

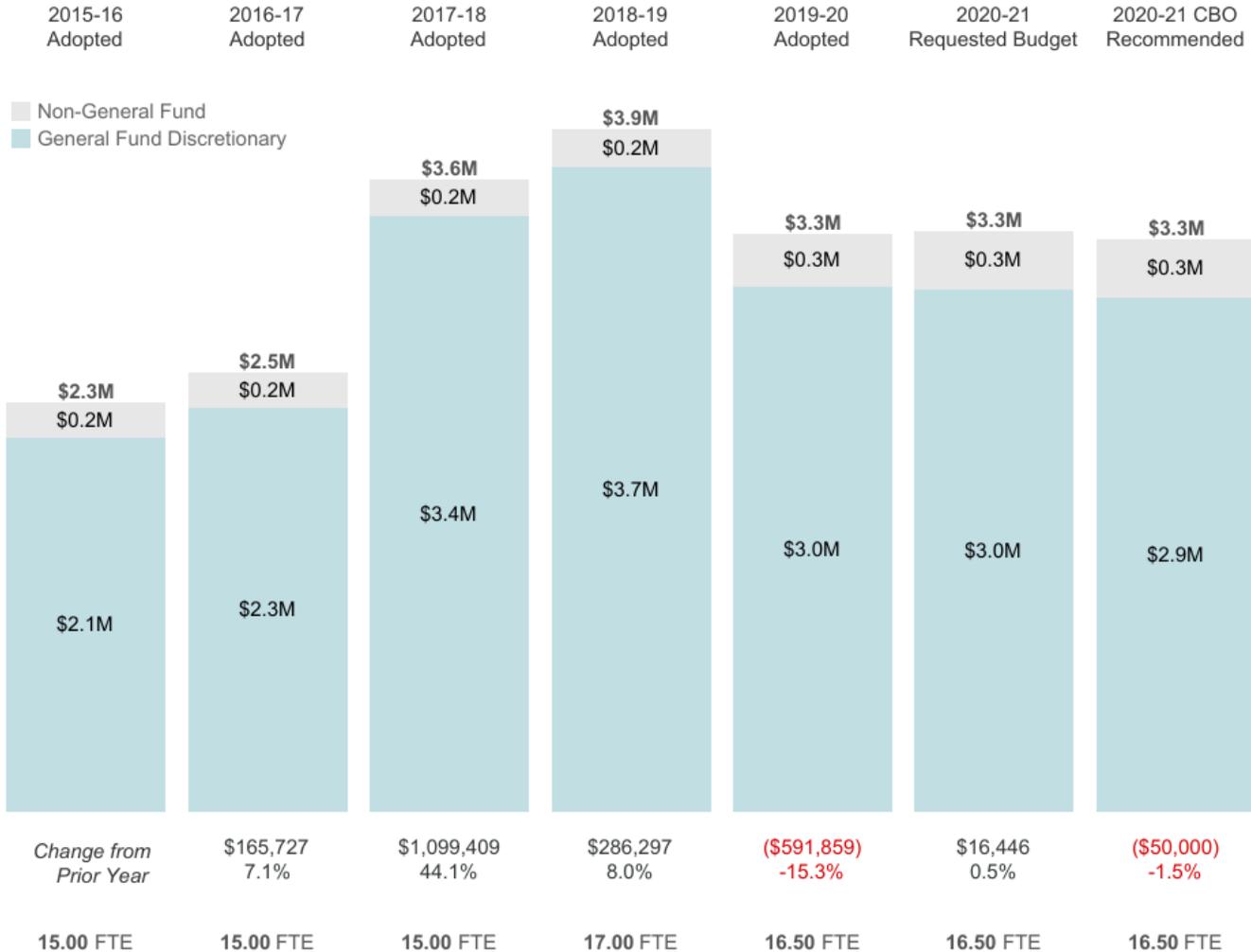


City Budget Office

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Adopted Budget Revenues | 5-Year Lookback



INTRODUCTION

The City Budget Office’s (CBO’s) FY 2020-21 Requested Budget includes base resources to support core services for a small office with 15.5 regular FTE and a request for General Fund one-time resources to conduct the Portland Insights Survey. Consistent with budget development guidance, the CBO has identified an offset of 50% of the total dollar value of the request for new resources to lessen the burden on the General Fund. The City Budget Office has conducted an evaluation of the CBO requested budget including this decision package request using similar criteria with which other bureau asks were assessed and includes recommendations on the decision package. CBO welcomes any questions about the package and is open to additional review of CBO’s budget by the Auditor or another third party.

BASE BUDGET ANALYSIS

The CBO's base budget supports 15.5 FTE between two program offers: Budget & Economics and Portland Utility Board (PUB) Support. The Budget & Economics program is funded primarily through General Fund resources. The Portland Utility Board Support program is completely funded by interagency agreement resources from the Water Bureau and the Bureau of Environmental Services (BES). A small portion of indirect cost recovery from these interagency agreements also supports the Budget & Economics program. This interagency agreement has been in place since FY 2015-16; however, the FY 2020-21 Requested Budget is the first time PUB Support is presented as a discrete program offer.

The FY 2020-21 Requested Budget reflects the expiration of 2.0 LTE positions, both previously funded by one-time resources. The FY 2018-19 Adopted Budget included one-time resources for an Analyst III to further analytical research for citywide asset management; this position expired in FY 2019-20. The FY 2019-20 Adopted Budget included one-time resources for a one-year limited-term Financial Analyst II to provide backfill analytical support during the transition to the City's new budget software, BFM. There are no other significant changes in staffing within the CBO and, at present, the bureau is fully staffed for the first time in over eighteen months.

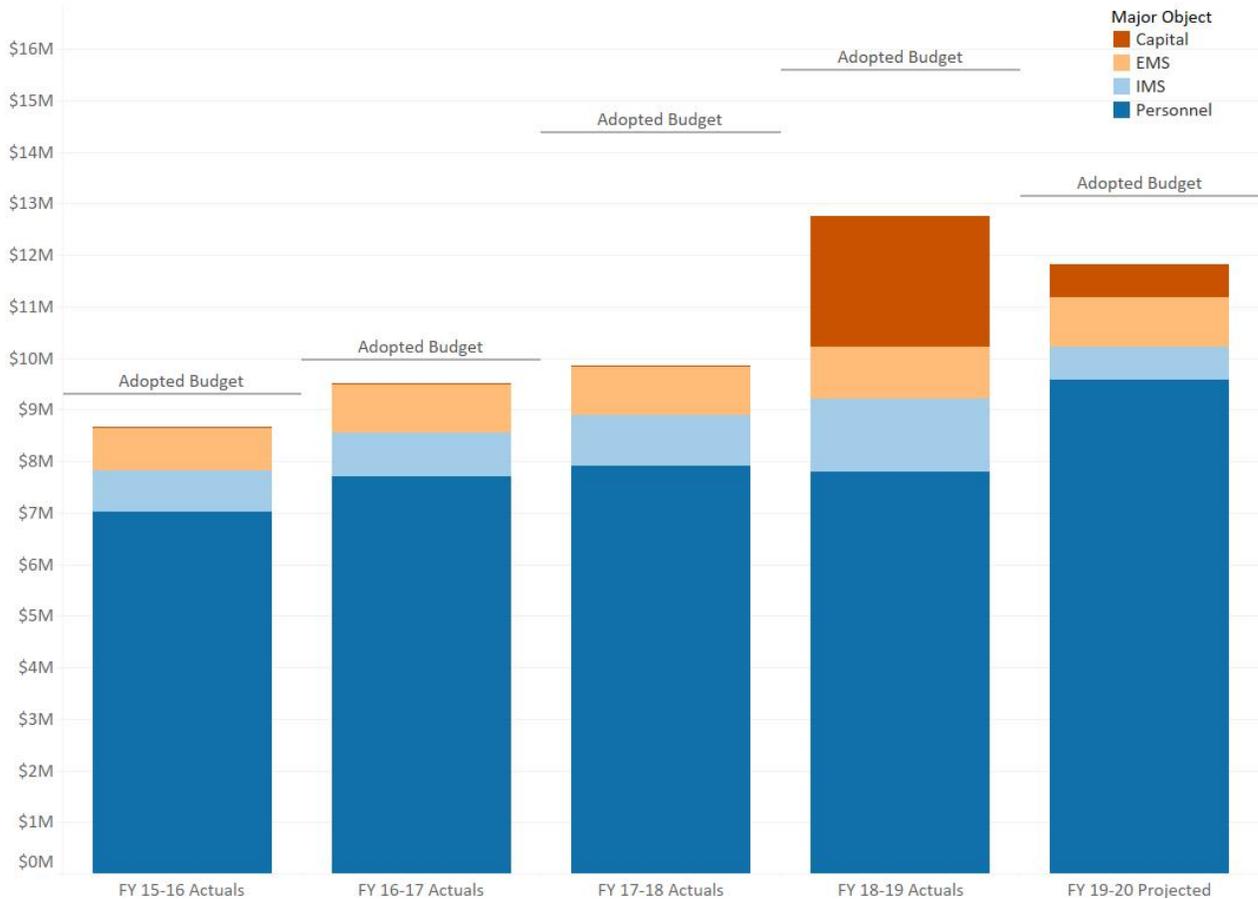
Future Financial Planning Efforts: Personnel Services

The chart below presents a high-level financial history of spending patterns in the CBO. As 76% of the bureau's FY 2020-21 Requested Budget is attributable to personnel costs and this bureau has a relatively small number of FTE, the degree of sensitivity to staff turnover is clear: changes in personnel have brought in newer employees with different wage and benefit profiles than prior employees. As such, the bureau will need to plan for financial growth in wages associated with merit, impacts of future pay equity policies, and the significantly expanded pay bands that allow for increased rates of wage growth when compared to prior fiscal years.

Future Financial Planning Efforts: Lifecycle Replacement for Software

At present, the CBO base operational budget does not include future replacement set-aside for the City's budget software system, BFM. The recent replacement project was delivered on-time and under budget. Project underspending was subsequently redirected to conduct additional system enhancements and employee training in-house in FY 2019-20. The bureau internally prioritized \$100,000 in the FY 2018-19 Spring BMP to redirect internal programmatic underspending into a future replacement reserve, and the bureau expects to request to deposit a similar amount into the reserve during the FY 2019-20 Spring BMP. In the FY 2018-19 Spring BMP, the bureau assumed a seven-year lifecycle and a future replacement cost of \$1.5 million. Using these assumptions, and assuming the continued current rate of funding via underspending, the bureau would still require a General Fund allocation of \$800,000 by FY 2025-26 to fully support anticipated replacement costs. Additionally, the size of the bureau's annual future replacement reserve contribution is predicated on two key factors: the amount of time positions are vacant before they are filled and the degree of underspending for discretionary purchases.

CBO Budget to Actuals by Major Object Category



Over the past four fiscal years, CBO’s underspending has varied, ranging between lower amounts between \$100,000 and \$200,000 in more typical years and higher amounts—up to \$1.1 million in FY 2017-18—during the years of the budget software replacement. For the current year, CBO is projecting underspending of about \$300,000. The bureau plans to request program carryover in the Spring BMP for the budget software reserve (\$100,000), for obligated personnel expenses (\$40,000), and for the Hatfield Fellow to support the survey, should funds for that project be approved (\$45,000).

Depending on the amount of funding available for the bureau to deposit into the reserve, the bureau will either be required to request significant General Fund resources to support future replacement or hold one or more positions vacant for several years to generate savings in support of lifecycle replacement. This trade-off would result in compromised financial and performance analysis for the City’s multi-billion-dollar budget development. The bureau will continue to assess the prioritization of resources in efforts to determine what amount could be shifted into an ongoing contribution for future replacement. If this assessment shows that the gap in future replacement funding exceeds CBO’s capacity to absorb within its base operational budget over the next several years, CBO would consider future decision package requests to fund lifecycle replacement of this citywide asset.

This issue highlights a greater Citywide issue around the ability of individual bureaus to adequately resource lifecycle replacement costs of equipment and technology systems. The CBO should work with the CFO, the Bureau of Technology Services, and individual bureaus to comprehensively assess long-term

equipment and technology replacement needs and potential funding sources.

DECISION PACKAGES

Portland Insight Survey Phase II

9566, \$170,000, 0.00 FTE

Request Summary

This request is for \$170,000 of General Fund one-time resources to conduct a second year of the Portland Insights Survey, a citywide survey of community perception of City services. The first phase of the survey was conducted by CBO in 2019; by conducting a second phase, CBO seeks to demonstrate the benefits of tracking community sentiment over time and to further assess the value of the City committing ongoing resources to an annual community survey.

Offset Summary

As a 50% offset option, CBO has offered a package with \$85,000 in one-time reductions to current services. These include realigning the office's existing Hatfield Fellow from supporting Citywide performance management efforts to dedicated support of the survey, as well as one-time reductions to employee merit growth, office supplies, and training opportunities for staff.

CBO Analysis

The bureau originally received \$60,000 in the 2018-19 Adopted Budget to conduct a pilot for the new survey. The bureau requested but did not receive ongoing resources to continue the survey as part of the FY 2019-20 budget process. At the time of FY 2019-20 budget development, the results were not available from the pilot, so Council could not yet assess the value of the survey. With the completed survey and results, CBO is again requesting resources: this time, \$170,000 in one-time for the second phase of the pilot, which is 280% larger than the initial request.

The increased cost is due to updated information based upon the initial survey: CBO estimates that the 2019 survey cost \$140,000 and CBO absorbed \$80,000 of that cost through internal underspending. The Phase II request is \$30,000 higher than Phase I; the additional resources will expand canvassing efforts, which during Phase I were successful in reaching historically underrepresented communities, particularly speakers of languages other than English.

The initial pilot resulted in 8,814 complete responses from members of the Portland community, allowing for disaggregation of results by geography and demographic group, creating a new dataset that is not available from any other source.

The data from the first survey has been useful to bureaus, including to the Bureau of Planning and Sustainability in their Thriving Cities work around sustainable consumption; to the Office of Governmental Relations in their report to Council on the City's tribal liaison work; to Portland Parks and Recreation in preparation for their Sustainable Future work session;¹ and to CBO in drafting the FY 2018-19 Prior Year Performance Report.² The survey has also been of interest to groups external to the City: it has been referenced widely in the press;³ was used as a data source for the State of Aging in Portland

¹ See Portland Parks and Recreation, "A Sustainable Future" City Council Presentation, November 2019, <https://www.portlandoregon.gov/parks/article/748069>

² City Budget Office, FY 2018-19 Prior Year Performance Report, December 2019, <https://www.portlandoregon.gov/cbo/article/748889>

³ See, for example: Gordon Friedman, "Portlanders report deep unhappiness with City Hall's response to homelessness,"

report published by Portland State University's Institute on Aging; and has been cited in conjunction with Metro's decision to put a tax measure on the ballot in May.⁴

The bureau believes that the most significant added value to continued investment in the Portland Insights Survey would be from longitudinal data provided through a second year of data collection. The current request is for one-time resources for one additional year of the survey. Though CBO acknowledges that longitudinal data would provide greater value given a longer time horizon, the office notes that a second year of data would give an initial glimpse of trends from year to year.

The offset offered by CBO is potentially viable but would cause significant impacts to CBO's work supporting Citywide performance management initiatives. The bureau cites that the loss of the dedicated Hatfield fellow would require the bureau to reduce its ability to provide performance deliverables such as What Works Cities coordination and the Prior Year Performance Report. A reduction to the training and development budget could negatively affect CBO's core service of rigorous, clear budget analysis if analysts are delayed in accessing the training they need.

Due to evidence that the Portland Insights Survey is meeting a need for City bureaus and external partners that no other available dataset is able to meet, and due to the promise of increasing equitable participation through enhanced canvassing, CBO recommends continuing to fund this work for one more year. CBO cautions against serial one-time funding for this project and recommends that Council decide after Phase II whether this project merits ongoing resources or should be discontinued.

CBO believes that at least \$50,000 of the offset can be absorbed by the bureau with minimal service level impact, due to the reduced 2% merit budget directed by the Mayor and due to the bureau's historical underspending patterns. Council and the bureau may consider supporting a carryover in the Spring BMP to further support this package while preserving CBO current service levels.

CBO Recommendation: \$120,000 one-time

August 23, 2019, <https://www.oregonlive.com/portland/2019/08/portlanders-report-deep-unhappiness-with-city-halls-response-to-homelessness.html>

⁴ Bridgelineer Newsletter, February 6, 2020, <https://bridgelineer.com/newsletter/2020-02-06-its-not-a-wealth-tax/>

SUMMARY OF REQUESTS AND RECOMMENDATIONS

Below is a summary of the City Budget Office’s total budget. Because Mayor’s Guidance directed bureaus to submit 50% offsets with any request, CBO submitted one request totaling \$170,000 and another request for half that amount, for a total decision package amount of \$255,000. CBO recommended part of the original package at \$120,000 and reduced the offset amount of \$85,000 from the budget, effectively increasing the base budget by \$120,000.

City Budget Office - All Funds

		2019-20 Adopted Budget	2020-21 Requested Base (A)	Bureau Decision Packages (B)	CBO Recommended Adjustments (C)	Total Recommended Budget (A+B+C)
Expense	Personnel	\$2,599,030	\$2,382,141	(\$20,500)	\$20,500	\$2,382,141
	External Materials and Services	\$252,342	\$316,300	\$275,500	(\$155,500)	\$436,300
	Internal Materials and Services	\$229,793	\$435,557	\$0	\$0	\$435,557
	Capital Outlay	\$206,387	\$0	\$0	\$0	\$0
	Total	\$3,287,552	\$3,133,998	\$255,000	(\$135,000)	\$3,253,998
Revenue	General Fund Discretionary	\$1,397,636	\$1,276,222	\$116,260	(\$61,549)	\$1,330,933
	General Fund Overhead	\$1,589,440	\$1,522,970	\$138,740	(\$73,451)	\$1,588,259
	Interagency Revenue	\$290,476	\$324,806	\$0	\$0	\$324,806
	Miscellaneous Fund Allocation	\$10,000	\$10,000	\$0	\$0	\$10,000
	Total	\$3,287,552	\$3,133,998	\$255,000	(\$135,000)	\$3,253,998