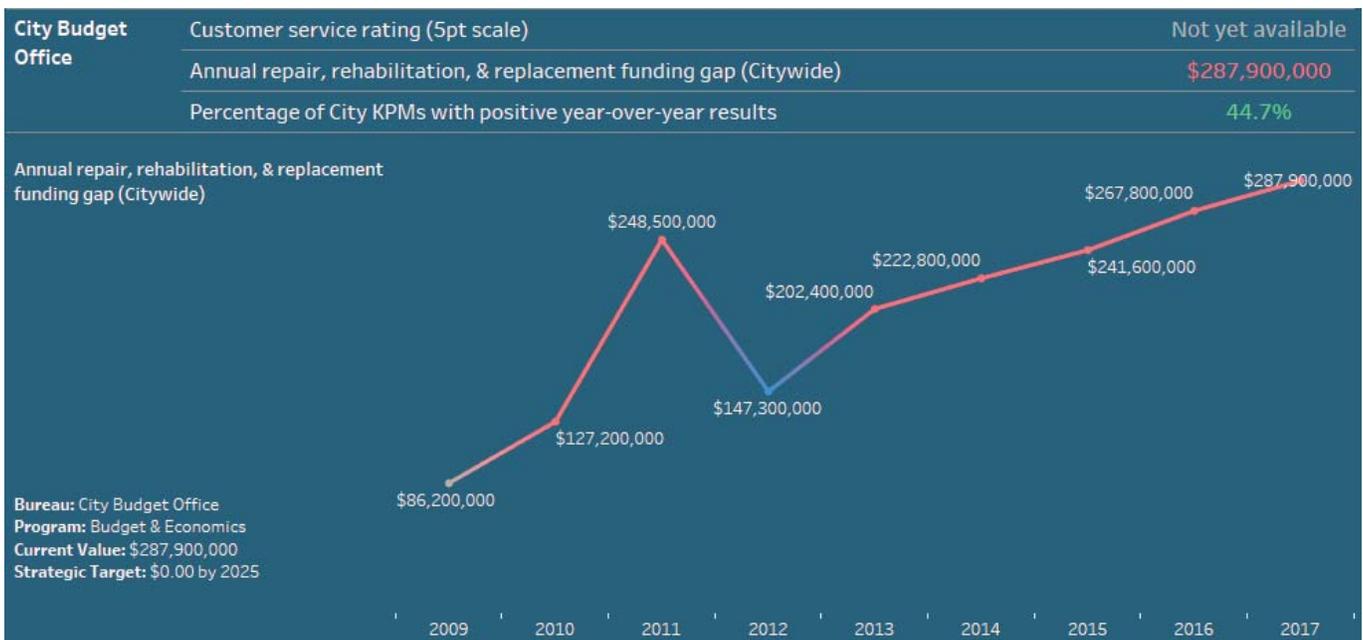


# City Budget Office

Analysis by Claudio Campuzano

The City Budget Office received a one-time increase of \$1 million through the capital set-aside process for the development of a successor system to the current enterprise budgeting system. This work was begun and will continue into FY 2017-18 with project completion expected in FY 2018-19. CBO has expanded its efforts to support improved performance through greater use of data and evidence in decision-making, including facilitation of GATR sessions, capacity building for program evaluation, and the launch of a process improvement pilot for City employees.

## Bureau Performance



<https://www.portlandoregon.gov/cbo/article/655039>

**Optimizing Public Value and Measuring Performance.** Performance management is central to the mission of the City Budget Office. In the budget development and monitoring processes, CBO’s information, analysis, and recommendations seek to maximize the public value of limited City resources to best serve the Portland community, particularly those most in need. Outside of the budget process, CBO has a variety of initiatives designed to advance greater use of data and evidence in City decision-making, and to support business process improvements. These include the following:

- **Government Accountability, Transparency and Results (GATR) sessions.** These are a series of data-driven executive level performance management meetings in which the Mayor convenes relevant bureau leadership to address specific operational challenges. GATR sessions in FY 2016-17 focused on accelerating housing development and the overall development services function, as well as police staffing. Action items from these sessions led to notably increased police recruitment, with 54 new patrol officers hired and 18 re-hired out of retirement in FY 2016-17 – compared to 22 total officers hired in FY 2015-16. Regarding the acceleration of housing development, the six permitting bureaus are using the new monthly Development Directors Group to pursue active, coordinated management of the development services process. Also as a result of this GATR series, the City has recently established an online payment option for public works Minor Improvement Permits.
- **What Works Cities & Low-cost Program Evaluation.** In FY 2016-17, CBO partnered with the Bureau of Planning and Sustainability to lead Citywide scopes of work to advance a new open data policy, improve the City’s performance management fundamentals, and to build an entirely new capability around program evaluation. Bureaus launched eight evaluations in FY 2016-17, with two scoped for FY 2017-18. Evaluations have aimed to increase diversity of police recruits, improve employee disaster preparedness, promote bikeshare ridership, and improve code compliance, amongst others.
- **Process Improvement Pilot.** Also in FY 2016-17, CBO partnered with the Bureau of Human Resources to offer a Process Improvement Pilot to enable employees to eliminate waste, add value, and increase their job satisfaction. The approach, a combination of training and ongoing support, is adapted from Denver Peak Academy, where employees have saved over \$20 million in five years by applying the tools of continuous improvement and lean process philosophy. This pilot is continuing in FY 2017-18 with additional workshops and targeted improvement projects.

As better information and increased capability to use data improve the City’s allocation of resources and spur more effective management practices, CBO expects that City performance will improve across bureaus over time. This progress is represented by the measure, “Percentage of City KPMs with year-over-year results moving in a positive direction”. In FY 2016-17, 44.7% of City KPMs were trending positively, a strong result considering that key performance measures with flat year-over-year trends do not contribute to the figure. This result has been steadily improving over the last few years from a low of 31.8% in FY 2013-14. However, it should also be noted that the discontinuation of the Auditor’s Community Survey resulted in a significant change to the Citywide KPM index in FY 2016-17. Key performance measures reflecting perception of safety, satisfaction with parks services, and resident engagement are no longer reported and have been removed from the set.

**Assets and Sustainable Levels of Service.** The annual repair, rehabilitation, and replacement funding gap continues to increase Citywide. The goal of erasing the gap by 2025 is probably unattainable unless the City Council continues to make even more significant investments in infrastructure maintenance over the next 5-10 years. Several years ago, Council approved a change to financial policies to allocate 50% of available one-time General Fund resources to infrastructure maintenance.

This policy change has slowed the rate of growth of the gap, but has yet to reverse the trend. A new effort - Build Portland - was announced as part of the FY 2017-18 budget and the expectation is to fund \$50 million in projects over the next several years and up to \$600 million over the next 20 years - primarily on Parks and Transportation assets. This should further slow the rate of growth of the gap. BES has increased the planned level of reinvestment in assets, also a contributor to slowing the overall trend. OMF is looking to implement an increase in the portion of rents charged for major maintenance reserves. This should assist with the moving toward a more appropriate level of reinvestment. Further measures will be necessary Citywide, however, to achieve a sustainable level of service in the long term.

CBO also tracks the percentage of capital spending allocated to repair, rehabilitation, and replacement (R/R/R). No strategic target has yet been set, but overall the City spent well below the target (55.6% of total CIP spending versus an annual target of 63.7%) based on bureau estimates. This is largely driven by the Portland Bureau of Transportation, which anticipated that 74.9% would be spent on R/R/R projects while the actual was 56.1%.

**Other Measures.** Due to staff turnover, CBO's customer survey was not performed at the usual time of year - i.e. mid-summer. While CBO will be conducting this survey shortly, the altered timing may have an impact on the quality of the time series; the usual timeframe is immediately after the budget process whereas a fall survey will be during the Fall BMP and the beginning of FY 2018-19 budget development.

No instances of a waiver of City financial policy were identified in FY 2016-17, however, CBO is not confident in the method for tracking the number of waiver instances. CBO noted in the Fall BMP submission that it would be working to implement a more consistent approach as part of FY 2017-18. However, after further discussion, it has been determined that this measure is of little value and will no longer be reported (see below).

## Performance Measures

Currently, CBO's mission states: "The City Budget Office provides timely, accurate, and unfiltered information and analysis regarding budgeting, forecasting, and fiscal policy issues to the Mayor, Commissioners, City Auditor, City bureaus, and the public." This would indicate that performance for the CBO should be measured by the timeliness, the accuracy, and the successful delivery of pertinent analysis and information. The customer service rating is relevant to these aspects as it summarizes feedback from relevant stakeholders (with the exception of the public) about the information and analysis provided by CBO.

With regard to how well CBO serves the public through the provision of information and analysis, receipt of the Government Finance Officers Association award is a reasonable indicator. The award represents a budget office's effectiveness at providing information to the public regarding the relevant issues; the criteria associated with that award are designed specifically around best practices in communicating budget information. However, there are no measures of the effectiveness of CBO's

communication with the public during the budget process – a time when public input is most relevant. CBO should explore options to assess this – perhaps by including some sort of interactive feature on bureau analyses (i.e. a ‘Was this helpful?’ button).

This mission statement, however, does not capture other aspects implicit in the CBO’s role including assisting the Mayor and Commissioners in:

- Optimizing the utilization of resources to achieve the most public value given the stated priorities of City Council and
- Ensuring that the City of Portland is able to deliver a sustainable level of service to Portlanders now and in the future.

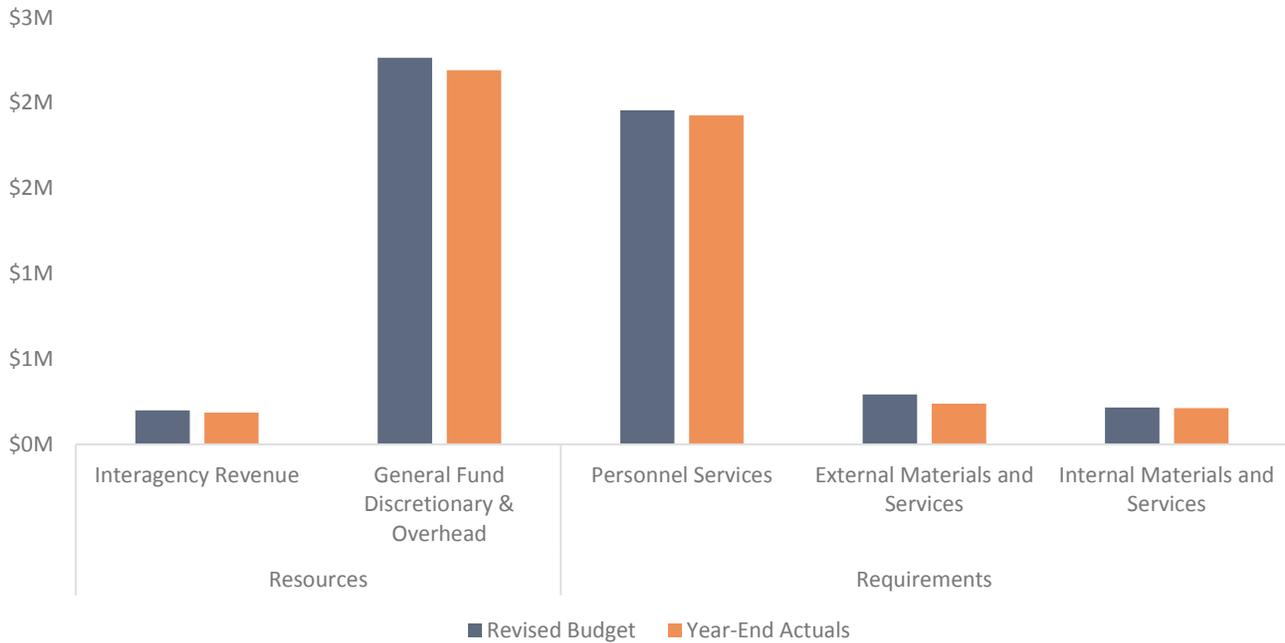
Nonetheless, several measures currently tracked by CBO are relevant to these aspects of CBO’s role including:

- Annual repair, rehabilitation, & replacement funding gap. This measure, while beyond the immediate control of CBO, is a good long-term measure of the City’s ability to provide a sustainable level of service. To the degree that CBO is able to make effective recommendations to City Council, this gap should close over time, reflecting a successful outcome.
- Percentage of capital project funding that is expended on repair, rehabilitation, & replacement. This measure is less useful in that can fluctuate considerably year to year and does not have any direct relationship with a meaningful outcome as it is independent of the overall level of effort being made to close the gap. That is, the measure may be meeting target, but the total spending may still be inadequate to have an impact on the overall gap. CBO is considering dropping this measure as a KPM.
- Percentage of City KPMs with positive year-over-year results. This measure is relevant to CBO’s role in optimizing the use of City resources. While imperfect in that it does not weight KPMs by priority nor consider whether bureau KPMs are, in fact, relevant or valuable ones, it does provide an indicator of overall trend in whether the City is achieving stated goals.

Regarding non-KPM measures, the number of times financial policy is waived is irrelevant in that it does not correlate to any desired CBO outcome. Financial policy is valuable in that it provides guidance and broad constraints based on best practices. However, Council has the right and the responsibility to waive policy when the situation warrants. Such waivers are neither a positive or negative occurrence. CBO will stop tracking this measure going forward.

**General Fund**

City Budget Office FY 2016-17 Reconciliation



Personnel services and internal materials and services were spent within 98% of revised budget. External materials and services were underspent by \$53,197. Of this amount, \$40,000 was related to anticipated spending on a consultant contract to develop requirements for the budget system replacement, leaving only \$13,197 of general EMS underspending.

As part of the General Fund capital set-aside process in the FY 2016-17 Fall BMP, CBO was allocated a project budget of \$1 million for the replacement of the current enterprise budgeting system. Work on the replacement project has begun. The majority (\$960,000) was carried over in the Spring Supplemental and added to FY 2017-18 in the Approved Budget.

Of the \$40,000 remaining budget in FY 2016-17 for the system replacement, \$20,000 was encumbered and has been spent in FY 2017-18. CBO requested to carry over the \$20,000 that was budgeted and not encumbered in order to maintain the full \$1 million project budget. Based on current policy, this constitutes a ‘new’ request and has not been recommended.

Interagency revenues were less than anticipated based on actual cost recovery for the Portland Utility Board program which includes staff, direct materials and services, and indirect charges. Overall, CBO underspent its General Fund Discretionary and overhead allocation by \$72,955; underspending is \$32,454 if all encumbrances and all IT funds are carried over.