Asset Management: Strategic and coordinated approach needed to take on City's long-standing issues

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Summary

The City of Portland owns billions of dollars' worth of public assets, such as roads, streetlights, parks and natural areas, water and sewer systems, buildings, vehicles, equipment, and technology. Portlanders rely on the City to manage this infrastructure so it can provide safe, reliable, and equitable services in a cost-effective manner.

However, for years, the City has underinvested in routine and preventative maintenance of its aging assets. This underinvestment has created a backlog of costly and increasingly urgent needs that the City does not have the funding to meet.

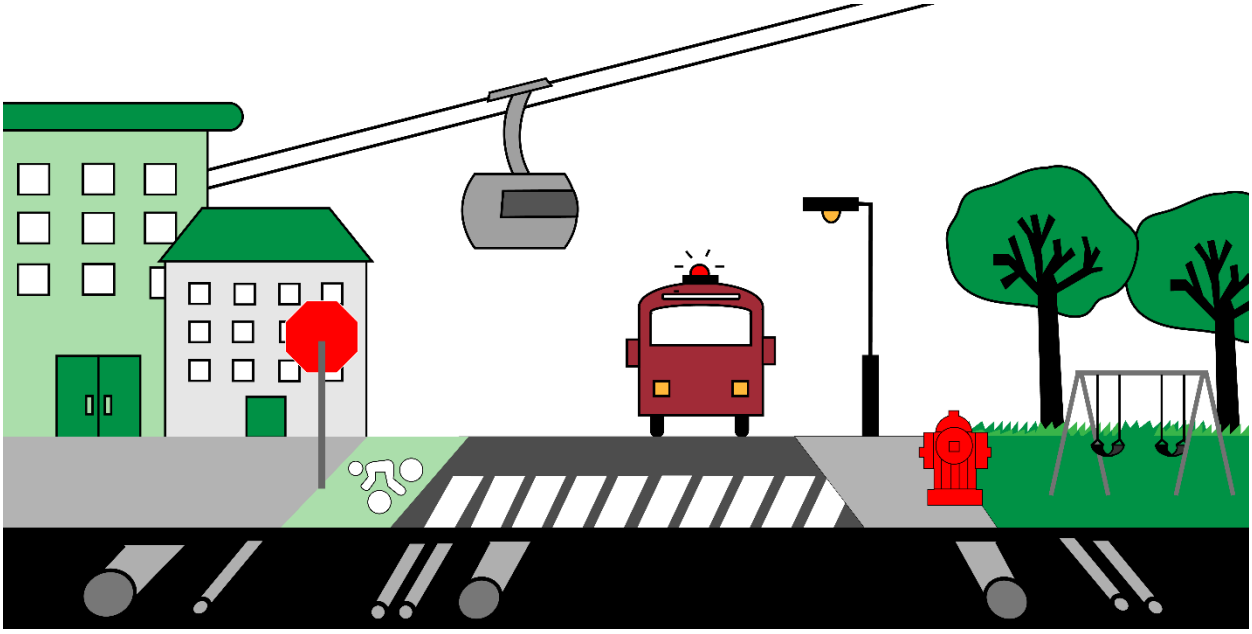
Addressing Portland's growing infrastructure crisis will require strong leadership and a strategic and coordinated Citywide approach to asset management. The City's transition to a new form of government provides an ideal opportunity to develop this approach.

We recommend that the City Administrator or designee develop a Citywide asset management strategy that outlines an asset management governance structure, Citywide infrastructure decision-making processes, and a long-term approach for meeting Portland's infrastructure funding and asset management capacity needs. We also recommend that the asset management strategy include steps designed to promote buy-in from City leadership and the public.

Background

The City of Portland owns assets that allow it to deliver services to the public. These assets include roads, streetlights, parks and natural areas, water and sewer systems, buildings, vehicles, equipment, technology, and more.

Figure 1. The City owns assets that allow it to deliver services to the public

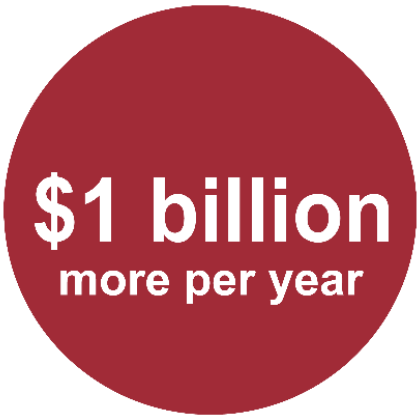


Source: Audit Services' visualization of City assets.

According to 2023 estimates, assets owned by Portland's major infrastructure bureaus were worth over $74 billion. Portlanders rely on the City to manage these assets so they can provide safe, reliable, and equitable services in a cost-effective manner.

Much of Portland's infrastructure was built in the mid-1900s and is now near or beyond the end of its useful life. For years, the City has underinvested in routine and preventative maintenance. At the same time, a growing demand for services and damage from severe weather have placed additional strain on City assets. As a result, the City is facing a backlog of costly and increasingly urgent infrastructure needs that it does not have the resources to meet. As of 2023, Portland needed over $1 billion more per year to maintain existing City assets in a state of good repair.

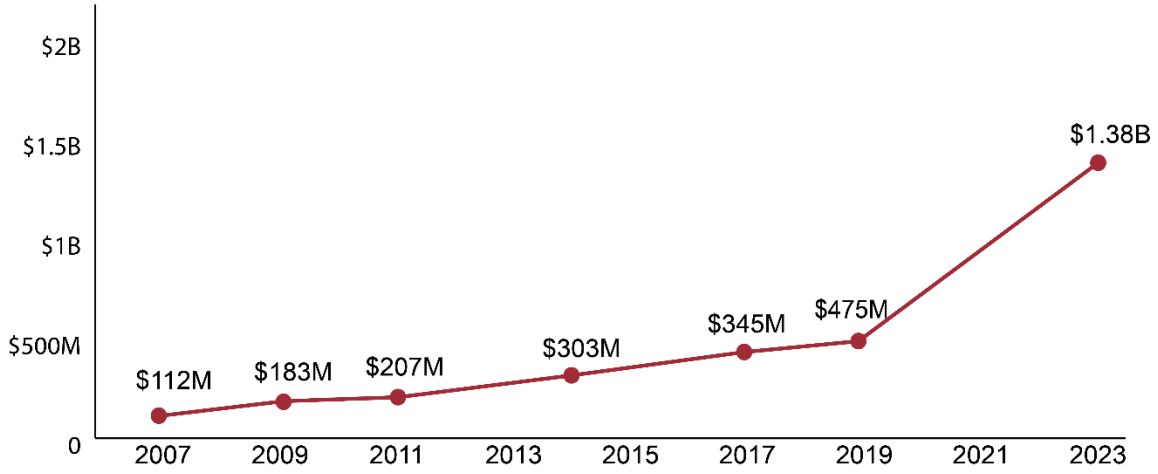
Figure 2. Portland needs over $1 billion more per year to maintain existing City assets in a state of good repair



Source: Audit Services' visualization of bureau data reported in the 2023 Citywide Assets Report.

The City's infrastructure crisis has been well-documented for over two decades, but nevertheless continues to grow. As early as 2002, deteriorating infrastructure was reported as a top strategic priority for Portland City Council. In 2007, the City estimated that its annual infrastructure funding gap was $112 million. By 2013, that estimate had grown to $287 million, before ballooning to over $1 billion in 2023.

Figure 3. Portland's annual infrastructure funding gap ballooned from $112 million in 2007 to over $1 billion in 2023



Source: Audit Services' visualization of bureau data reported in Citywide asset reports from 2007 – 2023.

The infrastructure funding gap will grow exponentially each year the City continues to underinvest in maintaining its assets. As of 2021, almost a quarter of the City's assets were estimated to be in poor or very poor condition. At current funding levels, it is likely that many of those assets, and others, will continue to deteriorate. As assets age and their condition declines, the cost to repair or replace them increases. For example, it costs much less to maintain a street that is in good or fair condition than it does to repair the street once it falls into poor or very poor condition.

The funding gap also grows when the City builds or acquires new assets without allocating sufficient funding for ongoing operations and maintenance needs.

Declining condition of Portland's infrastructure puts City services at risk

For the City to provide safe, reliable, and equitable services in a cost-effective manner, it must keep its infrastructure in a state of good repair. Without proper maintenance, there is a risk that deteriorating or failing assets will result in disrupted, delayed, or discontinued City services. For example, in recent years, several Portland Parks & Recreation assets, including pools, picnic shelters, light poles, trail bridges, and playground equipment, have failed and had to be closed or removed to protect the public. Parks predicts that without new, stable funding, 20% of its assets could fail in the next fifteen years.

> *"We are great at buying shiny new things... But we are not good at maintaining, operating, and renovating the assets we already have. So then the assets end up making the decisions for us when they fail and we must decide to replace them or not. It becomes a game of whack-a-mole."*
>
> *– City employee*

In the best cases, disrupted, delayed, or discontinued City services caused by failing assets may merely inconvenience users. In other cases, deteriorating infrastructure may create more serious livability, safety, and economic challenges. For example, asset failures may result in:

- Higher and/or unexpected repair or replacement costs
- Legal risks to the City, including from lawsuits or violations
- Harm to the environment
- Unsafe working conditions for City employees
- Unsafe conditions for the public

Infrastructure failures, like broken sewer lines, closed parks or community centers, and damaged roads, may have more severe impacts on Portland's low-income residents and historically underserved communities.

Some service disruptions could be critical, such as when assets involve emergency response or impact medical facilities. There is also a risk that the City's aging infrastructure will slow down recovery after a disaster. For example, it will be more difficult to recover from an earthquake that causes significant damage to Portland's roads, bridges, and water and sewer lines.

Portland's infrastructure crisis hinders equity

Public assets, if properly managed, are meant to serve the community for many years. The City's underinvestment in the infrastructure we benefit from today transfers those costs to future generations. In what is known as intergenerational inequity, future Portlanders will be tasked with taking care of the infrastructure we neglect—and will face the accumulated risks of assets failing.

> *"Long-term deferred maintenance pushes the burden of repair or replacement to future generations, who will have to pay not only for their own services, but for our failure to pay the full cost of the services we enjoy today."*
>
> *– 2019 Citywide Assets Report*

Portland's infrastructure crisis also impacts the inequitable service levels already experienced in underserved areas of the City. The infrastructure funding gap cited above only includes the cost of maintaining existing City assets. It does not account for areas of Portland that currently lack basic infrastructure, such as sidewalks, paved roads, and adequate stormwater systems. It also does not account for the additional infrastructure investments needed to provide an equitable level of services throughout the City. If the cost of those assets is included, the funding gap is even worse, and decisions about where to direct limited funding become even more difficult to make.

Asset management systems strengthen decision-making and coordination

To deliver the services that community members depend on, especially during challenging budget times, the City must effectively manage its infrastructure. This includes making good decisions about acquiring, operating, maintaining, replacing, and disposing of assets. These decisions should be informed by accurate information about

the assets, such as their value, cost to maintain and operate, condition, performance, and risks. Decisions should also be informed by community expectations.

The process for making good decisions about how to use and care for infrastructure is known as asset management. Effective asset management increases the life of assets and reduces costs, while providing services to meet community needs.

In addition, asset management can promote equity and anti-racism, instead of perpetuating past harms or unintended consequences. According to one City employee, "asset management practices are one of the best and most consequential ways the city and its infrastructure bureaus can support the achievement of the city's equity goals."

Effective asset management requires a system to guide decision-making and support collaboration. An asset management system consists of interrelated policies, practices, and tools used to manage infrastructure. An asset management system should include a strategic plan that sets out the organization's vision, mission, and strategic objectives, an asset management policy that describes the asset management principles the organization will follow to achieve its strategic objectives, and an asset management strategy to guide and improve infrastructure planning and decision-making. The system should also include asset management plans that outline specific asset management activities and resources for managing assets over their lifecycles, and operations and maintenance plans that direct day-to-day operations and maintenance work.

Figure 4. The City should have an asset management system that includes an asset management strategy



Source: Audit Services' visualization of guidance from Federation of Canadian Municipalities and Association of Municipalities of Ontario.

Our audit examined whether the City has a citywide asset management strategy, including an asset management governance structure, to help guide and improve its infrastructure planning and decision-making.

Results

Our audit found that the City has not adopted a Citywide asset management strategy. Without such a strategy, the City has not had the governance structure, decision-making processes, and long-term approach it needs to begin to address its crushing infrastructure funding gap.

The City needs a citywide asset management strategy to guide and improve infrastructure planning and decision-making

An asset management strategy is a high-level, comprehensive action plan that explains how infrastructure across the City should be planned and managed over time to achieve Citywide goals. An asset management strategy would help ensure that the City makes transparent, coordinated decisions about infrastructure that align with community needs, and that it continually improves the asset management system.

The City has not adopted a Citywide asset management strategy. Portland's commission form of government, which was in effect until December 31, 2024, is a key reason the City lacks a strategy. Under that de-centralized form of government, Council established laws and policies and adopted the City's budget, and individual Council members oversaw bureaus and offices. Management of Portland's public assets was generally up to each infrastructure-owning bureau. No position or office was in charge of taking a Citywide view of asset management or creating a Citywide asset management strategy.

Under the commission form of government, the City did not prioritize investments in Portland's aging infrastructure or the practice of asset management. As a result, the City is facing an overwhelming infrastructure funding gap and has no plan to address it.

The strategy should set forth a Citywide asset management governance structure

The City's asset management strategy should set forth a Citywide asset management governance structure. An asset management governance structure explains how the City government is organized to make decisions about infrastructure. It should include a clear description of the roles and responsibilities needed to implement and improve the asset management system.

Figure 5. The City's asset management governance structure should clearly describe the roles and responsibilities needed to implement and improve the asset management system

Role	Suggested responsibilities
City Council	Support asset management through leadership Allocate appropriate resources to implement asset management Establish the City's overall strategic vision Engage stakeholders to understand expected service levels Determine infrastructure priorities based on stakeholder expectations
Executive Lead (such as a City Administrator)	Provide overall asset management leadership and oversight Establish high-level asset management vision and objectives Develop asset management governance structure Commit to continual improvement of asset management practices and processes
Director-level group or office (sometimes called an asset management steering committee)	Champion asset management Direct resources to asset management priorities Act as a direction-setting and decision-making committee Ensure consistent processes Generate solutions to organizational challenges Oversee continual improvement of asset management system

Asset management office or manager	Build asset management capacity, such as by coordinating trainings and providing guidance, support, and technical advice Assess asset management programs and implement improvements
Asset management network or team	Champion and advocate for asset management Offer asset management collaboration and support across City Coordinate asset management programs and projects

Source: Audit Services visualization of guidance from the City's Asset Management Policy (FIN 2.19), Federation of Canadian Municipalities, International Infrastructure Management Manual, and PEMAC Asset Management Association of Canada.

Although City documents outline some Citywide asset management roles, the City is missing clear guidance about important responsibilities. The City has also lacked some key asset management roles suggested by best practices.

> *"Charter Reform is an excellent opportunity to create the governance that most bureaus profoundly want."*
>
> *– Citywide Asset Managers Group*

In 2022, Portland voters approved changes to the City Charter to replace the commission form of government with a mayor-council form of government. The new form of government, which took effect January 1, 2025, provides an organizational structure for more Citywide decision making and coordination.

As the City works to build and refine the new government, there is an opportunity to build the infrastructure for infrastructure. Creating a Citywide asset management governance structure would help promote Citywide asset management leadership and accountability and foster improvement of the asset management system. An asset management governance structure would also help the City break down silos that exist between bureaus.

An asset management governance structure would help promote leadership and accountability

Creating a Citywide asset management governance structure that provides clear guidance about important responsibilities would help promote asset management leadership and accountability. Asset management leadership and accountability are crucial for an effective asset management system.

For example, Council should support asset management through its leadership and in the allocation of resources. This was a challenge under the commission form of government. Several City employees noted that during the City's annual budget process, Council members often prioritized more politically beneficial short-term needs over long-term funding for asset management. Prior Councils also did not always follow (or require bureaus to follow) City policies designed to promote asset management. For example, since the COVID-19 pandemic, Council has waived a policy that requires certain discretionary revenue to be used to fund infrastructure needs.

> *It will take more dollars to solve the problem in a meaningful way. Regardless of how that is done, it is billions of dollars of resources. It is difficult to see a path for getting alignment from any Council around what it will really take to solve the problem—reducing core services. That is the reality at the end of the day.*
>
> *– City employee*

Council should also establish the City's overall vision, engage with the community to understand expected service levels, and set infrastructure investment priorities based on those expectations. Because service level decisions have Citywide impacts, they should be based on the City's strategic goals and informed by community input. However, while the prior Council took steps to identify its priorities, the City does not have an up-to-date strategic plan. In addition, bureaus, rather than Council, have generally established services levels. For example, a 2022 consultant report recommended that Council adopt measurable response time goals for Portland Fire & Rescue. The report said Council should establish those goals by balancing the community's needs (its risk tolerance and the level of fire services it desires) against what the City can afford, in "an informed public debate."

During our audit, we surveyed City employees about Citywide asset management challenges. Several respondents pointed to a need for disciplined, informed leadership committed to prioritizing investments in Portland's aging infrastructure:

- "While it'd be easy to blame the historic form of government, that would be a cop-out because leadership has chosen to consistently reduce the visibility of the deferred maintenance backlog over the years and not done much about it so now it is worse."
- "City leadership has also lacked the discipline to prioritize investing in our aging infrastructure, but rather diverted funding to programs or initiatives that are politically expedient."
- "The leadership positions citywide lack foundational knowledge on what appropriate infrastructure management is and how to implement it. Leadership

should be required to take Asset Management trainings tailored to their role and they should be required to enforce FIN 2.19."

- "Responsible asset management requires investment in infrastructure, and the city has continually (over the past several decades) failed to invest in preventative maintenance... This repeated rejection of funding for preventative responsible maintenance has led to us being in the risky, expensive position we're in now. It is more expensive to respond to emergency failures than to proactively rehabilitate, repair, and replace infrastructure following a well-established asset management strategy."

In addition, the City has lacked key roles suggested by best practices, including guidance from Federation of Canadian Municipalities, International Infrastructure Management Manual, and PEMAC Asset Management Association of Canada. For example, guidance suggests that an organization's executive lead should provide overall asset management leadership and oversight, establish its high-level asset management vision and objectives, and develop its asset management governance structure. That role was missing under the commission form of government.

Now, Portland has a City Administrator to direct and coordinate operations across bureaus and develop a shared Citywide vision. The City Administrator is ultimately responsible and accountable for overseeing City services and operations, including the asset management system. City Code has been updated to reflect the City Administrator's overall duties. Developing an asset management governance structure that sets out more specific asset management responsibilities for the City Administrator would help ensure that the position delivers needed asset management leadership, oversight, and accountability.

Guidance also suggests creating a Director-level asset management group or office, sometimes referred to as an asset management steering committee. The group could be charged with championing asset management and directing resources to the City's asset management priorities. Other duties could include acting as a direction-setting and decision-making committee, ensuring consistent processes throughout the City, and generating solutions to organizational challenges.

The City has not yet defined a Director level of asset management leadership. However, the new form of government includes a leadership team, made up of the City Administrator, an Assistant City Administrator, and Deputy City Administrators. The City's asset management government structure could assign this team to serve as an asset management steering committee.

Our asset management survey asked what, from among several choices, would help improve Portland's Citywide asset management governance structure. The top responses included:

- The City Administrator should lead Citywide asset management
- The City should do more to promote asset management collaboration across service areas
- Deputy City Administrators should have a stronger role in Citywide asset management

One survey respondent suggested that improving asset management should be a part of Deputy City Administrator and Bureau Director performance evaluations, and that a Council subcommittee could hold the City Administrator and Deputies accountable for resourcing and supporting asset management maturity.

An asset management governance structure would help promote continuous improvement

An asset management governance structure fosters continuous improvement of the asset management system by defining who is responsible for improving it. Continuous improvement is an ongoing process of assessing the asset management system's performance, identifying opportunities for improvement, and implementing needed changes.

The City has not had a position or office dedicated to and accountable for improving asset management Citywide. According to City employees who responded to our survey, one of the biggest barriers to improving Portland's Citywide approach to asset management has been that no one was in charge of improving the approach.

Under the City's new form of government, the City Administrator should commit to continual improvement of asset management practices and processes. A Director group could also be charged with overseeing continual improvement of the asset management system.

In addition, guidance suggests establishing an asset management office or manager responsible for assessing asset management programs and implementing improvements. That role should be responsible for building asset management capacity, such as by coordinating trainings and providing guidance, support, and technical advice. The City's 2024 organizational chart included a new Citywide Asset Management Office, but as of January 2025, it had not been funded. That Office was not represented in March 2025 updates to the chart.

The City needs a governance structure to help break down silos

An asset management governance structure would help break down any silos that may exist between and within bureaus and better ensure that all parts of the City work

together effectively to responsibly manage Portland's infrastructure. By bringing together expertise and perspectives from different teams, such as financial, engineering, risk, planning, and operations and maintenance, a Citywide asset management governance structure would also help improve decision-making and foster collaboration and coordination across the City.

At the City, asset management has generally been performed within siloed bureaus. For example, bureaus such as Portland Water Bureau, Portland Bureau of Transportation, Portland Fire & Rescue, and Portland Parks & Recreation each "owned" and managed their own assets. These organizational fiefdoms made it difficult to take a Citywide approach to asset management. A City employee who responded to our survey said Portland lacks governance to "make cross-bureau and citywide decisions to achieve long term goals. Instead, bureaus make siloed decisions based on their own needs, drivers and constraints." Another employee likened asset management at the City to trying to put on a dinner party with multiple kitchens and many chefs in each kitchen who don't talk to the chefs in the other kitchens.

To take a more collaborative, Citywide approach to asset management, the City formed a Citywide Asset Managers Group — known as CAMG — in the early 2000s. Like the asset management network or team suggested by best practices, CAMG is made up of asset managers, planners, budget experts, and related staff from bureaus across the City. Members usually meet monthly to share promising practices and promote Citywide cooperation and coordination. CAMG has also prepared annual reports on City assets, developed the Asset Management Policy that Council approved in 2021, and provided infrastructure tours and asset management briefings to Council.

Despite CAMG's accomplishments, its members are primarily responsible for their bureau-specific duties and lack the capacity to take on many Citywide issues. And, while CAMG has issued recommendations for improving Portland's asset management system, the group does not have the authority to mandate or carry out Citywide changes. Few of its recent recommendations have been implemented.

The strategy should document a Citywide infrastructure decision-making process

The City's asset management strategy should document a Citywide asset management decision-making process that promotes transparent, coordinated decisions aligned with City goals. The process should spell out who is responsible for making which decisions and how they should make them, such as what information is needed and any criteria or scoring methods to apply.

Without an asset management strategy, the City has lacked a documented, coordinated Citywide process for making decisions about assets. Processes used to propose and approve new infrastructure projects have been a little different at each bureau and have been documented to varying degrees. A City employee described asset management decision-making as kind of a black box, with assets managed separately by siloed bureaus with different directors and different commissioners who weren't experts.

With individual bureaus making infrastructure decisions according to their own processes, there is a risk that those decisions may not align with City goals. For example, several City employees said bureaus regularly make determinations based on what is best for the bureau, rather than what is best for the City. Some reported that Citywide asset management activities were seen as a drain on or in competition with individual bureau mandates. Employees noted that bureaus have sometimes actively avoided requirements or restrictions imposed by other bureaus to further their own objectives — to the detriment of the City overall.

Without a transparent decision-making process, there is also a risk that infrastructure decisions may be influenced by politics or powerful advocates, rather than based on Citywide goals informed by stakeholder expectations.

In addition, managing assets bureau-by-bureau may be less efficient, since assets are generally best managed collectively. When decisions are not coordinated, the City may miss opportunities to collaborate across bureaus on projects and to leverage existing resources to fund more work. For example, we heard a report of different public works bureaus working on the same road at multiple times, resulting wasted resources and more disruptions for community members.

The City needs guidance on how to prioritize infrastructure projects

Without an asset management strategy that documents a Citywide asset management decision-making process, the City lacks guidance on how to compare and prioritize infrastructure projects across service areas and asset classes. For example, there is no guidance for what to consider when evaluating funding for a radio tower versus a green space versus a ladder truck.

According to our asset management survey, the City's lack of clear, Citywide infrastructure investment priorities has been a main contributor to infrastructure decision-making challenges. A City employee said that when limited funding means you can't do everything, the priorities should be crystal clear to everyone. CAMG and City employees have recommended that the City establish a coordinated planning process

for capital infrastructure projects and a governance structure to facilitate prioritization of Citywide resources.

Other City employees noted the importance of prioritizing infrastructure projects using a Citywide lens. Due to restrictions on funding, some funding streams are only available for certain types of assets and certain types of work. As a result, the City sometimes funds projects opportunistically: what it can get the money to do, rather than the work it has prioritized through a Citywide decision-making process. A more holistic approach would allow the City to look across bureaus at what can be funded with ratepayer dollars, grants, and other restricted funding versus what it can pay for with unrestricted dollars (the General Fund). A Citywide lens could also help the City make other types of decisions, such as how to best use debt to fund other priority needs and whether some assets should be sold or demolished.

The strategy should outline a long-term approach for meeting infrastructure needs

The City's asset management strategy should outline a long-term approach for meeting Portland's infrastructure funding and asset management capacity needs. The strategy should work in tandem with a long-term financial strategy and include a roadmap for continually improving the asset management system.

The City has not had that guidance. Our survey asked City employees to identify, from among several choices, the biggest barriers to improving Portland's Citywide approach to asset management. The top response was that there is no strategy or roadmap that outlines what should be done, timelines, responsible parties, and funding. No respondents selected "Portland's approach works well / there is no need to improve."

The City needs a long-term financial plan for meeting infrastructure needs

For an asset management strategy to work, it should be integrated with long-term financial planning designed to ensure the City can fund its infrastructure needs now and into the future. The asset management strategy should also be considered as the City develops its annual budget.

Some City employees reported that no one projects out long-term requirements for the City as a whole, and that the City's budget processes focus on solving this year's problem instead of taking a long-range planning perspective. One employee noted that there is currently no mechanism for informing how the budget is put together with regard to capital projects. Several employees have recommended that the City develop a long-

term funding strategy for addressing the City's asset management needs. According to CAMG, the City should adopt a long-range capital plan that outlines future capital needs and funding availability, aligns asset management, capital, and overall financial planning, and sets forth realistic infrastructure funding solutions.

> *"We should get buy in from all, including electeds, that in 10 years, we want a stable capital program that considers all asset classes and includes a financial strategy for starting to catch up. I think it is a decade long effort just to get us to a place where we can say we are predictably catching up."*
>
> *– City employee*

Developing an asset management strategy that works in tandem with a long-term financial strategy would help the City begin to address its staggering infrastructure funding gap and plan for its future asset management needs. It would also help guide decision makers as they work to develop the City's budget and provide more transparency for the community.

The City needs a long-term roadmap for improving the asset management system

Several City employees told us that the City's asset management challenges seem too overwhelming to address. Instead of taking incremental steps to address the City's enormous maintenance backlog and significant gaps in asset management capacity, City leaders have tended to ignore the problems. Developing an asset management strategy that includes a long-term roadmap for improving the asset management system over time would help set the City on a path to address its most pressing needs.

While creating an asset management strategy could seem like a time-consuming and daunting prospect, some guidance suggests quickly developing an initial strategy that is simple, concise, and based on existing knowledge and data. Initially prioritizing just a few tasks can help ensure that the most important work is completed first, build momentum, and avoid the overwhelm of having too many tasks at once. Then, the strategy can evolve as the asset management system matures and areas for further improvement are identified.

To promote implementation of the asset management strategy, guidance suggests assigning responsibility for each task to a person or office and allocating the funding needed to complete the work. Staging tasks over several years may be more realistic if funding is not immediately available to carry out all identified improvements. For example, the strategy could include a schedule of tasks and timelines for making short-, medium-, and long-term improvements, based on available resources.

The strategy should include processes for monitoring progress toward achieving identified objectives and adjusting as needed. In addition, sharing information about the performance of the asset management system with leaders and the public can help build trust and generate buy-in and support for investments in asset management.

Figure 6. Guidance offers tips for developing and continually improving an asset management strategy



Source: Audit Services' visualization of guidance from Federation of Canadian Municipalities, Asset Management BC, United Nations, and International Infrastructure Management Manual.

Portland's new form of government offers opportunities for a more strategic, coordinated Citywide approach

Addressing Portland's growing infrastructure crisis will require strong leadership and a strategic and coordinated Citywide approach to asset management. The City's transition to the mayor-council form of government provides an ideal opportunity to develop this approach.

> *City of Portland leaders will need to be visionary and strategic to address this anticipated funding gap of $10 billion over the next ten years to keep our infrastructure assets in a state of good repair to provide reliable and equitable services to the community.*
>
> *– 2022 Citywide Asset Managers Group Report*

For example, in the new form of government, Council will establish the City's strategic direction, increase community representation in decision-making, and review and approve the budget. A Government Transition Advisory Committee recommended that Council improve community participation in decision-making and prioritize development of a Citywide strategic plan. These efforts could help the City understand community expectations and target infrastructure investments toward meeting them.

The new Council, particularly the members of the Transportation and Infrastructure Committee, have already voiced interest in addressing the City's infrastructure needs. Council has an opportunity to demonstrate a commitment to asset management through their leadership and in budget decisions.

> *"An audacious City administrator paired with a Mayor who could win office by saying they'd maintain existing assets would do it."*
>
> *– City employee*

Under the new form of government, the Mayor, with the help of the City Administrator, will develop and propose the budget for Council's review and approval. While individual bureaus remain subject matter experts on their infrastructure needs, the leadership team, including the City Administrator and Assistant and Deputy City Administrators, is responsible for leading and coordinating operations across the City. They have an opportunity to incorporate strong asset management principles into a shared Citywide vision and culture — and in the structures, priorities, and budgets they work to develop.

Recommendation

As the City builds and refines its new form of government, it should dedicate time and resources to creating the infrastructure for infrastructure. We recommend that the City Administrator or designee 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.

The City Administrator agreed with our recommendation

We provided this report to the City Administrator and the Deputy City Administrator for City Operations. The City Administrator responded on behalf of the City and agreed with our audit recommendation. Read their response at the end of this report.

How we did our work

The objective of this audit was to determine if the City of Portland has a documented Citywide asset management strategy to guide its infrastructure decision-making and investment practices. Sub-objectives were to determine whether the strategy included an asset management governance structure with clear roles and responsibilities for implementing a coordinated asset management system, and whether the strategy ensured continuous improvement of the asset management system.

The scope of the audit was Citywide. We did not assess bureau- or service area-specific asset management strategies or governance structures.

To accomplish our objectives, we:

- Interviewed City employees from multiple programs, including asset managers and related employees participating in the City Asset Managers Group (CAMG), employees in the Budget & Finance service area, bureau equity managers, and members of the City's leadership team and prior City Council
- Surveyed a judgmentally selected sample of 129 City employees about the City's approach to managing its assets. We used snowball sampling, allowing survey recipients to forward the survey to other City employees. Fifty-one City employees completed the survey.
- Observed Council and CAMG meetings
- Reviewed best practices, City reports, laws, and policies, and other audits. We used data reported in annual Citywide Asset Reports to calculate the City's 2023 infrastructure funding gap and to visually represent its increase over time. The data is based on estimates. Although the City does not currently use a consistent or standardized methodology to calculate estimated unmet need, we determined

that the data was sufficiently reliable to demonstrate the City's huge and growing infrastructure funding gap.

We selected statements from City reports, interviews, and our survey to include in the report to highlight viewpoints relevant to our audit objectives.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

City of Portland

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Office of the City Administrator
Michael Jordan, City Administrator

(He/Him) michael.jordan@portlandoregon.gov

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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