



**CITY OF PORTLAND**  
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To: Mayor Tom Potter  
Commissioner Sam Adams  
Commissioner Randy Leonard  
Commissioner Erik Sten  
Commissioner Dan Saltzman  
City Auditor Gary Blackmer

From: Casey Short, Interim Manager  
Financial Planning Division

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

In the Spring Budget Monitoring Process (BuMP), City bureaus report on financial and program performance through the first ten accounting periods (ending April 4, 2007), request adjustments to the current fiscal year's budget, and project year-end balance. The Financial Planning Division (FPD) has prepared this document to summarize the highlights of bureau submissions for the Spring BuMP and Minor Supplemental Budget. FPD's full analysis of the requests from bureaus and the financial performance of the bureaus is attached to this memorandum.

The spring BuMP Ordinance to adopt amendments to the FY 2006-07 Revised Budget will be considered on June 27, 2007. Exhibits to the ordinance include a revised Schedule of Appropriations (Exhibits 1a and 1b), BuMP and Minor Supplemental Budget adjustments (Exhibit 2), and vehicle and equipment requests (Exhibit 3).

### **Summary of Major Actions**

The BuMP adjusts budgets that show a decrease or no change in total resources and requirements. There are twelve funds requesting BuMP adjustments, with a net decrease of \$4.2 million. The Minor Supplemental Budget adjusts budgets that increase by less than 10%. The spring Minor Supplemental Budget increases resources and requirements by \$42.6 million, in nineteen funds. The largest of these are the Transportation Operating Fund (\$19.2 million), Local Improvement District (LID) Construction Fund (\$10.1 million), Water Fund (\$5.4 million), and Sewer System Debt Redemption Fund (\$3.5 million). See below for discussion of these actions.

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

Twelve funds request technical changes in the budget adjustment process; the major changes are in the Federal Grants Fund, Pension Debt Redemption Fund, Parks Capital Construction & Maintenance Fund, Sewer System Construction Fund, and Technology Services Fund.

### Federal Grants Fund

The fund has a net decrease of \$6,617,099. This is due to reductions in budgeted transfers to operating bureaus to cover eligible grants activities. The largest items in this category include reduced transfers to the Office of Transportation for \$3.4 million due to delay in several capital projects, Portland Office of Emergency Management for \$2.9 million due to the carryover of the Urban Areas Security Initiative grants into next fiscal year, and the Water Bureau for \$1.3 million due primarily to a reduction in current year receipts for the Conduit Trestles grant.

### Pension Debt Redemption Fund

The fund shows a net decrease of \$5.7 million. In the spring BuMP, all proprietary funds and the Fire and Police Disability and Retirement Fund need to reclassify their appropriations from cash transfer to the Pension Debt Redemption Fund to pay bonded debt interest within the individual funds.

### Parks Capital Construction Fund

The fund has a net decrease of \$2.7 million. Revenue is reduced in the Parks SDC program by \$2.5 million based on revised estimates for FY 2006-07. The budget for the EPCC pool is reduced by \$1.6 million based on slower than expected progress. \$1.3 million is also reduced for the Ankeny Plaza project. Project budgets for both EPCC and Ankeny Plaza are being increased for the FY 2007-08 budget. These revenue decreases are offset by increasing the budget for several projects, the largest of which include Kelley Point Park, SDC property acquisition, and University Park Community Center.

### Sewer System Construction Fund

The fund has a net decrease of approximately \$1 million resulting from the 2007 Refunding Bond Sale.

### Technology Services Fund

The fund shows a net increase of approximately \$10.9 million due primarily to the sale of limited tax revenue bonds of \$9.6 million to fund the Enterprise Business System.

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

### Transportation Operating Fund

The fund shows an increase in resources and requirements of approximately \$19.2 million. Significant transactions in the spring BuMP include increases in appropriation for several capital projects to complete construction, including: Portland Aerial Tram \$10.1 million, Streetcar – Gibbs Extension \$10.5 million, and Streetcar – Lowell Extension: \$6 million. Funding for these projects comes primarily from grants; no General Fund or General Transportation Revenue is required. For additional information, see the FPD analysis of PDOT's BuMP request. The fund also has reductions in appropriation in the capital program due to the shifting of schedule of several projects into next fiscal year. Major projects in this category include: Foster-Barbara & Welch (\$1.4 million), 122<sup>nd</sup> & Airport Way (\$2.0 million), and Eastside Streetcar (\$1.9 million).

### Local Improvement District Construction Fund

The fund shows an increase in resources and requirements of approximately \$10.1 million. Major transactions in this fund include: Increase cash transfer to PDOT for the Aerial Tram \$4.4 million; increase cash transfer to BES for the 2007 Limited Tax Revenue Bond Sale \$1.7 million; increase debt service appropriation due to the 2007 Limited Tax Revenue Bond Sale \$2.3 million, and increase debt service payments to LID line-of-credit \$1.3 million.

### Water Operating Fund

The fund has a net increase of \$5.4 million. This is due primarily to the carryover of the Conduit Trestles grant by \$1.4 million into FY 2007-08 and the increase in CIP budget of \$6.9 million to cover projected year-end expenditures in the capital program.

Sewer Debt Redemption Fund

The increase of \$3.5 million in this fund reflects the increase in fund transfer from the Sewer Operating Fund for debt payments related to the 2007 Refunding Bond Sale.

General Fund

The General Fund shows a net increase in resources and requirements of approximately \$498,000. The major changes include:

- \$4.6 million increase in personal services due to bureaus requesting compensation set-aside to cover projected expenditures. Most of the increase goes to the Police Bureau for \$2.0 million and Fire Bureau for \$2.45 million.
- \$11.8 million decrease in External Materials & Services due to bureaus requesting to carry over \$6.5 million to next fiscal year. These include \$3.4 million in appropriation carryover for Portland Office of Emergency Management primarily related to the Urban Areas Security Initiative grants. For the Police Bureau, there is a \$1.1 million decrease in appropriation due to reduction in vehicle impound revenue and another \$1.0 million decrease in appropriation due to grants carryover. The Fire Bureau has \$523,000 decrease in appropriation due to vacancies in the return-to-work program and revenue shortfall in the Code Enforcement program. The SAFE program will carry over \$385,655 into FY 2007-08.
- \$1.1 million increase in Internal Materials & Services due to adjustments made by various bureaus in the General Fund to prevent over-expenditures in the interagency agreements with the Internal Services providers.
- \$975,000 increase in Capital Outlay to align with projected expenditures in this major object category.
- \$1.0 million increase in Fund Transfers reflecting the additional appropriation needed for the \$1,500,000 transfer to the Business License Surcharge Fund and a carryover of \$552,600 for technical services to next fiscal year. The Business License Surcharge Fund will repay the General Fund when sufficient revenues are received, probably in FY 2008-09.

General Fund Compensation Set-aside:

In this ordinance, the amount proposed for compensation adjustments is \$4,801,000, compared to the available amount in the compensation set-aside of \$4,559,943 in FY 2006-07. This is due primarily to the Fire Bureau expecting up to 50 retirements by year-end compared to 34 last year and an average of 21 in the prior four years. The \$241,057 difference between the amount available and proposed will be drawn from General Fund Contingency. Bureaus requiring additional funding include:

City Attorney's Office:	\$50,000
Cable Communications & Franchise:	\$12,000
Commissioner Adams' Office:	\$25,000
Commissioner Sten's Office:	\$34,000
Fire Bureau:	\$2,450,000
OMF – Revenue Bureau:	\$30,000
Parks Bureau:	\$200,000
Police Bureau:	\$2,000,000
Total:	\$4,801,000

General Fund Contingency Requests

Bureaus proposed for General Fund Contingency include:

Commissioner Adams' Office:	\$12,500	to prevent over-expenditures
Portland Fire & Rescue:	\$20,000	for Code Enforcement Revenue Shortfall
General Fund:	\$1,500,000	to transfer to Business License Surcharge Fund
PDOT:	\$10,000	for Pedestrian Safety Study (SAFE program)
ONI:	\$360,000	for Mayor's Violence Prevention Grant
Parks & Recreation:	\$10,000	for SAFE signage in parks
Special Appropriations:	<u>\$340,000</u>	for PGE Funds Carryover
Total:	\$2,252,500	

Additionally, the General Fund realizes \$62,690 from other funds due to savings related to the Strategic Sourcing program. If the ordinance is adopted, there will be an ending balance of \$7,688,428 in the General Fund Contingency after the spring BuMP. Of this amount, \$1,207,817 is unreserved year-end balance.