

## ATTACHMENT D

### Budget Notes from Approved Budget

#### Citywide- All Bureaus

Over the summer of 2023, the Office of Management and Finance, Office of the Chief Administrative Officer will lead the service area and program review process as outlined with bureau and council office leadership. This review will inform any program or service realignments in advance of development of the FY 2024-25. The City Economist in the City Budget Office will develop CAL targets in the fall and incorporate any program realignments for FY 2024-25. CAL Targets supporting bureau programs in the General Fund will still require council approval via ordinance in advance of bureau Requested Budget submissions for FY 2024-25.

#### Office of Management & Finance and City Budget Office

##### **Charter Transition Budget**

In November 2022, Portlanders voted to change city government in three significant ways.

- Allowing voters to rank candidates in order of their preference using ranked choice voting
- Creating four new geographic districts with three members elected to represent each district, expanding the city council to a total of 12 members; AND
- Replacing the commission form of government with a City Council that focuses on setting policy and a mayor elected citywide to run the city's day-to-day operations, with the help of a professional city administrator.

The City has established a project team and an initial project budget. Work has been underway since passage of the ballot measure. As a critical project with Citywide impacts, current funds in Office of Management and Finance (OMF) that are programmed to support charter change and are not spent or encumbered in FY 2022-23 and fall to the General Fund ending fund balance will be retained for the originally intended purpose of supporting program expenses in the OMF, Office of the Chief Administrative Officer. The City Budget Office (CBO) will recognize these resources as part of their FY 2022-23 year-end reconciliation of General Fund ending fund balance appropriated back to OMF's charter change project budget as part of the Fall Supplemental Budget Monitoring Process.

##### **Budget Planning for transition**

Mayor directs the Office of Management and Finance's Chief Administrative Office and the City Budget Office to work with the City Council and the Mayor's Office to develop a recommended staffing plan and budget for the overall City organizational structure including the City Administrator's Office, Council Offices, and the Mayor's Office. The proposal should take into consideration the work underway to recommend an organizational structure in compliance with the Charter Amendment. OMF staff will work closely with Council Offices through the summer and fall of 2023 to ensure that the staffing plan and budget are prepared and submitted for Council approval in October 2023.

Targets for FY 2024-25 for the Elected Officials and City Administrator's Office will remain level funded relative to the prior year Current Appropriation Level targets for the current Commissioner structure, plus inflation. This will be in effect until the staffing plan is approved by City Council via an ordinance. This Council action will provide the basis for the City Economist to produce the initial CAL targets for FY

2024-25 in these programs, and any additional increment above CAL would come through the decision package process in the development of the FY 2024-25 Adopted Budget.

### **Development of policy and process for timing of revenue bonds for utilities**

The City Budget Office, in conjunction with the Office of Management and Finance Bureau of Revenue and Finance Services will review and revise City Financial Policy for debt management to include timelines and notification of future revenue bond sales with rate assumptions to Council in conjunction with the annual rate ordinance for utility rates. This review of policy and process should include the timeline for adoption for utility rates prior to the release of the Mayor's Proposed Budget, set expectations for appropriate approvals from Council Offices for timing of bond sales and the City's budget process, the inclusion of information on requested rate increases during the authorization of bond issuance, and the policies will ensure transparency in the rate development process for Council Office and the public.

### **Inventory and review of Bureau-specific fees**

As part of the review of City Financial Policies, the City policy for revenue recovery (FIN 2.03) shall also be reviewed in FY 2023-24. Bureaus that set fees administratively through the City's annual budget process shall also provide City Council with information on purpose, cost methodology, date of last revision, and frequency of activities supported by these fees in their FY 2023-24 budgets. Bureaus shall submit the inventory of administratively set fee information to The City Budget Office by August 30, 2023.

### **Assessment of City Arts Program and future agreements**

Commissioner Dan Ryan and the City Arts Program have undertaken a comprehensive evaluation of the City's arts-related services, seeking to align arts spending with City goals and policies to enhance support for artists and arts organizations by providing more direct services, resources, and opportunities for growth and development. Recognizing the immense value and impact of investing in the City's artistic community, including artists, arts organizations, cultural events, and the broader creative economy, the City Council has determined the need for a centralized and robust Office of Arts and Culture to oversee and streamline efforts, enhance efficiency, and foster collaboration within the arts community, and provide support for the development, promotion, and preservation of arts and culture throughout Portland. The City Arts Program will begin the process of reallocating staffing and contract investments to establish the Office of Arts and Culture, with a target completion date of June 2024.

### **Outgoing City grants policy and process review**

The Office of Community and Civic Life, in partnership with the Office of Management & Finance Grants Management Division, will develop a comprehensive process and transparency framework for community grants in the City of Portland. In addition to ensuring equity and inclusivity, the new framework will require clear accounting, measurable goals, robust community engagement, and transparent reporting. We aim to ensure accountability and fiscal responsibility, and mutually desired goals.

## **City Budget Office**

### **Direction to develop financial policy for use of emergency incident response funds**

The FY 2022-23 Adopted Budget included direction for the City Budget Office to direct \$1.0 Million of unappropriated ending fund balance in the General Fund into a centrally managed emergency resource to support expenditures when there is emergency response provided by the City. This is a finite resource, and over the past year without policy in place the fund was depleted prior to the end of the

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fiscal year. The City Budget Office, with input from the Office of Management and Finance Grants Management Division and the Portland Bureau of Emergency Management, is directed to develop an allowable use policy to establish criteria for when a bureau absorbs costs as opposed to the use of the central resource dedicated for emergency response. This policy will also include guidelines for financial reporting of the management of the funds and the policy will clearly set roles, responsibilities, and authorization processes. An initial draft of the policy shall be shared with Council Offices and impacted bureaus by July 1, 2023, and the policy will be in final form by August 1, 2023.

### **Direction to develop an operational reserve in the Recreational Cannabis Tax Fund**

The Recreational Cannabis Tax Fund does not currently have an operating reserve policy. This fund was established after voters approved the ability for the City to collect a sales tax on recreational cannabis and use the funds for dedicated purposes. The City Budget Office is the fund manager, and bureaus who receive allocations of Recreational Cannabis Tax dollars manage the expenditures in dedicated sub-funds. For the past five years, the fund has grown moderately with tax collections, however this fund is subject to market volatility and at present there is no formal operating reserve policy as the original Fund Statement of Purpose did not set an operating reserve target. The City Budget Office is directed to revise the Fund Statement of Purpose for the Recreational Cannabis Fund to be adopted by Council no later than September 1, 2023. This policy should be consistent with operating reserve policies in the City and shall not be lower than 10% of operating expenses. As this resource has market volatility, and supports ongoing funded programs, the policy should also aim to provide resources to stabilize the fund where possible.

### **Update policy on Five-Year Financial Planning timelines and Submissions**

To ensure a transparent and timely process, the City Budget Office (CBO) will review existing financial policies and create a new schedule and decision-making process for all Bureau multi-year Financial Plans as part of the annual budget process and to be presented to council earlier in the process. In addition, CBO will review the existing policy for the establishment of reserve funds to address emergencies, address temporary fluctuations in revenues and expenditures, and provide stability during economic cycles. The policy shall revise guidelines for the content of the financial plans including alternative forecast scenarios, assumptions used in preparing the plan, schedules for the timing and amount of planned debt issuance, rate increases for all service fees, and the methodology for the development, use and replenishing financial reserves. The policy will also include the timing of work sessions and the approval of the financial plans by the Mayor and Council. CBO will also include in the budget schedule options for Council approval of rates earlier in the budget process. A work group will be convened to allow for input from Bureaus on the policy prior to submission to the Council.

### **Centralized coordination of forecasts FY 2024-25 Budget Development**

The City Budget Office and the City Economist will convene a work group to coordinate underlying assumptions for forecasting revenues in advance of the development of the FY 2024-25 Budget. The timeline will be developed and shared with bureaus as the schedule for the FY 2024-25 Budget development process is set over the summer. A work session on economic trends and forecasting assumptions will be held prior to the submission of Requested Budgets. Update Attachment D as appropriate.

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## Portland Bureau of Transportation

### **Portland Bureau of Transportation to update its strategic plan based on recent financial forecasts**

The Portland Bureau of Transportation (PBOT) is directed to revise its current strategic plan to guide bureau leadership in making reductions to future budgets based upon its revised post-pandemic financial situation. The bureau should revise its strategic plan to clearly define and prioritize PBOT's core operational bureau services. Re-focusing the bureau's strategic plan will set clear priorities to guide council's investments while balancing future revenue needs. PBOT's budget for FY 2024-25 and beyond should reflect this reprioritization.

## Portland Fire and Rescue

### **Direction for call response and allocation review for medical response**

The Office of the Commissioner of Public Safety is assigned coordination responsibilities for the City Transition Public Safety Service Area group. The Service Area group is charged with submitting recommendations regarding the City's public safety structure within the City's new form of government effective in January 2025. The Service Area group will submit recommendations to the City's Chief Administrative Officer and City Council for approval before October 31, 2023. The City's public safety structure, as approved by City Council, will inform PF&R's staffing requirements and the City's public safety call response protocols. Strategies regarding staffing and call response shall be developed in coordination with Commissioner of Public Safety, the city's public safety bureaus, Multnomah County, and the City Budget Office (CBO). The Commissioner of Public Safety shall assign a Project Manager responsible for the deliverables identified in this budget note.

The Project Manager shall regularly report to the Commissioner of Public Safety and the Mayor's Office on project status, for the duration of the review timeline. A report shall be presented to City Council by September 15, 2023 to inform both future budget guidance and to allow for any workload necessary for transition and planning to occur. Council shall prioritize additional funding to execute the plan should alternative funds become available during FY 2023-24. It is recognized this may be a multi-year effort to fully execute any transition of programing and identification of ongoing resources. This budget note represents direction to move towards a more sustainable funding and operational deployment model for non-emergent and lower acuity medical call response.

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Analysis evaluating alternative response protocols shall consider the rapid response vehicle (RRVs) program, the Community Health Assess and Treat (CHAT) program, and Portland Street Response, as well opportunities to revise ambulance response services with Multnomah County.

### **Overtime analysis and reporting structure for Portland Fire and Rescue**

Portland Fire & Rescue (PF&R) experienced unparalleled overtime spend in 2022-23 and recently engaged an outside analysis how to remedy going forward. PF&R will complete the analysis of overtime spend and provide recommendations on long-term solutions.

The Commissioner of Public Safety shall assign a Project Manager responsible for the deliverables identified in this budget note.

Analysis shall consider the impacts of the following: collective bargaining agreement, future retirements, upcoming 27-pay period lookbacks, potential impacts of Oregon's Paid Family Medical Leave Act on daily staffing models, appropriate size of the traveler's pool, and potential strategies for overtime avoidance.

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Council shall prioritize additional funding to execute the plan should alternative funds become available during FY 2023-24. It is recognized this may be a multi-year effort to fully execute a plan to address overtime pay.