

CITY BUDGET OFFICE

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CITY OF PORTLAND, OREGON

City Budget Office - Implementation Plan

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Summary

In the ordinance creating the City Budget Office (CBO), Council asked the CBO to report back within 45 days with an implementation plan for the new office. The plan was to include the following:

- An organizational chart
- An analysis of current and proposed staffing levels
- A requested budget
- A timetable for full implementation

The implementation plan below should be considered preliminary. Given that the FY 2013-14 budget process is well underway, this implementation plan allows the CBO to continue performing the core budgeting and forecasting functions that were previously provided by the Financial Planning Division, while adding a business impact analysis function and enhanced review of utility rates. Under the ordinance, the CBO will also now have responsibility to serve the entire Council by providing information and advice on budget and program issues throughout the year, and the staffing structure below will allow the office to meet Council's expectations. The City Budget Office will engage in a more comprehensive strategic planning process after the FY 2013-14 budget is completed and report back to Council any further proposed changes based on that process.

Organizational Charts

Attached are two organizational charts, one showing the Financial Planning Division (not including the grants program) and another showing the proposed City Budget Office.

Staffing Analysis

In developing the proposed CBO organizational structure, the work performed by Financial Planning was compared to the new expectations for the CBO. The bulk of the work is similar, providing budget development and administration, long-range financial forecasting, development and monitoring of financial policies, and maintenance of a system of performance metrics. However, Council also added the new task of providing a business impact analysis for City ordinances and asked for an enhanced review of utility rates and the maintenance of an "independent utility review function."

In order to achieve these goals, this implementation plan proposes some changes in staffing that will allow a greater focus on the CBO's core budget and program analysis work, create additional

capacity to take on the business impact analysis function, and provide for an enhanced review of utility rates.

The proposed CBO structure reclassifies the Principal Analyst in charge of budget coordination to an Assistant Director in charge of the entire budget analysis and monitoring function. This change will streamline and standardize CBO's development and administration of the City budget. The proposed structure also reclassifies a Senior Economist position into a Financial Analyst who will provide additional support to the budget process. The resulting savings of this reclassification will allow the office to bring on a graduate intern to assist with budget outreach, data research, and other special projects. In order to provide the business impact analysis that Council has requested, the City Economist will utilize the financial analysts to assist in the development of impact estimates. This relationship will contribute to better integration between the budget and economics functions of the office. Finally, the CBO adds an administrative support position to replace the administrative support that was previously provided by OMF.

Historically, the Financial Planning Division had between 10 and 11 budget analysts. Due to budget cuts, in FY 2012-13 FPD was down to 8.8 FTE dedicated to budget analysis. The changes noted above will result in a team of 10 positions dedicated to budget analysis (including the Assistant Director), with an additional graduate intern for part of the year. This enhanced focus on budget and program analysis will allow the CBO to dig more deeply into key budget issues, be more proactive in analyzing potential budget and program issues before they become crises, and have capacity to take on more Council research projects. It will also ensure that we are able to respond to all of Council's information requests.

It should be noted that the Bureau of Human Resources has not completed its review of CBO's positions, so the proposed classifications on the organizational chart may change.

City Budget Office Work Plan

The City Budget Office provides the following services: budget and program analysis, economic forecasting, business impact analysis, utility operations and rate review, and special projects.

Budget and Program Analysis. The City Budget Office provides timely, accurate, and unfiltered information and analysis regarding financial planning, forecasting, and budgeting to the Mayor, Commissioners, and the City Auditor. The office coordinates the development of the City's budget, including analysis of every bureau's operating and capital budget, financial plans, and performance metrics. Duties also include monitoring expenditure and revenue trends of all City funds throughout the fiscal year, coordinating budget amendments, analyzing City policies and ordinances for fiscal and policy impacts, and providing fiduciary oversight of the General Fund. In addition to providing analysis to Elected Officials and the public, analysts are also available to City bureaus for consultation, training, and technical assistance in matters related to budget and finance. Analysts conduct research in response to inquiries, including public records requests, from Elected Officials, City Bureaus, the media, and the public.

The City Budget Office coordinates public involvement in the budget process, including staff support for the Citywide Budget Advisory Committee and planning and staffing of City budget forums and hearings. The office is also responsible for ensuring that the City meets all requirements of State Budget Law regarding notices of public hearings and certification of the Approved Budget by the Tax Supervising and Conservation Commission, and the Budget Director serves as the City's Budget Officer.

Economic Forecasting. The primary responsibility of the economics section of the City Budget Office is to monitor and forecast General Fund revenues and expenses. This is accomplished through the publishing of five-year financial forecasts twice a year – by December 31st and April 30th of each fiscal year – and four economic and revenue updates at the close of each quarter. An important component of the December forecast is the development of current appropriation level targets for bureaus and programs that receive General Fund discretionary dollars.

Additional responsibilities include estimating labor agreement costs, consulting on bond rating calls, and providing ad hoc economic analyses, as well as implementing the new provision to analyze local business impacts of proposed ordinances. Finally, this section houses the City's representative on the Oregon League of City's Finance and Taxation Committee, the State's Property Tax Reform Study Group, and the CBO's legislative liaison to Office of Government Relations.

Business Impact Analysis. The City Budget Office will identify City ordinances and Council Calendar items that may have a material impact on the City's business climate, fees, regulations, and/or taxes. The City Economist will lead this review, with research and analytical assistance from all of the financial analysts. For such items, or any others requested to be reviewed by City Council or community members, the CBO will include, in addition to the fiscal impacts currently included in CBO's fiscal review, an evaluation of the potential economic impacts of the proposed ordinance.

This evaluation may include descriptions of the following:

- The types and/or sizes of businesses impacted
- A measure of increased expenses for businesses resulting from the ordinance
- A description of the possible local economic impacts, including comparisons with other jurisdictions

The proposed review process outlined above has been shared with members of the Small Business Advisory Committee and Portland Business Alliance.

Utility Rate Review. The ordinance creating the City Budget Office directs the office to continue the financial planning and operational review that has always been provided by the Financial Planning Division. It also includes the "administration and maintenance of an independent utility review function that provides City Council with an annual review of utility rates and economic impacts," which is a new function.

The City has previously considered the creation of an independent utility review function; some of those proposals have used funding from the Water Bureau and the Bureau of Environmental Services to pay for staffing and other costs. Since the ordinance creating the CBO did not contain additional resources for the utility review function, our proposed work plan includes a modest increase in our review of utility rates and operations within existing resources.

As proposed, the City Budget Office will continue to provide routine budget oversight of Water and BES. In addition, the two analysts assigned to Water and BES will work with the City Economist to form a utility review team that will research rate-setting methodologies and implement best practices surrounding review of utility operations and rates. Finally, the proposed FY 2013-14 budget for the new office contains about \$20,000 for external assistance to review the City's utility rates.

Given the status of the FY 2013-14 budget process, this implementation plan suggests utilizing

existing staff for operations and rate analysis of the City's utilities. After this budget process is complete, Council may wish to revisit this issue to determine if an enhanced, independent utility review function is warranted, and if so, the appropriate resources to fund such a program.

Special Projects. The City Budget Office assists the Mayor and Council with special projects as assigned. In the past, such projects involved a wide variety of topics, including:

- Coordination of the 2011 Tri-Data fire staffing study
- Integration of the Portland Plan into the budget process, and development of a performance monitoring system around Portland Plan goals
- Analysis of City and County program overlap, updating of Resolution A
- Fiscal review of the Oregon Sustainability Center
- Coordination of discussion regarding maintenance services provided by PBOT to BES
- Assistance to the Technology Oversight Committee
- Creation and implementation of the City's budget mapping project

The addition of a new financial analyst will free up time of senior analysts to take on more special projects, and will also ensure that questions from Council are answered promptly and accurately.

Requested Budget

	FY 2012-13	FY 2013-14 Requested Budget		
Expenses	Revised Budget	90% Base	10% Add-Back	Total
Personnel Services	1,428,818	1,525,979	70,080	1,596,059
Internal Materials & Services	202,595	245,972	18,423	264,395
External Materials & Services	191,153	196,614	2,546	199,160
Total	1,822,566	1,968,565	91,049	2,059,614
Revenues				
General Fund Discretionary	718,284	819,441	91,049	910,490
General Fund Overhead	1,104,282	1,149,124	-	1,149,124
Total	1,822,566	1,968,565	91,049	2,059,614
Positions (Full-Time Equivalents)	12.00	12.00	1.00	13.00

The requested FY 2013-14 budget for the City Budget Office is \$1.97 million, which represents 90% of the current service level estimate for the budget office after separating it out from the Bureau of Financial Services. The bulk of the budget (77%) is in personnel services. The external materials and services budget includes funding for maintenance contracts for our budget software and publishing system, funding for the graduate intern to assist with budget outreach and special projects, and funding for utility contract work as needed. The internal materials and services budget includes normal charges for internal services, with the bulk being in BTS and Facilities.

The ongoing costs associated with the creation of the CBO are budget neutral, since the CBO will receive the same level of ongoing funding that the Financial Planning Division received, plus an additional amount from OMF to support administrative services. As part of the budget process, the City Budget Office will be requesting add-backs worth just over \$91k. This represents funding for the financial analyst noted above, who will provide additional support to the budget process.

Timeline for Implementation

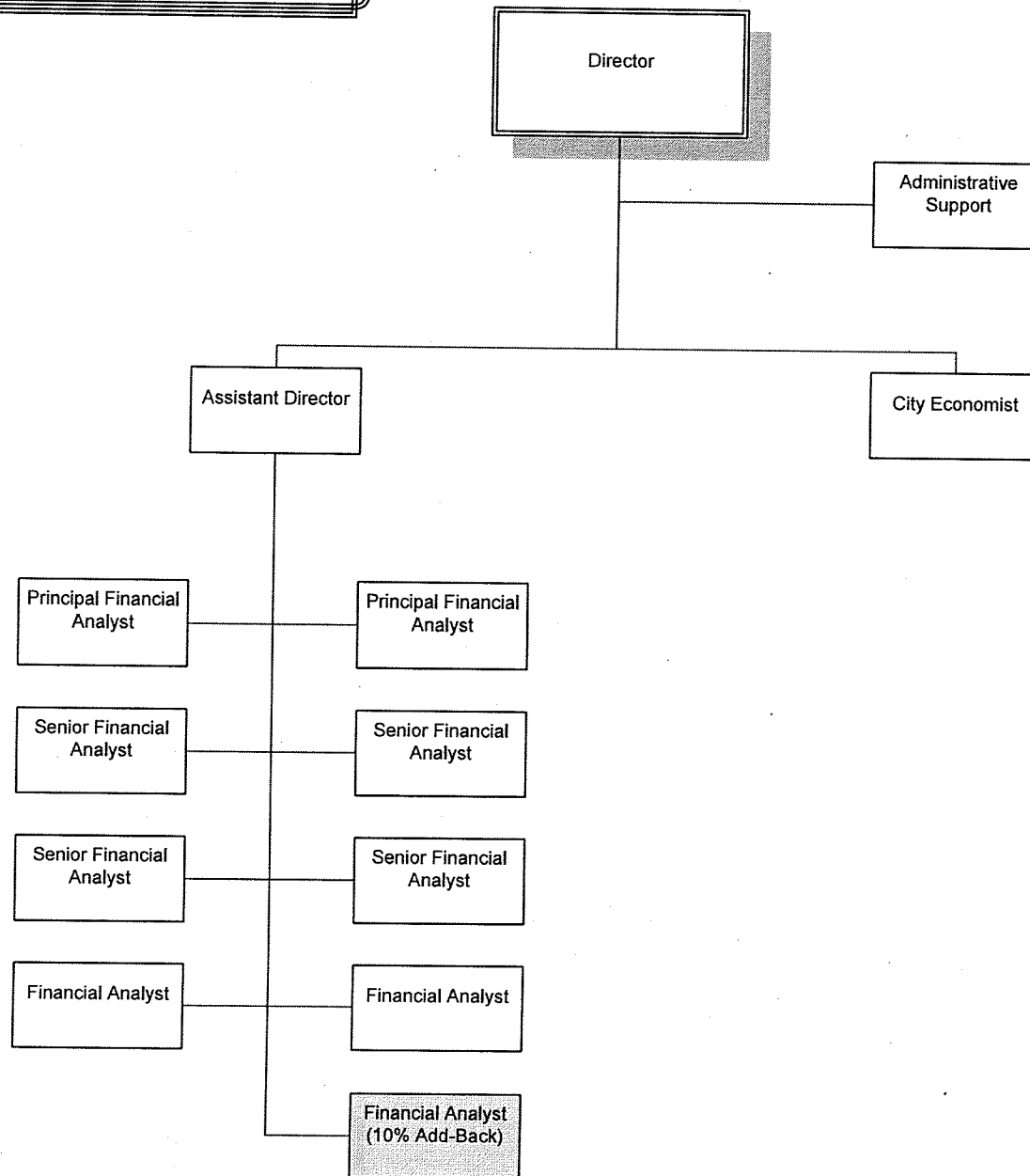
The work plan outlined above illustrates how the City Budget Office will accomplish the immediate tasks of the FY 2013-14 budget and the new tasks Council has assigned. The CBO can begin to fulfill those tasks immediately with this proposed structure.

The CBO will engage in a longer strategic planning process after the budget process is completed. This process will allow time for the development of goals for the office, a specific list of ongoing activities, and performance measures to gauge the CBO's success. The CBO will share the results of that process with Council and discuss whether additional changes are needed.

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