



P O R T L A N D
CITY AUDITOR
Mary Hull Caballero

September 9, 2020

To: Mayor Wheeler
Commissioner Eudaly
Commissioner Fritz
Commissioner Hardesty

Cc: Jessica Kinard, Budget Office Director
Jess Eden, Senior Financial Analyst

From: City Auditor Mary Hull Caballero

Re: Fall Budget Monitoring Report

Operating Budget Reconciliation

The Auditor's Office Fall Budget Monitoring Report shows that the Office is within the spending plan for Personnel Services and Internal Materials and Services and under budget for External Materials and Services for FY 2019-20.

Transfer to Reserve Fund

As part of FY 2020-21 budget adoption, City Council directed in a budget note that the City Budget Office create a sub-fund for the Auditor's Office within the General Reserve Fund or "Auditor's Office Reserve Fund." Annually, during the Fall Budget Monitoring Process, the Budget Office is directed to transfer prior year underspending in the Auditor's Office to the Auditor's Office Reserve Fund for the purpose of funding duties Charter-mandated or other responsibilities of the City Auditor. The total amount of the sub-fund shall not exceed \$500,000. Included in this submission is a transfer request of \$500,000 to the Auditor's Office Reserve Fund.

Special Elections Costs

In alignment with City Administrative Rule (ADM 2.01) and past practice for special elections, this new request of \$700,000 from the General Fund covers costs incurred for the City to elect a Commissioner at the August 11, 2020, Special Municipal Runoff Election. This election was set to fill the unexpired term following vacancy in the Office of Commissioner, Position 2, in January 2020. The death in office and vacancy planning were unexpected and occurred during a historically busy elections season. The City facilitated two special elections to fill the vacancy. One occurred during the regular May primary, but the City was the sole jurisdiction on the ballot for the required run-off election in August. As the sole responsible government,



City of Portland

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the City is required to pay the full expense of the election. The costs are estimated to be higher because of physical-distancing for elections staff and other challenges caused by COVID-19. Multnomah County Elections estimates the cost for the election will be \$700,000. An invoice will be available by September 30, 2020 with the final amount.

Encumbrance Carryover Request

The Auditor's Office requests approval to carryover \$62,350 from FY 2019-20 to fund encumbered contracts. The purchase orders included in this request are all related to professional services that were either partially completed or planned for completion during FY 2019-20 with work that will continue in FY 2019-20. The carryover request includes contracts for license maintenance for the City's electronic records software, City Archives multimedia consulting, and external auditors who conduct the annual financial statements audit.

Furlough Savings True-Up

This is a technical adjustment to true-up the furloughs taken in the prior budget year with the estimate for furloughs in the current budget year.

One-Time Reduction Target

This is a one-time reduction to meet the General Fund reduction target.

Technical Adjustments

The Auditor's Office technical adjustments reflect internal fund transfers between Personnel Services and Internal Materials and Services to show a greater level of detail.

AU - Office of the City Auditor

DP Type

Technical Adjustments

Request Name: 10870 -Technical Adjustment

Package Description

The Auditor's Office technical adjustments reflect internal fund center transfers between Personnel Services and Internal Materials and Services to show a greater level of detail.

Service Impacts

Equity Impacts

CBO Analysis

	2020-21 FALL Requested Adj	Fall Adopted Total
External Materials and Services	0	0
Internal Materials and Services	0	0
Personnel	0	0

	2020-21 FALL Requested Adj	Fall Adopted Total
General Fund Discretionary	0	0
General Fund Overhead	0	0

AU - Office of the City Auditor

DP Type

Encumbrance Carryover

Request Name: 10939 -FY 2019-20 Furlough Savings True-Up

Package Description

This request is a technical adjustment to true-up the furloughs taken in the prior budget year with the estimate for furloughs in the current budget year.

Service Impacts

Equity Impacts

CBO Analysis

	2020-21 FALL Requested Adj	Fall Adopted Total
Personnel	73,338	0

	2020-21 FALL Requested Adj	Fall Adopted Total
General Fund Discretionary	73,338	0

AU - Office of the City Auditor

DP Type

Mid-Year Reduction

Request Name: 10964 -FY2020-21 One-Time Reduction Target for Fall BMP

Package Description

This request is a one-time reduction to meet the General Fund reduction target for Fall BMP.

Service Impacts

Equity Impacts

CBO Analysis

	2020-21 FALL Requested Adj	Fall Adopted Total
External Materials and Services	-38,662	0
Personnel	-73,338	0

	2020-21 FALL Requested Adj	Fall Adopted Total
General Fund Discretionary	-112,000	0

AU - Office of the City Auditor

DP Type

Encumbrance Carryover

Request Name: 11038 -Encumbrance Carryover Request

Package Description

The Auditor's Office requests to carryover \$62,350 from the prior fiscal year to funding the following encumbered contracts: 1). \$7,000 to Information First Inc., for TRIM upgrade services. 2). \$5,350 to Cecilia Brown for City Archives video project. 3). \$50,000 to Moss Adams LLC for work on the audit of the City's CAFR.

Service Impacts

Equity Impacts

CBO Analysis

	2020-21 FALL Requested Adj	Fall Adopted Total
External Materials and Services	62,350	0

	2020-21 FALL Requested Adj	Fall Adopted Total
General Fund Discretionary	62,350	0

AU - Office of the City Auditor

DP Type

Technical Adjustments

Request Name: 11041 -Transfer to Reserve Fund

Package Description

Ordinance No. 189570.

Beginning in FY 2019-20, City Council directs the City Budget Office to create a sub-fund in the General Reserve Fund. Annually, as part of the Fall Supplemental Budget Process, CBO is directed to transfer prior year underspending in the Auditor's Office to the sub-fund for the purpose of funding duties as charter-mandated or agreed to by the City Auditor. The total amount of the sub-fund shall not exceed \$500,000. Any excess underspending of the Auditor's Office shall be included in General Fund year-end underspending.

Service Impacts

Equity Impacts

CBO Analysis

	2020-21 FALL Requested Adj	Fall Adopted Total
Contingency	500,000	0

	2020-21 FALL Requested Adj	Fall Adopted Total
Fund Transfers - Revenue	500,000	0

AU - Office of the City Auditor

DP Type

New GF Request

Request Name: 11071 -Special Elections Costs

Package Description

In alignment with City Administrative Rule (ADM 2.01) and past practice for special elections, this new request to the General Fund covers the City of Portland costs to hold the required August 11, 2020 Special Municipal Runoff Election. Multnomah County expects the cost to be approximately \$700,000 at the time of this request. A final invoice will be sent to the City by September 30, 2020 with the complete amount.

Costs increased due to factors outside the City's control: As compared to previous special elections, costs increased for this special election due primarily to it being the only jurisdiction on the ballot, larger than average turnout for a special election, and additional coronavirus precautions and procedures required due to local and state mandates.

Background: The below factors outline the reason for the election, its timing, and other factors that increased costs outside the City's control:

A vacancy occurred following the death of a Commissioner in office on January 2, in the middle of the official's 2018-2022 term. There has not been a vacancy in office due to death in the City in recent history.

According to the City's charter for vacancies (Section 2-206), two elections were required to be held within 90 days of the vacancy unless Council found reason to delay for the first election. The second election would be required if no individual received a majority of the votes.

According to state law, all elections not held on the biennial May or November dates in even years are held at the expense of the jurisdiction calling the elections and costs are determined according to the size of the jurisdiction and the number of electors, number of items on the ballot, turnout, and other logistical factors. Projecting elections costs is extremely difficult.

The City passed resolution No. on January 8, 2020, calling for the first nominating election to fill the remainder of the term in conjunction with the May 19, 2020 Primary to avoid public confusion about an earlier than expected one-off election and save the City money. This election was held at no cost to the City due to the statewide election already occurring.

The resolution also called for a second election, should one be required, for August 11, 2020.

The City's Charter section on vacancies requires a second election to be 45 days after the first; however, it does not contemplate mail-in voting procedures such as federal requirements for oversees and military ballots that must be mailed in advance, as well time necessary for automatic recounts and other mail-in voting procedures. This resulted in the City setting the election as soon as practicable after the results of the May 19, 2020 election were available or August 11, 2020.

No individual one a majority of votes in the May 19, 2020 election, therefore the second election was required to be held to elect the top two contenders.

Unlike previous special elections for ballot measures or those held for candidates on dates where costs can be shared with other jurisdictions (March, May, September November, and January in odd years), the City was the only jurisdiction on the ballot for this election in August and therefore is solely responsible for the entirety of the cost.

Related regulations:

City Council Resolution No. 37472, setting two special elections to fill the vacancy in office. The fiscal impact statement filed on record notes the cost to the City was approximated at \$500,000 for the August election, however this was an estimate provided in the first week of January by Multnomah County, when impacts due the spread of the coronavirus were unknown.

ORS254.046, requiring Cities pay for costs outside of statewide elections held in May and November of even years (all special elections paid for by jurisdictions proportionally).

Binding City Policy ADM 2.01 requiring special elections for measures to be paid for by the fund most closely related to the election.

Service Impacts

Equity Impacts

CBO Analysis

	2020-21 FALL Requested Adj	Fall Adopted Total

F4 - BMP Amendment Report (Fall Adopted)

Run Date: 9/9/20

CBO Discussion & Recommendations

Run Time: 4:11:19 PM

External Materials and Services	700,000	0
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	2020-21 FALL Requested Adj	Fall Adopted Total
General Fund Discretionary	700,000	0

AU - Office of the City Auditor

DP Type

Mid-Year Reduction

Request Name: 11096 -Facilities IA Reductions

Package Description

This request is a one-time reduction to meet the General Fund IA reduction target for Fall BMP.

Service Impacts

Equity Impacts

CBO Analysis

	2020-21 FALL Requested Adj	Fall Adopted Total
Internal Materials and Services	-13,250	0

	2020-21 FALL Requested Adj	Fall Adopted Total
General Fund Discretionary	-13,250	0

Prior Year Fund Reconciliation Report

Office of the City Auditor

100 - General Fund

EXPENDITURES	2019-20 Revised Budget	2019-20 Actuals	Percent of Actuals to Revised
Personnel	7,370,296	7,090,568	96.2%
External Materials and Services	1,621,142	942,805	58.16%
Internal Materials and Services	2,815,148	2,806,357	99.69%
TOTAL EXPENDITURES	11,806,586	10,839,731	91.81%

REVENUES	2019-20 Revised Budget	2019-20 Actuals	Percent of Actuals to Revised
Charges for Services	100,665	61,654	61.25%
Miscellaneous	6,500	3,420	52.61%
General Fund Discretionary	6,898,210	0	0%
Interagency Revenue	210,960	166,029	78.7%
General Fund Overhead	4,590,251	0	0%
TOTAL REVENUES	11,806,586	231,103	1.96%

Expenditure Discussion

Auditor's Office expenditures were within the spending plan for Personnel Services and Internal Materials and Services. Expenditures for External Materials and Services (\$678,337) were below budgeted amounts. The savings are attributed to a number of factors such as: intermittent vacant positions throughout the fiscal year, lower than anticipated spending for professional services, delayed facility improvement projects, and savings from implementing swift cost containment measures related to COVID-19 beginning in March 2020.

Revenue Discussion

Revenues were below the spending plan in Charges for Services, Miscellaneous, and Interagency Revenues. Interagency Revenues projected from the Portland Bureau of Transportation, Police, and Development Services for Hearings Office services accounted for the majority of the decline in revenue occurring in the last half of FY19-20 in this area. Both tow and land use appeals to the Hearings Office were down approximately 30 percent, leading to lower than expected billing in the 3rd and 4th quarter. During the Spring Budget Monitoring Process, Charges for Services were projected to decrease by approximately 50 percent due to a billing adjustment related to service adjustments for Prosper Portland audits. Audit Services wrapped up an audit of the Lents Urban Renewal Area mid-way through FY19-20 and opted not to begin a new audit of Prosper Portland until FY20-21. Given that decision, it did not bill Prosper Portland for the full agreed-to hours.

Miscellaneous revenues were down due to less copying and fee activity associated with records requests or reproduction following COVID-19 related closures of City buildings.

FY 2019-20 Budget Note Update

Auditor's Office

Date of Budget Note: July 1, 2019 in the FY 2019-20 Adopted Budget

Budget Note Title: Auditor's Office Prior Year Underspending

Budget Note Language: Beginning in FY 2019-20, City Council directs the City Budget Office to create a sub-fund in the General Reserve Fund. Annually, as part of the Fall Supplemental Budget Process, CBO is directed to transfer prior year underspending in the Auditor's Office to the sub-fund for the purpose of funding duties as charter-mandated or agreed to by the City Auditor. The total amount of the sub-fund shall not exceed \$500,000. Any excess underspending of the Auditor's Office shall be included in General Fund year-end underspending.

Summary Status: Underway

Budget Note Update: September 9th, 2020

As part of FY 2020-21 budget adoption, City Council directed in a budget note that the City Budget Office create a sub-fund for the Auditor's Office within the General Reserve Fund or "Auditor's Office Reserve Fund." Annually, during the Fall Budget Monitoring Process, the Budget Office is directed to transfer prior year underspending in the Auditor's Office to the Auditor's Office Reserve Fund for the purpose of funding duties Charter-mandated or other responsibilities of the City Auditor. The total amount of the sub-fund shall not exceed \$500,000. Included in this submission is a transfer request of \$500,000 to the Auditor's Office Reserve Fund.