

## Section 1

# **Overview: Key Information & Changes**

## Key Information for FY 2020-21

FY 2019-20 was a year of significant change to the budget process and the first year of implementation of our new budget software. FY 2020-21 continues implementation of these changes, with some process improvements based on stakeholder feedback.

Wherever possible, CBO has strived to retain consistency in the types of information and processes required, especially during the continued transition. High-level changes are highlighted below, and detailed changes are emphasized in text boxes at the beginning of each section of this manual. In addition, training videos to assist in the completion of new budget forms have been made available online [here](#). Please do not hesitate to contact your CBO analyst with any questions; we are here to help bureaus troubleshoot challenges and adapt to these new processes.

## *Technical Changes & Updates*

### Year 2 of Budget Software Implementation

FY 2019-20 Budget Development was the inaugural budget process for our new budget system, Budget Formulation and Management (BFM). After the first full year of budgeting in BFM, CBO issued a survey and has made improvements to BFM based on feedback received, including:

- [Additional training on Personnel Budgeting](#)
- [Additional training on Reporting Resources](#)
- Increased space for Equity Impacts on the Program Offer form

### Performance Management

CBO is making three important changes to the City's performance management system in FY 2020-21 in order to facilitate improved consistency and greater use of performance data in the City.

- First, bureaus will be reporting measure data on a quarterly basis, in accordance with data availability. CBO will work with bureaus to assess performance and report progress on City priorities to Council in a corresponding quarterly report and interactive dashboard.
- Second, CBO will conduct a review of each bureau's suite of measures submitted in the FY 2020-21 Requested Budget. This review is to ensure that each bureau has a diverse set of measures that capture the results of core programs and services, and that measures reported by more than one bureau are consistent.
- Third, CBO will establish a short list of Citywide key performance measures to address gaps or inconsistencies in reporting. These measures will be established via memo in December 2019.

Bureau staff interested in designing the FY 2020-21 quarterly performance report and other ongoing processes may join the Performance Advisory Committee that will be convened beginning in March 2020. Contact [Shannon Carney](#) to participate or to learn more.

## PatternStream Upgrade

For FY 2020-21 PatternStream, the publishing software used by CBO, has been upgraded. Users will not have any changes to how they access the application. Improvements to PatternStream include:

- Revision history
- Find and Replace for narrative text
- Easier Navigation

The application is still largely the same and bureaus will continue to provide the same information as was required in the past.

## Budget Equity Tool – Now in BFM

To help facilitate better Citywide reporting on key equity issues, CBO has worked with the Office of Equity & Human Rights to transition from a separate Budget Equity Tool to using an Equity Impact Form within BFM. More details are available [here](#).

## *FY 2020-21 Budget Process*

In FY 2020-21, there are three major focuses in the budget development process:

- Continued refinement and transition to program offers, articulated at the sub-program level
- Long-term focus on cross-bureau collaborative solutions to significant Citywide issues as outlined in the Mayor’s Budget Guidance; and
- Strategic planning and management of wage growth outside of standard inflationary factors

Each of these focuses are discussed in more detail below.

## Program Offers

In FY 2019-20, the Mayor’s Office directed a series of changes to the budget process, which included the requirement of bureau level **program offers** to be submitted as part of the requested budget while allowing bureaus the flexibility to adjust base budgets within those specific program offers. These process changes are still underway, and will likely take additional budget cycles to be fully implemented across all bureaus.

For FY 2020-21, bureaus will continue to refine and develop their budgets in a “program offer” format. Program offers combine program descriptions, budget, equity impacts, and performance data for a set of services into a brief and concise document. The goal of program offer budgeting is to succinctly describe how bureau resources are allocated to deliver services back to the community.

CBO requests bureaus notify their analyst if there are significant planned changes to program offers, such as concerted efforts to ascribe resources from the four-digit functional area to the

required six-digit functional area level. CBO analysts will provide additional technical support and assistance to ensure transparency in this conversion of master data.

## **Mayoral Priorities & FY 2020-21 Budget Guidance**

The budget guidance for FY 2020-21 centers on providing stability to bureaus as budget requests are developed, however there are seven clear priority areas identified for specific instruction. The detailed guidance highlighting the priority areas is located here <https://www.portlandoregon.gov/cbo/79906> and a subsequent FAQ document is here (insert link).

**General Fund:** Current Appropriation Level (CAL) targets for FY 2020-21 are scheduled to be released in early December 2019 and will include standard inflationary growth factors and routine adjustments in accordance with City policies. The FY 2020-21 budget guidance does not call for across-the-board reduction packages, rather the guidance is specific and focused on the achievement of efficiencies in public safety bureau operations over the next three years. The City's Chief Administrative Officer (CAO) in the Office of Management & Finance is coordinating with the public safety partners to achieve a 2% reduction over the next three fiscal years per the budget guidance.

While there is no formal constraint or required reductions, there still is a scarcity of new General Fund resources projected for FY 2020-21. In order to provide flexibility and options, any request for new General Fund resources (ongoing and one-time) must include a 50% reduction option for consideration. An internal realignment may substitute for the 50% reduction, it must be clear in the decision package narrative what activities or services will cease to exist in order to internally shift resources. Requests for one-time capital set-aside do not require a 50% reduction option for consideration.

**Utility and Internal Service Funds:** per the budget guidance, the rate funded bureaus, including the internal service funds, should build budgets in accordance with the rate levels approved as part of the multi-year funding plans presented during the FY 2019-20 budget development. Bureaus experiencing increased costs due to changes in required projects or proposed new services must present reduction packages or proposals as options to retain the rate at its previously forecasted level. Due to the potential outsize impact of the water filtration plant on estimated Water rates, the Water Bureau is directed to submit a proposal and/or reduction options for Council review that seeks to absorb at least 25% of the estimated rate increase associated with the updated filtration plant costs.

Specific guidance for internal service funds is unchanged from FY 2019-20 in that:

- 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 should be achieved through consensus between the service provider and requesting bureau. 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 and balance this interagency agreement in the Requested Budget submission.

**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.

### **Financial Sustainability & Personnel Cost Forecasting**

In FY 2018-19, the Bureau of Human Resources completed the conversion for non-represented employees into a new classification/compensation system, which includes new compensation pay bands. In January of 2019, Non-represented employees also experienced wage adjustments to keep the City compliant with the state-wide pay equity law. In the past, BRASS projections allowed bureaus to cost out 4.1% merit increases for all employees<sup>1</sup>. CBO has typically included a small percentage of General Fund resources in bureaus’ CAL target allocation for “drift” or increased wages throughout the year; it was largely expected that bureaus would plan and manage for these optional cost increases within their allocated resources. While the amount CBO allocates in bureau CAL targets for “drift” will remain consistent with past practice, **the changes in compensation band sizes and the implications of the pay equity law necessitate changes in the way the City plans for and budgets merit increases.**

First: Many employees that were formerly at the top of range are now eligible for merit awards, increasing the potential cost of merit across the City. As a result, it is expected that many

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<sup>1</sup> BFM will generate a projection for non-represented employees that is calculated at 3%. This projection is not capped based on top of range and this projection does not apply to individuals in bargaining units other than non-represented.

bureaus will not have sufficient resources within their base budgets to allocate uniform 4.1% merit awards to non-represented employees.

Second: The pay equity law requires that the City award merit increases using a consistent methodology for consistent work across the City. The Bureau of Human Resources has been piloting a new Citywide performance management system, with the intent of rolling out the new system Citywide in FY 2020-21, known as “Success Factors”. This new system will help the City address the issues of merit and pay consistency both within and across bureaus.

Beginning in July of 2020, the majority of merit eligible City staff will transition to a common online performance review system, with a ‘focal point review’ – meaning that all employees will be on a common review cycle and will receive their year-end rating as well as any applicable merit award on a common date towards the beginning of the fiscal year. A focal point review will allow for greater consistency of merit award distribution across a standardized scale. As with any normal distribution of performance, most employees throughout the City should anticipate a rating of “meets expectations”. Ratings outside meets expectations will be indicative of either clearly exceptional performance above and beyond expectations or opportunities that need to be addressed.

To ensure consistency between performance rating and merit allocation across the City, a matrix will be provided that translates an employee’s performance score to a percentage merit award. Questions specific to Success Factors, and merit distribution policies should be directed to Ron Zito at [Ronald.Zito@portlandoregon.gov](mailto:Ronald.Zito@portlandoregon.gov).

CBO has created tools within BFM to help bureaus budget for merit within this new system. For more information on personnel budget in BFM, see [Personnel Budgeting](#).

- **Merit increases for non-represented employees shall be budgeted in a newly created General Ledger account 511900.** While expense will not post to this account, it is expected this will assist with resource planning and the wages will be captured in the higher-level GL account of 511000 for all salary and wage postings.
- There is a forecasting tool in PCF calibrated at 3% increases for non-represented classifications. This tool aligns with BHRs new performance management system, Success Factors, and is available to assist with calculations and planning for merit increases.

## **FY 2020-21 Requested Budget Submittal**

Requested Budgets are due to the Budget Office on **January 29, 2020**. Any submittals received after the due date will be reported to the Mayor and the Commissioner-in-Charge. Timely delivery is necessary to ensure that the Budget Office has enough time to perform the internal tasks necessary to meet deadlines in support of the Council decision-making process.

### ***Components of the Requested Budget Submittal***

The following documents are required in the Requested Budget submittal. Please submit the documents in the order in which they appear in the list.

1. Cover page
2. Cover letter signed by the Commissioner in Charge
3. Budget Advisory Committee Report (a minority report may also be included)
4. PatternStream documents, including:
  - a. Organization chart
  - b. Narrative Overview (see the Budget Document Submission section for additional details), including Bureau Mission, Overview, Strategic Direction, Major Issues, and Capital Program information.
  - c. Fund summaries
  - d. Capital project details
5. Program Offers (BFM Program Offer report)
6. Bureau performance measure report (PM1 - Performance Measure report)
7. Decision Package(s) (BFM Decision Package Summary report)
8. Five-year financial plan (if applicable). This will be submitted as a PDF outside of the budget system. Bureaus should also submit the detailed Excel file to the CBO. See the five-year financial plan section for more info.
9. Fee Study (if applicable)
10. Budget Equity Assessment Tool (also submit copy to Office of Equity & Human Rights)
11. Percent for Art Eligibility Forms (submit electronically to OMF's City Arts Manager [Giyen.Kim@Portlandoregon.gov](mailto:Giyen.Kim@Portlandoregon.gov))

CBO analysts will review the submission for completeness upon receipt. Bureaus will be required to provide any missing documents immediately after an incomplete submittal is identified.

### ***Distributing the Requested Budget***

Bureaus are responsible for distributing nine paper copies and one electronic PDF copy as follows:

- 3 paper copies to the Mayor's Office
- 1 paper copy to each of the Commissioner's Offices (4 total)
- 1 paper copy to the Auditor
- 1 paper copy to the Audit Services Division of the Auditor's Office
- 1 electronic copy to your CBO analyst

Submit a combined PDF of the entire request except for the Percent for Art eligibility forms which should be a separate electronic submission to OMF to [Giyen.Kim@portlandoregon.gov](mailto:Giyen.Kim@portlandoregon.gov)

All Requested Budget documents will be posted on the CBO website shortly after submittal.

**Requested Budget Process Calendar**

December	6	<ul style="list-style-type: none"> <li>• Preliminary OMF IAs loaded by CBO</li> <li>• CBO loads paycheck data in BFM</li> </ul>
January	3	<ul style="list-style-type: none"> <li>• Final upload of position and personnel cost data from SAP to PCF (based on December 26th payroll)</li> </ul>
	6	<ul style="list-style-type: none"> <li>• Bureaus must review positions loaded into the “base” and work with their CBO analyst to manually add any positions that were not fully through the P4 process by the final upload. The deadline is COB with no exceptions. This is critical for opening decision packages and additional functionality in the system required for the requested.</li> </ul>
	7	<ul style="list-style-type: none"> <li>• BFM Base Personnel Budget Frozen</li> <li>• DP forms open for Requested</li> </ul>
	15	<ul style="list-style-type: none"> <li>• All Requested Budget interagency agreements completed and balanced</li> </ul>
	22	<ul style="list-style-type: none"> <li>• Deadline for requesting the creation of new performance measures (reflected in BFM no later than Jan. 27)</li> </ul>
	29	<ul style="list-style-type: none"> <li>• Bureaus and Prosper Portland submit Requested Budget to CBO</li> </ul>
	29	<ul style="list-style-type: none"> <li>• Special Appropriation requests for General Fund support due</li> </ul>
March	2	<ul style="list-style-type: none"> <li>• CBO analysis on Requested Budgets distributed to Council</li> </ul>
	5-30	<ul style="list-style-type: none"> <li>• Council budget work sessions</li> </ul>
	30	<ul style="list-style-type: none"> <li>• CBO performance measure feedback provided to bureaus</li> </ul>

June	1	<ul style="list-style-type: none"><li>• Final day to submit changes to performance measures (targets may still be adjusted through Approved and Adopted Budgets).</li></ul>
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The dates for the release of the Proposed, Approved, and Adopted Budgets have not yet been confirmed by Council but are expected to follow a timeline comparable to last year. These dates will come to council for adoption in mid-December.

## Budget Assumptions

The table below summarizes many of the key financial assumptions City bureaus should use in developing their budget calculations. This information is available under the “Economics” tile on the BFM homepage. Five-year estimates are also distributed by the Budget Office to bureaus developing Five-Year Financial Plans.

Data	FY 2020-21
<b>Inflation Assumptions</b>	
Expected CPI-W for COLA (wage and salary)	2.90%
Health and dental increase *	4.00%
Labor drift increase	0.50%
External materials and services increase	3.60%
Internal materials and services increase	3.10%
Interest Rate Forecast (from <a href="#">Treasury</a> )	1.85%
<b>Benefits Assumptions</b>	
PERS - Tiers 1 & 2**	27.86%
OPSRP - General Service payroll**	21.53%
OPSRP - Police & Fire sworn payroll**	29.16%
Social Security - up to estimated \$128,700	6.20%
Medicare	1.45%
TriMet	0.7787%

\* Per City Economist. For the General Fund, the FY 2020-21 increase will be budgeted in the General Fund Compensation Set-Aside. Non-General Fund bureaus should budget FY 2020-21 health and dental increases in their fund’s compensation set-aside contingency.

\*\* Includes employer pickup

Interest Rate Assumptions: The Treasury Division distributes interest rate forecasts annually (in the fall) or upon request. Requests should be sent to the *Treasury All* email group address.