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Office of the City Administrator
Michael Jordan, City Administrator

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DATE: April 17, 2025

TO: City Auditor Simone Rede

FROM: Michael Jordan, City Administrator

SUBJECT: Response to asset management audit

This letter provides a written response to the recommendations from the audit "Asset Management: Strategic and coordinated approach needed to take on City's long-standing issues."

The City Administrator greatly appreciates the work of the Auditor's office in assessing the historic challenges the City has had managing its infrastructure in an appropriate and adequate manner and agrees with the general findings of the audit. Charter Reform, resulting in a new form of government, presents a unique opportunity to shift from disconnected and frequently ad hoc management of the City's assets to a more coordinated and strategic approach moving forward. The City of Portland manages a diverse portfolio of natural and built assets including parks and community centers, water, sewer and stormwater systems, civic buildings, bridges, roads, sidewalks, emergency response equipment, vehicles, communications and information technology.

A collaborative process will integrate varying organizational needs, stakeholder objectives, and the realities of existing assets and asset management capabilities to develop an Asset Management Strategy that includes:

- A complete picture of asset classes, owners, and managers across the city;
- A framework to guide asset management governance and decision making at the citywide level, acknowledging that some types of decisions must be made within different service areas;
- A defined approach to long-range financial planning, resource development and prioritization, and overall investment in the City's infrastructure;
- Plans to engage elected leaders at key milestones to integrate their feedback and nurture their roles as champions for asset management best practices; and,
- Outline of public outreach tools to promote public transparency and accountability.

Below is our detailed response to the audit recommendation.

Recommendation 1

The City Administrator or designee should develop a Citywide asset management strategy. At a minimum, the strategy should outline:

1. A Citywide asset management governance structure
2. A Citywide infrastructure decision-making process
3. A long-term approach for meeting Portland's infrastructure funding and asset management capacity needs
4. Steps designed to promote buy-in from City leaders and the public. For example, the strategy could require the City Administrator or designee to:
    a. Present the asset management strategy and regular updates on its implementation to Council at public meetings; and/or
    b. Make the asset management strategy available to the public. One option is to create a Citywide asset management web page that compiles and shares key asset management information.

Response for Recommendation 1

Agree with clarifications

Target date to complete implementation activities:
September 2027 with implementation of an iterative and collaborative process beginning immediately.

Narrative for Recommendation 1

The City Administrator agrees that the City needs a method for governing infrastructure that compels more organized evaluation of and investment in the City's built and natural assets, and that ultimately results in the City making more optimal asset management and investment decisions overall. While an asset management policy exists to address this need, an Asset Management Strategy will help identify the resources and systems required to facilitate improved citywide implementation of this policy.

The City Administrator will direct city staff to develop an Asset Management Strategy that will:

- Assemble stakeholders involved in infrastructure management and investment to ensure citywide clarity on key asset management terms, concepts, and principles as defined in internationally accepted standards, such as ISO 55000. Stakeholders are likely to include:
    - City leaders and subject matter experts that administer or work in bureaus that own and operate infrastructure, including long-range physical planning, capital project development and execution, and infrastructure maintenance;

    - City leaders and subject matter experts that oversee finance and budgeting activities, specifically long-range financial planning, debt management, general obligation bond decisions and management, and budgeting;
    - City leaders and subject matter experts involved in infrastructure support activities, such as data management, contracting, procurement, and workforce development;
    - Members of the Citywide Asset Managers group; and
    - Elected officials.
- Document existing asset management plans, policies, and practices, including past maturity assessments and recommendations.
- Assess how asset management concepts (e.g., "risk" and "value") are currently being utilized by infrastructure-owning bureaus to make management and investment decisions, and what's required to ensure more comprehensive, systematic, and balanced asset management decisions citywide.
- Craft actionable strategies for infrastructure management improvement within the City. Elements may include:
    - Enhanced data management and asset analytics;
    - Approaches to defining and assessing risk and value;
    - Public engagement opportunities in the asset management process; and
    - Short, mid, and/or long-term funding strategies.
- Reach agreement about the long-term governance of these elements within the City, including clear definition of the roles and responsibilities of all parties to carry out organizational development and change responsibilities.
- As per the audit, the content of the Asset Management Strategy will be presented to city leaders and elected officials at key milestones, and a website that presents the proposed actions with periodic updates will be provided for the public.

To act on this response, the City must fund appropriate resources to collaboratively develop a Citywide Asset Management Strategy and the accompanying communication infrastructure and tools to share it with the public.

As noted, the City Administrator generally agrees with the audit findings with some key clarifications:

- On Page 4 it should be noted that asset investment and reinvestment needs are driven by more than just deferred maintenance, a growth in demand for services, and severe weather. Additional major drivers include things like new regulatory requirements, technological obsolescence (and innovation), changes in public values and sentiment, and demographic shifts that alter the demand patterns for specific infrastructure or public services within a municipality's boundaries. The variety and complexity of forces that impact asset management and investment affirm the Auditor's core finding,

which is that a comprehensive, systematic, and strategic approach to asset management is essential for the City.

- On Page 5 it should be noted that the method(s) to calculate the infrastructure funding gap in the Citywide Assets Report vary by asset-owning group. While it is reasonable to presume that some of the exponential growth in the investment gap between 2019 and 2023 is due to ongoing underinvestment, the "ballooning" nature of the gap could also be due to individual bureaus changing what assets they are analyzing and how they are calculating their funding gap. The uncertainty around this data affirms the need for comprehensive, systematic, and more strongly governed asset management practices within the City, as per the Auditor's findings.

- On Page 7, the audit notes that the funding gap on Page 5 does not account for the additional investments needed to provide equitable levels of service throughout the City. However, some program calculations for the last several years have included three basic categories, the sum total of which are then annualized over 10 years to determine a bureau's annual gap: 1) a deferred maintenance funding gap; 2) a regulatory funding gap; and 3) a capacity (growth) funding gap. In short, the chart on Page 5 should include these investments. However, there are not at present well-vetted definitions of the categories above, guidance on how to account for needs that span categories, or written instructions on how to perform the calculations. Data and informational inputs are also missing for certain asset classes, creating further uncertainty in the quality of the funding gap data, and further reinforcing the need for better coordinated and quality data inputs to asset management practices and decision making.

- While the City Administrator agrees that public input into the direction of public investment is valuable, many asset management and prioritization decisions are influenced by fixed constraints or technical factors that limit flexibility of decision making. The Asset Management Strategy will help identify opportunities for meaningful public input.

As suggested by the audit, instituting a comprehensive and systematic approach to identifying optimal asset management and investment actions is crucial for tackling the City's deferred maintenance backlog, bridging service level gaps across neighborhoods, and building the infrastructure needed to meet the demands of future generations. We look forward to leveraging the advantages of our new form of government, where the administrative branch operates under a unified City Administration, to carry out this important work.

Please contact Tate White at tate.white@portlandoregon.gov or 503-307-5221 with any questions.

cc:

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