



Office of Mayor Ted Wheeler  
City of Portland

**DATE:** December 13, 2022

**TO:** Bureau Directors

**FROM:** Mayor Ted Wheeler

**CC:** Commissioner Rubio  
Commissioner Mapps  
Commissioner Ryan  
Commissioner-elect Gonzalez

This past November, Portlanders voted to overhaul their city government. Over the next two years, we have been entrusted with implementing this new form of government. Portlanders expect City Hall to open on January 1st, 2025 with changes to how elected officials are elected, how officials govern, and how bureaus are managed.

The City is changing, as has Portlanders' needs for our services. We are carrying out this city government transition work at a moment when our beloved community is facing an unprecedented set of challenges and expressing deep frustration with problems related to homelessness and crime.

The public's vote to reform our government is a referendum not just on our form of government, but the way in which we conduct our business and deliver services. It is no longer an option to continue with the status quo.

I know that changing the way we do business takes significant staff time and energy. Over the past three years, our dedicated City employees have stepped up to meet the needs of Portlanders and continue delivering critical services. Moving to this new form of government will require us all, individually and collectively, to adapt and rise to new challenges.

This will be a two-part budget memo process with the second memo being released in early 2023.

***General Fund: Prepare for Transitioning our Government***

Last year, my guidance indicated that General Fund cuts were likely on the horizon for FY 2023-24 as we strive to meet the changing needs of Portlanders in a constrained resource environment. However, in light of the need to change the way we conduct our business to meet the demands of Portlanders and the challenges therein, I am directing bureaus to focus their budget development efforts on working collectively towards transitioning our system of government and I am not directing cut proposals as part of the development of Requested Budget submissions due in January.

As we prepare for the voter approved transitions, I will be reassigning bureaus to align similar services under the unified leadership of a single Commissioner-in-Charge. These aligned Service Areas and associated Commissioner-in-Charge will be provided for reference in Budget Memo #2. Bureaus are directed to coordinate with their counterparts in their service area and with their Commissioner-in-Charge throughout the FY 2023-24 budget development process.

I understand that coordination and alignment take time; as a result, I am also not allowing any decision packages for new General Fund resources (neither one-time nor ongoing) to be included as part of bureaus' January submission to the Budget Office. The Requested Budget submissions should focus on the current base budget allocations. Bureaus should use the next seven weeks to develop their technical base budgets, respond to program and performance guidance, and begin collaborative work with their Service Area counterparts. I will be asking for Capital Set-Aside decision packages, Cannabis Fund proposals, and General Fund options to come forward at that time.

Instead of submitting decision packages for new General Fund resources in your requested budgets due in January, I will be asking each Commissioner-in-Charge to work with their Service Area bureaus to develop investment opportunities to meet community outcomes for consideration in my Proposed Budget. These proposals should be developed and submitted to the City Budget Office (CBO) in early March 2023. Each Service Area will have a three-hour work session to share their collective proposals and engage Council in a discussion around the service area goals, outcomes, and proposals. Technical support and guidance on this process will be shared in Budget Memo #2.

#### ***All Bureaus and Funds: Furthering our Culture of Performance Data & Outcomes***

While we focus on transitioning our government, we must remain laser focused on achieving outcomes, especially in our priority areas. We ask that each bureau identify their program offers that directly contribute to my key priority areas of Community Safety, Economic Recovery, Homelessness and Homelessness, and Livability; and ask that each bureau identify their performance measures that relate to my priority lenses of Equity, Climate Action, and High-Performance Government.

The Budget Office has created a method for bureaus to 'tag' their programs and performance measures according to these priority areas and lenses through the budget system. In addition, I am asking all General Fund bureaus to identify the amount of General Fund resource that contributes to each bureau program. The combination of these two actions in the budget system will provide the ability to communicate how programs are resourced and what performance outcomes are expected from our investments. Further technical instructions on this point will be provided by the City Budget Office.

#### ***Utility Rate Guidance***

The utility bureaus should submit requested budgets which reflect good value at a fair price in any proposal for a rate increase. The increase should be no greater than what is necessary to fund critical infrastructure investments and operations that support reliability of service that every Portland resident, visitor, and business depends on every day, as well as regulatory requirements that protect public health and environment.

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.

Proposed rates of increase should also include support to reduce the burden on households living in multifamily housing, and these may come through a later decision package process if additional time is needed to develop meaningful and thoughtful proposals in the base budget. Long-term financial plans should balance rate stability and predictability with asset management infrastructure investments that prioritize equitable access and service levels for current and future generations.

If the requested budget requires a rate increase above the previously forecasted increased level for FY 2023-24, utility bureaus should be prepared to provide options and tradeoffs to the Council around keeping rates more consistent with previously forecasted levels. Specifically, the Water Bureau and the Bureau of Environmental Services should be prepared to present to the Council three scenarios: 1) one scenario which aligns with the bureau's requested budget, 2) one scenario that prioritizes affordability for low-income residents while keeping rates as low as possible, and 3) one scenario which holds rate increases at the same level as previously forecasted. In the scenarios that reduce rate increases, utility bureaus should focus on and articulate the cost reduction strategies to reduce rates rather than changes in the rate forecast model itself.

#### ***Non-General Fund Guidance***

Bureaus outside of the General Fund may submit decision packages for additional non-General Fund resources, internal program realignments, or reductions to bureau programming as determined by the bureaus financial position. The use of a decision package is the most transparent way to articulate budgetary actions and impacts to programs, it is suggested approach and not a required approach. This guidance applies more specifically to BDS, PBOT, Parks Non-General Fund programming, and OMF interagency rates. OMF interagency rates may impact General Fund bureaus, and the decision to allow for a General Fund adjustment will be determined specifically during the work sessions in March for General Fund proposals.

Our objectives through the next fiscal year are clear: we must uphold our responsibilities in implementing charter changes, continue to provide and improve upon our service delivery to Portlanders, and remain responsiveness in addressing our community's most pressing challenges. Thank you all for your continued commitment to Portland and for your leadership through this time of change.

A handwritten signature in dark ink, appearing to be 'E. Williams', followed by a long horizontal line extending to the right.