




OFFICE OF MAYOR SAM ADAMS
CITY OF PORTLAND

Date: April 6, 2010

To: Commissioner Nick Fish
Commissioner Amanda Fritz
Commissioner Randy Leonard
Commissioner Dan Saltzman
Auditor LaVonne Griffin-Valade

CC: City Bureau Directors

From: Mayor Sam Adams 

Subject: **FY 2009-10 Mid-year Budget Reductions**

Although we are in the middle of developing the FY 2010-11 budget, we are also carefully monitoring the current fiscal year. As Financial Planning noted at the beginning of our Council budget hearings, the condition of the City's General Fund is still deteriorating:

- Business License revenues for this fiscal year may come in anywhere from \$2.0 - \$4.0 million below forecast.
- City Bureaus have been spending a higher percentage of their budgets than in prior years.
- The Police Bureau is projected to overspend its budget by up to \$5 million.
- The projected ending fund balance for the General Fund has declined from \$14.8 million to \$8.0 million.
- The current draft forecast indicates a \$2 million deficit to start FY 2010-11.

While there have been some tentative signs of improvement in the national economy, the recovery is likely to be slow and incremental. As in past recessions, the Portland area may lag behind this recovery. In terms of the City budget, we are not likely to see significant improvement in the General Fund for some time.

We need to take steps now to proactively address the latest financial information. I am proposing the following strategies:

1. **Eliminate FY 2009-10 General Fund bureau compensation set-aside.** The amounts per bureau are listed in the attached table. Depending on the bureau, this cut will equal roughly 3.4% of bureau's discretionary personnel costs. Bureaus that do not request compensation set-aside in the Spring BMP will have met their reduction requirements. Bureaus that expect

to need some or all of their compensation set-aside will be allowed to find the savings over the next 15 months.

2. **Implement spending slow-down.** As the City has done in past recessions, bureau directors and Commissioners-in-Charge will be expected to implement spending controls in their bureaus. These controls generally include:
 - No non-emergency overtime
 - Cancellation of all optional consulting contracts
 - Mandatory sign-off on expenditures of \$10,000 or greater
3. **No year-end carryover requests.** General Fund bureaus would not be allowed to carry over any funding to FY 2010-11. It will be important for Commissioners and bureau directors to use the above spending controls to prevent accelerated year end spending.
4. **Reduce \$1.1 million in Utility License Fee transfer to PBOT.** Based on Council ordinance, PBOT is scheduled to receive \$4.3 million in excess Utility License and Franchise Fee revenue in FY 2010-11. This proposal would reduce that amount by \$1.1 million, and would require Council to temporarily suspend the ULF transfer policy.
5. **Maintain General Fund hiring freeze in FY 2010-11.**
6. **Allow for early implementation of non-controversial FY 2010-11 bureau reductions.** Although it is important to maintain a robust public process around next year's budget, to the extent that bureaus have proposed relatively non-controversial reductions, Council may wish to take early action to implement those cuts, which would generate additional savings.

These steps may provide enough resources to cover known costs in FY 2009-10. However, all of these assumptions are based on meeting our current revenue and spending estimates. Given the fragile state of the economy, it is quite possible that we will not meet our targets, and bureaus should be thinking about long-term options for additional reductions that will allow the City to preserve its core functions.

As with all budget reductions, these will not be without pain. I do not present this to you lightly, but with the knowledge that we must act early and prudently to maintain critical core services for all Portlanders.