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CITY OF  
**PORTLAND, OREGON**

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Audit Services Division

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February 14, 1997

TO: Mayor Vera Katz  
Commissioner Jim Francesconi  
Commissioner Gretchen Miller Kafoury  
Commissioner Charlie Hales  
Commissioner Eric Sten  
Bureau Managers

Attached is a report entitled *Review of City Internal Services: Bureau of General Services*. This is the second in a series of special reports we are preparing in response to Measure 47 information demands. We worked closely with staff from the Bureau of General Services to review trends in rates and usage of services, and various ideas for reducing service demand and creating efficiencies. We recommend that bureau managers and the City Council give serious consideration to recommendations contained in the report during budget deliberations.

If you have comments or questions about the report, or need copies of past audits or studies, please call me or Audit Director Richard Tracy.

Barbara Clark, CPA  
City Auditor

Audit Team: Richard Tracy, Ken Gavette, Janis Hull, Ellen Jean



# **Review of City Internal Services:**

## **Bureau of General Services**

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February 1997

A report by the Audit Services Division  
Report #234



Office of the City Auditor  
Portland, Oregon



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# Table of Contents

## **Introduction**

|                                 |   |
|---------------------------------|---|
| Report objectives               | 1 |
| Definition of internal services | 2 |
| Scope and methodology           | 3 |

## **Review Results**

|                                  |    |
|----------------------------------|----|
| <b>1</b> Printing & Distribution | 5  |
| <b>2</b> Communications          | 11 |
| <b>3</b> Fleet Services          | 19 |
| <b>4</b> Facilities Management   | 27 |

|                                        |    |
|----------------------------------------|----|
| <b>Conclusions and Recommendations</b> | 33 |
|----------------------------------------|----|



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# Introduction

This report was prepared by the Audit Services Division of the Office of the Portland City Auditor. It was conducted in accordance with the Auditor's revised 1996-97 audit schedule published December 6, 1996. It is the second of three special reports we are preparing to address Measure 47 information demands and was not prepared in accordance with generally accepted government auditing standards. However, the work was conducted by independent, qualified professional staff and due care was taken to produce reliable and accurate information.

## **Report objectives**

The objective of this report is to provide objective information to City Council and the public to help make budget and other policy decisions. The report reviews the operations of four internal services provided by the Bureau of General Services — Printing and Distribution, Communications Services, Fleet Services, and Facilities Services. The report provides information on rates and usage trends, market comparisons and customer satisfaction, and ideas to reduce service costs.

**Definition of internal services**

Internal government services provide goods or services to other departments within the same government, or to other governments, on a cost reimbursable basis. They operate like “businesses” within the government and must charge internal customers sufficient fees to recover the full cost of the service they provide. Internal services are typically established in order to standardize and consolidate the use of services in order to better account for and control the overall costs to the government. Usually internal services are accounted for in separate funds and employ business like accounting methods. Internal service funds also help organizations accumulate resources for replacement of fixed assets such as vehicles, copiers, and radios. Internal services often include activities such as motor pools, printing, and data processing.

**Budget and staffing summary**

The staffing, expenditures and revenues for the internal services included in this review are shown below.

| <b>Internal service staffing</b> |                         |                |           |            |                                 |
|----------------------------------|-------------------------|----------------|-----------|------------|---------------------------------|
|                                  | Printing & Distribution | Communications | Fleet     | Facilities | General Services administration |
| <b>'91-92</b>                    | 25                      | 17             | 76        | 22         | 18                              |
| <b>'92-93</b>                    | 27                      | 17             | 75        | 22         | 18                              |
| <b>'93-94</b>                    | 27                      | 22             | 74        | 23         | 18                              |
| <b>'94-95</b>                    | 27                      | 26             | 74        | 24         | 17                              |
| <b>'95-96</b>                    | 27                      | 26             | 76        | 29         | 16                              |
| <b>% change</b>                  | <b>8%</b>               | <b>53%</b>     | <b>0%</b> | <b>32%</b> | <b>-11%</b>                     |

SOURCE: City of Portland Adopted Budget

**Internal service revenues \* (in millions, adjusted for inflation)**

|                 | P & D      |             | Communications |             | Fleet      |             | Facilities  |             |
|-----------------|------------|-------------|----------------|-------------|------------|-------------|-------------|-------------|
|                 | Gen Fund   | Other funds | Gen Fund       | Other funds | Gen Fund   | Other funds | Gen Fund    | Other funds |
| <b>'91-92</b>   | \$2.0      | \$1.9       | \$2.4          | \$3.3       | \$4.9      | \$9.5       | \$2.9       | \$5.3       |
| <b>'92-93</b>   | \$2.1      | \$2.1       | \$2.9          | \$2.6       | \$5.3      | \$10.0      | \$3.7       | \$6.0       |
| <b>'93-94</b>   | \$2.1      | \$2.1       | \$3.8          | \$2.9       | \$5.1      | \$9.7       | \$6.3       | \$5.3       |
| <b>'94-95</b>   | \$2.0      | \$2.0       | \$4.5          | \$3.0       | \$5.7      | \$9.1       | \$6.9       | \$7.5       |
| <b>'95-96</b>   | \$1.9      | \$2.5       | \$3.9          | \$2.8       | \$6.0      | \$8.9       | \$7.1       | \$7.5       |
| <b>% change</b> | <b>-5%</b> | <b>32%</b>  | <b>62%</b>     | <b>-15%</b> | <b>22%</b> | <b>-6%</b>  | <b>145%</b> | <b>42%</b>  |

\* service reimbursements and external revenues; excludes capital cash transfers

SOURCE: City of Portland Adopted Budget

### Scope and methodology

We limited our review of internal services to the four major services within the Bureau of General Services. We reviewed rates and expenditures for a 5 year period, from FY 1991-92 through FY 1995-1996. General Services provides services to a number of customers outside the City of Portland. We did not include statistics on the work provided to these users. Our review consisted of determining answers to six basic questions:

- is the rate methodology sound and is it clearly documented and supported?
- how have rates for common services changed over the past five years?
- how has usage of these common services changed over the past five years?

- how do internal rates compare to the outside market?
- are city customers satisfied with service performance?
- are there good ideas to reduce the costs of these services?

To answer these questions we met with the managers and staff of the Bureau of General Services and the four internal service divisions. With the assistance of managers and staff we identified the common services in each of the four service areas. We obtained and reviewed budget and rate documents, usage records, and available market tests and customer satisfaction information. We asked General Services managers and staff for their ideas on reducing costs, controlling use, and increasing efficiency.

We also met with four major users of these services - the Bureaus of Police; Fire, Rescue & Emergency Services; Parks & Recreation; and the Office of Transportation. We asked for their input on service satisfaction and ideas for reducing their internal service costs.

In some cases, we performed limited market tests and sought to obtain customer satisfaction information. However, we did not perform systematic or complete satisfaction surveys or market tests for any of the common services included in this report.

We have also recently initiated another review of the Bureau of Information Services within the Office of Finance and Administration and will complete this report shortly.

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# Chapter 1 Printing & Distribution

The Printing & Distribution (P&D) Services Division provides printing, copying and mail services to all City organizations, Multnomah County, and the Association for Portland Progress. Most services are provided at a central office located at 124 S.W. Madison. While most services are provided by in-house P&D personnel, approximately 30% of the reproduction work is performed by outside vendors when workload exceeds capacity or when specialized printing techniques or machines are needed. We included the following common services in our review:

- copy machine services
- copy center copying
- printing
- mail distribution

**Rate methodology** The rate methodology for each of these common services appears to be complete and reasonable and complies with the Interagency Agreement Policy. Rates include appropriate overhead charges for the General Fund and the Bureau's

central administration, and includes allowances for current maintenance and future replacement of equipment. However, many printing jobs beyond simple copying require different binding, color, paper, and print plates. We did not review the accuracy of print charges for these specialized print jobs. Printing & Distribution staff told us they have about 250 different rates. However, market tests supplied to us by Printing & Distribution indicate that rates are reasonable for these special jobs.

**Five year rate trends** Rates have decreased in all major areas.

| <b>Rates for common services (adjusted for inflation)</b> |                     |                 |                    |                              |                              |
|-----------------------------------------------------------|---------------------|-----------------|--------------------|------------------------------|------------------------------|
|                                                           | Copy machine copies |                 | Copy center copies | Hourly print shop labor rate | Mail distribution per unit * |
|                                                           | Full service        | Partial service |                    |                              |                              |
| <b>'91-92</b>                                             | -                   | -               | -                  | -                            | -                            |
| <b>'92-93</b>                                             | 3.514               | 2.724           | 2.624              | \$46.99                      | \$603                        |
| <b>'93-94</b>                                             | 3.504               | 2.704           | 2.544              | \$45.58                      | \$580                        |
| <b>'94-95</b>                                             | 3.394               | 2.624           | 2.474              | \$44.20                      | \$588                        |
| <b>'95-96</b>                                             | 3.504               | 2.554           | 2.404              | \$44.00                      | \$591                        |
| <b>% change</b>                                           | <b>0%</b>           | <b>-6%</b>      | <b>-8%</b>         | <b>-6%</b>                   | <b>-2%</b>                   |
| <b>Current rate</b>                                       | 3.504               | 2.554           | 2.404              | \$44.00                      | \$612                        |

\* a "unit" is a standard measure for the amount and difficulty of mail service

SOURCE: Bureau of General Services.

**Five year usage trends**

City bureaus are using more P&D services.

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**Budgeted usage of common services \* (adjusted for inflation)**


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|                     | Printing    |              | # of<br>self-service<br>copies | Mail distribution |
|---------------------|-------------|--------------|--------------------------------|-------------------|
|                     | In-house    | Vended       |                                | # of units        |
| <b>'91-92</b>       | -           | -            | -                              | -                 |
| <b>'92-93</b>       | -           | -            | -                              | -                 |
| <b>'93-94</b>       | \$1,110,362 | \$510,254    | 13,549,708                     | 494.1             |
| <b>'94-95</b>       | \$1,278,684 | \$524,560    | 16,606,706                     | 639.0 **          |
| <b>'95-96</b>       | \$1,296,677 | \$522,084    | 16,829,483                     | 664.0             |
| <b>% change</b>     | <b>+17%</b> | <b>+2.3%</b> | <b>+24%</b>                    | -                 |
| <b>Current year</b> | \$1,353,373 | \$550,260    | 16,974,993                     | 664.3             |

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\* Usage statistics for City organizations only.

\*\* Changed method of calculating units of service. Actual demand changed only slightly.

SOURCE: Interagency Agreements (BUD-5s).

Vended printing data is from Bureau of General Services.

**Comparison to  
market prices**

P&D prices appear very competitive. Our quick survey of per page copy prices at local print shops showed that P&D per sheet copy prices are lower by almost 50 percent — 6¢ per copy versus 4¢ at a City office copy machine and 2.4¢ at the City copy center. One local shop told us they could be more competitive if the City would enter into a large volume contract. However, the City P&D Division successfully competed with private vendors for Multnomah County's copy and other print services in 1991. Based on this formal bid Multnomah County has awarded copy and print services to the P&D Division for the past 6 years. Work done for other agencies is an important part of P&D work that helps reduce per unit costs.

P&D also uses competitive bidding to vend out about 30% of their printing work that they are too busy to do or that requires special work. In many cases P&D estimates its own costs for doing the same jobs. According to material submitted to us, P&D estimates that they could perform much of this work at a lower cost.

**Customer satisfaction** Printing & Distribution generally lacks up-to-date information on their customers' satisfaction with services. Customer surveys were performed several years ago and customers appeared generally satisfied. However, very few customers responded to more recent point-of-service questionnaires. Our interviews with staff from four bureaus showed mixed satisfaction. While most indicated satisfaction with P&D services, others complained that collaboration and communication was difficult.

**Ideas for reducing costs** Printing & Distribution staff suggested several ideas for creating efficiencies and reducing costs. Individual bureau staff we spoke with had reactions to those ideas and offered some of their ideas for reducing P&D costs.

**Bureaus should reduce the use of local purchase orders to buy printing services from outside vendors.**

While P&D staff do not know how often bureaus use private quick copy shops, the City copy center can make copies at a significantly lower cost. Bureau staff, on the other hand, told us they use private copy shops when they need quick turnaround.

**Bureaus should submit print jobs to P&D in a digital format.**

P&D staff said this would speed turnaround time, improve quality, and reduce errors. Bureau staff were supportive of this idea but may need help and assistance in preparing documents in digital format.

**Bureaus should use less expensive printing processes.**

While some bureau staff were supportive, others said that more expensive print methods help communicate complex information better to the public and Council.

**Observations**

Bureau staff we interviewed were generally satisfied with P&D services and prices. P&D has made an effort in recent years to communicate its services and rates to customers using brochures and open houses. Although P&D staff told us that they received very little response to these efforts, we believe satisfaction could be improved with more effective communication and cooperation with users.

Successful implementation of cost saving ideas may rest on how well P&D can demonstrate to bureaus that its services are quick and convenient. In addition, more technical assistance should help bureaus submit print jobs in digital format.



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## Chapter 2 Communications

The Communications Services Division operates and maintains the City's telecommunications, radio, 800 MHz trunking system, and other electronic systems. Division headquarters and the radio maintenance shop are located at the Portland Communications Center at 3732 SE 99th Ave. The most common services provided by Communications Services are:

- telephones
- radios and radio repair
- cell phones
- pagers

**Rate methodology** The rate methodology for each of these common services appears to be complete and reasonable and complies with the Interagency Agreement Policy. Rates include appropriate overhead charges for the General Fund and the Bureau's central administration, and includes allowances for current maintenance and future replacement of equipment.

While the Division calculates the actual cost of service for each specific item, and total division revenue is sufficient to recover all costs, rates charged for many individual services within the division do not reflect actual cost of service. For example, the rate for telephone lines is set higher than the cost of service. This revenue subsidizes lower rates for the 800 MHz radio system. Labor charges for radio maintenance and telecommunications are also set lower than actual costs. One of the Division's goals is to eventually eliminate subsidies and make all services self-sustaining.

### Five year rate trends

Rates for some services declined and others increased modestly. The table below shows rate changes for the major service areas.

| Annual telephone rates (adjusted for inflation) |            |       |               |
|-------------------------------------------------|------------|-------|---------------|
|                                                 | Telephones |       | Cell phones * |
|                                                 | Line       | Set   |               |
| '91-92                                          | \$436      | \$107 | \$148.20      |
| '92-93                                          | \$337      | \$94  | \$85.80       |
| '93-94                                          | \$334      | \$91  | \$83.20       |
| '94-95                                          | \$324      | \$87  | \$80.40       |
| '95-96                                          | \$325      | \$87  | \$78.00       |
| % change                                        | -25%       | -19%  | -47%          |
| Current rate                                    | \$312      | \$78  | \$78.00       |

\* does not include air time charges.

SOURCE: Bureau of General Services budget documents

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**Annual radio and pager rates (adjusted for inflation)**


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|                     | Public safety radios |            | Trunk<br>access fee | Pagers      |             |
|---------------------|----------------------|------------|---------------------|-------------|-------------|
|                     | Portable             | Mobile     |                     | Equipment*  | Admin       |
| <b>'91-92</b>       | -                    | -          | -                   | \$159       | -           |
| <b>'92-93</b>       | -                    | -          | -                   | \$127       | -           |
| <b>'93-94</b>       | -                    | -          | -                   | \$126       | \$18        |
| <b>'94-95</b>       | \$296                | \$264      | \$247               | \$122       | \$21        |
| <b>'95-96</b>       | \$297                | \$267      | \$240               | \$119       | \$20        |
| <b>% change</b>     | <b>+0%</b>           | <b>+1%</b> | <b>-3%</b>          | <b>-25%</b> | <b>+11%</b> |
| <b>Current rate</b> | \$311                | \$282      | \$280               | \$64        | \$20        |

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\* PD1 model pager

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**Other hourly rates (adjusted for inflation)**


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|                     | Engineering | Electronic<br>maintenance | Telecomm.<br>labor |
|---------------------|-------------|---------------------------|--------------------|
| <b>'91-92</b>       | \$70        | \$69                      | \$64               |
| <b>'92-93</b>       | \$70        | \$70                      | \$70               |
| <b>'93-94</b>       | \$71        | \$71                      | \$68               |
| <b>'94-95</b>       | \$71        | \$71                      | \$66               |
| <b>'95-96</b>       | \$71        | \$71                      | \$65               |
| <b>% change</b>     | <b>+1%</b>  | <b>+3%</b>                | <b>+2%</b>         |
| <b>Current rate</b> | \$74        | \$74                      | \$65               |

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SOURCE: Bureau of General Services budget documents

### Five year usage trends

Bureaus are using communication services significantly more. The table below shows the increases in specific areas.

#### Telephone usage

|              | # Lines    |               | Office phones | Cell phone minutes/mo. |
|--------------|------------|---------------|---------------|------------------------|
|              | Telephones | Cell phones * |               |                        |
| '91-92       | 3,515      | 350 (est.)    | 2,400 (est.)  | 79,166                 |
| '92-93       | 3,966      | 826           | 2,907         | 141,250                |
| '93-94       | 5,150      | 1,011         | 3,424         | 228,333                |
| '94-95       | 5,340      | 1,379         | 3,775         | 263,864                |
| '95-96       | 5,689      | 1,675         | 3,938         | 291,379                |
| % change     | +62%       | +379%         | +64%          | +268%                  |
| Current year | 6,046      | 1,836         | 4,080         | 337,931                |

\* The number of cell phone lines and cell phone sets are equal.

SOURCE: Communications Services Division

#### Radio and pager usage

|              | All radios | Pagers |
|--------------|------------|--------|
| '91-92       | 1,835      | 835    |
| '92-93       | 1,910      | 999    |
| '93-94       | 2,913      | 1,090  |
| '94-95       | 2,865      | 1,338  |
| '95-96       | 2,131      | 1,518  |
| % change     | +16%       | +82%   |
| Current year | 2,785      | 1,624  |

SOURCE: Bureau of General Services

**Comparison to  
market prices**

The Division's prices for pagers and telephone service appear lower than other providers, but radio shop rates are slightly higher than other area shops.

A survey of the prices of pagers and radio repair shop labor rates showed that pager equipment costs were lower than six other contractors, but radio shop rates were about 6% higher than the average of six local shops contacted. While no formal surveys have been done of telephone and cell phone rates, the Telecommunications Manager says that informal contacts with US West, the State of Oregon and a few other cities show that City rates are well below others.

Radio shop staff told us that while hourly rates are high, total repair bills are low because work is completed efficiently, and the shop does not charge overtime rates for off-hours work.

**Customer satisfaction**

While some information indicates that customers are happy with communication services, the Division generally lacks complete information on customer satisfaction. A 1995 survey showed about 79% of customers were satisfied with cell phone service, and on-going point-of-service surveys indicate satisfaction with pager services. However, the Division lacks systematic and summarized customer satisfaction information on telephone and radio users. Division staff told us that telephone users have been surveyed in the past but they were unable to provide the survey results.

Bureau staff we talked to generally indicated satisfaction with communication services.

**Ideas for reducing costs**

Communications Services staff suggested several ideas for creating efficiencies and reducing costs. Individual bureau staff we spoke with had reactions to those ideas and offered some of their own ideas for reducing Communications' costs.

**Bureaus should identify and eliminate unneeded/low use telephones lines.**

Bureau representatives were responsive to this idea. The Fire Bureau also indicated they would move fewer phone sets and carefully scrutinize requests to move phone lines this year.

**Bureaus should reduce the use of cell phones and pagers, and adopt policies to monitor and control them.**

Additional measures may be needed to review individual cell phone calls with particular attention to those employees with excessive air time charges. The Fire, Police and Transportation bureaus told us they do have policies on cell phone use and that they do review individual usage. In addition, the Police Bureau is proposing to reduce cell phone use in patrol cars to save about \$200,000 per year. The Fire Bureau also said they plan to reduce the number of cell phones by one-half and place a dollar amount restriction on air time charges for each employee.

**Explore opportunities to reduce time and costs of wiring public safety vehicles by consolidating electrical work at one location.**

**Observations** Generally, bureaus are satisfied with Communications' prices and customer service. However, bureaus want more information on repair and maintenance charges in order to monitor and control communication resources. More formal and frequent assessments of customer satisfaction and needs could also help Communications identify ways to improve service and help bureaus better manage their operations.



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## Chapter 3 Fleet Services

The Fleet Services Division purchases, maintains, repairs and disposes of vehicles and equipment owned, leased, and rented by the City. The Division provides service at 8 garages throughout the City. In addition, there is a downtown motorpool where vehicles can be checked out for short-term use. There are currently 2,321 vehicles in the Fleet inventory.

The services used most commonly by bureaus are:

- assigned vehicles — purchase, routine maintenance and replacement
- hourly mechanical work
- hourly body & paint work

**Rate methodology** The rate methodology for commonly used fleet services appears to be reasonable and well documented in most respects. However, the methodology for collecting funds for future replacement of assigned vehicles may need improvement.

Fleet Services has made improvements to the assigned vehicle rate methodology over the past five years. The most recent change involved crediting interest earnings to replacement and operating rates. In FY 1995-96 interest earnings were approximately \$780,000.

Additional refinements may be in order. The replacement rate methodology uses an average of past salvage revenues to offset current rates. However, the historical salvage value may not always be a good estimate. For example, in FY 1996-97, used police patrol sedans at the end of their life cycle were sold for an average of \$8,183; the historical average used to offset the replacement rate was \$5,201. If the rate were computed with the higher resale value, the Police Bureau would pay about \$1,000 less per year per patrol car. The potential budget reduction of the Police Bureau's 238 patrol cars would be \$238,000. A more thorough review of rates and salvage values should be done to determine if this is an isolated occurrence or if the current rate methodology should be adjusted.

### Five year rate trends

Rates have decreased for labor and most assigned vehicles.

| <b>Rates for hourly labor (adjusted for inflation)</b> |                      |                        |
|--------------------------------------------------------|----------------------|------------------------|
|                                                        | Hourly<br>mechanical | Hourly<br>body & paint |
| '91-92                                                 | \$56.80              | \$61.34                |
| '92-93                                                 | \$57.93              | \$62.30                |
| '93-94                                                 | \$55.12              | \$60.42                |
| '94-95                                                 | \$53.46              | \$60.65                |
| '95-96                                                 | \$54.00              | \$60.00                |
| % change                                               | -5%                  | -2%                    |
| Current rate                                           | \$56.50              | \$62.50                |

SOURCE: Fleet Services Division

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**Annual rates for selected assigned vehicles (adjusted for inflation)**


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|                     | Sedan       | Patrol car | 1/2 ton pickup | Dump truck | Street sweeper |
|---------------------|-------------|------------|----------------|------------|----------------|
| '91-92              | \$2,806     | \$9,717    | \$3,303        | \$11,092   | \$83,710       |
| '92-93              | \$2,688     | \$10,102   | \$3,208        | \$12,465   | \$71,146       |
| '93-94              | \$2,353     | \$8,857    | \$2,842        | \$12,013   | \$58,908       |
| '94-95              | \$2,263     | \$8,590    | \$2,976        | \$13,192   | \$54,188       |
| '95-96              | \$2,393     | \$9,334    | \$2,672        | \$10,067   | \$73,752       |
| <b>% change</b>     | <b>-15%</b> | <b>-4%</b> | <b>-19%</b>    | <b>-9%</b> | <b>-12%</b>    |
| <b>Current rate</b> | \$2,509     | \$8,860    | \$2,899        | \$17,850   | \$68,069       |

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SOURCE: Fleet Services Division

**Five year usage trends**

Bureaus are using more fleet services.

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**Usage of common fleet services**


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|                 | Assigned vehicles |                   | Mechanical * |               | Body & paint * |               |
|-----------------|-------------------|-------------------|--------------|---------------|----------------|---------------|
|                 | Total vehicles    | Vehicles/employee | Total hours  | Hours/vehicle | Total hours    | Hours/vehicle |
| '91-92          | 1,986             | .434              | 18,952       | 11.8          | 7,162          | 4.5           |
| -               | -                 | -                 | -            | -             | -              | -             |
| '95-96          | 2,321             | .466              | 23,924       | 12.8          | 9,031          | 4.8           |
| <b>% change</b> | <b>+17%</b>       | <b>+7%</b>        | <b>+26%</b>  | <b>+9%</b>    | <b>+71%</b>    | <b>+9%</b>    |

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\* includes 6 largest users only (Transportation, Police, Water, Environmental Services, Parks, Fire)

SOURCE: Fleet Services Division

**Comparison to  
market prices**

Fleet Services has done some market testing of their repair rates. However, no market testing has been done for their largest service — the purchase, routine maintenance and replacement of assigned vehicles.

A simple market test of hourly mechanical labor rates has been done, with mixed results. Information collected by Fleet in 1997 shows that the current City Fleet mechanical labor rate is:

- higher than Multnomah County and Washington County
- lower than local car dealers and heavy truck repair shops, and
- comparable to equipment repair shops

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**Hourly mechanical labor rates, 1997**

|                                      |                     |                        |         |
|--------------------------------------|---------------------|------------------------|---------|
| <b>City of Portland:<br/>\$56.50</b> | Local governments:  | Washington County      | \$41.50 |
|                                      |                     | Multnomah County       | \$46.00 |
|                                      | Car dealers:        | Coliseum Ford          | \$64.00 |
|                                      |                     | Timberline Dodge       | \$60.00 |
|                                      |                     | Ron Tonkin Chevrolet   | \$63.00 |
|                                      | Heavy truck repair: | Brattain International | \$61.00 |
|                                      |                     | Diesel Service Unit    | \$61.25 |
|                                      |                     | Northside Ford         | \$60.00 |
|                                      |                     | Roberts Motors         | \$58.00 |
|                                      | Equipment repair:   | Halton Tractor         | \$54.00 |
|                                      |                     | Hessel Tractor         | \$52.00 |
|                                      |                     | Columbia Equipment     | \$49.50 |

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SOURCE: Fleet Services Division

An extensive market test done by Fleet for body & paint work on police cars concluded that City prices are lower. In 1995 and 1996, Fleet asked professional appraisal companies and outside repair shops to estimate repair costs for 27 damaged police cars. The vehicles were then repaired in-house, and the final City costs were compared to the estimates. The six appraisals were all more expensive than the actual City repairs; three were more than twice what the City spent. Nine of the 21 jobs estimated by repair shops were more expensive than the City, while on 12 jobs the City work was comparable or more costly.

We believe this market test may not be a reliable indicator of relative cost. The actual work performed by City body & paint staff was not the same as that costed by the appraisers or outside shop estimators. The City routinely performed less work and replaced many fewer parts than the estimates. Therefore, outside estimates appear higher because they were based on more work.

**Customer satisfaction**

A recent Fleet Division survey indicates that customers are pleased with the quality of repair and maintenance work. Bureau representatives we talked to also expressed satisfaction with the condition and availability of fleet equipment. However, user bureaus are not as satisfied with billing and purchasing procedures. Bureaus complained about poor communication, lack of understanding of rates and repair work done, and purchasing methods. These concerns were also expressed in our 1987 performance audit.

Drivers appear to be very satisfied with repairs done on an hourly basis. A limited survey of drivers visiting a fleet garage for mechanical repair and/or body & paint work was done in August of 1996. The 93 surveys were unanimous in stating "Yes" to 5 questions (courteous & professional?, understood problem?, vehicle ready when promised?, problem was corrected?, any questions answered?). Fleet managers plan to repeat the survey during February, 1997.

**Ideas for reducing costs**

In interviews with Fleet staff and user bureau staff, we collected a number of ideas for reducing costs and increasing efficiency.

**Reduce the number of assigned vehicles**

Reducing the number of assigned vehicles can be achieved by pooling or sharing of vehicles within a bureau, pooling or sharing between bureaus that may have different shifts or work seasons, and reducing the number of take-home cars. Although bureau staff agree with these approaches, most think these actions have been taken.

**More rotation within bureaus of high- and low-use vehicles, to reduce maintenance costs**

User bureaus agree, but think most of this has been done.

**Purchase less expensive and sophisticated vehicles and equipment**

User bureaus emphasized that added sophistication can pay for itself in saved personnel costs.

### **Increase standardization of vehicles and equipment to reduce purchase and maintenance costs**

User bureaus believe that too much standardization results in equipment that is inappropriate or inadequate for their work, thus increasing costs.

### **Clarify and improve purchasing procedures**

Fleet managers believe they could lower costs if they were aware earlier of users' needs, allowing them to plan purchases to take advantage of dealers' seasonal discounts. We were told that bureaus do not always notify Fleet to initiate purchases; rather, they incorrectly assume that having funds approved in their budgets triggers the purchasing procedure. Purchases can therefore be delayed many months. Fleet managers also believe they could lower on-going maintenance costs by early involvement in determining vehicle specifications most appropriate for the intended use.

### **Consolidate fire truck and engine maintenance in Fleet Services**

Fleet Services believes they can provide this service at lower cost, but Fire managers express serious concerns about whether lower costs and good quality could be achieved.

**Observations** Customers appear satisfied with the condition and availability of Fleet equipment and the quality of repair service. However, user bureaus have expressed a common concern about the lack of effective communication and collaboration with Fleet management.

Users complained about insufficient detail on billings, lack of history on vehicle repairs, the inability to track gas use and mileage by vehicle, and unresponsiveness to information requests. Bureau managers feel handicapped in efforts to improve their use of fleet services without more complete management information from Fleet.

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## Chapter 4 Facilities Services

The Facilities Services Division has full or partial responsibility for the operation and maintenance of 54 facilities. The Division acquires, disposes and manages real property, and provides project management expertise to City bureaus. The services most commonly used by bureaus include:

- office space management and rental
- facilities maintenance
- property management
- project management

Facility Services staff are headquartered in the Portland Building but maintenance and management staff travel to a number of buildings and facilities to provide services.

**Rate methodology** The methodology used by Facilities Services to determine rates appears to be reasonable and adequately documented. Rates include all necessary cost components. The method-

ology complies with the Interagency Agreement Policy. Rates for all services are based on five-year averages and documentation is available for components of the methodology, such as overhead, where appropriate.

## Five year rate trends

Rates for common services have remained fairly stable over the past five years.

### Hourly rates for common facilities services (adjusted for inflation)

|              | Property<br>management | Project<br>management | Facilities<br>maintenance |
|--------------|------------------------|-----------------------|---------------------------|
| '91-92       | \$47.71                | \$59.07               | \$44.30                   |
| '92-93       | \$48.09                | \$60.12               | \$44.81                   |
| '93-94       | \$48.76                | \$61.48               | \$45.58                   |
| '94-95       | \$48.32                | \$61.68               | \$47.29                   |
| '95-96       | \$48.00                | \$60.00               | \$47.00                   |
| % change     | +1%                    | +2%                   | +6%                       |
| Current rate | \$49.50                | \$62.00               | \$48.50                   |

SOURCE: Facilities Services Division

### Rental rates (adjusted for inflation)

|              | Rental space (per sq ft) |           |
|--------------|--------------------------|-----------|
|              | Portland Bldg            | City Hall |
| '91-92       | \$17.29                  | \$11.38   |
| '92-93       | \$17.40                  | \$12.27   |
| '93-94       | \$17.00                  | \$11.97   |
| '94-95       | \$17.08                  | \$12.03   |
| '95-96       | \$17.14                  | \$12.07   |
| % change     | -1%                      | +6%       |
| Current rate | \$17.77                  | \$14.87   |

SOURCE: Facilities Services Division

**Usage trends** Bureaus are using more square footage of space but less management and maintenance services.

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**Building square footage (owned and leased)**


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|                 | Office space |                | Police facilities | Other facilities |
|-----------------|--------------|----------------|-------------------|------------------|
|                 | Owned        | Leased         |                   |                  |
| <b>'92-93</b>   | 338,729      | 10,337         | 286,530           | 31,647           |
| -               | -            | -              | -                 | -                |
| <b>'97-98</b>   | 338,729      | 157,685 *      | 340,343           | 73,491           |
| <b>% change</b> | <b>0%</b>    | <b>+1,425%</b> | <b>+19%</b>       | <b>+132%</b>     |

\* includes 69,095 square feet in interim City Hall;  
percent change would be +757% if excluded.

SOURCE: Facilities Services Division

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**Usage of common facilities services**


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|                 | Property management | Project management | Facilities maintenance |
|-----------------|---------------------|--------------------|------------------------|
| <b>'91-92</b>   | 922                 | 2,004              | 22,633                 |
| <b>'92-93</b>   | 758                 | 2,355              | 23,284                 |
| <b>'93-94</b>   | 500                 | 1,537              | 23,064                 |
| <b>'94-95</b>   | 1,277               | 1,300              | 23,211                 |
| <b>'95-96</b>   | 347                 | 1,228              | 21,459                 |
| <b>% change</b> | <b>-62%</b>         | <b>-39%</b>        | <b>-5%</b>             |

SOURCE: Facilities Services Division

**Comparison to market prices**

Compared to the average downtown office space rent, the City pays a relatively low rate per square foot. According to a Grubb & Ellis market analysis, average downtown rent per square foot was \$18.20 in 1996 compared to the Portland Building's FY 1995-96 rental rate of \$17.14 and the City Hall rate of \$12.07. Furthermore, the Portland Building's FY 1996-97 rental rate (\$17.77) and City Hall's rate (\$14.87) are again below the Grubb & Ellis January 1997 City-wide average of \$18.06 for class A buildings.

Facilities Services conducted an informal market test of property management hourly rates in 1991. Although comparison of property management costs are difficult because organizations define the duties differently, Facilities Services FY 1991-92 hourly rate of \$42.00 was at the low end of the range of twelve other private agencies. These agencies charged between \$38 and \$110 per hour for property management.

**Customer satisfaction**

Facilities Services lacks information on their customers' satisfaction. Facilities Services has plans to administer two customer satisfaction surveys in February 1997. One survey will be utilized as a response to work performed or requested by a bureau. The other survey will be sent to contacts throughout the City who can respond to questions about project management, facilities maintenance, property management, and building operations. The second survey is being developed by an outside contractor and is intended to be distributed, collected, and analyzed annually.

## **Ideas for reducing costs**

Facilities Services managers and bureau users offered the following ideas and input for reducing costs and increasing efficiencies.

### **Encourage bureaus to use space standards to maximize space efficiency**

According to Facilities, both PDC and the Bureau of Licenses used space standards in their recent move to a new building. The standards helped use space well and save costs.

### **Consolidate and centralize Parks and Fire Bureau facilities management in Facilities Services**

Both the Fire and Parks Bureaus employ separate staff to maintain their facilities. Consolidating this staff with Facilities Services may produce General Fund savings while maintaining service levels. However, the Fire Bureau indicated to us that Facilities Services has not provided evidence that the change would produce a cost savings or maintain current service levels. The Fire Bureau works closely with Facilities on capital planning and have open, positive communications with Facilities Services.

### **Automate maintenance workload scheduling**

An automated scheduling system is intended to help the Division use maintenance staff time more efficiently.

### **Reduce maintenance employee sick leave and workers compensation costs**

Facilities hopes to moderate maintenance rates by controlling employee injury and sick leave.

**Coordinate with Risk Management to ensure more efficient conversion to modular and ergonomic office furniture**

**Explore opportunities to provide property and project management services to the Bureau of Parks & Recreation**  
Facilities Services has offered property and project management services but the Parks Bureau prefers to use and develop Parks staff.

**Observations** Facilities Services has begun to implement several cost savings ideas and are developing customer satisfaction surveys.

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# Conclusions and Recommendations

**Conclusions** Based on our review of four major internal services in the Bureau of General Services, we conclude:

- the methods used to establish internal service rates appear reasonable and well supported.
- rates for most commonly used internal services have either declined or remained steady with inflation over the past five years.
- City bureaus are using significantly more internal services than they did five years ago.
- many internal services are priced very competitively. However, without more reliable and frequent market comparisons it is difficult to determine if all prices are competitive.
- information on customer satisfaction is limited. Our conversations with user bureaus indicated satisfaction with quality of service, but there were consistent complaints about poor communication on billing and purchasing.
- while there are a variety of good ways to reduce the costs of internal services, the most significant opportunity is to lower service use.

**Recommendations** In order to reduce overall City costs and improve the quality of internal services, we recommend that:

1. City bureaus should reduce the use of internal services. Opportunities include pooling vehicles and equipment, reducing cell phones and pagers, and eliminating little-used telephones and lines. Cost savings may require reductions in General Services operations as well as City bureau usage.
2. General Services should more systematically test the competitiveness of internal service prices to the private market and involve user bureaus in the test design. Adopt alternative delivery options if good quality and lower prices can be achieved.
3. General Services should perform more frequent and complete assessments of customer needs and satisfaction.
4. City bureaus and General Services should emphasize a more constructive and collaborative approach to managing internal services that uses a team approach to controlling rates, use, and costs.



