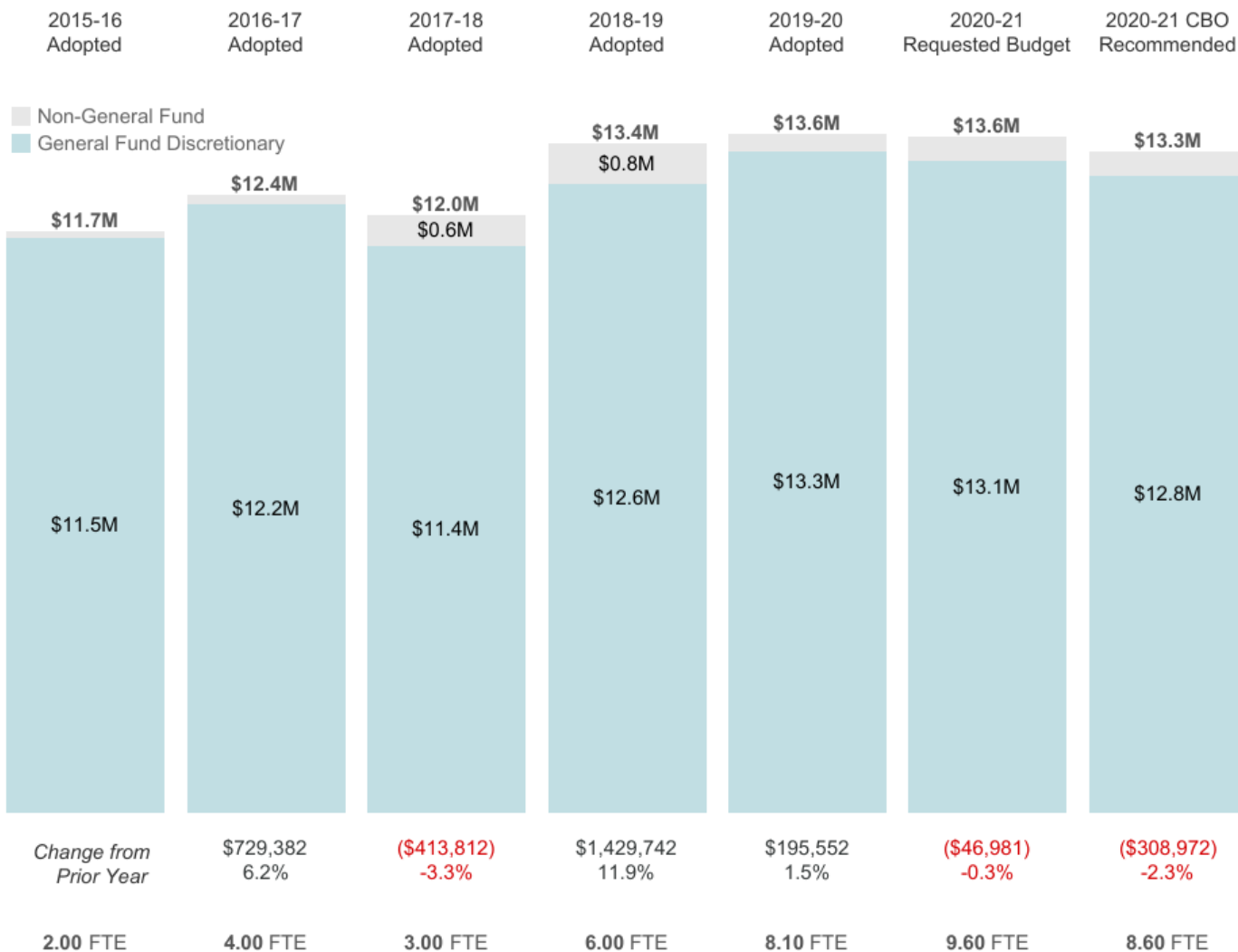




# Special Appropriations

*Analysis by Kea Cannon*

## Adopted Budget Revenues | 5-Year Lookback



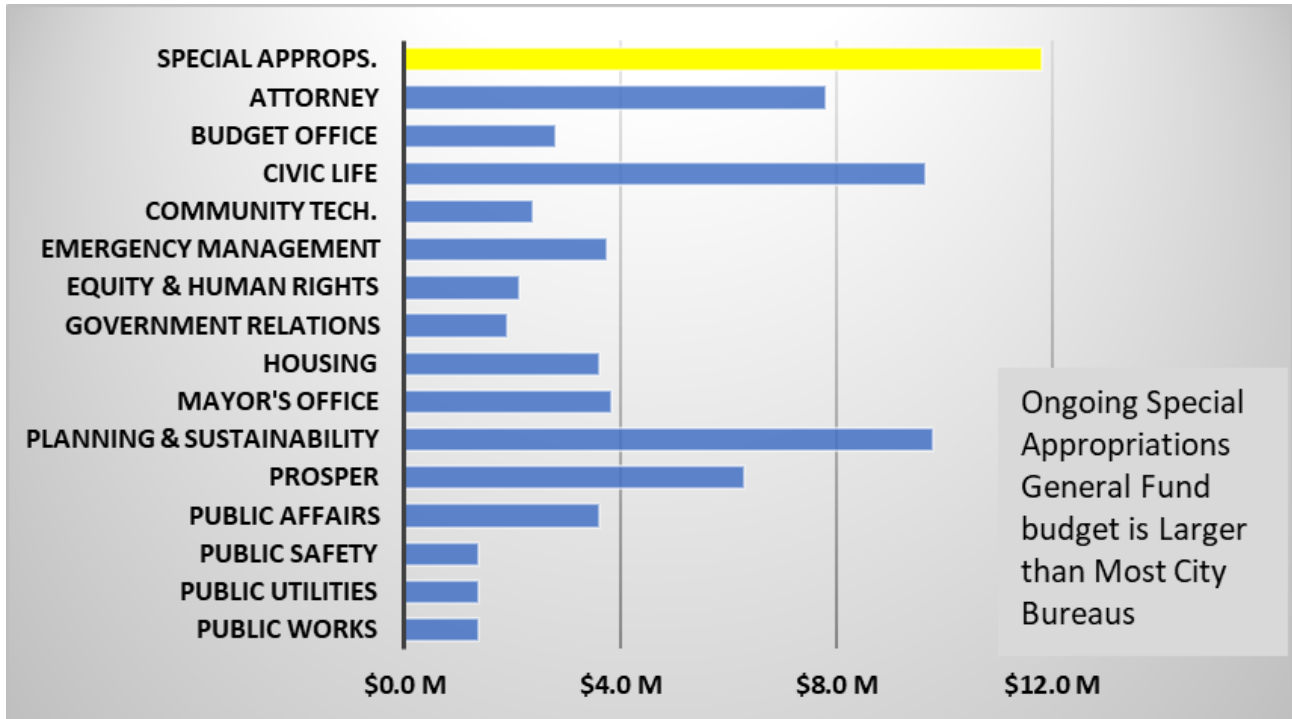
## INTRODUCTION

Special Appropriations’ (SA’s) FY 2020-21 Requested Budget totals \$13.6 million, including \$13.1 million in General Fund resources. There are no significant changes to current ongoing special appropriation allocations; however, the Requested Budget includes four requests for a total of \$1.1 million in new General Fund resources for various programs and projects submitted for funding consideration. This includes a funding request from Portland United Against Hate (PUAH), which was required to meet the Budget Guidance providing an offset or match component when requesting new General Fund resources, the remaining requests were exempt.

## BASE BUDGET KEY ISSUES

Special Appropriations are typically allocations that aim to serve a specific purpose that either does not naturally fit into an existing bureau's operations or which requires multi-bureau coordination. These are typically City Council directed, discretionary expenditures that include grant payments to external organizations and funding for some City programs. These funds are currently managed by the Grants Management Division in the Bureau of Revenue & Financial Services.

As mentioned in prior City Budget Office (CBO) analyses, the scope and size of Special Appropriations has expanded over the past five years.<sup>1</sup> The current year Revised Budget for Special Appropriations is over 70% higher than five years ago, and the ongoing General Fund allocation for Special Appropriations is larger than 15 out of the 22 bureaus that receive General Fund current appropriation level (CAL) target resources as their base budget (*see chart below*).



There are 23 ongoing Special Appropriation programs detailed within 11 Program Offers for FY 2020-21. Many of these programs support organizations and programs that provide meaningful services within Portland and Multnomah County. Approximately \$1.6 million are costs that are "required" by federal, union, or City Code/Charter, and the remaining roughly \$10.0 million is discretionary. By far the largest General Fund subsidy is in support of the Arts with \$5.3 million, comprising 46% of the Special Appropriations total budget for FY 2020-21 (*see info graphic on next page*).

<sup>1</sup> City Budget Office. FY 2019-20 CBO Analysis of Special Appropriation's FY 2019-20 Requested Budget. <https://www.portlandoregon.gov/cbo/article/714561>.

Organization/Program Name	Description of Work	Type of Investment	FY 2020-21 CAL
Regional Arts & Culture Council*	Advances arts and culture goals	Arts	4,340,408
Open and Accountable Elections	Public financial system to increase public participation in City elections	Civic Engagement	1,316,231
Office of Youth Violence Prevention	Public safety through community problem-solving	Safety	1,189,216
P'5	City owned facility operations and maintenance	Arts	981,313
Gateway Center	Provides accessible/coordinated services of domestic violence victims	Safety	969,516
COCL/PCCEP	Response to DOJ Settlement	Required	919,022
Future Connect	Provides scholarships for higher education	Education	607,208
East Portland Action Plan	Advocacy body for East Portland investment	Civic Engagement	337,763
Mt. Hood Cable Regulatory	Provides consumer protection services	Required	323,536
All Hands Raised	Supports educational success of every child in Portland and Multnomah County	Education	211,430
City Membership and Dues	Funds members on various organizations for which the City subscribes	Required	163,844
CASH Oregon	Provides tax assistance to low-income Portlanders	Social Services	85,450
Village Market	Grocery store in North Portland	Low-income support	73,444
Title 13	Specific animal control and nuisance complaint services	Required	63,788
DCTU Training	Professional development for Represented City employees	Required	52,043
VOZ	Day laborer and immigrant civil rights leadership development	Civic Engagement	34,182
Last Thursday	Open street event on Alberta Street	Arts	33,384
Restorative Justice	School support for safe and inclusive communities	Safety	31,159
Clean and Safe	Supports the City's share of the downtown Business Improvement District	Livability	25,944
PROTECH17 Training	Professional development for Represented City employees	Required	21,224
Citizen's Utility Board	Provides mailer insert	Required	11,128
Emergency Fund	Required set aside	Required	5,000
Mayor's Secret Service Funds	Required set aside	Required	2,000

\*In addition to the RACC contract allocation, the 2020-21 CAL target includes funding for the City Arts Program, contract management for the RACC agreement and the City Arts Plan.

The growing programming managed through Special Appropriations creates the potential for duplicate investments across City bureaus and/or County functions and presents tradeoffs with funding other City essential services and priorities. CBO recommends that Council, the Office of Management and Finance, Grants Management Division, and CBO review the ongoing Special Appropriations to identify where programs may compete or complement other bureau's scopes of work, identifying opportunities to streamline or align approaches to ensure progress toward shared desired outcomes.

There are two key changes in FY 2020-21 that will support this work.

- First, the Grants Management Division is implementing a new grants management software. In addition to basic grant information, the system will also be able to track performance measures, compliance requirements, and begin the Citywide standardization process of a formal Citywide grant making program and processes. This will support overall grant management, accountability, and evaluation of results, and will allow the City to evaluate not only investments through Special Appropriations but all City grantmaking processes.
- Second, the Grants Management Division is working with CBO and program partners to develop performance measures for ongoing programs managed through Special Appropriations. This recognizes the significant level of City funding supporting these programs and sets expectations for how results will be assessed.

Together, these changes will allow the City to evaluate ongoing programs that are not meeting performance targets, compliance requirements, and/or no longer closely align with Council priorities.

A potential outcome of this change is reassessing the competitive grant model that has been employed on-and-off over the last few years and transitioning more ongoing funding to one-time competitive cycles. The benefits of this approach are to provide greater transparency and access to government funding for Council-identified priorities that do not fit within bureau missions or provide a Citywide benefit. This would also potentially free-up resources for one-time City projects that are not anticipated in specific bureau budgets, such as the Charter Review Commission discussed further below.

On a broader note, CBO recommends that Council require and help transition other City bureaus' grant making processes to the new Citywide grants management software and competitive process, creating a standardized Citywide grants management program.

## DECISION PACKAGES

### Charter Review Commission

9616, \$367,064, 1.00 FTE

#### Request Summary

According to City Charter *Section 13-301 Charter Commission*, the City Council must convene a Charter Commission from "time to time," but at least every ten years, to "review and recommend amendments to this Charter ...".<sup>2</sup> The City's Charter is effectively the City of Portland's Constitution. This review provides the community the opportunity to change how the City's government is structured, what services are delivered, and at what level of service.

The funding request is for the first year of an anticipated two-year request and totals \$367,064 in one-time General Fund resources for a Charter Commission, external materials and services, and funding for a limited term FTE within the Office of Management and Finance (OMF) Chief Administrative Office.

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<sup>2</sup> City of Portland. Charter, Code and Policies. Article 3 Provide for Periodic Charter Review. Section 13-301. Charter Commission. <https://www.portlandoregon.gov/citycode/49288>.

The budget assumes funding for 12-16 Commission meetings convened in FY 2020-21, eight months of community outreach, additional meetings in FY 2021-22, and a presentation of the Commission's recommendations to City Council in FY 2021-22.

The second year of funding is estimated at an additional \$433,533 and the continuation of the limited term FTE. OMF plans to begin work in FY 2019-20 using \$53,333 in vacancy savings. The two-year total request for General Fund resources is \$800,597.

### **Offset Summary**

This decision package was exempt from the offset requirement per Mayor's Budget Guidance released on January 22, 2020.

### **CBO Analysis**

The allocation of additional resources for recent Charter Commission reviews vary according to the financial situation of the City at the time of the review as well as the work that the Commission was looking to undertake. The last significant review was conducted in 2007 with a budget of \$600,000 over two years. This request is increased due to the timing and local elections for Commissioner positions, and in looking ahead to the Governor and Multnomah County Chair elections in 2022.

CBO recommends funding for this package as it is required by the City Charter and is of Citywide benefit. OMF has indicated it may be able to fund the Analyst III position, pending decisions around an existing Analyst III presently assigned to the 3-1-1 project. Given that this is a City requirement and is a top priority for the City, CBO recommends OMF prioritize this work with existing resources to support the FTE for the duration of the Charter review. Furthermore, as this is a priority for the City and there are available General Fund one-time resources, CBO recommends funding the two-year total, less the Analyst III position in FY 2020-21. Should OMF determine that it cannot reassign existing FTE resources to this work, CBO would recommend OMF pose the tradeoffs of such a reallocation for Council decision via a Fall BMP request.

**CBO Recommendation: \$427,264 one-time | 0.00 FTE**

### **Council Transition Funding** – *Analysis by Angela Butel, Hatfield Fellow*

*9615, \$111,172, 0.00 FTE*

### **Request Summary**

This package requests \$111,172 in General Fund discretionary resources for transition costs related to the Office of the Commissioner of Public Utilities. Funds will be used to provide temporary staffing for the incoming elected official's team after the General Election and to update facilities and prepare technology and equipment for the new administration. In line with Mayor's guidance, no offset was required for this decision package.

### **CBO Analysis**

A primary concern for Council transition budgets is to maintain consistency in approach to ensure that incoming Commissioners have comparable experiences with settling into their new office space. The requested funds would cover costs for the following: personnel expenses for the new Commissioner's Chief of Staff and one Staff Representative, technology updates (primarily new computer equipment and cell phones), and facilities costs including office furniture, fixtures, and updated signage. Personnel costs are forecasted for the time period after the November 2020 election and going through the transition in January 2021.

Overall, the amount of this request is in line with other recent Council transition budgets when factoring in inflation. Two pieces of the request—labor costs for the Facilities division to move staff into and out of the office (\$15,173) and an amount included for miscellaneous costs such as printing and office supplies (\$5,000)—bring the total request higher than in other recent transitions.

In both cases, the Office of Management and Finance (OMF) indicates that the amount requested more accurately reflects true costs imposed during past transitions, which if not covered by the transition budget must be absorbed by OMF or come out of the Commissioner’s general operating budget.

Since submission of this package, CBO has become aware that the Office of the Commissioner of Public Works is projecting sufficient underspending to cover both this transition and the transition of that office, which will take place following the primary election in May. Given the availability of such significant underspent funds, CBO recommends covering these transition costs through a program carryover in the FY 2019-20 Spring Budget Monitoring Process rather than through new General Fund resources.

CBO further recommends developing a more consistent approach to handling transition-year budgets and underspending for Commissioners’ offices. CBO has raised concerns about transition-related underspending being used to augment the incoming Commissioner’s budget above that of the other Commissioners. CBO recommends that during transition years moving forward, a clear distinction be made in the budget system between two halves of the transitioning office’s budget and that any year-end underspending from the first half of a transitional fiscal year be set aside in a reserve to cover costs of future Council transitions.

**CBO Recommendation: \$0 one-time | 0.00 FTE**

## **Peninsula Drainage District (PEN #1)**

*9614, \$299,500, 0.00 FTE*

### **Request Summary**

The Peninsula Drainage District (PEN 1) is requesting \$311,000<sup>3</sup> in one-time General Fund resources to maintain operations and sustain operational reserves for FY 2020-21. This request is a part of a larger \$1.15 million request to cover PEN 1 through FY 2023-24 until the Urban Flood Safety and Water Quality District (UFSWQD) is formed in 2025 and takes over financial responsibility for PEN 1 and the other drainage districts along the Columbia River Corridor.

It is CBO’s understanding that PEN 1 has secured \$444,000 from the Bureau of Environmental Services (BES) for FY 2020-21 and BES has pledged another \$645,000 through FY 2023-24 for capital outlay needs. PEN 1 will also request \$161,000 of the General Fund in the upcoming Spring BMP, and \$110,000 from BES to ensure sustainability through the current fiscal year. The pledge contribution from BES is considered the offset or match for this request.

### **CBO Analysis**

PEN 1 is one of four drainage districts along the Columbia River Corridor that operate and maintain the flood protection infrastructure systems for the Portland International Raceway, Heron Lake Golf Course, Port of Portland’s Vanport Wetland, and Metro’s Portland Expo Center. This request for funding is a part of continued conversations with the Levee Ready Columbia Program, preparing the drainage districts to transition from the current form of governance to an elected UFSWQD Board in 2025 and to follow up on the FY 2018-19’s Spring BMP request.<sup>4</sup>

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<sup>3</sup> At the time of budget submission, PEN 1 requested \$299,500 in General Fund resources. At the time of this review, the request had been revised to \$311,000 to reflect the increase of \$11,500 for debt service.

<sup>4</sup> Portland City Budget Office. CBO Analysis of Special Appropriations’ FY 2018-19 Spring BMP. <https://www.portlandoregon.gov/cbo/article/729306>.

PEN 1 is funded by assessment paid for by the landowners within PEN 1. Property tax compression poses significant challenges to PEN 1’s ability to cost-recover for operations and deferred maintenance. According to PEN 1, it loses an average 50% of levied assessments (actual property tax value) to compression (tax amount imposed), and this is the primary reason PEN 1 is unable to sustain operations and address deferred maintenance. To solve for highly volatile revenues, PEN 1 secured \$690,144 in loans and lines of credit over the past ten years.

### Funding Recommendations

The risk of not supporting PEN 1’s operations is the potential for flooding on property owned by the Portland Parks & Recreation (Parks) bureau. The Heron Lake Golf Course and Portland International Raceway (PIR) make up 73% of the district. If infrastructure failure occurred or PEN 1 became financially insolvent, the responsibility would likely fall upon Parks properties and the City.

Due to the nexus between PEN 1 and PIR and Golf properties, it is reasonable to presume that related funds would cover a portion of these costs. The five-year plans that the bureau submitted for the PIR and Golf Fund shows planned contingency balances of \$0.9 million and \$1.6 million, respectively, throughout the five years of the plan. These combined contingency balances exceed current year contingency balances by over \$500,000. Parks has indicated to CBO that the use of these funds would result in unspecified projects not moving forward, and possible further reductions of casual staff. However, given the five-year plan figures, CBO believes it is reasonable to presume that the PIR and Golf funds could combine to cover at least the requested \$44,500 in materials and services costs with minimal disruptions to service levels.

ITEM	20-21
<b>Materials &amp; Services</b>	
MCDD Admin	22,000
PEN 1 Share of Common Projects	2,500
Repair Floodwall Sinkhole	0
New District Transition	20,000
<b>TOTAL M&amp;S</b>	<b>44,500</b>
<b>Capital Outlay</b>	
20-21	
Toe Drain Remediation	30,000
Drainage Master Plan	
<i>Completion</i>	75,000
<b>Debt Service</b>	
20-21	
IFA Loan Repayment	11,500
<b>TOTAL DEBT SERVICE</b>	<b>11,500</b>
<b>Financial Stability</b>	
20-21	
Capital Reserve	0
Rebuild Operating Reserve	50,000
Deficit Reduction	100,000
<b>TOTAL FINANCIAL STABILITY</b>	<b>150,000</b>
<b>TOTAL REQUEST BY YEAR</b>	<b>311,000</b>
Total General Fund By Year	255,000
Total PPR By Year	44,500
IFA Loan	11,500

PEN 1 requested funding for capital and operating reserves in addition to resources to sustain current operations. Given that the district must remain operational to ensure transition to the UFSWQD, and given the negative impact that the district’s insolvency would have on the City, CBO does recommend supporting the required costs to sustain operations. While CBO does not recommend allocating limited General Fund resources to support requested reserves for PEN 1 in out years, PEN 1 is required to have \$60,000 minimum in its operating reserves per requirements of its prior operating loan.

CBO recommends funding the *rebuild operating reserve* amount for FY 2020-21 only. As there is a clear intent for the City to function as the financial backstop for the Levy until the transition to UFSWQD occurs, PEN 1 should be regularly updating the City on its financial picture and keeping the City actively appraised of any threats or risks to the viability of the system. As issues develop, they should be jointly addressed by the City and the district. Therefore, CBO does not recommend funding future requests for reserves.

In summary, CBO recommends funding the full \$311,000 for FY 2020-21, with \$44,500 coming from Parks’ PIR and Golf fund resources (*green in chart left*) and \$266,500 coming from one-time General Fund (*yellow and blue in chart*). Should additional one-time resources come available, CBO would recommend Council consider funding multiple years of the anticipated five-year liability.

**CBO Recommendation: \$266,500 one-time General Fund, \$44,500 in Parks Funds**

## Portland United Against Hate

9622, \$315,000, 0.00 FTE

### Request Summary

Portland United Against Hate (PUAH) requests \$315,000 in one-time General Fund resources for FY 2020-21 to support community grants, the management of its ReportHatePDX database, and administration.<sup>5</sup> These funds help mitigate the impact of hate incidents, provide support groups and information for victims, and support a culture of reporting hate incidents. This work is performed through trainings on individual rights, data collection and analysis via the ReportHatePDX platform, and the support of policy changes.

### Offset Summary

Per budget guidance, PUAH has identified \$315,000 in matching funds from three different groups: \$225,000 would be match that PUAH would require from competitive grant awardees, \$15,000 from a planned grant application to Meyer Memorial Trust, and \$75,000 in pledged donations. As these resources are external to the City, the match is not reflected in the requested decision package.

### CBO Analysis

PUAH was previously a part of Office of Community & Civic Life's budget. In the FY 2019-20 Adopted Budget, PUAH requested that it be established as a stand-alone organization rather than part of the City's organization structure. Council authorized that separation, and encouraged PUAH to diversify its resource base beyond City General Fund resources to ensure its long-term sustainability.

PUAH presented its annual report to Council on December 18, 2019. PUAH described the work it is undertaking to expand and diversify its revenue sources, but noted that requests for continued financial support from the City may be part of any longer-term financial plan.<sup>6</sup> Council did not make any determination at that time with regard to continuing levels of financial support to PUAH.

PUAH performs an important role in the community; in addition to encouraging reporting and tracking of hate crimes, the online portal links community members affected by hate crimes with support resources. Information and trends gleaned from the database may also help to improve or tailor the core services the City provides to the community. These are valuable services, but PUAH and its partner organizations may ultimately require non-City resources to sustain them at the current level of service. In order to provide PUAH with additional time to develop a longer-term financial plan and strategy for self-sustainment, CBO recommends \$90,000 in General Fund one-time resources to fund the continuation of ReportHatePDX database management and administration.

Council may want to consider providing additional one-time resources to support additional grant-making to community groups, which supports community workshops delivered by PUAH organizational partners on addressing and intervening in hate crimes, among other activities. However, given the limited availability of General Fund resources, CBO recommends that PUAH continue its efforts to identify a diversity of resources to support its grant-making function.

### CBO Recommendation: \$90,000 one-time

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<sup>5</sup> \$225,000 for community grants, \$15,000 for the database, and \$75,000 for administration.

<sup>6</sup> City of Portland Auditor's Office Archives & Records Management Efiles system. 1167-2019 PUAH Report. <https://efiles.portlandoregon.gov/Record/13438225/>.



## SUMMARY OF REQUESTS AND RECOMMENDATIONS

Below is a summary of Special Appropriations' total budget. Special Appropriations' FY 2020-21 Requested Budget totals \$13.6 million, a decrease of 0.3% over the FY 2019-20 Adopted Budget. There were four decision packages requesting \$1.1 million in additional resources. CBO has recommended \$844,936 in total.

### Special Appropriations - 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	\$1,112,806	\$1,179,942	\$185,775	(\$185,775)	\$1,179,942
	External Materials and Services	\$12,227,349	\$11,002,800	\$906,961	(\$123,197)	\$11,786,564
	Internal Materials and Services	\$273,303	\$290,999	\$0	\$0	\$290,999
	<b>Total</b>	<b>\$13,613,458</b>	<b>\$12,473,741</b>	<b>\$1,092,736</b>	<b>(\$308,972)</b>	<b>\$13,257,505</b>
Revenue	Fund Transfers - Revenue	\$1,266,472	\$1,316,231	\$0	\$0	\$1,316,231
	General Fund Discretionary	\$11,816,137	\$10,489,029	\$1,092,736	(\$308,972)	\$11,272,793
	General Fund Overhead	\$181,085	\$185,877	\$0	\$0	\$185,877
	Interagency Revenue	\$349,764	\$351,733	\$0	\$0	\$351,733
	Intergovernmental	\$0	\$130,871	\$0	\$0	\$130,871
	<b>Total</b>	<b>\$13,613,458</b>	<b>\$12,473,741</b>	<b>\$1,092,736</b>	<b>(\$308,972)</b>	<b>\$13,257,505</b>