



Office of Mayor Ted Wheeler
City of Portland

Date: December 3, 2020

To: Bureau Directors

From: Mayor Ted Wheeler 

CC: Commissioner Eudaly
Commissioner Fritz
Commissioner Hardesty
Commissioner Ryan
Commissioner-Elect Mapps
Commissioner-Elect Rubio

Re: Budget Guidance FY2021-22

It has been a tumultuous and trying year in ways we could not have imagined. Seven months ago, we learned that in addition to and because of the global public health crisis, we would need to confront a dramatic and immediate decline in resources at the same moment that many Portlanders required more support. The City took quick, decisive, and collective action to reduce expenditures while focusing on critical services to meet the demands of the pandemic and serve our most vulnerable community members. City staff have done extraordinary work in extreme circumstances to deliver core services and respond to community need.

Ensuring continuity of long-term services while addressing the crisis at hand meant primarily reducing General Fund costs on a one-time basis. Unfortunately, we know now that reductions are likely to be needed on an ongoing basis for the foreseeable future.

My focus now is preparing for recovery. Even while our resources remain constrained, we must continue supporting and stabilizing vulnerable Portlanders. We must continue to manage through financial uncertainty with flexibility, looking to leverage the assets we have and to prioritize core services that most effectively serve those who need the most. To this end, I'm asking bureaus to develop and request budgets which meet the following goals:

1. Prioritize existing resources towards Portlanders most affected by the public health crisis and/or economic crisis;

2. Leverage stable, available funding sources – such as bond proceeds or available ending balances – to responsibly stabilize services and/or stimulate growth and recovery;
3. Continue and expand cross-jurisdictional and cross-sector partnerships;
4. Use data and evidence to minimize impacts to core services and vulnerable community members.

Because of the broad impact of this crisis, nearly every bureau will need to consider some level of reductions. As you consider reductions, I ask you to:

- Examine your long-standing systems, processes and programs – are they serving Portlanders equitably, efficiently and effectively? Please articulate in your program offers the data and evidence informing your proposal.
- Look at the why behind your services and programs. Are you required, or are you choosing, to provide these services?
- In line with the results-based accountability framework, ask of your programs, who benefits?
- Are new programs achieving the results you thought they would?
- Are your bureau’s operations moving us closer to our carbon reduction goals?
- After considering these questions, please propose reductions that meet as many of the following criteria as possible:
 - Not serving those most in need
 - Little evidence of effectiveness
 - Not required by City Charter or Code
 - Duplicative of services provided by other bureaus or governments

Until we know more about our financial situation and the level of reductions that will be necessary, I am not assuming we will be able to provide annual merit pay increases for City staff. In compliance with the State’s pay equity law, we must equitably make pay increases available across the City, irrespective of funding source. As a result, I’m directing all bureaus to assume no merit pay increases in your requested FY 2021-22 budgets. I will consider the costs and tradeoffs of merit increases, step increases, and Citywide employee COLA increases next Spring.

This budget guidance is meant to provide initial direction to bureaus in budget development. As we learn more about our resources and needs in the coming weeks, and as I work with my colleagues to develop priorities for the coming fiscal year, I will provide additional guidance.

General Fund

The pandemic is prolonging our economic challenges and uncertainty. Because we anticipate General Fund revenues will be less than actual costs, we must continue finding ways to reduce spending Citywide, including in the General Fund.

All bureaus with more than 30 employees, and the City Budget Office, should submit requested budgets with a 5% reduction to their General Fund allocation. These reductions should be presented as a single 'constraint' decision package. Requested budget submissions should clearly articulate how these reductions will be achieved, describing any anticipated service reductions and/or layoffs.

Bureaus may submit discrete add packages to recover a portion of these funds for specific purposes. Bureaus should rank these 'add-backs' by priority. Bureaus may also submit additional 'realignment' packages requesting to reallocate existing resources towards new priority efforts in alignment with goals 1-4 on page 1 of this guidance.

Requests for new or one-time General Fund resources through add packages will be limited and the criteria for including these in bureau requested budgets will be addressed in subsequent guidance.

With the exception of funding for the Joint Office of Homeless Services, all centrally administered transfers of ongoing General Fund discretionary resources are subject to the 5% reduction guidance listed above, including Special Appropriations allocations.

Consistent with other bureau allocations, Special Appropriations recipients may request a portion of the constraint budget reduction be added back. These requests must be included as add packages as part of the Special Appropriations budget submission due on January 29th. Requests for Special Appropriation addbacks should articulate:

1. How has your organization reorganized/reprioritized resources to meet the needs of the most vulnerable Portlanders during the current crises?
2. What measurable impact will this funding have on the needs of the most vulnerable?
3. For grantees, what other sources of funding has your organization leveraged to support your operations? What percentage of your operating costs are reliant on City grants?

Ratepayer Funds

I am directing ratepayer funded bureaus – the Water Bureau, the Bureau of Environmental Services, and the Office of Management and Finance – to build their budgets within with the rates approved as part of each bureau's multi-year financial plan presented during FY 2020-21 budget development. For internal service funds without a multi-year financial plan, this is defined as the base rate budget with normal inflationary factors applied. However, I am also directing these bureaus to consider the following:

Portland Water Bureau and Bureau of Environmental Services

- PWB and BES should continue to meet all federal and state regulations, maintain system infrastructure to benefit both today's customers and future generations, and make decisions that avoid intergenerational inequities from delaying or deferring required system investments.
- Both bureaus should work collaboratively to enhance current financial assistance programs to provide more-affordable water, sewer and stormwater services, prioritizing customers at or near poverty levels.
- Both bureaus should, through their capital improvement programs, assist the city by promoting economic recovery and opportunities to contract with partners for social equity and job creation.
- Both bureaus should continue to find cost savings and efficiencies to offset financial impacts caused by the pandemic and continue to offer financial assistance programs to help customers manage their water, sewer, and stormwater bills.
- To address pandemic-caused revenue reductions and increasing construction costs, bureaus are directed to develop a budget for FY 2021-22 that would be supported by the rate forecasts previously proposed and/or adopted as part of the FY 2020-21 budget process. PWB rate forecast for FY 2021-22 is 8.8%. PWB expects to receive funds for the Bull Run Treatment Projects through the EPA's WIFIA program, which would reduce the rate increase by 1% (to 7.8%). BES' rate forecast for FY 2021-22 is 3.15%. The combined bill increase would be about 4.9% (with WIFIA funding for Water).

Office of Management and Finance

Internal Service Fund bureaus within OMF should support partner bureaus' evaluations of service levels and be supportive – wherever feasible – of requests to reduce services and costs to help balance budgets. In addition, internal service bureaus should do everything possible to keep rates at previously forecasted levels.

I know the Chief Administrative Officer has already directed staff to identify and propose changes to operations for a post-COVID-19 environment, including reduced office space, printing and distribution services, and fleet support. Even as we prepare for changes based on the pandemic, I want to be clear that increasing interagency costs charged to other bureaus or internal service funds to meet a revenue short-fall or to alleviate cost pressures are not acceptable balancing options at this time.

Collaborative Budgeting

In continuation of the work that we started last year through the Public Safety Work Group, I directed Portland Fire & Rescue, Portland Bureau of Emergency Management, Bureau of Emergency Communications, and Portland Police Bureau to work with the Chief Administrative Officer to submit a collaborative budget. While each bureau is responsible for achieving budget

reductions responsive to this guidance, by collaborating on budget development, and finding areas to economize between bureaus, I expect the public safety bureaus will collectively achieve savings that can be put toward their reduction targets.

I encourage other bureaus to do the same by working together to streamline processes, eliminate duplicative functions, etc. This is also an opportunity to propose relocating services from one bureau to another. Requested budgets that utilize this collaborative budgeting opportunity will be viewed favorably as I develop my Proposed Budget in the spring.

Thank you, as always, for your creativity, your leadership, and your commitment to our community. We face major challenges, but we are facing them together, and I know we are united in our resolve to make the most of the opportunity before us.