



CITY OF PORTLAND PROCESSES

HOW THE BUDGET IS STRUCTURED

The City's budget has two main components: General Fund and Non-General Fund. In order to fully understand how the City finances its projects and programs, it is important to know the difference between them.

General Fund

Taxpayer dollars are deposited in the General Fund, along with utility license fees, business license fees, transient lodging taxes, state shared revenues (from cigarette and liquor taxes), interest income, and miscellaneous revenues and beginning cash balances. This portion of the budget is comprised largely of **discretionary** funds, since the Mayor and City Council can allocate the funds to programs and services in any area. In other words, there are few restrictions on how these resources may be allocated.

General fund dollars are used to support such City services as police, fire and parks, as well as planning, community development and administrative support services.

Non-General Fund

Often referred to as **dedicated** funds, the non-discretionary funds include grants and donations, contract revenues, revenues from services, and other revenues specifically dedicated for a particular purpose. For example, building or inspection fees may **only** be used to support the delivery of those specific services but **may not** be used to support programs or services funded from discretionary resources. Likewise, the fees collected from park usage may **only** be used to support parks programs. Large projects like the Eastbank Esplanade and the Portland Streetcar are funded primarily by dedicated revenues from a combination of sources. The city, state and federal transportation funds that were used on these projects, for instance, could not have been used on non-transportation projects or programs.

- To understand the difference between general and non-general funds, take a look at the stub of your paycheck. There you will see a total for your gross earnings, or your revenue. However, your actual paycheck amount is somewhat less. Taxes, social security, workers compensation, and possibly medical premiums are all deducted from your total revenue and directed elsewhere. Those deductions represent your non-discretionary dollars; they are dedicated and unavailable for you to use now as you please but they are still part of your gross revenue. Your net paycheck, on the other hand, represents your own personal general fund, which is largely at your discretion to spend.
- Going further, let's look at an analogy for understanding the difference between discretionary and non-discretionary funds within your personal general fund – your own checkbook. Some funds in your checking account may be non-discretionary. For instance, if you have money automatically withdrawn to pay your mortgage or certain other bills, or funds automatically withdrawn and deposited to a savings account, those funds could be called non-discretionary, or dedicated funds. They aren't available to pay for other expenses as you choose.
- On the other hand, any funds remaining in your checking account after those automatic withdrawals are made would be similar to general fund discretionary dollars. You can use them, at your discretion, to pay for expenses as you choose.
- You may have obligations or plans for the discretionary dollars in your checking account, such as paying bills or making a special purchase. Similarly, the City Council may have ongoing programs such as police or parks programs that it wishes to fund or special one-time purchases it wishes to make. But, like you, the Council can only do these things with General Fund, discretionary dollars.

One-time v. On-going funding

Further finance restrictions may apply depending upon whether or not a program or funding resource is **‘one-time’** or **‘on-going’**. Under existing City financial policies, on-going programs, such as basic police and fire services, may not be funded using one-time resources. One-time resources can be grants or beginning fund balances. These funds are only available one time, and will not be available in the future. One-time projects are usually completed within one year, or may require an initial outlay of seed money until an on-going funding source is identified. In some cases, a one-time project may not require additional funding. The City Council exercised its one-time funding authority when it supported Early Childhood Development until the Children’s Levy revenues begin in FY2003-04. If the Levy had not been approved, the programs would have been phased out.

Fungible resources

A third concept commonly used to describe funding sources is closely related to the concept of discretionary versus non-discretionary funding. The term is **‘fungible’**, or flexible, and is used when determining if resources from one bureau or fund may be used to fund services, projects or activities in another bureau or fund. For the most part, fungible resources may be used for discretionary type purposes. Generally, resources collected for a specific use, such as water and sewer fees, are not fungible and may **not** be used to support general government purposes. This becomes relevant when discussing how specific capital projects might be funded. For example, the sewer fees that are dedicated for construction of the Westside Combined Sewer Overflow (CSO) project can be used only for sewer-related projects. On the other hand, property taxes and the fees collected from telecommunications franchises and business licenses have no such restrictions. In this example, property taxes are fungible, while sewer fees are not.

Funding City Projects and Services

The development of city projects and the actual delivery of services require an involved and comprehensive approach to funding. Funding sources and their uses may cross multiple bureaus or funds – the ‘fungible’ approach mentioned earlier. While this approach may be confusing to those who view it from the outside, it is very effective and efficient when attempting to leverage limited city resources in support of major projects or programs. The City Council has been very successful in using specific funds to support multi-bureau projects. Recent examples of this approach will be illustrated later in this document.

Financing Techniques

Specific projects may be funded from a multitude of sources, with each source of funds having its own limitations. The most common types are Tax Increment Financing (TIF), Local Improvement Districts (LID), grants (federal, state or private), General Fund discretionary funds, payments or contributions from other governments, and program revenues. LID funds are generated by an agreement whereby property owners in an area surrounding a project tax themselves for improvements to the area. The idea behind this type of financing is that the improvements will spark growth in property owners’ businesses and/or an increase in property value.

The same idea is true for Tax Increment Financing, commonly known as TIF. Under this type of financing, the City targets an area for development and designates it an [Urban Renewal](#) Area. The property taxes accruing to the City General Fund at the time of the designation are capped for the life of the district at the amount being earned under the current assessed value (AV). Any property taxes that accrue above this level because of the AV growth may only be spent in that Urban Renewal Area for specified capital projects and improvements, not programs and services.

These types of efforts are generally called bricks and mortar projects, and funding is usually targeted at redeveloping and revitalizing specific geographic areas of the City. The redevelopment is focused on projects and activities that will accelerate improvement of the areas at a rate above that which might take place without the focused investment. Existing Urban Renewal Areas include the Interstate Corridor, Lents, Gateway Regional

Center, Convention Center, Central Eastside, South Waterfront, South Parks Block, Downtown Waterfront, Airport Way and the River District.

Federal grants are another significant source of funds for city projects and programs. They are always very specific in their use. The City may receive grants to support transportation efforts, police functions, housing efforts, parks projects, or planning.

Revenues generated by City programs are very often limited in their use as well. For instance, according to City financial policies and bond covenants, revenues collected from the City's parking garages may only be used to support transportation programs and projects. The City's partial financing for the Streetcar came from this source.

Another significant source of funding comes from private industry and other public institutions. The City often partners with members of the business community in order to bring projects to fruition. For example, the expansion of light rail to Portland International Airport was made possible through the active participation of Bechtel Corporation. The City's partnership with Portland State University resulted in the shared-use facility known as the 1900 Building.