

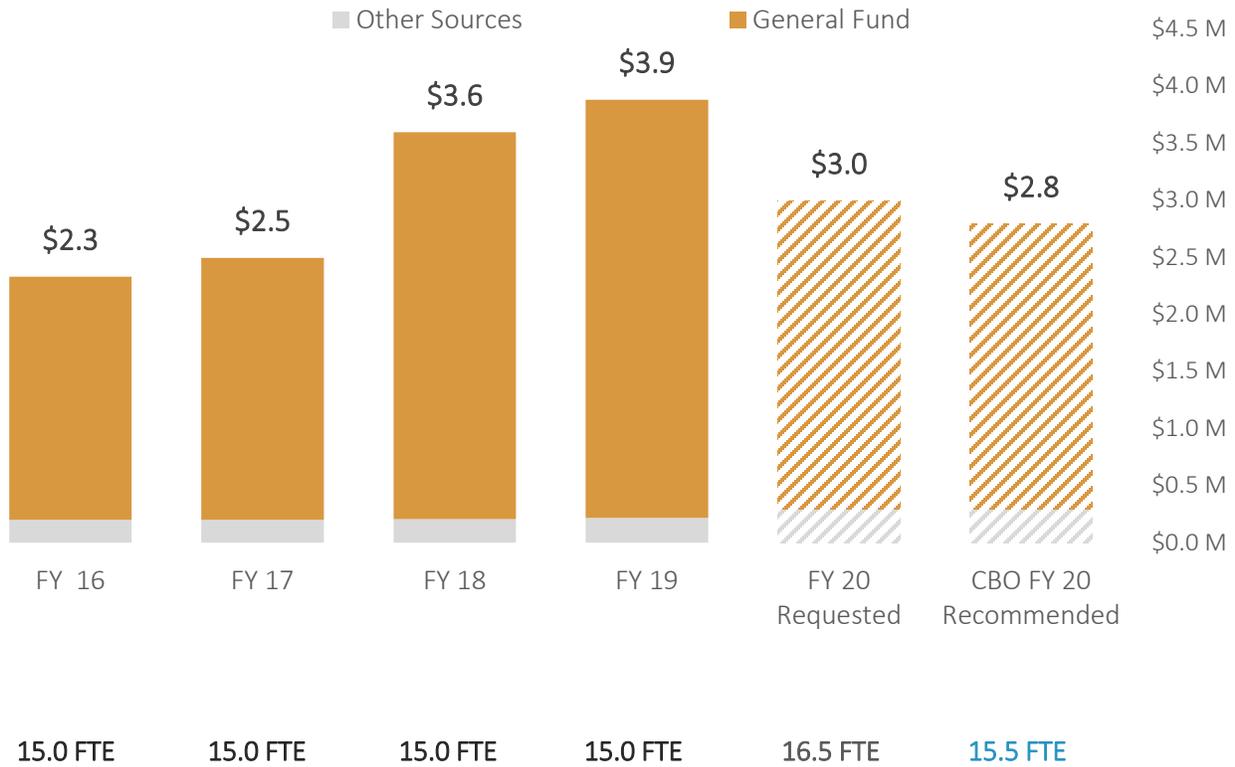


**City
Budget
Office**

City Budget Office

Analysis by Ryan Kinsella

Adopted Budget Revenues - 5-Year Lookback



INTRODUCTION

The City Budget Office’s (CBO’s) FY 2019-20 Requested Budget reflects budget guidance of General Fund current appropriation level target less one percent. CBO incorporated the one percent reduction of \$28,000 by decreasing planned materials and services costs with no service level impacts. CBO has requested ongoing funding for service agreement costs of the new budgeting system, and ongoing funding to support 0.5 FTE and contract costs of the annual Citywide Insights Survey. The City Budget Office includes recommendations on its own decision packages below, and acknowledges the inherent conflict of interest. CBO welcomes any questions about the packages or additional review of CBO’s budget.”

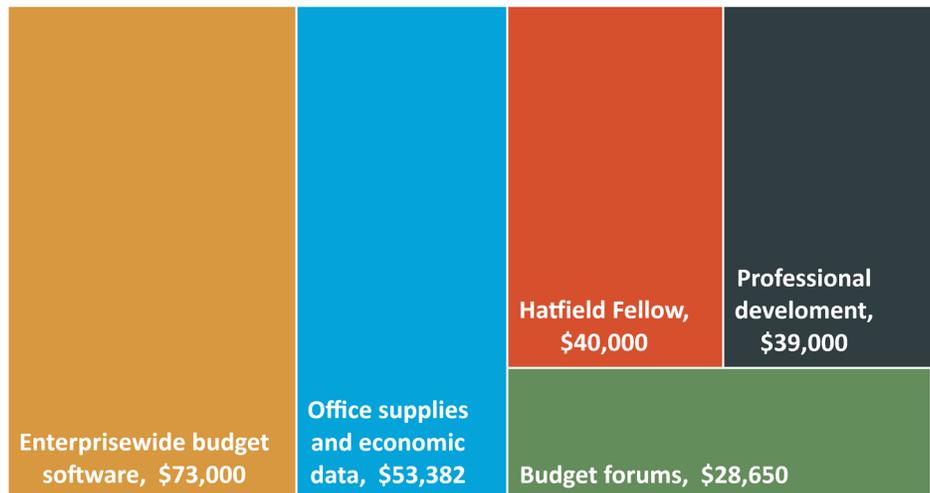
CBO is currently managing several key changes to the budget process in addition to implementing the City’s new budgeting software system. While these changes represent a significant opportunity to improve both the efficiency and effectiveness of the City’s budget process, the implementation of these changes have consumed a considerable portion of CBO’s focus and staff time over the past year and is expected to continue to consume significant staff time through FY 2019-20. These changes are being currently implemented under new and interim leadership, following recent departures of the budget director and assistant budget director.

BASE BUDGET KEY ISSUES

Budget Risks

Personnel costs are the primary driver of the CBO’s budget, making up \$2.3 million of its \$2.8 million annual budget --- approximately 83%. Underspending in personnel costs have decreased each year from \$46,000 (2.5%) in FY 2014-15 to \$20,000 (1.0%) in FY 2017-18. Total bureau underspending has varied, ranging from \$27,000 to \$87,000 over the past five years.¹ This trend indicates that CBO has limited flexibility to absorb significant changes in personnel costs. The bureau’s remaining budget of \$500,000 is used for internal service costs of approximately \$250,000 and another \$250,000 for other materials and services costs, as outlined in the chart.

CHART 1: CBO'S MATERIALS AND SERVICES BUDGET



For FY 2019-20 and beyond, two key changes pose a risk to CBO’s budget, both of which are driven by the increased compensation ranges of non-represented employees, following the recent implementation of the Classification and Compensation study:

- CBO could incur new costs for employees that were near the previous top of compensation range for their classifications. CBO has only one employee currently at top of range in prior compensation range, and thus there is little potential impact of this issue

¹ In FY 2018-19, CBO is likely to underspend its budget for two reasons: first, due to the turnover in staff, and particularly in higher-paid leadership positions, CBO has generated vacancy savings. Second, as part of the implementation of the new budget software, CBO has dedicated a position to administer the project; hours related to the project are booked against the one-time project funding, and as a result, savings are generated in the bureau’s ongoing personnel appropriations.

in FY 2019-20. However, in the next few years, the increased compensation ranges could cause CBO to exceed the personnel budget; CBO will need to more actively manage to available resources in the decision to award merit increases. CBO may also address longer-term potential cost impacts by starting new employees at salaries in the lower half of the ranges.

- The possible top compensation level for the bureau director position increased by \$40,000 under the new compensation structure. This position is currently filled on an interim basis. If the permanent position is hired at a salary greater than the previous top compensation amount (\$152,000), then this increase will immediately limit the bureau's ability to remain within budgeted personnel costs based on historical underspending and projected personnel costs in FY 2019-20.

CBO estimates that the bureau could absorb increased personnel costs of up to \$20,000, assuming regular staff attrition of one or two employees per year with replacement hires at lower salary levels. If the new permanent director or costs related to expanded compensation ranges exceed this \$20,000 threshold, then CBO would need to implement other cost saving measures, including: (1) eliminating the bureau's professional services budget and budget for office supplies, (2) limit merit increases for employees or (3) eliminate positions and/or hold positions vacant in order to generate vacancy savings.

DIRECTIONS TO DEVELOP

Citywide Budget Software Maintenance

\$52,000, 0.00 FTE

Direction Language

In FY 2016-17, the City Budget Office received one-time project funding to replace the City's aging enterprise-wide budget software system. CBO recently completed project implementation and the new system is being utilized by hundreds of staff across the City to complete the FY 2019-20 budget.

CBO is directed to bring forward a proposal as part of FY 2019-20 budget development which ensures the fiscal sustainability, resiliency and success of this enterprise-wide solution.

CBO Analysis

Since 2003, CBO has administered Portland's citywide budget preparation software, BRASS. The citywide budget software is used by all City bureaus to develop, prepare, analyze and share information related to the City's annual budget production process as well as three supplemental budget processes throughout the year. BRASS has been replaced with Budget Formulation Management (BFM), which went live December 7, 2018. The City is currently preparing the FY 2019-20 budget in BFM. The total project costs for BFM is \$1.0 million, which was funded in the FY 2015-16 Fall Supplemental Budget.

Total project costs are likely to be under this estimated amount after final billings are received

from the vendor and BTS. CBO anticipates needing a portion of the underspending to cover additional configuration costs as issues identified in the FY 2019-20 budget process are addressed. The ongoing service costs of the system, provided by the vendor, are \$112,000 per year. Currently, CBO has budgeted \$60,000 for service costs, which supported the prior budget system BRASS. This package would fund the remaining \$52,000, which would be covered by both General Fund discretionary (\$24,388) and overhead resources (\$27,512). This ongoing amount is guaranteed under the current vendor contract for the next three years. At the time of receiving funding for the project and during the procurement process, CBO acknowledged that it was likely that there would be additional ongoing costs and that would need to be addressed in a future budget process.

There are a few options for how the bureau could absorb this cost:

1. **Carryover one-time project resources.** For FY 2019-20, CBO estimates that there will be sufficient underspending the project budget to cover the first-year costs. It is possible that there may be underspending in the project to cover a second year, but there would be an ongoing deficit beginning in FY 2020-21 or FY 2021-22.
2. **Allocate costs via interagency agreements.** Enterprise software costs (like SAP licensing) are allocated to bureaus via interagency agreements. CBO could develop interagency agreements for each bureau based on their portions of costs. The recommended allocation methodology would be based upon the same metrics of previous budget software or SAP recovery costs, both of which use the City's General Fund Overhead Model allocation metrics. The City's Overhead Model allocates 75% of costs based on the proportional size of a bureau's budget and then allocates the remaining 25% based on the proportional number of positions per bureau. Allocating this software costs via the Overhead Model metrics is consistent with prior methodologies, but introduces the administrative steps of calculating the amounts, and budgeting and monitoring the interagency agreements.
3. **Absorb costs within current appropriation.** If the bureau were forced to absorb this cost, the bureau states it would either need to eliminate its funding for a Hatfield Fellow or eliminate 0.5 FTE.

The bureau prefers not to eliminate the Hatfield Fellow position as it contributes to significant annual bureau work and has become a highly effective recruitment tool for the bureau and the City: 88% of former CBO Hatfield fellows have been hired permanently to fill critical positions in CBO, the Attorney's Office, and the Bureau of Transportation. Within CBO, 18% of permanent staff members are former Hatfield Fellows. Rather, if having to absorb these costs, the bureau would likely choose to eliminate 0.5 FTE, which the bureau maintains would result in reduced depth of analysis and a lower level of support for customer bureaus.

Funding for this package supports an enterprise need and it is common for the costs of enterprise software be shared by bureaus. Nevertheless, CBO has only recommended ongoing funding for items that would compromise the financial sustainability of the City and bureaus if not funded. In light of scarce resources and other service tradeoffs that Council will need to consider in this process, CBO does not recommend funding for this package. CBO recommends that the bureau

secure bridge funding via one-time carryover of project funding in the Spring BMP, and then investigate options to recover these costs on an ongoing basis via interagency agreements in alignment with current enterprise-wide technology practices.

CBO Recommendation: \$0 ongoing | 0.00 FTE

Community Insights Survey

\$150,000, 0.50 FTE

Direction Language

The City of Portland is committed to tracking results of its programs and services through performance management. However, the City currently lacks comprehensive data on resident sentiment and perception, especially related to City government and its services. The City also seeks more resident input in Citywide budget prioritization and decision-making processes. Thus, Portland City Council authorized Portland's City Budget Office (CBO) to implement a Citywide resident survey in the Fiscal Year 2018-19.

The current survey effort will allow the City to explore new and innovative survey approaches and fill the gap in Citywide data resulting from the discontinuation of the Auditor's Community Survey. The Community Insights Survey aims to:

- Develop a better understanding of Portlanders' perception of City government and services.
- Provide "hard to measure" outcome data for bureaus to assess the impact of programs and services.
- Obtain results that will help inform City Council on resident budget and policy prioritization.

The survey was funded in FY 2018-19 with one-time resources. The City Budget Office is directed to develop a proposal for ongoing funds for an annual survey to assess community satisfaction and priorities with regards to City services.

CBO Analysis

This request would provide ongoing funding for a survey of community interests. Previously, the Auditor's Office conducted the annual community survey for 20 years. This survey was discontinued as a result of budget reductions in the FY 2017-18 Adopted Budget. In addition, there were concerns about the quality of data due to the survey design, and several bureaus noted that they would like to refine the survey questions in order to better inform decision-making.

In FY 2018-19, CBO received \$60,000 to continue a citywide survey on a one-time basis, with the goals of improving the survey methodology and design in order to improve the quality of the data and include questions that reflected bureaus' interests. The bureau is implementing the pilot and results and analysis are expected before the end of the Fiscal Year.

The FY 2019-20 request is for \$150,000; or \$90,000 more than what was obtained during the current year pilot. This is because: 1) the bureau has realized that the annual survey is likely to cost \$75,000 per year for the contract and so has dedicated \$15,000 in current year underspending to support the contract (\$60,000 was appropriated in FY 2018-19); 2) whereas the

pilot program only included a quantitative survey, the proposal includes supplementing the quantitative survey with qualitative data. The bureau asserts that successfully coordinating and managing the ongoing nature of these two types of surveys requires dedicated 0.5 FTE.

The goals of the ongoing citywide survey are twofold:

- **Council Prioritization:** Survey results would provide City Council with additional data for their prioritization of resources. Currently, the City lacks comprehensive data on resident perceptions of City government and its services. This large gap in data impacts City Council's ability to identify what community members want in terms of City services. Given the scarcity of resources, having additional data on community preferences could be valuable in deciding how to allocate resources in the annual budget process.
- **Bureau Performance Management:** Survey results would provide bureaus with data on community priorities so that they can more effectively manage programming. For example, Portland Fire and Rescue plans to use survey results to help guide the bureau's Blueprint for Success and inform its community health outreach strategies. The Water Bureau plans to use survey results to help guide tradeoffs between capital investments, seismic resiliency, and affordability.

CBO notes that the current survey design is specifically intended to include the responses of underserved Portlanders, and to this end, emphasis in this process has been given to developing a survey that is more representative, equitable, and accessible to all Portlanders. This includes provision of the survey in multiple languages, ensuring ADA accessibility, and using survey methods that increase accessibility, such as online surveys.

The bureau reports that entirety of one-time funding in FY 2018-19 has gone towards contract costs; and the bureau has committed approximately \$40,000 in staff costs to run the project, predominantly through the dedicated work of a Hatfield Fellow.

Improving the quality of data in decision-making is likely to better inform how scarce resources can be most effectively and efficiently allocated according to the community's interest; to this end, CBO supports the ongoing support of the survey. However, due to limited available resources, CBO has only recommended allocating funding to those proposals which will result in a direct and significant financial or legal cost if not funded and which cannot be absorbed within existing resources. CBO notes that the proposal would be fortified if there were specific evidence for how the current survey can be incorporated into both Council and bureau decision-making.

CBO notes that both the Office of Community and Civic Life, and the Bureau of Planning and Sustainability have expressed interest in partnering on this project. These bureaus have served as primary stakeholders in the initial redesign of the survey and have subject matter expertise. Additionally, as noted above, several bureaus have specific needs for how survey results will be incorporated into strategic planning and the regular decision-making process for the bureau. Given these broad levels of interest, it may be possible to fund the continuation of the survey via an interagency agreement model, in which costs are allocated to bureaus based upon how much the survey design meets their needs.

CBO Recommendation: \$0 ongoing | 0.00 FTE

SUMMARY OF REQUESTS AND RECOMMENDATIONS

Below is a summary of the City Budget Office's total budget.

	Adopted FY 2018-19	Request Base (A)	Bureau Decision Packages (B)	CBO Recommended Adjustments (C)	Total Recommended Revised (A+B+C)
Interagency Revenue	216,492	290,476	-	-	290,476
General Fund Discretionary	1,686,547	1,172,841	94,718	(94,718)	1,172,841
General Fund Overhead	1,976,372	1,333,899	107,282	(107,282)	1,333,899
Total Resources	\$3,879,411	\$2,797,216	\$202,000		\$2,797,216
Requirements					
Personnel Services	\$ 2,356,288	\$ 2,325,981	\$ 63,349	\$ (63,349)	\$ 2,325,981
External Materials and Services	298,358	252,342	138,651	(138,651)	252,342
Internal Materials and Services	221,495	218,893	-	-	218,893
Capital Outlay	1,003,270	-	-	-	-
Total Requirements	\$3,879,411	\$2,797,216	\$202,000		\$2,797,216

