



CITY OF PORTLAND
OFFICE OF MANAGEMENT AND FINANCE

Sam Adams, Mayor
Kenneth L. Rust, Chief Administrative Officer
Rich Goward, Director & Chief Financial Officer

Andrew Scott, Manager
Financial Planning Division
Financial Services
1120 S.W. Fifth Avenue, Rm. 1250
Portland, Oregon 97204-1912
(503) 823-6845
FAX (503) 823-5384
TTY (503) 823-6868

TO: Mayor Sam Adams
FROM: Andrew Scott, Financial Planning Manager
DATE: May 13, 2010
RE: Mayor's Message to Budget Committee

FOR MAYOR'S OFFICE USE ONLY

Reviewed by Bureau Liaison _____

1. **INTENDED THURSDAY FILING DATE:** May 13, 2010
2. **REQUESTED COUNCIL AGENDA DATE:** May 19, 2010 (Time Certain Already Set)
3. **CONTACT NAME & NUMBER:** Jeramy Patton, 823-6961
4. **PLACE ON:** CONSENT REGULAR
5. **BUDGET IMPACT STATEMENT ATTACHED:** Y N N/A
6. **(3) ORIGINAL COPIES OF CONTRACTS APPROVED AS TO FORM BY CITY ATTORNEY ATTACHED:** Yes No N/A

BACKGROUND/ANALYSIS

Oregon State Law requires the Mayor to convene the City's budget committee to receive the Mayor's Message. In the City of Portland, City Council is the budget committee. The Mayor will convene Council as the budget committee at the regular May 19 Council meeting and will submit the Mayor's Message, attached to this memo, as a report. The Mayor will then continue the budget committee meeting to Thursday, May 20, at 6:30 PM, when a public hearing will be held on the Proposed Budget. Financial Planning has provided a script for the Mayor to read from during the May 19 Council meeting. Commissioners will receive copies of the Proposed Budget document before May 19.

Legal Issues:

ORS 294.401 requires the City's budget committee to hold one or more meetings to receive the Mayor's Message, to accept public comment on the Proposed Budget, and to approve the Proposed Budget with or without changes. City Council, sitting as the budget committee, will hold three meetings on the FY 2010-11 Proposed Budget. On May 19, the committee will accept the Mayor's Message. On May 20, the committee will hold a public hearing on the Proposed Budget. Finally the committee will approve the budget, with any changes, on May 26.

Controversial Issues:

Delivery of the Mayor's Message to the budget committee is not controversial.

Citizen Participation:

Although many citizens participated in the development of the Proposed Budget, there was no citizen participation in the preparation of the Mayor's Message.

An Equal Opportunity Employer

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.

Link to Current City Policies:

Although the Proposed Budget was shaped by a number of city policies, there are no city policies governing the preparation and acceptance of the Mayor's Message.

Other Governmental Participation:

None

FINANCIAL IMPACT

The Mayor's Message has no financial impact.

RECOMMENDATION/ACTION REQUESTED

Introduce the Mayor's Message as a report to Council and place it on Council Calendar for May 19, 2010.

Mayor's Message



Office of Mayor Sam Adams
City of Portland

INTRODUCTION

This is the second budget that I have the privilege of presenting as Mayor. The City is still dealing with the effects of the worst global recession in more than a generation. The Great Recession has impacted Portlanders in many ways: higher unemployment, lower home values, and less economic security. My priorities outlined in this budget remain focused on returning the City to full prosperity, shoring up funding for core City services, supporting the most vulnerable in our community, and keeping all Portlanders safe and secure in their jobs, homes, and neighborhoods.

Addressing the City's Financial Challenges

Starting in late 2008 it was clear that our City was going to face the worst recession in decades. In addition to declining business license and other local revenues, the City had many ongoing programs and positions that were being funded with one-time revenue, creating a "shadow obligation" for the City to fund in the future. Considering these risks and factors, we started preparing early:

As Mayor-elect, I worked with the City Council to make mid-year reductions in fall 2008 in anticipation of declining revenues.

For the FY 2009-10 budget development process, we asked bureaus to propose programmatic reductions of up to 5 percent, most of which were included in the final Adopted budget.

During the current fiscal year, we have continuously monitored and made adjustments to bureau spending based on the latest available data, allowing us to stay ahead of the financial crisis and avoid deeper, more damaging cuts.

In April, I implemented a citywide hiring freeze, directed bureaus to slow down all discretionary spending, and asked bureaus to find additional personnel savings, either from existing vacancies or from holding future positions vacant.

At the start of the FY 2010-11 budget process, I asked public safety bureaus to prepare 2% reductions, and non-public safety bureaus to prepare 4% reductions. These reductions, on top of the actions noted above, will produce enough savings to balance the General Fund and create some limited one-time resources that can be reprogrammed to the City's highest priority services.

Finally, I asked bureaus to be creative in terms of realignments and efficiencies that could save money without reducing services. And I asked them to consider new revenue sources, so long as they did not impact the City's most vulnerable populations.

Public Input and Stakeholder Involvement

For the second year, I asked bureaus to rank each discrete program and service they provide based on the program's relationship to the bureau's mission and its support from the community. This process provides valuable insight into each bureau's operations, and forces bureaus to weigh each proposed reduction against the alternatives and make strategic cuts in services. While programmatic cuts are always difficult, this approach ensured the protection of core City programs and services.

Bureaus also continued with the Budget Advisory Committee (BAC) process. These committees include management, labor, customers, and internal and external stakeholders. They review the bureau's draft budget request, weigh in on the program and service rankings, and provide input on the proposed reductions.

Finally, the city held three community forums, where we gathered specific input from Portland residents. The feedback Portlanders provided helped us prioritize services and focus on specific areas for improvement as well as areas that could be cut. We also conducted an extensive public information and survey process in order to statistically validate the input that was received at the community forums. Small groups, such as neighborhood coalitions and advocacy groups, were also given an opportunity to host Budget 101 sessions with their members, where members could both learn more about the city budgeting process as well as provide feedback and input about the programs that are most important to them.

MAYOR'S APPROACH

In building next year's budget, I had four key goals:

1. Keep the City on a sound financial footing to weather the economic downturn.
2. Protect essential City functions, such as public safety and infrastructure, and increase funding to help those most in need through mental health programs and housing assistance.
3. Make strategic investments to fuel a more equitable economic recovery.
4. Continue my efforts to increase bureau accountability and track bureau performance to ensure constant improvement and positive results.

Weathering the Economic Downturn

Balancing the FY 2010-11 budget meant cutting ongoing General Fund spending by \$5.3 million, or roughly 1.4 percent. In addition, the City has a number of important one-time funded programs that I believe are necessary to continue, such as housing and shelter services, public safety programs aimed at reducing "quality of life" crimes, and economic development funding that will aid in the City and the region's recovery.

My budget keeps the City on a sound financial footing through a combination of administrative efficiencies and reductions in programs and services. Of the reductions, just over half come from administrative savings rather than programmatic cuts. Although some of the cuts will result in lost programs, by making prudent reductions, my budget ensures that City spending is sustainable into the future. My budget is not only balanced for FY 2010-11, it is also balanced over the entire five-year forecast as required by Council policy.

Finally, my budget does not use the General Fund reserves, which remain at 10 percent of General Fund revenues. Although the economic triggers have been met that would authorize Council use of the reserves, I did not propose tapping those reserves for two reasons:

1. We may not have seen the bottom of the recession in terms of City revenues, and making prudent reductions now will keep us on a sustainable fiscal path;
2. Our General Fund reserves are key to our ability to maintain the highest unlimited tax obligation bond rating possible, and jeopardizing that rating, which was recently reaffirmed by Moody's Investors Service, could cause the City's borrowing costs to rise.

Protecting Essential City Functions and Helping Those in Need

My budget protects core city services while also helping those most in need during this economic crisis:

- ◆ Restores funding to keep a fire station open;
- ◆ Maintains funding for two fire rescues that would otherwise have been cut;
- ◆ Fully funds the CHIERS program and supports Multnomah County's sobering station;
- ◆ Funds a prostitution rehabilitation and transition effort;
- ◆ Funds the City's Service Coordination Team, which has shown positive results in reducing recidivism among those who commit quality of life crimes;
- ◆ Invests \$1.3 million to increase shelter bed capacity, especially for the high-demand women's shelter facilities;
- ◆ Allocates \$2.5 million for the Portland Housing Bureau to meet increased demand for shelter services, rent assistance, and access services;
- ◆ Contributes \$50,000 to the Oregon Food Bank as they work to combat our region's record level of hunger and food insecurity;
- ◆ Invests \$540,000 to increase capacity to provide mental health services.
- ◆ Continues assistance for low-income tax preparation (\$75,000), which provides an economic boost to the region by increasing federal tax returns.

Making Strategic Investments for a More Equitable Recovery

My budget invests in key programs that will help local businesses grow and create jobs, as well address inequities in our community by supporting education and academic achievement:

- ◆ Directs the Portland Development Commission to reduce operating and administrative costs by 12.5% (\$4.0 million) and increase business finance programs, redevelopment loans and storefront grants by \$5.6 million in Urban Renewal Areas across the city;
- ◆ Supports economic development initiatives including \$500,000 to roll out the Neighborhood Main Street Revitalization program;
- ◆ Allocates \$388,000 to continue investing in targeted, cluster-driven development and recruitment efforts;
- ◆ Contributes \$500,000 towards the Summer Youth Connect scholarship program;
- ◆ Commits \$425,000 to Summer Youth Connect jobs, serving 1,650 students county-wide;

Increasing Bureau Accountability

Again this year, I asked bureaus to put together a Bureau Baseline and a Program Summary Template. Together, these documents provide Council and citizens with a broad overview of each City bureau, its programs, and key performance measures. These documents increase transparency for our citizens by showing exactly what they are buying with their tax dollars, and holding bureaus accountable for meeting their goals. These documents are posted online with my Proposed Budget.

My budget also includes bureau Service and Performance Improvement plans, which list three key areas each bureau has identified that need improvement and how those improvements will be realized. This is the second year for this requirement, and bureaus are required to show progress against last year's plan.

CONCLUSION

I want to commend all the hardworking Portlanders - citizens and City employees alike - who participated in our community budget forums, employee budget forums, and other outreach efforts. With your input and feedback, we have been able to focus this budget on the programs and services that matter most to you.

National studies have shown that many cities have responded to the economic crisis with deep program cuts and delays and cancellations of capital projects. Portland is rejecting that trend. The city has made modest, prudent program reductions and has made every effort to fast-track capital projects that create jobs and positive economic returns to the city.

Portland will weather this economic storm. We are positioned to lead the nation in the green revolution and reap the economic rewards - living-wage jobs, new business ventures and increased prosperity - of our sustainability leadership. But, we will only be able to lead if we continue to support all our citizens in their individual efforts to make a better life for themselves.

In these uncertain and financially trying times, this is a budget that gets to the heart of equity. It is a budget guided by both empathy and common sense. By investing in programs that most serve those with the greatest need, we are looking out for our most vulnerable neighbors - resident, business owner, or student. These basic needs are at the core of this budget.

Thank you,



Sam Adams

Mayor



Office of Mayor Sam Adams

City of Portland

Convening Budget Committee

- I am convening the Budget Committee for the purpose of receiving the budget message. Committee members received copies of the budget document yesterday.
- This budget is the product of months of work by the City Council, community advisors and residents, our bureau staffs, and the Office of Management and Finance. I believe it meets our shared goals of returning the City to full prosperity, shoring up funding for core City services, supporting the most vulnerable in our community, and keeping all Portlanders safe and secure in their jobs, homes, and neighborhoods.
- I want to again thank my colleagues on the Council, and everyone in our community, for helping shape this budget.
- This meeting of the Budget Committee is continued to Thursday, May 20 at 6:30 PM at University Park Community Center, where we will hear public testimony on the budget. University Park Community Center is located at 9009 N Foss Ave. I look forward to seeing you all there.
- I am now reconvening this group as the City Council.

Transmit Mayor's message for FY 2010-11 proposed budget (Mayor convenes Council as the Budget Committee)

MAY 19 2010

PLACED ON FILE

Filed MAY 14 2010

LaVonne Griffin-Valade
Auditor of the City of Portland

By 

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