

FINANCIAL IMPACT STATEMENT**For Council Action Items**

(Deliver original to Financial Planning Division. Retain copy.)

1. Name of Initiator Claudio Campuzano		2. Telephone No. (503) 823 6848	3. Bureau/Office/Dept. OMF-FPD
4a. To be filed (date) February 25, 2010	4b. Calendar (Check One) Regular <input checked="" type="checkbox"/> Consent <input type="checkbox"/> 4/5ths <input type="checkbox"/>		5. Date Submitted to FPD Budget Analyst: February 25, 2010

1) Legislation Title:

* Adopt budget adjustment recommendations and the Supplemental Budget for the FY 2009-10 Winter Supplemental Budget process and make budget adjustments in various funds. (Ordinance)

2) Purpose of the Proposed Legislation:

In the Winter Budget Monitoring Process (BuMP), City bureaus report on financial and program performance and request adjustments to the current fiscal year's budget. The Winter Budget Monitoring Process and Supplemental Budget ordinance adopts recommended adjustments.

3) Revenue:

Will this legislation generate or reduce current or future revenue coming to the City? If so, by how much? If new revenue is generated please identify the source.

This ordinance will not generate additional revenue. However, it does affect the budgeted revenues for several funds (including the General Fund) and bureaus to reflect better estimates of available resources.

4) Expense:

What are the costs to the City as a result of this legislation? What is the source of funding for the expense? (Please include costs in the current fiscal year as well as costs in future years) (If the action is related to a grant or contract please include the local contribution or match required)

This ordinance adjusts net expenditures in 31 funds by a total of \$12,748,727, including a total of \$2,010,344 in new expenditures (including contingency) in the General Fund.

Staffing Requirements:

5) Will any positions be created, eliminated or re-classified in the current year as a result of this legislation? (If new positions are created please include whether they will be part-time, full-time, limited term or permanent positions. If the position is limited term please indicate the end of the term.)

There are a number of position changes that result in a net of 6 positions totaling 2.61 FTE added through this ordinance. See Exhibit 2 for detail.

6) Will positions be created or eliminated in future years as a result of this legislation?

Three positions are converted from limited term to ongoing. Two positions from the Bureau of Human Resources are being funded by a shift of ongoing resources. One position in the Office of Cable Communications and Franchises will be funded with ongoing General Fund through the FY 2010-11 budget process.

Complete the following section only if an amendment to the budget is proposed.

7) Change in Appropriations (If the accompanying ordinance amends the budget please reflect the dollar amount to be appropriated by this legislation. Include the appropriate cost elements that are to be loaded by accounting. Indicate "new" in Center Code column if new center needs to be created. Use additional space if needed.)

N/A See Exhibit 1.

Ken Rust, CAO

APPROPRIATION UNIT HEAD (Typed name and signature)



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February 25, 2010

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To: Mayor Sam Adams
Commissioner Amanda Fritz
Commissioner Dan Saltzman
Commissioner Nick Fish
Commissioner Randy Leonard
City Auditor LaVonne Griffin-Valade

From: Andrew Scott, Manager *AS*
Financial Planning Division

Subject: FY 2009-10 Winter Budget Monitoring Process (BuMP)

Financial Planning has reviewed the FY 2009-10 Winter Budget Monitoring Process (BuMP) and Supplemental Budget submissions. There was a Council worksession on February 16th at which point members of Council requested several changes. The significant issues addressed in the BuMP are discussed briefly below. Further detail is available in the FPD review packet that was circulated prior to the worksession. The FY 2009-10 Winter BuMP will be heard by Council on **March 3, 2010**. If there are any questions regarding the attached analysis, please contact me at extension 3-6845.

1. Summary of Major Actions

General Fund

The proposed BuMP increases General Fund resources and expenditures by \$2,010,344:

- **Franchise Settlement Revenue:** settlement. A settlement amount of \$1.57 million reflects money due the City of Portland under the McLeodUSA Telecommunication Services audit agreement, plus some interest and penalties. The settlement waives an additional \$600,000 of interest and penalties and forgoes further litigation. This revenue will be set aside for use in the FY 2010-11 budget process.
- **Cash transfer revenue:** The General Fund is increasing cash transfer revenue by \$1.36 million. The majority of this increase (\$1.21 million) is being received from the Pension Debt Redemption Fund. Surplus in this fund exists due to lower than expected interest rates on the variable rate portion of the pension obligation bonds (POBS). This transfer will be set aside for use in the FY 2010-11 budget process. The balance of the new cash transfer revenue is being received from the Health Reserve subfund of the General Reserve Fund (\$38,000), the Emergency Communications Fund (\$67,706), the Solid Waste Management Fund (\$35,000), and the Business License Surcharge Fund (\$10,000)
- **Non-discretionary reductions:** Plan and permit review revenues in Fire are reduced by \$400,000 to reflect fewer filings during the economic downturn. The bureau has been holding vacancies in related positions. Towing fees in Police are reduced by \$735,000 to reflect a change in towing policy; the bureau

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To help ensure equal access to programs, services and activities, the Office of Management & Finance will reasonably modify policies/procedures and provide auxiliary aids/services to persons with disabilities upon request.

no longer performs punitive towing. This revenue source was also reduced in the Fall BuMP by \$900,000.

- **Interagency revenue increase:** The General Fund is receiving \$274,260 in additional interagency revenues. Of this amount, \$243,022 is to the City Attorney from infrastructure bureaus (Water, BES, Parks) and Risk Management. These bureaus anticipate increased workload over the next several years.
- **Parks & Recreation** is shifting \$474,550 from charges for services to sales revenue. This a technical change to better classify incoming revenue.
- **Office of Cable Communications and Franchise Management (Cable):** Cable has requested that a position be converted from one-time to ongoing. This is reflected in the position exhibit based on Council direction. A decision package will be included as pre-approved in the FY 2010-11 budget in order to fund the position on an ongoing basis.
- **Contingency Requests:** A total of \$40,000 of expenses are funded from General Fund contingency. In the Fall BuMP, \$25,000 of program carryover for the Black Citizen Coalition special appropriation from FY 2008-09 was erroneously excluded. Cable requested \$15,000 to engage in discussions with the Federal Communications Commission regarding a decision that would impact the City's ability to charge for the use of its public right of way.

General Fund contingency requests **not recommended** in the ordinance:

- **Bureau of Human Resources (BHR):** BHR has requested \$33,237 to fund a Labor Facilitator, off-site meeting room, and double-filled positions at BHR due to the temporary loss of staff as a result of the bargaining process. The bureau has also requested \$16,763 in overtime costs associated with the BDS layoff. Financial Planning does not recommend these Bureau of Human Resources requests due to the fact that it is too early in the fiscal year to be able to accurately determine if BHR will have a sufficient amount of external materials and services and/or salary savings to cover these costs. Financial Planning will work with the bureau to determine if this request should be funded in the Spring BuMP.

Non-General Funds

- **Development Services Fund:** BDS is reversing a decision package from the Adopted Budget that reallocated General Fund support from Land Use Services to Neighborhood Inspections. The bureau is moving \$500,000 of support back to Land Use Services. Financial Planning recommends this reversal for FY 2009-10 based on BDS's severe fiscal constraints. The issue should be revisited by Council during FY 2010-11 budget development.
- **Pension Debt Redemption Fund:** A \$3.13 million surplus exists due to lower than expected interest rates on the variable portion rate of the pension obligation bonds (POBS). This surplus is transferred to the EBS fund (\$1.92 million) and to the General Fund (\$1.21 million, as noted above).
- **EBS Fund:** As noted above, the EBS fund receives \$1,920,000 in cash transfer revenue from the Pension Obligation Bond Fund. The transfer serves as bridge funding for the EBS ongoing support team until 2011-12, at which time these costs will be included in bureau interagency agreements. The funds will be appropriated as follows: \$501,000 in PTE Services for the Business Objects project; \$174,000 in Personal Services to cover higher than planned expenses; and \$1,245,000 in contingency.
- **PBOT Funds:** The Transportation Operating Fund is decreasing appropriation by \$66 million and shifting it to the Grants fund to better reflect the nature of the resource.
- **Health Insurance Operating Fund:** The fund is shifting \$3.4 million from contingency to external materials and services to cover increased medical claims. Medical claims through six months this year are up 17% compared to last year. \$3.4 million is the high estimate for the year, a best estimate of what the fund will need through the year is \$2.2 million. The Health Fund has sufficient reserves to cover the overage amount this year.
- **Parks Capital Construction and Maintenance Fund:** The BuMP reduces expenses by \$2.7 million primarily to reflect delayed projects funded by PDC and Metro Bond Act.
- **Housing Investment Fund:** Expenses are increased by \$1.16 million. Of this amount, \$1 million reflect

Section 108 loan proceeds that are being used for the Villa de Suenos rental housing development project.

2. Summary of Positions Requested

- FPDR is requesting several position changes:
 - With the Pension Protection Act health and long-term care insurance payments program in place, FPDR requests that the position of the Program Coordinator be converted from 1.0 FTE to 0.5 FTE.
 - The bureau requests that a Senior Legal Assistant position be converted from 0.63 FTE to 1.0 FTE to meet the additional workload associated with an increase in the number of appeals hearings.
 - To better facilitate a separation of duties among a small finance staff, FPDR requests that a Senior Financial Analyst position at 1.0 FTE be converted to two 0.6 FTE positions to allow for overlap in the schedules of the two analysts.
 - FPDR requests the reclassification of an Office Support Specialist (OSS) I position to an OSS II to promote continuity of operations.
 - The financial impact for the rest of the fiscal year will be \$6,516, and if approved by Council, the bureau will draw from its contingency to pay for the changes. The full-year cost would be \$19,530.
- Water converts an Assistant Program Specialist from .8 FTE to 1.0 FTE to address the increased work load in the Conservation section of the Resource Protection Group. The additional .2 FTE will enable the Conservation Program section to develop, implement and support a program to provide efficient irrigation/landscape assistance to meet the needs of residential retail customers. Funding for the additional staff will be offset by a reduction in professional services budget within the Conservation Program.
- The Bureau of Human Resources (BHR) requests to convert a limited term Organizational Time Management position to an ongoing position. In order to fund this position they are cutting \$16,000 from their ongoing External Material and Services budget and using \$49,000 in ongoing personal services savings.
- The Bureau of Human Resources (BHR) requests to shift ongoing General Fund Discretionary resources from the Employee Assistance Program (EAP) in order to fund an ongoing Labor Relations Coordinator position currently funded with one-time General Fund resources. EAP being backfilled by a transfer from the Health Reserve subfund of the General Reserve Fund.
- In order to fully address the legal issues surrounding ongoing capital improvement projects, the City Attorney requests an additional deputy attorney and .5 legal assistant. These positions are funded through interagency revenue, as discussed above.
- The Portland Housing Bureau is authorized to use 41 placeholder positions for the purpose of developing their FY 2010-11 budget. This is a technical issue and does not create position authority for FY 2009-10. Actual authority for the positions for FY 2010-11 will be accomplished via the adoption of the FY 2010-11 budget and/or other ordinance, as per the normal process.
- As noted above, Cable is shifting a position from limited term to permanent full-time. This has no impact on the current year but will be addressed for FY 2010-11 and the outyears through a pre-approved decision package in the FY 2010-11 budget process.

3. Summary of Major Budget Monitoring Issues

Citywide Personnel Spending

As of November 2009, personnel spending in the City is higher than it has been in past years. Financial Planning has been looking into a variety of reasons for why that might be occurring, but it seems to be a combination of factors and not one overall trend. In the General Fund, Police Bureau personnel spending appears to be the largest issue, and Police is the only bureau projected to overspend its entire budget, including funds allocated from the compensation set-aside. However we are seeing lower salary savings citywide and a higher overall trend. At this time, a worse-case projection shows the City General Fund spending as much as \$4.1 million over its personnel services and compensation set-aside budgets combined. This level of over-expenditure would directly impact FY 2009-10 ending fund balance and reduce resources available for FY 2010-11.

The Bureau of Human Resources is moving forward with a Citywide hiring freeze to address this problem and reduce personnel costs during the remainder of the fiscal year. The freeze will apply to all General Fund bureaus with the exception of front-line police officers. Exceptions can be granted by the Human Resources Director based on certain workload and operations criteria.

Shortfall in Police Personnel Budget

Financial Planning and the Police Bureau are projecting a \$6.5 million over-expenditure of the bureau's current personnel budget for FY 2009-10. Of this amount:

- \$2.9 million can be covered with the Police Bureau's share of the compensation set-aside, and hence is not a true over-expenditure of the bureau's budget target. The need for these funds arises from the fact that the bureau has been at or close to full staffing for most of the year thus far.
- \$1.8 million can be attributed to the fact that the bureau has fully hired into the 26 "unfunded" officer positions, per Council direction. The \$1.8 million set-aside for police hiring was eliminated for FY 2009-10 on a one-time basis, but FPD believes this shortfall can possibly be covered with excess funds in the compensation set-aside if Council takes action to curb personal spending Citywide.
- \$500,000 can be attributed to overtime spending in excess of budget. While this is a relatively small amount in comparison with past years, it is still a contributing factor.
- The Police Bureau is still investigating the causes of the remaining \$1.3 million shortfall, although several possibilities are discussed in the consolidated review. The Winter BuMP contains corrective steps to remedy this portion of the over-expenditure, including a \$1 million reduction in the bureau's materials and services budget. The Police Bureau will be required to end the year within its Revised Budget, plus the \$2.9 million compensation set-aside and \$1.8 million for the unfunded positions.

RECOMMENDATION

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