



# POPULAR ANNUAL FINANCIAL REPORT

CITY OF PORTLAND, OREGON

FISCAL YEAR ENDED JUNE 30, 2018

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and Controller

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# Letter from the CFO and Controller

Greetings:

We are excited to present you with the City of Portland's "Popular Annual Financial Report" (PAFR) for the period ending June 30, 2018. This document was prepared by the Accounting Division of the Bureau of Revenue and Financial Services and is intended to provide you with an understanding of the City's financial performance and fiscal health.

The last few years have seen a dramatic population growth in the City of Portland. With this increase in population come challenges as City services are stretched to capacity, and age-old systems and process must be updated to address the changing needs of the community. As the City continues to grow, so does the need for creative and practical solutions to meet new expectations and priorities. We are working to address this challenge!

The Office of Management and Finance (OMF) "2018-2020 Strategic Plan" provides a roadmap for achieving success. The Plan's three strategies are the primary ways OMF is supporting the City towards the implementation of meaningful solutions. The three strategies for success include: adopt 21st century business solutions, develop an inclusive and talented workforce, and lead citywide initiatives. More information about the Plan can be found later in this report.

It is important to note that this PAFR presents Portland's financial condition in a highly condensed format. The PAFR's financial data was taken from our Comprehensive Annual

Financial Report (CAFR) for the fiscal year ended June 30, 2018, which was audited by an independent audit firm and provides a more detailed view of Portland's finances. However, the PAFR is unaudited, includes information exclusively on the primary government, and is not presented according to generally accepted accounting principles (GAAP). This means that it excludes the City's component unit (i.e.: Prosper Portland) and fiduciary fund information (i.e., funds held in a trustee capacity for others). It also does not include all the statements and note disclosures that are required by GAAP for a complete CAFR. Both reports are available on the City of Portland's website at:

<https://www.portlandoregon.gov/omf/26053>

We hope you enjoy reading this report and find it both interesting and useful for your understanding of the City's finances. We welcome your questions, comments, and suggestions for improvement. You can contact us at 503-823-5288.

Sincerely,

Jennifer Cooperman, CPFO  
Chief Financial Officer

Michelle R. Kirby, CPA  
Controller/Deputy Chief Financial Officer



# Introduction

The City comprises an area of approximately 145 square miles in Northwest Oregon. With a population estimate of 647,805, Portland is the 26th largest city in the United States.

Located astride the Willamette River at its confluence with the Columbia River, the City is the center of commerce, industry, transportation, finance and services for a metropolitan area of more than two million people.

The climate of the area is marked by warm, dry summers and mild-to-chilly, rainy winters. This climate is ideal for growing roses and for more than a century, Portland has been known as the “City of Roses.”

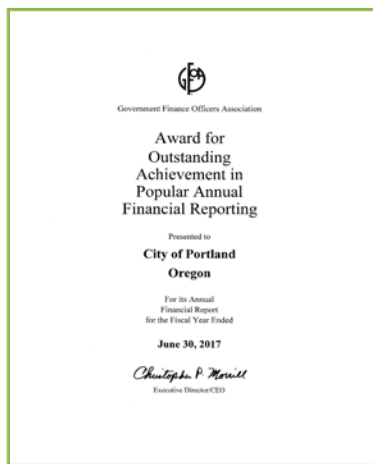
The City was incorporated in 1851 and is a home rule charter city. The City Charter is the basic law under which the City operates and can be amended only by a vote of the people. In 1913 a modified commission form of government was created, which is rare for cities as large as Portland.

The Mayor and four Commissioners act as legislators and administrators. They are responsible for enacting City laws, enforcing City laws, and administering bureaus under their supervision. The Mayor assigns the bureaus to each Commissioner. They are elected at-large to four-year terms.

The City Auditor is also elected and

required by Charter to be a Certified Public Accountant, Certified Internal Auditor, or Certified Management Accountant.

The Auditor is accountable directly to the voters of Portland and is responsible for the management of the annual financial audit of the City, as required by the City Charter.



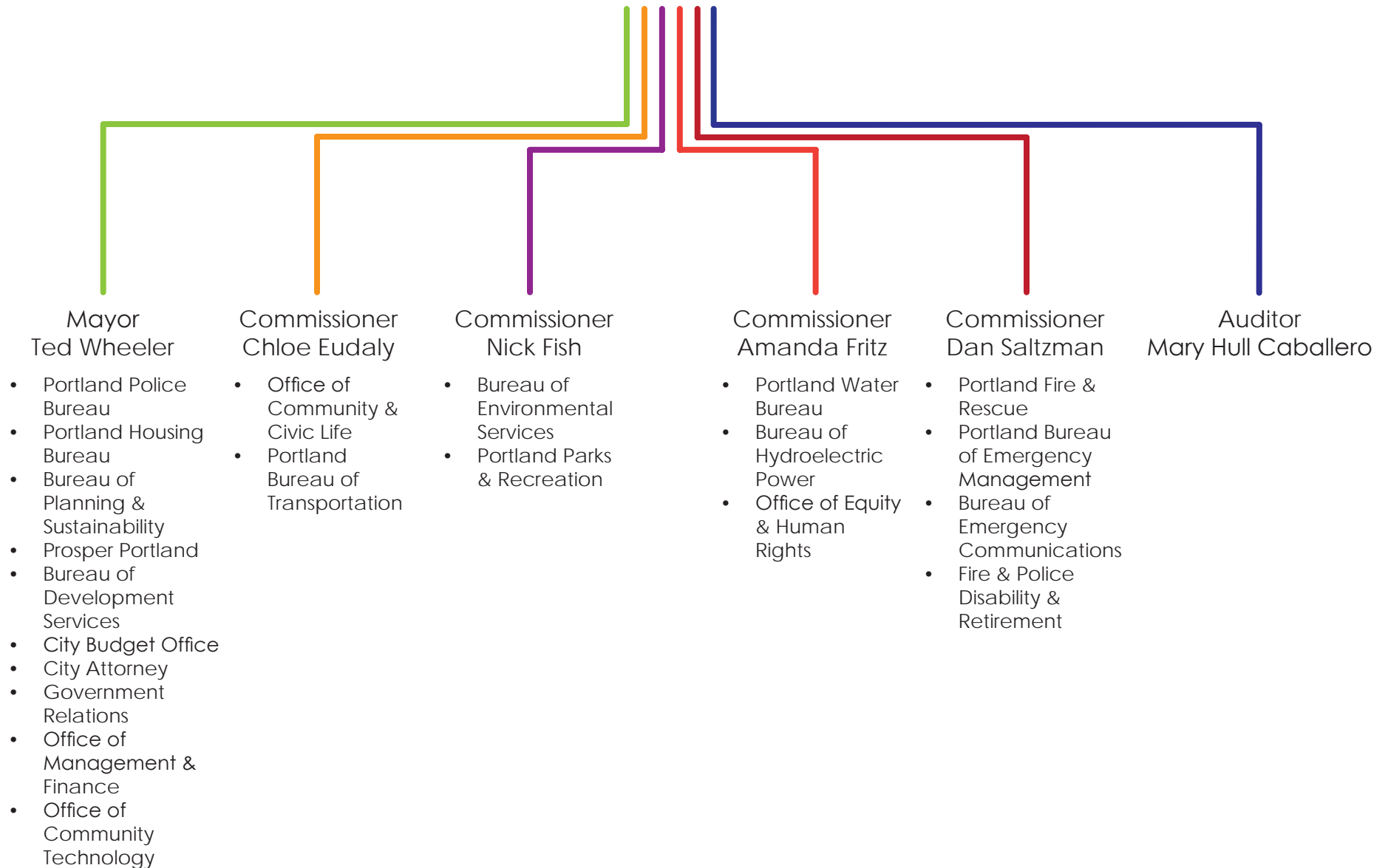
Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the City of Portland, Oregon for its Popular Annual Financial Report for the fiscal year ended, June 30, 2017. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. The City of Portland, Oregon has received a Popular Award for the last two consecutive years fiscal year ended June 30, 2017. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA to determine its eligibility for another Award.

# City Government

## PORTLANDERS



\* Bureau Assignments as of September 4, 2018

# Financial Results

It was formerly called the Balance Sheet, and while the name of this report has changed to the "Statement of Net Position," the accounting equation has also undergone a slight transformation: **Assets + Deferred Outflows - Liabilities - Deferred Inflows = Net Position**. The statement reflects the overall financial position of the organization at a given moment in time, just like a snapshot; and may serve as a useful gauge of a government's financial health.

In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1.05 billion (Net Position) at the close of the fiscal year (FY) 2018, an increase of \$157.0 million due to operations and a decrease of \$54.7 million due to OPEB implementation, for an overall increase of \$102.3 million, or 10.8% over FY 2017. The change in Net Position is discussed on the next page.

For the Years Ended June 30, (In Thousands)	Total Primary Government		
	FY 2018	FY 2017	FY 2016
Current & Other Assets	\$ 1,990,969	\$ 1,649,050	\$ 1,472,935
Capital Assets	6,639,857	6,575,490	6,463,382
<b>Total Assets</b>	<b>8,630,826</b>	<b>8,224,540</b>	<b>7,936,317</b>
Deferred Outflow of Resources	502,965	740,885	540,100
Current & Other Liabilities	489,366	454,494	423,190
Long-term Liabilities	7,312,988	7,355,259	7,050,484
<b>Total Liabilities</b>	<b>7,802,354</b>	<b>7,809,753</b>	<b>7,473,674</b>
Deferred Inflow of Resources	283,915	210,495	83,128
<b>Total Net Position</b>	<b>\$ 1,047,522</b>	<b>\$ 945,177</b>	<b>\$ 919,615</b>

The Statement of Activities is one of the main financial statements of a government. This statement is the operating statement for the City as a whole. The Statement of Activities focuses on the total organization and reports revenues, such as taxes and charges for services minus the expenses for major functions such as public safety, transportation, utilities, parks and community development.

Operating results improved in FY 2018, by \$131.4 million over the prior fiscal year. The increase was largely due to approved rate increases for water and environmental service operations, as well as increased property tax revenue. Economic expansion has contributed to increased

property tax revenues as well as increased demand for construction resulting in more revenue from permit fees.

The City receives and collects revenue from a variety of sources. Program revenues derive either from the program itself or grants, and fund their respective programs and functions. General revenues primarily consist of taxes and investment earnings and are available for use for any program or function, unless they are restricted by law.

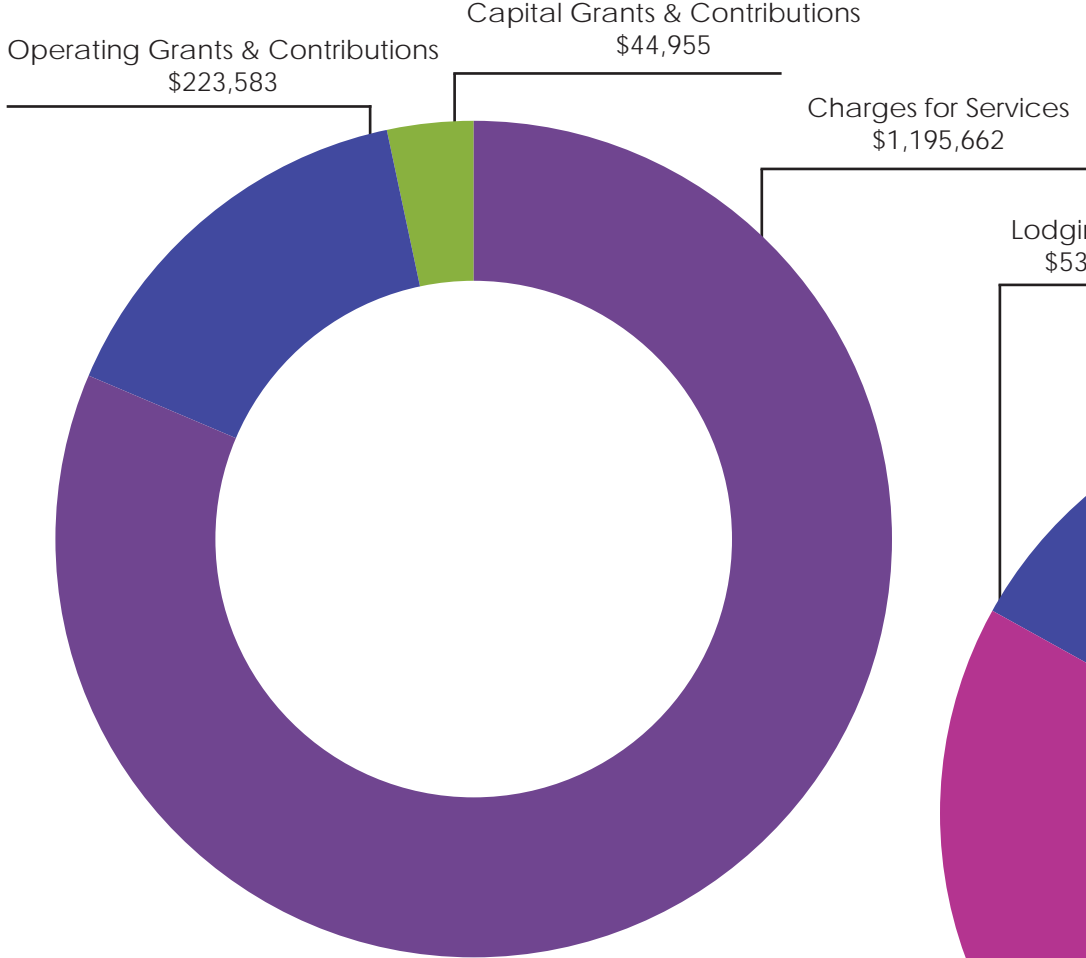
The following pages show FY 2018 revenues and expenses in greater detail.

For the Years Ended June 30, (In Thousands)	Total Primary Government		
	FY 2018	FY 2017	FY 2016
Revenues	\$ 2,165,809	\$ 2,006,938	\$ 1,844,731
Expenses	2,008,806	1,981,376	1,993,889
Changes in Net Position	157,003	25,562	(149,158)
Net Position - Beginning *	890,519	919,615	1,068,773
<b>Net Position - Ending</b>	<b>\$ 1,047,522</b>	<b>\$ 945,177</b>	<b>\$ 919,615</b>

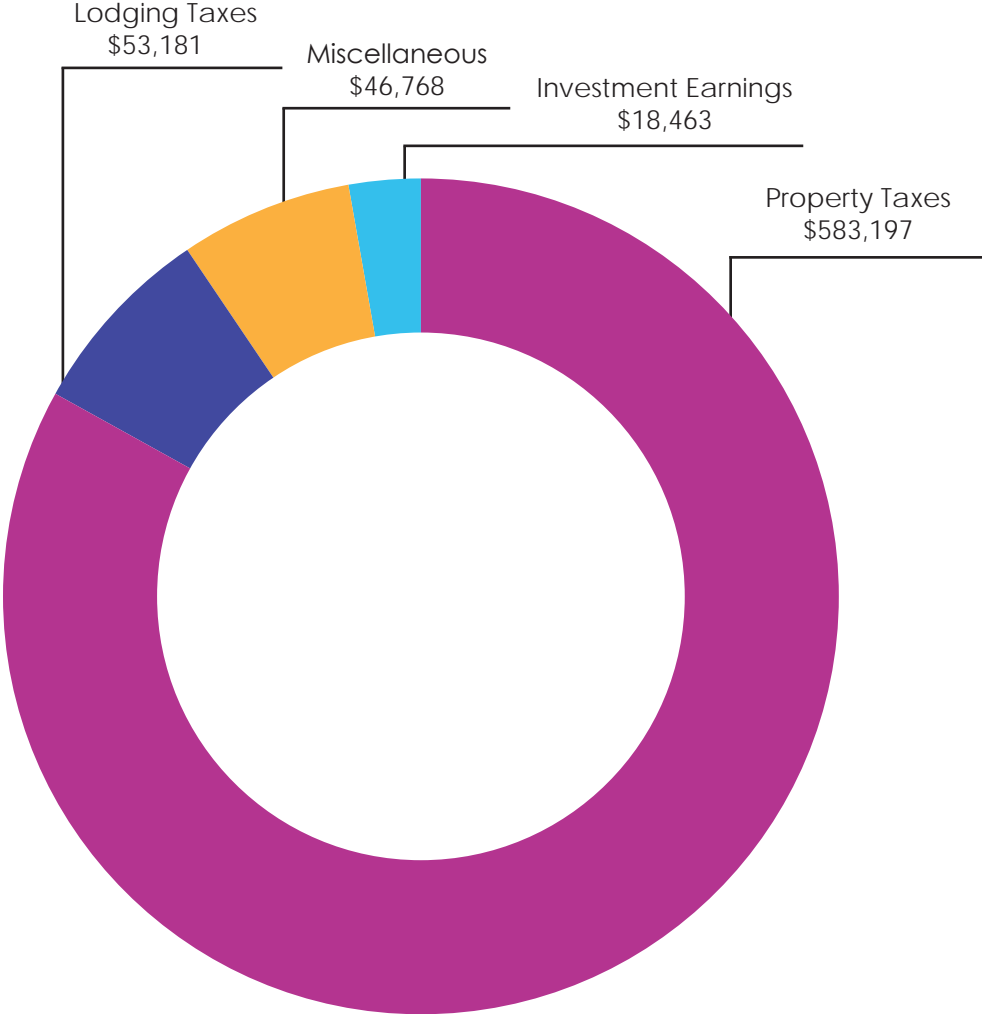
\* Beginning FY 2018 Net Position was restated due to OPEB

# Revenues &

## Program Revenues



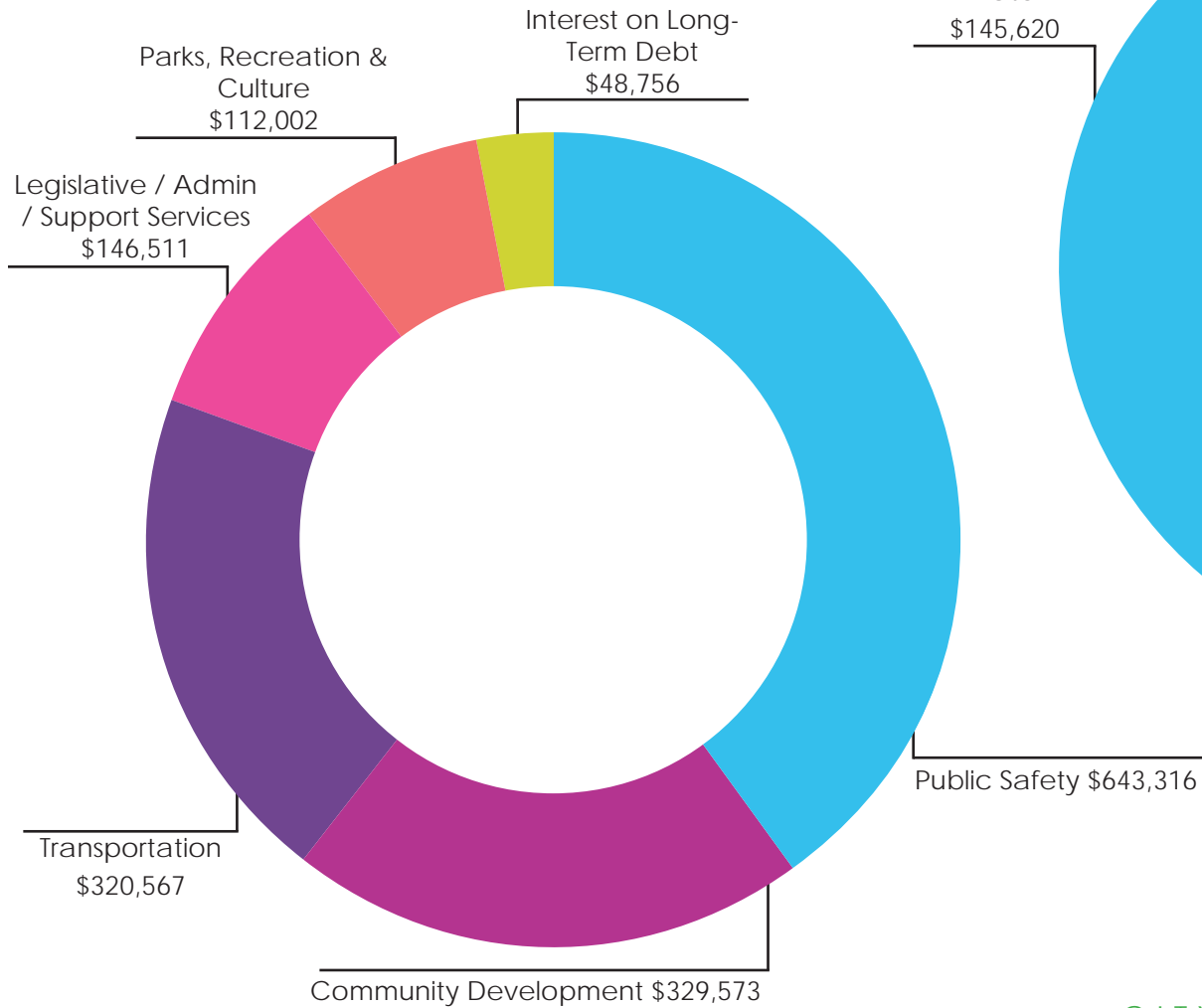
## General Revenues



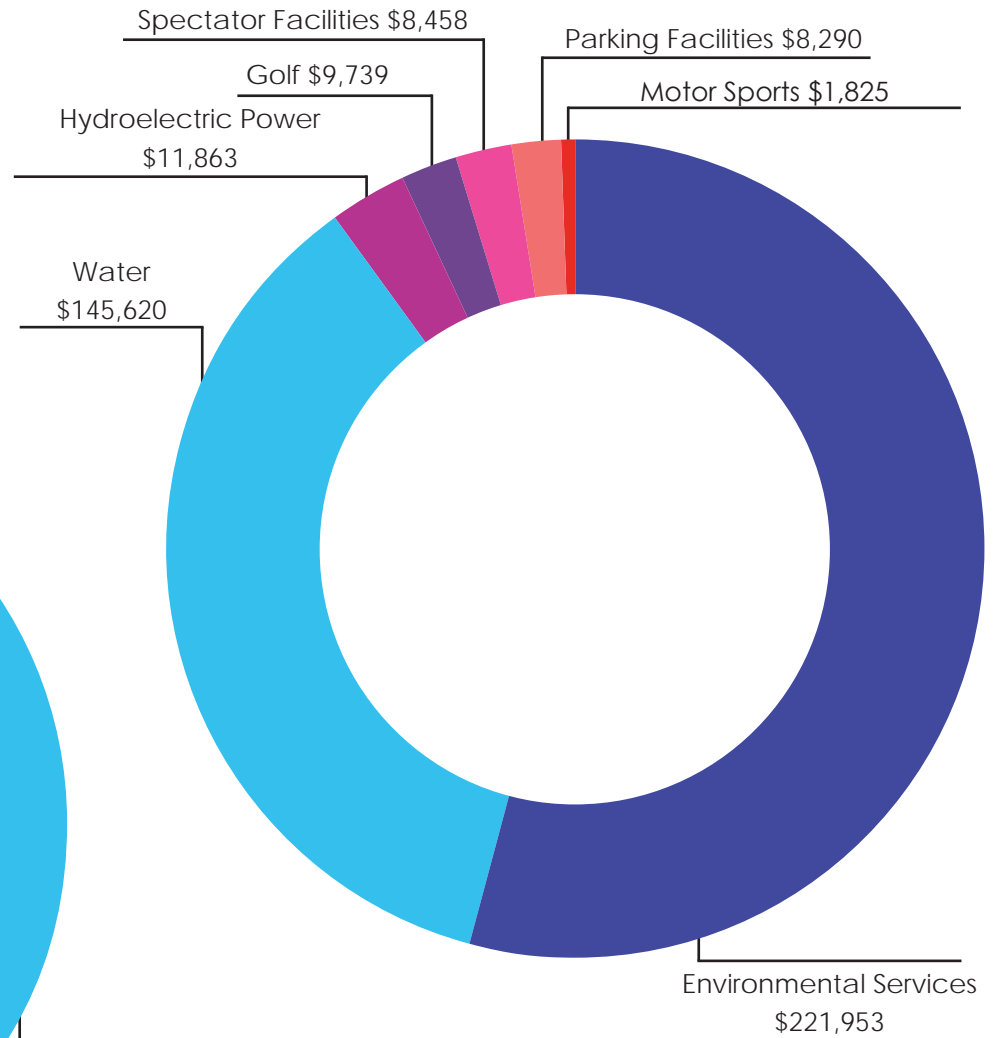


# Expenses

## Governmental Activities



## Business-type Activities

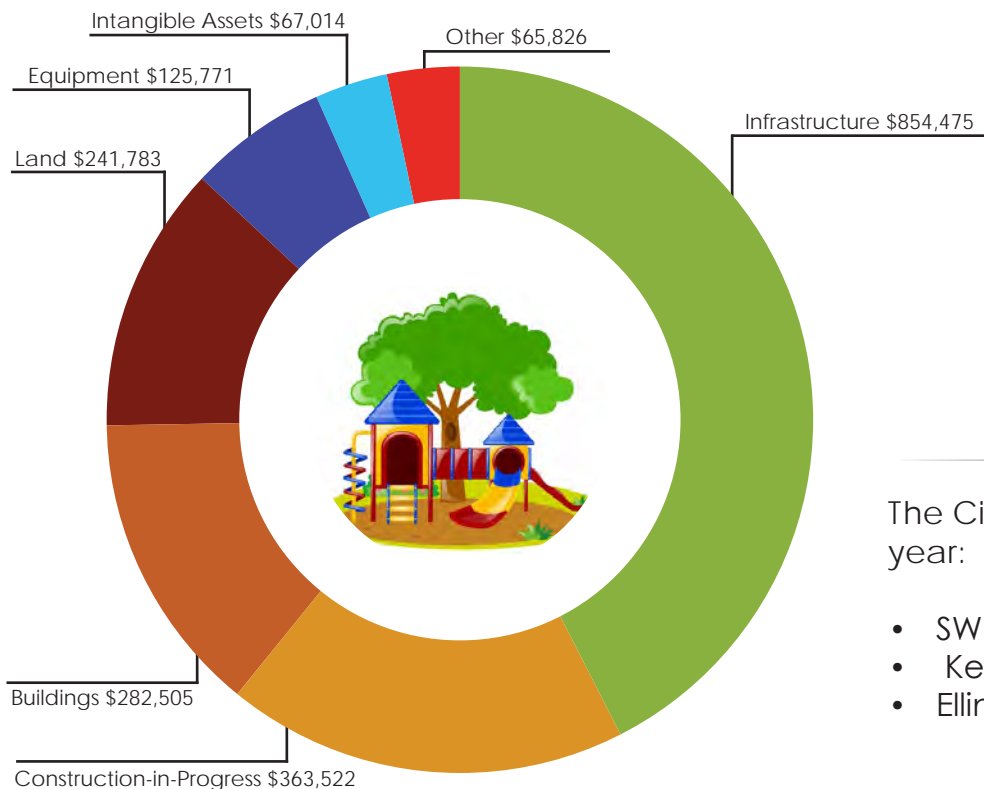


# Capital Assets

The City's investment in capital assets for its governmental and business-type activities, as of June 30, 2018 amounts to \$6.64 billion. This investment in capital assets includes infrastructure, construction in progress, buildings, land, improvements to land, equipment, land use rights, software, and owning rights. The majority of these assets were infrastructure (such as roads and pipes).

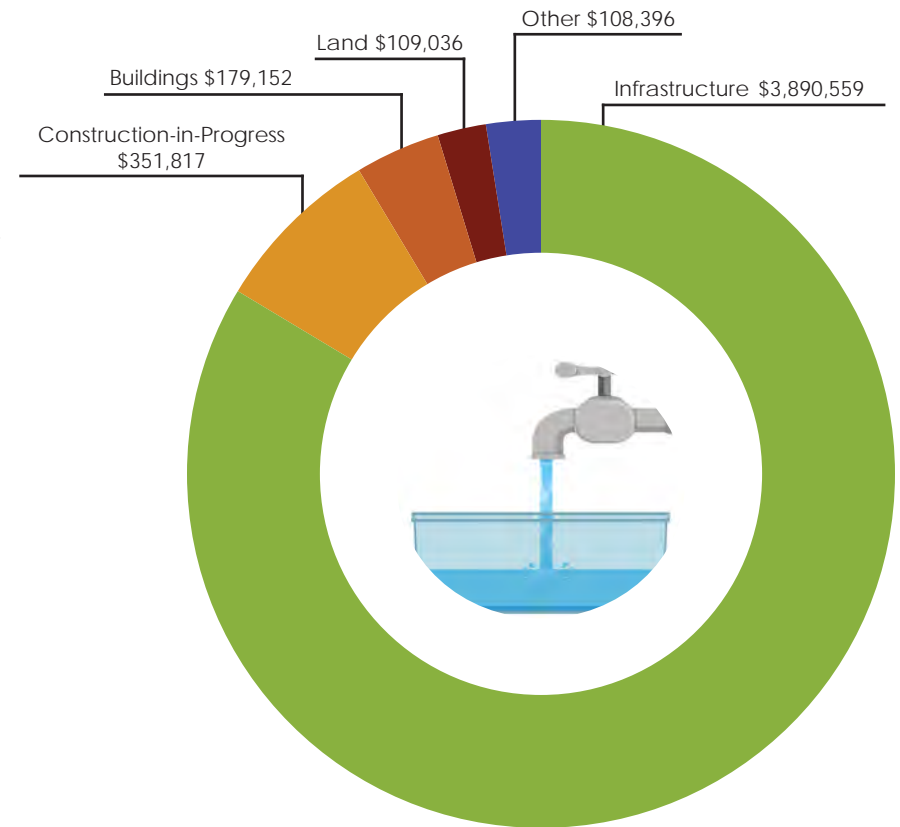
## Governmental Activities

Examples of Governmental Activities include Police, Fire, Parks, and Transportation (dollars in thousands - \$000's)



## Business-Type Activities

Examples of Business-Type Activities include Water and Sewer (dollars in thousands - \$000's)



The City of Portland completed the following major projects this year:

- SW 86th Ave Pump Station & Appurtenances \$34.2M
- Kenton Sewer Rehabilitation \$4.7M
- Ellington Apartments Renovation \$31.5M

# Staying Connected



Freemont Bridge

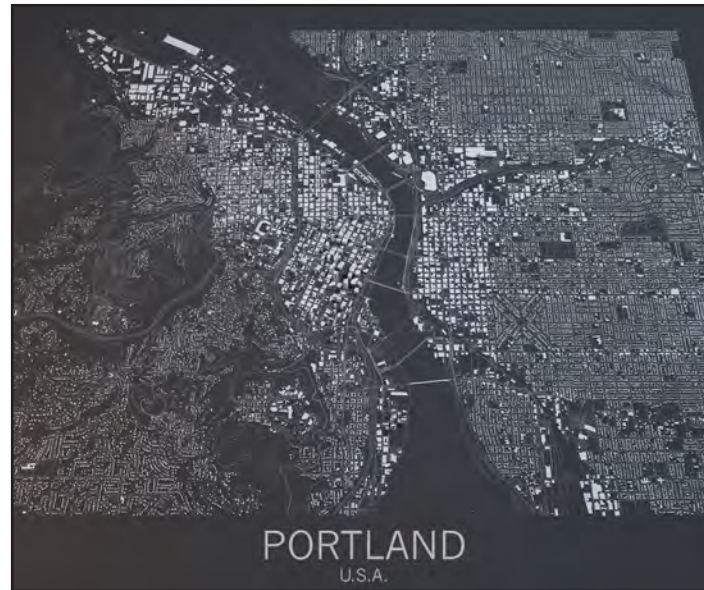


Broadway Bridge



Burnside Bridge

Portland's East and West side are divided by the Willamette River and connected by 9 bridges, some of which are pictured here.



Hawthorne Bridge



Ross Island Bridge



Tilikum Bridge



St. Johns Bridge

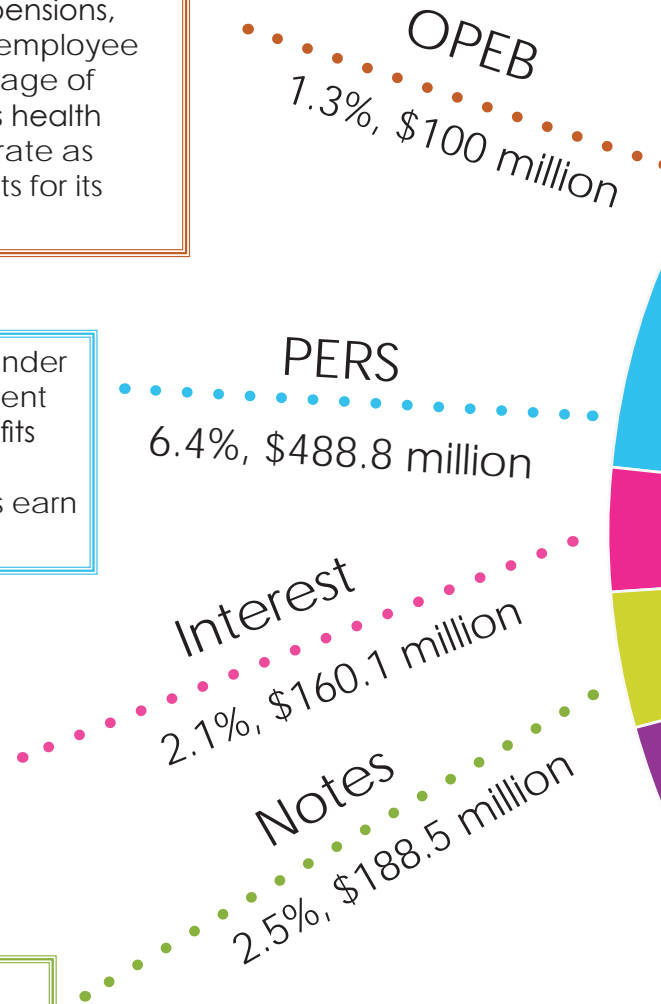
# Debt & Pensions

Other post-employment benefits (OPEB) refers to the benefits, other than pensions, that a state or local government employee receives as part of his or her package of retirement benefits. The City offers health insurance to retirees at the same rate as active employees, which accounts for its OPEB liability.

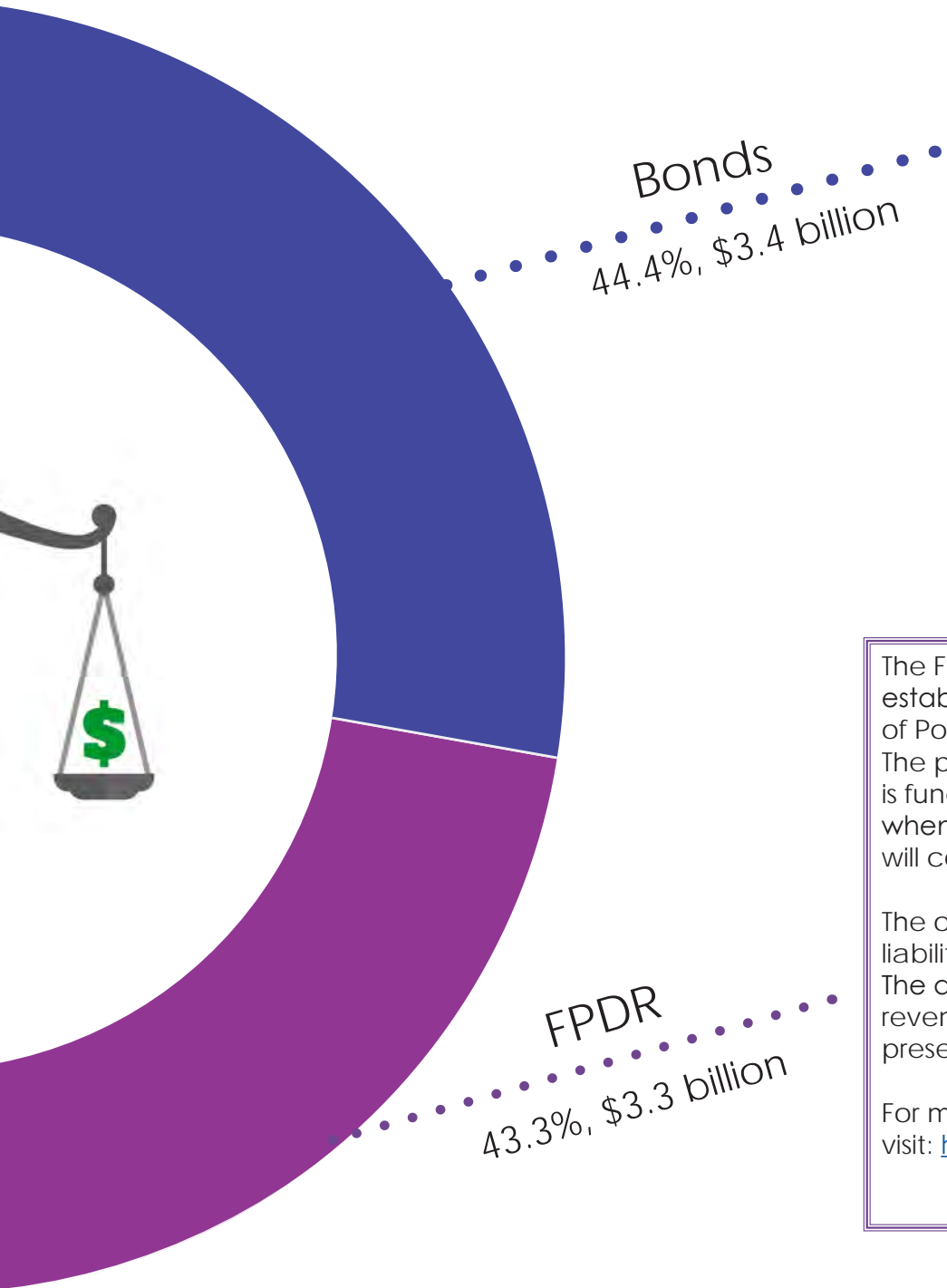
Eligible City employees are covered under the Oregon Public Employees Retirement System (PERS). PERS is funded as benefits are earned, the City pays a monthly contribution to the plan as employees earn retirement benefits.

The City pays interest on debt obligations such as bonds and notes.

The City uses notes to fund shorter term debt obligations rather than issuing bonds.







The majority of the City's outstanding bond debt is related to revenue bonds for Water and Environmental Services; these bonds are paid with revenue from user fees. The City also issues different bonds for various purposes. General Obligation debt is used to fund capital improvements of major capital facilities, such as improvements to City parks, emergency facilities and the expansion of affordable housing.

Urban Renewal and Redevelopment bonds are used to finance capital projects that stimulate job creation and growth in designated target areas: such as South Park Blocks, Lents Town Center and North Macadam, among others. The City has Limited Tax Improvement bonds that are used to finance local improvement district projects. The City also issues debt to make contributions to projects done by other governments, such as the Milwaukie Light Rail, and the Sellwood Bridge.

The Fire & Police Disability & Retirement (FPDR) Plan was established for the benefit of sworn employees and retirees of Portland Fire & Rescue and the Portland Police Bureau. The plan is funded through a voter-approved tax levy and is funded on a pay-as-you-go basis. The revenue is accrued when it is receivable within one year to pay the benefits that will come due within that same year.

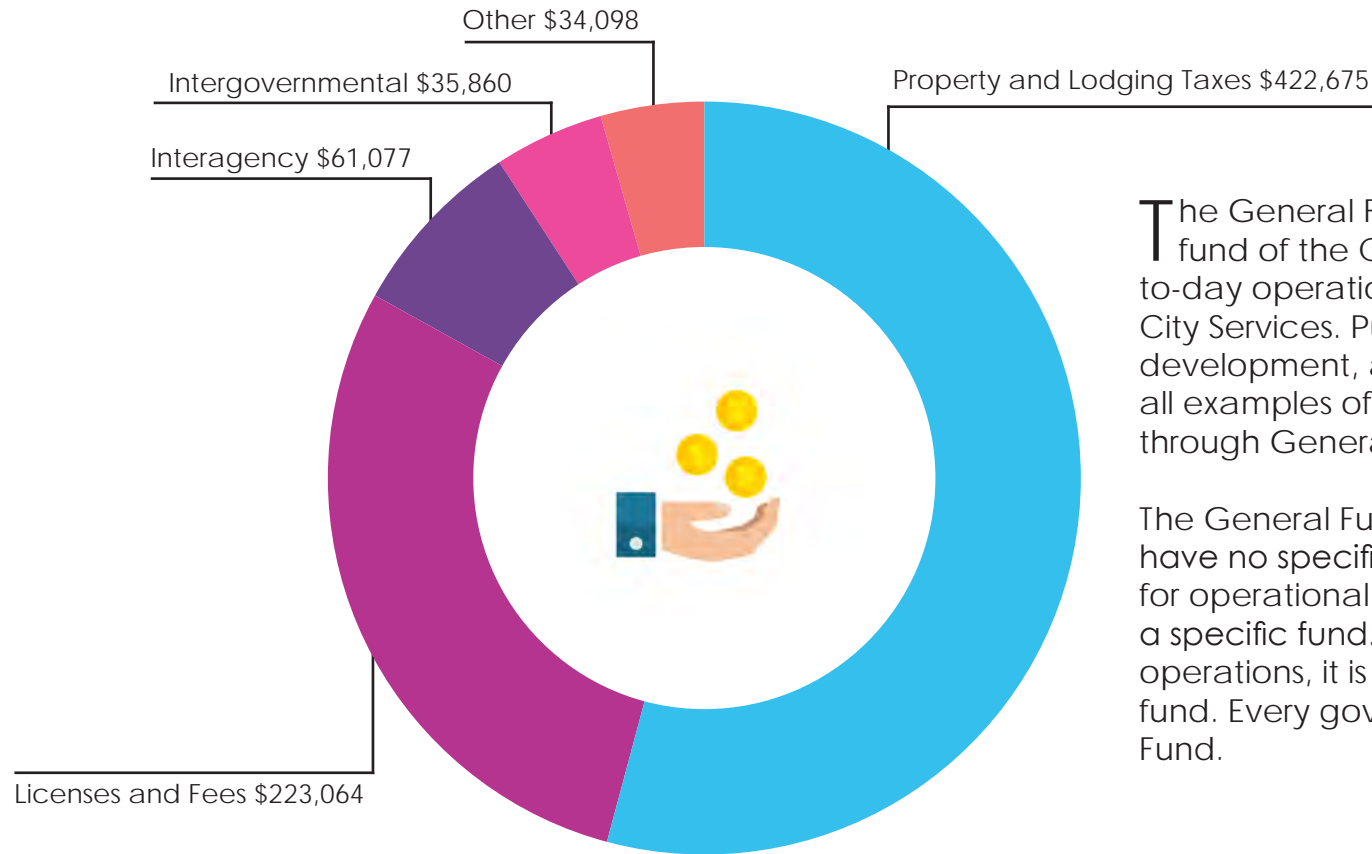
The outstanding liability shown in the chart is a long-term liability and will become due over a period of many decades. The amount outstanding does not reflect the value of future revenues from the dedicated property tax levy, which is the presentation required under current accounting rules.

For more information on FPDR and its funding structure please visit: <https://www.portlandoregon.gov/fpdr/>



# General Fund Revenues &

(dollars in thousands - \$000's)

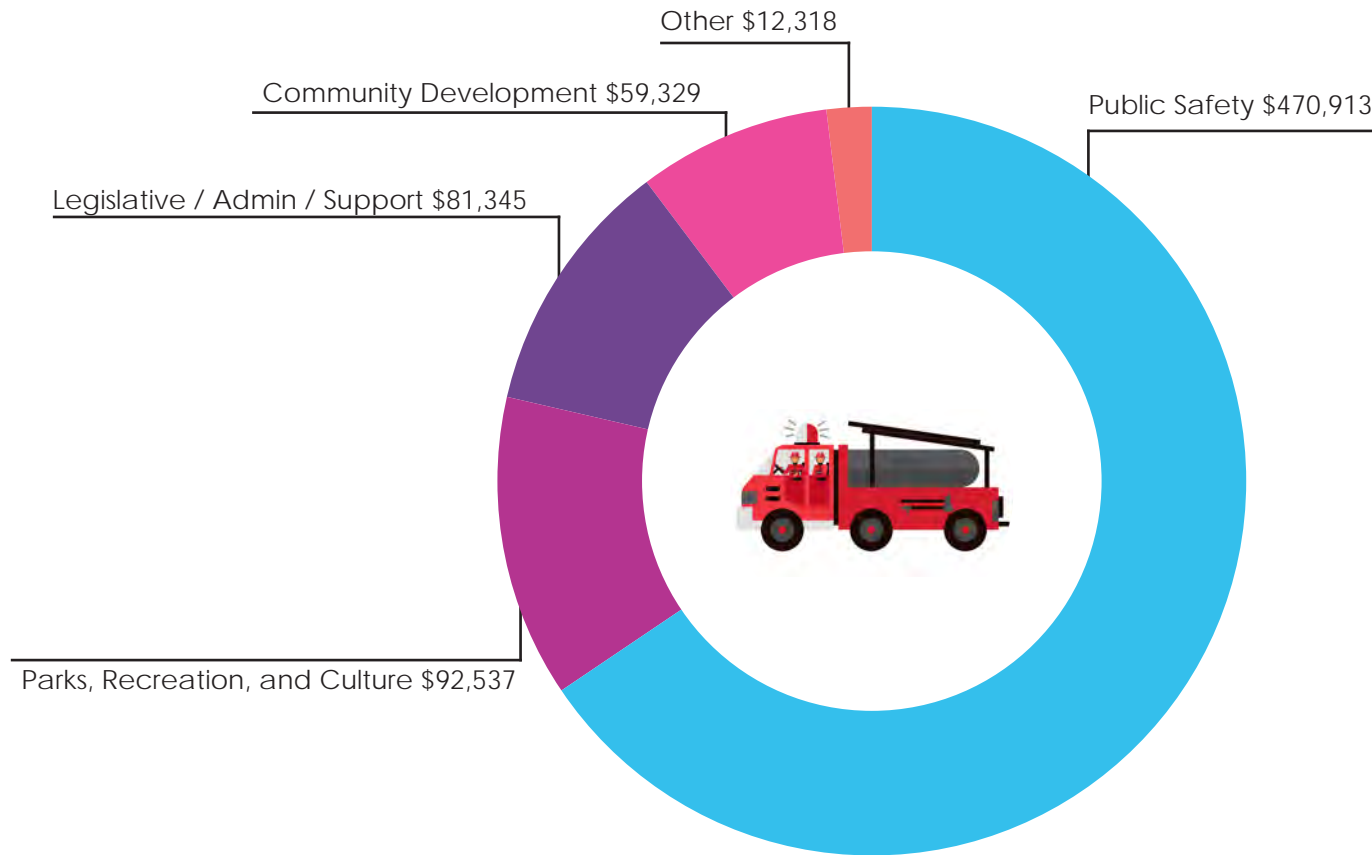


The General Fund is the primary operating fund of the City and it supports the day-to-day operations of many of the core City Services. Public safety, community development, and parks and recreation are all examples of the services that are provided through General Fund resources.

The General Fund accounts for resources that have no specific restrictions and are available for operational expenditures not restricted to a specific fund. Since it accounts for general operations, it is the most essential governmental fund. Every governmental unit has a General Fund.

**R**evenues: The largest source of revenue for the General Fund comes from property taxes (\$387.9M), which combined with lodging taxes, account for over 50% of General Fund revenue. Licenses and fees are the second largest source and account for 29% of the total revenue. Both property taxes and licenses and fees saw significant increases in FY 2018, due to rising property values and strong construction growth.

# Expenditures



Expenditures: Public safety is the largest program funded by the General Fund in terms of expenditures, it accounts for 66% of General Fund expenditures. These expenditures fund operations for Police, Fire and Emergency Communications to ensure the safety of the Portland community. Parks, Recreation and Culture is the second largest, but much smaller, program funded out of the General Fund; totaling 13% of expenditures. Both programs incurred modest increases in FY 2018, due to normal operations.

# 21st Century

As the City continues to grow, so does the need for creative and practical solutions to meet new expectations and priorities in our communities.

We are working together, every day, to address this challenge!

## Purrfect Parking



The Parking Kitty mobile application makes your parking experience simple, the way it should be.

- Fast payment
- Get reminders
- Extend time

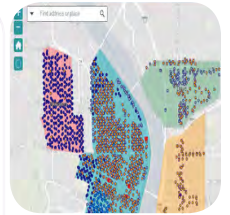
## Flash. Shake. Wake.



Portland Fire & Rescue's free smoke alarm program for deaf and hard of hearing Portlanders is offered to people with qualified disabilities under the Americans with Disabilities Act.

## Interactive Parking Map

The new City of Portland Parking Map helps resident and visitors learn more about parking meter locations, SmartPark garage locations, parking rates, paying for parking, Area Parking Permit zones, and much more.



## PDX Reporter

PDX Reporter is the City's mobile application used by members of the community to report problems or service related issues around the City. PDX Reporter allows reporting of issues at the time of their discovery given its real-time capability.



## CitySync

CitySync gives residents and business owners a new, personalized way to access local news, information, and events in and around Portland. PDX CitySync is currently in beta and accepting public feedback.



# Business Solutions

## Coming Soon!



**P**ortland Online Permitting System (POPS) is a program that will move the City's paper-based development review process to a more efficient and accessible on-line digital system.

The POPS program will replace the outdated TRACS system and add new customer features including an electronic plan review, improved inspection scheduling, and mobile applications for inspectors and contractors.

**T**he 3-1-1/Customer Service Improvement Project is a plan to improve community members' access to City services by providing a new first stop for community questions and requests



received on-line, over the phone, and in-person.

The 3-1-1 system will complement the City's existing customer service efforts and enhance community access to City information and services.

The project team is working for a multi-year rollout of the program, beginning in FY 2019-20.

**T**he Portland Oregon Website Replacement (POWR) project aims to create a community-oriented website where services are easy to find, easy to access, and easy to understand.



The City offers over 200 services to the community and the new website is a huge opportunity to improve access to services intended for our community.

**T**he Build Portland program is designed to use property tax dollars freed up by expiring urban renewal areas towards infrastructure projects.



The first seven projects that are slated for completion are:

- Outer Stark Corridor Improvements - \$10M
- Bridge Replacement NE 42nd Ave - \$3M
- Lents Town Center Improvements - \$4M
- ADA Accessible Sidewalks - \$10.5M
- N Lombard Main Street - \$3M
- Traffic Signal Reconstruction Program - \$3.5M
- Mt. Scott Community Center Rehabilitation - \$15M

# Demographics

## Median Age

36.8 years young

## Median Household Income

\$66,971

## Families

256,432 Households  
2.36 Persons per household

## Housing

\$378,600 Median home price  
12.4% Home price increase

## Education

91.8% High school graduate  
38.9% College graduate  
14.8% Graduate degrees

## Employment

3% Job growth  
3.8% Unemployment  
4% Household income growth



## Top 5 Languages Spoken After English

Spanish  
Vietnamese  
Chinese  
Russian  
Romanian

## Commuter Transportation

58.2% Single-occupancy vehicle  
12.9% Public transit  
8.12% Carpool  
7% Bicycle



# Glossary

- **Assets** - What the City owns.
- **Business-Type Activities** - Activities financed through fees charged to external parties. Includes Bureau of Environmental Services, Water, Parking Facilities, and other non-major business-type activities.
- **Capital Assets** - Tangible or intangible non-financial assets that have an initial useful life of more than one year and are used in providing services to the City's members.
- **Deferred Inflow of Resources** - An acquisition of net position by the government that is applicable to a future reporting period.
- **Deferred Outflow of Resources** - A consumption of net position by the government that is applicable to a future reporting period.
- **Generally Accepted Accounting Principles (GAAP)** - A collection of commonly followed accounting rules and standards for financial reporting.
- **Governmental Accounting Standards Board (GASB)** - A source of GAAP used by state and local governments in the United States.
- **Governmental Activities** - Activities generally financed through taxes and intergovernmental revenues. Includes primary governmental functions like public safety, transportations, community development, and general government.
- **Liabilities** - What the City owes.
- **Net Position** - The residual of all other financial statement elements in a statement of net position; i.e., the difference between assets, liabilities, deferred outflows of resources, and deferred inflows of resources.
- **OPEB** - Other post-employment benefits (OPEB) refers to the benefits, other than pensions, that a state or local government employee receives as part of his or her package of retirement benefits.



Portland Japanese Garden



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