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M E M O

February 20, 2008

To: Mayor Tom Potter
Commissioner Sam Adams
Commissioner Randy Leonard
Commissioner Dan Saltzman
Commissioner Erik Sten

From: City Asset Managers Group

Cc: Gary Blackmer, City Auditor

Subject: FY 2008 - 09 General Fund Capital Set-aside--risk recommendation

The City Asset Managers Group (CAMG) recommends a ranked list of capital projects for the FY 2008 - 09 General Fund Capital Set-aside. CAMG has applied a cost-effective risk reduction approach, replacing a negotiated Capital Review Committee process. We have discussed our recommendations with the Planning and Development Directors, and offer ideas to make further improvements in next year's capital set-aside process.

Process

Prior to this year, a cross-bureau Capital Review Committee (CRC) prepared annual recommendations for the General Fund Capital Set-aside. In recent years, the CRC devised criteria and Financial Planning announced project recommendations. Last year, City Council and participants asked for a better process.

For FY 2008 - 09, Financial Planning asked CAMG to revise the ranking process, using a risk-based approach to address existing capital assets (see Attachment 1). This is consistent with a long-standing Council strategic focus on aging infrastructure and findings of the annual Asset Status and Conditions Reports. Accordingly, the CAMG and OMF- Financial Planning focused the capital set-aside ranking process on repair and renewal projects.

A new four-step process (Attachment 2a) is based on CAMG's risk management research, as documented in a new appendix to the 2007 assets report, and the expertise of bureau asset managers. Drawing on international best practices, the CAMG rated the risk of each project's associated asset and measured the relative risk reduction of the project (see Attachment 2b). Next, we plotted risk reduction against General Fund project cost, to identify projects that will cost-effectively reduce the risk of City assets. Top-rated projects will substantially reduce the risk of failure of existing assets for a relatively low cost. Finally, we posted bureau rankings for value-added criteria (see Attachment 3, lower right).

The CAMG did not evaluate eight project requests that involve new assets. We make no comment on their merits, and assume the Council will consider them as part of the regular capital budget process (CIP).

Project Rankings

The resulting ranked projects appear in two formats. Attachment 3 shows thirteen top-rated projects that approximate this year's allocation for the General Fund Capital Set-aside. The most cost-effective projects were from Parks (6), Fire (4), PDOT (2), and OMF Facilities (1). Attachment 4 displays the ranking of all existing asset projects submitted through this process.

Future Tasks

The Planning and Development Directors recognize the risk-based approach as an improvement over the previous CRC process. In future budget years, they would like to see the process further refined to improve the accuracy of risk rating across the wide variety of city assets. The CAMG should invite Police and Fire to participate more directly with CAMG.

At the staff level, CAMG proposes these actions:

- Increase the allocation for the GF Capital Set-aside to fund additional projects that will cost-effectively address extreme and high risk City assets.
- Starting with the FY 2009 - 10 budget process, instruct bureaus to include risk-based ratings in capital budget requests (amend the CIP Budget Manual accordingly).
- Explore minimum standards for business case to include a systematic evaluation of project benefits and costs, an evaluation of asset risk, and triple bottom line factors (social, environmental, economic).

We look forward to discussing these recommendations with the Council on February 27, 2008. We will also present findings of the 2007 Asset Status and Conditions Report.

Attachments:

1. Budget Memo #3, dated January 14, 2008
- 2a. Ranking Process
- 2b. Risk Rating Matrix
3. CAMG recommended projects—FY 2008-09 capital set-aside
4. CAMG recommended projects--all existing asset project requests



CITY OF PORTLAND
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Budget Memo #3
FY 2008-09

TO: Bureau Directors, Budget Managers, Budget Contacts, and Capital Contacts
FROM: Casey Short, Financial Planning Manager
DATE: January 14, 2008
SUBJECT: FY 2008-09 General Fund Capital Set-Aside Process and Timelines

Financial Planning committed to improve the General Fund Capital Set-Aside allocation process during last year's Council budget deliberations. Financial Planning and the Planning Bureau have been developing a new allocation process with the City Asset Managers Group (CAMG). This cross-bureau group of capital project managers prepares the annual Asset Status and Conditions Report, and is building capacity citywide with asset management practices. The CAMG will rank the requested General Fund supported capital projects as described below.

In the past, Financial Planning (FPD) has worked with the Capital Review Committee to review requests for funding from the General Fund capital set-aside, and FPD has made a recommendation of the projects to be funded with this money (currently \$1.9 million). This year, we are hoping to apply a new set of criteria that is to serve two purposes. First is to update the criteria against which the requests are measured, in order to have a better ranking system. Second is to establish risk categories, and focus on those projects that address assets in extreme and high risk categories. We hope to be able to share a list of these projects with City Council in late February, but it will take some help from the bureaus who have General Fund capital requests.

Here are the process steps:

- Planning Bureau, as convener of the City Asset Managers Group, distributes project ranking instructions, a project scoring worksheet, and a risk appendix. Materials are attached and posted on the Portland Plan website, as follows:
 - Instructions at <http://www.portlandonline.com/shared/cfm/image.cfm?id=178233>
 - Worksheet at <http://www.portlandonline.com/shared/cfm/image.cfm?id=178236>
 - Risk appendix (Version 9, at bottom of page) at <http://www.portlandonline.com/portlandplan/index.cfm?c=46080>
- Bureaus will submit requests for capital project funding to Bob Tomlinson in Financial Planning by January 25, 2008, similar to what has been done in past years. But this year,

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the submittal is to include the ranking of each project against the worksheet criteria.

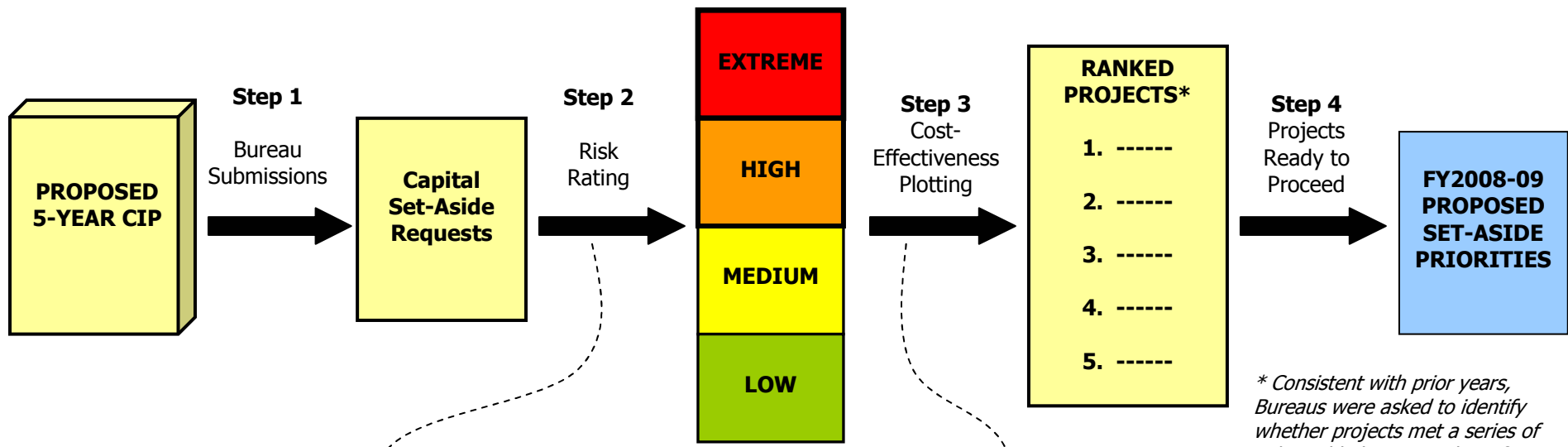
- The CAMG will conduct two training sessions this week on how to use the new ranking tool. These one-hour sessions will be Wednesday, 1/16 at 12:30 and Thursday, 1/17 at 10:00, both in the Skyline Room on the 12th floor of The Portland Building. If you will be filling out the ranking form, you should attend one of these sessions.
- FPD will compile all capital set-aside requests and review the bureaus' ranking. The City Asset Managers Group will review the initial ranked list and produce the final list.
- The City Asset Managers Group will submit its recommendation to City Council as part of its annual Asset Status and Conditions Report. This presentation is scheduled for February 27, 2008.

Please contact me or Bob Tomlinson in FPD if you have questions about this budget memo.

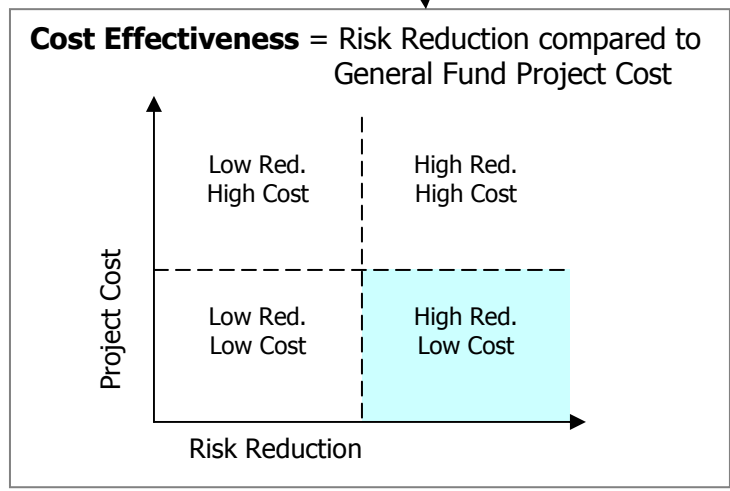
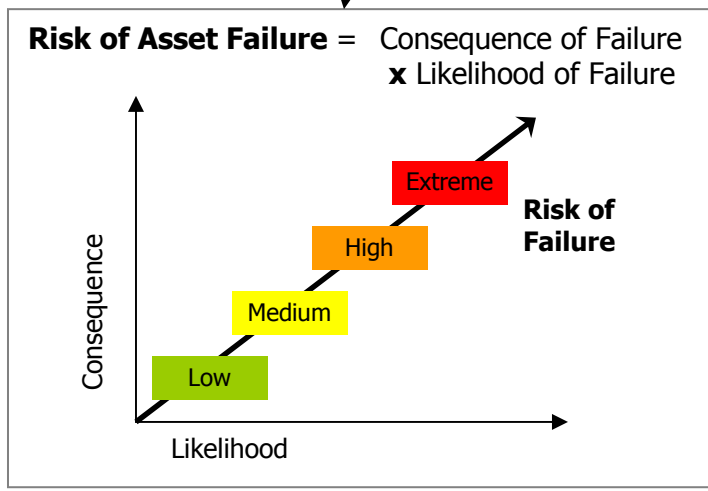
Attachment 2a: Ranking Process

General Fund Capital Set-Aside

FY2008-09



** Consistent with prior years, Bureaus were asked to identify whether projects met a series of value-added criteria. This information is provided but was not used in the ranking process.*



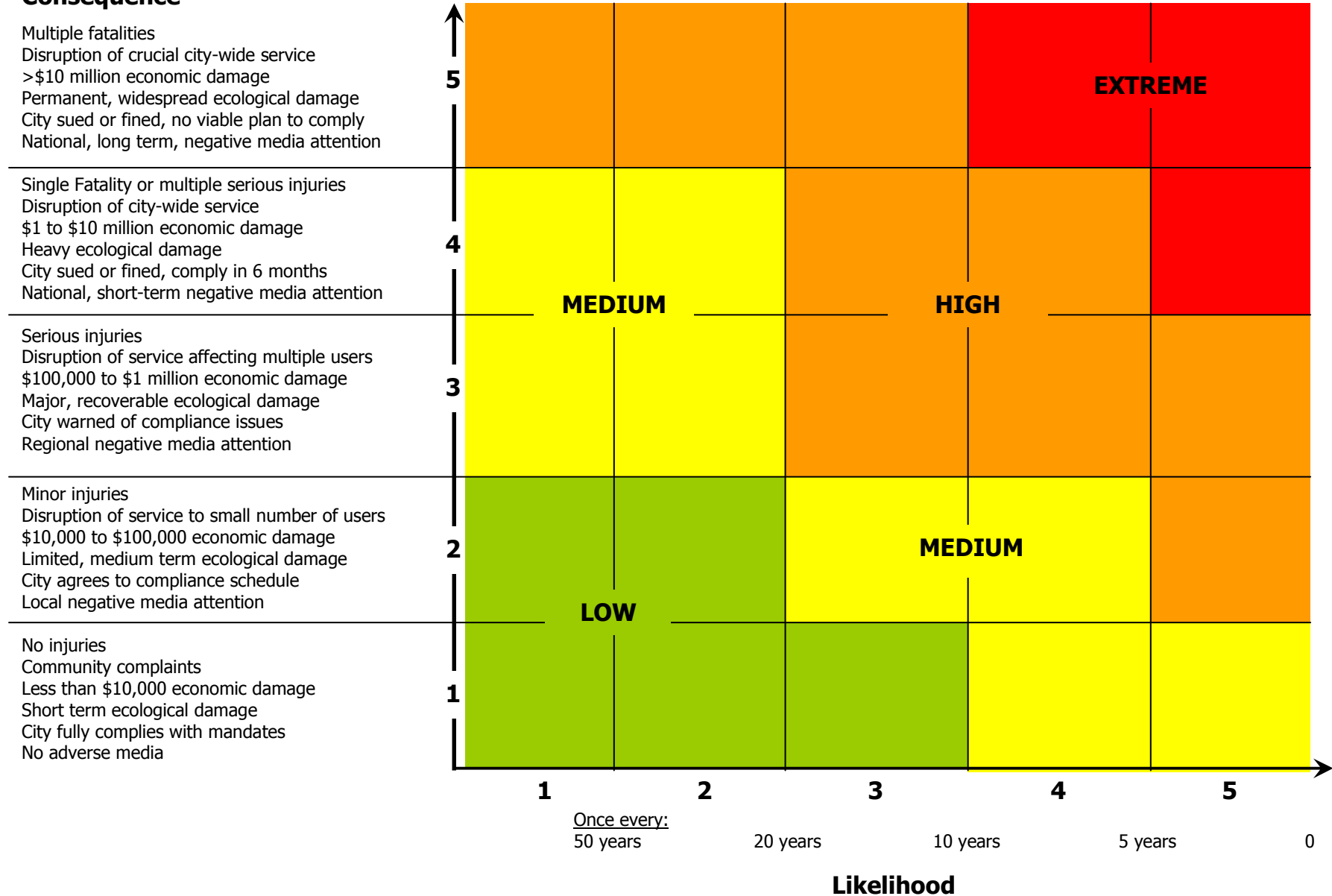
Attachment 2b: Risk Rating Matrix

General Fund Capital Set-Aside

FY2008-09

* Assets can be risk rated for two situations – before and after the capital project is implemented.

Consequence



Attachment 3: CAMG Recommended Projects

General Fund Capital Set-Aside

FY2008-09

This summary displays the results of the cost-effective risk reduction approach used to rank projects for the available capital set-aside (~\$1.9 million). This approach ranks projects according to the amount of risk reduced and the FY2008-09 General Fund request. None of the listed projects have additional five-year project costs to the General Fund. Full ranked project lists can be found in Attachment 4.

Project	Description	Bureau	Risk Red.	FY 2008-09 GF Cost	Value-Added Criteria
1 Pier Park - Lighting Upgrade	Light path through Pier Park from low income apartments to bus stops on Lombard.	Parks	12.3	\$50,000	3,4,5,7
2 Four Hydraulic Rescue Tools	Replace four "Jaws of Life" hydraulic rescue tools on select PF&R apparatus to provide extrication of victims due to automobile crashes, industrial accidents, structural collapses, and any other incidents.	PF&R	12.0	\$84,000	2,4
3 CBD Cable Replacement	Continued funding for replacement of degraded and broken streetlight infrastructure in the South Auditorium blocks.	PDOT	12.0	\$400,000	1,2,3,4,5,7,8
4 Springwater Trail - Circle Ave Bridge Replacement	Rebuild structural support of bridge. Support located within a waterway and could collapse due to hydraulic action of the current.	Parks	11.6	\$266,008	3,4,5,7
5 Marshall Park - Bridge Replacement	Replace deteriorated trail bridge, which is closed to protect public safety.	Parks	11.3	\$75,000	3,4,5,7
6 NE Killingsworth Transportation Safety Projects	Improve safety on NE Killingsworth from MLK JR Blvd to 72nd Ave - evaluate traffic and safety conditions, build intersection improvements and pedestrian islands, and make signage, striping, and other operational changes.	PDOT	11.3	\$375,000	3,4,5,7
7 Fuel tank replacement	Replace the leaking fuel tank located at Stanton Yard.	OMF	11.0	\$297,650	1,4,5,8
8 Gideon Prevention Office Maintenance Repair	Repair leaking roof and malfunctioning heating and cooling system.	PF&R	10.6	\$80,000	4,5
9 Improvements to Training Center Blue Shed	Repair leaking roof to improve employee safety and prevent damage to the structure and apparatus and equipment stored inside.	PF&R	10.2	\$80,000	4,5
10 Belmont ADA Upgrade / Alarm System	ADA improvements include converting a restroom to a unisex handicap accessible restroom. Alarm system will add protection to the exhibits.	PF&R	9.6	\$60,000	1,4,5
11 Washington Park - Path & Stair rebuild	Rebuild degraded and unsafe paths and stairs at 3 locations.	Parks	9.0	\$10,000	3,4,5
12 Washington & Lovejoy Parks - Masonry Stairs	Replace crumbling masonry stairs at Washington and Lovejoy parks.	Parks	9.0	\$45,000	3,4,5
13 Columbia Pool - Install UV System	Install UV system at Columbia Pool to replace chlorine system and prevent public injury due to high levels of chlorine use.	Parks	9.0	\$100,000	3,7
Total			126.6	\$1,922,658	

Excluded Projects (New Assets)

The following projects represent new assets and were excluded from the set-aside ranking process as the capital set-aside is intended for repair and rehabilitation needs. These projects should be considered in the general budget process.

One All-Terrain Vehicle (PF&R)	Delta Park - Communication Gear (Parks)
Rapid System Purchase (Police)	Police Bureau Storage Facility (Police)
Emergency Coordination Center (POEM)	Milwaukie Light Rail (PDOT)
Public Safety Regional Training Facility (Police)	4 Lifepak 12 Defibrillators/Heart Monitors (PF&R)

Value-Added Criteria (unweighted)

Consistent with prior years, Bureaus identified whether projects met value-added criteria.

(1) Reg. Mandate	(5) Infrastructure Investment
(2) Lifeline Asset	(6) Economic Development
(3) Equitable Service	(7) Family Friendly City
(4) Public Safety	(8) Energy Alternatives

Attachment 4: CAMG Recommended Rankings

General Fund Capital Set-Aside

FY2008-09

Rank	Name	Bureau	Project		FY 2008-09 GF Request	FY 2008-09 Running Total	Value-Added Criteria
			Asset Risk Level	Risk Reduction			
1	Pier Park - Lighting Upgrade	Parks	Extreme	12.3	\$50,000	\$50,000	3,4,5,7
2	Four Hydraulic Rescue Tools	PF&R	High	12.0	\$84,000	\$134,000	2,4
3	CBD Cable Replacement	PDOT	High	12.0	\$400,000	\$534,000	1,2,3,4,5,7,8
4	Springwater Trail - Circle Ave Bridge Replacement	Parks	High	11.6	\$266,008	\$800,008	3,4,5,7
5	Marshall Park - Bridge Replacement	Parks	High	11.3	\$75,000	\$875,008	3,4,5,7
6	NE Killingsworth Transportation Safety Projects	PDOT	High	11.3	\$375,000	\$1,250,008	3,4,5,7
7	Fuel tank replacement	OMF	High	11.0	\$297,650	\$1,547,658	1,4,5,8
8	Gideon Prevention Office Maintenance Repair	PF&R	High	10.6	\$80,000	\$1,627,658	4,5
9	Improvements to Training Center Blue Shed	PF&R	High	10.2	\$80,000	\$1,707,658	4,5
10	Belmont ADA Upgrade / Alarm System	PF&R	High	9.6	\$60,000	\$1,767,658	1,4,5
11	Washington Park - Path & Stair rebuild	Parks	High	9.0	\$10,000	\$1,777,658	3,4,5
12	Washington & Lovejoy Parks - Masonry stairs replacement	Parks	High	9.0	\$45,000	\$1,822,658	3,4,5
13	Columbia Pool - Install UV System	Parks	High	9.0	\$100,000	\$1,922,658	3,7
14	Cathedral Park - Transient Dock*	Parks	High	12.0	\$125,000	\$2,047,658	3,4,5,6,7
15	Riverplace - Dock repair	Parks	High	11.6	\$501,000	\$2,548,658	1,3,4,5,6,7
16	Emergency Response Mobile SCBA / Light Units	PF&R	High	11.1	\$700,000	\$3,248,658	2,4
17	McLoughlin Facility - Rehabilitation	Parks	High	10.4	\$750,000	\$3,998,658	3,5
18	Westmoreland Pk - Field & Stadium electrical service	Parks	High	10.0	\$434,700	\$4,433,358	1,3,4,5,7
19	Kelly Point Park - Parking Lot	Parks	High	8.9	\$400,000	\$4,833,358	3,5,7
20	Deferred Maintenance	PF&R	High	8.8	\$240,000	\$5,073,358	4,5
21	Interstate Firehouse CC - General Upgrade*	Parks	High	8.0	\$100,000	\$5,173,358	3,5,7,8
22	Irving Park - replace upper slide	Parks	High	7.8	\$95,000	\$5,268,358	3,4,7
23	New Rescue Boat 6	PF&R	High	7.7	\$230,000	\$5,498,358	4
24	Waterfront Park - Repaint mast	Parks	Medium	5.0	\$65,000	\$5,563,358	1,4
25	Mt Scott CC - Refurbishment*	Parks	Extreme	12.5	\$25,000	\$5,588,358	3,5,6,7,8
26	Jasmine Block Street Realignment	PDOT	High	3.9	\$1,500,000	\$7,088,358	5,6,7,8
27	Apparatus Replacement*	PF&R	High	3.9	\$500,000	\$7,588,358	2,4
28	NE Cully Blvd Improvements	PDOT	Medium	3.5	\$1,600,000	\$9,188,358	3,4,5,6,8
29	Gideon Prevention Office Upgrades	PF&R	Medium	3.3	\$210,000	\$9,398,358	4,5
30	Emergency Operations system upgrade for WebEOC	OMF	Medium	3.0	\$31,000	\$9,429,358	1,2,4,5
31	Belmont Seismic Upgrade	PF&R	High	2.8	\$953,551	\$10,382,909	4,5
32	Replace selected of the 33 wading pools with spray features*	Parks	Extreme	14.7	\$1,750,000	\$12,132,909	1,3,4,5,7
33	Pittock Mansion - Exterior Masonry*	Parks	High	10.4	\$500,000	\$12,632,909	3,5,6,7,8
34	Computer Aided Dispatch (CAD) system replacement*	OMF	High	10.8	\$5,425,000	\$18,057,909	1,2,3,4,5,6,7
35	Public Safety Radio System replacement*	OMF	Extreme	13.4	\$1,000,000	\$19,057,909	1,2,3,4,5,6,7
36	Portland Police Data System (PPDS) replacement*	OMF	High	5.5	\$2,720,000	\$21,777,909	1,2,3,4,5,6,7

* These projects have additional costs in the FY2009-2013 timeframe.