

Financial Trends in the City of Portland 1990 - 1999



Office of the City Auditor
Portland, Oregon
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INTRODUCTION

This report provides City officials and citizens with information to help them understand the financial condition of the City of Portland. While a wealth of information is produced each year in the *Adopted Budget* and the *Comprehensive Annual Financial Report (CAFR)*, readers may find these documents difficult to read and understand. This *Financial Trends* report presents summarized financial information in a format that we believe is easier to comprehend.

This report presents 27 financial and demographic trends covering a ten-year period from fiscal year 1989-90 through fiscal year 1998-99. We have identified both favorable and unfavorable trends and offer some general recommendations for Council consideration.

What is good financial condition?

A city in good financial condition can finance services to the public on a continuing basis. Such a city can maintain existing service levels, withstand economic disruptions, and respond to growth, decline, and change. Put simply, a financially stable city collects sufficient revenue to pay short-term bills, finance major capital expenditures, and meet long-term obligations.

Financial conditions can be monitored by analyzing trends in several broad areas:

- ◆ revenues
- ◆ expenditures
- ◆ operating position and debt
- ◆ capital assets
- ◆ enterprises
- ◆ economy and demographics

Tracking trends in these areas over time permits City managers and officials to monitor finances and identify problem areas that may need attention.

Highlights: Significant financial trends

The City of Portland is in sound financial condition. Despite three property tax limitation measures in the past ten years, operating revenues have remained strong as a result of the strong regional and national economy. The City has paid the bills, balanced the budget, and significantly increased investments in long-term capital assets.

The most favorable trends are:

- ◆ steady growth in all general revenue categories
- ◆ employees per citizen has not grown
- ◆ liquidity remained well above the industry threshold
- ◆ wage and benefit increases track closely with inflation increases
- ◆ significant investment in the maintenance, repair, and improvement of capital assets
- ◆ financially healthy utilities and enterprise operations
- ◆ increasing incomes, low unemployment, more jobs, and growing property values

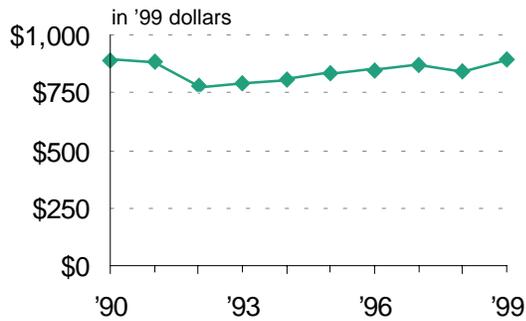
The most significant unfavorable trends that warrant attention:

- ◆ spending for on-going operations is increasing faster than inflation and population growth
- ◆ while still below warning thresholds, combined general obligation debt for all governments in the region grew by over 150% the past ten years
- ◆ increasing reliance on elastic revenues could cause service disruptions if the economy sours
- ◆ fund balances increasing more than needed for reserves, emergencies, and future liabilities

General recommendations

1. Increase efforts to moderate growth in expenditures for ongoing City operations.
2. Analyze options for reducing reliance on elastic and intergovernmental revenues, and/or develop a policy to guide the City's reliance on and use of such revenues.
3. Review current fund balances to assess optimal levels and to initiate needed revenue adjustments.
4. Amend the City's Reserve Fund policy to recognize the City's increased reliance on elastic and intergovernmental revenues.
5. Review current long-term debt commitments and develop sustainable level of debt in coordination with regional government partners.

1 OPERATING REVENUES PER CAPITA



Operating revenues per capita dipped slightly in 1992 but have regained 1990 levels, a positive trend.

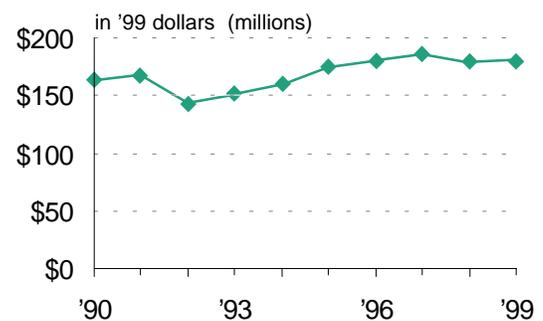
Analysis

- ◆ Adjusted for inflation, operating revenues per capita were \$893, almost equal to 1990's \$894.
- ◆ Passage of property tax limitation Measure 5 and the end of street lighting and parks improvement serial levies were largely responsible for the decline in 1992.
- ◆ Net operating revenues grew steadily for six years but then dipped again in 1998 due to the effects of property tax limitation Measures 47 and 50.
- ◆ Property tax dips were moderated by steady growth in business licenses, utility franchise fees, and miscellaneous user charges.

Indicator Explanation. Operating revenues include property and gas taxes, business licenses, franchise and user fees, intergovernmental revenues, and other general revenues that are used for services such as police, fire, parks, streets, and central administration. Revenues from business activities such as water and sewer services are excluded.

Declining revenues per capita may be a warning sign because it may signal the City's inability to provide existing services as the population grows.

2 PROPERTY TAX REVENUES



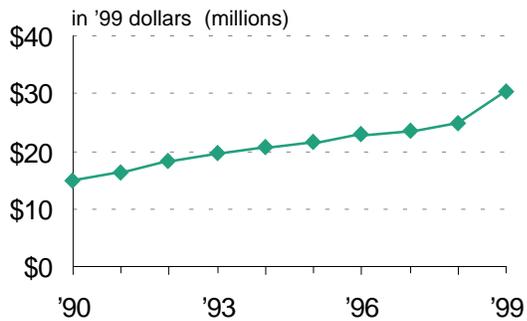
Property tax revenues have fluctuated significantly over the past 10 years, primarily due to the impacts of property tax limitation measures and the end of serial levies.

Analysis

- ◆ Property tax limitations that passed in fiscal years 1991 and 1997 limited tax rates, changed the way property was assessed, and limited growth in property taxes.
- ◆ Special tax levies for parks improvements and street lighting ended in 1992.
- ◆ Property taxes now represent about 40% of operating revenues, down from 44% in 1991.

Indicator Explanation. Property taxes are paid on the assessed value of real, personal, and utility property. City property taxes are also generated by several separate levies that support police and fire pension and disability benefits, and various capital improvements. Because of their significance to general government operations, declining tax revenues is a warning trend.

3 USER CHARGES



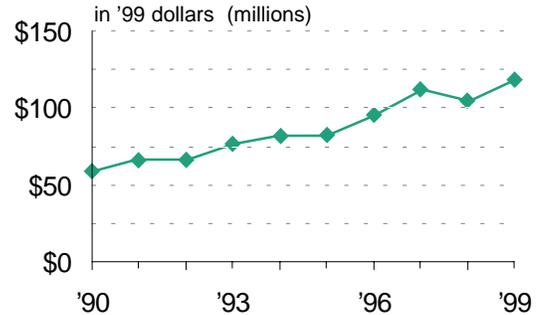
User fees increased significantly, and now comprise about 7% of operating revenues.

Analysis

- ◆ Adjusted for inflation, user charges and fees have increased over 100% - from \$15 million in 1990 to over \$30 million in 1999.
- ◆ Fees and charges for park and recreation use, general administration, and building inspection fees have grown the fastest.
- ◆ User charges and fees comprised about 7% of general operating revenues in 1999, up from only 4% in 1990.
- ◆ Per capita, residents paid an average of \$35 in fees in 1990 and \$60 in 1999.
- ◆ User charges increased significantly in 1999 due primarily to increased services provided and higher parking fees and fines collected by the Office of Transportation.

Indicator Explanation. User fees should cover all or part of the costs of providing services such as recreation programs, building permits, and parking control. Prices should keep pace with inflation and other cost increases. A decline in collections or a reduced percentage of user fees relative to total revenues are both negative signs. Water and sewer and other business activities are excluded from this indicator.

4 INTERGOVERNMENTAL REVENUE



The trend is unfavorable, showing more reliance on intergovernmental revenues due to growth in state and federal grants, and gas taxes.

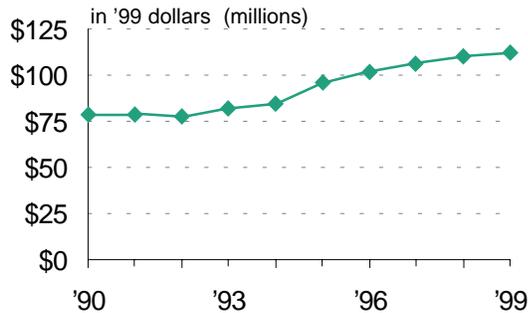
Analysis

- ◆ Total intergovernmental revenues grew by over 100% the past ten years.
- ◆ However, general revenue sharing such as state liquor and cigarette taxes, have been relatively flat the last eight years.
- ◆ In 1999, intergovernmental revenues represent 23% of total gross operating revenues, compared to only 15% in 1990.

Indicator Explanation. The City receives money from federal, state, and other local governments such as federal housing grants, state gas tax revenues, and cigarette and liquor taxes.

Because federal and state governments can change policies that may affect the amount of funding given to local governments, it is generally considered unwise to depend on this revenue source to fund general government services.

5 ELASTIC REVENUES



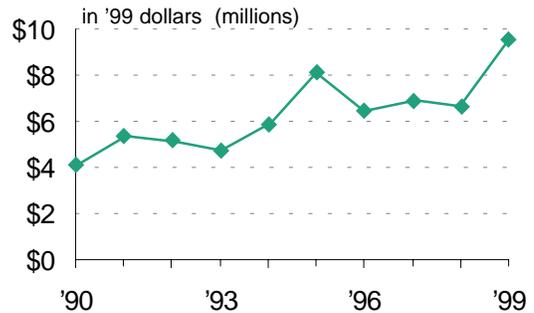
Elastic revenues are an increasing component of Portland's operating revenues, a slightly unfavorable trend.

Analysis

- ◆ Adjusting for inflation, elastic revenues have grown steadily over the past 8 years, increasing by 42% since 1990.
- ◆ Business license fees is the largest, fast-growing elastic revenue, increasing from \$27 million in 1990 to \$52 million in 1999.
- ◆ Elastic revenues comprise 25% of net operating revenue, up from 21% in 1990 and 17% in 1984.

Indicator Explanation. Elastic revenues are highly responsive to economic conditions, growing and declining as local economic conditions change. Elastic revenues include business licenses, franchise fees, hotel and motel taxes, and building permits. Overreliance on elastic revenues can crimp programs and services during periods of economic downturn.

6 SHORT-TERM REVENUES



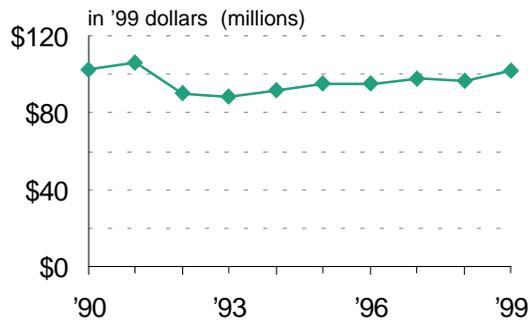
Short-term revenues increased, but the City normally uses the funds to pay for one-time needs.

Analysis

- ◆ Short-term revenues have grown by more than 130% over the past 10 years.
- ◆ Short-term revenues still comprise a small percent of net operating revenues, about 2% in 1999.
- ◆ Short-term revenues generally have not been relied on to fund on-going services.

Indicator Explanation. Short-term revenues are resources that are not expected to continue beyond five years. They generally include inter-fund transfers, use of various reserves or contingencies, and funds gained from sales of assets. Reliance on short-term revenues to fund ongoing programs is considered a warning trend.

7 RESTRICTED OPERATING REVENUES



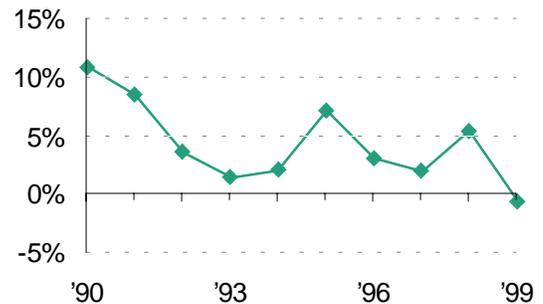
The trend is favorable, as restricted revenues have remained relatively stable.

Analysis

- ◆ Over the past 10 years, restricted revenues have grown at the same rate as inflation.
- ◆ Gas taxes and the fire and police pension levy comprise 98% of restricted revenues.
- ◆ Restricted revenues from a street lighting levy dropped in 1992 and the service is now funded by general operating revenues.
- ◆ In 1999, restricted revenues represent 22% of net operating revenues, down from 27% in 1990.

Indicator Explanation. These revenues are legally restricted for specific purposes. For example, gas taxes can be used only for roads and transportation related purposes. Similarly, tax levies for fire and police pensions can only be used for that purpose. An increasing portion of revenues restricted for specific purposes is a warning trend because it may mean that less revenue is available for general uses and services.

8 REVENUES OVER/UNDER ESTIMATES



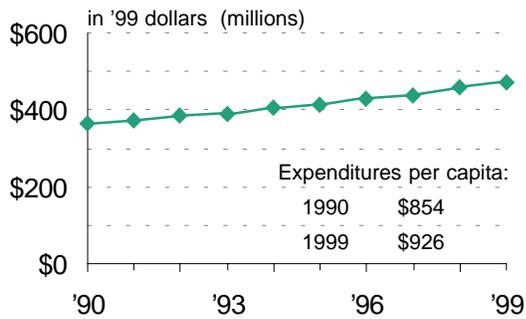
Strong local economy resulted in actual revenues received exceeding budget estimates in each of the first nine years.

Analysis

- ◆ Revenue estimates over the first nine years have been conservative.
- ◆ Revenue surpluses helped fund new services and increase fund balances and reserves.
- ◆ The revenue deficit in 1999 was less than 1%; however, this was more than covered by large beginning fund balances.

Indicator Explanation. This indicator shows the difference between estimated/budgeted revenues and actual revenues received. Overestimating revenues produces shortfalls which may require mid-year cuts in service levels to ensure budget balance. Underestimating revenues can result in large fund balances.

9 OPERATING EXPENDITURES



The trend is slightly negative with both operating expenditures and expenditures per capita increasing faster than inflation.

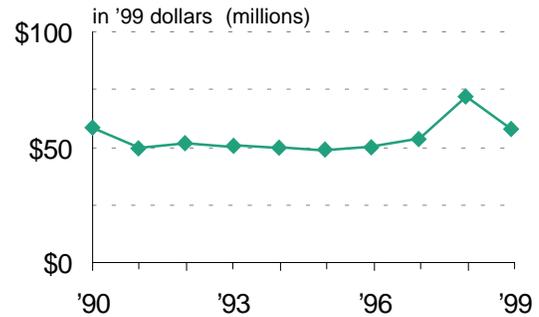
Analysis

- ◆ Spending has increased 28% faster than inflation over the past 10 years.
- ◆ Community development programs had the largest increase (107%) due to affordable housing commitments.
- ◆ Administrative and legislative services increased by over 49% due to growth in central administrative services and business license refunds.
- ◆ Spending per capita has grown about 8% more than inflation over the last 10 years, from \$854 in 1990 to \$926 in 1999.

Indicator Explanation. 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. They exclude enterprises such as water and sewer, and major capital improvements such as public safety and park improvements funded by special levies or bonds.

Increasing expenditures per capita is a warning trend. It may signal declining productivity or greater burden on taxpayers. Declining expenditures may indicate increased productivity or a reduction of services.

10 FIXED COSTS



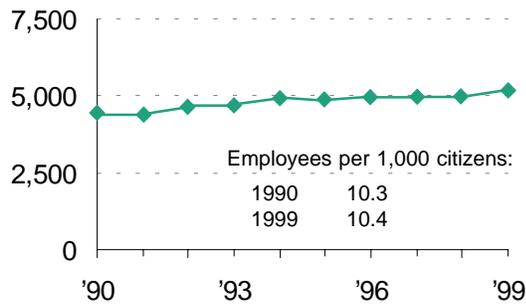
The trend in fixed costs has been favorable over the past 10 years.

Analysis

- ◆ Fixed costs have remained fairly stable over the past ten years, averaging 13% of operating expenditures.
- ◆ Large increase in 1998 was due to a one-time payment to certain fire and police retirees and payments on street improvement bonds.
- ◆ While fixed costs for fire and police pensions grew steadily from \$42 million in 1990 to \$55 million in 1999, other City fixed costs declined due to pay down of debt.

Indicator Explanation. Fixed costs are mandatory expenditures over which the City has little short-term control. Two examples of fixed costs are required pension benefits and repayments of bond principal and interest. An increasing percentage of expenditures dedicated to fixed expenditures is a negative trend because it reduces the flexibility of the government to respond to sudden changes in revenues or expenditure requirements.

11 TOTAL FULL-TIME EMPLOYEES



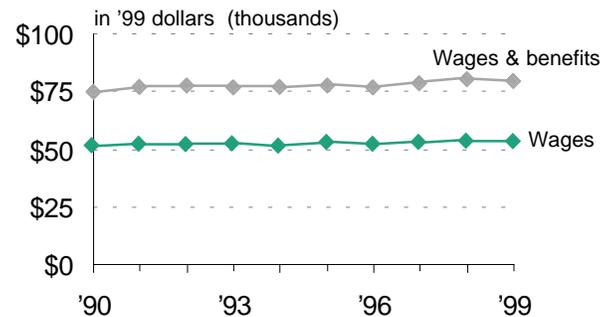
Total City employment grew over the past ten years but the number of employees per 1,000 citizens remained constant, a positive trend.

Analysis

- ◆ The number of city employees grew from 4,440 in 1990 to 5,183 in 1999, a 17% increase.
- ◆ However, the number of employees per 1000 Portland residents has remained constant at 10 over the past ten years.
- ◆ Employee increases have been highest in Police, Emergency Communications, Buildings, Planning, Transportation, Parks, Water, Environmental Services, and Finance and Administration.
- ◆ Fire, the Mayor and Commissioner offices, General Services, and Risk Management have experienced declines.

Indicator Explanation. An increasing number of employees could be viewed as a negative trend because it may indicate more labor intensive services or declining productivity. However, employment growth may also reflect growing services demands due to new services and an increasing population.

12 EMPLOYEE COMPENSATION



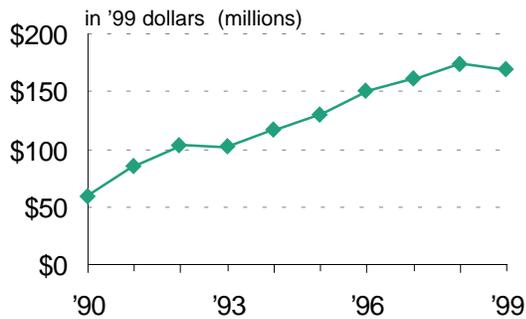
Total compensation has increased slightly more than inflation, generally a positive trend.

Analysis

- ◆ Average employee compensation has increased 6% faster than inflation over the past 10 years. City policy is aimed at keeping increases in line with cost-of-living increases and market requirements.
- ◆ Adjusted for inflation, average compensation for general employees was \$75,000 in 1990 and \$80,000 in 1999. For public safety employees, the average was \$85,000 in 1990 and \$91,000 in 1999.
- ◆ Benefits costs have increased faster than inflation, due to health and pension increases. Wages have tracked closely with cost of living.
- ◆ However, total employee compensation as a percent of total operating expenditures declined from 69% in 1990 to 68% in 1999.

Indicator Explanation. Total employee compensation includes both wages and benefits. Compensation that increases significantly faster than inflation is a warning trend because it can reduce resources available for other services and can affect service levels. Conversely, compensation that lags behind inflation places the City at a competitive disadvantage, making it difficult to attract and retain quality personnel.

13 FUND BALANCES



Unreserved fund balances have grown larger than what may be needed, a negative trend.

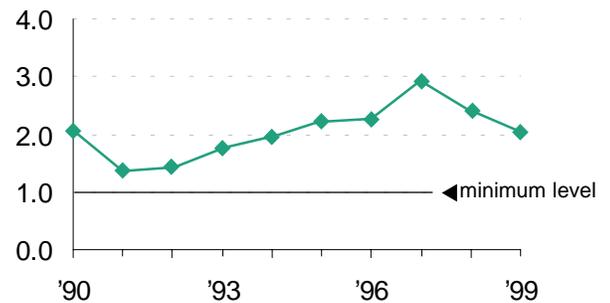
Analysis

- ◆ Adjusted for inflation, unreserved fund balances increased from \$60 million in 1990 to \$170 million in 1999, a 183% increase.
- ◆ At the end of 1999, over 44% of the balance was intended to pay possible health, liability, and workers compensation claims, and to replace vehicles and other equipment as they wear out.
- ◆ Total fund balances represent 37% of net operating revenues – up from 16% in 1990.
- ◆ General fund balances totaled \$67 million, 15% of net operating revenues. About one half of this total is in the General Reserve Fund and is only available to meet financial emergencies or other conditions as described in governing policy.

Indicator Explanation. Unreserved fund balances represent money available for capital purchases, emergencies, and future obligations. Maintaining reserves also helps the government avoid short-term borrowing and respond to emergencies.

Declining or low balances are a warning trend. This may indicate that a government may not be able to meet service needs in an economic downturn or financial emergency. Very high fund balances may indicate that the City is collecting more revenues than it needs or is deferring expenditures.

14 LIQUIDITY



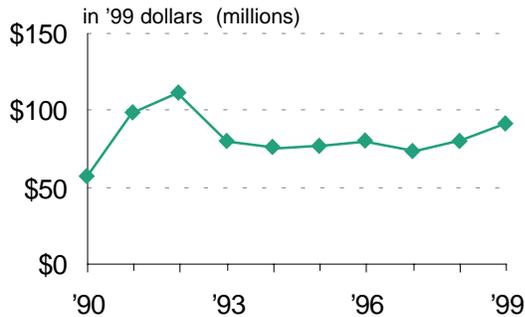
The liquidity ratio has varied, but has been positive over the past 10 years.

Analysis

- ◆ The City's liquidity ratio has ranged from a low of 1.4 to a high of 2.9 over the past 10 years – an acceptable range.
- ◆ Adjusted for inflation, net cash after paying current liabilities grew from \$63 million in 1990 to \$97 million in 1999, a 54% increase.
- ◆ The drop in liquidity during the last two years was due primarily to reductions in cash and investment balances, plus increased liabilities in the general, internal service, and fire and police pension funds. The largest increases in liabilities occurred in the fleet management and facilities services of the internal service funds.

Indicator Explanation. 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 low ratio, below one, is a warning trend and may indicate a cash flow problem and increase the need for short-term borrowing.

15 CURRENT LIABILITIES



The trend is generally favorable over the past ten years.

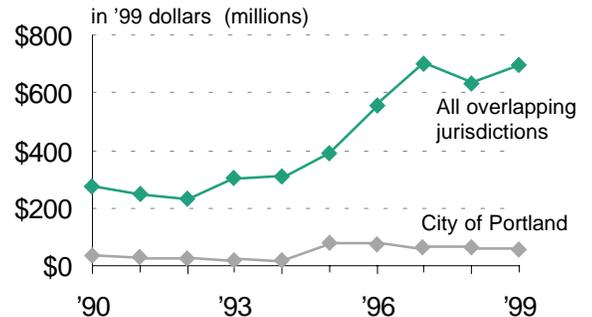
Analysis

- ◆ Current liabilities have ranged from a high of 32% to a low of 15% of net operating revenues over the past ten years.
- ◆ However, because the liquidity ratio has averaged 2.05 during this period, increased amounts due are not caused by cash shortages.
- ◆ The major reason for increased liabilities in recent years is due to increased expenditures.

Indicator Explanation. Current liabilities are amounts owed at year end that are expected to be paid within the following fiscal year.

Increasing amounts owed creditors at year-end is a warning trend because it can indicate that a government is short of cash to pay bills.

16 COMBINED LONG-TERM DEBT



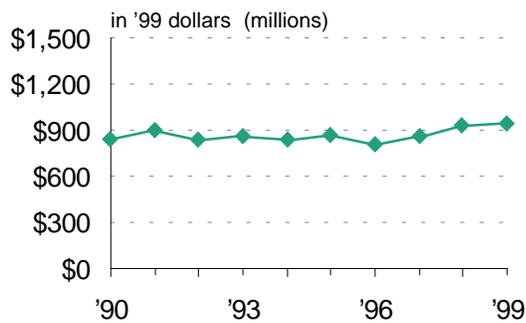
Combined long-term debt is below industry warning levels but is approaching state limits.

Analysis

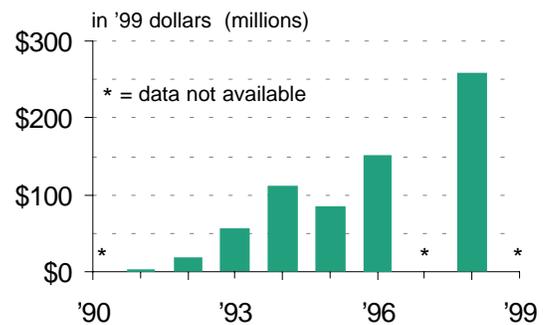
- ◆ Adjusted for inflation, combined long-term debt in the region has increased by 150%, from \$278 million to \$694 million.
- ◆ Combined debt per citizen has more than doubled – from \$642 in 1990 to over \$1,361 by 1999.
- ◆ While City debt has increased by 73% over ten years, community college and school debt jumped 153% and Metro debt increased by 124%.
- ◆ Combined long-term debt represents 2.4 % of total assessed value, below the warning threshold of 10% established by credit raters.

Indicator Explanation. Combined long-term debt includes the total general bonded debt incurred by all governments in the region including the City, Port, Metro, TriMet, Multnomah County, schools and community colleges, and others. It excludes revenue bonds. High and increasing levels of debt can eventually strain citizen resources to repay. This can hinder governments' ability to borrow funds for capital repairs and improvements.

17 PENSION LIABILITIES



FIRE AND POLICE: The trend is slightly unfavorable, slow increase in unfunded liability over ten years.



PERS: The big increase in PERS liability is an unfavorable trend.

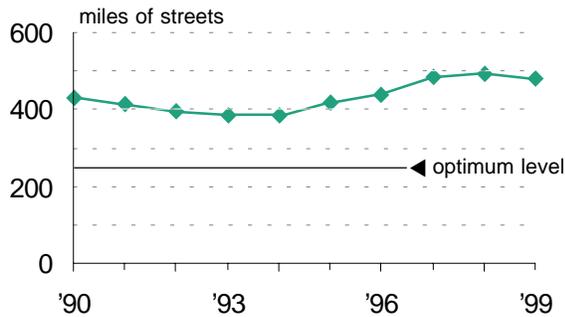
Analysis

- ◆ Adjusted for inflation, the unfunded pension liability for the fire and police pension plan has increased only 11% over the past 10 years, from \$843 million to \$938 million.
- ◆ The fire and police plan is a pay-as-you-go plan that relies on a dedicated property tax levy, capped at \$2.80 per \$1000 real market value to fund benefits. For 1999, the fund needed a property tax levy equal to \$1.57 per \$1,000 of real market value.
- ◆ Because of tax limitation measures that reduced and limit assessed values, the fund actually levied \$2.05 per \$1000 of assessed value to meet its obligation.
- ◆ The PERS plan unfunded liability has grown from \$3 million in 1991 to over \$266 million by 1998, due primarily to the method used by PERS to credit investment earnings to employer amounts.
- ◆ The City recently issued over \$300 million in Limited Tax Pension Obligation Bonds and paid this liability in full. The City is also working on ways to reduce the growth of this liability in the future.

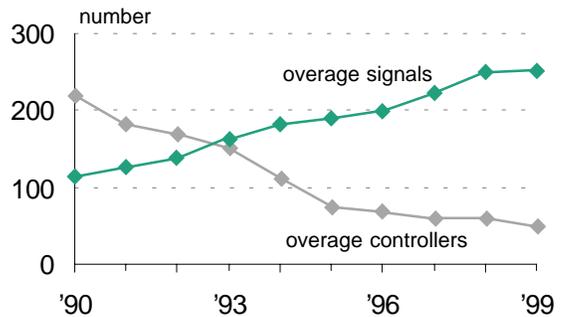
Indicator Explanation. Unfunded pension liability is an estimate of the cost of future retirement payments for present employees for which funds have not been set aside. Inadequate funding of these obligations can cause large drains on operating resources in the future when the obligations must be paid. Increasing unfunded liabilities or diminishing assets are both warning indicators.

The City has two pension programs. The Fire and Police Disability and Retirement Plan provides benefits for most police officers and firefighters.

All other employees are covered by the state-mandated and prefunded Oregon Public Employees Retirement System (PERS). Contribution rates are set by PERS and pension benefits are paid from employer contributions, accumulated reserves, and investment earnings.



Street paving backlog

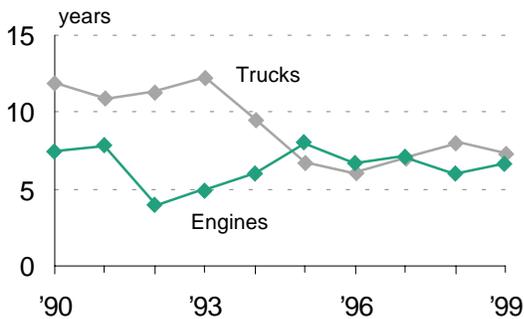


Number of overage traffic signals & controllers

Analysis

- ◆ After five years of increase, the paving backlog declined in 1999 as a result of additional repair and maintenance work
- ◆ The Bureau of Maintenance estimates that it would require approximately \$19 million to reduce the paving backlog to an acceptable level.

Average age of fire engines & trucks



- ◆ The average age of front line fire trucks has declined from 12 years in 1990 to 7 years in 1999, a 40% improvement.
- ◆ The average age of fire engines has remained fairly stable at 6 years.
- ◆ Reserve trucks and engines are also newer than in prior years.

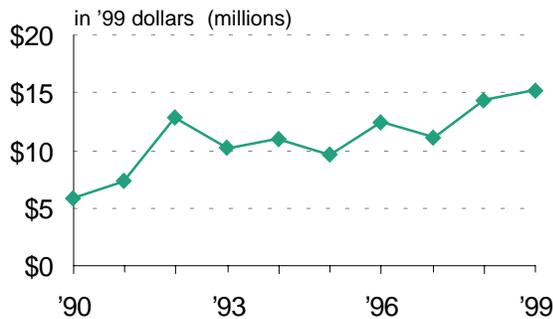
- ◆ The number of overaged traffic signals (over 25 years old) has increased by 122% since 1990.
- ◆ Approximately 26% of all signals are judged to be overaged, up from 13% in 1990.
- ◆ The Bureau estimates it would need over \$141 million to eliminate the backlog of old signals by 2023.
- ◆ Conversely, the number of overaged traffic controllers has declined by 77% from 219 in 1990 to 50 in 1999.
- ◆ Approximately 25% of controllers were overaged in 1990 compared to 5% in 1999.

Indicator Explanation. Aging and deteriorating physical assets can affect the quality of service and contribute to higher maintenance and repair costs. Deferring maintenance can also shorten an asset’s useful life and require replacement sooner than expected.

The degree to which the City monitors the condition and age of assets varies considerably. Some services including transportation, water, and fire keep detailed records on the age, historical cost, and condition of assets. A sample of these indicators are listed above. Others, like parks, lack adequate data on the age and condition of assets, preventing the development of trends indicators.

19

CAPITAL OUTLAY EXPENDITURES



The trend is somewhat favorable over past three years.

Analysis

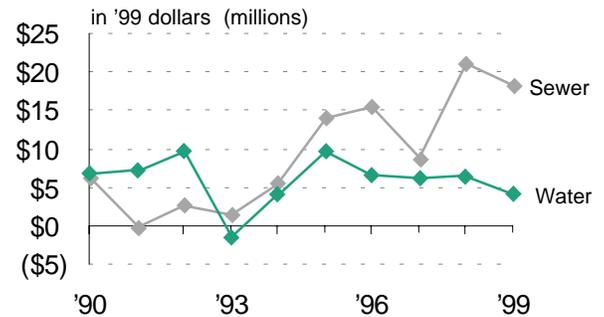
- ◆ Adjusted for inflation, capital outlay has increased 160% over the past ten years, from \$6 million in 1990 to over \$15 million in 1999.
- ◆ As a percent of net operating expenditures, capital spending increased from 1.6% to 3.2%.
- ◆ Street maintenance and repair comprises the largest share of capital outlay expenditures – 74% of the total spending.
- ◆ Fire equipment and parks maintenance comprise another large share of capital spending.

Indicator Explanation. Capital outlay means expenditures to repair, maintain, and improve items such as equipment, buildings, vehicles, and for construction, such as street repairs and park improvements. This indicator does not include expenditures resulting from serial levies, bond sales or enterprise activities.

Deteriorating infrastructure and physical assets may discourage business activity, reduce property values, and increase operating expenses. Moreover, deferring capital maintenance and repairs transfers these costs from one generation of taxpayers to the next.

20

ENTERPRISE NET INCOME



Water net income shows slight downward trend but is still strong. Sewer fund net income has grown significantly.

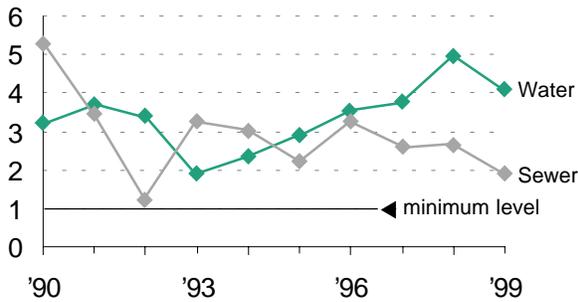
Analysis

- ◆ Water Fund net income dropped in 1999 due to increased expenses. Loss in 1993 was due to low water sales as a result of drought and water restrictions
- ◆ Despite the 1999 decline, Water Fund net income has been healthy and interest expense is stable.
- ◆ Sewer Fund net income is up significantly from lean years in the early 1990s due to the need to begin repaying revenue bonds issued for the mid-County sewerage and CSO capital projects.
- ◆ Sewer fund interest expense has also increased significantly over the past five years due to large borrowing for the sewerage of mid-County properties and for combined sewer overflow projects.

Indicator Explanation. Recurring net losses or declining net income is a warning trend because it may indicate that there is insufficient income to cover costs of operation. Net income is used to retire debt, maintain and construct facilities, and provide working capital.

21

ENTERPRISE LIQUIDITY RATIOS



Water fund liquidity has improved significantly. Sewer fund liquidity ratio is positive but on a downward trend.

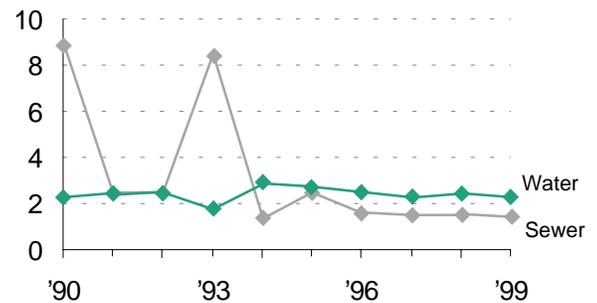
Analysis

- ◆ Both water and sewer funds have good liquidity ratios.
- ◆ While water fund liquidity has steadily improved since 1993, sewer fund liquidity has declined over the past several years due to draw downs of cash and investment balances to meet increased debt service obligations.
- ◆ Water fund liabilities have increased by 100%. Sewer fund liabilities have increased by over 500% due primarily to increased capital construction programs.

Indicator Explanation. Liquidity ratios indicate how much cash assets are available to pay current bills when due. The quick ratio is a comparison of cash and investments to current liabilities. Ratios below \$1 of cash to \$1 of liability are a warning sign.

22

ENTERPRISE DEBT COVERAGE RATIOS



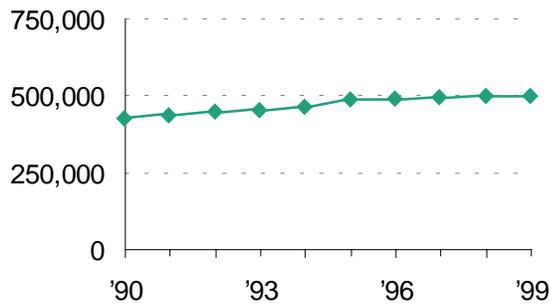
Both the Water and Sewer Fund trends are favorable.

Analysis

- ◆ The Water Fund has maintained a very stable debt coverage ratio over the past ten years, averaging about 2.4.
- ◆ Water's debt coverage ratio indicates strong ability to generate income to pay debt.
- ◆ Sewer Fund's ratio is not as constant, dropping from highs of 8 in 1990 and 1993 to as low as 1.4 in 1994. The Sewer Fund's ratio has averaged more than 1.6 over the last six years.
- ◆ Sewer Fund debt ratio is lower due to increased debt service requirements generated by bonds issued to finance the CSO and other large capital projects combined with the need to limit the size of annual rate increases.

Indicator Explanation. The debt coverage ratio is the ratio of net income to debt principal and interest requirements. The debt coverage ratio is an indicator of the ability to repay revenue bonds. A ratio of approximately 1.2 to 1 is usually required.

23 POPULATION



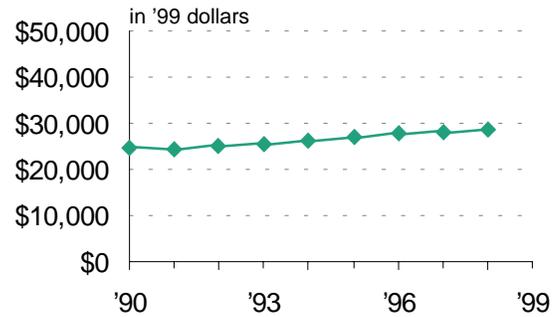
Population growth has been slow but steady since annexations stopped in 1996, a favorable trend.

Analysis

- ◆ Total City population has increased about 18% over the past ten years – from 432,175 to 509,610.
- ◆ Annexations have added over 100,000 new citizens to Portland's geographic boundary.
- ◆ Without annexations, Portland's net population growth since 1990 would have been about 10%.
- ◆ Most new growth since 1996 has been within current boundaries, about 12,000 people.

Indicator Explanation. Rapid increases in population can be a negative trend if service demands increase faster than revenue growth. Similarly, declines in population can reduce demand and revenue requiring cuts in expenditures.

24 INCOME PER CAPITA



The trend has been very favorable over the past eight years.

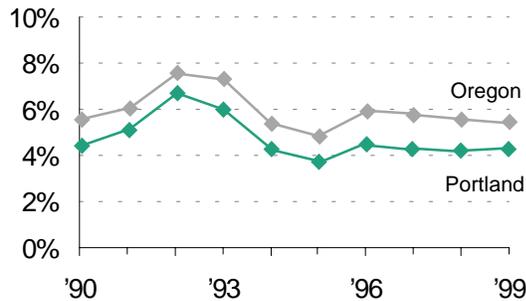
Analysis

- ◆ After relatively stagnant growth in income in the early 1990's, income per capita increased yearly since 1991.
- ◆ Estimated income per capita of \$28,290 in 1998, has increased 14% over the past 10 years.
- ◆ 1999 figures are not yet available but State analysts indicate another year of increase.

Indicator Explanation. Declining income per capita is a warning trend indicating general economic problems and potential declining ability to provide tax resources for government services.

25

UNEMPLOYMENT RATE



The unemployment trend has been very positive over the past six years.

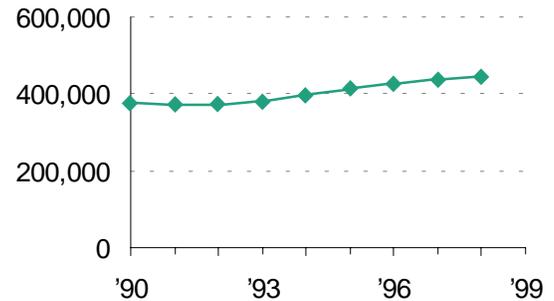
Analysis

- ◆ Portland area unemployment declined from a high of 6.7% in 1992 to 4.3% in 1999.
- ◆ Portland area average unemployment remained lower than the state average over the past ten years – 4.8% compared to 6.0%.

Indicator Explanation. An increasing unemployment rate is a warning indicator of a declining employment base, which can lead to lower revenues, reduced services, and more demand for social services.

26

NUMBER OF JOBS

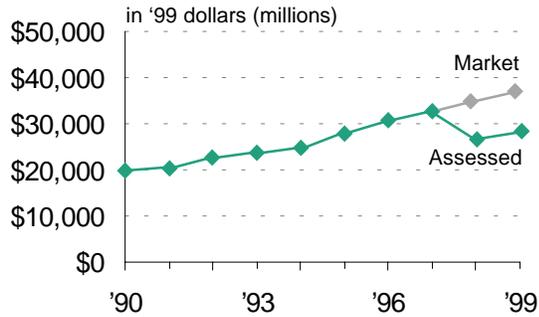


The trend in job growth has been very positive over the past seven years.

Analysis

- ◆ Nearly 69,000 jobs were added in Multnomah County since 1990.
- ◆ Jobs slowed in 1992 but started a steady increase in 1993.
- ◆ There are over 442,000 private and public sector jobs in Multnomah County in 1998, more than any time in history.
- ◆ Job growth has been most significant in services; retail trade; finance, insurance and real estate; and local government.

Indicator Explanation. Declines in the number of jobs indicates potential problems with economic vitality and can contribute to higher unemployment rates with resulting impacts on government revenues and services.



Portland's property values have increased significantly over the past ten years, reflecting strong economic conditions.

Analysis

- ◆ Market values reflect the strong regional economy, increasing 82% over the past ten years, adjusting for inflation.
- ◆ Assessed values mirrored market values and increased steadily from 1990 through 1997. Beginning 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.

Indicator Explanation. Assessed property value is a measure of the taxable value of real, personal, and utility property in the City. Declines in assessed value will typically decrease property tax revenues which can adversely impact ongoing government services and bonded debt repayment.

Market values are an indicator of sales value and can be an indicator of economic vitality.

REPORT SCOPE AND METHODOLOGY

The methodology used in this report was first developed by the International City/County Management Association (ICMA) in their publication, *Evaluating Financial Condition: A Handbook for Local Government*. In accordance with the ICMA methodology, we developed a definition of general government operating expenditures that includes the following funds:

- General Fund
- General Reserve
- Transportation Operating and Construction
- Transportation Reserve
- Emergency Communications
- Building Operating
- Short-term Debt Interest and Sinking (Governmental Bond Redemption)
- Gas Tax Bond Redemption
- Portland Autoport
- Parks Memorial
- Fire and Police Disability and Retirement

The following funds, listed in our previous report, have been closed or were merged with one or more of the funds listed above:

- Parking Meter (*merged with Transportation Operating*)
- State Tax Street (*merged with Transportation Operating*)
- Federal and State Revenue Sharing (*closed*)

Excluded from the definition of general government operations are enterprise and internal service funds, as well as those funds whose revenues are restricted to specific purposes (i.e., not available for general government operations). However, we have included selected indicators (20 to 22) for the water and sewer funds which represent the City's two largest enterprise operations.

We obtained expenditure and revenue data, as well as salary and benefit data, from the City's computerized accounting system. Expenditure, fund balance, and certain debt information came from audited Comprehensive Annual Financial Reports. The City's Bureau of Human Resources provided numbers on full-time personnel. The Center for Population Research at Portland State University and the State Employment Division provided socio-economic data.

To eliminate the effects of inflation from year-to-year comparisons, we adjusted dollar amounts for each prior year to equal purchasing power in FY 1998-99, using the Portland-Salem/Vancouver Consumer Price Index for All Urban Consumers, as reported by the Bureau of Labor Statistics, U.S. Department of Labor.

Unless otherwise indicated, data are presented on a fiscal year basis (e.g. 1990 represents FY 1989-90, 1991 represents FY 1990-91, etc.).

We followed the General Standards set forth in *Government Auditing Standards* to compile data and to develop, analyze, and comment on the indicators included in this report.

THIS REPORT IS INTENDED TO PROMOTE
BEST POSSIBLE MANAGEMENT OF PUBLIC RESOURCES

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