

# Spring Supplemental Budget

CITY BUDGET OFFICE ANALYSIS AND  
RECOMMENDATIONS

PREPARED: APRIL 2017

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## Executive Summary

In the Spring Budget Monitoring Process (BMP), City bureaus request budget adjustments, provide year-end financial projections, and provide status reports on specific projects for the current fiscal year. This report summarizes the highlights of those budget requests, monitoring reports, and the recommendations of the City Budget Office (CBO).

*Contingency.* Going into the Spring supplemental budget process, the unrestricted General Fund contingency stands at \$1,091,861. Bureaus have requested \$754,841 of contingency draws. CBO has only recommended those requests that are one-time, unforeseen, urgent, fully developed, are unlikely to be absorbed in existing bureau budgets, and/or pertain to a previously agreed-upon appropriation. Items that do not meet these criteria are more appropriately requested as part of the comprehensive annual budget process that is currently underway. Of the requests, CBO has recommended \$154,452, which includes two transfer changes from the Water Bureau and Bureau of Emergency Communications (BOEC). These recommendations leave an unrestricted contingency balance of \$937,409 to address issues that may arise during the remainder of the fiscal year.

*Compensation Set-Aside.* Bureaus have requested \$2,539,750 in funding from the City's General Fund Compensation Set-Aside account. CBO recommends \$2,159,050 of these requests, leaving \$952,287 to address any personnel services issues that require correction in the Over Expenditure Ordinance (OEO).

*Carryovers.* The Spring supplemental budget also includes requested bureau program carryovers into FY 2017-18; in the General Fund \$5.3 million in program carryovers are requested and \$5.0 million are recommended by CBO. Additionally, several technical transfers and adjustments within and between bureaus are requested and recommended.

*Position Changes.* Bureaus are requesting authorization to add one limited term and 29 new regular positions, convert 9 limited term positions to regular, and one bureau (Parks) is eliminating 5 positions. The Bureau of Development services is adding the bulk of the new positions (24). All of these transactions are funded through internal reallocation of resources or non-General Fund resources.

*Non-General Fund.* Finally, the Spring supplemental budget includes several changes in non-General Fund bureaus including new revenue appropriation, project de-appropriation to reflect year-end projected spending, transfers between funds and major object categories to more accurately reflect actual spending, interagency adjustments, and true-ups of fund balances. Notable changes are described in detail in bureau reviews; a package-by-package description is available through the "Spring FY 2016-17 Supplemental Decision Packages" document available on [CBO's website](#).

## General Fund Summary

	Adopted Budget	Current Revised Budget	Recommended Adjustments	Total Recommended Revised
Budgeted Beginning Fund Balance	27,039,794	44,155,969	5,966	44,161,935
Taxes	263,368,000	263,368,000	-	263,368,000
Licenses & Permits	196,210,816	196,210,816	560,000	196,770,816
Charges for Services	24,005,697	24,043,197	1,098,802	25,141,999
Intergovernmental Revenues	28,026,393	28,176,773	408,500	28,585,273
Interagency Revenue	29,224,456	30,442,122	(5,102)	30,437,020
Fund Transfers - Revenue	30,571,958	30,741,114	(62,779)	30,678,335
Miscellaneous	3,553,548	3,556,548	155,880	3,712,428
<b>Total Resources</b>	<b>602,000,662</b>	<b>620,694,539</b>	<b>2,161,267</b>	<b>622,855,806</b>
Personnel Services	372,946,493	373,291,003	2,913,395	376,204,398
External Materials and Services	98,129,136	107,428,801	(1,467,891)	105,960,910
Internal Materials and Services	60,724,145	61,242,768	(2,295,644)	58,947,124
Capital Outlay	2,821,709	5,462,938	276,000	5,738,938
Bond Expenses	9,188,082	9,188,082	-	9,188,082
Fund Transfers - Expense	52,544,111	59,360,065	21,825	59,381,890
Contingency	5,646,986	4,720,882	2,713,582	7,434,464
<b>Total Expenditures</b>	<b>602,000,662</b>	<b>620,694,539</b>	<b>2,161,267</b>	<b>622,855,806</b>

The Spring supplemental budget, as recommended, includes a total increase in FY 2016-17 expenses (including contingency) in the General Fund of \$2.2 million. These expenses are funded with a combination of new bureau revenues: most notably reimbursable overtime and equipment expense revenue at the Police Bureau (\$1.4 million); above-budgeted levels of permit and plan revenues at the Fire Bureau (\$340,000); and above-budgeted levels of System Development Charge revenue at the Parks Bureau (\$220,000).

Personnel services increase by \$2.9 million, primarily as a result of compensation set-aside requests from several bureaus and reimbursable overtime expense in the Police Bureau. Internal materials and services decrease by \$2.3 million, primarily as a result of the lower cost of fuel leading to decreases in fleet interagency agreements.

### Discretionary Changes

What follows are details of bureau requests and CBO recommendations for General Fund discretionary resources. For line item detail, see the table on page 8.

#### Compensation Set-Aside

As part of budget development, CBO budgets in a central City account a portion of the Current Appropriation Level associated with cost of living adjustments and health benefit increases for General Fund bureaus. These funds are known as the “compensation set-aside.” In most

bureaus, these costs are absorbed by vacancies experienced in the regular course of business. However, when bureaus are at or close to full staffing through most of the year, they can request the necessary compensation set-aside to cover personnel costs.

In this Spring supplemental budget, six bureaus have requested compensation set-aside totaling \$2.5 million. CBO has recommended all requests with the exception of the \$367,000 Parks Bureau request as CBO projects the bureau to experience sufficient underspending in personnel services to cover anticipated costs. Total CBO recommended allocations include \$1.4 million for the Portland Police Bureau, \$0.7 million for Portland Fire & Rescue, \$40,000 for the Office of Neighborhood Involvement, and less than \$4,000 each for the Office of Equity and Human Rights and the Office of the Mayor. These allocations leave a remaining balance of \$1.0 million in the compensation set-aside account to address issues that may arise later in the fiscal year.

### Reductions>Returns

Two General Fund transfers are recommended which result in a net draw on contingency of \$62,779. These transfers are:

- Reduction of a budgeted transfer of \$200,000 from the Water Bureau's Hydro Fund to the General Fund. Since the sales agreement with Portland General Electric (PGE) in 1979, any excess balance from the sale of hydropower has been transferred to the General Fund, amounting to a few hundred thousand dollars per year. However, the Water bureau is currently renegotiating its current power sales agreement and believes it may require all available resources to bridge the transition to its new contracts.
- Return of \$137,221 of prior year operating surplus funds from the Bureau of Emergency Communications.

### New Requests

Bureaus requested a total of \$754,841 million in new funding as part of the Spring supplemental budget process. Of these, CBO has recommended only \$91,673, including:

- A total of \$29,673 to reimburse the Office of Management and Finance (\$21,825) and the Portland Housing Bureau (\$7,848) for expenses incurred during the operation of the Portland Building emergency winter shelter.
- \$12,000 for increased costs associated with the previously-approved Political Consultant Online Application facilitated by the Auditor's Office.
- \$50,000 to fund a grant agreement with the Metropolitan Public Defenders for the Immigration Protection Project. (Through the passage of Ordinance 188236 on February 15, 2017, Council authorized this grant agreement and directed the City Budget Office to

allocate \$50,000 from General Fund contingency to Special Appropriations as part of the Spring BMP process.)

Items that are not recommended include:

- \$477,020 to support current year expenses incurred at BOEC as the result of a pending new labor agreement. The agreement is currently in arbitration; when the actual amount that the City will incur is known, CBO recommends that the bureau fund the current year expense need out of bureau contingency.
- \$130,000 in the Bureau of Revenue and Financial Services to support anticipated costs of a proposed May charter amendment (\$75,000) and to offset a settlement negotiated in September 2016 with a collection agency (\$55,000). CBO projects the bureau to have sufficient General Fund underspending to absorb these costs.
- \$50,000 in costs incurred by the Fire Bureau to undergo labor bargaining arbitration. CBO projects the bureau to have sufficient General Fund underspending to absorb this cost.

#### Program Carryover

As part of the Spring supplemental budget, General Fund bureaus may request program carryover for projects which are budgeted in the current year but will not be encumbered or spent by the end of the fiscal year. These amounts are reduced from bureau budgets and set-aside for re-budgeting as part of the Proposed and Approved Budgets for the following year. CBO typically only recommends program carryovers for discrete projects with clearly defined scope, timelines and budgets.

This year, CBO received a total of \$5.3 million in carryover requests. Of these, \$285,452 are not recommended for re-budgeting in FY 2016-17. Those that are not recommended include:

- \$64,000 of the total \$89,000 requested in relation to support for Barriers to Employment/Ban the Box policy implementation at the Attorney's Office.
- \$100,000 for Mayor's Office priorities and policy staffing.
- \$50,000 in funding to implement the Auditor's independence, should the proposed Charter Amendment pass in May.
- \$31,452 to continue funding a Continuity of Operations Plan planner for three months into FY 2018-19.
- \$40,000 to provide master planning for an East Portland park.

## Technical Adjustments

The Spring supplemental budget includes a number of technical changes, primarily relating to internal bureau reallocations among major object categories or adjustments to interagency agreements to more accurately reflect projected spending levels.

## Contingency

Total General Fund contingency currently stands at \$4.7 million. This includes unrestricted contingency, compensation set-aside, and funding for items previously approved by Council. CBO recommendations in the Spring supplemental budget would result in a net draw of \$2.3 million on all contingency accounts. This includes a \$154,452 draw on unrestricted contingency and a \$2,159,050 draw on compensation set-aside.

The remaining contingency after recommended Spring BMP changes includes the following:

- \$937,409 unrestricted contingency
- \$952,287 compensation set-aside
- \$5,027,084 program carryover set-aside
- \$517,684 set-aside to fund a true-up in the General Fund Overhead model during FY 2017-18 budget development

**General Fund Reconciliation**

Exhibit #4

	<u>Bureau Request</u>	<u>CBO Recommendations</u>
<b>Compensation Set Aside Request</b>		
Office of Equity & Human Rights - Compensation Set Aside Request (OE_005)	\$17,000	\$3,300
Office of Neighborhood Involvement - Compensation set-aside funding (NI_015)	\$40,000	\$40,000
Office of the Mayor - Mayor's Office-Comp Set-Aside Request (MY_005)	\$3,250	\$3,250
Portland Fire & Rescue - GF Compensation Set-Aside (FR_007)	\$704,227	\$704,227
Portland Parks & Recreation - Spring - Comp Set-Aside (PK_019)	\$367,000	\$0
Portland Police Bureau - Police Compensation Set-Aside (PL_016)	\$1,408,273	\$1,408,273
<b>Total Compensation Set Aside Request</b>	<b>\$2,539,750</b>	<b>\$2,159,050</b>
<b>Mid-Year Reductions</b>		
Fund & Debt Management - Hydro Fund Transfer Reduction (FM_008)	\$200,000	\$200,000
Fund & Debt Management - BOEC Return to General Fund (FM_010)	(\$137,221)	(\$137,221)
<b>Total Mid-Year Reductions</b>	<b>\$62,779</b>	<b>\$62,779</b>
<b>New Request</b>		
Bureau of Emergency Communications - Funding for Labor Contract Changes (EC_005)	\$477,020	\$0
Office of Management & Finance - Facilities - Portland Building Temp Shelter Cost (MF_001)	\$27,472	\$21,825
Office of Management & Finance - BRFS Rev - Offset Collections Agency Settlement (MI_001)	\$55,000	\$0
Office of Management & Finance - BRFS Rev - Charter Amendment Costs (MF_124)	\$75,000	\$0
Office of the City Auditor - Political Consultant Online Application (AU_004)	\$12,000	\$12,000
Portland Fire & Rescue - PFFA Arbitration Cost (FR_015)	\$50,000	\$0
Portland Housing Bureau - Winter Emergency (HC_023)	\$8,349	\$7,848
Special Appropriations - Metropolitan Public Def SA (SA_004)	\$50,000	\$50,000
<b>Total New Request</b>	<b>\$754,841</b>	<b>\$91,673</b>
<b>Program Carryover Request</b>		
Bureau of Planning & Sustainability - program carryover (PN_013)	(\$53,000)	(\$53,000)
City Budget Office - Budget Software Replacement Carryover (BO_002)	(\$960,000)	(\$960,000)
City Budget Office - Process Improvement Carryover (BO_003)	(\$67,500)	(\$67,500)
Office of Equity & Human Rights - General Fund Program Carryover (OE_006)	(\$42,000)	(\$42,000)
Office of Management & Finance - BRFS Acct - Carryover for CAFR Prep Software (MF_001)	(\$59,500)	(\$59,500)
Office of Management & Finance - BRFS - Procurement Liquidated Damages 2 of 2 (MF_002)	(\$60,632)	(\$60,632)
Office of Neighborhood Involvement - Carryover of Homeless/Housing Outreach (NI_011)	(\$230,000)	(\$230,000)
Office of the City Attorney - Technology Fund Carryover (AT_004)	(\$200,000)	(\$200,000)
Office of the City Attorney - Portland Harbor Carryover (AT_005)	(\$108,001)	(\$108,001)
Office of the City Attorney - Barriers to Employment Carryover (AT_006)	(\$89,000)	(\$25,000)
Office of the City Auditor - Auditor's Priorities Carryover (AU_006)	(\$100,000)	(\$50,000)
Office of the City Auditor - IT Applications Carryover (AU_007)	(\$50,000)	(\$50,000)
Office of the Mayor - Mayor's Office-Programmatic Carryover Request (MY_006)	(\$100,000)	\$0
Portland Bureau of Emergency Management - COOP Planner (EM_014)	(\$125,814)	(\$125,814)
Portland Bureau of Emergency Management - Map Your Neighborhood and City Wide Map (EM_015)	(\$50,000)	(\$50,000)
Portland Bureau of Emergency Management - Critical Energy Infrastructure Study (EM_016)	(\$29,000)	(\$29,000)
Portland Bureau of Emergency Management - COOP Quarter Carryover (EM_019)	(\$31,452)	\$0
Portland Development Commission - Mayor's Innovation Fund Carryover (ZD_003)	(\$70,000)	(\$70,000)

**General Fund Reconciliation**

Exhibit #4

	<u>Bureau Request</u>	<u>CBO Recommendations</u>
<b>Program Carryover Request</b>		
Portland Development Commission - Entrepreneurship Carryover (ZD_004)	(\$30,000)	(\$30,000)
Portland Housing Bureau - General Fund Program Carryover (HC_021)	(\$144,555)	(\$144,555)
Portland Parks & Recreation - Spring - GF 1-Time Program Carryover (PK_017)	(\$210,000)	(\$170,000)
Portland Police Bureau - Police Spring Program Carryover (PL_014)	(\$2,502,082)	(\$2,502,082)
<b>Total Program Carryover Request</b>	<b>(\$5,312,536)</b>	<b>(\$5,027,084)</b>
<b>Grand Total</b>	<b>(\$1,955,166)</b>	<b>(\$2,713,582)</b>

## Non-General Fund Changes

The Spring supplemental budget contains several technical changes that regularly occur during the Spring BMP in funds other than the General Fund. These predominantly involve trueing up fund and project budgets to more accurately reflect year-end actuals. In addition, there are a few significant changes in funds other than the General Fund, highlighted below. See the bureau sections for a more complete list of items and further discussion.

- **The Bureau of Environmental Services** is transferring \$19 million from the Sewer Operating Fund to the Rate Stabilization Fund and \$12.3 million to the Sewer Construction Fund. These adjustments are largely a function of robust retail revenue, growth in System Development Charges, conservative revenue budgeting, and lower than anticipated capital improvement project expenditures.
- **The Bureau of Development Services** is requesting authorization for 24 new positions, funded by permit and plan review revenue. The bureau is also increasing appropriation for external materials and services by \$2,300,000 to fund technology expenditures as well as additional office space and materials and services costs for new employees.
- **Facilities Services Operating Fund** is making technical adjustments to allow for up to \$24.8 million to be drawn on the line of credit supporting the Portland Building Reconstruction project during FY 2016-17. The project team anticipates making an initial line of credit draw of up to \$12.1 million during spring 2017 to fund project spending-to-date, with additional draws during the fiscal year dependent on the pace of project progress.
- **CityFleet Operating Fund** is requesting \$600,000 from contingency to purchase 60 tool kits for use by fleet mechanics, shifting to a model in which the City owns fleet tool kits as opposed to mechanics providing their own tools.
- **Workers Compensation Self Insurance Operating Fund** is realigning \$565,000 from the rate stabilization contingency to claims payments to adjust for the updated actuarial claims forecast. Workers' Compensation claims are projected to be higher as a result of new case law and 2015 legislative changes.
- **The Portland Housing Bureau** is appropriating resources to reimburse loans on two projects. This includes \$1.5 million in federal Community Development Block Grant funding to resolve a bridge loan provided through Housing Investment Fund dollars for the acquisition of the Oak Leaf mobile home community. PHB is also budgeting anticipated issuance of \$37.1 million in bond funds to partially reimburse the Bureau of Development Services for the inter-fund loan used to purchase the Ellington Property.
- **Portland Parks & Recreation** is eliminating five greenskeeper positions within the Golf Fund and restructuring of a loan from the Golf Fund to the SDC Capital Fund, lowering debt expenses by \$224,000 in FY 2016-17. These steps are being taken to decrease program expenses in order to align with the projected revenue shortfall. Parks has also requested a technical adjustment to increase revenues in the System Development

Charge program by \$12.0 million to a total of \$22.5 million in FY 2016-17. Lastly, Parks is requesting to carryover \$26.3 million in capital work, which was budgeted but not completed this year. This includes projects funded with General Fund resources in the FY 2016-17 Adopted Budget or Fall BMP, and include fund repairs at Halprin Fountains, the Mt Scott roof and HVAC system, and all of the Washington Park sewer line funding (\$1.0 million of General Fund resources, which was initially funded in the FY 2016-17 Adopted Budget).

## Position Changes

Bureaus are requesting authorization to add 30 new full time positions, convert 8 limited term positions to regular, and one bureau (Parks) is eliminating 5 positions. The Bureau of Development services is adding the bulk of the new positions with 24. All of these transactions are funded through internal reallocation of resources or non-General Fund resources.

The following table summarizes recommended position changes in the supplemental budget:

Bureau	Limited Term	Part Time	Regular	Total
Development Services	-	-	24.00	24.00
Environmental Services	-	-	2.00	2.00
Housing	-	-	1.00	1.00
Management and Finance	-	-	-	-
Neighborhood Involvement	-	0.05	-	0.05
Parks	-	-	(5.00)	(5.00)
Transportation	(8.00)	-	11.00	3.00

Please see bureau sections for more information.

# PUBLIC SAFETY

# Bureau of Emergency Communications

Analyst: Doug Le

## Emergency Communications Fund

	Current Revised Budget (A)	Bureau Request (B)	CBO Recommended Adjustments(C)	Total Recommended Revised (A+B+C)
<b>Resources</b>				
Budgeted Beginning Fund Balance	\$ 1,521,260	\$ 453,580	\$ -	\$ 1,974,840
Charges for Services	349,000	-	-	349,000
Intergovernmental Revenues	7,784,545	58,946	-	7,843,491
Fund Transfers - Revenue	15,681,759	477,020	(477,020)	15,681,759
Miscellaneous	10,000	-	-	10,000
<b>Total Resources</b>	<b>\$25,346,564</b>	<b>\$989,546</b>	<b>(\$477,020)</b>	<b>\$25,859,090</b>
<b>Requirements</b>				
Personnel Services	\$ 16,222,467	\$ 244,966	\$ -	\$ 16,467,433
External Materials and Services	1,089,511	76,000	-	1,165,511
Internal Materials and Services	4,548,227	705,000	-	5,253,227
Bond Expenses	1,412,541	-	-	1,412,541
Fund Transfers - Expense	882,708	137,221	-	1,019,929
Contingency	1,191,110	(173,641)	(477,020)	540,449
<b>Total Requirements</b>	<b>\$25,346,564</b>	<b>\$989,546</b>	<b>(\$477,020)</b>	<b>\$25,859,090</b>

## Key Decisions

- Appropriate \$477,020 in one-time General Fund resources to fund labor bargaining cost adjustments. (Recommended to be funded if needed by the bureau’s contingency)
- Transfer \$137,221 surplus to General Fund. (Recommended)
- Utilize \$490,000 of bureau contingency to increase interagency agreement with OMF to support the PCC HVAC Project. (Recommended)

## Discussion

In the FY 2016-17 Spring BMP, the Bureau of Emergency Communications is requesting \$477,020 in General Fund resources to support the potential labor agreement currently in arbitration; the transfer of \$490,000 of bureau contingency funds to OMF-Facilities to support the Portland Communications Center HVAC project; and a series of technical changes between major object categories to more accurately reflect anticipated spending. The bureau is also returning \$137,221 to General Fund contingency as a result of prior year underspending. CBO recommends all requests, with the exception of the General Fund request for labor bargaining costs. Key issues are discussed in more detail below.

## Labor Contract Changes

The City is currently in labor negotiations with the American Federation of State, County and Municipal Employees Council 75 Local 189-2. At the time of CBO recommendations, bargaining has gone to arbitration. The City's last best offer will cost an additional \$208,396 in one-time resources in FY 2016-17. If the arbiter sides with the Union's last best offer, the additional cost in the current year will be \$606,857: \$477,020 General Fund and \$129,567 Public Safety Partner cost share. BOEC requests to budget the Union's last best offer amount in the Spring BMP.

In FY 2016-17, the bureau's beginning fund balance is \$1,974,840 of this amount \$865,000 remains available as bureau contingency after the HVAC project funding, General Fund operating surplus refund, Public Safety Partner refund, and Computer Aided Dispatch Refresh project. CBO recommends that BOEC use its contingency to fund the General Fund portion of this request if necessary, which reduces the BOEC contingency to under \$400,000. The Public Safety Partner cost share of the labor contract changes will be paid by the partners, about 20% of the total cost.

In the out years, the additional costs based on the Union's last best offer could reach \$1,820,125 per year. In that case, additional General Fund and Public Safety Partner resources will be needed to support the bureau's operations.

## Transfer Surplus to General Fund

At the end of each fiscal year, BOEC reconciles their final operating revenues and expenditures for the prior year. Any operating budget surplus will be refunded to BOEC partners and the General Fund. For this Spring BMP, BOEC will return \$137,211 to the General Fund. In the FY 2015-16 Spring BMP, BOEC returned \$331,264 to the General Fund. The lower refund in this fiscal year is due to additional costs related to overtime because of a decreasing number of certified staff. The bureau also had more trainees compared to prior years. CBO recommends this request.

## Increase Interagency Agreement with OMF

BOEC requests to transfer \$490,000 from contingency to fund charges related to the upgrade of the Portland Communications Center building's data center, radio, IRNE rooms, and HVAC systems. The total cost of the project is \$1,000,000, the cost is split between BOEC (49%) and the Bureau of Technology Services (51%). CBO recommends this request.

## Year End Projections

Overall, the bureau is projected to finish the fiscal year within its budget. The Spring BMP includes several requests to align resources with requirements. The major requests are discussed in the sections above.

# Bureau of Fire and Police Disability and Retirement

Analyst: Ryan Kinsella

## Supplemental Budget Changes to All Funds

	Current Revised Budget (A)	Bureau Request (B)	CBO Recommended Adjustments(C)	Total Recommended Revised (A+B+C)
<b>Resources</b>				
Budgeted Beginning Fund Balance	\$ 13,338,094	\$ -	\$ -	\$ 13,338,094
Taxes	128,071,818	-	-	128,071,818
Interagency Revenue	905,200	-	-	905,200
Fund Transfers - Revenue	1,500,000	-	-	1,500,000
Bond and Note	34,476,000	-	-	34,476,000
Miscellaneous	443,200	-	-	443,200
<b>Total Resources</b>	<b>\$178,734,312</b>	<b>\$0</b>	<b>\$0</b>	<b>\$178,734,312</b>
<b>Requirements</b>				
Personnel Services	\$ 2,086,912	\$ -	\$ -	\$ 2,086,912
External Materials and Services	120,312,236	1,000,000	-	121,312,236
Internal Materials and Services	11,161,988	300,000	-	11,461,988
Capital Outlay	46,000	30,000	-	76,000
Bond Expenses	34,899,037	-	-	34,899,037
Fund Transfers - Expense	1,810,028	-	-	1,810,028
Contingency	7,668,111	(1,330,000)	-	6,338,111
Unappropriated Fund Balance	750,000	-	-	750,000
<b>Total Requirements</b>	<b>\$178,734,312</b>	<b>\$0</b>	<b>\$0</b>	<b>\$178,734,312</b>

## Key Decisions

- Reallocate \$1,330,000 from contingency in the Fire and Police Disability and Retirement (FPDR) Fund to cover unbudgeted pension payments resulting from labor arbitration decisions, PERS reimbursements, and additional expenses of a new retiree web portal. (Recommended)

## Discussion

The bureau's projected fund expenses can be covered within existing tax revenue and contingency funds. As such, the bureau will not require any reserve funds to meet pension and disability obligations in FY 2016-17. FPDR has submitted only one request for a budget adjustment, which will reallocate \$1,330,000 from contingency in the Fire and Police Disability and Retirement (FPDR) Fund to cover unbudgeted pension payments result from labor arbitration decision and additional expenses of a new retiree web portal. OPSRP pension

expenses for firefighters, which are reimbursed by FPDR, are also projected to exceed budgeted amounts by \$300,000 due to higher overtime and premium costs.

### **Year End Projections**

The Bureau of Fire & Police Disability & Retirement (FPDR) is projected to end the fiscal year within appropriations, pending the approval of Spring supplemental budget adjustments. Levy revenues are projected to achieve budgeted amounts, and tax anticipation note bond proceeds and expenses were less than budgeted amounts. Less bond funding was needed than originally anticipated to achieve cash flow needs during the year.

# Portland Police Bureau

Analyst: Katie Shifley and Claudio Campuzano

## Supplemental Budget Changes to All Funds

	Current Revised Budget (A)	Bureau Request (B)	CBO Recommended Adjustments(C)	Total Recommended Revised (A+B+C)
<b>Resources</b>				
Budgeted Beginning Fund Balance	\$ 3,851,212	\$ -	\$ -	\$ 3,851,212
Licenses & Permits	1,481,000	-	-	1,481,000
Charges for Services	2,560,672	1,000,000	-	3,560,672
Intergovernmental Revenues	11,894,670	869,160	-	12,763,830
Interagency Revenue	5,804,870	-	-	5,804,870
Miscellaneous	834,550	-	-	834,550
General Fund Discretionary	180,859,106	(1,093,809)	-	179,765,297
<b>Total Resources</b>	<b>\$207,286,080</b>	<b>\$775,351</b>	<b>\$0</b>	<b>\$208,061,431</b>
<b>Requirements</b>				
Personnel Services	\$146,511,607	\$ 2,480,773	\$ -	\$148,992,380
External Materials and Services	25,778,833	544,010	-	26,322,843
Internal Materials and Services	34,315,074	(2,345,432)	-	31,969,642
Capital Outlay	673,566	96,000	-	769,566
Contingency	7,000	-	-	7,000
<b>Total Requirements</b>	<b>\$207,286,080</b>	<b>\$775,351</b>	<b>\$0</b>	<b>\$208,061,431</b>

## Supplemental Changes to the General Fund

	Current Revised Budget (A)	Bureau Request (B)	CBO Recommended Adjustments(C)	Total Recommended Revised (A+B+C)
<b>Resources</b>				
Licenses & Permits	\$ 1,481,000	\$ -	\$ -	\$ 1,481,000
Charges for Services	2,560,672	1,000,000	-	3,560,672
Intergovernmental Revenues	6,792,416	353,500	-	7,145,916
Interagency Revenue	5,804,870	-	-	5,804,870
Miscellaneous	804,150	-	-	804,150
General Fund Discretionary	180,859,106	(1,093,809)	-	179,765,297
<b>Total Resources</b>	<b>\$198,302,214</b>	<b>\$ 259,691</b>	<b>\$ -</b>	<b>\$198,561,905</b>
<b>Requirements</b>				
Personnel Services	\$145,108,747	\$ 2,480,773	\$ -	\$147,589,520
External Materials and Services	19,207,706	28,350	-	19,236,056
Internal Materials and Services	33,470,747	(2,345,432)	-	31,125,315
Capital Outlay	515,014	96,000	-	611,014
<b>Total Requirements</b>	<b>\$198,302,214</b>	<b>\$ 259,691</b>	<b>\$ -</b>	<b>\$198,561,905</b>

## Key Decisions

- Appropriate \$1.4 million of General Fund compensation set-aside to cover personnel services related expenditures. (Recommended)
- Process \$2.5 million of program carryover for projects that were delayed during the year. A portion of these carryover projects are funded via interagency underspending, particularly fuel and vehicle replacement savings. (Recommended)
- Recognize increases in outside program revenues for reimbursable overtime (\$1,050,000), federal asset forfeiture proceeds (\$500,000), and reimbursable expenses associated with Trimet Transit Police (\$251,000). (Recommended)
- Process technical adjustments in the Grant Fund and Special Revenue Fund to match anticipated resources and expenditures. (Recommended)

## Discussion

### Personnel Services Spending

Personnel and staffing issues continue to be a primary focus for the Police Bureau in FY 2016-17. The bureau projects that total personnel services spending will exceed the current budget by 0.13% (about \$200,000). Net of adjustments for reimbursable overtime, the bureau projects personnel services underspending of approximately \$850,000, but is requesting \$1.4 million in Compensation Set-Aside (equating to less than 1% of the bureau's personnel budget) to provide for uncertainties inherent in personnel services spending driven by overtime and the net impact of hiring/attrition decisions. Key issues related to personnel spending and projections are discussed in detail below.

### Vacancy Savings

The bureau continues to accrue significant vacancy savings, with 54 sworn and 36 non-sworn positions currently vacant, and anticipates underspending on salary and benefits by \$3.9 million. However, vacancy savings in the current year have been partially offset by significant draws, including the 3% pay-rate increases under the renegotiated Portland Police Association (PPA) agreement, payouts for retiring employees, limited term positions funded via vacancy savings, and reliance on overtime to backfill patrol staffing shortages and address unforeseen demonstrations:

- The PPA agreement increased top of salary pay rates for officers by 3% beginning in January 2017, which was intended to be absorbed within current appropriation levels. The estimated impact is \$1.2 million, based on September projections.
- Year-to-date, the Police Bureau has added 5.0 limited term positions funded via vacancy savings, and projects approximately \$270,000 in personal services spending for these

unbudgeted positions. A total of 8 limited term positions were authorized in the FY 2016-17 Fall BMP – not all positions have been filled – and ongoing funding for these positions has been requested in Police’s FY 2017-18 Requested Budget. The year-to-date spending does not include personnel services realignments approved in the FY 2016-17 Fall BMP that support an additional attorney that is focused on DOJ compliance and 3.0 investigators hired by Multnomah County District Attorney’s office.

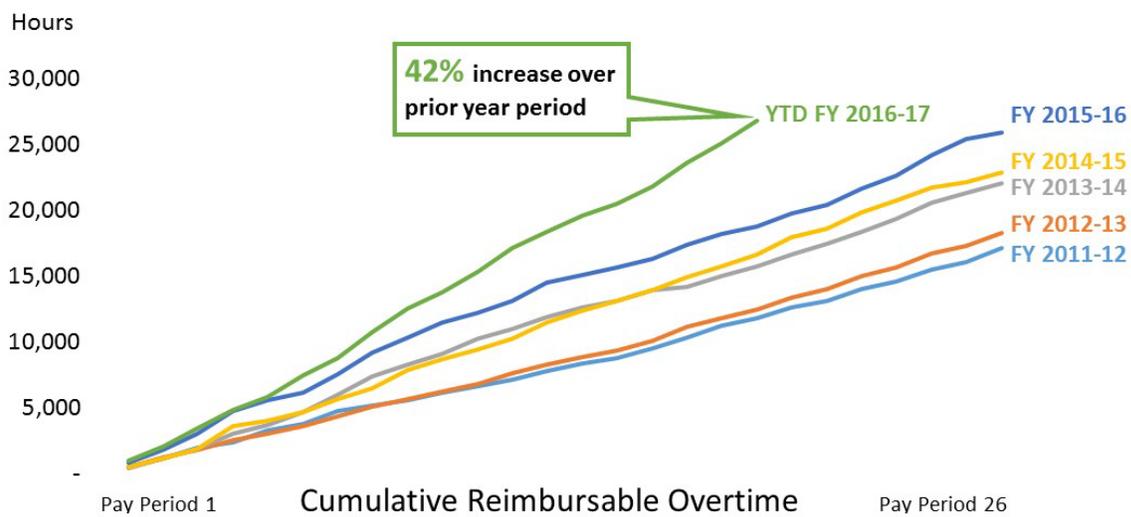
- As of February 2017, the Police Bureau had spent \$1.77 million on overtime to address the personnel shortage and \$1.5 million on unbudgeted demonstration-related overtime.

### *Overtime Spending*

The bureau’s projection for year-end overtime spending is \$12.1 million, including \$9.9 million for non-reimbursable overtime (\$7.8 million is currently budgeted) and \$2.2 million in revenue-backed overtime (\$1.3 million is currently budgeted). CBO projects a more modest total overtime spend of \$11.6 million. Overtime to backfill personnel shortages and maintain minimum staffing levels is the primary driver for overtime expenses, comprising roughly 22% of total overtime spending year-to-date. Notably, year-to-date spending on overtime to address personnel shortages is down 26% relative to the prior year. This is likely due to the October 2016 reassignment of 24 sworn personnel from specialty units to precinct patrol functions and shift changes implemented earlier in the year. Overtime to manage protests has had a significant impact on overtime spending in FY 2016-17; the bureau has spent \$1.5 million to date on unbudgeted protest-related overtime, and projects spending an additional \$900,000 by fiscal year-end.

The bureau is also requesting to recognize an additional \$1.05 million in revenue-backed overtime. This category of overtime includes both overtime reimbursed by other jurisdictions and overtime reimbursed by private companies through secondary employment. Secondary employment overtime (e.g. a retail store paying for an off-duty officer to provide security services) is significantly higher than in previous years.

Reimbursable overtime is increasing year-over-year, and has exceeded the current year budget by 130%



CBO recommends the bureau’s request for \$1.4 million in General Fund Compensation Set-Aside to offset \$2.4 million in projected unbudgeted spending for protest-related overtime and to allow for flexibility to address uncertainties in personnel spending due to variable hiring/attrition patterns as the bureau continues to accelerate its hiring process and manage vacancies through operational overtime. CBO also recommends the request for \$1.05 million in appropriation for personnel services spending backed by reimbursable overtime funded by other jurisdictions and private companies, albeit with some concern regarding the impact on the bureau’s ability to maintain minimum staffing levels.

### Program Carryovers

The bureau is requesting to carryover \$2.5 million for various internal and external procurement transactions that will not be completed in the current fiscal year. Several of these projects were budgeted in the current year, while approximately \$815,000 of project costs are being funded from underspending on interagency agreements for fuel, vehicle replacement and printing and distribution. CBO typically only recommends program carryovers for discrete projects with clearly defined scope, timelines and budgets. These projects are often appropriated or begun in one year but require carryover into subsequent years to be completed. The Police bureau commonly utilizes underspending to opportunistically address materials and services expenses that are not annual, or for which there is no mechanism to establish life-cycle replacement funding (e.g. strategic planning expenses, facilities improvements, or one-off equipment purchases). The most significant carryovers are highlighted below:

- \$834,619 for the purchase of body-worn camera hardware, the original amount allocated in FY 2013-14, that is not anticipated to be used in the current fiscal year.
- \$388,500 for a Crisis Negotiation Team (CNT) vehicle, inclusive of IT and communications equipment. Funding for this purchase was also carried over in FY 2015-16. The vehicle is a highly customized van designed as a command center to manage major critical incidents. The vehicle is expected to be operational in FY 2017-18.
- \$350,000 for locker room renovations at North Precinct. A portion of the total project cost will be funded by major maintenance reserves.
- \$275,000 for a full replacement of the Integrated Biometric Information System (IBIS), which is a system that allows for real time fingerprinting in the field and is near end-of-life.
- \$172,670 for the purchase and installation of an interview room tracking system.
- \$130,000 for the purchase and installation of acoustic panels for an indoor firearms training range.
- \$100,000 for architectural design work for the build-out of the 2<sup>nd</sup> floor of the Training Center.

CBO is recommending the carryover of these projects. CBO notes that, based on the bureau's 5-year timeline for body worn camera implementation, the camera funding will likely not be utilized in the current fiscal year, or possibly even in FY 2017-18. Updated estimates indicate one-time hardware costs will be closer to \$1.3 million for a fully deployed body worn camera program, with an additional \$1.3 million in one-time costs for storage and program evaluation. Low confidence estimates for ongoing costs for a fully implemented program are approximately \$1.7 million annually, depending on a variety of programmatic and policy decisions that will not be finalized until FY 2017-18. CBO has recommended reducing ongoing funding for body worn cameras by \$1.3 million on a one-time basis in FY 2017-18; the current ongoing allocation of \$1.7 million will be available in FY 2018-19 barring other changes.

#### Technical changes and Other Revenue-Backed Expenses

The bureau is also requesting various technical changes to transfer internal materials and services underspending to external materials and services, recognize reimbursable equipment expenses associated with Trimet Transit Police, recognize additional federal asset forfeiture revenue in the Police Special Revenue Fund, and adjust grant appropriations and matching funds in the Grants Fund. CBO recommends these requests.

#### Year End Projections

The Police Bureau projects to spend or have encumbered 99% of the bureau's General Fund budget in FY 2016-17. General Fund discretionary resources are projected to be underspent by

\$1.8 million, or 1%, based on the requested revised Spring BMP budget. As noted above, despite significant vacancy savings, major drivers for projected increased personnel services spending include unanticipated protest-related overtime, utilization of vacancy savings for limited term employees, and higher than normal uptake of secondary employment overtime. The reassignment of 24 staff from specialty units to patrol functions has reduced spending on operational overtime relative to the prior year, but the bureau will continue to rely on overtime to maintain minimum staffing levels until significant vacancies are filled. There are no significant concerns with the Grants Fund or the Police Special Revenue Fund.

# Portland Fire & Rescue

Analyst: Ryan Kinsella

## Supplemental Budget Changes to All Funds

	Current Revised Budget (A)	Bureau Request (B)	CBO Recommended Adjustments(C)	Total Recommended Revised (A+B+C)
<b>Resources</b>				
Budgeted Beginning Fund Balance	\$ 3,823,872	\$ 3,094,920	\$ -	\$ 6,918,792
Licenses & Permits	2,550,000	340,000	-	2,890,000
Charges for Services	1,595,000	-	-	1,595,000
Intergovernmental Revenues	638,130	40,000	-	678,130
Interagency Revenue	5,179,450	300,000	-	5,479,450
Miscellaneous	132,000	20,000	-	152,000
General Fund Discretionary	105,804,856	754,227	(50,000)	106,509,083
General Fund Overhead	77,098	-	-	77,098
<b>Total Resources</b>	<b>\$119,800,406</b>	<b>\$4,549,147</b>	<b>(\$50,000)</b>	<b>\$124,299,553</b>
<b>Requirements</b>				
Personnel Services	\$ 97,023,341	\$ 1,404,227	\$ -	\$ 98,427,568
External Materials and Services	7,593,355	(140,000)	(50,000)	7,403,355
Internal Materials and Services	6,561,914	10,000	-	6,571,914
Capital Outlay	8,621,796	3,274,920	-	11,896,716
<b>Total Requirements</b>	<b>\$119,800,406</b>	<b>\$4,549,147</b>	<b>(\$50,000)</b>	<b>\$124,299,553</b>

## Supplemental Changes to the General Fund

	Current Revised Budget (A)	Bureau Request (B)	CBO Recommended Adjustments(C)	Total Recommended Revised (A+B+C)
<b>Resources</b>				
Licenses & Permits	\$ 2,550,000	\$ 340,000	\$ -	\$ 2,890,000
Charges for Services	1,595,000	-	-	1,595,000
Intergovernmental Revenues	615,000	40,000	-	655,000
Interagency Revenue	5,179,450	300,000	-	5,479,450
Miscellaneous	132,000	20,000	-	152,000
General Fund Discretionary	105,804,856	754,227	(50,000)	106,509,083
General Fund Overhead	77,098	-	-	77,098
<b>Total Resources</b>	<b>\$115,953,404</b>	<b>\$1,454,227</b>	<b>(\$50,000)</b>	<b>\$117,357,631</b>
<b>Requirements</b>				
Personnel Services	\$ 97,023,341	\$ 1,404,227	\$ -	\$ 98,427,568
External Materials and Services	7,570,225	(140,000)	(50,000)	7,380,225
Internal Materials and Services	6,461,914	10,000	-	6,471,914
Capital Outlay	4,897,924	180,000	-	5,077,924
<b>Total Requirements</b>	<b>\$115,953,404</b>	<b>\$1,454,227</b>	<b>(\$50,000)</b>	<b>\$117,357,631</b>

## Key Decisions

- Appropriate compensation set-aside of \$704,227 to fund projected personnel costs through FY 2016-17. (Recommended)
- Reallocate \$4.8 million in full-time salary costs to fund the projected costs of premiums and overtime. (Recommended)
- Add three permanent inspector positions that will be funded with plan review and permitting fees. (Recommended)
- Reallocate \$180,000 from materials and services to fund capital costs related to replacement generators, upgrade video production system and other improvements. (Recommended)
- Appropriate \$50,000 to fund Portland Fire & Rescue's portion of cost of the state arbitrator for the contract negotiations with Portland Fire Fighters Association. (Not recommended)

## Discussion

Portland Fire & Rescue (PF&R) requests all of the bureau's share of the budgeted compensation set-aside to meet projected salary, benefit, and overtime cost. The bureau also requests \$50,000 to fund its portion of arbitration costs for the contract negotiations with Portland Fire Fighters Association, and to create three permanent inspector positions that will be funded with permit revenues. The remaining requests are mostly technical and include recognizing outside resources and grant revenues, adjusting interagency agreements between City bureaus, and reallocating materials and services budget to cover capital costs.

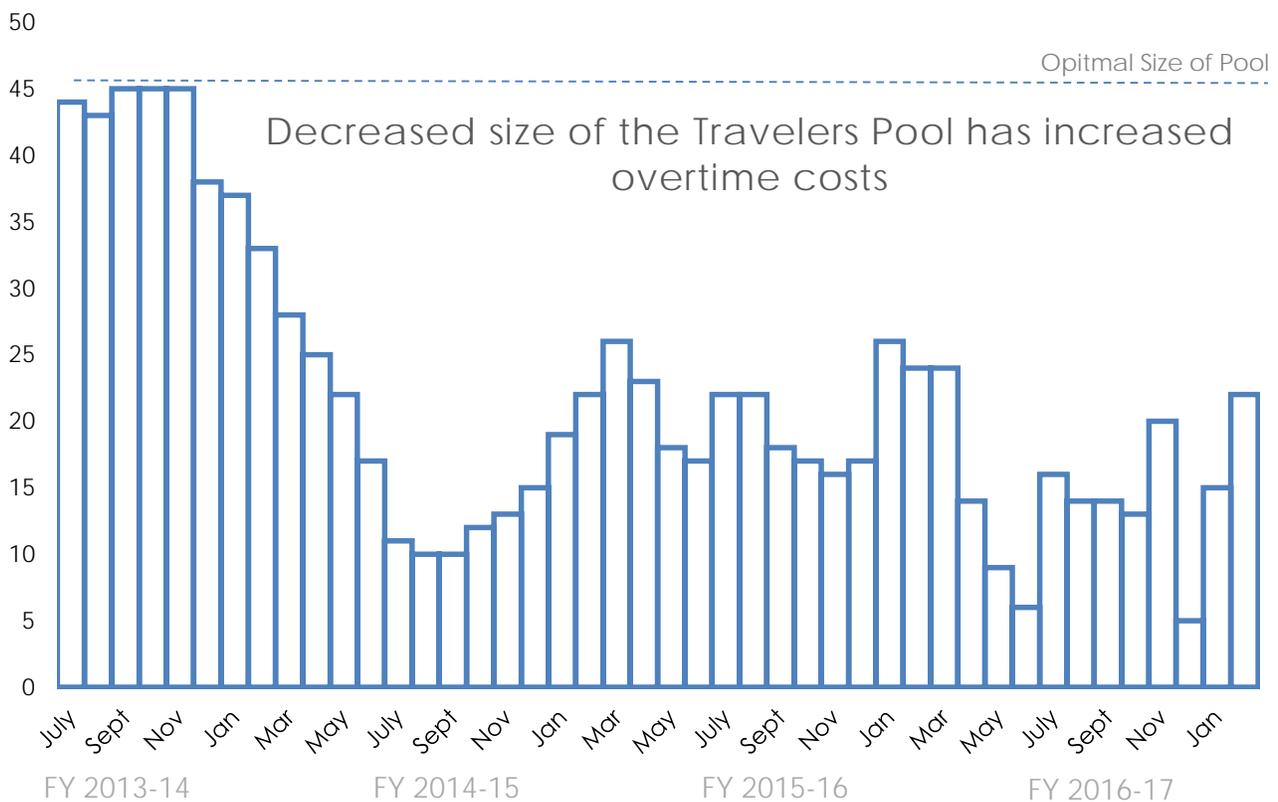
### Personnel Services Spending

The Personnel Services category represents 85% of the bureau's expense budget and is currently projected to be nearly fully spent by fiscal year end. In order to ensure the bureau has resources available to cover these expenses, PF&R has requested \$704,000 of compensation set-aside, in addition to requesting to reallocate salary budget to overtime and recognizing an additional \$300,000 in permit revenues for overtime costs specifically within the inspections and permit program.

While unforeseen overtime costs were incurred as a result of the recent winter storms (\$62,000) and protests/rapid response team activities (\$27,000), the primary driver of bureau personnel spending is due to call shift or replacement overtime. Call shift or replacement overtime is used to meet minimum staffing requirements while firefighters take vacation, sick and other leave. This type of overtime is approximately \$360,000 more this year as compared to the same fiscal period last year, largely due to increased sick and family parental leave and due to fewer firefighters in the Travelers Pool. The number of leave hours requiring

replacement overtime has increased by 4% compared to previous years; family parental leave, which was not offered as a City benefit in previous years, accounts for 2% in replacement overtime.

Staffing of the Travelers Pool (the group of firefighters – typically filled by new hires – that are designated to fill vacation, sick and other leaves at stations to reduce call shift overtime) has been less than in previous years. Specifically, there are an average of 16.1 firefighters in Travelers Pool this year, whereas last year there was an average of 20.3 firefighters in the pool. The bureau targets having 45 firefighters in the pool, which results in the least costly balance of having regularly staffed positions in the pool and using call shift overtime. To the degree that there are fewer firefighters to fill shifts in the Travelers Pool, these shifts are then filled by firefighters being paid overtime. As evidenced in the chart below, the number of firefighters is approximately half of the optimal number and has significantly decreased since FY 2013-14, resulting in increased overtime costs.



There are two primary drivers of the current lower numbers of firefighters in the pool: (1) fewer candidates entered firefighting in the past two years as a result of the budget uncertainty resulting from the 26 positions that were converted to limited-term, grant-fund positions in FY 2013-14; and (2) an increased number of retirements in FY 2015-16 results in a greater number of positions being transferred out of the Travelers Pool into fire stations.

Increasing the number of new hires – and thus, the size of the Travelers Pool – is constrained by the fact that all new hires are required to complete one year of training and that the bureau has limited staff capacity to increase the number of training classes. However, beginning in July 2015, the bureau doubled the number of training classes, resulting in a cohort of 12 new recruits every three months instead of every six months as previously was the case. As a result, 32-35 new firefighters will complete their training and enter the Travelers Pool by the end of 2017, lessening the use of call shift overtime and also preparing for the next spike in retirements. In September 2017, there will be a year-long stretch that includes 27 pay periods, which is likely to result in a spike of retirements.

### Arbitration Costs

To resolve contract negotiations with Portland Fire Fighters Association, the bureau will enter formal arbitration. The estimated cost of the state arbitrator is projected to be \$100,000 based on estimates provided by the City Attorney's Office. These costs are split evenly between the City and the Portland Fire Fighters Association, and so the bureau has requested \$50,000 to cover these costs. Arbitration is likely to begin towards the end of fiscal year and continue into FY 2017-18, and so potentially only a portion of the requested \$50,000 will be needed in FY 2016-17.

While this cost is unforeseen, CBO projects the bureau to have sufficient underspending to cover any costs incurred in FY 2016-17 and does not recommend funding. However, as noted in FR\_10, PF&R uses any underspending to fund additional capital and maintenance costs. As such, funding the arbitrator within bureau resources comes at the opportunity cost of not funding other maintenance needs.

### Year End Projections

Portland Fire & Rescue (PF&R) is projected to end FY 2016-17 within appropriations pending the approval of the bureau's request for compensation set-aside. Revenues from permits are currently projected to collect \$300,000 to \$500,000 more than the Revised Budget. As such, the bureau has requested to increase permit fee revenues in the Spring BMP. CBO projects spending for Personnel Services to end the fiscal year within 1% of the bureau's revised budget. External materials and services are projected to be underspent by a considerable amount; however, CBO notes that PF&R intends to either receive or encumber all available discretionary funds for the procurement of goods and services, capital expenses, and for interagency agreements.

# Portland Bureau of Emergency Management

Analyst: Jessica Kinard

## Supplemental Budget Changes to All Funds

	Current Revised Budget (A)	Bureau Request (B)	CBO Recommended Adjustments(C)	Total Recommended Revised (A+B+C)
<b>Resources</b>				
Intergovernmental Revenues	\$ 2,057,218	\$ (15,790)	\$ -	\$ 2,041,428
Interagency Revenue	10,000	-	-	10,000
Miscellaneous	-	720	-	720
General Fund Discretionary	1,439,671	(236,266)	81,452	1,284,857
General Fund Overhead	1,415,600	-	-	1,415,600
<b>Total Resources</b>	<b>\$4,922,489</b>	<b>(\$251,336)</b>	<b>\$81,452</b>	<b>\$4,752,605</b>
<b>Requirements</b>				
Personnel Services	\$ 2,237,885	\$ (125,814)	\$ -	\$ 2,112,071
External Materials and Services	1,833,113	(268,797)	81,452	\$ 1,645,768
Internal Materials and Services	851,491	-	-	\$ 851,491
Capital Outlay	-	143,275	-	\$ 143,275
<b>Total Requirements</b>	<b>\$4,922,489</b>	<b>(\$251,336)</b>	<b>\$81,452</b>	<b>\$4,752,605</b>

## Supplemental Budget Changes to the General Fund

	Current Revised Budget (A)	Bureau Request (B)	CBO Recommended Adjustments(C)	Total Recommended Revised (A+B+C)
<b>Resources</b>				
Intergovernmental Revenues	\$ 30,266	\$ -	\$ -	\$ 30,266
Interagency Revenue	10,000	-	-	10,000
Miscellaneous	-	720	-	720
General Fund Discretionary	1,439,671	(236,266)	81,452	1,284,857
General Fund Overhead	1,415,600	-	-	1,415,600
<b>Total Resources</b>	<b>\$2,895,537</b>	<b>(\$235,546)</b>	<b>\$81,452</b>	<b>\$2,741,443</b>
<b>Requirements</b>				
Personnel Services	\$ 1,780,998	\$ (289,809)	\$ -	\$ 1,491,189
External Materials and Services	528,623	(91,097)	81,452	\$ 518,978
Internal Materials and Services	585,916	145,360	-	\$ 731,276
<b>Total Requirements</b>	<b>\$2,895,537</b>	<b>(\$235,546)</b>	<b>\$81,452</b>	<b>\$2,741,443</b>

## Key Decisions

- Process program carryover of \$125,814 in personnel expenditures and \$31,452 in external materials and services to fund the continuation of the one-time funded COOP planner position through September of 2018. (Partially recommended)

- Process program carryover of \$29,000 for the fossil fuel inventory/assessment project. (Recommended)
- Process program carryover of \$50,000 for a Map Your Neighborhood and citywide mailers. (Recommended)

## Discussion

The Portland Bureau of Emergency Management experienced moderate salary savings and delayed external materials and services spending this year due to vacancies primarily in three positions, and is requesting program carryovers totaling \$236,266 in one-time General Fund resources. CBO recommends \$204,814 of these requests, with the understanding that the bureau plans to continue to spend external materials and services at a lower-than-historical rate. The bureau is also submitting technical changes between major object categories primarily to reflect appropriate charges to federal grants.

### COOP Planner Carryovers

Two carryover requests totaling \$157,266 would fund the limited-duration COOP planner until October of 2018. The position was hired with one-time funds in October of 2016. The bureau is projected to have sufficient salary savings to fund the position through FY 2017-18 (\$125,814), partially due to the delayed hiring of this position. Although this extends the originally planned duration of the position, CBO recommends this request as an appropriate use of one-time underspending. CBO does not recommend the additional carryover of \$31,452 in external materials and services funding due to concerns about the bureau's ability to end the year on budget if provided this carryover. CBO also notes that these additional funds are not intended to be used in next year's budget, but would require a subsequent carryover into FY 2018-19.

### Other Program Carryovers

The bureau is requesting the carryover of \$29,000 in funding appropriated in the FY 2016-17 Fall Supplemental Budget to provide a fossil fuel inventory/assessment. The bureau intends to launch the assessment after the state legislature decides whether it will create a task force around the topic. CBO recommends this request.

PBEM is also requesting carrying over \$50,000 in external materials and services funding for mailers to provide the public with hazard mitigation and other disaster preparedness information and resources. These mailers were planned for the current year but not processed due to staff vacancies. Three quarters into the year, the bureau has spent or encumbered 71% of its EMS budget and has approximately \$147,000 remaining for the year.<sup>1</sup> Should the bureau spend its EMS following a similar fashion as in previous years, it would end the year with

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<sup>1</sup> Assuming the requested and recommended carryover of fossil fuel inventory project funding.

roughly \$25,000 in EMS underspending which is not sufficient to support the requested carryover. However, the bureau has stated that it does not intend to spend EMS similarly to previous years and will have sufficient underspending to support this carryover. If the bureau continues to spend its EMS following the current year spending pattern, the year-end balance would total \$70,000 which could support this carryover. CBO recommends this request.

### **Year End Projections**

Without carryovers, and assuming bureau management of external materials and services spending, CBO projects the bureau to end the year having underspent its General Fund allocation by \$230,000 or 8%, primarily a result of staff vacancies throughout the year. With the \$204,814 in CBO-recommended carryovers, CBO projects the bureau to end the year with approximately \$25,000 in total year-end savings, representing less than 1% of their budget. The bureau's Grants Fund is projected to end the year on budget.

# PARKS, RECREATION, AND CULTURE

# Portland Parks & Recreation

Analyst: Ryan Kinsella

## Supplemental Budget Changes to All Funds

	Current Revised Budget (A)	Bureau Request (B)	CBO Recommended Adjustments(C)	Total Recommended Revised (A+B+C)
<b>Resources</b>				
Budgeted Beginning Fund Balance	\$ 85,713,793	\$ 23,047,053	\$ -	\$ 108,760,846
Taxes	500	-	-	500
Licenses & Permits	419,443	220,000	-	639,443
Charges for Services	43,272,277	11,939,880	-	55,212,157
Intergovernmental Revenues	2,288,271	(1,144,952)	-	1,143,319
Interagency Revenue	2,289,885	55,000	-	2,344,885
Fund Transfers - Revenue	10,218,841	979,300	-	11,198,141
Bond and Note	12,916,768	(12,916,768)	-	-
Miscellaneous	2,240,648	2,478,800	-	4,719,448
General Fund Discretionary	62,451,068	157,000	(327,000)	62,281,068
<b>Total Resources</b>	<b>\$221,811,494</b>	<b>\$24,815,313</b>	<b>(\$327,000)</b>	<b>\$246,299,807</b>
<b>Requirements</b>				
Personnel Services	\$ 67,522,975	\$ 488,880	\$ (367,000)	\$ 67,644,855
External Materials and Services	34,241,398	1,373,805	40,000	35,655,203
Internal Materials and Services	12,834,070	(1,135,000)	-	11,699,070
Capital Outlay	83,157,561	(26,218,323)	-	56,939,238
Bond Expenses	633,944	-	-	633,944
Fund Transfers - Expense	1,471,892	979,300	-	2,451,192
Contingency	21,786,354	49,326,651	-	71,113,005
Unappropriated Fund Balance	163,300	-	-	163,300
<b>Total Requirements</b>	<b>\$221,811,494</b>	<b>\$24,815,313</b>	<b>(\$327,000)</b>	<b>\$246,299,807</b>

## Supplemental Changes to the General Fund

	Current Revised Budget (A)	Bureau Request (B)	CBO Recommended Adjustments(C)	Total Recommended Revised (A+B+C)
<b>Resources</b>				
Licenses & Permits	\$ 419,443	\$ 220,000	\$ -	\$ 639,443
Charges for Services	18,362,591	-	-	18,362,591
Intergovernmental Revenues	108,000	-	-	108,000
Interagency Revenue	2,247,306	55,000	-	2,302,306
Miscellaneous	788,148	-	-	788,148
General Fund Discretionary	62,451,068	157,000	(327,000)	62,281,068
<b>Total Resources</b>	<b>\$84,376,556</b>	<b>\$432,000</b>	<b>(\$327,000)</b>	<b>\$84,481,556</b>
<b>Requirements</b>				
Personnel Services	\$ 57,821,169	\$ 529,048	\$ (367,000)	\$ 57,983,217
External Materials and Services	17,992,468	263,000	40,000	18,295,468
Internal Materials and Services	8,512,919	(360,048)	-	8,152,871
Capital Outlay	50,000	-	-	50,000
<b>Total Requirements</b>	<b>\$84,376,556</b>	<b>\$432,000</b>	<b>(\$327,000)</b>	<b>\$84,481,556</b>

## Key Decisions

- Eliminate 5.0 FTE greenskeeper positions within Golf Program and lower program expenses in order to offset a decrease in golf fee revenues. (Recommended)
- Allocate \$290,000 from the Tree Damages Recovery Fund to fund a portion of the Urban Forestry Delta Park Maintenance Facility. (Recommended)
- Process program carryover of \$210,000 for the three master plans in East Portland, the Off-Road Cycling Plan, and the Scholarship Program Coordinator. (Partially recommended)
- Appropriate compensation set-aside of \$367,000 to fund projected personnel costs through FY 2016-17. (Not recommended)
- Process carryover of \$26.3 million in capital costs to FY 2017-18. (Recommended)

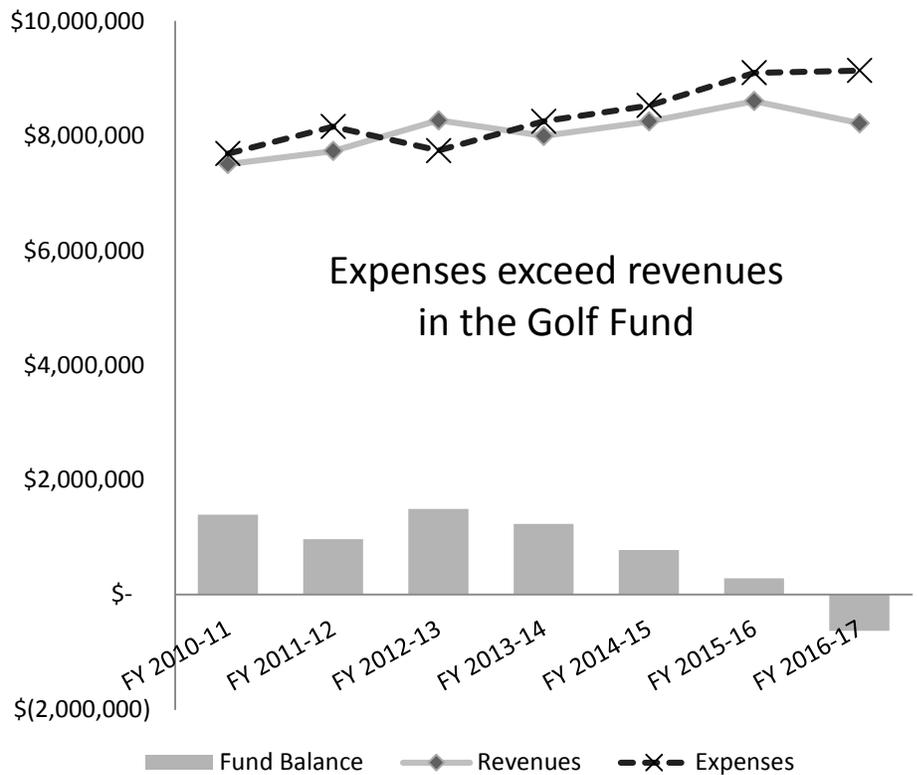
## Discussion

### Golf Program

In addition to slower-than-anticipated fee collections at Colwood Golf Course, which reopened in April 2015, wet winter conditions have negatively impacted revenues at City courses. However, the Golf Program's fiscal challenges are not new and follow national trends of decreasing interest in the sport. The chart below illustrates the concerning trend in the Golf Program. Over the past five years, expenses (including debt payments and capital costs) have exceeded revenues, decreasing the program's fund balance from \$1.4 million in FY 2010-11 to

\$286,000 at the end of the last fiscal year. This trend is projected to continue through FY 2016-17, potentially resulting in a negative fund balance if not immediately addressed.

Several steps are being taken to address this issue: (1) elimination of greenskeeper positions in order to lower personnel costs (PK\_020), and (2) restructuring of a loan from the Golf Fund to the SDC Capital Fund, lowering debt expenses by \$224,000 in FY 2016-17, and (3) implementation of other short-term revenue enhancements and cost savings measures, such as delaying the cost of seasonal employees, delaying fertilizing schedules, and implementing voluntary and non-represented/



management furloughs. To the degree that a negative fund balance is projected by the time of the overexpenditure ordinance, the program may need to be subsidized by an alternative funding source, which may include the General Fund.

CBO and the bureau will continue to track revenue collections at City-owned courses and Colwood specifically over the next year while reassessing the long-term fiscal sustainability of the Golf program. Moreover, CBO recommends that the bureau continue to develop strategies to ensure that the Golf Program remains solvent. These strategies should be developed in the context of addressing both overall program goals and bureau’s broader recreation goals.

### System Development Charge Revenues

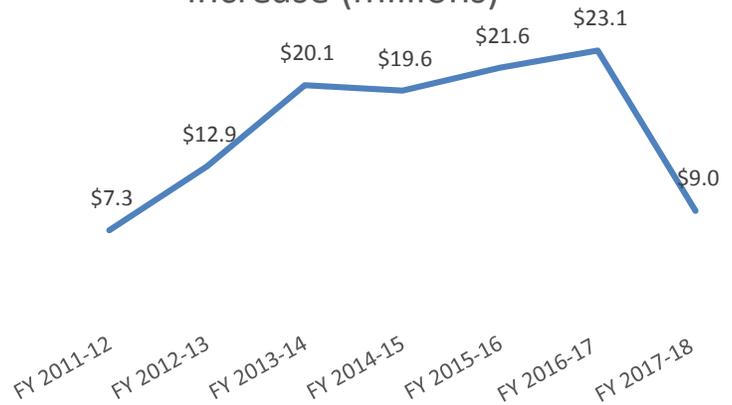
Parks has also requested a technical adjustment to increase revenues in the System Development Charge program by \$12.0 million to a total of \$22.5 million in FY 2016-17. CBO notes that the revised budgeted amount is less than the current year actual revenues and SDC fund will have a greater balance beginning in FY 2017-18. The bureau has projected revenues of \$9.0 million next year, which is an amount comparable to the revenues received prior to the economic recovery but approximately half of the amount received in the most recent four

years. While the pace of development is eventually expected to lessen, CBO notes that the projected figure is conservative and that revenues are likely to exceed projected amounts over the next two to three years.

These additional revenues will allow the bureau to create new parks and facilities, thereby expanding capacity in underserved parts of the city. However, as noted in prior CBO analyses, creating parks with SDC resources also adds annual operating and maintenance expenses. Based on current conservative estimates, an additional \$2.0 to \$3.0 million in operation and maintenance funding will be needed over the next five years

to fund SDC-funded parks. General Fund resources will likely be requested to fund these costs. To the degree that SDC revenues exceed these conservative estimates, a greater balance will be available to allocate funds towards new SDC-funded projects, and as a result, increase the need for additional operations and maintenance resources.

Annual SDC revenues continue to increase (millions)



### Request for Compensation Set-Aside

As part of its FY 2016-17 Adopted Budget, Parks received ongoing funding of \$4,385,199 to convert seasonal positions into 101.25 permanent FTE as a result of the arbitration settlement. This provided funding for the entire fiscal year, but many of the positions were not created until the October 1<sup>st</sup> deadline as provided in the agreement. As a result, underspending in personnel services is projected.

Despite these projected savings, the bureau is requesting compensation set-aside as a result of two offsetting increases in personnel costs. First, the bureau estimated \$300,000 in additional costs due to employees who participate in the Volunteer Retirement Incentive Program. Second, as initial step in a series of increases, Oregon minimum wage is increasing from \$9.75 to \$11.25 (Portland metro area) on July 1<sup>st</sup>, 2017. These will be followed by a series of increases through 2023 until minimum wage exceeds \$15/hour. Currently, 55% (or approximately 1600 of 3000 seasonal employees) make less than \$11.25 per hour. Rather than increasing wages beginning July 1<sup>st</sup> (which would not increase costs in the current fiscal year), the bureau has made a decision to hire summer seasonal employees at increased amounts in anticipation of the July 1<sup>st</sup> change. This not only impacts employees making less than \$11.25 per hour, but due to wage compression, hourly wages will also be increased for who previously

make more than \$11.25 per hour. This will result in approximately \$300,000 additional costs in FY 2016-17.

Even with these additional costs, CBO projects that there will be sufficient underspending in personnel services due to the availability of the arbitration settlement savings and does not recommend the request for \$367,000 in compensation set-aside.

#### Facilities Improvements for Urban Forestry

Included within PK\_016 is an adjustment that moves \$290,000 from the Tree Damages Recovery Fund to fund facilities improvement for Urban Forestry at Delta Park. Using these funds for this purpose may be allowable under City Code and these facility improvements have been prioritized by the bureau. Moreover, given that there are limited resources for Parks' major maintenance needs, considering alternative funding sources is important for all projects. CBO highlights this particular adjustment to make transparent how this project will be funded, particularly in light of this funds' intended use.

#### Carryover for Master Plans of East Portland Parks

Parks is requesting to carry over funding for three master plans for East Portland parks. Funding of \$300,000 was initially approved in FY 2014-15 Fall BMP for Mills and Midland, and Wilkes Headwater Parks. The full amount of \$300,000 was carried over into FY 2015-16, and then \$280,000 was carried over into FY 2016-17. As part of this Spring BMP request, the bureau is requesting to carryover \$80,000. These plans are currently in the design and public process phase, and are expected to be submitted to Council for approval in the fall of 2017. CBO notes that the original request was not intended to fund the master plan of 150th and Division, and so CBO has not recommended this portion of the request (\$40,000). However, CBO also notes that the strategic direction of Parks is to expand access in East Portland, and that SDC funding is available for capacity-enhancing improvements. CBO recommends that this park plan be funded within existing resources. Alternatively, Council could approve the entire carryover request, expanding the scope of the funding beyond its original intent.

## Year End Projections

#### General Fund

Program fees within Recreation Services are currently projected to be lower than budgeted. The degree to which there is revenue shortfall will largely depend upon program registrations for early summer programs. Potential under collection may be offset by materials and services spending, which is projected to be underspent at year end.

#### Other Bureau Funds

As discussed above, the Golf Program is unlikely to achieve revenue targets and several measures will be taken to avoid a negative fund balance by year end. Portland International

Raceway is projected to achieve revenue targets while personnel services and materials and services costs are trending to be underspent, indicating that fund balance may increase by year end. Parks Capital Program Fund is likely to be significantly underspent, indicating that capital projects will be carried into next fiscal year.

# PUBLIC UTILITIES

# Portland Water Bureau

Analyst: Shannon Fairchild

## Supplemental Budget Changes to All Funds

	Current Revised Budget (A)	Bureau Request (B)	CBO Recommended Adjustments(C)	Total Recommended Revised (A+B+C)
<b>Resources</b>				
Budgeted Beginning Fund Balance	\$197,025,018	\$ 127,859	\$ -	\$197,152,877
Taxes	-	-	-	-
Licenses & Permits	0	0	-	0
Charges for Services	165,665,337	3,660,000	-	169,325,337
Intergovernmental Revenues	555,000	-	-	555,000
Interagency Revenue	3,544,320	9,200	-	3,553,520
Fund Transfers - Revenue	179,787,612	2,554,093	-	182,341,705
Bond and Note	91,875,000	91,514,826	-	183,389,826
Miscellaneous	3,413,770	-	-	3,413,770
General Fund Discretionary	-	-	-	-
General Fund Overhead	-	-	-	-
<b>Total Resources</b>	<b>\$641,866,057</b>	<b>\$ 97,865,978</b>	<b>\$ -</b>	<b>\$739,732,035</b>
<b>Requirements</b>				
Personnel Services	\$ 67,001,679	\$ -	\$ -	\$ 67,001,679
External Materials and Services	30,399,801	2,907,000	-	33,306,801
Internal Materials and Services	22,086,345	(152,000)	-	21,934,345
Capital Outlay	54,782,000	(13,736,000)	-	41,046,000
Bond Expenses	60,698,563	94,126,320	-	154,824,883
Fund Transfers - Expense	185,354,176	2,290,454	-	187,644,630
Contingency	98,814,366	24,347,747	-	123,162,113
Unappropriated Fund Balance	122,729,127	(11,917,543)	-	110,811,584
<b>Total Requirements</b>	<b>\$641,866,057</b>	<b>\$ 97,865,978</b>	<b>\$ -</b>	<b>\$739,732,035</b>

## Supplemental Changes to the Water Operating Fund

	Current Revised Budget (A)	Bureau Request (B)	CBO Recommended Adjustments(C)	Total Recommended Revised (A+B+C)
<b>Resources</b>				
Budgeted Beginning Fund Balance	\$ 81,915,825	\$ 40,434	\$ -	\$ 81,956,259
Taxes	-	-	-	-
Licenses & Permits	-	-	-	-
Charges for Services	162,665,337	3,660,000	-	166,325,337
Intergovernmental Revenues	555,000	-	-	555,000
Interagency Revenue	3,478,820	9,200	-	3,488,020
Fund Transfers - Revenue	97,094,935	15,139	-	97,110,074
Bond and Note	-	-	-	-
Miscellaneous	1,324,449	-	-	1,324,449
General Fund Discretionary	-	-	-	-
General Fund Overhead	-	-	-	-
<b>Total Resources</b>	<b>\$347,034,366</b>	<b>\$ 3,724,773</b>	<b>\$ -</b>	<b>\$350,759,139</b>
<b>Requirements</b>				
Personnel Services	\$ 66,644,531	\$ -	\$ -	\$ 66,644,531
External Materials and Services	29,938,972	2,907,000	-	32,845,972
Internal Materials and Services	21,931,592	(152,000)	-	21,779,592
Capital Outlay	54,782,000	(13,736,000)	-	41,046,000
Bond Expenses	3,913,342	(48,500)	-	3,864,842
Fund Transfers - Expense	88,576,734	2,538,954	-	91,115,688
Contingency	81,247,195	12,215,319	-	93,462,514
Unappropriated Fund Balance	-	-	-	-
<b>Total Requirements</b>	<b>\$347,034,366</b>	<b>\$ 3,724,773</b>	<b>\$ -</b>	<b>\$350,759,139</b>

## Key Decisions

- Appropriate funds from bureau external materials and services to increase interagency with the Bureau of Environmental Services by \$50,000 for lead testing. (Recommended)
- Increase external materials and services and decrease contingency by \$1 million to fund the Groundwater Program for additional electricity charges of delivering groundwater from the Columbia South Shore Wellfield for 32 days. (Recommended)
- Appropriate \$45,000 from bureau contingency to increase external materials and services for the Low Income Fixture Repair Program. (Recommended)
- Eliminate the \$200,000 budgeted cash transfer from the Hydropower Operating Fund to the General Fund to cover transition costs to the new sales agreement. (Recommended)

## Discussion

The Portland Water Bureau submitted nine requests for budget adjustments in the Spring FY 2016-17 BMP. Most of the adjustments are technical and include updates to interagency agreements, adjustment from Hydropower Operating Fund to the General Fund, and adjustments to beginning fund balances.

### Lead Sampling and Testing

The bureau is requesting a \$50,000 one-time increase to the interagency with BES to address the rise in lead testing in FY 2016-17. The bureau estimates the additional funding will cover approximately 4,000 samples. From July to December 2016, BES completed 300 samples for Portland Public Schools and 2,980 tests for customers. From January to March 2017, BES analyzed 1,344 customer lead samples for the bureau.

In addition to lab services from BES, the Water Bureau received approval in the FY 2016-17 Fall BMP for three permanent positions to address the increase in lead testing at its in-house lab. As of February 2017, two of the three positions have been hired. Recruitment for the third permanent position closed recently. In August 2016, the bureau also hired two limited term Environmental Tech I's to focus on testing City-owned properties, daycares, and other high-risk facilities for lead in the water. A third limited term position, a Lab Analytical Specialist, was hired in January 2017 to assist with lead sampling. These positions are funded with contingency in FY 2016-17.

CBO recommends the \$50,000 increase to the interagency with BES for lead testing.

### Groundwater Adjustment

After the bureau submitted its FY 2017-18 budget request, routine monitoring in the Bull Run watershed detected the parasite *Cryptosporidium* in the Bull Run water source. In response to several positive tests, the bureau switched to groundwater from the Columbia South Shore Wellfield for approximately one month. Groundwater is a more expensive source for the bureau due to the electricity needed to pump the water.

Consequently, the bureau is requesting a \$1 million adjustment to fund the estimated electrical charges for running groundwater at 100% between February and March of this year. The additional expense is funded from the bureau's contingency. Currently, \$640,000 is budgeted in the FY 2016-17 adopted budget for groundwater electricity which covers 24 days at 90 Mgal/d. The bureau used groundwater for 17 days at the beginning of the fiscal year but at a low range of daily production. CBO recommends this request.

### Low Income Fixture Repair Program

This request increases the funding for the Low Income Fixture Repair program from \$60,000 to \$105,000. The program provides financial assistance for repairing leaky toilets, faucets, plumbing and underground leaks for customers enrolled in the low-income assistance program who own and occupy their homes.

The bureau states that the program has experienced an increase in the number of repairs as well as the costs for those repairs. In the first six months of FY 2016-17, the bureau performed 53 repairs compared to an average of 59 a year for the past three years. With the additional funding, the bureau estimates it will perform 30 to 40 more repairs by the end of FY 2016-17. The bureau attributes this year's increase to marketing the fixture repair program in the Water/Smart Quarterly Report that went out to Low Income Discount Program (LINC) customers between August 2016 and November 2016 who are participating in the pilot project. Approximately 3,500 customers are part of the pilot which is a 3-year outreach project for LINC customers to improve water efficiency through water use information and water saving tips. The bureau states that no future message with Water/Smart report is planned, but that the bureau has been increasing outreach for the entire low-income program.

CBO recommends the \$45,000 increase to the Low Income Fixture Repair Program.

### Adjust General Fund Transfer from the Hydropower Operating Fund

This request eliminates the \$200,000 cash transfer from the Hydropower Operating Fund to the General Fund. This transfer is tied to the methods used to finance the Portland Hydroelectric Project (PHP) in the 1970s, in which profit realized from the operation of the PHP was directed to the City's General Fund. Since the sales agreement with Portland General Electric (PGE) in 1979, any excess balance from the sale of hydropower has been transferred to the General Fund, amounting to a few hundred thousand dollars per year.

The sales agreement with PGE ends in August of 2017. Prior to the end of the contract, the bureau needs to replace the existing agreement with a new Power Purchase Agreement (PPA), Operations and Maintenance Agreement (OMA) and new Power Transition Agreement (PTA). Negotiations for these new agreements are in progress; however, the bureau asserts that the Hydroelectric Power Operating Fund will need the excess balance in FY 2016-17 to cover transition costs. This directly lowers General Fund contingency by \$200,000 in the current budget year. The bureau is also forecasting that minimal profits will be generated during the first few years of the transition to the new PPA and OMA, making Hydropower Operating Fund cash transfers to the General Fund unlikely in the five-year forecast. This projection is driven by low market power prices, new contract implementation and startup costs, higher anticipated operations and maintenance costs under the new contract and capital

improvements to control systems in FY 2020-21. Given this uncertainty, CBO is not including the cash transfer from the Hydropower Operating Fund to the General Fund in the forecast.

While CBO recommends this request to reverse the \$200,000 cash transfer to the General Fund, CBO notes concerns about potential unmet hydropower liabilities and the role of the General Fund under the new agreements.

### Capital Improvement Projects

This request is a net decrease to the CIP budget by \$11,824,000 due to lower than expected capital improvement spending. This reduction increases the Water Operating Fund's contingency. A summary of these variances are outlined by program type below.

- Customer Service: Increases the customer service budget by \$574,000. The increase is driven by upgrades and enhancements to the Cayenta Billing System, which the bureau added to the capital improvement project list. Included is a \$202,000 decrease in the interagency with the Revenue Bureau to reflect the shift to the capital improvement program budget.
- Distribution: Reduces the distribution budget by \$6,230,000. Reduction is driven by easement acquisition, design delays and delays from other bureaus. The Willamette River Pipe is included in this program. The project has \$2.52 million budgeted for FY 2016-17. Year to date expenditures are \$689,072. The variance is a result of delays obtaining PTE services. Geotechnical investigation work is underway.
- Regulatory Compliance: Reduces the budget for regulatory compliance by \$400,000 because no willing sellers were located for the water rights purchase.
- Supply: Reduces the budget for supply projects by \$1,318,000, a 28% reduction from the FY 2016-17 Adopted Budget. This reduction is driven by delays hiring consultant(s) for Dam 1 Needle Valve and Groundwater Electrical Improvements (bidding rescheduled for Spring 2017) and design delays for watershed road projects.
- Support: Increases the support budget by \$50,000 to fund construction project management software, fiber optic communication to the Sandy River Facility and minor building improvements to the Water Control Center.
- Transmission/Storage: Reduces the transmission storage budget by \$4.7 million, a 13% reduction from the FY 2016-17 adopted budget. The reduction driven by permitting delays for Washington Park.
- Treatment: Increases treatment budget by \$200,000 from the FY 2016-17 adopted budget. The increase is driven by higher construction costs to complete Lusted Hill generator improvements. The confidence level for the higher construction costs is high.

CBO recommends these requests.

## Other Adjustments

Besides the other revenue and budget adjustments, the Water Bureau also requested to:

- Make a \$120,000 technical adjustment with BES for Coordinated Site Assessment for the Interstate facilities.
- Adjust the budget to recognize proceeds from the December 2016 Water System Revenue Bond Sale and Refunding.
- Increase revenue interagency by \$9,200 with the Office of Management & Finance Facilities Services for space leased to store personal property from homeless campsite cleanups.
- Adjust cash transfers by \$3,867,544 between Water Bureau funds for additional capital revenue transfers.
- Increase revenue from the Bureau of Technology Services (BTS) to refund \$63,639 in reserve funds collected for electronic equipment replacements. The bureau entered into a MOU with BTS to opt out of maintaining an account with BTS for the future replacement of electronic equipment. Instead, the bureau will replace equipment at the direction of BTS and provide funding as needed at the time such replacement is directed.

CBO recommends these requests.

## Year End Projections

The bureau is adjusting its beginning fund balance for the bureau's operating fund to match the CAFR balance. Similarly, the budgeted beginning fund balance for all of Water's funds increases modestly, at \$127,859, totaling approximately \$197 million. The bureau will determine the use of the approximately \$12 million in operating funds from contingency in future budget years.

# Bureau of Environmental Services

Analyst: Shannon Fairchild

## Supplemental Budget Changes to all Funds

	Current Revised Budget (A)	Bureau Request (B)	CBO Recommended Adjustments(C)	Total Recommended Revised (A+B+C)
<b>Resources</b>				
Budgeted Beginning Fund Balance	\$ 292,335,000	\$ 420,000	\$ -	\$ 292,755,000
Taxes	-	-	-	-
Licenses & Permits	2,295,000	-	-	2,295,000
Charges for Services	349,245,000	22,050,000	-	371,295,000
Intergovernmental Revenues	403,755	275,170	-	678,925
Interagency Revenue	2,690,121	(190,000)	-	2,500,121
Fund Transfers - Revenue	334,244,919	23,801,873	-	358,046,792
Bond and Note	171,300,000	(157,000,000)	-	14,300,000
Miscellaneous	3,260,000	450,000	-	3,710,000
General Fund Discretionary	-	-	-	-
General Fund Overhead	-	-	-	-
<b>Total Resources</b>	<b>\$ 1,155,773,795</b>	<b>\$ (110,192,957)</b>	<b>\$ -</b>	<b>\$ 1,045,580,838</b>
<b>Requirements</b>				
Personnel Services	\$ 67,198,807	\$ 156,362	\$ -	\$ 67,355,169
External Materials and Services	60,091,383	805,708	-	60,897,091
Internal Materials and Services	43,645,145	576,400	-	44,221,545
Capital Outlay	79,724,265	(824,000)	-	78,900,265
Bond Expenses	181,023,687	(8,800,000)	-	172,223,687
Fund Transfers - Expense	339,154,084	24,500,000	-	363,654,084
Contingency	308,631,424	(128,607,427)	-	180,023,997
Unappropriated Fund Balance	76,305,000	2,000,000	-	78,305,000
<b>Total Requirements</b>	<b>\$ 1,155,773,795</b>	<b>\$ (110,192,957)</b>	<b>\$ -</b>	<b>\$ 1,045,580,838</b>

## Supplemental Budget Changes to Sewer System Operating Fund

	Current Revised Budget (A)	Bureau Request (B)	CBO Recommended Adjustments(C)	Total Recommended Revised (A+B+C)
<b>Resources</b>				
Budgeted Beginning Fund Balance	\$ 69,180,000	\$ -	\$ -	\$ 69,180,000
Taxes	-	-	-	-
Licenses & Permits	2,295,000	-	-	2,295,000
Charges for Services	344,735,000	22,050,000	-	366,785,000
Intergovernmental Revenues	140,755	-	-	140,755
Interagency Revenue	2,117,621	(70,000)	-	2,047,621
Fund Transfers - Revenue	121,434,635	1,873	-	121,436,508
Bond and Note	-	-	-	-
Miscellaneous	955,000	450,000	-	1,405,000
General Fund Discretionary	-	-	-	-
General Fund Overhead	-	-	-	-
<b>Total Resources</b>	<b>\$540,858,011</b>	<b>\$ 22,431,873</b>	<b>\$ -</b>	<b>\$563,289,884</b>
<b>Requirements</b>				
Personnel Services	\$ 66,588,909	\$ 146,142	\$ -	\$ 66,735,051
External Materials and Services	57,444,037	568,808	-	58,012,845
Internal Materials and Services	42,737,820	43,350	-	42,781,170
Capital Outlay	78,439,265	(739,000)	-	77,700,265
Bond Expenses	3,261,971	-	-	3,261,971
Fund Transfers - Expense	218,733,398	24,500,000	-	243,233,398
Contingency	73,472,611	(2,087,427)	-	71,385,184
Unappropriated Fund Balance	180,000	-	-	180,000
<b>Total Requirements</b>	<b>\$540,858,011</b>	<b>\$ 22,431,873</b>	<b>\$ -</b>	<b>\$563,289,884</b>

### Key Decisions

- Authorize positions and appropriate funds to accelerate the hiring of 2.0 FTE requested in the FY 2017-18 Requested Budget to support the Pollution Prevention Plan Review and the Spill Protection and Citizen Response teams. (Recommended)
- Appropriate funds from beginning fund balance of the Environmental Remediation Fund to fund roof repairs and skylight replacement at Guilds Lake (\$420,000) and (\$100,000) increase to the OMF interagency with OMF Facilities for operations and maintenance at Guilds Lake. (Recommended)
- Increase fund transfers from the Sewer Operating Fund to the Rate Stabilization Fund and Sewer Construction Fund. (Recommended)

## Discussion

The Bureau of Environmental Services submitted seven requests for budget adjustments in the FY 2017-18 Spring BMP. Most of the adjustments are technical and include updates to interagency agreements, operating program adjustments, and adjustments to fund transfers. CBO recommends all requested changes, with discussion on key issues below.

### New Staff Requests

The bureau is requesting to accelerate the hiring of 2.0 new FTE positions (pro-rated for the last two months of the fiscal year) that are being requested in the FY 2017-18 requested budget. The first position, an Environmental Technician I, would support the Pollution Prevention Plan Review team which is already at maximum capacity and experiencing increasing workloads with permit requests for inclusionary housing. The second position, also an Environmental Technician I, would support the Spill Protection and Citizen Response team. The accelerated hiring for this position is important as the bureau experiences seasonal increases in complaints and investigations during the spring and summer months. The bureau is funding the prorated salaries (\$10,142 each) with vacancy savings and a reduction to miscellaneous services.

### Operating Program Adjustments

The bureau is requesting a number of operating program adjustments. CBO recommends all of these requests. Highlighted changes include:

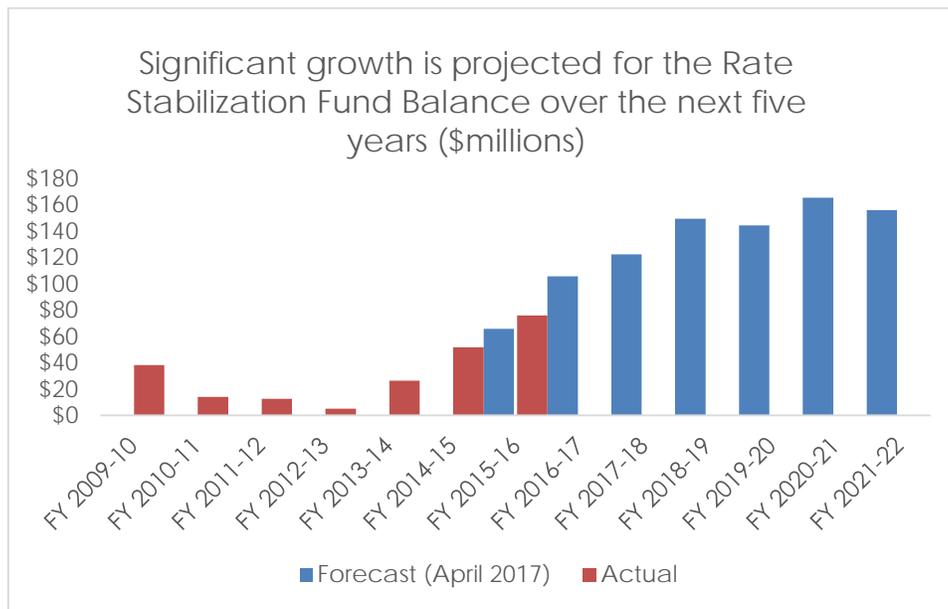
- \$420,000 in roof repairs and skylight replacements at the Guilds Lake facility. The skylights are the biggest cost driver because of their connection to the fire suppression system. This adjustment appropriates funds from the beginning fund balance of the Environmental Remediation Fund. The bureau is also requesting to correct an error in its interagency agreement with OMF Facilities for operations and maintenance at Guilds Lake, increasing the IA by \$100,000 to a total of \$180,000. This correction is funded from the Environmental Remediation Fund's contingency in FY 2016-17.
- \$315,000 reduction in rental revenue from the Portland Housing Bureau (PHB) for leasing Terminal 1. This project did not materialize and the funding allocation was returned to PHB to be appropriated on homeless services.

### Fund Level Transfers

The bureau's request includes a number of fund level transfers within BES's group of funds, all of which are recommended by CBO. Most of these adjustments originate from the Sewer Operating Fund and are transferred to other BES funds, such as the Rate Stabilization Fund, Debt Redemption Fund, and Sewer Construction Fund. These adjustments are largely a

function of robust retail revenue, growth in System Development Charges, conservative revenue budgeting, and lower than anticipated capital improvement project expenditures.

The bureau is also requesting to transfer \$12.3 million from the Sewer Operating Fund to the Sewer Construction Fund which is used to fund capital improvements. This transfer along with lower than forecasted capital improvement expenditures contributed to a \$30.3 million increase (322%) in the fund’s contingency compared to the bureau’s revised budget. Further, a delayed bond sale (\$157 million) generated \$8.8 million in debt service savings in FY 2016-17, which culminated in additional transfers to the Rate Stabilization Fund and Sewer Construction Fund.



CBO anticipates that the business process review to improve capital project delivery and the implementation of the bureau’s strategic plan will decrease the amount of unspent capital expenditures falling to contingency in the next few years. However, given the bureau’s conservative revenue assumptions, robust retail revenue, and lower than anticipated capital expenditures, CBO notes that the Rate Stabilization Fund could result in a larger than projected fund balances in the near term. Thus, the bureau is in a unique position to use these funds to potentially lower the rate of increase from its current forecast of 2.85% and/or increase the share of capital financed with cash.

### Year End Projections

The bureau is not projecting an increase in its operating fund’s beginning fund balance. As noted above, the bureau request includes a number of fund level transfers within BES’s group of funds that are driven by conservative estimates, system growth, revenue from development,

and lower capital improvement expenditures. This dynamic is reflected in the record high growth of the Rate Stabilization Fund.

# COMMUNITY DEVELOPMENT

# Bureau of Development Services

Analyst: Doug Le

## Development Services Fund

	Current Revised Budget (A)	Bureau Request (B)	CBO Recommended Adjustments(C)	Total Recommended Revised (A+B+C)
<b>Resources</b>				
Budgeted Beginning Fund Balance	\$ 62,159,090	\$ -	\$ -	\$ 62,159,090
Licenses & Permits	37,282,949	3,222,078	-	40,505,027
Charges for Services	15,909,098	970,865	-	16,879,963
Interagency Revenue	1,143,386	-	-	1,143,386
Fund Transfers - Revenue	2,117,744	-	-	2,117,744
Bond and Note	-	37,000,000	-	37,000,000
Miscellaneous	3,459,447	1,142,967	-	4,602,414
<b>Total Resources</b>	<b>\$122,071,714</b>	<b>\$42,335,910</b>	<b>\$0</b>	<b>\$164,407,624</b>
<b>Requirements</b>				
Personnel Services	\$ 40,163,770	\$ 352,078	\$ -	\$ 40,515,848
External Materials and Services	2,887,657	2,300,000	-	5,187,657
Internal Materials and Services	10,359,383	2,490,865	-	12,850,248
Capital Outlay	1,611,117	-	-	1,611,117
Bond Expenses	1,165,052	47,220,699	-	48,385,751
Fund Transfers - Expense	1,734,257	-	-	1,734,257
Contingency	24,150,478	(10,027,732)	-	14,122,746
Unappropriated Fund Balance	40,000,000	-	-	40,000,000
<b>Total Requirements</b>	<b>\$122,071,714</b>	<b>\$42,335,910</b>	<b>\$0</b>	<b>\$164,407,624</b>

## Key Decisions

- Increase the bureau’s interagency agreement with OMF by \$2,295,865 to fund increased costs associated primarily with new employees. (Recommended)
- Add 24.0 new positions funded by permit revenues and fees. (Recommended)
- Appropriate \$2,300,000 to external materials and services. (Recommended)
- Appropriate the partial repayment of an inter-fund loan from the Portland Housing Bureau for the purchase of the Ellington Apartment. (Recommended)

## Discussion

### Increase Interagency with Office of Management and Finance

BDS requests an increase in its interagency agreement with OMF as follows to accommodate new employees:

- \$550,000 with City Fleet
- \$90,000 with Printing and Distribution
- \$1,020,865 with Facilities Services
- \$635,000 with Bureau of Technology Services

These additional costs will be funded by BDS permit revenues and fees. CBO recommends these requests.

### New Positions

BDS requests a total of 24.0 new positions in the Spring BMP funded by permit revenues and fees. These positions are necessary to address additional workload due to the strong construction activity in the Portland Metropolitan area. The annual cost of these positions is \$1,760,390, and the current five-year financial plan shows sufficient resources to absorb this additional cost. These positions are allocated in the bureau as follows:

- Public Information and Enforcement Services (3.0 FTE): 1.0 Office Support Specialist, 1.0 Senior Building Inspector, and 1.0 Code Specialist.
- Business Operations and Finance Services (3.0 FTE): 1.0 Business Operations Supervisor, 1.0 Development Services Supervisor, and 1.0 Senior Management Analyst.
- Inspection Services (6.0 FTE): 2.0 Building Inspectors, 1.0 Senior Building Inspector, 1.0 Development Services Technician, 1.0 Building Supervisor, and 1.0 Administrative Supervisor.
- Plan Review and Permitting Services (9.0 FTE): 6.0 Development Services Technicians, and 3.0 Commercial Plans Examiners.
- Land Use Services (3.0 FTE): 3.0 City Planners.

In FY 2016-17, BDS has 383 authorized positions; if the above request is approved the bureau would have 407 positions. At its pre-recessionary peak in FY 2008-09, the bureau had 357 authorized positions. CBO recommends this request, but is concerned that when the economy slows down it will be difficult for the bureau to continue funding this staffing level. BDS reported that it has a Business Continuity Plan and is prepared to alter its staffing levels and/or operational structure during the next economic downturn.

### Additional Resources for External Materials and Services

BDS requests an increase in appropriation for their external materials and services by \$2,300,000. Of this amount, approximately \$986,331 is for technology expenditures, \$600,000

for additional office space in the CH2MHill building, and the remaining amount is for materials and services, education, and training costs for new employees. CBO recommends this request.

#### **Loan repayment from the Portland Housing Bureau (PHB)**

This request is to account for the inter-fund loan from BDS to PHB for the purchase of the Ellington Apartments at 1610 NE 60<sup>th</sup> (see PHB's review for additional information on the Ellington Purchase). The loan amount is \$47,220,699; a partial principal repayment of \$37,000,000 plus \$192,967 in estimated interest payments are anticipated in FY 2016-17. The remaining funds will be repaid in FY 2017-18. CBO recommends this request.

All other budget amendments submitted in the Spring BMP are recommended as requested.

#### **Year End Projections**

BDS is projected to finish the fiscal year within its budget. The bureau continues to report higher than anticipated revenue collection in all major revenue categories due to strong construction activities in the Portland Metropolitan area. The lien amnesty program has been a strong contributor to the bureau's miscellaneous revenues. Capital expenditures will be significantly less than budgeted due to the termination of the Information Technology Advancement Project (ITAP). The Portland Online Permitting System that will replace ITAP is in a discovery stage until June 2017.

# Portland Housing Bureau

Analysts: Jessica Kinard and Jane Marie Ford

## Supplemental Budget Changes to All Funds

	Current Revised Budget (A)	Bureau Request (B)	CBO Recommended Adjustments(C)	Total Recommended Revised (A+B+C)
<b>Resources</b>				
Budgeted Beginning Fund Balance	\$ 15,208,936	\$ (13,472,878)	\$ -	\$ 1,736,058
Taxes	2,688,000	-	-	2,688,000
Charges for Services	1,218,351	3,527,103	-	4,745,454
Intergovernmental Revenues	100,368,848	(22,402,183)	335,000	78,301,665
Interagency Revenue	95,964	-	-	95,964
Fund Transfers - Revenue	1,200,000	574,692	1,212,800	2,987,492
Bond and Note	11,900,000	72,357,499	-	84,257,499
Miscellaneous	60,236,989	(51,223,632)	28,000	9,041,357
General Fund Discretionary	27,925,589	(136,206)	(501)	27,788,882
<b>Total Resources</b>	<b>\$220,842,677</b>	<b>(\$10,775,605)</b>	<b>\$1,575,299</b>	<b>\$211,642,371</b>
<b>Requirements</b>				
Personnel Services	\$ 6,967,776	\$ 90,923	\$ (501)	\$ 7,058,198
External Materials and Services	151,565,213	(63,643,789)	335,000	88,256,424
Internal Materials and Services	1,826,977	(270,000)	28,000	1,584,977
Capital Outlay	54,190,834	13,987,144	-	68,177,978
Bond Expenses	3,216,947	35,688,822	-	38,905,769
Fund Transfers - Expense	1,605,085	574,692	1,212,800	3,392,577
Contingency	1,469,845	2,796,603	-	4,266,448
<b>Total Requirements</b>	<b>\$220,842,677</b>	<b>(\$10,775,605)</b>	<b>\$1,575,299</b>	<b>\$211,642,371</b>

## Supplemental Changes to the General Fund

	Current Revised Budget (A)	Bureau Request (B)	CBO Recommended Adjustments(C)	Total Recommended Revised (A+B+C)
<b>Resources</b>				
Interagency Revenue	\$ 95,964	\$ -	\$ -	\$ 95,964
Fund Transfers - Revenue	-	-	-	-
Bond and Note	-	-	-	-
Miscellaneous	-	-	-	-
General Fund Discretionary	27,925,589	(136,206)	(501)	27,788,882
<b>Total Resources</b>	<b>\$28,021,553</b>	<b>(\$136,206)</b>	<b>(\$501)</b>	<b>\$27,884,846</b>
<b>Requirements</b>				
Personnel Services	\$ 537,866	\$ 7,558	\$ (501)	\$ 544,923
External Materials and Services	27,126,496	171,236	-	27,297,732
Internal Materials and Services	357,191	(315,000)	-	42,191
<b>Total Requirements</b>	<b>\$28,021,553</b>	<b>(\$136,206)</b>	<b>(\$501)</b>	<b>\$27,884,846</b>

## Key Decisions

- Appropriate \$1.5 million in federal Community Development Block Grant funding for the acquisition of the Oak Leaf mobile home community. (Recommended)
- Process General Fund and Housing Investment Fund program carryover of \$254,983 for homeowner retention services and two innovation awards. (Recommended)
- Appropriate \$8,349 in General Fund discretionary for costs related to the Portland Building emergency severe weather shelter. (\$7,848 Recommended)<sup>2</sup>
- Add a contract coordinator position, funded through existing resources. (Recommended)
- Budget \$37.1 million in Housing bond issuance funds and repay 78% of the inter-fund loan plus \$192,967 in interest to the Bureau of Development Services for the purchase of the Ellington Property. (Recommended)

## Discussion

The Portland Housing Bureau (PHB)'s Spring supplemental budget includes program carryovers, allocation of new revenue, and a General Fund contingency request related to costs incurred on behalf of the City for the Portland Building severe winter weather shelter. The bureau has also requested a series of technical adjustments, including re-budgeting project funds for work to take place in FY 2017-18, adjustments which reflect the bureau's changing lines of business related to property acquisition and management, and recognition of the first issuance of bond proceeds from the Housing General Obligation Bond. During the CBO review phase, CBO also inputted a number of technical changes at the bureau's request, primarily reflecting appropriate budgeting of a previously-approved transfer of funding to the Parks Bureau. Notable decision packages are discussed below.

### Oak Leaf Acquisition

In November 2016, the Housing Investment Committee approved a bridge loan of up to \$1.3 million to Living Cully for the acquisition and rehabilitation of the Oak Leaf Mobile Home Park. In the Spring supplemental budget, the bureau requests to appropriate \$1.5 million of federal Community Development Block Grant (CDBG) funds to primarily repay the bridge loan, which was temporarily funded through Housing Investment Fund dollars. The appropriation includes \$200,000 to help cover expenses related to unit rehabilitation, the cost of which is unknown as this time.

CBO recommends this request, as the loan has already been provided and must be repaid by the end of the fiscal year. The use of CDBG resources better aligns with the purpose of this

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<sup>2</sup> This request has been adjusted to match the final expense total.

investment than HIF resources, as the bureau included CDBG funding in a recently-issued [Request for Information for Affordable Housing Preservation](#). Although this project would not have qualified for this particular funding opportunity, the bureau has expressed interest in the possibility of expanding its affordable housing portfolio to include mobile home communities.

However, CBO notes that funding for this particular project was awarded without a competitive process and without formal Council approval since the loan was under three million dollars; and there is limited information available to assess the community benefit of this project in comparison with other potential investment opportunities. While CBO acknowledges the time-sensitive nature of this investment, CBO notes that other communities are likely facing similar challenges as Oak Leaf and were not given the opportunity to apply for City resources. PHB states that it may need to allocate additional dollars, beyond the \$1.5 million included in this request, to cover soft costs associated with the project, the source for which has not yet been identified, and which again would be awarded without a competitive process. CBO recommends that the bureau ensure that all future awarded funds are allocated utilizing practices that maximize the community benefit of limited available City funds and follow processes that are fair and transparent.

#### [Program Carryover and Project Re-budget Requests](#)

The FY 2016-17 Adopted Budget included \$300,000 in new General Fund resources - including \$223,600 in one-time resources - for homeowner assistance and retention services. The bureau has awarded all funds to three service providers, but anticipates requiring additional time to encumber and spend down \$144,555 of the one-time funds, which were primarily awarded to a new contractor with culturally-specific expertise. CBO recommends this request.

PHB also requests a total carryover of \$110,428 for two Innovation Fund projects, which CBO recommends:

The bureau was awarded \$48,000 in FY 2013-14 for the Homeless Data Collection Project. Through collaboration with faith-based groups providing homeless services in Portland, PHB has determined that a secure mobile app is the best platform for data sharing. To date, the bureau has spent a little less than \$15,000, and requests to carry forward the remaining \$33,327 for purchase and configuration of an app. Additionally, the bureau expects that this app could be used by volunteers conducting the Point-in-Time County. The bureau also received \$150,000 in FY 2015-16 for Improving Access to Affordable Housing, which resulted in the creation of [NoAppFee](#). This project has already been contracted, and PHB expects that the funds will be fully spent early within FY 2017-18.

The bureau typically requests a number of Spring supplemental budget adjustments to align affordable housing project funding with updated project timelines. In FY 2016-17, this includes

a proposal to carry over \$4.5 million in Tax Increment Financing resources to help fill anticipated funding gaps due to decreases in Low-Income Housing Tax Credit (LIHTC) yields and rising construction costs. The full impact of LIHTC pricing on current and future affordable housing projects is not yet known, but significant additional resources may be required to make projects financially feasible. PHB and developers are pursuing alternative strategies and funding sources, which may include increasing City subsidies for affordable housing projects. This could significantly impact the City's subsidy per affordable unit, and therefore reduce the number of affordable housing units the City is able to produce with available resources.

### Severe Winter Weather Shelter

In January 2017, the City opened the Portland Building as a temporary homeless shelter due to severe winter weather conditions. Mayor Wheeler requested that able City staff volunteer to assist with shelter operations, with the promise of overtime compensation for eligible employees. Personnel expenses were billed to an account within PHB's budget with the expectation of reimbursement from the General Fund contingency in the Spring BMP. Expenses incurred totaled \$7,848. OMF-Facilities has submitted a related reimbursement request for \$27,472 for various property management services related to the shelter, bringing total shelter costs to \$35,320, not including shelter operational costs absorbed by the Joint Office. CBO is recommending a total of \$29,673 in General Fund contingency reimbursements, including the cost of City volunteer staff hours included in PHB's request and the cost of pest control and bio-hazard clean-up through OMF-Facilities. CBO does not recommend \$5,647 of the OMF-Facilities request to reimburse a portion of project management hours and maintenance technician services. For more detail, please see the OMF review.

### Add a Contract Coordinator Position

The bureau is requesting the addition of a permanent Management Analyst to manage contracting and procurement needs, which have been expanding as the bureau acquires and operates new assets. This position will be funded through the ongoing realignment of internal resources, including a portion of the bureau's General Fund discretionary appropriation. PHB currently has a portion of a position dedicated to purchasing and procurement, which is not sufficient for the current expanded workload. The bureau has also requested the reallocation of funds to enable the hiring of a limited-term capital project manager should the bureau identify a more precise scope of work for that position before year-end. Together, it is anticipated that these two positions will require the bureau to internally reallocate approximately \$25,000 in General Fund resources, with the remainder being funded through the Housing Bond, HIF, TIF and Inclusionary Housing resources.

With the passage of the Bond and with each recent acquisition of property, CBO has highlighted that the decision to have PHB become a more prolific asset owner and manager

will require new operational structures and needs. The bureau has been adding positions to address various aspects of increasing and changing workloads in a somewhat piecemeal fashion through recent budget development and supplemental budget processes: the addition of these two positions will bring the total number of recently approved new limited term or permanent positions to 10, which represents 19% growth over authorized FTE<sup>3</sup> as compared to this time last year. The bureau budget has increased substantially with new housing development resources, but it is not clear if or what additional outstanding staffing needs may exist. CBO recommends this request as there is a clearly demonstrated, urgent need for the contract coordinator; however, CBO recommends that Council direct the bureau to provide a comprehensive staffing plan that demonstrates how current and recently added positions will enable the bureau to holistically and successfully tackle its new responsibilities and roles.

### [Housing Bond Issuance and Ellington Acquisition Repayment](#)

On December 14, 2016, Council approved [Ordinance 188150](#), authorizing financing not to exceed \$51 million for the acquisition and management of the 263-unit housing project known as the Ellington Apartments. While this action approved the use of bond proceeds to fund the project, the sale was scheduled to close before bond funds were available. On December 21, 2016, Council authorized a temporary operating loan of \$51,000,000 from the Development Services Fund to the Housing Bureau to pay initial project costs until other sources became available. An interfund loan in the amount of \$47,039,295 was processed on January 31, 2017. As part of the Spring BMP, the bureau is budgeting the anticipated issuance of \$37.1 million in bond funds and repayment of \$37.0 million of the interfund loan plus \$192,967 in incurred and expected interest payments to the Development Services Fund. The bureau anticipates repaying the remaining \$10.0 million in loaned funds with HUD resources, which are expected to be received sometime early next fiscal year. CBO notes that budgeting the bond funds overstates the bureau's budget by approximately \$37 million as appropriate budget authority was granted with the approved Council motions; however, these changes are necessary to resolve technical accounting issues and are recommended by CBO.

### **Year End Projections**

The bureau is projected to end the year having spent roughly 91% of its General Fund allocation, primarily due to \$2.3 million in projected underspending in external materials and services. This underspending is anticipated to come primarily from funding contracted through the Joint Office of Homeless Services. As a new entity this year, the Joint Office was responsible for establishing new accounting, invoicing and contracting systems, and received several millions of dollars in increased City and County funds. This underspending is projected based

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<sup>3</sup> During FY 2016-17 base budget development, the bureau had 56 FTE, including 4 FTE that were transferred to the Joint Office as part of the budget process, bringing total authorized FTE down to 52 before other budget adjustments were made.

on invoices through the first half of the year and represents roughly 10% of the City's General Fund allocation to the Office. There is still substantial uncertainty around the year-end balance as the Joint Office believes it may be able to spend down all remaining funds.

The newly established Inclusionary Housing Fund is anticipated to come in under budget due to uncertain levels of new receipts from the Construction Excise Tax (CET) and in-lieu Inclusionary Zoning payments. Inclusionary Zoning went into effect on February 1<sup>st</sup> and to date there have been no in-lieu payments made. The bureau relies on in-lieu payments to fund staff reviewing development plans in the Development Services Center. The bureau plans to fill any current year funding gaps with HIF resources, but if sufficient payments do not materialize in the future, the bureau will need to identify another ongoing funding source for these staff.

Bureau grant revenues and expenditures are projected to come in under budget due to a lag between federal funding cycles and the City's budget process. CDBG, HOME, and TIF funds are all projected to end the year below budgeted levels due to project uncertainty and/or re-budgeting in the subsequent years' budget.

# Bureau of Planning & Sustainability

Analyst: Jane Marie Ford

## Supplemental Budget Changes to All Funds

	Current Revised Budget (A)	Bureau Request (B)	CBO Recommended Adjustments(C)	Total Recommended Revised (A+B+C)
<b>Resources</b>				
Budgeted Beginning Fund Balance	\$ 2,832,313	\$ 17,000	\$ -	\$ 2,849,313
Licenses & Permits	2,957,729	-	-	2,957,729
Charges for Services	2,806,284	-	-	2,806,284
Intergovernmental Revenues	2,685,027	32,500	-	2,717,527
Interagency Revenue	1,081,942	-	-	1,081,942
Miscellaneous	83,313	-	-	83,313
General Fund Discretionary	7,931,022	(53,000)	-	7,878,022
General Fund Overhead	794,790	-	-	794,790
<b>Total Resources</b>	<b>\$21,172,420</b>	<b>(\$3,500)</b>	<b>\$0</b>	<b>\$21,168,920</b>
<b>Requirements</b>				
Personnel Services	\$ 11,878,558	\$ (13,180)	\$ -	\$ 11,865,378
External Materials and Services	3,751,635	(46,120)	-	3,705,515
Internal Materials and Services	2,497,694	55,800	-	2,553,494
Bond Expenses	62,016	-	-	62,016
Fund Transfers - Expense	192,699	-	-	192,699
Contingency	80,361	-	-	80,361
Unappropriated Fund Balance	2,709,457	-	-	2,709,457
<b>Total Requirements</b>	<b>\$21,172,420</b>	<b>(\$3,500)</b>	<b>\$0</b>	<b>\$21,168,920</b>

## Supplemental Changes to the General Fund

	Current Revised Budget (A)	Bureau Request (B)	CBO Recommended Adjustments(C)	Total Recommended Revised (A+B+C)
<b>Resources</b>				
Interagency Revenue	\$ 1,074,942	\$ -	\$ -	\$ 1,074,942
General Fund Discretionary	7,931,022	(53,000)	-	7,878,022
General Fund Overhead	794,790	-	-	794,790
<b>Total Resources</b>	<b>\$9,800,754</b>	<b>(\$53,000)</b>	<b>\$0</b>	<b>\$9,747,754</b>
<b>Requirements</b>				
Personnel Services	\$ 8,075,867	\$ (5,000)	\$ -	\$ 8,070,867
External Materials and Services	1,140,493	(80,300)	-	1,060,193
Internal Materials and Services	584,394	32,300	-	616,694
<b>Total Requirements</b>	<b>\$9,800,754</b>	<b>(\$53,000)</b>	<b>\$0</b>	<b>\$9,747,754</b>

## Key Decisions

- Process \$53,000 in General Fund program carryover to complete four projects. (Recommended)
- Increase interagency agreements with the Office of Neighborhood Involvement and Portland Bureau of Transportation by a total of \$55,800 for various projects. (Recommended)

## Discussion

The Bureau of Planning and Sustainability (BPS's) Spring supplemental budget includes a series of technical adjustments, one-time project carryover requests, and adjustments to interagency agreements. Further details about individual requests are provided below.

### General Fund Program Carryover

CBO recommends the bureau's request to carry forward a total of \$53,000 in one-time General Fund resources to complete the following projects:

- Off-Road Cycling Plan (\$15,000): in the Fall supplemental budget, the bureau received an additional \$40,000 in one-time resources for an extended public process around this project. The bureau requests to carry forward the remaining \$15,000 for the final consultant work to take place in Summer 2017.
- Historic Resources Inventory (\$15,000): the bureau is in the process of contracting out the final project work, to be completed in Summer 2017. BPS does not expect to encumber these funds before the end of the fiscal year.
- Beach Access (\$13,000): the bureau will present the final Eastbank Riverfront Plan and Central City Potential Swimming Beach Sites Study to Council in May 2017. It is expected that this hearing will result in further planning workload for the bureau, and interest has been expressed in creating "pop up beaches" in Summer 2017 and beyond. At this time, the immediate resources required by BPS are not clear, and expenses related to implementing these sites will likely fall primarily to other bureaus. CBO recommends the carryover request, but given the uncertainty around expenses, suggests this issue be revisited in the Fall supplemental budget to make any necessary realignments between bureaus for costs related to this project.
- Federally Mandated Floodplain Regulations Update (\$10,000): the bureau carried over approximately \$16,000 from FY 2015-16 in the Fall supplemental budget for a contract related to this project. The Federal Emergency Management Agency (FEMA) has signaled that it will not release local guidance for regulating floodplain development until 2018. Accordingly, the bureau has requested to carry over the remaining \$10,000 to the next fiscal year.

### Technical Adjustments, New Revenue, and Interagency Agreements

BPS is requesting a series of technical adjustments to better align the budget with projected revenue and expenditures. The bureau is also recognizing additional beginning fund balance and grant revenue for cash funding not yet appropriated. These resources will be contracted out for deconstruction activities and analysis related to 100% renewable energy options for City operations.

Additionally, the bureau is reallocating existing resources and appropriating new intergovernmental revenue to increase its interagency agreement with the Portland Bureau of Transportation (PBOT). This includes development of a Regional Smart Cities Implementation Plan in collaboration with Portland State University, TriMet, and other organizations. There is also a small requested increase of \$3,500 for the bureau's interagency agreement with the Office of Neighborhood Involvement (ONI) to support ONI's neighborhood cleanup efforts.

CBO recommends all requests.

### Year-End Projections

The bureau is expected to fully spend or encumber its current year General Fund allocation, with some minimal underspending in personnel services related to interagency agreements; adjustments will be made in the Fall Supplemental Budget for encumbrances that carry over into the next fiscal year.

Grant revenues are projected to end the year approximately 13 percent lower than budgeted, primarily due to delays with the Metro Powell-Division Grant. The bureau expects to carry forward about \$370,000 into FY 2017-18 for this project. This represents a significant change from what the bureau anticipated in its requested budget, which showed a reduction in 0.50 FTE and \$60,462 in funding related to this project. Carryover of multi-year grant funding will be trued-up in the Fall Supplemental Budget.

Consistent with recent historical trends in the Solid Waste Management Fund, commercial tonnage fees are expected to exceed budgeted revenues by approximately six percent.

# Portland Development Commission

Analyst: Josh Harwood & Jessica Eden

## Supplemental Budget Changes to the General Fund

	Current Revised Budget (A)	Bureau Request (B)	CBO Recommended Adjustments(C)	Total Recommended Revised (A+B+C)
<b>Resources</b>				
Intergovernmental Revenues	\$ 150,000	\$ -	\$ -	\$ 150,000
General Fund Discretionary	5,722,462	(100,000)	-	5,622,462
<b>Total Resources</b>	<b>\$5,872,462</b>	<b>(\$100,000)</b>	<b>\$0</b>	<b>\$5,772,462</b>
<b>Requirements</b>				
External Materials and Services	\$ 5,872,462	\$ (100,000)	\$ -	\$ 5,772,462
<b>Total Requirements</b>	<b>\$5,872,462</b>	<b>(\$100,000)</b>	<b>\$0</b>	<b>\$5,772,462</b>

## Key Decisions

- Process a program carryover of \$70,000 in Innovation Fund award funding for Bridging the Digital Divide for Disadvantaged Businesses. (Recommended)
- Process a program carryover of \$30,000 for PDC's loan to the Portland Economic Investment Corporation. (Recommended)

## Discussion

The Portland Development Commission (PDC) is requesting two program carryovers. The first is an Innovation Fund grant that was originally awarded in the fall of 2015. This is the second time that PDC has asked for these funds to be carried over. Last year, PDC indicated that the funds would be dispersed by January 2017; however, due to staffing capacity progress was stalled. Now, the bureau expects to fully deliver the project by the end of FY 2017-18. CBO recommends this request. To the extent that PDC cannot meet these extended terms, the City should require PDC to return these funds at this time next year.

The second carryover request is related to a \$55,250 loan that PDC is making to the Portland Economic Investment Corporation (PEIC). The PEIC serves as the Limited Partner for the Portland Seed Fund II and the Inclusive Fund, which both serve to promote PDC's entrepreneurship program. PDC will disburse \$25,250 in April 2017 to support current operations, but plans to hold disbursement of the remaining \$30,000 until April 2018. CBO also recommends this request.

## Year End Projections

The bureau is expected to end the year on budget with no major issues.

# Office of Neighborhood Involvement

Analyst: Yung Ouyang

## Supplemental Budget Changes to All Funds

	Current Revised Budget (A)	Bureau Request (B)	CBO Recommended Adjustments(C)	Total Recommended Revised (A+B+C)
<b>Resources</b>				
Charges for Services	\$ 1,219,869	\$ 37,500	\$ 37,500	\$ 1,294,869
Intergovernmental Revenues	286,191	-	-	286,191
Interagency Revenue	18,261	3,500	-	21,761
Miscellaneous	3,000	11,500	-	14,500
General Fund Discretionary	8,858,995	(190,000)	-	8,668,995
General Fund Overhead	282,340	-	-	282,340
<b>Total Resources</b>	<b>\$10,668,656</b>	<b>(\$137,500)</b>	<b>\$37,500</b>	<b>\$10,568,656</b>
<b>Requirements</b>				
Personnel Services	\$ 5,314,118	\$ 146,863	\$ 33,624	\$ 5,494,605
External Materials and Services	4,577,509	(327,939)	3,876	4,253,446
Internal Materials and Services	777,029	43,576	-	820,605
<b>Total Requirements</b>	<b>\$10,668,656</b>	<b>(\$137,500)</b>	<b>\$37,500</b>	<b>\$10,568,656</b>

## Key Decisions

- Process program carryover of \$230,000 in General Fund one-time resources for homeless/housing outreach and engagement. (Recommended)
- Process program carryover of \$37,500 in Noise program revenues for a limited-term inspector position. (Not recommended)
- Transfer \$17,522 of General Fund one-time resources originally intended for homeless/housing outreach and engagement materials & services to personal services to prevent over-expenditure resulting primarily from the severance package for the former director. (Recommended)
- Appropriate \$40,000 from compensation set-aside to prevent over-expenditure of personal services resulting primarily from the severance package for the former director. (Recommended)
- Appropriate \$75,000 in additional program revenues for the Marijuana program. (Recommended)
- Increase the East Portland Neighborhood Office (EPNO) Director position FTE by 0.05, a budget neutral action funded by a decrease in salary. (Recommended)

## Discussion

### One-time Funds for Housing Emergency Outreach & Engagement

ONI received \$350,000 of General Fund one-time resources in the FY 2016-17 budget for outreach and engagement related to the city's housing emergency. The bureau has altered how it plans to spend this funding. The original plan limited City staffing support to only the distribution of funds to community organizations to build capacity for leadership development, outreach, and other purposes with low-income tenants, the houseless, and communities of color/immigrants/refugees. ONI believes that a more effective use of the funds is to create two limited term positions in FY 2017-18 to help neighborhood associations understand and address the housing needs of low-income and homeless residents and to implement initiatives related to alternatives to long-term facility based shelter. Of the original \$350,000 that ONI received, the bureau is requesting to carry over \$230,000 into FY 2017-18 for the two positions. In addition, \$62,000 is being reallocated to cover a portion of the former director's targeted severance costs of about \$171,500, with \$17,522 transferred from external materials and services, plus \$44,478 already budgeted in personal services. Of the original total amount of \$350,000, \$58,000 remains in external materials and services. Those funds may fall to balance if there are no other expenditures related to the project in the current year.

### Carryover of \$37,500 of Noise program revenues

ONI budgeted a limited-term Noise Inspector position and the associated increase in program revenues during the Fall BMP and is requesting to carry over both the revenues and the position into FY 2017-18. The position was not filled in FY 2016-17. The bureau notes that existing staff struggled to keep up with the workload and did not have capacity to proactively inspect variances. ONI has identified the position as a long-term need, particularly during peak seasons. CBO does not recommend the carryover request. First, the carryover of program revenues is not recommended for General Fund subsidized programs like the Noise program, because it is assumed that the program revenues are spent first before General Fund discretionary is utilized. The carryover of program revenues is only recommended if they exceed the program's expenditures. Furthermore, the increase in Noise program revenues is already assumed in the bureau's FY 2017-18 Requested budget. ONI has budgeted \$230,000 in program revenues next year, which is higher than the bureau's pre-Spring BMP budget of \$209,500. Thus, the bureau should have enough funds for the position in its budget next year without this carryover request.

### Actions to Prevent Over-Expenditure of Personal Services

ONI is projected to overspend its personal services budget mostly due to a targeted severance package for its former director, along with other factors such as a vacation payout for the retired EPNO Director. As noted above, the bureau is utilizing existing resources to help pay for

the severance payout and is requesting an additional \$40,000 from the City's Compensation Set-Aside. CBO is not recommending the carryover of Noise program revenues in an unrelated request; this provides the bureau with an additional \$37,500 of revenues to cover Noise program related expenditures, freeing up General Fund revenue that ONI can use towards solving the personal services shortfall. However, current projections indicate there may still be a need for the Compensation Set Aside request to prevent over-expenditure. Thus, CBO recommends the appropriation of the additional funds from the set-aside as well as the transfer from external materials and services.

### **Year End Projections**

Prior to the adjustments being made in this Spring BMP, ONI's internal materials & services budget was projected to be overspent. However, the problem is solved with a transfer of funds from external to internal materials & services in request NI\_009.

# Office of Equity & Human Rights

Analyst: Jane Marie Ford

## Supplemental Changes to the General Fund

	Current Revised Budget (A)	Bureau Request (B)	CBO Recommended Adjustments(C)	Total Recommended Revised (A+B+C)
<b>Resources</b>				
Intergovernmental Revenues	\$ 5,000	\$ -	\$ -	\$ 5,000
Interagency Revenue	5,126	-	-	5,126
General Fund Discretionary	1,135,489	(25,000)	(13,700)	1,096,789
General Fund Overhead	575,741	-	-	575,741
<b>Total Resources</b>	<b>\$1,721,356</b>	<b>(\$25,000)</b>	<b>(\$13,700)</b>	<b>\$1,682,656</b>
<b>Requirements</b>				
Personnel Services	\$ 1,365,011	\$ 17,000	\$ (13,700)	\$ 1,368,311
External Materials and Services	172,320	(42,000)	-	130,320
Internal Materials and Services	184,025	-	-	184,025
<b>Total Requirements</b>	<b>\$1,721,356</b>	<b>(\$25,000)</b>	<b>(\$13,700)</b>	<b>\$1,682,656</b>

## Key Decisions

- Appropriate \$17,000 in Compensation Set-Aside to fund projected over-expenditure in Personnel Services. (\$3,300 Recommended)
- Process General Fund program carryover of \$42,000 to implement the Racial Equity Toolkit program. (Recommended; see discussion below)

## Discussion

### Compensation Set-Aside Request

At the time of its supplemental budget submission, the Office of Equity and Human Rights (OEHR) was projected to exceed its current year personnel services budget by approximately \$17,000. OEHR was fully-staffed in FY 2016-17, so the request for compensation set-aside was expected. The bureau also reallocated funding in the Fall Supplemental Budget to extend a limited-term position, including \$5,000 in intergovernmental revenue that did not materialize. The requested funding also included anticipated staff transition costs, but those expenses are now not expected to actualize until FY 2017-18; accordingly, CBO recommends \$3,300 in compensation set-aside funding based on current projections. As noted below, CBO will work with the bureau to continue monitoring expenses and make any necessary adjustments to prevent overexpenditure at the end of the fiscal year.

### Racial Equity Toolkit

OEHR carried over \$40,000 from FY 2015-16 to support the Fellowship for Racial Equity (FRE), proposed as a new yearlong cohort program designed to equip participants with equity technical expertise. Since then, OEHR has shifted its focus to implementation of the five-year [Racial Equity Plans](#), and introduced the [Racial Equity Toolkit](#) (RET) as a framework for structured racial equity analysis. The bureau is currently running a pilot RET Users' Group with six City bureaus in partnership with the Office of Neighborhood Involvement, and will use this experience to determine how best to move forward in providing equity technical support to bureaus. The bureau has ongoing resources for this project, but is requesting to carry over \$42,000 in projected current year underspending for expenses that may be identified when the program is more clearly defined.

CBO typically only recommends program carryovers for discrete projects with clearly defined scope, timelines and budgets. These projects are often appropriated or begun in one year but require carryover into subsequent years to be completed. CBO recommends this carryover, but recommends that this funding be used for data analytics and support, as Council allocated \$42,170 in the Fall Supplemental Budget to create a limited term position to provide this function for the Equitable Contracting & Purchasing Commission as well as for the bureau more broadly. To date, the bureau has not hired this position, and the funding remains unspent and available for carryover.

### Year-End Projections

The bureau is anticipated to finish the year within budgeted appropriations. Realignment between major budget categories may be required in the Over-Expenditure Ordinance to absorb additional personnel costs through projected underspending in external materials and services.

# TRANSPORTATION AND PARKING

# Portland Bureau of Transportation

Analyst: Yung Ouyang

## Supplemental Budget Changes to All Funds

	Current Revised Budget (A)	Bureau Request (B)	CBO Recommended Adjustments(C)	Total Recommended Revised (A+B+C)
<b>Resources</b>				
Budgeted Beginning Fund Balance	\$ 89,742,548	\$ 100,000	\$ -	\$ 89,842,548
Taxes	13,250,000	-	-	13,250,000
Licenses & Permits	7,831,200	-	-	7,831,200
Charges for Services	80,935,478	178,000	-	81,113,478
Intergovernmental Revenues	106,368,552	(9,300,820)	-	97,067,732
Interagency Revenue	33,073,766	93,700	-	33,167,466
Fund Transfers - Revenue	26,217,431	945,000	-	27,162,431
Bond and Note	31,000,000	-	-	31,000,000
Miscellaneous	4,173,430	(1,985,000)	-	2,188,430
<b>Total Resources</b>	<b>\$392,592,405</b>	<b>(\$9,969,120)</b>	<b>\$0</b>	<b>\$382,623,285</b>
<b>Requirements</b>				
Personnel Services	\$ 96,659,904	\$ (20,400)	\$ -	\$ 96,639,504
External Materials and Services	76,935,112	611,000	-	77,546,112
Internal Materials and Services	34,496,310	627,314	-	35,123,624
Capital Outlay	56,462,937	(21,995,000)	-	34,467,937
Bond Expenses	14,873,775	-	-	14,873,775
Fund Transfers - Expense	12,832,322	-	-	12,832,322
Contingency	98,658,998	10,807,966	-	109,466,964
Unappropriated Fund Balance	1,673,047	-	-	1,673,047
<b>Total Requirements</b>	<b>\$392,592,405</b>	<b>(\$9,969,120)</b>	<b>\$0</b>	<b>\$382,623,285</b>

## Supplemental Changes to the Transportation Operating Fund

	Current Revised Budget (A)	Bureau Request (B)	CBO Recommended Adjustments(C)	Total Recommended Revised (A+B+C)
<b>Resources</b>				
Budgeted Beginning Fund Balance	\$ 72,301,926	\$ 100,000	\$ -	\$ 72,401,926
Taxes	13,250,000	-	-	13,250,000
Licenses & Permits	7,831,200	-	-	7,831,200
Charges for Services	66,649,568	178,000	-	66,827,568
Intergovernmental Revenues	73,900,309	-	-	73,900,309
Interagency Revenue	32,099,231	93,700	-	32,192,931
Fund Transfers - Revenue	23,550,701	945,000	-	24,495,701
Bond and Note	31,000,000	-	-	31,000,000
Miscellaneous	4,048,430	(1,985,000)	-	2,063,430
<b>Total Resources</b>	<b>\$324,631,365</b>	<b>(\$668,300)</b>	<b>\$0</b>	<b>\$323,963,065</b>
<b>Requirements</b>				
Personnel Services	\$ 89,629,063	\$ 787,386	\$ -	\$ 90,416,449
External Materials and Services	70,546,855	567,000	-	71,113,855
Internal Materials and Services	23,325,689	889,348	-	24,215,037
Capital Outlay	33,370,516	(13,720,000)	-	19,650,516
Bond Expenses	11,031,045	-	-	11,031,045
Fund Transfers - Expense	10,157,358	-	-	10,157,358
Contingency	86,570,839	10,807,966	-	97,378,805
<b>Total Requirements</b>	<b>\$324,631,365</b>	<b>(\$668,300)</b>	<b>\$0</b>	<b>\$323,963,065</b>

## Key Decisions

PBOT's 15 requests are all recommended. Notable requests include:

- Decrease the budgets of capital projects by a net amount of \$19.1 million in the Transportation Operating Fund, Parking Facilities Fund, and the Grants Fund. These projects are funded by General Transportation Revenue (GTR), parking garage revenues, grants, and General Fund resources. (Recommended)
- Draw \$600,000 from the Fixing Our Streets program contingency to complete the design and construction of three program projects. (Recommended)
- Draw \$475,000 from the Maintenance Operations section contingency to purchase vehicles and equipment to be used for street maintenance and repairs. (Recommended)
- Convert 9.0 FTE from limited term to permanent in various programs funded by GTR. (Recommended)
- Add one new ongoing and one new limited term position, as well as \$92,000 in materials and services for safety improvements, funded by internal transfers and a \$100,000 increase in the Operating Fund's beginning balance. (Recommended)

## Discussion

### Capital Projects Adjustments (excluding Fixing Our Streets)

During the Spring BMP, PBOT typically reduces budgets for capital projects due to project delays and rescheduling, although there are usually some projects whose budgets are increased as well. PBOT is requesting budget increases for four projects in the Transportation Operating Fund, the largest of which is for the East Portland in Motion (Outer Division) project. At \$500,000, this requested increase is much smaller in magnitude than many of the requested project decreases. Funded by GTR and the temporary gas and heavy vehicle use taxes, this project is currently in the scoping and development phase, with design expected to begin in spring 2017. The project with the largest decrease in budget is the 10<sup>th</sup> & Yamhill Parking Garage reconstruction project. In addition to the \$3.0 million reduction in the Parking Facilities Fund, PBOT is reducing this project's budget by a further \$2.0 million in the Grants Fund. The project is funded by tax increment financing from PDC and parking garage revenues. It is currently in the design phase, with construction anticipated to begin in January 2018. Another notable project with a large budget decrease (\$2.0 million) is the 122<sup>nd</sup> Avenue Safety Improvements project. Funded by General Fund resources, this project is made up of various safety components intended to help TriMet provide more frequent bus service on 122nd Ave. It is currently in construction, with completion scheduled for summer/fall 2017.

In the Grants Fund, PBOT is requesting the reduction of 17 project budgets and increases to five project budgets, resulting in a \$9.3 million net budget reduction in that fund. The three projects with the largest increases are the 20s Bikeway: Harney-Lombard, Bike Share Development, and the Foster Road: 82<sup>nd</sup>-90<sup>th</sup> Ave projects. The 20s Bikeway project is currently undergoing construction. Funded by Nike, grants, and fees, the installation of equipment for Bike Share has been completed. The Foster Road: 82nd-90th Ave project, funded by the new, temporary gas and heavy vehicle use taxes, is also currently in design, with construction slated to begin in summer 2018.

Aside from the 10<sup>th</sup> & Yamhill Parking Garage project, the three projects with the largest dollar decreases in budget in the Grants Fund are: Highway Safety Improvement Program (HSIP), East Portland Access to Transit, and 122<sup>nd</sup> Ave: Johnson Creek Bridge Replacement SE. The HSIP project, funded via a federal grant, is currently in design, and the bureau is working with ODOT to identify areas for improvements; construction is anticipated to begin in summer 2018. The East Portland Access to Transit project is funded through federal and state grants matched by GTR. It is currently in the design phase, with construction beginning in spring 2018. Funded by a federal grant and GTR, the 122<sup>nd</sup> Ave: Johnson Creek Bridge Replacement project is currently in design and waiting for environmental permits. Construction should begin in 2018.

### Adjustments for Fixing Our Streets (FOS) Projects

PBOT's Fixing Our Streets projects are funded by the new, temporary gas and heavy vehicle use taxes. Adjustments are being made in four FOS projects in this Spring BMP, with the bureau transferring \$250,000 from internal materials and services to personnel services and also drawing \$600,000 from the program's contingency to complete the purchase of equipment, design, and construction of the projects. Through January 2017 (the first month of collection), the City has collected \$1.3 million for the gas tax, and PBOT is projecting a total of \$9.05 million by fiscal year-end. See CBO's write-up for PBOT's FY 2017-18 Requested budget for more details on these revenues (<https://www.portlandoregon.gov/cbo/article/631369>). The \$600,000 draw from contingency is 21% of the bureau's contingency for the program.

### Draw on Contingency for Vehicle and Equipment Purchases for Maintenance Operations

PBOT is drawing \$475,000 from contingency to increase its IA with OMF-CityFleet to complete the purchase of vehicles and equipment to be used for street maintenance and repair. The vehicles, utilized by the Maintenance Operations division, include two dump trucks, three pick-up trucks, and four variable message sign trailers. The \$475,000 draw represents about 32% of the amount authorized by Council in November 2016.

### Conversion of 9.0 FTE from Limited Term to Permanent

PBOT requests to convert nine positions in various programs, funded by ongoing GTR, from limited term to permanent. These include an Associate Planner in the Complete Streets Planning section, three positions in Maintenance Operations, and five positions in Parking Operations. In its financial forecast, the bureau assumes that the increases in GTR supporting these positions will continue into the future. The request to convert these limited term positions to permanent reflects PBOT's confidence in the ongoing nature of the increases in its discretionary resources into the near future.

### Increase in Beginning Fund Balance to Add Two Positions and Fund Safety Improvements

Unexpected increases in workload and a significant backlog in traffic safety requests have spurred the bureau to add one new ongoing position, one new limited term position, and \$92,000 in materials and services. The bureau is transferring funds from part-time salaries and benefits, as well as increasing its budgeted beginning fund balance in its Transportation Operating Fund, to support the budget increases. PBOT typically does not budget all of its actual beginning balance in the fund and thus has some resources it can place into its budget during the fiscal year's two or three supplemental budget processes.

The new limited term position is a Traffic Engineer in the Development Permitting program. Due to increases in their own workloads, the two sections that the Development Permitting program had been relying on for services related to Traffic Engineering, including reviews of traffic plans and SDC alternative rate traffic studies, have been unable to provide the services.

It is anticipated that the Traffic Engineer will be assisting applicants with the preparation of temporary traffic control plans. The new ongoing position is a Program Specialist who will respond to inquiries about safety concerns, including requests for additional safety infrastructure. The \$92,000 increase in external materials and services is for safety improvements. The bureau notes that it has a backlog of more than 200 small safety improvement projects. The costs of these projects vary depending on the size and scope of the improvements, ranging from \$1,500 to \$10,000.

## **Year End Projections**

As in prior years, CBO believes that PBOT is overly conservative when projecting several of its revenue streams in the Transportation Operating Fund, including licenses and permits, charges for services, and intergovernmental revenues (primarily gas taxes). However, the bureau is also projecting lower operating expenditures than CBO. This is not a concern as CBO's projections for operating expenditures are still within PBOT's budget after Spring BMP adjustments are included. Similarly, CBO's projections for operating expenditures in the Parking Facilities Fund are higher than the bureau's, but there is no concern because projected spending is still within PBOT's budget after Spring BMP adjustments are considered.

# ELECTED OFFICIALS

# Office of the Mayor (Wheeler)

Analyst: Jessica Eden

## Supplemental Changes to the General Fund

	Current Revised Budget (A)	Bureau Request (B)	CBO Recommended Adjustments(C)	Total Recommended Revised (A+B+C)
<b>Resources</b>				
General Fund Discretionary	\$ 1,590,725	\$ (96,750)	\$ 100,000	\$ 1,593,975
General Fund Overhead	1,545,962	-	-	1,545,962
<b>Total Resources</b>	<b>\$ 3,136,687</b>	<b>\$ (96,750)</b>	<b>\$ 100,000</b>	<b>\$ 3,139,937</b>
<b>Requirements</b>				
Personnel Services	\$ 1,865,190	\$ (86,750)	\$ 60,000	\$ 1,838,440
External Materials and Services	791,833	(40,000)	40,000	791,833
Internal Materials and Services	479,664	30,000	-	509,664
<b>Total Requirements</b>	<b>\$ 3,136,687</b>	<b>\$ (96,750)</b>	<b>\$ 100,000</b>	<b>\$ 3,139,937</b>

## Key Decisions

- Appropriate \$3,250 in compensation set-aside to cover expenses related to previous administration staff expenses. (Recommended)
- Internally reallocate \$30,000 in funding from personnel to internal materials and services to realign budget with projected spending. (Recommended)
- Process program carryover of \$100,000 to pay for staff to address several initiatives around homelessness that have carried over from the previous administration. (Not Recommended)

## Discussion

The Mayor's Office is requesting \$100,000 in program carryover, \$3,250 in compensation set-aside, and \$30,000 in technical adjustments. The first two requests address issues related to the Mayoral transition. CBO recommends all requests except for the program carryover, as discussed below.

### Compensation Set-Aside Request

On December 21, 2016 Portland City Council passed Ordinance 188166 which provided one month of City paid health insurance for named staff of outgoing elected officials' offices. The cost of these expenses is \$3,250. The charges were ultimately billed to the Mayor's Office; CBO recommends this request.

### Program Carryover

The Mayor's Office is requesting to carry over \$100,000 in anticipated unspent personnel (\$60,000) and external materials and services (\$40,000) funds into FY 2017-18 to provide staffing support for a variety of initiatives, including the Housing Bond implementation, Tenant Protections, Short Term Rentals, Technology Innovation and Partnerships, and Innovative Alternatives to Street Camping. At this time, CBO does not have sufficient information about the discrete, time-limited nature of these projects to recommend carryover funding, but we have requested additional information from the Mayor's Office that may be available prior to Council approval of the Spring BMP.

### Year End Projections

Without requested carryover, the bureau is projected to underspend its General Fund allocation by 5%, primarily due to underspending in external materials and services (approximately \$75,000 or 10%). Additionally, there are minor vacancy savings (approximately \$100,000 or 4%). The bureau is expected to end the year slightly under budget with no major issues.

# Commissioner of Public Affairs (Saltzman)

Analyst: Jessica Eden

## Supplemental Changes to the General Fund

	Current Revised Budget (A)	Bureau Request (B)	CBO Recommended Adjustments(C)	Total Recommended Revised (A+B+C)
<b>Resources</b>				
Intergovernmental Revenues	\$ 27,000	\$ -	\$ -	\$ 27,000
Miscellaneous	20,890	-	-	20,890
General Fund Discretionary	1,451,502	-	-	1,451,502
General Fund Overhead	587,213	-	-	587,213
<b>Total Resources</b>	<b>\$2,086,605</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,086,605</b>
<b>Requirements</b>				
Personnel Services	\$ 1,201,357	\$ 40,000	\$ -	\$ 1,241,357
External Materials and Services	683,011	(59,000)	-	624,011
Internal Materials and Services	202,237	19,000	-	221,237
<b>Total Requirements</b>	<b>\$2,086,605</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,086,605</b>

There are no proposed changes to bureau funds outside of the General Fund.

## Key Decisions

- Authorize technical adjustments to align with projected spending. (Recommended)

## Discussion

Both the Gateway Center for Domestic Violence (GCDV) and The Commissioner’s Office request to realign resources between major object categories to match anticipated expenditures. Commissioner Saltzman’s Office is projected to slightly exceed their personnel budget and chose to reallocate funding from external materials and services to personnel in order to cover projected expenses and provide a small cushion. The GCDV has experienced increased demand and a staff person who was previously working part time has been working close to full time, increasing personnel expenses. There is no net change to either budget. CBO recommends these changes.

## Year End Projections

After technical adjustments, the Office is expected to end the year on budget with no major issues.

# Commissioner of Public Safety (Eudaly)

Analyst: Jessica Eden

## Supplemental Changes to the General Fund

	Current Revised Budget (A)	Bureau Request (B)	CBO Recommended Adjustments(C)	Total Recommended Revised (A+B+C)
<b>Resources</b>				
General Fund Discretionary	\$ 490,208	\$ -	\$ -	\$ 490,208
General Fund Overhead	586,197	-	-	586,197
<b>Total Resources</b>	<b>\$ 1,076,405</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,076,405</b>
<b>Requirements</b>				
Personnel Services	\$ 859,061	\$ (25,000)	\$ -	\$ 834,061
External Materials and Services	41,380	10,000	-	51,380
Internal Materials and Services	175,964	15,000	-	190,964
<b>Total Requirements</b>	<b>\$ 1,076,405</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,076,405</b>

## Key Decisions

- Authorize technical adjustments to align with projected spending. (Recommended)

## Discussion

The Office requests to realign resources between major object categories to match anticipated expenditures. There is no net change to the office's budget. CBO recommends these changes.

## Year End Projections

The Office is making technical adjustments to best account for anticipated spending through year end. With the new Commissioner having only three months of actual expenditure data, the Office was trending towards over-expending both personnel and external materials and services. The Office implemented staff changes that will reduce personnel spending through the end of the year and enable the bureau to use some personnel savings to cover anticipated EMS and IMS costs. Initial office set up increased external materials and services costs; however, the Office plans to ensure spending through the end of the year stays within budget.

# Commissioner of Public Utilities (Fritz)

Analyst: Jessica Eden

## Supplemental Changes to the General Fund

	Current Revised Budget (A)	Bureau Request (B)	CBO Recommended Adjustments(C)	Total Recommended Revised (A+B+C)
<b>Resources</b>				
General Fund Discretionary	\$ 506,820	\$ -	\$ -	\$ 506,820
General Fund Overhead	588,156	-	-	588,156
<b>Total Resources</b>	<b>\$ 1,094,976</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,094,976</b>
<b>Requirements</b>				
Personnel Services	\$ 822,546	\$ -	\$ -	\$ 822,546
External Materials and Services	94,572	(15,000)	-	79,572
Internal Materials and Services	177,858	15,000	-	192,858
<b>Total Requirements</b>	<b>\$ 1,094,976</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,094,976</b>

## Key Decisions

- Authorize technical adjustments to align with projected spending. (Recommended)

## Discussion

The Office requests to realign resources between major object categories to match anticipated expenditures. There is no net change to the Office’s budget. CBO recommends these changes.

## Year End Projections

The Office is projected to significantly underspend external materials and services and has flexibility to move funds to internal materials and services which is projected at 100% of budget. By transferring funds, the Office is expected to end the year on budget with no major issues.

# Commissioner of Public Works (Fish)

Analyst: Jessica Eden

## Supplemental Changes to the General Fund

	Current Revised Budget (A)	Bureau Request (B)	CBO Recommended Adjustments(C)	Total Recommended Revised (A+B+C)
<b>Resources</b>				
General Fund Discretionary	\$ 490,080	\$ -	\$ -	\$ 490,080
General Fund Overhead	586,044	-	-	586,044
<b>Total Resources</b>	<b>\$ 1,076,124</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,076,124</b>
<b>Requirements</b>				
Personnel Services	\$ 863,489	\$ (5,000)	\$ -	\$ 858,489
External Materials and Services	34,780	-	-	34,780
Internal Materials and Services	177,855	5,000	-	182,855
<b>Total Requirements</b>	<b>\$ 1,076,124</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,076,124</b>

## Key Decisions

- Authorize technical adjustments to align with projected spending. (Recommended)

## Discussion

The Office requests to realign resources between major object categories to match anticipated expenditures. There is no net change to the Office’s budget. CBO recommends these changes.

## Year End Projections

The Office is expected to end the year on budget with no major issues.

# Auditor's Office

Analyst: Jessica Eden

## Supplemental Budget Changes to All Funds

	Current Revised Budget (A)	Bureau Request (B)	CBO Recommended Adjustments(C)	Total Recommended Revised (A+B+C)
<b>Resources</b>				
Budgeted Beginning Fund Balance	\$ 16,688,763	\$ 1,236,538	\$ -	\$ 17,925,301
Charges for Services	1,171,045	30,920	-	1,201,965
Interagency Revenue	165,000	4,314	-	169,314
Fund Transfers - Revenue	500,000	-	-	500,000
Bond and Note	9,027,599	(5,010,000)	-	4,017,599
Miscellaneous	8,487,937	(1,816,753)	-	6,671,184
General Fund Discretionary	4,369,984	(138,000)	50,000	4,281,984
General Fund Overhead	5,183,821	-	-	5,183,821
<b>Total Resources</b>	<b>\$45,594,149</b>	<b>(\$5,692,981)</b>	<b>\$50,000</b>	<b>\$39,951,168</b>
<b>Requirements</b>				
Personnel Services	\$ 6,239,753	\$ 25,000	\$ -	\$ 6,264,753
External Materials and Services	1,658,032	(175,000)	50,000	1,533,032
Internal Materials and Services	3,415,436	12,000	-	3,427,436
Bond Expenses	12,375,028	(6,102,840)	-	6,272,188
Fund Transfers - Expense	5,487,264	245,000	-	5,732,264
Contingency	2,786,682	147,856	-	2,934,538
Unappropriated Fund Balance	13,631,954	155,003	-	13,786,957
<b>Total Requirements</b>	<b>\$45,594,149</b>	<b>(\$5,692,981)</b>	<b>\$50,000</b>	<b>\$39,951,168</b>

## Supplemental Changes to the General Fund

	Current Revised Budget (A)	Bureau Request (B)	CBO Recommended Adjustments(C)	Total Recommended Revised (A+B+C)
<b>Resources</b>				
Charges for Services	\$ 118,565	\$ -	\$ -	\$ 118,565
Interagency Revenue	165,000	-	-	165,000
Miscellaneous	5,500	-	-	5,500
General Fund Discretionary	4,369,984	(138,000)	50,000	4,281,984
General Fund Overhead	5,183,821	-	-	5,183,821
<b>Total Resources</b>	<b>\$ 9,842,870</b>	<b>\$ (138,000)</b>	<b>\$ 50,000</b>	<b>\$ 9,754,870</b>
<b>Requirements</b>				
Personnel Services	\$ 6,239,753	\$ 25,000	\$ -	\$ 6,264,753
External Materials and Services	1,648,034	(175,000)	50,000	1,523,034
Internal Materials and Services	1,955,083	12,000	-	1,967,083
<b>Total Requirements</b>	<b>\$ 9,842,870</b>	<b>\$ (138,000)</b>	<b>\$ 50,000</b>	<b>\$ 9,754,870</b>

## Key Decisions

- Allocate \$12,000 in General Fund contingency to cover additional expenses for the completion of the City's Political Consultant Reporting system. (Recommended)
- Process program carryover requests totaling \$150,000 for upcoming expenses related to Auditor Independence, security upgrades, and software. (\$100,000 Recommended)

## Discussion

The Auditor is requesting \$150,000 in program carryovers which includes: \$50,000 for costs associated with May's election and the Auditor's independence project, \$50,000 for security upgrades, and \$50,000 for the completion of Lobbyist Registration Application. In addition, the Auditor requests \$12,000 from General Fund contingency to complete the City's Political Consultant Reporting application, and requests minor technical changes. CBO recommends all requested changes, with the exception of \$50,000 in program carryover, as discussed below.

### Auditor Independence Program Carryover

The Auditor requests to carry over \$50,000 in external materials and services funds to offset anticipated costs related to the Auditor's independence and the proposed charter amendment. Previous costs for the Auditor Independence project include graphic design and legal services. May's ballot expense will be at least \$75,000, for which the bureau has already identified current year resources. In addition to these costs the Auditor anticipates further costs before the end of the fiscal year including professional services for technology, training, legal service, and as-yet unidentified areas. Should the ballot measure pass, the Auditor may determine in FY 2017-18 that the workload of establishing an independent office requires hiring a limited term project manager.

CBO typically only recommends program carryovers for discrete projects with clearly defined scope, timelines and budgets. These projects are often appropriated or begun in one year but require carryover into subsequent years to be completed. While work on the Auditor's Independence did start in FY 2016-17, the anticipated expenses for this carryover appear to be operational in nature. If the Charter amendment passes, and additional needs associated with implementation of the Charter amendment are identified, CBO recommends that the Auditor use existing materials and services funding, or request additional funding in the Fall budget monitoring process.

### Security Enhancements

During the FY 2016-17 Fall Supplemental Budget, the Auditor's office, in concert with all City Hall offices, requested but did not receive \$124,547 for security enhancements. The Police Bureau completed a security assessment of the Auditor's Office suites on the first and third floors of City Hall. In response to that assessment and threats of violence against staff, the

Auditor prioritized physical buffers in the reception areas of Council Clerks/Contracts and Independent Police Review. At the suggestion of Facilities, the Auditor pursued a basic level of architectural planning that cost \$15,000. The total estimate for security enhancements by the vendor is approximately \$200,000. The Office is requesting General Fund carryover of \$50,000 to FY 2017-18 to allow the bureau to proceed with additional planning and begin work on “hardening” walls in rooms on the first floor. As a discrete project that has already begun work, CBO recommends this request.

### Lobbyist Registration Application

The Auditor requests to carryover \$50,000 in external materials and services funds to complete work already underway for the Lobbyist Registration application and replacement of an unsupported case management application currently used in the Hearings Office. The Lobbyist Registration application work is being performed by the Bureau of Technology Services (BTS) and the Office is in negotiations for the case management application but expects the \$50,000 to cover the full cost. CBO recommends this request.

### Political Consultant Reporting

In April, 2016, City Council passed an ordinance to change City Code 2.14 regarding the City’s Political Consultant Reporting regulations. The Auditor’s Office was charged with developing an online filing system for the new Political Consultant regulations and has been working with BTS to do so. Initial project estimates from BTS was \$10,000; however, additional project information has increased the BTS service cost estimate by \$10,000. The Auditor is requesting the \$10,000 and a 20% contingency for a total of \$12,000. CBO recommends this request.

### Year End Projections

The Auditor’s Office is projected to have underspending in external materials and services, enabling them to carryover funds. The Office historically underspends external materials and services on average by \$364,774. The Office is projected to spend nearly all of its personnel budget and is internally reallocating \$25,000 from EMS to personnel to ensure personnel budget flexibility.

# CITY SUPPORT SERVICES

# City Budget Office

Analyst: Andrew Scott

## Supplemental Changes to the General Fund

	Current Revised Budget (A)	Bureau Request (B)	CBO Recommended Adjustments(C)	Total Recommended Revised (A+B+C)
<b>Resources</b>				
Interagency Revenue	\$ 200,286	\$ -	\$ -	\$ 200,286
General Fund Discretionary	2,044,452	(1,027,500)	-	1,016,952
General Fund Overhead	-	-	-	-
<b>Total Resources</b>	<b>\$2,244,738</b>	<b>(\$1,027,500)</b>	<b>\$0</b>	<b>\$1,217,238</b>
<b>Requirements</b>				
Personnel Services	\$ 2,099,333	\$ (127,500)	\$ -	\$ 1,971,833
External Materials and Services	1,192,260	(900,000)	-	292,260
Internal Materials and Services	202,112	-	-	202,112
<b>Total Requirements</b>	<b>\$3,493,705</b>	<b>(\$1,027,500)</b>	<b>\$0</b>	<b>\$2,466,205</b>

## Key Decisions

- Process a program carryover of \$960,000 in one-time General Fund resources for the upgrade or replacement of the City’s budgeting software. (Recommended)
- Process a program carryover of \$67,500 in one-time General Fund resources to complete the City Budget Office’s process improvement pilot. (Recommended)

## Discussion

In its FY 2016-17 Spring supplemental budget submittal, the City Budget Office requests two program carryovers for projects funded with one-time resources in the current year, and a net zero technical change to align major object category budget with projected spending. All requested changes are recommended. Program carryovers are discussed in more detail below.

### Budget System Replacement Carryover

In the FY 2016-17 Fall supplemental budget, Council appropriated \$1 million in one-time General Fund resources to the City Budget Office to begin the process of replacing the current enterprise budgeting software, BRASS. The system is reaching end of life and is unsupported and potentially incompatible with other necessary citywide software upgrades (i.e. Windows 10).

Since receiving funds in November of 2016, City Budget Office staff have convened budget software stakeholders from across the City to identify the desired functionality and

demonstrate potential successor systems. CBO has also consulted with Enterprise Business Solutions, the Bureau of Technology Services, and the Technology Executive Steering Committee (TESC) on project plans. Given that this is an important enterprise-wide system, the TESC urged CBO to engage a third party with expertise on enterprise-level software procurement and replacement to assist with the development of system business requirements and a request for proposals. CBO intends to spend \$40,000 on consultant expenses for development of business requirements this year, and requests the remaining project funds be carried over into FY 2017-18 to fund remaining RFP costs and initial software acquisition. The bureau plans to have the pre-work for the RFP completed by the time the current technology and procurement freeze is lifted to enable a speedy path forward. CBO recommends this carryover request.

### **Process Improvement Carryover**

CBO's FY 2016-17 Adopted Budget included \$80,000 in one-time program carryover funds to continue work that CBO had initiated on a pilot project to create a pool of resources to help bureaus identify and enact process improvements. In the current year, CBO has partnered with the Bureau of Human Resources to train and support City staff in the Denver Peak Academy process improvement approach. To date, three cohorts of staff from across the City have received training and technical support; the carryover of these remaining funds will enable CBO to provide training and technical support to additional cohorts in FY 2017-18. CBO recommends this request.

### **Year End Projections**

Provided requested program carryovers are approved, the City Budget Office is projected to end the year having expended 98% of its budget, with a projected \$58,000 in General Fund underspending falling to General Fund balance. CBO hosts a position that supports the Public Utility Board (PUB), and the bureau projects lower-than-budgeted interagency revenue (ending the year at 74% of budget) as a result of lower-than-expected costs of the PUB.

# City Attorney

Analyst: Jessica Eden

## Supplemental Changes to the General Fund

	Current Revised Budget (A)	Bureau Request (B)	CBO Recommended Adjustments(C)	Total Recommended Revised (A+B+C)
<b>Resources</b>				
Charges for Services	\$ 106,000	\$ -	\$ -	\$ 106,000
Interagency Revenue	5,826,189	(171,302)	-	5,826,189
General Fund Discretionary	3,037,182	(397,001)	64,000	2,704,181
General Fund Overhead	3,524,279	-	-	3,524,279
<b>Total Resources</b>	<b>\$12,493,650</b>	<b>(\$568,303)</b>	<b>\$64,000</b>	<b>\$12,160,649</b>
<b>Requirements</b>				
Personnel Services	\$ 10,706,979	\$ (451,302)	\$ -	\$ 10,255,677
External Materials and Services	874,757	(197,001)	64,000	741,756
Internal Materials and Services	1,083,216	80,000	-	1,163,216
<b>Total Requirements</b>	<b>\$12,664,952</b>	<b>(\$568,303)</b>	<b>\$64,000</b>	<b>\$12,160,649</b>

## Key Decisions

- Process a program carryover of \$200,000 for software replacement. (Recommended)
- Process a program carryover of \$108,001 for expenses related to the Portland Harbor Natural Resources Trustees Participation Agreement. (Recommended)
- Process a program carryover of \$89,000 for Barriers to Employment/Ban the Box. (\$25,000 recommended)

## Discussion

The City Attorney is requesting \$397,001 in program carryovers, including \$200,000 for software replacement, \$108,001 for expenses related to the Portland Natural Resource Trustees Participation Agreement, and \$89,000 for Barriers to Employment (formerly Ban-the Box). The City Attorney also requests two technical changes which include refunding \$171,302 to the Police Bureau for unspent IA revenue, and moving \$80,000 from personnel services to internal materials and services to align with projected spending. CBO recommends all requested technical changes. Program carryovers are discussed in more detail below.

### Software Replacement Carryover

The City Attorney uses several software programs to assist with litigation, trial presentation, and matter management. Two of these software programs are unsupported and failing, and the third is obsolete since the City's implementation of Office 365. The City Attorney has

obtained quotes for replacing the software, but the total replacement cost for all three is nearly \$350,000. As such, the bureau has identified alternatives for two of the three programs, and the City Attorney has resources to cover annual support expenses; however, implementation costs are still more than the City Attorney can afford in one budget year without carryover funds. CBO recommends this request.

#### Portland Harbor Carryover

In FY 2014-15, Council authorized \$400,000 Ordinance No. 186810 for expenses related to the Portland Harbor Natural Resource Trustees Participation Agreement. Since that time, \$291,999 has been spent and the remaining \$108,001 will not be required until next fiscal year. There are numerous parties involved with the agreement and coming to consensus has posed challenges, resulting in delays. CBO recommends the bureau's request to carry over these funds.

#### Barriers to Employment/Ban-the-Box

In FY 2015-16 Council authorized (Ordinance No. 187459) which added City code to establish procedures for and limitations around the use of criminal history information by Portland employers. The Ordinance also appropriated \$100,000 in one-time General Fund resources to support public outreach and education, contracting with agencies providing services for returning citizens, as well as with the Oregon Bureau of Labor and Industries (BOLI) for enforcement. Of the original \$100,000 appropriation, \$90,000 was carried over into FY 2016-17. Only \$1,000 has been spent during FY 2016-17, and the bureau requests to carry over the remaining \$89,000. Due to the low utilization of funds over the past two fiscal years, CBO recommends that the bureau carryover \$25,000 of the \$89,000 to maintain the not-to-exceed contract with BOLI through the upcoming fiscal year. If there are repeated minimal billings in FY 2017-18, CBO recommends no further carryovers.

#### Year End Projections

The City Attorney had significant vacancy savings this year primarily due to six retirements, which is the financial resource for the software update(s). Otherwise, CBO does not anticipate any significant issues.

# Office of Government Relations

Analyst: Doug Le

## General Fund

	Current Revised Budget (A)	Bureau Request (B)	CBO Recommended Adjustments(C)	Total Recommended Revised (A+B+C)
<b>Resources</b>				
Intergovernmental Revenues	\$ 35,000	\$ -	\$ -	\$ 35,000
Interagency Revenue	187,361	-	-	187,361
General Fund Discretionary	640,888	-	-	640,888
General Fund Overhead	766,383	-	-	766,383
<b>Total Resources</b>	<b>\$1,629,632</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,629,632</b>
<b>Requirements</b>				
Personnel Services	\$ 1,098,238	\$ 30,000	\$ -	\$ 1,128,238
External Materials and Services	325,267	(30,000)	-	295,267
Internal Materials and Services	206,127	-	-	206,127
<b>Total Requirements</b>	<b>\$1,629,632</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,629,632</b>

## Key Decisions

- Transfer \$30,000 from external materials and services to personnel services. (Recommended)

## Discussion

OGR requests to transfer \$30,000 from external materials and services to personnel services to prevent potential over-expenditures. The increase is to account for anticipated personnel expenses through the end of the fiscal year. CBO recommends this request.

## Year End Projections

The bureau is projected to end the current fiscal year on budget with no major issues.

# Special Appropriations

Analyst: Doug Le

## Supplemental Changes to the General Fund

	Current Revised Budget (A)	Bureau Request (B)	CBO Recommended Adjustments(C)	Total Recommended Revised (A+B+C)
<b>Resources</b>				
Intergovernmental Revenues	\$ 65,024	\$ -	\$ -	\$ 65,024
Interagency Revenue	134,572	-	-	134,572
General Fund Discretionary	12,289,731	50,000	-	12,339,731
General Fund Overhead	171,149	-	-	171,149
<b>Total Resources</b>	<b>\$12,660,476</b>	<b>\$50,000</b>	<b>\$0</b>	<b>\$12,710,476</b>
<b>Requirements</b>				
Personnel Services	\$ 464,349	\$ 70,289	\$ -	\$ 534,638
External Materials and Services	12,029,322	(84,491)	-	11,944,831
Internal Materials and Services	166,805	64,202	-	231,007
<b>Total Requirements</b>	<b>\$12,660,476</b>	<b>\$50,000</b>	<b>\$0</b>	<b>\$12,710,476</b>

## Key Decisions

- Appropriate \$50,000 in General Fund contingency for the Metropolitan Public Defenders. (Recommended)

## Discussion

Special Appropriations’ Spring BMP submittal includes a series of technical adjustments to align budget with projected spending, and a request to appropriate \$50,000 to support the Metropolitan Public Defenders to implement the Immigration Protection Program. The program provides information, outreach, and direct legal representation to members of Portland’s immigrant community. Council approved funding for this grant via Ordinance #188236 on 2/15/2017 and directed the funding to be allocated for this purpose from General Fund contingency in the Spring BMP. CBO recommends all requests.

## Year End Projections

Special Appropriations are projected to end the current fiscal year on budget with no major issues.

# Office of Management and Finance

Analyst: Claudio Campuzano and Katie Shifley

## Supplemental Budget Changes to All Funds

	Current Revised Budget (A)	Bureau Request (B)	CBO Recommended Adjustments(C)	Total Recommended Revised (A+B+C)
<b>Resources</b>				
Budgeted Beginning Fund Balance	\$ 187,485,919	\$ (3,281,410)	\$ -	\$ 184,204,509
Taxes	29,763,000	2,700,200	-	32,463,200
Licenses & Permits	5,643,450	20,000	-	5,663,450
Charges for Services	71,000,191	432,382	-	71,432,573
Intergovernmental Revenues	10,866,637	25,504	-	10,892,141
Interagency Revenue	156,178,955	3,416,440	-	159,595,395
Fund Transfers - Revenue	5,651,168	27,472	(5,647)	5,672,993
Bond and Note	21,574,814	15,858,358	-	37,433,172
Miscellaneous	20,987,108	(15,434,658)	(20,000)	5,532,450
General Fund Discretionary	15,990,966	9,868	(130,000)	15,870,834
General Fund Overhead	10,661,968	-	-	10,661,968
<b>Total Resources</b>	<b>\$535,804,176</b>	<b>\$3,774,156</b>	<b>(\$155,647)</b>	<b>\$539,422,685</b>
<b>Requirements</b>				
Personnel Services	\$ 81,962,053	\$ (205,161)	\$ (20,000)	\$ 81,736,892
External Materials and Services	225,374,196	4,270,508	(135,647)	229,509,057
Internal Materials and Services	26,223,536	1,164,127	-	27,387,663
Capital Outlay	33,794,795	(265,912)	-	33,528,883
Bond Expenses	15,615,807	137,356	-	15,753,163
Fund Transfers - Expense	6,080,750	65,512	-	6,146,262
Contingency	146,753,039	(1,392,274)	-	145,360,765
Unappropriated Fund Balance	-	-	-	-
<b>Total Requirements</b>	<b>\$535,804,176</b>	<b>\$3,774,156</b>	<b>(\$155,647)</b>	<b>\$539,422,685</b>

## Supplemental Changes to the General Fund

	Current Revised Budget (A)	Bureau Request (B)	CBO Recommended Adjustments(C)	Total Recommended Revised (A+B+C)
<b>Resources</b>				
Budgeted Beginning Fund Balance	\$ 35,000	\$ 5,966	\$ -	\$ 40,966
Licenses & Permits	160,000	-	-	160,000
Charges for Services	80,500	23,802	-	104,302
Intergovernmental Revenues	2,706,050	15,000	-	2,721,050
Interagency Revenue	9,321,493	(192,300)	-	9,129,193
Fund Transfers - Revenue	291,746	-	-	291,746
Miscellaneous	1,802,860	143,660	(20,000)	1,926,520
General Fund Discretionary	15,990,966	9,868	(130,000)	15,870,834
General Fund Overhead	10,661,968	-	-	10,661,968
<b>Total Resources</b>	<b>\$41,050,583</b>	<b>\$5,996</b>	<b>(\$150,000)</b>	<b>\$40,906,579</b>
<b>Requirements</b>				
Personnel Services	\$ 30,043,591	\$ (539,425)	\$ (20,000)	\$ 29,484,166
External Materials and Services	5,525,280	292,023	(130,000)	5,687,303
Internal Materials and Services	5,481,712	253,398	-	5,735,110
<b>Total Requirements</b>	<b>\$41,050,583</b>	<b>\$5,996</b>	<b>(\$150,000)</b>	<b>\$40,906,579</b>

## Key Decisions

### Bureau of Technology Services

- Return to bureau contingency \$4.7 million which consists primarily of projects carried over to FY 2017-18 or postponed beyond the data center and temporary space moves. There are also some projects that came in under budget. (Recommended)
- Increase interagency revenues by \$1.7 million and authorize associated expenses to address increased service levels from various customers. (Recommended)
- Appropriate funding for a temporary appointment of a disaster planning analyst. This position was budgeted several years ago but went unfilled. The resources to support it have been carried over until it was hired. (Recommended)
- Carryover \$1.8 million for the Enterprise Asset Management project within Enterprise Business Systems. (Recommended)

### Bureau of Human Resources

- Increase personnel services appropriation through deferred compensation revenue. Subsequent to discussions with CBO, this request was rescinded. (Not recommended)
- Internally reallocate \$190,000 from personnel services to materials and services to align with spending. (Recommended)

### Chief Administrative Officer/Citywide Projects

- Increase revenues and personnel services within the Chief Administrator’s Office for a limited term, part time position to develop and implement the City’s response to NOAA’s Biological Opinion concerning the National Flood Insurance Program’s impact on the Endangered Species Act. The position is funded by affected bureaus including BES, BDS, and PDC. The position is recommended by CBO as part of the FY 2017-18 budget. (Recommended)
- Internally reallocate \$3.0 million from bureau contingency to pay off an outstanding loan balance related to a 2012 agreement with PDC for the redevelopment of the Veteran’s Memorial Coliseum. (Recommended)

### Bureau of Internal Business Services

- Increase Facilities Services interagency agreement revenue and associated external materials and service and contingency by a net of \$2.4 million to adjust service levels for various customers. (Recommended)
- Recognize \$628,000 in revenue in the Facilities Services Operating Fund for interest income, energy incentives, and reimbursements from commercial tenants. (Recommended)
- Increase Facilities Services’ interagency agreements with Parks, Water, and BTS by \$414,200. (Recommended)
- Transfer \$90,000 from Facilities Service Operating Fund contingency to external materials and services for security related improvements at City Hall. (Recommended)
- Allocate \$27,471 in General Fund discretionary resources to Facilities Services for temporary shelter at the Portland Building. (Partially recommended)
- Increase budget for bond expenses by \$137,356 in the Facilities Services Operating Fund, offset by a reduction to EMS, to cover line of credit payments for the Portland Building Reconstruction project. (Recommended)
- Decrease CityFleet interagency agreement revenues and associated external materials and services, capital outlay, and contingency expenses by a net of \$600,000 to adjust service levels for various customers. (Recommended)
- Increase Printing and Distribution interagency agreement revenues and associated external materials and services expenses by \$120,000 to adjust service levels for various customers. (Recommended)
- Authorize draws on bureau fund contingency as follows (Recommended):
  - Facilities Services Operating Fund: \$39,000 for personnel services adjustments.
  - Insurance and Claims Fund: \$330,000 to match claims projections, adjust personnel services for double-filled positions, and increase interagency agreements with P&D and BTS.

- Workers Compensation Fund: \$600,000 to match claims projections, adjust personnel services for double-filled positions, and increase interagency agreements BTS.
- Combined BIBS operating funds: \$73,000 to increase BIBS Operations and Strategic Support budget.
- CityFleet Operating Fund: \$600,000 to purchase tool kits for fleet mechanics.
- Process several technical adjustments within the Facilities Services Operating Fund related to square footage adjustments and the line of credit for the Portland Building Reconstruction project, and in the Public Safety GO Bond Fund to allow PF&R to budget \$3.1 million in capital purchases for fire apparatus. (Recommended)

#### Bureau of Revenue and Financial Services

- Allocate \$130,000 in General Fund discretionary resources to BRFS to fund a collection agency settlement and costs for charter amendment ballot measures related to the Transient Lodging Tax. (Not recommended)
- Recognize \$700,000 in recreational marijuana sales tax revenues and associated administrative costs in the Recreational Marijuana Tax Fund. (Recommended)
- Reduce the BRFS interagency agreement with Water by \$202,000, allowing Water to record the cost of a Cayenta upgrade internally. (Recommended)
- Adjust revenue for several restricted revenue sources (Arts Tax, Downtown Clean & Safe District, Lloyd Business Improvement District) to match forecasted revenue, and recognize \$123,660 in Procurement rebate revenue. (Recommended)
- Process a \$59,500 carryover in the Accounting Division for updated software for CAFR processing and a \$60,032 carryover for liquidated damages revenue in Procurement that is required to be granted to external workforce and training organizations. (Recommended)
- Authorize technical adjustments to realign \$318,095 in BRFS personnel services underspending to fund technology investments and adjust for projected spending, and other minor technical adjustments. (Recommended)

## Discussion

### Public Safety System Revitalization Project Conclusion

The Public Safety System Revitalization Project (PSSRP) is anticipated to conclude at the end of this fiscal year with the completion of the radio replacement project which upgrades the region's emergency radio system from analog to digital. In this Spring supplemental budget, the bureau requests final budget changes associated with the project totaling \$3.5 million, drawn from contingency. This leaves \$4.4 million remaining in project and program

contingency in the Public Safety GO Bond Fund and the Technology Services Fund; the balance is currently recommended to be transferred to BTS for future public safety technology projects.

### Bureau of Technology Services Updates

BTS has 76 individual request items in the Spring supplemental budget. The majority of these requests reduce budget in the current year to carry over resources to future years. Salient items include:

- **Office 365 (\$661,887):** The next phase of the Office 365 implementation which would roll out SharePoint to City bureaus. This phase is delayed as a result of the data center move and the move of Portland Building employees to the temporary space.
- **Enterprise Mobility/Mobile Application Management (\$487,179):** The bureau continues to work with customers to develop a service and cost model that meets stakeholder needs. This is in line with CBO's recommendation not to fund the initially scoped model that was requested in the FY 2017-18 Requested Budget.
- **Telecom Management System Replacement (\$254,000):** This project was delayed in the planning stages and most expenses will be incurred in FY 2017-18.
- **SAN Storage Expansion (\$250,000):** Some purchases are being postponed due to work related to the data center move.
- **Microwave Radio Upgrade (\$250,000):** This project has been delayed due to technicians working on the PSSRP radio project.

Several project budget reductions are the result of lower than expected costs. Notable among these is the Critical Security Controls Framework project, which is reduced by \$291,664.

Several requests have been made for additional resources from fund contingency. These include requests to support implementation of Windows 10 (\$20,000), GIS applications (\$18,500), IRNE Network Technology Refresh (\$50,000), Walter's Hill Radio site, and OMF-Facilities costs for the Forrest Heights radio site (\$100,000) and the Portland Communications Center HVAC system (\$170,000).

As noted above, bureaus have requested a net increase of \$1.7 million in services from BTS. CBO recommends all requested adjustments.

### Portland Building Reconstruction Project Financing

Facilities Services is requesting to make technical corrections to budget approximately \$16 million in Bond and Note proceeds to recognize available funds on the line of credit supporting the Portland Building Reconstruction project. The Division is also requesting to realign approximately \$140,000 in cash resources to make interest payments on the line of credit during the remainder of FY 2016-17. The project team anticipates making an initial line of

credit draw of up to \$12.1 million during spring 2017 to fund project spending-to-date, with additional draws during the fiscal year dependent on the pace of project progress.

A 5% cash contribution to the reconstruction project, totaling \$9.75 million, is required per City financial policy. Project finance staff estimate the need for an additional \$11 million in cash resources to cover interest payments on the project line of credit prior to a long term debt issuance at project completion, bringing total cash requirements to \$20.7 million. Currently identified cash resources total \$15.4 million, including net revenue from Portland Building rental income (\$11.7 million) and the Portland Building Major Maintenance reserve (\$3.75 million), leaving a need for \$5.3 million in cash contributions from tenant bureaus before 2020. As noted in [CBO's review of OMF's FY 2017-18 requested budget](#), the project finance team is currently assuming that General Fund resources will cover the required cash contribution for all non-utility tenant bureaus. Setting this precedent will redirect General Fund resources away from General Fund bureau priorities to fund cash contribution requirements for non-General Fund-funded bureaus (e.g. PBOT, BIBS, BTS, EBS, etc.). CBO recommends that General Fund discretionary resources be used only to fund cash contributions for General Fund-funded tenant bureaus. Based on current project financing projections, this alternate methodology would free up approximately \$2 million of one-time General Fund resources, likely in FY 2018-19, to allow bureaus time to plan for additional cash contributions.

#### [Temporary Shelter at the Portland Building](#)

In January 2017, the City opened the Portland Building as a temporary homeless shelter due to severe winter weather conditions. OMF Facilities requests General Fund contingency to reimburse \$27,472 in costs associated with using the Portland Building as a temporary shelter break down as follows: \$11,336 in contracted services for pest control and bio hazard clean-up, \$10,489 for Facilities Maintenance Technician (FMT) hours and \$5,647 for Facilities Services project management hours.

CBO recommends General Fund discretionary resources to cover 1) the contracted services, as these costs would not have been incurred but for the decision to open the Portland Building up as a temporary shelter, and 2) the FMT hours, as they are not otherwise not billable to a customer and do not include a non-billable project rate component. CBO does not recommend General Fund discretionary resources to cover project management costs, as this work is covered under the non-billable component built into the project management hourly rate for internal projects.

CBO is also recommending reimbursement to the Portland Housing Bureau for overtime wages incurred by City staff volunteers at the shelter, bringing total recommended General Fund contingency for the Portland Building Shelter to \$29,673.

### Springwater Corridor Clean-Up

The Facilities Services division received \$150,000 in General Fund discretionary resources to reimburse the division for anticipated contract costs for clean-up services along the Springwater Corridor during the FY 2016-17 Fall BMP. As part of a multi-bureau effort, the clean-up along Springwater Corridor has been completed. Per Facilities Services decision package update, a total of \$90,723 of the original General Fund allocation was incurred during the clean-up with the remaining \$59,277 to be returned to the General Fund in the Spring BMP. However, the Division recently revised their actual costs for clean-up upward by \$39,000 to \$129,000, and instead intends to return savings to the General Fund in the Over-Expenditure Ordinance (OEO).

### Security Upgrades at City Hall

Facilities Services is requesting to draw \$90,000 from City Hall Major Maintenance reserves in the Facilities Services Operating Fund to fund security upgrades at City Hall. Specifically, the funding will be used to install more secure doors for several City Hall offices and the 4<sup>th</sup> Avenue entrance. This request is similar to a \$500,000 request in the FY 2016-17 Fall BMP (MF\_049) to make security upgrades at City Hall. CBO has several concerns with this request:

- 1) This project was not vetted through Facilities Services' major maintenance prioritization process, and it is unknown how this project would rank relative to other crucial major maintenance work at City Hall. The low dollar amount makes this less of a practical concern, but one of principle, as the institutionalization of prioritization based on cost/risk/service level analysis is crucial for the development of a robust asset management program within Facilities Services.
- 2) Facilities Services is still in the midst of performing a Citywide Security Assessment. As with other requests, CBO does not recommend making additional security investments prior to receiving direction from that study. Other City Hall security investments, such as the duress system, have been put on hold.
- 3) Major Maintenance policy definitions are vague in some areas, allowing for the potential conflation of major maintenance and tenant improvements, and it is not clear to CBO that this would appropriately be funded from major maintenance. There are definitional issues concerning whether a) Major Maintenance policy dictates that facilities should be maintained to an "average tenant" standard or for specific building tenants and b) how security related facilities requests will be handled going forward, after the completion of the Citywide Security Assessment. Regarding the former, CBO notes that previous security related requests for City Hall have proposed to significantly increase the level of service provided, and such tenant-specific/tenant-requested enhanced security features may be more appropriately be funded as tenant

improvements charged directly to the requesting tenant. Regarding the latter, significant additional security-related requests will presumably come forward after the assessment is complete, and it should be determined whether these requests are appropriately funded via major maintenance contributions or other funding sources.

CBO recommends this request, albeit with concern regarding the outstanding issues noted above. CBO is supportive of efforts in Facilities Services to develop a more robust asset management program, but strongly encourages that major maintenance policy definitions be clarified and that the division refrain from pursuing major maintenance projects that have not been analyzed and prioritized using an asset management framework. CBO further recommends that the Division develop a strategic framework for how it intends to handle security-related facilities projects going forward.

#### Revenue Division Requests for Additional General Fund Resources

The Revenue Division is requesting \$55,000 in additional General Fund resources to offset a settlement negotiated in September 2016 with a collection agency concerning disputed fees. The Revenue Division previously submitted this request during the Fall BMP, noting on both occasions that the disputed fees would have been netted out of General Fund revenues collected on the City's behalf.

The Revenue Division is also requesting \$75,000 in additional General Fund resources to fund costs related to putting a proposed charter amendment (regarding interpretation of the Transient Lodging Tax) on the May 2017 ballot. Council referred the measure to ballot in February 2016, and these are required costs for printing and ballot distribution. Total ballot costs are borne proportionately and actual costs will depend on the total number of items on the ballot; Revenue Division's costs are not expected to exceed \$75,000. The Auditor's Office, which also has a charter amendment on the May ballot, has separately budgeted \$75,000 to cover ballot costs.

For both of these items, CBO is recommending that the Revenue Division absorb the unbudgeted costs. The actual cost of the May 2017 ballot measure is as yet unknown, as it will depend on the number of items on the ballot. OMF's Spring BMP submission projects that the Bureau of Revenue and Financial Services will underspend its General Fund discretionary allocation by over \$630,000. In particular, EMS underspending is projected to be approximately \$370,000 based on the current budget. To the degree that bureau underspending is insufficient to cover settlement costs and estimated ballot measure costs, the Revenue Division should request resources during the Over-Expenditure Ordinance (OEO).

## Year End Projections

The Office of Management & Finance (OMF) budgets in sixteen funds. CBO has reviewed projections for each of these funds. In most cases there are no concerns or issues. Several items of note are identified below:

- CBO projects the Health Insurance Operating Fund to end the fiscal year with a balance of between \$20.8 million and \$21.5 million. This reflects a planned draw from the beginning balance of \$23.0 million. Based on initial plans for a self-insured health premium rates, this trend is expected to continue into FY 2017-18 as the fund draws down excess reserves. CBO will continue to monitor this fund through the budget development process and into next year to ensure the health of the fund; the current year includes one-time revenue for the Voluntary Retirement Incentive Program (VRIP) which will generate increased claims experience in the coming year.
- OMF is projecting the Facilities Services Operating fund to end the fiscal year with a balance of \$43 million, a \$2.2 million increase over beginning fund balance. The majority of fund balance is comprised of major maintenance reserves, and year-over-year balance increases represent a backlog of planned but incomplete projects. This projection assumes a draw of \$24.8 million on the line of credit supporting the Portland Building Reconstruction project, and associated project spending. While actual fiscal year-end External Materials and Services spending – driven by routine and requested Operations & Maintenance and Major Maintenance spending – will depend heavily on the progress of the Portland Building Reconstruction project, it will be important to monitor the completion rate of other maintenance projects to understand the throughput on more typical Facilities Services projects. As of February 2017, Facilities Services had expended approximately 30% of EMS budget unrelated to the reconstruction project.