

CITY BUDGET OFFICE

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CITY OF PORTLAND, OREGON

TO: City Budget Office

FROM: Claudio Campuzano, Interim Budget Director 

DATE: September 12, 2018

SUBJECT: City Budget Office FY 2018-19 Fall BMP

The FY 2018-19 Fall BMP submittal for the City Budget Office (CBO) contains no significant issues or decision points. Highlights of submitted documents include:

- 1. Summary of Budget Adjustments.** CBO is requesting encumbrance carryover for two contracts with costs that overlap fiscal years, and cost-neutral technical adjustments.
- 2. Prior year budget to actual reconciliation report.** Accounting for encumbrance carryover, CBO ended the year with \$31,188 in General Fund underspending. CBO diligently managed its resources and is returning to the General Fund the \$25,000 allocated in the FY 2017-18 Over-Expenditure Ordinance as contingency to cover departure costs associated with the longtime Director.
- 3. Updates on FY 2017-18 budget notes and decision packages.** In FY 2017-18, CBO was directed to implement ten budget notes. All have been completed, with the exception of the direction to highlight Build Portland debt service costs in the five-year forecast which will continue for the life of the debt service. Decision package updates are provided in electronic Excel format only via email.
- 4. Prior year performance data.** CBO recently added new performance measures to its report. These updates show continued progress on CBO initiatives but challenges with performance around citywide asset condition. A handful of measures rely on bureau BMP submissions and will be updated in late September.
- 5. Capital project variance reporting.** The bureau's software replacement project is on track for a December go-live date with no notable current variances.
- 6. Encumbrance carryover worksheet** in electronic Excel format only via email.

**CBO Discussion and Recommendations
FY 2018-19 Fall Supplemental Budget Ordinance**

Bureau: City Budget Office

Type: Technical Adjustment

Request: BO_001 - Budget Software Tech Adj

	Fall BMP Requested Adjustments	Fall BMP CBO/Council Changes	Fall BMP Total Adjustments
EXPENDITURES			
Personnel Services	70,000	0	70,000
External Materials and Services	0	0	0
Internal Materials and Services	35,000	0	35,000
Capital Outlay	(105,000)	0	(105,000)
TOTAL EXPENDITURES	0	0	0

Bureau Description:

In the FY 2018-19 budget, CBO included a total of \$1.3 million in capitalized project costs for the Citywide budget software replacement project. Approximately \$1 million of total costs were placed in capital outlay before exact implementation internal materials and services and personnel costs were known. Implementation is underway and CBO is making technical changes to reflect the current understanding of cost allocation amongst various expense categories. The total project budget remains the same. This package includes the following adjustments:

- Shifts \$35,000 from capital outlay to internal materials and services for interagency costs with the Bureau of Technology Services. This includes \$30,000 for the Enterprise Business Services technical team assistance.
- Shifts \$70,000 from capital outlay to personnel services to reflect CBO staff time committed to project implementation. This brings total bureau project staff budgeted costs to \$150,000.
- Correctly budgets the remaining capital outlay resources (\$898,270) in account 563100.

CBO Discussion and Recommendation

**CBO Discussion and Recommendations
FY 2018-19 Fall Supplemental Budget Ordinance**

Bureau: City Budget Office

Type: Encumbrance Carryover Request

Request: BO_002 - Encumbrance Carryovers

	Fall BMP Requested Adjustments	Fall BMP CBO/Council Changes	Fall BMP Total Adjustments
EXPENDITURES			
External Materials and Services	53,975	0	53,975
Internal Materials and Services	8,754	0	8,754
TOTAL EXPENDITURES	62,729	0	62,729
REVENUES			
General Fund Discretionary	62,729	0	62,729
TOTAL REVENUES	62,729	0	62,729

Bureau Description:

CBO closed the FY 2017-18 fiscal year with a total of \$53,975 in open encumbrances which require carryover. These are comprised of the following:

- \$15,000 for the final payment of contracted consulting services to evaluate options and make recommendations to Council on the optimal location and structure for the Office of Community Technology. CBO was directed to engage the consultant on this work via a FY 2017-18 budget note. The consultant released its final report and recommendations in July 2018.

- \$38,975 for required quality control consultant work on the budget software project. The project is on schedule with a planned go-live date of December 2018.

In addition, CBO is requesting an encumbrance carryover of \$8,754 for CBO's portion of costs associated with the GovInvest modelling software subscription, being procured by the Bureau of Revenue and Financial Services in partnership with OMF and FPDR. Implementation of GovInvest was delayed; CBO budgeted a total of \$11,673 in FY 2017-18 but only \$2,918 was expended. The funds are encumbered in OMF's budget and CBO is re-budgeting the \$8,754 balance as an interagency payment from CBO to OMF to support implementation in FY 2018-19.

CBO Discussion and Recommendation

**CBO Discussion and Recommendations
FY 2018-19 Fall Supplemental Budget Ordinance**

Bureau: City Budget Office

Type: Technical Adjustment

Request: BO_003 - IA Adjustments

	Fall BMP Requested Adjustments	Fall BMP CBO/Council Changes	Fall BMP Total Adjustments
EXPENDITURES			
Internal Materials and Services	0	0	0
TOTAL EXPENDITURES	0	0	0

Bureau Description:

The City's Occupational Health program, including the flu shots program, are moving from Risk Management to the Bureau of Human Resources as part of the Fall BMP. The programs will continue to be funded by inter-agency agreements and the amounts are not changing. However, since BHR is not an internal service fund, the accounts and funded programs for these IA's need to be changed in the Fall BMP so billings can be processed after the Fall BMP is approved.

CBO is moving its share of costs (\$78) to the appropriate funded program code.

CBO Discussion and Recommendation

Prior Year Business Area Reconciliation Report

	FY 2017-18 Revised Budget	FY 2017-18 Year-End Actuals	Percent of Actuals to Revised
City Budget Office			
EXPENDITURES			
Personnel Services	\$2,024,215	\$1,978,947	98%
External Materials and Services	\$271,182	\$238,333	88%
Internal Materials and Services	\$259,872	\$244,072	94%
TOTAL EXPENDITURES	\$2,555,269	\$2,461,352	96%
REVENUES			
Interagency Revenue	\$204,906	\$209,434	102%
General Fund Discretionary	\$511,811	\$0	0%
General Fund Overhead	\$1,838,552	\$0	0%
TOTAL REVENUES	\$2,555,269	\$209,434	8%

Bureau Reconciliation Narrative

Expenditures:

Although the report depicts underspending in External Materials and Services, the actuals do not account for contracted, encumbered funds that are requested to be carried forward into FY 2018-19. Accounting for the \$62,729 in encumbrance carryover, CBO underpent its entire General Fund allocation by \$31,188, or 1.6%. It should be noted that CBO requested and was granted allocation of \$25,000 in contingency funds in the FY 2017-18 Over Expenditure Ordinance to ensure the bureau was able to pay costs associated with the June departure of its Director. CBO diligently managed its year end resources and is returning that \$25,000 to the General Fund.

Revenues:

The City Budget Office interagency revenues exceeded budget by \$4,528 as a result of Portland Utility Board support costs increasing slightly above originally budgeted projections. The costs will be trued up in this years budget. The bureau finished the year having expended or encumbered 98.5% of its General Fund Discretionary and Overhead allocation.

Budget Note Update

City Budget Office

Date of Budget Note: July 1, 2017 in FY 2017-18 Adopted Budget

Budget Note Title: Open and Accountable Elections Program

Budget Note Language: The City's public matching campaign finance program is to be implemented in time for the 2020 election. Council directs the City Budget Office to conduct an analysis of the staffing and operational needs of the program and report back to Council with recommended funding levels for FY 2017-18 and beyond. CBO is also directed to make a recommendation as to the appropriate location of this function.

Summary Status: Complete

Budget Note Update: March 15, 2018

CBO completed its report and sent it to City Council on November 30, 2017. The report is available at <https://www.portlandoregon.gov/cbo/article/675022> .

**

Date of Budget Note: July 1, 2017 in FY 2017-18 Adopted Budget

Budget Note Title: Portland Film Office

Budget Note Language: The FY 2017-18 Adopted Budget includes \$142,240 in General Fund one-time funding to continue the Portland Film Office. City Council directs the City Budget Office to provide options for funding the office outside of General Fund Discretionary funding as part of the FY 2018-19 Budget Process.

Summary Status: Complete

Budget Note Update: March 16, 2018

The City Budget Office worked with Commissioner Nick Fish's Office and Prosper Portland to devise a process by which the Portland Film Office will no longer require General Fund support. A comprehensive plan was established whereby the Film Office would offer a one-stop point of contact for the film industry, including the development of a universal film permit. The hope is that increasing the Film Office's level of service would allow it to become self-sustaining, likely through a combination of existing revenue that would otherwise go to bureaus – primarily Transportation and Parks – and increased permit fees for specialized services. Implementation of this process improvement would require an additional year of one-time General Fund support, which CBO included in its General Fund recommendations.

**

Date of Budget Note: July 1, 2017 in FY 2017-18 Adopted Budget

Budget Note Title: Land Use Revenue

Budget Note Language: Council directs the City Budget Office, Bureau of Development Services, and Bureau of Planning and Sustainability to develop a plan to provide long term funding for necessary code development and revision work using Land Use revenue as appropriate and permissible by law. Annual work plans and funding amounts for both bureaus should be included in the budget process for Council consideration.

Summary Status: Complete

Budget Note Update: March 16, 2018

The Bureau of Development Services and the Bureau of Planning and Sustainability have reached an agreement for long-term code development funding. BPS will receive 35% of BDS' Development Services Fee revenue. Revenue from the Development Services Fee is unrestricted and, therefore, negates potential legal nexus concerns from the previous code development funding source. CBO supports this agreement.

**

Date of Budget Note: July 1, 2017 in FY 2017-18 Adopted Budget

Budget Note Title: Experience PDX

Budget Note Language: Council directs the City Budget Office to set aside \$200,000 in one-time General Fund resources to fund the Experience PDX program in FY 2018-19.

Summary Status: Complete

Budget Note Update: September 12, 2018

Funding was included in the Special Appropriations FY 2018-19 Base Budget.

**

Date of Budget Note: July 1, 2017 in FY 2017-18 Adopted Budget

Budget Note Title: Joint Office of Homeless Services Funding Conversation

Budget Note Language: Council directs the City Budget Office to coordinate a work session to discuss the City's role in supporting the efforts of the Joint Office of Homeless Services, which will include a discussion of current and future funding levels, including funding sustainability.

Summary Status: Complete

Budget Note Update: March 20, 2018

This Work Session took place on September 5th, 2017. Materials are available at <https://www.portlandoregon.gov/cbo/article/655238>.

**

Date of Budget Note: July 1, 2017 in FY 2017-18 Adopted Budget

Budget Note Title: Participatory Budgeting

Budget Note Language: Council directs the City Budget Office to create a proposal for developing and implementing a Participatory Budgeting pilot process. CBO shall present their recommendations to Council during the FY 2017-18 Fall Supplemental Budget process for consideration as part of FY 2018-19 Budget Development.

Summary Status: Complete

Budget Note Update: September 12, 2018

CBO reviewed Participatory Budgeting (PB) programs across the country, as well as consulted academic research on both national and international efforts to implement PB. CBO outlined key decision points and recommendations to the Mayor's Office and for Council consideration in preparation for a work session that was scheduled for January 2018. However, the work session was cancelled.

**

Date of Budget Note: July 1, 2017 in FY 2017-18 Adopted Budget

Budget Note Title: Community-Driven, Inclusive Budgeting Process

Budget Note Language: The FY 2017-18 budget includes \$500,000 in Recreational Marijuana Tax revenue to be allocated via a Participatory Budgeting community-driven, inclusive process, to be managed by the City Budget Office with guidance from Commissioners Eudaly and Fritz. The project managers will implement the process using the Participatory Budgeting Project's guidelines and shall report to Council by November 30th, 2017 on their progress. Funding allocated through this process will go toward the following: support for neighborhood small businesses, especially women-owned and minority-owned businesses, including but not limited to business incubator programs, management training, and job training opportunities; and providing economic opportunity and education to communities disproportionately-impacted by cannabis prohibition.

Summary Status: Complete

Budget Note Update: September 11, 2018

A Cannabis Tax Allocation Steering Committee comprised of community stakeholders convened several meetings in Fall 2017 to identify priority areas for investment, using a restorative justice lens. A survey was distributed through targeted outreach channels for community input on the proposed allocation categories. This feedback was used to create two Request for Proposals, one to be administered by Prosper Portland for projects related to industry support and technical assistance (\$150,000) and one to be administered through the City's Grant Management Division for records expungement and re-entry support (\$350,000). Funding was awarded through an RFP process, with allocations determined by an internal selection committee comprised of representatives from each elected official office. Grants were finalized at the end of FY 2017-18, and work is taking place in FY 2018-19.

**

Date of Budget Note: July 1, 2017 in FY 2017-18 Adopted Budget

Budget Note Title: Commissioners Office Budgets

Budget Note Language: Council directs the City Budget Office to evaluate funding levels for the Commissioner's office budgets relative to the Mayor's Office and make recommendations to adjust funding levels as appropriate. This may include but is not limited to establishing an appropriate ratio of Commissioner Office budgets to the Mayor's Office budget. This evaluation should be complete and submitted to Council for consideration by November 30th, 2017 in preparation of the FY 2018-19 budget.

Summary Status: Complete

Budget Note Update: March 20, 2018

CBO completed its report and sent it to City Council on November 30, 2017.

<https://www.portlandoregon.gov/cbo/article/677874>

**

Date of Budget Note: July 1, 2017 in FY 2017-18 Adopted Budget

Budget Note Title: Build Portland

Budget Note Language: As part of the Build Portland initiative started in the FY 2017-18 Budget, the plan includes a schedule of periodic debt issuances for infrastructure repair, rehabilitation, and replacement. Council directs the City Budget Office to highlight for Council in the General Fund forecast the future debt service costs as soon as the next proposed debt issuance falls within the five-year forecast timeframe and discuss with Council the costs and benefits of proceeding with the program. Council expresses its intent to hold a work session during the Summer of 2017 to discuss Build Portland. In the fall of 2017, the Mayor will present to Council a binding resolution to formalize the City's commitment to Build Portland.

Summary Status: Underway

Budget Note Update: September 12, 2018

A work session was held on August 29, 2017. Materials are available at <https://www.portlandoregon.gov/cbo/article/655239>. Binding resolution 37322, which formalized the City's commitment to Build Portland, was passed by Council on October 11, 2017. The resolution directed the Office of Management and Finance to establish a Build Portland Advisory Committee comprised of the Chief Administrative Office (CAO), Chief Financial Officer, Directors of PBOT, Parks, the City Budget Office, City Asset Managers and community advisors. The resolution tasked the committee to develop criteria to determine the eligibility and prioritization of Build Portland projects. Using the criteria, the Build Portland Advisory Committee selected seven projects for the initial \$50 million investment. The City Economist will highlight as part of the upcoming FY 2019-20 forecasts any related debt service costs within the forecast window.

**

Date of Budget Note: July 1, 2017 in Current FY 2017-18 Adopted Budget

Budget Note Title: Office of Community Technology

Budget Note Language: The Office of Community Technology (OCT) is currently a division of the Bureau of Revenue and Financial Services. Council directs the City Budget Office to engage an external consultant that will evaluate options and make recommendations to Council on the optimal location and structure for OCT within the City's organizational framework.

Summary Status: Complete

Budget Note Update: September 12, 2018

The final report was issued in July through the Mayor's Office. During FY 2018-19 budget development, Council approved a subsequent budget note directing the Revenue Division and OCT staff to bring forward budgetary and position changes in the FY 2018-19 Fall Budget Monitoring Process for Council consideration, and directing OMF-Facilities to develop options and plan for the physical relocation of OCT staff, with the relevant budgetary actions also brought forward during the FY 2018-19 Fall Budget Monitoring Process.

City Budget Office Performance Measures

Performance Measure	Type	FY 2015-16 Year-End Actuals	FY 2016-17 Year-End Actuals	FY 2017-18 Adopted Budget	FY 2017-18 Year-End Actuals	FY 2018-19 Adopted Budget
BO_0001 - Percentage of City KPMs with positive year-over-year results	KPM	42.5%	44.7%	45.0%	tbd	48.0%
BO_0003 - Annual repair, rehabilitation, & replacement funding gap (Citywide)	KPM	\$267,800,000	\$287,900,000	\$287,923,533	\$310,000,000	\$311,000,000
BO_0005 - Customer service rating (5pt scale)	KPM	4.37	NA	4.50	tbd	4.30
BO_0006 - Received GFOA budget presentation award (1=yes, 0=no)	OUTCOME	1	1	1	1	1
BO_0007 - Percentage of GATR action items implemented	OUTCOME	66%	80%	0%	82%	90%
BO_0008 - CBO budget process work products website views	KPM	11,954	42,669	0	55,990	45,000
BO_0009 - Citywide asset condition summary	OUTCOME	72%	72%	0%	67%	75%
BO_0010 - General Fund Excess Ending Balance (forecast accuracy)	OUTCOME	\$8,000,000	\$11,200,000	tbd	tbd	\$10,000,000

Performance Measure Variance Descriptions

Percentage of City KPMs with positive year-over-year results: As this measure relies on the reporting of key performance measures from across the City, CBO must wait until bureaus submit their Fall BMP materials to calculate the aggregate, citywide percentage of KPMs that have had positive results. CBO will thus update this measure once Fall BMP submissions are complete.

Citywide annual repair, rehabilitation, and replacement funding gap: The annual repair, rehabilitation, and replacement funding gap continues to increase Citywide. The goal of erasing the gap by 2025 is likely unattainable unless the City Council continues to make even more significant investments in infrastructure maintenance over the next 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 newer effort - Build Portland - was announced as part of the FY 2017-18 budget with the expectation to fund \$600 million for the City's infrastructure maintenance and replacement needs over the next 20 years. In FY 2017/2018, 24 projects were submitted for funding and eight projects were selected for Build Portland funding using a version of the Capital Set scoring tool. Together, the projects total \$49 million (\$34 million in transportation projects and \$15 million in Parks projects). While these efforts should slow the rate of growth of the funding gap, further measures will be necessary to achieve a sustainable level of service in the long term.

Customer service rating: CBO recently released its customer service survey and expects to be able to update this performance measure with FY 2017-18 data by early October. Due to significant staff changes this summer, CBO is releasing its survey on a delayed timeline.

Percentage of GATR action items implemented: CBO continues to support the Government Accountability, Transparency and Results (GATR) sessions on topics of interest to the Mayor with the goal of improving critical services to the public. This year, the bureau facilitated sessions on 9-1-1 Emergency Communications, Housing Development, and Livability. GATR sessions develop action items to address identified problems; this measure tracks the program's effectiveness at driving change in these areas. In its third year of existence in FY 2017-18, the GATR program continued to improve its effectiveness with 82% of action items implemented.

CBO budget process work products website views: In FY 2017-18, the 'budget documents and analysis' category of CBO's website received 31% more views than in previous years. This appears to be the result of more visits to CBO's budget maps: in calendar year 2017 budget maps received 13,750 external website views versus 45,569 external website views year to date in 2018. CBO is looking into the website data to understand these figures more.

Citywide asset condition summary: As with CBO's measure on the citywide repair, rehabilitation and replacement funding gap, the percent of the total value of assets in the City that are in good or better condition continues declined in FY 2017-18. This is a result of challenges to adequately fund comprehensive asset maintenance as well as bureaus being able to more accurately assess their asset condition and needs. The City is working to reverse this trend: Build Portland was announced as part of the FY 2017-18 budget with the expectation to fund \$600 million for the City's infrastructure maintenance and replacement needs over the next 20 years. In addition, the Bureau of Revenue and Financial Services – in partnership with CBO – is in the process of updating the City's financial and capital planning policies with the goal of highlighting and facilitating solutions to medium- and long-term asset financing needs. Finally, the Citywide Asset Managers Group (CAMG) meets regularly and continues to look for ways to improve asset maintenance practices and opportunities.

General Fund Excess Ending Balance: The amount of available General Fund excess ending fund balance is affected by bureaus' needs to carryover funds for prior year encumbered services. The amount of encumbrance carryover required is determined through Fall BMP requests. Thus, CBO cannot update this number until CBO receives Fall BMP requests from bureaus. CBO anticipates updating this figure by the end of September.

Capital Program Status Report

City Budget Office

CIP Program	FY 2017-18 Adopted Budget	FY 2017-18 Revised Budget	FY 2017-18 Year-End Actuals	Variance \$	Variance %	FY 2018-19 Adopted Budget	Fall BMP Revised Budget	FY 2018-19 Year to Date Actuals	Variance \$	Variance %
Special Projects	\$0	\$0	\$1,367	\$1,367		\$1,083,346	\$1,083,346	\$17,421	\$0	0%
Total	\$0	\$0	\$1,367	\$1,367	0%	\$1,083,346	\$1,083,346	\$17,421	\$0	0%

* Prior Year variances compare Year-End Actuals to Revised Budget

** Current Year variances compare Revised Budget to Adopted Budget

Prior Year Variance Description

The Software Replacement Project was not capitalized until the contract was finalized at the very end of FY 2017-18. Thus, although there was budget to support the project, costs did not hit the project code until the end of the fiscal year. At that point in the fiscal year, there was not an opportunity to revise the budget to include the project code; however, the budget going forward includes proper coding.

Current Year Variance Description

The project is on track for a December go-live date; no major variances currently exist.