

CITY BUDGET OFFICE

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CITY OF PORTLAND, OREGON

TO: Andrew Scott, Budget Director

FROM: Jeramy Patton, Assistant Budget Director

DATE: September 29, 2014

SUBJECT: City Budget Office FY 2014-15 Fall BMP

The City Budget Office (CBO) has prepared the attached Fall Budget Monitoring Process (BMP) submittal items:

1. Summary of Budget Adjustments. The City Budget Office is requesting funding to replace the City's budget software that is currently operating in an unsupported environment.
2. Prior year budget to actual reconciliation report
3. Updates on FY 2013-14 budget notes and decision packages
4. Prior year performance data

**CBO Discussion and Recommendations
FY 2014-15 Fall Supplemental Budget**

Bureau: City Budget Office

Type: Capital Set-Aside Request

Request: BO_001 - Budget Software Replacement

	Fall BMP Requested Adjustments	Fall BMP CBO/Council Changes	Fall BMP Total Adjustments
EXPENDITURES			
External Materials and Services	1,000,000	0	1,000,000
TOTAL EXPENDITURES	1,000,000	0	1,000,000
REVENUES			
General Fund Discretionary	1,000,000	0	1,000,000
TOTAL REVENUES	1,000,000	0	1,000,000

Bureau Description:

The City implemented its current budget preparation software (BRASS) in 2003. Although the software continues to provide the basic tools for budget preparation and monitoring, it is currently operating on an unsupported operating system. When the City adopted Windows 7 as its operating system in 2011, the vendor who supports BRASS notified the City that the software's platform will not be updated to support Windows 7. At this time, they encouraged the City to migrate to their new web based budget preparation software, which is supported. Due to budget shortfalls, the City elected to test the system on Windows 7 to see if it would work; and to date, there have been no known issues with operating the system on Windows 7. However, if the system were to fail in the future because of the operating system, the City would have no ability to return to the vendor for a solution. Without a budget system, the City Budget Office would be forced to create the budget using spreadsheets which would have a large cost to the City in lost productivity and other delays. The City Budget Office believes it is in the City's best interest to replace BRASS with a software that is supported by the vendor. Initial estimates from our existing vendor and estimates from SAP (our Citywide ERP system) show the costs of a new system in the \$1 million to \$3.5 million range. If funds are awarded in FY 2014-15, it is expected that a new system will be available for the start of the FY 2016-17 budget process. The project was requested in the FY 2014-15 budget process, but did not receive funding.

Replacing the existing software will move the City back to a vendor supported environment. The technology surrounding budget implementation software has seen great improvements over the last ten years since the City purchased BRASS. Implementing these improvements could reduce time spent on data entry and processing, and enhance our capabilities in regards to performance budgeting.

CBO Discussion and Recommendation

Prior Year Business Area Reconciliation Report

	FY 2013-14 Revised Budget	FY 2013-14 Year-End Actuals	Percent of Actuals to Revised
City Budget Office			
EXPENDITURES			
Personnel Services	\$1,487,037	\$1,440,953	97%
External Materials and Services	\$182,650	\$167,795	92%
Internal Materials and Services	\$218,247	\$207,966	95%
TOTAL EXPENDITURES	\$1,887,934	\$1,816,714	96%
REVENUES			
Miscellaneous	\$0	\$309	0%
General Fund Discretionary	\$738,810	\$0	0%
General Fund Overhead	\$1,149,124	\$0	0%
TOTAL REVENUES	\$1,887,934	\$309	0%

Bureau Reconciliation Narrative

Total expenditures were within 4% of budget. The bureau spends conservatively throughout the year to ensure funding is available for unexpected expenditures such as payouts, new hires, etc. A single retirement payout could consume the entire amount of underspending given the small size of the bureau's budget.

The miscellaneous revenues of \$309 reflect refunds received from various cancelled subscriptions.

FY 2013-14 Budget Note Updates

Span of Control

Council Budget Subcommittee 1 recommended that the City conduct a preliminary span of control analysis that results in at least \$1.1 million in General Fund ongoing savings. Specifically, the analysis should identify bureaus, divisions, or functions where the current span of control might be increased and include recommendations for maximizing the span of control or reorganizing where appropriate. The analysis and recommendations are to be completed by December 1, 2013. Current Appropriation Level targets in FY 2014-15 will be adjusted to reflect the span of control recommendations. A Council subcommittee will manage and implement this analysis, with staff assistance from the City Budget Office and Bureau of Human Resources.

Status: Complete

Estimated Completion Date: N/A

Explanation: The report was delivered to Council on March 5, 2014

Target Reduction Options for Overhead Bureaus

The City Budget Office is directed to review the process for Current Appropriation Level (CAL) target reductions for General Fund overhead-funded bureaus. Currently, overhead-funded bureaus only make reductions to their General Fund discretionary base, which is about 40% of the total General Fund CAL target. CBO is directed to look at the costs and benefits of asking overhead-funded bureaus to cut off of the total CAL target, as was done prior to 2005, and provide a report and recommendation to Council in the FY 2013-14 Fall Budget Monitoring Process.

Status: Complete

Estimated Completion Date: N/A

Explanation: During the Fall BMP (Ordinance #186330), Council authorized the City Budget Office to update overhead charges to funds throughout the budget development process. This change allows cut targets to be based off of the entire General Fund CAL target (discretionary and overhead resources).

FY 2013-14 Decision Package Updates

PERS Savings and OMF Interagency Adjustments

The packages were implemented as planned and decreased expenses and discretionary funding by \$45,631.

Administrative Support Realignment

The package realigned existing resources within the bureau to create a full-time administrative support position. The position was filled at the beginning of the fiscal year.

City Budget Office Performance Measures

Performance Measure	Type	FY 2012-13 Year-End Actuals	FY 2013-14 Adopted Budget	FY 2013-14 Revised Budget	FY 2013-14 Year-End Actuals	
MF_0019 - Percentage within actuals accuracy of financial forecasts	EFFECTIVE	1.1%	2.0%	2.0%	2.3%	0.0%

Performance Measure Variance Descriptions

General Fund revenues for FY 2013-14 were better than initially forecasted. Per financial policy 2.03, revenue estimates shall be prepared on a conservative basis. The 2.3% variance is slightly higher than the stated goal, but still well within the normal range of accuracy given the size and complexity of the fund.