

The City Review

From the Office of the Portland City Auditor

January 1998

Performance is improved says annual auditor's report

■ Most bureaus meet goals and satisfy residents, but important problems remain

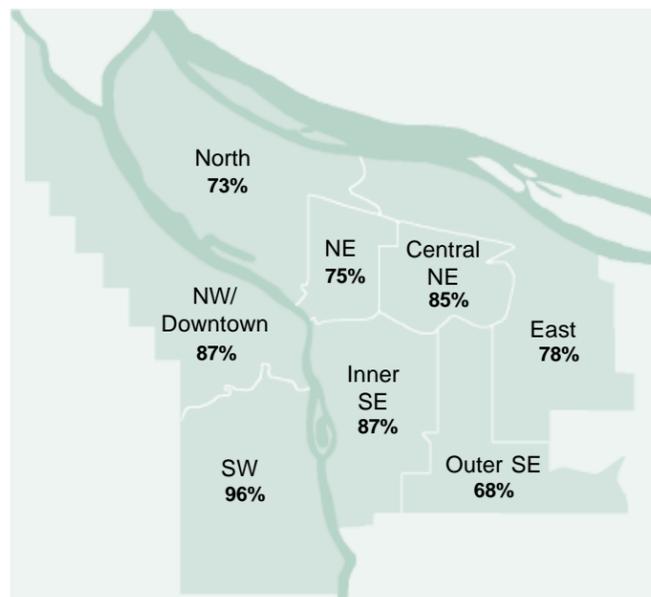
The results are in, and most City bureaus are doing better than they did nine years ago, according to the seventh annual performance report prepared by City Auditor Barbara Clark.

The report, entitled *Service Efforts and Accomplishments*, is published by the Audit Services Division of the City Auditor's Office. The report measures bureau performance against standards, goals, and six similar cities. It also includes results of a random survey of Portland residents.

The survey, conducted in September and October 1997, asked over 10,000 residents how they felt about services such as parks, garbage and recycling, and traffic and neighborhood safety.

According to the report, some of the positive results achieved by the City over the past nine years include:

- Residents in all neighborhood areas feel safer during the day and at night.
- The number of crimes and structural fires per capita declined.
- Drinking water meets all federal and City standards.
- Parks are maintained better.



Most Portland residents rate their neighborhood livability "good" or "very good". The percentages vary by neighborhood.

Source: City Auditor's 1997 Citizen Survey

- Residents believe their neighborhoods are more livable.

But not all the news is positive. The report also highlights some problems that have worsened in the past several years.

- More City streets need repair and are in poor condition.
- People are dissatisfied with neighborhood traffic safety and congestion.
- Housing affordability declined for both owners and renters.
- Response time to fires is slower.

More on service results on Page 2

What's Inside

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Service Results

How well do City programs meet goals and desired results?

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Is the City in good financial shape? Any problems?

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Costs & Revenues

How much do City services cost and how do we pay for them?

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City spending is up

■ Higher spending is fueled by a 33 percent increase in revenues

The City of Portland's operating expenditures increased 30 percent over the past ten years, even after adjusting for inflation.

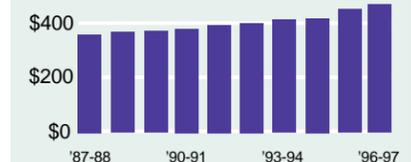
According to audited financial statements produced by the Office of Finance and Administration, the City spent \$360 million in 1987-88; this grew to \$468 million in 1996-97.

General operating expenditures represent the largest discretionary part of the City's budget, but exclude capital spending, utilities, and other enterprise functions.

During this period, the number of City employees also increased from 4,532 to 4,955 – a 9 percent rise. However, the number of employees per 1,000 residents actually declined because Portland's population increased.

Operating expenditures up 30%

(in millions, adjusted for inflation)



Compared to other cities, Portland spends more than average on fire, police, parks and sewers, but less on water services.

The higher spending was supported by a 33 percent increase in revenues. Property taxes, user charges, and business license fees all increased since 1987-88.

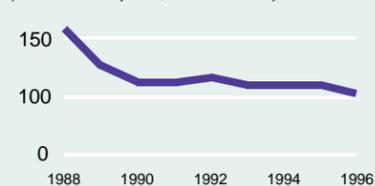
However, due to tax limitations, property taxes now provide a smaller part of total operating revenues than they did 10 years ago.

More on costs and revenues on Page 4

Performance Trends

City crime rate drops

(Part I crimes per 1,000 residents)



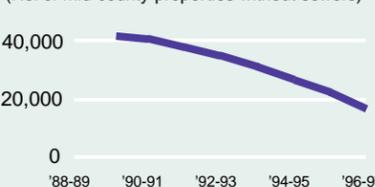
Backlog grows above target level

(Lane miles of streets in paving backlog)



Fewer homes need sewers

(No. of mid-county properties without sewers)



More renters with cost burden

(% renters who pay over 50% of income in rent)



Satisfaction with parks increases

(percent of citizens rating parks good/very good)



Fires per capita decline

(Structural fires per 1,000 residents)



Financial health is sound

The financial health of the City of Portland is very strong, according to staff from the Portland City Auditor's Office.

Aided by growing revenues, cash reserves, and relatively low debt, Portland's financial condition continues to remain solid, despite property tax cuts in 1991-92 and 1997-98.

The strong Portland economy is a primary factor for the good times. Unemployment is at a 20-year low,

property values are up, and income per capita increased about 10 percent from 1987 to 1995.

However, some negative trends persist. Unfunded fire and police pensions continue, and the City has growing needs to repair and replace "older" assets, such as fire stations, streets and traffic signals.

More on financial health on Page 3

A Message from Portland's City Auditor

The purpose of *The City Review* is to improve the City's accountability to the public. It provides objective and easy to read information on City government performance.

The information contained in this report is drawn from the following documents prepared by my Audit Services Division and by the Office of Finance and Administration:

Service Efforts and Accomplishments, 1996-97

Comprehensive Annual Financial Reports, Fiscal Years 1988-1997

My audit staff and the accounting firm of KPMG Peat Marwick have independently reviewed and audited the source data in these reports. More complete information is available by calling the numbers below, or by visiting the web-sites listed.

I hope the financial and performance information in *The City Review* helps citizens of Portland better understand the efforts and accomplishments of their city.

Sincerely,

Barbara Clark, CPA
City Auditor
Portland, Oregon

For further information

General City Information
823-4000

City Budgets & Financial Reports:
823-5288
www.ci.portland.or.us/finance

City Audits & Performance Reports:
823-4005
www.ci.portland.or.us/auditor/pdxaudit.htm

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PUBLIC SAFETY

Residents feel safer walking in their neighborhoods, survey says

■ **Although fewer crimes and fires increase feelings of safety, Portland has more incidents than other cities**

According to the City Auditor's 1997 Citizen Survey, Portlanders feel safer walking alone in their neighborhoods, both during the day and at night, than they did seven years ago when first surveyed.

Eighty-five percent of those who responded to the survey feel safe or very safe during the day, up from 77 percent in 1991. Feelings of safety are lower at night, but still much higher than seven years ago.

Improvements may be due to significant declines in the number of crimes reported. Serious crimes declined 9 percent last year, and by more than 25 percent the past nine years.

Fire safety also has improved. Fires per capita dropped 30 percent as well as property losses due to fires. The number of deaths from fires has remained largely unchanged.

TRANSPORTATION

Street conditions getting worse as use increases

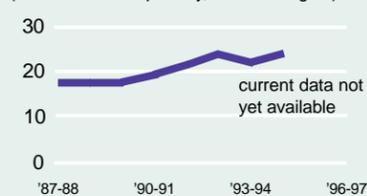
Portland's streets are in worse condition now than they were nine years ago, according to street maintenance inspections. Over 21 percent of streets are rated in poor condition and the backlog of repair work has grown by 6 percent.

Citizen satisfaction with street maintenance also declined by about 5 percent in 1997. Many residents also expressed dissatisfaction with City traffic safety and congestion.

As street conditions decline, use has increased. The total miles driven by commuters is up by 21 percent. The most common mode of transportation to work in 1997 was driving alone in a car.

More vehicle use affects air quality

(millions of miles per day, in Metro region)



Transportation mode of residents who work outside the home

Drive alone	71%
Drive with others	8%
Bus or max	10%
Drive partway, bus partway	2%
Walk	5%
Bicycle	3%

Compared to other cities, however, Portland has more crimes than average. The City had 101 serious crimes per 1,000 residents in 1997 compared to an average of 92 for six other cities. The other cities included Denver, Cincinnati, Sacramento, Charlotte, Seattle and Kansas City.

Compared to these same cities, Portland experienced an average number of fires.

Citizens who feel safe walking alone in their neighborhood

	Day	Night
1991	77%	34%
1992	81%	38%
1993	80%	35%
1994	82%	37%
1995	84%	40%
1996	83%	43%
1997	85%	45%
change	+8%	+11%

PUBLIC UTILITIES

Water & sewer efforts pay off

■ **Better water quality comes with a price – higher bills**

Efforts by the City's water and sewer bureaus have helped produce clean drinking water and reduce pollution in rivers and streams.

Over the past nine years, 629 miles of new sanitary and drainage pipes, 10,000 groundwater sumps, and 800,000 feet of new water mains were installed.

In addition, the number of homes not connected to sewers declined 62 percent. Drinking water also meets 100 percent of the federal standards for drinking water quality.

These efforts have come with a price, however. Water bills only in-

creased by 5 percent but sewer bills are up by 108 percent.

Compared to other cities, Portland water bills are lower but sewer bills are higher than average.

Average monthly utility bills (adjusted for inflation)

	Sewer	Water
1988-89	\$11.86	\$11.77
1989-90	\$13.15	\$12.14
1990-91	\$14.00	\$11.87
1991-92	\$16.67	\$12.40
1992-93	\$19.50	\$11.84
1993-94	\$19.33	\$12.07
1994-95	\$21.11	\$11.76
1995-96	\$22.72	\$11.98
1996-97	\$24.67	\$12.35
change	+108%	+5%

PARKS

Portlanders pleased with City parks

Portland residents like their City parks. Survey results show increasing satisfaction with the overall quality of parks and recreation facilities.

Over 78 percent of Portlanders rated park quality good or very good in 1997, an increase of 7 percent from 1991.

Parks maintenance, landscaping, and cleanliness also received high marks from users in 1997.

City residents also feel much safer in parks than in previous

years. The percent of residents feeling safe walking in parks increased from 57 percent in 1991 to 69 percent in 1997.

However, feelings of safety vary by neighborhood. Southwest residents feel much safer in parks than residents in the North or Outer Southeast.

The percentage of Portlanders who use parks is unchanged. Thirty-four percent reported using parks frequently, while 14 percent never use the park

COMMUNITY DEVELOPMENT

Housing affordability concerns citizens

Over 25 percent of those who responded to the Auditor's 1997 Citizen Survey feel that affordable housing is a problem in their neighborhood.

However, residents in different neighborhoods vary in their rating of housing affordability. Respondents in the Northwest are the most unhappy, while those in East and Outer Southeast are the least.

The City Auditor's report shows that average monthly housing costs

for owners and renters have increased 52 percent and 23 percent, respectively, since the early 1970's – even after inflation is factored in.

The percent of renters spending more than 50 percent of their income on housing has increased by 4 percent since 1975, growing from 15 percent to 19 percent. Housing experts believe that housing costs are excessive when people spend more than 50 percent of income for housing.

City Government is in good financial shape

■ **Financial indicators show positive trends over the past ten years**

Despite property tax limitations in the 1990's, the City of Portland collected sufficient revenues to maintain desired service levels and prepare for the future.

The City's strong financial condition enables the organization to:

- Pay bills on time
- Balance the budget
- Finance major capital expenditures
- Repay bonded debt
- Meet long-term liabilities
- Respond to changes and emergencies.

A review of over 30 financial indicators by the City's Auditor's Office shows positive trends in most areas. Some of the positive trends include:

Operating revenues are growing faster than inflation due to a

strong economy and growth in property values.

Operating surpluses the past 10 years helped finance new services and build emergency reserves.

Low debt levels have contributed to the City's Aaa bond rating, the highest rating given by organizations that advise municipal bond investors.

Capital spending has increased to repair and replace fixed assets in disrepair or that have reached the end of their useful lives.

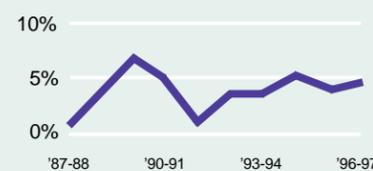
Enterprise operations (such as water and sewers) are generating sufficient income to provide services to customers and to invest in needed capital improvements.

The City's balance sheet also looks good. Financial records show increases in assets over liabilities the past several years. The City continues to "own" more than it "owes."

Financial Trends at a glance

No budget deficits

(General Fund surplus as % of expenditures)



Debt has risen but is still very low

(Regional L-T debt as % of assessed value)



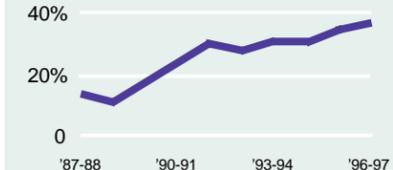
Liquidity well above minimum of 1:1

(Ratio of cash to liabilities)



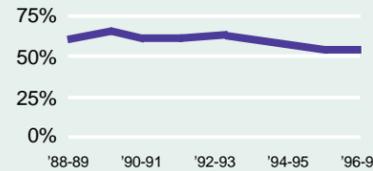
Fund balances increase

(fund balances as % of operating revenues)



Some assets deteriorating

(Percent of streets rated good)



Fire/Police liabilities improve little

(Public safety pension liabilities, in millions)



Assets and Liabilities (Combined Balance Sheet)

\$ in millions

ASSETS	1995	1996	1997
Cash and Investments	626	614	647
Receivables	222	222	215
Inventories	4	4	4
Other Current Assets	9	8	8
Total Current Assets	861	848	874
Fixed Assets (Net of depreciation)	1,401	1,524	1,691
TOTAL ASSETS	2,262	2,372	2,570
LIABILITIES			
Warrants and Accounts Payable	46	42	39
Accrued Salaries and Other	147	130	140
Customer Deposits and Advances	100	117	140
Deferred Revenue	44	48	43
Total Current Liabilities	337	337	362
Employee Retirement Obligations	205	246	270
Bonded & Contractual Obligations	900	909	1,013
TOTAL LIABILITIES	1,442	1,492	1,645
ASSETS OVER LIABILITIES	820	880	925

Financial indicators show vulnerability in some areas

■ **Unfunded liabilities, big year-end balances and aging assets may be warning signals**

Although most signs are positive, some financial trends bear watching.

The City continues to have a large unfunded public safety pension liability. Although the liability has declined slightly over the past 10 years, the size of the liability can affect how citizens and investors view the City's financial health.

A separate property tax levy provides funding for the system but the possibility of future property tax limitations may place continued funding of pension benefits at risk.

Some of the City's fixed assets – roads, fire stations, recreation facilities – are growing older and are deteriorating.

While the City has increased capital spending over the past 10 years, more is needed to reverse the trend and to reduce the backlog of assets needing to be repaired or replaced.

Unreserved fund balances have also increased by 275 percent since 1988.

Most of the reserves are set aside for future liabilities and emergencies, such as insurance claims and equipment replacement. However, if reserve levels grow beyond projected needs, this is an indication that taxes and fees may be higher than necessary.

Booming economy helps government finances

The booming regional economy has helped the City of Portland maintain its strong financial condition. Over the past 10 years, most economic indicators have been positive. Since 1987:

- real income per capita is up about 10 percent
- unemployment is down 1.7 percentage points

- the number of employers increased 36 percent
- property values have climbed by 52 percent
- the number of jobs grew by 24 percent

The population of Portland has grown by over 80,000 the past 10 years, primarily due to annex-

Low unemployment rate is good

(Portland-Vancouver PMSA)



City property values increased 52%

(in millions, adjusted for inflation)



ations. Although economic and population growth places more demands on City government services, new revenues from in-

creasing property values and business license fees have helped pay for increased service demands.

Property taxes about one-quarter of City revenue

Bureaus receive funding from a number of sources but most comes from user charges

Property taxes are only one of several major sources of revenue for the City of Portland. According to the Combined Financial Statements for fiscal year 1996-97, user charges represent the biggest piece of the revenue pie, followed by property taxes, intergovernmental grants and transfers, and business license taxes.

The City uses these revenues to fund six major program areas. Some revenues like property taxes can be used for any program. However, other revenues like user charges and grants can only be used for specific services.

The City's six program areas and their respective revenue sources are as follows:

Public Safety includes police and fire services. This is the most costly service area and is primarily paid for by local property and business taxes.

Enterprise Operations such as water and sewer utilities and golf courses are the second most costly service area. These operations are supported entirely by customer user charges, such as water and sewer bills and golf green fees.

Housing and Community Development helps develop housing, improves neighborhoods, and regulates building and development in the City. This program is paid for by federal and state grants, local

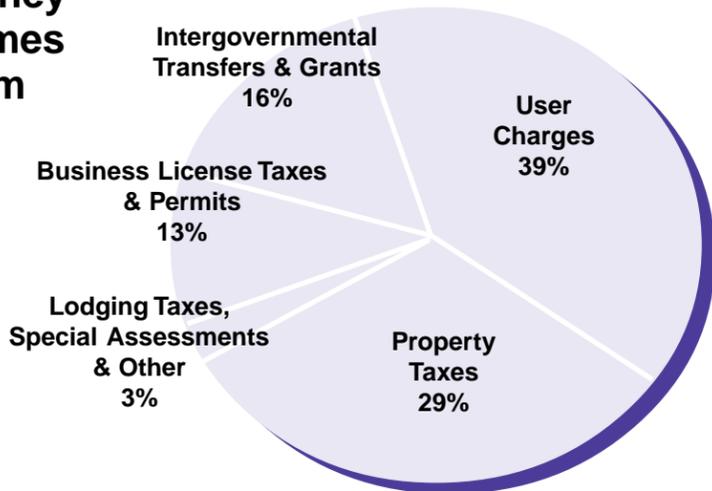
taxes, and permit fees for development and construction.

Street and Traffic services are funded mostly by state gasoline taxes.

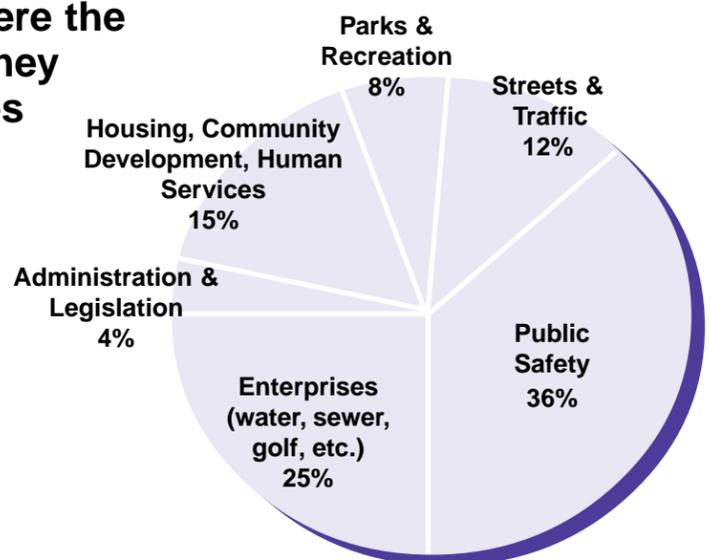
Parks and Recreation services are supported by both local taxes and user fees.

The City spends the least on **Administration and Legislation**. Taxes and overhead charges pay for these activities.

Where the money comes from



Where the money goes



Source: Combined Financial Statements, FY 1996-97

Some Portland services cost more than average

Portland spends more per capita on Fire and Police services than the average of other similar cities surveyed by the City Auditor. Public safety spending per resident is higher than average in Portland, mainly due to higher costs of the fire and police pension and disability system.

Other cities have "funded" pension systems for firefighters and police officers. Funded systems, similar to the Oregon PERS system, are less expensive than Portland's pay-as-you-go program

because they benefit from interest earnings on invested funds.

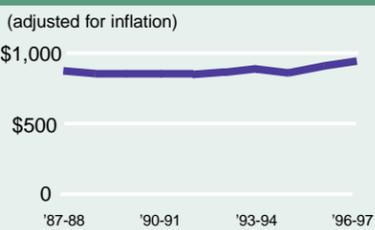
Parks spending per resident is also higher than three other cities surveyed. Seattle spent the most per resident.

Water operating costs are lower than the average of other cities, while sewer spending per resident is higher than average. Cities with high sewer costs also operate systems with a high percentage of combined sanitary and drainage sewers.

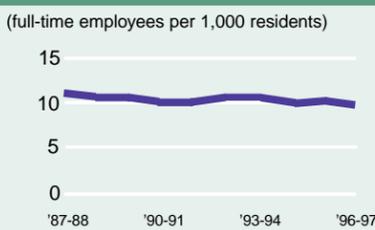
City Spending Comparison • Dollars per capita

	Fire	Police	Parks	Water	Sewer
Charlotte	\$ 86	\$ 164	\$ 30	\$ 38	\$ 56
Cincinnati	167	240	71	57	95
Denver	138	230	63	73	62
Kansas City	119	228	40	102	47
Sacramento	114	179	34	55	116
Seattle	163	240	89	33	209
6 City Average	131	214	54	60	98
Portland	\$ 161	\$ 241	\$ 62	\$ 55	\$ 120

Spending per resident is up 8%



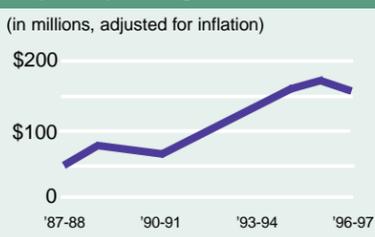
Employees per capita: down 9%



Higher employee compensation



Capital spending increases



City spending grows faster than inflation

City spending has increased over the past 10 years. Data from the City's audited financial statements show real increases in both operating and capital expenditures for City government services.

Operating spending per City resident increased by 8 percent since 1987-88, growing from \$858 per person to \$930 per person last year.

The number of full-time employees also increased over the past 10 years from 4,532 to 4,955. However, the number of employees per 1,000 residents declined from 10.8

to 9.9 due to population growth resulting from new annexations.

After adjusting for inflation, total average employee compensation increased by 9 percent. Wages increased by 4 percent and benefits by 5 percent.

Spending on capital items such as buildings, equipment, and street construction also grew. Annual capital spending was about \$50 million 10 years ago (adjusted for inflation), but is now up to almost \$174 million.