

Attachment D

Budget Notes from Approved Budget

City Administrator

Evaluate Impact Reduction Program Ongoing Funding Model

The costs of the Impact Reduction Program have increased 300% over the past three years. The Director of Portland Solutions and the Impact Reduction Program manager are directed to work with the Deputy City Administrators of Public Works and Vibrant Communities to assess the ongoing funding model for the program, including the allocation of General Fund subsidy across the customer bureaus.

Recommendations for the FY 2025-26 budget and beyond should be delivered to the interim City Administrator and the Mayor by January 2025 to inform the development of the FY 2025-26 budget.

Evaluate organizational structure and relative staffing of City Administrator, City Council, and Mayor's Office

The Interim City Administrator is directed to work with the current Mayor and City Council and the newly elected Mayor and City Council after January 1, 2025 to hire an external evaluator to assess the organizational structure and staffing in the City Administrator's office, the Deputy City Administrator offices, the City Council, and the Mayor's Office under the new form of government. The evaluation should focus on the service delivery and cost impacts of the organizational structure, possible efficiencies, and include comparisons to highly performing cities of comparable size and governance structure. It should include an assessment of the number of Deputy City Administrators, bureau directors, and Council staff. The Interim City Administrator should present a draft of a Scope of Work for the evaluator to the current City Council by September 1, 2024.

Budget & Finance

Present Organizational and Budget Plan to Support Data-Informed Decision-Making

The City recognizes data and information as key community and organizational assets. City bureaus are directed to partner with the Bureau of Technology Services, Bureau of Planning & Sustainability and City Budget Office, to develop organizational and budget recommendations that address the following outstanding items.

- 1) Roles and responsibilities of each team
- 2) A workplan and identified data products that each team will manage and produce
- 3) Organizational, governance, accountability, authority, and/or other alignment opportunities to facilitate sharing and management of secure and authoritative City data for the enterprise that supports the City Core Values. This includes improving the collection, use, analysis and sharing of data within and across City service areas to inform and evaluate the implementation of Charter Reform.

4) A sustainable budget and cost-recovery methodology for ongoing enterprise data technology, governance investments, and support – much of which is currently one-time funded.

A recommended approach should be submitted to the City Administrator by no later than September 15, 2024 for Council to consider as part of the FY 2025-26 budget development process. This recommendation will build on Open Data, existing dashboards, and funded data projects to increase data sharing and strategy development across the organization and with the community in support of data-informed decision-making.

Urban Flood Safety & Water Quality District Flood Safety Benefit Fee - Ongoing Payment Plan

In March 2024, the Oregon State Legislature passed Senate Bill 1517 which gives the Urban Flood Safety & Water Quality District Flood (UFSWQD) the authority to assess a new Flood Safety Benefit fee starting in FY 2024-25, on the order of \$5.1 million. This funding is covered by General Fund for FY24-25 to provide bridge funding to pay the UFSWQD fee in FY 2024-25. In FY 2024-25, a city work group shall be established, led by the DCA of Budget and Finance and include finance managers from PBOT, BES, Water, PP&R and other impacted bureaus, to determine the most appropriate mechanism to fund this fee on an ongoing basis. A memo with the recommended fee structure should be submitted to the City Administrator by September 1, 2024.

Evaluate financial effects of composite rate health benefit change

The City Budget Office and the Bureau of Human Resources are directed to analyze the bureau-by-bureau impacts of the recent change in the methodology for developing rates charged to bureaus for employee health benefits. This change from charging different rates for one- and two-party plans and family plans to a blended rate had differential impacts on bureaus. CBO and BHR are further directed to evaluate the original projections compared to actual impacts and, where variances exist, recommend an approach for truing up those impacts in the 2024 Fall BMP for FY 2024-25 and Current Appropriation Level targets for the FY 2025-26 budget.

Homeless services cost estimate

The City Budget Office (CBO) is directed to work with the Interim Deputy City Administrators to compile a listing of direct and indirect costs for all services associated with the range of programs developed to address homelessness and its impact on Portland communities.

Examples of Direct Costs:

- Capital costs related to the planning and development of sanctioned shelter sites,
- Operational costs related to proving services to sanctioned shelter sites, including personnel, utilities, security, meals, maintenance, coordination services, additional services, etc.,
- Costs related to personnel, outreach, equipment, and ancillary services related to the removal of unsanctioned camps,
- Costs related to assessing or addressing substance abuse issues,

- Costs related to assessing or addressing behavioral health related issues,
- Costs related to trash removal.

Examples of Indirect Costs:

- Cost of Fire Bureau related services addressing fires resulting from unsanctioned camping,
- Cost of Police Bureau relates services addressing increased policing needs resulting from unsanctioned camping,
- Cost of Portland Street Response (PSR) and Community Health Assess and Treat (CHAT) services related to unsheltered populations and unsanctioned camping,
- Facility and property repair and maintenance costs resulting from unsanctioned camping,
- City contributions to other public or private entities that indirectly provide direct or indirect services (e.g., Joint Office of Homeless Services, Non-profit organizations).

Forecasting inflation in multi-year PCEF allocations

With the understanding that the Approved Budget as filed includes General Fund discretionary resource ongoing is being swapped out and replaced with Portland Clean Energy Fund (PCEF) resource, and noting that ongoing General Fund discretionary allocations would grow with inflation, Council directs the City Budget Office to work with the Bureau of Planning & Sustainability to develop a methodology for imputing inflationary factors to the bureau program expenses backed by PCEF revenue and incorporate those inflationary increases into the annual budget process. Further, all bureaus receiving PCEF for multiple years should provide the PCEF team and CBO with details on the programmatic expenditures, inflation that they anticipate in each of the years of the PCEF allocation. Exclusive of inflation, that total budget should be within 1% above or below the initial PCEF allocation amount.

City Operations

Recommendations for a Citywide Asset Management Office

The City has invested in improving asset management techniques in multiple bureaus for over fifteen years, with much of the coordination through a monthly Citywide Asset Management Group (CAMG). Over the years, applying these techniques have revealed the true costs of infrastructure as described in annual asset reports. The City of Portland is responsible for over \$80 billion in physical assets covering almost one-quarter of Portland's land area. Services from these assets impact the daily lives of Portlanders and shape our future environment.

In 2023, the Office of Management and Finance (OMF) completed a citywide asset management maturity assessment, which identified an inconsistent adoption of asset management best practices with many bureaus needing dedicated assistance to implement these practices. With the implementation of Charter Reform, city leadership has an opportunity to improve citywide consistency and maturity in asset management through a centralized function – to steer all city asset services to equitable provisioning and sustainable performance by managing the balance between cost of service, levels of service, and the business risk around asset lifecycle. A centralized function also has the potential to better integrate longer term comprehensive planning objectives across City bureaus. Resolution 37635, adopted on

November 1, 2023, includes a central asset management function in the new city organization chart, but without specifying authority nor funding implementation. In addition, CAMG should work with the City Budget Office to review capital set-aside as a funding mechanism for capital maintenance, and provide options for financial policy changes to better align the funding process with needs.

By October 2024, the interim City Administrator, with the assistance of the CAMG, should bring forward a more detailed proposal for FY 2025-26 that establishes a Citywide Asset Management Office. This proposal should include a Current Appropriation Level request informed by the functional objectives and specific positions needed to set up the new office.

Create a Plan for Permitting Software Development Teams and Applications

The Bureau of Technology Services (BTS) and Portland Permitting & Development (PP&D) are directed to develop organizational and budget recommendations that address the future of permitting software development as an enterprise application team.

Other City bureaus are directed to partner with BTS and PP&D as requested to support the development of these recommendations, including:

- Organizational, governance, accountability, authority, and/or other alignment opportunities to manage software development and support for PP&D. This includes:
 - o A plan to enable more aligned and efficient service delivery
 - o An organizational structure that is more accountable to the community and customer
 - o A governance model that enables better outcomes surrounding the use of technology
- Financial plan for this change. This includes:
 - o Determine resources necessary implementation
 - o Determine a sustainable model for budgeting and cost recovery that includes additional one-time costs to ensure a successful change and additional ongoing costs required for this to be a success

An evaluation and recommendation on the merits of this change, including potential alternatives to manage risks will be submitted to the City Administrator by no later than September 30, 2024.

Continued Collaboration on Future Health Insurance Cost Solutions

In January 2024, the Bureau of Human Resources (BHR) discovered that the City's employer-paid insurance costs would increase by 12.9% LMBC and 18.2% PPA, which was above the City's budgeted 5%. To maintain the same level of coverage for employees as offered in the previous fiscal year, Council approved a temporary solution that used one-time funds and an employee surcharge for FY 2024-25. Additionally, labor and BHR committed to developing a long-term solution that offers sustainable, solvent, and competitive benefits in the face of rising national trends of health insurance costs.

As a result, the Mayor has directed BHR, City leadership, and labor unions to work together to develop a sustainable recommendation for the Council's approval. The recommendation should address the rising health insurance costs for the City's employer-paid benefits by January 2025.

Community & Economic Development

Overhead and Staffing Evaluation for Portland Permitting & Development

In response to the consolidation of permitting bureaus under Portland Permitting & Development (PP&D, previously known as the Bureau of Development Services), with the support of the Deputy City Administrator of Community and Economic Development, the bureau is directed to lead a workgroup to explore and implement strategies aimed at reducing operational costs and increasing efficiency. This initiative is essential for adapting to the centralized framework of the PP&D, which seeks to streamline permitting processes citywide. The bureau is expected to work with partner infrastructure bureaus to evaluate technology utilization and the group must critically assess current operational practices to identify potential cost-saving measures, ways to recuperate partner bureau costs, and process efficiency improvements. These efforts will support the overarching goal of a more integrated and effective permitting system, ultimately benefiting stakeholders through simplified procedures and reduced administrative overhead. By September 1, the bureau must complete an evaluation of staffing and details for costs in the overhead model charged to external bureaus and workflow processes to ensure that resources are optimally aligned with the needs of the PP&D. The Report should be submitted to the City Administrator.

Work group membership: City Administrator, Deputy City Administrators of Budget & Finance, Community & Economic Development and Public Works, plus finance managers of the participating permitting bureaus to review and determine the cost structure moving forward.

Portland Permitting & Development Reserve Policy Review

Given the current external downturn in construction activity and the resulting reduction in permitting revenues, the provision of additional General Fund resources will be contingent upon demonstrable recovery in permitting activities or the avoidance of further workforce reductions that will negatively impact current permitting timelines. Recognizing the necessity for Portland Permitting & Development (PP&D), previously known as the Bureau of Development Services, to swiftly scale operations upon recovery, the City will consider releasing earmarked General Fund amounts in the Fall. This funding approach ensures that resource allocation aligns with actual service demand to facilitate timely responsiveness to workload increases.

Moreover, in light of PP&D's financial challenges, including ongoing deficits and reserve levels falling below the 50% minimum reserve level goal, PP&D should reassess reserve policy. The historical build-up of reserves to \$90 million in FY 2017-18 under the current policy provided a crucial buffer against financial pressures; however, the current six-month reserve duration may not be adequate in prolonged economic downturns. Therefore, PP&D is directed to evaluate and revise its reserve policy to extend the financial safety net, ensuring greater stability and operational continuity during extended periods of

economic uncertainty. The evaluation work group should include the City Budget Office, Deputy City Administrator of Community and Economic Development and Deputy City Administrator of Budget & Finance. This review should aim to enhance the bureau's financial resilience by adjusting the reserve threshold and duration to more accurately reflect the economic cycles experienced by the city.

Report should be submitted to the Deputy City Administrator of Community and Economic Development by January 2025, to ensure the information can be included in the FY25-26 budget development process.

Public Safety

Oversight and Governance of Public Safety Spending

The Deputy City Administrator for Public Safety is directed to establish a Governance Committee specifically focused on ensuring that spending within the public safety bureaus, including Portland Fire & Rescue (PF&R), the Portland Police Bureau (PPB), and the Bureau of Emergency Communications (BOEC), remains within budget. The committee should include the Fire Chief, the Chief of Police, and the Director of the Bureau of Emergency Communications, and be staffed by a combination of public safety staff from PF&R, PPB, BOEC, the Public Safety Service Area Business Services Group, and the City Budget Office.

The committee will operate under the oversight of the City Administrator, the Mayor, and the Commissioner in Charge of Public Safety, who retain the authority to make final decisions regarding the recommendations put forth by the committee. The committee should develop milestones related to the budget and ensure regular oversight and accountability across all public safety bureaus. Key responsibilities include:

1. Comparison of spending to historical overtime averages

By analyzing historical data on overtime spending across PF&R, PPB, and BOEC, the Governance Committee will identify trends and deviations, enabling targeted recommendations to control and reduce overtime expenses. The committee will set target overtime hours and expenditures for each accounting period, which will serve as the basis for determining if corrective action is required for overtime use to stay within budget. Included within this analysis will be response time data (historic and trending) as a correlating factor to establishing minimum staffing levels and setting overtime targets.

2. Tracking of EMS, Capital, and Other Key Expense Drivers

Implement a rigorous tracking mechanism to monitor spending in External Materials and Services (EMS), capital investments, and other key expense drivers across public safety bureaus. Ensure they align with budgetary allocations and priorities.

3. Stakeholder Engagement and Feedback

Incorporate milestones related to engaging with key stakeholders, including PF&R, PPB, and BOEC personnel, PFFA leadership, community representatives, Public Safety partners, and other relevant city departments. This could involve conducting surveys, staff meetings, or forming advisory panels to gather input on the impact of budgetary decisions and identify areas for improvement.

4. Regular Reporting and Recommendations

Establish regular reporting on the largest expense drivers for the public safety bureaus. The Deputy City Administrator for Public Safety is directed to work with the Deputy City Administrator for Budget & Finance and the City Budget Office to provide comprehensive reporting. By January 2025, the Deputy City Administrator for Public Safety should submit recommendations to the City Administrator on any policy recommendations to implement internal spending controls based on certain metrics identified in the recommendations.

5. Budget Organization and Transparency

Review the organization of budgets within the public safety service area to ensure accurate and transparent reporting is possible and that appropriate fund centers are used to track spending for individual programs. The Deputy City Administrator for Public Safety is instructed to provide a summary of recommended changes to the service area budget structure to the City Budget Office by September 1, 2024, to address in the FY 2024-25 Budget Monitoring Process if needed.

Overall, this Governance Committee aims to establish strong fiscal management practices, increase transparency, and ensure all public safety bureaus operate within their allocated budgets while delivering essential services efficiently.

Direction to Develop Programmatic Mission, Scope, and Staffing Model for Portland Street Response & Community Health Action Teams; Pursue Sustained Funding Sources to Ensure Continued Services after FY 2024-25

Directs the Deputy City Administrator of Public Safety to provide programmatic support to Portland Street Response (PSR) and Community Health Assess and Treat (CHAT) and identify and pursue new funding sources (e.g., Medicaid, Coordinated Care Organizations, grant opportunities) to ensure sustained funding for continued services in FY 2025-26 and beyond. Work as external partners with Multnomah County, federal and state governments, and community-based organizations to establish funding options. Funding resources are available to providers who deliver health and social services to individuals in their lived or found environment; resources are to be incorporated into program planning and delivery.

A memo capturing the work and providing recommendations, as well as an accompanying budget proposal prepared for submission to the FY25-26 budget should be delivered to the City Administrator in January 2025.

Budget and Reporting Structure Analysis for Office of Violence Prevention and Ceasefire

The Office of Violence Prevention received an increase in funds in 2022 through ARPA funding to address the dramatic increase in gun violence that began in 2019. The Ceasefire program which officially was stood up in February 2023, has only received one-time general fund dollars. The Deputy City Administrator for the Public Safety Service Area will provide a thorough analysis of the results of the OVP grants program and the Ceasefire program from 2022-24 to determine the efficacy of the programs

individually and together. A review of the data and resource allocation will be presented in a report to determine the long-term budget needs of the programs to continue the trend of reducing gun violence under the Gun Violence Emergency Declaration and maintain preventative measures to ensure gun violence does not rise again.

The Office of Violence Prevention and Ceasefire program currently report to the Community Safety Division Deputy Director. The Deputy City Administrator for the Public Safety Service Area will review and provide a recommendation for the long-term location of the two programs based on national best practice and the most effective structure for the Public Safety Service Area. The report will be submitted for review to the City Administrator by January 2025 for fiscal year budget planning purposes.

Public Works

Review of CREEC Settlement Liability and Funding Options

As part of the U.S. District Court monitored Civil Rights Education and Enforcement Center (CREEC) Consent Decree settlement (Hines, et al. v. City of Portland, 3:18-cv-00869-HZ), the City of Portland is required to provide a minimum of 1,500 new or remediated ADA compliant curb ramps per year, starting in 2018 and extending through 2030. Through the first six years of the City's obligation, funding sources for meeting this requirement have been varied. Early funding proposals suggested a split between the City's General Fund, Build Portland bond revenues, and Transportation funds. However, in subsequent years, the viability of these revenues to fully absorb CREEC liabilities has shifted, namely due to strain on the General Fund due to emergent obligations, the discontinuation of Build Portland bonding, and revenue declines within the Portland Bureau of Transportation. Accordingly, the CREEC settlement currently represents an unfunded liability of approximately \$71 million. The Office of the Budget & Finance Deputy City Administrator, the City Attorney's Office, and the Office of Public Works Deputy City Administrator are directed to work in conjunction to develop options to fund CREEC liabilities through the remainder of the settlement. Drafted options are to be presented to the City Administrator by January 2025 prior to annual Budget Development for FY 2025-26.

Update Revenue and Expense Forecasting Methods

Accurate and comprehensive budget forecasting is essential for bureaus' development of sound financial sustainability plans. The Portland Bureau of Transportation's most recent five-year financial forecast submitted with the bureau's FY 2024-25 Requested Budget details a deficit in the Transportation Operating Fund expected to reach \$189.1 million by FY 2028-29. While new and alternative revenue sources included in the bureau's requested budget remedy a portion of this shortfall, other potential liabilities remain. These include the Civil Rights Education and Enforcement Center (CREEC) settlement, requiring the City of Portland to construct a minimum of 1,500 ADA compliant curb ramps for 12 years (from 2018-2030). This legal requirement represents a \$71 million unfunded liability that should be fully reflected in forecasts. Likewise, an 8% increase in healthcare labor costs were not included in the bureau's forecast due to lack of timely information for budget development. The Portland Bureau of Transportation's The Public Works Deputy City Administrator along with PBOT's Bureau Director and Finance Manager are directed to work in conjunction with the Office of the Budget & Finance Deputy

City Administrator to standardize budget and forecasting practices. The City Budget Office is also directed to reassess standardization of budget assumptions and timelines and ensuring uniform application of those standards across the City with all service areas prior to budget submission. Additionally, PBOT is directed to conduct a study in FY24-25 on the implementation of increased parking enforcement to gauge both accuracy of revenue assumptions and equity impacts.

Portland Permitting & Development -- BES Interagency Agreement Evaluation

In response to a request from the mayor's office, the Bureau of Environmental Services (BES) will contribute approximately \$1.5 million in ongoing revenues above permitting revenue to the establishment of the City's Portland Permitting & Development (PP&D), previously known as the Bureau of Development Services. The bureau will use \$1.2M that will no longer need to be loaned to the UFSWQD to partially pay for PP&D. BES will reduce its savings for future Tryon Creek Wastewater Treatment Plant replacement costs to cover remaining \$300K. The source of BES's ongoing contributions after the FY 2024-25 budget year will be determined during the subsequent years' annual budget development process and budgetary allocation calculation changes to Portland Permitting & Development's assumptions which will be reviewed collectively this summer. This contribution is in addition to the transfer of position authority budget of 21.5 FTE (approximate \$3.53 million) from BES to the PP&D and the continued ratepayer subsidization of permitting costs at its current level of 50% (approximately \$2.77 million). With the additional \$1.5 million, the rate payer subsidy increases to 61%. Council directs the City Attorney and utility bureau staff to review the budget enterprise wide to ensure an accurate understanding as to the appropriate use of utility rate payer revenue to support the establishment and continued operation of the PP&D.