

Portland, Oregon
FINANCIAL IMPACT and PUBLIC INVOLVEMENT STATEMENT
For Council Action Items

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

1. Name of Initiator Tim Crail	2. Telephone No. 3-3988	3. Bureau/Office/Dept. Commissioner Fritz
4a. To be filed (date): October 24, 2012	4b. Calendar (Check One) <div style="display: flex; justify-content: space-around;"> Regular <input checked="" type="checkbox"/> Consent <input type="checkbox"/> 4/5ths <input type="checkbox"/> </div>	5. Date Submitted to Commissioner's office and FPD Budget Analyst: N/A
6a. Financial Impact Section: <input checked="" type="checkbox"/> Financial impact section completed		6b. Public Involvement Section: <input checked="" type="checkbox"/> Public involvement section completed

1) Legislation Title:

Establish Independent City Budget Office (Ordinance; amend Code Chapter 3.15 and add new Chapter 3.16).

2) Purpose of the Proposed Legislation:

This ordinance moves the existing Financial Planning Division into a new City Budget Office (CBO) under the direction of a City Budget Director. The CBO will continue to provide the Mayor and Council with budget and policy analysis, as well as develop and monitor City budgets. The CBO will also include an enhanced utility budget and rate review section.

3) Which area(s) of the city are affected by this Council item? (Check all that apply—areas are based on formal neighborhood coalition boundaries)?

- | | | | |
|---|------------------------------------|------------------------------------|--------------------------------|
| <input type="checkbox"/> City-wide/Regional | <input type="checkbox"/> Northeast | <input type="checkbox"/> Northwest | <input type="checkbox"/> North |
| <input type="checkbox"/> Central Northeast | <input type="checkbox"/> Southeast | <input type="checkbox"/> Southwest | <input type="checkbox"/> East |
| <input type="checkbox"/> Central City | | | |
| <input checked="" type="checkbox"/> Internal City Government Services | | | |

FINANCIAL IMPACT

4) Revenue: Will this legislation generate or reduce current or future revenue coming to the City? If so, by how much? If so, please identify the source.

This ordinance will not impact City revenue.

5) Expense: What are the costs to the City related to 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. If there is a project estimate, please identify the **level of confidence**.)*

The ordinance does not directly require any new General Fund resources. It asks the CBO to return in 30 days with an implementation plan for the new office. It is likely that the implementation plan will include multiple options, at least one of which will be cost neutral to the General Fund. Other options may have additional one-time or ongoing costs, and Council will have an opportunity at that time to determine if they wish to fund those costs.

The creation of an enhanced utility review function would require revenue from Water, BES, and the Solid Waste Management Fund to pay for the analysts working on those utilities. The exact utility costs will be decided by Council after the submission of the implementation plan.

6) Staffing Requirements:

- **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.)*

The ordinance creates the new position of City Budget Director, which will be assumed by the existing Financial Planning Manager; the FPD manager position will no longer exist. The ordinance also calls for the creation of new classifications of City budget and policy analyst and utility budget and rate expert. The implementation plan selected by Council will determine whether any positions are created or eliminated.

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

It is expected that any position creations or eliminations will take place in FY 2012-13.

(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 Fund Center column if new center needs to be created. Use additional space if needed.)*

Fund	Fund Center	Commitment Item	Functional Area	Funded Program	Grant	Sponsored Program	Amount

[Proceed to Public Involvement Section — REQUIRED as of July 1, 2011]

PUBLIC INVOLVEMENT

8) Was public involvement included in the development of this Council item (e.g. ordinance, resolution, or report)? Please check the appropriate box below:

- ☐ **YES:** Please proceed to Question #9.
☒ **NO:** Please, explain why below; and proceed to Question #10.

The impact of this ordinance will be on the internal workings of the City government. This has the potential to impact the community through better, more transparent budgeting in the future, but does not directly impact the community.

9) If "YES," please answer the following questions:

a) What impacts are anticipated in the community from this proposed Council item?

b) Which community and business groups, under-represented groups, organizations, external government entities, and other interested parties were involved in this effort, and when and how were they involved?

c) How did public involvement shape the outcome of this Council item?

d) Who designed and implemented the public involvement related to this Council item?

e) Primary contact for more information on this public involvement process (name, title, phone, email):

10) Is any future public involvement anticipated or necessary for this Council item? Please describe why or why not.

Future public involvement will be necessary if Council makes any changes to the budgeting process itself (versus internal administrative/organizational changes about how the budget is put together).

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BUREAU DIRECTOR (Typed name and signature)

EXHIBIT A

3.15.010 Organization.

A. The Office of Management and Finance shall be under the direction and control of the Chief Administrative Officer (CAO) and shall include such other employees as Council may provide. The Office of Management and Finance is responsible for providing and coordinating administrative services of the City in support of the operational needs of City bureaus, and other duties as assigned. Administrative services include all those functions that provide products, services and support to City employees and programs that in turn provide direct services to the public. These services include, but are not limited to, the following: accounting, debt management, treasury management, ~~budgeting, financial planning,~~ payroll, grant administration, license and fee collection, risk management, facilities and property management, fleet management, human resources and personnel services including employee training and education, technology services, printing and distribution, and procurement services.

B. The Office of Management and Finance consists of the Bureau of Internal Business Services, which includes the divisions of City Fleet, Facilities, Procurement Services, Printing and Distribution, and Risk Management; the Business Operations Division, and the bureaus of Financial Services, Human Resources, Revenue, Technology Services and the Enterprise Business Solution Division.

C. The CAO shall be responsible for the overall coordination of the administrative services functions of the City. The CAO shall be authorized to:

1. Formulate, approve and issue administrative rules and systems for providing City administrative services.
2. Implement and monitor administrative rules and systems for providing City administrative services.
3. Determine if any administrative service should be provided by City staff or outside vendors. Bureaus shall use the services of the Office of Management and Finance unless otherwise authorized by the CAO or directed by the City Council.
4. Determine the classifications, duties and reporting relationships for positions responsible for centralized administrative services including, but not limited to, human resources, procurement and technology services.
5. Recommend alternatives to Council for providing administrative services.
6. At Council direction, provide administrative services to any other governmental or private agency.

D. The CAO's duties include, but are not limited to:

1. Evaluate the delivery of City administrative services; initiate improvements; and periodically report to Council on services and initiatives.
- ~~2. Serve and perform the duties of the City's budget officer as defined in Oregon Revised Statutes, or name a designee to perform these duties.~~
32. Provide the City Council with an annual workplan to improve city administrative services. The CAO will periodically meet with City Council to report on efforts to continually evaluate and improve all city administrative services, including those contained in the annual workplan.
43. Advise the Council and provide staff support to citywide projects and oversight committees including, but not limited to, technology oversight committees.

3.15.040 Bureau of Financial Services.

A. The Bureau of Financial Services shall be supervised by a Director, who shall be the Chief Financial Officer (CFO) of the City, and who shall report to the CAO. The Bureau of Financial Services shall consist of the following divisions: Accounting; ~~Financial Planning~~; and Public Finance and Treasury. The Bureau of Financial Services is responsible for treasury and debt management, deferred compensation, ~~financial planning (including budget development and monitoring)~~, accounting and payroll, grants management and assigned grant funds, pension oversight and other services or responsibilities the Council or the CAO may assign.

B. The Accounting Division shall be supervised by a Controller who reports to the CFO and shall have specific authority to:

1. Establish, maintain and enforce citywide accounting policies, practices, rules and regulations. The Controller shall be the final authority for interpretations of accounting and financial reporting policies and practices.
2. Authorize reports that disclose the fiscal condition of the City to external users including the Comprehensive Annual Financial Report (CAFR), the Single Audit Report, and other reports required by federal, state and local regulations.
3. Conduct or contract with public accounting firms to conduct financial and compliance audits and other tests to determine compliance with citywide accounting and financial reporting policies and current professional standards and adequacy of internal controls over accounting transactions, the cost of which shall be paid by the bureau being audited.

~~**C.** The Financial Planning Division shall be supervised by a Manager who shall report to~~

~~the CFO. The Financial Planning Division is responsible for:-~~

- ~~1. Coordinating development and administration of the City's budget, including capital budgeting;-~~
- ~~2. Financial planning and operational review of the City's utilities;-~~
- ~~3. Long range financial forecasting for the City's funds, including oversight of the General Fund;-~~
- ~~4. Preparation of General Fund Five Year Forecasts at least twice each fiscal year. The General Fund Five Year Forecasts shall be released and made publicly available on or before December 31st and on or before April 30th;-~~
- ~~5. Monitoring expenditures and revenues;-~~
- ~~6. Developing and analyzing financial policy and performance measurement systems;-~~
- ~~7. Administering grants and performing other duties as assigned.~~

DC. Public Finance and Treasury Division shall be supervised by the City Treasurer, who shall report to the CFO. The Treasurer shall have those authorities and responsibilities as described in PCC Chapter 3.08. Debt Management within the Public Finance and Treasury Division, shall be supervised by the Debt Manager who shall report to the City Treasurer. Debt Management is responsible for managing the City's debt program to ensure access to capital markets including long- and short-term capital financing programs, providing expert advice to City bureaus and officers regarding placement of debt and capital financing issues, and performing other duties as assigned. The Debt Manager is responsible for assuring that sales or leasing agreements entered into by the City comply with applicable Federal tax exemption regulations for funding and financing. The Public Finance and Treasury Division shall administer grants.

Chapter 3.16 City Budget Office.

3.16.010. Organization. The City Budget Office shall be under the direction and control of the City Budget Director and shall include such other employees as Council may provide. The City Budget Director shall report to the Mayor. The City Budget Director shall serve and perform the duties of the City's budget officer, as defined in Oregon Revised Statutes, or shall name a designee to perform these duties. The City Budget Office is responsible for:

- A.** Coordinating development and administration of the City's budget, including capital budgeting and the development of budget and policy recommendations for all City bureaus and funds;

- B.** Financial planning and operational review of the City's utilities, including maintenance of an independent utility review function that provides City Council with an annual review of utility rates, operations, and economic impacts;
- C.** Long range financial forecasting for the City's funds, including oversight of the General Fund;
- D.** Preparing General Fund Five-Year Forecasts at least twice each fiscal year. The General Fund Five-Year Forecasts shall be released and made publicly available on or before December 31st and on or before April 30th;
- E.** Monitoring expenditures and revenues for the City and all Bureaus and providing this information to Commissioners when requested;
- F.** Developing and analyzing financial policy and performance measurement systems and providing this information to Commissioners when requested;
- G.** Providing Council with financial information that informs the City's negotiation of collective bargaining agreements, and assisting the Bureau of Human Resources with the costing of collective bargaining agreements;
- H.** Performing other duties as assigned.

3.16.020. Authority of Council.

- A.** The City Budget Director shall be appointed by the Commissioner in Charge of the City Budget Office, but may be removed only by majority vote of the Council.
- B.** The Director shall serve the entire Council including providing information and advice and making available for inspection the books and records of the City Budget Office to any member of the Council making a request for the same as soon as practical.

ORDINANCE No.

Establish independent City Budget Office (Ordinance; amend Code Sections 3.15.010 and 3.15.040; add Chapter 3.16).

The City of Portland ordains:

Section 1. The Council finds:

1. The City of Portland has a nationally recognized tradition of excellence in financial planning, forecasting, and budgeting.
2. In 2001 Council consolidated the City's internal service bureaus in the Office of Management and Finance. Since then, financial planning, forecasting, and budgeting services have been provided by the Financial Planning Division within the Bureau of Financial Services in the Office of Management and Finance.
3. Research has shown that budget functions are generally located in one of four locations, depending on the size and form of government, along with the functions given to the budget staff:
 - a. Under a strong mayor system, budget functions are most often located within the mayor's office.
 - b. Under a city manager system, budget functions are most often located under direct control of the city manager.
 - c. In smaller municipalities, budget functions are generally a function of financial staff within a finance department, with a focus on financial accountability.
 - d. Many large municipalities have independent budget offices to better serve the purpose of program evaluation and responsiveness.
4. Some government entities have two budget offices, one for the legislative body, and one for the executive body. These are most common where there is a large legislative body and a strong executive. With the dual role of Commissioners as legislative and executive leaders this system would be inefficient and costly.
5. With Portland's unique commission form of government, each City Commissioner has executive level management responsibilities as well as legislative responsibilities, which mandates the need for direct unfiltered communication with financial planning staff throughout the year, which would be provided by an independent budget office.

6. The Office of Management and Finance has an operating budget of \$451 million in the Fiscal Year 2012-13 Adopted Budget. One of the essential functions of the Financial Planning Division is to examine and make recommendations concerning the budgets of the other bureaus and divisions in the Office of Management and Finance (OMF).
7. In order to eliminate the possibility or appearance that the Financial Planning Division might not give the same thorough, impartial and critical examination of OMF's budgets as it does to the budgets of other City bureaus, it is in the public interest to establish financial planning, forecasting, and budgeting functions in a separate City bureau, independent of any other City bureau.
8. Under the Charter, the Commissioner in Charge has the authority to hire the heads of offices and bureaus. Nonetheless, to protect the independence of the City Budget Office, the City Budget Director should be subject to removal only by a majority vote of the Council, and every Council member should have access to the information, advice, books and records of the City Budget Office.

NOW, THEREFORE, the Council directs:

- a. A new City bureau shall be created known as the City Budget Office, and shall be under the supervision of a City Budget Director. The responsibility for administering grants shall remain with the Bureau of Financial Services
- b. Portland City Code Sections 3.15.010 Organization and 3.15.040 Bureau of Financial Services are amended, and add Chapter 3.16 City Budget Office as set out in Exhibit A to this Ordinance.
- c. The position of City Budget Director is hereby created. This position will manage the City Budget Office. The current Financial Planning Manager is appointed as the City Budget Director and immediately assumes management of the City Budget Office.
- d. The Financial Planning Division of the Bureau of Financial Services shall perform the functions provided by the City Budget Office until the City Budget Office is operational and new classifications are developed at which time the Financial Planning Division will be dissolved.
- e. The City Budget Office will include three utility budget and rate expert positions, to be funded through the Bureau of Environmental Services, the Portland Water Bureau, and the Solid Waste Management Fund, who will annually provide City Council with an independent review of utility rates and operations.

- f. The City Budget Director will report back to Council no later than 30 days after the date of passage of this ordinance with an implementation plan that includes an organizational chart, staffing analysis, space plan options for Council consideration, and a timetable for full implementation of the new office. The City Budget Director will return to Council for authorization if additional time is needed.
- g. The Office of Management and Finance is directed to take administrative actions necessary to assist with implementation of the new City Budget Office effective immediately, including:
 - 1. Transfer of appropriate budget and positions as part of the Fall Budget Monitoring Process to the new Bureau, including budget for a City Budget Director position;
 - 2. Establishment of a new City Budget Director classification at a rate and grade determined by the Bureau of Human Resources;
 - 3. Establishment of new classifications of City Budget and Policy Analysts at rates and grades determined by the Bureau of Human Resources;
 - 4. Establishment of a new classification of utility budget and rate expert at a rate and grade determined by the Bureau of Human Resources;
 - 5. Allocation of sufficient one-time monies in the Fall BMP to assist with the organizational transition; and
 - 6. Review and analysis of space options that are available or could become available in the Portland Building or City Hall.

Passed by the Council:

Commissioner: Amanda Fritz
Prepared by: Harry Auerbach; Tim Crail
Date Prepared: October 17, 2012

LaVonne Griffin-Valade
Auditor of the City of Portland
By

Deputy

Agenda No.
ORDINANCE NO.

Title

Establish Independent City Budget Office (Ordinance; amend Code Chapter 3.15 and add new Chapter 3.16).

<p>INTRODUCED BY Commissioner/Auditor: Fritz</p>	<p>CLERK USE: DATE FILED <u>OCT 19 2012</u></p>
<p>COMMISSIONER APPROVAL</p> <p>Mayor—Finance and Administration - Adams</p> <p>Position 1/Utilities - Fritz <i>Amend Fritz</i></p> <p>Position 2/Works - Fish</p> <p>Position 3/Affairs - Saltzman</p> <p>Position 4/Safety - Leonard</p>	<p>LaVonne Griffin-Valade Auditor of the City of Portland</p> <p>By: <i>[Signature]</i> Deputy</p>
<p>BUREAU APPROVAL</p> <p>Bureau: Bureau Head:</p>	
<p>Prepared by: Harry Auerbach, Tim Crail Date Prepared: October 17, 2012</p>	
<p>Financial Impact Statement & Public Involvement Statement Completed <input checked="" type="checkbox"/> Amends Budget <input type="checkbox"/></p>	
<p>Portland Policy Document If "Yes" requires City Policy paragraph stated in document. Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p>	
<p>Council Meeting Date October 24, 2012</p>	<p>ACTION TAKEN:</p> <p>OCT 24 2012 REFERRED TO COMMISSIONER OF PUBLIC UTILITIES</p>
<p>✓ City Attorney Approval <i>[Signature]</i></p>	

AGENDA
<p>TIME CERTAIN <input type="checkbox"/></p> <p>Start time: _____</p> <p>Total amount of time needed: <u>30</u> (for presentation, testimony and discussion)</p>
<p>CONSENT <input type="checkbox"/></p>
<p>REGULAR <input checked="" type="checkbox"/></p> <p>Total amount of time needed: <u>40 minutes</u> (for presentation, testimony and discussion)</p>

FOUR-FIFTHS AGENDA	COMMISSIONERS VOTED AS FOLLOWS:		
		YEAS	NAYS
1. Fritz	1. Fritz		
2. Fish	2. Fish		
3. Saltzman	3. Saltzman		
4. Leonard	4. Leonard		
Adams	Adams		