

City of Portland, Oregon

Popular Annual Financial Report

FOR THE
YEAR ENDED
JUNE 30,
2019



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Greetings:

We are pleased to present to you the City of Portland's (the City) Popular Annual Financial Report (PAFR) for the year ended June 30, 2019. This report is intended to increase awareness of the financial operations of the City. As such, this report is written in a user-friendly manner that will summarize and communicate the City's financial condition. In addition to providing information on City finances and operations, this report also helps demonstrate what makes Portland a great place to live and work.

While the current financial condition of the City is strong, there are near-term and longer-term financial obligations that will need to be monitored and managed. The City is currently facing several funding challenges, including increasing affordable housing and homeless service needs, labor costs, pension funding requirements, asset management needs, and legacy liabilities. We are working to address these challenges through strategic and consistent investment in the City's capital assets, infrastructure, and the funding of reserves, which is critical to ensuring the City's long-term fiscal health.

The PAFR summarizes and condenses the financial activities of the City of Portland governmental and business-type activities and derives its information from the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2019. The CAFR was prepared in conformance with Generally Accepted Accounting Principles (GAAP) and includes financial statements audited by the City's independent auditors. Unlike the CAFR, the PAFR is un-audited and presented on a non-GAAP basis. This means that it contains condensed financial information and does not provide all of the necessary financial statements and note disclosures required by GAAP for governmental entities. We invite you to review the City's audited CAFR which includes detailed information on the City's finances.

We hope you enjoy reading this report and find it both interesting and useful for your understanding of the City's finances.

Sincerely,

Michelle R. Kirby, CPA

Interim Chief Financial Officer

To view the City's Full Comprehensive Annual Financial Report (CAFR) and Popular Annual Financial Report (PAFR) please visit: <https://www.portlandoregon.gov/omf/51731>

Printed copies are available upon request. Please find our contact information on the back cover of this report.

The City comprises an area of approximately 145 square miles in northwest Oregon. With a population estimated over 653,000, Portland is the 25th largest city in the United States. Since 2010, Portland population has grown 11.9 percent.

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 almost 2.5 million people. Portland's economy is driven by several fast-growing industries: high tech, manufacturing, and healthcare.

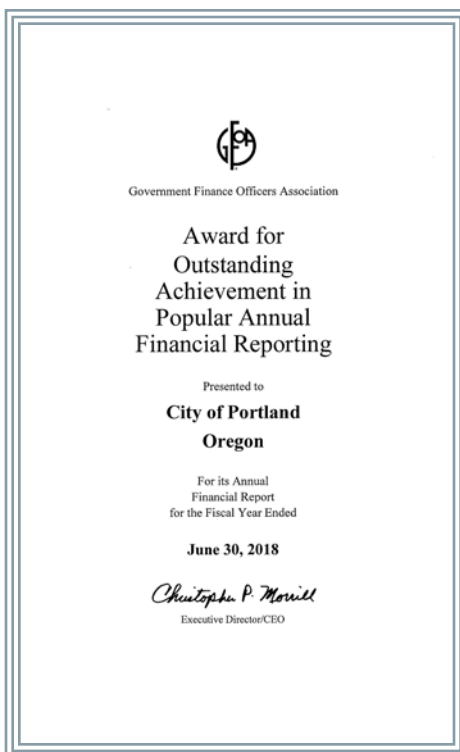
The climate of the area is marked by warm, dry summers and mild-to-chilly, rainy winters. This climate is ideal for growing roses for more than a century, Portland has been known as the "City of Roses."

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.

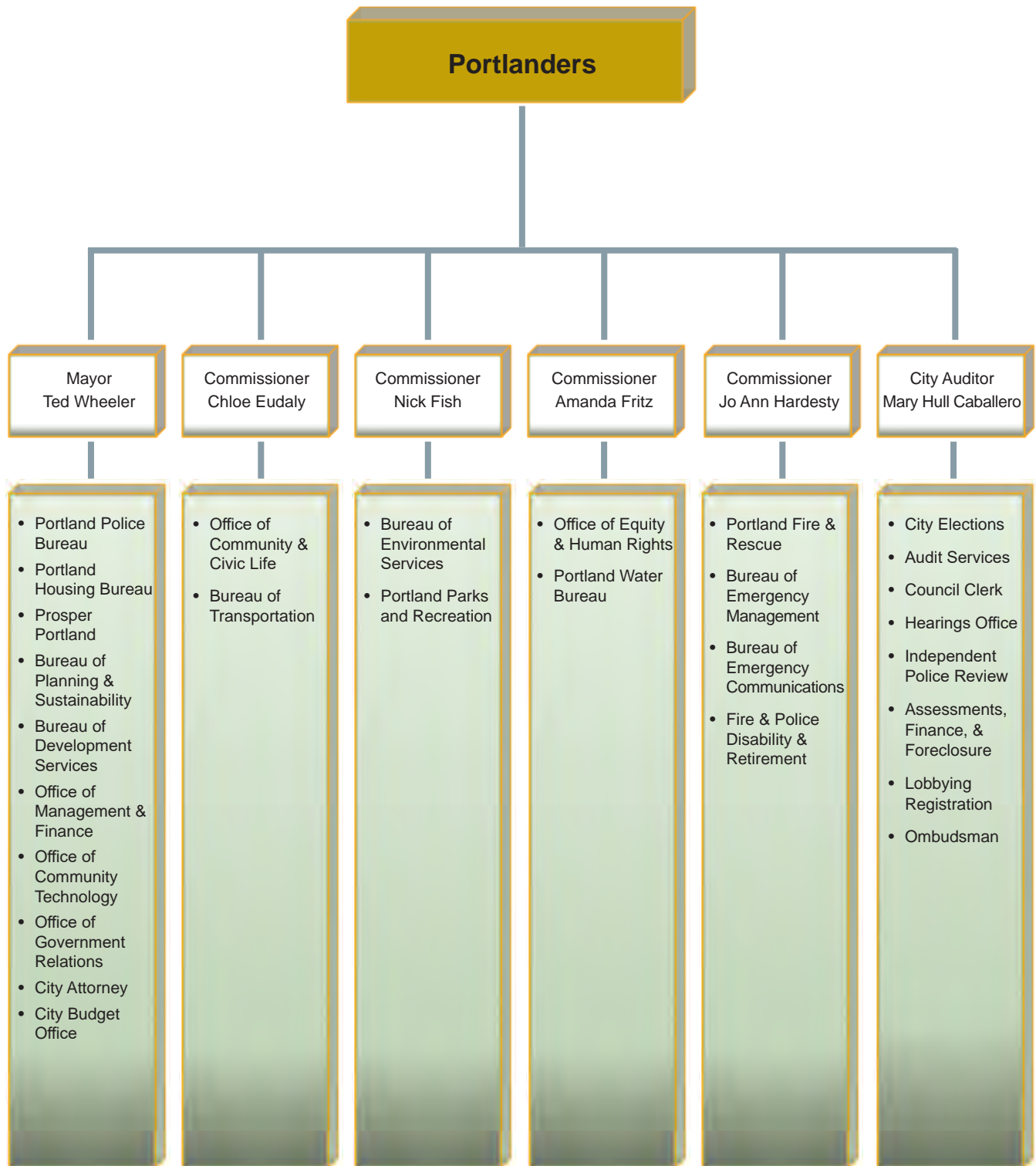
Government Finance Officers Association Award



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, 2018. 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 three consecutive years. 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.

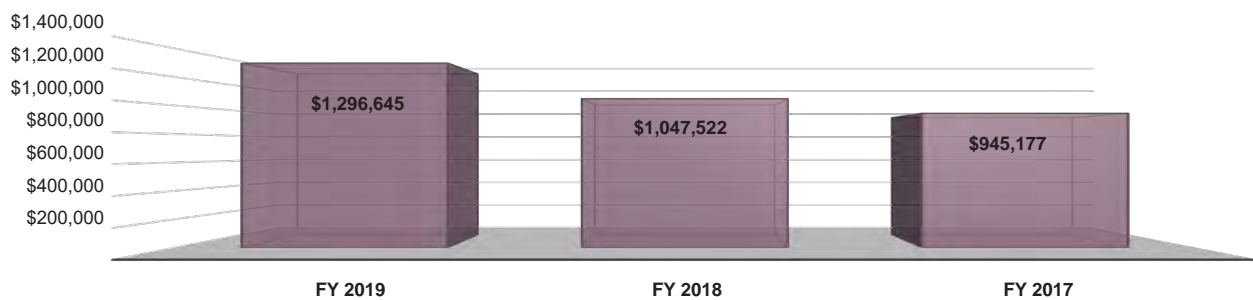


STATEMENT OF NET POSITION

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, much 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 for the total primary government exceeded liabilities and deferred inflows of resources by \$1.3 billion (Net Position) at the close of the fiscal year (FY) 2019, this is an overall increase of \$249.1 million or 23.8% over FY 2018 as a result of a decrease of \$61.8 million in the net position of the governmental activities and an increase of \$311.0 million in net position of the business-type activities. The change in Net Position is further discussed on the next page.

Total Net Position



For the Years Ended June 30,
(dollars in thousands - \$000's)

Total Primary Government

	FY 2019	FY 2018	FY 2017
Current and other assets	\$2,075,633	\$1,990,969	\$1,649,050
Capital assets	6,949,166	6,639,857	6,575,490
Total assets	9,024,800	8,630,826	8,224,540
Deferred outflow of resources	577,778	502,965	740,885
Long-term liabilities outstanding	7,514,186	7,312,988	7,355,259
Other liabilities	559,472	489,366	454,494
Total liabilities	8,073,658	7,802,354	7,809,753
Deferred inflow of resources	232,274	283,915	210,495
Total net position	\$1,296,645	\$1,047,522	\$945,177

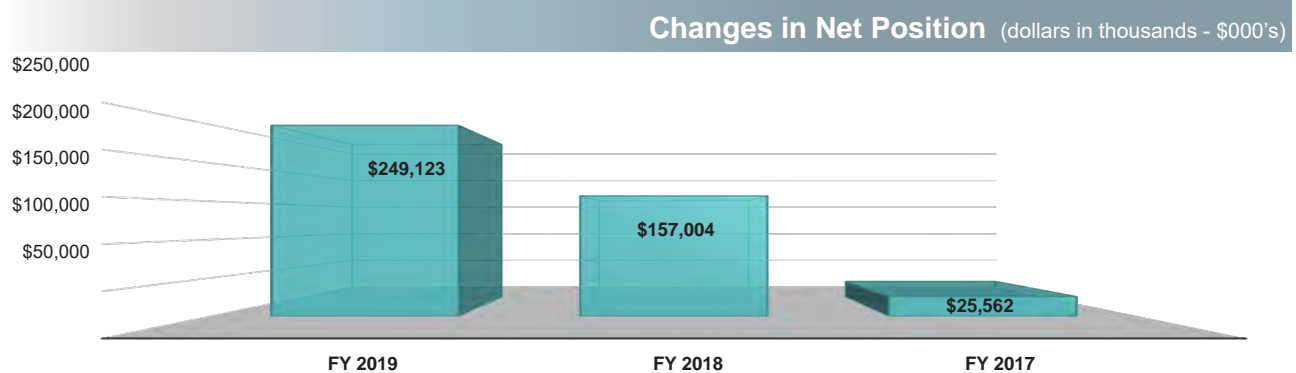


The Statement of Activities is one of the main financial statements of a government. This statement is the operating statement for the City as a whole. The Statement of Activities focuses on the total organization and reports revenues, such as taxes and charges for services minus the expenses for major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

In FY 2019 operating results improved by \$92.1 million over the prior fiscal year. The increase reflects economic expansion and growing housing prices in the Portland area that have contributed to higher property tax revenues and driven increased demand for construction resulting in more revenue from permit fees.

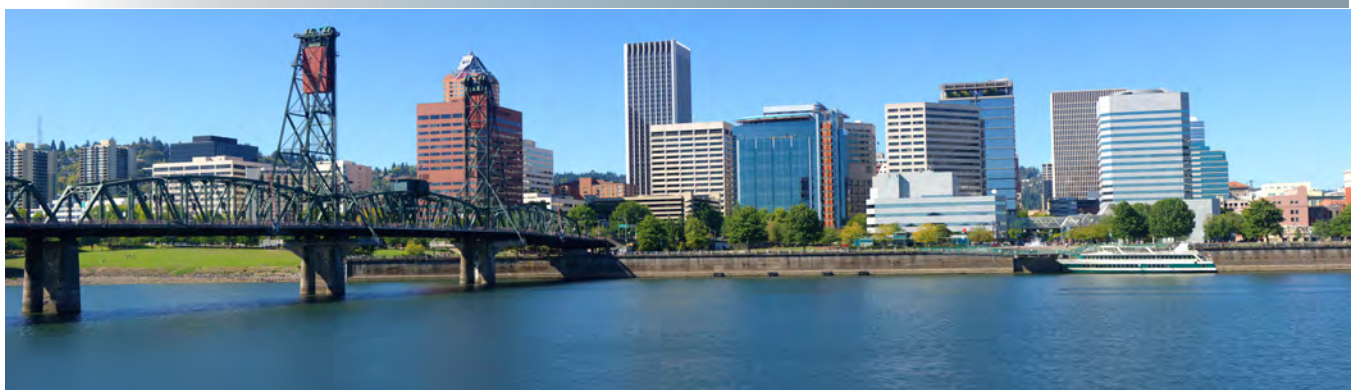
The City receives and collects revenue from a variety of sources. Program revenues derive either from the program itself or grants, and fund their respective programs and functions. General revenues primarily consist of taxes and investment earnings and are available for use for any program or function,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

The following pages show FY 2019 revenues and expenses in greater detail.

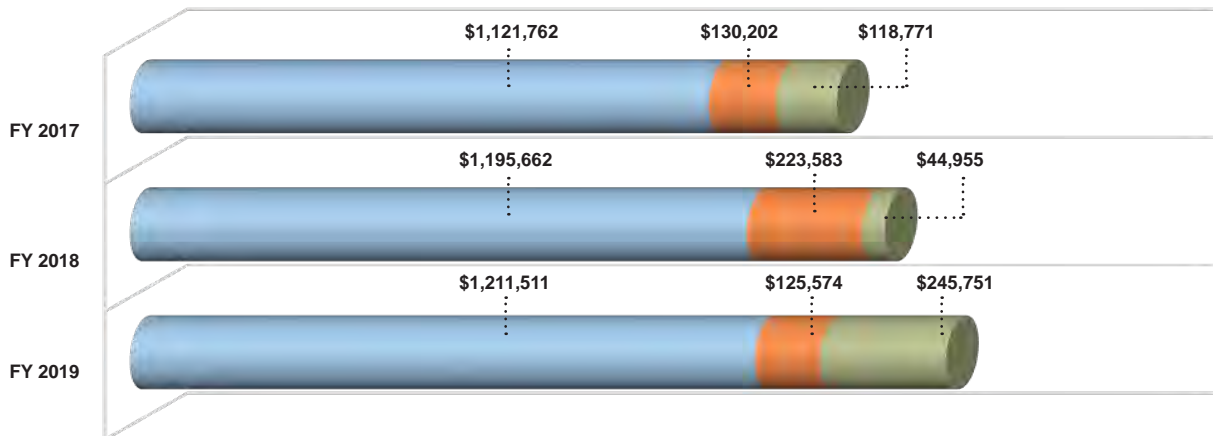


For the Years Ended June 30, (dollars in thousands - \$000's)	Total Primary Government		
	FY 2019	FY 2018	FY 2017
Revenues	\$2,371,886	\$2,165,809	\$2,006,938
Expenses	2,122,763	2,008,805	1,981,376
Changes in net position	249,123	157,004	25,562
Net position - beginning *	1,047,522	890,518	919,615
Net position - ending	\$1,296,645	\$1,047,522	\$945,177

* Beginning FY 2018 Net Position was restated due to other post-employment benefits (OPEB)



Program Revenues (dollars in thousands - \$000's)



	FY 2019	FY 2018	FY 2017
Charges for services	\$1,211,511	\$1,195,662	\$1,121,762
Operating grants & contributions	125,574	223,583	130,202
Capital grants & contributions	245,751	44,955	118,771

In FY 2019, total revenue increased by 206.1 million over the prior year resulting from higher program and general revenues.

The growth in program revenues was mostly due to an increase in the charges for services driven by increased permit fees and assessments that reflected strong growth in the construction industry.

General revenues were driven up mostly by continuing growth of housing prices in the Portland area that resulted in the higher property taxes and favorable interest rates and strong investment performance account for the increase in investments earnings in FY 2019 over the prior year.

General Revenues (dollars in thousands - \$000's)



	FY 2019	FY 2018	FY 2017
Property taxes	\$610,837	\$583,197	\$537,143
Lodging taxes	60,417	53,181	50,783
Miscellaneous	53,337	46,768	24,081
Investment earnings	64,459	18,463	24,196

Governmental Activities (dollars in thousands - \$000's)



	FY 2019	FY 2018	FY 2017
Public safety	\$698,444	\$643,316	\$662,030
Parks, recreation & culture	114,164	112,002	107,883
Community development	243,792	329,573	290,458
Transportation	330,008	320,567	319,449
Legislative / admin / support svcs	250,840	146,511	129,284
Interest on long-Term Debt	52,152	48,756	47,225
Other governmental activities	1,093	333	290

Fiscal year 2019 total expenses increased by \$114.0 million over the prior year. Both functions of the City, governmental activities and business-type activities, had an increase in expenses compared to the prior fiscal year. The most significant reasons for this overall increase are attributable to rising personal services expenditures resulting from the growth in the costs for labor and benefits, as well as an increase in demand for services.

Business-type Activities (dollars in thousands - \$000's)



	FY 2019	FY 2018	FY 2017
Environmental services	\$253,973	\$221,953	\$247,437
Water	145,727	145,620	145,141
Hydroelectric power	3,502	11,863	1,447
Parking facilities	9,499	8,290	8,333
Golf	10,043	9,739	9,486
Motor sports	1,948	1,825	1,556
Spectator facilities	7,578	8,458	11,358

BUDGET PROCESS

February

- Bureaus requested budget submittals



March

- City Budget Office requested budget reviews distributed to Council
- Council work sessions



April

- Budget outreach events



May

- Mayor releases proposed budget
- Approved budget work session



June

- Council action to adopt budget



Local government budgeting in Oregon is governed by Local Budget Law, Chapter 294 of the Oregon Revised Statutes. The law has two major objectives:

- Provide standard procedures for preparing, presenting, and administering local budgets.
- Ensure citizen involvement in the preparation of the budget.

Budgeting in Oregon is an effort shared by residents and elected and appointed officials. Residents involved in the budget process work to ensure the services they require and want are adequately funded. City officials are responsible for building a budget that reflects the public interest and is structurally correct.

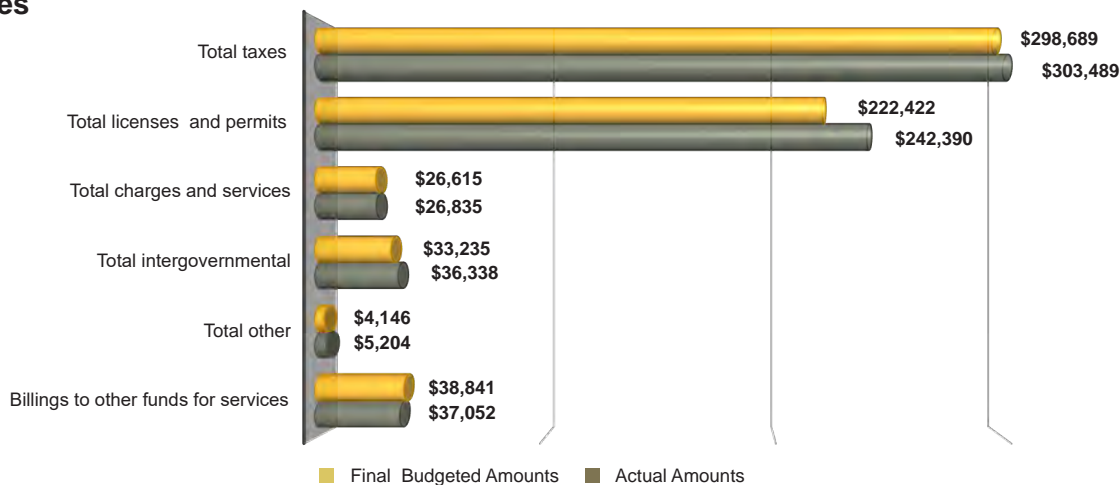
The Tax Supervising and Conservation Commission (TSCC), a five-member citizen board appointed by the Governor, reviews the budgets of all governmental jurisdictions in Multnomah County. The TSCC, together with the State Department of Revenue, is responsible for ensuring the City budget complies with Local Budget Law.

As part of the public outreach effort, the bureaus' draft budget requests are reviewed by Budget Advisory Committees composed of management, labor, customers, and internal and external experts.

In addition, the City holds community hearings to gather the input from Portland residents that helps the Mayor prioritize services and focus on specific areas where services can be enhanced. Testimonies are also collected electronically via email.

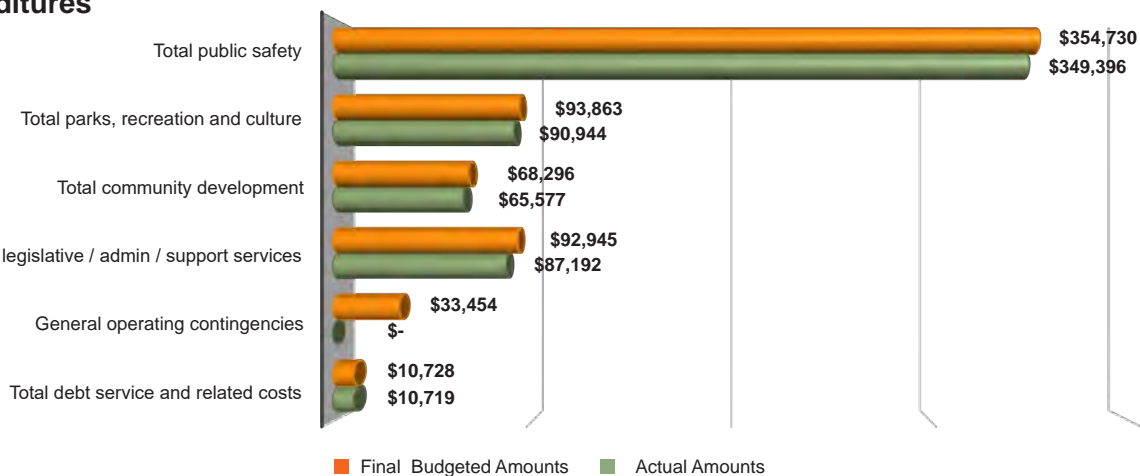
Budget Highlights - General Fund by Function (dollars in thousands - \$000's)

Revenues



Category	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts
Total taxes	\$292,389	\$298,689	\$303,489
Total licenses and permits	222,572	222,422	242,390
Total charges for services	26,804	26,615	26,835
Total intergovernmental	31,995	33,235	36,338
Total other	3,881	4,146	5,204
Billings to other funds for services	37,212	38,841	37,052
Total revenues	\$614,854	\$623,948	\$651,309

Expenditures

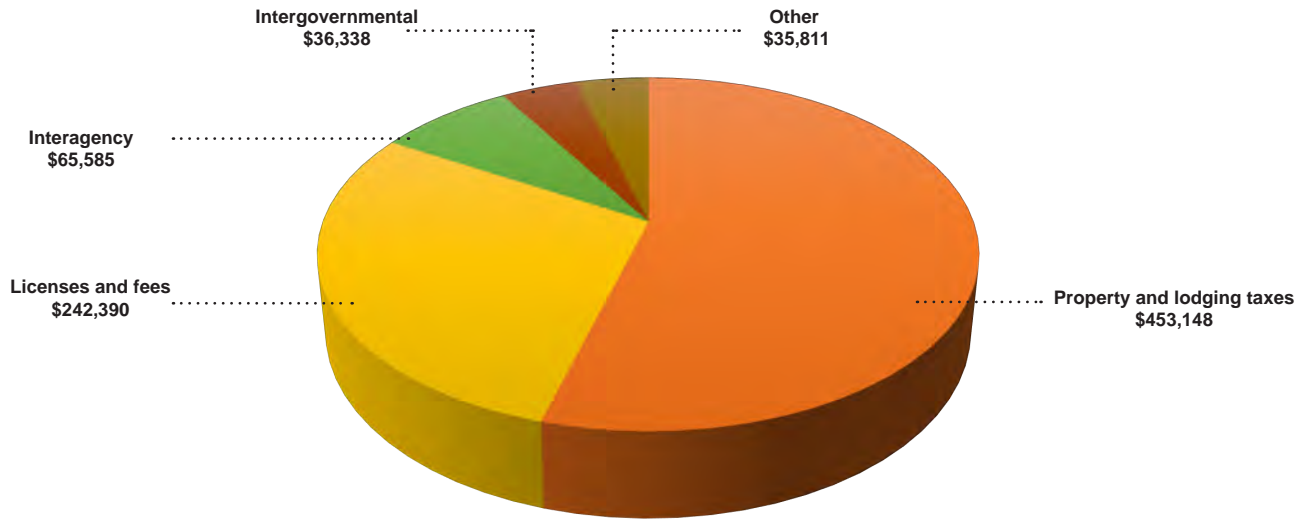


Category	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts
Total public safety	\$346,610	\$354,730	\$349,396
Total parks, recreation and culture	91,872	93,863	90,944
Total community development	65,261	68,296	65,577
Total legislative / admin / support services	94,308	92,945	87,192
General operating contingencies	22,853	33,454	0
Total debt service and related costs	10,728	10,728	10,719
Total expenditures	\$631,630	\$654,015	\$603,827

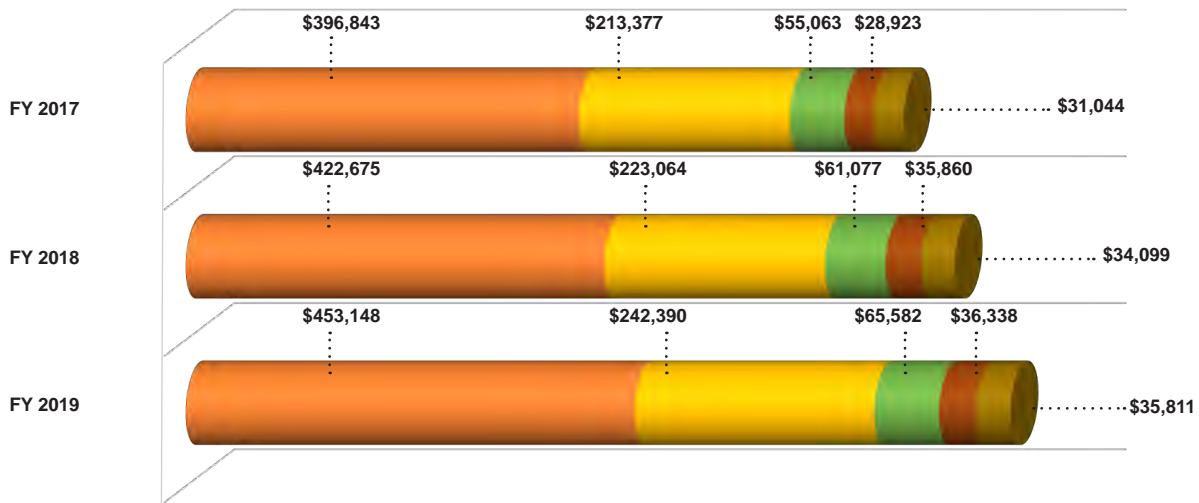
GENERAL FUND REVENUES

The General Fund is the City's primary operating fund. The main source of revenue for the General Fund comes from property taxes of \$453.1M which, combined with lodging taxes, accounted for over 54% of General Fund revenue in FY2019. The second largest source includes licenses and fees and accounted for 29% of the total revenue.

FY 2019 (dollars in thousands - \$000's)



FY 2017 - FY 2019 (dollars in thousands - \$000's)

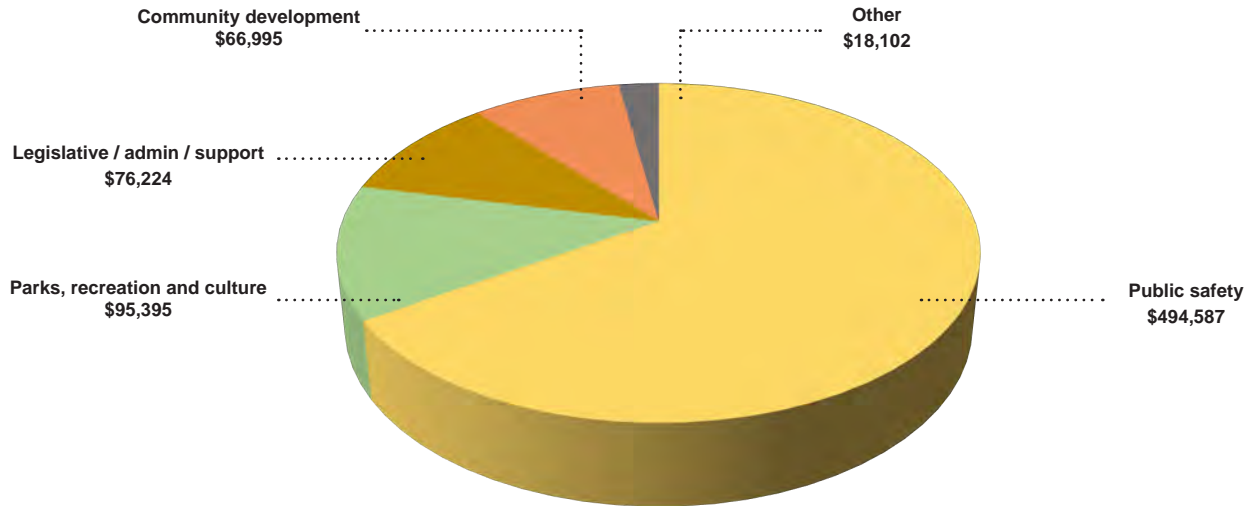


Significant revenue increases included property taxes and licenses and fees. These revenue increases reflect an improvement in the local economy.

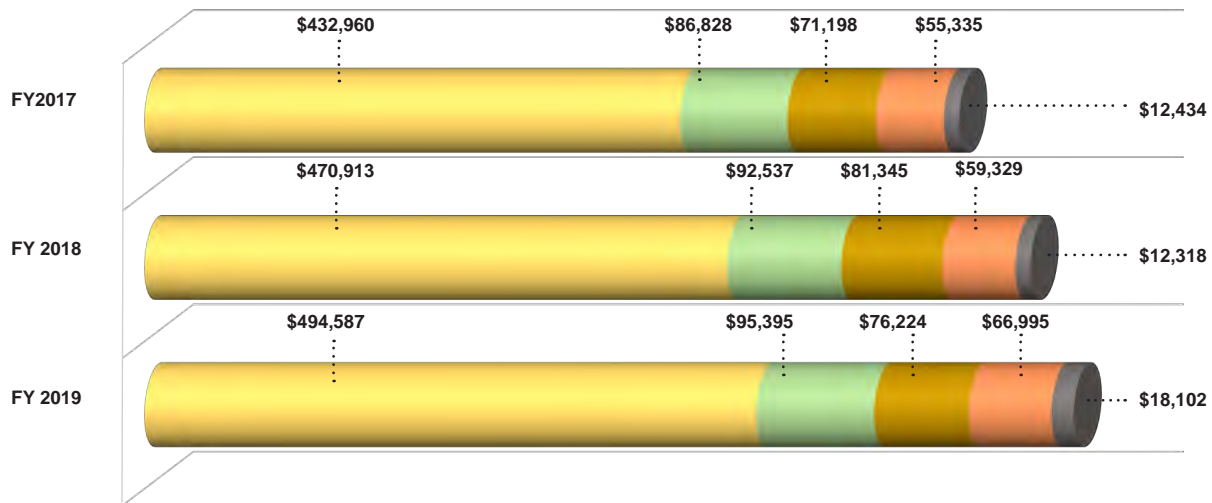
	FY 2019	FY 2018	FY 2017
Property and lodging taxes	\$453,148	\$422,675	\$396,843
Licenses and fees	242,390	223,064	213,377
Interagency	65,582	61,077	55,063
Intergovernmental	36,338	35,860	28,923
Other	35,811	34,099	31,044

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 program funded out of the General Fund, totaling 13% of expenditures.

FY 2019 (dollars in thousands - \$000's)



FY 2017 - FY 2019 (dollars in thousands - \$000's)

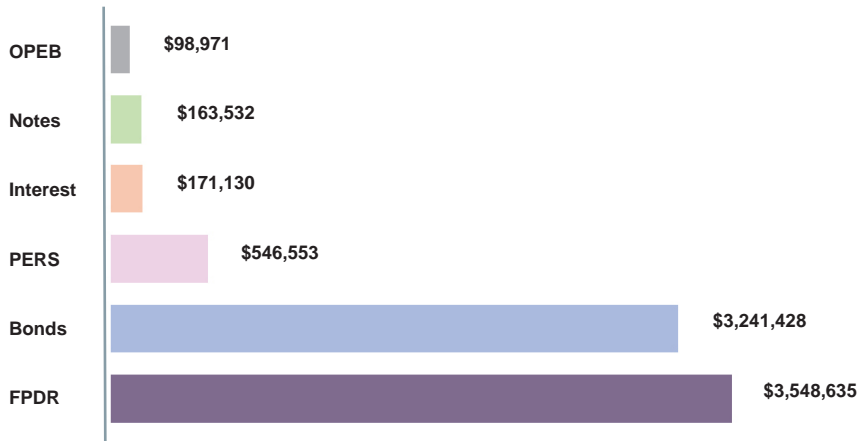


Expenditure increases are seen in each of the General Fund categories, resulting from higher personal services costs, including negotiated salary increases and growth in costs of pensions and benefits.

	FY 2019	FY 2018	FY 2017
Public safety	\$494,587	\$470,913	\$432,960
Parks, recreation and culture	95,395	92,537	86,828
Legislative / admin / support services	76,224	81,345	71,198
Community development	66,995	59,329	55,335
Other	18,102	12,318	12,434

Total outstanding City’s debt and pension liabilities at the end of FY2019 were \$7.77 billion. The chart below displays the breakdown by the major categories.

FY 2019 (dollars in thousands -\$000's)



FY 2017 - FY2019 (dollars in thousands -\$000's)

	FY 2019	FY 2018	FY 2017
OPEB	\$98,971	\$100,001	\$44,155
Notes	163,532	188,534	136,342
Interest	171,130	160,103	149,176
PERS	546,553	488,819	554,847
Bonds payable	3,241,428	3,351,557	3,353,632
FPDR	3,548,635	3,277,352	3,352,956
Total Debt and Pensions	\$7,770,248	\$7,566,366	\$7,591,106

- **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.
- **Notes** are used to fund shorter term debt obligations rather than issuing bonds.
- **Interest** are paid on the City’s debt obligations such as bonds and notes.
- **The Oregon Public Employees Retirement System (PERS)** is funded as benefits are earned, the City pays a monthly contribution to the plan as employees earn retirement benefits. Eligible City employees are covered under PERS.
- **Bonds Payable** is the majority of the City’s outstanding bonded debt that is related to revenue bonds for Water and Environmental Services; these bonds are paid with revenue from user fees. The City also issues tax revenue bonds and urban renewal bonds for various purposes. General Obligation bonds are used to fund capital improvements of major capital facilities, such as improvements to City parks, emergency facilities, and the expansion of affordable housing.
- **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 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 is a long-term liability and will become due over a period of many decades.

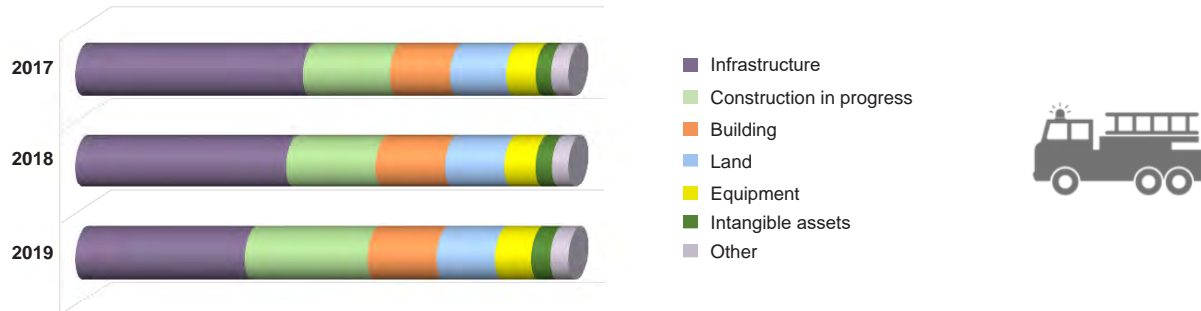
For more information on FPDR and its funding structure please visit: <https://www.portlandoregon.gov/fpdr/>



The City's investment in capital assets for its governmental and business-type activities as of June 30, 2019, amounts to \$6.9 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 total increase in the City's investment in capital assets for the current fiscal year was \$309.3 million or 4.7%, resulting from increases in both business-type and governmental activities. Construction in progress increased by \$151.9 million which is composed of multiple projects. The largest project was the reconstruction of the Portland Building.

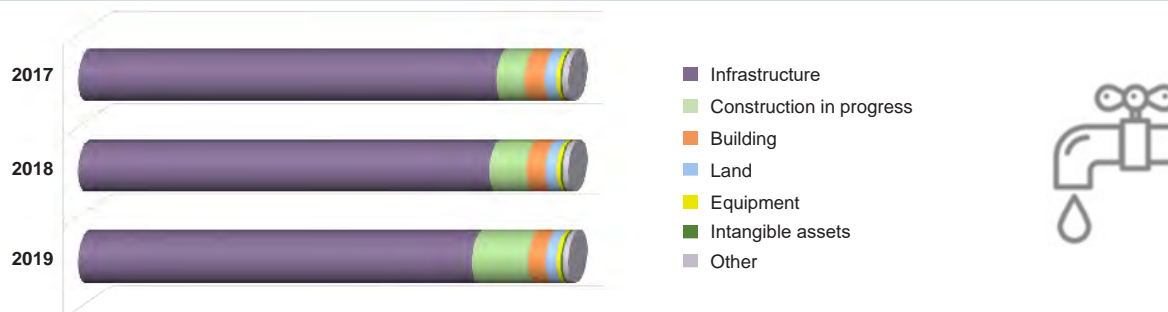
Governmental Activities (dollars in thousands - \$000's)

	FY2019	FY2018	FY2017
Infrastructure	\$709,593	\$854,475	\$941,078
Construction in progress	515,456	363,522	358,955
Building	288,631	282,505	251,009
Land	246,601	241,783	233,587
Equipment	151,445	125,771	121,350
Intangible assets	81,121	67,014	63,691
Other governmental activities	74,952	65,826	70,876



Business-type Activities (dollars in thousands - \$000's)

	FY2019	FY2018	FY2017
Infrastructure	\$3,918,220	\$3,890,559	\$3,865,173
Construction in progress	563,829	351,817	264,626
Building	174,164	179,152	184,816
Land	110,485	109,036	111,958
Equipment	38,917	34,757	33,134
Intangible assets	21,384	19,581	18,160
Other business type activities	54,370	54,058	57,078



The City is continuously investing in capital assets to provide better services and promote a high quality of life for Portland's residents.

Land Improvements

Portland Parks & Recreation completed an improvement to the South Waterfront Greenway project. The park improvement includes five benches overlooking the river, wide green areas, and a quarter mile of biking, walking, and running trails.



Street Improvements



East Portland Active Transportation to Transit project will improve pedestrian access and safety along SE Division Street by constructing new sidewalk. In addition to making it easier to get to bus stops, the project is also constructing the 130's Neighborhood Greenway, a five-mile north-south neighborhood greenway between the Springwater Corridor and the I-84 multi-use path. Design phase of the project is anticipated to be complete at the end of 2019.

Environmental Improvements

Columbia Boulevard Wastewater Treatment Plant Renewable Natural Gas Facility Project will turn biosolids produced at the treatment plant and turning this waste into renewable natural gas (RNG) that will replace dirty diesel in commercial vehicles. This project anticipated to eliminate 21,000 tons a year of climate-altering emissions, generating upwards of \$3 million a year in revenue for ratepayers, and replacing over one million gallons of vehicle fuel with clean renewable natural gas. RNG production is scheduled to begin in early 2020.



Technology Improvements



Smart City PDX is collaborating with the Portland community to make Portland a place where data and technology are used to improve citizens' lives. Traffic Safety Sensor project will use new sensor technology deployed to street lights to collect the data needed for full insights into how people are traveling and where potential danger spots may be.

Whether you enjoy the arts or outdoor events, Portland has something to offer everyone. Listen to summer concerts at the Oregon Zoo, run a marathon, or participate in one of cultural annual festivals and parades.

Oregon Zoo Summer Concerts



Oregon Zoo Summer Concerts is outdoor concert series that brings world class artists for a night of music and nature from June to September.

Portland Rose Festival

Portland Rose Festival is the largest festival in the City celebrated annually at end of May and beginning of June. This event includes Grand Floral Parade, Starlight Parade, Junior parade, Rose Festival Fleet Week (ships from U.S. Navy, U.S. Coast Guard and Royal Canadian Navy), along with several other activities.



Waterfront Blues Festival



Waterfront Blues Festival is the celebration of blues, soul, funk, and rhythm & blues. The Festival weekend is filled with amazing performances across four stages, food, vendors, river boat cruises, and much more.

Portland Marathon

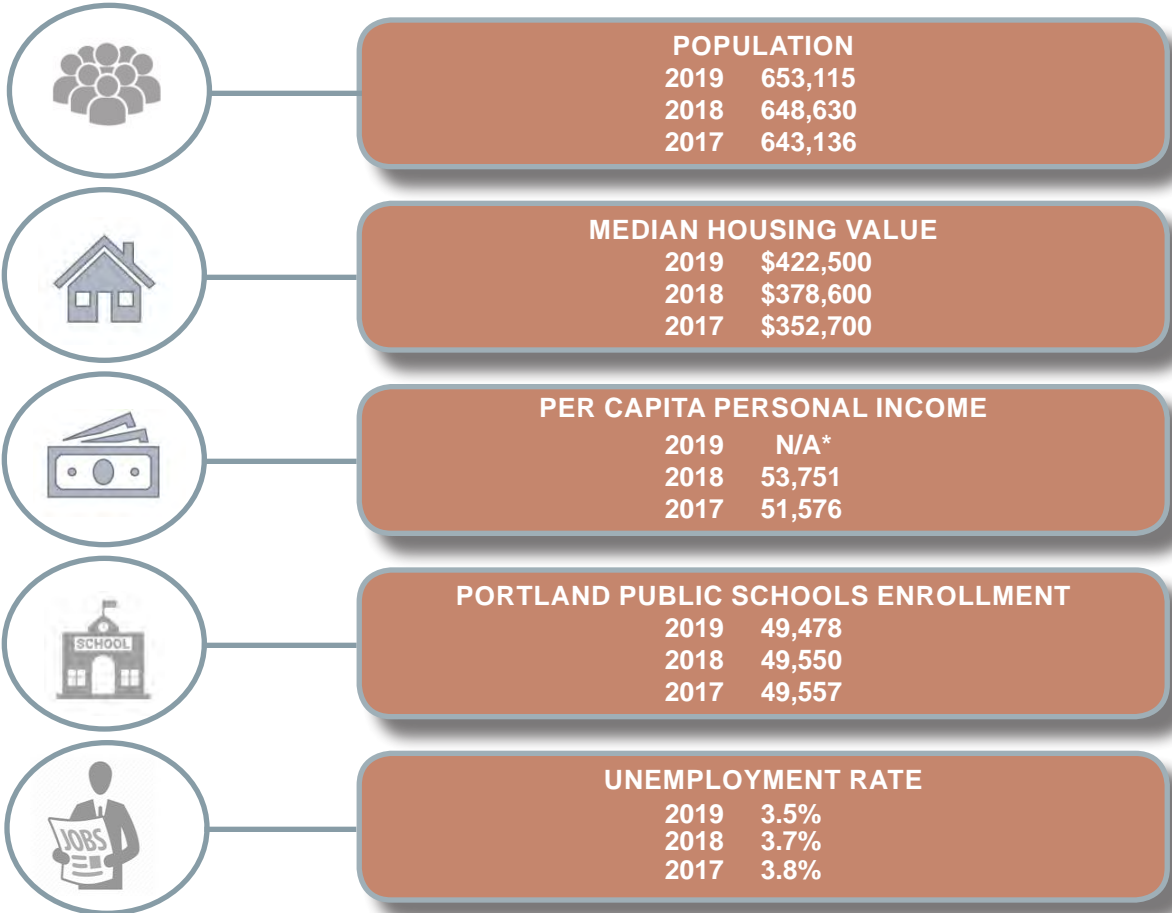
Portland Marathon is an annual race event which takes place on the first Sunday of October. It's been held annually since 1972 and is one of the longest-running consecutive marathons in the United States.



Cultural Festivals



Cultural Festivals are held throughout the year. Families can celebrate and learn about other cultures, taste new foods, and take part in dancing, singing, and other entertainment.



*N/A: Data is not available for this fiscal year.

Top Property Taxpayers⁽¹⁾ (assessed valuation, dollars in thousands)



Port of Portland	\$ 632,685
Alaska Airlines Inc	487,260
Portland General Electric Co	399,732
Centurylink	394,638
Pacificorp (PP&L)	356,135
Weston Investment Co LLC	267,518
AT&T, Inc	244,586
Southwest Airlines Co	232,663
Comcast Corporation	197,228
Capref Lloyd Center LLC	188,069

(1) Multnomah County Division of Assessment and Taxation.

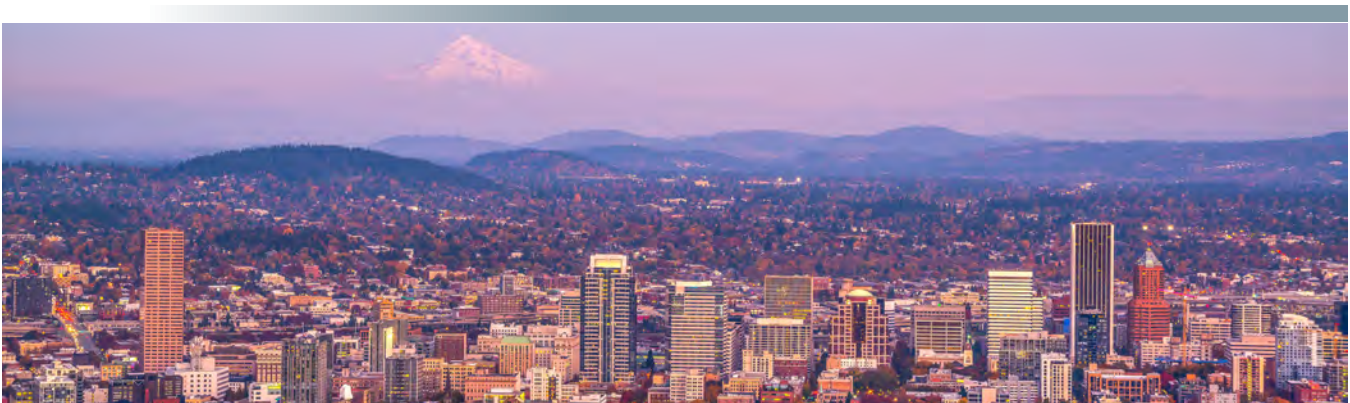
Top Employers in the City⁽²⁾ (number of employees)



Intel Corporation	20,600
Providence Health & Services	18,885
Oregon Health & Science University	17,556
Nike Inc.	12,000
Legacy Health System	11,404
Kaiser Foundation Health Plan of NW	11,243
Fred Meyer	9,777
City of Portland	7,376
Portland Public Schools	6,500
Beaverton School District	5,458

(2) Portland Business Journal; Lists; Portland Metro Area's Largest Employers 2019

- **Assets** - What the City owns.
- **Business-Type Activities** - Activities financed through fees charged to users of services. 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.
- **Expenditures** - the cost of goods and services, which include public consumption and public investment, and transfer payments consisting of income transfers (pensions, social benefits) and capital transfer.
- **Expenses** - Money spent or cost incurred representing the cost of providing services to the community.
- **Final Budgeted Amounts** – Amounts from the budget amended by ordinances, typically during a Budget Monitoring Process, by City Council throughout the fiscal year.
- **Generally Accepted Accounting Principles (GAAP)** - A collection of commonly followed accounting rules and standards for financial reporting.
- **General Fund** - The primary operating fund of the City. It supports the day-to-day operations of many of the core City services.
- **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, transportation, 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.
- **Original Budgeted Amounts** - Amounts from the adopted budget from which the City operates during the fiscal year.
- **PERS** - Public Employees Retirement System under which eligible City employees are covered.
- **Revenue** - Income generated from normal business activities such as property taxes, lodging taxes, licenses and fees, charges for services, grants, and other sources.



*all icons provided by freepik.com



City Of Portland, Oregon

**Bureau of Revenue & Financial Services
Accounting Division**

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