

CITY OF PORTLAND, OREGON



April 8, 2013

To: Charlie Hales, Mayor

From: Nick Fish, Commissioner
Steve Novick, Commissioner

CC: Amanda Fritz, Commissioner
Dan Saltzman, Commissioner
LaVonne Griffin-Valade, Auditor
Andrew Scott, Budget Director

Subject: FY 2013-14 Budget Subcommittee #1 Final Report

Executive Summary

To assist with addressing the City's \$25 million General Fund budget shortfall, Mayor Hales, in consultation with his Council colleagues, created two budget Subcommittees. This document serves as the summary report for Budget Subcommittee #1 which was led by Commissioners Fish and Novick. The report outlines proposals aimed at achieving the Subcommittee's goals of: 1) reducing administration and overhead and 2) developing citywide efficiencies and process changes.

Specifically, these proposals provide the Mayor and Council with a set of reforms and savings options, both one-time and ongoing, not currently under consideration in the FY 2013-14 budget process. The options are grouped into three focus areas:

- Use of one-time "bridge" funding to preserve workforce diversity, support process reform efforts and reduce administrative costs;
- Additional reductions to bureaus' base budgets that achieve efficiencies and reduce administration costs; and
- Reductions to internal materials and services costs.

Together, these proposals have the potential to produce immediate FY 2013-14 General Fund resources totaling \$4.7 million and ongoing General Fund savings of \$5.4 million. Lastly, the report includes other cost reduction measures that the Subcommittee considered and recommends for further evaluation.

Process

To accomplish the objectives laid out by the Mayor, the Subcommittee met frequently over a three-week period, during which various savings ideas were considered. The Subcommittee analyzed these ideas by tapping into the staff expertise within City bureaus. Additionally, the Subcommittee met with Police Chief Mike Reese, Chief Administrative Officer Jack Graham, and other bureau staff to assist them in formulating the options below.

The Subcommittee notes that further analysis of these options may be required prior to implementation.

Bridge Funding to Support Public Safety Positions, Reform Efforts and Administration Cost Reductions

FY 2013-14: \$2.46 million in One-time General Fund Revenues
Ongoing Savings: \$3.35 million

Proposal 1:

The Subcommittee proposes that Council consider the use of one-time revenues generated from internal service fund reserves to preserve public safety workforce diversity in FY 2013-14 and complete projects that will generate ongoing savings in future years, including a span of control analysis and an administrative process review and improvement project.

Analysis:

The Subcommittee began by considering immediate reductions to city administration and overhead, and the implementation of broad reforms. Many of these large-scale government reforms were deemed too difficult to implement in a compressed time-frame. The Subcommittee also evaluated reductions proposed by bureaus in the FY 2013-14 budget process and the associated impacts to core services. The Subcommittee determined that the most feasible approach to preserving public safety positions and funding two reform studies was through the use of one-time bridge funding.

To generate the bridge funding, the Subcommittee reviewed the balances of the City's internal service funds reserves and requested that the Office of Management and Finance prepare a proposal to generate one-time revenues from reserve balances. In keeping with that direction, OMF presented the Subcommittee with a proposal that recommends the use of the Insurance and Claims Fund rate stabilization reserve to generate one-time revenues totaling \$4.275 million in FY 2013-14, of which \$2.46 million is General Fund Discretionary. While this proposal does not include a reduction in the actuarial confidence for the fund, it may negatively impact some City bureaus in the form of future rate increases.

The one-time General Fund resources would be dedicated to the preservation of public

safety positions, a span of control analysis, and an administrative process review and improvement project. As outlined below, these items will require initial investments, but are likely to produce ongoing savings.

Preservation of Public Safety Positions

Bridge Funding Requirement: \$1.0 million

Annual Ongoing General Fund Savings Target: \$1.0 million

Reductions to staff, as proposed by the City's public safety bureaus, are likely to eliminate newly hired positions, including staff recently hired as part of a larger City effort to enhance the diversity of its workforce. Specifically, both the Police Bureau and the Bureau of Emergency Communications (BOEC) raised concerns as to how lay-offs would impact their bureaus during their respective budget worksession presentations. It is expected that the reductions they requested will result in the layoff of 26 sworn positions in the Police Bureau and nine recently trained dispatchers at BOEC. The Subcommittee recommends 'bridging' a portion of personnel costs for these bureaus on a one-time basis, in order to retain new hires. In order to achieve ongoing savings, the bureaus will need to eliminate positions as they become vacant through attrition.

To avoid all lay-offs in FY 2013-14, these two bureaus would require \$2.2 million. This proposal provides approximately half of what is needed, or \$1.0 million.

Citywide Span of Control Analysis

General Fund Bridge Funding Requirement: \$1.1 million

Annual Ongoing General Fund Savings Target: \$1.9 Million

The Subcommittee believes there is potential for increasing the span of control in many City bureaus. Currently, the City's average span of control is 1:6 (ratio of supervisors to employees), with some bureaus as low as 1:4. The Subcommittee proposes hiring an independent consultant, to be overseen by the Mayor's Office or this Subcommittee, to conduct a two-phase span of control assessment over the next six months. The first phase will identify functions or bureaus for which the current span of control appears too small; the second phase will analyze specific bureaus more deeply and include recommendations for reorganization where appropriate. The Subcommittee proposes that \$100,000 of the bridge funding be used to complete this analysis.

This option was informed by a similar analysis recently undertaken by Multnomah County that created a process for evaluating their span of control across different functions. This study led to estimated savings of \$2.2 million in the first year of implementation and a total savings of \$11.7 million over five years. If the City were to reduce management positions by a proportional amount, 17 positions could be eliminated in FY 2014-15, generating approximately \$1.9 million in ongoing savings for all funds.

The Subcommittee suggests that Council consider reducing bureaus' ongoing personnel services budgets by 0.33%, in an effort to reflect the cost savings projected to be generated through the implementation of a span of control assessment. This would equate to an ongoing General Fund savings of approximately \$1.0 million in the first year and approximately \$8.6 million in General Fund savings over five years. In FY 2013-14 the savings will be backfilled with the one-time bridge funding while the assessment is completed.

Administrative Process Review and Improvement Project

Bridge Funding Requirement: \$400,000

Annual Ongoing General Fund Savings Target: \$450,000

The Subcommittee acknowledges that the span of control assessment is likely to reduce some administrative costs. The Subcommittee believes that additional reductions in administration and overhead costs could be realized through streamlining and automating current businesses processes. The Subcommittee recognizes that there are several administrative processes within the City that, if reformed, could yield ongoing savings. To that end, the Subcommittee recommends that Council direct OMF, under the oversight of the Mayor's office, to conduct a review of administrative processes with the goal of developing reforms in the following areas:

- Time Keeping
- Procurement (including contract consolidation)
- Automation of Paper Based Processes
- Accounts Payable and Receivable

OMF should be directed to modernize and streamline the processes associated with the above activities and to the extent possible use existing technology, including SAP, to implement these reforms. The Subcommittee further suggests that OMF develop a process through which ongoing savings can be measured and reported by City bureaus.

The Subcommittee suggests that Council capture the ongoing savings projected to be generated through the administrative process review by reducing bureaus' ongoing personnel services budgets by an additional 0.15%. This equates to ongoing General Fund savings of approximately \$450,000 in the first year and approximately \$2.25 million in savings over five years. In FY 2013-14, the savings will be backfilled with one-time bridge funding to allow time for the projects to be implemented.

The Subcommittee believes that Council should set a minimum target of \$450,000 in ongoing savings as a result of the review, but encourages OMF strive for additional efficiencies.

Utility Bureau Rate Reductions

Reductions to the internal service funds rate stabilization reserves will generate \$600,000 in one-time savings for the Bureau of Environmental Services and \$350,000 for the Water Bureau. The Subcommittee recommends that these funds be used either to reduce utility rate increases or to restore interbureau pass-through funding to be eliminated in the FY 2013-14 budget process.

Achieve Efficiencies and Reduce Administration Costs within Bureaus

FY 2013-14: \$2.3 Million General Fund Ongoing Savings

Proposal 2:

The FY 2013-14 budget process required bureaus to submit base budgets at 90% of Current Service Level. In an effort to identify further savings, the budget Subcommittee considered additional reductions to bureau base budgets that strategically reduce administration and overhead costs or create efficiencies. Below is a list of items that the Subcommittee recommends for consideration by the Mayor and Council as additional reductions to bureau base budgets.

<i>Bureau</i>	Reduces Administration and Overhead Costs	<i>Estimated General Fund Savings</i>
<i>OMF - CityFleet</i>	Increase replacement cycle of sedans and light trucks by 1 year	100,000
<i>OMF - CityFleet</i>	Reduce the number of under-utilized vehicles	150,000
<i>OMF - P&D</i>	Increase replacement cycle of printers and copiers by 1 year	50,000
<i>Police</i>	Eliminate captain positions	500,000
<i>PDC</i>	Right-size PDC budget to reflect historic underspending	250,000
<i>PDC</i>	Eliminate working capital loan program or place program one-year hiatus	150,000
Creates Efficiency		
<i>BPS</i>	Combine Home-buying and Fix-It Fair work at Portland Housing Bureau	50,000
<i>Special Appropriation</i>	Terminate contract with County for Crisis Assessment & Treatment Center	634,000
Further Reduce Programs		
<i>Police</i>	Eliminate Air Support Unit	155,000
<i>BPS</i>	Reduce to river and environmental planning	215,000
Total Savings		\$ 2,254,000

The Subcommittee also suggests that Council consider the following budget amendments, which create efficiencies but do not necessarily produce FY 2013-14 savings:

- *Encourage the Bureau of Development Services to provide \$250,000 to the Bureau of Planning and Sustainability for code amendment work.* Because work on code amendments was reduced from the BPS's FY 2013-14 base budget, funding provided by BDS will allow the bureau to continue this program. No savings are projected.
- *Evaluate whether the SUN system could be consolidated under a single provider, either City or County.* Currently, the City operates 11 SUN schools out of a total of 65. (Three of these have been eliminated in the base budget.) The County-operated schools are run by non-profit providers; the City's are operated by City staff. Unifying the system might lead to management and administrative efficiencies and potentially a lower cost to deliver direct service. No savings would be realized in the first year, due to State statutory restrictions on transferring positions to other governments.
- *Police Five-Shift Report.* The Police Bureau recently completed a shift analysis in order to determine whether a five-shift schedule, in contrast to the current three-shift schedule, would produce organizational or budget efficiencies. The proposal was dropped due to the need for additional sergeant positions, which lessened possible savings. The Subcommittee suggests that the Police Bureau present these findings to all of Council in FY 2013-14, including further analysis of the exact costs or savings associated with implementing a five-shift model.
- *Consider additional reductions to Special Appropriations.* The Subcommittee recommends that Council consider ongoing funding cuts to the City's Special Appropriations.

Reduce internal materials and services overhead

The Subcommittee met with OMF representatives in order to identify reductions in internal material and services costs, specifically in OMF's CityFleet, Technology Services and Facilities divisions. These divisions are currently assessing specific costs and processes in order to identify savings; however, it is unlikely these assessments will produce immediate savings in FY 2013-14. The Subcommittee recommends that Council consider the outcomes of these assessments as part of its FY 2014-15 budget development.

City Fleet

In addition to the recommended reductions noted above, the Subcommittee believes that further savings could be realized through a more in-depth assessment of fleet vehicles. The Subcommittee recommends that OMF present Council with a plan to further reduce underutilized vehicles, including strategies for replacing bureau-owned vehicles with access to motor pool vehicles. In order to achieve maximum utilization of all city resources, the plan should also consider requiring bureaus to share construction and technical equipment commonly used throughout the City.

Technology Services - Communications Savings

BTS has recently undertaken several measures to reduce wireless costs through internal audits, negotiations with Verizon and contracting with Gartner, Inc. to complete a high level assessment. Ongoing savings of \$100,000 were included in its FY 2013-14 budget, in addition to a decision package that will reduce City cell phone usage by 20%, per the recommendation of Gartner, Inc.

BTS believes that further savings in wireless costs are possible, and to this end, they are currently finalizing a contract with Ruby Solberg Inc. for further assessment. The contractor will not charge for the assessment, but instead, they will receive reimbursement for services based upon 50% of first-year savings.

The Subcommittee supports these continued assessments, and requests that the Chief Technology Officer (CTO) present the findings, including estimated savings, to Council prior to the development of the FY 2014-15 budget.

Technology Services - Assessment

The Subcommittee met with the CTO to identify potential savings, during which the following items were identified: Data Center Consolidation, Software as a Service Deployment, and an Enterprise Architecture assessment. The Enterprise Architecture assessment is expected to generate up to \$28 million over a five year period; however, BTS has not yet developed estimated savings for the other two projects.

The CTO also noted that the Technology Assessment Study, scheduled to be completed by Fall 2013, may identify savings by streamlining GIS resources and consolidating document management systems. In addition, per the terms outlined in the Request for Proposal, the consultant will also review and provide recommendations on other aspects of City technology.

The specific savings associated with the study are unknown; however, the Subcommittee recommends that the CTO provide Council with an estimate of savings, and a plan and timeline for implementation after the study is completed. The Subcommittee also notes that OMF eliminated a position within the CTO's office which would assist with this assessment. The Subcommittee recommends that OMF propose an alternative reduction and restore this position, in order to support the most effective administration of the assessment contracts.

Lastly, the Subcommittee recommends that Council be briefed on this study throughout its development and that a timeline for achieving these savings be presented along with the final report.

Five-year Space Plan

The Subcommittee believes that fully utilizing City-owned space and eliminating unnecessary leases would generate savings. A recent audit (April 2012) identified 4

percent of City-owned space as vacant; the City Auditor believes that this vacant space costs the City up to \$800,000 annually. Over the past year OMF has been developing a five-year space plan in order to more efficiently use City-owned space. The Subcommittee recommends that OMF provide Council with this plan prior to the end of FY 2012-13, so that it may recover any possible savings beginning in FY 2013-14.

Identify and Sell Surplus City Property

The Subcommittee also requests a budget note that directs all bureaus to identify surplus property and determine its assessed value. OMF's Facilities division will compile a document of all properties and recommend to Council which properties should be sold. Surplus properties may include properties vacated due to FY 2013-14 budget reductions, including City-owned fire stations. Any surplus properties sold would generate one-time savings.

Additional Ideas for Consideration

Due to the compressed timeframe, the Subcommittee could not consider all potential cost savings measures identified through this process. Additionally, the Subcommittee chose not to pursue certain items because they were under consideration by other groups. To ensure that these ideas are not lost, the Subcommittee recommends that Council consider the following items during the next fiscal year:

- *Potential consolidation of Geographic Information Systems (GIS) positions and services.* A multi-bureau workgroup was recently formed to determine if there are ways to streamline and consolidate GIS services provided throughout the City. A report is due in the near future and Council should consider the outcome of this assessment as part of its FY 2014-15 budget development.
- *Reforming the take-home car policy.* Currently 280 City employees are allowed to take home City vehicles. For certain employees, this is considered to be a benefit that is protected by collective bargaining agreements. City employees are only required to pay \$3 per working day for this benefit and there are no restrictions on how far the car can be driven outside the City limits. This policy should be revisited to determine if the \$3 fee currently being assessed could be replaced with a fee that varies by distance and whether fuel charges could also be passed on to City employees.
- *FMLA coordinator consolidation.* Almost all City bureaus perform FMLA administration. Centralizing this function in the Bureau of Human Resources would ensure consistent application of federal rules and allow the consolidation of positions.
- *Aligning computer peripheral inventory.* For some bureaus, the number of personal computers and laptops far exceeds the number of employees. The Subcommittee recommends a careful review in order to align computer peripherals with bureaus' actual business needs.
- *Additional consolidation of small bureau back office functions.* Several small bureaus have

dedicated staff members to perform infrequent responsibilities, such as time-keeping, budget development, etc. The Subcommittee recommends considering whether positions could be consolidated.

Conclusion

The Subcommittee would like to thank Mayor Hales for the opportunity to review and provide input into solving the City's FY 2013-14 General Fund budget shortfall. The Subcommittee also thanks the City Budget Office staff for their assistance in developing this report.

The Subcommittee members are interested and available to discuss any proposal in more detail and to provide further service as requested.

Budget Subcommittee #1 Team Members

Commissioner Fish

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