

# CITY BUDGET OFFICE

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## CITY OF PORTLAND, OREGON

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**TO:** Mayor Ted Wheeler  
Commissioner Nick Fish  
Commissioner Amanda Fritz  
Commissioner Chloe Eudaly  
Commissioner Dan Saltzman  
Auditor Mary Hull Caballero

**FROM:** Andrew Scott  
City Budget Director

**DATE:** March 6, 2018

**SUBJECT:** **City Budget Office FY 2018-19 Budget Reviews**

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Attached are the City Budget Office (CBO) reviews of the FY 2018-19 requested budgets. These reviews analyze and highlight the key budget and program performance issues that CBO believes Council should consider during the budget process.

The City continues to experience significant growth in both our revenues and expenses. The latest forecast update shows that the City is facing a \$1.5 million ongoing deficit, driven by three major factors: higher inflation, which is driving up wages and other costs; high PERS costs; and new labor contracts. Combined, these factors increased ongoing General Fund costs by more than \$13 million, outpacing the growth in property taxes, business license taxes, transient lodging, and other revenues.

The City is projected to have a \$24.7 million one-time surplus due to strong revenue projections in the near term but accelerating expenditure growth in the out-years. Under City financial policy, one-time resources should be spent on infrastructure or other one-time investments.

The strong local economy has allowed Portland to expand services (e.g., affordable housing and homelessness) and increase wages without making significant programmatic reductions. As we noted last year, however, the City continues to face long-term fiscal challenges from continued pressure on wages and benefits, a large and growing infrastructure backlog, and legacy liabilities such as the Portland Harbor clean-up and Columbia River levee system.

## FY 2018-19 Budget Guidance

In November, the Mayor issued the following budget guidance:

- 5% reduction options for all General Fund bureaus, with a focus on identifying efficiencies, reducing or eliminating non-core services, and reducing indirect and administrative costs that do not harm front-line services.
- New ongoing General Fund requests should be limited to affordable housing and homelessness, infrastructure, livability, public safety and police accountability, and innovation and resiliency.
- Reductions to the Office of Management and Finance indirect and corporate charges, where appropriate, while prioritizing the internal support necessary to achieve the Mayor's goals.
- Efficiencies and reductions in non-General Fund bureaus to keep fee and rate increases as low as possible.

## CBO General Fund Recommendations

In total, bureaus requested \$32.3 million in ongoing funding, \$120.4 million in one-time funding, and offered \$23.0 million of ongoing reductions and realignments. Two-thirds of all ongoing General Fund requests came from Police and Transportation; the largest one-time requests came from Transportation and Parks for asset repair and replacement, and from Housing for homeless services through the Joint Office of Homeless Services.

CBO's budget recommendations are based on the guidance provided by the Mayor as well as City financial policies. Developing these recommendations requires tradeoffs between important programs and services in order to produce a balanced budget. CBO also uses an equity lens to consider how different populations are impacted by funding decisions, supported by the Budget Equity Assessment Tools completed by bureaus. In total, we recommend **\$3.6 million in ongoing adds** offset by **\$5.0 million in ongoing cuts**, as well as **\$24.5 million in one-time spending**. Bureaus also requested a net of 129.0 new FTE; CBO recommends 98.0 FTE. Please see the individual reviews for a detailed discussion of specific recommendations.

### *Key Recommendations*

- CBO recommends **\$1.26 million of additional General Fund spending** for items that are required either by law or City financial policy or are the result of previous Council decisions. These include \$400,000 to help finance the Andersen lawsuit settlement, [\\$225,200 to pay for maintenance](#) at certain Water facilities, [\\$62,000 for operations and maintenance](#) at new Park facilities that will be opening this year, and [\\$576,626 for the arbitration decision](#) regarding the Portland Firefighters Association contract.
- CBO also recommends **\$2.3 million** for the following programs:
  - [\\$1.5 million to add 14 Police sworn positions](#). The bureau requested 64 sworn positions to form an officer trainee pool to help mitigate patrol staffing issues during a period of high attrition and increasing demand for police services.

- [\\$450,000 for Parks major maintenance](#), which will provide ongoing funding to the Parks Capital Improvement Fund to address the highest need projects. CBO recommends that the first year of funding be used for several bureau requests including a seismic assessment of key facilities and the demolition costs of high-risk playgrounds.
  - \$258,000 for the Office of Management and Finance for a variety of packages, including funding for [new recruitment positions in BHR](#) and [two packages in BTS](#) that will allow for more efficient management of mobile devices and better security of City data. These add packages were strongly supported by OMF's customers.
  - [\\$110,000 for the Police Lifeworks New Options for Women](#) (NOW) program. This program provides services to women trying to exit the sex industry, including mental health support, addiction treatment, education, and case management. This funding backfills a federal grant that the City is likely to lose this year.
  - [\\$69,000 for a capital coordinator position](#) in CBO that will coordinate the capital set-aside allocation process, increase CBO's internal capacity to analyze and monitor bureau capital programs, and work with asset managers throughout the City to develop funding options to further reduce the infrastructure backlog. This position would be funded out of existing Build Portland resources and not new General Fund resources.
- **PSSRP Funding.** CBO recommends using \$3.1 million of remaining Public Safety Systems Revitalization Project funding for five public safety technology investments, including:
    - [\\$1.1 million](#) for Police mobile data computers
    - [\\$300,000](#) for a consultant to make recommendations on the RegJIN system
    - [\\$750,000](#) for BOEC's integrated priority dispatch system
    - [\\$450,000](#) for BOEC's NextGen recording system
    - [\\$490,000](#) for fire inspection software, mobile data computer network connections, and WiFi at stations
- **Marijuana Tax.** Similar to last year, CBO recommends using \$1.54 million of local marijuana tax to fund the [Service Coordination Team](#), which is currently one-time funded, in addition to the \$410,000 that is already funded with marijuana tax.
- **State of Housing Emergency.** In addition to the \$17.6 million ongoing baseline, CBO recommends [\\$10.5 million in one-time resources](#) for the Joint Office of Homeless Services.
- **Ongoing Reductions.** In order to offset the ongoing deficit and create room for these priority investments, CBO recommends \$5.0 million in ongoing reductions throughout a number of City bureaus. Please refer to the detailed reviews for more information on each recommendation.
- **Investing in Infrastructure.** City financial policy requires that 50% of the excess one-time resources in the forecast, or about \$12.35 million, be spent on infrastructure maintenance and replacement. A complete list of the ranked projects is included in the CBO review binder. CBO is recommending the following projects:
    - Traffic Signal Reconstruction Program ([\\$1.5 million](#))

- Halsey Corridor Traffic Signal Replacement Projects ([\\$3.0 million](#))
- Traffic Signal Upgrades Supporting Economic Development ([\\$3.0 million](#))
- Washington Park Stairs ([\\$500,000](#))
- Forest Park Culverts and Bridges ([\\$3.2 million](#))

CBO is not recommending funding for the two highest scoring PBOT projects: the 42<sup>nd</sup> Avenue Bridge replacement project, which already received \$4.9 million of capital set-aside in the Fall BMP and is recommended for an additional \$3.0 million through Build Portland; and the ADA accessible sidewalk project, which has \$5.0 million in unspent capital set-aside funding from the current year.

## **Conclusion**

Portland continues to benefit from a strong economy. The City will need to make smart, strategic decisions in FY 2018-19 and beyond in order to ensure that we maintain and expand our fiscal resiliency. CBO recommends that the City add new ongoing programs sparingly in order to maintain our fiscal resiliency during an economic downturn.

Please do not hesitate to contact me with any questions about the CBO budget reviews. I look forward to working with you to craft the FY 2018-19 budget.