

## Section 1

# **Overview: Key Information & Changes**

## Key Information for FY 2021-22

FY 2019-20 was a year of significant change to the budget process and the first year of implementation of our new budget software. FY 2021-22 represents the third year of budget preparation using the BFM platform. CBO continues to solicit end-user feedback for identification of system and process improvements.

Wherever possible, CBO has strived to retain consistency in the types of information and processes required, especially during the continued transition. We ask that bureaus adhere to the Mayor's budget guidance; that bureaus are mindful of the Style Guide, including overall length of the submissions; and remember to conduct technical checks of their budget at each phase in the process. The most notable changes are highlighted below, and detailed changes are emphasized in text boxes at the beginning of each section of this manual. In addition, training videos to assist in the completion of new budget forms have been made available online. Videos are only accessible if you are signed into the City network. Please do not hesitate to contact your CBO analyst with any questions; we are here to help bureaus troubleshoot challenges and adapt to these new processes.

### *Technical Changes & Updates*

#### **Budget Formulation Management (BFM) Changes**

The FY 2021-22 budget process will be the third full year of using BFM as the budget preparation software. Over the past six months CBO has worked with the vendor to provide additional service enhancements, including:

- A Demo or "[Sandbox](#)" is now available for bureaus to explore forms and model scenarios prior to budget submission
- Capital Project narrative template to load CIP project details
- Performance measure template to upload new, or edit existing measures

CBO has also continued to enhance the system support and resources for bureau end users. These detailed trainings are located here:

- [Additional training on Personnel Budgeting](#)
- [Additional training on Reporting Resources](#)

#### **Performance Management**

Last year was a year of change and exploration for Citywide performance management! Thank you for your efforts working with us on the introduction of Citywide measures, issuing of bureau performance measure guidance, exploration of quarterly reporting, and the launch of the Performance Advisory Committee.

CBO's performance team will continue to implement several of these efforts in FY 2021-22 in order to support increased program effectiveness, foster connections across the City, and increase transparency with the Portland public.

Here's what bureaus can expect from Citywide performance management in FY 2021-22. [For more details on what's new in performance this year, see the section.](#)

- **Measure reporting requirement updates:**
  - *Setting annual targets for performance measures (“PM Goal” in BFM Form 1800) will be optional for all measure types.* CBO is eliminating the annual requirement as the short-term service level goal may not be relevant for all measures.
  - *Measures will no longer be graphed in the Adopted Budget document for FY 2021-22.* This change will eliminate the need for several metadata fields and will shorten the published document.
  - *Introduction of new metadata fields:* Bureaus should fill out the “disaggregated data flag” for all active measures; the new “notes field” is provided for optional documentation on measures by CBO or bureau staff.
- **BFM functionality update:**
  - *Batch uploads of performance measure metadata.* Yes, it's true! CBO will be offering a “batch upload” option for performance measure metadata in 2021. CBO will provide instructions once that process is made available.
  - *Historical measure data upload report.* Located in BFM Reporting, bureaus export and use this report for easier historical updates.
- **Continued implementation of both Citywide measures and bureau performance reporting guidance:** CBO analysts will continue to work with bureaus to implement recommendations from last year's guidance. Bureau staff interested in introducing a shared or Citywide measure should contact their CBO analyst for input into BFM.
- **Continued monthly convening of the PAC.** The Performance Advisory Committee (or PAC) is a group of performance champions from bureau and Council Offices that meets on a monthly basis to share effective practices and advise CBO's performance team on Citywide performance management. The PAC currently meets at 2 pm on the 4<sup>th</sup> Wednesday of each month. City staff interested in joining the Performance Advisory Committee should contact [Angela Butel](#).

## PatternStream Upgrade

For FY 2021-22 PatternStream, the publishing software used by CBO, has been upgraded. Users will not have any changes to how they access the application. Improvements to PatternStream include:

- Revision history
- Find and Replace for narrative text
- Easier Navigation

The application is still largely the same and bureaus will continue to provide the same information as was required in the past with one exception:

Program Offer Narrative will now be updated in PatternStream versus BFM. [Please see the technical section of this manual for more information.](#)

## Budget Equity Tool and BFM Equity Form

To help facilitate better Citywide reporting on key equity issues, CBO has worked with the Office of Equity & Human Rights to transition from a separate Budget Equity Tool, previously submitted as a word document, to using an Equity Impact Form within BFM. More details are available [here](#).

## *FY 2021-22 Budget Process*

The FY 2021-22 Budget process is set to follow similar timelines and deliverables as prior years. Requested Budget submissions are due to CBO on January 29, 2021. The CBO will post on its website the final budget process calendar when approved by City Council in mid-December. Any changes to this calendar will be posted on the CBO website and provided to bureaus in CBO weekly communications.

## Mayoral Budget Guidance- FY 2021-22

Budget guidance set by the Mayor's Office is available [here](#), and includes guidelines for all bureaus:

1. Prioritize existing resources towards Portlanders most affected by the public health crisis and/or economic crisis;
2. Leverage stable, available funding sources – such as bond proceeds or available ending balances – to responsibly stabilize services and/or stimulate growth and recovery;
3. Continue and expand cross-jurisdictional and cross-sector partnerships;
4. Use data and evidence to minimize impacts to core services and vulnerable community members.

Further, all bureaus regardless of funding source, should not assume or plan for non-representend employee merit in their Requested Budget submissions. This is considered a Citywide decision and will be incorporated in the Mayor's Proposed Budget in the Spring of 2021.

**General Fund:** Current Appropriation Level (CAL) targets are scheduled to be released in early to mid December and will include standard inflationary growth factors and routine adjustments in accordance with City policies.

The revised General Fund forecast does require ongoing reductions in General Fund resources in order to balance resources and expenditures over the next five years. The nature of the public health crisis, especially its ultimate duration, are limiting factors in forecasting the economic impact and timelines for financial recovery. As such, the Mayor has requested bureaus receiving General Fund resources and transfers submit their budgets with an ongoing reduction of 5% and that bureaus consider this reduction to be a modified constraint. This means bureaus will submit one decision package for the entire 5% reduction. The budget guidance exempts the bureaus with fewer than 30.0 FTE (except the City Budget Office) from this reduction requirement.

General Fund bureaus may request some of this reduction back, and if bureaus submit multiple add-back requests then these need to be prioritized in BFM. Bureaus are currently instructed to not submit requests for new General Fund resources (one-time or ongoing). Bureau may chose to offer realignment packages as an option for Council consideration.

Consistent with other bureau allocations, Special Appropriations recipients may request a portion of the constraint budget reduction be added back. These requests must be included as add packages as part of the Special Appropriations budget submission due on January 29<sup>th</sup>. Requests for Special Appropriation addbacks should articulate:

1. How has your organization reorganized/reprioritized resources to meet the needs of the most vulnerable Portlanders during the current crises?
2. What measurable impact will this funding have on the needs of the most vulnerable?
3. For grantees, what other sources of funding has your organization leveraged to support your operations? What percentage of your operating costs are reliant on City grants?

**Rate Payer Funds:** per the budget guidance, the rate funded bureaus, including the internal service funds, should build budgets build their budgets within with the rates approved as part of each bureau's multi-year financial plan presented during FY 2020-21 budget development. For internal service funds without a multi-year financial plan, this is defined as the base rate budget with normal inflationary factors applied. Further:

PWB and BES should continue to meet all federal and state regulations, maintain system infrastructure to benefit both today's customers and future generations, and make decisions that avoid intergenerational inequities from delaying or deferring required system investments.

- Both bureaus should work collaboratively to enhance current financial assistance programs to provide more-affordable water, sewer and stormwater services, prioritizing customers at or near poverty levels.
- Both bureaus should, through their capital improvement programs, assist the city by promoting economic recovery and opportunities to contract with partners for social equity and job creation.
- Both bureaus should continue to find cost savings and efficiencies to offset financial impacts caused by the pandemic and continue to offer financial assistance programs to help customers manage their water, sewer, and stormwater bills.
- To address pandemic-caused revenue reductions and increasing construction costs, bureaus are directed to develop a budget for FY 2021-22 that would be supported by the rate forecasts previously proposed and/or adopted as part of the FY 2020-21 budget process. PWB rate forecast for FY 2021-22 is 8.8%. PWB expects to receive funds for the Bull Run Treatment Projects through the EPA's WIFIA program, which would reduce the rate increase by 1% (to 7.8%). BES' rate forecast for FY 2021-22 is 3.15%. The combined bill increase would be about 4.9% (with WIFIA funding for Water).

### *Office of Management and Finance*

Internal Service Fund bureaus within OMF should support partner bureaus' evaluations of service levels and be supportive – wherever feasible – of requests to reduce services and costs to help balance budgets. In addition, internal service bureaus should do everything possible to keep rates at previously forecasted levels. Increasing interagency costs charged to other bureaus or internal service funds to meet a revenue short-fall or to alleviate cost pressures are not allowable.

**All Other Funds:** bureaus with any other type of resource - including grants and intergovernmental revenues, service charges and fee revenues, and miscellaneous revenues – should produce a budget that is in alignment with their operation's unique financial positions or constraints. Bureaus should highlight where there has been or is forecasted to be additional impacts due to COVID-19 for service delivery and financial forecasts.

As noted above, bureaus reliant on resources that are prone to economic fluctuations should be wary of committing significant new ongoing requirements, particularly in the form of new ongoing personnel.

**Budget Guidance Frequently Asked Questions:** The intention of budget guidance, regardless of the economic forecast, is to put forth guiding policy for the upcoming budget process for bureaus to provide information for all elected decision makers. Since the Mayor released budget guidance for the FY 2021-22 budget process, CBO has received a few questions from bureaus. The Mayor's guidance for General Fund bureaus and bureaus receiving transfers is primarily centered on the need to identify ongoing expense reductions. Therefore, we urge bureaus to consider this the central tenant of the guidance as they put forth their budget submissions.

***Can our bureau increase interagency agreement costs as a revenue off-set instead of a specific cut to services or operations?*** The Mayor's guidance explicitly states that increasing interagency agreements charged to other bureaus in the City as a way to meet a revenue shortfall (in this case, cut target amounts) is not an allowable cut. This action represents a cost-shift, which does not alleviate cost pressures experienced throughout the City. This does not preclude bureaus from entering into IAs that are mutually agreed to; however, should increased IAs result in General Fund savings, those savings should be highlighted as part of the cost realignment not as a contributor towards the constraint target. This guidance is for all bureaus charging each other for services through interagencies, not just the internal services funds within the Office of Management and Finance.

***Ok, but can our bureau recognize resources from outside the City to help meet the constraint, for example if another local government is seeking to add resources in support of City programs?*** The Mayor's guidance is looking to leverage outside resources to support City programs. If the outside revenue stream is considered ongoing and is eligible to fund expenditures currently covered by the General Fund, bureaus may use that resource to reduce their reliance on ongoing General Fund as part of their constraint.

***How about recognizing current year underspending in our bureau as an offset to the cut requirement?*** No; the guidance calls for ongoing reductions, and current-year underspending would yield one-time savings. Additional guidance and decisions around current year underspending will be considered during March and April as we know more about our financial picture and the Mayor looks to make decisions around his Proposed FY 2021-22 Budget and his proposed Spring Supplemental Budget.

***Are fund transfers from the General Fund for debt service payments subject to the 5% cut targets?*** No, as with past practice fund transfers for fixed payments like debt service are not subject to the cut target requirement.

***Does the guidance for excluding non-rep merit increases apply to bureaus with non-General Fund resources?*** Yes. As articulated in the guidance, the City is considered one employer, and in order to ensure compliance from a pay equity standpoint, and to act as one City, the provision of non-represented merit will be a Citywide decision for the Mayor and Council in the spring of 2021. This does not mean that merit is off the table, it is more a decision of overall affordability and ensuring consistency in pay practices for non-represented employees across bureaus and funding sources.

***How about shifting portions of our bureaus onto the General Fund Overhead, as a way to increase resources coming from overhead paying bureaus?*** This is not allowable per City Financial Policy:

City Financial Policies further provide guidance and structure for General Fund Overhead recovery models please refer to [FIN 2.08](#) and [FIN 2.08.01](#) for specifics on General Fund Overhead processes. Specifically, “The CBO shall review any updates to the GFOH model with the Committee to ensure that it meets the goal of providing a stable, predictable, and equitable allocation of GFOH costs.” For this reason, the cost pool cannot change throughout the budget process as a way to shift revenue resources as this would not be reviewed with the committee or explicitly passed by Council.

Bureaus seeking these type changes in the General Fund Overhead Model must follow established processes and are prohibited from balancing their budgets based on assumptions for future changes to the General Fund Overhead Model. Please work with your CBO analyst and Jess Eden, the Overhead Model owner, to start a discussion on convening the committee to vote on updating the cost pool. Note that the functions in the cost pool are not altered during the budget process.

## **Personnel Cost Forecasting**

The FY 2020-21 budget froze non-represented pay (merit and COLA) at FY 2019-20 levels as part of balancing the revenue shortfall brought on by the COVID-19 public health crisis. Prior to the public health crisis, non-represented merit was capped at 2%. Payroll costs subject to collective bargaining largely resulted in one-time reductions to COLA, and the ongoing resources for support of bargained agreements were added in the FY 2020-21 Fall supplemental budget

process. The Mayor’s budget guidance specifically references the continuation of a merit freeze for non-represented employees as part of FY 2021-22 budget planning and preparation.

The City’s classification and compensation policies and practices, including oversight of the City’s employee performance management systems and collective bargaining practices, resides within the Bureau of Human Resources (BHR). In addition, BHR is responsible for recommendations to policies to ensure the City is compliant with the [Pay Equity](#) law in the State of Oregon. It is important to note that the pay equity law requires that the City award merit increases using a consistent methodology for consistent work across the City. The Bureau of Human Resources conducted a pilot of a new Citywide performance management system during the 2019 calendar year, with the intent of rolling out the new system Citywide in FY 2020-21, known as “Success Factors”. However, the onset of the public health crisis last spring has delayed the planned implementation of Success Factors until FY 2021-22. This new system will help the City address the issues of merit and pay consistency both within and across bureaus.

To ensure consistency between performance rating and merit allocation across the City, a matrix will be provided that translates an employee’s performance score to a percentage merit award should merit awards be approved by City Council. Questions specific to Success Factors, and merit distribution policies should be directed to Ron Zito at [Ronald.Zito@portlandoregon.gov](mailto:Ronald.Zito@portlandoregon.gov).

As part of creating resources for FY 2020-21 budget planning, CBO created tools within BFM to help bureaus budget for merit within the system. However, in light of the Mayor’s budget guidance this projection feature will not be available for bureau use in preparation of their FY 2021-22 Requested Budget submission.

### **Planning for Paid Family Medical Leave Act**

The State of Oregon adopted the Paid Family Medical Leave Act (PFMLA) in 2019, which states that starting in January 2022 all employers in Oregon will provide for 100% of salary for qualifying PFMLA claims. The City Attorney’s Office presented materials on PFMLA to the Business Operations Leadership Team (BOLT) in August of 2020, providing the following information:

- City and eligible employees contribute to the Paid Family and Medical Leave Insurance Fund
- The total rate may not exceed 1% of employee wages, up to a maximum of \$132,900 in wages (the “total rate”) (e.g., \$1,329/year)
- By default, City pays 40% of 1% of income
- By default, Employees pay 60% of 1% of income

The Fall Supplemental Budget included instructions for a CAL target adjustment to support anticipated employer costs for bureaus in the General Fund. CBO will issue supplemental instructions to General Fund bureaus for requesting this resource for FY 2021-22, currently the funds are in General Fund contingency accounts and need to be transferred to bureau

operating expense accounts. In the future this will be included in CAL targets when they are issued to bureaus.

**Bureaus outside of the General Fund should budget for the 40% contribution beginning in January 2022.** At present bureaus should use account 514100 for benefits and this is considered an ongoing expense. Non-general fund bureaus may also choose to enter this cost as a realignment decision package, but this is not required.

CBO is preparing a cost model for all bureaus, all funds based on current positions in BFM (this will be refined again after the 1/4/2021 payroll upload). Non-General Fund bureaus may elect to use this cost estimate for planning purposes or develop their own model. We will make this report available when ready.

If you have questions on the Oregon Paid Family Medical Leave Act itself please contact Deputy City Attorney [Anne Milligan](#). For questions on implementation and BHR policies please contact [Linda Erlandsen](#) or [Michelle Taylor](#).

## **Program Offers**

In FY 2019-20, the Mayor's Office directed a series of changes to the budget process, which included the requirement of bureau level **program offers** to be submitted as part of the requested budget while allowing bureaus the flexibility to adjust base budgets within those specific program offers. These process changes are still underway and will likely take additional budget cycles to be fully implemented across all bureaus.

For FY 2021-22, bureaus will continue to refine and develop their budgets in a "program offer" format. Program offers combine program descriptions, budget, equity impacts, and performance data for a set of services into a brief and concise document. The goal of program offer budgeting is to succinctly describe how bureau resources are allocated to deliver services back to the community.

CBO requests bureaus notify their analyst if there are significant planned changes to program offers, such as concerted efforts to ascribe resources from the four-digit functional area to the required six-digit functional area level. CBO analysts will provide additional technical support and assistance to ensure transparency in this conversion of master data.

## **FY 2021-22 Requested Budget Submittal**

Requested Budgets are due to the Budget Office on **January 29, 2021**. Any submittals received after the due date will be reported to the Mayor and the Commissioner-in-Charge. Timely delivery is necessary to ensure that the Budget Office has enough time to perform the internal tasks necessary to meet deadlines in support of the Council decision-making process.

## ***Components of the Requested Budget Submittal***

The following documents are required in the Requested Budget submittal. Please submit the documents in the order in which they appear in the list.

1. Cover page
2. Cover letter signed by the Commissioner in Charge
3. Budget Advisory Committee Report (a minority report may also be included)
4. PatternStream documents, including:
  - a. Organization chart
  - b. Narrative Overview (see the Budget Document Submission section for additional details), including Bureau Mission, Overview, Strategic Direction, Major Issues, and Capital Program information.
  - c. Fund summaries
  - d. Capital project details
5. Program Offers (BFM Program Offer report)
6. Bureau performance measure report (PM1 - Performance Measure report)
7. Decision Package(s) (BFM Decision Package Summary report)
8. Five-year financial plan (if applicable). This will be submitted as a PDF outside of the budget system. Bureaus should also submit the detailed Excel file to the CBO. See the five-year financial plan section for more info.
9. Fee Study (if applicable)
10. Budget Equity Assessment Tool (also submit copy to Office of Equity & Human Rights)
11. Percent for Art Eligibility Forms (submit electronically to OMF's City Arts Manager [Jeff.Hawthorne@Portlandoregon.gov](mailto:Jeff.Hawthorne@Portlandoregon.gov)).

CBO analysts will review the submission for completeness upon receipt. Bureaus will be required to provide any missing documents immediately after an incomplete submittal is identified.

## ***Distributing the Requested Budget***

Bureaus are responsible for distributing their requested budget submissions in electronic format as a single PDF document. At this point in time, we are not recommending printed copies due to the logistical issues for printing and distributing safely during the pandemic. We encourage printing to occur through P&D requests on a one-off basis only as needed or requested by specific parties. Please email a complete PDF of the bureau's requested budget to the City Budget Office, Council Offices, and the Office of the Auditor. CBO will publish the requested budgets online to further assist in distribution.

Submit a combined PDF of the entire request except for the Percent for Art eligibility forms which should be a separate electronic submission to OMF to [Jeff.Hawthorne@portlandoregon.gov](mailto:Jeff.Hawthorne@portlandoregon.gov).

All Requested Budget documents will be posted on the CBO website shortly after submittal.

**Requested Budget Process Calendar**

December	8-15	<ul style="list-style-type: none"> <li>• Preliminary OMF IAs loaded by CBO</li> <li>• CBO loads paycheck data in BFM</li> <li>• General Fund CAL loaded into BFM</li> </ul>
January	4	<ul style="list-style-type: none"> <li>• Final upload of position and personnel cost data from SAP to PCF (based on December 26th payroll)</li> </ul>
	6	<ul style="list-style-type: none"> <li>• Bureaus must review positions loaded into the “base” and work with their CBO analyst to manually add any positions that were not fully through the P4 process by the final upload. The deadline is COB with no exceptions. This is critical for opening decision packages and additional functionality in the system required for the requested.</li> </ul>
	7	<ul style="list-style-type: none"> <li>• BFM Base Personnel Budget Frozen</li> <li>• DP forms open for Requested</li> </ul>
	14	<ul style="list-style-type: none"> <li>• All Requested Budget interagency agreements completed and balanced</li> </ul>
	15	<ul style="list-style-type: none"> <li>• Deadline for requesting the creation of new performance measures (reflected in BFM no later than Jan. 22)</li> </ul>
	29	<ul style="list-style-type: none"> <li>• Bureaus and Prosper Portland submit Requested Budget to CBO</li> </ul>
	29	<ul style="list-style-type: none"> <li>• Special Appropriation requests for General Fund support due</li> </ul>
March	4-5	<ul style="list-style-type: none"> <li>• CBO analysis on Requested Budgets distributed to Council</li> </ul>
	9-23	<ul style="list-style-type: none"> <li>• Council budget work sessions (6 sessions, 2 hours in length)</li> </ul>
May	22	<ul style="list-style-type: none"> <li>• Final day to submit changes to performance measures (targets may still be adjusted through Approved and Adopted Budgets).</li> </ul>

The dates for the release of the Proposed, Approved, and Adopted Budgets have not yet been confirmed by Council but are expected to follow a timeline comparable to last year. These dates will come to council for adoption on December 16, 2020 and will be posted on the City Budget Office's website.

## Budget Assumptions

The table below summarizes many of the key financial assumptions City bureaus should use in developing their budget calculations. This information is available under the “Economics” tile on the BFM homepage. Five-year estimates are also distributed by the Budget Office to bureaus developing Five-Year Financial Plans.

Data	FY 2021-22
<b>Inflation Assumptions</b>	
Expected CPI-W for COLA (wage and salary)	2.00%
Health and dental increase *	4.00%
Labor drift increase	0.50%
External materials and services increase	2.60%
Internal materials and services increase	2.60%
Interest Rate Forecast (from <a href="#">Treasury</a> )	0.50%
<b>Benefits Assumptions</b>	
PERS - Tiers 1 & 2**	22.35%
OPSRP - General Service payroll**	18.36%
OPSRP - Police & Fire sworn payroll**	22.72%
Social Security - up to estimated \$128,700	6.20%
Medicare	1.45%
TriMet	0.7787%

\* Per City Economist. For the General Fund, the FY 2021-22 increase will be budgeted in the General Fund Compensation Set-Aside. Non-General Fund bureaus should budget FY 2021-22 health and dental increases in their fund’s compensation set-aside contingency.

\*\* Includes employer pickup

Interest Rate Assumptions: The Treasury Division distributes interest rate forecasts annually (in the fall) or upon request. Requests should be sent to the *Treasury All* email group address.