

Financial Planning recommendations are subject to revision based on new information that becomes available during the budget process, either from the budget forums, meetings with Commissioners, or the Council budget work sessions.

## FINANCIAL PLANNING DIVISION ANALYSIS FY 2012-13 Budget

### Office for Community Technology

Analysis by: Yung Ouyang

#### I. Overview

Budget Summary	Revised FY 2010-11	Revised FY 2011-12	Request Base FY 2012-13	Request Total FY 2012-13	Percent Change
<b>Resources</b>					
Budgeted Beginning Fund Balance	\$6,286,238	\$4,811,493	\$2,639,324	\$2,639,324	-45.1%
Licenses & Permits	1,475,557	1,486,815	1,637,134	1,623,842	9.2%
Charges for Services	3,034,794	3,898,170	4,875,799	4,875,799	25.1%
Interagency Revenue	295,051	366,571	320,483	295,404	-19.4%
Fund Transfers - Revenue	919	636	0	0	-100.0%
Miscellaneous Sources	58,000	58,000	58,000	58,000	0.0%
General Fund Discretionary	1,789,943	2,141,669	1,935,713	1,802,855	-15.8%
<b>Total Resources</b>	<b>\$12,940,502</b>	<b>\$12,763,354</b>	<b>\$11,466,453</b>	<b>\$11,295,224</b>	<b>-11.5%</b>
<b>Expenditures</b>					
Personnel Services	\$1,016,618	\$1,019,196	\$1,055,030	\$994,910	-2.4%
External Materials and Services	6,001,595	7,975,529	7,686,942	7,592,755	-4.8%
Internal Materials and Services	466,151	552,753	486,246	473,167	-14.4%
Fund Transfers - Expense	17,144	28,549	67,149	67,149	135.2%
Contingency	627,501	1,015,158	643,000	639,157	-37.0%
Unappropriated Fund Balance	4,811,493	2,172,169	1,528,086	1,528,086	-29.7%
<b>Total Requirements</b>	<b>\$12,940,502</b>	<b>\$12,763,354</b>	<b>\$11,466,453</b>	<b>\$11,295,224</b>	<b>-11.5%</b>
<b>Total Bureau FTE</b>	<b>8.80</b>	<b>8.90</b>	<b>8.80</b>	<b>8.33</b>	<b>-6.4%</b>

Percent Change is the change from FY 2011-12 Revised Budget to FY 2012-13 Total Requested Budget.

#### II. Key Issues

##### Reductions in the Cable Regulatory Services Program and General Fund Overhead Increase

As a result of the Inter-Governmental Agreement (IGA) established between the various jurisdictions that make up the Mount Hood Cable Regulatory Commission (MHCRC), reductions to the Office for Community Technology's (OCT) General Fund allocation for its Cable Regulatory Services program will necessarily result in even larger reductions due to the loss of additional revenues from the other jurisdictions. For example, a reduction of 8% to the Cable program's General Fund allocation will translate into a reduction numerically equivalent to 12% of the General Fund allocation. In addition, due to the City's adoption of a new model for calculating General Fund Overhead Recovery charges that other funds pay into, the amount to be paid from the Cable Fund next year has increased by \$38,600 over the current year, an increase of over 135%. This amount is comparable to the 8% level of reduction of the General Fund allocation for the Cable program (\$38,371). OCT has already decreased its External Materials & Services budget to accommodate the increase in Overhead charges. If the office also has to reduce its General Fund allocation by 8%, the cumulative reduction taking into account the increased Overhead charges and

further reductions from the other jurisdictions would result in a reduction numerically equivalent to 24.6% of its General Fund allocation.

**City of Portland**  
Decision Package Recommendations  
(Includes Contingency and Ending Balance)

	Bureau Priority	Bureau Requested					FPD Analyst Recommendations				
		FTE	Gen Fund Ongoing	Gen Fund 1-Time	Other Revenues	Total Expenses	FTE	Gen Fund Ongoing	Gen Fund 1-Time	Other Revenues	Total Expenses
<b>Office for Community Technology</b>											
<i>Reductions</i>											
CB_01 - Portland Community Media 4%	01	0.00	(36,591)	0	0	(36,591)	0.00	(36,591)	0	0	(36,591)
CB_02 - Cable Regulatory Services - MHCRC 4%	02	0.00	(12,539)	0	(19,315)	(31,854)	0.00	(12,539)	0	(19,315)	(31,854)
CB_03 - Portland Community Media 6%	03	0.00	(18,296)	0	0	(18,296)	0.00	(18,296)	0	0	(18,296)
CB_04 - Cable Regulatory Services 6%	04	(0.06)	(6,270)	0	(9,516)	(15,786)	(0.06)	(6,270)	0	(9,516)	(15,786)
CB_05 - General Fund Revenue Generation 4%	05	(0.08)	(28,204)	0	0	(28,204)	(0.08)	(28,204)	0	0	(28,204)
CB_06 - Portland Community Media 8%	06	0.00	(18,296)	0	0	(18,296)	0.00	(18,296)	0	0	(18,296)
CB_07 - Cable Regulatory Services 8%	07	(0.08)	(6,270)	0	(9,540)	(15,810)	0.00	0	0	0	0
CB_08 - General Fund Revenue Generation 6%	08	(0.11)	(14,604)	0	0	(14,604)	0.00	0	0	0	0
CB_09 - General Fund Revenue Gen./BroadBand Plar	09	(0.14)	(13,788)	0	0	(13,788)	0.00	0	0	0	0
<i>Total Reductions</i>		(0.47)	(154,858)	0	(38,371)	(193,229)	(0.14)	(120,196)	0	(28,831)	(149,027)
<i>Bureau Adds</i>											
CB_10 - Franchsie Audit and Advocacy (Budget Note)	01	0.00	22,000	0	0	22,000	0.00	7,185	0	0	7,185
<i>Total Bureau Adds</i>		0.00	22,000	0	0	22,000	0.00	7,185	0	0	7,185
<b>Total Office for Community Technology</b>		<b>(0.47)</b>	<b>(132,858)</b>	<b>0</b>	<b>(38,371)</b>	<b>(171,229)</b>	<b>(0.14)</b>	<b>(113,011)</b>	<b>0</b>	<b>(28,831)</b>	<b>(141,842)</b>
<hr/>											
<b>Summary by Decision Package Type</b>											
<i>Total Reductions</i>		(0.47)	(154,858)	0	(38,371)	(193,229)	(0.14)	(120,196)	0	(28,831)	(149,027)
<i>Total Unfunded Ongoing</i>		0.00	0	0	0	0	0.00	0	0	0	0
<i>Total Bureau Adds</i>		0.00	22,000	0	0	22,000	0.00	7,185	0	0	7,185
<i>Total Realignments</i>		0.00	0	0	0	0	0.00	0	0	0	0
<b>Grand Total</b>		<b>(0.47)</b>	<b>(132,858)</b>	<b>0</b>	<b>(38,371)</b>	<b>(171,229)</b>	<b>(0.14)</b>	<b>(113,011)</b>	<b>0</b>	<b>(28,831)</b>	<b>(141,842)</b>

### III. Decision Package Analysis & Recommendations

#### Reduction Packages

##### ***Portland Community Media 4%/CB\_01, (\$36,591), Bureau Priority #1***

OCT proposes to reduce Portland Community Media's (PCM) budget by \$36,591 by reducing two full-time Program Director positions to 0.8 FTE and two full-time Coordinator positions to 0.75 FTE. Financial Planning is recommending the request because OCT has indicated that reducing staff hours results in the least impact to the services provided by PCM.

*FPD Recommendation: (\$36,591)*

##### ***Cable Regulatory Services – MHCRC 4%/CB\_02, (\$31,854), Bureau Priority #2***

Due to an IGA, a reduction of 4% of Portland General Fund revenue to the Cable Regulatory Services program will result in a reduction equivalent to over 6% of its General Fund allocation due to the loss of revenues from other jurisdictions. OCT proposes to eliminate the MHCRC's professional services budget and reduce contingency by about 32%. Financial Planning is recommending the reduction in contingency because although OCT has had to rely on it in the past, the office has indicated that it can manage the reduction if required to.

In this package and the other two pertaining to the Cable Regulatory Services program, the General Fund portion of the reduction is duplicated due to the Cable Fund's receipt of revenue from the General Fund that is then reflected as Interagency revenue. The loss of the \$12,539 in General Fund Discretionary revenue is passed through to the Cable Fund. In addition, the payments from the other jurisdictions are then reduced by \$6,776, resulting in an actual total reduction of \$19,315.

In regards to the reduction in professional services, the office has noted that the reduction will eliminate the ability of the MHCRC to hire outside expertise to help assess and redesign its granting program to strategically focus the grant and I-Net funding on partnership and projects where the MHCRC can have the greatest impact in the community. Financial Planning is recommending the reduction because the MHCRC has already invested in an extensive assessment of the local communities' communications technology needs which served as the basis for the City's broadband strategy and so should be able to redesign the granting program without outside experts.

*FPD Recommendation: (\$31,854)*

##### ***Portland Community Media 6%/CB\_03, (\$18,296), Bureau Priority #3***

PCM's budget for board training, memberships, advocacy, career development, printing, and other administrative/overhead costs will be cut by \$18,296 with this proposal. Financial Planning is recommending the reduction because much of what the funds are used for is not essential to the daily operations of PCM, and PCM should be able to continue to fulfill its mission.

*FPD Recommendation: (\$18,296)*

##### ***Cable Regulatory Services 6%/CB\_04, (\$15,786), (0.06) FTE, Bureau Priority #4***

Similar to CB\_02 above, a reduction of 6% of Portland General Fund revenue to the Cable Regulatory Services program will result in a reduction equivalent to over 8% of its General Fund allocation due to the loss of revenues from other jurisdictions. In addition to the cuts proposed in CB\_02, OCT proposes to reduce the Director and Operations Manager positions by 3% to reach the 6% reduction level. With the position reductions, OCT has indicated that there will be a loss in

consumer protection, regulatory oversight, and advocacy efforts. In addition, a financial review of Frontier Communications Company will be delayed.

In this package and the other two pertaining to the Cable Regulatory Services program, the General Fund portion of the reduction is duplicated due to the Cable Fund's receipt of revenue from the General Fund that is then reflected as Interagency revenue. The loss of the \$6,270 in General Fund Discretionary revenue is passed through to the Cable Fund. In addition, the payments from the other jurisdictions are then reduced by \$3,246, resulting in an actual total reduction of \$9,516.

Financial Planning is recommending the reduction because it believes that the Cable Regulatory Services program and the MHCRC should be able to manage a 1.2 hour loss of work per week per employee. Each employee spends approximately 20 hours per week working on issues pertaining to the Cable program. While Financial Planning believes that the advocacy work performed by the two positions are important, Council can work with OCT to prioritize its work so that even with the other reductions recommended by Financial Planning, the services that the MHCRC provides and the revenues generated by OCT are not negatively affected.

*FPD Recommendation: (\$15,786), (0.06) FTE*

***General Fund Revenue Generation 4%/CB\_05, (\$28,204), (0.08) FTE, Bureau Priority #5***

The Director and Operations Manager positions are reduced by a further 4% (totaling \$11,519) with this reduction, which also includes a reduction in professional services for advocacy of \$16,779. OCT has indicated that with this reduction, General Fund revenue generation will be threatened due to the inability of staff to secure new revenue sources, as well as reducing staff's ability to advocate to protect the City's authority to collect franchise fees and manage the right-of-way.

Similar to CB\_04 above, Financial Planning is recommending the reduction because it believes that the Utility program should be able to manage a 1.6 hour loss of work per week per employee. Each employee spends approximately 20 hours per week working on issues pertaining to the Utility program. With the reductions in work hours resulting from this package and the previous, each of the affected employees will be working 2.8 hours less per week, averaging out to about half-an-hour less each day, or about 3.6 weeks less per year (assuming a 40-hour work week for 52 weeks per year). While Financial Planning believes that the advocacy work performed by the two positions are important, Council can work with OCT to prioritize its work so that with the total reductions recommended by Financial Planning, the services provided by OCT and the revenues it generates are not negatively impacted.

*FPD Recommendation: (\$28,204), (0.08) FTE*

***Portland Community Media 8%/CB\_06, (\$18,296), Bureau Priority #6***

Financial Planning is recommending this request to further reduce PCM's External Materials & Services budget by another \$18,296. The proposal eliminates the funds needed for audit support and financial management for PCM. Over the last several years there have been significant issues with PCM's expenditures, including PCM improperly spending capital dollars on operations in violation of the Comcast franchise and PCM having inadequate internal financial controls. The issue has received public and press attention, and staff has spent significant time over two fiscal years addressing and overseeing the correction and conclusion of these issues at the direction of Council and the MHCRC. While financial oversight of PCM is a vital City concern since PCM receives a considerable amount of funds from the City, Financial Planning is recommending the reduction because most of the recommendations suggested by an outside review of PCM's financial

management system have already been implemented. In addition, the City's contract with PCM is expiring at the end of the current fiscal year and needs to be renegotiated. The City can use the opportunity to put in additional fiscal safeguards as it proceeds with negotiations and contract development. Finally, Financial Planning recommends that PCM rely more on its board and whatever resources the board can muster up for any additional audit support and financial management needed.

*FPD Recommendation: (\$18,296)*

***Cable Regulatory Services 8%/CB\_07, (\$15,810), (0.08) FTE, Bureau Priority #7***

With this request, the Director and Operations Manager positions are reduced by a further 4%. In addition to the effects on the MHCRC of the 4% and 6% reductions, OCT has indicated that it will not be able to adequately oversee the development of a renewed PCM contract or properly conclude the oversight of PCM fiscal issues or explore other options if Council directs. In addition, financial oversight of Public, Educational, and Government (PEG) fees will be negatively impacted. A reduction of 8% of Portland General Fund revenue to the Cable program will result in a reduction equivalent to over 12% of its General Fund allocation due to the loss of revenues from other jurisdictions.

In this package and the other two pertaining to the Cable Regulatory Services program, the General Fund portion of the reduction is duplicated due to the Cable Fund's receipt of revenue from the General Fund that is then reflected as Interagency revenue. The loss of the \$6,270 in General Fund Discretionary revenue is passed through to the Cable Fund. In addition, the payments from the other jurisdictions are then reduced by \$3,270, resulting in an actual total reduction of \$9,540.

Financial Planning is not recommending the reduction. In addition to resulting in a cumulative reduction of over 12% to the MHCRC's budget, the Program Director and Operations Manager positions' work hours will be reduced by 4.4 per week each if the cuts in CB\_04 and CB\_05 are also taken, totaling to more than 28 work days lost per year per employee.

*FPD Recommendation: \$0, 0.00 FTE*

***General Fund Revenue Generation 6%/CB\_08, (\$14,604), (0.11) FTE, Bureau Priority #8***

Financial Planning is not recommending this request to reduce the Program Director and Operations Manager positions by a further 3% and a Program Specialist position by 5%. With the cumulative number of hours of work lost, OCT staff would not be able to proceed with the negotiation and conclusion of an up-to-date franchise agreement with PGE as well as renewing franchise agreements that will be expiring. PGE is currently the only remaining energy utility without a franchise in Portland, and conclusion of this negotiation was recommended by the City Auditor in 2009. Furthermore, staff will not be able to properly implement the City's broadband strategy that is a component of the Portland Plan.

*FPD Recommendation: \$0, 0.00 FTE*

***General Fund Revenue Generation 8%/CB\_09, (\$13,788), (0.14) FTE, Bureau Priority #9***

If this reduction package is accepted along with the other Utility program cuts in CB\_05 and CB\_08, the Program Director and Operations Manager positions will be reduced by 7%, a Program Manager by 4%, a Senior Financial Analyst by 4%, a Program Specialist by 5%, another Program Specialist by 4%, and an Office Support Specialist by 4%. Financial Planning is not recommending the reduction because staff will have to forego negotiating a Verizon franchise and delay completion

of an additional 10 franchise renewals by at least 18 months. If this proposal is accepted, OCT has indicated that it will likely reduce operating hours to 32 hours per week, and revenue gains otherwise planned and anticipated will be negatively affected.

*FPD Recommendation: \$0, 0.00 FTE*

### Add Packages

#### ***Franchise Audit and Advocacy (Budget Note)/CB\_10, \$22,000, Bureau Priority #1***

In a FY 2011-12 Budget Note, Council directed Financial Planning to add sustainable levels of funding to the FY 2012-13 forecast to replace the one-time funds for litigation and auditing. The directive was not implemented, and OCT is now making a request for \$22,000 ongoing for auditing and advocacy purposes. The office noted that 19 audits are either scheduled for the next fiscal year or are currently in progress but will continue into FY 2012-13. The funds for auditing requested by OCT are \$12,000, derived by multiplying a rate of \$50/hour by an average of 20 hours of work per month (times 12 months per year), while the advocacy component is composed of \$5,000 each for the FCC Proceeding on Acceleration of Broadband effort and the Community Access Protection Act effort. Financial Planning notes that OCT spent an average of \$7,185 per year on advocacy and auditing purposes over the last three fiscal years and so is recommending only that amount. Financial Planning recommends that OCT set up and use functional areas to track its spending on advocacy, auditing, and litigation purposes to accurately assess its spending in those areas. Adjustments can then be made to the appropriation once a more accurate estimation is derived.

*FPD Recommendation: \$7,185*

## **V. Performance and Accountability**

### **Program Summary Template**

OCT has three programs, and it ranks its Utility Franchise Management program the highest due to the role the program plays in generating revenue for the City's General Fund. The Cable Communications program is ranked second, while Portland Community Media (PCM) is ranked last. The rankings are the same for both core and community.

### **Performance Measures**

After dropping to a three-year low target of \$68.4 million for this year for General Fund Revenues Collected, OCT has increased the target for FY 2012-13 to \$70.0 million.

Grant Funds Provided to Nonprofits, Schools, and Local Government Agencies are projected to be \$3.0 million, not materially different from the FY 2010-11 actual of \$2.9 million but much higher than the FY 2011-12 target of \$1.6 million.

In terms of efficiency, the cost per \$1,000 of General Fund revenue collected has been gradually increasing over the years and is expected to be about \$14.98 next year, while the cost per household served by regulations for cable TV is leveling out to about \$2.89 after several years of decreases.

### **Bureau Baseline Template**

OCT's Bureau Baseline Template is well put together with a good presentation of the office's significant issues and overview of major projects/initiatives. The office foresees a doubling of cable community technology grants and intends to implement a comprehensive and systemic evaluation

of grant incomes through the MHCRC. In addition, OCT intends to continue to implement the City's Broadband Strategic Plan adopted in September 2011 to ensure that high speed affordable broadband is available to every home and business. Also of particular interest is that OCT's Administration percentage is 44%, and that its Span of Control is 1.3 positions per supervisor, with Management Layers of 1 to 3.

### **Service Improvement**

OCT notes that it evaluates its Customer Service Plan each year to improve services to the citizens of Portland as well as to the business community and has also added a biennial customer service training component to its staff meetings. In regards to the Cable Regulatory Services program, OCT notes that a majority of the customer complaints are resolved the same day or within 24-48 hours after reviewing the complaints with the citizens and cable provider. Under the Utility/Franchise Management program, OCT staff has done extensive outreach with citizens through the Broadband Strategic Plan on wireline and wireless deployment and adoption issues.

In its Customer Service Improvement status report, OCT notes specific elements of its own Strategic Plan that address customer service. The office writes that it catalyzes investment of resources to ensure benefits of communications technology are available to all as part of an equitable, sustainable, and economically healthy community. In addition, OCT negotiates, oversees, and enforces regulatory compliance with franchises and utility licenses and provides cable subscriber consumer protection. In regards to surveying customers, the office discusses its Your Voice Our Communications Technology Assessment of 2010 that involved focus groups, online surveys, and general outreach. Moreover, the process for the City's broadband strategy involved over 50 citizens in workgroups as well as outreach sessions that received input from over 200 Portlanders. In regards to workforce development, OCT notes that customer service and public speaking skills are required in hiring, and staff conducts customer service best practices trainings at staff meetings quarterly.