



City Budget Office

Executive Summary

During the Spring Budget Monitoring Process (BMP), City bureaus 1) provide updates on current year expenditures and capital projects, and 2) may request changes to current year budgets. These changes are generally primarily technical to better align budgets with actual and projected revenues and spending.

Other notable adjustments in the Spring BMP include:

- Request for compensation set-aside and contingency for current year personnel costs, including additional expenses related to approved labor bargained agreements;
- General Fund program carryover requests for one-time only funded projects that were approved in FY 2021-22, or help to fund a request for FY 2022-23; and
- Requests to solve for concerns that, based on year-end projections, the bureau may not end the year within budget.

Mayor's Spring BMP guidance limited requests to these items. There are a handful of other requests for new General Fund discretionary resources that fall outside of these criteria, which are discussed further below.

City Budget Office General Fund Recommendations & Contingency Balances

In total, bureaus submitted 155 decision packages containing distinct requested budget changes for Council consideration in the Spring Supplemental Budget. CBO reviewed each request and provided detailed analysis on any decision packages that impacted the General Fund in the Spring BMP General Fund Analysis Report. At the right is a summary of all bureau decision package requests.

Additional contingency and policy reserve resources were set aside in the fall in anticipation of current year and retroactive labor bargaining and employee costs. Due to significant vacancies Citywide in the current year, City bureaus requested notably less resource than what was set aside for personnel contingency costs. Contingency resources have also been

augmented by returns to the General Fund, described below. As a result of these factors, centrally managed General Fund (Funds Management in the below chart) unrestricted and salary adjustment contingency resources following CBO recommendations total \$8.9 million. Additionally, \$2.1 million set aside in Policy Reserves for labor costs remain available for appropriation. These resources are available for additional current year urgent needs or may be allocated towards one-time FY 2022-23 budget

FY 2021-22 Spring BMP Decision Package Summary

Decision Package Type	Number of Decision Packages Submitted	Spring 2021-22 Requested Adjustments
Technical Adjustments	15	\$157,055,258
New Revenue	17	\$72,956,312
Internal Transfer	19	\$18,688,555
Policy Set-Aside	9	\$5,601,895
Mid-Year Reduction	2	\$3,088,846
Compensation Set-Aside	9	\$2,804,976
Non GF Contingency	4	\$938,000
New GF Request	16	(\$192,835)
GF Program Carryover	46	(\$14,450,429)
Other Adjustments	18	(\$64,550,969)
	155	\$181,939,609

General Fund Unrestricted Contingency Managed by Funds Management (Not allocated to bureaus)

	2021-22 Adopted Budget	2021-22 Fall Total Adjustments	2021-22 SPRING Revised Base	2021-22 SPRING Requested Adj	2021-22 SPRING CBO/Council Adj	2021-22 SPRING Recom Total
Unrestricted Contingency	\$2,470,023	\$4,952,333	\$7,820,143	\$103,000	\$941,799	\$8,864,942
Salary Adjustment Contingency	\$5,242,970	\$0	\$5,242,970	\$0	(\$2,804,976)	\$2,437,994
Policy Reserves	\$10,762,636	\$9,052,277	\$19,814,913	\$0	\$10,543,387	\$30,358,300
Major Maintenance/Replacement Reserves	\$0	\$972,007	\$972,007	\$0	\$0	\$972,007
	\$18,475,629	\$14,976,617	\$33,850,033	\$103,000	\$8,680,210	\$42,633,243

priorities. CBO recommends that the Council retain \$2.5 million in unrestricted contingency to hedge against additional current year cost overruns.

The General Fund Policy Reserves account is experiencing a net gain of \$10.5 million following CBO recommendations as a result of depositing recommended carryover resources into that account. This resource will serve as the source for the requested carryover packages in the FY 2022-23 Adopted Budget.

New General Fund Requests (Draws on unrestricted contingency)

Bureaus submitted just over \$3.0 million in requests for new General Fund resources. In accordance with Mayor’s Spring BMP Guidance, CBO has recommended drawing down General Fund contingency by \$1.7 million to fund a projected budget gap in Portland Fire & Rescue to cover overtime costs driven by additional leave and a high volume of retirements; PF&R has submitted additional adjustments to help close the total projected budget shortfall of \$5.7 million with bureau revenue and realignments.

The Spectator Venues Program in the Office of Management & Finance is requesting \$748,964 in one-time General Fund resources to address the groundwater intrusion issues in the City-owned Providence Park Stadium that began in August 2020. While it would be difficult to definitively prove the cause of the increase in groundwater, research conducted over the past 12 months suggests that the most likely factors that have led to the dramatic changes in groundwater flows are combined efforts of the Bureau of Environmental Services (BES) from an adjacent sewer relining project and Bureau of Development Services (BDS) permitted public and private development projects that changed existing groundwater flows. CBO recommends that both BES and BDS reimburse the Spectator Venues Fund for the cost of the project (\$374,482 or 50% of the cost from each bureau) with interagency resources in place of General Fund resources. CBO notes that the use of General Fund resources in the absence of a funding agreement could establish a harmful precedent, particularly when research has established that development projects and nearby sewer relining are the most likely causes.

Return of General Fund Resources

The Police Bureau received \$5,264,000 in one-time General Fund discretionary resources in the FY 2021-22 Adopted Budget, intended to support the accelerated hiring of 30 officers. Half of these resources were allocated for use in FY 2021-22, and the other half were set-aside in contingency for use in FY 2022-23. The bureau was directed to use this funding only for the personnel costs related to 30 new Police Officer hires and no other bureau expenses. PPB is returning the \$2,632,000 in one-time General Fund resources allocated for accelerated hiring in the FY 2021-22 Adopted Budget as the funds have not been used. The Police Bureau has not reached a level of hiring where the one-time funds are needed as a significant number of sworn officer vacancies funded with ongoing resources remain unfilled. Given this, CBO has recommended the bureau’s request to return resources to the General Fund.

Compensation Set-Aside and Personnel Contingency Costs

As part of budget development, CBO budgets in a central account a portion of the Current Appropriation Level associated with cost-of-living adjustments (COLA) and health benefit increases for General Fund bureaus. These funds are known as the “compensation set-aside.” In most bureaus, these costs can be absorbed by vacancies experienced in the regular course of business. However, when bureaus are at or close to full staffing through most of the fiscal year or are otherwise expected to overspend their personnel budgets, they can request the necessary compensation set-aside to cover personnel costs. Any remaining resources become available for Council to allocate for other current or future year budget needs. In FY 2021-22, the City also set aside resources for potential costs related to labor bargained agreements that were approved mid-year.

Due to significant vacancies Citywide in the current year, City bureaus requested notably less than what was set aside for personnel contingency costs. CBO has recommended allocating these resources for bureaus that are projecting to overspend their personnel budgets and are otherwise unable to cover these costs through other cost mitigation strategies. In cases where bureaus are projecting underspending or in cases where bureaus are able to absorb the costs within their other funds, CBO has not recommended these allocations that would otherwise fall to balance or be used to offset other costs.

General Fund Policy Set-Aside Requests

There was one request for resources from a General Fund policy set-aside allocation, which would draw down \$250,000 from the legal priorities reserve for a settlement paid out by the Office of Management & Finance on behalf of the City. CBO recommends this request, and notes that Council may want to restore the balance of the legal priorities reserve as part of next years’ budget.

General Fund Program Carryover

Bureaus are requesting program carryovers totaling \$16.0 million, which is significantly higher than historical totals for Spring BMP Program Carryover. This is partially attributable to the fact that Council appropriated \$48.8 million in one-time General Fund contingency resource as part of the Fall Supplemental Budget process, which was adopted just over 4 months ago on November 17, 2021. Program carryovers traditionally include projects funded with one-time resources in the current year that need additional time to complete. Per Spring BMP Guidance, this year’s requests also include carryover of current year bureau underspending in order to help fund requests submitted for new resources in FY 2022-23, especially those that move forward City Council’s priorities. There are also a handful of requests that are carrying over resources for purchase that have been delayed due to supply chain issues, or other one-time expenditures that bureaus would not be able to cover within their regular operating budgets. CBO has recommended \$14.4 million of these requests that align with this framework.

Package Type	Spring 2021-22 Requested GF Carryover	Spring 2021-22 Recommended GF Carryover
Classic Carryover	\$10,930,938	\$10,930,938
Re- allocating CY Underspending for New Initiatives	\$3,150,922	\$1,944,922
Funds an FY 2022-23 Requested Budget Package	\$1,871,419	\$1,571,419
Grand Total	\$15,953,279	\$14,447,279

Other Adjustments

There exist several requests that represent internal transfers and realignments and other adjustments that do not impact General Fund discretionary or contingency balances. Of note, CBO has recommended that funding allocated in the Fall Supplemental Budget process for additional storage and hygiene solutions for unsanctioned encampments be transferred to the Facilities Fund where the Impact Reduction Program's budget resides. The project is still in the evaluation and planning stage and may or may not begin expending resources in the current fiscal year. CBO recommends that the Impact Reduction Program provide an update in the Fall Supplemental Budget about how the resources are being utilized. If any program responsibilities are transferred to the Portland Bureau of Transportation, CBO recommends that this be funded and managed through an interagency agreement between the two bureaus.

Non-General Fund Changes

Below is a summary of significant or notable changes to other City funds.

- The **Portland Housing Bureau** is making a number of adjustments to multi-year affordable housing projects, as is typical in the supplemental budget processes to better align project budgets with construction timelines. In total, the bureau is carrying over \$45.0 million in grant resources, Tax Increment Finance dollars, bond funds, and other resources for affordable housing project costs in FY 2022-23.
- The **Bureau of Environmental Services** is recognizing an additional \$24.2 million of rate revenues and \$15.5 million of system development charge revenues due to conservative budgeting in response to the economic impacts of the COVID-19 pandemic. The City Budget Office recommends that the bureau draw \$374,482 from the Sewer System Operating Fund's contingency to address groundwater intrusion issues in the City-owned Providence Park Stadium. The Office of Management and Finance's Spectator Venue Program requested one-General Fund resources to address this issue as the bureaus could not reach a funding agreement, however, CBO recommends that half of the costs identified as needed to mitigate the problem, with the Bureau of Development Services paying the other half as research has established that development projects and nearby sewer relining are the most likely causes. CBO is working with the Attorney's office to ensure this would be an eligible use of Environmental Services resources.
- The **Portland Water Bureau** is adjusting its beginning fund balance to match the Comprehensive Annual Financing Report for the Hydroelectric Power Operating Fund, the Water Fund, and the Water Construction Fund. The bureau is also reducing its CIP budget by \$25 million to better reflect current year actual project spending. Finally, the bureau is making a \$575,000 cash transfer from the Water Fund to the Water Construction Fund to true up capital and operating revenues.
- **Portland Parks & Recreation's** Capital Improvement Program Fund is recognizing \$8.0 million in system development charge revenue above budgeted totals, driven by increases in development. The bureau is also transferring \$7.5 million in General Fund resource to this fund to pay for fleet purchases as it increases its capacity under the levy. Lastly, the bureau is revising expenditures in this fund to match current year actual project spending, with the bureau reducing materials and services costs and increasing fund contingency by \$50 million.
- Within the **Bureau of Technology Services**, the Printing & Distribution (P&D) division is reducing an interagency agreement with BTS by \$173,156 in an effort to relieve P&D of its financial difficulties stemming from the COVID-19 pandemic and the resulting transition to teleworking. BTS agreed to abate these charges as part of the P&D's three-year plan to improve and stabilize

the P&D Fund's financial status. BTS is also drawing \$506,299 from Technology Reserves in the Technology Services Fund to pay for various unanticipated items and projects. The amount represents about 6.6% of the amount estimated in the reserves at year-end.

- Due to higher claims costs than anticipated, the **Risk Management division within the Bureau of Revenue and Financial Services** is drawing from contingency in both the Insurance & Claims Fund (\$885,000) and the Workers Compensation Fund (\$1.4 million).
- The **Office of Community and Civic Life** requested a carryover of \$3.9 million in Recreational Cannabis Tax (RCT) funds associated with a Council approved allocation for a community-led budgeting effort with Reimagine Oregon. This request carries forward a second annual installment of these funds until the community steering committee and City staff have capacity to develop a full community budgeting plan. The Reimagine Oregon group has named a president but has no other staff. No plan delineating how these funds will be spent exists at the moment.
- The **Bureau of Transportation** is making several technical adjustments which include the reallocation of budget across the bureau, the recognition of capital bond proceeds, interagency agreement changes and balancing, and various capital project true ups. In total the bureau is making \$17.2 million in technical adjustments.

Position Changes

There is only one request for a change in position authority in the Spring Supplemental Budget from the Portland Children's Levy. The bureau is creating a new full-time permanent Community Engagement Coordinator utilizing existing resources. This mirrors the bureau's FY 2022-23 Requested Budget. CBO has recommended this position change.

Current Year Budget Monitoring

In general, bureaus are projected to end the year within budget and in many cases anticipating significant underspending. This is primarily driven by cost savings from vacant positions —of which the City currently has 941—and large one-time General Fund allocations from the Adopted Budget and Fall Supplemental Budget for projects and positions that have not yet started or are still in progress. Bureaus are requesting to carry over \$16.0 million of this underspending into FY 2022-23.

The Bureau of Environmental Services is recovering well from the economic impacts of the COVID-19 pandemic. Due to conservative budgeting, the bureau is projecting to collect slightly more than its budget for sewer rate charges, connection charges, wholesale contract revenues, SDCs, and other miscellaneous charges in its Sewer System Operating Fund, while construction permits are projected to be 23% above budget at year-end.

Concerning the Printing & Distribution Fund within the Bureau of Technology Services, interagency revenues are projected to end the year at only 69% of budget, while intergovernmental revenues are projected at 89%, primarily due to the COVID-19 pandemic and the resulting challenges created by the teleworking environment. However, spending in all categories is expected to be under budget; due to cost savings, as well as interim rate increases and billing surcharges implemented to replenish fund balance, the division has partially replenished its Operations and Capital reserves.

The Risk Management program within the Bureau of Revenues and Financial Services is experiencing higher claims costs than anticipated and is drawing funds from the contingencies of both the Insurance & Claims Fund (\$885,000) and the Workers Compensation Fund (\$1.4 million). With these adjustments, expenditures should be within budget.