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CITY OF PORTLAND, OREGON

TO: City Bureau Directors
City Budget Managers and Contacts

FROM: Andrew Scott, Budget Director

DATE: November 30, 2016

SUBJECT: Fiscal Year 2017-18 Preliminary Budget Guidance

On October 20th, the Mayor and Council met to discuss the economic outlook and FY 2017-18 budget guidance, which is outlined below. This guidance has also been discussed with Mayor-elect Ted Wheeler.

The forecast for next fiscal year will likely include additional one-time resources and a modest surplus of ongoing revenue. However, the City has already committed \$10.3 million of ongoing funding to the intergovernmental agreement with the County for homeless services and the Portland Police Association contract. Even with modest growth, the City will almost certainly need additional resources to cover these obligations and provide flexibility for other priorities. In addition, it is likely that the City will experience an economic slowdown in the next few years and it is important that we start taking actions that enhance our ability to weather a downturn.

To best prepare for next fiscal year and beyond, General Fund bureaus are being asked to develop **ongoing** program reduction options as outlined below:

- 2% reduction options for public safety bureaus and housing. Reductions should focus on the potential regionalization of services and leveraging technology.
- 5% reduction options for all other General Fund bureaus and programs. Reductions should focus on programs that are outside of a bureau's core mission.
- At minimum, bureaus should anticipate a 1% reduction in ongoing expenses in order to prepare for an economic slowdown. These savings will either be used to bridge the ongoing shortfall or reinvested in one-time efficiencies that generate long-term savings.

Realignments. Consistent with prior years, bureaus are asked to look for ways to realign existing resources to focus on your core mission and Council priorities.

Ongoing Add Requests. Bureaus should focus on accomplishing their primary goals within existing resources while looking for innovative ways to enhance service to the public. Ongoing add requests will be limited only to programs that have a direct and measurable impact on homelessness, increase the supply of affordable housing, and maintain the City's critical infrastructure.

One-Time Add Requests. Bureaus will be allowed to make one-time requests for high priority investments that decrease the City's long-term costs or increase General Fund revenues (e.g. maintenance of existing assets, investments in technology, emergency preparedness, and process improvement initiatives). The City Budget Office will continue to apply a consistent set of risk criteria to rank proposed infrastructure projects for Council consideration.

Non-General Fund Bureaus. Bureaus and programs that are funded with non-General Fund resources should look for efficiencies and reductions that will keep fee and rate increases as low as possible.

City Plans and Policies. Bureaus should include in their requested budgets an explanation of how their base budget will move the City closer to meeting our Comprehensive Plan, Climate Action Plan, and Portland Plan goals in FY 2017-18.

Additional information from the October 20th work session can be found on the CBO website at <http://www.portlandoregon.gov/cbo/71853>.

Please let me know if you have any questions.