



Executive Summary

This document provides important contextual and summary information for the FY 2021-22 City Budget Office reviews. Interested parties are encouraged to read this document and then look to individual bureau reviews for additional details.

CITYWIDE OUTLOOK

The City’s financial outlook is nuanced, with revenue streams experiencing disparate impacts as a result of the COVID-19 pandemic. Development services revenue are forecasted to be significantly impacted, including most funding streams for the Bureau of Development Services (BDS), system development charge revenue in a number of bureaus, and the Portland Housing Bureau’s construction excise tax revenue. Demand for new office space, hotels, and multifamily housing in particular have declined during this economic downturn, and BDS expects this demand to remain low for a minimum of 2-3 years. For FY 2021-22, BDS is projecting a total of \$48.0 million in program revenue (not including General Fund revenue), which is a 12% decrease from their projected FY 2020-21 revenue of \$54.8 million and a 26% decrease from FY 2019-20 revenue of \$64.8 million.

Forecasted Resource Declines

- Development Revenues**
supporting the Bureau of Development Services, System Development Charge bureaus, and construction excise tax
- Portland Bureau of Transportation Revenues**, especially *Parking revenues*
- Certain **General Fund Revenues**, especially *lodging tax revenue*
- Water and Environmental Services**
water and sewer bill payments; system development charge revenue
- Other fund impacts**
including Solid Waste Management Funds, Spectator Venues, risk mitigation impacts

New and Increased Resources

- Metro Tax Supportive Housing Resources**
\$100M annually for Multnomah County & the Joint Office of Homeless Services (\$52M estimated in FY22)
- Portland Parks Levy**
\$45M annually estimated for Parks
- Portland Clean Energy Fund**
\$98.4M currently unallocated balance; annual revenues of \$44M-\$61M.
- Recreational Cannabis Tax Fund**
\$3M forecasted available
- State of Oregon 9-1-1 tax**
\$1.4M estimated increase for Bureau of Emergency Communications
- Forthcoming **American Rescue Plan**
resources \$201M estimated

The FY 2021-22 requested budget for the Portland Bureau of Transportation (PBOT) assumes a \$75.6 million reduction of State Highway Fund (gas tax) and parking revenues compared to the Bureau’s FY 2020-21 through FY 2024-25 forecast that was published in January 2020. To lessen the impact of the pandemic and structural deficit that existed prior to COVID-19, PBOT is drawing \$34.3 million in built-up General Transportation Revenue (GTR) fund balance from \$54.3 million to \$20 million by the end of the five-year forecast, FY 2025-26. The Utility bureaus (Water and Environmental Services) both anticipate reductions in system development charge revenue, as well some level of impact on their utility bill collections. Reduced operating revenue is being mitigated by draws on stability reserves, potentially leading to higher water and sewer bill rate increases in the future.

A number of other revenue streams are experiencing or projected to experience a range of negative resource impacts, including significant impacts to the Spectator Venues Fund, moderate impacts to the General Fund, and smaller impacts to the Solid Waste Management Fund.

Even while a number of City revenues are in significant decline, certain City revenue streams are benefitting from new or increased resources. New and recent voter-approved tax measures are benefitting specific services: the new Metro Tax for supportive housing services is estimated to bring \$100 million annually in increased revenue for supportive housing services via Multnomah County (\$52 million is anticipated in FY 2021-22); the new Portland Parks Levy is anticipated to provide \$46 million annually in new resource to Portland Parks and Recreation; and the Portland Clean Energy Fund – after voter passage in 2018 and collections beginning in 2019 – continues to collect between \$44 million and \$61 million annually and has amassed ending balance and contingency resources of over \$98 million. The program is currently in its pilot year and plans to scale up outgoing grants to \$60 million in FY 2021-22. Additionally, our local Recreational Cannabis Tax Fund is experiencing peak revenue levels and is forecasted to have \$3 million in available resource heading into FY 2021-22, and the State’s 9-1-1 tax increase is anticipated to bring an additional \$1.4 million to the Bureau of Emergency Communications.

Given the disparity in the economic health amongst the City’s various revenue streams, the City Budget Office recommends that Council leverage the new and increased revenue streams to support key Council priorities and community service levels. An important part of the balancing equation will be the City’s allocation decisions around anticipated federal American Rescue Plan (ARP) resources. With the projected allocation of \$201 million occurring sometime this spring, this resource will prove essential in meeting urgent City and community needs. As of the printing of this document, the terms and rules around eligible use are being finalized at the Federal level. CBO highlights in our reviews where bureau funding requests may be eligible for ARP resources under current legislation draft language.

GENERAL FUND FORECAST UPDATE

In February, the General Fund forecast was updated to reflect the latest economic and revenue data. Minor changes were made to both the revenue and expense forecasts. These changes ultimately resulted in a small reduction in the General Fund deficit for FY 2021-22 – the total deficit declined from \$21 million to \$20.2 million. The final budget forecast will be completed in April with a potentially significant change to forecasted business license tax collections. Though conditions appear to be improving slightly, there remains substantial uncertainty as the hopefully waning public health crisis and subsequent economic impacts become known.

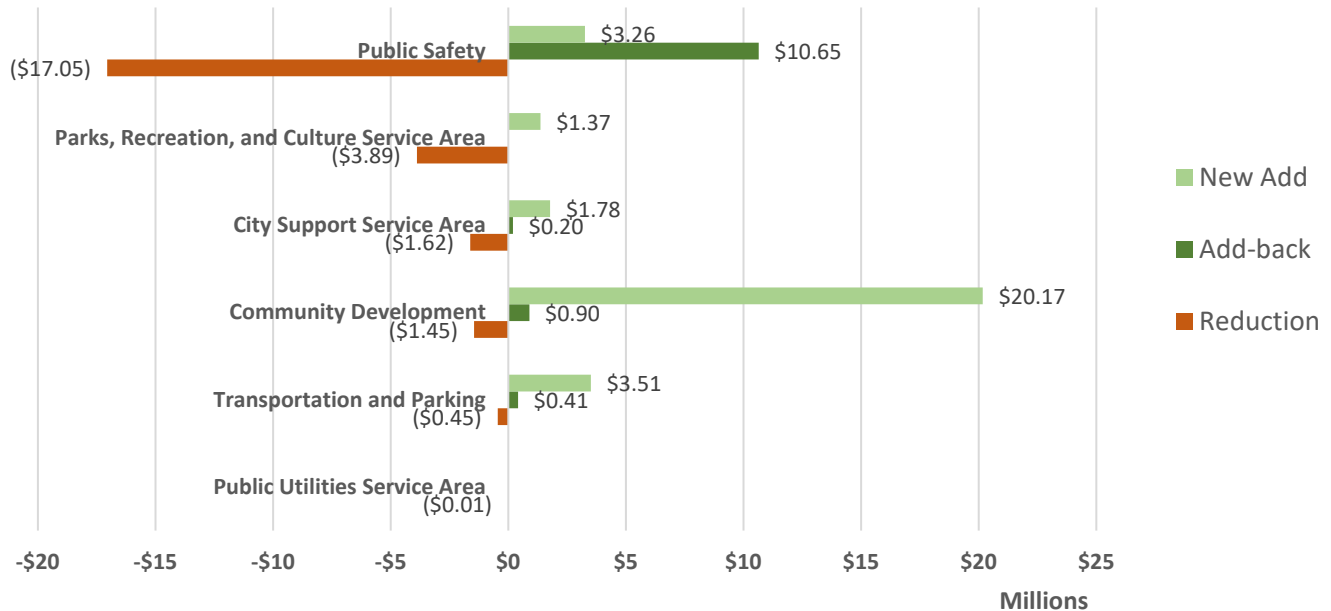
FY 2021-22 BUDGET GUIDANCE & REQUESTED BUDGET SUMMARY

The Mayor released his [FY 2021-22 Budget Guidance](#) on December 3, 2020. The guidance acknowledged that budget reductions were likely required to meet projected revenue shortfalls in the General Fund and elsewhere but requested that bureaus prioritize and leverage available resources to continue supporting vulnerable Portlanders. The guidance called for 5% General Fund ‘constraint’ or reduction packages from all General Fund bureaus, exempting the Joint Office of Homeless Services and bureaus and offices with fewer than 30 FTE.

As a result of 5% General Fund constraint guidance, bureaus’ [FY 2021-22 Requested Budgets](#) included a total of \$24.4 million in ongoing reductions submitted by 16 bureaus. On aggregate, bureaus requested

\$12.1 million be added back to continue services offered as part of the constraint. In addition, bureaus requested \$10.1 million in ongoing General Fund and \$19.9 million in one-time General Fund for new or enhanced services. The following chart provides a break-out by service area for the net General Fund

FY 2021-22 General Fund Discretionary Reductions and Adds as Proposed in Bureau Requested Budgets



requests submitted by bureaus.

The City Budget Office has evaluated each bureau reduction and add request; details are provided in individual bureau reviews.

CBO GENERAL FUND RECOMMENDATIONS

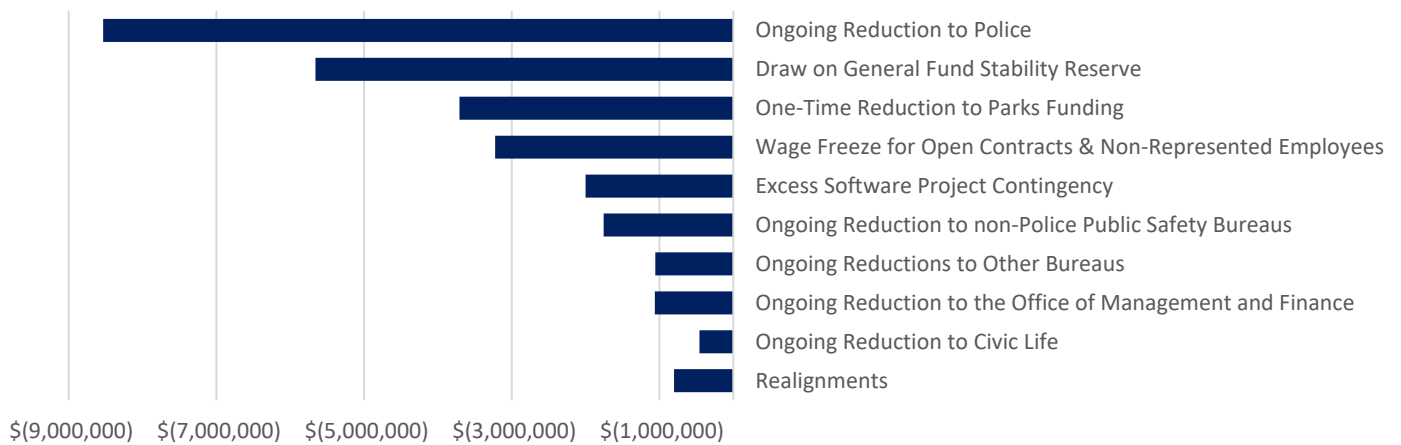
In the attached analyses, CBO provides a review of bureau base budgets and all bureau requests for resources. In issuing recommendations, CBO considered criteria such as: proposal impact on the City’s financial sustainability; available data and evidence supporting the proposal’s impact; completeness of the proposal; alignment with adopted Council goals and/or Mayoral and Council stated priority areas: support economic recovery, develop a new model for community safety, and address houselessness; and the ability of other funding sources to support the effort. CBO also assessed each request for resources against the guidelines outlined in the COVID-19 equity toolkit, the results of which affected recommendations.

General Fund Reductions

In order to balance to the forecasted deficit and fund high-priority adds, CBO recommends a total of \$28.3 million in reductions and solutions. CBO recommends Council take \$16.6 million – or approximately 68% - of the proposed reductions to bureau budgets (net of ongoing addbacks). Over half of this reduction comes from the Portland Police Bureau, with an \$8.5 million reduction in ongoing General Fund. CBO recommends drawing upon the recently established General Fund stability reserve and capturing excess tax software system contingency resources to provide \$7.7 million in one-time General Fund resource. CBO also assumes wage freezes for employees with open contracts and non-represented

employees, the savings from which are contingent upon good faith bargaining but could yield an estimated \$3.2 million. Finally, realignments in City resources and funds, including a realignment in the Procurement division, is providing another \$0.8 million.

CBO Balancing: General Fund Reductions



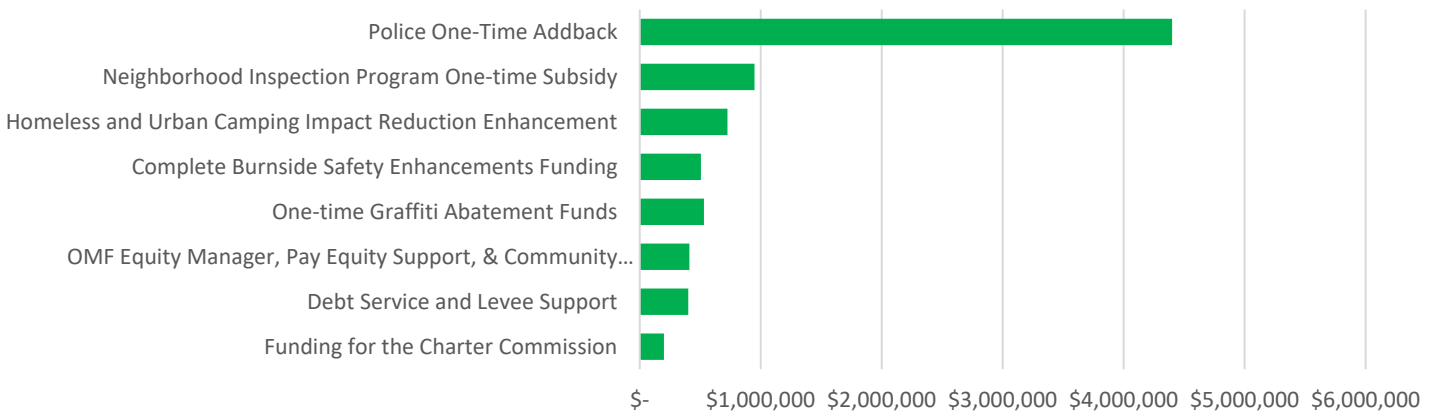
CBO has evaluated all proposed reductions for viability. Bureaus made significant efforts to minimize service impacts and preserve equity in proposing reductions; however, some service reductions will occur as a result of these cuts. With these reductions, a large portion of the Police Bureau’s existing vacancies, both sworn and professional staff, will no longer be funded and the recently announced reductions to dedicated resource units (i.e. Traffic, Narcotics & Organized Crime) will likely be in place for the foreseeable future. In addition, a number of administrative and support positions will be eliminated across bureaus – including at least 4 filled positions. Declines in Bureau of Development Services revenues are anticipated to lead to 26 additional layoffs without the addition of at least \$6.7 million in one-time outside revenue. New revenue streams supporting the 9-1-1 call taking system and Portland Parks and Recreation are mitigating service level impacts of General Fund reductions to those bureaus. Specific information on reduction impacts are included in each bureaus’ review.

As part of the balancing plan, the City Budget Office is assuming wage freezes for open labor contracts that is contingent on good faith bargaining with DCTU and PPA members, and for non-represented employees. These employees are supported by different funding streams across the City, many of which are experiencing significant shortfalls and proposing eliminating notable numbers of vacant and/or filled positions as a result. For example, the Portland Bureau of Transportation’s Requested FY 2021-22 Budget includes the elimination of 55.57 vacant positions due to revenue shortfalls primarily associated with declining shortfalls in gas tax and parking fees. The Bureau of Development Services has projected the likelihood of reducing 26.0 FTE without additional resources to bridge their operation through the economic downturn. The cost savings from these measures is subject to bargaining agreement.

General Fund Adds

CBO recommends allocating a total of \$8.1 million in General Fund resource for requested high-priority needs. CBO recommends providing the Portland Police Bureau with \$4.4 million of their ongoing reduction back on a one-time basis. These one-time resources are intended to accelerate officer hiring in the near-term to stabilize patrol capacity over the next 24 months. The intent of this recommendation is to solve a timing issue with officer hiring; it will not increase the number of officers in the Police Bureau over time. Following FY 2022-23, CBO recommends that the majority of this ongoing resource be allocated to supporting the new Community Police Oversight Board. CBO also recommends the Police Bureau retain about \$1.5 million in ongoing resources from its \$10.1 million constraint package to fund an expansion of the Public Safety Support Specialist (PS3) program, restore funding for three use-of-force and compliance analysts, and restore funding for three records specialist positions.¹ It is anticipated that additional information from the Portland Street Response pilot and additional policy direction around the City's community safety response system will be available to inform decision-making in the coming months.

CBO Balancing: General Fund Adds



CBO recommends allocating \$948,404 as a one-time subsidy for the Bureau of Development Services' Neighborhood Inspection Program; \$725,000 to enhance the Homeless and Urban Camping Impact Reduction program and \$530,240 for graffiti abatement; \$410,842 total for a handful of equity driven requests, including an Office of Management and Finance equity manager, funding to support pay equity tools and practices, and funding to support community connections in budgeting; \$401,429 for City financial requirements and liabilities including Line of Credit debt service and Columbia River Levee and PEN1 drainage district costs; and \$200,641 to fund continued Charter Commission work. Details on these requests and recommendations can be found in bureau reviews.

Federal American Rescue Plan Resources

Given revenue shortfalls across City funds, the pending federal American Rescue Plan (ARP) can play a significant role in helping stabilize both community needs and critical City services. Under the terms of the current legislative draft, over \$27 million in currently proposed City requests could be supported by federal stimulus resources. In addition to supporting requests to meet community and business needs, Council may consider providing up to \$9.3 million to stabilize permitting and review processes and prevent layoffs at the Bureau of Development Services and up to \$8.3 million in one-time support for the

¹ The recommendation for PPB to retain \$1.5M in ongoing resource is shown in the 'reduction' chart; the ongoing add offsets the original \$10.1 million constraint for a total ongoing reduction of \$8.5 million.

Joint Office of Homeless Services. A list of potentially eligible ARP allocations as requested is provided at the end of this executive summary.

Capital Set Aside

Per Financial Policy, 50% of all available one-time General Fund resources should go towards funding urgent major maintenance needs related to the City's parks, transportation, or emergency preparedness asset portfolio. In the FY 2020-21 Fall BMP, \$4.2 million in one-time excess balance from the prior year was deposited into the Capital Set-Aside account for allocation as part of the FY 2021-22 budget development process.

Last year, Capital Set Aside requests were required to produce a business case analysis quantifying the costs and benefits of the proposal. Each analysis produced a benefit-cost ratio and additional information to communicate and demonstrate the benefits of the proposal. The result is a much more nuanced and comprehensive evaluation of eligible projects than with the previous evaluation process. When the pandemic occurred mid-budget development last year, Capital Set Aside funding was re-allocated on a one-time basis to mitigate the immediate financial impacts of the crisis. Council approved a budget note committing this reallocation would be a one-time act.

This year, bureaus re-submitted for consideration unfunded Capital Set Aside requests submitted last year which remain high priorities. These include:

- West Burnside signal upgrades (\$2.0 million)
- NE Cornfoot Road Paving project (\$2.0 million)
- Americans with Disability Act (ADA) compliant corners (\$1.6M)
- SE Foster signals and lighting upgrades (\$1.0 million)
- Fire Station roof replacement (\$150,000)
- Fire LED lighting upgrades (\$100,000)
- Fire training center pavement replacement (\$580,000)
- Energy Performance Contract at East Portland Community Center (\$2.75 million)
- Water Bureau ADA Transition Plan (\$1,776,334)

The City Budget Office is recommending fully funding the requests for ADA-compliant corners², SE Foster signals and lighting upgrades (102:1 cost-benefit ratio), and the west Burnside signal upgrades (16:1 cost-benefit ratio). These requests have amongst the highest cost-benefit ratio of the submitted projects and focus on serving vulnerable populations with life-safety implications. Fully funding these requests requires allocation of an additional \$505,700 in one-time General Fund resource, which CBO recommends.

The City has a substantial and growing major maintenance funding gap and several bureaus would benefit from additional resources for urgent needs. CBO recommends both the Council and individual bureaus continue prioritizing internal one-time resources for these critical needs wherever possible. Two of these requests: the energy performance contract at East Portland Community Center and the Fire LED lighting upgrades – have notable cost saving and climate action implications - CBO recommends the bureaus prioritize funding within new and available resources to pursue these projects.

Planning for Future Liabilities

Balanced CBO recommendations include the allocation of ongoing resources for future known and

² A business case analysis was not completed for this project as it is a mandated activity that supports PBOT's settlement with the Civil Rights Education and Enforcement Center to improve citywide corners to meet current ADA standards.

unknown liabilities. CBO recommends that \$4.4 million of the ongoing reduction to the Police Bureau be provided to the bureau on a one-time basis in FY 2021-22, then \$4.0 million be diverted to fund requirements of the Community Police Oversight Board and \$0.4 million be diverted to fund other City liabilities beginning in FY 2022-23. CBO recommends \$1.0 million in ongoing General Fund resource be allocated to Portland Parks and Recreation to enhance funding for critical major maintenance backlog needs beginning in FY 2022-23, and recommends that a balance of \$4.2 million in ongoing resource which is dedicated to one-time needs in FY 2021-22 be reserved in FY 2022-23 to hedge against future forecast uncertainty and address future liabilities such as implementing state mandates and City policy goals.

Recreational Cannabis Tax Fund Revenues

The FY 2021-22 Requested Budget includes \$5.5 million in ongoing local recreational cannabis tax fund-backed programs. The most recent forecast for the fund identified approximately \$1.1 million in new ongoing and \$1.9 in one-time available cannabis fund resources. Requests for these resources must meet one of the following general categories of eligible expenses per voter-approved ballot language: drug and alcohol education and treatment programs, public safety services that protect community members from unsafe drivers, or support for neighborhood small businesses especially women-owned and minority-owned businesses. Bureaus submitted \$3.0 million in requests for these resources, as shown in the table below.

Recreational Cannabis Tax Requests and Available Resources		
Bureau	Package description	Bureau Requests (all one-time)
Civic Life	Cannabis Emergency Relief Fund	\$900,000
Development Services	Empowered Communities Program Funding*	\$875,168
Prosper	BIPOC Cannabis Bis. Development and Relief Program	\$420,000
Prosper	Small Bis. Digital Divide and Ecommerce	\$350,000
Prosper	Small Bis. Legal Support for Recovery	\$500,000

Total New Requests	\$3,045,168
Forecasted Available Cannabis Funds (Ongoing+One-Time)	\$3,034,000
Surplus (Deficit)	-\$11,168

**CBO is conferring with the Attorney on eligibility of this full request*

CBO provides information on each of these requests in the attached bureau reviews. Existing allocations and requests will be discussed with the Council at the budget work session on April 1st.

Request and Recommendation Summary

The table below summarizes CBO funding recommendations and potential federal stimulus funding options for all currently requested adds and addbacks.

FY 2021-22 Budget Development - Summary of General Fund Add Decision Packages and CBO Recommendations

Decision Packages		Recommended General Fund or Non-General Fund Support*	Potential Use of American Rescue Plan Resources**	Decision Packages		Recommended General Fund or Non-General Fund Support*	Potential Use of American Rescue Plan Resources**
City Attorney	Attorney Add Back	✓		Office of Community & Civic Life	Add back - Constructing Civic Dialogues Realignment		
City Budget Office	Add-back Financial Analyst	✓		Office of Community & Civic Life	Add-back E. Portland Community Office Rent Realignment	✓	
	Add-Back Hatfield Fellow				One-time additional Graffiti Funds	✓	✓
Office for Community Technology	Community Connections in Budgeting	✓		Portland Parks & Recreation	Capital Major Maintenance	→	
	Add 1.0 Financial Analyst FTE				Operations and Maintenance - New Parks		
	Community Broadband Planner				Major Maintenance Construction Fund	✓	
	Cyber Security and Personal Data Protection Training		✓		Parks' constraint Add-Back	✓	
Bureau of Development Services	Digital Inclusion Fund		✓	Police Bureau	Add-Back Package - Personnel Allocation	✓	
	Add-back of 5% General Fund Cut	→		Bureau of Planning & Sustainability	Implementing the Climate Emergency Declaration	✓	
	Equity Program Community Engagement Specialist		✓		Maintaining Core Planning Capacity	✓	
	FY 2021-22 Bridge Funding and Technology Request		✓		Smart City PDX Community Leads		✓
	Land Use Services General Fund Request		✓	Special Appropriations	Charter Commission Months 6-18	✓	
Neighborhood Inspections Program	✓	✓	MFS-Cash Oregon Free Tax Help 5% add-back			✓	
Signs Program General Fund Request		✓	MHCRC 5% Add Back Request		✓		
Portland Fire & Rescue	Portland Street Response	✓		Portland Bureau of Transportation	Portland Community College Future Connect		✓
	Restore Portland Fire & Rescue Stations	✓	✓		Peninsula Drainage District #1 Decision Package	✓	✓
	Restore Rapid Response Vehicle 11	✓	✓		Portland Bureau of Transportation	ADA-Compliant Corners Add Back	✓
	Restore Rapid Response Vehicle 19	✓	✓	Healthy Business Program			✓
	Restore Rapid Response Vehicle 23	✓	✓	Portland Bureau of Transportation	Lighting Portland for Safety Add Back	✓	
Restore Rapid Response Vehicle 31	✓	✓	Street Cleaning Add Back				
Joint Office of Homeless Services	JOHS Continuation of One-Time Funding		✓	Prosper Portland	Local Small Business Relief Repair Grants		✓
	JOHS Shelter Capital		✓		Portland Film Office – Economic Recovery Engine		✓
Housing Bureau	N/NE Preference Policy	✓			Inclusive Business Resource Network add-back	✓	✓
Office of Management and Finance	BHR Consistent Pay Equity Practices and Tools	✓			Neighborhood Prosperity Network add-back		✓
	Facilities Services Core Operating/Asset Management Needs	✓			Traded Sector Program add-back		✓
	Impact Reduction Program - Campsite Cleanups	✓	✓		Venture Portland add-back		✓
	OMF Equity Manager	✓			Workforce Development Program add-back	✓	✓
	Add-back Deputy Controller	✓		Fund & Debt Management	Line of Credit payment	✓	
				Fund & Debt Management	Police Community Oversight Board	✓	

*Lighter green checkmark indicates partial recommendation. Circle with arrow indicates that CBO's recommendation for this year differs from next year--taking ongoing funding back on a one-time basis for FY 2021-22, or in the case of the Police Bureau, allocating some one-time resources for an ongoing request.

**Assumes current bill language, which allows for replacing lost revenue. ARP resources would be one-time, so if allocated for ongoing requests it would represent a single-year enhancement of services or--in the case of the Fire Bureau requests--would signal an intention to change service models in future years.