March 26, 2018

To: Mayor Wheeler
Commissioner Eudaly
Commissioner Fish
Commissioner Fritz
Commissioner Saltzman

From: City Auditor Mary Hull Caballero MHC

Re: FY 2017-18 Spring Budget Monitoring Report

Enclosed please find our year-end projections, technical adjustments, carryovers, and a status report on previous decision packages for the general fund supported operations in the Auditor's Office. Also included are technical adjustments and fund projections for the three funds we administer: Local Improvement District Fund, Assessment Collection Fund, and Bancroft Bond Interest & Sinking Fund.

Spring BMP Submittal Summary

- The Auditor's Office Spring Budget Monitoring Report shows that overall operational expenditures are within the spending plan for each major object area. No overspending is anticipated in any major object area and revenues are within budgeted amounts.

- Several technical adjustments within the Auditor's Office operating budget move funds within Materials for payment for a number of projects, including the Hearings Office software replacement, security project expenses, legal services, and the Lobbyist Registration and Political Consultation Registration application development. One adjustment increases an interagency agreement with the Bureau of Transportation by $33,000 to account for higher than expected use of Hearings Office services.

- A carryover of $190,000 of Auditor's Office savings will fund the continuation of security upgrades in City Hall offices. The project will construct physical barriers to prevent intrusion into the offices, consistent with previous security assessments and other City offices with similar security needs.

- A carryover of $112,000 will fund an information technology audit in partnership with an outside vendor. The audit is slated to begin in the current fiscal year and be completed in FY 2018-19.

ASSESSMENT-RELATED FUNDS

Fund Projections
Year-end projections for the Assessment Collection Fund, Bancroft Bond Fund, and the Local Improvement District Fund are within estimated budget amounts after several technical adjustments to

revenues and expenditures are made. Projections indicate a higher beginning fund balance or the Local Improvement District fund and for the Bancroft Bond fund.

Technical Adjustments

Various adjustments are necessary for these three funds. Adjustments bring the beginning fund balance to actual FY 2016-17 ending balance for the Local Improvement District fund and the Bancroft Bond Fund and to make various other offsets in contingency and reserves.

IA with Portland Bureau of Transportation

The Local Improvement District (LID) Fund adds a new interagency agreement with the Bureau of Transportation to cover approved Auditor’s Office costs for administrative, support and project interest on completed LID projects in the amount of $146,500.

CBO Discussion and Recommendations
FY 2017-18 Spring Supplemental Budget Ordinance

Bureau: Office of the City Auditor **Type:** Technical Adjustment

Request: AU_004 - Technical Adjustments

	Spring BMP Requested Adjustments	Spring BMP CBO/Council Changes	Spring BMP Total Adjustments
EXPENDITURES			
Personnel Services	25,000	0	25,000
External Materials and Services	(22,500)	0	(22,500)
Internal Materials and Services	30,500	0	30,500
TOTAL EXPENDITURES	**33,000**	**0**	**33,000**
REVENUES			
Charges for Services	0	0	0
Interagency Revenue	33,000	0	33,000
TOTAL REVENUES	**33,000**	**0**	**33,000**

Bureau Description:

The Auditor's Office's technical adjustments include transfers of funds within Materials and Services to ensure the budget matches expenditures for the Hearings Office software replacement, security project expenses, legal services, Lobbyist Registration and Political Consultant Registration application development. They also include transfers to Personnel Services to ensure sufficient funding through the end of the year. Finally, the interagency agreement between the Auditor's Office and the Bureau of Transportation is increased by $33,000 to account for a large increase in the number of tow hearings and refunds.

CBO Discussion and Recommendation

Bureau: Office of the City Auditor **Type:** Program Carryover Request

Request: AU_005 - Carryover: Security Improvements

	Spring BMP Requested Adjustments	Spring BMP CBO/Council Changes	Spring BMP Total Adjustments
EXPENDITURES			
External Materials and Services	(190,000)	0	(190,000)
TOTAL EXPENDITURES	**(190,000)**	**0**	**(190,000)**
REVENUES			
General Fund Discretionary	(190,000)	0	(190,000)
TOTAL REVENUES	**(190,000)**	**0**	**(190,000)**

Bureau Description:

The Auditor's Office has begun a project to improve security in Rooms 130 and 140 in City Hall, which house three programs: the Independent Police Review; Council Clerk/Contracts; and Assessments, Finance & Foreclosure. Staff in these offices are the subject of ongoing threats. The project will construct physical barriers to prevent incursion into the office areas, an approach which is consistent with previous security assessments and with other City offices that are frequently threatened.

CBO Discussion and Recommendation

CBO Discussion and Recommendations
FY 2017-18 Spring Supplemental Budget Ordinance

Bureau: Office of the City Auditor **Type:**

Request: AU_006 - Carryover: IT Audit

	Spring BMP Requested Adjustments	Spring BMP CBO/Council Changes	Spring BMP Total Adjustments
EXPENDITURES			
External Materials and Services	(112,000)	0	(112,000)
TOTAL EXPENDITURES	**(112,000)**	**0**	**(112,000)**
REVENUES			
General Fund Discretionary	(112,000)	0	(112,000)
TOTAL REVENUES	**(112,000)**	**0**	**(112,000)**

Bureau Description:

City Council approved funds in FY 2017-18 for an audit of the Regional Arts and Culture Council. That audit is nearing completion and is scheduled to be issued in May 2018. Existing resources were reconfigured to expedite delivery of the audit results to inform the hiring of the new executive director and renegotiation of the agency's contract with the City. Outside auditors are in the process of being engaged to conduct an information technology audit in place of existing staff. The audit should begin during the current fiscal year and this carryover will be used to fund the remainder of that audit in FY 2018-19.

CBO Discussion and Recommendation

CBO Discussion and Recommendations
FY 2017-18 Spring Supplemental Budget Ordinance

Bureau: Office of the City Auditor **Type:** New Request

Request: AU_007 - LID Iinteragency with PBOT - LID Proj Admin Cost

	Spring BMP Requested Adjustments	Spring BMP CBO/Council Changes	Spring BMP Total Adjustments
EXPENDITURES			
Bond Expenses	118,900	0	118,900
Contingency	27,600	0	27,600
TOTAL EXPENDITURES	**146,500**	**0**	**146,500**
REVENUES			
Interagency Revenue	146,500	0	146,500
TOTAL REVENUES	**146,500**	**0**	**146,500**

Bureau Description:

This request adds a new Local Improvement District (LID) interagency agreement with the Bureau of Transportation to cover approved Auditor's costs for administrative, support, and project interest on completed LID Projects as follows:
Cost Center AUDA000008, Acct 642201, Funded Program 7AU2TR0001 = $146,500
Offset to Contingency: 571100 = $27,600 and Debt Retirement Interest 555300 = $118,900

CBO Discussion and Recommendation

Bureau: Office of the City Auditor **Type:** Technical Adjustment

Request: AU_008 - LID Fund Technical Adjustment

	Spring BMP Requested Adjustments	Spring BMP CBO/Council Changes	Spring BMP Total Adjustments
EXPENDITURES			
Internal Materials and Services	20,000	0	20,000
Bond Expenses	2,076,181	0	2,076,181
Contingency	766,950	0	766,950
TOTAL EXPENDITURES	**2,863,131**	**0**	**2,863,131**
REVENUES			
Budgeted Beginning Fund Balance	898,817	0	898,817
Charges for Services	215,000	0	215,000
Miscellaneous	1,749,314	0	1,749,314
TOTAL REVENUES	**2,863,131**	**0**	**2,863,131**

Bureau Description:

The Auditor's Office requests the following adjustments to the Local Improvement District (LID) Fund:
1) --Increase Beginning Fund Balance by $898,817 to match FY 2017 CAFR ending balance
2) –Increase Collection Fee by $50,000 and Penalty Revenues by $165,000
3) --Increase Assessment Payment by $1,684,831 and Interest Revenues by $64,483
4) --Increase Debt Principal Expense by $2,076,181 due to increased lien revenues
5) –Increase Bureau Overhead to Auditor's Office by $20,000 for increased personnel costs
6) --Increase Contingency by $766,950 for adjustments to Beginning Fund Balance and additional technical adjustments

CBO Discussion and Recommendation

CBO Discussion and Recommendations
FY 2017-18 Spring Supplemental Budget Ordinance

Bureau: Office of the City Auditor

Type: Technical Adjustment

Request: AU_009 - Bancroft Bond Fd Tech Adjustments

	Spring BMP Requested Adjustments	Spring BMP CBO/Council Changes	Spring BMP Total Adjustments
EXPENDITURES			
Unappropriated Fund Balance	0	0	0
Bond Expenses	202,447	0	202,447
TOTAL EXPENDITURES	**202,447**	**0**	**202,447**
REVENUES			
Budgeted Beginning Fund Balance	863,852	0	863,852
Miscellaneous	(661,405)	0	(661,405)
TOTAL REVENUES	**202,447**	**0**	**202,447**

Bureau Description:

Technical Adjustments to Bancroft Bond Beginning Balance include adjusting revenues & expenditures based on year estimates with off-set to Unappropriated Fund Balance. Specifically, adjustments:

Increase Beginning fund balance by $863,852; decrease Assessment Revenues Principal (482200) by $443,071; lower Interest Other (454100) by $218,334; and increaese Debt Retirement Principal (551200) by $202,447.

CBO Discussion and Recommendation

Business Area Projection Report

	Spring BMP Revised Budget	FY 2017-18 YTD Actuals Thru AP8	Spring BMP Year-End Projection	% of Projected Actuals to Revised Bud
Office of the City Auditor				
EXPENDITURES				
Personnel Services	$6,812,840	$4,326,872	$6,596,283	97%
External Materials and Services	$1,521,609	$686,217	$1,467,813	96%
Internal Materials and Services	$2,300,000	$1,537,782	$2,227,725	97%
TOTAL EXPENDITURES	**$10,634,449**	**$6,550,871**	**$10,291,821**	**97%**
REVENUES				
Charges for Services	$96,937	$2,520	$101,099	104%
Interagency Revenue	$191,904	$79,452	$192,184	100%
Miscellaneous	$5,500	$1,801	$5,000	91%
General Fund Discretionary	$5,885,215	$0	$5,538,645	94%
General Fund Overhead	$4,454,893	$0	$4,454,893	100%
TOTAL REVENUES	**$10,634,449**	**$83,773**	**$10,291,821**	**97%**

Bureau Projection Narrative

The Auditor's Office projects all revenues and expenditures will be within the spending plan at the end of the fiscal year. No category contains a difference between budget and projection over/under the reporting threshold of 10 percent.

Fund Projection Report

	Spring BMP Revised Budget	FY 2017-18 YTD Actuals Thru AP8	Spring BMP Year-End Projection	% of Projected Actuals to Revised Bud
Local Improvement District Fund				
EXPENDITURES				
Unappropriated Fund Balance	$0	$0	$3,227,700	
External Materials and Services	$10,000	$2,900	$2,900	29%
Internal Materials and Services	$1,475,673	$813,532	$1,469,583	100%
Bond Expenses	$8,379,399	$80,076	$8,379,399	100%
Fund Transfers - Expense	$7,855,582	$10,512	$7,855,582	100%
Contingency	$3,225,490	$0	$0	0%
TOTAL EXPENDITURES	**$20,946,144**	**$907,020**	**$20,935,164**	**100%**
REVENUES				
Budgeted Beginning Fund Balance	$3,781,350	$0	$3,781,350	100%
Charges for Services	$1,257,480	$870,008	$1,224,500	97%
Interagency Revenue	$146,500	$0	$146,500	100%
Bond and Note	$13,629,814	$0	$13,629,814	100%
Miscellaneous	$2,131,000	$1,119,076	$2,153,000	101%
TOTAL REVENUES	**$20,946,144**	**$1,989,084**	**$20,935,164**	**100%**

Fund Projection Narrative

Year-end projections will be within estimated budget amounts without significant or material variances after adjusting for beginning fund balance and making several technical and truing-up adjustments in the Spring BMP.

Fund Projection Report

	Spring BMP Revised Budget	FY 2017-18 YTD Actuals Thru AP8	Spring BMP Year-End Projection	% of Projected Actuals to Revised Bud
Bancroft Bond Interest and Sinking Fund				
EXPENDITURES				
Unappropriated Fund Balance	$14,826,364	$0	$14,859,711	100%
Bond Expenses	$5,219,375	$2,531,109	$5,196,506	100%
TOTAL EXPENDITURES	**$20,045,739**	**$2,531,109**	**$20,056,217**	**100%**
REVENUES				
Budgeted Beginning Fund Balance	$14,592,927	$0	$14,592,927	100%
Miscellaneous	$5,452,812	$3,380,523	$5,463,290	100%
TOTAL REVENUES	**$20,045,739**	**$3,380,523**	**$20,056,217**	**100%**

Fund Projection Narrative

Year-end projections are estimated tol be within budgeted amounts without significant variances after adjusting for beginning fund balance and making several technical and truing-up adjustments in the Spring BMP.

Fund Projection Report

	Spring BMP Revised Budget	FY 2017-18 YTD Actuals Thru AP8	Spring BMP Year-End Projection	% of Projected Actuals to Revised Bud
Assessment Collection Fund				
EXPENDITURES				
Unappropriated Fund Balance	$0	$0	$80,660	
Contingency	$80,735	$0	$0	0%
TOTAL EXPENDITURES	**$80,735**	**$0**	**$80,660**	**100%**
REVENUES				
Budgeted Beginning Fund Balance	$79,535	$0	$79,660	100%
Miscellaneous	$1,200	$686	$1,000	83%
TOTAL REVENUES	**$80,735**	**$686**	**$80,660**	**100%**

Fund Projection Narrative

It is expected that miscellaneous revenues will be less than budgeted as no assessment principal or interest payments will be collected prior to year end. Since there are no scheduled repayments for the significantly delinquent liens in the fund it is not possible to specifically determine or estimate lien repayments. Payment activity represents either sporadic customer payments or payoff of the lien balance when the property sells. Activity to date represents investment interest earned on fund balance. Year-end projections for miscellaneous revenues account for only investment interest earnings.