

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) November 4, 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: November 1, 2010

1) Legislation Title:

* Adopt budget adjustment recommendations and the Supplemental Budget for the FY 2010-11 Fall Supplemental Budget process and make budget adjustments in various funds. (Ordinance)

2) Purpose of the Proposed Legislation:

In the Fall Budget Monitoring Process (BMP), City bureaus report on financial and program performance and request adjustments to the current fiscal year's budget. The Fall 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 30 funds by a total of \$170,686,879, including a total of \$15,993,162 in new expenditures (including contingency) in the General Fund. In addition, this ordinance increases the Current Appropriation Level of Portland Parks and Recreation, OMF-Revenue Bureau, and all General Fund bureaus that will pay for EBS services going forward.

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.)

This ordinance creates a total of 13.27 positions, funded in various funds. 5.27 of these are in the General Fund.

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

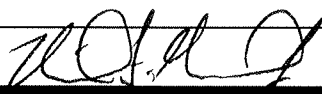
No.

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.

Rich Goward, Chief Financial Officer



APPROPRIATION UNIT HEAD (Typed name and signature)



CITY OF PORTLAND
OFFICE OF MANAGEMENT AND FINANCE

Sam Adams, Mayor
Kenneth L. Rust, Chief Administrative Officer
Richard F. Goward, Jr., Chief Financial Officer

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

From: Andrew Scott, Financial Planning Manager 

Date: November 3, 2010

Subject: Fall Budget Monitoring Process (BMP) FY 2010-11

In the Fall Budget Monitoring Process (BMP), City bureaus report on financial and program performance through the end of the last fiscal year and request adjustments to the current fiscal year budget. The Fall BMP was discussed by Council on Friday, October 29, 2010 as part of the Fall Budget Retreat. The Fall BMP ordinance is scheduled to be heard by Council on November 10, 2010 at 9:30am.

This memo summarizes the highlights of bureau submissions for the Fall BMP and the Financial Planning Division (FPD) recommendations. Several changes have been made to the final BMP ordinance to reflect issues that were discussed by Council at the worksession. FPD's full analysis of the requests from bureaus and the financial performance of the bureaus was circulated to Elected Officials on October 25, 2010 under separate cover and also posted online. Bureau submittals are also available online on FPD's website.

General Fund Summary

The BMP as submitted includes a total increase in appropriation in the General Fund of \$15,920,334 for FY 2010-11. This includes budgeting \$15,221,028 in additional Beginning Fund Balance and \$699,306 in non-tax General Fund revenues. The adjustment in balance primarily reflects higher than projected revenues in FY 2009-10, as well as lower bureau spending. The BMP allocates the additional discretionary balance in support of the following:

- **\$5,451,553 Encumbrance Carryover** - Encumbrances reflect legal contracts with outside entities. Since encumbrances represent commitments in the prior fiscal year against prior fiscal year budgets, the Fall BMP allows for bureaus to carry over previously encumbered funds. All of the requested encumbrances are included in the BMP ordinance with two exceptions: 1) Police's carryover has been reduced to match the bureau's discretionary underspending in FY 2009-10; and 2) Fire's request has been reduced to reflect items that have already been accrued to FY 2009-10.
- **\$396,179 Carryover** - In the Spring BMP, General Fund bureaus are allowed to set aside funding that they have received for particular programs or projects that will not be spent or encumbered by the end of the fiscal year. The funds that are set aside become part of the ending balance and are available to be rebudgeted in the Fall BMP. In addition, City Financial policy states that bureaus that generate revenue in excess of budget may, if they have not overspent their discretionary allocation, rebudget those revenues in the following year to support expenses in the revenue-generating program.
- **\$814,280 Compensation Set-Aside Reduction Reversal** - FPD annually creates a set-aside for cost of living adjustments (COLA) for personnel funded with discretionary General Fund. This set-aside typically

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is available for those bureaus that are unable to fund COLA out of their current year budget. In order to meet ending balance projections, bureaus were directed not to draw on compensation set-aside in FY 2009-10. During the FY 2010-11 budget process, bureau budgets were reduced commensurate with their FY 2009-10 COLA requests. Some bureaus – Fire, Police, and Parks – planned to take those reductions over several years. However, four bureaus that took compensation set-aside in FY 2009-10 ended the year without spending any of it, and those bureaus have requested that the FY 2010-11 reductions be reversed. The BMP ordinance approves these requests.

- **\$1,458,006 New Requests** - Bureaus have requested \$1.5 million of new spending including some program carryover requests that were not made during the Spring BMP. The requests are detailed in the section below.
- **(\$2,284,738) ULF True-Up** - Council has directed a portion of the Utility License Franchise (ULF) fee to go to Transportation. The FY 2009-10 actual ULF collection was lower than budgeted so Transportation's cash transfer from the General Fund has been adjusted accordingly.
- **\$1,100,000 Reversal of ULF Reduction** - In addition, as part of last Spring's mid-year cuts, the cash transfer of ULF to Transportation was reduced by \$1,100,000. The above mid-year cut was necessary to achieve General Fund balance. With a larger than anticipated ending balance, FPD recommends restoring this cut.
- **\$465,000 Contingency** - As part of the FY 2010-11 budget process, the General Fund contingency was reduced from \$2.4 million to \$700,000. A portion of the excess balance is utilized to bring the contingency up to a more prudent level. During the worksession, Council discussed a \$750,000 addition to contingency. A portion of that is now allocated within the BMP to fund Human Trafficking Prevention.
- **\$1,500,000 Comp Set-Aside Enhancement** - The public safety bureaus are expecting a near-term increase in retirements. Increasing the set-aside will give greater flexibility in hiring to maintain force levels and meet larger than anticipated leave payouts.
- **\$2,442,369 Infrastructure Maintenance and Replacement** - City Financial Policy states that at least 25% of excess General Fund ending balance will be allocated to infrastructure maintenance or replacement, specifically to projects requested in the budget process but not funded, or to fill budget gaps for projects underway. This 25% of the excess balance, net of encumbrances, has been placed in a capital contingency, to be appropriated once Council has determined the best use of the funding.
- **\$3,943,379 Reserve for FY 2011-12 Balancing** - City Financial Policy states that the remaining excess General Fund ending balance beyond that allocated to capital maintenance be reserved for balancing the next fiscal year's budget. The BMP ordinance allocates the remaining funds to the FY 2011-12 budget process after accounting for the items noted above.

General Fund New Requests

The following are the new draws on General Fund discretionary resources, as requested by bureaus. As noted above, these items total \$1,458,006:

- The Bureau of Planning and Sustainability requests \$50,540 to fund the remainder of a grant made to OUS. This grant should have been fully encumbered in FY 2009-10 or requested as carryover in the Spring BMP.
- Commissioner Salzman's Office requests \$768,900 for the Gateway Center for Domestic Violence program carryover. These agreements were signed and approved by Council May 19, 2010 and are valid through FY 2013-14. This request is for the unspent portion of FY 2009-10 funding. The funds were not requested as carryover in the Spring BMP because it was anticipated that they would be encumbered before year-end.
- The Office of Management & Finance (OMF) Financial Planning Division requests \$70,000 to fund costs over the original estimate for implementation and ongoing maintenance of a new budget publishing application. The ordinance includes \$50,000 of this request.
- The Auditor's Office requests \$29,000 to complete the installation of automated, accessible doors. Facilities expected this project to be complete in FY 2009-10, so no carryover was requested during the Spring BMP.
- The Mayor's Office requests \$70,000 of unspent funds in the Office of Youth Violence Prevention to be

reappropriated. This funding will be transferred to Parks to fund additional employment opportunities for youths in the Portsmouth neighborhood.

- Several bureaus request additional funding for Last Thursday-related costs. Office of Neighborhood Involvement (ONI) requested \$14,732, Police requested \$22,601, and Transportation requested \$8,483. Financial Planning notes that total costs for Last Thursday in FY 2009-10 were \$43,020 and in FY 2010-11 to date are \$45,816.
- Parks requests \$99,264 to fund new operations and maintenance for facilities coming on-line in FY 2010-11 and \$59,486 to restore the Aging Services pass-through to Multnomah County.
- A Special Appropriation of \$285,000 is included for the prevention of human trafficking.
- The General Fund will receive a transfer from the Cable Trust Fund in the amount of \$65,000. This funding was anticipated to be received in FY 2009-10.

The following items were recommended, but with modifications:

- The Office of Government Relations requests \$20,776 to fund a portion of a management assistant position. The remainder is expected to be funded from salary savings. The ordinance assumes the whole position be funded with currently projected salary savings.
- OMF Financial Planning requests \$63,434 to increase a .6 FTE position to 1.0 FTE and to fund associated materials and services. The additional FTE will provide support on geographic mapping of Citywide expenditures and revenues. This request has been funded through interagency agreements on a one-time basis until it is included in General Fund overhead.

General Fund Carryover Requests

As noted above, the BMP contains \$396,179 of carryover requests. These include:

- Cable requests \$122,465 for franchise fee litigation. Financial Planning has recommended \$137,056 as this amount reflects what was spent out of the fund.
- Human Relations requests \$22,000 to fund the Human Rights Commission that was removed from their budget during the Spring BMP process.
- OMF Human Resources requests \$8,329 to carry over funds that were received from customer bureaus for the Diversity Conference. These funds will support the FY 2010-11 conference.
- OMF Financial Planning requests \$6,800 for a Council-directed study of the Bureau of Development Services that was performed by a PDC vendor in FY 2009-10. While services were performed in the prior fiscal year, the charge was not accrued back to FY 2009-10.
- ONI requests \$28,486 of revenue in excess of budget to be carried over.
- Police requests \$82,134 of program carryover that was reduced in the Spring BMP and \$111,374 of revenues in excess of budget.

In addition to the above items, Cable requested \$75,146 for the revolving audit fund. Because these funds were never collected in FY 2009-10 and therefore not available for carryover of discretionary, they are rebudgeted in FY 2010-11 as revenue-supported expenses.

Technical Adjustments

Several technical adjustments are recommended. All of these reflect net zero transfers into or out of the General Fund where expenses will occur in a different fund than originally budgeted.

Major Non-General Fund Changes

The following summarizes the changes recommended in all non-General Fund bureaus. These items represent a total increase in appropriation Citywide of \$140.4 million.

- **Transportation Operating Fund:** This fund shows a decrease of \$1.0 million in appropriation, primarily to reflect the net reduction of the General Fund cash transfer by \$1.2 million.
- **Emergency Communications Fund:** This fund shows an increase of \$2.0 million in appropriation, primarily representing additional fund balance and external M&S carryover for the CAD-Next project.

- **Development Services Fund:** This fund shows an increase of \$56,392 in appropriation, primarily related to interagency revenue for the online building permit fee estimator.
- **Housing Investment Fund:** This fund shows an increase of \$4.9 million in appropriation, primarily consisting of \$4.0 million of Federal Section 108 loan proceeds and a \$898,306 fund balance adjustment.
- **Grants Fund:** This fund shows an increase of \$24.6 million in appropriation. The largest single increase is in the Bureau of Planning and Sustainability (\$17.0 million) as they appropriate the Clean Energy Works grant. Eleven other bureaus have appropriation changes in this fund.
- **Community Development Block Grant (CDBG) Fund:** This fund shows an increase of \$1.6 million in CDBG funding, primarily reflecting carryover of planned expenditures funded out of additional beginning balance.
- **HOME Fund:** This fund shows an increase of \$2.6 million in HOME funding, primarily reflecting carryover of planned expenditures funded out of additional beginning balance.
- **Tax Increment Financing Reimbursement Fund:** This fund shows an increase of \$18.4 million, primarily reflecting the rebudgeting of multi-year projects that continue into FY 2010-11.
- **BFRES Facilities GO Bond Construction Fund:** This fund shows an increase of \$1.8 million in appropriation reflecting contingency funded by additional fund balance. This contingency is set aside for future projects.
- **Parks Capital Construction & Maintenance Fund:** This fund shows an increase of \$697,634 in appropriation, reflecting a series of smaller changes.
- **Sewer System Operating Fund:** This fund shows a net increase of \$13.3 million in appropriation, primarily related to increases to the Portsmouth Force Main capital project, a component of the Combined Sewer Overflow project.
- **Spectator Facilities Operating Fund:** This fund shows an increase of \$2.0 million in appropriation, trueing up beginning fund balance to fund contingency.
- **Environmental Remediation Fund:** This fund shows an increase of \$538,015 in appropriation, primarily due to recognizing additional dedicated harbor fees directly into the fund rather than as a transfer from the operating fund.
- **Sewer System Debt Redemption Fund:** This fund shows a decrease of \$3.0 million in appropriation and an additional \$14 million reduction in unappropriated ending fund balance, primarily related to a reduced beginning fund balance resulting from a bond sale which was delayed from FY 2009-10 to August 2010.
- **Sewer System Construction Fund:** This fund shows an increase of \$69.6 million in appropriation, primarily related to a bond sale which occurred in August 2010 instead of FY 2009-10.
- **Internal Service Funds:** These funds increase by a total of \$16.4 million in appropriation. The majority of this increase reflects additional fund balance to fund projects carried over from the previous fiscal year.

Position Changes

The following position changes are contained in the Fall FY 2010-11 BMP, as submitted:

- The Office of Emergency Management requests one limited term Accountant II position be converted to permanent utilizing existing ongoing resources.
- As noted above, the Office of Government Relations requests a limited term Management Assistant position (0.58 FTE). This position is recommended to be funded with existing FY 2010-11 bureau resources.
- The Revenue Bureau requests 0.75 FTE for the Leaf Removal program. Funding is already in the FY 2010-11 budget. This action would approve the limited-term position.
- OMF Financial Planning requests 0.4 FTE to convert a 0.6 FTE part-time position to full-time. This position is recommended to be IA-funded.
- Parks requests a total of 3.53 FTE including one full-time, two full-time limited term, and one part-time position.
 - Reclass and convert a limited-term part-time Management Assistant position to a permanent part-time City Planner II position, utilizing existing resources.
 - Convert a limited-term Recreation Coordinator I position to a permanent full-time position, utilizing existing resources.

- Add a new limited-term Recreation Leader position from savings created by Parks re-organization.
- Add a new limited-term Forest Park Ranger position to be funded through a BES IA.
- Transportation requests a total of 8.0 FTE; including six full-time and two limited term positions:
 - One limited term Engineering Tech I to be funded with contingency
 - One limited term Civil Engineer to be funded via SDC funds
 - Funded within existing BES IA funds: 1.0 FTE Surveyor I and 1.0 FTE Surveying Aide II
 - Funded with existing HB2001 funds: 1.0 FTE Public Works Inspector; 1.0 FTE CAD Tech II; 1.0 FTE Senior Engineering Associate; 1.0 FTE Supervising Engineer

CAL Adjustments

From time to time, Council directs Financial Planning to include certain out-year items in the financial plan by adding them to the Current Appropriation Level (CAL). The following items are included in the Fall BMP ordinance:

- Ongoing O&M costs for the Gateway Green Phase I Project of \$198,110 per year are added to Parks' CAL starting in FY 2013-14. The City has agreed to be the lead agency on this project.
- As part of the FY 2009-10 Winter BMP, Enterprise Business Solutions (EBS) Services received increased appropriation for consulting services and authority to hire five additional positions for post-production support. These costs were covered on a one-time basis in FY 2009-10 and FY 2010-11 by a \$1,920,000 transfer from the Pension Obligation Bond Fund. As noted in last year's Winter BMP and the FY 2010-11 budget review, EBS plans to include these ongoing costs (estimated at about \$1.8 million going forward) in the FY 2011-12 interagency agreements that will be sent to City bureaus in early December. The BMP ordinance would approve target adjustments for General Fund bureaus to alleviate the financial burden caused by the above interagency charges from EBS.
- The FY 2009-10 Adopted budget includes a budget note directing the Revenue Bureau to hire an outside auditing firm to perform an audit of revenues collected and the methodology for attributing those revenues to seven limited-term positions that were approved in the FY 2009-10 and FY 2010-11 Adopted Budgets. The budget note states that if the audit determines the positions have not collected a return on investment of at least 2:1, they will be absorbed within the bureau's ongoing appropriation or terminated. The audit was completed in September of 2010. Based on the audit results FPD recommends adding \$592,146, which is the current year budget for these positions, plus inflation to Revenue Bureau's FY 2011-12 ongoing discretionary target.

RECOMMENDATION

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

Attachments.

C: Ken Rust
Rich Goward