

## Section 2

# **The Budget Development Process: Who, What, & When**

## Budget Development Process

### *Requested Budget*

Each bureau is responsible for development of its budget. Bureaus may use different processes and tools during the internal development phase of their budgets prior to preparing the submittals that are required by the Budget Office.

The bureaus, in concert with the City Budget Office, are responsible for producing a technically balanced budget and the documents that present the budget. This effort involves significant data input into BFM and the PatternStream document publishing system.

Bureaus perform the following tasks for any budget version:

- Ensure that the requested budget properly address the Mayor's Office guidance, the bureau's position, and Council priorities and direction
- Using position management data in Personnel Cost Forecasting (PCF), ensure that bureau position information is consistent with Citywide position management data maintained by the Bureau of Human Resources
- Ensure the interagency agreements and cash transfers are balanced (with the exception of decision packages during the Requested Budget phase)
- Enter the budget figures and performance measures in BFM
- Ensure that resources and requirements in BFM are balanced
- Enter the appropriate budget narrative in PatternStream and BFM
- Ensure that certain accounting maintenance is performed as necessary (e.g. all master data is in SAP and up to date)

Please refer to the detailed technical checklists for BFM and PatternStream entries located at the end of this manual.

### **Requests for Budget Notes**

Although it is not common practice, bureaus may request budget notes as part of their Requested Budget. The request should be included in the Requested Budget cover memo. The City Budget Office will make recommendations on budget notes as part of reviews. The Mayor and other commissioners have the authority to add a budget note during the Proposed, Approved, or Adopted budgets, and the City Budget Office adds these notes when directed to do so by City Council. Council votes to include and then approve the budget notes during the Proposed, Approved, and Adopted phases of the budget.

### *City Budget Office Review of Requested Budgets*

Upon receipt of a bureau's Requested Budget, the Budget Office staff confirms that submitted materials are complete, accurate, and comply with budget guidance. If there are oversights, the CBO analyst contacts the bureau for the missing information. When all materials have been provided by the bureau, CBO staff analyze the Requested Budget by considering a variety of budget and policy issues, including:

- Overall financial sustainability, including financial performance and trends
- Program performance trends and impact on program goals
- Changes to Council-authorized positions
- Changes in resources and expenditures
- Council priorities and direction
- Compliance with Comprehensive Financial Management Policies

Based on the analysis of bureaus' Requested Budgets, CBO prepares budget analysis reports for the Mayor and Commissioners. These analyses summarize the Requested Budgets of the bureaus and highlight issues that may be of particular concern to Council, the bureau, or the City Budget Office. The reports serve as a basis for discussion of the bureaus' budgets during budget work sessions. Budget analyses typically include the following:

- A financial summary of the bureau's resources and requirements for the previous year, current year, and the budget year under development
- Summary discussion of major issues and performance trends
- Other budget issues, such as information on how the budget responds to Council priorities and strategic issues
- Analysis and recommendations on any bureau decision packages
- Analysis of the bureaus Capital Improvement and Financial Plans

### ***Mayor's Proposed Budget***

Acting as the Chair of the Budget Committee, the Mayor is responsible for overseeing the preparation of the Proposed Budget for presentation to the City Council sitting as the Budget Committee. The Proposed Budget is the culmination of an extensive process of budget development, analysis, and revision. The end product is a published budget document that reflects the Mayor's priorities for all City bureaus.

Bureaus' Tasks for the Proposed Budget:

- Bureau staff may need to edit their performance measures in BFM to align with the decisions in the Mayor's Proposed Budget.
- Bureaus should also balance all interagencies and cash transfers, and may make technical adjustments in decision package forms with prior approval from their CBO analyst.

### **The Budget Office's Tasks for the Proposed Budget**

During the Proposed Budget process, CBO assists the Mayor in information gathering, analysis, decision support, and General Fund balancing.

Once the Mayor's decisions for the Proposed Budget are made, CBO conveys these decisions to the bureaus via "Bureau Fact Sheets." These fact sheets, along with financial tables from PatternStream, are merged to construct the Proposed Budget document.

## ***Approved Budget***

In accordance with Local Budget Law, the City Council is convened as the Budget Committee during the Approved Budget process. The Budget Committee meets to accomplish four actions:

- Receive the budget message and budget document
- Hear and consider public testimony
- Review and approve a balanced budget
- Approve the rate for property taxes

The Budget Officer may provide a copy of the Proposed Budget to each member of the Budget Committee at any time prior to the first Budget Committee meeting as advertised in the notice. The budget is a public record at this point.

At the first Budget Committee meeting, the Mayor delivers the budget message. This message explains the Proposed Budget and significant changes in the City's financial position. At this first meeting, the Budget Committee may provide members of the public the opportunity to ask questions about or comment on the budget. If public comment is not scheduled at this meeting, the Budget Committee must provide the public with the opportunity at one or more subsequent meetings. Announcements advertising the Notice of Budget Committee Meeting are printed in local newspapers prior to the meeting. The timing and frequency of the public notices are governed by Local Budget Law.

After the initial meeting, the Budget Committee may meet as many times as needed to revise and complete the budget. If two or more meetings are held to take comment from the public, the first meeting to do so must meet Local Budget Law publication requirements. Notice of other meetings of the Budget Committee must be provided as required by Oregon public meeting law. All meetings are open to the public.

### **Bureaus' Tasks for the Approved Budget**

- Bureau staff may need to edit their performance measures in BFM to align with the decisions in the Approved Budget.
- Bureaus should also balance all interagency agreements and cash transfers, and may make technical adjustments in decision package forms with prior approval from their CBO analyst.
- A description and dollar amount of each adjustment must be submitted to the Budget Office for inclusion in the documents that are submitted to the Budget Committee.

### **The Budget Office's Tasks for the Approved Budget**

- CBO prepares a memo with attachments (aka 'Change Memo') for the Budget Committee that identifies all changes from the Mayor's Proposed Budget to the Approved Budget.
- The City Council, sitting as the Budget Committee, reviews the changes and votes on the Approved Budget. Once the change memo is approved by the Budget Committee, the Budget Office submits the change memo to the Tax Supervising and Conservation Commission (TSCC).

## ***Tax Supervising and Conservation Commission Hearing***

As required by Local Budget Law, TSCC works with the City Budget Office and City Council to schedule and hold a public hearing to review the City's Approved Budget. The TSCC is an advisory commission whose members are appointed by the Governor. TSCC is responsible for reviewing, holding hearings, and producing a report on the budgets for every legal jurisdiction in Multnomah County. The outcome of this hearing is a letter certifying that the budget follows Local Budget Law. The letter may contain recommendations and/or objections. The City, through the City Budget Office, is responsible for addressing any objections or recommendations prior to final adoption of the budget by City Council in late June.

## ***Adopted Budget***

Local Budget Law requires that Council adopt a budget (i.e. appropriate funds) and approve the tax levies no later than June 30. Local Budget Law also prohibits changes between the Approved and Adopted Budgets that would result in a fund's expenditures growing by more than 10%. Changes normally include technical adjustments and carryover amendments.

Council adopts the budget at a regular Council session. CBO prepares a set of resolutions and ordinances to formally adopt the budget, make appropriations, levy and categorize property taxes, and elect to accept state revenue sharing funds. After considering relevant testimony, the City Council may modify the budget and then adopt the budget.

The final step in the budget cycle is to file the budget and certify any necessary property tax levy to the county assessors. Since the City of Portland is physically located in Multnomah, Clackamas, and Washington counties, the budget is filed with the assessor of each county.

## **Bureaus' Tasks for the Adopted Budget**

- Bureaus need to revise their budget narrative to align with the decisions and financial data that make up the City's Adopted Budget. Bureaus are asked to limit their narrative sections to the recommended length. Narratives that exceed the recommended lengths may be edited for concision without bureau input. Please remember that the narratives have not been updated since the Requested Budget and should be updated to reflect decisions made in the Adopted Budget.
- Bureau staff may need to edit their performance measures in BFM to align with the decisions in the Adopted Budget.
- Bureaus should also balance all interagency agreements and cash transfers and may make technical adjustments in decision package forms with prior approval from their CBO analyst.
- A description and dollar amount of each adjustment must be submitted to the Budget Office for inclusion in the change memo.

## The Budget Office's Tasks for the Adopted Budget

- CBO prepares for City Council the budget adoption ordinances and a cover memo with attachments that identify all changes to the Approved Budget as proposed by the Mayor.
- CBO reviews changes to bureau budget narrative.
- Upon adoption, CBO provides the Adopted Budget data file to Accounting to be uploaded to SAP for the new fiscal year.
- Produces the Adopted Budget document.

## *Public Involvement in the Budget Process*

The City of Portland engages in a proactive community outreach effort as part of the budget process. Each year, bureaus are required to include a public involvement component in developing their Requested Budgets. In addition, a panel of Community Budget Advisors is appointed to work with Council on reviewing Requested Budgets, public budget forums are held around the city, and budget hearings are held as prescribed by Local Budget Law before budget approval and adoption. The City Budget Office [website includes information about how and when the public can be involved in the budget process](#).

## Public Testimony on the Budget

The City hosts several opportunities for the community to provide testimony each year:

- **Community budget forums:** Budget forums provide an opportunity for members of the community to discuss services and priorities with the elected officials. This information provides Council with additional context as they move through the decision-making process. These forums may be scheduled prior to presentation of the Mayor's Proposed Budget but are always scheduled prior to Budget Committee approval of a budget. The forums are held in the community, in the evenings and on weekends to increase attendance. Locations for the community budget forums are rotated around the city to ensure that neighborhoods in all geographic areas in Portland are visited.
- **Budget Committee public hearing:** This hearing takes place in the evening or on the weekend, and provides an opportunity for community members to testify formally on the Proposed Budget, prior to the Budget Committee's vote on the Approved Budget. The hearing typically takes place in Council Chambers.
- **Utility rate hearing:** Public testimony is taken at a regular Council meeting when utility rates are brought forward for adoption.
- **Budget Committee action to approve the City budget:** Public testimony is taken at the final meeting of the Budget Committee when the budget is approved.
- **Tax Supervising and Conservation Commission public hearing:** This is a legally required hearing held by the Tax Supervising and Conservation Commission prior to the Council vote on the Adopted Budget.
- **Council action to adopt the City budget:** Council adopts the budget at a regular Council meeting where public testimony is also accepted.

- **Council action to amend the City budget:** Supplemental budgets are brought before City Council several times per year. Testimony is accepted.

## **Bureau Budget Advisory Committees**

Each bureau is also required to have a budget advisory committee consisting of bureau staff, labor representation, and community members. In September 2012, the City's Public Involvement Advisory Council (PIAC) developed goals and guidelines for Budget Advisory Committees (BACs) which were approved by Council as binding City policy. A summary of the goals is as follows:

- Accessible and meaningful engagement opportunities, especially for those communities which have historically been underrepresented
- Early community education and engagement
- Recruitment of diverse membership and orientation of new BAC members
- Adequate time and opportunities for deliberation and community feedback
- Community involvement in the evaluation of BAC processes
- Development of budget decisions that better reflect community priorities

There are no changes to the FY 2020-21 budget development process that will impact BACs. The transition to Program Offers should support the focus of BAC discussion and feedback on larger conversations around **desired service levels** and **performance outcomes of bureau activities** rather than focusing on the merits of marginal dollar value changes. Last year, CBO provided [additional guidance for bureau staff](#) to help support their BACs through the process changes, which can be found [here](#) (*note that this document includes guidance on constraint budgeting and Council-directed changes, which are not part of this year's guidance*). Additionally, the Office of Community and Civic Life is revisiting and providing additional guidance around requirements for City Advisory Boards and Commissions. Resources and details can be found on their website [here](#).

Please note that both the CBO and Civic Life documents are saved on the internal city website; you will need to be logged into your City account to view the files.

## ***Budgeting in Portland***

### **Budgeting and Financial Forecasting**

The City budgets on an annual basis but conducts financial planning over a five-year timeframe. This is done to ensure that decisions are made within a larger financial perspective. Annual budget decisions, particularly in the General Fund, are made such that resources and requirements balance in the fifth year of financial plan.

### **Local Budget Law**

Most local governments in Oregon, from the smallest special district to the largest city, must prepare and adopt an annual or biennial budget. Schools, counties, cities, ports, rural fire protection districts, water districts, and special districts are all subject to the same budget provisions under Oregon Revised Statutes Chapter 294.

Oregon law does two important things:

1. It establishes standard procedures for preparing, presenting, and administering a budget.
2. It requires community involvement in the preparation of a budget and public disclosure before a budget's formal adoption.

## **Compliance with City Financial Policies and Other Planning Documents**

The City has many policies that interact with and provide direction in making budgetary decisions. The City's [Comprehensive Financial Management Policies](#) govern the budget process and our financial planning and reporting procedures, and also outline important rules regarding the use of revenues, establishment of reserve funds, appropriate cost allocation, and other financial management issues. All City bureaus should be familiar with and adhere to the Citywide financial and planning policies, the [Portland Plan, fund statements of purpose](#), and the bureau's strategic plans, when producing the Requested Budget. Many of these policies can be found on the [Portland Policy Documents](#) website.

## **Budget Officer and Budget Committee**

To give the public ample opportunity to participate in the budgeting process, Local Budget Law requires that a budget officer be appointed, and a budget committee be formed. Under the direction of the Mayor, the budget officer draws together necessary information and prepares the first draft of the budget. The budget committee then reviews and revises the proposed budget before it is formally adopted. For the City of Portland, the director of the City Budget Office acts as the Budget Officer, and the Budget Committee consists of the members of the City Council.

Notices are published, budgets are made available for public review, and opportunities for public comment are provided during at least two points in the process. These requirements encourage public participation in the budget decision-making process and give public exposure to budgeted programs and fiscal policies prior to adoption.

## **Budget Monitoring and Amendments**

Changes after budget adoption are completed through the budget monitoring process (BMP) and the over-expenditure ordinance. These processes provide Council the opportunity to change the budget several times per year. The procedures for determining which of these processes is appropriate for particular budget adjustments or increases is included in the [BMP Manual](#).