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November 29, 2006

To: Mayor Tom Potter  
Commissioner Sam Adams  
Commissioner Randy Leonard  
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City Auditor Gary Blackmer

From: Casey Short, Interim Manager  
Financial Planning Division

Subject: FY 2006-07 Fall Budget Monitoring Process and Minor Supplemental Budget

In the Fall Budget Monitoring Process (BuMP), City bureaus report on financial and program performance through the end of the past fiscal year, request adjustments to the current fiscal year's budget, and project year-end balance. The Fall Budget Adjustment and Minor Supplemental Budget ordinance adopts proposed adjustments and will be heard on Wednesday, November 29, 2006.

The Financial Planning Division has prepared this document to summarize the highlights of bureau submissions for the Fall BuMP, requests and adjustments that flow from those submissions, and requests identified in the Fall Minor Supplemental Budget.

The fall 2006 Major Supplemental Budget will also be brought to Council on November 29, 2006 through a separate ordinance. This process is required for funds that increase resources and requirements by more than ten percent or have an aggregate of transfers from contingency that exceeds fifteen percent of budgeted expenditures.

### **Summary of Major Actions**

There are three Council actions associated with the Fall BuMP: the first one is to make budget adjustments in funds that do not increase resources and requirements. The second action is to implement the Minor Supplemental Budget for funds that increase resources and requirements by less than ten percent of budgeted expenditures. Funds that request a transfer from contingency in an amount less than fifteen percent of the fund's appropriation are also included in the Minor Supplemental process. The third action is to authorize the acquisition of vehicles as a result of the requests made in the Fall BuMP.

Exhibit 1 to the ordinance associated with the Fall BuMP includes two actions: one to make budget adjustments in funds that do not increase the resources and requirements and one to implement the Minor Supplemental Budget. The net change over the eleven funds in Exhibit 1 (BuMP adjustments) is an increase of approximately \$13.6 million. Most of these changes occur in the Internal Services Funds, primarily to recognize carryover funds for unfinished projects from last fiscal year and to adjust beginning fund balance to reconcile with actual FY 2005-06 ending balance.

Exhibit 1 also includes the Minor Supplemental Budget changes. These changes adjust appropriation in nineteen funds; total net changes to resources and requirements are an increase of \$89.5 million. The General Fund shows the most change, with resources and requirements increasing almost \$29.4 million. Including in this amount is \$21.2 million of General Fund One-time for various bureaus. Other requests from the General Fund include carryover of \$3.8 million, encumbrance carryover of \$3.9 million. Approximately \$12.7 million of the increase in the General Fund is attributed to Federal Grants carryover. Other large increases include: The Federal Grants Fund shows an increase of approximately \$17.7 million, the Transportation Operating Fund shows an increase of \$15.2 million, the Water Fund shows an increase of over \$6 million.

Exhibit 2 includes all changes to the City appropriation schedule as a result of the Fall Budget Adjustment Process and the Minor Supplemental Budget.

Exhibits 3-A, 3-B, and 3-C are for vehicles and equipment for the Bureau of Maintenance. Exhibit 3-D is a new vehicle for the Fire Bureau.

### **Fall Budget Monitoring Process Overview**

The Fall Budget Monitoring Process requires bureaus and funds to report on the previous year's financial and program performance, with explanations of variances from budget. The bureaus and funds are also required to report on current year's financial performance and to project ending balances based on the first three accounting periods. The Fall BuMP also provides an opportunity for bureaus to make technical budget amendments. In particular, encumbrances and grants from the prior year can be carried over and re-budgeted. In addition, bureaus use this process to carry over funding appropriation for approved capital improvement projects that were unfinished at the end of the prior fiscal year.

The FY 2005-06 General Fund ending balance was higher than budgeted. This is primarily due to the robust economy, increased business license revenue, and a \$4.5 million settlement from Electric Lightwave, Inc.

This summary provides a fund-by-fund review of significant requests made in Exhibit 1 and a listing of position requests. The summary will conclude with a section identifying progress made by bureaus identified in Budget Notes in the current year's adopted budget.

### **Review of Significant Budget Adjustment Process (BuMP) Requests**

Eleven funds request technical changes in the budget adjustment process; the major changes are in the Children's Investment Fund and the internal services funds.

#### Children's Investment Fund

The fund has a net decrease in beginning fund balance in the amount of \$1,223,175. This is due primarily to the reconciliation of beginning fund balance to match with actual ending fund balance in FY 2005-06.

#### Internal Service Funds

In the internal service funds, the changes involve increases in resources and requirements due to new requests from the operating bureaus and carryover funds for unfinished capital projects that were not completed at the end of last fiscal year.

## **Review of significant Minor Supplemental Budget Requests**

### Transportation Operating Fund

The fund shows a net increase in resources and requirements of approximately \$15.2 million. Significant changes include:

- Increase in appropriation by \$9.1 million in carryover to complete the construction of the aerial tram project. This action does not increase the total cost of the project.
- A one-time transfer from the General Fund in the amount of \$5,676,000.

### Water Operating Fund

The fund shows a net increase in resources and requirements by approximately \$6 million. This increase is primarily due to the transfer of the Utility Customer Services from the Revenue Bureau to the Water Bureau. The total increase from the transfer is \$5,087,246 including 128 authorized positions.

### Sewer Operating Fund

The Sewer System Operating Fund has a net increase of \$3.1 million. Significant requests include \$500,000 from the General Fund for the Watershed Investment Fund, \$899,000 in carryover for CSO and facility planning, and \$93,858 increase in appropriation in relation to the transfer of the Water & Sewer Billings and Customer Services from the Revenue Bureau to the Water Bureau. The remaining amount of the increase includes carryover and encumbrance carryover from prior year.

### Federal Grants Fund

In the Federal Grants Fund, the City recognizes an additional \$17.6 million from various grants. Almost \$14.3 million of this amount will be transferred to other bureaus in the fall BuMP to cover eligible grants activities. The largest items in this category include the Bureau of Housing & Community Development requesting \$5.6 million, the Office of Emergency Management requesting \$3 million, the Police Bureau requesting \$1.9 million and the Fire Bureau requesting \$1.3 million.

### Parks Local Option Levy Fund

The fund shows an increase in appropriation and resources in the amount of \$3.9 million. This is due to a transfer of \$785,000 from the Parks Trust Fund to be set aside as a reserve for future years and a request of \$1,122,886 in carryover funds to complete capital projects such as the University Park Community Center. Other change includes technical adjustment to reconcile the beginning fund balance to match with actual ending fund balance in FY 2005-06.

### LID Construction Fund

The fund has an increase in appropriation and resources by \$9,100,000. This is related to a cash transfer in this amount to the Transportation Operating Fund for costs associated with the aerial tram project. The increase in the LID expenditure will be offset by an increase in LID Note Sale revenues. This action does not increase the total cost of the tram.

### General Fund

The General Fund shows a net increase in resources and requirements by approximately \$33.6 million. This includes a transfer of approximately \$21.2 million in General Fund One-time to various bureaus. Other requests for General Fund include carryover of \$3.8 million, and encumbrance carryover of \$3.9 million. Approximately \$12.7 million of the increase is attributed to Federal Grants carryover.