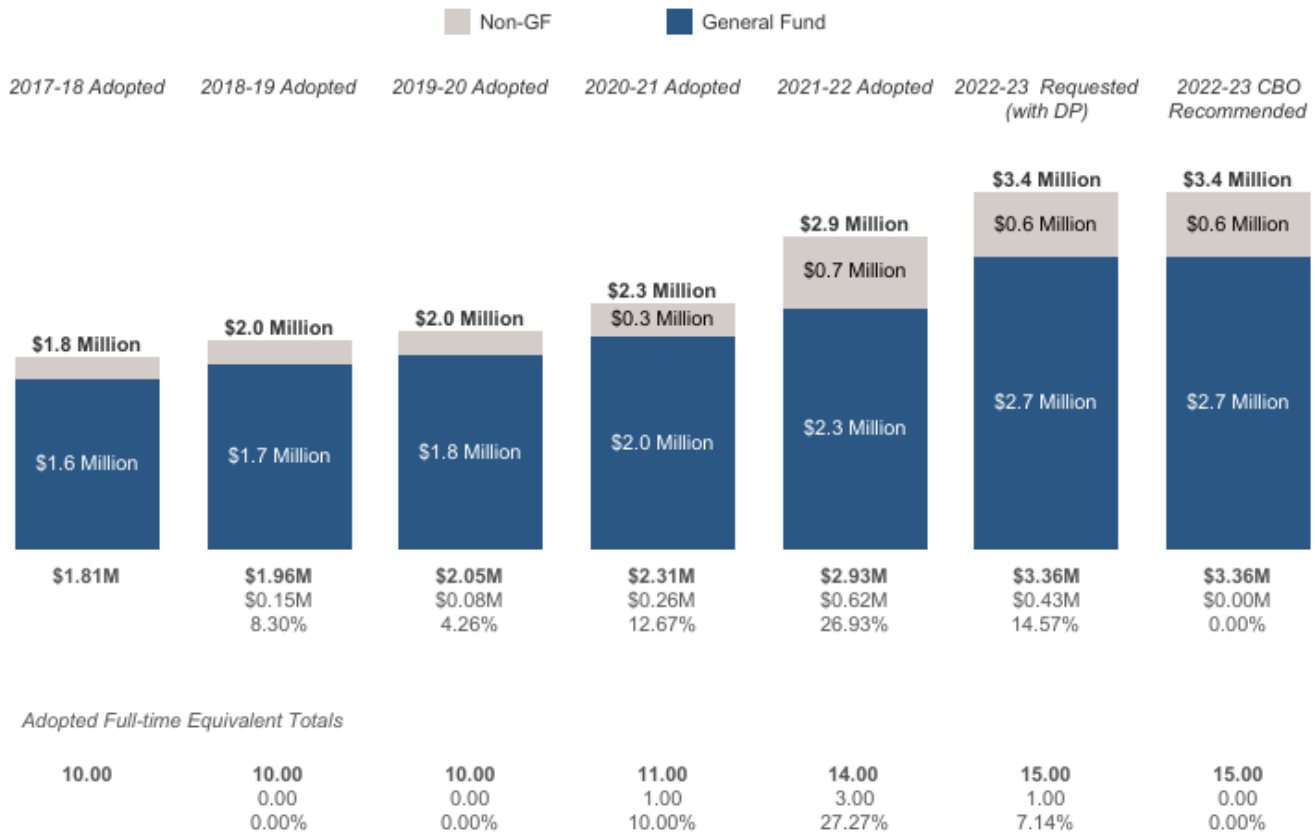




City Budget Office

Adopted Budget Revenues | 5-Year Lookback



EXECUTIVE SUMMARY

The City Budget Office submitted their FY 2022-23 Requested Budget in accordance with the Mayor’s Budget Guidance. Below are key findings of the financial and performance review and recommendations on two decision packages for Council consideration:

- CBO does not recommend \$181,000 of one-time General Fund resources for 1.0 Limited Term Analyst III to add capacity for one-time projects.
- CBO does not recommend \$1,464,496 of one-time General Fund resources, 4.0 Limited Term FTE. This request would be spread over two years for an Innovation Team pilot.

- Over the last five years the bureau has experienced underspending predominately tied to one or more of the following: one-time project underspending, one-time vacancy savings tied to personnel turnover, and/or reduced discretionary spending during prolonged remote working environment. As the CBO does not have dedicated resources to support future replacement costs of the City’s budget software, CBO plans to submit a request to deposit projected underspending into a replacement reserve account for future budget software replacement, which is a recommended financial practice.

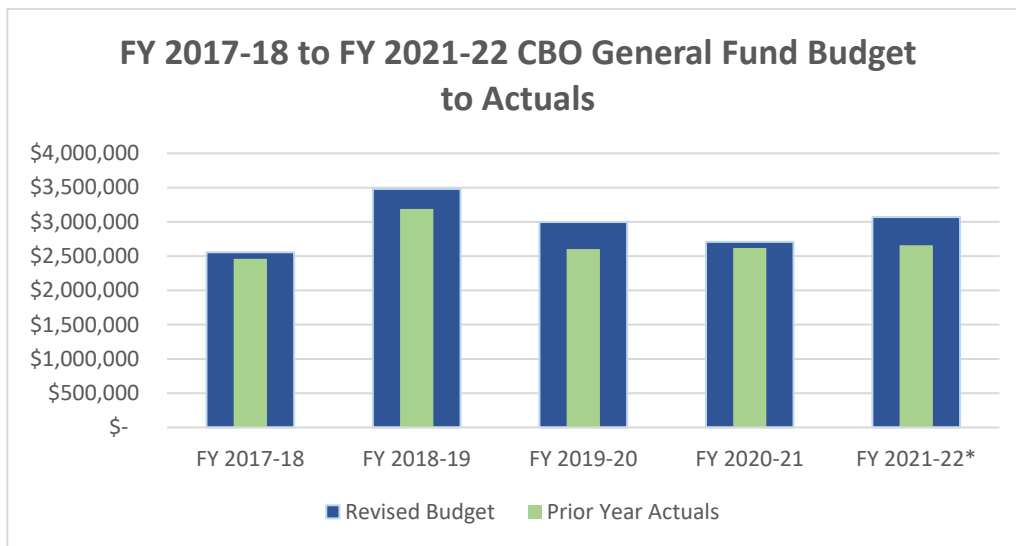
BASE BUDGET & KEY ISSUES

The City Budget Office’s Requested Budget for FY 2022-23 seeks to build upon recent investments that are dedicated to the effective use of data to further the City’s financial standing and to seek more equitable outcomes for community members.

Bureau Financial Analysis

Consistent underspending of General Fund Resources

The City Budget Office (CBO) is predominately funded with General Fund discretionary and overhead resources. Approximately 9% of CBO’s resources come from interagency revenues to support the Portland Utility Board program and a small allocation of Recreational Cannabis Fund supports administration of that fund. The FY 2022-23 Requested Budget Current Appropriation Level (CAL) does not include significant changes in discretionary resources, or the appropriation expense categories as compared to prior years. Discretionary funds predominantly support personnel-related expenses, and the most significant external materials and services expenses are contracts supporting budgeting software and the Portland Insights Survey. Historically, the bureau has underspent its General Fund allocation, mostly due to turnover of staff in the Budget & Economics program. The amount of discretionary underspending is presented at a summary level in the chart below and has ranged from a low of \$88,800 in FY 2020-21 to a high of \$394,092 in FY 2019-20.



The largest amount of underspending in FY 2019-20 is directly related to: 1) Mayor’s directive to freeze non-essential spending following the onset of the COVID-19 pandemic and 2) savings tied to working remotely where community forums and staff training and travel budgets were not expensed. In FY 2021-22, the bureau has experienced a higher than average rate of staff turnover. CBO has filled these vacancies, but as many positions were vacant for part of the year there is likely one-time savings when FY 2021-22 projections are compared to the Adopted Budget.

The majority of the financial risk in the CBO is in line with overall financial risks of the City's General Fund as approximately 91% of the bureau's resources are tied to this resource. Personnel cost pressures most likely to impact CBO as 74% of program expenditures support salaries and wages of staff. CBO has been able to manage within its current resource pool when there is turnover and newly hired staff are assigned a wage based on the City's pay equity practices, but there is a noticeable increase associated with the City's pay equity practices for newly hired analysts as compared to recruitments conducted prior to the implementation of centralized pay equity at the City. This is a consistent challenge for small bureaus across the City.

Recent New Investments & Performance Measures for FY 2021-22

The FY 2022-23 Budget includes new ongoing resources in CBO's base to support the Portland Insights Survey. The bureau recently hired the Community Budget Analyst to lead and conduct this survey over the summer in advance of FY 2023-24 Budget Development. CBO has engaged with bureau stakeholders to craft survey questions on quality of services the City provides. In FY 2022-23, the bureau will conduct its first City Budget Labs, which are focus groups built around gathering qualitative information from community members.

In addition to building citywide capacity for gathering service data, the bureau has also added new performance measures for CBO workload related to budget and financial analysis. Over the past three years, the number of budgetary and financial decision points for analysis has increased, but available time during the City's annual and supplemental processes has remained unchanged. Future analysis of these metrics will focus on hours associated with reviews to ascertain capacity or constraints in ability to deliver bureau services. CBO will continue to refine its performance measures, folding in workload and outcome oriented measures to convey both the internal facing work of CBO and the external work of other bureaus as reported through CBO metrics on areas of asset management and performance outcome reporting.

DECISION PACKAGES

Innovation Team Pilot

13145, \$1,464,496, 4.00 FTE

Request Summary

CBO requests \$1,464,496 of General Fund one-time resources and 4.0 Limited Term FTE to form a two-year pilot supporting an Innovation Team. This pilot will lead a data-informed process improvement effort to identify opportunities to make meaningful impact in bureau operations with enhanced focus on more efficient and equitable service delivery at the City. If funded, this proposal would include resources for training cohorts of City staff and support them over the two-year period to implement ideas for innovation and change. In the event the Innovation Team would be unable to quantifiably demonstrate a positive return on investment of 150% of the cost to pilot the Innovation team, then the bureau states it will sunset the program at the end of the two year time period.

CBO Analysis

This proposal would represent a significant investment for the budget office, resulting in a 25% increase to the CBO's annual discretionary budget. The proposal is modeled after components of Denver Peak Academy and Innovation teams in other cities such as Seattle, Washington and Austin, Texas. Since the

spring of 2016, the CBO in partnership with other bureaus have pursued a less structured approach to supporting process improvement and innovation. With limited one-time resources, the bureau was able to bring outside training services from the Denver Peak Academy to train a cohort of City employees in their model. There was no ongoing resource available to support or sustain this cohort after the initial training and as a relatively small bureau, the CBO has little internal flexibility to realign existing analytical resources to support the creation of an Innovation Team.

Despite these challenges, the initial cohort was able to continue with an ad hoc structure, meeting for informal support sessions, conducting training for the Bureau of Environmental Services, and documented “small wins” in the Bureau of Transportation and the Police Bureau. Examples of projects include changing the response process for false alarms at PPB saving both direct and indirect costs and projects at BHR where the time to recruitment was reduced. The bureau emphasizes that these small innovations add up to big impacts and provide the additional benefit as an employee-led intervention of building comradery, capacity, and teamwork to address larger more challenging issues within an agency. The table below provides examples of how other agencies have utilized Innovation offices in the last ten years. For a larger and more detailed geography of the public sector agencies seeking to have more innovative and data led practices in the United States and abroad there is a more comprehensive data set for review here at [City Innovation \(cities-innovation-oecd.com\)](http://cities-innovation-oecd.com) .

Program & City	Year established	Notable Results to Date
PEAK, City and County of Denver	2011	\$38.4 M of net resource savings & numerous improvements to permit wait time reductions, intake process reductions, and back-office processes.
Austin, Texas Innovation Office	2014	Understanding & designing solutions employees across many sectors.
Seattle, Washington Innovation & Performance	2015	Highlights projects including: enhanced COVID testing process, employee return to office transitions, and improving access to affordable housing programs

CBO notes that the benefits from this request are unlikely to be realized until 2023, as the bureau will need to undergo 4 hiring and onboarding processes, identify challenges and train cohorts before implementing solutions and realizing efficiencies. As such, it is unlikely that significant cost savings will be able to be identified in time for FY 2023-24 budget development.

Due to constrained General Fund resources and competing proposals for said resource, CBO has not prioritized this request for recommended funding. CBO also notes that this one-time allocation has the potential to result in a need or desire for ongoing resources. The CBO is transparent in that if the Innovation Team cannot yield a positive return on the investment, that the bureau would sunset the proposal after two years. There would, however, be an expectation of new ongoing resources, likely through process improvements or internal realignment at some point to continue the Innovation Team in the CBO.

CBO Recommendation: \$0 | 0.00 FTE

Limited Term Analyst- Project Focus

13119, \$181,000, 1.00 FTE

Request Summary

CBO requests \$181,000 of General Fund one-time resources and 1.0 Limited Term FTE to be dedicated to supporting financial and analytical review of specific projects and areas of interest. Examples of specific projects would be working on the City's Budget Mapping process and additional capacity for supporting capital or infrastructure analysis. This proposal is for resources for a one-year term and is not planned for any ongoing future request.

CBO Analysis

The Budget & Economics program consists of 15.0 FTE, 8.0 FTE are in the financial analyst series and the unit is overseen by the Deputy Director. This team conducts financial and operational analysis on bureau Requested Budget and current year budget actions in the three Monitoring Processes conducted annually. Over the past ten years the budget office has launched and supported a handful of new citywide initiatives, such as Budget Mapping and Level of Service maps. CBO has maintained these maps with existing staff, and there have been modest improvements such as changing from PDFs to interactive dashboards. The bureau maintains that additional dedicated resource could help address currently identified shortfalls with the maps, including:

- Utility bureaus currently do not participate
- Administrative or central support functions do not have uniform way to articulate on a map
- The maps look towards the budget, but do not necessarily reconcile to where funds or projects are spent or realized in the community.

The bureau also states that this individual could assist on other priority analyses or projects requested by the Mayor and/or Council. The bureau states that it cannot absorb the additional work without reducing core or required deliverables; however, underspending highlighted in this document could serve as a potential funding source for this request.

It is important to highlight the potential for this package to create an expectation of ongoing program support in the CBO, and there are no new available ongoing resources for this effort. While this proposal would potentially match a more appropriate skill set with potential one-time defined projects, the CBO does not recommend this request due to constrained one-time General Fund resources.

CBO Recommendation: \$0 | 0.00 FTE

SUMMARY OF REQUESTS AND RECOMMENDATIONS

Below is a summary of [insert bureau name] total budget.

		2021-22 Adopted Budget	2022-23 Requested Base (A)	Bureau Decision Packages (B)	CBO Recommended Adjustments (C)	Total Recommended Budget (A+B+C)
Revenue	Miscellaneous Fund Allocation	\$25,000	\$25,000	\$0	\$0	\$25,000
	Interagency Revenue	\$332,488	\$344,366	\$0	\$0	\$344,366
	General Fund Overhead	\$1,704,778	\$1,852,778	\$954,404	(\$954,404)	\$1,852,778
	General Fund Discretionary	\$1,339,488	\$1,373,994	\$691,092	(\$691,092)	\$1,373,994
Revenue	Sum:	\$3,401,754	\$3,596,138	\$1,645,496	(\$1,645,496)	\$3,596,138
Expense	Personnel	\$2,563,904	\$2,624,291	\$1,409,735	(\$1,409,735)	\$2,624,291
	Internal Materials and Services	\$409,529	\$435,897	\$15,000	(\$15,000)	\$435,897
	External Materials and Services	\$428,321	\$535,950	\$220,761	(\$220,761)	\$535,950
Expense	Sum:	\$3,401,754	\$3,596,138	\$1,645,496	(\$1,645,496)	\$3,596,138