Analysis By: Claudio Campuzano

OFFICE OF MANAGEMENT & FINANCE

All Funds Budget Summary	Adopted FY 2015-16	Request Base FY 2016-17	Decision Pkgs FY 2016-17	Request Total FY 2016-17	Percent Change
Resources					
Budgeted Beginning Fund Balance	$154,356,848	$150,090,779	$3,801,669	$153,892,448	-0.3%
Taxes	26,099,650	29,763,000	0	29,763,000	14.0%
Licenses & Permits	5,352,500	5,643,450	0	5,643,450	5.4%
Charges for Services	69,411,121	70,767,783	0	70,767,783	2.0%
Intergovernmental Revenues	10,784,726	10,782,123	(26,258)	10,755,865	-0.3%
Interagency Revenue	148,672,128	147,799,862	4,075,074	151,874,936	2.2%
Fund Transfers - Revenue	8,442,202	6,045,312	2,521,350	8,566,662	1.5%
Bond and Note Proceeds	12,604,127	12,604,127	0	12,604,127	0.0%
Miscellaneous Sources	5,079,786	4,980,135	9,119,208	14,099,343	177.6%
General Fund Discretionary	15,985,651	14,988,523	240,904	15,229,427	-4.7%
General Fund Overhead	10,810,909	11,048,277	(301,893)	10,746,384	-0.6%
Total Resources	**$467,599,648**	**$464,513,371**	**$19,430,054**	**$483,943,425**	**3.5%**
Expenditures					
Personnel Services	$78,296,899	$78,943,147	$477,674	$79,420,821	1.4%
External Materials and Services	183,572,488	176,369,341	9,399,981	185,769,322	1.2%
Internal Materials and Services	25,977,251	24,835,704	67,880	24,903,584	-4.1%
Capital Outlay	16,828,421	23,338,891	4,121,434	27,460,325	63.2%
Debt Service	21,145,991	14,783,261	0	14,783,261	-30.1%
Fund Transfers - Expense	5,089,894	5,991,941	0	5,991,941	17.7%
Contingency	136,688,704	140,251,086	5,363,085	145,614,171	6.5%
Total Requirements	**$467,599,648**	**$464,513,371**	**$19,430,054**	**$483,943,425**	**3.5%**
Total Bureau FTE	**635.63**	**636.63**	**5.00**	**641.63**	**0.9%**

Percent Change is the change from FY 2015-16 Adopted Budget to FY 2016-17 Total Requested Budget.

Key Issues

Public Safety Technology Funding Recommendations

The discussion that follows covers a suite of related recommendations made by CBO to utilize ongoing resources that are freed up in FY 2016-17 to address several known funding gaps. Additional details are provided in the individual decision packages. A summary of the primary recommendations is as follows:

- The Public Safety System Revitalization Project (PSSRP) is winding down. OMF does not anticipate needing the ongoing $907,669 General Fund discretionary for the program and, as such, eliminated it from that program's base through realignments and reductions as part of the FY 2016-17 request. CBO recommends eliminating all ongoing General Fund funding from this program.
- In FY 2015-16, OMF was directed through a budget note to renegotiate an agreement with Multnomah County for tax collection services performed by the Revenue division of the Bureau of Revenue and Financial Services. In the Fall Supplemental Budget, the FY 2016-17 Current Appropriation Level target for OMF was reduced by $640,050 to reflect an estimate of the gap to achieve the full cost recovery from the County. The Revenue division does not expect resolution

on this issue in time for the FY 2016-17 budget. CBO recommends that a portion of the PSSRP resources be used on a one-time basis to backfill the Revenue bureau's CAL target to bridge OMF to resolution with the County. This is a change to the bureau's requested base, which included an ongoing shift of the PSSRP resources (less a portion that was taken as part of the bureau's 5% reduction target) to the Revenue division.

- In FY 2012-13 and FY 2013-14, reductions were made to the lifecycle replacement funding charges for various Public Safety technology systems. BTS has estimated the annual General Fund need for this replacement funding at $1.8 million. CBO recommends that the ongoing PSSRP resources be reprogrammed to fund replacement and, by offsetting depreciation of the assets on an ongoing basis, begin to fully fund the cost of service that this technology provides. This reprogramming would begin in FY 2017-18 after the one-time allocation to the Revenue division.
- The PSSRP reallocation only addresses half of the General Fund bureau need for equipment replacement. CBO recommends that BTS be directed by City Council to build the full amount into the base rates for FY 2017-18. Bureaus – primarily public safety bureaus – would build their FY 2017-18 base operating budgets around these rates. These bureaus would effectively have a year and a half to plan the internal realignment to fund the non-PSSRP-funded half of the cost increase.
- PSSRP is currently funding a consultant study to examine additional public safety technology needs. CBO notes that, as a result of the recommended reallocation, there will be no ongoing project resource available to move potential consultant-recommended projects forward. Potential new projects would require individual funding plans. The loss of experienced project management staff due to the reallocation presents a risk to future projects identified by this study. A portion of the staff are maintained in the base budget through at least FY 2016-17, utilizing remaining project fund balance.

Jerome Sears Facility

In September 2012, the City of Portland acquired the SFC Jerome F. Sears U.S. Army Reserve Center. The property was transferred from the Federal government, which stipulated that the new use for the building be primarily the provision of emergency management services. A master planning effort in 2013 resulted in a development strategy that included several phases of work.

For the last several years, OMF-Facilities has received a cash transfer from the General Fund for operations and maintenance of the facility. The amount of that transfer in the FY 2016-17 base budget is $179,088. Only a portion of this has been needed for operations and maintenance. The remainder constitutes a fund balance to perform major maintenance and additional occupancy improvements at the site.

In the FY 2013-14 Fall Supplemental budget, Council approved a funding plan to renovate and expand the City's fueling infrastructure, including the construction of a fueling station at the Sears facility. This project is currently underway and not scheduled to be complete in the current fiscal year.

In fall 2015, in response to the declared housing emergency, a temporary use permit was approved to allow for the building's use as a shelter for homeless women. In order to prepare the building for use as a shelter, City Council appropriated $1,000,000 for immediate occupancy improvements. Since November 2015, up to 150 women have been sleeping overnight in the building. This use is expected to expire in May 2016, after which point in time there is no planned tenant or identified usage of the facility outside of the original conveyance as a secondary emergency preparedness and response center. As of February 17, 2016, OMF-Facilities anticipates having spent $546,484 in the current fiscal year.

The bureau has included two items in the requested budget related to the Sears facility: first, a decision package to reduce the cash transfer for O&M to meet the 5% reduction guidelines, and second, a request for Council consideration to fund immediate occupancy improvements at the site, tentatively amounting to $1.5 million. This would augment the remaining $0.5 million from the Fall Supplemental allocation and any balances built up from O&M underspending.

The most recently available tenancy plan, as understood by CBO, is to have the Portland Bureau of Emergency Management (PBEM) and Portland Parks & Recreation (PP&R) occupy – or have available for occupancy during an emergency – the building while other users will occupy other portions of the site. Neither of the prospective anchor tenants included requests to build out, occupy, and operate the site as part of their FY 2016-17 budget requests.

Without committed tenancy of the site nor detailed operating costs associated with the tenancy and facility usage, CBO does not recommend the additional immediate occupancy improvements. Moreover, until such a plan is developed and operating bureaus have entered into a committed agreement with OMF, CBO recommends that OMF-Facilities cease the incremental improvement of the site. Besides ensuring that the City is funding improvements that will be appropriate for the eventual tenants, this recommendation would ensure that the funding source is also appropriate and sustainable. For example, to the degree that PBEM is to tenant the site, a portion of the redevelopment costs should be borne by PBEM – and, because PBEM is an overhead-funded bureau, those facility redevelopment and operating costs would consequently be shared by overhead-paying bureaus.

In addition to not recommending the requested immediate occupancy improvements, CBO does recommend:

a) Reducing the ongoing cash transfer to an amount that is in line with prior years' operations and maintenance spending.
b) Returning to the General Fund the balance that has been generated through underspending.
c) Returning to the General Fund the portion of the $1 million in capital funding that was not required for preparing the building as a shelter.

Once the site is redeveloped and tenanted, the annual rent amount should incorporate an appropriate major maintenance component. These recommendations are made with the intention of funding urgent priorities in the FY 2016-17 budget.

Once a tenancy plan, project budget based on that tenancy plan, and operational budget implications are developed, the customer bureaus should make the requests necessary to implement those plans during the current or an upcoming budget process.

Reallocation Packages to Meet General Fund Reductions

OMF is a large bureau with multiple funding sources, including General Fund overhead and internal service funds. Proper cost allocation is a critical component of ensuring that costs are funded by the appropriate sources and consistent with the fund statements of purpose. As part of this budget, OMF has identified a number of areas where costs can be shifted from General Fund discretionary and overhead to other funding models. In all cases, CBO believes that these shifts make sense from a cost allocation perspective. However, CBO is further highlighting and clarifying that while these do show up as General Fund reductions, the proposed shifting of internal costs has little to no service level impact on OMF and ultimately does not generate savings Citywide, except indirectly where shifted costs must be absorbed in General Fund bureau budgets. For General Fund bureaus that do not receive additional appropriations to cover the cost, the shift results in a savings to the General Fund but an offsetting cost to the bureau. The total of reallocated costs in OMF's General Fund reduction packages is $322,952 and constitutes 24.5% of the total $1.3 million in reductions submitted. Below is a list of reallocated costs with the impacted customers.

Reduction	Discretionary	Overhead	Total General Fund	Impacted Customer/Fund
FMLA Coordinator	$ 59,923.00	$ 71,657.00	$ 131,580.00	Health Fund Customers
Accounting Target True-Up for EBS	$ 7,968.00	$ 9,529.00	$ 17,497.00	Debt Management Customers and Funds Receiving Interest Income
Spectator Facilities	$ 11,456.00	$ 13,700.00	$ 25,156.00	Spectator Fund
Bus Ops Reallocations	$ 35,907.00	$ 44,276.00	$ 80,183.00	12th Floor Tenants, OMF Server Users, and Innovation Fund Activities
EBS Training Increase	$ 18,216.00	$ 21,784.00	$ 40,000.00	EBS Customers
BHR Front Desk Support	$ 12,996.00	$ 15,540.00	$ 28,536.00	BTS Customers
Total	**$ 146,466.00**	**$ 176,486.00**	**$ 322,952.00**	

Note that figures in this table will differ from the decision package totals below; this table isolates the General Fund revenues in the packages and does not net out revenue offsets (e.g. interagency offsets, increased Health Fund admin revenues, etc.). CBO notes that, despite these various fund and customer impacts, the bureau's Budget Advisory Committee (BAC), which consists of customer bureau directors and operations managers, endorsed these proposals.

Decision Package Analysis & Recommendations

Bureau of Human Resources

EBS IA Increase for Training, MF_13, $0

This request would reallocate an additional $40,000 of costs currently funded by General Fund resources in the citywide BHR training program to the EBS Fund. This would bring the total support from EBS to $207,048, or roughly two-fifths of the training program. The allocation methodology used to arrive at this total figure is the cost of 1.5 FTE and materials and services including space rent, technology services, and other internal services. The overall Training and Workforce Development program includes four permanent FTE and one limited term position which is requested to be extended as part of MF_16.

The costs to EBS are borne by all bureaus through an allocation model based on the overhead model (the difference being that General Fund bureaus pay their allocated costs as opposed to having costs covered centrally by the GFOH model), so the difference in cost will be negligible for non-General Fund bureaus while General Fund bureaus will be required to pay EBS directly rather than have the General Fund pick up the BHR costs through the overhead model. CBO recommends approval of this request.

CBO Recommendation: $0

OSS III Realignment of Front Desk Support, MF_12, $0

Currently, BHR provides front desk services to BTS at no ongoing cost. This request would generate $28,536 in internal revenue from the Bureau of Technology Services. According to the bureau, this allocation is based on an informal assessment of the amount of time spent by the current position on BTS-related activity. This sharing of costs is reasonable. These costs will now be spread to BTS customers through the existing BTS rate model. CBO recommends approval of this request.

CBO Recommendation: $0

FMLA Program Coordinator Realignment, MF_14, ($131,580)

This request reallocates costs associated with Family and Medical Leave Act coordination from the General Fund to the Health Fund. The bureau states that this change in funding shift is associated with a reorganization of the position into the Health & Financial Benefits Team. CBO notes that the bureau's organizational structure should not be a driver of funding source; organizations can be funded through multiple sources. The funding source should be dictated by the use of the resource. Therefore the test of whether this shift in funding is appropriate should be solely based on the function. According to the Health Insurance Operating Fund statement of purpose, as passed by City Council: "The [fund] accounts for funding and costs associated with the City's self-insured medical and dental medical plans for all employees, dependents and retirees with the exception of Portland Police Association (PPA) members." However, in response to CBO questions, the bureau has noted its intention to update the fund statement of purpose as part of the budget process in order to better capture benefits administration activities. These activities – including the Voluntary Retirement Incentive, Wellness, Healthy Foundation, and Employee Assistance programs – are funded through an administrative charge in the Health Insurance Operating Fund that is separate from the health insurance premium payments.

As submitted by the bureau, the additional costs in the Health Insurance Operating Fund are offset by miscellaneous expenses, however, in response to CBO questions, the bureau noted that the entry was incorrect and that these costs should be funded through rates. For this reason, the initial request shows as a reduction while the recommendation of the shift shows as net zero impact.

In light of the pending change in the fund statement of purpose, this request would be allowable. CBO notes that the impact of this request is to shift costs that are currently allocated through the overhead model – a model that is a function of total budget and full-time equivalents – to an allocation driven by per employee administrative charges. This only generates savings for the General Fund inasmuch as General Fund bureaus bear the administrative costs without any additional General Fund allocation. This request is recommended as adjusted to reflect an increase in in the administrative rates charged to bureaus.

CBO Recommendation: $0

Reduce Training & Professional Services, MF_19, ($68,063)

This decision package would reduce ongoing General Fund resources which are budgeted across multiple external materials and services categories. The most recent two years of spending across all of these categories was within this newly established level, inclusive of this reduction option. The bureau states that prior reductions have led to reduced participation in job fairs and a reduced sponsorship of the regional diversity conference. What is not immediately evident is if the reduced participation has had an impact on overall hiring practices or staff development across the City.

The bureau has noted that recent budget reductions have necessitated one-time requests to fund special projects. While this process can be cumbersome and lacking in flexibility, CBO believes this specific reduction would not impact the current level of service. To the degree that the bureau identifies specific needs beyond the new, reduced budget during the year that cannot be addressed through underspending at the OMF-wide level, CBO recommends continuing the approach of requesting one-time funding for special projects.

CBO Recommendation: ($68,063)

OSS III Payroll, MF_18, ($98,017), (1.00) FTE

The Payroll Services section consists of six full-time positions including two OSS III's. This request would eliminate one of the OSS III positions, which has been held vacant since September 2015 in anticipation of budget reductions. While the bureau has indicated that the position is intended to perform mandated and mission-critical functions with regard to payroll (e.g. processing wage garnishments, writs of child support orders, establishing direct deposit accounts, etc.), the decision package narrative notes that these responsibilities are absorbed and that less time-sensitive activities are being delayed.

Since the September vacancy, the bureau has experienced delays in Third Party Vendor Reconciliation and processing of garnishments. While the group has managed to stay within legally mandated timelines, the risk of non-compliance has been growing. BHR has identified the TRIP program as one where administration has continued to be performed on time but, should the position be permanently eliminated, the bureau would seek to transfer the program to PBOT in order to better meet the legally mandated timelines.

In light of the identified Citywide reprioritization needs, CBO recommends this reduction with the understanding that such a reduction will continue to have the abovementioned service impacts and an increased level of non-compliance risk. Should the bureau discover that this risk grows to an unjustifiable level, the bureau might consider realigning some other future vacancy, requesting the position be added back in a future budget process based on new information, or explore a process improvement effort to minimize the effort required to administer these time-sensitive programs. Currently the bureau estimates that, per payroll, Third Party Administration requires 24 hours, TRIP requires 32 hours, and garnishment requires 20 hours.

Another area of potential process improvement that should be explored by the City is a move to bimonthly paychecks. This would eliminate two payrolls a year, eliminate the inefficiencies associated with administering health benefits on a separate schedule than the rest of the payroll function, and even out payroll-period lookbacks so any given 365 day period consists of 24 payrolls.

Finally, with regard to this position and the OSS III in the Employment & Outreach section, CBO notes that to the degree that higher cost employees are now performing the tasks previously performed by administrative positions, BHR should consider whether the reductions would more appropriately be taken from the ranks of the higher cost employees. While CBO is sensitive to the fact that these choices were made in part to maintain existing staff, should these filled positions become vacant, the bureau should consider reclassifying them to restore the dedicated administrative functions.

CBO Recommendation: ($98,017), (1.00) FTE

OSS III Diversity Outreach & Employment, MF_17, ($81,248), (1.00) FTE

This reduction would eliminate a vacant position in the Diversity, Outreach, and Employment Resources program. This group has two sections – Employment & Development and Diversity & Affirmative Action. This position is in the Employment & Development section, which is currently staffed with six full-time positions. This reduction would bring the section to five FTE. The position has been held vacant since October 2015 in anticipation of budget reductions.

CBO, in analyzing the impact of this reduction, planned to compare performance measures before and after the vacancy in order to determine what the long-term service level impact would be. However, the bureau has not been able to quantify the reduction in processing time required for hiring that has resulted from holding the position vacant for the past several months.

Data made available to CBO include the number of recruitments processed over the last several years and the bureau's effectiveness at hitting agreed upon or renegotiated recruitment timelines.

Fiscal Year	Recruitments Processed	% Meeting Timelines
FY 2012-13	226	90
FY 2013-14	286	90
FY 2014-15	336	100
FY 2015-16	425 (year-to-date)	100% estimated

One cannot conclude from this data that there are challenges in providing a desired level of service for completing recruitments. In fact, the data indicate the opposite is true. Despite the large increase in recruitments, the bureau has continued to – and expects to continue to – meet timelines. This may, in fact, highlight some of the efficiencies gained through the implementation of NEOGOV and process changes implemented by the bureau in March 2015. Nonetheless, the BHR narrative – and CBO conversations with customers – provide consistent anecdotal information and experiences that the bureau is facing challenges in meeting service level expectations. These challenges have been acute recently and are expected to be exacerbated with a seasonal upswing in workload in the spring.

Given the current information available, CBO recommends this reduction in light of the identified Citywide reprioritization needs. But CBO sees this as an opportunity to collaborate with BHR staff, including managers and data analysts, to take a deeper dive into the NEOGOV data – and any other customer service data related to specific recruitments – to see if a business case can be made for maintaining this position. CBO has already begun this discussion with BHR senior management regarding this effort and hopes to provide more information to City Council as part of the budget process. Ultimately, if filling this position could make a significant impact on recruitment quality and timelines, the value to customer bureaus might outweigh the value of cutting the position to fund other priorities.

CBO Recommendation: ($81,248), (1.00) FTE

Program Specialist for Model Employer Resolution, MF_11, $103,140, 1.00 FTE

This request is similar in scope to a request made in the FY 2015-16 budget. In May 2012, Council adopted Resolution #36925 which affirmed the commitment to developing, implementing, and evaluating a strategic plan for increasing the City's employment of persons with disabilities. At the time the resolution was passed, the Bureau of Human Resources anticipated utilizing existing resources to accomplish the intent of the policy. However, during the FY 2013-14 budget, one of the five Senior Human Resources Analysts in the Diversity, Outreach and Employment Resources (DOER) program area was eliminated and later, in FY 2014-15, another recruiter was converted into two Senior Administrative Specialists. In effect, these changes reduced the bureau's ability to implement the resolution with internal resources.

Since then, the Director of Human Resources has worked directly with the Portland Commission on Disability to implement portions of the plan. For a period of time, a staff member from Office of Equity and Human Rights (OEHR) was loaned to the program. The OEHR staff resource is no longer with the City. The bureau has also hired a consultant to accomplish a portion of the workplan. The funding for the consultant was carried over into FY 2015-16 but will be exhausted in the current year.

In the event that this request is not funded, the bureau has stated that the current staffing model is unsustainable. Without the carryover funding for consultant support or the support of OEHR that has previously been available, the bureau would not be able to create an ongoing program. Consequently, the program would take longer to implement and be less robust.

Outside of funding the position, options for continuation of the development and implementation of the strategy include the less robust model mentioned above or a realignment of resources within the DOER or elsewhere in BHR or OMF as a whole. The bureau has indicated that such a realignment would have negative impacts on service levels, reducing the number of recruiters from three to two (excluding a BDS-funded recruiter) during a period of rising recruitment numbers.

With limited available ongoing General Fund resources outside of those generated through reductions in bureau budgets, CBO does not recommend funding at this time.

CBO Recommendation: $0, 0.00 FTE

Training & Development Analyst, MF_16, $126,366, 1.00 FTE

This decision package would convert from limited term status to regular an existing position which has been focused on the creation of the Citywide onboarding program. After conversion, the body of work would also change. In this new ongoing role, the Training & Development analyst would provide additional capacity in the unit to maintain the current onboarding program as well as develop a broader array of trainings including the City's eLearning platform. Currently, the unit is structured to deliver mandated Citywide trainings (e.g. cultural competency, bias awareness, child abuse reporting, and manager and supervisory training) as well as SAP/EBS end-user trainings.

In the requested ongoing role of providing eLearning, this position could potentially create efficiencies within the group by reducing the staff time necessary to deliver regularly scheduled mandated trainings, thus freeing staff to address a broader array of training across the City. Additionally, efficiencies for customer bureaus would result from no longer needing to physically attend trainings that have been converted to an eLearning platform, thus saving on travel time.

While CBO does not recommend this position in light of the effort to realign resources to address urgent City priorities, we would like to continue to work with BHR to better understand the work plan and perhaps better quantify both bureau and Citywide efficiencies in determining the business case for this position. To the degree that this is possible, we may be able to revise the recommendation to Council as the budget process progresses.

CBO Recommendation: $0, 0.00 FTE

Employee Training Fund, MF_15, $250,000

This decision package would fund a tuition reimbursement fund totaling $200,000 and the administration of the fund, which is estimated at $50,000. This is one-time pilot request. The bureau has noted that, should the requested Training and Development Analyst (MF_16) be added ongoing, there would be sufficient administrative capacity to reduce this request by $50,000. Without the training analyst added, the bureau would anticipate using a temporary clerical position for the pilot program.

In analyzing the training fund request, CBO looked at the last five years of spending in all City bureaus on tuition reimbursement. Citywide there was $1.5 million spent by all bureaus regardless of funding source on costs coded as 'Tuition' (an additional $6.5 million was spent on costs coded as 'Training'), averaging $311,746 annually for all funds. The annual General Fund portion of this spending averaged $126,279 during this same period.

CBO is aware that General Fund bureaus have elected to use internal resources to further employee career growth; examples include Portland Fire & Rescue providing tuition reimbursement for firefighters to earn their paramedic certificate, and likewise the Police Bureau has dedicated training resources for employee career development. The request is intended to create a central pool for tuition reimbursement in order to address the potential lack of parity between bureaus.

This request, however, would not necessarily increase the total spending on tuition reimbursement as there may be a substitution effect as bureaus that are currently self-funding the expense would seek reimbursement from this newly established fund.

BHR has noted that tuition assistance is the request most frequently cited by employees which is not currently offered on a consistent Citywide basis. Moreover, BHR observed their customer bureaus have indicated a willingness to participate in a tuition assistance program supporting employees Citywide. During budget development, there was discussion about bureaus that have access to increased resources (e.g. utility bureaus through rate increases) and bureaus that do not (e.g. General Fund bureaus).

However, given that BHR is overhead funded, any allocation of training resources should be expected to be split fairly amongst all bureaus. To the degree that there is a desire to increase the investment in employee education for the more resource-constrained smaller General Fund bureaus, a direct investment of discretionary in those bureaus' budgets would be more targeted and potentially more effective. Additionally, such a direct investment would avoid central administrative costs and would be more sensitive to bureau priorities and educational needs.

CBO does not recommend the request. CBO instead recommends the individual bureaus in need of additional discretionary resources for employee tuition reimbursement be identified and prepare a business need for tuition reimbursement. These bureaus should then either request additional resources directly or reprioritize in order to self-fund.

CBO Recommendation: $0

Bureau of Revenue & Financial Services

Accounting Division - Target True-Up for EBS Costs, MF_25, ($17,497)

This request is over and above the bureau's cut target and was identified by OMF Business Operations as a relevant true-up to be addressed in the Requested Budget. This package realigns the EBS interagency within BRFS. EBS costs associated with Debt Management and Treasury have been paid with General Fund resources in the Accounting division. Debt Management and Treasury costs are funded with interagency agreements and interest income, respectively. Those revenues have been increased in the bureau base. This decision package reduces the General Fund resources.

CBO Recommendation: ($17,497)

Portland Community Media, MF_30, ($44,240)

This decision package reflects a reduction to Portland Community Media (PCM) commensurate with reductions taken in City bureaus to fund urgent priorities. The impacts of this reduction have been described as eliminating 0.7 FTE at PCM. The position is focused on establishing the partnerships foundational to the digital inclusion strategies from the City's Broadband Strategic Plan. According to the bureau, PCM will be unable to build partnerships with non-profits in order to deliver digital literacy training or provide internet access to underserved communities. The bureau noted that, in addition to eliminating direct services to approximately 130 adults and youth, there would also be a decline in the support of digital literacy training with partner non-profits.

In light of Citywide efforts to reprioritize funding to address urgent programmatic needs, CBO recommends this reduction.

CBO Recommendation: ($44,240)

Revenue Division - Utility Franchise/Wireless Support, MF_29, ($21,181)
This decision package would reduce negotiation support to update franchise agreements with 10 backlogged companies. In FY 2014-15, approximately $1.8 million was collected from these backlogged companies. The majority are telecommunications companies and, according to the bureau, given the amount of time that has passed since the original franchises were negotiated, it would be prudent to update the gross revenue fee definitions and review the types of services that are included to ensure the City is receiving maximum revenues.

City staff currently prioritizes new franchises as these represent new General Fund revenue. Contracted negotiation support is used primarily to address backlogged renewals since the return on investment is lower. However, management of the contract support also requires some City staff time.

In FY 2013-14 and FY 2014-15, a total of $72,412 was spent on support from five vendors. In FY 2015-16, as of February 14, 2016 these vendors have received $11,943 for franchise management (this does not include MHCRC administration spending).

CBO recommends this reduction given the following: 1) the pace of current spending in relation to historical spending, 2) the bureau staff effort needed to manage these contracts, 3) the fact that no return on investment has been identified for the historical efforts, 4) the small base revenue generated by these franchises, and 5) the possibility of staff addressing the backlog in the future should workload on new franchises dip.

CBO Recommendation: ($21,181)

Procurement – Reduction to PCDP and MEP, MF_23, ($149,000)
This decision package would reduce or eliminate funding for four programs as follows:

Program	FY 2015-16 Budget	FY 2016-17 Budget
Prime Contractor Development Program	$162,000	$112,000
Minority Evaluator Program	$109,917	$67,917
Mentor Protégé	$50,000	$0
Prime Contractor Residential Housing	$30,000	$0
Total	$341,917	$179,917

For many years, the City participated in the Port of Portland's Mentor Protégé program, which was intended to match up small minority- or women-owned firms with a large 'mentor' firm for a 2-3 year period of time. Over several years, the City reduced financial support until finally eliminating it in FY 2013-14. In FY 2015-16, the City investigated reinstating funding for the program. However, it has been determined that the Port's program has changed focus and is no longer being administered in the same manner. Therefore, ongoing funding has been eliminated.

The Prime Contractor Residential Housing program was a start-up in FY 2015-16, developed in conjunction with the Portland Housing Bureau, however the program was not implemented. This funding is discontinued in the Requested Budget.

The Prime Contractor Development Program is reducing professional services by $50,000 which will reduce the contracted technical assistance to participants. The bureau believes that it will continue to make progress on the goals of the program which are:

1. To address and correct historical underutilization of D/MWBE prime contractors for City projects.
2. Increase D/MWBE participation as prime contractors on City public works and improvement projects.

The outcome data provided by the bureau to CBO included the number of participants and the total number and amount of projects awarded to participants from 2013 to 2016. Currently, the bureau is not meeting enrollment targets, but there is no indication that this decision package will impact the bureau's ability to meet those enrollment targets in the future.

The reduction to the Minority Evaluator Program does not reduce the bureau's effort to engage diverse members of the community into the City of Portland's evaluation and contractor selection process. There are currently 444 Minority Evaluators in the database. Since inception of the program, Minority Evaluators have served on 521 panels, including 68 in FY 2014-15. This decision package would be a reduction of sponsorship of community partnership organizations under the "We Are Better Together" program. In the past year, the City has sponsored 42 community events under this program.

At this point, CBO recommends the elimination of funding that was planned but never implemented for both the Mentor Protégé program and the Prime Contractor Residential Housing program. To the degree reductions in the PCDP and MEP program are not expected to impact key outcomes – i.e. number of participants in PCDP or their success in winning City contracts, and the number of Minority Evaluators participating in contractor selection processes – CBO recommends these reductions as well.

However, in light of Citywide equity goals, CBO recommends that the bureau continue to monitor outcomes in these programs and reevaluate targets. Should the bureau determine that these programs are achieving the desired outcomes efficiently and that those impacts are scalable, realignments of resources or requests for new resources would be appropriate.

CBO Recommendation: ($149,000)

Procurement Division – Reduce Software Replacement Funding, MF_23, ($123,216)

The Procurement division of BRFS has been contributing annually to a replacement fund for the compliance software upgrade for tracking and monitoring MWESB participation through the life of the project. The system was implemented in 2007. An update would integrate several shadow systems to manage various compliance requirements.

The current balance of the fund is $334,000 with the addition of $57,000 estimated in FY 2016-17, assuming this decision package. While the upgrade was originally estimated to cost $200,000 over three years, this was a low confidence estimate. The target upgrade funding has since been updated to $500,000, based on recent experience with other upgrade projects. In FY 2014-15, OMF increased the funding from $67,000 to $167,000 and intended to maintain this level in FY 2016-17 in order to reach the $500,000 target. This decision package would bring the FY 2016-17 contribution back down to $57,000 and delay implementation by several years, unless other OMF underspending is identified and used to backfill the reduction.

CBO recommends this ongoing reduction at this time but, should the bureau identify underspending in the near term to fully fund the implementation, CBO would recommend the realignment on a one-time basis. CBO also recommends that, subsequent to the implementation, the bureau work with BTS to identify an appropriate ongoing replacement funding level given the cost of the new system and the useful life of the software. The source for any marginal increase in annual replacement funding over the $57,000 would be determined based on OMF and Citywide priorities.

CBO Recommendation: ($123,216)

Grants Division – Reduce Grants Training, MF_21, ($30,933)

This decision package would reduce training funding in the Grants Management Division of BRFS by $30,933. Based on an analysis of EMS underspending and on information shared by BRFS subsequent to the request budget submittal, a reduction of only $17,895 would allow the division to retain the current grants training level of service. In this instance the cut would impact the division's project to transition paper files to electronic files for retention.

CBO recommends this reduced cut amount in order to maintain the current training plan.

CBO Recommendation: ($17,895)

Accounting Division – Reduce CAFR Efficiency Initiatives, MF_24, ($146,760)

This year, the Accounting division of BRFS was able to issue the Consolidated Annual Financial Report (CAFR) within the bureau-determined 150-day target, earlier than any time in recent years. The CFO has continued to set aggressive targets for completion of the CAFR to better meet the needs of the municipal finance community and the recommendations of the Government Finance Officers Association. This decision package would reduce $55,000 in personnel services and $91,760 in external materials and services, resulting in a lower likelihood that the bureau would meet these new, aggressive targets. The personnel service cut would reduce flexibility to bring in temporary staffing during peak periods or use existing staff on overtime hours. The reduction in the materials and services base is primarily related to contractors brought in for peak periods. However, the bureau was anticipating repurposing these funds in order to upgrade or replace the CAFR preparation software. This upgrade would be a one-time need and has not been scoped at this time.

In FY 2015-16, the bureau was able to meet the 150-day target for the FY 2014-15 CAFR while holding some vacancies open pending a restructuring of the division. CBO believes that the new targets are still achievable without these resources given Accounting's successful restructuring and efficiency gains, all while underspending on personnel services. The bureau has stated that, "Once the team is in place and working together cohesively with improved tools, then it is conceivable that the team will be able to achieve their targets."

With regard to the CAFR preparation system upgrade, CBO recommends that Accounting utilize underspending in the current year to fund requirements gathering for the new software in order to make a request as part of the FY 2017-18 budget process.

CBO Recommendation: ($146,760)

Revenue Division – IRS Data Exchange, MF_32, $496,300, 2.00 FTE

In FY 2013-14, the Revenue division received an Innovation Fund grant to begin implementing a data exchange with the Internal Revenue Service to provide a robust source of data matching to identify businesses and individuals who should be paying taxes. Much of this funding was carried over to continue the effort in FY 2014-15. The FY 2015-16 Adopted Budget included one-time funding for the OMF Revenue division to continue the effort.

This request would add a Senior Business Systems Analyst, and convert to regular a limited term Senior Management Analyst that was initially included in the FY 2015-16 Adopted Budget for the IRS Data Exchange program. Additionally, the request includes funding for mailings ($52,000), support from BTS ($148,927), and other materials and services ($44,373).

According the bureau, this program is likely to generate between $780,000 and $2.3 million ongoing for the City General Fund and a somewhat smaller amount for the County. The bureau is now receiving Federal Tax Information (FTI) and has performed data matching and has tentatively identified thousands of businesses that appear to be out of compliance with City and County tax codes. The bureau expects to begin sending notices this spring.

When initially conceived, this program was expected to assist in a transition to eFiling which would generate considerable efficiencies in tax collection for the City. These benefits will not be realized until the City's core tax collection software is replaced, thereby allowing for the full implementation of eFiling. OMF is exploring options for database replacement.

CBO recommends funding for this program with the following changes to the request:

1) One-time funding should be continued for this program to allow for the establishment of more precise stabilized ongoing costs.
2) A portion – roughly 40% - of the costs should be part of the discussion with the County regarding ongoing costs of the program.

3) The cost of the positions is reduced to reflect the lower end of the range. Currently, the positions are budgeted near the top of the range for the classifications.

CBO Recommendation: $450,004, 2.00 FTE (LT)

Revenue Division – Support Revenue Collection, MF_31, $280,338, 3.00 FTE

This decision package includes two new regular positions and the continuation of one limited term position. The regular positions include a Revenue Tax Specialist (RTS) III to increase effort in the Unregistered Compliance Team (UCT) and a RTS IV for regulating and taxing short-term rental activities. Currently a UCT RTS III has been loaned to the Transient Lodging program to perform this function. This request would backfill that reassignment. The limited term position that would be continued with this decision package is a franchise auditor hired to address a backlog of audits.

During the FY 2015-16 Fall Supplemental budget, the bureau requested an RTS IV for the Short Term Rental (STR) program. At the time, the position had already been reassigned based on the higher expected return on investment in the start-up STR program. CBO suggested that the bureau utilize year-over-year data to compare the productivity of the UCT group with and without the full complement. The bureau has provided this analysis and has shown that recoveries went down, year-over-year in proportion to the reduced staffing. Recoveries in this group are irregular and this data sample is small. Nonetheless, there seems to be a rather direct and linear relationship between staffing and recoveries. Based on this, CBO recommends the new RTS III and the return of the STR position to UCT group. We further recommend that the bureau should continue to test this revenue-to-staffing relationship with each change in the staffing model; this continued validation will help to reach consensus on staffing levels moving forward.

Finally, with regard to the new UCT position, CBO recommends that a portion of the funding source be intergovernmental revenues from the County. See the Key Issues discussion above for details. The bureau has expressed concern regarding the timing and feasibility of this $28,932 of anticipated intergovernmental funding. As such, CBO expects to continue to develop one-time funding solutions for FY 2016-17 through the remainder of the budget process for that amount.

With regard to a new position in STR, CBO agrees that the ROI on this position will continue to be considerably higher than the two-to-one return on UCT positions. The resources generated by this position would be above the baseline short-term rental-related transient lodgings taxes, and therefore, per Council resolution 37170 passed on December 16, 2015, will be transferred annually to the Housing Investment Fund. To the degree that this funding would expand resources available to address the housing emergency, CBO recommends this request to be funded from the Council commitment to housing and homelessness funding in FY 2015-16.

CBO notes that the decision package detail had low costing for the positions. Therefore CBO has adjusted the request upward. Moreover, a portion of the costs should be borne by the County for the UCT position. Therefore some intergovernmental revenues have been applied.

With regard to the extension of funding for the limited term franchise audit position, this position was filled in September 2015 and, since then, has opened 12 audits. Each audit takes approximately six months but could take twelve months or more. Historically, conducting the franchise audits generates more revenue than the cost of the audit, but the range of values for the recoveries can be broad. The Revenue division estimates an average of $40,000 per audit. As of this writing, the expectation is that the recoveries from two ongoing audits likely to be completed this year will generate $50,000 each while a third has a presumptive assessment of $800,000 pending. This presumptive assessment may be reduced based on the presentation by the taxpayer of transactional data.

The bureau anticipates initiating an additional 36-48 audits in FY 2016-17 with this position and anticipates making on ongoing request for the position should these efforts continue to result in a significant ROI.

CBO recommends this continued effort and anticipates reviewing the results specific to this position during the FY 2017-18 budget process to better assess the ROI of franchise audits.

CBO Recommendation: $282,180

Treasury Division – Socially Responsible Investment Research, MF_28, $30,000

This request would provide funding through interest earnings on City funds for a research subscription to support the Socially Responsible Investments Committee in making recommendations to City Council. Procurement of this research is directed by City Council through Resolution 37102. In FY 2015-16, OMF used funds realigned to fund this subscription at a cost of $27,500. This request appropriately budgets the ongoing cost in the Treasury division where it is funded by interest income. CBO is exploring the initial source of funding for the subscription in FY 2015-16 in the event that the ongoing budget can be reduced.

CBO Recommendation: $30,000

Debt and Treasury Reorganization, MF_26, $0

This change reflects the funding changes associated with a reorganization of the Debt and Treasury functions. Debt Management is funded through interagency agreements (IA) with debt issuing bureaus. Treasury is funded with interest income on City funds. Under a 2016 reorganization the Treasurer will no longer be responsible for Debt Management, and those staff costs will no longer be split between the two sources. This results in increased funding for the position through interest income (and, consequently, less income shared by bureaus maintaining fund balances) and a reduced interagency with debt-issuing bureaus. There is some overlap between those bureaus receiving IA savings and those receiving reduced interest earnings, however the Treasury customer base is broader.

CBO recommends this realignment to appropriately fund this position given the new responsibilities.

CBO Recommendation: $0

Bureau of Internal Business Services

Facilities Division – City Hall Major Maintenance, MF_02, ($10,601)
This request would reduce major maintenance funding for City Hall by 5%. This would reduce funding from the current level of 0.464% of replacement value to 0.44% of replacement value. The bureau's target for annual major maintenance contributions is 3% based on industry best practice. However, the Facilities Division of the Bureau of Internal Business Services has undertaken an effort to make the bureau's asset management practice more robust. As part of this effort, the bureau intends to develop a more nuanced long-term investment profile for all assets. This effort will refine the 3% figure and move towards a figure more driven by the long-term needs of the building systems specific to each individual facility. Nonetheless, the current level of major maintenance is likely below an appropriate level of reinvestment.

While CBO is reluctant to recommend the reduction, we also note that the current method for contributing to major maintenance is through a cash transfer from the General Fund. Given the fact that most of the tenants of City Hall are overhead funded bureaus, we recommend that the major maintenance funding be shifted into bureau budgets so that overhead-paying bureaus fund the appropriate share of the major maintenance. In doing so, this discretionary cut could be absorbed without reducing the major maintenance funding. Such a shift would also allow for additional General Fund discretionary to be used either for Citywide reprioritization or to increase the major maintenance contribution. See various options below.

	Scenario	Discretionary	Overhead	% of Replacement	Discretionary Savings
A	Current	$212,020	$0	0.464%	$0
B	With Bureau Cut	$201,419	$0	0.44%	$10,601
C	Current Total w/Split	$97,529	$114,491	0.464%	$114,491
D	Discretionary Cut w/ split and increased investment	$201,419	$236,448	0.96%	$10,601

CBO recommends option D which achieves the 5% reduction target while making a maximal reinvestment in the asset, increasing the annual contribution from 0.46% to 0.96% of replacement value. This would have an expense impact on non-General Fund bureaus (and by extension, their customers). However this impact is merely a true-up to what has heretofore been a subsidy to those customers.

CBO Recommendation: ($10,601)

Facilities Division – Mayor's Security, MF_05, ($3,587)
This request would reduce the cash transfer from the General Fund to the Facilities Division of BIBS for the Mayor's security detail from $71,741 by $3,587. The current funding is not always sufficient for all the security needs. The costs that are not covered by the cash transfer are currently covered by the City Hall operating budget and, if exceeded, by the major maintenance account.

CBO recommends that this transfer be shifted to the Mayor's Office budget where it would appropriately be funded though the overhead model. An appropriate amount based on actuals should be budgeted so spending does not impact the City Hall building budget. Total City Hall costs in FY 2014-15 were $182,351 on this contract, but only a portion of those costs are funded with the cash transfer specifically for Mayor's security. Based on historical spending of no more than $70,264 specific to Mayor's security, CBO recommends shifting the reduced cash transfer amount to the Mayor's Office budget.

CBO Recommendation: ($71,741)

Facilities Division – Yeon Building O&M, MF_04, ($538)

This request would reduce the cash transfer from the General Fund to the Facilities Division of BIBS for the maintenance of the Yeon Building in Tom McCall Waterfront Park from $10,759 by $535. Underspending over the years has resulted in a balance of $10,075. Given the level of underspending, this minimal reduction should not have an impact on operations and maintenance.

CBO Recommendation: ($538)

Facilities Division – Sears Building O&M, MF_03, ($8,924)

This decision package would reduce the current cash transfer from the General Fund to the Facilities Division from $179,088 by $8,942. While the bureau has noted that this reduction would shift the focus from preventive maintenance to break-fix work, spending on operations and maintenance in total – for both break-fix and preventive maintenance – was $61,813 in FY 2014-15, according to data provided by the Facilities division. A similar figure is projected for FY 2015-16 based on the current year spending of $36,253 spent through seven months in FY 2015-16. This would indicate that the current cash transfer is well in excess of what is needed to maintain the facility given the vacant status to which it will return in May 2016, after the emergency shelter use has ended.

The bureau notes, however, that any underspending on reactive or preventive tasks becomes available to fund major maintenance and occupancy improvements. As stated in the Key Issues section above, CBO does not recommend continued investment without identified tenants, a plan to fully fund the renovation, or funding in place for operations of the facility.

Therefore, in addition to the reduction proposed by the bureau, CBO recommends reducing the amount to reflect current levels of spending plus a reasonable contingency. A tentative recommendation is a total reduction of $104,088, bringing the total budget to $75,000 annually.

CBO Recommendation: ($104,088)

Facilities Division – Portland Building Renovation, MF_01, $12,772,356

In October 2015, City Council approved Resolution 37158 in which OMF was directed to complete the Portland Building reconstruction project by the year 2020 at a cost not to exceed $195 million. OMF has provided a summary of the estimated sources and uses, by year, but these numbers are very preliminary. OMF indicates that a detailed sources and uses budget will be available by December 2016.

A portion of the $195 million project budget has already been incurred in FY 2014-15 and FY 2015-16. The bureau noted that costs through FY 2015-16 are projected at $2,523,331 and funded with accumulated major maintenance reserves, bringing the major maintenance cash contribution to $3.75 million. CBO does not see any immediate fiscal impacts to City bureaus related to this specific decision package, as all near-term work is financed with existing sources or debt. However, the decision point regarding when blended office rent rates go into effect is still outstanding; that decision could have a near-term fiscal impact that is not contemplated here. Furthermore, the decision package presents a very preliminary debt structure. Interim debt financing costs beyond IA rental rates might have a further impact on tenant bureaus. Nonetheless, the eventual impacts will occur no later than when the project is complete and tenant bureaus in the Portland Building and throughout Facilities-managed downtown office space are charged an equalized office rent that incorporates debt service on this project. CBO has identified several issues which would benefit from continued development through the FY 2016-17 budget process.

Rent Savings During Construction. Currently, bureaus pay roughly $4.8 million annually in rent for their tenancy in the Portland Building. Relocation costs have been included in the $195 million cost of the reconstruction. Therefore bureaus could, depending on the relocation plan, save possibly a total of upwards of $10 million. However, OMF has noted that any rent savings would only be net of fixed Portland Building costs that will not go away during the project. CBO anticipates exploring the nature of these costs in the event that they can be reduced during the construction period. The preliminary financing plan anticipates charging bureaus in lieu of rent to cover these fixed costs and to fund the City's cash contribution to the project and for interest costs on the line of credit during construction; 5% cash financing is required, per City debt policy. The preliminary figure for this 'in lieu of rent' cash contribution to the project is $4.1 million.

2% for Art. The project assumes a 2% for Art as per Chapter 5.74 of the City Code. Given the nature of this project is, in many ways, a preservation initiative with a large proportion of costs driven by the need to maintain the artistic integrity of the building, CBO recommends that City Council pursue waiving the additional 2% for Art. This would result in an estimated $2.1 million in savings to the project. Upon preliminary consultation with OMF on this recommendation, the bureau stated: "OMF is not aware of a provision to waive the 2% for Art requirement for a capital rehabilitation project. The ordinance for 2% for Art is very clear regarding projects that are required to include 2% of capital construction costs in project budgets for art. It specifically calls out building rehabilitation projects as Improvement Projects required to include this 2%." In light of OMF's position, CBO recommends that City Council direct CBO to develop language for Council action that would waive the need for 2% for Art on the grounds that the reconstruction project itself is an enormous investment in public art.

General Fund Cash Transfer. Beginning in FY 2015-16, an ongoing cash transfer from the General Fund of $2.58 million was budgeted to plan for the General Fund portion of debt service for the reconstruction. At least one year of this cash transfer allocation is anticipated to be used for the cash match for the project. In response to CBO questions regarding proposed uses for this cash transfer during the period of construction, OMF cited the following possibilities:

- Cover the General Fund share of the impact of blended rates with debt service for the building incorporated. This is the original intended use of the funding.

- Cover the General Fund's share of any interim financing costs beyond what the IA rental rates cover.
- Cover the General Fund's share of final financing costs.

While these may be valid uses, CBO requests that OMF work with CBO, as the managers of the General Fund, should any use other than the original proposed use (i.e. debt-related rent impacts) be contemplated.

Facilities Costs during Construction. To the degree that City bureaus currently in the Portland Building temporarily move into leased space for several years during the reconstruction, the Facilities Division should experience a significant temporary decline in operating costs for the building. While this should result in savings (as noted above), it will also put organizational strain on the division with regard to staff. Ideally, these impacts would be planned in such a way as to achieve the savings with minimal organizational disruption. Based on initial feedback from the bureau, it seems that OMF is hoping to utilize Facilities Maintenance Technicians (FMTs) normally assigned to the Portland Building to address backlogs of preventive maintenance and component replacement. The bureau notes that currently, FMTs are spending four hours on corrective or 'demand' work orders for every hour spent on preventive maintenance. The International Facilities Managers Association recommends a ratio of 1:1 or better. While this reallocation of staff may be appropriate, CBO requests that OMF continue to provide updates on this issue as plans are developed beyond this preliminary plan.

CBO Recommendation: $12,772,356

BIBS Admin – Staff to the ECPC, MF_27, $25,000

The Bureau of Internal Business Services has requested $25,000 in General Fund resources to support a half-time Community Service Aide to provide staffing for the Equitable Contracting and Purchasing Commission (ECPC). This position currently exists and is funded with a blend of BIBS customer rates. It was created in the FY 2015-16 Fall Supplemental budget and funded with external materials and services funding. The FY 2016-17 request restores the EMS base and requests the CSA costs be funded with General Fund.

The Equitable Contracting and Purchasing Commission was adopted by City Council Ordinance 187030 with the BIBS Director chairing the Commission. As such, BIBS requests resources to coordinate the activities of the Commission, including meeting coordination, documentation, follow-up on actions, and research and support.

While the BIBS director chairs the ECPC, CBO recommends that, based on the procurement orientation of the function, the support – or at least the funding for the support – be moved to the Procurement Division of BRFS where it would be funded with General Fund overhead. To the degree that the bureau or the commission do not believe that location in the Procurement division is appropriate, an interagency charge from that group would be appropriate so that costs would be funded through the overhead model, as appropriate for this type of function.

CBO notes that the BIBS Director's EMS budget has been considerably underspent in recent years. However, the bureau notes that a reduction would limit bureau flexibility to pursue other priorities such as organizational development, staff meetings and training, employee award programs, and other bureau-wide initiatives.

CBO notes that these are precisely the type of activities that all bureaus are reducing – in addition to core functions – in order to meet this year's reduction targets. It should be noted, in addition, that BIBS was not asked to meet specific cut targets but was asked to identify areas where expenses could be reduced in operations in order to bend rates to customers downward.

The following are budget and actuals for the last several years for BIBS Administration EMS:

Fiscal Year	Revised Budget	Actual
FY 2012-13	$49,174	$14,911
FY 2013-14	$51,435	$9,728
FY 2014-15	$76,864	$42,057
FY 2015-16	$24,597*	$19,134 through AP6
FY 2016-17	$47,520	NA

*Reduced to fund two CSAs including the subject of this decision package.

The increase in FY 2014-15 and FY 2015-16 is related to legal consultation related to intellectual property work and is not expected to persist.

While CBO appreciates the need for flexibility, we recommend that the EMS budget be reduced to offset the cost to the General Fund. As a general matter, BIBS rate revenues are roughly 45% General Fund bureaus while overhead funding is roughly 46% General Fund discretionary, creating a reasonable – if imperfect – offset.

CBO Recommendation: $25,000

Facilities Division – Jerome Sears Immediate Occupancy Improvements, MF_33, $1,505,434
This decision package was added by CBO to the bureau's request to reflect the fact that it is, per the narrative of the bureau submittal and per subsequent conversations with the Mayor's Office, to be considered by City Council during this budget process.

At this point, however, CBO does not recommend funding based on the fact that a tenancy plan, project funding plan, or operational sustainment plan have not yet been developed. For a complete discussion, see the Key Issues section of this review.

CBO Recommendation: $0

Facilities Division – PSU/City Jasmine Block Feasibility Study, MF_34, $25,000
This decision package was added by CBO to the bureau's request to reflect the fact that it is, per the narrative of the bureau submittal and per subsequent conversations with the Mayor's Office, to be considered by City Council during this budget process.

At this point, CBO believes that this cost is appropriately funded in the Facilities Operating Fund as a planning cost associated with coordination of Citywide tenancies. Should this feasibility study move forward in FY 2016-17, BIBS should work to fund it out of the existing Facilities base. This year, the bureau has appropriately broken out a separate corporate charge to customers to fund this type of strategic effort in managing the City's facilities footprint. The sizing of that overall corporate function should continue to be a discussion with customers, CBO, and City Council.

CBO Recommendation: $0

Facilities Division – Coordinated Campsite and Homelessness Management, MF_35, $500,000

This decision package was added by CBO to the bureau's request to reflect the fact that it is, per the narrative of the bureau submittal and per subsequent conversations with the Mayor's Office, to be considered by City Council during this budget process.

Since the original narrative was submitted, the bureau has revised its expected costs to $1.8 million which would include shelter facility O&M for properties the City is considering purchasing as well as 3.0 FTE to manage various homeless- and camping-related programs including day storage, Right To Dream Too, campsite clean-up, etc.

At this point, CBO does not have enough information to recommend funding for this request. As the bureau develops additional detail, we will further assess the request and support the Mayor and City Council in their decision-making process. CBO will continue to work with OMF to better understand this request.

CBO Recommendation: $0

Bureau of Technology Services

Data Center Move, MF_08, $2,000,000 in FY 2016-17, $6,000,000 in FY 2017-18, $1,700,000 in FY 2018-19

Currently, the City's main data center is located on the third floor of the Portland Building. This facility does not meet construction standards for an enterprise-level data center in terms of power, cooling, cabling, or security. Moreover, the current disaster recovery strategy relies on the Portland Communications Center (PCC) data center which is equally – if not more – deficient and is close enough to the main site not to be considered a suitable redundancy. These risks have been known for some time and BTS has made efforts – including a 2014 Request for Proposals – to plan for moving the data center to a purpose built facility designed to meet enterprise-level needs.

With the plan to reconstruct the Portland Building, the data center move must go forward. A temporary relocation would be nearly as costly as a permanent one without taking advantage of the efficiencies, enterprise risk-reduction, and service-level improvements of occupying a purpose-built facility with extra-regional disaster recovery capabilities.

Nonetheless, the $9.7 million estimate is a low-confidence figure at this point. BTS has had an initial conversations with the CFO regarding the development of a financing plan for the project. However, the most recent bureau communication to CBO on the matter indicates that the project is not a likely candidate for debt financing because a substantial portion of project costs will likely be for non-capitalizable services.

BTS has selected a consultant and is working on a statement of work to complete a data center assessment that would 1) assist with defining the requirements for the hosting RFP, 2) assist in defining protect in place requirements for the Portland Building Data Center in the event that the migration schedule overlaps with construction, and 3) develop a prioritized remediation list for the PCC data center.

CBO believes that additional work is necessary to establish how costs should be allocated and what the General Fund impacts would be. For example, currently BOEC makes up roughly a quarter of the anticipated General Fund share of $4.8 million. However, BOEC's primary site is the PCC data center. Additionally, it is worth noting that EBS constitutes a significant portion of the non-General Fund share at roughly 20%; about half of this would be borne, in turn, by General Fund customers.

In addition to the allocation of project costs, the estimate for ongoing maintenance costs charged to customer bureaus has not yet been developed. Initial estimates indicate that costs would go up based on the increased level of service and risk-mitigation benefits such as improved disaster recovery capability. Currently, annual operation of the Portland Building Data center is $350,000 inclusive of a $200,000 electricity surcharge and other rent and major maintenance costs. The annual cost of colocation services are estimated, with low confidence, at less than $500,000 per year. This would indicate an increase of several hundred thousand dollars a year, chargeable to the BTS customer base.

Overall, however, CBO recognizes that moving to a purpose-built facility is appropriate for mission critical systems, particularly in light of the Portland Building reconstruction. At this time, CBO is currently recommending that a portion of the 50% of one-time General Fund resources that, per Council policy, should be dedicated to capital maintenance and replacement, be held in reserve to fund the General Fund discretionary component of this major system replacement. This rough estimate of $4.5 million has been temporarily budgeted in the system as a cash transfer, but will, should the recommendation to fund move forward into the Adopted Budget, be budgeted in bureau budgets for each year of the project, with the balance held in General Fund Funds Management. With regard to non-General Fund bureaus, CBO recommends that BTS continue to work with customers as the cost estimate and cash flow is refined in order for those bureaus to appropriately manage this large medium-term cost.

CBO Recommendation: $5,255,714

Electronic Equipment Replacement, MF_07, $2,377,654

This decision package creates an ongoing replacement funding mechanism for bureau electronic equipment such as portable and mobile radios, video systems, radar guns, mobile computers, and other equipment maintained by BTS. In FY 2012-13 and FY 2013-14, reductions were made the replacement funding charges for various systems. Consequently, these systems will not have sufficient balances when replacement is necessary or recommended for lowest lifecycle cost. As a general matter, the systems that are the subject of this decision package are replaced in full 'deployments' or 'waves', not on a consistent, ongoing basis. This leads to an episodic – and very large – one-time cost every 4-15 years, depending on equipment type. At that point, without a replacement fund, replacements would need to be funded with one-time resources, debt financing that would increase rates for equipment users, internal bureau resources, or some other financing mechanism determined by the bureaus. This could result in a major service reduction for some General Fund bureaus where the resources may not be readily available to fund a large technology project.

BTS has requested lifecycle replacement funding for all such equipment, regardless of bureau. CBO notes that non-General Fund bureaus have the financial planning flexibility to manage this episodic cost and therefore the urgency for a replacement fund is lessened. Some may wish to utilize a BTS replacement funding mechanism; some may not. We recommend that BTS explore creating separate, optional replacement funding charge for non-General Fund bureaus. Non-General Fund bureaus who do not elect to participate should be ready to replace equipment when it's due for replacement prior to failure and work with BTS to ensure that City assets are being properly maintained.

However, General Fund bureaus are not the long-term financial managers of their fund and only have direct financial management responsibility for their ongoing resources – their Current Appropriation Level target. It is in the General Fund's best interest to avoid large, unanticipated, but necessary expenditures and to address these long-term operational needs by smoothing or otherwise planning for these large episodic replacement costs. This request represents the implementation of a recommendation from the Capital Funding Options report produced by CBO in conjunction with the Citywide Asset Mangers Group and accepted by City Council as part of the FY 2014-15 Fall Supplemental Budget.

CBO recommends funding the General Fund portion of the replacement cost. This would, through charging for the depreciation, better reflect the full cost of service that the assets provide. Going forward, should this replacement funding be added as part of the Adopted Budget, CBO recommends that Council not reduce it except in very extreme circumstances, and then, only with a restoration plan mapped out.

Below is an estimate, provided by BTS, of the General Fund components of these costs:

	Discretionary	Overhead	Other
Bureau of Emergency Communications	42,980		11,425
Office of Management and Finance	4,060		
Office of the Mayor	170	199	
Portland Bureau of Emergency Management	6,955	8,165	
Portland Fire & Rescue	453,862		
Portland Parks & Recreation	42,294		

Portland Police Bureau	1,306,390		
Total	1,856,711	8,364	11,425

This shows a $1.8 million ongoing impact for General Fund bureaus.

As discussed in the Key Issues section above, CBO recommends implementing a portion of this funding through the ongoing reallocation of the PSSRP resources. Due to the one-time need in BRFS, however, this mechanism would only be added to bureaus' base budgets beginning in FY 2017-18. Moreover, the PSSRP funding only constitutes roughly half of the need. CBO recommends that General Fund bureaus plan to absorb the remainder of the cost as part of the FY 2017-18 budget and that Council direct, through a budget note, that BTS build the full ongoing replacement charge into the base rates as part of the FY 2017-18 budget.

CBO Recommendation: $0

Vertical Applications Analyst, MF_06, $158,213, 1.00 FTE

This decision package represents a request to convert a Vertical Applications Analyst from limited term to regular at the request of the customer bureau, BDS. CBO recommends this request. For details, see the CBO review of BDS's requested budget.

CBO Recommendation: $158,213, 1.00 FTE

Chief Administrative Officer's Office and Citywide Projects

PSSRP – Reduction in Personnel Services, MF_10, ($217,859), (2.00 FTE)

This reduction makes ongoing a reduction in Personnel Services that was initiated in the FY 2015-16 Fall Supplemental budget. At that time, the funding was repurposed to fund a public safety technology assessment which is intended, in part, to determine any additional public safety technology needs that could be addressed by the Public Safety System Revitalization Project. A vendor – Gartner - has been selected for that work, and it is expected to be complete in spring 2016.

This decision permanently eliminates two positions – a Principal Information Systems Analyst and a Technology Capital Project Manager II position. This reduction, along with a shift in the base funding, completely eliminates ongoing General Fund resources to this program.

As discussed in the Key Issues section of this review, CBO recommends this request as well as reducing the rest of the PSSRP base budget (see MF_40) for a total of $908,000 to support funding of General Fund bureaus' interagency costs associated with increasing radio and electronic equipment replacement.

CBO Recommendation: ($217,859) (2.00 FTE)

PSSRP – PSSRP Savings Reallocation, MF_40, $50,525

This decision package has been added by CBO to reduce the remaining amount of the ongoing PSSRP allocation from the OMF budget – a total of $690,575. However, CBO has included a one-time addback of $640,050 to the Revenue division to bridge BRFS to a renegotiated deal with the County. The difference between the one-time addback and the ongoing cut was reduced from the Business Operations Administration funds center in several external materials and services line items that were budgeted considerably higher than FY 2015-16, indicating that this is where the excess resource had been reallocated. See the Key Issues section for more details on the rationale for this change.

CBO Recommendation: ($50,525)

Spectator Facilities – Reallocate Spectator Staff Costs, MF_10, ($25,156)

This package reallocates a portion of the Spectator Facilities and Development manager that is currently funded in the General Fund back to the Spectator Venues Fund. This 15% allocation was based on work performed related to the Comprehensive Plan, a Citywide, General Fund function. That work is complete and additional responsibilities have been incorporated into the fund with the most recent restatement of the fund's statement of purpose. Based on the workload and the current level of administration in the fund, CBO recommends this reallocation and the commensurate savings in the General Fund.

CBO Recommendation: ($25,156)

Business Operations – Maintain Required Services; Add Revenue/Cut Costs, MF_09, ($36,347)

This reduction to General Fund consists primarily of shifting costs by charging the Innovation Fund ($47,500) and Office of Community Technology ($10,000) for administration by Business Operations while also reallocating IAs with BTS and Facilities.

The net result of this package is to reduce total costs by $15,000 and reallocate $78,847 to other bureaus and non-General Fund sources.

After a $50,000 reduction to the Innovation Fund as part of the 5% reductions (decision package SA_02), this decision package would reduce the $1 million allocation for Innovation Fund projects by a total of $97,500 (9.8%). Because of the lack of dedicated administrative resources, OMF has focused its efforts on administration and the allocation process rather than on monitoring project results and outcomes. As a programmatic outcome, OMF has focused on creating a culture of innovation throughout the City. To measure success in achieving this outcome, OMF has identified the percent of different bureaus that submit proposals during each round.

When the bureau took over the program in FY 2014-15, it did so without additional ongoing resources. A 5% administration charge seems appropriate. However, we encourage OMF to use this dedicated administrative support to not only look at who submits innovation requests, but also to set goals and monitor the outcomes of the Innovation Fund to determine if the fund is a wise use of General Fund resources.

With regard to the internal service cuts, the rent ($7,792) and server costs ($13,555) are reallocations primarily within OMF and will result in additional charges to other OMF bureaus and, consequently be passed through to customer bureaus or be absorbed as reductions. This reallocation was determined based on a recent inventory and utilization. As noted, to the degree that this decision package updates the metrics for the existing cost allocation, this reallocation is appropriate.

The reduction in facilities project management services will constrain the bureau's ability to perform small facilities projects as it will eliminate that line-item. Should project funding be necessary, the bureau will need to identify other savings or – in the event of a large project – request additional resources. CBO believes that abstaining from project work makes sense in light of the pending reconstruction of the Portland building.

OMF notes that should savings from the internal service components of this decision package yield more savings than expected, the bureau would expect to reduce the Innovation Fund administrative charge commensurately in order to maximize programming with the Innovation Fund.

The increased cut amount is the result of a technical adjustment to how the administrative charges are included; CBO has moved them from interagency revenues with accompanying expenses to internal cost allocations of costs to Special Appropriations.[1]

CBO Recommendation: ($93,847)

[1] OMF has provided information that indicates that this technical adjustment might be unnecessary. Due to publication time constraints, however, CBO will work with OMF to confirm the best approach and address any further changes in future phases of the budget process.

City of Portland

Decision Package Recommendations

(Includes Contingency and Ending Balance)

	Bureau Priority	Bureau Requested FTE	Bureau Requested Gen Fund Ongoing	Bureau Requested Gen Fund 1-Time	Bureau Requested Other Revenues	Bureau Requested Total Expenses	CBO Analyst Recommendations FTE	CBO Analyst Recommendations Gen Fund Ongoing	CBO Analyst Recommendations Gen Fund 1-Time	CBO Analyst Recommendations Other Revenues	CBO Analyst Recommendations Total Expenses
Office of Management & Finance											
Adds											
MF_32 - BRFS - Rev - IRS Data Exchange	01	2.00	496,300	0	0	496,300	2.00	0	450,004	0	450,004
MF_31 - BRFS - Rev - Support Revenue Collection	02	3.00	178,188	102,150	0	280,338	3.00	151,098	102,150	28,932	282,180
MF_08 - BTS - Data Center Move	03	0.00	0	994,640	1,005,360	2,000,000	0.00	0	4,250,354	1,005,360	5,255,714
MF_01 - FAC - Portland Building Reconstruction	04	0.00	0	0	12,772,356	12,772,356	0.00	0	0	12,772,356	12,772,356
MF_11 - BHR-Program Spec for Model Employer Reso	05	1.00	46,971	0	56,169	103,140	0.00	0	0	0	0
MF_28 - BRFS - Treasury - Soc Responsible Inv Rese	06	0.00	0	0	30,000	30,000	0.00	0	0	30,000	30,000
MF_27 - BIBS Admin - Staff to the ECPC	07	0.00	25,000	0	0	25,000	0.00	11,385	0	13,615	25,000
MF_06 - BTS Vertical Applications Analyst – BDS	08	1.00	0	0	158,213	158,213	1.00	0	0	158,213	158,213
MF_07 - BTS - Electronic Equipment Replacement	09	0.00	0	0	2,377,654	2,377,654	0.00	0	0	0	0
MF_16 - BHR-Training & Development Analyst	10	1.00	57,549	0	68,817	126,366	0.00	0	0	0	0
MF_15 - BHR-Employee Training Fund	11	0.00	0	113,853	136,147	250,000	0.00	0	0	0	0
MF_33 - BIBS Facilities - Jerome Sears Bldg Immedia	NA	0.00	0	0	1,505,434	1,505,434	0.00	0	0	0	0
MF_34 - BIBS Facilities - PSU/City Jasmine Block feas	NA	0.00	0	20,000	0	20,000	0.00	0	0	0	0
MF_35 - BIBS Facilities - Coordinated Campsite and s	NA	1.00	500,000	0	0	500,000	0.00	0	0	0	0
Total Adds		*9.00*	*1,304,008*	*1,230,643*	*18,110,150*	*20,644,801*	*6.00*	*162,483*	*4,802,508*	*14,008,476*	*18,973,467*
Reductions											
MF_25 - BRFS - Acct - Target True-up for EBS Costs	01	0.00	(7,968)	0	(9,529)	(17,497)	0.00	(7,968)	0	(9,529)	(17,497)
MF_20 - PSSRP - Reduction in Personal Services	02	(2.00)	(217,859)	0	0	(217,859)	(2.00)	(217,859)	0	0	(217,859)
MF_02 - FAC - 5% Reduction - City Hall Major Mainter	03	0.00	(10,601)	0	0	(10,601)	0.00	(10,601)	0	0	(10,601)
MF_05 - FAC - 5% Reduction - Mayor's Security	04	0.00	(3,587)	0	0	(3,587)	0.00	(71,741)	0	0	(71,741)
MF_04 - FAC - 5% Reduction - Yeon Building O&M	05	0.00	(538)	0	0	(538)	0.00	(538)	0	0	(538)
MF_03 - FAC - 5% Reduction - Jerome Sears Bldg O&	06	0.00	(8,924)	0	0	(8,924)	0.00	(104,088)	0	0	(104,088)
MF_10 - CAO's Office-Reallocate Spectator staff costs	07	0.00	(11,456)	0	(13,700)	(25,156)	0.00	(11,456)	0	(13,700)	(25,156)
MF_09 - BO-Maintain required svcs:add rev/cut costs	08	0.00	(42,739)	0	6,392	(36,347)	0.00	(42,739)	0	(51,108)	(93,847)
MF_13 - BHR-EBS IA Increase for Training	09	0.00	(18,216)	0	18,216	0	0.00	(18,216)	0	18,216	0
MF_12 - BHR-OSS III Realignment of Front Desk Sup	10	0.00	(12,996)	0	12,996	0	0.00	(12,996)	0	12,996	0
MF_14 - BHR-FMLA Program Coordinator Realignmer	11	0.00	(59,923)	0	(71,657)	(131,580)	0.00	(59,923)	0	59,923	0
MF_30 - BRFS - Rev - Portland Community Media	12	0.00	(44,240)	0	0	(44,240)	0.00	(44,240)	0	0	(44,240)
MF_29 - BRFS - Rev - Utility Franchise/Wireless Supp	13	0.00	(21,181)	0	0	(21,181)	0.00	(21,181)	0	0	(21,181)

City of Portland

Decision Package Recommendations

(Includes Contingency and Ending Balance)

	Bureau Priority	Bureau Requested					CBO 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
Office of Management & Finance											
Reductions											
MF_23 - BRFS - Procurement - Reduct to PCDP and M	14	0.00	(67,856)	0	(81,144)	(149,000)	0.00	(67,856)	0	(81,144)	(149,000)
MF_22 - BRFS - Procurement - Reduce Software Repl	15	0.00	(56,114)	0	(67,102)	(123,216)	0.00	(56,114)	0	(67,102)	(123,216)
MF_21 - BRFS - Grants - Reduce Grants Training	16	0.00	(14,087)	0	(16,846)	(30,933)	0.00	(8,150)	0	(9,745)	(17,895)
MF_24 - BRFS - Acct - Reduce CAFR Efficiency Initiat	17	0.00	(66,836)	0	(79,924)	(146,760)	0.00	(66,836)	0	(79,924)	(146,760)
MF_19 - BHR-Reduce Training & Professional Serv Fu	18	0.00	(30,997)	0	(37,066)	(68,063)	0.00	(30,997)	0	(37,066)	(68,063)
MF_18 - BHR-OSS III Payroll	19	(1.00)	(44,638)	0	(53,379)	(98,017)	(1.00)	(44,638)	0	(53,379)	(98,017)
MF_17 - BHR-OSS III Diversity Outreach & Employme	20	(1.00)	(37,001)	0	(44,247)	(81,248)	(1.00)	(37,001)	0	(44,247)	(81,248)
MF_40 - PSSRP Savings-Reallocation	NA	0.00	0	0	0	0	0.00	(690,575)	640,050	0	(50,525)
Total Reductions		*(4.00)*	*(777,757)*	*0*	*(436,990)*	*(1,214,747)*	*(4.00)*	*(1,625,713)*	*640,050*	*(355,809)*	*(1,341,472)*
Realignments											
MF_26 - BRFS Reorganization - Debt and Treasury	01	0.00	0	0	0	0	0.00	0	0	0	0
Total Realignments		*0.00*	*0*	*0*	*0*	*0*	*0.00*	*0*	*0*	*0*	*0*
Total Office of Management & Finance		**5.00**	**526,251**	**1,230,643**	**17,673,160**	**19,430,054**	**2.00**	**(1,463,230)**	**5,442,558**	**13,652,667**	**17,631,995**