

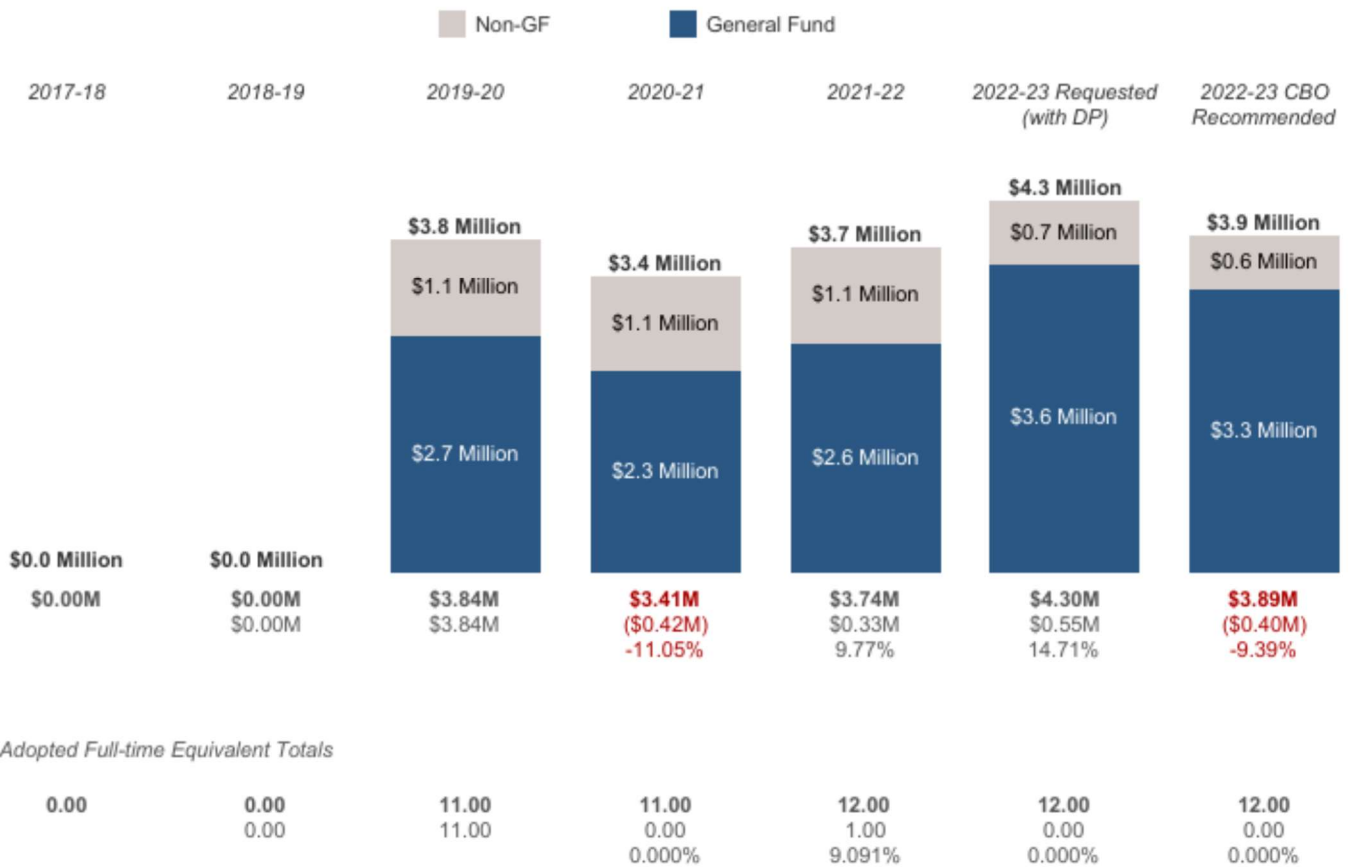


**City
Budget
Office**

Office for Community Technology

Analysis by Joshua Martin

Adopted Budget Revenues | 5-Year Lookback



INTRODUCTION

The Office for Community Technology (OCT) FY 2022-23 Requested Budget totals approximately \$3.4 million without decision package requests; with these requests the total budget is \$4.3 million. The requested budget would support 12.0 FTE. OCT has several key issues in FY 2022-23:

- Navigating the Digital Divide & COVID-19
- Codified Office support and structure
- Right of Way Code updates
- Comcast Cable Franchise Negotiation
- Cable Company Service Transition

OCT has two decision packages for FY 2022-23:

- Request for one-time General Fund resources for the Right Of Way (ROW) Code Technology Upgrades totaling \$783,269
- Request of federal ARPA resources for Digital Literacy for BIPOC Small Businesses totaling \$120,000. Request for ARPA resources are reviewed and recommended centrally through a separate process and will not be discussed in this review.

CBO is only recommending partial funding for OCT's one-time general fund discretionary decision package due to limited general fund resources and the potential for OCT's current year underspending to support this proposal as a Spring BMP carryover request.

BASE BUDGET & KEY ISSUES

Office for Community Technology – History and Base Budget

The Office for Community Technology (OCT) was re-established as a stand-alone bureau during FY 2018-19. This action was taken as a result of Council direction, following an external organizational assessment of the operation. OCT had been a program within the Office of Management & Finance's (OMF) Revenue Division for several years due to the strong connection to the division's collection function. Pending direction from the bureau's Commissioner-in-Charge, OCT may again explore alternative organizational structures in the future.

OCT has a unique mix of programs and functions that are organized into three program offers:

- **Franchise and Utility Program:** this program is dedicated to agreement negotiation, utility license administration, and compliance management. The program is responsible for the collection of about \$87.8 million in annual franchise and license fee revenue. There are over 300 total Franchise and Utility accounts.
- **Digital Equity and Inclusion Program:** promotes access to technology for low-income and other populations. Their main component or roadmap of implementation and measurement is the Digital Equity Action Plan (DEAP).
- **Mt. Hood Cable Regulatory Commission (MHCRC) staff support,** which provides direct staffing and operational management of the MHCRC's activities

OCT’s FY 2022-23 Requested current service budget (excluding new resource requests) is nearly \$3.4 million; revenues and expenses are divided as shown in the charts below.

FY 2022-23 Requested Base Budget	
Total Revenues	\$3,392,688
General Fund Discretionary	\$2,771,425
Intergovernmental	\$621,263
Total Expenses	\$3,392,688
Personnel	\$1,945,110
Internal Materials and Services	\$229,650
External Materials and Services	\$1,217,928

Program	Requested Base Expenditures	Requested Base Expenditures With Requests	FTE
Franchise and Utility	\$1,056,423	\$1,839,692	4.84
Digital Equity & Inclusion	\$1,172,845	\$1,292,845	3.14
MHCRC	\$1,163,213	\$1,163,213	4.02
Cable Communications	\$207	\$207	0
Total	\$3,392,688	\$4,295,957	12

General Fund Revenue Generation

OCT performs a critical revenue generation function for the City’s General Fund. OCT Utility License & Franchise program negotiates and administers franchise agreements that grant access to the public Right of Way (ROW), manages the long-term use of the ROW, and levy taxes and fees to ensure the City is fairly compensated for use of the ROW. Utility License Fees (ULF) and franchise fees generated approximately \$87.8 million in total revenue to the City in FY 2020-21 – an increase from FY 2019-20 by about 3.5%. As noted in [prior reviews](#), total cable franchise revenues continue to decline as subscribership wanes. This resource is the City’s third largest source of discretionary General Funds and makes up approximately 14% of the City’s currently forecasted discretionary resources for FY 2022-23. A large proportion of this revenue is paid by major utilities (e.g. Portland General Electric, Bureau of Environmental Services, Water Bureau) governed by City Code 7.14 Utility License Law. The majority of ULF-related work in OCT is spent negotiating and managing franchise agreements governed by City Code 7.12 Franchises and Utility Privilege Tax Law and managing compliance across several hundred smaller accounts.

Office Standing Within City Organization Structure

While OCT has become a stand-alone office, whether OCT will remain a stand-alone office or combine with another city bureau has not been established in city code and conversations on this topic continue at the executive level. This uncertainty has hindered a number of administrative

functions: the bureau has been unable to establish a bureau strategic plan because of their current situation, day-to-day operations have been impacted when there is not clear authority for the OCT Director, and OCT plans on establishing their Budget Advisory Committee (BAC) once the location and status of the Office is finalized. OCT is working with Council this year to finalize their standing; implications from Council decisions have the potential to result in changes to their funding, programs, and decision-making authority. Aside from office standing conversations OCT is also interested in becoming what they refer to as a “non-general fund bureau” by receiving funds from their annual revenue collection of \$87.8 million in utility license fees which go to the General Fund. This proposal is likely technically unfeasible, as it would involve converting a variable portion of General Fund revenue to a non-discretionary resource. A more feasible option could be for the bureau to receive a special set aside of the General Fund resources they collect annually; however, this would be a significant change from current practice at the City for other functions that are involved in generating and collecting General Fund revenues and would affect the overall General Fund. While the budget office is not supportive of this particular proposal, the CBO agrees that the Council should ensure adequate support for OCT’s management and collection of license fee resources and give priority to the return-on-investment offered by supporting this critical function.

Digital Divide & COVID-19

As the pandemic continues, it is vital to maintain broadband internet services and digital literacy while also closing the digital divide that was only made wider during the pandemic. OCT wants to use more federal infrastructure dollars to create a regional digital infrastructure plan. OCT uses their Digital Equity Action Plan (DEAP) to identify and implement plans to provide affordable reliable internet to low-income residents/businesses, as well as advocate for policies on broadband and digital equity policy. So far, OCT has received COVID response and recovery project funding totaling \$8.5 million. In FY 2021-22 OCT received \$250,000 in ongoing general fund resources to address the digital equity gap. According to OCT the DEAP performance measurements is still 100% on track. The COVID-19 Digital Divide Work Group is distributing \$6 million in technology assistance to community members and are actively hiring a community facilitator to distribute an additional \$3.5 million from ARPA. Through the work group and partnering with Prosper Portland as well as BIPOC in Tech group, OCT is implementing the Digital Navigators Program which will provide grants to community-based organizations to assist in technology support. The past requests and current work being done by OCT for digital divide efforts means the city should continue to expect DPs related to equity, diversity and inclusion from OCT.

Right of Way Code Management and Updates

The current system of managing the right of way franchise agreements is outdated. OCT is drafting a new code, and anticipates it will be adopted January 1, 2023, for all companies that have infrastructure or businesses in the right of way. If the current system is updated then OCT will be able to manage the agreements more consistently and keep rules consistent with current

laws. The implications from this are that if OCT is able to upgrade their system they will have less technical issues, better tracking and improved payments for right of way franchise agreements. In an ideal state there will be improved collections which subsequently increases total revenues as well as mitigating future costs as the system would be streamlined and built for enhanced efficiency.

Comcast Cable Franchise Negotiation

The current franchise term between Comcast and Mt. Hood Cable Regulatory Commission jurisdictions expired December 31st 2021. The jurisdictions will continue to operate under the expired terms until new terms are agreed upon. OCT leads the negotiation process but there is uncertainty in agreeing on terms due to FCC rulemaking and a current lawsuit from MHCRC and its member jurisdictions. OCT hired legal services for advice through negotiations. Originally after acquiring legal services the original goal in FY 2021-22 was to have an agreement ready and approved by the Council in November of 2021. To fund this continued work, the bureau processed significant encumbrance carryovers into FY 2021-22. If the terms are not agreed upon and the lawsuit continues it is likely that OCT will ask for funding to continue legal services.

DECISION PACKAGES

Business Process Upgrade for Right-of-Way

CB_13177, \$783,269, 0.00 FTE

Request Summary

OCT is requesting \$783,269 in one-time General Fund resources to update their current business processes, Public Sector Collection and Disbursement (PCSD) for the upcoming new ROW codes as well as an overall upgrade to the current system. There are several recurring technical tracking, security and billing issues that will continue to persist without proper updates.

CBO Analysis

OCT has requested \$783,269 in new one-time General Fund discretionary resources for the Bureau of Technology Services to streamline and upgrade OCT's current SAP module of Public Sector Collection and Disbursement (PCSD) and update it with the new shared right of way codes set to take effect January 1, 2023. Through this collection system, OCT collects an average revenue of \$87.7 million from several companies and customers into the City's General Fund. A recent analysis of the current system highlights some flaws, such as cyber security related issues, difficulty in receiving and placing payments, and a generally poor tracking system with many customer complaints. In 2021 the bureau found that physical checks and ACH online payments are received without an account number to a specific city bureau; as a result, some of the money where staff cannot identify its source ends up being refunded. The losses or amount of refunds identified were estimated at \$9,000 every year or .01% of the annual collection of \$87.7 million. While minor in terms of net collection impact, this issue is one of the several issues OCT hopes to resolve, along with an improved company and customer tracking system and lockbox payments

for physical checks. If the bureau is able to upgrade their system, then the city should see a net revenue increase in OCT's collections starting FY 2024-25. Further, a more automated and regulated system would allow OCT employees to focus on other service areas which would assist with the regular 5-year ROW licensing by lessening components needed from city council and allowing OCT staff to refocus their time from franchise negotiations to customer tracking and compliance.

The current system issues are important and will need to be addressed as the new ROW codes are set to take effect at the beginning of 2023. OCT indicated that the package will need to be completed in its entirety and that there is cost to delay its implementation. Due to constrained General Fund resources and competing proposals for said resource, CBO has not prioritized this request for full recommended funding. CBO does recommend \$500,000 of new General Fund one-time resources, with the bureau bringing forward the remaining funds through current year underspending as a carryover request in the Spring Supplemental Budget Monitoring Process (BMP). This recommendation is dependent on two factors: the bureaus ability to garner one-time savings in the current year and council approval during the Spring BMP. OCT has yearly general underspending amounting to a combined rough estimate of \$3,000,000 over the last three Fiscal Years. OCT also had several vacancies in FY 2021-22 that amounted to nearly \$150,000 in savings through vacancies alone. OCT should be able to fund the remaining requested \$283,269 from EMS underspending and vacancy savings if approved as carryover in the Spring BMP.

CBO Recommendation: \$500,000 one-time | 0.00 FTE

SUMMARY OF REQUESTS & RECOMMENDATIONS BY FUND

Office for Community Technology

100 - General Fund

		2021-22 Adopted Budget	2021-22 Requested Base (A)	Bureau Decision Packages (B)	CBO Recommended Adjustments (C)	Total Recommended Budget (A+B+C)
Revenue	General Fund Discretionary	\$2,642,493	\$2,771,425	\$783,269	(\$283,269)	\$3,271,425
	Intergovernmental	\$1,102,408	\$621,263	\$0	\$0	\$621,263
Revenue	Sum:	\$3,744,901	\$3,392,688	\$783,269	(\$283,269)	\$3,892,688
Expense	External Materials and Services	\$1,919,321	\$1,217,928	\$783,269	(\$283,269)	\$1,717,928
	Internal Materials and Services	\$201,596	\$229,650	\$0	\$0	\$229,650
	Personnel	\$1,623,984	\$1,945,110	\$0	\$0	\$1,945,110
Expense	Sum:	\$3,744,901	\$3,392,688	\$783,269	(\$283,269)	\$3,892,688

SUMMARY OF REQUESTS & RECOMMENDATIONS (ALL FUNDS)

Office for Community Technology

		2021-22 Adopted Budget	2021-22 Requested Base (A)	Bureau Decision Packages (B)	CBO Recommended Adjustments (C)	Total Recommended Budget (A+B+C)
Revenue	Intergovernmental	\$1,102,408	\$621,263	\$120,000	(\$120,000)	\$621,263
	General Fund Discretionary	\$2,642,493	\$2,771,425	\$783,269	(\$283,269)	\$3,271,425
Revenue	Sum:	\$3,744,901	\$3,392,688	\$903,269	(\$403,269)	\$3,892,688
Expense	Personnel	\$1,623,984	\$1,945,110	\$0	\$0	\$1,945,110
	Internal Materials and Services	\$201,596	\$229,650	\$0	\$0	\$229,650
	External Materials and Services	\$1,919,321	\$1,217,928	\$903,269	(\$403,269)	\$1,717,928
Expense	Sum:	\$3,744,901	\$3,392,688	\$903,269	(\$403,269)	\$3,892,688