



**OFFICE OF MAYOR TED WHEELER
CITY OF PORTLAND**

To: City Bureau Directors
Cc: Elected Officials
From: Mayor Ted Wheeler
RE: FY 2019-20 General Fund Guidance

In the ten years since the Great Recession, the City's ongoing General Fund budget has grown by 49% - an annualized rate of 4.1%. Despite this historic growth, bureaus receiving General Fund have been asked to submit reductions in eight of the last ten years. While most of the reductions proposed have not been implemented, the process has generated concerns among community members as programs and services are threatened, among staff as their livelihoods are put at risk, and among bureau management as they expend vast amounts of energy on a lengthy process rife with uncertainty.

We can do better. To that end, I launched an effort earlier this year to take a close look at the budget process with the objective of getting to a more stable, predictable, and transparent process that sets us up to achieve our long-term goals and meet our long-term challenges while sustainably maintaining core City services

General Fund Budget Guidance

To achieve the goals of stability and predictability in the process, I included a budget note in the FY 2018-19 Adopted Budget requiring bureaus that receive General Fund to submit budgets for FY 2019-20 that are 1% less than their Current Appropriation Level (CAL). This budget note increases predictability in the budget process by signaling a future constraint while providing bureaus with over a year to thoughtfully and effectively manage toward that allocation. **This 1% reduction guidance stands. No additional reductions are required at this time.**

This direction, however, comes with a caution: The current forecast indicates that it is very possible that no additional General Fund will be available to fund new priorities. Therefore, unless new resources are forecast later in the process, bureaus should expect all new priorities to be accommodated within existing bureau budgets.

In building budgets within the target of CAL less 1%, bureaus should seek to identify efficiencies, reduce or eliminate noncore services or services that do not scale well, eliminate City-imposed mandates that

have not resulted in demonstrable benefits, and reduce indirect costs and administration that do not harm front-line services.

Priorities and Council Work Sessions

To enhance the stability of the process and to ensure that staff effort, Council consideration, and public input are focused on those few priorities that might be accommodated with any available new resources, I am working with the Chief Administrative Officer and the City Budget Director to convene Council-wide budget priority setting work sessions in October. In these sessions, to be held in Council Chambers on October 2nd & 9th, I hope to identify specific programs and issues where Council would like to investigate investment options and impact. Council members will explicitly direct bureaus to develop investment options to address specific issues, and bureaus will work with the City Budget Office to ensure directed packages are fully developed in time for requested budget submittal in January. Should additional priorities surface after the work sessions, CBO will establish a process for Council to direct the development of additional items.

Bureaus are encouraged to work with their Commissioners-in-Charge prior to these work sessions to ensure that their priorities are well-understood and well-represented.

Base Budget Building and Program Offers

In past years, the budget process' focus on marginal budget changes through 'decision packages' has caused us to lose sight of the myriad choices we make within – and the subsequent impacts of – the vast majority of our budget investments. In order to improve transparency in our budgeting process, I have directed the City Budget Office to develop guidance for bureaus to create 'program offers' which illustrate each bureau's base budget offerings. Program offers should contextualize the many decisions that go into building base budgets and clearly address the following questions:

1. What are the goals of each individual program?
2. How are programs structured to accomplish those goals?
3. What are the resources allocated to that effort?
4. What are the levels of service the public should expect to see given the bureau's allocated resources towards that program?

Unlike in previous processes, bureaus are not being asked for a 'menu' of decision package cuts for Council to choose from. Instead, bureaus are directed to submit a single operational scenario that fits within their General Fund discretionary target. While this scenario should reflect the bureau's optimal use of resources, trade-offs are inevitable: **any impacts to levels of service – whether driven by the 1% reduction or any other external factors – should be transparent in the bureau's program offer narrative.** It is important to note that program offers should describe what the bureau is capable of accomplishing with its internally prioritized resources as well as any service limitations.

Next Steps

The City Budget Office will issue specific targets to bureaus receiving General Fund in October, exclusive of Special Appropriations and other fixed items.

In addition, the City Budget Office will issue further guidance on the development of base budgets using the program offers. This guidance will be included in forthcoming Budget Manual and will include the specific type of information bureaus that will need to provide in order to describe their programs. The City Budget Office will support this guidance with regular follow-up with program and finance staff.

Additional guidance for non-General Fund bureaus will be forthcoming. This guidance will address the constraints appropriate to those funding sources.

I look forward to working with you all as we work toward an improved process. This is a long-term effort intended to achieve long-term results. It may take several years to get our stride in this new approach, but it is a change that I believe is worth it.