - Police

Public safety impacts have been minimized through reassigning support positions to patrol activities.

As I stated earlier, we are committed to protecting our public safety agencies. As such, although reductions were originally targeted at 7%, we reduced the Police Bureau budget by just 2.85% or \$2.5 million.

Despite these reductions we will have more authorized officers available to be deployed on the street than in past years and all precincts will remain open. We accomplished this by reassigning officers from administrative and support positions back to the street.

Public Safety - Fire

The Fire Bureau is also reducing \$1.8 million (2.85%) in the Adopted Budget, although only \$1 million are ongoing reductions. No fire fighters will lose their jobs.

Parks

The Parks budget was reduced by over \$2.2 million. The Parks Levy presented to voters in the spring was supported by over 70% of those who voted, but due to the requirement to have greater than 50% voter turnout, the levy ultimately failed. We will bring this proposed levy back to the citizens in the November election when the 50% voter turnout requirement is not in effect. We will listen to our citizens on this issue, and if the proposed levy passes, the reductions will be restored.

The following are examples of reductions already instituted:

- ◆ Permanent closure of seven community schools and the remaining six schools for the summer.
- ◆ Reductions in parks maintenance, which will likely result in the accumulation of litter, a delay in identification and cleanup of graffiti, less frequent cleanup of open restrooms, reduced hours and permanent closure of other restrooms, and slower response to vandalism.
- ◆ Closed pools at the Metropolitan Learning Center and Buckman schools.

Arts

We have continued our commitment to the Portland Opera and the Ballet. These organizations will continue to receive \$190,000 in City funds for FY 2002-03. The Regional Arts and Culture Council (RACC) will reprogram \$380,000 in City funds currently supporting their grant match program to fund the Opera and Ballet. We have allocated \$150,000 as part of a reconstituted grant match opportunity for other community arts organizations. RACC will manage these funds. We have also added another \$225,000 in one time funds to support RACC and its' arts organization for FY 2002-03.

Housing and Homeless Facilities

In partnership with the Portland Development Commission and other public and private partners, the Adopted Budget includes over \$69.3 million for housing. Using a mix of federal funds, tax increment financing and City General Fund support, efforts will include multi-family housing, rental housing financing, housing preservation, and home repair and ownership programs. Preserve additional affordable housing properties downtown.

Jobs and Economic Development

Our Adopted Budget responds to the impacts of the recession by preserving programs supporting job growth and economic development. This includes over \$1 million in City General Fund support combined with PDC funds for a total of \$16.9 million. Additionally, we will continue funding at lowered amount to support youth jobs programs in the Bureau of Housing and Community Development. A short list of the types of programs funded includes:

- ◆ Enterprise Zone
- ◆ Citywide/Regional Business Development
- ◆ Small Business Support
- ◆ Storefront Improvements
- ◆ Business Loans
- ◆ Business Retention and Expansion
- ◆ Business Recruitment
- ◆ Target Industry Jobs
- ◆ Workforce Development

In addition to these specific efforts, I will be unveiling a new overall Economic Development Strategy for the City in the next few months.

Planning

The Bureau of Planning continues to deal with an inadequate base level of funding. The commissioners and I continually identify numerous high-priority planning projects that must be undertaken by this organization. The current funding strategy for Planning consisting of one-time allocations for each new project places these same projects at risk of being cut every year.

For next year we have funded two related projects through an increase to the bureau's ongoing base budget. River Renaissance will be funded at \$152,000 and the River Plan funded at \$367,000 per year for four years. The budget also funds completion of the St. Johns/Lombard Plan.

River Programs and Projects

We will allocate approximately \$10 million for river projects citywide next year, as part of our \$220 million 10-year effort. Our goal is to restore Portland's watersheds and rivers.

These efforts are some of the finest examples of interbureau coordination and support programs tied to the Combined Sewer Overflow (CSO) project in the Bureau of Environmental Services (BES), cleanup of the Portland Harbor and our response to Endangered Species Act (ESA) listings.

Programs supporting economic development will continue with significant funding.

We will continue funding for efforts that make Portland a great place to live and work.

Environmental Services

BES continues with the CSO project. This \$1 billion project has reduced overflows by over 53%, with a goal of reducing overflows by over 96% by 2011. Even with a program this large, we have worked with the bureau to limit next year's rate increase to single family homes to 7.9%, one-tenth percent below their initial request.

BES is also leading our efforts to clean up Portland Harbor in partnership with other public and private partners. BES supports ESA projects, budgeted at \$1.9 million citywide, by contributing \$443,000 and significant technical support. The Adopted Budget supports the ESA effort through the allocation of \$1 million in General Fund support.

Water

The rate increase for next year is estimated at 8.8% for the single family home. This is lower than the bureau's original request of 13.1%. The 8.8% figure integrates costs to respond to security concerns at the open reservoirs. But, this will still result in the loss of 28 positions, 10 of which are currently filled.

Before last fall, threats to water quality and supply were thought to be from natural disasters and aging infrastructure. Today we must also focus on ways to lower the risks of intentional damage to the water system. The funds in this budget are a first step. Following a vulnerability review, we expect to identify additional measures.

The Water Bureau will accelerate capital projects that enhance system security.

The total costs for enhanced security for the next five years is \$63.8 million and includes the addressing the risk of open reservoirs. We will spend \$9.2 million next year to accelerate our security enhancements. Commissioner Sten, Commissioner Saltzman and the Water Bureau have developed a plan that mitigates costs to the City with federal funding and reprioritized their Capital Improvement Plan. The rate impact for the security measures is about \$0.36/month this year. The bureau has focused on how and when, not if, the reservoirs will be covered.

Green Building Initiative

Our Adopted Budget continues funding of the green building program as we support and promote healthy, resource-efficient, high performance building construction and site development. This budget adds one position to the program by reallocating internal resources within the Office of Sustainable Development and adding grant funds. Without requiring additional public funds, we will build upon the program's early success, increase our marketing of green building technical services to a wider and larger audience in the community, and provide more technical assistance to City project managers and private sector builders, designers, and developers.

Within the City, we continue to implement sustainability practices within the organization and have incorporated sustainability practices into our procurement policies and practices.

Early Childhood Development

Our budget continues support for Early Childhood Development for one year. If the proposed Children's Levy passes in the fall, this allocation will protect funds until the levy revenues begin in FY 2003-04. If our citizens do not support the levy, the programs will phase out over the next fiscal year.

Neighborhood Programs -Office of Neighborhood Involvement (ONI)

We will continue support for crime prevention and neighborhood mediation through services based in ONI. The continuation of City support for the crime prevention program is contingent upon effective management of their overtime issues.

Transportation

We can no longer assume that the Legislature will help us fix the transportation funding problem or that any local solution will occur in the near future. Considering the size of their reductions, \$5.4 million, Transportation did a good job preparing their budget. Transportation will cut full-time 19 positions, 13 of which are currently filled.

But, there were some cuts that were found unacceptable. We will continue to fund Transit Mall cleaning and leaf removal for the next year. We must find new approaches to funding these services in the future. The Association for Portland Progress (APP) has proposed contracting for mall cleaning services at a significantly reduced cost. We want to work with our unions to make that happen. It may allow us to maintain other jobs and important Transportation services. We also want to look at new ways of funding these services and doing so in a manner that allows us to provide leaf removal services citywide.

CONCLUSION

In my nine years as Mayor, this has been one of the most difficult budgets to craft. We were faced with closing a gap of over \$25 million citywide, including \$18.6 million in the General Fund. This will result in service impacts and the loss of up to 99 full time employee positions. But, as I stated earlier in the year in my State of the City address, we are focused, determined and pushing forward. We are dealing with the challenges of terrorist threats, changing environmental conditions, the recession and shrinking government budgets. Despite these major challenges, we are determined to keep Portlanders safe, find jobs for the unemployed and redouble our efforts to make the City government more competent and responsive. We are also pushing forward with addressing environmental issues including the cleanup of Portland Harbor, our River Renaissance, protecting endangered species and promoting sustainable business practices. I urge Portlanders to join us in keeping our expectations for our city and its future high.



Vera Katz
Mayor
City of Portland, Oregon

City Overview

INTRODUCTION

This section of the FY 2002-03 budget document provides general information on the city of Portland, its demographics, and its government management systems. The information will help the reader understand the environment in which decisions are reached during the budget process. It will also make it easier to examine and understand other sections of this budget document.

Portland's annual budget implements Council goals through long-range strategic plans.

Portland's budget document reflects City policies, goals, and priorities. Reviewing how revenues are collected and spent, readers of the budget are actually watching policy at work. The budget implements the City's long-range strategic and financial plans and serves as an operations guide for the government and its activities. It is also a communications tool, informing residents of the short- and long-term issues and challenges confronting the City. The budget document reflects the goals of citizens and leaders alike.

FORM OF CITY GOVERNMENT

The city of Portland, incorporated in 1851, is a home rule charter city. The City Charter is the basic law under which the City operates and can be amended only by a vote of the people. In 1913, a modified commission form of government was created, which is rare in cities as large as Portland.

Portland has a modified commission form of government --- rare in the United States.

The Charter provides for five non-partisan Council members, called Commissioners, including the Mayor. They are elected at-large to four-year terms. The positions are full-time and salaried. The City Auditor is also elected and required by Charter to be a Certified Public Accountant. The Auditor is not part of the Council and has no formal voting authority.

Mayor and Commissioners act as legislators and administrators.

The Mayor and Commissioners act as legislators and administrators. Thus, Council members are responsible for enacting City laws, enforcing City laws, and administering bureaus under their supervision. Figure 1 on page 8 depicts the City's current organizational chart.

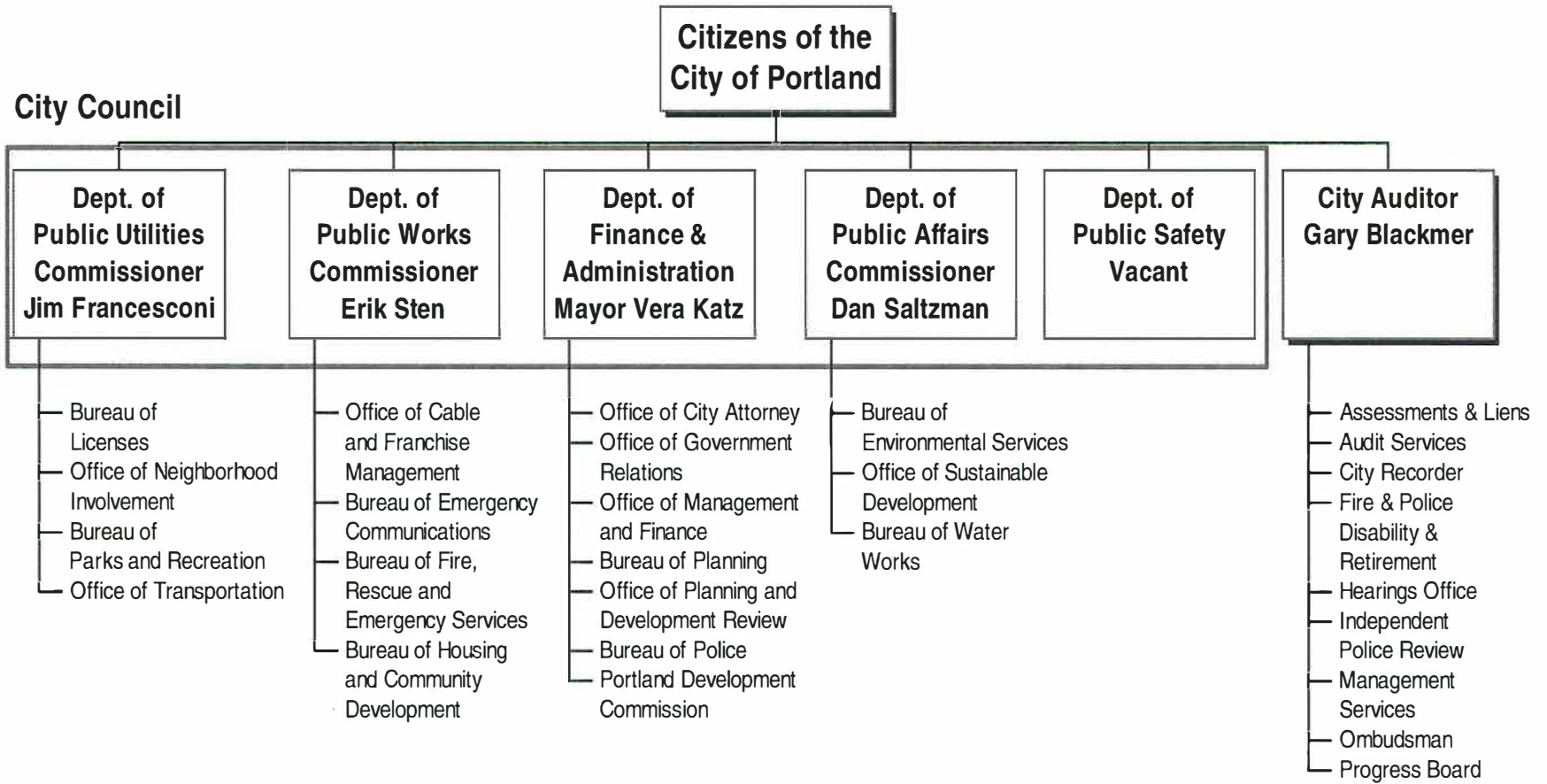
The Mayor is the formal representative of the City, responsible for assigning each of the commissioners responsibilities for one of five departments: Finance and Administration, Public Affairs, Public Safety, Public Utilities, and Public Works. The Mayor also decides which agencies the commissioners will manage. These assignments can be changed at any time by the Mayor. Traditionally, the Mayor has been the Commissioner of Finance and Administration. Current assignments are shown in Figure 1 on page 8.

The City Auditor is an elected position.

The Auditor receives and maintains all documents relating to the accounts and contracts of the City, including its debts, revenues, and financial affairs. The position is responsible for conducting financial and performance audits of City bureaus and their functions. In addition, the Auditor's Office serves as the Council Clerk, responsible for the processing and filing of all official Council actions.

The City operates under the provisions of the City Charter and City Code, which are consistent with the Oregon Constitution and State law (the Oregon Revised Statutes). Ordinances are passed by a simple majority vote of three of the five Council members.

Figure 1: City Organizational Chart



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 ¹	437,319	----	529,121	----	21.0%
Female	225,405	51.5%	267,556	50.6%	18.7%
Male	211,914	48.5%	261,565	49.4%	23.4%
Age					
Below 5 years	30,314	6.9%	32,300	6.1%	6.6%
6 to 24 years	110,264	25.2%	133,715	25.3%	21.3%
25 to 44 years	159,815	36.5%	183,604	34.7%	14.9%
45 to 64 years	73,269	16.8%	118,339	22.4%	61.5%
65 years and older	63,657	14.6%	61,163	11.6%	-3.9%
Race/Ethnic Distribution ^{2,3}					
African American	----	----	35,115	6.6%	----
Asian	----	----	33,470	6.3%	----
Hispanic	----	----	36,058	6.8%	----
White	----	----	412,241	77.9%	----
Other	----	----	26,340	5.0%	----
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%

1. Total city of Portland 2001 population is 536,240. Gender, age, and race/ethnic data are not available at this time.

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 Production, transportation, and material moving	----	----	19,405	9.6%	----
Total employed - 16 years and over	----	----	38,546	12.6%	----
	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 (2002 dollars)	\$80,604	----	\$161,740	----	100.7%
Building permits issued ⁶	2,562	----	1,672	----	-34.7%

6. The comparison is 1990 to 2001 data.

CITY TRENDS

The following trends and ten-year comparison charts provide important information to city residents and management of the City. The ten-year trends shown are mostly current through calendar year 2001 and are updated every two years. A review of these trends indicates:

Rapid Growth

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

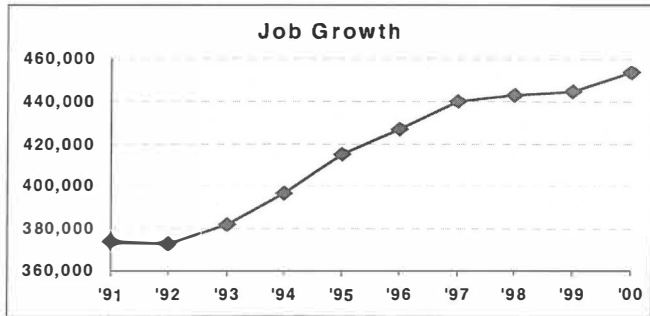
In response to ballot measures that limit property tax growth, City operating revenues have had to diversify to maintain the base necessary to meet citizen service demands. While property taxes have declined as a percentage of operating revenues, user fees and elastic revenues, such as business license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

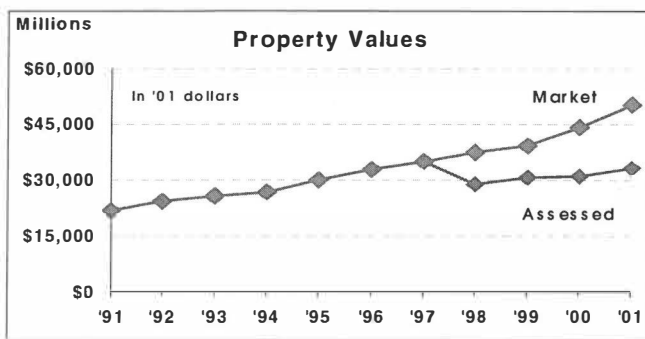
Demographic Data



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.

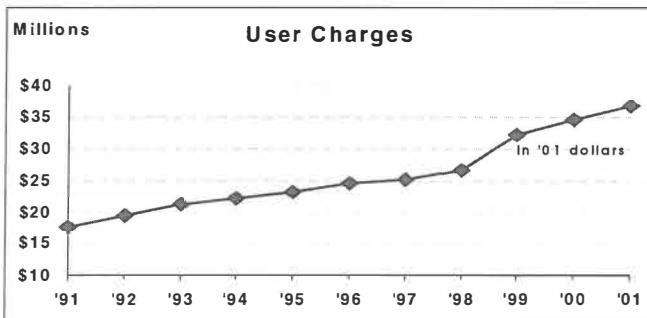
Job growth has been most significant in services, retail trade, construction, transportation, and local government.



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.

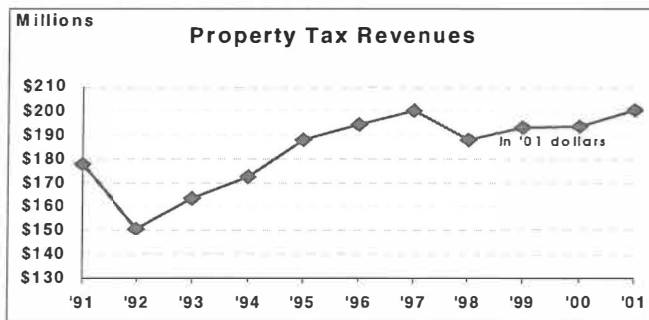
Assessed values mirrored market values and increased steadily from 1990 through 1997. In 1998, assessed values dropped 18% as property tax limitation Measure 50 rolled assessed values back to 90% of 1996 values and limited future growth to 3% a year plus the value of new construction.

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.

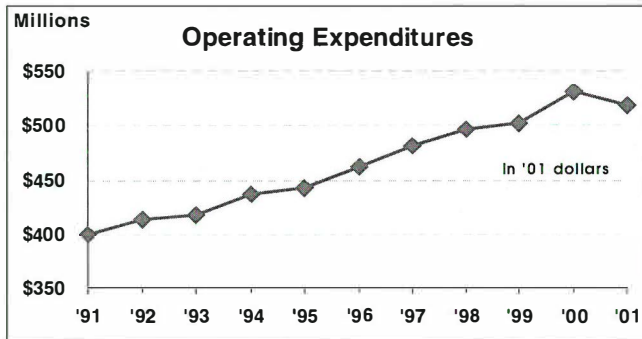
Per capita, city residents paid an average of \$43 in user fees in 1992 and \$69 in 2001. Fees for parks and recreation use, rents and reimbursements, and building and development fees have grown the fastest.



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.

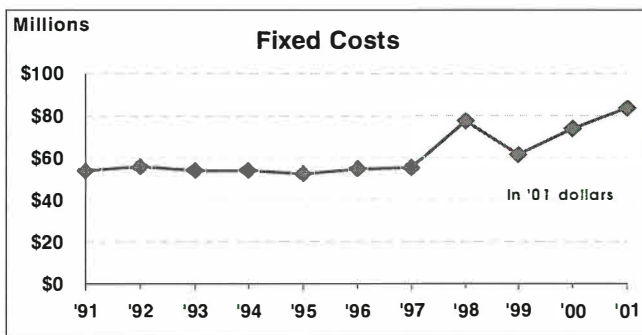
Expenditure Trends



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.

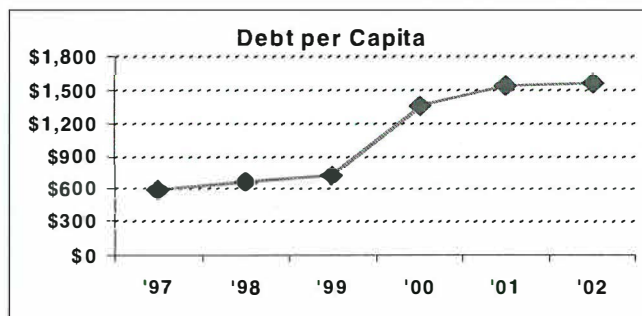


Fixed costs are mandatory expenditures over which the City has little short-term control. Examples include pension benefits and repayments of bond principal and interest.

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

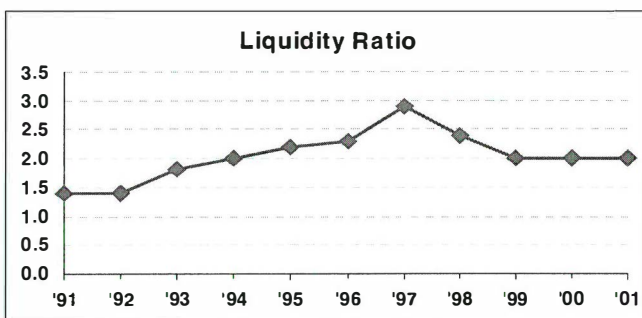
The large increase in 1998 was due to a one-time payment to certain fire and police retirees and payments on street improvement bonds.

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 down by \$141 million from the FY 2001-02 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 2002-03 is \$1.95 billion, which reflects a \$141 million reduction from the FY 2001-02 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 Adopted Budget is \$127 million lower than the FY 2001-02 Revised Budget.

Eliminating the double count for the internal transfers, the City's net budget for operating and capital requirements in FY 2002-03 is \$1.39 billion. This is a \$127 million decrease from the FY 2001-02 net Revised Budget. Table 1 of the Financial Summaries provides greater detail of the total and net City budget figures. A summary is shown below:

	Revised FY2001-02	Adopted FY2002-03	Dollar Change	Percent Change
Total City Budget	\$ 2,092,630,345	\$ 1,951,423,909	\$ (141,206,436)	-6.7%
Less: Tax Anticipation Notes and Internal Transfers	\$ (570,527,589)	\$ (556,173,944)	\$ 14,353,645	-2.5%
Total City Net Budget	\$ 1,522,102,756	\$ 1,395,249,965	\$ (126,852,791)	-8.3%

Expenditures by Major Object Category

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

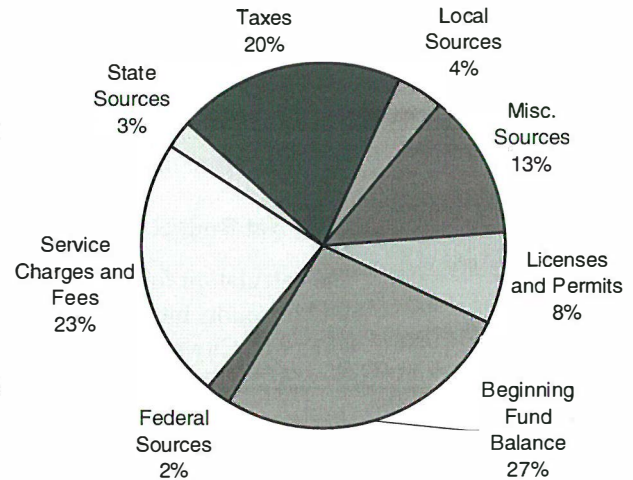
Major Object Category	Revised FY2001-02	Adopted FY2002-03	Dollar Change	Percent Change
Personal Services	\$ 393,181,412	\$ 398,203,887	\$ 5,022,475	1.3%
External Materials & Services	\$ 421,975,517	\$ 379,846,381	\$ (42,129,136)	-10.0%
Internal Materials & Services	\$ 142,512,963	\$ 139,625,710	\$ (2,887,253)	-2.0%
Capital Outlay	\$ 139,592,037	\$ 147,608,128	\$ 8,016,091	5.7%
Equipment Cash Transfers	\$ 4,375,543	\$ 25,000	\$ (4,350,543)	-99.4%
	\$ 1,101,637,472	\$ 1,065,309,106	\$ (36,328,366)	-3.3%

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, which is in the Financial Tables section of this document.

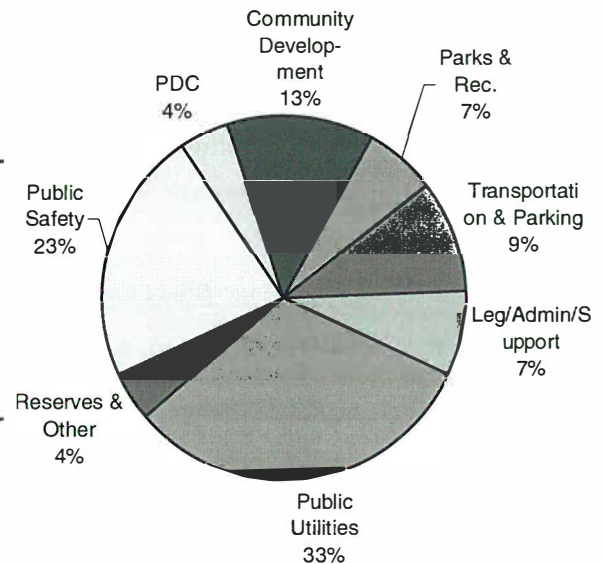
City Net Budget - Resources by Major Category

Resource	Budget	Percent
Beginning Fund Balance	\$ 372,241,417	26.7%
Taxes	\$ 280,547,441	20.1%
Licenses and Permits	\$ 113,545,696	8.1%
Service Charges and Fees	\$ 326,109,519	23.4%
Federal Sources	\$ 30,959,010	2.2%
State Sources	\$ 35,178,330	2.5%
Local Sources	\$ 58,361,901	4.2%
Misc. Sources	\$ 178,306,651	12.8%
Total Net Budget:	\$ 1,395,249,965	100.0%



City Net Budget - Requirements by Service Area

Service Area	Budget	Percent
Leg/Admin/Support	\$ 104,153,310	7.5%
Community Dvlpmnt	\$ 184,988,086	13.3%
Portland Development Comm	\$ 59,499,626	4.3%
Parks	\$ 88,932,032	6.4%
Public Safety	\$ 317,349,395	22.7%
Transportation	\$ 138,395,861	9.9%
Public Utilities	\$ 443,432,397	31.8%
Reserves	\$ 58,499,258	4.2%
Total Net Budget:	\$ 1,395,249,965	100.0%



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 \$365.7 million in FY 2002-03.

Figure 2: General Fund - Resources by Major Category

Resource	Budget	Percent
Beginning Fund Balance	\$ 9,293,255	2.54%
Property Taxes	\$ 149,036,195	40.75%
Lodging Taxes	\$ 10,488,630	2.87%
Business Licenses	\$ 46,640,528	12.75%
Utility License Fees	\$ 51,610,095	14.11%
Services Charges and Other	\$ 30,715,277	8.40%
Intergovernmental	\$ 26,501,859	7.25%
Transfers from Other Funds	\$ 41,417,234	11.33%
Total General Fund Budget:	\$ 365,703,073	100.00%

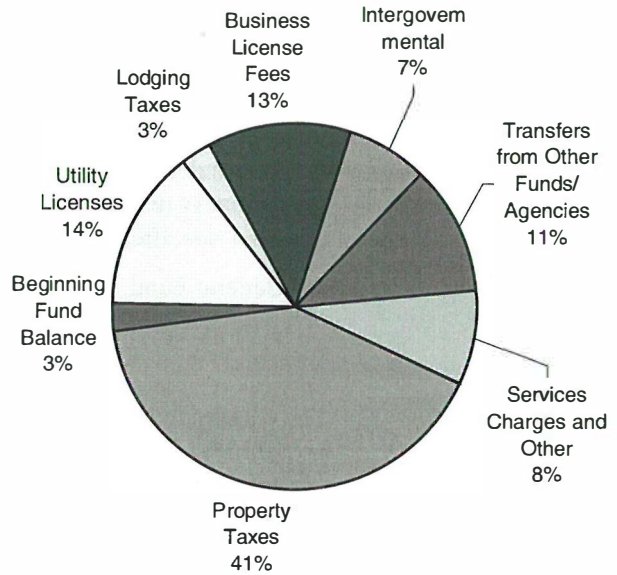
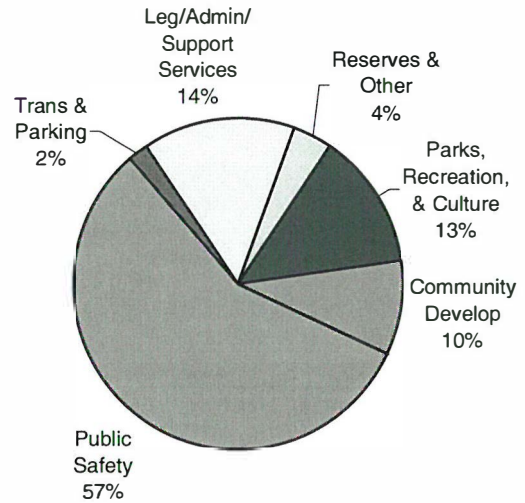


Figure 3: General Fund - Requirements by Service Area

Service Area	Budget	Percent
Leg/Admin/Support Services	\$ 54,806,658	14.99%
Community Development	\$ 33,726,112	9.22%
Parks, Recreation, & Culture	\$ 48,693,265	13.31%
Public Safety	\$ 207,269,542	56.68%
Transportation & Parking	\$ 7,050,659	1.93%
Reserves and Other	\$ 14,156,837	3.87%
Total General Fund Budget:	\$ 365,703,073	100.00%



CAPITAL IMPROVEMENT PLAN

Overview

The FY 2002-03 Citywide CIP Adopted Budget totals \$202.0 million, not including the Portland Development Commission (PDC). This total is \$15.1 million or 8.1 percent more than the FY 2001-02 Adopted CIP Budget of \$187.0 million.

The General Fund capital set aside was reduced from \$7.0 million to \$4.0 million. The funds were reallocated to minimize operating reductions in the public safety bureaus.

Highlights

Public Safety

◆ 800 MHz System Major Maintenance	\$665,000
◆ Police Facilities	\$1,489,000
◆ Seismic Upgrades to Fire Stations	\$7,161,000

Parks, Recreation and Culture

◆ Columbia Pool HVAC & Light Replacement	\$345,000
◆ Springwater Corridor - Three Bridges	\$300,000

Public Utilities

◆ Combined Sewer Overflow Program	\$69,834,000
◆ Water System Security Improvements	\$8,440,000
◆ Water Distribution System Program	\$13,544,000

Community Development

◆ Local Improvement Districts	\$2,249,000
◆ Union Station	\$225,000

Transportation

◆ Centers and Main Streets	\$8,844,000
◆ Local Streets and Neighborhoods	\$13,439,000
◆ Parking Facilities	\$1,399,000

Legislative, Administrative, and Support Services

◆ Portland Building	\$1,522,000
---------------------	-------------

Project Costs

The increase from FY 2001-02 is primarily due to increases of \$24.8 million, or 22.6% in Public Utility projects and \$7.2 million or 22.4 percent in Transportation and Street Lighting projects. These increases are offset by reductions of \$5.2 million or 45.5 percent in Parks, Recreation and Culture projects and \$9.9 million or 77.2 percent in Legislative, Administrative, and Support Services projects. The former increases are primarily due to the Westside Sewer Tunnel and Pump Station project, Water security improvements, and local and main streets projects. The latter reductions reflect decreased resources for Parks and completion of the Integrated Regional Network Enterprise (IRNE) project.

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 2001-02	Adopted FY 2002-03
RESOURCES		
External Revenues		
Property Taxes	259,719,136	268,031,003
Other Taxes	13,571,860	12,516,438
Licenses and Permits	111,229,145	113,545,696
Service Charges	319,026,258	326,109,519
Intergovernmental	143,844,733	124,499,241
Miscellaneous	66,997,360	50,031,213
Debt Proceeds	158,703,110	158,275,438
Total External Revenues	1,073,091,602	1,053,008,548
Transfer from Other Funds		
Service Reimbursements	146,888,506	139,685,710
Cash Transfers	393,639,083	386,488,234
Total Transfers from Other Funds	540,527,589	526,173,944
Beginning Fund Balances	479,011,154	372,241,417
Total Budget	2,092,630,345	1,951,423,909
Less Interfund Transfers and Tax Anticipation Notes	(570,527,589)	(556,173,944)
TOTAL NET BUDGET	\$ 1,522,102,756	\$ 1,395,249,965
REQUIREMENTS		
Bureau Expenses		
Personal Services	393,181,412	398,203,887
External Materials & Services	421,975,517	379,846,381
Internal Materials & Services	142,512,963	139,660,710
Capital Outlay	139,592,037	147,608,128
Equipment Cash Transfers	4,375,543	25,000
Total Bureau Expenses	1,101,637,472	1,065,344,106
Fund Level Expenses		
Debt Service	261,355,431	229,848,264
Fund Level Cash Transfers	393,639,083	386,488,234
Inventory Increases	140,000	140,000
Contingency	267,584,768	216,681,920
Total Fund Level Expenses	922,719,282	833,158,418
Total Appropriated Budget	2,024,356,754	1,898,502,524
Unappropriated Ending Balance	68,273,591	52,921,385
Total Budget	2,092,630,345	1,951,423,909
Less Interfund Transfers and Tax Anticipation Notes	(570,527,589)	(556,173,944)
TOTAL NET BUDGET	\$ 1,522,102,756	\$ 1,395,249,965

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 2001-02			Adopted FY 2002-03		
	Operating Budget	Capital Improvements	Total Expenditures	Operating Budget	Capital Improvements	Total Expenditures
Public Safety						
Police	122,286,626	35,000	122,321,626	123,944,423	0	123,944,423
Fire	63,728,946	1,812,091	65,541,037	64,613,282	1,040,000	65,653,282
Fire & Police Disability & Retirement	67,450,604	0	67,450,604	72,440,807	0	72,440,807
Bureau of Emergency Communications	13,241,449	0	13,241,449	12,819,189	0	12,819,189
Public Safety Fund - Capital	0	2,060,944	2,060,944	0	1,395,792	1,395,792
Other Public Safety	15,596,936	15,217,950	30,814,886	14,548,121	15,292,917	29,841,038
Total Public Safety	282,304,561	19,125,985	301,430,546	288,365,822	17,728,709	306,094,531
Parks, Recreation and Culture						
Parks and Recreation	42,625,463	0	42,625,463	41,460,778	0	41,460,778
Parks Bond Construction Fund	0	0	0	0	0	0
Parks Construction Fund	0	10,472,545	10,472,545	(27,660)	4,712,833	4,685,173
Golf	5,050,991	4,934,077	9,985,068	5,182,747	890,000	6,072,747
Portland International Raceway	977,296	0	977,296	1,018,396	0	1,018,396
Spectator Facilities	1,987,527	2,700,000	4,687,527	1,605,029	650,000	2,255,029
Other Parks, Recreation and Culture	9,540,521	0	9,540,521	8,683,368	0	8,683,368
Total Parks, Recreation and Culture	60,181,798	18,106,622	78,288,420	57,922,658	6,252,833	64,175,491
Public Utilities						
Environmental Services - Sewer	73,518,017	86,994,200	160,512,217	75,598,726	92,814,951	168,413,677
Hydroelectric Power	713,324	0	713,324	541,550	0	541,550
Water	52,770,633	26,024,000	78,794,633	47,658,582	41,460,300	89,118,882
Sustainable Dev. - Refuse Disposal	3,641,211	0	3,641,211	2,909,390	0	2,909,390
Other Public Utilities	9,484,876	365,000	9,849,876	7,578,484	365,000	7,943,484
Total Public Utilities	140,128,061	113,383,200	253,511,261	134,286,732	134,640,251	268,926,983
Community Development						
Cable and Franchise Management	1,903,014	0	1,903,014	1,722,624	0	1,722,624
Cable Fund	2,419,188	0	2,419,188	2,964,594	0	2,964,594
Housing & Community Dev. Op	12,100,380	0	12,100,380	8,983,073	0	8,983,073
Housing & Community Dev. Fund	23,015,972	0	23,015,972	15,658,064	0	15,658,064
LID Construction	5,829,025	3,100,000	8,929,025	3,398,741	2,249,161	5,647,902
Office of Neighborhood Involvement	5,260,552	0	5,260,552	5,194,089	0	5,194,089
Planning and Development Review	29,820,413	0	29,820,413	29,300,075	0	29,300,075
Planning	8,701,724	370,520	9,072,244	7,204,545	0	7,204,545
Office of Sustainable Development	2,246,749	0	2,246,749	1,310,561	0	1,310,561
Transfers to PDC	46,086,397	0	46,086,397	43,170,000	0	43,170,000
Other Community Development	41,927,741	0	41,927,741	39,187,142	225,000	39,412,142
Total Community Development	179,311,155	3,470,520	182,781,675	158,093,508	2,474,161	160,567,669
Transportation and Parking						
Parking facilities	5,104,812	2,832,699	7,937,511	5,145,686	1,398,736	6,544,422
Transportation and Street Lighting	81,023,130	29,558,799	110,581,929	79,781,351	38,006,635	117,787,986
Other Transportation and Parking	6,255,093	0	6,255,093	6,238,623	0	6,238,623
Total Transportation and Parking	92,383,035	32,391,498	124,774,533	91,165,660	39,405,371	130,571,031
Legislative, Administrative & Support Services						
City Attorney	4,771,479	0	4,771,479	4,885,929	0	4,885,929
City Auditor	6,256,016	184,239	6,440,255	6,639,591	0	6,639,591
General Services - Administration	0	0	0	0	0	0
General Services - Communications	7,577,318	10,678,993	18,256,311	9,297,218	798,439	10,095,657
General Services - Facilities Services	16,880,834	8,400,498	25,281,332	11,738,966	2,123,667	13,862,633

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.

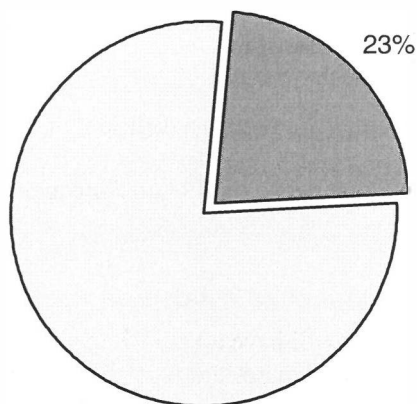
	Revised FY 2001-02			Adopted FY 2002-03		
	Operating Budget	Capital Improvements	Total Expenditures	Operating Budget	Capital Improvements	Total Expenditures
General Services - Fleet	23,787,981	1,099,000	24,886,981	20,092,376	0	20,092,376
General Services - Printing and Dist.	6,965,994	0	6,965,994	6,338,410	0	6,338,410
Government Relations	725,481	0	725,481	751,627	0	751,627
Information Technology	19,560,702	0	19,560,702	16,351,364	0	16,351,364
Insurance and Claims	6,565,447	0	6,565,447	6,831,970	0	6,831,970
Licenses	3,649,383	0	3,649,383	3,773,814	0	3,773,814
Management and Finance	21,008,322	0	21,008,322	21,889,908	0	21,889,908
Mayor and Commissioners' Offices	4,067,981	0	4,067,981	3,793,401	0	3,793,401
Purchases	0	0	0	0	0	0
Worker's Compensation	4,532,466	0	4,532,466	4,451,330	0	4,451,330
Other Leg, Admin & Support Services	14,123,903	0	14,123,903	15,200,391	0	15,200,391
Total Legislative, Administrative & Support Services	140,473,307	20,362,730	160,836,037	132,036,295	2,922,106	134,958,401
PDC Urban Renewal Debt						
Waterfront Renewal Debt Service	15,000	0	15,000	15,000	0	15,000
Total PDC Urban Renewal debt	15,000	0	15,000	15,000	0	15,000
TOTAL EXPENDITURES	\$ 894,796,917	\$ 206,840,555	\$1,101,637,472	\$ 861,885,675	\$ 203,423,431	\$1,065,309,106
FUND REQUIREMENTS						
Ending Fund Balance			68,273,591			52,921,385
Contingency			267,584,768			216,681,920
GF Overhead Transfers			10,682,387			11,054,538
Grants Transfers			22,666,541			13,428,263
Other Cash Transfers			360,290,155			362,040,433
Inventory Increases			140,000			140,000
Debt Retirement			261,355,431			229,848,264
TOTAL CITY BUDGET	\$	\$	\$2,092,630,345	\$	\$	\$1,951,423,909
TOTAL NET CITY BUDGET	\$	\$	\$1,522,102,756	\$	\$	\$1,395,249,965

Public Safety

Bureau of Police
Bureau of Fire, Rescue and Emergency Services

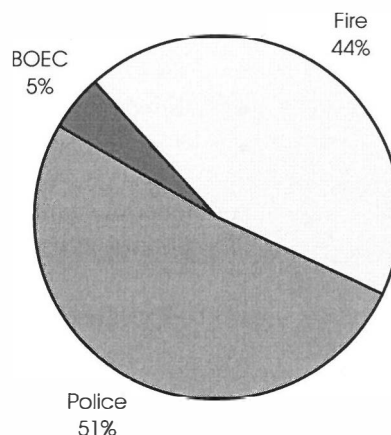
Bureau of Emergency Communications
Fire & Police Disability & Retirement

Percent of City Budget
Public Safety = \$317.3 Million



City Budget = \$1.4 Billion

Bureau Pie Chart



Service Area Overview

Expenditures in Millions	Revised FY 2001-02	Adopted FY 2002-03	Change from Prior Year	Per Capita Change
Operating	266,707,625	273,817,701	7,110,076	-2.9%
Capital	1,847,091	1,075,000	-772,091	-45.0%
Allocated Overhead Costs	4,684,363	5,115,687	431,324	3.3%
Total Cost with Allocated Overhead	\$ 273,239,079	\$ 280,008,388	\$ 6,769,309	-3.1%
Authorized Full-Time Positions	2,138	2,127	-11	-5.9%

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, and the Bureau of Emergency Communications. Also included in the service area are the Fire and Police Disability and Retirement funds.

MAJOR THEMES

The Mayor's Adopted Budget minimizes reduction in Police, Fire and Emergency Communications.

- ◆ Reductions in Police and Fire are limited to 2.85%
- ◆ Emergency Communications is reduced by 7%
- ◆ The Portland Office of Emergency Management continues at full funding.

Police Bureau

A number of significant operational and funding changes to the Police Bureau are incorporated into the Adopted Budget.

Service Modifications

The reduction of \$2.4 million in the bureau's budget will have a major impact on its ability to deliver services. Revenues and efficiencies, while an important part of the solution, cannot alone produce the savings necessary to address this budget crisis. The bureau will continue to maintain significant vacancies in positions, for both sworn and civilian staff.

Reductions to the Four Major Program Areas: \$2,421,408

The necessary revenue enhancements or service reductions will affect the bureau's four major programs as follows:

- ◆ Neighborhood Policing Services \$508,039
- ◆ Support Services \$1,336,602
- ◆ Investigative Services \$277,694
- ◆ Crime Interdiction Services \$299,073

Decision Packages

Revenue Enhancements: \$1,045,180: The Mayor's Adopted Budget will generate revenue associated with the following budget decision packages:

- ◆ False Alarm fees - \$289,000
- ◆ Alarm permits - \$570,000
- ◆ Cost recovery for fingerprinting - \$3,300
- ◆ Cost recovery for training - \$50,000
- ◆ PPDS revenue - \$121,409
- ◆ Women Strength program revenue - \$11,471

Efficiency Proposals/Program Reduction: \$1,433,585: The Mayor's Adopted Budget will produce efficiency proposals and program reduction associated with the following budget decision packages:

- ◆ Non-Sworn Hiring Freeze - \$920,004
- ◆ Police Officer Vacancies - \$325,429
- ◆ Fleet Pool for Support Staff - \$15,784
- ◆ Justice Center - Hot Water - \$1,000
- ◆ Police Desk Clerk Program - \$171,368

Fire Bureau

Current Service Level Budget Reductions

Portland Fire & Rescue (PF&R) will be reducing its budget by \$1,822,408 in the FY 2002-03 Adopted Budget.

Developing cuts was extremely difficult for the Core Leadership Team, as PF&R has already made significant cuts totaling \$2,137,526 for FY 2001-02. Coupled with the extensive budget cuts PF&R has made over the past five years, these reductions will leave support resources at a minimum and direct services significantly reduced.

In the Adopted Budget for FY 2002-03, PF&R is eliminating the following:

- ◆ Supportive Employment Program - (\$8,500)
- ◆ Interagency with F&PD&R for EAP Program -- (\$16,125)
- ◆ *Communications Interagency* -- (\$30,000)
- ◆ *BOEC Fire Liaisons* - (\$206,000)
- ◆ *EMS Training Specialist* - (\$77,318)
- ◆ *Truck ALS Elimination* - (\$158,582)
- ◆ *Professional Services Funds* - (\$30,000)
- ◆ *Public Assembly (reduce 1 FTE)* - (\$74,112)
- ◆ *Truck 3 Inspectors - (reduce by 2, retain 1)* - (\$148,224)
- ◆ *Office Support Specialist I (OSSSI) elimination* - (\$44,403)
- ◆ *Materials and Services reductions in Prevention* - (\$50,000)

Bureau of Emergency Communications

Budget Reductions

The FY 2002-03 Adopted Budget for BOEC responds to the overall City funding challenges. BOEC has received reduced funding of about \$477,000 from last year's Adopted Budget. BOEC reduced its personnel services costs by \$477,000 through a reduction of overtime from \$806,000 to \$329,000 to reflect a more efficient process to determine staffing requirements and shift schedules for 9-1-1 emergency operators.

Fire and Police Disability and Retirement Fund

Funded Pension System

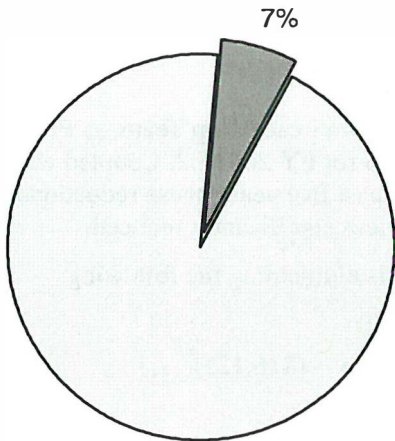
The Fire and Police Disability and Retirement Fund continues to explore the possibility of becoming a fully-funded pension plan. The current system relies on a tax levy authorized in 1948 which provides up to \$2.80 per \$1,000 assessed value on property in the city.

Parks, Recreation and Culture

Portland Parks and Recreation

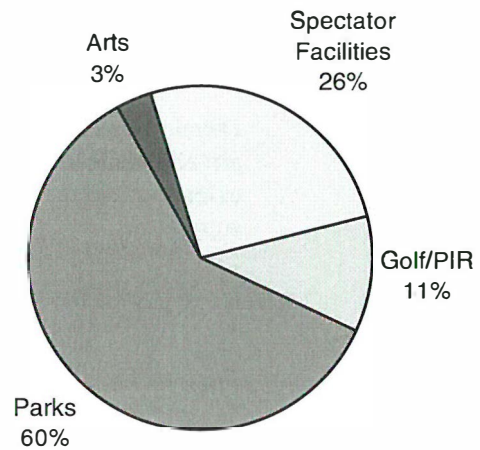
Percent of City Budget

Parks, Recreation, & Culture = \$88.9 Million



City Budget = \$1.4 Billion

Bureau Pie Chart



Service Area Overview

Expenditures in Millions	Revised FY 2001-02	Adopted FY 2002-03	Change from Prior Year	Per Capita Change
Operating	49,883,802	48,124,231	-1,759,571	-8.8%
Capital	14,201,570	5,137,863	-9,063,707	-65.8%
Allocated Overhead Costs	1,899,763	1,763,108	-136,655	-12.3%
Total Cost with Allocated Overhead	\$ 65,985,135	\$ 55,025,202	\$ -10,959,933	-21.2%
Authorized Full-Time Positions	403	365	-38	-14.4%

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 \$2.2 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 and after school programs, horticulture and urban forestry, operation and maintenance. These reductions include 28 position cuts.

Reductions to meet Current Service Levels

In order to balance its budget internally, before providing \$2.2 million of reductions, PP&R made reductions that equate to \$672,000 of service cuts. Included in these reductions are seven positions, reduced funding for after school programs, and reduced open restrooms. Recreation and events fees are also increased to raise \$191,000 of additional revenue to address increased costs.

A proposed cut to mowing of school sports fields has been restored for FY 2002-03 only.

Parks Local Option Levy

A five-year local option serial levy on the May, 2002 ballot received 70% support of those who voted, yet was invalid because voter turnout was less than 50%. The levy has been resubmitted for the November, 2002 election. This new levy, if approved, will provide approximately \$9 million to Portland Parks and Recreation in FY 2003-04, and \$9.7 million in the each of the next four years. Funds would be used to address four major themes of the parks system:

- ◆ Restore \$2.2 million in cuts made in FY 2002-03;
- ◆ Provide access to recreational programs for \$1.05 million;
- ◆ Provide safe places to play at \$3.95 million; and
- ◆ Restore, renovate, and maintain the parks system for \$1.7 million.

Capital Improvement Plan

Parks budget for capital improvement plan (CIP) totals \$7.7 million. Of this, \$900 thousand is supported the by the City's General Fund and \$6.9 million comes from other sources. These sources include \$3.0 million from the local option levy, \$1.7 million from system development charges, and \$500 thousand from federal grants.

Significant projects supported by the General Fund include:

- ◆ Columbia Pool HVAC and Lighting
- ◆ Renovation of Westmoreland park
- ◆ Three bridges and trail connections on the Springwater Trail
- ◆ Continued installation of irrigation wells

Projects dependent upon the local option serial levy include:

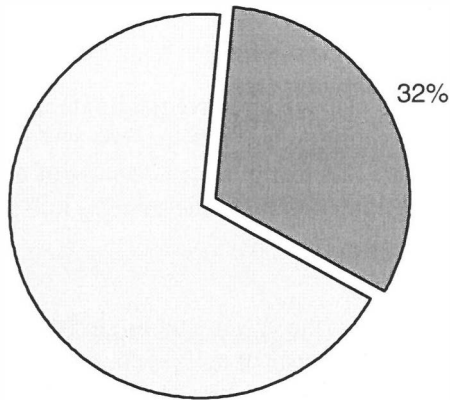
- ◆ Renovation of O'Bryant Square
- ◆ Construction of a pool at the East Portland Community Center
- ◆ Replacement of unsafe play structures and removal of lead-based paints
- ◆ Construction of two neighborhood skate parks
- ◆ Replacement of deteriorating infrastructure at Wilson pool
- ◆ Completion of renovations at the University Park Community Center

Public Utilities

Bureau of Environmental Services

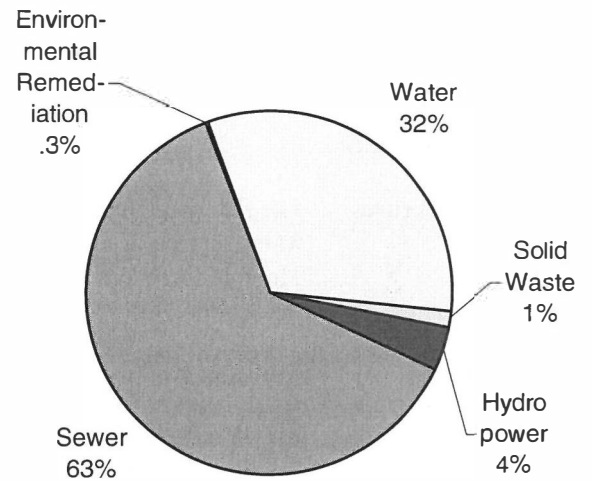
Bureau of Water Works

Percent of City Budget
Public Utilities = \$443.4 Million



City Budget = \$1.4 Billion

Bureau Pie Chart



Service Area Overview

Expenditures in Millions	Revised FY 2001-02	Adopted FY 2002-03	Change from Prior Year	Per Capita Change
Operating	127,188,048	129,491,644	2,303,596	-3.7%
Capital	113,383,200	129,138,651	15,755,451	7.7%
Allocated Overhead Costs	3,849,020	4,083,874	234,854	0.3%
Total Cost with Allocated Overhead	\$ 244,420,268	\$ 262,714,169	\$ 18,293,901	1.6%
Authorized Full-Time Positions	989	970	-19	-7.3%

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

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.

MAJOR THEMES

Utility Rate Increases

The Adopted Budget for FY 2002-03 includes an average effective retail rate increase for water service of 8.8 percent. The average single family sewer rate increase is 7.9 percent. The rate increases for water and sewer service are less than planned because of budget reductions. Solid waste collection and recycling rates are about the same as in FY 2001-02.

Bureau of Water Works

Adopted Budget

The Adopted Budget for the Bureau of Water Works (the Water Bureau) is \$89.1 million, excluding the Hydroelectric Division. This budget consists of an operating budget of \$47.7 million and a capital budget of nearly \$41.5 million. The operating budget decreased about \$5.1 million from the FY 2001-02 Revised Budget and the capital budget increased approximately \$15.4 million.

Customer Information System (CIS)

The Water Bureau's new CIS billing system is still not fully functioning since becoming operational in February 2000. The system is currently sending timely and accurate bills to approximately 96 percent of the total 160,000 accounts. The billing problems have resulted in revenue shortfalls, lost interest earnings, and potential write-offs of uncollectable bills for both the Water Bureau and the Bureau of Environmental Services (BES). In the FY 2002-03 budget, Water and BES have offset additional CIS costs by reducing their operating budgets.

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 Adopted Budget for the Bureau of Environmental Services (BES) is \$168.9 million. This budget consists of an operating budget of \$75.8 million and a capital budget of \$93.1 million. The operating budget increased about \$2.1 million compared to the FY 2001-02 Revised Budget, and the capital budget increased approximately \$5.8 million.

Combined Sewer Overflow Program

The Combined Sewer Overflow program continues to be the largest capital program, with surface water management, treatment, and maintenance and reliability being other significant areas of capital spending.

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 \$2.7 million in FY 2002-03.

**Office of Sustainable
Development****Adopted Budget**

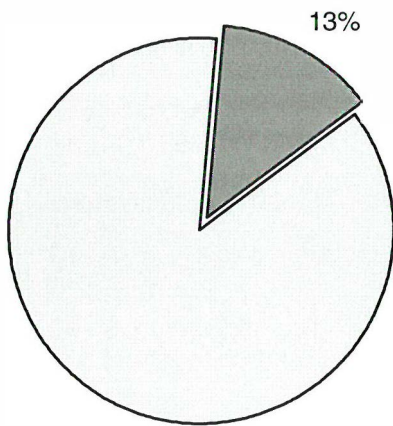
The Solid Waste and Recycling Division's Adopted Budget is \$2.9 million compared to the FY 2001-02 Revised Budget of \$3.6 million. Funding primarily supports the residential and commercial solid waste and recycling programs. Over \$500,000 is budgeted toward implementation of a commercial food waste recycling program.

Community Development

Office of Planning and Development Review
 Cable Communications and Franchise Management
 Office of Sustainable Development

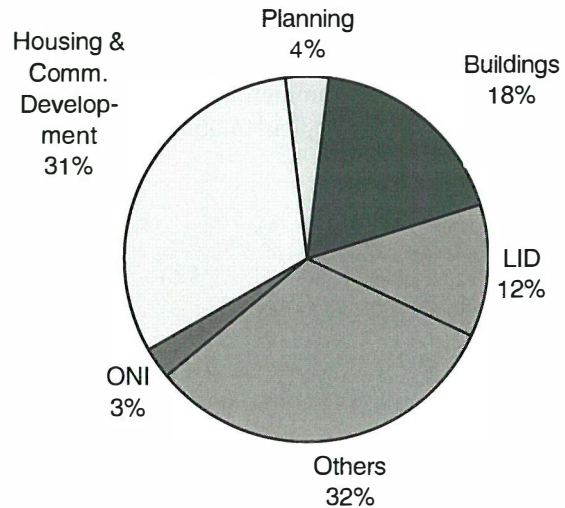
Bureau of Housing and Community Development
 Office of Neighborhood Involvement
 Bureau of Planning

Percent of City Budget
Community Development = \$185 Million



City Budget = \$1.4 Billion

Bureau Pie Chart



Service Area Overview

Expenditures in Millions	Revised FY 2001-02	Adopted FY 2002-03	Change from Prior Year	Per Capita Change
Operating	64,023,563	56,624,357	-7,399,206	-16.4%
Capital	0	0	0	0.0%
Allocated Overhead Costs	2,019,510	2,154,024	134,514	0.8%
Total Cost with Allocated Overhead	\$ 66,043,073	\$ 58,778,381	\$ -7,264,692	-15.9%
Authorized Full-Time Positions	459	437	-22	-10.0%

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, Office of Planning and Development Review, 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 \$18,207,000, a net decrease of \$258,000 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 \$468,557 in FY 2002-03, these funds will be used to support homeless programs.

Office of Planning and Development Review

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. The Adopted Budget for OPDR includes the reduction of General Fund revenues by \$1,159,000 (35%), a reduction that will impact the Neighborhood Quality and Land Use Review programs that traditionally rely on General Fund support.

To replace lost General Fund revenues, penalties for housing code enforcement violations are being increased and will generate \$370,000 in additional revenue. OPDR will also initiate a more efficient and effective process for billing nuisance abatement fees which is expected to generate an additional \$50,000 in revenue. \$354,000 of General Fund support to the Neighborhood Quality program will be replaced by revenue from the collection of additional housing and nuisance liens. In addition, fees for land use reviews will be increased 5.1% which represents cumulative CPI increases for the past two years.

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. Franchise fee revenues are expected to continue to grow with the successful settlement of the Qwest lawsuit.

The FY 2002-03 Adopted Budget reduces General Fund discretionary support by over \$145,000 from the current level. The largest effect will be a reduction in City support of Portland Cable Access, for which funding is budgeted at \$784,205 in FY 2002-03.

The office will continue to oversee open access to the Internet via cable and will implement a new City Wireless Strategy which will allow wireless facilities to use the public right-of-way. The strategy will foster competition among and between wireless carriers, bring more wireless technology to the community and create and secure employment opportunities for Portland residents.

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 2002-03 Adopted Budget includes reduced General Fund support of almost \$6,000 below current levels. Overall funding is steady as most of OSD's support comes from residential and commercial solid waste fees, grants, and charges to other bureaus.

The Adopted Budget includes funding to continue all current programs in energy efficiency, solid waste, sustainability practices, and green building. In particular, OSD will seek to improve on Portland's already nationally-recognized recycling efforts through implementation of a food waste recycling program.

Office of Neighborhood Involvement

The Office of Neighborhood Involvement provides a wide range of programs and services to encourage citizen participation and improve neighborhood and community livability. The Mayor's Adopted Budget maintains all programs and services.

Bureau of Planning

In 1999, the City Council adopted the 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. Funding for the River Plan (previously referred to as the update of the Willamette River Greenway Plan) has been added for four years. Funding in FY 2002-03 is set at \$367,000. This multi-year plan will integrate a broad array of river-related research and planning efforts. The plan will result in revised Comprehensive Plan policies that will guide the City's planning, development and investment decisions; new zoning maps; capital projects that will help the City implement the Plan; new or revised education and stewardship programs to help the community get involved with the river; and funding strategies to help the City pay for everything the plan will envision.

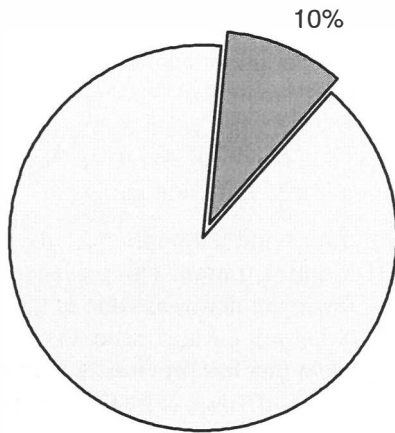
Ongoing funding is included for the River Renaissance program in the amount of \$152,000. This request supports 1 FTE to lead the work of the interbureau River Renaissance Management Team.

Transportation and Parking

Office of Transportation

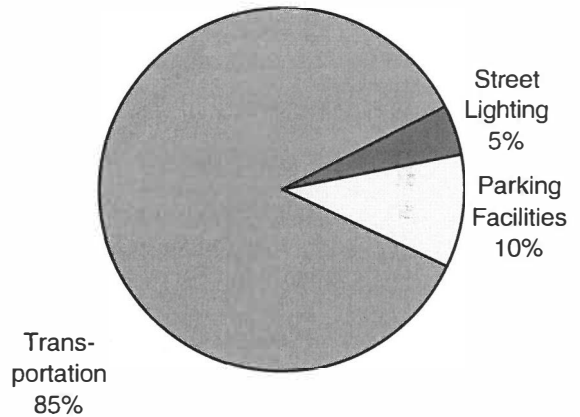
Percent of City Budget

Transportation and Parking = \$138.4 Million



City Budget = \$1.4 Billion

Bureau Pie Chart



Service Area Overview

Expenditures in Millions	Revised FY 2001-02	Adopted FY 2002-03	Change from Prior Year	Per Capita Change
Operating	81,023,130	79,781,351	-1,241,779	-6.9%
Capital	29,558,799	38,006,635	8,447,836	21.6%
Allocated Overhead Costs	2,502,755	2,492,489	-10,266	-5.8%
Total Cost with Allocated Overhead	\$ 113,084,684	\$ 120,280,475	\$ 7,195,791	0.6%
Authorized Full-Time Positions	702	694	-8	-6.5%

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

Service Area Highlights

DESCRIPTION

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 service area also includes the Parking Facilities Fund, managed by the Bureau of General Services. This fund accounts for the operation and maintenance of six of the seven City-owned parking garages in downtown Portland (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 (or Front) & Davis (Old Town) garage, the O'Bryant Square garage, and the First & Jefferson garage.

In addition to the Parking Facilities Fund, there are four bond redemption funds, managed by the Bureau of Financial Management and OMF Administration. Three of these funds, Morrison Park East, Morrison Park West, and Old Town, are not in use due to the refunding of debt. The last fund, the Parking Facilities Debt Redemption Fund, accounts for the resources and expenditures related to the refinanced debt that has previously been accounted for in the Morrison Park East, Morrison Park West, and Old Town Debt Funds. The Parking Facilities Debt Redemption fund also accounts for the resources and expenditures associated with the Central City Streetcar construction debt.

MAJOR THEMES

Portland Office of Transportation

Service Level Reductions

Portland Transportation is reducing service levels by \$5.3 million to balance revenues and requirements.

- ◆ Bureau of Maintenance cuts total \$2.5 million.
- ◆ Bureau of Transportation Systems Management cuts total \$1.6 million.
- ◆ Bureau of Transportation Engineering & Development cuts total \$556,114.
- ◆ Office of the Director cuts total \$641,914.

Reduction in General Fund Support

In FY 2002-03, General Fund discretionary will be reduced by \$345,823. This represents the 7% across-the-board reduction directed by Council for all General Fund activities.

Continuing General Fund Support

The Adopted Budget for FY 2002-03 includes \$6.4 million in General Fund support:

- ◆ \$6.0 million on-going support for street light operations and maintenance
- ◆ \$350,000 for street light capital improvements
- ◆ \$84,795 to support an apprenticeship program within the Bureau of Maintenance

Revenue Options

PDOT has identified revenue options for making certain programs self-sufficient, totalling \$182,500 in new revenues:

- ◆ Area Parking Permit Program \$170,000
- ◆ Special Events \$12,500

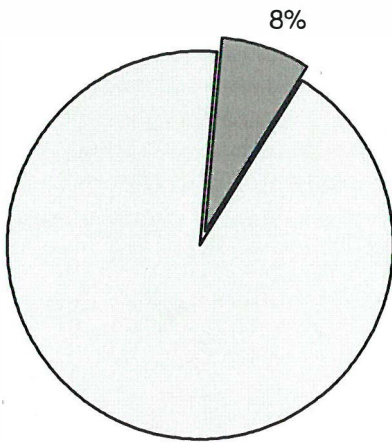
Legislative, Administrative and Support Services

Portland Development Commission
 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

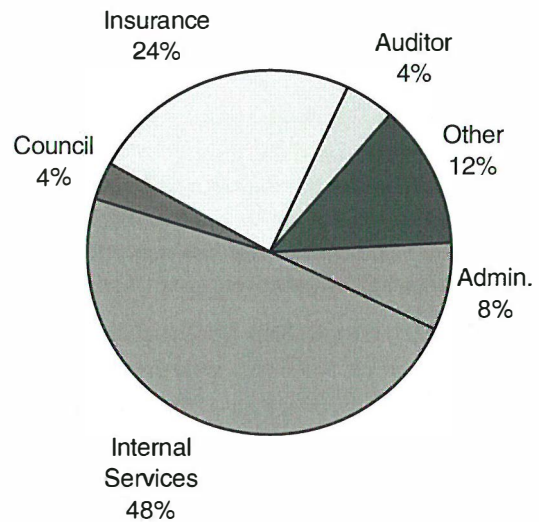
Percent of City Budget

Leg/Admin/Support Services = \$104.2 Million



City Budget = \$1.4 Billion

Bureau Pie Chart



Service Area Overview

Expenditures in Millions	Revised FY 2001-02	Adopted FY 2002-03	Change from Prior Year	Per Capita Change
Operating	186,918,455	170,514,152	-16,404,303	-13.8%
Capital	20,362,730	8,245,669	-12,117,061	-61.7%
Allocated Overhead Costs	2,712,658	2,976,245	263,587	3.7%
Total Cost with Allocated Overhead	\$ 209,993,843	\$ 181,736,066	\$ -28,257,777	-18.2%
Authorized Full-Time Positions	711	701	-10	-6.8%

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

Significant reductions in this service area were taken in administrative and support services, primarily in the Office of Management and Finance. The Adopted Budget includes changes in each of the bureaus in this service area as follows:

Attorney

The City Attorney's budget includes a 7.24% reduction from current service level which totals \$207,677. The cuts range from downgrading two authorized Senior Deputy Attorney positions to lower level positions to reductions in external materials and services.

Auditor

The Adopted Budget for the Auditor's Office includes reductions of \$162,973, funding to conduct a business survey, and partial funding to provide for Closed Captioning of City Council meetings. The Auditor's Office will also begin more aggressive collection of delinquent accounts through the foreclosure process.

Office of Management and Finance

The Office of Management and Finance made 7% reductions in its internal support and administrative services. Funding was approved to enhanced security for City Hall and to support capital projects for the Public Safety Radio System. In addition, a municipal marketing program and a new administrative fee to support the City's deferred compensation program were approved, as well as customer assistance positions for the Integrated Regional Network Enterprise.

Special Appropriations

Special Appropriations will provide one-time funding for three new efforts for FY 2002-03: a special election in the Fall to elect a new Commissioner of Public Safety; a contribution to Multnomah County for the Children's Receiving Center in Gateway, and the creation of a professional development fund for employees represented by COPPEEA.

