



**OFFICE OF MAYOR TED WHEELER  
CITY OF PORTLAND**

To: City Bureau Directors  
Cc: Elected Officials  
From: Mayor Ted Wheeler  
Date: November 21, 2018  
RE: FY 2019-20 Non-General Fund Guidance

---

On September 26<sup>th</sup>, 2018, I released General Fund budget guidance highlighting my desire to establish a more stable, predictable, and transparent budget process.

As the City's primary flexible resource, General Fund discretionary resources naturally command leaders' focused attention. However, these resources comprise less than 14% of the City's current total budget. The effective planning and deployment of non-General Fund resources is critical to ensuring the long-term stability and health of core City services and functions.

For this reason, I expect all bureaus and all funds to follow my previous guidance of providing requested budgets through a "program offer" lens, highlighting the ability of each bureau to achieve desired goals and service levels within available resources.

To ensure the long-term fiscal health of the City, I expect bureaus to provide robust financial plans as required by City financial policy. These plans should include a comprehensive overview of risks and liabilities and should guide and inform bureau decision-making in developing program offer budgets. Bureaus heavily reliant on cyclical resources should be wary of adding significant ongoing requirements – including new positions – at our current point in the economic cycle.

To ensure that our services are promoting equity and inclusion for historically underserved Portlanders and to those who are most vulnerable, I expect all bureaus to continue to promote and deploy an equity lens in their current year budget proposals.

Additionally, the following guidance is provided for specific funds:

**Internal Services Funds**

The provision of internal services – technology, fleet, risk management, printing and distribution, and facilities – are a critical component of how bureaus deliver frontline services to Portlanders. Over the last five years, as bureaus' budgets have grown, so too has the cost of internal service provision. Increased interagency costs are both reflective of increased rates and increased demand for internal services.

Bureaus' interagency costs for internal service funds have grown at an annualized rate of 6.9% over the last five years. \$67 million of that total cost – or 43% – has been borne by General Fund bureaus. In order to maintain a balance between the constrained General Fund bureaus and the cost of internal

service provision, and to promote efficiency and innovation in service delivery, each internal service fund should limit the growth of its target rate budget (a check on the growth of aggregated individual rates) to inflationary increases, less 1%.

In addition to this constraint on aggregate rate growth, internal service providers should follow these additional parameters in the development of program offer budgets:

- OMF internal service program offer budgets should not reduce replacement funding or major maintenance funding.
- Any changes to the quantities that drive pass-through costs should be made with the approval of customer bureaus.
- Internal service funds should submit target rate budgets as part of their requested budget.
- Each internal service fund requested budget should include a list of all individual rates that are increasing by more than a percentage point above internal service inflation factors provided by the City Economist, along with an explanation of the cost drivers.
- A total Citywide budget for each rate should be included. This will help to identify those rates that are increasing rapidly that also have a large dollar impact on bureaus.

Requests for projects or services that would necessitate an increase in the aggregate rate budget beyond the constraint must be directed to be developed by a Commissioner. If a bureau wishes to purchase a greater level of service at the established rate, they may do so via negotiation with the internal service partner.

Additionally, customer bureau budgetary requests directed by Council are likely to impact internal services, and internal service providers should work with customer bureaus to ensure that changes to internal services are also captured in their development of relevant packages.

### **Utility Funds**

On October 18<sup>th</sup>, Commissioner Fritz and Commissioner Fish released budget guidance for the Water Bureau and Bureau of Environmental Services. This guidance included the expectation that the utilities will each propose a budget that: aligns with the prior years' combined forecasted rate increase; prioritize outreach about the bureaus' new financial assistance programs; ensures that appropriate resources are dedicated to work on strategic business plans; continues to increase investment in equity and inclusion; and prioritizes rate stability in long-term financial planning.

### **All Other Funds**

Bureaus with any other type of resource - including grants and intergovernmental revenues, service charges and fee revenues, and miscellaneous revenues – should produce a budget that is in alignment with the prior years' forecast for the requested budget year. If there are changes or updates to the prior forecast, the bureau should explicitly highlight changes in resources and expenditures, and describe how those changes were allocated or managed, in the bureau's financial planning documents and program offer narratives.

As noted above, bureaus reliant on resources that are prone to economic fluctuations should be wary of committing significant new ongoing requirements, particularly in the form of new ongoing personnel.