



**City
Budget
Office**

Bureau of Transportation

Analysis by Shannon Fairchild

SUMMARY

Required General Fund Reduction

To meet its required General Fund reduction for the FY 2020-21 Fall BMP, the Portland Bureau of Transportation (PBOT) submitted a package that reduces the General Fund transfer for the Streetlight Program by \$259,000. In the FY 2020-21 Adopted Budget, PBOT reallocated approximately \$7.5 million in projected General Fund savings generated from the replacement of streetlights from older sodium bulbs to more energy efficient bulbs following Council's decision (Ordinance 185838, December 2012) to fund additional streetlights along 12 miles of poorly lit areas of the High Crash Network. PBOT does not intend to reduce the project deliverables due to the loss of General Fund revenues. The bureau notes that if there is a shortfall in revenue to cover project costs, PBOT will backfill those costs with other resources.

Key Decisions for Council

1. Allocate \$173,345 in one-time General Fund discretionary resources to fund PBOT's portion of the Community Opportunities and Enhancements Program (COEP)¹ in the current budget year.
 - COEP dedicates 1% of total hard construction costs of Portland Public Improvement Contracts to support greater equity in public contracting through the provision of business technical assistance for Certification Office for Business Inclusion and Diversity (COBID) Certified Firms and the recruitment, training, and retention of a diverse workforce. PBOT and Parks will pay a stable, flat-rate methodology that uses six years of hard construction costs. The methodology recognizes that some of PBOT and Park's funding sources cannot be used to pay for the 1% fee and that a stable methodology is needed for financial planning purposes.
 - Given that PBOT only recently learned about the impetus to implement the program, CBO recommends a one-time allocation of \$173,345 in General Fund discretionary resources to meet the bureau's obligations in FY 2020-21, but recommends that the bureau reallocate existing resources to fund its contribution to the program beginning in FY 2021-22. It should also be noted that CBO's recommendations are conditional on Council passing the administrative rules as they currently stand. Any changes would need to be re-evaluated.
2. Reduce revenues by \$19.4 million in the Transportation Operating Fund and \$7.5 million from the Parking Garage Fund to reflect forecasted revenue changes as a result of the economic impacts of COVID-19. The bureau is also requesting to decrease budgeted personnel expenses by \$16.5 million

¹ Council Resolution 37331 (November, 2017)

for 155 vacant positions.

- The Bureau is projecting \$20-25 million in lost revenue in FY 2020-21 which is driven by significant reductions to parking revenues and PBOT's portion of the State Highway Fund/gas tax in FY 2020-21. The Bureau is capturing all vacancy savings from existing vacancies via the Fall BMP (currently around \$7.8 million in General Transportation Revenue, GTR) and will allocate the necessary funding in the Spring BMP if the position(s) are approved via PBOT's final hiring workplan or through other actions during the year.
 - CBO recommends these requests due to the magnitude of the financial impact of the COVID-19 public health crisis on the bureau and the projected continuation of the economic impact over the next several years.
3. Transfer \$655,237 from the Recreational Cannabis Fund to PBOT to support street lighting in-fill projects (\$350,000) and to fund the design phase of the Outer Stark Improvement Project (\$305,237). The Bureau also requests \$100,758 in carryover funds to support Vision Zero street safety outreach programming that was delayed due to COVID-19.
- Council approved \$1,590,000 of resources (\$1,464,958 ongoing and \$125,042 one-time) from the Recreational Cannabis Fund in FY 2017-18 to improve transportation safety and advance the City's Vision Zero goals.
 - CBO recommends these requests.

Budget & Fiscal Monitoring: Statewide fuel sales and parking revenues significantly impacted by COVID-19

- PBOT lost \$17.8 million of discretionary revenue through the end of FY 2019-20. Projected losses for FY 2020-21 are \$20 to \$25 million with losses in the five-year forecast expected to be \$35 to \$45 million. Total losses experienced by PBOT will depend on the length of pandemic and how quickly the downtown will recover from the crisis.
- **Intergovernmental Revenues** were within 10 percent of budget. The largest contributor, the State Highway Fund/Gas Tax, incurred losses of approximately \$5.0 million, or 6%, compared to the published forecast which was driven by significant drops in motor fuels taxes for April and May when statewide sales fell by approximately 30%. Weight-mile taxes remained steady throughout the period which helped to partially mitigate losses. Compared to PBOT's pre-COVID forecast, PBOT is expected to lose an additional \$15 million in gas taxes in FY 2020-21 through FY 2024-25.
- **Charges for Services** were 84 percent, or \$12.5 million, less than the FY 2019-20 budget. Significant losses in on-street parking revenues were the primary driver behind the FY 2019-20 actuals. Given the nature of the public health crisis and parking's connection to retail, entertainment, and dining, on-street parking revenues are difficult project. The bureau estimates that possible losses in FY 2020-21 could range from \$6 million (15%) in an optimistic scenario to \$15 million (40%) if it is more protracted recovery. These losses are expected to carry into future years as well.

- **Personnel Services** were 89% of budget. In response to the impact COVID on the bureau's revenues, PBOT suspended hiring non-critical staff and implemented mandatory furlough days for represented and non-represented staff beginning in April.
- **Capital Outlay** was 23% of budget which was due in part to project bids coming in higher than expected, requiring re-bidding and re-engineering, delays in the start of construction that will be carried over into the next fiscal year and project delays caused by the stay-at-home order issued at the spring of 2020. Project examples include Naito: Harrison-Jefferson, SW; Halsey St: 114th-162nd, NE and Foster/Woodstock Couplet: 96th-101st, SE.

ADDITIONAL ANALYSIS

COEP Implementation

The City of Portland, through Council Resolution 37331 (November, 2017) directed OMF and OEHR to develop the Community Opportunities and Enhancement Program (COEP). The program dedicates 1% of total hard construction costs of Portland Public Improvement Contracts to support greater equity in public contracting through the provision of business technical assistance for Certification Office for Business Inclusion and Diversity (COBID) Certified Firms and the recruitment, training and retention of a diverse workforce.

In recognition of different funding models and constraints on allowable uses, OMF proposes two different methodologies to calculate the 1% COEP fee.

- 1) Rate funded bureaus (Water Bureau, BES and Facilities) will pay an actual 1% of hard construction costs each year as the bureaus can incorporate the COEP charge into their rates and pass through the costs.
- 2) PBOT and Parks will pay a stable, flat-rate methodology that uses six years of hard construction costs. The methodology recognizes that some of PBOT and Park's funding sources cannot be used to pay for the 1% fee and that a stable methodology is needed for financial planning purposes.

In the FY 2020-21 Fall BMP, OMF requested \$173,345 in General Fund Discretionary resources on behalf of PBOT for the bureau to meet the program's obligation. OMF also made a request on behalf of Parks for \$99,132. In addition to the request for one-time General Fund Discretionary funding in FY 2020-21, OMF requested an increase to PBOT's and Park's Current Appropriation Level (CAL) targets beginning in FY 2021-22 to fund the bureaus' future COEP obligations. The request is paired with an ordinance, to be heard in October, which enables the implementation of the program in the current fiscal year and the rollout of the 1% charge to actual construction contracts.

CBO typically only recommends requests for additional General Fund resources for core City services that are urgent, unforeseen, and unable to be absorbed by existing resources in the Fall Supplemental Budget. Though Council passed the resolution directing its inception in November 2017, delays to fully implement the program have contributed to a greater sense of urgency as community members and City Council have increased their demands to finalize the program. The request is also not unforeseen as the program has been in development for several years now, however, PBOT and Parks only recently learned about the impetus to implement the program. Given this, CBO recommends a one-time General Fund allocation to meet both PBOT and Parks' obligations in FY 2020-21.

Beginning in FY 2021-22, CBO recommends that future year obligations be absorbed by PBOT rather than through an annual adjustment to the bureau’s CAL. CBO notes that recommending the bureau reallocate existing resources to fund its COEP obligations rather than through an increase to its CAL adjustment comes at a challenging time for PBOT. Like the General Fund, the bureau has experienced significant reductions to its discretionary resources, particularly parking revenues, due to the impacts of COVID-19. However, given that this a Council priority and that the fee is based on a stable, flat rate methodology that the bureau can plan for, CBO recommends PBOT absorb the annual cost of the fee.

SUPPLEMENTAL BUDGET CHANGES TO ALL FUNDS

	Current Revised Budget	Bureau Requested Changes	CBO Recommended Changes	Total Recommended Revised Budget
Resources				
Budgeted Beginning Fund Balance	226,576,192	14,730,819	-	241,307,011
Taxes	21,487,500	-	-	21,487,500
Licenses & Permits	18,890,980	-	-	18,890,980
Charges for Services	96,939,640	(22,721,776)	-	74,217,864
Intergovernmental Revenues	144,027,563	(4,208,800)	-	139,818,763
Interagency Revenue	35,979,785	5,000	-	35,984,785
Fund Transfers - Revenue	25,064,500	5,304,685	-	30,369,185
Bond and Note	21,357,412	17,615,000	-	38,972,412
Miscellaneous	4,273,719	69,000	-	4,342,719
General Fund Discretionary	1,702,191	166,824	(66,066)	1,802,949
General Fund Overhead	-	-	173,345	173,345
Total Resources	\$596,299,482	\$ 10,960,752	\$ 107,279	\$607,367,513
Requirements				
Personnel Services	136,643,380	(16,204,358)	-	120,439,022
External Materials and Services	107,700,271	1,542,017	(66,066)	109,176,222
Internal Materials and Services	44,326,265	1,026,484	173,345	45,526,094
Capital Outlay	134,172,659	10,968,326	-	145,140,985
Bond Expenses	23,243,329	-	-	23,243,329
Fund Transfers - Expense	14,601,018	-	-	14,601,018
Contingency	135,612,560	13,628,283	-	149,240,843
Unappropriated Fund Balance				
Total Requirements	\$596,299,482	\$10,960,752	\$107,279	\$607,367,513

