



OFFICE OF MAYOR TED WHEELER
CITY OF PORTLAND

Date: October 3, 2019

To: City Bureau Directors

Cc: City Elected Officials

From: Mayor Ted Wheeler

RE: FY 2020-21 General Fund Guidance

The foundation of Portland's economy continues to be stronger than ever. In the past three years, the City's General Fund discretionary resources have grown by \$108 million or 22%. We have used these resources wisely, prioritizing financially smart investments such as paying down future liabilities and repairing critical assets. We have diligently focused investments on the most pressing and critical needs, such as expanding multiple funding sources to address the homelessness crisis, including \$9.7 million in increased annual discretionary resources for homeless services through the Joint Office. Much of our resource growth has been invested in our most critical asset – our City employees – with over \$50 million going towards increased wages, benefits, and staff.

In my nearly three years as Mayor, I have seen us as a City make investment decisions in the best of economic times that are fiscally smart and programmatically prudent. And I have seen that this has still not been enough to meet the needs of our communities. This deeply concerns me.

It has become clear to me that we must continue to make progress on breaking down silos. It is imperative that we find ways to improve our services and address our most pressing operational challenges through collaboration.

Thankfully, we have exemplary leadership across this City that cares as deeply about this issue as I do. For my budget guidance this year, I am **directing and challenging leaders and managers to take bold action beyond their bureau walls to find ways to deliver services better and more cost-effectively.**

Stable Resources for Bold Action

With my FY 2020-21 budget guidance, I am directing bureaus to work collaboratively with other bureaus in related service areas to identify long-term multi-bureau programmatic and operational efficiencies.

I am aware that it is difficult to find lasting efficiencies when one must consider near term reductions. Our smart financial practices and the continued strong local economy provides a unique opportunity this year to allow bureaus a reprieve from submitting reduction packages in developing their FY 2020-21 budgets. **However, I want to be clear that this resource stabilization is not meant to support business-**

as-usual. It is meant to allow bureaus the time to focus on real, meaningful longer-term strategies for efficient and effective service delivery.

I am directing leaders to work together to propose ways to collaborate for more efficient and effective service level delivery. Bureaus should consider data and analytics and process improvement strategies in their proposals. In addition to regularly required budget submission materials, I am directing groups of bureaus and stakeholders in key service areas (as identified below) to submit a cover memo which identifies:

- 1) Key issue areas agreed to by the group
- 2) Programs or processes where collaboration and/or consolidation will result in improved service effectiveness and/or cost efficiency
- 3) An implementation plan for one or more of the proposed strategies

I am directing bureaus to develop these proposals in seven key issue areas, as detailed below.

Priority Issue Area 1: Homeless Crisis

I am directing the **Joint Office of Homeless Services**, the **Portland Housing Bureau**, the **HUCIRP program** within the Office of Management and Finance, and **Portland Parks and Recreation** to evaluate key processes and procedures across and within governments that can be improved to help maximize the effectiveness of our resources. Other entities, including but not limited to other bureaus, other government agencies, and nonprofit providers, should be engaged in evaluating opportunities for process improvement as appropriate. This should include programs like rapid rehousing, supportive housing, mental health and addiction services, Portland Street Response, and livability and public safety issues.

While both the County Chair and I have been committed to investing record levels of funding for homeless services, it is clear that more funding is needed to address the crisis on our streets. However, the volatility and pressures of the General Fund at both the City and the County does not provide for a stable future for even the existing service levels, particularly given the amount of the City's contribution that is One-Time. Thus, I am also directing this group to work with the **Bureau of Revenue and Financial Services** and the **City Budget Office** identify sustainable funding sources to address the crisis over the long term.

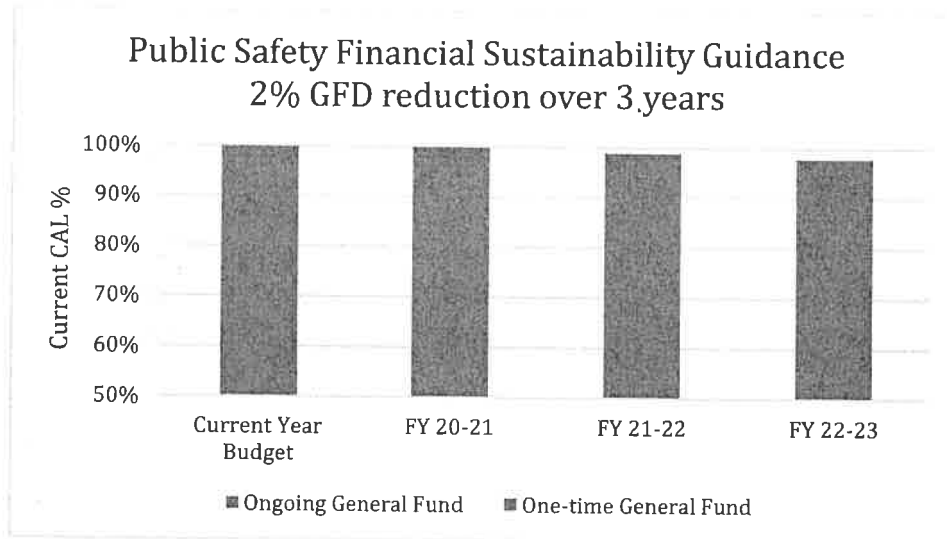
Priority Issue Area 2: Collaborative Public Safety Budget

I am directing **Portland Police Bureau**, **Portland Fire and Rescue**, **Portland Bureau of Emergency Management**, the **Bureau of Emergency Communication**, **Fire and Police Disability and Retirement**, as well as the **Community Safety Program** within Civic Life and the **Parks Ranger program** in the Parks Bureau to develop and propose a collaborative public safety budget. This is a first step toward development of a unified public safety function.

The General Fund discretionary budgets in the public safety service area comprise over 60% of the City's total available discretionary resources. This service area is also experiencing significant demand for expanded and new types of first response and emergency response. It is imperative that we move to seeing our first responders and our emergency response system as one cohesive unit to meet the demands of our communities within limited resources.

I direct these bureaus to examine their individual and collective bureau operations and identify areas for enhanced collaboration and consolidation to better meet community service level demands and find cost efficiencies. Through collaboration, I am directing public safety bureaus to collectively identify a 2% reduction in their General Fund subsidy over the next three years. Bureaus should prioritize retaining front line services in the proposal. A significant portion of the resources generated from this effort will be invested back into the public safety system to address Council and bureau priorities such as Portland Street Response, traffic enforcement, and labor costs. I encourage the bureaus to evaluate efficiency savings through the consolidation of finance, administrative, and public information functions.

I expect the thoughtful proposal of real strategies and efficiencies to take time. As a result, I am directing the ongoing General Fund reductions to Police, Fire, PBEM, and BOEC to be phased in so that the actual reductions in the public safety bureau budgets will not be fully felt until July 2022. The reduction for this fiscal year will be completely offset by one-time resources, and in FY 2021-22 these bureaus will experience a 1% reduction.



Priority Issue Area 3: Parks Financial Sustainability

I am directing **Portland Parks and Recreation** to work with the Parks Board, the Parks Foundation, and the community to identify a stable and sustainable funding source to continue providing, without interruption, critically important and valued services. Options should look to grow the City's available resources and not assume reduced services elsewhere in the City.

Priority Issue Area 4: Leadership Action on Climate Change

We are facing a climate crisis. Scientists have issued a warning that avoiding catastrophic impacts of climate change will require an unprecedented transformation over the next decade. All the while we are seeing Portland's emission reductions start to plateau. Portland will continue to act as a national and global leader on the issue of climate change, and all City bureaus will have a critical role to play.

To that end, I am directing bureaus to prioritize action to reduce carbon emissions to put Portland on a trajectory to achieve a 50 percent reduction in carbon emissions by 2030 and to prepare for the impacts

of climate change while ensuring that we are taking care of communities on the frontlines of climate change, including communities of color and low-income communities.

This year we will be working internally and externally on establishing a comprehensive Climate lens to evaluate how Bureau programs are addressing climate change. For this budget guidance, I am directing **all bureaus** to present budgets that will lead to real, meaningful reductions of carbon pollution while delivering meaningful community benefits, especially focused on reducing transportation and the built environment emissions, community resiliency and the City's own internal practices. The City of Portland must demonstrate its own commitment to leadership action on reducing carbon emission as we ask others to step up, including greening the vehicle fleet, reducing energy use in City-owned and managed buildings and facilities, and advancing procurement policies that reduce environmental and social impacts.

Further, I am directing the **Bureau of Planning and Sustainability, the Portland Bureau of Transportation, Portland Bureau of Emergency Management, Portland Parks and Recreation, Portland Fire and Rescue**, and relevant divisions within the **Office of Management and Finance** (including Procurement, City Fleet, Facilities and Revenue and Financial Services) to take the lead in presenting a Citywide proposal to maximize our impact on reducing carbon pollution.

Priority Issue Area 5: Ratepayer Affordability

I continue to be concerned about issues of affordability in Portland, including our utility rates. I am directing ratepayer funded bureaus – the **Water Bureau, the Bureau of Environmental Services, and the Office of Management and Finance** – to build their budgets in accordance with the rate levels articulated and approved as part of the bureau's multi-year financial plan presented during FY 2019-20 budget development. For internal service funds without a multi-year financial plan, this is defined as the base rate budget with normal inflationary factors applied. Bureaus experiencing increased costs due to changes in required projects or proposed new services must present reduction packages or proposals as options to retain the rate at its previously forecasted level. Due to the potential outsize impact of the water filtration plant on estimated Water rates, the Water bureau is directed to submit a proposal and/or reduction options for Council review that seeks to absorb at least 25% of the estimated rate increase associated with the updated filtration plant costs.

Priority Issue Area 6: Community Development Mitigating Displacement

I direct the **Bureau of Planning and Sustainability, the Portland Housing Bureau, the Portland Bureau of Transportation** and the **Prosper Portland** to develop, implement, and manage equitable community development while mitigating displacement alongside infrastructure bureau partners. This multi-bureau effort shall include three approaches: (1) collaboration alongside Portlanders to center community needs (2) improvement of East Portland to catalyze equitable and sustainable community development and (3) prioritization of residents who have been displaced or who are at risk of displacement to achieve shared economic prosperity.

We will create a city where people have the choice to stay in their neighborhoods and where local businesses and cultural institutions can continue to serve Portlanders as important community assets in these neighborhoods. Residents and businesses should not fear that improvements to their neighborhoods are a precursor to displacement. City bureaus that execute the investments and policies

for how our city grows must utilize a range of tools and strategies to achieve community development, stabilization, and collaboration.

Priority Issue Area 7: Long-Term Liabilities

I am directing the **Office of Management and Finance**, the **City Attorney's Office**, and the **City Budget Office** to work with relevant bureaus to develop and present a financial plan to address known City long-term liabilities. Specifically, I direct the proposal of a responsible long-term financial plan to address and fund costs related to the Portland Harbor Superfund and the Columbia Levee, among other issues as identified by this group.

General Fund Add Requests

The reprieve from budget cut proposals provides less flexibility to consider new add requests. Bureaus may submit requests for new General Fund discretionary resources; however, all new funding requests should be paired with a proposal to offset at least 50% of the proposed cost with an efficiency or reduction package proposed individually or in partnership with other bureaus. Requests for new resources should demonstrate meaningful progress towards achieving approved Council and bureau strategic plans. Requests that are co-sponsored by other bureaus and which are in alignment with the above priority areas will be more favorably regarded.

Requests for resources do not require a Direction to Develop but may be brought independently by a bureau or stakeholder for Commissioner-in-Charge consideration. As the Commissioner-in-Charge must approve bureau requested adds via a cover memo provided with the requested budget submission, bureaus should be working closely with their Commissioner to ensure alignment with budget submissions.

Program Offer Guidance

Following last years' guidance, **all bureaus** are directed to propose their budgets in program offer format, detailing each bureau programs' goals, services provided, equity impacts, performance indicators and outputs, and staffing and budgetary information among other required information. Bureaus are directed to consult with their bureau equity managers and/or their liaisons in the Office of Equity and Human Rights in constructing and making decisions around key budget submission documents including but not limited to the bureau budget equity tool and bureau program offers.

Recreational Cannabis Fund Guidance

Per the voter-approved ballot measure, recreational cannabis tax revenues can be broadly allocated to support public safety, drug and alcohol treatment, support for neighborhood small businesses, and support communities disproportionately impacted by cannabis prohibition.

The City Economist will issue a 5-year forecast for the Recreational Cannabis Tax fund in December 2019, which will provide estimates of ongoing and one-time recreational cannabis revenues. Bureaus with current year (FY 2019-20) allocations that are ongoing in nature may include these resources in their FY 2020-21 base budgets, with normal inflationary factors applied.

Given Council's interest in holding a special work session to discuss allocation of recreational cannabis tax resources, bureaus should not submit **new** requests for these resources as part of their budget

submissions. Bureaus interested in new or additional recreational cannabis tax resources should work with their Commissioners-in-Charge to develop proposals for discussion at a Council work session in March 2020.

Proposals for new/additional cannabis revenues that would supplant existing ongoing allocations of recreational cannabis tax revenues should include an offset option that identifies alternative funding sources to maintain service levels in the affected bureau.