



Office of Mayor Charlie Hales
City of Portland

TO: City Bureau Directors
City Budget Managers and Contacts

FROM: Mayor Charlie Hales

DATE: October 15, 2014

SUBJECT: Fiscal Year 2015-16 Budget Guidance

The Portland economy continues to expand and the City's budget is in healthy condition. Overall revenue growth has recovered from the recession. Salary, health care, and PERS costs are rising, but at a manageable rate. We find ourselves today in a place of relative fiscal stability.

While this is good news for the City, I want to ensure we take advantage of the current economic situation to make wise, fiscally prudent investments. Portland's strong economy has been a key economic driver for the state, but the unemployment rate remains stubbornly high, wage growth remains flat, and those most in need are benefitting the least.

As we look ahead to this and future City budgets, I want to ensure that City resources are allocated to the programs that have a direct impact on the lives of our citizens, that we focus on maintaining the assets and infrastructure that we currently own, and that we continue to invest in new ideas that will maintain Portland's place as a leader in innovative urban policy.

Stabilization Budget

I am again proposing a stabilization budget and will not be asking bureaus for reduction packages. General Fund bureaus should submit their requested budgets at their current appropriation level, which the City Budget Office will publish in late November.

The amount of new ongoing resources in FY 2015-16, if any is available at all, will likely be quite modest. In fact, given national economic growth patterns and the likelihood of an economic slowdown during the five-year forecast, it is unlikely that the City's ongoing revenues will exceed expenses by any significant amount in the next few years. Therefore, bureaus should focus on accomplishing their primary goals within existing resources while looking for innovative ways to enhance service to the public. While many programs have been cut over the last few years, the reality is that we will only be able to add resources to a small number of them.

Realignments. Instead, I ask that you focus on realigning your existing resources more directly on your core mission and Council priorities. These realignments can involve moving a staff person from one program to another, streamlining business processes and reinvesting the savings in other programs, or eliminating an entire program and shifting the resources to a higher priority service. To the extent that you need to invest in the short-term to achieve those savings, I am proposing to make a portion of this year's innovation fund available for business process improvements within bureaus.

Ongoing Add Requests. Bureaus should limit ongoing add requests to only the highest priority programs and services. As part of your submission, you will be asked to propose options for how your request might be offset by a reduction to an existing program or service, and what the impact of that trade-off might be. This will allow the Council to assess whether the add package should be funded with new General Fund money, an offset to an existing program, or not at all.

For my Proposed Budget, I will focus any new General Fund resources on requests that make measurable progress in one or more of the following areas:

- **Equity and Opportunity:** bolstering economic and housing opportunity for all Portlanders, as well as equity in service delivery.
- **Complete Neighborhoods:** extending Portland's vaunted livability to more areas of the City.
- **Emergency Preparedness:** equipping bureau operations and our citizens to better withstand a disaster.

The City Budget Office will provide additional information about the metrics that are being used to measure progress in these three areas. Any ongoing bureau requests should clearly explain how the investment will make progress against those metrics.

One-Time Add Requests. One-time resources may be available in FY 2015-16, although we will not know how much until the preliminary forecast is released. I want to focus any available one-time resources on taking care of what we already have – our roads, parks, community centers, buildings, and other civic assets – and expanding those assets in areas that are underserved. Bureaus are asked to only submit one-time requests that accomplish these goals, and I will be particularly interested in requests that also help us achieve the sustainability principles outlined in the Climate Action Plan and the Climate Change Preparation Strategy adopted by Council. The City Budget Office has worked with other City bureaus to develop a set of criteria to prioritize infrastructure projects, and I have asked the CBO to apply those criteria as part of the next budget process.

Non-General Fund Bureaus. Bureaus and programs that are funded with non-General Fund resources should work with their Commissioner in Charge to develop their Requested Budget. I expect that these bureaus will also review their programs for realignments before asking for fee or rate increases, and my Proposed Budget will seek to keep any fee or rate increases to a minimum.

Performance Management. Building upon last year's enhanced focus on performance, I am asking bureaus and the City Budget Office to highlight bureau performance metrics throughout the budget process. Wherever possible, please use performance measures to quantify the impact of your existing

services and any budget requests. I will be asking you how the decisions we make can positively impact those measures.

Summary

The City's fiscal condition is stable, and I will continue to make financial decisions that maintain and enhance that stability and support the City's stellar credit rating. Last fall, Council set aside over \$8 million for future debt obligations, freeing up almost \$3.5 million of ongoing resources. We have also dramatically reduced the use of one-time resources for ongoing programs and increased our General Fund contingency. These actions, along with good fiscal management of our taxpayer dollars by each of you, will help ensure that we stay on a fiscally sustainable path into the future.

I welcome your feedback, and look forward to working with you as we craft next year's budget.

CC: Commissioner Nick Fish
Commissioner Amanda Fritz
Commissioner Steve Novick
Commissioner Dan Saltzman
Auditor LaVonne Griffin-Valade