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November 4, 2008

To: Mayor Tom Potter  
Commissioner Sam Adams  
Commissioner Nick Fish  
Commissioner Randy Leonard  
Commissioner Dan Saltzman  
City Auditor Gary Blackmer

From: Casey Short, Manager  
Financial Planning Division

Subject: FY 2008-09 Fall Budget Monitoring Process and Minor Supplemental Budget

In the Fall Budget Monitoring Process (BuMP), City bureaus report on financial and program performance through the end of the past fiscal year and request adjustments to the current fiscal year's budget. The Fall Budget Adjustment and Minor Supplemental Budget ordinance adopts proposed adjustments and will be heard on Wednesday, November 12, 2008.

The Financial Planning Division has prepared this document to summarize the highlights of bureau submissions for the Fall BuMP, requests and adjustments that flow from those submissions, and requests identified in the Fall Minor Supplemental Budget. FPD's full analysis of the requests from bureaus and the financial performance of the bureaus will be sent to Council Offices on November 4, 2008.

The fall 2008 Major Supplemental Budget will also be brought to Council on November 12, 2008 through a separate ordinance. This process is required for funds that increase resources and requirements by more than ten percent.

This fall, in addition to the above two regular ordinances amending the budget, because of the implementation of SAP, the City's new financial system, FPD will submit two additional SAP ordinances to accommodate the new budgeting process for grants set forth by the new system. In the new system, grant expenditures will be made from the Grants Fund, not from bureau budgets as has been the past practice. These ordinances are separate because they will take effect on a different date: November 26, 2008 when the system goes live. The first SAP ordinance will amend the Grant Fund and because these changes are large enough, a Major Supplemental Budget is required by Local Budget Law. The second SAP ordinance will amend the Fall Minor Supplemental Budget FPD is submitting with this memo. The changes in both SAP ordinances are technical and they do not have any programmatic impact, nor do they change the EBS project costs.

Exhibits to the ordinance include a revised Schedule of Appropriations (Exhibits 1a and 1b), BuMP and Minor Supplemental Budget adjustments (Exhibit 2).

## **Summary of Major Actions**

The BuMP adjusts budgets that show a decrease or no change in total resources and requirements, except for the Internal Services Funds. There are nine funds requesting BuMP adjustments, with a net increase of approximately \$1 million. The Minor Supplemental Budget adjusts budgets that increase by less than 10%. The fall Minor Supplemental Budget increases resources and requirements by \$32.1 million, in eleven funds. The largest of these are the General Fund (\$24.2 million), Parks Capital Construction & Maintenance Fund (\$2.2 million), and Transportation Operating Fund (\$1.7 million). See below for discussion of these actions.

## **Review of Significant Budget Adjustment Process (BuMP) Requests**

Nine funds request technical changes in the budget adjustment process; the major changes are in the Pension Debt Redemption Fund, Fire & Police Disability & Retirement Fund, Technology Services Fund, and Facilities Services Fund.

### Pension Debt Redemption Fund

The fund shows a net decrease of \$6.4 million. In the fall BuMP, all proprietary funds and the Fire and Police Disability and Retirement Fund need to reclassify their appropriations from cash transfer to the Pension Debt Redemption Fund to pay bonded debt interest within the individual funds.

### Fire & Police Disability & Retirement Fund

The fund shows a net reduction of approximately \$1.2 million. The fund reduces budgeted beginning fund balance and contingency by \$689,838 to align with the expected FY 2007-08 ending fund balance. The fund also reduces bond and note proceeds by \$529,580 to reflect the actual amount of the tax anticipation note.

### Technology Services Fund

The fund shows a net increase of \$5.6 million. This is due primarily to an increase in cash transfer for the EBS project - \$750,000 in General Fund carryover, reduction of the transfer from Pension Obligation Bond Fund for EBS projects (\$2,613,000), carry over from prior year \$9,704,498 (includes \$3,368,913 draw on contingency), and an increase in interagency with other bureaus \$1,151,250.

### Facilities Services Fund

The fund has a net increase of \$2.9 million. This includes \$1,750,000 for the land purchase for the Public Regional Public Safety Training Center. Funding for this has been set aside in the General Fund "Rainy Day" Reserve and will be transferred to the Facilities Management Fund for the purchase of the land. The remainder of the increase is attributable to increases in interagency agreements with other bureaus for services provided.

## **Review of significant Minor Supplemental Budget Requests**

### Parks Capital Construction & Maintenance Fund

The fund shows an increase of \$2,216,398. This is due to an increase of \$2.9 million in beginning balance caused by capital projects carried over from last year. The revenue from Cash Transfers is increased by \$1.4 million primarily from the General Fund (\$478,922) and Sewer Operating Fund (\$900,000) for capital projects performed by Parks. There is an additional \$2.2 million in private grants/donation, the largest of which is \$1 million from the Moyer family trust for Director Park, and \$0.4 million in increased

interagency revenue primarily from the Parks Levy Fund. The fund also shows a reduction of \$4.7 million in local sources from PDC and Metro to true up the Adopted Budget with the revised expected revenues from these agencies.

#### Transportation Operating Fund

The fund shows a net increase of approximately \$1.7 million. This is due to an increase of \$797,460 in interagency revenues with BES and Parks, \$179,000 increase in revenues from Multnomah County cost sharing and PDC, and \$165,504 from the Parking Fund for the two positions to manage the Parking Fund and the parking garages which will be transferred from OMF to PDOT in the fall BuMP. PDOT also transfers \$540,000 in revenue appropriation to specific non-discretionary accounts in the BuMP. In the Adopted Budget, these revenues were temporarily budgeted in PDOT's discretionary revenue (GTR). The adjustments will allow the bureau to more accurately reflect the different sources of non-discretionary that it anticipates receiving this fiscal year.

#### General Fund

The General Fund shows a net increase in resources and requirements of approximately \$24.2 million. The fund recognizes an additional \$15.2 million in beginning balance based on the draft FY 2007-08 Comprehensive Annual Financial Report. This consists of \$8.4 million carried over from the spring BuMP, \$4.7 million identified earlier as additional fund balance, a \$958,000 transfer to the Housing Investment Fund that was budgeted but not made in FY 2007-08, and some \$900,000 in adjustments made in the CAFR. In addition, the requirement for encumbrances was budgeted at \$11 million based on FY 2007-08 year-end figures, but only \$7.64 million is needed. This difference of \$3.36 million will be added to the General Fund contingency.

Of the other \$9 million increase not included in beginning balance, approximately \$4.0 million of the total increase is attributed to an increase in interagency revenue; the largest item in this category is an increase of \$3.3 million from the Bureau of Technology Services for the EBS project. There is an additional \$1.1 million in Local Sources revenue: \$600,000 of this amount is attributed to the revenue from Multnomah County to the Revenue Bureau for the Business License and Personal Income Tax programs; \$269,000 of the total relates primarily to the revenue from Tri Met to the Police Bureau for the Transit Police Program, and another \$245,000 mostly from PDC to Parks & Recreation for capital projects.

Revenue from Cash Transfers shows an increase of \$3.6 million. The largest item in this category is a transfer of \$2.6 million from the Technology Services Fund to EBS Ongoing Support in the General Fund to fund consulting support services after the go-live date. Other significant items in the Cash Transfer category includes a transfer of \$700,000 from the Bureau of Emergency Communication according to a budget note in FY 2007-08 Adopted Budget directing the bureau to refund the difference between budgeted General Fund transfer and actual expenditures, as it does for all other jurisdictions. This money adds to the General Fund contingency. Finally, there is a cash transfer of \$250,000 from the General Reserve Fund to support the Wellness Program Expansion, using money from the Health Insurance Fund and reserved for it.

#### New Requests for General Fund Resources

In this ordinance, the total new requests for General Fund are \$6,302,449. Of this amount, FPD recommends \$4,803,186.

The largest requests recommended include:

1. OMF/Land Purchase for the Regional Training Center \$1,750,000. The funds have been set aside in the General Fund Rainy Day Reserve, and are now being requested to be appropriated for the purchase of the land.
2. GF/Transfer to Housing Investment Fund \$958,149. This amount represents FY 2007-08 budgeted

transfer from General Fund to the Housing Investment Fund, but was inadvertently missed and is being carried over to FY 2008-09. These funds were not included in previous beginning balance estimates, so there is no net impact to the General Fund.

3. OMF/EBS Interagency Increase \$750,000. This request will increase the interagency between BTS and EBS Project. The increase is funded by savings from OMF General Fund bureaus in FY 2007-08.
4. Police/Resolution 36623 Overtime \$510,776. Council approved Resolution 36623 on July 16, 2008, directing OMF to transfer \$510,766 from GF contingency to the Police Bureau for overtime needs. The funds are intended to come from the \$1.8 M set-aside for police hiring in the Rainy Day Reserve.
5. BHCD/Homeless Employment \$300,000. This was included in the Rainy Day Reserve, to be available when its use was determined by the Housing Commissioner, who has requested release of these funds in the BuMP.

The largest requests not recommended include:

1. PDOT/Fuel Increase \$711,039. PDOT requests additional General Fund resources to offset the increase in fuel costs. FPD recommends that the bureau monitor its fuel expenditures through the rest of the year, particularly in light of lower fuel costs since its BuMP request was submitted, to determine whether additional funds would be needed.
2. Parks/Cathedral Park Floating Dock \$455,000. Parks & Recreation requests General Fund resources to match grant funds from the Oregon State Marine Board to renovate the Cathedral Park Boat Ramp. FPD does not believe that this request meets the standard for General Fund Contingency withdrawal, because it is not an unforeseen or emergency request.
3. OSD/Sustainable Economic Development 2, \$178,000. OSD requests General Fund One-time resources to complete work related to sustainable development initiated, but not completed in FY 2007-08. FPD does not believe that this request meets the standard for General Fund Contingency withdrawal, because it is not an unforeseen or emergency request.
4. Parks/Emergency Package for Upgrade of Busses \$66,348. Parks & Recreation requests General Fund resources to purchase three replacement vehicles to transport school-aged children. FPD does not believe that this request meets the standard for General Fund Contingency withdrawal, because it is not an unforeseen or emergency request.
5. Fire/Interagency Agreement with Bureau of Human Resources \$33,876. The bureau requests additional General Fund resources to pay for the bureau's cost share of a compensation comparative analysis for the next public safety contract negotiation in 2010. FPD recommends that the bureau absorbs the additional cost within its existing budget.

The BuMP includes eight additional requests that total \$589,261, some of which are carryover items. For a complete discussion of the significant items recommended and not recommended in the fall BuMP, please refer to the Fall 2008 BuMP Analysis prepared by FPD and sent to Council members on 11/4/2008.

In addition to the new requests, the fall BuMP also includes \$8,409,738 in Carryover requests and \$7,637,339 in Encumbrance Carryover requests. FPD recommends \$223,627 in General Fund ongoing to support parks operations & maintenance costs. The request amount was \$347,637.

### General Fund Contingency

If the ordinance is adopted, there will be a balance of \$12,877,430 in the General Fund Contingency after the fall BuMP. This will consist of \$1.0 million in unrestricted contingency (reduced by \$382,325 from the Adopted Budget for four items), \$2.3 million in the Rainy Day Reserve, and \$9.6 million to set aside against the anticipated downturn in Business License Revenue.

### **Summary of Positions Requested**

Bureau of Housing & Community Development: Delete one Assistant Financial Analyst and replace it with one Senior Financial Analyst.

Office of Management & Finance - AU 307: Add two Technology Program Specialists and one Procurement Assistant.

Office of Neighborhood Involvement: Convert two temporary part-time Community Outreach & Information I to permanent part-time.

Office of City Auditor: Add one permanent part-time Office Support Specialist II.

Office of Transportation: Add one Program Manager and convert one part-time Accountant I to full time.

Parks & Recreation: Reclassify one part-time Horticulturist (60%) to one full-time Horticulturist. Reclassify one part-time Botanic Specialist I (50%) to full-time Botanic Specialist I (80%). Eliminate one Recreation Coordinator to fund two new Recreation Leader positions. Add one Horticulturist position.  
Police Bureau: Transfer one Human Resource Technician to Bureau of Human Resources

### **RECOMMENDATION**

Financial Planning recommends Council approval of the fall budget adjustment ordinance.