



Office of Mayor Ted Wheeler
City of Portland

DATE: December 15, 2021

TO: Bureau Directors

FROM: Mayor Ted Wheeler

CC: Commissioner Hardesty
Commissioner Mapps
Commissioner Rubio
Commissioner Ryan

RE: Budget guidance FY2022-23

The annual budget is the single most important decision any city government makes each year. Budgeting is more than a yearly decision regarding how to spend public money. Budgeting is a city government's funded plan-of-action.

Over the last year, the City has been fortunate to hear the testimony of thousands of Portlanders while developing the FY 21-22 annual budget, the first round of ARPA funding, and Spring and Fall Budget Monitoring Processes. As is to be expected, we heard a variety of perspectives on how to best address the issues deeply affecting our city.

- Houseless Portlanders in need of resources and shelter.
- Risk of being harassed or harmed as people move about the city.
- The need for police reform, not just restaffing.
- Accounts of business, sidewalks, and natural areas overrun by trash and graffiti.

While the perspectives on approach vary, the uniting sentiment throughout these testimonials was an overwhelming want for meaningful and immediate action. Our community is calling upon us to act all the while navigating the pandemic, working to become a more equitable and inclusive community, and adopting a more sustainable and resilient way of life.

Throughout the last two years, we did the hard work of reprioritizing many city investments to address our key challenges. I want to extend my deep gratitude to every part of our City workforce for your partnership and hard work during these difficult times.



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Now is not the time to let up. It is our duty to stay focused and committed to tackling the many challenges confronting Portlanders across the city.

We have faced a lot of change in a relatively short amount of time.

- During 2020-21 budget development, the City quickly pivoted to balance to an estimated \$75 million decline in forecasted General Fund revenues, while preserving frontline services.
- Later that year, we allocated \$114 million in federal CARES resources to community needs.
- During the last budget development, we accepted \$13.5 million in ongoing General Fund cuts put forward by bureaus and reinvested available ongoing and one-time resources in Council priority areas.
- Over the past six months, the Council has allocated over \$178 million in one-time General Fund and federal resources to priority Council and community needs.

We need to remain adaptable in the years to come. We approach the next fiscal year knowing we need to move swiftly, while ensuring we budget well and with a holistic and forward-thinking mindset.

I am committed to supporting you as you deploy these urgent services to address City Council priorities, which is why **I am not asking for General Fund across-the-board cuts as part of my FY 2022-2023 budget guidance.**

However, the **five-year financial forecast indicates we will need to prepare for cuts to ongoing general fund resources to create a 5-10% cost savings in the FY 2023-24 budget.** As we work to uphold our core value of fiscal responsibility, I am asking all bureaus to begin reassessing their organizational structure and existing programs to identify potential areas for reallocation of resources to prepare for better alignment with current city priorities. We can discuss this in more detail in the new year.

During this budget process, I am focused on working with bureaus to improve customer/constituent/client services. Many Portlanders want us to do better with the resources already at hand. We must work to be increasingly responsive to community needs and improving service offerings across the city. More detail is provided below in the memo guidance, and my office will begin to meet with bureaus in early January to co-design this element of the budget process.



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Requested Materials for Bureau Budget Memo

As part of requested budget materials, I have asked the City Budget Office to provide a template for bureaus to develop a memo articulating the following:

Council Priorities Alignment

Noting related FTE, revenues, and expenditures, bureaus should articulate the ways in which their current services and programs contribute to both achieving and furthering the four key priority areas of addressing:

- Community Safety
- Houselessness
- Livability
- Shared Economic Recovery

Honing, Improving, or Expanding Customer/Constituent/Client Services

Baselines and Benchmarks

I am requesting the Budget Office provide an excel template for bureaus that will seek to collect information on bureau program performance metrics and funding structures, including an assessment of costs per service unit. This template will ask bureaus to:

- Provide cost of key services by unit of service (cost per service unit and FTE per service unit)
- Indicate whether performance metrics are trending in the wrong direction or if cost per service is increasing and explain why

For example, the Behavioral Health Program in the Portland Police Bureau tracks a number of performance metrics. One of these metrics is a measure of the number of referrals (circled in red).



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Portland Police Bureau
Public Safety Service Area

Behavioral Health

Program Description & Goals

The mission of the Behavioral Health Unit is to coordinate the response of Law Enforcement and the Behavioral Health System to aid people in behavioral crisis resulting from known or suspected mental illness and or drug and alcohol addiction. This supports the City’s goal to ensure a safe and peaceful community and the bureau’s goal of crime reduction and prevention. It also serves as an element of the strategy to sustain compliance with the terms of the Settlement Agreement between the City and the U.S. Department of Justice with respect to Civil Rights under 42 USC section 14141.

Performance	Actuals FY 2018-19	Actuals FY 2019-20	Target FY 2020-21	Target FY 2021-22	Strategic Target
Percentage of Individuals Connected to Services by the Service Coordination Team Program	69%	97%	85%	0%	85%
Percentage of Behavioral Health Response Team Outcomes Facilitated Through Behavioral Health System Coordination (Coordinated Services, Systems Coordination, Civil Commitment)	41%	48%	49%	0%	50%
Percentage of Behavioral Health Response Team Referrals Assigned	49%	48%	55%	0%	55%
Number of Behavioral Health Response Team Referrals For Service	1,102	1,063	1,250	0	1,300

Dividing this metric by the budgeted expenditures supporting this effort would yield a cost per referral figure. Many bureaus already track costs per services and should provide those figures. Others may need to produce a new calculation. If possible, I am especially interested in costs associated with achievement of key performance metrics or outcome metrics. If a program does not have performance metrics, or if you cannot easily calculate cost per service or cost per FTE, you will be asked to explain the data or measurement challenges or limitations.

Service Coordination Areas

I want us to better align and coordinate City services at the local level.

With an eye to potential cuts in FY 2023-2024, I encourage bureaus to begin thinking about how to reorganize services to better meet community needs. Bureaus should also be thinking about how they can enhance neighborhood-level coordination with other bureaus to serve communities better.

As part of their requested budget memo, bureaus should identify their geographic service area(s) and identify service offerings by area and how offerings are evaluated for effectiveness.

A number of bureaus already provide annual information to the City Budget Office for geo-budgeting or ‘budget mapping’ work. Bureaus with geographically bound expenditures should be prepared to share their expenditure and investment data with the Budget Office in order to enhance and improve the City’s collection, communication, and understanding of investments by neighborhood.

General Fund Add Guidance



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General Fund One-Time Requests

Bureaus may propose requests that will be eligible for ARPA resources as those are a known available resource; however, the Mayor and Council will consider one-time General Fund requests that are not ARPA eligible so long as they meet the requirements detailed below. Bureaus should not request General Fund resources if the bureau has another viable resource to support the request (i.e. vacancies, etc.).

Bureaus may request one-time General Fund project resources to ensure progress in the four priority areas of **community safety, economic recovery, houselessness and livability**. In addition, bureaus may request one-time resources which foster:

1. Compliance with the City's **adopted Climate policy goals**;
2. Compliance with **adopted City equity goals**;
3. Compliance with **adopted financial policies**;
4. Required **legal and charter-mandated one-time costs**;
5. One-time General Fund requests that will **demonstrably improve your bureau's customer/constituent/client performance**.
6. One-time General Fund requests to **boost employee morale and increase retention**; and
7. One-time General Fund requests to **reduce ongoing General Fund costs and liabilities**. These requests should provide detailed cost-benefit analysis as well as information on how proposed future savings can be tangibly realized by the City.
8. One-time General Fund requests to support **innovative approaches** to improving The City's ability to provide effective and efficient services, and/or help bureaus transition to a more effective service delivery model in FY 2023-24.

Requests for resources should articulate the likely outcomes or outputs of the proposal, the ways in which the proposal's effectiveness will be measured, and the plan for sunsetting the program or resources after the one-time funds expire.

Multi-Year Budgeting

In alignment with Council priorities and in recognition of the need for program allocations to at times last more than 12 months to create optimal impacts, the Mayor is interested in supporting multi-year program budgeting. As such, bureaus may request up to two years of project-based resources, with the intent to carryover funding into FY 2023-24 to complete the project.



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General Fund Ongoing Requests

Due to very limited forecasted available ongoing resources, **bureaus are only allowed to bring requests for ongoing General Fund if they propose an internal funding realignment within the bureau to support the request.** There are two exceptions to this rule: 3-1-1 may ask for ongoing resources to expand their hours of service to evenings and weekends and the Joint Office of Homeless Services may request ongoing resources to fund the continued support for service provider staffing, hiring, and retention as funded on a one-time basis within the 2021 Fall BMP. To help facilitate a regional, comprehensive look at available resources and desired service levels for homeless services, the Joint Office should provide - as part of the proposed budget submission to the City – the comprehensive proposed plan for allocation of Here Together Supportive Housing Services resources, including a description of how that plan relates to shared City & County goals on addressing the houseless crisis.

Utility Bureaus

The utility bureaus should submit requested budgets which reflect good value at a fair price in any proposal for a rate increase. Propose rates of increase no greater than what was forecast in last year's adopted budget. To ensure affordability of service for those most in need, the bureaus should prioritize outreach about current and new financial assistance programs to ensure that eligible customers are aware of the help that is available while seeking new and creative ways to provide access to those most in need. Long-term financial plans should reflect and prioritize rate stability and predictability.

In addition, these bureaus should develop budgets that align and further the City's achievement of Adopted Core City Values and shared Council priority areas. Specifically, the bureaus requested budgets should continue to increase investment in equity and inclusion affirming the commitment to embedding equity into operations and decisions that have both internal and external impacts; should dedicate resources and staff time to take meaningful climate action; provide support wherever possible within services under the bureau's charge to help address and end the homeless crisis; prioritize the health and safety of employees; and cultivate a culture of helpfulness to the public throughout both bureaus particularly through customer service efforts and through participation in the City's permit reform efforts.

Recreational Cannabis Fund Resources



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Bureaus may request one-time or ongoing Cannabis Fund Resources in accordance with voter-approved uses and following the priority areas listed above. This includes requests which:

- Support and promote community safety initiatives that protect Portlanders from unsafe drivers and reduce the impacts of drug and alcohol abuse, as allowable under the voter-approved language for Recreational Cannabis Fund tax.
- Support drug and alcohol education and treatment programs for individuals experiencing homelessness.
- Support for economic recovery; specifically, proposals which support women-owned and minority owned businesses, and/or provide economic opportunity and education to communities disproportionately impacted by cannabis prohibition.

Requests should cite data and evidence of need and of anticipated results, demonstrate capacity to carry out the work associated with addressing the need, anticipated impact on vulnerable Portlanders, and timeline that corresponds to the effort.

ARPA Round 2 Guidance will be released after the new year.

We must work quickly, compassionate, creatively to meet the needs of our community. Thank you for your continued leadership and commitment to improving our City's services and programs.