MINUTES OF THE FINANCE AND TAXATION COMMITTEE

Held: February 19, 1976

GUESTS: Charles Warren, National Director, N.A.P.A., Washington D. C.;
Ken Jones, Budget Director, City of Portland

COMMITTEE PRESENT: Stahl, Acting Chairman, Kirkpatrick, McGilvra, Roberts, Telfer

Members not present: Excused

Staff: Bukowsky, Bushong, Cross, Etlinger, Raimondi, Rich

Warren described similarities between the City of Denver and Portland. A description of the Denver Study was made. The Denver Study is making heavy use of the local universities for financial and taxation studies. They are collecting data on tax structures of each taxing district and government entity. A fiscal flow analysis is separately funded by HUD to develop a methodology for transfer of funds between and among metropolitan jurisdictions. From this, should be able to calculate revenue. Moral question of responsibility of suburban residents to the urban center. Population growth, transit patterns, water and sewer facilities are very similar to Portland. Denver does have a sales tax and is a county and city in contrast to Portland.

Ken Jones reported that of the 47 different funds the City of Portland operates with, the crucial one is the General Fund. The largest revenue is the property tax: 34% which is diminishing, 12% business licenses, 14% general revenue sharing; transfers 18%; service charges 3%; intergovernmental sources 6%.

The Police Bureau is 20% of the budget; 17% Public Works; parks 9%; fire bureau 15%; human resources 3%. Revenue also comes from $5 million federal grants; $1½ million in cash carryover.

To check for specific services for actual costs of services, separate funds were set up, i.e. fleetservice, central services, emergency communications, electronic services, data processing, etc. With this data, the city can make five year projections, which can assist in inflationary adjustments. There is a need for various strategies to look at methods of adjustment to inflation. The 1976-77 budget presently is in a 5 to 6 million dollar deficit assuming a status quo on staff, same revenue/expenditures. 5 year projection is a $48 million deficit. By law, the budget must balance.

Inflationary rate nationally is 7%.

Revenue sharing continuance questionable; thus, council does not earmark them. 20% are spent on capital projects.

Assumption for budget cuts by the council is that all things equal, would require 350 fulltime staff reductions.

Budget process relies on bureau manager for costs performance - "Performance indicators."

Cost cutting has been effected by joint D.P. operations with the city and Multnomah county; health ontracts with the county ($500,000 next year); emergency radio operations, Kelly Butte.

Tax payers in the city of Portland pay taxes for County Sheriff service they do not receive (Note: the same is true in Clackamas County).

Programs that up to now are money losers: Nuisance Abatement, L.I.D.s, Sidewalk repair. With changes of city ordinances, these losers will break even.

Toughest task for Bureau managers is the establishing of performance work standards for employees. The wage and salary formula was dropped by the City Council.

Conclusions: Long range-- The city must find revenue, source(s) that grow with inflation - i.e. income tax, payroll tax, share state income-tax - fixed amount based upon a distribution formula. This will have to be resolved soon to keep on top of rising costs.
Question: Has there been a cost study of the state required services? No, but now looking at courts and law enforcement area.