



CITY OF PORTLAND
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Budget Memo #1
FY 2009-10

TO: Bureau Directors, Budget Managers, and Budget Contacts

FROM: Casey Short, Financial Planning Manager
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DATE: October 17, 2008

SUBJECT: FY 2009-10 Budget Approach and Process

The City faces a number of potential budget issues in the current and upcoming fiscal years, including a recession, higher inflation, reduced state and federal funding, and new ballot measures. The City also has a number of ongoing programs and positions that are being funded with one-time revenue, and essential capital projects that remain unfunded.

The Mayor and City Council have directed all bureaus to prepare for these known risks, as well as any unforeseen risks that might occur as a result of the national financial crisis. The budget approach and process outlined below asks bureaus to propose programmatic reductions in anticipation of declining revenues. While programmatic cuts are difficult, Council's intent is to make cuts in the services that are least important to the City's overall mission and community priorities, thereby ensuring that remaining core programs are robust and effective.

We have put together the following information regarding the budget process for fiscal year 2009-10.

Budget Approach

- General Fund bureaus and bureaus receiving discretionary General Fund transfers will receive a Current Appropriation Level (CAL) target in December. Requested budgets should balance to that target. General Fund bureaus can use the FY 2009-10 estimated CAL targets (attached) until final numbers are released.
- General Fund and non-General Fund bureaus should begin developing reduction packages totaling 2.5% and 5.0% of their operating budgets.
- As part of their budget submissions, Bureaus will be asked to rank each discrete service based on how essential it is to fulfilling the bureau's mission. A Budget Process Design committee (see below) is being formed to develop further guidance to bureaus on the ranking process.
- The intent of any budget reduction is to eliminate programs that are outside of the City's core group of services and also a low community priority.
- Add packages that request ongoing General Fund appropriation are not being solicited at this time.

An Equal Opportunity Employer

To help ensure equal access to programs, services and activities, the Office of Management & Finance will reasonably modify policies/procedures and provide auxiliary aids/services to persons with disabilities upon request.

Ongoing add packages that are completely self-funded will be considered so long as they do not commit the City to future unfunded costs. One-time add packages may be submitted for one-time expenditures that are core to a bureau's mission and a high community priority.

- Since additional General Fund dollars will not be available in FY 2009-10, bureaus are strongly encouraged to come up with alternatives for dealing with existing "shadow" obligations (see attached table, Column 2), such as absorbing them within current resources or eliminating the activity. These activities should be ranked along with other bureau services.
- Realignment packages that move expenditures among programs or that better align a bureau's work with its core mission may be submitted.
- The Commissioner-in-charge of each City bureau must sign off on the bureau's budget request.

Public, Employee, and Stakeholder Involvement

Bureaus will be expected to form Bureau Budget Advisory Committees that include management, labor, customers, and internal and external stakeholders. By including outside stakeholders for the bureau budget discussions, existing labor/management committees can be used to fulfill this requirement.

These committees should provide a preliminary review of the bureau's budget approach and the development of its CAL budget and proposed reductions. Bureaus should let their FPD analyst know their plans for involvement of both internal and external groups.

Budget Process Design Committee

A Budget Process Design committee consisting of bureau management, labor, Council staff, and citizens will develop criteria for bureaus to use as they define their core services and community priorities. These will include items that are required by City Charter, state and federal mandates, and items that tie in to Council's goals over the next four years. This committee will also develop mechanisms that Council can use to weigh the relative importance and effectiveness of bureau programs, including existing performance measures and the Service Efforts and Accomplishments survey.

In addition, the Budget Process Design committee will explore the potential for organizational improvements based on the principles of Natural Step and Lean Manufacturing processes and make recommendations to Council on whether the City should incorporate these principles into its budget process.

Timeline

A detailed budget process timeline will be forthcoming. Council will formally adopt the calendar in early November.

Next Steps

Early consultation with the Council, City Labor Partner Leaders and Bureau Directors will be key to the success of this budget process. Bureaus need to start outreach soon, and the focus on programmatic reductions may take additional staff time. Finally, bureaus need to plan around EBS training and system go-live, which is scheduled for late November.

Please contact your FPD analyst if you have questions about the draft budget process or timeline for FY 2009-10.