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To: Mayor Tom Potter
Commissioner Sam Adams
Commissioner Nick Fish
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From: Casey Short, Manager
Financial Planning Division

Subject: FY 2007-08 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 2, 2008), 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.

The spring BuMP Ordinance to adopt amendments to the FY 2007-08 Revised Budget will be considered on June 26, 2008. Exhibits to the ordinance include a revised Schedule of Appropriations (Exhibits 1a and 1b), BuMP and Minor Supplemental Budget adjustments (Exhibit 2).

The Financial Planning Division has prepared this document to summarize the highlights of bureau submissions for the Spring BuMP, requests and adjustments that flow from those submissions, and requests identified in the Spring Minor Supplemental Budget. FPD's full analysis of the requests from bureaus and the financial performance of the bureaus will be sent to Council Offices on June 16, 2008.

The spring 2008 Major Supplemental Budget will also be brought to Council on June 26, 2008 through a separate ordinance. This process is required for funds that increase resources and requirements by more than ten percent.

Summary of Major Actions

The BuMP adjusts budgets that show a decrease or no change in total resources and requirements. There are nine funds requesting BuMP adjustments, with a net decrease of approximately \$612,000. The Minor Supplemental Budget adjusts budgets that increase by less than 10%. The spring Minor Supplemental Budget increases resources and requirements by \$299.5 million, in fifteen funds. The largest of these are the Sewer System Debt Redemption Fund (\$263.1 million), Sewer System Operating Fund (\$17.2 million), General Fund (\$4.6 million), and Transportation Operating Fund (\$3.4 million). See below for discussion of these actions.

Review of Significant Budget Adjustment Process (BuMP) Requests

Nine funds request technical changes in the budget adjustment process; the major changes are in the Pension Debt Redemption Fund, Technology Services Fund, and Facilities Services Fund.

Pension Debt Redemption Fund

The fund shows a net decrease of \$5.9 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.

Technology Services Fund

The fund shows a net increase of \$3.9 million. This is due primarily to the postponement of the Enterprise Business Solution (EBS) project's go-live date. This increases the cost for the project and the additional cost is funded by eliminating the EBS Ongoing budget in OMF AU 307 and making other AU 307 reductions, and recognizing additional interest income.

Facilities Services Fund

The fund has a net increase of \$1.0 million. The increase is primarily due to Facilities Services adjusting the IA with other bureaus to match with expected expenditures.

Review of significant Minor Supplemental Budget Requests

Sewer System Debt Redemption Fund

The fund shows a net increase of \$263.2 million. This is due to an increase of \$256,350,000 of bond proceeds to pay off the 1998 A and 2003 B bonds. There is also an additional fund transfer of \$6,800,000 from the Sewer System Operating Fund to pay off the 2003 B series.

Sewer System Operating Fund

The fund shows an increase of \$17,200,000 caused by the issuance of the 2008 Series A and B bonds. These bonds were issued to fund BES capital projects. There is also a transfer of \$2,000,000 from the Sewer Construction Fund for reimbursement of CIP expenses and indirect costs.

Sewer System Rate Stabilization Fund

The fund shows an increase in resources and requirements of \$7 million. This increase is from the proceeds of the 2008 Series A and B Bonds mentioned above.

Transportation Operating Fund

The fund has a net increase of \$3.4 million. This is due to additional funding received from the Local Improvement District Fund for \$2.4 million and from the Federal Grants Fund for \$2.6 million for various capital projects. The bureau also receives \$1.8 million increase in interagency revenue with the Bureau of Environmental Services for sewer system maintenance. Additionally, PDOT receives \$200,000 in transfer from General Fund Special Appropriations for the Bicycle Truck Safety program. A delay in construction schedule for the project on 47th & Columbia caused the bureau to reduce its budgeted revenue from ODOT by \$3.4 million.

General Fund

The General Fund shows a net increase in resources and requirements by approximately \$4.6 million. \$2.6 million of the total increase is attributed to an increase in interagency revenue; the largest item in this category is an increase of \$2.2 million from the Bureau of Technology Services for the EBS project due to an extended go-live date. There is an additional \$434,000 in program revenue mostly from Parks & Recreation and Fire & Rescue. The fund also receives \$470,000 in additional revenue primarily from the

Portland Development Commission for programs and services related to the Office of Management & Finance, Bureau of Housing & Community Development, and Auditor's Office. The Federal Grants Fund transfers \$192,000 to the General Fund for eligible grants activities affecting various bureaus. The Portland Schools Foundation no longer administers the Schools, Family, and Housing program and has returned \$875,791 in unused funds for this program to the City. The Bureau of Housing & Community Development will encumber \$425,000 of the refund total in this fiscal year. The remainder will be carried over into FY 2008-09.

New Requests for General Fund Resources

In this ordinance, the total new requests for General Fund are \$5,177,830. Of this amount, \$4,041,735 is for compensation set-aside requested by nine bureaus. The largest requests in this category are: Fire & Rescue for \$1,700,000 and Police Bureau for \$1,750,000. Other important new requests include \$700,000 for Parks & Recreation for the South Park Block 5 and \$517,000 for the Police Bureau for pawn shop software and Salvation Army contract. These items were previously approved by Council and funding for them was set-aside in the General Fund Contingency.

If the ordinance is adopted, there will be a balance of \$5,637,595 in the General Fund Contingency after the spring BuMP. Of this amount, \$1,079,184 is General Fund Discretionary.