Office of Mayor Charlie Hales
City of Portland

TO: City Bureau Directors
City Budget Managers and Contacts

FROM: Mayor Charlie Hales

DATE: October 3, 2013

SUBJECT: Fiscal Year 2014-15 General Fund Budget Guidance

The financial situation the City of Portland faces in FY 2014-15 has been greatly improved by fiscal decisions made by the City Council last spring, and by excellent work in our bureaus.

We made the hard choices needed to balance the budget. We reduced more than 140 full-time equivalent positions throughout the City and reduced cost-of-living adjustments for City employees by $1.7 million. We asked bureaus to develop budgets at only 90% of current service levels, and in the end made difficult cuts to City programs. In fact, the Adopted Budget makes ongoing cuts of almost $2 million more than necessary in order to fund critical one-time priorities. I asked my fellow Commissioners to form subcommittees to look at innovation, best practices, and other ways to save money, and they responded with a menu of creative options, many of which were included in the adopted budget. Finally, I asked our Bureau managers to restrain purchases and expenses during the last few months of Fiscal Year 2012-13, and they delivered, producing real savings that now put us in a more sound financial condition.

In January, we faced an ongoing deficit of more than $20 million from three main causes: the creation of the new Multnomah County Library District; the costs of complying with the Department of Justice agreement that changes how the Police interact with the mentally ill; and the need to fix the City's habit of funding ongoing programs with one-time dollars.

As a result of the actions taken by Council and the bureaus, the City has turned the corner and addressed the short and long-term fiscal challenges that we were facing. While we do not know what the future holds, the latest updates from the City Budget Office show continued economic growth, property value increases, and relatively low inflation.

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FY 2014-15 Guidance

Given the difficult cuts that bureaus are currently implementing and the relatively positive economic outlook, I am proposing a "stabilization budget" for FY 2014-15. I will not be asking General Fund bureaus to submit additional reduction packages or undergo a modified zero-based budget approach this year. General Fund bureaus should plan to submit their requested budgets at their Current Appropriation Level, which CBO will publish in late November.

As always – but perhaps even more important in a year focused on stabilization – I encourage bureaus to develop realignment packages that focus existing resources more directly on your core mission and on Council priorities. These realignments can be small, such as moving a staff person from one program to another, or large, such as eliminating an entire program and shifting the resources to a higher priority service.

The City Budget Office will issue the preliminary FY 2014-15 five-year forecast in November, and it is likely that additional ongoing General Fund resources will be available. However, as Portland and other governments have seen in recent years, it is important that we maintain fiscal discipline even during periods of revenue growth. The City Council will convene on November 5th to talk about Portland as a city – the people, the economy, our values and beliefs – and the role the City government plays in our community. In that work session, Council will outline specific priorities for the FY 2014-15 budget, and these priorities will help you as you develop your bureau budgets. Additional guidance will be forthcoming regarding add packages for next year, but it is safe to say that I will only be looking for add packages that focus on the highest priorities facing the City.

Summary

The City's fiscal outlook is brighter as a result of the reductions that we made in the current year and overall economic growth. Those reductions are challenging for you, as bureau directors, to implement, while maintaining core services important to the residents of Portland. I want to thank you for your continued efforts. I believe that continuing current service levels for another year, while making careful, calibrated strategic investments in key priorities, will ensure that the City stays on a fiscally sustainable path, now and into the future.

CC: Commissioner Nick Fish
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