

CITY BUDGET OFFICE

Ted Wheeler, Mayor
Nick Fish, Commissioner
Amanda Fritz, Commissioner
Chloe Eudaly, Commissioner
Jo Ann Hardesty, Commissioner
Mary Hull Caballero, Auditor




Jessica Kinard, Interim Director

(503) 823-6963
111 SW Columbia St, Suite 550
Portland, Oregon 97204-1912

www.portlandonline.com/citybudgetoffice

CITY OF PORTLAND, OREGON

TO: Mayor Ted Wheeler
Commissioner Nick Fish
Commissioner Amanda Fritz
Commissioner Chloe Eudaly
Commissioner Jo Ann Hardesty
Auditor Mary Hull Caballero

FROM: Jessica Kinard 
Interim City Budget Director

DATE: March 26, 2019

SUBJECT: **City Budget Office FY 2018-19 Requested Spring Supplemental Budget**

The City Budget Office (CBO) has prepared the following adjustments for its Spring Supplemental Budget:

- **Limited Term Capital Analyst position carryover:** Funding for a one-year limited term analyst position was approved as part of the FY 2018-19 Adopted Budget to work on Citywide capital analyses. Due to delays in hiring, this position was filled at the end of January. CBO is requesting to carryover \$118,000 in projected unspent funds to complete the one-year term of the position.
- **Convert limited-term Financial Analyst I to permanent:** Currently, CBO has one limited term Financial Analyst I position that has been funded with ongoing resources. The position is currently filled, and since the ongoing resources are available, CBO is requesting to convert the position to permanent to provide greater stability across the staff. This request is aligned with CBO's FY 2019-20 base budget.
- **Budget system carryover:** Although the new budget software system has 'gone live' for the FY 2019-20 development process, CBO is requesting to carryover resources to finalize and troubleshoot functionality. CBO anticipates additional need for vendor project support and staff time in the next budget year, and CBO requests to carryover \$361,000 in one-time project funds for continued software implementation costs in the FY 2019-20 budget.

- **Portland Utility Board support:** CBO is requesting to increase the interagency agreements revenues with the Bureau of Environmental Services and the Portland Water Bureau by a total of \$20,000 to cover marginal projected cost increases associated with adding 0.5 FTE to support the Portland Utility Board. This request is aligned with CBO's FY 2019-20 base budget.
- **Technology replacement reserve:** In alignment with proposed improvements to financial policies, CBO requests to allocate \$100,000 in projected underspending to the technology replacement reserve for the eventual replacement of our budget software system.
- **Technical realignments:** CBO also requests to realign the budget to reflect \$21,000 of additional survey costs and \$6,000 of additional facilitation costs for budget forums this year. Expected personnel expenditures are decreased to fund these activities based upon current vacancy savings.

With these assumed changes, CBO projects to end the year with a comfortable level of underspending due to high level staff vacancies experienced through much of the year.

Please do not hesitate to contact me with any questions regarding this submission.

BO - City Budget Office

DP Type General Fund Program Carry

Request Name: 8081 -Capital Analyst Position Carryover

Package Description

CBO is requesting to carryover funding for a limited term analyst position that was initially approved as part of the FY 2018-19 Adopted Budget. Due to delays in hiring, this position was filled at the end of January. CBO is requesting carryover of \$118,000 in projected unspent funds to complete the one-year term of the position, which includes resources for position costs and related materials and services costs.

Service Impacts

CBO received funding for this position in order to expand capacity to plan, prioritize, and evaluate the City's major maintenance and capital asset needs. In addition, this position will increase the level of support for the Citywide Asset Managers Group and the capital set-aside allocation process. This position will also work closely with OMF to help implement the Build Portland Initiative, particularly around the development and implementation of criteria that will guide budget allocation decisions. The position will also lay the groundwork for a citywide five-year Capital Improvement Plan and the development of Citywide funding solutions to achieving a sustainable level of service for City assets.

If carryover resources are not approved, CBO would end this position but continue to support the capital set-aside process and the City Asset Managers Group at prior year levels within current bureau staff resources.

Equity Impacts

This position supports CBO's equity goals in two ways: first, through additional analysis, the position will identify how the geographic location of assets results in different service levels for Portlanders. Due to the correlation between location and other demographic factors of residents, the analysis provided by this position will be important to identifying how infrastructure investments impact historically underserved communities. This position will advance CBO's equity goals in another way: as part of the capital set-aside methodology refresh project, there will be greater emphasis on how equity impacts are incorporated into the process of prioritizing capital projects. As part of this project, this position will collaborate with asset managers and the Office of Equity and Humans to incorporate equity considerations into the updated methodology.

CBO Analysis

Budget Detail				
Fund				
Major Object Name	Expense	2018-19 SPRING Adjust - DP Only	2018-19 SPRING CBO/ Council Adj	2018-19 SPRING Requested Total
100000 Personnel		-118,619	0	-118,619
	Sum:	-118,619	0	-118,619

Major Object Name	Revenue	2018-19 SPRING Adjust - DP Only	2018-19 SPRING CBO/ Council Adj	2018-19 SPRING Requested Total
100000 General Fund Discretionary		-118,619	0	-118,619
	Sum:	-118,619	0	-118,619

BO - City Budget Office

DP Type General Fund Program Carry

Request Name: 8084 -Budget System Carryover

Package Description

As part of the General Fund capital set-aside process in the FY 2016-17 Fall BMP, CBO was allocated a project budget of \$1.0 million for the replacement of the current enterprise budgeting system. During FY 2017-18 initial stakeholder engagement was performed and CBO began to work toward formal project kickoff. Project funding was then carried forward into FY 2018-19 budget to continue the work.

The software selected during the RFP process is Budget Formulation Management, BFM. The contract includes an ongoing service level agreement associated with BFM. Total projected contract costs are \$680,000 through the end of the fiscal year in addition to costs associated with staff support.

Although the new budget software system has 'gone live' for the FY 2019-20 development process, CBO is requesting resources to finalize and troubleshoot functionality, following this year's budget process. CBO anticipates the additional need for vendor project support and staff time in the next fiscal year. CBO requests to carryover \$361,000 in one-time project funds for continued software implementation costs in the FY 2019-20 budget.

Service Impacts

CBO is a small bureau with a constrained budget. If funds are not carried forward, there may be insufficient funds for troubleshooting final issues and the development of additional training materials.

Equity Impacts

BFM was configured to accommodate efforts to better incorporate equity considerations into the budget process, such as including fields for bureaus to provide descriptions of how decision packages impact their equity goals and fields for describing how bureau programs advance equity goals. In addition, having a more robust performance management module within the system will allow for more clear connections between how budget decisions impact bureau performance goals, including service goals related to bureaus' equity initiatives.

CBO Analysis

Budget Detail				
Fund				
Major Object Name	Expense	2018-19 SPRING Adjust - DP Only	2018-19 SPRING CBO/ Council Adj	2018-19 SPRING Requested Total
100000	Capital Outlay	-206,387	0	-206,387
100000	Personnel	-155,331	0	-155,331
	Sum:	-361,718	0	-361,718

Major Object Name	Revenue	2018-19 SPRING Adjust - DP Only	2018-19 SPRING CBO/ Council Adj	2018-19 SPRING Requested Total
100000	General Fund Discretionary	-361,718	0	-361,718
	Sum:	-361,718	0	-361,718

BO - City Budget Office

DP Type

Request Name: 8121 -Convert limited-term position to permanent

Package Description

Currently, CBO has one limited term Financial Analyst I position that has been funded with ongoing resources for a number of years. The position is currently filled, and since the ongoing resources are available, CBO is requesting to convert the position to permanent to provide greater stability across the staff. Notably, CBO has requested to convert this position to permanent in its FY 2019-20 requested budget; this Spring BMP request would convert this position to permanent two months prior to the adoption of the FY 2019-20 budget. No additional resources are required to support the conversion of this position.

Service Impacts

If this reallocation is not approved, CBO would continue to fund this position in its limited-term status.

Equity Impacts

This limited-term position is typically filled by newer staff members. To the degree that these newer staff members identify as persons of color, then converting this position to permanent would provide greater stability for employees of color.

CBO Analysis

Budget Detail					
Fund					
Major Object Name	Expense	2018-19 SPRING Adjust - DP Only	2018-19 SPRING CBO/ Council Adj	2018-19 SPRING Requested Total	
100000	Personnel		0	0	0
	Sum:		0	0	0

Position Detail						
Job Class - Name	FTE	Salary	Supplemental	Statutory	Benefit	Total
30003054 - Financial Analyst I	1.00	9,629	0	736.59	4,518	14,884
Total	1.00	9,629	0		4,518	14,884

BO - City Budget Office

DP Type Other Adjustments

Request Name: 8124 -Budget System Replacement Reserve

Package Description

In alignment with proposed improvements to financial policies, CBO requests to allocate \$100,000 in projected underspending to the technology replacement reserve for the eventual replacement of the budget software system (OMF 4.03.01 Internal Services Fund Reserves Procedures). Assuming comparable costs to the current system, a seven year replacement cycle, and inflationary increase of 5% per year, approximately \$1.5 million will be required for the new system. While CBO is unlikely to have sufficient budget capacity to fund the entire replacement, the amount in the reserve fund could significantly offset the expected replacement costs.

Service Impacts

Funding available for this reserve would be funded from current year vacancy savings that result from an unusually high turnover in staff. If this request is not approved, these savings would fall to General Fund balance in FY 2019-20. Additionally, if not approved, there would be fewer available resources to fund the eventual system replacement.

Equity Impacts

BFM was configured to accommodate efforts to better incorporate equity considerations into the budget process, such as including fields for bureaus to provide descriptions of how decision packages impact their equity goals and fields for describing how bureau programs advance equity goals. In addition, having a more robust performance management module within the system will allow for more clear connections between how budget decisions impact bureau performance goals, including service goals related to bureaus' equity initiatives. It is expected that future budget system would incorporate and build upon these efforts.

CBO Analysis

Budget Detail					
Fund					
Major Object Name	Expense	2018-19 SPRING Adjust - DP Only	2018-19 SPRING CBO/ Council Adj	2018-19 SPRING Requested Total	
100000	Internal Materials and Services	100,000	0	100,000	
100000	Personnel	-100,000	0	-100,000	
Sum:		0	0	0	0

Business Area Projection Report

City Budget Office

Fund	Major Object	2018-19 SPRING Requested Total	2019 February Actuals YTD	2018-19 SPRING Projection	% of Projected Actuals to Revised Budget
100	Personnel	2,045,338	1,250,421.33	1,967,829	96.21%
	External Materials and Services	379,333	576,562.05	379,333	100.00%
	Internal Materials and Services	365,249	171,243.21	361,249	98.90%
	Capital Outlay	691,883	154,800	691,883	100.00%
	Sum:	3,481,803	2,153,026.59	3,400,294	

Fund	Major Object	2018-19 SPRING Requested Total	2019 February Actuals YTD	2018-19 SPRING Projection	% of Projected Actuals to Revised Budget
	Interagency Revenue	236,492	87,646.85	231,070	97.71%
	General Fund Discretionary	1,268,939	0	1,192,852	94.00%
	General Fund Overhead	1,976,372	0	1,976,372	100.00%
	Sum:	3,481,803	87,646.85	3,400,294	

Revenue Discussion

Interagency revenues from the Portland Water Bureau and the Bureau of Environmental Services will be increased in order to offset the additional costs of 0.5 FTE to support the Portland Utility Board.

Revenue Risks

Current projections have the City Budget Office requiring approximately \$50,000 to \$100,000 less General Fund discretionary resources than budgeted.

Expenditure Discussion

Due to high turnover in staff, CBO is projecting to have significant vacancy savings. With these savings, CBO is requesting to reallocate funding to a replacement reserve for the future costs of a budget system and to reallocate savings of \$21,000 for the increased costs of the Citywide Insights Survey and \$6,000 for additional facilitation costs at this year's budget forums. Year-to-date costs in external materials and services have exceeded budgeted amounts by \$200,000 because the budget system project costs were incorrectly booked in an incorrect account. Once the accounting entry has been corrected, capital outlay expenses will increase, and external materials and services are projected to be within the budgeted amount of \$379,333 by year end.

Expenditure Risks

These projections reflect high end estimates of costs, and as such, there is little risk for over expenditure.

Budget Note Update City Budget Office

Fiscal Sustainability Bridge

Date of Budget Note: July 1, 2018 in Current FY 2018-19 Adopted Budget

Budget Note Language: City Council directs the City Budget Office (CBO) to reduce the FY 2019-20 Current Appropriation Level ongoing targets for all General Fund bureaus by 1.0%. In advance of the FY 2019-20 budget process, bureaus are directed to identify efficiencies, organizational changes, and other cost-saving ideas that achieve the necessary savings without reducing front-line services. Bureaus should identify those savings in their budget requests. Bureaus unable to identify the savings may request additional ongoing funding in FY 2019-20.

Summary Status: Complete

Budget Note Update: March 27, 2019

Ongoing Current Appropriation Level targets for General Fund bureaus were reduced by 1% in their FY 2019-20 budgets. Most bureaus were able to identify efficiencies, organizational changes, and other cost-saving ideas in order to achieve the necessary savings without reducing front-line services. The Joint Office of Homeless Services, Portland Fire and Rescue, and the Police Bureau have requested funding in FY 2019-20 to restore all (in the case of the Joint Office) or a portion of the reductions. Additionally, the longer term operational impact of absorbing the reduction in some bureaus may require monitoring over the course of the next year.

General Fund Contingency

Date of Budget Note: July 1, 2018 in Current FY 2018-19 Adopted Budget

Budget Note Language: Council directs the City Budget Office to increase the Current Appropriation Level for the General Fund Contingency to \$3.0 million in FY 2019-20.

Summary Status: Complete

Budget Note Update: March 27, 2019

The City Budget Office has budgeted the Current Appropriation Level for the General Fund Contingency at \$3.0 million in FY 2019-20.

Funding for Parks Vision Plan

Date of Budget Note: July 1, 2018 in Current FY 2018-19 Adopted Budget

Budget Note Language: Council directs the City Budget Office to increase the Portland Parks & Recreation Current Appropriation Level by \$275,000 on a one-time basis in FY 2019-20 to fund the second year of the Parks Vision planning process.

Summary Status: In Progress

Budget Note Update: March 27, 2019

The City Budget Office has increased the Current Appropriation Level for Portland Parks & Recreation's by \$275,000 on a one-time basis in FY 2019-20 to fund the second year of the Parks Vision planning process.

City Budget Office

Prior Year Variance Desc

The project had originally budgeted approximately \$60,000 for FY 2017-18. A small portion of this was spent. The revised budget reflects CBO's program carryover from the Spring Revised Budget for a total amount of \$1.08 million.

Current Year Variance Desc

As part of the General Fund capital set-aside process in the FY 2016-17 Fall BMP, CBO was allocated a project budget of \$1.0 million for the replacement of the current enterprise budgeting system. The software selected during the RFP process is Budget Formulation Management, BFM. The contract includes ongoing service level agreement associated with BFM. Total projected contract costs are \$680,000 through the end of the fiscal year in addition to costs associated with staff support. This software was successfully live in December 2018 and has recently completed the 90 day stabilization period. CBO has requested to carryover approved resources to finalize and troubleshoot functionality, following this year's budget process.