

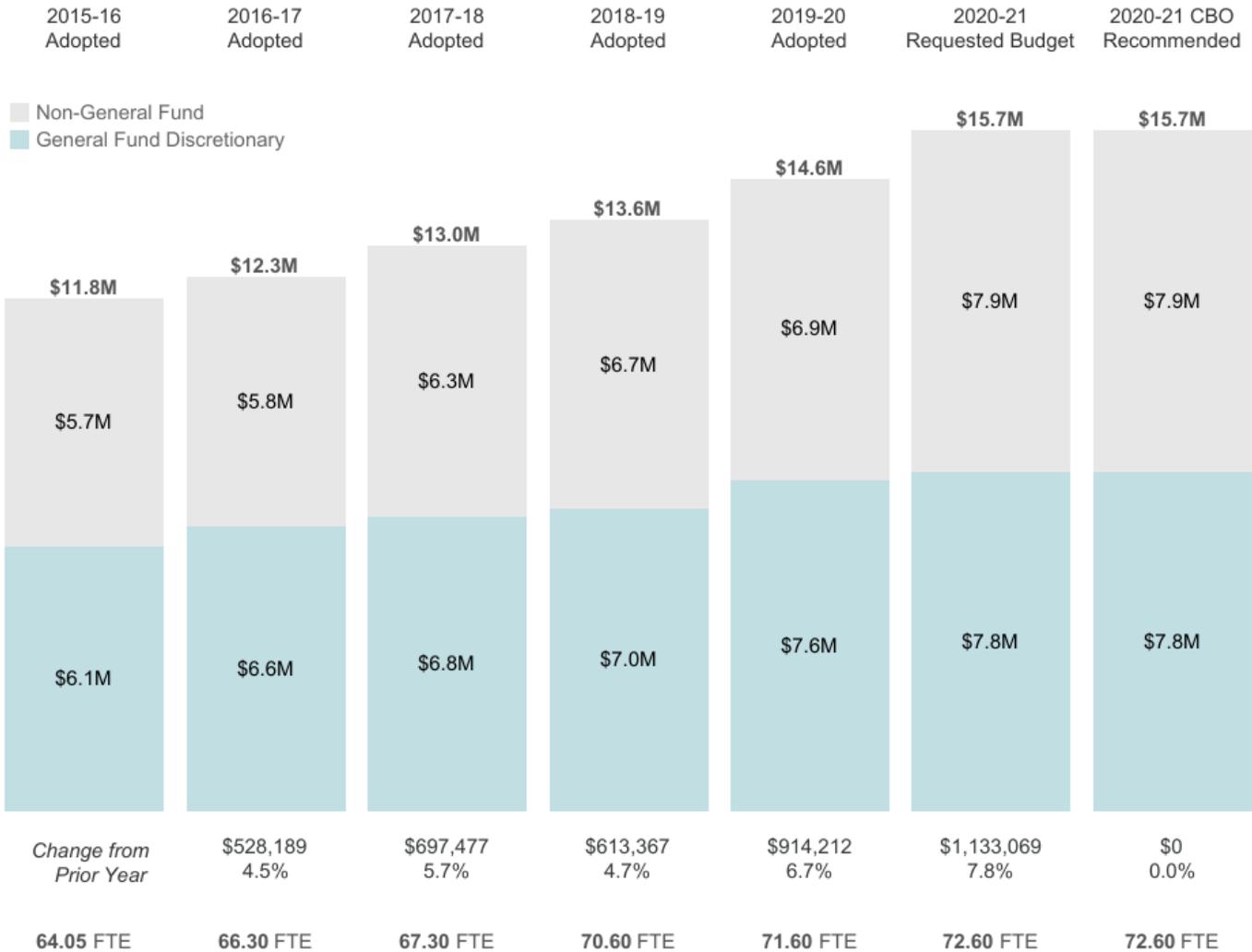


**City
Budget
Office**

Office of the City Attorney

Analysis by Asha BellDuboset

Adopted Budget Revenues | 5-Year Lookback



INTRODUCTION

The City Attorney’s Office FY 2020-21 Requested Budget totals \$15.7 million, an increase of 2.2% or \$1.1 million over the prior year. The Office’s FY 2019-20 Revised Budget increased position authority by 1.0 full-time equivalent (1.0 FTE) to 72.6 FTE. The position, which is funded by an interagency agreement with the Bureau of Environmental Services supports the Portland Harbor Superfund settlement process. In accordance with the Mayor’s budget guidance for Priority Area 7: Long-Term Financial Liabilities which directed the Office of the City Attorney, Office of Management & Finance and City Budget Office to develop a collaborative key issue proposal on long-term liabilities, the City Attorney’s Office has included a memo with their submission. The City Attorney’s FY 2020-21 Requested Budget does not include any

requests for General Fund resources or program adjustments.

BASE BUDGET KEY ISSUES

The Office of the City Attorney's base budget for FY 2020-21 is \$15.7 million, including \$7.8 million in General Fund resources—split between \$3.5 million in General Fund Discretionary (23% of total revenue) and \$4.2 million in General Fund Overhead (27% of total revenue). The remaining 50% (\$7.9 million) of their revenue comes from interagency agreements with City Bureaus requiring dedicated legal support specific to their operations.

The Office's expenses total \$13.6 million in personnel services costs (87% of total expenditures) and \$2.1 million in materials and services costs—split between \$0.6 million (4% of total expenditures) in internal materials and services and \$1.5 million (9% of total expenditures) external materials and services. External Materials and Services (EMS) expenses are for contracted work from external suppliers that support the Office's operations. Internal materials and services costs (IMS) are expenses related to services provided by the City's internal service providers including utilities, security services, information technology, and telecommunications.

Given that the Office of the City Attorney derives revenues from either General Fund or fees for services via interagency agreements, increases to the Office's expenses outside of inflationary growth factors require offsetting increases in either the General Fund appropriation or service fee revenues.

Managing Rising Costs

The Office's budget is particularly sensitive to growth in expenses that outpace growth in standard inflation. In FY 2019-20 the City implemented three policies that impact the rate and overall costs of personnel services and facility operations. The Office of the City Attorney is uniquely sensitive to fluctuations in personnel costs and FY 2020-21 is likely to be the first year that the bureau may draw on compensation set aside resources.

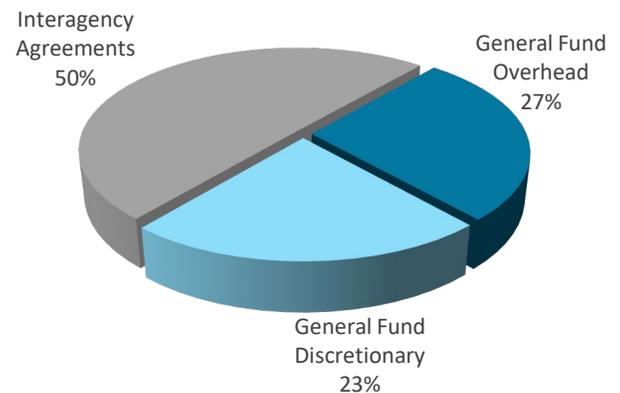
As a result of the Pay Equity, Class Compensation, and Blended Rate Model increases the Office of the City Attorney will increase costs to customer bureaus by approximately 8% over their FY 2019-20 Revised Budget, from \$7,093,940 to \$7,861,015 (which includes an additional FTE for the BES interagency agreement services). Factors driving increased costs are described below.

Class Compensation & Pay Equity

The Citywide Class Compensation study that concluded in FY 2019-20 equalized the classifications for non-represented employees across the City that were in the same classification and further adjusted classifications to align with responsibilities. Classification and compensation adjustments impacted the Attorney's Office by increasing the salary ranges of approximately 17.0 FTE employees that were previously at top-of-class and ineligible for merit pay became eligible again.

In November of 2018, Oregon's Bureau of Labor and Industries issued administrative orders and rules

Revenue Sources
FY 2020-21

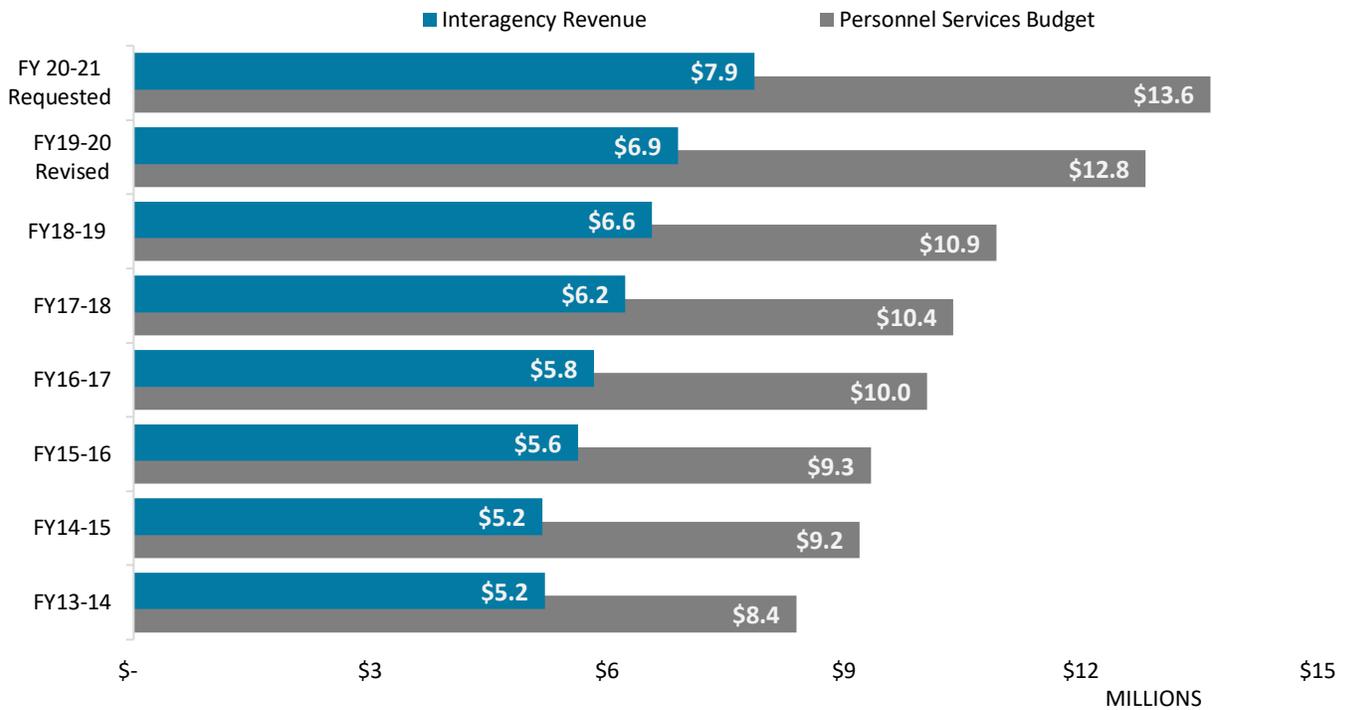


implementing the Oregon Equal Pay Act of 2017 which went into full effect January 1, 2019.¹ The Oregon Equal Pay Act, “required Oregon employers to evaluate policies and practices to ensure employees performing similar work are receiving equitable compensation.”² The City of Portland’s proactive compliance with Pay Equity had a modest impact on the Office’s personnel budget. The projected \$60,000 increase in personnel costs in combination with the estimated \$100,000 increased from the Class Compensation study increased total personnel costs by \$160,000 net of the General Fund Overhead allocation increases. There was an adjustment approved by City Council to cover these expenses without requiring the bureau to identify internal cost reductions. However, this adjustment does not impact interagency agreements, and the full costs associated with increases to payroll are passed through to the customer bureau.

5th and Montgomery/Portland Building blended rate model

The blended rate model, which effects the total costs of the interagency between the City Attorney’s Office and the Office of Management and Finance had an overall cost increase of approximately \$184,000 in FY 2020-21 above the Council-approved Current Appropriation Level (CAL) adjustment. To balance these costs, the Office increased fee revenues by adjusting interagency agreements with customer bureaus. In FY 2020-21 the Office has interagency agreements with eight bureaus for a total of \$7.9 million.

Interagency Revenue & Personnel Cost Growth



Should these costs continue to increase, or customer bureaus decide to opt out of or reduce service levels, the Office will either make reductions to personnel or external materials costs. As materials and services costs are balanced with revenues and minimized for personnel expenses, any further reductions could impact operations.

¹ ORS 652.220 Pay Equity, Fact Sheets & FAQ. <https://www.oregon.gov/boli/TA/Pages/FactSheetsFAQs/PayEquity.aspx>

² Equal Pay Analysis 2019. Oregon.gov <https://www.oregon.gov/das/HR/Documents/Equalpayanalysis2019.pdf>

PROGRAM OFFER REVIEW

Legal Services

The Office of the City Attorney consists of one program offer – Legal Services. The Legal Services program includes six subgroups within the bureau:

- Litigation
- Planning, Transportation & Housing
- Labor & Employment
- Procurement, Parks & Police
- Honors, Utilities & Environment
- Management & Administration.

Legal Services performs legal work for the City including legal advice, training, contract review, public records requests, and handles all litigation unless a specialty case arises, conflict of interest occurs, or the bureau is otherwise legally prohibited from representing the City.

Interagency Revenue

Per City Financial policy ([FIN-2.08.04](#)), *interagency agreement rates and charges are established under the basic principle of full cost recovery to the provider bureau of the costs incurred for services delivered to the receiver bureau. Costs are to include both direct and indirect costs. Indirect costs may include both General Fund and bureau administrative overhead.*³ The City Attorney's Office receives 47% of its revenue from interagency agreements. The Office has little control over the type and volume of legal work (prior CBO analysis can be [found here](#)).⁴

As personnel services and materials costs increase faster than inflation, the Office must increase interagency agreement costs. Because interagency revenues represent half of the bureau's resources, the Office is susceptible to a high degree of volatility. Should cost for services exceed demand the Bureau would face layoffs without addition General Fund appropriation. Thus far, the office has maintained a consistent level of interagency revenues as services between the Office and City bureaus have been relatively stable despite fluctuations in service level agreements with specific bureaus.

The largest long-term risks for the Office are service level reductions from multiple bureaus at the same time. In the near term reduced service need by customer bureaus who require legal support for multiple programs can pose a risk to the financial stability of the Office's budget.

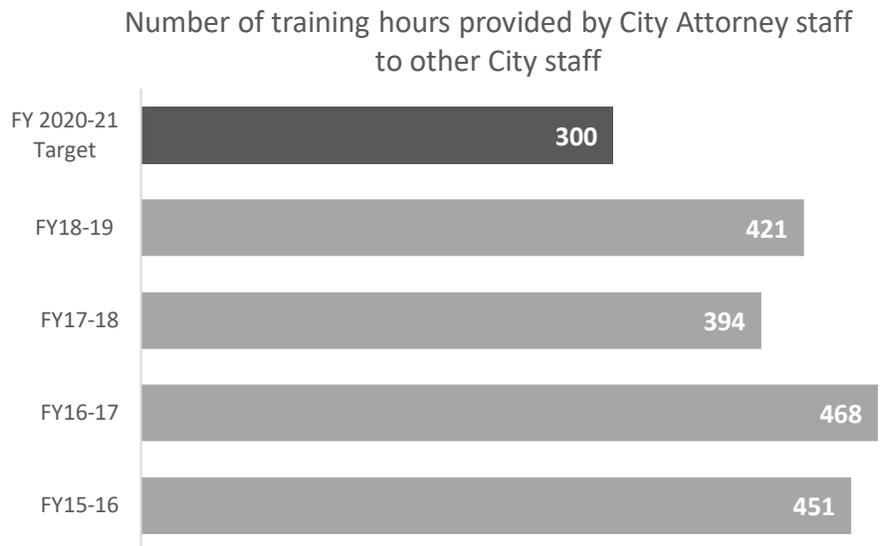
³ Interagency Agreements FIN-2.08.04. <https://www.portlandoregon.gov/brfs/article/531046>

⁴ CBO FY 2019-20 Requested Budget Review: Office of the City Attorney. <https://www.portlandoregon.gov/cbo/article/714531>

Performance & Goals

The Office of the City Attorney uses efficiency, workload, outcome, and output measures to determine and track the value of their services and progress toward their goals. In FY 2020-21, the Office will continue to track performance and progress on goals based on the following measures:

- Outside counsel costs, *efficiency measure*
- Cost of service per Attorney, *efficiency measure*
- Trainings provided, *workload*
- Litigation results, *outcome*
- Cases handled, *workload*
- Contracts reviewed, *workload*



Current year data suggests the Office will continue to meet performance targets for most measures. The central service level challenges for the Legal Services program relate to staffing levels and workload. The Office of the City Attorney processes and reviews all contracts received from City bureaus. Training staff at other City bureaus is another way the Office provides customer service and lowers legal risk and cost to the City, based on prior year performance, the Bureau could raise targeted training hours to better align with training hours offered over the last five fiscal years (see chart above).

SUMMARY OF REQUESTS AND RECOMMENDATIONS

In FY 2020-21 the Office of the City Attorney's Requested Budget is \$15.7 million. The Office did not make any requests for General Fund resources or programming adjustments.

Office of the City Attorney - All Funds

		2019-20 Adopted Budget	2020-21 Requested Base (A)	Bureau Decision Packages (B)	CBO Recommended Adjustments (C)	Total Recommended Budget (A+B+C)
Expense	Personnel	\$12,611,564	\$13,634,104	\$0	\$0	\$13,634,104
	External Materials and Services	\$816,797	\$566,190	\$0	\$0	\$566,190
	Internal Materials and Services	\$1,125,095	\$1,486,231	\$0	\$0	\$1,486,231
	Total	\$14,553,456	\$15,686,525	\$0	\$0	\$15,686,525
Revenue	Charges for Services	\$30,000	\$25,000	\$0	\$0	\$25,000
	General Fund Discretionary	\$3,635,792	\$3,556,450	\$0	\$0	\$3,556,450
	General Fund Overhead	\$3,996,724	\$4,244,060	\$0	\$0	\$4,244,060
	Interagency Revenue	\$6,890,940	\$7,861,015	\$0	\$0	\$7,861,015
	Total	\$14,553,456	\$15,686,525	\$0	\$0	\$15,686,525