



September 12, 2018

To: Mayor Wheeler
Commissioner Eudaly
Commissioner Fish
Commissioner Fritz
Commissioner Saltzman

Cc: Claudio Campuzano, Interim Budget Office Director
Yung Ouyang, Auditor's Office Budget Analyst

From: City Auditor Mary Hull Caballero

Re: Fall Budget Monitoring Report

Operating Budget Reconciliation

The Auditor's Office Fall Budget Monitoring Report shows that the Office is within the spending plan for both Personnel Services and Internal Materials and Services and under budget in External Materials and Services for FY 2017-18.

Encumbrance Carryover Request

The Auditor's Office requests to carryover \$71,766 of encumbered funds to complete implementation of a Hearings Office software project.

Technical Adjustments

Included technical adjustments reflect interagency agreement transfers within the Office of Management and Finance as well as minor programmatic changes in the Auditor's Office.

Decision Package and Programmatic Request Update

An FY 2017-18 Decision Package update report has been submitted to CBO for inclusion in their citywide reporting.

LID Fund, Assessments Collection Fund, and Bancroft Bond Interest & Sinking Fund

Some variances exist in the year-end activity for revenues and expenditures compared to revised budget amounts in these funds. Several of these variances may be large. Rather than being a direct result of operational activity, such variances are caused by the general nature of the Local Improvement District (LID) and Bancroft Bond Interest and Sinking Fund.

Increase in Debt Service & Cash Transfers to BES and Water

A new request in the LID Fund recognizes an increase in bond sale revenue resulting from the sale of additional assessment contracts. The transaction is offset by an increase in debt service expense and cash transfers to the Water Bureau and Bureau of Environmental Services.



Prior Year Business Area Reconciliation Report

	FY 2017-18 Revised Budget	FY 2017-18 Year-End Actuals	Percent of Actuals to Revised
Office of the City Auditor			
EXPENDITURES			
Personnel Services	\$6,812,840	\$6,614,763	97%
External Materials and Services	\$1,549,313	\$1,190,359	77%
Internal Materials and Services	\$2,272,296	\$2,401,646	106%
TOTAL EXPENDITURES	\$10,634,449	\$10,206,769	96%
REVENUES			
Charges for Services	\$96,937	\$107,085	110%
Interagency Revenue	\$191,904	\$191,904	100%
Miscellaneous	\$5,500	\$2,325	42%
General Fund Discretionary	\$5,885,215	\$0	0%
General Fund Overhead	\$4,454,893	\$0	0%
TOTAL REVENUES	\$10,634,449	\$301,314	3%

Bureau Reconciliation Narrative

Auditor's Office expenditures were within the spending plan for Personal Services and Internal Materials and Services. Expenditures on External Materials and Services were 23 percent below budgeted amounts (-\$358,955). Several factors contribute to the underspending or appearance of underspending:

- 1) Requested encumbrance carryovers (approximately \$70,000) will be used to fund one-time projects previously budgeted and currently underway.
- 2) External Materials and Services underspending in the Assessments, Finance, and Foreclosure division, (\$86,000), contributes to the appearance of underspending in the Auditor's Office General Fund operating budget; however, this division and its expenses are financed through a bureau overhead structure and not a General Fund program. This variance contributes to the Auditor's operating budget to actuals differences.
- 3) Lower than anticipated use of professional and flexible services, such as the contract the Auditor's Office oversees for the City's annual financial audit, on-call and part time hearings officers, and the outside review of officer involved shootings and in-custody deaths. The office budgets conservatively for services managed on behalf of the City and for services whose necessity may be difficult to predict. Additional underspending in this category is a result of restrained use of materials and services across the office. Revenues in the Charges for Services category were higher than anticipated primarily due to payments from Multnomah County for Hearings Office services.

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

Bureau: Office of the City Auditor

Type: Technical Adjustment

Request: AU_001 - Auditor Fall BMP Technical Adjustments

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

Bureau Description:

The Auditor's Office technical adjustments are internal transfers within cost centers and funded programs. A transfer between OMF funded programs accounts for changes to the Citywide Occupational Health program to the Bureau of Human Resources (\$295), and a transfer between cost centers within the Auditor's Office reflects changes in division oversight of the Opencity Tipline (\$5,000).

CBO Discussion and Recommendation

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

Bureau: Office of the City Auditor

Type: Encumbrance Carryover Request

Request: AU_002 - AU Encumbrance Carryover

	Fall BMP Requested Adjustments	Fall BMP CBO/Council Changes	Fall BMP Total Adjustments
EXPENDITURES			
External Materials and Services	71,766	0	71,766
TOTAL EXPENDITURES	71,766	0	71,766
REVENUES			
General Fund Discretionary	71,766	0	71,766
TOTAL REVENUES	71,766	0	71,766

Bureau Description:

The Auditor's Office requests a carryover of previously encumbered but unspent funds related to one time projects that are ongoing and not-yet billed, totalling \$71,766. The bulk fo the funds (approximately \$68,000) are related to a software project in the City Hearings Office. An initial product was developed and customization within the same project budget are ongoing. The office expects the project to be complete before the end of the fiscal year. Additional funds (approximately \$3,000) are needed to complete a charter implementation related project begun in the prior fiscal year with an outside firm.

CBO Discussion and Recommendation

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

Bureau: Office of the City Auditor

Type: New Request

Request: AU_003 - Increase Debt Svc & Cash Transfers to BES/Water

	Fall BMP Requested Adjustments	Fall BMP CBO/Council Changes	Fall BMP Total Adjustments
EXPENDITURES			
Bond Expenses	2,940,633	0	2,940,633
Fund Transfers - Expense	1,927,017	0	1,927,017
TOTAL EXPENDITURES	4,867,650	0	4,867,650
REVENUES			
Bond and Note	4,867,650	0	4,867,650
TOTAL REVENUES	4,867,650	0	4,867,650

Bureau Description:

This transaction processes Cash Transfers from LID fund to the Water Bureau and Bureau of Environmental Services and increases refunding debt service expenses. This transfer represents an estimate of the portion of bond sale revenues that may be received from a Limited Tax Improvement Bond for assessment loan contracts pending sale for each respective bureau. An increase in refunding debt service is the result of a greater number of LID assessment contracts included in the sale. Cash transfers and debt service is off-set by an increase in bond sale revenues. The transactions are as follows:

- 1) Increase Transfer to BES = \$1,868,911
- 2) Increase Transfer to Water = \$58,106
- 3) Increase Bonded Debt Retirement – Refunding = \$2,940,633

CBO Discussion and Recommendation

Prior Year Fund Reconciliation Report

	FY 2017-18 Revised Budget	FY 2017-18 Year-End Actuals	Percent of Actuals to Revised
401 - Local Improvement District Fund			
EXPENDITURES			
External Materials and Services	10,000	2,900	29.00
Internal Materials and Services	1,475,673	1,343,638	91.05
Bond Expenses	8,379,399	1,114,803	13.30
Fund Transfers - Expense	7,855,582	1,626,096	20.70
Contingency	3,225,490	0	0.00
TOTAL EXPENDITURES	20,946,144	4,087,438	19.51
REVENUES			
Budgeted Beginning Fund Balance	3,781,350	0	0.00
Charges for Services	1,257,480	1,263,607	100.49
Interagency Revenue	146,500	147,661	100.79
Bond and Note	13,629,814	815,833	5.99
Miscellaneous	2,131,000	1,459,200	68.47
TOTAL REVENUES	20,946,144	3,686,301	17.60

Fund Reconciliation Narrative

Expenditures:

External Materials and Services were lower than budgeted because no review costs related to the Local Improvement District (LID) line-of-credit were incurred during the year. The amount budgeted is an estimate of costs that could be incurred for debt rebate reporting and for services related to obtaining, maintaining, or review of the LID short-term financing facilities.

Bond Expenses were 13 percent of budget since a planned bond sale was delayed and not held prior to fiscal year end. The budget included \$5.75 million in bond proceeds for LID financed assessments. In addition, assessment payment revenues were approximately \$700,000 less than the revised budget. Both revenue sources would have been used for repayment of debt.

Fund transfers were 21 percent of budget since cash transfers to Portland Bureau of Transportation for reimbursement of LID project costs did not occur. Only actual incurred LID project costs can be reimbursed. Of the total variance, 88 percent, or \$5.5 million, represents potential cash transfers to PBOT. The lack of cash transfers to PBOT will have a direct reduction in Bond and Note Revenues (451200).

Revenues:

Bond and Note revenues were 6 percent of budget because a planned bond sale was delayed (\$6.49 million) and due to lower than required borrowing to reimburse PBOT for project costs not yet incurred (\$6.32 million).

Miscellaneous Revenues were 68.5 percent of budget because assessment payments were \$695,429 lower than anticipated. This amount is greater than the overall variance but is partially offset by greater than budgeted results in other miscellaneous revenue categories (plus \$23,628).

Prior Year Fund Reconciliation Report

	FY 2017-18 Revised Budget	FY 2017-18 Year-End Actuals	Percent of Actuals to Revised
201 - Assessment Collection Fund			
EXPENDITURES			
Contingency	80,735	0	0.00
TOTAL EXPENDITURES	80,735	0	0.00
REVENUES			
Budgeted Beginning Fund Balance	79,535	0	0.00
Miscellaneous	1,200	1,133	94.44
TOTAL REVENUES	80,735	1,133	1.40

Fund Reconciliation Narrative

Miscellaneous revenues were within the planned budget.

Prior Year Fund Reconciliation Report

	FY 2017-18 Revised Budget	FY 2017-18 Year-End Actuals	Percent of Actuals to Revised
311 - Bancroft Bond Interest and Sinking Fund			
EXPENDITURES			
Unappropriated Fund Balance	14,853,917	0	0.00
Bond Expenses	5,191,822	5,376,506	103.56
TOTAL EXPENDITURES	20,045,739	5,376,506	26.82
REVENUES			
Budgeted Beginning Fund Balance	14,592,927	0	0.00
Miscellaneous	5,452,812	5,942,503	108.98
TOTAL REVENUES	20,045,739	5,942,503	29.64

Fund Reconciliation Narrative

The increase in debt expense is directly linked to the increased collection of assessment principal (miscellaneous) revenues, which were approximately 14 percent higher than budgeted. As a result of the increased revenues, selected mandatory bond calls were required as additional assessment payment revenues became available.