

EXECUTIVE SUMMARY

In light of the COVID-19 pandemic and its economic impacts on the City and community, the Mayor released [Spring Budget Monitoring guidance](#)¹, which directed bureaus to align BMP submission requests as follows:

- Program carryovers that either 1) fund one-time requests made as part of a bureau's FY 2021-22 requested budget, or 2) continue one-time work that was funded in the current fiscal year but not completed.
- Limit new General Fund requests to those that 1) solve for the legitimate concern, based on year-end projections, that the bureau may not end the year within budget, or 2) meet an urgent community need, which the bureau clearly cannot pay for within existing budgeted resources, related to the COVID-19 economic crisis – including housing, small business support, and food security.
- Allow Compensation Set Aside resources only if 1) resources are absolutely necessary to end the year within budget, and 2) the bureau can demonstrate that being at or near full staffing throughout the year generated higher-than-anticipated personnel costs.
- Return any non-needed General Fund resources within the bureau as part of the Spring BMP to allow for greater flexibility to support bureau budget requests for FY 2021-22.

The City Budget Office's analysis and recommendations are based off this criteria, and discussed below. CBO continues to work closely with bureaus to identify, monitor, and address current year budget issues related to the impact of COVID-19 on revenues and expenditures. Year-end projections are included in each individual bureau review, including discussion of any impacts on revenues and expenditures resulting from the COVID-19 pandemic.

General Fund Discretionary Changes

What follows are details of bureau requests and CBO recommendations for General Fund discretionary resources. More information is available in the individual bureau reviews.

Compensation Set-Aside

As part of budget development, CBO budgets in a central account a portion of the Current Appropriation Level associated with cost of living adjustments (COLA) and health benefit increases for General Fund bureaus. These funds are known as the "compensation set-aside." In most bureaus, these costs can be absorbed by vacancies experienced in the regular course of business. However, when bureaus are at or close to full staffing through most of the fiscal year or are otherwise expected to overspend their personnel budgets, they can request the necessary compensation set-aside to cover personnel costs. In the current year, COLA was eliminated or delayed for almost all City employees. As a result, a substantial portion of Compensation Set-Aside resources were used to balance the FY 2020-21 General Fund deficit, and the remainder was intended to back-stop healthcare cost increases.

In the Spring Supplemental Budget, two bureaus have requested compensation set-aside totaling \$1.4 million

- The Portland Police Bureau requested \$849,608 in new General Fund resources from

¹ See the Mayor's Spring BMP Guidance Memo dated 3/17/2021, available at: <https://www.portlandoregon.gov/cbo/article/782269>

Compensation Set-Aside. The bureau is making adjustments as part of the Spring BMP to realign available resources to cover higher-than-anticipated personnel costs, but is likely to over-expend its personnel budget by fiscal year end. Higher-than-budgeted personnel expenses are due to a variety of factors, but atypically high payout expenses are a major component.

- Portland Fire & Rescue requested \$517,045 in new General Fund resources from Compensation Set-Aside. The Fire Bureau's personnel expenses are on track to exceed budget, driven by overtime expenses, payouts, and cost-of-living adjustments for Portland Fire Fighters Association (PFFA). There are a number of revenue adjustments submitted as part of the Spring BMP that will mitigate this anticipated overspending.

CBO has recommended both of these requests, as they will help ensure the bureaus end the year within budget.

New Requests

Four requests for new General Fund resources were submitted totaling \$78,493. CBO has recommended:

- A Special Appropriations request for \$30,000 to support legal consultation and intake services for clients of the Gateway Center for Domestic Violence who are concerned about their immigration status. The City and the County have made one-time allocations in each of the last several fiscal years to support this work.
- A Special Appropriations request for \$39,000 to support Metropolitan Family Service CASH Oregon (CASH Oregon) in extending its tax preparation assistance program for low-income Oregonians through July 15, 2021 due to increased demand and level of complexity of tax returns in the current tax year, as well as the IRS tax filing extension.
- Prosper Portland's request for \$4,150 to true-up the estimate of shared revenue from the City for the Neighborhood Prosperity Network (NPN) districts included in the agency's FY 2020-21 Adopted Budget. The funds support non-TIF eligible expenses in the budgets of community-based development projects in North, Northeast, and East Portland.

An additional Special Appropriations request asks for \$5,343 to support partial-year costs of a limited-term 1.0 FTE Coordinator II position to staff the Police Oversight Commission in establishing the rules and policies for the Police Oversight Committee approved by voters in November 2020. CBO is supportive of the request; however, CBO finds any decision to move forward with voter-approved oversight body work should be a discussion and decision for the Council. CBO is neither recommending for nor against this proposal, but suggests the Council discuss and agree upon the path forward as part of the Spring BMP.

In addition, CBO has recommended funding for three requests within the Bureau of Emergency Communications that program prior year FY 2019-20 underspending, including General Fund resources, for projects in the current year. The first request is for \$507,417 to be appropriated to support 9-1-1 phonenumber expenses which were previously subsidized. The second request is for \$284,851 to upgrade the bureaus CAD system to make system updates to the ProQA program. The last request is for \$1,105,522 to continue the ProQA, logging recorder, and console replacement projects.

Program Carryover

Typically, as part of the Spring Supplemental Budget, General Fund bureaus may request program

carryover for projects which were budgeted in the current year but will not be encumbered or spent by the end of the fiscal year. These amounts are reduced from bureau budgets and set-aside for rebudgeting as part of the Proposed and Approved Budgets for the following year.

As noted above, Spring BMP guidance allowed General Fund program carryovers to packages that:

1. Fund one-time requests made as part of a bureau's FY 2021-22 requested budget, or
2. Continue one-time work that was funded in the current fiscal year but not completed.

CBO received a total of \$3.7 million in requests for program carryover, of which we have recommended \$3.1 million. CBO has analyzed and developed recommendations based on the criteria above, equity impacts associated with the request, and with the recognition that the City is facing economic impacts from the COVID-19 pandemic. With this lens, CBO has recommended the following carryover packages:

- \$225,000 in the Office of the City Attorney for the planned purchase of legal software;
- \$90,000 in the Portland Bureau of Emergency Management for COVID-19 recovery grants to community based organizations within its Community Programs;
- \$72,565 in Portland Fire & Rescue for a planned Portland Street Response van purchase that will not be encumbered by year-end;
- \$60,000 in the Office of Government Relations for the completion of the Office's 2021-2025 strategic plan;
- \$250,000 in the Office of Management & Finance (OMF) CAO's Office for the 311 program, including \$250,000 for software implementation initially planned for FY 2020-21 and \$150,000 to fund the buildout of a Portland Building Call Center;
- \$122,969 in OMF – Bureau of Human Resources to support implementation of Oregon's Paid Family Medical Leave Act;
- \$175,000 in OMF – Bureau of Revenue and Financial Services (OMF BRFS) to fund a Financial Analyst II position in the Grants Management Division (GMD) to continue working on the management, closeout, and audit of CARES Act funds;
- \$94,250 in OMF BRFS for support of the Clean Air Construction program, in accordance with City's IGA with other jurisdictions on the program;
- \$1,500,000 in the Office of Community and Civic Life for a community budgeting process in partnership with Reimagine Oregon, in collaboration with the Office of Equity and Human Rights and the City Budget Office. This effort also includes \$1.9 million in ongoing Recreational Cannabis Tax (RCT) resources;
- \$32,450 in the Office of Community and Civic Life to cover anticipated costs of moving the East Portland Community Office (EPCO) into a new office space;
- \$79,009 in the Office of Equity & Human Rights to support an Equity Strategy Analyst in the development and implementation of the City's COVID-19 Relief and Recovery effort and the second phase of Citywide Bureau Racial Equity Plans;
- \$210,000 in the Bureau of Planning & Sustainability for completion of the legally mandated FEMA Floodplain Regulations Update;
- \$100,000 in the Bureau of Planning & Sustainability for continued work on the Age Friendly

Program, which has been delayed due to a pivot of the program's focus on COVID-19 recovery;

- \$92,000 in Special Appropriations to support the work of the Charter Commission into FY 2021-22.

Mid-Year Reductions and Returns to the General Fund

Per the Mayor's budget guidance, four bureaus identified underspending of General Fund resources within their budgets to return to the City's general fund as part of the Spring BMP. CBO recommended these returns that total \$531,602.

- The Portland Bureau of Emergency returned \$200,000 available due to position savings.
- The Office of Management and Finance returned \$100,000 that were funds originally appropriated for marketing Build Portland projects on a one-time basis
- The Attorney's Office returned \$100,00 from underspending within its external materials and services budget.
- The Bureau of Emergency Communications returned \$131,602 due to program underspending from the prior year.

Other Adjustments

The Spring Supplemental Budget includes numerous technical changes, primarily relating to internal bureau reallocations among major object categories or adjustments to interagency agreements to more accurately reflect projected spending levels.

Non-General Fund Changes

Like in the General Fund, the Spring Supplemental Budget includes changes in other funds that are primarily technical and include truing up fund and project budgets to more accurately reflect year-end actuals. Per City Financial Policy, CBO also looks closely at requests to draw on fund contingency to review documentation and analysis about efforts to reprioritize funding within existing appropriations prior to reducing contingency resources.

Notable changes are discussed in detail in individual bureau reviews. Below are some of the key changes by bureau:

- The **Portland Housing Bureau (PHB)** is truing up beginning fund balance by \$1,001,638, including \$40,000 in the Housing Investment Fund related to the Westwind project and \$961,638 in the Tax Increment Financing Reimbursement Fund related to the Medford project. As is customary in the Spring BMP, PHB is also adjusting multi-year affordable housing projects and adjusting budgets across several funds including for non-General Fund programs. This includes adjustments to various PHB owned building budgets and homeownership programs, including an increase in bond & note proceeds related to the Headwaters Property by \$7.1 million as a result of the refinance of the building. PHB's submission also re-appropriates \$36.5 million in CARES Act resources that had been initially allocated to PHB, but during programming it was determined by Council that these resources should be allocated to other bureaus to provide a variety of services.
- The **Bureau of Development Services (BDS)** is truing up their beginning fund balance by \$6.4 million in the Development Services Fund in order to create greater clarity in the bureau's year-end projections. A FY 2020-21 Fall BMP adjustment to BDS's interagency agreement with OMF-Facilities Services led to a reduction in rent costs for BDS, and the

bureau is passing on those savings to its interagency partners that occupy space in the 1900 Building, for a total reduction of \$13,500 in interagency revenue to BDS. Finally, BDS is making a number of technical adjustments, including assigning budget to capital projects.

- The **Bureau of Environmental Services (BES)** is appropriating \$417,440 in grants revenues for various projects as well as \$122,775,548 in bond revenues to true-up the amount of the bonds issued in November 2020. Minor technical adjustments in the bureau's budget in the Spring BMP include: 1) an increase of \$615,000 to BES's commitment to the City's Community Opportunities and Enhancements Program (COEP) due to revised estimates of projected eligible construction contracts, for a revised total of \$1.12 million; 2) an increase of \$3.8 million for insurance costs related to the bureau's Owner Controlled Insurance Program, since premiums have increased dramatically over the last 18 months as the insurance market reacted to increased losses and the uncertainty of the current economy; and 3) a decrease of \$4.4 million in the budget for the Secondary Treatment Expansion Program (STEP) as delays in permitting and subcontractor progress have postponed construction.
- The **Portland Bureau of Transportation (PBOT)**'s FY 2021-22 Spring BMP submission carries over \$2,369,724 for various operating projects that are under contract or in progress. These projects include \$175,000 for the Freight Master Plan, \$750,000 for the redesign for maintenance operations' at Kerby facilities, and \$250,000 for the Transportation Wallet digital delivery project, amongst various other items. PBOT's submission includes several technical adjustments, such as a \$10.4 million reduction in revenue from on-street parking meters to better align with the bureau's FY 2021-22 Requested Budget. In addition, PBOT's submission decreases contingency by \$2.4 million to fund the projected salary costs of 92 high-priority positions. In the Fall BMP, PBOT cut funding for 155 vacant positions which resulted in \$8.4 million in budgeted savings of General Transportation Revenue (GTR). This adjustment restores funding for a portion of those positions.
- **Portland Water Bureau (PWB)** is revising its budget in the Water Fund by moving \$45 million in capital project costs into contingency to more accurately reflect actual projected expenditures in the current year. These revisions are driven by delays to the Willamette River Crossing Pipeline due to the infeasibility of the proposed alignment of the pipe revealed by a geoprobe (\$22.8 million), and aligning the Bull Run Filtration project to better reflect actual spending (\$22.9 million). The bureau is also recognizing \$32 million in beginning fund balance in the Water Construction Fund to align with the Comprehensive Annual Financial Report's ending fund balance.
- **Portland Parks & Recreation (PP&R)** is transferring \$703,738 in General Fund discretionary resources from its operating budget and into its Capital Improvement Program Fund for vehicle purchases initiated through City Fleet but for which a purchase order will not be submitted before year end. This allows the bureau to sequester resources for expenses that are allocated but not encumbered, eliminating the risk of those funds to fall to General Fund balance when the fiscal year closes. The bureau is also revising the Golf Fund to recognize \$1.3 million in service charge revenue above Adopted Budget totals. Conversely, the bureau is also reducing service charge revenue by \$678,498 in the Portland International Raceway Fund and drawing on fund contingency reserves and reducing casual labor costs to balance as COVID-19 public health policy has limited the program's ability to generate revenue. The Parks Memorial Fund is also revising its service charge revenue

budget downward by \$1.8 million to reflect lost parking fee revenue at Washington Park. Lastly, the bureau is revising its Capital Improvement Program Fund downward \$22 million to better align with projected current year actuals.

- Within the **Office of Management and Finance (OMF)**, the **Bureau of Technology Services (BTS)** is drawing \$282,400 from the Technology Services Fund's contingency to pay contract employees for services provided to the Support Center (\$270,000) and two-factor authentication software for the Public Safety Program (\$12,400). Although BTS is drawing from contingency for these additional costs, it should be noted that both capital project budget adjustments and interagency agreement changes are contributing to the fund's contingency. In addition, the **Risk Management division** in OMF-BRFS is drawing \$4,022,000 from the Insurance and Claim Fund's contingency to cover higher claims payments and insurance renewal costs, in particular a recent \$2.1 million settlement payment related to law enforcement.

Position Changes

Only one bureau has requested any position changes in the Spring BMP. The Bureau of Planning & Sustainability is requesting to convert 3.0 FTE from limited term positions to ongoing permanent positions. 2.0 FTE are Coordinator II positions within the Portland Clean Energy Fund (PCEF) program, and 1.0 FTE is a GIS Analyst III within its Technical Services program. The PCEF positions were initially created as limited term due to uncertainty around projected revenue estimates; however, the bureau has now determined it has sufficient resources to fund these positions in an ongoing manner and that the positions provide significant project management needs for the program. The GIS Analyst III provides geographic information system (GIS) support to BPS' Planning, Climate and PCEF programs and is currently funded via BPS' ongoing General Fund allocation. The bureau states that this position has become critical to meeting various City and State mandates. CBO recommends this request as requested as the bureau has sufficient resources to convert these positions to ongoing and due to the critical nature of the positions' work.