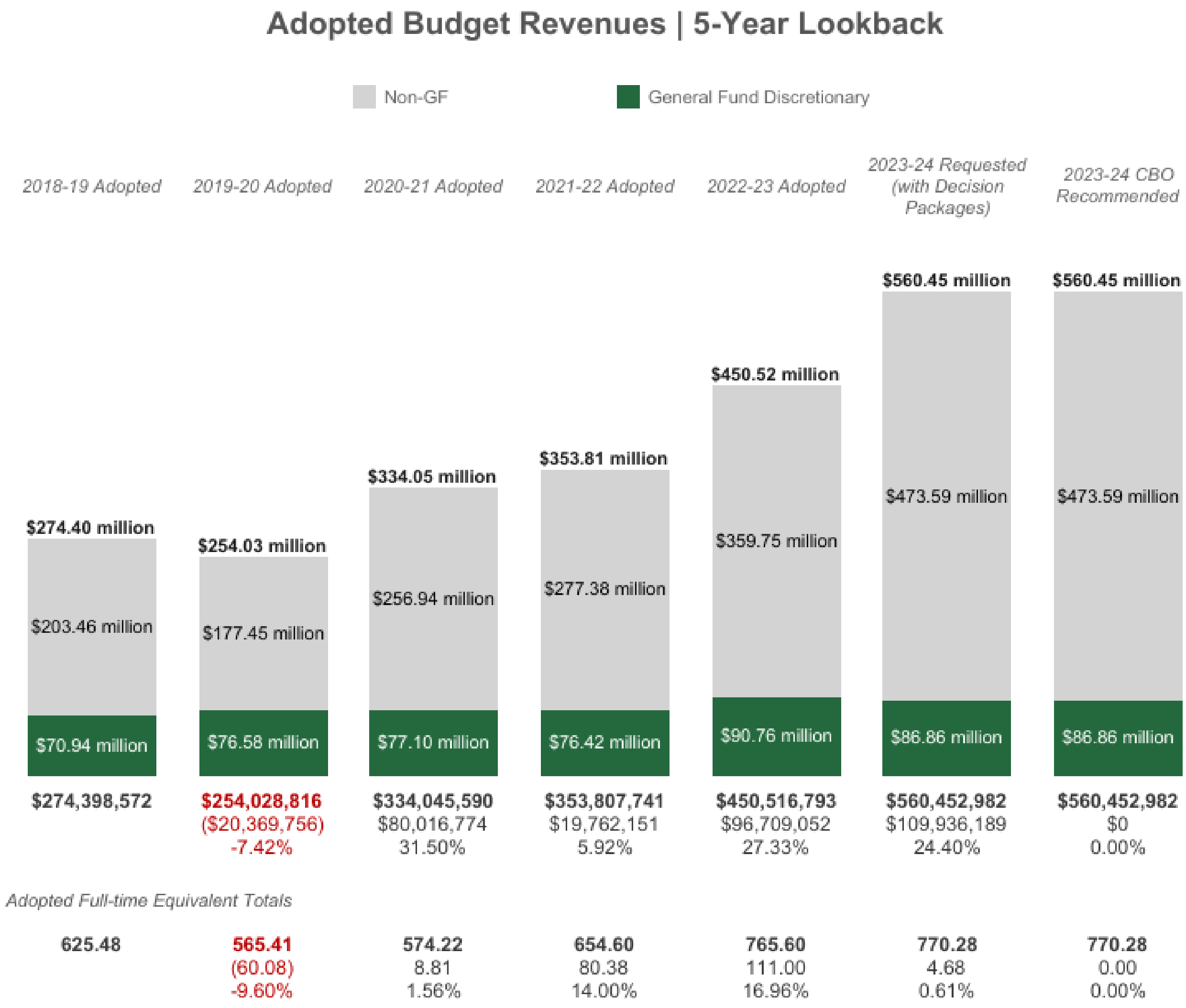
Office of Management & Finance



EXECUTIVE SUMMARY

The Office of Management and Finance submitted their FY 2023-24 Requested Budget with requests for additional ongoing interagency resources totaling $17,971,254. Given limited availability of ongoing General Fund discretionary funds identified in the December forecast, Budget Guidance provided by the Mayor identified three priority investment areas for new ongoing General Fund resources and prohibited bureaus from submitting proposals for new requested General Fund resources. Bureaus were allowed to submit decision packages for program realignments, non-General Fund resources, and any reduction of services, as well as changes to Interagency Agreements. Accordingly, no General Fund resources are available to offset the cost increases for bureaus resulting from OMF decision packages that increase interagency rates.

Prior to the release of the Mayor's Budget Memo 3, OMF intended to request $4,575,330 in ongoing General Fund resources to offset the cost of the interagency decision packages for General Fund bureaus only. However, even with an option to request ongoing General Fund resources to offset the cost increases, the magnitude of OMF's total requests would create significant tradeoffs for customer bureaus, particularly non-General Fund bureaus who must reallocate existing resources to fund OMF's IA funded decision packages. Given this, the CBO currently does not make recommendations for General Fund resources for FY 2023-24 requests. Below are the CBO recommendations for requested decision packages.

Division of Asset Management

- DP 14802 Request to authorize CityFleet to establish a $4.95 million line of credit for Electric Vehicle charging infrastructure and 1.0 FTE to manage CityFleet's fueling program, resulting in $432,649 of interagency resources for FY 2023-24. CBO recommends this request.
- DP 14792 Request for $544,708 of interagency resources for 3.0 FTE within Facilities for long range facilities real estate planning. CBO does not recommend this request.
- DP 14795 Request for $1,101,552 of interagency resources for 7.0 FTE for compliance positions related to contractual, financial, and policy compliance activities in Facilities Services. CBO recommends a phased approach to this request, including four positions totaling $628,347 in additional interagency resources for FY 2023-24.
- DP 14794 Request for $135,480 in interagency resources to fund 1.0 FTE Coordinator II to manage approximately 100 commercial leases that Facilities administers for customer bureaus, including for commercial spaces in non-OMF owned properties. CBO does not recommend this request.
- DP 14791 Request for $168,502 in interagency resources for 1.0 FTE Coordinator III to provide support for communications, administrative support, and organization development for the DAM Manager. CBO does not recommend this request.
- DP 14793 Request for $2,196,946 in ongoing interagency revenue to increase major maintenance reserve levels for Facility owned buildings to 3% of replacement values. The package also includes a rate increase to address maintenance backlogs at Facility-owned buildings over a ten-year period. CBO does not recommend this request.
- DP 14799 CityFleet Relocation in $9,245,000 in ongoing interagency revenue out of the Kerby Garage from CityFleet customer bureaus to fund a real estate search and the purchase of land and build out the specialized facility designed for the City's fleet maintenance and repair needs. CBO does recommend this request.

Bureau of Technology Services

- 14826 Request of $975,000 in ongoing interagency revenues, including $815,000 for 4.0 FTE and $160,000 for software licensing and support, to cover ongoing costs and permanent support of the Data-Informed Decision Making service that builds upon the Business Intelligence/Data Visualization pilot funded in FY 2022-23. CBO does not recommend this request.

- 14827 Request of $500,000 in ongoing interagency funding and 2.0 FTEs to meet increasing cyber threats and cyber-insurance requirements with appropriate security capabilities. With this request, the bureau also proposes an update to the funding methodology for Information Security services. CBO recommends the request but with the caveat that the bureau explore other funding methodologies and use a phase-in approach if its new funding methodology is ultimately adopted.

- 14828 Request of $600,000 in interagency revenues to support the addition of 3.0 FTEs to further develop, operationalize, and maintain two of the City's main customer engagement and business platforms: 1) Portland.gov – the City's redeveloped web presence, and 2) Zendesk – a technology being used as a first stop for triaging 311 requests. CBO is only recommending the Zendesk portion of the request totaling $206,834.

- 14829 Request of $545,000 in interagency revenues and 4.0 FTEs to focus on technology customer service with the goal of meeting customer service goals more consistently, particularly in the areas of Help Desk service and the deployment of computer and technology equipment. CBO does not recommend this request but advocates further outreach to City bureaus to determine their level of support considering how much in additional costs the bureaus would have to take on if CBO's recommendations are ultimately adopted.

- 14780 Request of $950,000 in ongoing interagency revenues and 3.0 FTEs to provide support for hybrid meetings in City facilities, including dedicated on-site support during City Council meetings, and to enhance the City's security efforts through supporting security cameras. CBO recommends this request.

Bureau of Revenue and Financial Services

- 14796 Request of $289,615 in ongoing interagency revenues and 2.00 FTEs, one in the Insurance & Claims (I&C) program and the other in the Workers Compensation program, due to increases in workload and an increased complexity in the Workers Compensation process. CBO recommends this request.

Chief Administrative Office (CAO)

- 14833 Request of $165,540 drawn from the Spectator Venues & Visitors Fund's contingency to convert to permanent a Financial Analyst III position that has been limited term, working for the three programs that were recently placed under the umbrella of External Partnerships and Programs: the City Arts, the Enhanced Services District, and the Spectator Venues and Visitor Activities programs. CBO recommends this request.

Bureau of Human Resources (BHR)

- DP 149797 Request for $$85,000 in additional interagency resources to cover the estimated ongoing costs for an occupational health software system. One-time funds for purchasing the software system are funded with ARPA resources. CBO does not recommend this request.

- DP 14798 Request for $115,000 in additional ongoing interagency resources for 1.0 Medical Assistant FTE to provide ongoing support for BHR's Occupational Health program. CBO does not recommend this request. CBO does not recommend this request.

Community Safety Division (CSD)

- DP 14832 Request for $129,393 in ongoing General Fund resources from PBEM and Portland Fire Bureau to fund a portion of the Community Safety Director position. PBEM and the Fire Bureau have decision package that together decrease their bureau's budgets by the same amount, resulting in a net zero impact on the General Fund. CBO recommends this request.

- DP 14843 Request for a ($139,929) reduction in ongoing General Fund resources to correct an error when a position was realigned from Civic Life to CSD in the current year budget. Civic Life has a decision package that increase the bureau's budget by $139,920, resulting in a net zero impact on the General Fund. CBO recommends this request.

BASE BUDGET & KEY ISSUES

Update on Community Safety Division

The Community Safety Division (CSD) was created in FY 2021-22 with the goal of transitioning Portland's public safety system from four bureaus that operate independently of one another into a unified community safety system that "aligns City bureaus and resources to improve services and outcomes for the community."[1] The division articulated four action areas to advance community safety:

- Build Alternative Emergency Service Models so that the community feels that the response is adequate
- Send the Right Responder to the Call so that every call for help gets the appropriate response
- Align Governance Structure with Goals
- Reduce the Need for Public Safety Response through upstream interventions through local programs, including housing, health, education, gun reduction

Over the past two years, the division has grown rapidly beyond the vision of a centralized business operations and a community safety strategic planning and policy team to one that is overseeing and administering front line service delivery in response to the CSD's direct appointment to coordinate the following:

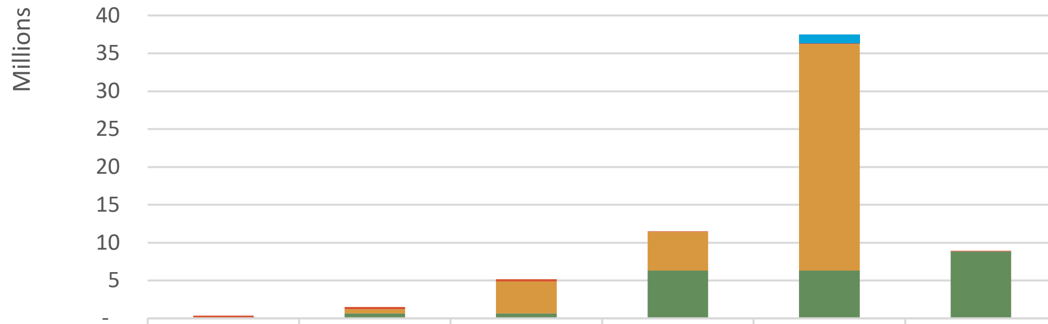
- Street Services Coordination Center under the Mayor's Emergency Declaration to Improve the Health Well-Being of Portlanders Experiencing Outdoor Houselessness by Expediting Implementation of the New Street Services Coordination Center.
- City's effort to address gun violence under a unified command structure under the Mayor's Emergency Declaration to Reduce Gun Violence by 10 percent over a two-year period.
- City's planning efforts for building sanctioned campsites in the city

The expansion of the bureau's mandate is reflected in the exponential growth in the division's budget and position authority. The division's total General Fund allocation increased from $1,941,481 in the FY 2021-22 Adopted Budget to $36,229,705 in the current year budget, a difference of $35,035,224. One-time General Funds resources make up much of that growth, with the division receiving over $29 million in one-time resources in the current year budget to support a variety of programs, many of which have ongoing implications and are discussed later in the review.

The division's ongoing General Fund allocation has also increased significantly from the appropriation of $669,481 in the FY 2021-22 Adopted Budget to $8,825,751 in FY 2023-24 Requested Budget, a difference of $8,156,270. A majority of the bureau's ongoing General Fund allocation supports the bureau's 55 FTE. Of the division's 55 FTE, 38 FTE were existing positions realigned from the other bureaus with an ongoing General Fund resource. Budgeted positions realigned from other bureaus to CSD include: 22 FTE the Police Bureau, 2 FTE from the Fire Bureau, 3 FTE from BOEC, 1 FTE from PBEM, and 12 FTE from Civic Life.

[1] OMF's FY 2023-24 Requested Budget, CSD Program Offer, page 205

Between the FY 2021-22 Revised Budget and the current year, CSD's total budget has increased by over $37 million



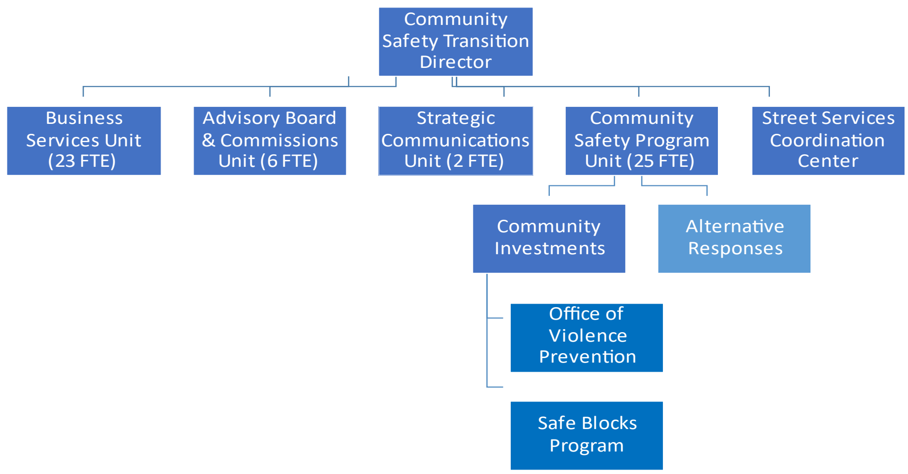
	FY2020-21 Rev Budget	FY2021-22 Adopted Budget	FY2021-22 Revised Budget	FY2022-23 Adopted Budget	FY2022-23 Revised Budget	FY 2023-24 Requested Budget
Grant Revenue					1,125,000	
Interagency Revenue	361,768	307,447	307,447	99,432	99,432	104,404
General Fund One-Time		525,000	4,191,769	5,106,048	29,926,618	
General Fund Ongoing		669,481	669,481	6,303,087	6,303,087	8,825,751

The division started with $361,768 in interagency resources from the Police Bureau, BOEC, PBEM and Fire to implement a centralized business operations team for public safety bureaus within CSD, specifically to be housed in the Office of Management and Finance. The FY 2021-22 Adopted Budget transitioned PBEM's financial oversight to the Community Safety Division and the FY 2021-22 Fall Revised Supplemental approved the transition of 1.0 FTE Manager III and 1.0 FTE Financial Analyst III from the Portland Police Bureau to CSD and a Manager I position from the Fire Bureau. These budget actions were completed as the first steps toward consolidating and coordinating financial management services across the City's public safety bureaus.

The current year budget transitioned 21 FTE and $2,846,239 in ongoing General Fund resources realigned from the Bureau of Emergency Communications (BOEC), Portland Police Bureau, Fire Bureau, and the Portland Bureau of Emergency Management to support CSD's centralized business operations team. The realigned business operations team was initially established as a proof of concept for the division that would enable efficiency and improve strategic alignment across the public safety bureaus in areas beyond the business operations group.

As illustrated in the chart below, CSD's organizational structure has expanded considerably to support the division's role in the Gun Violence and Streets Services Coordination Center (SSCC) emergency declarations, support for public safety advisory boards, and strategic communications. CBO notes that understanding the different programs and services in CSD has been difficult as the division uses just one functional area to budget resources and expenditures which is uncharacteristic of a budget this large that supports disparate program areas. Absent a data infrastructure in SAP, the City's financial system of record, it is challenging for CBO to conduct budget analysis without making assumptions. The absence of performance measures compounds the issue.

Consequently, CBO depends heavily on CSD's staff to respond to requests for information as data is not readily extractible to determine the bureau's expenditures at the program level. CSD has recognized the importance of this issue, and they are in the early stages of creating the data infrastructure to budget CSD's different service areas. CBO recommends that the bureau work expeditiously to ensure all future budgets are more transparent and understandable.



The two areas of CSD that have experienced the most rapid growth are the Community Safety Program Unit and the Streets Services Coordination Center. A brief overview of each is below.

The **Community Safety Program Unit** consists of the Safe Blocks Team, formerly the Crime Prevention Program in Civic Life and the Youth Against Violence/Rose City Self-Defense programs (formerly the Strengths Programs in the Police Bureau). The Office of Violence Prevention also moved to the CSD's Community Safety Program Unit in late 2022, however, the budget remains in Special Appropriations. The Community Safety Program Unit program provides professional training, security assessments, and community building activities to promote safe spaces and prevent community violence.

This Community Safety Program Unit has played an important role in operationalizing the Mayor's **Emergency Declaration to Address Gun Violence.** A key piece of this declaration was the $2.4 million in resources allocated in the FY 2022-23 Adopted Budget for gun violence prevention. CSD recently released a report on how the resources were spent over the summer of 2022. The report indicates that funds were awarded to 20 organizations in specific neighborhoods for pro-social activities, investments in the built environment to mitigate vehicle-based crime and other improvements. Results from the report indicate that there was a 19% reduction in gun violence incidents compared to the same period in 2021, and a 43% reduction from the predicted gun violence incidents for the period. CBO notes the reduction in gun violence is notable, but that the report does not indicate the extent to which the $2.4 million contributed to the reduction in gun incidents, or if the efforts were tied to enforcement actions outside of CSD.

Like the Centralized Business Operations Unit, the Community Safety Program Unit is in the early stages of aligning programs that previously acted independently under one organizational umbrella. CSD has produced informational reports and descriptions of the unit's activities that highlight the Program's community focus and engagement efforts. However, without performance measures and a community safety strategic plan to contextualize the Program's goals, strategies, and outcomes, it is difficult to determine how the CSD's Community Safety Program Unit's fits in the community safety system and the division's role in the system. CBO encourages the division to work expeditiously to complete the Community Safety Strategic Plan[2] to provide clarity.

Another unit in CSD is the **Streets Service Coordination Center**. The SSCC was created in response to the

[2] CSD received $400,000 in one-time General Fund resources in the FY 2022-23 Adopted Budget, $200,000 of which were carried over from the prior year budget.

Mayor's Emergency Declaration to Improve the Health Well-Being of Portlanders Experiencing Outdoor Houselessness by Expediting Implementation of the New Street Services Coordination Center.

A total of approximately $3 million in one-time General Fund resources has been allocated for this effort in the current year, which includes $1.5 million to expand capacity for the City Incident Command Team in the FY 2022-23 General Fund Ordinance. According to CSD, the composition of the team is still being defined, but will include an Incident Commander, financial support, and a Human Disaster Relief Director. The team is expected to be in place for a minimum of 3-years.

As of the first week of February 2023, the SSCC has spent $810,613 this fiscal year, with most of the resources going toward the salaries of three sworn Fire Inspectors (two on loan from the Fire Bureau), two sworn Deputy Fire Chiefs (also on loan from the Fire Bureau), a procurement specialist, and a staff person from the Mayor's Office. The staff engage in outreach to unsheltered individuals through a coordinated command structure and works to connect individuals experiencing homelessness to shelter and other services while supporting the coordination of encampment cleanings and removals.

CBO's Performance Report on Housing & Homelessness outlines the current metrics used to measure success for the SSCC. The metrics are:

- The number of people placed into a shelter
- The number of engagements with people experiencing homelessness
- The total number of referrals to different service types
- The total number of encampment resolutions
- Quarterly tent and car counts to determine geographic need

Currently, data regularly reported by the program focuses on shelter referrals and utilization. Since April 2022, a total of 1781 shelter referrals had been provided and 695 people have used a shelter bed. CBO applauds the speed to which the SSCC was created, but notes that the salary and staffing model using sworn fire personnel are subject to additional costs- notably overtime and premiums- that non-sworn professional staff qualified to do the work would not incur. To better understand the referral and utilization data, more information is needed on the SSCC's prioritization and referral process, the level of service the SSCC is aiming to achieve, and the costs of those services. Important questions also remain on the long-term role of the SSCC in the community safety system as the city transitions to a city administrator form of government. Finally, if the SSCC continues beyond next year, an ongoing resource will need to be identified to continue this work.

CSD: Expiring One-time Resources Supporting Ongoing Needs

CSD bureau received approximately $28.6 million in one-time General Fund resources in the current budget and the FY 2022-23 General Fund Supplemental Budget that it will need to carryover if it does not spend them all by year end. Of the $28.6 million in one-time General Fund resources allocated to CSD in the current year, approximately $25.8 million is supporting programs that are likely ongoing in nature, but do not have an ongoing fund source identified.

They are:

- **$20,409,350 in resources for sanctioned camping.** This includes $11,720,750 is for the cost of operating 3 sites, $4,188,600 for capital related costs to construct the sites, $3,500,000 for the City Navigation Team, and $750,000 for site safety. This work is still in the initial stages of development. The division is expecting to request to carryover the funds to continue the work in FY 2023-24. An ongoing fund source for the City Navigation Team and operational costs to run the sites have not been identified. In addition, since the Fall General Fund Ordinance, CBO has received recent information that the ongoing costs of the three operational tent sights is likely to be closer to $12,845,750. This is $1,125,000 more than the current year appropriation for one year of operations. At present, the resources are more likely to be required in FY 2024-25 than FY 2023-24.

- **$2,400,000 for Gun Violence Prevention.** The division spent over $2.7 million on gun violence presentation this year. It's unclear where the additional $300,000 was reallocated from to support this work. According to the division, some of ongoing work has been transitioned to OVP. The division is also applying for a grant to continue this work in FY 2023-24. The total ongoing resources needed for the division's gun violence prevention efforts is uncertain.
- **$3,069,717 for Street Services Coordination Center.** As of February 2023, the SSCC had spent approximately $800,000. CSD is expecting to request to carryover the remaining funds as a resource for next year's costs. If the SSCC continues beyond next year, an ongoing resource will need to be identified to continue this work.

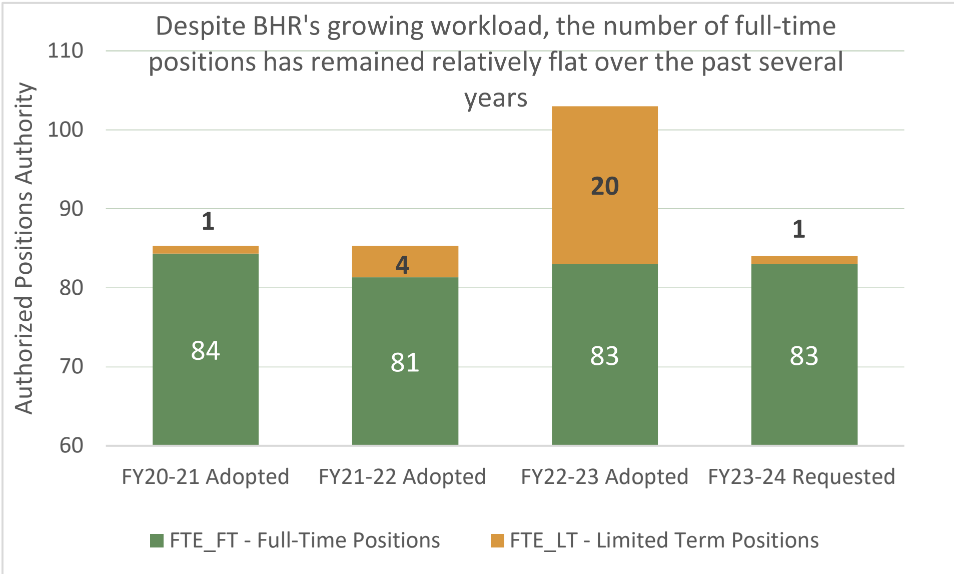
Expiration of one-time funds is expected to create significant service level impacts in the Bureau of Human Resources

The Bureau of Human Resources (BHR) provides centralized support to City employees and employment processes. Over the past several years, the bureau has led the implementation of several high-profile initiatives that have had a direct impact on bureau workload and on Citywide employee compensation and personnel costs. Some of these efforts include:

- Implementation of **Oregon's Equal Pay Act (the "Equal Pay Act" or "Act")** which includes statistical analysis to determine employees' "justifiable wage." The Pay Equity law allows for only certain bonified factors to explain differences in pay for employees in the same classification. To ensure compliance with the law, BHR has taken a proactive role in determining what salary range can be offered to all employees upon hire or promotion. This includes investing in IT infrastructure, creating the Job Architectural Framework to identify work of comparable character, and building processes to support and operationalize the Equal Pay Act.
- Implement **Enterprise-wide Merit System, "**SuccessFactors," to create a citywide personnel evaluation process.
- Leading the city's efforts to implement **Oregon's Paid Family Medical Leave Act (PFMLA)** and **Washington's PFMLA.** This includes investing in technical and administrative changes required to comply with the laws.

In addition to managing the City's continued compliance with these high-profile initiatives, BHR has experienced increased calls for strategic leadership and management. For example, the bureau responded to the COVID-19 public health crisis and implemented facility and workplace COVID-19 safety policies and protocols, including the City's Vaccine Mandate. More recently, BHR was tasked with helping bureaus and City leadership to implement the Future of Work, including developing and conducting training for managers/supervisors, assessing exceptions and accommodations related to this new approach, and bargaining any impacts with labor unions.

The chart below illustrates that despite BHR's role implementing several citywide initiatives, many of which have ongoing service needs, the bureau's permanent position authority has remained relatively flat over the past several years. Like other General Fund-supported bureaus, BHR cannot address changing service needs that require additional personnel through rates or fee recovery models. Thus, in absence of additional ongoing General Fund resources, the bureau has received over $1.2 million in one-time General Fund resources to address new administrative and operational needs. A significant portion of these funds were used to hire limited term staff. In the current year budget, **approximately 24% of the bureau's total full-time equivalent staff, or 20 of 83 FTE, are funded with a one-time resource that expires at year end.** Of the 20



limited term positions, the bureau asserts that 17 FTE are funding ongoing service needs. The Mayor's FY 2023-24 Budget Guidance prohibited bureaus from requesting General Fund resources. To highlight the impact of the expiring one-time General Fund resources, a brief description of the scope of work for the 17 limited term positions and the anticipated service level impacts if ongoing funds or additional one-time funds are not allocated is outlined below. CBO notes that most of these positions, if funded, would have ongoing General Fund overhead implications as well.

- **Recruitment Support (7 FTE)**

Approximately $600,000 in one-time resources is expiring for 7.0 limited term positions who are supporting recruitment. Of the 7.0 LTE, 4.0 are funded with General Fund resources, 1.0 with ARPA resources, and 1.0 from an interagency with the Portland Bureau of Parks & Recreation. According to the BHR, if ongoing funds or additional one-time funds are not received, the number of staff supporting citywide recruitment in BHR would be reduced by half, from 12 FTE (6 limited term and 6 permanent) to 6 FTE. The Parks employee is not included as part of the 12 FTE as that position is working exclusively on Parks. Further, one of the citywide recruitment positions focuses on outreach and recruitment for Black, Indigenous People of Color for city careers and works with bureaus to be intentional about diversifying the workforce.

BHR tracks several performance metrics on recruitment cycle times. The current time to complete a non-casual recruitment is averaging 85 days this year, an improvement compared to last year which averaged 90 days. Other efficiency metrics such as average time to post and closing are also showing modest improvements over last year as well. Several internal and external factors can affect a team's performance that are not accounted for in the data. These factors include a recruiter's experience level, the proportion of hard to fill classifications in the recruiter's portfolio, the type of recruitment strategy needed, economic conditions, the employer's reputation, and whether the employer is in a period of growth or change. Considering these factors, the additional staff appear to have a positive impact on BHR's performance metrics, however, more analysis is needed on the recruitment volumes to better understand how much service levels would be impacted if funding is not provided next fiscal year. Additional information is also needed on the expiration of the Parks interagency with BHR.

- **Classification and Compensation (3 FTE)**

The bureau received approximately $436,000 in one-time General Fund resources in the current year for 3.0 limited term positions to support the Classification and Compensation team. These positions are supporting costing for labor negotiations, market studies, pay equity data modeling, performance data, and classification reviews/analyses. The Team is experiencing a significant increase in requests for pay equity reviews and classification and compensation studies. For example, the number of pay equity review requests increased from 344 in FY 2020 to 769 in FY 2022, a 124% increase over a two-year period. The team's classification and compensation study workload has also grown. The team conducted 8 studies in 2021 (calendar year), up from 4 in 2020 and 2 in 2019. The team completed 6 in 2022 and is projected to complete 5 this year.

The team has less than two years of performance metrics, therefore it is difficult to quantify the impact the additional staff are having on the team's performance metrics. CBO notes that data shared by the bureau shows that the team's workload has increased considerably, particularly the number of pay equity of reviews and requests for new classifications which require research and analysis.

- **Employee & Labor Relations (2 FTE)**

The bureau received ARPA and interagency resources to fund 1.0 limited term Administrative Specialist II and 1.0 limited term HR Analyst II. The interagency funded position is currently supporting the Fire Bureau's development of the Community Health Division and Portland Street Response. According to BHR, this work is expected to continue, however, the Fire Bureau is unable to continue to fund the interagency. The ARPA funded position supports the bureau's vaccine mandate attestations process. CBO recommends additional information is needed to understand the service level impacts of the expiring funds.

- **People & Culture (2 FTE)**

The bureau received ARPA funds for 2.0 limited term Human Resources Analyst III positions that will expire at the end of the fiscal year. The positions manage the "Together As One" Program which focuses on the collaboration with stakeholders to design culturally responsive approaches to implementing the vaccine mandate; working in collaboration with CAAN and Affinity groups to understand and the needs of employees and to work proactively to implement action items to improve the employee experience; deliver "Return to Work" training with managers/supervisors with HR team, collaborate with Occupational Health + Wellbeing team to provide Mental First Aid training for city staff, collaborate with WRT team so deliver Core Values training, Value Centric Leadership, Path to Leadership and NeoGov training. Without additional funding for these positions in FY 2023-24, BHR states that these programs will end. However, given the focus of the work, it is unclear why some of it could not be absorbed by existing staff.

- **Occupational Health and Wellness (1 FTE)**

BHR received FEMA resources to fund 6.0 limited term Medical Assistant to support the bureau's Occupational Health program. The bureau is using vacancy savings to keep 1.0 limited term Medical Assistant position on staff through year end. The bureau requested interagency resources via a decision package included in this review.

It is difficult to quantify the service level impacts of these expiring limited term positions if ongoing resources or additional one-time funds are not provided. Based on the qualitative and quantitative data available, CBO anticipates service level impacts on recruitment and pay equity cycle times if ongoing resources or additional one-time resources are not provided. Prior to the release of Budget Memo 3, CBO notes that BHR presented over $4.9 million in additional ongoing resources, including 20 permanent positions, to the Bureau's Budget Advisory Committee, a portion of which are positions currently funded with one-time resources. Since requests for new General Fund resources were prohibited these decision packages were not included in BHR's FY 2023-24 Requested Budget.

Financial Cliff Due to Programmatic Reliance on One-time Only Funds (CAO)

The Office of the Chief Administrator (CAO) in the Office of Management and Finance (OMF) has approximately $14 million of programing supported by one-time General Fund resources that will end when the resources are completely expended. Due to budget guidance, the bureau did not submit decision packages to extend these programs, and determination of a funding source for continuation will need to be identified in either the Spring Supplemental as carryover, or in later phases of the development of the FY 2023-24 Budget. In this section of the review CBO will discuss the programs where one-time resources are expiring and notate potential impact should new funding or internal reallocation of existing resources not be provided for future years.

Unified Communications

The FY 2022-23 Adopted budget includes $120,000 in one-time General Fund resources to fund Citywide communications assets, including the creation and translation of content that improves access to government services and crisis information, development of design templates that meet accessibility standards, and the provision of media and software subscriptions that are available across bureaus. This work is currently supported in FY 2022-23 on a one-time basis with program carryover from the FY 2021-22 OMF budget.

OMF reports that the Unified Communications Pilot launched in spring 2021 and is now fully operational, serving as the convener for communications teams across City bureaus to develop shared tools, resources and strategies. The Unified Communications Pilot team also operates new City of Portland social media channels, which serve as a primary communications platform for the City as a whole and are especially vital in sharing emergency and public health information with the public.

As of early February 2023, less than $5,000 has been spent because the team has focused on hiring and setting up work flow systems. The bureau states that with the recent onboarding of a Communications Resource Coordinator funded by OMF, the team is now prepared to begin activating projects that will draw from the allocated resources—including contracted photography to expand the City's visual assets, contracted design to produce accessible Citywide templates, and translation of core products into priority languages. These projects are projected to cost approximately $55,000, bringing the total projected spending for the current fiscal year to $60,000. The bureau would like to request to carry over the remaining $60,000 into FY 2023-24 to continue maintaining Citywide communications infrastructure and completing projects that have been identified at by the cross-bureau Unified Communications Steering Committee. Generally speaking, this follows past practice of bureaus requesting to carryover one-time project resources when the implementation splits fiscal years.

The Office of the CAO believes that Citywide communications resources are an ongoing need, particularly in light of the charter reform transition that is now underway. The Unified Communications Team projects an ongoing need for approximately $60,000 per year to maintain basic operations such as a social media management platform, access to stock photography and the ability to translate essential content. Additionally, the bureau has noted that it is a priority to identify ongoing funding for two positions (~$320,000) that are currently funded by the American Rescue Plan and set to expire at the end of FY 2023-24.

Due to the timing and spending of current one-time resources, CBO does not recommend allocation of ongoing resources in FY 2023-24, as the $60,000 that the bureau would like to carry over would be sufficient for the program next year, and the ARPA funded positions are also funded through the end of the next fiscal year. CBO does concur that there is likely ongoing need and benefit for centralizing the communications for the City. This service may benefit from the more holistic program evaluation currently underway as part of the transition to the new form of government due to voter approved changes in the City's Charter, and the ongoing resources for supporting the program may come through internal reallocations and not through new allocations of General Fund resources.

311 Program Night Shift

The FY 2022-23 Adopted Budget includes $521,814 in one-time General Fund resources for six limited-term positions to fund overnight shifts so that 311 Customer Service representatives are available during the overnight hours to help community members access local government information and services. These staff would provide information, referral, and customer service to community members during overnight hours via phone, email, and online forms. OMF believes that overnight operations will establish 311 as a reliable 24/7 phone number for non-emergency needs, allow for full migration of non-emergency calls from the Bureau of Emergency Communications (BOEC) to 311, and produce opportunities for consolidation of additional overnight customer service and dispatch functions.

If overnight operations are funded, the 311 Program anticipates fielding approximately 70,000 to 80,000 overnight calls per year (which equates to approximately 200-219 calls per day), primarily consisting of:

1) calls currently placed to 311 after hours – about 20,000 calls per year,

2) non-emergency, non-incident calls currently placed to the Public Safety Non-Emergency line and answered by BOEC call-takers – about 45,000 calls per year, and

3) reports of urgent traffic safety issues, sewer overflows, park safety issues, and tree hazards currently reported to the Portland Bureau of Transportation (PBOT) Maintenance Operations hotline and the Park Ranger hotline – about 10,000 calls per year. 311 is in initial planning with PBOT Maintenance to migrate call intake and triage functions to 311 in FY 2023-24 to provide more efficient services.

While the positions funded by the General Fund allocation have been created, given the uncertainty of ongoing funding, the 311 program managers have yet to recruit for the overnight positions due to the difficulty in hiring overnight staff for positions lasting only one year and the potential for public confusion if service is available for one year and then discontinued. Therefore, of the amount the program received for the night shift, OMF has indicated that none of the resources will be spent this year unless ongoing funding for the night shift is secured.

OMF rightly notes that whether or not to fund ongoing operations of a 311 overnight shift represents a policy choice for the City with impacts on both BOEC and PBOT call loads and staffing requirements, as well as community experience when contacting the City for non-emergency needs. Currently, non-emergency calls placed to BOEC at night are answered by 911 call-takers as a low priority, increasing the total call load on 911 call-takers. While non-emergency calls are currently handled by 911 call-takers, doing do means that highly skilled staff trained to handle emergencies are assisting the public with non-emergency or customer service issues. Also, since non-emergency calls are a low priority for BOEC, community members are often faced with long hold times or even automatic disconnects for non-emergency needs. OMF states that the 311 Program, which has a staff of trained customer service representatives and the capacity for additional calls, is better suited to assist community members with many non-emergency calls. Migrating night-time non-emergency calls to 311 would reduce non-emergency hold times, positively impact capacity at BOEC, and allow 911 operators to focus on emergencies.

OMF has indicated that the 311 Program has sufficient unspent resources from the current year to fund personnel costs for the currently approved 6.0 FTE overnight positions for both FY 2023-24 and FY 2024-25, but continued operations beyond that would require new ongoing funding. Some long-term resource needs could also be met through cost sharing partnerships with other bureaus, including PBOT and Portland Fire & Rescue, if 311 services are replacing the need for existing approved staff. CBO recommends that if this overnight program is to be resourced, then ongoing resources, either through a new General Fund allocation or a reallocation of current General Fund resources supporting the public safety systems, should be provided. CBO also recognizes that the 311 Program is currently funded through the allocation of General Fund Overhead resources, meaning the program is intended to be a benefit to City bureaus based on City Financial Policies. As such, CBO recommends the General Fund Overhead Committee have the opportunity to review the overnight program for compliance with FIN 2.08.02, however there will need to be additional time to collect data to inform this analysis, potentially one to two more fiscal years.

Enhanced Services District Coordinator

The FY 2022-23 Adopted Budget includes $170,000 in one-time resources to continue to support the limited term Enhanced Services District (ESD) Coordinator III position in FY 2022-23. The position was created in response to the 2020 ESD audit that found the City's program lacked oversight and transparency. The cost of the position is shared between the City ($86,846) and the existing ESDs ($83,154), which was negotiated as part of the contract renewal.

The City Auditor issued its second follow-up on the recommendations from its 2020 audit in early February 2023. In this second report, the Auditor Office stated that little progress had been made on its initial review of the ESDs. After the 2020 audit was released, City Council directed OMF to review the status and purpose of the ESD program with the goal of developing new City Code. At the one-year follow-up, in March 2022, OMF had hired a coordinator to review governance and oversight of the districts. This was consistent with the review counselled in the Auditor's first recommendation from the 2020 audit.

The ESD Coordinator expected to complete its review by September 2022 and make recommendations for changes to City Code and district agreements. However, by then, the coordinator no longer worked for the City. The review and recommendations have not been completed within the expected timeframe, and therefore, OMF has not recommended any changes to City Code. The position remains vacant as of the writing of this review. In September 2022, the City did ask each district leader to complete an environmental scan. OMF staff identified several issues based on this scan, and the Auditor's Office believes that these issues underscore the need for the review advocated in its recommendation.

The Auditor's Office made two other recommendations in the 2020 audit: 1) to revise the agreements between City and the ESDs to align with code changes, and 2) to develop processes for effective oversight of district agreements. The Auditor's Office notes that both of these depend upon the review stemming from its first recommendation.

OMF is projecting that approximately $44,000 of the original $170,000 will be spent this fiscal year. The limited-term position exists but is not currently filled, nor is a recruitment underway. OMF states that the need for the position is ongoing but a recruitment will not be undertaken if the position is not converted to ongoing. The bureau has indicated that the work of the ESD Coordinator will stop if further funding is not provided. CBO recognizes the bureau's desire to not incur ongoing expenses and further recommends the bureau consider a consulting contract with the remaining funds to finish the initial project, as this may inform any level of ongoing need from the City.

Public Environment Management Office (PEMO)

An Emergency Declaration to expedite post-pandemic recovery by coordinating efforts to clean public spaces was signed on May 11, 2022. The declaration approved establishment of the Public Environment Management Office (PEMO) and set the office's director as the Mayor's designee for the declaration. The budget for PEMO was created during the 2022 Fall Supplemental Budget utilizing General Fund one-time resources originally intended to support Citywide neighborhood coordination around trash abatement and for additional storage and hygiene solutions for several hundred unsanctioned camps. During the 2022 Fall Supplemental, four limited term positions were created, and program support and contracted service costs were budgeted.

OMF has listed the office's current year activities and accomplishments thus far, and these include:

- establishing a new intentional and cross-cutting office unit
- formation of City-wide problem solver dialogue and action across the city with business district leaders
- targeted clean up actions and neighborhood dumpster days
- addressing Portland Mall Management Inc. (PMMI) and Enhanced Services District concerns
- assistance to properties navigating the City's complaint and reporting system
- graffiti clean-up, reporting, and analytics
- site stabilization
- noise in the public right of way leadership and decisions
- right-of-way realm activation
- holiday lighting sponsorship, tree and street winter lighting safety and activation improvements
- streetcar and TriMet assistance in cleaning City areas and lighting enhancements
- City events like the Rose Festival, marathons, the Lunar New Year cleaning and safety proactive work
- focused area cleans in Old Town/Chinatown, downtown, and the Central Eastside Industrial District

PEMO's FY 2022-23 Revised budget is currently $5,050,000, with $5.1 million in one-time General Fund discretionary resources transferred to the Facilities Services Fund in FY 2021-22 and carried over to FY 2022-23 in the Fall Supplemental and net of other budgetary actions in the Fall Supplemental:

- the addition of a one-time $100,000 Metro grant for graffiti removal;
- a transfer of $250,000 to Special Appropriations to be utilized by the Central Eastside Industrial Coalition for graffiti removal;
- a transfer of $100,000 to Special Appropriations to be utilized by the Pacific Northwest College of Art for economic recovery efforts;
- the addition of $300,000 of additional one-time General Fund resources for Citywide Business District, Parks & Neighborhood Street and Tree Lighting.

The office's FY 2023-24 Requested Budget assumes all but $1,252,225 of the original $5.1 million will be spent this fiscal year and carried over to FY 2023-24. OMF states that this $1,252,225 will cover the fixed costs of the program (salaries and benefits of five limited term positions and their associated materials & services support costs) but would not fund any program activities. The bureau will continue to update this carryover amount in the Proposed, Adopted, and Fall Supplemental phases of the FY 2023-24 budget based on spending during the next several months. OMF indicates that a budget of $5 million to $7 million next year will allow results similar to, but more than, this fiscal year as the start-up costs for the office was a one-time need. The Office of Management and Finance has been allocated $21.0 million of one-time and ongoing resources between PEMO and Impact Reduction Program (see below). There is possibly program overlap in these programs, and pending decisions for clean-up criteria and levels of service, the two entities may recognize better coordination and efficiency. OMF contends, though, that while some outcomes may be similar (trash clean up, derelict vehicle removal), the programs' emphases are distinct; the IRP team is on point and responds to all camp-related postings and clean-ups, while PEMO responds to business districts' and property owners' comprehensive public realm issues. Clean-up levels of service may be better coordinated between the two entities. Furthermore, as the City is conducting service area and program evaluations during the transition of the form of government, these two programs could be reconciled with other like or similar services for public realm management to organize around a more sustainable funding and response model.

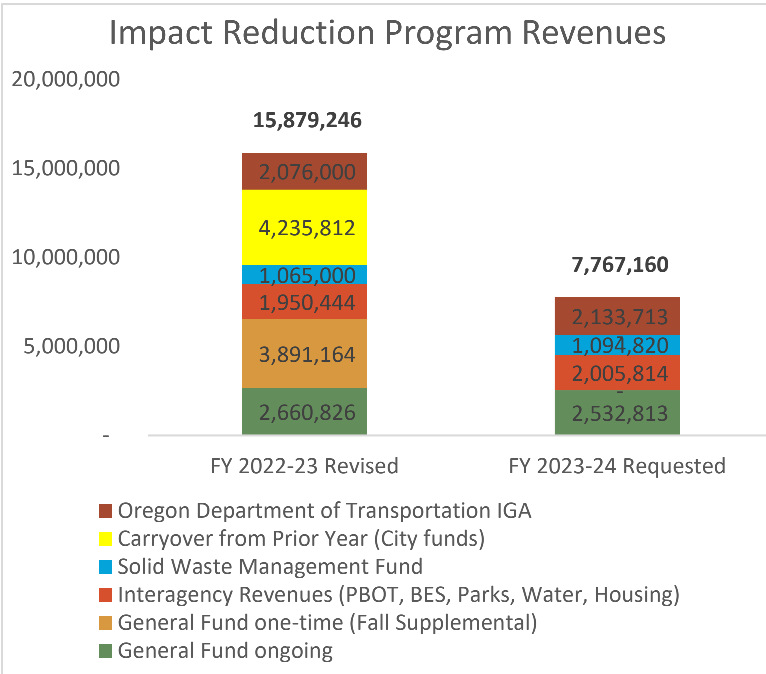
Impact Reduction Program

The City's Impact Reduction Program (IRP) is responsible for coordinating cleanup/abatement of unsanctioned campsites on City and Oregon Department of Transportation (ODOT) owned properties/rights-of-way within the city of Portland while managing the City's One Point of Contact campsite reporting system. IRP develops and implements harm/impact reduction strategies in addition to coordinating services with other agencies and jurisdictions within the Portland Metro area.

The program started the current fiscal year with an Adopted Budget of $12.0 million, of which almost $7.8 million is funded with ongoing General Fund and interagency resources, and $2.1 million, also ongoing, from ODOT. One-time resources of $4.2 million from various City sources were carried over from the prior year and made up the one-time component of the Adopted Budget. Due to a ramp-up in the number of crews and the subsequent realization that spending at year-end would exceed the budget, additional one-time resources ($3.9 million) from the General Fund were allocated during the Fall Supplemental for a total Revised Budget of $15.9 million.

During the Fall Supplemental budget process, the program projected that it would spend about $1.258 million each month for the rest of the fiscal year based on how much it was spending in October. However, based on a review of fiscal year-to-date expenses and vendor payments, OMF now projects the monthly spend rate to be between $1.276 million to $1.435 million each month for the rest of the year. The bureau notes that actual spending for the first half of the fiscal year (July to December) was less due to a ramping up of contractor services. The bureau's range for the rate of spending is based on two approaches for the level of clean-ups, with the low end based on an average for the last three months, and the upper range based on the highest two-week period for each bureau in the last three months.

OMF indicates that its projection for spending on clean-ups each month for the rest of the year reflects the full utilization of contracted services each month. If the spending rate ends up on the low end of the range ($1.276 million each month), the program may be able to carry over about $946,000 into FY 2023-24, but at the high end ($1.435 million each month), the carryover may be only $74,000. The bureau states that this year the program intends to fully bill the other bureaus for the budgeted amounts of their funding commitment.



As shown in the graph, the program's Requested Budget for next year is $7.8 million, similar to the current year's ongoing component. Assuming that spending next year will be similar to the second half of the current year's, additional funding of between $9,686,000 and $11,594,000 is needed based on the spending rates discussed above. If no additional resources are provided, the City would reduce the number of crews, resulting in slower rates of clean-ups. Alternatively, because the program works on bureau-owned properties and right-of-ways, it is possible for the program's General Fund supported portion of its budget to be fully paid for through interagency agreements with the affected bureaus. OMF would need a way to allocate program management and program activities costs to each of the bureaus, which is similar to the Intergovernmental Agreement for these services on property owned by ODOT. However, the bureau's current practice is based on the use of General Fund and Solid Waste Management Fund support for the IRP because the City wants the work done centrally and not at the discretion of whether the bureaus want to fund it or not. Clear policy direction on the expected level of clean-ups for all property, regardless of bureau ownership would clarify the expectations and potentially provide additional resources to match the desired service levels.

Monthly spend rate	$1.276 million	$1.435 million
Basis	Average for last 3 months	Highest two-week period for each bureau (last 3 months)
Possible Carryover into FY 23-24	$946,000	$74,000
Additional Resources Needed in FY 23-24	$9,686,000	$11,594,000

Multnomah County and Integrated Tax System Cost Sharing

The City provides tax collection services for both City revenue streams and for other jurisdictions such as Metro and Multnomah County through the Integrated Tax System (ITS) that went live in September 2020. Significant costs to support operations and debt service of the ITS system are included in the established Intergovernmental Agreements (IGAs) with the partner jurisdictions who are expected to pay for a portion of the total system's costs. With new tax collection services for other jurisdictions added to the ITS cost sharing model, such as the

Metro Supportive Housing Services tax and Multnomah County's Preschool For All tax, the costs to the City's General Fund should ideally decrease as the total costs are spread out to more payers.

The Revenue Division notes that the City's General Fund is already realizing savings from debt service associated with the base implementation of the system because the debt service has been spread over more payers. With all of the base payers, the allocated General Fund debt service payment is currently about $286,000 each year, which is $205,000 per year less than if the Metro and County taxes are excluded, over the life of the ten-year debt. This equates to a total savings of $2.1 million over the lifetime of the debt. However, for the non-debt portions of the total costs, BRFS indicates that the model needs three years of revenue data for the newly collected taxes before the other partners and the City's General Fund will see a benefit of a cost reduction due to the spreading of the costs. As the two new taxes started collection in FY 2020-21, a true-up calculation for any increase or excess allocation will be first captured in the FY 2023-24 budget cycle and will continue each year thereafter. The bureau states that how the changes in revenues and expenses for either Metro or the County will affect the City's General Fund's share of ITS costs cannot be predicted at this moment as there has not been three years of collection for the new taxes.

The initial CAL amount of $1,803,697 devoted to the City's share of ITS costs was approved during the Fall Supplemental of FY 2019-20. Since then, the amount was adjusted during the FY 2020-21 Fall Supplemental by a reduction of $68,398 to account for the inclusion of the Metro Supportive Housing Tax into the model. Two years ago, due to a true-up which indicated that the City's proportion of actual collected revenues increased relative to other jurisdictions', the cost sharing model issued in March 2021 actually showed a $204,767 increase to the General Fund which was funded in FY 2021-22 by one-time resources allocated during the Fall Supplemental of 2021 as well as an ongoing CAL adjustment for future years. During the FY 2022-23 budget development process, BRFS was allocated $100,198 in General Fund resources, along with funding from other jurisdictions, to add five new positions for data analysis and reporting. The bureau had indicated then that the model would be updated to include the additional pool costs and allocations to partners.

The cost allocation model was most recently updated at the beginning of the current fiscal year (July 2022). OMF's CAL for the City's share of ITS costs is currently $1,939,996. CBO continues to work with OMF to determine the amount of General Fund resources that should be devoted to the Revenue Collection program, including resources for ITS, and recommends that OMF leadership regularly keep Council and the CBO apprised of any findings regarding the program's finances.

Per the terms of an IGA for business tax collection services, Multnomah County is currently estimated to pay the City $1.1 million per year for ten years starting in FY 2021-22 (for the FY 2020-21 collection) in allocated ITS costs for business income tax collection services, based on the proportion of the County's Business License Tax revenues collected on the platform. Certain collection categories outlined in the IGA form a $4.1 million baseline referenced in the IGA, with collections above that amount for those categories going to the City until the County's ITS costs are repaid over a ten-year horizon. Under the IGA, the County does not have to pay in any given year the revenue threshold is not met. If County collections do not come in sufficiently above baseline to support its $1.1 million obligation for ITS costs, the Revenue Division may have insufficient resources to cover known expenses, and the County may never actually be required to fund their proportional share of system costs. However, if the revenue threshold is exceeded by a large amount, the County must pay the full amount of that excess up to the maximum compensation of $11.0 million. The Revenue Division has substantially completed a technical memorandum with the County documenting precisely how funds in the collection categories will be counted but has not yet presented it to the County.

BRFS has stated that the consequence of the County choosing not to pay is that the Revenue Division would use the upgrade set-aside portion of the ITS cost allocation to pay the County's allocated share on a one-time basis. However, BRFS reports that has not happened so far because the County has paid its full obligation for all years. For the current year, the bureau has indicated that it expects a large payment from the County since collections are already more than $3.0 million above the baseline as of January 2023, and it projects additional revenues above the baseline are expected as the year progresses. The bureau believes that the outlook is that this trend will continue, and the County will continue to pay its full share.

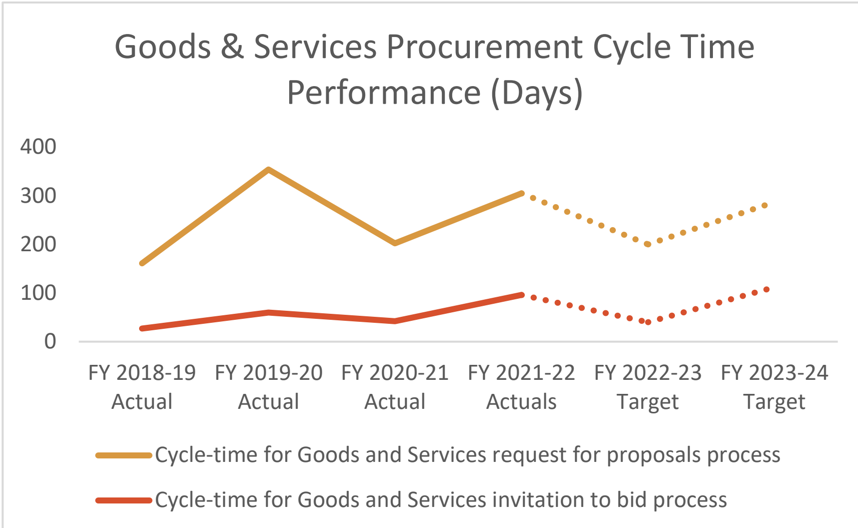
CBO recommends that the Revenue Division continue to closely monitor County collections across these baseline categories, as under-collection in the future may cause budgetary issues within the division. Prior assessments have concluded that the risks would be greater in the early years of the ten-year agreement, since the division may have sufficient reserves in later years from the soft cost collections for a system refresh set-aside that it could self-fund a deficit deriving from under-collection from the County.

Increased Resources for Goods & Services Procurement and Effects on Cycle Times

During the FY 2022-23 budget development process, CBO explored the possible connection between longer Procurement cycle times and the lack of adequate staffing. To explore whether there is a correlation between workload per working staff and cycle times, an analysis of workload, staffing, and cycle times data was conducted. This analysis did not show the expected correlations (i.e., longer cycle times should be correlated with a higher workload per staff, while shorter cycle times would be associated with a lower workload per staff), but the study was limited by having only two years' worth of data (FY 2019-20 and FY 2020-21).

As a part of the FY 2021-22 Fall Supplemental Budget process, Procurement was allocated $250,000 of General Fund one-time resources for three limited term positions lasting five months to help the Goods & Services (G&S) division improve its cycle times, and the bureau subsequently carried over $85,000 of the amount into FY 2022-23. The FY 2022-23 Adopted Budget also includes an additional $417,000 in one-time General Fund discretionary resources to continue the effort into the current year. These resources, along with $136,043 in one-time General Fund resources appropriated during the current year's Fall Supplemental, brings the total amount of General Fund one-time resources intended to address G&S Procurement turnaround times in the FY 2022-23 Revised Budget to $638,043. Furthermore, the division's CAL target (an increase in ongoing General Fund resources) was supplemented by $235,202 starting next year to fund two additional permanent Procurement Specialists in order to help improve turnaround times. OMF notes that the $136,043 appropriated in the Fall Supplemental of this fiscal year is a prorated allocation for this year that, along with the CAL adjustment in FY 2023-24, will be funding the two Procurement Specialists on an ongoing basis. Despite the allocation of additional ongoing resources starting next year, Procurement states that it anticipates eventually spending the entirety of the current year's one-time resources. The division intends to use the $502,000 in the current year Adopted Budget to fund two limited-term positions for two years, with the positions expiring in August 2024, and so it will request to carryover $250,000 during the Spring Supplemental in order to fund the positions in FY 2023-24.

Procurement contends that the devotion of additional resources has resulted in improved cycle times for Goods & Services. It notes that prior to August 2022, the division's new project demand required an average of 4.0 FTEs to complete, but starting in August, new bureau projects demanded over 7.0 FTEs to complete. OMF states that in August, based on new project workload, Procurement was operating at a 6.0 FTE deficit, and that cumulative demand required 17.0 FTEs to complete while there were only 11.0 trained FTEs completing work. The division placed an emphasis on promoting junior staff, such as interns, to full time Procurement Specialists using the additional funding allocations to improve G&S overall performance. It states that the procurement backlog has been significantly reduced since September, and number of projects over 90 days have been reduced substantially as well. The division believes that even as the number of projects have increased, cycle time has not increased. The Goods and Services program has also improved the average time to assign projects to Procurement Specialists by 25%.



Aside from the number of personnel, the main factors Procurement has identified in its strategic plan that contribute to extended cycle times are lack of role & process clarity, and technology limitations. The division states that it is difficult, especially within current systems, to quantitatively attribute how each of these factors are contributing to the cycle time, since cycle time is an aggregate measure of the entire start-to-finish process. The division contends that it has made significant progress over the past year and a half towards improving these turnaround times, and initial data may support the expected outcomes as reported by Procurement. Regarding role and process clarity, the division is creating online resources that more clearly define roles, responsibilities, process requirements, and desk procedures for all staff involved in the City's procurement process, and this project is estimated to be completed in July 2023. The division intends to use those resources as a foundation from which to develop a curriculum and establish online training modules for City and bureau procurement personnel. Regarding technology, BRFS and BTS have agreed to prioritize the implementation of SAP's Ariba functionality which should provide the City with improved workflow, integration, automation, and transparency in procurement, contracting, and supplier management processes.

Moving forward, CBO notes that it will be difficult to compare prior years' cycle time data with those from the current year and future years for at least a couple of Procurement's performance measures. Targets for most of the five cycle time performance measures are increasing between FY 2022-23 and FY 2023-24, but two of the measures - Cycle-times for Goods and Services requests for proposals process and for Goods & Services invitation to bid process – will only include data for those projects that are considered complex or above the formal threshold starting in FY 2022-23. For those measures which the definitions of what is being measured is being changed, CBO recommends that the division create new measures so that adequate comparisons with prior years will not be an issue.

Blended Rate Update

Council authorized the establishment of an equalized rate for downtown office space in October 2015, via Resolution 37159, to be implemented in FY 2020-21. The goal of establishing an equalized, or blended, rate was to provide greater cost certainty to bureaus. At that time, the rate per square foot for City-occupied office space varied from $13.83 to $34.28, depending on the location, cost for maintenance, and whether the rate included debt service. The cost per square foot is far higher than market leased rates for office space in Portland's central business district. As of the end of 2022, market leasing rates for stood at $27 per square foot, whereas the FY2023-24 blended-rate came in at just over $50 per square foot.

Absent a blended rate, City staff were concerned bureau tenants in the Portland Building would be dissuaded from returning if the per square foot cost included the full cost of project debt service. In response to that concern, OMF developed a blended rate model for office buildings in the downtown core. The blended rate is essentially a fixed charge for bureaus; absent reducing square footage through expired leases or adding tenants to blended rate space, bureaus cannot reduce the cost of space.

Since the return to work, many bureaus are looking to adapt to their office space. In the past, bureaus have funded tenant improvements within their own resources (General Fund bureaus often request new resources).

However, if a bureau in the blended rate wants to change their existing footprint, move locations within the blended rate, or move into the blended rate, absent documented policies and procedures it is unclear whether the blended rate would allocate the tenant costs to other blended rate bureaus or the bureau making the change would need to absorb the cost.

Currently, there are no formal policies regarding services or service levels provided via the blended rate, including when additional debt can be taken out, and financed by the blended rate. Absent these policies, costs are likely to change in inconsistent ways in the coming years without a governance structure in place around the blended rate. Facilities indicated that they are working on a handbook on blended rate service levels and policies over the next six months. CBO recommends that OMF convene a workgroup to review the handbook and to receive feedback on the draft service levels and policies. OMF should also consider establishing a blended rate model committee, like the General Fund Overhead Model Committee, to help govern this rate pool. Having this conversation in the near-term will help ensure that future increases to the blended rate are logically consistent, transparent, and appropriately disperse costs across tenant bureaus.

CityFleet Updated Fuel Rate

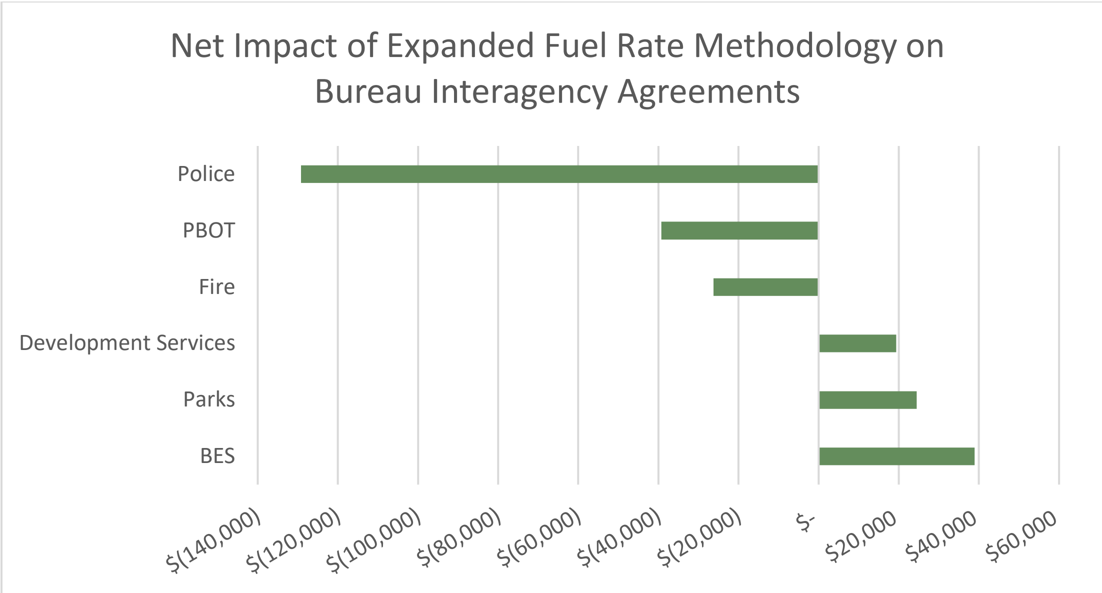
Starting in FY 2023-24, CityFleet will introduce an updated fuel rate to accommodate Portland's ongoing conversion to a GreenFleet, which will see CityFleet's internal combustion engine (ICE) vehicles replaced with electric vehicles (EVs). The rationale for updating the fuel rate methodology centers on the cost recovery of debt service related fueling infrastructure for different vehicle types, namely liquid fuel for ICEs versus kilowatt hours (kWh) for electric EVs.

Historically, CityFleet has recovered operating costs and debt service associated with liquid fuel by spreading these costs over the gallons of liquid fuel consumed each year by bureaus. Historically, this methodology used two allocation methods to recover costs, a combination of straight charges for fuel station debt service and a markup for operating costs. While CityFleet could develop a similar "fuel rate" for EVs and run concurrent fuel rate collections for ICEs and EVs, they would prefer to not separate the rate structures for liquid versus EV kWh due to a high potential for stranded costs on remaining debt service for liquid fuel infrastructure. CityFleet estimates full conversion from ICEs to EVs will occur by 2039.

Accordingly, the new fuel rate methodology includes the following changes:

- Pools all "fueling" debt service (ICE & EV) and operating costs and adds to the fuel rate revenue requirement.
- Changes cost allocation method from gallons to inventory units (i.e., a per vehicle rate). This change is needed as EV "fueling" is not done by gallons but kWh, which results in a base rate of $305/unit which bureaus will pay for each vehicle in their fleet inventory.
- Passes liquid fuel costs through to ICE users, while EV "fuel" is passed through to users via their electric bill.

Notably, while the impact of the expanded fuel rate methodology does not alter the total cost of the CityFleet fueling program, the impact does vary across bureaus, with some paying less and others paying more for fuel in FY 2023-24 as compared to previous fuel rate methodology. The expanded fuel rate methodology reduces costs for bureaus that incur high vehicle usage, such as Police, who consume greater amounts of liquid fuel due to the nature of their work. Whereas Police and other high mileage fleet users would formerly have incurred a larger share of debt service and operating costs through the old methodology because of their outsized fuel usage, the decision to spread these costs over bureaus' fleet inventory in the updated methodology ultimately decreases costs for the fuel debt service payments previously paid by high mileage fleet users. Conversely, bureaus that hold fleet inventory yet have lower fuel needs (i.e., BES, Parks) incur an increase in their CityFleet IA due to the new methodology. The net impact on bureau IAs can be seen below, with the chart showing bureaus with the largest IA changes at both ends, i.e., the largest net reductions and net increases between new versus old methodologies.



In addition to the updated fuel rate methodology, DAM has put forward a decision package in their Requested Budget for EV infrastructure including the addition of 1.0 FTE that will support CityFleet's expanded fuel program. The associated costs for these items will be discussed in the next section for decision package impacts and recommendations.

Financial Cliff Due to Programmatic Reliance on One-time Only Funds (BRFS)

Revenue Division Tax Programs

The Adopted Budget includes $445,198 in General Fund one-time resources for 4.6 FTEs in the Revenue Division. Three of the positions, costing $345,000, are dedicated to responding to an increase in the number of business tax accounts, and these positions should have a positive return-on-investment for the General Fund. CBO notes that these three positions were also authorized as limited term and funded by one-time resources for three prior fiscal years and therefore, the appropriation in the Adopted Budget continued the serial one-time funding of this ongoing need. The rest of the FTEs (1.6), funded by $100,198 of one-time General Fund discretionary resources, were budgeted through the Integrated Tax System (ITS) cost allocation model shared by all jurisdictions and agencies with revenue programs administered in ITS and were added for maintenance and support of the system.

BRFS currently projects that all of the General Fund one-time resources will be spent this year. The division states that if these positions are not continued, the City will lose tax revenue because staffing will be insufficient to effectively maximize City revenue, and the estimated return on investment (ROI), i.e. preserved General Fund enforcement revenue, is $1.3 million (the estimate was $1.0 million last year during the FY 2022-23 budget development process). The Revenue Division's ROI methodology is based on current year budgeted Business License Tax revenue, assuming that half of the revenue comes from large businesses that are generally compliant and therefore, not sensitive to staffing levels. The remaining 50% of revenue comes from smaller businesses, and 1.0 FTE results in 0.5% of compliance. BRFS states that this the same methodology that Revenue has used for a number of years.

BRFS asserts that the Revenue Division enforcement revenue ROI methodology was reviewed by outside consultants a number of years ago at the request of CBO and was found to be sound and likely under-reporting enforcement revenue. The methodology has not changed, and enforcement revenues have been tracked each year. However, in CBO's review of OMF's FY 2017-18 Requested Budget, the office examined an audit performed by outside consultant Intellibridge in 2010, which confirmed that marginal Revenue & Tax Specialist positions in the Revenue Division created a net positive ROI of at least 2:1. The audit looked at seven positions back in 2010, and CBO found that while there was clearly a positive ROI on the seven positions studied, the report does not assert that this 2:1 ROI could be assumed in perpetuity, nor be used as a general rule for returns on additional RTS positions in the Revenue Division. As the methodology review took place 13 years ago, CBO recommends that it be updated on a more routine basis, similar to the rate methodology reviews in the OMF Internal Service Funds.

Bonding and Technical Assistance

The FY 2022-23 Adopted Budget includes $185,000 in one-time General Fund discretionary resources and 1.0 FTE to pilot a Bonding and Technical Assistance program in the Procurement Division. The position will develop the program and execute a contract for bond program education and technical services to disadvantaged, small, and minority firms, as well as design and implement a revolving loan program to provide direct assistance to firms and the collateral needed for the City to support partial performance and payment bonds required of the construction contractors participating in the program. In addition, the effort was allocated $1.0 million in American Rescue Plan Act (ARPA) funding for a technical assistance contract ($300,000) and the revolving loan portions ($700,000) of this Bonding and Technical Assistance program.

BRFS has stated that this program is necessary to respond to the systemic and institutional barriers that impede contracting access and the opportunity for smaller diverse firms to bid on and win contracts because finance and surety services have often been out of reach for businesses owned by Black, Indigenous, and other people of color and women. The bureau believes that one of the tools to address these challenges is a bonding assistance program designed to help small contractors obtain bid, payment, and performance bonds and increase bonding capacity.

As of mid-February 2023, the position has not been hired, but BRFS anticipates that recruitment may be completed sometime during the spring. The Analyst II will be tasked with facilitating the process to develop and finalize all program component requirements, engage and solicit partners that will support implementation of a program that services the needs of the City's contracting community, and identify ongoing funding sources to sustain the program. Procurement anticipates using at least 50% of the allocated General Fund resources in the current year and likely carrying over the rest into the next fiscal year.

The division states that a program designed to help firms owned by BIPOC, and women-owned firms increase their bonding capacity to successfully compete and be awarded City contracts, and that will be measured against its impact in the local contracting community, needs to be running for a minimum of three years, and extended an additional two years provided program goals and other contract requirements have been successfully executed. Furthermore, Procurement believes that the ARPA funds allocated for the program will not cover anticipated ongoing program costs. If no additional General Fund resources are allocated for this program in FY 2023-24, Procurement states that it will continue to collaborate with external community partners, internal bureau stakeholders, the offices of elected officials, and the Office of Government Relations to identify, apply for, and secure eligible funding sources to cover future program costs. Procurement may also seek joint partnerships/Memorandums of Understanding with other local governmental agencies to properly fund the program. The division has also indicated the possibility of another scenario in which the technical assistance components of the program might end, but the City may be able to continue to administer the revolving loan pool. Pursuit of this option would require further analysis and stakeholder vetting to determine whether decoupling these two components of the revolving loan fund and the technical assistance would be an effective investment.

Although the program may ultimately be ongoing, CBO notes that allocating ongoing resources to the effort starting in FY 2023-24 is not urgent, as the position has not yet been hired, and there is currently intention to carryover some of the $185,000 originally allocated into the next year. As the activities associated with the program have been shown to be effective in other jurisdictions and the effort should further the City's equity goals, CBO recommends that the pilot effort be allowed to run its course in FY 2023-24 and its outcomes evaluated before the City decides to devote additional resources.

DECISION PACKAGE ANALYSIS

BHR-Occupational Health Software

MF_14797, $85,000, 0.00 FTE

Request Summary

This request is for $85,000 in additional interagency resources to cover the estimated ongoing costs for an occupational health software system. One-time funds for purchasing the software system are funded with ARPA resources. Customer bureaus that would be subject to the rate increase are the Water Bureau, PBOT, the Police Bureau, Parks, OMF, BES, and Development Services.

CBO Analysis

The Bureau of Human Resources received ARPA resources to purchase an occupational health software system to improve access to occupational health services for employees at the city. The $85,000 request for ongoing IA resources is the estimated ongoing costs as the RFP has not been released. Additionally, CBO noted the ongoing financial implications of BHR's ARPA request for one-time resources to purchase the occupational health software in a previous analysis. However, BHR asserts that without ongoing resources, the bureau is unlikely to purchase the software system.

Depending on the OSHA program, compliance is the responsibility of either the bureau or centrally through BHR. BHR is responsible for the city's compliance of OHSA programs where BHR's Occupational Health Nurse Practitioner is needed to provide medical certification, a medical opinion, furnish medical supplies or drugs, order tests and interpret results. The Fire Bureau is an exception to this as the bureau has their own medical director and nurse since paramedics are healthcare providers and have different OSHA compliance programs which they manage themselves. Other OSHA programs do not require centralized tracking or a healthcare provider, so those are handled at the bureau level.

The bureau asserts that this software will help to streamline and centralize data collection and reporting at the city for the OSHA programs that BHR oversees. At present, this work is done through a paper process that requires data entry into a software system with poor reporting capabilities. A separate request for a medical assistant position would help to implement this software, which would include training bureaus on how to use the software. The bureau asserts that investing in this software will help the city's efforts to comply with OHSA and improve employee satisfaction.

Given the significant number of competing OMF requests for interagency resources from customer bureaus, CBO does not recommend this package at this time. If the bureau moves forward with the RFP and the ongoing costs end up being lower than anticipated, CBO recommends BHR consider reallocating existing resources to support this work.

CBO Recommendation: $0 | 0.00 FTE

MF_14798, $115,800, 1.00 FTE

Request Summary

This request is for $115,000 in additional ongoing interagency resources for 1.0 Medical Assistant FTE to provide ongoing support for BHR's Occupational Health program. The requested rate increase would impact the following customer bureaus: Water Bureau, PBOT, the Police Bureau, Parks, OMF, BES, and Development Services. The costs were allocated based on customer bureaus' use of the occupational health services in 2022. If approved, the rate model will be adjusted to incorporate additional bureaus as needed.

CBO Analysis

This position is currently filled on a limited term basis and funded with vacancy savings through year end. The position was previously funded with FEMA resources until they expired in December 2022. Vacancy savings are funding the position through June 2023. The Medical Assistant is currently supporting BHR's Wellbeing & Occupational Health program. The Wellbeing & Occupational Health program is supported by 2.0 permanent positions, including a Nurse Practitioner and a Well-Being coordinator. The Well-Being Coordinator was added in FY 2019-2020 as a limited term position and made permanent in the current year budget.

The bureau asserts that a permanent medical assistant position would provide the bureau with additional capacity to support occupational health services such as safety programs, vaccinations, exposure incident management, and support for implementing the bureau's occupational health care system. If the software is purchased and ongoing funds are identified, compliance with OSHA mandated programs and staff well-being are expected to improve as employees can access services and information on-site through newly acquired software. BHR indicated that if the position is not funded, the City's Occupational Health nurse practitioner will have less support, and they may rely more on contracted providers to address some service needs.

Given the significant number of competing OMF requests for interagency resources from customer bureau that have significant legal and financial implications, CBO does not recommend this position at this time.

CBO Recommendation: $0 | 0.00 FTE

DP 14802: CityFleet Greening Infrastructure

DP: 14802, $2,548,000, 1 FTE

Request Summary

This request allows CityFleet to recover "make-ready" infrastructure costs from customer bureaus transitioning to EVs and adds 1.0 FTE to manage the expansion of CityFleet's fueling program. This request relates to two components required to support EV charging the City's fleet. The first of these are charging stations, which represent the physical location for charging vehicles and components that "plugs-in". At present, the City contracts with a third-party vendor for the installation maintenance and operation of charging stations. The contract with this third-party vendor is the current mechanism by which bureaus pay a Charging as a Service (CaaS) subscription fee. The second item is referred to as "make ready" infrastructure, which establishes the physical connection between EV charging stations and the electrical grid, inclusive of meter installation, electrical panels, transformers, and switchgears. The addition of make ready infrastructure represents a one-time, upfront capital cost associated with the expansion of EV infrastructure.

As bureaus transition to EVs, CityFleet estimates the one-time make ready infrastructure costs will amount to roughly $4.95 million over the next 7 years. To fund this, CityFleet intends to seek debt financing through the City's Debt Management division in OMF. This process will establish a line of credit to pay for the initial upfront costs and the associated debt service on that line of credit would then be repaid by EV program participants. Functionally, bureaus would experience this as a pass-through cost to bring EV infrastructure online via their per unit fuel rate include in IAs. The addition of 1.0 FTE CityFleet would be paid for by all fleet customers on the same per unit basis used by the expanded fuel methodology. The FY 2023-24 impact on bureau interagency rates is $432,649 and increases in subsequent years as more bureaus bring EV infrastructure online and convert their existing fleet inventory from ICEs to EVs.

CBO Analysis

While the submitted decision package includes line-items totaling almost $2.6 million, the reality of the request's financing is more complex, with the decision package's line-item total overstating near-term cost implications for FY 2023-24 while understating long-term cost implications. The CBO analysis will break this decision package into its component parts (debt financing and operations) illustrating the impact of the transition to electric vehicles at the City.

Debt Financing Proposal

This proposal as offered in the requested budget relies upon debt financing to provide up-front resources for the capital improvements associated with make ready infrastructure. To cover the capital costs associated with the first of the investments in EV infrastructure, CityFleet plans to work with OMF Debt Management to take out Line of Credit (LOC) totaling $4.95 million, with an assumed 5% interest rate. The size of this LOC is determined by the timing for GreenFleet transition. As existing ICE inventory reaches the end of its useful life, CityFleet has forecasted when bringing EVs online become the more cost-effective option for bureaus.

The rationale for taking out a LOC rather than pursuing a different debt instrument is that it allows Fleet to draw funds on an as-needed basis rather than having a fixed cost associated with an upfront bond issuance option. The desired path of an LOC is advantageous as there is some uncertainty in timing and bureaus inventory needs related to the City's transition to EV vehicles. There also are potential utility incentives and Federal grants that CityFleet may obtain which if awarded, would ultimately reduce the cost of bringing EV infrastructure online and present a scenario where the funding requirements would be less than the $4.95 million LOC. At the end of the EV infrastructure program, Fleet will work with OMF to retire this credit debt with bonds, effectively swapping out one debt tool for a more cost-effective option until the total project expense is fully recovered. This same strategy was recently used for the replacement of liquid fuel tanks, where unknown site conditions provided uncertainty in timeline and costs, and the agency had flexibility in the financing options to allow project managers to adjust strategy while in progress.

Within this request, the decision package includes line items of $2.1 million for capital outlay expenses and bond & note proceed revenues. These figures represent a draw on the line of credit for the build out of make-ready infrastructure for PBOT, Water, Parks, and BES in FY 2023-24 and will result in debt service of $288,070 in to be recovered through those same bureaus' IAs. As more bureau's receive make-ready buildouts, total debt service costs will increase, ultimately reaching $597k per year by FY 2028-29, likewise recovered through participating bureaus' IAs. Fleet notes that bureaus with make-ready coming online have signed off on this arrangement and do not have concerns with the transition process and costs for EV infrastructure.

As bureaus transition to EVs, they also start to pay CaaS subscription fees to OpConnect, the third-party provider who the City has agreed to contract with to install, maintain, and operate charging stations. Accordingly, total CaaS expenses will likewise gradually increase, rising from $97,000 in FY 2023-24 to $530,000 by FY 2031-32. The forecasted schedule of the combined increase in credit debt service and CaaS costs paid by bureaus is detailed in the table below. After FY 2031-32, bureaus will still pay CaaS contract fees while the credit line debt service will be diminished by the bond retire and ultimately phase out completely.

Totals for Line of Credit Debt Service & OpConnect Contracts (CaaS)

Year	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32
Parks	$ 88,717	$ 123,463	$ 128,541	$ 133,293	$ 132,812	$ 129,919	$ 130,638	$ 130,263	$ 132,087
BES	$ 99,844	$ 132,051	$ 139,044	$ 148,446	$ 155,232	$ 159,557	$ 162,954	$ 164,698	$ 171,006
Water	$ 79,483	$ 108,645	$ 126,300	$ 147,464	$ 157,998	$ 164,136	$ 170,789	$ 173,325	$ 177,359
PBOT	$ 105,357	$ 134,421	$ 149,893	$ 170,390	$ 175,176	$ 176,340	$ 179,398	$ 183,376	$ 180,281
Police	$ -	$ -	$ 79,820	$ 116,557	$ 164,195	$ 177,638	$ 194,939	$ 205,800	$ 216,731
BDS	$ -	$ -	$ -	$ -	$ -	$ 120,093	$ 138,512	$ 156,230	$ 172,420
Fire	$ -	$ -	$ -	$ -	$ -	$ 59,635	$ 63,943	$ 66,649	$ 65,953
CityFleet	$ 11,392	$ 11,392	$ 11,392	$ 11,392	$ 11,392	$ 11,392	$ 11,392	$ 11,392	$ 11,392
Total	$ 384,794	$ 509,973	$ 634,991	$ 727,543	$ 796,805	$ 998,709	$ 1,052,565	$ 1,091,733	$ 1,127,229

Additional Staff For EV Support

Included in this decision package is a request to add 1.0 FTE supported by rates as charged to City bureaus. At present, CityFleet is utilizing existing resources to support the start-up of EV at the city, and to continue the transition the bureau requests additional staff capacity. The position's estimated cost totals $155,675 annually, which will be spread across all customer bureaus through their IAs via the same per unit basis used by the expanded fuel methodology discussed in the prior section of this analysis.

Altogether, the total IA impact for the decision package, including debt service, CaaS contracts, and FTE totals $432,649 for FY 2023-24 and gradually rises to $1,046,565 by FY2028-29. This schedule of this impact is detailed in the six-year forecast below. The risk to not adding this internal capacity and FTE is the City's transition to EV would likely take additional time, which prolongs the receipt of the benefits of EV at the City.

EV Charging Infrastructure Financing Plan

	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
LOC Debt Service	$ 276,974	$ 336,453	$ 387,872	$ 415,391	$ 447,933	$ 586,190
OC contract	$ -	$ 65,700	$ 139,300	$ 204,332	$ 241,052	$ 304,700
Position	$ 155,675	$ 155,675	$ 155,675	$ 155,675	$ 155,675	$ 155,675
Total	$ 432,649	$ 557,828	$ 682,847	$ 775,399	$ 844,661	$ 1,046,565

While there are costs associated with the transition to a GreenFleet, adoption of EVs also represent future cost savings to bureaus. DAM notes that by US Department of Energy estimates the maintenance cost of light-duty EVs to be 40% cheaper than for ICE counterparts. For the light-duty vehicle portfolio and implementation timeline used in DAM's EV infrastructure decision package, this potential savings could amount to approximately $2.2 million over the 10-year implementation timeline, which starts in year three ($73,000) and grows each subsequent year as more of fleet's inventory is converted to EVs. These savings are not costed into the decision package but would be passed on to the bureaus at the time of their receipt. Additionally, investment in the components required for a transition to a Green Fleet represents a meaning step towards accomplishing multiple City declarations, resolutions, and plans to decarbonize, including the recently approved Climate Action Workplan, passed in Summer 2022.

This request allows the City to make meaningful progress on stated City goals to decarbonize and represents a carefully planned strategy that is backed by consideration of long-term costs, service demands, and eventual bureau savings. CBO recommends this request as it is requisite the next step for conversion of the City's fleet from ICEs to EVs. CBO also recommends OMF- CityFleet work with the Bureau of Planning and Sustainability to ensure the city is capturing all resources and options afforded by the Portland Clean Energy Fund programs.

CBO Recommendation: Approve CityFleet to establish $4.95 million Line of Credit and 1 FTE, with FY 2023-24 increase in interagency rates of $432,648 | 1.00 FTE

DP 14792: Long Range Facilities Real Estate Planning Team

DP: 14792, $544,708, 3 FTE

Request Summary

This request adds 3.0 permanent FTE within OMF's Facility Services' Planning & Portfolio Management Group. The ongoing cost of these positions totals $544,708, which would be funded by rental rates established in bureau Interagency Agreements. Bureaus in the General Fund would pay for approximately $304,082 of the proposed costs while non-General Fund bureaus pay $240,627. Without adjustment to General Fund bureaus Current Allocation Level (CAL) targets, these bureaus will need to reallocate funds internal to accommodate the requested positions associated IA increase.

Currently, Facilities has limited capacity for work related to space optimization or capital planning on the City's estimated $2-5 billion facility asset base. These positions would augment the existing resources to support comprehensive facility planning across a variety of imminent needs, including assets requiring recapitalization, facility changes related to Charter Reform, and shifting real estate dynamics and bureau needs in the downtown core, among other looming requirements.

CBO Analysis

The three requested real estate planning positions for Facilities' real estate planning team are intended to improve planning and real estate portfolio services required for managing physical and financial risks related to Facility assets. Among these are $500 - $750 million in recapitalization needs (e.g., relocation of CityFleet, $6.5 million need for the Justice Center bus duct and recapitalization of the Facilities' share of the commercial condo agreement estimated at roughly $150 million, facility transitions related to Charter Reform, structural issues at the Kelly Building, etc.), shifting bureau office needs, and pursuit of third-party funding opportunities (e.g., infrastructure grants).

As it currently stands, facilities organizational structure includes an operations team, a project management team, and a planning team. Going forward, Facilities intends to consolidate these units bringing the project management team under the umbrella of the Planning Team. In 2022, OMF hired a Real Estate Portfolio Manager intended to manage the planning team which Facilities aims to fully staff through its requested decision packages. The Planning team is ultimately designed to be ten-person team and currently has six filled positions. Five of these positions are filled as permanent FTE while two are filled with limited term positions that will expire without ongoing resources. Notably, given current staffing levels, the newly hired Real Estate Portfolio Manager has had little capacity to pursue the role's intended high level planning work or real estate strategy and has instead needed to perform daily operations works, such as lease negotiations and tracking overdue rents. The requested FTE would expand capacity for both long and short-range planning functions and allow full utilization of existing planning staff.

Each of the requested positions would be responsible for advancing different components of planning needs. Further detail on their respective roles is provided in the position descriptions below.

Facility Needs Assessor & Planner (Analyst III) – This position will be tasked with facilitating collaboration across-bureaus regarding citywide strategy of major facility and real estate investments. The Needs Assessor & Planner will help on this front by working with bureaus to glean requirements stemming from bureau growth, contraction, and transition plans and incorporate this understanding into a forecast of requisite space type, square footage, location, etc. They will likewise help identify existing assets within the City's portfolio that may satisfy forecasted bureau needs and/or work with bureaus to bridge any gets between needs and existing assets. Finally, this position will be a facilitator between bureaus who may be best served by co-location or have other overlapping requirements that can satisfied through a joint solution.

Real Estate Portfolio Analyst – OMF's Real Estate Portfolio Analyst will lead the development of the City's long-range capital plan and real estate strategy for facility assets (including usable vacant land). Specifically, the Analyst will be responsible for determining the financial health of individual facilities (annual capital, maintenance, and operating costs in relation to the funds available to support the facilities); work with other members of the planning team to recommend facility dispositions, recapitalizations, and acquisitions based on the physical and financial health of the portfolio; carry out tradeoff and business case analyses for different approaches to meeting gaps in the City's facility portfolio (e.g., rent vs. buy decisions or different recapitalization alternatives); lead the creation of the City's long-range capital improvement plan for facility assets; and lead the creation of a financial strategy to fund the capital plan. OMF is also contemplating the proposal of a "capital fee" for City facility investments, akin to the blended rate but including all non-process City facilities owned by general fund bureaus and OMF. This position would be responsible for researching, modeling, and managing the financial aspects of this fee, including coordination with BRFS' grants, revenue, and debt management functions. This position is not currently staffed, and while some of the work is performed by OMF Business Operations, the workload and topic require a full time, dedicated specialist to address issues holistically.

Planning Analyst – This position will support the Needs Assessor, the Real Estate Portfolio Analyst, and an existing position that rounds out the planning team. This role will coordinate the daily work of the three more senior-level staff and support in analysis of condition, needs, and financial assessments. This role will also have primary responsibility for drafting, vetting, finalizing, and maintaining facility asset management policies (e.g., asset utilization policies, facility condition/health policies, portfolio financial policies, etc.); drafting and maintaining facility-level Asset Management Plans and the portfolio-level Long-Range Facilities Master Plan; leading all departmental reporting requirements (e.g., the CAMG annual report); and leading the cross-bureau pursuit of and proposal writing for third party funding (e.g., infrastructure grants). If a capital fee is created, this position would also oversee the governance and administration of that entity.

Facilities notes that these positions would provide yield long-term savings through the following:

- Reducing waste by exploring alternatives to further investments in a failing or obsolete facility (e.g., making repairs at the Kerby Garage, Kelly Building, or Justice Center as compared to a divestment strategy where ethe City would sell these assets and either relocate or make repairs and then recapitalize the asset)
- Rightsizing facilities real estate portfolio (i.e., ensuring that all facilities are well-utilized by the bureaus)
- Promoting capital efficiency (determining whether separate sites that have programmatically similar needs may be served by collaboration or a single project)
- Promoting operational efficiency and creating City benefits from consolidated operations

While acknowledging the importance of these planning functions, CBO is not currently recommending the requested rate increase, or associated General Fund subsidization due to the lack of new resources and the impact of these increases on rate paying bureaus. CBO recognizes the scope of needed planning work exceeds what existing Facilities staff can absorb, however the timing of this request when weighed against other urgent rate funded proposals is the primary determining factor for not recommending the package. The requested FTE do represent important contribution to the fiscal sustainability and financial management of City assets in according with FIN 2.02 and Fin 2.06. However, CBO notes the significant Decision Package submissions by OMF for FY 2023-24, which total $8.6 million in General Fund requests across OMF divisions and there is only $6.5 million of available forecast resources for all City priorities. As stated, these packages are paid through IAs, which come at added cost to customer bureaus through internal service rates. Accordingly, collective approval of these requests would have material impacts on available General Fund resources as well as bureau service levels. OMF-Facilities recognizes the issue of prioritization across its packages as discussed in other packages in this review. CBO notes that the recent addition a Real Estate Portfolio Manager to Facilities staff may also assist in making meaningful progress on Facility planning strategy for the City's most imminent facility planning needs.

CBO Recommendation: $0 | 0.00 FTE

DP 14795: Compliance Staffing for OMF Facilities Services

DP: 14795, $1,101,552, 7 FTE

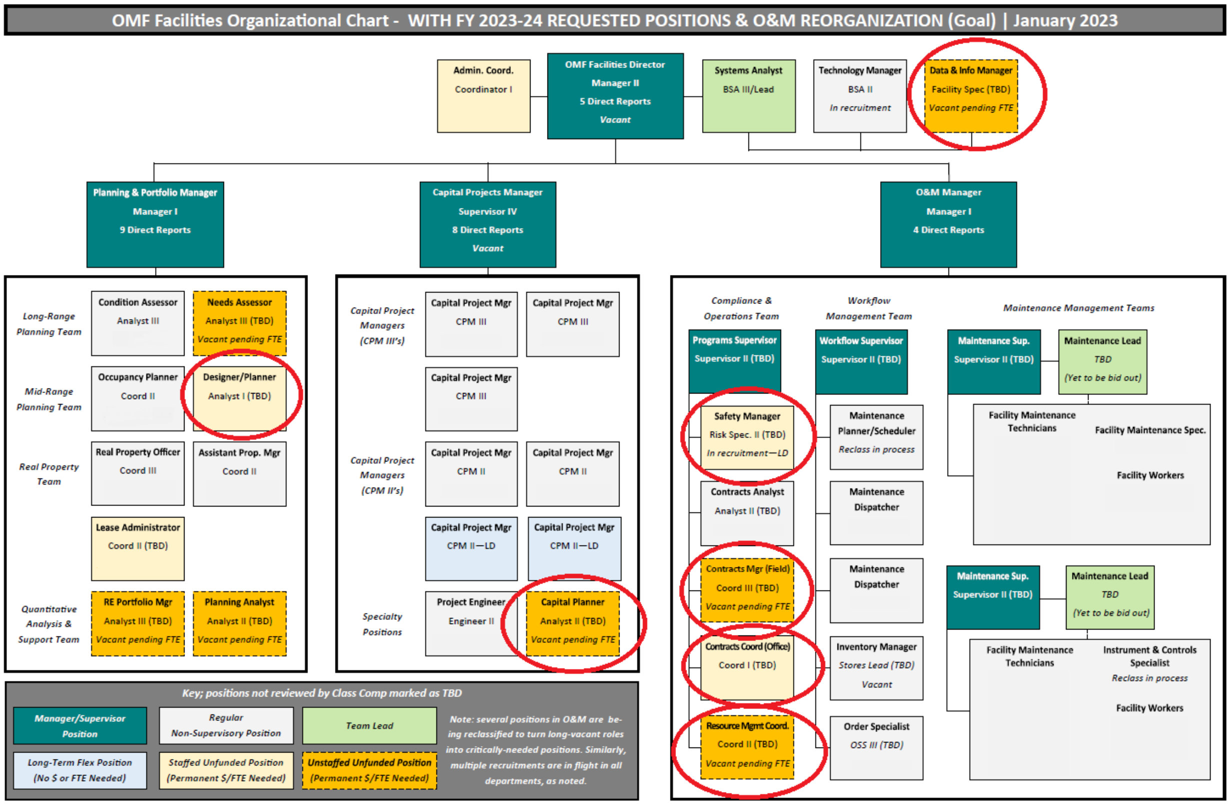
Request Summary

This request if approved will add 7.0 permanent FTE dedicated to compliance of federal and state laws, regulations, and policies related to workplace safety, financial management, contracting, and City-level goals. The ongoing cost of these positions is $1,101,552, funded via Interagency Agreements through an increase in bureau facility rental rates. Of the $1,101,552 ongoing increase in interagency agreements, $502,590 of the cost will be assumed by General Fund bureaus while non-General Fund bureaus will pay $598,963. To offset this cost, OMF is requesting General Fund bureaus receive CAL target budget adjustments for their allocation of the increased IA rates. Without this resource, General Fund bureaus would need to internally reallocate the same as non-General Fund bureaus to afford the increased interagency costs.

CBO Analysis

The submitted request includes positions that address workplace safety and vendor management issues within City owned facilities. In calendar year 2022, Facilities conducted an internal staffing assessment and identified a variety of back-office functions missing from their organizational structures. At present, these functions are either being performed ad hoc by existing staff or by limited term employees and subject matter non-experts.

Within its organizational structure, Facilities has three teams that conduct core functions. These include a Planning team, a Project Management team, and an Operations & Maintenance (O&M) team. Of the 7 requested FTE, 4.0 FTE are to join O&M, 1.0 FTE to Capital Management, 1.0 FTE to Planning, and 1.0 FTE would work outside these three teams, reporting directly to Facilities' Systems Analyst, who reports directly to the Facilities Director. Currently, 4 of the 7 requested FTE are filled with limited term positions that are being paid either out of vacancies that need to be separately filled (i.e., a Facilities Director) or through reserves in violation of financial policy. The Facilities organizational chart below can be found below, with the positions requested in this decision package circled in red.



CBO recognizes the need to use limited term employees with one-time resources as an immediate solution but is not a long-term solution. Permanent ongoing FTE would fill current gaps in facilities service. Descriptions of requested positions are listed below.

Operations & Maintenance Positions – The positions would help facilities address ongoing issues of safety management, including existing noncompliance with OSHA regulations, as well as providing for more accountable oversight of contractors and vendor delivery of services. This oversight includes ensuring delivery of billed services such as elevator inspections, janitorial services, emergency generator maintenance, etc., of which Facilities has had issues in recent years. Facilities is also faced with difficulty complying with energy efficiency programs that align with City goals and would be served by requested O&M FTE.

Safety Manager (Risk Specialist II) – this position is currently staffed as a limited duration position by a non-expert and is being funded via reserves against City financial policy. Facilities request is seeking to convert this position into a permanent FTE. The position will manage OSHA compliance programs; perform job hazard analyses; lead accident/injury investigations; perform audits and inspections; conduct safety data analyses and make safety recommendations; provide in-house expertise and training on safety topics; provide subject matter expertise on construction projects; manage liability exposure; promote a safety conscious work culture; and collaborate with Safety Managers from other Bureaus to establish consistency in safety practices.

Contract Manager, field (Coordinator III) – This first of two requested contracts managers would oversee contracted O&M work (e.g., janitorial, elevator inspections/maintenance, emergency backup generator maintenance, emergency snow removal, pest control, etc.) for which facilities has faced issues (i.e., billed yet undelivered contracted services). This role is currently unfunded and unstaffed with position duties performed on an ad hoc basis by Facility supervisors.

Contracts Manager, office (Coordinator I) – The second requested contracts manager is intended to work in conjunction with the field contracts coordinator to process O&M's roughly 500-750 monthly invoices and ensure timely payment to vendors and thereby timely delivery of contracted services. This work is currently delivered by a contracted employee through Facility Director vacancy savings, which Facilities separately seeks to fill.

Resource Management Coordinator (Coordinator II) – The Resource Management Coordinator is intended to manage OMF utility bill and payment processes as well as oversee participation in Facilities energy efficiency program participation. This position is currently unfunded and unfilled with duties conducted on an ad hoc basis by existing staff.

Capital Projects Position

Requirements Analyst/Major Maintenance Planner (Analyst II) – this position would track legal and policy requirements on facility buildings and sites (e.g., the City's ADA transition plan, the City's Climate Action Plan, and equity commitments). This position is currently unstaffed and unfunded.

Planning & Portfolio Management Position

Interior Designer & Technical Space Planner (Analyst I) – the Interior Design & Technical Space Planner would be responsible for Facilities' technical design work for interior spaces. In addition to providing support to bureau customers for interior design and move requests, this position is intended to carry out back-office functions that ensure bureau rents are correctly calculated and that Facilities' spaces are ADA, OHSA, and code compliant. This work is currently being performed by a limited duration position funded through Facility Director vacancy savings, which Facilities separately seeks to fill.

Facilities Administration Position

Data & Information Manager (Facilities Project Specialist) – This position would exist outside of the three facilities service areas in the and would report to Facilities' System Analyst, and will be responsible for entering new asset data into Facilities' information system (nameplate data, warranty information, operating information, and preventive maintenance schedules, among other data points); owning and maintaining building-level information, such as as-built drawings, which show how facilities are constructed in the field and allow O&M staff to navigate, maintain, and operate buildings efficiently; updating non-OMF databases (such as OEHR's ADA transition plan) with completed information from Capital Projects; and managing all furniture asset and warranty information. These duties are currently conducted on an ad hoc basis by capital project managers.

If approved the cost of the seven requested positions would be incurred by Facilities' customer bureaus via Interagency Agreements through facility rental rates, which are allocated to buildings owned by Facilities and buildings to which OMF provide O&M services. At $1.1 million, the total of this rate increase would amount to a 2.13% rate increase over target, with individual rate changes across bureaus ranging from $230,614 (Police) to $1,469 (Fire). Facilities is requesting that General Fund bureaus receive a target budget adjustment for their allocation of this IA rate increase. Non-General fund bureaus such as PBOT, meanwhile, would need to reallocate resources internally to absorb this rate increase. The bureaus would then build the costs into future budgets.

In their FY 2023-24 Requested Budget, OMF has put forward a notable amount of Decision Packages, totaling $8.6 million in General Fund requests across bureau divisions. As stated, these packages are paid through IAs, which come at added cost to customer bureaus through internal service rates. Accordingly, collective approval of these requests would have material impact on General Fund resources as well as bureau service levels. The decision to provide a General Fund subsidy will be weighed against other competing interests for the forecasted growth in the General Fund. CBO recommends a phased approach to implementing the proposal, with the most urgent positions (as prioritized by Facilities) added in FY 2023-24, including the requested **Facilities Safety Manager, Contracts Manager (field), Contracts Manager (office), and Interior Designer & Technical Space Planner**. If not funded, specific costs related to legal non-compliance and liability related to OSHA, workplace injury, failure of assets due to undelivered inspection, building code violations, or other compliance issue may result.

CBO Recommendation: $628,042 increase in interagency rates | 4.00 FTE

Selective Increase in Major Maintenance

MF_1493, $2,196,946 in additional ongoing interagency resources,

Request Summary

This decision package requests $2,196,946 in additional ongoing interagency revenue to increase major maintenance reserve levels for Facility owned buildings to 3% of replacement values. The package also includes a rate increase to address maintenance backlogs at Facility-owned buildings over a ten-year period. This package is funded through a significant annual ramp up in customer bureaus' annual space rent charge.

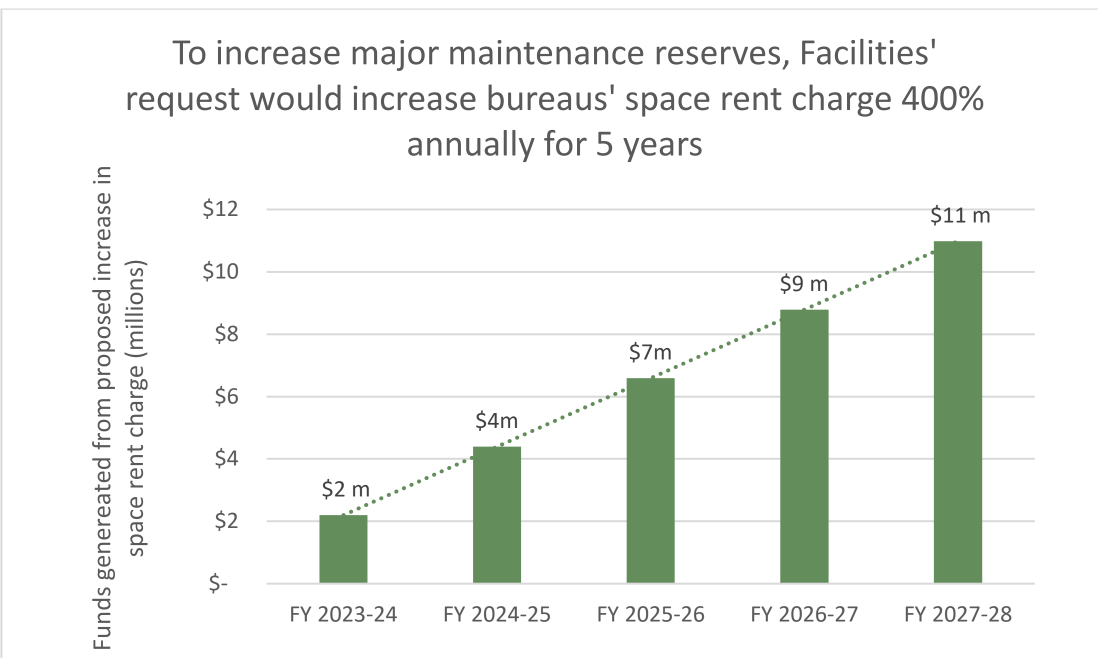
CBO Analysis

This decision package is influenced by a recommendation made in the 2014 CBO report "Closing the Major Maintenance and Asset Replacement Funding Gap—Funding Options Report. The report recommended the following:

> "Incremental Rate Increases for Internal Serviced Funds. Council should direct the City's internal service funds to submit decision packages to phase-in closing the gap that exists for funding major maintenance and replacement of the City's internal service fund assets. The packages would be funded by rate increases to customers. The phase in will be over several years."

To do this, the request has two components:

The first component of the package increases bureaus' space rent charge for Facilities owned buildings over a five-year period with the goal of bringing major maintenance building reserve levels to 3% of replacement values, an industry standard. For the Facility-owned buildings' reserves to reach 3% of replacement values, bureaus need to generate $23.3 million a year, which is $16.4 million more a year than they are contributing toward building reserves. This package, illustrated in the chart below, closes the annual reserve funding gap by doubling the amount bureaus pay toward major maintenance reserves every year of the ramp up period.



Based on information shared by the bureau, the total replacement value for all Facilities' owned buildings is approximately $777.1 million. This calculation is based on the square footage of each building multiplied by the replacement value of $523 per square foot. CBO notes that the price per square foot is the same for nearly every building in Facilities' portfolio, regardless of condition or location (e.g. the Justice Center, Kerby Garage and the Portland Building all share the same price per square foot in OMF's calculation of replacement value).[3] CBO notes that if Council wishes to move forward with an incremental approach to increasing internal service fund reserve levels, further analysis is needed on OMF's rate per square methodology and whether the 3% of replacement value metric is appropriate for all buildings regardless of condition. Exploring these questions is critical as the 3% replacement value metric is the basis for the bureau's funding gap calculation which the request is predicated on closing.

The second component of the package increases funding for OMF's maintenance backlog through annual increases in customer bureaus' space rent charge, over ten years at approximately $4.2 million a year. The bureau did not include analysis on how this additional funding would impact Facilities' approximately $40 million deferred major maintenance funding gap. Further, several buildings were excluded from the package including City Hall, the St. Johns facility, the Justice Center, and the Police Bureau's Kelly Building. OMF indicated that these buildings are either being considered for disposition or require reconstruction. Plans, cost estimates, and funding plans for the identified facilities are in different stages of development. Given the level of need, it is unclear the extent to the potential cost burdens on customer bureaus were considered if both this request and a recapitalization project that depended in part on resources from increased rates moved forward at the same time.

Recommendation:

CBO agrees that an incremental increase to bureaus rates is one way that Facilities can begin to fund their deferred maintenance needs. However, for this request to be actionable, the on ramp to an incremental rate increase must be much longer than this package proposes as the service levels implications on customer bureaus are too significant to justify without defined and specific outcomes that are agreed to by Council. Quite simply the city cannot afford to close Facilities' major maintenance funding gap, increase building reserves to 3% of replacement values, recapitalize several buildings, and reconstruct the Kerby Garage through interagency rate increases. Therefore, to move this conversation forward, it is critical that OMF facilitate a Council-led discussion to determine asset criticality to prioritize which OMF-facilities should be invested in versus those that should be disposed of. Once Council comes to a consensus on asset criticality, OMF will be better positioned to propose incremental cost increases that identifies and prioritizes specific repair and replacement projects and the estimated costs that reflects Council's priorities.

Lease Administrator for OMF Facility Services

MF_1497, $135,480 in interagency revenue, 1.00 FTE

Request Summary

This request is for $135,480 in additional interagency resources to fund 1.0 FTE Coordinator II to manage approximately 100 commercial leases that Facilities administers for customer bureaus, including for commercial spaces in non-OMF owned properties. This position is funded through an increase in customer bureaus' space rent and the property management service charge.

CBO Analysis

A Lease Administrator has an important role in property management. This role is currently filled by a limited duration position funded out of Facilities' reserves, a one-time resource. The need for this work is ongoing in nature, however, OMF states that the work has either not been performed at all or not performed with the required expertise. Since coming onboard, the limited term employee has identified performance issues, including expired or expiring leases that require renewals and inconsistent accounting methods for applying ARPA grant funding when tenants were approved for rent abatement. OMF asserts that converting this to a

[3] Civic capital assets owned by the City and managed by OMF-Spectator Venues are not included in this package.

permanent position will allow the bureau to improve lease management practice for the city.

CBO recognizes the importance of this function from a cost recovery, property management and liability perspective; however, relative to higher priority needs identified by DAM, the lack of new resources available, and consideration for the rate impact from OMF's highest priority items on customer bureaus, CBO does not recommend this request. Finally, it is unclear why OMF Business Operations is not providing this service for Facilities, and whether reorganizational changes that result from the Charter Transition may present an opportunity to staff this role appropriately.

CBO Recommendation: $0 | 0.00 FTE

Administrator Support for Division of Asset Manager

MF_14791, $168,502 in interagency revenue, 1.00 FTE

Request Summary

This package requests $168,502 in interagency resources for 1.0 FTE Coordinator III to provide support for communications, administrative support, and organization development for the DAM Manager. Costs of the position are funded through a rate increase to Facilities' space rent charge and CityFleet's fixed Maintenance and Repair charge.

CBO Analysis

DAM's Division Manager oversees two large organizations at the city, CityFleet and Facilities, with 15 direct reports and approximately 150 employees. When DAM was created in 2019, the Division Manager role did not include administrative support from a dedicated FTE. Without assistance on the administrative aspects of the role, the Division Manager has less time to spend on important issues such as Facilities' policy and service level agreement development, creating a long-range citywide facility planning function, providing facility planning for Charter Reform, continuing CityFleet's effort to relocate out of the Kerby Garage, and overseeing the City's green fleet transition. More recently, vacancy savings were used to fund a temporary contractor which has freed up time for director level work. The administrative support is temporary, however, as the vacancy savings will end once the position is filled. CBO notes that it is unclear whether vacancy savings from another position may become to use toward temporary assistance or if vacant position could be reclassified to meet this need within DAM or another part of OMF. Additionally, if some of DAM's requests for permanent positions are funded in the FY 2023-24 Adopted Budget, this will free up one-time resources that are currently being used to fund limited term positions.

CBO recognizes the importance of administrative support, especially given the scope and scale of DAM Division Manager's role at the city. While administrative support is justified, DAM continues to rank this position second to last compared to DAM's other position requests. As such, CBO is not recommending the requested rate increase to fund this position relative to higher priority needs identified by DAM which, if included in the FY 2023-24 Adopted Budget, will require customer bureaus to reallocate existing resources to fund the rate increase.

CBO Recommendation: $0 | 0.00 FTE

CityFleet Relocation of the Kerby Garage

MF_14799, $9,245,000 in interagency revenue

Request Summary

This request is for $9,245,000 in ongoing interagency resources from CityFleet customer bureaus to fund a real estate search and the purchase of land and build out the specialized facility designed for the City's fleet maintenance and repair needs. This request is in response to a budget note in the FY 2021-22 Adopted Budget that directed OMF to prepare a proposal to relocate CityFleet for Council's consideration in the FY 2022-23 budget process. The total cost estimate, including financing costs and contingency is $148.6 million. The CityFleet relocation project is funded with a combination of debt and cash financing from the Fleet fund, Kerby Garage major maintenance funds, and the eventual sale proceeds of the Kerby Garage and the adjacent property.

No new ongoing resources are requested for this project. Of note, the request assumes customer bureaus will realign their existing budgets to fund the $9,245,000 ongoing increase in interagency costs for the next 20 years. A breakout of the interagency costs by bureau is provided in the chart to the right.

Kerby Garage Relocation Financing Plan	
Portland Bureau of Transportation	$3,389,000
Police Bureau	$2,197,000
Water Bureau	$1,535,000
Parks Bureau	$1,024,000
Bureau of Environmental Services	$437,000
Fire Bureau	$389,000
Bureau of Development Services	$160,000
Office of Management & Finance	$85,000
Portland Bureau of Emergency Management	$8,000
Government Relations	$8,000
Civic Life	$8,000
Bureau of Planning & Sustainability	$3,000
Mayor's Office	$2,000
Total Ongoing Interagency Request	**$9,245,000**

CBO Analysis

Kerby Garage is the home of CityFleet's headquarters and primary maintenance facility. CityFleet maintains over 4,000 vehicles and pieces of specialized equipment. The facility was originally constructed in the early 20th century and was not built to support modern fleet and equipment. Kerby lacks a modern fire and life safety system (smoke detectors, a fire alarm, and sprinklers) and an ability to accommodate ergonomically appropriate work equipment. The building also has an outdated electrical system, a failing HVAC system, a failing roof, and is in a landslide zone. According to the bureau, approximately $17.8 million in code, safety, and structural repairs are needed in the next five to seven years, none of which will address the facility's capacity or resiliency deficiencies or allow CityFleet to accommodate the City's green fleet goals.

Essential Program Requirements

OMF, in conjunction with key customer stakeholders, identified several essential site requirements. These program requirements were used to explore alternatives and to develop a rough order of magnitude cost estimate for the new facility. The requirements are **jurisdiction (**Within City of Portland);**site criteria (**site located on arterial or collector road jurisdiction; no railroad or bridge crossing at critical access, and within 15 minutes of a highway); **utilities (e**xisting connection present); **customer proximity** (ideally within 3 miles of Kerby Garage and maximum of 5 miles of Kerby Garage); **land use zone and site size** (Between 6 and 8.2 acres in a zone that allows this use); and **hazard zone** (outside hazard zones or must address risk).

Alternatives Explored

Six alternatives were considered in the CityFleet replacement planning study. Of these six alternatives, three ideas were dismissed given their lack of adherence to the program requirements. They are:

- **Staying at the Kerby Garage/Kerby Complex and Doing No Repairs ($0):** deemed "not viable" given the condition of the building and resulting risks to staff safety, bureau operations, and the City at large;
- **Staying at the Kerby Garage/Kerby Complex and Investing in Code/Safety/Structural Issues ($17.8M):** deemed "not viable" because this solution does not address any of the functional obsolescence and safety issues or CityFleet's inability to accommodate green fleet goals
- **Staying at the Kerby Garage/Kerby Complex and Rebuilding the Garage from the Ground Up and Remediating the Site Conditions ($337M):** deemed not viable as an earlier project explored this option and thus the costs of site remediation (injecting the site with stabilizers to

prevent landslides) are cost prohibitive (approximately $250M alone).

Three other alternatives were also explored. They are:

- **Leaving the Kerby Garage/Complex and Leasing an Existing Site/Completing Improvements ($100M):** this analysis assumed a 50-year lease would be attainable in a facility that reasonably aligns with CityFleet's programming requirements. The benefit of this option is that it would decrease the City's major maintenance costs and future-year recapitalization; the drawback of this option is that it could be difficult to find a site that meets CityFleet's programming needs in the locations required.
- **Leaving the Kerby Garage/Complex and Buying a Pre-Existing Site ($Unknown):** Purchasing a site that is pre-existing could be substantially less expensive than buying land and building a custom site. The risks of finding something that meets CityFleet's requirements are the same as that for leasing a property. If OMF is able to find a site, OMF would consider this alternative if the costs of renovation are cheaper than the costs of a custom build.
- **Leaving the Kerby Garage/Complex and Building a Custom Site (PREFERRED OPTION) ($120M[4]):** the option allows OMF to find a location and construct a facility that is maximally suitable for the City's programming needs.

Finance Plan for Building a Custom Site

Using information from the CityFleet Relocation Planning Study, the estimated cost of purchasing land and building a custom facility is approximately $148 million (i.e. $94 million for the direct and indirect project costs, $25.5 million for a 20 percent planning contingency and project management costs, and $28.7 million in estimated financing costs). The CityFleet relocation planning study found that there are limited parcels of land that meet all the essential criteria that are within a reasonable proximity to bureau customers. **Notably, the few parcels of land that meet the criteria will likely require liquefaction, earthquake, and flood mitigation which is not included in the $148 million project cost estimate.**

The Kerby Garage Relocation Plan is funded through a combination of debt and cash financing. Cash financing would include major maintenance funds from the Kerby Garage, and the eventual sale proceeds of the garage and an adjacent property. Debt financing will cover the rest of the project's funding requirements. Annual debt service, and an increase in operations and maintenance costs, would be funded by additional interagency charges to Fleet's customer bureaus based on the size of their interagency with Fleet. OMF's cost estimate assumes an alternative procurement method (design-build). If approved, the bureau will hire internal consultant project managers, billable to the project, to monitor and ensure the performance of the design-build vendor. A property search will also need to be conducted for the CityFleet relocation and evaluate potential sites/warehouses for suitability.

CBO recognizes that the Kerby Garage is obsolete and needs to be replaced. However, OMF's FY 2022-23 Requested Budget provides several examples of the buildings in the bureau's portfolio that require extensive and costly repairs, such as the Justice Center, several police facilities, and the Keller Auditorium. OMF has done extensive restructuring over the past year so that the bureau has the core competencies needed to manage the City's facilities and support bureau customer needs. The FY 2021-22 Adopted Budget also included ongoing funding for a Facility Condition Assessor and Major Maintenance Planner and one-time funding for an asset management software system. Using these core competencies and the data generated from the condition and risk assessments, CBO encourages OMF to facilitate a Council-led discussion to determine asset criticality in order to prioritize which OMF-facilities should be invested in versus those that should be disposed of. Once Council comes to a consensus on asset criticality, OMF will be better positioned to propose a capital plan that identifies specific repair and replacement projects and the estimated costs that reflects Council's priorities.

CBO does not recommend the project given the considerations identified above. Additionally, the project as requested requires CityFleet's customer bureaus make large budget cuts to fund the project which would have significant service level tradeoffs. As such, the financial plan for this project as proposed has not been sufficiently vetted for bureaus and Council to sufficiently understand and plan for service level tradeoffs associated with this project. However, the Budget Office does encourage the Division of Asset Management to continue their urgent work to bring to Council a more fully vetted and developed financing plan in tandem with an assessment of other priority asset needs.

CBO Recommendation: $0

CAO - External Partnerships and Programs: Convert Limited Term Financial Analyst III to Permanent

14833, $165,540, 1.00 FTE

Request Summary

OMF requests to convert to permanent a Financial Analyst III position that has been limited term, working for the three programs that were recently placed under the umbrella of External Partnerships and Programs: the City Arts, the Enhanced Services District, and the Spectator Venues and Visitor Activities programs.

CBO Analysis

The Office of the CAO has indicated that this position is needed ongoing to facilitate the large scope of these three programs' financial needs and to ensure that the financial services provided remain congruent, continuous, and functioning at a high level. While the division states that ongoing funding for the position is secured via operating revenue generated by the programs and a reduction in interagency costs with OMF-Business Operations, the position is funded in FY 2023-24 by a draw from the Spectator Venues & Visitor Activities Fund's (SVVAF) contingency.

CBO recommends the conversion of the position to permanent to ensure that the extensive range of program specific financial services for the three programs remain uninterrupted. The finances of the Spectator Venues program have always been complicated and of a high magnitude, and also recently challenged by the COVID-19 pandemic, while the Enhanced Services District program has, for the last several years, remained under scrutiny for several different reasons, including the lack of oversight and transparency.

CBO Recommendation: $165,540, Spectator Venues & Visitor Activities Fund contingency | 1.00 FTE

BRFS - Convert LT Analyst II to Permanent and Convert LT Claims Tech to Permanent for Risk Funds

14796, $289,615, 2.00 FTE

Request Summary

Risk Management requests to add two positions, one in the Insurance & Claims (I&C) program and the other in the Workers Compensation program, due to increases in workload and an increased complexity in the Workers Compensation process. The positions will be funded with ongoing interagency revenues from City bureaus starting in FY 2023-24.

CBO Analysis

Insurance & Claims (I&C)

Risk Management added a limited term Analyst II position funded by I&C reserves during the Fall Supplemental budget of 2022, and the division is now requesting to convert this position to permanent, funded by IA revenues. Yearly incoming liability claims (comprised of general, auto, property damage, and employment liability matters) have experienced steady and substantial increases, with a marked increase in complex claims, most of which are in litigation. For the past eight months, the division has retained the services of a claims adjuster through a temporary staffing agency, but cannot rely on this solution for the long-term as the temporary adjuster may move on at any time and sensitive liability matters of the City are currently being shared with non-employees.

Workers Compensation

Similarly, the division is requesting to add a new Claims Technician position to be funded by IA revenues also due to an increase in workload but also because of an increased complexity in the Workers Compensation process. Post COVID-19 pandemic, there has been a steady increase in the number of Workers Compensation claims filed, especially as more employees are returning to the worksite.

Other factors contributing to an increase in workload involve rules changes. For example, the State of Oregon Worker's Compensation Division has changed presumption of injury rules surrounding first responders, adding 911 operators to the employment group of first responders and changing the manner of injured workers' average weekly wage calculations. Such rule changes result in an increase in complex and long-duration Worker's Compensation claims being filed and add significant complexity and administrative oversight of claims. Other changes to the State of Oregon Workers' Compensation rules include lowering the time to determine compensability of a claim from 90 to just 60 days. In addition, with the implementation of Medicare changes for responsible reporting entities, claims are now staying open for significantly longer than previously. Upcoming changes to the State Workers' Compensation Division will include a "modernization" of the State's forms, rules, and processes and will require changes to nearly all the documentation which has been utilized for the past 15 years. Other changes including allowing physicians to back-date time loss authorization from the current 14 days to 45 days, resulting in additional work required to document overpayments/underpayments by working with the Bureau of Human Resources' business processes and City timekeepers to ensure that monetary adjustments are made fairly and equitably.

CBO is recommending the addition of these positions to the Risk Management division as not including them would likely bring about an unsustainable scenario where the workload increase is distributed to existing staff, which may lead the current staff to seek alternative employment options. Furthermore, for the Workers Compensation program, without the additional position the program may risk noncompliance with the State in the areas of new time loss calculations, struggle to meet the State's new regulations and processes, as well as limit its ability to cope with over/under payments and its surrounding documentation.

CBO Recommendation: $289,615, Interagency Revenues | 2.00 FTE

BTS - Data Informed Decision Making

14826, $975,000, 4.00 FTE

Request Summary

BTS requests $975,000 in ongoing interagency revenues, including $815,000 for 4.0 FTE and $160,000 for software licensing and support, to cover ongoing costs and permanent support of the Data-Informed Decision Making service. This investment provides an arena to enable cross-bureau data to become uniformly available to the enterprise; thus, enabling the enterprise-wide ability to use data to inform decision making, reducing the possibility of duplicative data and requests, and optimizing current and future investments. This effort builds upon a pilot initiative in the current fiscal year funded via American Rescue Plan Act (ARPA) and one-time General Fund resources, and City Council directed BTS to request ongoing funding in the FY 2023-24 budget cycle via a Budget Note.

CBO Analysis

Achievements of the current pilot project to date include:

- Deployment of various resources to review the existing business intelligence environments in the City, understand and formalize the data sets and pipelines required for the ARPA dashboard, and analyze the resources needed for continued operational support for the ARPA dashboard, including reporting improvements;

- Initiation of discovery efforts with existing vendors across the enterprise to understand opportunities for scaling across the enterprise, including how we might better leverage current investments.
- Recommendations of standard changes for the PowerBI environment to securely enable development of business intelligence (BI) reports and has consulted with customers to help troubleshoot PowerBI issues, data connection, and hosting requirements;
- Growth in the bureau's partnership with the Bureau of Planning & Sustainability's data governance efforts.

BTS indicates that it is in the early design stages for the technology, with the data sources, governance, and initial visualizations already established through the ARPA pilot. The Business Intelligence/Data Visualization (BI/DV) pilot encompasses two primary projects as well as the development of supporting technologies and recommendations. The first pilot project, the ARPA dashboard, has been successfully enabled through technologies managed by BTS. This project is currently being reviewed to identify scalability, support, and integration requirements for inclusion in current BI/DV toolsets outside of the GIS platform. The second pilot is currently being developed with business partners (Smart City PDX) and is expected to be delivered by the end of the current fiscal year.

By year end, BTS anticipates ongoing maintenance of the ARPA dashboard including processing, provisioning, and delivery support for the public dashboard. BTS will also use a modernization roadmap to identify an appropriate method of transitioning to an enterprise technology that enables enterprise data governance and business intelligence and data visualization. BTS will consult with bureaus to develop integration plans that ensure current efforts are not impacted and can be leveraged by other bureaus.

No cost assessments exist around the development and implementation work for the ARPA dashboard. BTS assumes that the existing ability to provision ARPA data within the open data platform has reduced individual requests for data. At the time of this response, no efficiency or time-savings associated with this project are quantifiable. Work is underway to identify disparate license procurement for Business Intelligence solutions which may result in cost savings at an enterprise level.

BTS notes that the effort only has funding through March of 2024, and that not investing in this enterprise request would create a scenario where bureaus continue to invest in decentralized data-informed decision-making systems across the enterprise, not sharing data and making repeated requests to data owners for the same information. The bureau believes that without commitment to ongoing funding, the resurrection in the future would be costly as the City would have to re-invest in licensing, subscriptions, patching, and wasted opportunity costs for employees who have been working on the data-informed decision-making modules; without ongoing funding of $975,000 as requested, the time, programming, and deployment effort that went into this will become obsolete and unsupported.

The bureau indicates that any approved one-time funding not spent in the current fiscal year will be carried forward in the next year until the project is complete to ensure project success. The one-time funds would be carried over in the FY 2022-23 Spring BMP to allow BTS to maintain and operate it for approximately six months after it has been created. Eventually, the bureau will need to have ongoing resources to support the effort.

BTS's FY 2023-24 Requested Budget includes five new requests, all to be funded by the City's bureaus through interagency revenues. The bureau has indicated that it would have requested additional ongoing General Fund resources to off-set the interagency rate increase for bureaus that are General Fund-supported had this been allowed in the Mayor's budget guidance. Mindful of the limited flexibility in resource allocations for many bureaus, some of which have been greatly impacted by the COVID-19 pandemic, and some of which would have to be reallocated to pay for these new services, leaving less for other core bureau functions, CBO is only recommending the funding of those requests that are most essential to the City, including those that fulfill legal mandates or reduce liability while providing the public with necessary services. Therefore, CBO is not recommending the requested interagency rate increases that this request requires to have ongoing support for Data Informed Decision Making. The project does present promising data points for moving through the pilot phases, however the request is of lower priority when viewed in light of Citywide criteria for recommending rate increases that may not have a resource to off-set the impact to bureaus.

CBO Recommendation: $0, interagency revenues | 0.00 FTE

BTS – Increase Information Security Maturity

14827, $500,000, 2.00 FTE

Request Summary

BTS requests $500,000 in ongoing interagency funding and 2.0 FTEs to meet increasing cyber threats and cyber-insurance requirements with appropriate security capabilities. With this request, the bureau also proposes an update to the funding methodology for Information Security services.

CBO Analysis

Cybersecurity insurers require covered entities to meet minimum standards for coverage, and these standards increase as the cyber security landscape becomes riskier and more complex. BTS indicates that this request assures the City will meet current minimum insurance standards and positions the City to more effectively meet the challenge of increasing cyber threats. The bureau proposes a cyber defense package of appropriate capabilities that includes:

1) an enhanced endpoint detection and response (EDR) capability to protect more than 8,000 Citywide devices, especially while teleworking. At $200,000 in ongoing vendor costs, this component makes up most of the external materials & services component of the request. EDR will be required from the City's cyber liability insurers for the City's next policy renewal.
2) an Identity and Access Management (IAM) capability to align and simplify the 7,000 active directory accounts across the City. One of the two requested positions will support IAM tools and capabilities.
3) a Data Loss Prevention (DLP) capability to identify and protect the more than 1 million documents containing Citywide confidential information. The other requested position will support DLP and overall cybersecurity operations. The DLP service offering requires a dedicated and trained analyst to monitor, maintain and improve the effectiveness of a Citywide cybersecurity capability, and to serve as a liaison for bureau risk mitigation action plans.

With this request, BTS also seeks support for changing the cost allocation methodology used to fund information security services, including offsetting the impacts of resulting cost swings to the General Fund. Traditionally, the Information Security program costs were recouped through a metric based on the size of customer bureaus' Adopted Budget Interagency Agreements with BTS. The bureau instead proposes to move to an allocation based on the count of FTE in each bureau. BTS believes that this new rate methodology is easier to understand and would make the BTS service model flexible enough to grow and shrink with demand. The new methodology would also enable more stable funding to BTS to accommodate changes in the City's growth and shifts the BTS metrics to become more people-based, rather than place-based. The bureau states that the change aligns with industry practice, more accurately reflects cyber risk, and will also foster better relationships with customer bureaus. This change represents a significant change in allocation metrics and methodology, and CBO recommends a gradual, rolled in approach so bureaus can adjust to the new funding model. In addition, CBO recognizes that a pure FTE model does not necessarily capture where all risk for cyber security lies, and perhaps a blended model that incorporates equipment and FTE is more equitable to bureaus.

BTS notes that the most common cybersecurity threats all have a common denominator – a human end user accessing City technology services, regardless of location. As the global use of technology shifts to predominantly mobile rather than based in a particular place, appropriately funded security controls have become user and role-centric throughout the information security industry. The request introduces a funding methodology that is people-based, or end-user based – rather than the current on-premises focused methodology which BTS believes is fiscally disproportionate and not reflective of the City's information security environment. Information Security has been funded via a model that reflects customer bureaus' Adopted Budget interagency agreements and does not account for the actual FTE within said bureaus. BTS indicates that a people-based funding methodology allows for more accurate allocations of costs including the ebbs and flows of FTE for this type of risk and a more equitable rate model across the enterprise by aligning the funding model with industry best practice.

BTS's FY 2023-24 Requested Budget includes five new requests, all to be funded by the City's bureaus through interagency revenues. The bureau has indicated that it would have requested additional ongoing General Fund resources to off-set the interagency rate increase for bureaus that are General Fund-supported had this been allowed in the Mayor's budget guidance. Mindful of the limited resources the bureaus have, some of which have been greatly impacted by the COVID-19 pandemic, and some of which would have to be reallocated to pay for these new services, leaving less for other core bureau functions, CBO is only recommending the funding of those requests that are most essential to the City, including those that fulfill legal mandates or reduce liability while providing the public with necessary services. CBO does recommend this request for Increase Information Security Maturity; compared to BTS's other requests and using the aforementioned criteria, the request is of a high priority as it would enable the City to at least meet the minimum standards required by the cybersecurity insurance offering and should help reduce the liabilities, financial and otherwise, associated with cyber-attacks and data loss. CBO does not recommend General Fund resources to offset costs to the General Fud as there are no decision packages for comparison purposes for this analysis of trade-offs. This package represents an important and critical investment in the City's cyber security management, and bureaus should be prepared to absorb this cost as an increased cost necessary to protecting the cities technology systems and to prevent compromises to the IT security systems at the City.

However, while BTS states that the new rate allocation methodology is more equitable and aligns with industry best practices, CBO has serious concerns with the large additional costs the new methodology would be adding to several bureaus that are financially challenged, including bureaus that are General Fund-supported as well as those that are not. Moreover, these are bureaus that do not necessarily have a large number of endpoint devices, specifically Portland Fire and Rescue, or even email accounts, that need to be secured. To this point, CBO advocates the exploration of a rate allocation methodology that is based on the number of devices. Therefore, CBO is only recommending the request if the old rate allocation is used, along with the exploration of alternative rate allocation methodologies that are more device or account based. If the City does move forward with using BTS's new FTE-based methodology, CBO recommends the methodology change be gradually implemented over a number of years, i.e., using mostly the old methodology during the first year and gradually adopting more and more of the new one over a number of years until the new methodology is fully adopted. This phased-in approach would provide more time for the fiscally challenged bureaus to adapt.

CBO Recommendation: $500,000, interagency revenues | 2.00 FTE

BTS – Unified Community Engagement

14828, $600,000, 3.00 FTE

Request Summary

BTS requesting $600,000 in interagency revenues to support the addition of 3.0 FTEs to further develop, operationalize, and maintain two of the City's main customer engagement and business platforms: 1) Portland.gov – the City's redeveloped web presence, and 2) Zendesk – a technology being used as a first stop for triaging 311 requests. BTS states that beyond one-time capital resources, it does not have the resources needed to further operationalize or support the ongoing development of these two platforms, nor the resources needed to maintain them. If this decision package is approved, 2.0 FTEs would be resourced to provide additional ongoing administration and support of Portland.gov, while 1.0 FTE will administer the Zendesk platform.

CBO Analysis

The Portland.gov effort is transitioning from a project to an ongoing operation and needs resources to run, maintain, and continuously improve the system. BTS states that with current capacity, it has been unable to reduce the outstanding backlog to complete the website transition. Roughly 70% of the website has been integrated, and the City is still heavily reliant on the old website to perform functions that have not been built on the new Portland.gov. New features on the new website not available in the old one include internal and external user authentication, accessibility features for ADA compliance, and language translation.

The City has been using "Track-It," a custom-developed customer service intake medium, for its 311 program, but this tool has reached the end of its useful life and will be decommissioned with the old website. Zendesk is a system that, once fully integrated, will not only replace Track-It, but is being leveraged to provide more efficient and improved business process flow to ease community member service delivery. BTS states that Zendesk comes at a time when the City is experiencing exponential growth in the amount of service requests and engagement with community members, and the number of requests will continue to grow as community members learn about and leverage the program. Efficiencies created by the Zendesk solution are anticipated to help the 311 program accelerate its response and report triaging capacity. BTS states that the license costs for Zendesk cannot be offset by Track-It costs because the latter was internally developed by the bureau.

While the primary customer for the Zendesk project is the 311 program, its scope is on an enterprise level and includes all bureaus who leverage Track-It for interacting with community members. The application is used extensively to gather and track data by many bureaus; it is used as a workflow application for business processes in PBOT, BES, BDS, the Revenue Division of OMF-BRFS, the City Auditor's Office, Mayor and Commissioner offices, Police, Fire, Parking, PDXReporter, etc. BTS has indicated that it is working with the 311 program to specifically recoup the 311-associated costs stemming from the Zendesk solution.

BTS's FY 2023-24 Requested Budget includes five new requests, all to be funded by the City's bureaus through interagency revenues. The bureau has indicated that it would have requested additional ongoing General Fund resources to off-set the interagency rate increase for bureaus that are General Fund-supported had this been allowed in the Mayor's budget guidance. Mindful of the limited resources the bureaus have, some of which have been greatly impacted by the COVID-19 pandemic, and some of which would have to be reallocated to pay for these new services, leaving less for other core bureau functions, CBO is only recommending the funding of those requests that are most essential to the City, including those that fulfill legal mandates or reduce liability while providing the public with necessary services. CBO recommends funding the Zendesk portion of this request for Unified Community Engagement; compared to BTS's other requests and using the aforementioned criteria, the request is of a high priority as it would enable the replacement of an intake system that will no longer be supported and help the 311 program accelerate its response and report triaging capacity, thereby enabling the community to access essential City services more easily. Concerning the portion of the request for resources to operationalize and maintain the City's new website, while the new website may be easier for the public to use, including having more accessibility features, the consequences of a less than complete transition in FY 2023-24, while possibly regrettable, are not dire. CBO, therefore, is only recommending the single position devoted to Zendesk, as well as one-third of the request's materials & services costs. If there are additional General Fund one-time resources available during the development of the City's budget, then CBO recommends that the City complete its transition to the new website potentially using this one-time resource to close out the old website.

CBO Recommendation: $206,834, interagency revenues | 1.00 FTE

BTS - Bolster Technology Support

14829, $545,000, 4.00 FTE

Request Summary

BTS requests $545,000 in interagency revenues and 4.0 FTEs to focus on technology customer service with the goal of meeting customer service goals more consistently, particularly in the areas of Help Desk service and the deployment of computer and technology equipment. This decision package would provide the Support Center with resources needed to decrease service turnaround time to bureau customers and better meet their increasingly complex support needs.

CBO Analysis

BTS states that since the onset of both remote work and later, hybrid work, the BTS Support Center has fielded an unprecedented number of technology support tickets and procurement requests related to the fact that City technology must now be supported in multiple locations, both inside City buildings and in remote work locations. More than 2,000 new laptops and 1,000 new phones were procured and issued to staff during the pandemic with no increase in Support Center resources. In 2022, the BTS Service Desk broke all-time records for the number of monthly Help Desk calls in two separate months. That same year, the BTS Service Desk experienced a 162% increase in technology-related requests compared to three years ago. Moreover, the bureau expects an upward trend in Service Desk requests as the City hires more employees and implements charter-related reforms in the coming years.

Customers have escalated concerns about service timeliness to BTS leadership. Using Technology Reserves and thus limiting the availability of that pool for current and future projects, the Support Center has been leveraging limited term and/or contractor assistance on a one-time basis to better meet service demands, but this need is clearly ongoing. BTS is also investing in mid- and long-term solutions, but notes that the City's way of doing business has permanently changed, and the number of City employees and technology endpoints BTS supports has surpassed its ability to keep up without additional resources.

With the resources requested, the Support Center hopes to maintain less than 50 unassigned tickets in the Service Desk, Technology Procurement and Desktop Support work queues (during the period since hybrid work started, these numbers would, at times, exceed 200 in each queue). While most of the bureaus surveyed regarding this package support it, several bureaus mentioned that additional quantifiable metrics should be developed for this package, including turnaround times. BTS agrees and notes that with the launch of ServiceNow, the Support Center will be able to provide better metrics where successes and challenges can be better measured. To this end, the bureau recently created a new performance measure to assess portal usage trends – the average number of unique users accessing the BTS technology help portal (monthly).

BTS's FY 2023-24 Requested Budget includes five new requests, all to be funded by the City's bureaus through interagency revenues. The bureau has indicated that it would have requested additional ongoing General Fund resources to off-set the interagency rate increase for bureaus that are General Fund-supported had this been allowed in the Mayor's budget guidance. Mindful of the limited resources the bureaus have, some of which have been greatly impacted by the COVID-19 pandemic, and some of which would have to be reallocated to pay for these new services, leaving less for other core bureau functions, CBO is only recommending the funding of those requests that are most essential to the City, including those that fulfill legal mandates or reduce liability while providing the public with necessary services. CBO does not recommend funding this request for Bolster Technology Support; compared to BTS's other requests and using the aforementioned criteria, the request is of a lower priority. While there is strong support for funding this request, even from the General Fund supported bureaus if they were not to receive additional resources for it, the BTS requests that CBO is recommending for FY 2023-24 would already be adding significant costs to all City bureaus. Among BTS's five requests, this one is tied for first place in priority among the surveyed bureaus. CBO does recommend additional contact with bureaus to determine if they are still willing to pay for this decision package after recognizing other larger and significant increases are being recommended based on the legal and critical requirements associated with cyber security and hybrid technology support in City facilities. BTS has indicated that it will conduct this survey at the next Customer Stakeholder Group meeting.

CBO Recommendation: $0, interagency revenues | 0.00 FTE

BTS - Hybrid Meeting Technology Support

14780, $1,700,191, 3.00 FTE

Request Summary

BTS requests $950,000 in ongoing interagency revenues and 3.0 FTEs to provide support for hybrid meetings in City facilities, including dedicated on-site support during City Council meetings, and to enhance the City's security efforts through supporting security cameras. The bureau notes that as the City recognizes the benefits of remote meeting technologies used during the last three years and envisions the Future of Work, there is a strong desire and, in the case of public meetings, a legal requirement to keep the accessibility and interaction gains of updated meeting technology, but with a mix of in-person and remote attendees.

CBO Analysis

In the FY 2022-23 Adopted Budget, Council granted one-time funding to BTS for one Electronics Technician II FTE to provide support for meetings in City facilities. BTS states that City employees currently spend nearly 58,000 hours per month in Teams meetings, sharing video during over 51,000 of those hours, and with coming guidance regarding the Future of Work likely to cement hybrid work into our practices, the bureau believes that additional Audio/Visual (A/V) support is needed for City bureaus and Council. In addition, with a change in the City Charter and composition of Council, additional A/V infrastructure and support investments beyond this request may be needed in the future.

BTS is requesting three (3.0 FTEs) Electronics Technicians II positions, consisting of the conversion of the one-time funding to ongoing for the position added in the FY 2022-23 budget for A/V support, an additional position focused on A/V support, and an additional position focused on security camera infrastructure. The BTS Video Team currently has four ongoing FTEs to support all conference room technology and security cameras Citywide, and the bureau states that the team cannot keep up with service demand without permanently augmented resources.

The bureau indicates that City employees continue to experience physical security challenges, leading to needs for increased investment in security personnel and infrastructure, like security cameras. At the end of calendar year 2022, the bureau was supporting approximately 700 security cameras in facilities across the City, with hundreds more planned to be added in the next year and additional requests in the pipeline. The request for security cameras comes from BTS because the bureau is responsible for laying the fiber and connection infrastructure that allow the cameras to connect to the City's data servers – enabling recording and data storage functionalities. In addition, the technical nature of installing and maintaining security cameras requires a State of Oregon Limited Energy License, and this has situated these job classifications within the purview of the bureau.

In addition to the three positions costing $429,153, the request includes ongoing materials & services funding of $500,000 for contracted onsite A/V support of City Council meetings and work sessions, as well as for bureau meeting support on an as-requested/billable basis. BTS states that this figure for contracted support was derived from contractor rates, multiplied by current and projected demand for Council and executive sessions – in addition to support for other public forums. The bureau provided a figure of approximately $150 per hour for the current rate for contracted support. In comparison, for City-employee support, the rate is roughly $100 per hour.

The limited term position funded in FY 2022-23 has not been hired due to ongoing recruitment challenges with hiring an A/V role in a limited-term capacity. In the interim, BTS has been working with contractors to try and keep up with demand. The bureau also emphasizes that since receiving this one-time funding, the Mayor's Office has requested full-time onsite coverage of City Council meetings – which equates to at least 32 hours per week, and there has been additional demand for coverage during public forums, which can occur during traditional business hours and off-hours.

However, by far the largest component of this request to be funded by City bureaus is $750,191 in internal materials & services cost from OMF-Facilities. These costs represent collections for maintenance and replacement on the equipment. BTS indicates that charges for maintenance and replacement depend on where the equipment is located and who is responsible for the equipment. BTS emphasizes that OMF's portion of these costs are much larger than any of the other bureaus because the majority of the equipment is located within its buildings assigned to OMF-Facilities' oversight. In response to a FY 2022-23 budget note, BTS reevaluated the funding methodology for future costs and determined that the A/V rates should align with how the other audio and video rates are charged, which is based on who owns the equipment being maintained. The bureau is using that same methodology for this request, with the costs split based on who owns the equipment.

This component of the request is perhaps the most challenging from CBO's point of view because it is the largest and is based on the amount of A/V equipment regardless of whether the specific individual pieces of equipment are used for public meetings or not. While OMF itself may be a large bearer of the costs, CBO notes that there are large costs for other bureaus as well, including for the Portland Bureau of Transportation, which is continuing to experience large reductions in revenues due to the economic effects of the COVID-19 pandemic, resulting in the bureau having to make service reductions in response. In addition, some of the justification for the request is based on the City needing to meet the requirements of HB 2560 which pertain to the legal requirements for public meetings to be accessible in-person and by various electronic or virtual means. When asked how much is the minimum amount of resources needed to fulfill the City's legal requirements in this area, BTS simply states that on average, the City currently has approximately three to five events per week where a mix of in-person and hybrid public testimony is required to be available per HB2560, and that for solely supporting City Council-related events, this requires at least 32 hours of work per week. Nevertheless, CBO recognizes the need for additional A/V support in meetings that are only attended by City employees and do not involve the public.

BTS's FY 2023-24 Requested Budget includes five new requests, all to be funded by the City's bureaus through interagency revenues, although the bureau has indicated that it would have requested additional ongoing General Fund resources for these on behalf of the General Fund-supported bureaus if it was allowed to under the Mayor's budget guidance. Mindful of the limited resources the bureaus have, some of which have been greatly impacted by the COVID-19 pandemic, and some of which would have to be reallocated to pay for these new services, leaving less for other core bureau functions, CBO is only recommending the funding of those requests that are most essential to the City, including those that fulfill legal mandates or reduce liability while providing the public with necessary services. Therefore, CBO recommends this request for Hybrid Meeting Technology Support; compared to BTS's other requests and using the aforementioned criteria, the request is of a high priority. The request helps the City meet the requirements of HB2560 as well as provides A/V support to City bureaus as they conduct meetings in their everyday business.

CBO Recommendation: $1,700,191, interagency revenues | 3.00 FTE

CSD – Director Position Funding Realignment

14832, $129,393 ($114,192 in General Fund ongoing; $15,191 in General Fund overhead), 0.00 FTE

Request Summary and CBO Analysis

This request is an ongoing realignment of $129,383 in General Fund resources from PBEM and Portland Fire Bureau to fund a portion of the Community Safety Director position.

The Community Safety Director was previously funded through interagency resources from PBEM and the Fire Bureau. In FY 2022-23 a realignment of resources was proposed in lieu of IA charges. This request effectuates this funding arrangement with a corresponding reduction package of $26,250 from PBEM and $103,133 from the Portland Fire Bureau.

CBO Recommendation: $129,393 ($114,192 in General Fund ongoing; $15,191 in General Fund overhead resources)

CSD - Realignment with Civic Life Director Position Funding

14843, ($139,920), 0.00 FTE

Request Summary and CBO Analysis

This decision package reduces CSD's budget by $139,920 for resources to correct for an error when the FTE were realigned from Civic Life to CSD in the current year budget. Civic Life has a decision package that increase the bureau's budget by $139,920, resulting in a net zero impact on the General Fund.

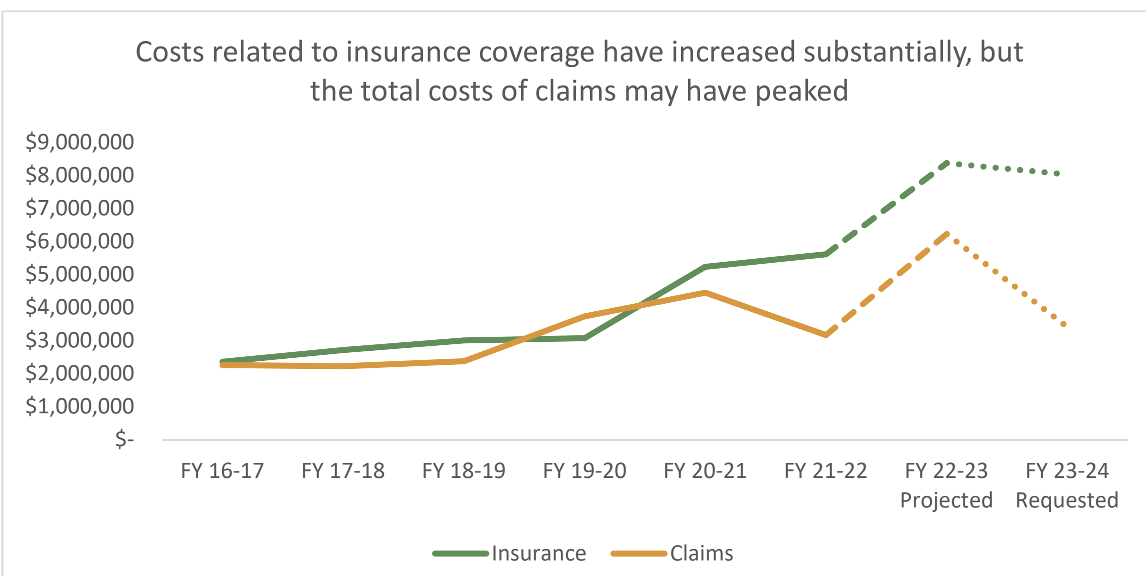
CBO Recommendation: ($139,920) in ongoing General Fund resources

FIVE YEAR FINANCIAL PLANS

Insurance & Claims

Risk Management administers the City's self-insured general liability, fleet liability, and workers' compensation programs, as well as the City's portfolio of insurance coverage, which includes property, excess workers' compensation, and excess liability. The program manages the Insurance and Claims (I&C) Operating Fund, which provides tort, general liability, and fleet liability claims administration; management of the liability excess insurance program; management of the City's commercial insurance portfolio; and Citywide leadership in loss prevention. The liability fund is funded primarily through interagency (IA) charges to City bureaus for self-insurance premiums, commercial insurance, and property insurance. Costs are allocated to bureaus based on a four-year average of claims costs and the prior year's payroll costs.

With ongoing concern over possible liability claims stemming from COVID-19, political unrest, and environmental concerns, the liability market has shrunk, with large premium increases, rising deductibles, and loss of coverage for many clients. Over the last several years, the City has experienced large increases for various forms of liability, including general, auto, law enforcement, professional, and excess liabilities. These increases can be attributed to the carriers' concerns of COVID-19 exposures, liability from protests and resulting law enforcement actions, as well as continual increase of nationwide auto exposures. OMF states that these substantial increases were a result of market forces, and not the City's overall claims experience – which remains positive overall, and that Risk Management continues to work closely with its insurance broker to secure and procure the coverages necessary for City operations, at the most reasonable price point.



Commercial excess policies are purchased to protect I&C funds from catastrophic loss, and excess liability costs increased 46% in FY 2022-23 from FY 2019-20 levels. Risk Management has assumed 17% increases in FY 2023-24 and then 15% for FY 2024-25, 10% for FY 2025-26, and 8% for the remainder of the five-year period, noting that this is currently a very volatile expense. The forecast for claims payments included in the forecast are as per the fund's actuarial consultant.

As a result of the national liability market for public entities severely contracting due to COVID-19 exposures, large verdicts, and extensive protests nationally, policy coverage has been reduced by the excess carriers, carriers are requesting self-insured retentions (deductibles) to be raised, and premium pricing has dramatically risen. The City's deductible is now $1.25 million for general liability and public officials/employment practice liability areas, $2.0 million for auto liability, and $3.0 million for law enforcement. At the time of the Requested Budget's submission, there are no claims reserved at or above the noted self-insured retentions. An increase in a deductible corresponds to the City incurring all claims costs up to the limit of the deductible, thus the City is now required to pay additional claims costs prior to the insurance policy limit layer becoming applicable. Historically, the City has been able to mitigate these cost exposure risks by maintaining a well-reserved fund balance.

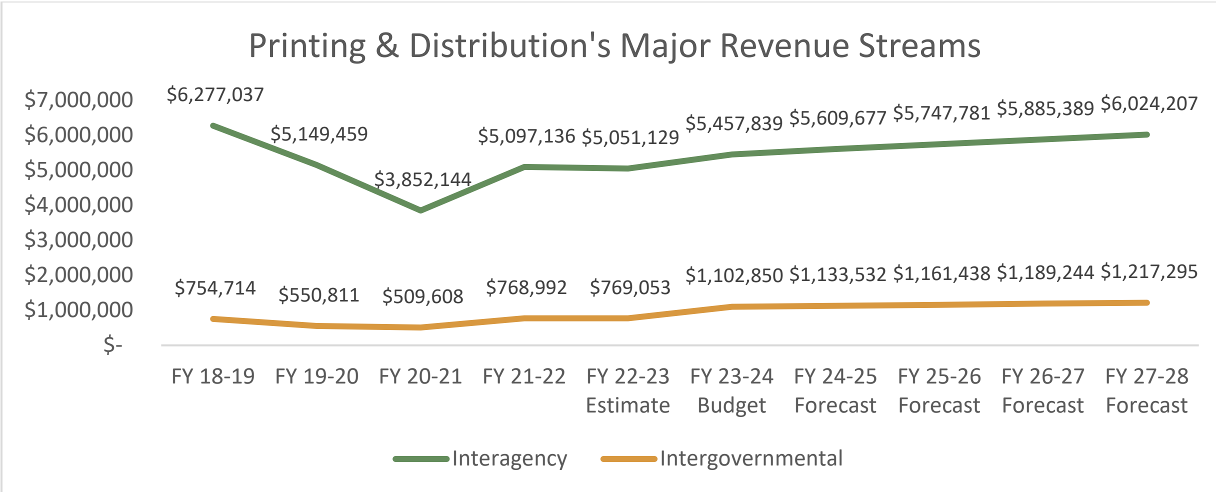
On average, IA rates charged to bureaus increased 15% in FY 2022-23. Factors contributing to this are large increases in property insurance, specialty commercial insurance, excess liability insurance, and one-time draws on the fund's Rate Stabilization Reserve to mitigate large unplanned rate increases to bureaus. These draws were for an increase in property insurance in December 2019 and an increase in costs and reduction in coverage for excess liability insurance in December 2020 to prevent these costs from being passed onto bureaus last year or the current year. The Rate Stabilization Reserve covered these cost increases. However, BRFS states that with less money available in this reserve for the five-year planning horizon, and assuming rates for excess liability insurance will remain high, rates will continue to increase by 15% each year of the five-year forecast, instead of the previously planned 13%.

Printing & Distribution Services Fund

The financial and operational impacts of the COVID-19 pandemic on Printing & Distribution (P&D) began in the fourth quarter of FY 2019-20 and have extended into the current year. While Intergovernmental Revenues are estimated to end the current year above FY 2018-19's pre-pandemic actuals, the bureau's primary revenue sources – interagency (IA) revenues – are projected to end the current year at 81% of the FY 2018-19 level. City employees continue to telework, and there continues to be less demand for printing and copying services from City bureaus that use P&D's services; the program's five-year plan notes that office copier usage is down more than 50%. Although City volume is down compared to pre-pandemic levels, it has increased steadily over the last several months.

As the pandemic wanes, it is expected that City employees will return to work in the City's offices more but also work from home a good percentage of the time, resulting in a higher utilization of P&D's services, albeit not back to pre-pandemic levels. P&D anticipates revenues to climb over the next five-years as the workforce and businesses continue to evolve and is using trends identified by a consultant report's (discussed below), which included surveys and interviews with City bureau staff, to inform revenue assumptions.

In June of 2021, OMF announced a financial plan for P&D that it believed would help stabilize revenues to match costs and restore replacement and operating reserves over the next three years. The rate increase component of this plan began on July of 2021 and is being re-evaluated each year based on customer usage volumes. Among other steps to reduce costs and increase rates discussed in CBO's review of P&D's FY 2022-23 Requested Budget, an 8% surcharge was implemented as a mitigation strategy to help rebuild reserves back up to policy standards. BTS asserts that both the reduction of expenses and rate adjustments have proven to help the P&D Fund's financial situation, and P&D anticipates being able to reduce the surcharge down to 6% in FY 2023-24.



In addition, P&D is working to adapt its business to the changing environment. In 2021, BTS and P&D contracted with an outside consultant to perform an independent assessment of P&D's operations, trends before and during the COVID-19 pandemic, as well as projections for customer utilization in the next two to five years. OMF states that recommendations and trends identified by that report will continue to inform P&D service design and investment over the next several years. Furthermore, BTS plans to merge the P&D Fund with the larger Technology Services Fund in FY 2024-25. The bureau indicates that this should give it enough time to ensure the stability of the division post-pandemic, as well as post-City implementation of the Future of Work effort, and provide it with the ability to properly manage the processes needed to take place for the merger of the fund into the Technology Services Fund. This timeline should also be sufficient for the division to fully consider decisions being made regarding the possible outsourcing of in-bureau copier services.

P&D's Five-Year Plan discusses two new challenges that the bureau had not previously mentioned, one short-term and one long-term. First, the overall cost of printing has been impacted by the inflated cost of paper over the last two years. Although some areas of P&D costs have decreased, overall pricing for print services are continually increasing due to inflated costs of paper supplies. Second, technological changes will continue to be a major issue for the P&D Fund over the next five years. P&D states that it must keep current with new technologies and maintain an ability to finance equipment in order to continue providing customers with a high level of service. The ongoing upgrade and replacement of production systems will facilitate this effort and is assumed in the financial plan. P&D is also working to assemble a five-year Capital Improvement Plan (CIP) to help the division navigate its everchanging production needs, including technology and equipment that impact service offerings.

Technology Services Fund

In past reviews, CBO has highlighted the challenge BTS faces in acquiring funding for both capital and operating projects. BTS has indicated that existing funding sources are reserves and collections through the rate recovery model. Ongoing, sustainable, and reliable funding sources are entirely rate-based, but those only provide about 25% of the necessary major maintenance funding that is needed. Any unsupported costs must be covered by technology reserves, which are only available if BTS underspends its budget, accumulates additional revenue from increased customer demand for service, or finds savings through efficiencies. The bureau states that it is better able to accumulate reserves when customer bureaus are able to add or maintain funding in their budgets to cover ongoing costs for maintaining existing inventories and requested services. Thus, the ability to accumulate technology reserves to fund projects depends greatly on the economy and demand from customer bureaus for BTS services.

Some major maintenance funding is built into the rate budget to cover projects, but the bureau says that these funds are often not enough to meet all the financial demands of its capital and operating projects. BTS programs that do not have a funding source from interagency rates rely fully on technology reserves to fund their projects. In the past, the bureau has noted that if there are funding gaps in the future, it may need to identify new funding sources and make service level tradeoffs by either decreasing the number of projects it undertakes in the future or deferring projects. Should there be projects where major maintenance funding is not enough to cover the cost, resulting in funding gaps, BTS would prioritize projects and use technology reserves to fund the highest priority projects. The bureau states that this prioritizing of projects is necessary in FY 2023-24 where it has $16.8 million in planned projects, but only $5.9 million in available funding.

Another similar and related challenge involves simply forecasting the bureau's project funding needs due to the rapid pace of technological change. BTS also has difficulty in predicting the evolving technological needs of its customer bureaus as their business requirements may change as well. The current practice for BTS to be financially responsive to this dynamic is to continually adjust budgeted requirements in its Five-Year Plan. Costs associated with CIPs and Operating Projects are forecasted over this five-year period on a per project basis, and higher costs are estimated for the first two years, with costs beyond that significantly falling. BTS states that this approach is more indicative of the unknown direction of future technology changes than an assumption by the bureau that future project costs will be less than what they currently are.

BTS states that while it is using standard inflation figures in its five-year projections, these do not reflect the current reality the bureau is experiencing in pricing from vendors and what industry experts are forecasting for FY 2023-24. Supply chain issues are resulting in both lengthy delays and double-digit inflation on technology equipment. Similarly, changes in personnel costs resulting from collective bargaining agreements, talent scarcity, and record cost of living increases are impacting BTS costs above the rate of inflation. With the bureau limited to increasing interagency rates at an inflation rate provided by the City economist, the net result will be a decrease in available funding for CIPs and Operating Projects. Finally, BTS notes that global supply chain issues are having a major impact on the technology services industry. Where once the bureau could expect a major new piece of technology every few years, that has been reduced to months in some cases. Spikes in demand have also driven prices up and increased wait times. As long as these supply chain issues continue to remain unresolved, BTS believes that it will be challenged with meeting customer demands and maintaining required service levels.