



Office of Mayor Charlie Hales  
City of Portland

TO: City Bureau Directors  
City Budget Managers and Contacts

FROM: Mayor Charlie Hales

DATE: December 23, 2013

SUBJECT: Additional FY 2014-15 General Fund Budget Guidance and Priorities

In October I proposed a “stabilization budget” for FY 2014-15. All of you were asked to make difficult cuts in your bureau operations this fiscal year and, given the positive economic outlook, I did not want to ask you to develop additional reductions for next fiscal year. Under the stabilization budget, General Fund bureaus are not required to prepare reduction packages or undergo a modified zero-based budget approach, but instead should submit their requested budgets at the Current Appropriation Level (CAL), which was distributed to bureaus in early December.

Yesterday, the City Budget Office issued the December five-year forecast, which shows that the City will be able to add \$5.9 million in ongoing program spending and \$3.3 million in one-time spending in FY 2014-15. A major reason for the improvement in City finances relates to the difficult decisions that were made during last year’s budget process. The City made real, ongoing program cuts and did not use one-time reserves to fund ongoing programs. This fall, Council set aside over \$8 million in one-time money for future debt obligations, freeing up almost \$3.5 million of ongoing resources.

The positive economic forecast is certainly welcome news. However, I want to reiterate the importance of maintaining fiscal discipline even during periods of revenue growth. The City has a number of potentially costly issues that need to be addressed in the next few years, such as ensuring progress on the Willamette River Superfund site and moving forward on major maintenance and replacement projects. Resolution of these and other issues could quickly use up the additional resources identified in the latest forecast.

Given the small amount of resources to fund new programs and projects, and the potential issues already under discussion, I strongly encourage you to look at internal realignment packages for new services rather than request new General Fund resources. Realignment packages are a critical part of the stabilization budget concept, and provide you with an opportunity to refocus existing resources within your bureau on core mission activities and Council priorities. I will be asking bureaus that submit add packages to discuss the realignments that were considered and rejected and why current services are ranked more highly than the proposed add packages.

## Budget Priorities

In early November, Council convened to discuss specific priorities for the FY 2014-15 budget and identified 29 priorities that cover most City services. In that session, the priorities were narrowed down to the 10 highest for FY 2014-15, and as part of the stabilization budget bureaus should work with their Commissioner-in-Charge to realign resources to accomplish these stated priorities. In addition, in my Proposed Budget I will also consider limited General Fund add packages for programs that focus on improving services in three of these priority areas:

1. Complete Neighborhoods
2. Homelessness and Hunger
3. Emergency Preparedness

Starting with these three areas, the City will develop impact measures that assess the effectiveness of our programs on these priorities. The City Budget Office will convene the lead bureaus in each area to develop metrics to gauge our success, and I hope to repeat this process with other priority areas in the future so that we can hold ourselves accountable to the public for achieving results.

In addition to the three priorities above, one-time add packages will also be considered for critical needs outside of these areas. Critical needs are identified as services that require *immediate* funding and cannot be delayed until the FY 2015-16 budget process or beyond. Bureaus should still make every effort possible to realign existing resources to fund these critical needs before requesting new funding.

Finally, because resources in FY 2014-15 continue to be limited, I will be recommending to my colleagues that we allow General Fund bureaus to carry over a portion of external materials and services savings in the current year to help offset the costs of expected one-time projects in FY 2014-15. You were very successful in reducing expenditures in FY 2012-13 when I asked you to find savings, and to the extent you are able to continue those savings this year, you may be able to use a portion of those resources for your own priorities.

I appreciate all of the work that you have done to implement cuts in the current fiscal year. I believe that continuing current service levels for another year, while making strategic investments in a few key priorities, will ensure that the City stays on a fiscally sustainable path into the future.

CC: Commissioner Nick Fish  
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Commissioner Dan Saltzman  
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