

# CITY BUDGET OFFICE

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## CITY OF PORTLAND, OREGON

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TO: City Budget Office

FROM: Jessica Kinard, Budget Director 

DATE: September 9, 2019

SUBJECT: City Budget Office FY 2018-19 Fall BMP

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The FY 2019-20 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 net zero adjustments to the Portland Utility Board budget. Projected personnel savings of \$5,600 are being reallocated to cover the expected costs of hosting board meetings. Additionally, personnel savings are being reallocated to cover office supplies costs that resulted from hiring two new employees.
- 2. Prior year budget to actual reconciliation report.** Due to high turnover in staff at leadership levels, the City Budget Office underspent its budget by 8.5% and ended the year with \$293,000 in General Fund underspending as a result of both personnel and materials and services underspending.
- 3. Updates on FY 2018-19 budget notes and decision packages.** In FY 2018-19, CBO was directed to implement three budget notes. All of the budget notes pertained to adjustments to current appropriation level adjustments and were completed as directed. Decision package updates are provided in electronic Excel format via email.
- 4. Prior year performance data.** 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 remains within total budgeted project allocation, although the year end variance is positive due to carryover into FY 2019-20. In FY 2019-20, \$361,000 has been carried over to fund the second phase of the implementation in the current fiscal year.

**BO - City Budget Office**

**DP Type**

**Technical Adjustments**

**Request Name:** 9346 -CBO Technical Adjustments

**Package Description**

CBO is requesting net zero adjustments to the Portland Utility Board budget. Projected personnel savings of \$5,600 are being reallocated to cover the increased costs of hosting board meetings. Additionally, personnel savings are being reallocated to cover office supplies costs that resulted from hiring two new employees.

**Service Impacts**

While these adjustments are primarily technical, realigning these resources to support PUB staff and food costs enables the Portland Utility Board to more effectively represent Portlanders in their oversight of the City's utility bureaus.

**Equity Impacts**

Included in CBO's Racial Equity Plan is the goal of hosting PUB meetings in different geographic locations across the City with the intent of increasing participation of under represented communities. This realignment supports this goal by ensuring that there are sufficient resources to host PUB meetings in a variety of venues.

**CBO Analysis**

	2019-20 FALL Requested Adj	2019-20 FALL CBO Adj	2019-20 FALL Recom Total
External Materials and Services	4,900	0	0
Internal Materials and Services	700	0	0
Personnel	-5,600	0	0

## Prior Year Fund Reconciliation Report

City Budget Office

### 100 - General Fund

<b>EXPENDITURES</b>	<b>2018-19 Revised Budget</b>	<b>2018-19 Actuals</b>	<b>Percent of Actuals to Revised</b>
Personnel	2,030,338	1,946,840	95.89%
External Materials and Services	394,333	248,147	62.93%
Internal Materials and Services	365,249	358,810	98.24%
Capital Outlay	691,883	634,302	91.68%
<b>TOTAL EXPENDITURES</b>	<b>3,481,803</b>	<b>3,188,100</b>	<b>91.56%</b>

<b>REVENUES</b>	<b>2018-19 Revised Budget</b>	<b>2018-19 Actuals</b>	<b>Percent of Actuals to Revised</b>
General Fund Discretionary	1,268,939	0	0%
Interagency Revenue	236,492	143,899	60.85%
General Fund Overhead	1,976,372	0	0%
<b>TOTAL REVENUES</b>	<b>3,481,803</b>	<b>143,899</b>	<b>4.13%</b>

#### Expenditure Discussion

CBO ended the year with \$293,000 in General Fund underspending. Due to high turnover in staff, the City Budget Office underspent its budget by 8.5%. Personnel costs and materials services costs were below budget as a result of vacancies at the leadership level and staff turnover. For example, travel, education and office supplies were underspent by a significant amount. In addition, the service agreement costs associated with the City's budget system were included as part of the project costs during the first year of the implementation, resulting in underspending in professional services - the line item in which this expense is typically booked.

#### Revenue Discussion

The City Budget Office receives interagency revenues from the Portland Water Bureau and the Bureau of Environmental Services, which fund the costs of supporting the Portland Utility Board. Interagency revenues are based upon reimbursement for the actual costs of personnel and materials services costs. Due to turnover in the PUB analyst position and the delay in hiring the replacement, this program cost less and thus resulted in lesser interagency revenues. Additionally, due to internal CBO staff turnover, CBO failed to adequately bill the utility bureaus for approximately \$60,000 in indirect costs budgeted and incurred throughout the year. This payment to the General Fund will be trued up during FY 2019-20.

## FY 2018-19 Budget Note Update

### City Budget Office

#### Fiscal Sustainability Bridge

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

**Budget Note Title:** Fiscal Sustainability Bridge

**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:** September 9, 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 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 FY 2019-20.

#### General Fund Contingency

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

**Budget Note Title:** General Fund Contingency

**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:** September 9, 2019

The City Budget Office budgeted the Current Appropriation Level for the General Fund Contingency at \$3.0 million in FY 2019-20. Through Council action, the Adopted Budget includes a one-time reduction of unrestricted contingency.

## Funding for Parks Vision Plan

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

**Budget Note Title:** Funding for Parks Vision Plan

**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:** Complete

**Budget Note Update:** September 9, 2019

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

**Bureau Performance Narrative**

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 funding gap increased significantly between 2017 and 2018 from an estimated gap of \$310 million per year in 2017 to an estimated gap of \$427.8 million in 2018. This increase does not reflect a rapid deterioration of City assets, but rather, the funding gap increase results from the inclusion of additional assets as part of the calculation. Specifically, the 2018 fund gap estimate includes approximately \$40 million in additional street and curb costs and \$20 million in traffic signal costs. The funding gap for assets owned by the Bureau of Environmental Services increased by \$16.4 million as a result of having incomplete condition data for the wastewater treatment systems.

The goal of erasing the gap by 2025 is likely unattainable unless there is 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 2017-18, 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 conducted its customer service survey, following the conclusion of the FY 2019-20 budget development process. This survey indicated a slight decrease in the customer service rating from a score of 3.48 for the FY 2018-19 process to 3.28 for the FY 2019-20 process. While CBO continues to strive to provide strong customer service, it was to be expected that the FY 2019-20 process would be more challenging as a result of several significant changes. In FY 2019-20, CBO implemented a new budget software system, replacing a prior system that had been used for over ten years. Additionally, CBO led to the transition to 'program offer budgeting' and 'directions to develop', both of which marked significant process changes. This slight decrease in customer service likely reflects that challenges of implementing these changes.

In addition to this customer service rating, the survey also included several questions that will CBO evaluate how best to support bureaus in their use of the new budget system and program offer budgeting. To address these concerns, CBO has begun to identify areas for improvement and to craft solutions that will be incorporated into FY 2020-21 budget process.

One measure change to note for CBO is the deactivation "Percentage of GATR action items implemented" measure due to lack of convening these performance management meetings in FY 2018-19 and none scheduled for FY 2019-20. CBO previously supported 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. GATR sessions developed action items to address challenges; this measure tracked the program's effectiveness at driving change in these areas. In FY 2019-20, CBO plans to support use of performance data through other initiatives, including coordination of the City's involvement in the What Works Cities program, which provides technical assistance across a host of evidence-based practices. CBO also will promote the use of results from the 2019 Portland Insights Survey in FY 2019-20, and continue to support bureaus' performance management efforts as part of the annual budget process.

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 declined in FY 2018-19. 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.

CBO budget process work products website views:

In FY 2018-19, the 'FY 2019-20 CBO Reviews' category of CBO's website received significantly more views than in last year specifically and the average number of views. This appears to be the result of more external visits to CBO's analysis: in calendar year 2018 CBO Requested Budget Reviews increased received 10,226 external website views versus 27,616 external website views year to date in 2019. The 4-year average number of external views is approximately 18,000. Internal views (i.e. views by City staff) remain consistent at approximately 2,500. The CBO continue to look for opportunities to improve the readability and relevance of its analysis.

Key Performance Measures	Measure Type Name	FY 2016-17 Actuals	FY 2017-18 Actuals	FY 2018-19 Target	FY 2018-19 Actuals	FY 2019-20 Target	Strategic Target	Details
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**City Budget Office**  
 Prior Year Performance Reporting

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BO_0001	Percentage of City KPMs with positive year-over-year results	OUTCOME	45%	21%	48%	0	0	100%	This measure will be updated once bureaus have submitted performance data in the Fall BMP.
BO_0003	Annual repair, rehabilitation, & replacement funding gap (Citywide)	OUTCOME	\$287,900,000	\$310,000,000	\$311,000,000	\$427,800,000	\$310,000,000	0	The annual funding gap increased significantly between 2017 and 2018. This increase does not reflect a rapid deterioration of City assets, but rather, the funding gap increase results from the inclusion of additional assets as part of the calculation.
BO_0005	Customer service rating (4 pt scale)	OUTCOME	N/A	3.48	4.30	3.28	3.00	4.00	Customer Service ratings were relatively high, but decreased from prior years, likely due to several notable changes in the budget process.
BO_0008	CBO budget process work products website views	OUTPUT	42,669	55,990	45,000	31,326	50,000	90,000	Both the number of internal and external views of CBO work products increased.

Other Performance Measures		Measure Type Name	FY 2016-17 Actuals	FY 2017-18 Actuals	FY 2018-19 Target	FY 2018-19 Actuals	FY 2019-20 Target	Strategic Target	Details
BO_0009	Citywide asset condition summary	OUTCOME	72%	67%	75%	66%	100%	0	Asset condition slightly decreased as a result of additional assets being included in bureaus' inventories.
BO_0010	General Fund Excess Ending Balance (forecast accuracy)	OUTCOME	\$11,200,000	N/A	\$10,000,000	0	\$10,000,000	0	This measure will be updated once bureaus have submitted carryover requests in the Fall BMP.

## Capital Program Status Report

### City Budget Office

CIP Program Name	2018-19 Adopted Budget	2018-19 Revised Budget	2018-19 Actuals	PY Variance	PY Percent of Actuals to Revised	2019-20 Adopted Budget	2019-20 FALL Requested Total	2019-20 Actuals	Fall Req. to Adopted Variance	Fall Req. to Adopted % Variance
Special Projects	1,083,346	721,628	781,762	60,134	108.33%	361,718	361,718	10,027.87	0	0%
<b>Sum:</b>	<b>1,083,346</b>	<b>721,628</b>	<b>781,762</b>	<b>60,134</b>	<b>8.33%</b>	<b>361,718</b>	<b>361,718</b>	<b>10,027.87</b>	<b>0</b>	<b>0%</b>

### Prior Year Variance 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. The software selected during the RFP process is Budget Formulation Management, BFM. The contract includes an ongoing service level agreement associated with BFM. This software was successfully live in December 2018 and completed the 90 day stabilization period. Project costs were overspent by \$60,000 as a result of higher-than-projected personnel costs being booked to the project. The total project costs, however, has not been exceeded; CBO requested to carryover \$361,000 in approved resources to finalize and troubleshoot functionality during the current fiscal year.

### Current Year Variance Description

To date, project costs for the next phase of the budget software implementation are underspent but are expected to increase in preparation for the FY 2020-21 budget development process.