City of Portland

Financial Stabilization & Recovery Plan (FSRP) Workgroup

Workgroup Recommendations

September 2026

Table of Contents

Memo from City Administrator 2

Executive Summary 3

Purpose and Overview 4

Workgroup Vision and Direction 5

Overview of Recommendations 6

Workgroup Recommendations 8

1. Financial Strategy and Discipline 8
   - A. Develop a More Stable, Sufficient, and Equitable Revenue Strategy 8
   - B. Reorient Financial Policies Toward Long-Term Sustainability 8
   - C. Adopt Biennial Budgeting 9
2. Decision Support and Governance 10
   - A. Define “Core Services” and Establish Service Expectations 10
   - B. Ensure Citywide Financial Data Reliability and Visibility 10
   - C. Strengthen Council’s Decision-Making Support as a Governing Body 11
3. Regional Coordination and Advocacy 11
   - A. Coordinate Regional Service Delivery and Fiscal Strategy 11
   - B. Lead Advocacy for State Fiscal Reform that Strengthens Local Control and Addresses Revenue Adequacy 12
4. Operational Effectiveness 12
   - A. Reduce Administrative Burden and Improve Operational Effectiveness 12

Outstanding Issues for Consideration 13

Conclusion 16

Appendix A: Background Context for the Recommendations A1

Appendix B: Analytical Frameworks B1

Appendix C: Workgroup Background C1

Memo from City Administrator

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Raymond C. Lee III, City Administrator

September 21, 2026

As we continue to address the City's financial challenge, it is critical that we make reasonable and intentional efforts to consider diverse community perspectives as we identify strategies and actions that maximize benefit to all Portlanders. The members of the Financial Stabilization and Recovery Plan Workgroup have generously volunteered many hours of personal time and/or responsibility above the normal call of duty to produce a guiding document for City leadership to use as we respond to the City's current financial crisis and move towards a place of financial stabilization and Citywide recovery.

The recommendations in this document, and the implementation actions that I anticipate will be developed in response, will connect to implementation of Mayoral priorities, broader ongoing work on Council prioritization efforts, and upcoming initiatives from my office related to organizational improvement. As City Administrator, I am committed to driving progress forward for the good of all Portlanders in alignment with the 2024 voter mandate for change via Charter reform, via established best practices, and consistent with Council directives.

I greatly appreciate the leadership of CFO Biery and Councilors Green and Zimmerman in initiating and facilitating this work. I look forward to supporting the next major step to establish actions based upon these recommendations to put the City on stable financial footing now and into the future.

Raymond C. Lee, III

City Administrator

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Executive Summary

The Financial Stabilization and Recovery Plan (FSRP) Workgroup was convened to recommend ways to improve Portland's immediate and long-term financial stability. The Workgroup found that the lack of a clear definition of its "core services" has limited the City's ability to make clear commitments, make consistent decisions, establish relevant performance metrics, and build public trust. Financial stability also requires stronger financial planning and decision-making, better regional coordination, more leadership in advocating for changes to financial constraints outside the City's control, and more effective City operations.

The group developed recommendations that can be organized into four categories: 1) financial strategy and discipline, 2) decision support and governance, 3) regional coordination and advocacy, and 4) operational effectiveness. The recommendations are outlined below.

1. Financial Strategy and Discipline

A. Develop a More Stable, Sufficient, and Equitable Revenue Strategy. Build a revenue structure capable of funding core services and long-term obligations. Consider the impact on residents, businesses, employees, and regional competitiveness.

B. Reorient Financial Policies Toward Long-Term Sustainability. Improve financial discipline and consistency while preserving appropriate flexibility as conditions change.

C. Adopt Biennial Budgeting. Use a two-year budget cycle and stronger multi-year planning to improve visibility into future costs, commitments, and trade-offs.

2. Decision Support and Governance

A. Define "Core Services" and Establish Service Expectations. Clarify service commitments to guide priorities, revenue needs, spending decisions, and performance expectations.

B. Ensure Citywide Financial Data Reliability and Visibility. Give decision-makers reliable, shared information to understand risks and make informed citywide choices.

C. Strengthen Council's Decision-Making Support as a Governing Body. Coordinate analytical support so Council can assess financial, operational, service, and equity impacts from a citywide perspective.

3. Regional Coordination and Advocacy

A. Coordinate Regional Service Delivery and Fiscal Strategy. Clarify service and funding responsibilities, address duplication of efforts to deliver services, and better coordinate overlapping taxes and fees.

B. Lead Advocacy for State Fiscal Reform that Strengthens Local Control and Addresses Revenue Adequacy. Provide leadership and work with regional partners to pursue reforms that strengthen local governments' authority to meet local needs and improve revenue adequacy.

4. Operational Effectiveness

A. Reduce Administrative Burden and Improve Operational Effectiveness. Reduce unnecessary costs, administrative duplication, and delays. Improve service quality and accountability.

The recommendations reflect areas of general alignment across diverse perspectives, not unanimous agreement on every detail. The report separately identifies issues requiring further analysis, implementation decisions, or continued deliberation.

Purpose and Overview

The FSRP Workgroup was assembled as a forum to explore what it would take for the City of Portland to achieve financial stability in the near term and financial sustainability in the longer term. FSRP Workgroup members included six City representatives and nine external participants with a diverse range of experience in public finance, labor, business, academia, community organizing, and regional economic conditions. The Workgroup was convened by two City Council members and the City's Chief Financial Officer (see Workgroup roster in Appendix C).

This report reflects a range of perspectives and themes that emerged through the Workgroup process. It identifies areas of general agreement about where the City should focus to stabilize finances, while capturing unresolved issues and differences in perspective that require additional analysis, policy direction, or leadership judgment. It does not attempt to resolve every policy, legal, operational, or political question raised through the deliberative process.

The Workgroup's recommendations are rooted in a general shared understanding of the City's financial condition. Recommendations were developed through a collaborative process in which all Workgroup members contributed their perspectives, disagreement was expected and accepted, and full consensus around details was not required to move an overall recommendation forward (see Appendix A for "Context for the Recommendations").

The Workgroup concluded that achieving financial stability requires more than balancing the next budget. It requires clearer commitments, more transparent choices, and stronger financial discipline within the City. Specifically, the Workgroup found the City's lack of a consistent, coherent definition of "core services" as a fundamental barrier to meaningful improvement in planning, decision-making, and public trust.

The recommendations are grounded in the desire for a clearer connection between how the City allocates resources, expectations for quality service delivery, shared values, and meaningful public outcomes. They are intended to inform the CFO's Office, City administrative leadership, and City Council in developing and implementing near-term and longer-term financial strategy.

Workgroup Vision and Direction

The Workgroup envisions a financially sustainable Portland as a City that can make and keep its commitments: to residents who rely on core services, to City employees and community-based providers who deliver them, to businesses and community partners that help Portland thrive, and to future generations who will inherit the effects of choices made today.

That vision is grounded in shared values: public trust, equity, service reliability, shared responsibility, transparency, accountability, and long-term stewardship. Financial stability does not mean cutting blindly, relying on inequitable or inefficient revenue structures, or avoiding difficult decisions. It should mean making clear, values-based decisions about what Portland funds, how services are delivered, who is affected, and what the City can improve and realistically sustain over time.

Community members should be able to understand not only what decisions were made, but why they were made and how they advance the City's stated core values: anti-racism, equity, transparency, communication, collaboration, and fiscal responsibility.[1]

That means:

- Core services are clearly defined and delivered well;
- Financial decisions are evaluated by their impact on livability, equity, public value, and long-term stability; and
- City leaders can explain what will continue, change, be delayed, be reduced, or stop as a result of a proposed policy change.

Decisions about how the City raises revenue, spends resources, manages programs, maintains infrastructure, and establishes service levels affect people and neighborhoods differently. Equity objectives should shape how the City assesses options, monitors performance, understands outcomes, and communicates consequences. A financially stable Portland would avoid shifting financial costs, service reductions, or long-term risks onto communities least able to absorb them.

Finally, the group envisions a Portland that works as a collaborative and effective regional partner, maximizing efforts to build the most cost-effective and rational approach to delivering quality services to residents. Because operational and funding responsibilities are sometimes shared among other jurisdictions and non-government partners, roles should be clear and well-coordinated.

The City cannot solve every financial or service challenge alone, but it can and should take a stronger leadership role in advancing a regional strategy that better coordinates service funding and delivery across jurisdictions and a state legislative agenda that promotes long-term local stability.

[1] City of Portland. "City of Portland Core Values". Bureau of Human Resources. https://www.portland.gov/bhr/city-core-values.

Overview of Recommendations

The following recommendations address near-term stabilization needs and longer-term efforts to improve financial sustainability. Some address the City's current budget pressures, financial discipline, Council decision-making support, and information reliability. Others address broader conditions impacting Portland, including regional service responsibilities, state fiscal constraints, governance, public value, and community trust.

The distinction matters: short-term stabilization requires focused action around what the City can most directly control. Long-term stability requires attention to broader systems that contribute to recurring financial stress but often sit outside the City's direct control.

Recommendations are not presented by order of importance, and several are interdependent. Specifically, clearly defining core services and service expectations is critical for determining revenue adequacy, evaluating spending, and clarifying regional service responsibilities.

During its discussions, the Workgroup considered equity factors in how financial, service, and operational decisions and economic conditions can affect people and communities differently. In this report, equity includes consideration of differences in needs, access, outcomes, financial resources, geography, accessibility, and the ability of communities to absorb changes to costs or services. The equity considerations included with each recommendation reflect factors raised through Workgroup discussions and identify implications for the City to consider as recommendations move forward.

The recommendations are grouped into the following four areas:

1. **Financial Strategy and Discipline.** Strengthens the City's ability to manage current budget pressures, evaluate revenue options, apply financial policies consistently, and plan beyond the annual budget cycle.
2. **Decision Support and Governance.** Clarifies what the City is committed to delivering, improves financial impact visibility, and supports better-informed citywide decision-making by Council and administrative leaders.
3. **Regional Coordination and Advocacy.** Recognizes that some financial and service pressures cannot be addressed by the City alone. Reducing duplication and gaps in services for Portlanders requires sustained coordination with regional partners, and shared advocacy to reduce state policy constraints can provide more decision-making flexibility locally.
4. **Operational Effectiveness.** Focuses on internal changes to reduce administrative costs, delays, duplication, and operational barriers while maintaining service quality and accountability.

Table 1: Overview of Workgroup Recommendations and Objectives

Area	Recommendation	Objective
1. Financial Strategy and Discipline	A. Develop a More Stable, Sufficient, and Equitable Revenue Strategy	Determine the revenue mix needed to sustain core services and meet long-term obligations. Evaluate revenue tools based on stability, sufficiency, equity, economic viability, feasibility, and public trust.
	B. Reorient Financial Policies Toward Long-Term Sustainability	Strengthen financial discipline and accountability by clarifying how reserves, one-time resources, transfers, exceptions, set-asides, and fund balances should be used under various financial conditions.
	C. Adopt Biennial Budgeting	Make budget decisions and financial commitments with a longer-range lens. Offer clearer visibility into future costs, long-term obligations, service impacts, risks, and implementation timing.
2. Decision Support and Governance	A. Define "Core Services" and Establish Service Expectations	Clarify what the City is required and/or committed to delivering, establish service expectations, and use those commitments to guide resource, revenue, and performance decisions.
	B. Ensure Citywide Financial Data Reliability and Visibility	Provide decision-makers with a reliable view of financial conditions, commitments, risks, assumptions, and community conditions across the City (including small business and neighborhood conditions).
	C. Strengthen Council's Decision-Making Support as a Governing Body	Strengthen Council's access to coordinated, citywide analysis of financial and policy choices, including fiscal, service, operational, equity, workforce, and other citywide impacts.
3. Regional Coordination and Advocacy	A. Coordinate Regional Service Delivery and Fiscal Strategy	Improve regional coordination around service delivery and funding responsibilities. Align revenue strategies to reduce fragmentation, duplication of effort, administrative complexity, and overlapping demands on the region's revenue streams.
	B. Lead Advocacy for State Fiscal Reform that Strengthens Local Control and Addresses Revenue Adequacy	Provide leadership and work with regional partners to advocate for state fiscal reforms that offer the flexibility to develop sustainable, equitable revenue strategies that meet local and regional needs. (Including, but not limited to, addressing Measure 5 and Measure 50.)
4. Operational Effectiveness	C. Reduce Administrative Burden and Improve Operational Effectiveness	Reduce unnecessary administrative duplication, barriers, and practices that increase costs, add complexity, slow service delivery, or make financial decisions harder to implement.

Workgroup Recommendations

1. Financial Strategy and Discipline

A. Develop a More Stable, Sufficient, and Equitable Revenue Strategy

A more durable revenue strategy would withstand volatility, allow for flexibility where appropriate, and not shift funding responsibility to regressive tax structures. Without a clearer definition of core services and resource requirements, the City risks relying on ad hoc budget decisions each year instead of a coherent long-term strategy.

Equity Implication: Revenue choices should account for who bears the financial burden and avoid disproportionately shifting costs to lower-income residents and communities.

Key Actions:

- Define what "sufficient" or "adequate" revenue means in relation to core services, long-term obligations, and desired public value. Identify strategies to ensure that available revenues align with these expectations.
- Evaluate existing and potential revenue options based on stability, flexibility, equity, regressivity, legal authority, feasibility, and administrative complexity.
- Assess the role of restricted and unrestricted revenues in the City's overall revenue structure, including whether restrictions remain aligned with their intended purposes and service commitments.
- Avoid regressive taxes and fees where possible, and identify mitigation strategies to limit impacts to lower-income residents where regressive structures are in place or under consideration.
- Evaluate targeted revenue options, including a more progressive Business License Tax structure, luxury tax concepts, pay-ratio taxes, fees, or other tools.

B. Reorient Financial Policies Toward Long-Term Sustainability

Financial policies should evolve as economic conditions, service demands, organizational structures, and other factors change. In a rapidly evolving environment, modernizing policies can provide decision-makers with a clearer basis to account for current and future obligations, accurately reflect financial conditions, and set consistent expectations for choices affecting the City's long-term financial health.

Equity Implication: Financial policies should consider how financial decisions may impact service continuity and how short- and long-term impacts are distributed across communities.

Key Actions:

- Consolidate and update financial policies about budget development and decisions. This includes policies governing reserves, one-time resources, transfers, set-asides, fund balances, exceptions, and waivers.
- Target financial policies for reform where discretion, exceptions, or open-ended interpretation may affect consistency, transparency, or long-term discipline.

- Before they become recurring commitments, regularly evaluate one-time funding, pilots, and temporary programs to determine whether they can be sustained operationally and financially with existing resources.
- Develop accountability controls to enforce financial policies and best practices. This includes enforcing existing policies that designate uses of one-time resources, including the rule that 50% of excess one-time resources be allocated to capital expenses.
- Strengthen "one-time" designation practices to better distinguish temporary from ongoing uses, establish more consistent requirements, restrict use of waivers, and eventually align with a two-year budget cycle.
- Determine under what circumstances, if any, it would be appropriate to make financial policy rules more or less strict, depending on the City's financial condition.

C. Adopt Biennial Budgeting

Budgeting on a one-year cycle often does not allow sufficient time to plan, implement, and review outcomes, and it can introduce funding uncertainty that affects staffing, contracting, and service delivery. Centrally coordinated multi-year planning and forecasting, supported by a biennial budget cycle, can help ensure known obligations, capital needs, cost trends, and policy choices do not become recurring budget surprises.

Future costs, risks, scenarios, service impacts, and implementation timing should inform assumptions and decisions. This forward-looking planning can also provide greater predictability for the public, City employees, and service partners about when programs or services may begin, change, or end.

Equity Implication: Longer budget cycles should not lock in existing funding disparities or reduce public engagement and participation by underrepresented groups. This includes during initial budget development and mid-cycle adjustment periods.

Key Actions:

- Develop and implement a change management plan to transition to biennial budgeting, including the timeline, policy changes, organizational capacity, and mid-cycle adjustment processes needed to support a two-year budget cycle.
- Strengthen Citywide multi-year forecasting and scenario analysis practices. Include consistent assumptions, asset management best practices, and review outcomes.
- Build long-term obligations, capital needs, deferred maintenance, internal service costs, personnel cost trends, and major policy decisions into planning efforts.
- Involve frontline workers earlier in budget development because they can provide unique insights into operational constraints, inefficiencies, and cost-saving opportunities.
- Connect forecasts, fiscal impact assessments, equity advancement, and scenario analysis to policy and budget choices, service levels, and implementation timing.

2. Decision Support and Governance

A. Define "Core Services" and Establish Service Expectations

Financial stability requires greater clarity about what the City is responsible for delivering and what it can sustainably commit to providing over time. As the City Administrator continues the City's current strategic planning process, defining core services should be part of that process to provide a foundation for establishing clear priorities and service expectations. Defining core services and expected service levels provides the basis for determining what resources are required to deliver them and whether the City's revenue structure is adequate to sustain those commitments. Clearer commitments would also help the City establish relevant performance measures, communicate priorities and trade-offs to the public, and clarify where service responsibilities should be shared with or led by other jurisdictions.

Equity Implication: Defining core services and service expectations should account for differences in community need, service conditions, and the resources required to achieve expected outcomes so decisions do not reinforce existing disparities.

Key Actions:

- Clearly define the City's "core services" through the City Administrator's strategic planning process. Account for legal requirements, the City's priorities and commitments, community needs, and the roles of non-City partners.
- Establish expected service levels and performance measures for core services and assess whether allocated resources are sufficient to support those expectations. Measure service quality, equity, affordability, community need, cost, and public value delivered.
- Evaluate programs and spending against core service commitments and expected outcomes to inform decisions about what should continue, change, expand, transfer, reduce, or end.
- Communicate service commitments and trade-offs plainly to strengthen public trust. Describe how resource decisions affect services, workers, residents, businesses, and neighborhoods.

B. Ensure Citywide Financial Data Reliability and Visibility

Key finance staff must have access to comprehensive financial information across all City operations to provide decision-makers with reliable, relevant, and usable financial information. Information should be consistent, so all decision-makers have access to the same data and analysis. A shared financial picture can help decision-makers understand citywide risks, compare options, and avoid working from fragmented or inconsistent assumptions.

Equity Implication: Community and economic data should be developed and interpreted using an equity lens to provide context about how financial conditions and decisions affect different neighborhoods and populations.

Key Actions:

- Ensure citywide financial decision-makers have visibility into financial conditions, obligations, risks, assumptions, and decision points across the City.
- Establish a single information access point for Council, City administration, bureaus, and financial staff to streamline access to and management of financial information.

- Improve the quality and clarity of financial and revenue impact assessments for ordinances, budget choices, pilots, and major policy decisions.
- Provide clear, accessible public information about the financial conditions, pressures, and opportunities informing City decisions.

C. Strengthen Council's Decision-Making Support as a Governing Body

Shared analytical support across Council offices would provide Council with a consistent basis for evaluating decisions as a governing body with a citywide perspective. Consistent access to financial, operational, service, and other impact analysis can support a shared understanding of consequences while preserving district-specific perspectives and expertise.

Equity Implication: Equity implications should always be included in analyses provided to Council, alongside financial, operational, service, and citywide impact information.

Key Actions:

- Strengthen shared analytical support across Council to provide consistent access to analysis of financial considerations, operational realities, service impacts, equity implications, and citywide consequences.
- Ensure Council analytical support has sufficient access to and understanding of City operations, financial information, and implementation considerations.
- Ensure analyses identify district-level impacts alongside citywide impacts, including where they may differ.

3. Regional Coordination and Advocacy

A. Coordinate Regional Service Delivery and Fiscal Strategy

When service responsibilities such as houselessness, public safety, transportation, and other services are shared but not clearly coordinated, the City and region can face duplication of effort or gaps when delivering services, inefficiencies, cost-shifting, and unclear accountability. These overlapping responsibilities often result in combined funding from multiple jurisdictions, increasing administrative complexity and cumulative costs for taxpayers.

Better coordination can clarify service and funding roles, reduce unnecessary administrative burden, and support a regional tax environment that remains competitive with peer cities and regions.

Equity Implication: Regional coordination should consider how fragmented responsibilities, multiple taxes and fees, and service gaps create barriers for communities with greater service needs.

Key Actions:

- Lead collaborative regional efforts, informed by the City's definition of its own core service responsibilities, to clarify the roles and service responsibilities of the City, County, Metro, TriMet, school district, State, non-profit service providers, philanthropic funders, and other regional partners, including where roles overlap or require joint service delivery.
- Reach agreement on which jurisdiction or partner is best positioned to fund, deliver, coordinate, or evaluate services that cross jurisdictional boundaries.

- Coordinate regional revenue and tax planning to reduce the cumulative impact of multiple taxes and fees. Seek to reduce duplicative or misaligned revenue strategies, and connect funding decisions to shared service responsibilities.
- Reduce administrative and funding complexity for community partners working across jurisdictions, including challenges created by combining funding from multiple jurisdictions and meeting conflicting contract requirements.
- Develop durable intergovernmental agreements that can remain effective and viable through changes in political or administrative leadership.
- Convene regional jurisdictions and partners regularly to maintain information sharing, operational coordination, and policy alignment.
- Involve service providers and impacted communities in assessing service delivery, including duplication, gaps, and unclear responsibilities.

B. Lead Advocacy for State Fiscal Reform that Strengthens Local Control and Addresses Revenue Adequacy

Some of Portland's financial pressures are rooted in state constitutional and fiscal policy constraints, and cannot be resolved through City action alone. Portland should provide leadership to work with regional partners to advance a shared state advocacy agenda focused on reforms to strengthen local control, improve revenue flexibility and adequacy, and support long-term financial sustainability across the region.

Equity Implication: Any proposed reforms should be evaluated for how they would distribute costs and benefits across income levels, communities, and geographies.

Key Actions:

- Lead development of a shared regional legislative agenda focused on addressing state fiscal policies that constrain local revenue options or contribute to structural financial challenges.
- Advocate for state policy reform where changes would strengthen local control, revenue adequacy, and long-term financial sustainability. Focus on addressing the impact of Measure 5, Measure 50, limited local tax authority (e.g., property, sales, luxury), and/or other state fiscal policies. Further evaluate how potential reforms to the State kicker might impact the City.
- Coordinate advocacy with County, Metro, school districts, the League of Oregon Cities, and others where aligned regional positions could be stronger than City action alone.
- Evaluate state reform options based on key objectives: stabilize local revenues, advance equitable outcomes, maintain competitiveness, ensure feasibility, reduce administrative complexity, and increase local authority.

4. Operational Effectiveness

A. Reduce Administrative Burden and Improve Operational Effectiveness

Improving internal operations can help the City reduce costs and delays within its control while making service delivery more consistent and easier to sustain. Efforts should focus on reducing unnecessary overhead, improving coordination, and simplifying complex administrative practices.

Equity Implication: Efforts should consider how proposed changes would affect service access, quality, and members of the City workforce. Avoid shifting the burden of added costs and service reductions to communities and workers with the least capacity to absorb them.

Key Actions:

- Review administrative rules, procurement processes, contracting practices, and approval steps that add cost or delay without clear value.
- Review administrative and management structures, including executive and manager spans of control, to identify opportunities to reduce unnecessary layers, costs, complexity, and process inefficiencies.
- Meaningfully involve frontline workers to identify opportunities for efficiencies and strengthen coordination across bureaus, programs, internal services, and service areas.
- Assess the cost, effectiveness, service quality, proficiency, scale, and accountability impacts of using non-profit or for-profit contractors in place of employees to deliver services.

Outstanding Issues for Consideration

Workgroup deliberations raised several issues that were left unresolved. These needed additional analysis beyond the group's scope, required implementation planning within the City, or reflected differences in perspectives among members. The following questions outline these open issues to help guide the City's strategic planning and decision-making going forward.

Needs Further Analysis

The Workgroup considered financial and operational data provided by the City, external reports, and its members' experience and expertise. However, limited information and time meant some analysis was not feasible through the Workgroup process. The following questions are better addressed through further analysis by the City, external expertise, or community input.

Revenue Structure and State Fiscal Policy

- **Revenue composition.** Individually and together, how would introducing new revenue tools or reconfiguring existing ones impact resource availability, the distribution of taxes and fees across payers, competitiveness, and administrative complexity?
- **The kicker law.** To what extent does the kicker affect the State's, region's, and Portland's financial condition? What potential reforms may warrant further analysis?
- **Cumulative taxes and fees.** What are the cumulative effects of City and regional taxes and fees on residents, businesses, competitiveness, and the region's ability to fund services sustainably?

Financial Planning for Long-Term Costs

- **Long-term cost factors.** How should the City account for long-term obligations, personnel costs, capital needs, deferred maintenance, internal service costs, and other cost drivers in financial planning and budget decisions?

Staffing and Structure

- **Administrative and frontline staffing.** How have administrative and management staffing levels and structures changed relative to frontline staffing, and what factors have driven those changes?

Economic and Community Conditions

- **Other data sources.** What neighborhood, commercial corridor, community-sourced, and external data would improve understanding of conditions not visible in current financial indicators?
- **Incorporating broader data.** How should broader economic and community conditions inform the City's financial planning, service decisions, revenue analysis, and understanding of livability, service reliability, and public outcomes?
- **Economic incentives.** How have economic development incentive programs such as Tax Increment Financing (TIF) districts impacted the City's financial condition? How have benefits and costs been distributed across Portland communities?

Implementation Considerations

In several areas, the Workgroup established a recommended direction while identifying decisions, operational clarity, capacity, or processes needed for implementation. The following questions frame how the City could translate these recommendations into specific policies, practices, and actions.

Core Services, Revenue Adequacy, and Performance

- **Defining "core services".** When defining core services, what method and factors should the City Administrator use? How will codified legal requirements, community perspectives on needs and gaps, City commitments, and the roles of other jurisdictions be considered?
- **Defining "sufficient" and "adequate".** How should the City define "sufficient" and "adequate" revenue in relation to core services, expected service levels, long-term obligations, and delivering public value?
- **Measuring performance.** What performance measures should be used to determine whether core services are being delivered at expected levels, and whether programs and spending continue to support City priorities?
- **Evaluating programs.** What level and frequency of program evaluation would be feasible and timely enough to inform budget and service decisions meaningfully?
- **Assessing performance vs. broader outcomes.** How should evaluations distinguish between program performance and broader community outcomes, which may require different measures and analytical approaches?

Biennial Budgeting and Financial Planning

- **Preparing for biennial budgeting.** What implementation timeline, transition requirements, and organizational capacity are needed to adopt biennial budgeting?

- **Integrating biennial budgeting and planning.** How should biennial budgeting be integrated with multi-year forecasting, asset management, capital planning, long-term obligations, and mid-cycle adjustments?
- **Required policy changes for biennial budgeting.** What internal policy changes are required to align with a two-year budget cycle?

Decision Support and Organizational Capacity

- **Required capacity.** What staffing, analysis, data systems, governance practices, implementation support, and reporting are required to implement and monitor progress?
- **Incorporating broader input.** How can input from frontline workers be incorporated into budget development earlier to improve organizational understanding of operational constraints, inefficiencies, and cost-saving opportunities?

Regional Coordination

- **Establishing intergovernmental agreements.** How should regional service responsibilities be established and sustained over time when services, funding, and accountability are shared across jurisdictions and partners?
- **Incorporating broader input.** How could service providers and impacted communities help identify conflicting priorities, complex service delivery and funding models, service gaps, administrative burdens, and unclear responsibilities?

Equity Implications

- **Establishing consistent practices.** What standards, information, and processes should the City use to consistently evaluate racial, socioeconomic, accessibility, geographic, and other equity impacts in financial and operational decisions?

Remaining Issues and Scope Limitations

The recommendations in this report reflect areas of general alignment and should not be interpreted as full agreement among Workgroup members on every issue or detail. In several areas, members deliberated on an issue and established general direction or guiding principles without resolving specific policy or implementation choices. In others, meaningful differences remained, or the issue extended beyond the Workgroup's scope. The following summaries capture key unresolved issues, differences in perspective, and limitations on what the Workgroup could resolve.

- **Program evaluation, reductions, and workforce impacts.** The group generally agreed on the need to improve operational performance within the City. However, it did not seek to establish how to weigh specific costs, competing policy objectives, or employment impacts when evaluating programs or considering reductions. Members urged careful deliberation of proposed reductions, especially where program changes might result in job losses for current City employees.
- **Financial policy discipline and flexibility.** Members generally agreed the City needs more financial discipline to ensure financial stability and long-term service reliability, including enforcing existing policy that 50% of excess one-time resources be allocated to capital expenses. But it did not seek to establish exactly how much discretion decision-makers should have in the broader use of reserves, one-time resources, transfers, waivers, set-asides,

and related tools, including whether those rules should become more or less restrictive as financial conditions change.

- **Biennial budgeting implementation.** There was broad agreement around strengthening multi-year financial planning and improving resource predictability, and strong support for moving toward biennial budgeting. Some questions remained about whether a two-year budget cycle itself would materially improve planning quality, how much operational readiness is needed before pursuing implementation, and whether revenue uncertainty would limit forecast reliability over a two-year budget period.
- **Council structural reform.** Members discussed whether Council structure could affect coordination and citywide decision-making, but differed on whether structural changes warranted consideration. Changes to Council structure would require a separate Charter or legal reform process, and were largely considered outside the Workgroup's immediate scope.
- **Public and City employee participation in budgeting.** Members supported meaningful engagement but differed on how formal or extensive participation should be, including concerns that some approaches could become performative, burdensome to participants, or disconnected from actual decision-making processes.
- **Specific revenue and economic tools.** Members were aligned on the need for a more stable and equitable revenue structure that can fund a clearly defined set of core services. In most cases, the group did not stipulate which specific tax or fee mechanisms the City should pursue. Members differed on the use of sales taxes and whether regressive impacts of some revenue structures could be mitigated sufficiently, as well as on the efficacy of economic development incentives.

Conclusion

Portland's financial challenges cannot be solved in one budget cycle, through one policy change, or in one round of reactive decisions. They require sustained attention to the relationship between the City's commitments, resources, services, governance, and public values.

The FSRP Workgroup offers these recommendations to help move the City from reactive short-term budget cycles toward greater long-term financial stability and sustainable service delivery. The recommendations are intended to help the City clarify service commitments, develop a more stable and equitable revenue structure, strengthen financial discipline, improve information sharing, tighten service coordination, and increase accountability around the use of public resources in service of community outcomes.

As the City continues developing its financial strategy, the Workgroup would like to see these recommendations used to support clearer choices, meaningful community engagement, and further analysis where needed. In particular, the Workgroup encourages City leaders to distinguish between actions that can help stabilize the City's current financial position immediately, choices that contribute to recurring financial stress, and decisions that promote long-term financial sustainability.

Portland should be committed to public trust, equity, reliable services, a supported and valued workforce, shared responsibility, transparency, accountability, and long-term stewardship. The path forward will require difficult choices. Portlanders deserve City decisions grounded in their long-term needs and shared community values.

Appendix A: Background Context for the Recommendations

As part of its discovery process, the Workgroup reviewed background reports, received presentations from City staff, and drew on members' experience and expertise (see Workgroup Background in Appendix C). Group discussions helped develop a shared understanding of the interacting factors shaping Portland's financial condition. The following summarizes the resulting analysis that informed the recommendations:

1. **Portland's financial situation is largely a systems challenge.** Revenue constraints, cost growth, fund restrictions, disconnected financial policies, fragmented decision-making, regional dependencies, and public trust dynamics interact in ways that make the City's financial challenge harder to manage. Community and economic health are also part of the broader financial system: a resilient local economy, affordable and livable neighborhoods, visible service value, and public trust can shape the City's revenue base and the community's willingness to support future financial choices.
2. **Major revenues are not keeping pace with ongoing costs.** When major revenue sources grow more slowly than ongoing operating costs of maintaining current services, the resulting structural imbalance makes balancing budgets harder over time. Property tax is the City's largest General Fund revenue source, followed by the Business License Tax (BLT). Since the 1990s, assessed property value growth has averaged about 4.1% annually, but the current outlook is approximately 2–3% annual growth, with total citywide assessed value growth below 2.2% for two consecutive years.[2] At the same time, personnel expenses account for about 70% of ongoing General Fund bureau expenses, and citywide budgeted expenditures have grown by an average of 8% per year since FY 2015–16.[3] Under pressure, budget decisions can focus on achieving technical balance, sometimes displacing harder questions about long-term stability, service requirements, operating capacity, and financial viability.
3. **The City's total budget can make the budget appear more flexible than it is.** Portland's FY 2026-27 adopted budget totals approximately $8.55 billion, but much of that funding is restricted, dedicated, or otherwise limited in how it can be used.[4] The General Fund totals approximately $1.19 billion, but includes revenues dedicated to specific purposes.[5] Approximately $803.4 million of the General Fund is discretionary, representing less than 10% of the City's total budget and the City's most flexible funding for services not otherwise supported by restricted resources.[6] The General Fund supports a broad range of services including public safety, parks, community programs, and core government operations. Many other City resources are restricted in their uses by federal or state law, City Charter, or City policy. Because many citywide trade-offs fall on this

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[2] City of Portland. "FY 2026-27 December General Fund Forecast." City Economist. https://drive.google.com/file/d/18r8sPYOzg734ultgTif7cQ4Fq5VJ7jVd/edit. Page 7.
Assessed value figures exclude taxable value returning from expiring Tax Increment Financing (TIF) districts.

[3] City of Portland. "Overview of the City's Fiscal Condition & Financial Philosophy." https://efiles.portlandoregon.gov/Record/17280893/File/Document. Page 42.

[4] City of Portland. "FY 2026-27 Adopted Budget, Vol 1: Citywide Overviews, Fund & Capital Summaries." https://www.portland.gov/budget/2026-2027-budget/documents/fy-26-27-adopted-budget-book-volume-1-0/download. Page 28.

[5] Ibid. Page 119.

[6] City of Portland. "FY 2026-27 Adopted Budget." https://www.portland.gov/budget/2026-2027-budget/development/adopted.

smaller, more flexible share of resources, the total budget can disguise the City's limited ability to redirect funds toward specific gaps, priorities, or emerging needs.

4. **Revenue performance does not tell the whole story of Portland's economy or community conditions.** General and local economic conditions influence City revenue trends, but revenues are filtered through tax structures, payment timing, and legal formulas. Large and small business taxpayers navigate different dynamics depending on whether they operate nationally or locally. Property taxes are shaped by statutory assessed-value rules as well as broader real estate market conditions. Thus, major revenue indicators (either positive or negative) may be lagged or largely disconnected from visible ground-level conditions. This creates a planning risk: revenue trends show whether money is coming in as expected, but not necessarily whether the underlying economic and community conditions that support long-term financial stability are strengthening, weakening, or shifting.
5. **Short-term fixes can solve immediate gaps while obscuring broader system misalignment.** One-time funds, transfers, exceptions, waivers, set-asides, and fund balance decisions can help preserve services and manage uncertainty in a difficult budget year. But when temporary tools repeatedly support ongoing services or obligations, they can distort the City's financial baseline and obscure financial realities. The Current Appropriation Level (CAL) is the City's budget planning baseline for ongoing expenses. The CAL includes Council-adopted ongoing costs, legal mandates, and inflation assumptions, but excludes one-time expenses even when they support programs that may continue. In FY 2025–26, more than $50 million in one-time General Fund discretionary resources supported programs not reflected in the expense liability used in the forecast.[7] This means recurring needs may not be factored in as ongoing commitments.
6. **Fragmented coordination and decision-making are part of the systemic problem.** Portland's former commission form of government helped reinforce bureau-centered habits: disconnected priorities, information, plans, relationships, and visibility into citywide trade-offs. However, these dynamics will not disappear without intention. Even under the new structure, fragmentation can still occur across Council, the City Administrator, bureaus, service areas, finance staff, and partners, making it harder to connect financial choices to service outcomes, public value, and long-term sustainability.
7. **Some of Portland's biggest pressures do not fit neatly within City boundaries.** Housing, homelessness, behavioral health, public safety, transportation, infrastructure, and economic development span multiple jurisdictions and levels of government. The City may face significant community needs even when authority, funding, or responsibility is shared with others. Addressing these challenges effectively requires clarity about roles and sustained coordination among the governments and partners responsible for funding and delivering services.
8. **Many of Portland's challenges are shaped by statewide revenue constraints and regional service delivery choices.** The implementation of Measure 5 and Measure 50 in the 1990s has significantly constrained the City's authority over its main source of revenue: property taxes. It has also introduced inequities and complexity that can reduce public trust. The broader revenue system has contributed to a patchwork of overlapping taxes and fees that adds complexity. Further, fragmented provision of services across regional governments can be inefficient and difficult to rationalize.

[7] City of Portland. "FY 2026-27 December General Fund Forecast." Page 5.

9. **Long-term obligations are constraining future choices.** Personnel costs, internal service costs, facilities, infrastructure, deferred maintenance, capital needs, and other obligations shape what the City can afford, defer, preserve, or change. For example, on the operational side, the monthly composite citywide health benefit rate increased by 22.7% from FY 2025–26 to FY 2026–27. On the capital side, the Kerby Garage project has required an estimated $43 million in code, safety, electrical, and structural repairs to keep the facility safe and operational. When known future costs and obligations are not built strategically into financial planning, they can return as budgetary surprises and narrow the City's future options.[8]

[8] Ibid. Page 15.

City of Portland. City Operations Service Area. "Fiscal Year 2024-2025 Requested Budget." https://www.portland.gov/budget/2024-2025-budget/documents/fy-2024-25-city-operations-requested-budget-0/download. Page 3.

Appendix B: Analytical Frameworks

The Workgroup used several frameworks to understand Portland's financial stability challenge and organize discussions about potential actions. Developed by consultants, these tools were intended to support exploration, not to produce a rigid ranking or a single answer. Together, they helped the Workgroup move from broad discussion toward clearer questions about what is driving the challenge, which actions may be feasible, and what authority, analysis, coordination, or implementation work may be advisable.

Key Issue Areas

Throughout Workgroup discussions, themes emerged across six interconnected issue areas:

1. **Revenue Structure and Economic Exposure.** How should the City evaluate revenue options when current sources vary in flexibility, stability, and exposure to economic shifts? How should revenue decisions account for affordability, competitiveness, business vitality, neighborhood impacts, equity, and public trust?
2. **Financial Policy and Fund Management.** How should the City use reserves, one-time funds, transfers, waivers, set-asides, restricted funds, and other financial tools? What policies and decision rules would promote discipline, transparency, flexibility, equity, and long-term stability?
3. **Governance and Decision-Making.** How should the City make financial decisions under the new form of government? What would help ground decisions in shared information, clear roles, coordinated implementation, operational insight, and citywide trade-offs?
4. **Long-Term Liabilities and Cost Pressures.** How should the City plan for personnel costs, retirement and health benefits, internal services, facilities, infrastructure, deferred maintenance, capital needs, service commitments, and other obligations? How are these factors shaping future choices, cost controls, and operating capacity?
5. **External Conditions and Cost Shifts.** How should the City distinguish what it can control directly from what requires regional coordination, state advocacy, voter action, or shared implementation? Where is Portland experiencing financial or service pressure because costs, authority, or responsibilities are distributed across systems?
6. **Community Outcomes and Public Value.** How should the City connect financial decisions to service reliability, affordability, livability, safety, equity, economic resilience, environmental conditions, public trust, and visible community outcomes? How does the City understand and respond to resident, business, and community conditions affecting long-term financial stability?

Types of Potential Actions

To support recommendation development, potential actions were organized by the type of work required to advance them, including near-term updates to current City practices, internal coordination, revenue analysis, public value and community impact work, regional coordination, state advocacy, voter action, or longer-term structural reform.

- **Internal Ongoing Practices:** The City can begin through existing authority, budget processes, management practices, reporting, or policy clarification.

- **City Coordination or Policy Redesign:** Requires internal cross-functional coordination, role clarity, policy alignment, or internal system changes.
- **Revenue Analysis or Options:** Involves revenue analysis, City revenue tools, restricted or dedicated funds, and revenue feasibility or impact review.
- **Public Value, Economic Conditions, or Community Impact:** Connects financial dynamics to service reliability, livability, affordability, business vitality, equity, public trust, and community outcomes.
- **Regional Coordination:** Requires coordination across jurisdictions because authority, cost, responsibility, implementation, or outcomes are shared.
- **Advocacy, Voter Approval, or Structural Reform:** Requires state legislative change, voter approval, regional tax alignment, legal authority, or significant structural reform.

Impact and Complexity

The Workgroup also considered potential actions using an impact and complexity framework. This helped distinguish between actions that may be significant but difficult to implement, actions that may be more immediately feasible through existing City authority, and actions that may require additional analysis, coordination, or long-term structural change to implement.

For purposes of the Workgroup's exploration and the synthesized takeaways in this report, the following definitions apply:

- **Impact:** the potential significance of an action for financial sustainability, service outcomes, public value, equity considerations, or long-term City capacity.
- **Complexity:** the legal, operational, political, administrative, technical, financial, or intergovernmental difficulty involved.

Appendix C: Workgroup Background

The FSRP Workgroup was assembled as a hybrid internal-external forum that included external participants with experience in public finance, labor, business, academia, community organizing, and regional economic conditions as well as Council members, the CFO, and City staff. The Workgroup was supported by an Interagency Support Team and informed by targeted outreach to City equity practitioners, labor partners, and individual community members. Consultants from NEX Strategies facilitated Workgroup sessions, and the CFO conducted external outreach and facilitated engagement meetings outside the Workgroup. The group's role was advisory; final decisions remain with the City's elected and administrative leadership.

Summary of Workgroup Process

The FSRP Workgroup met regularly between April and August 2026. The process moved through three broad phases: establishing shared context, framing issues, and developing recommendations. Members reviewed financial information, discussed policy and governance dynamics, examined the City's areas of control and influence, and assessed potential actions by impact, complexity, and actionability.

FSRP Workgroup Members

- Noah Bernstein
- Jonas Biery
- Frieda Christopher
- Tracy Curtis
- Mercedes Elizalde
- Mitch Green
- Peter Hulseman
- Jenny Liu, PhD
- Marcus Mundy
- Donnie Oliveira
- Carol Samuels
- Latricia Tillman
- Laurie Wimmer
- Helen Ying
- Eric Zimmerman

Interagency Support Team

The Interagency Support Team provided feedback to help inform the Workgroup's recommendations, but did not serve as a decision-making or drafting body. The team offered a broader perspective on emerging themes, assumptions, and the direction of the Workgroup's work. The CFO facilitated Interagency Support Team meetings and shared input from its members with the Workgroup.

The team included both internal City representatives and external community representatives. City representatives participated as subject matter experts with knowledge of related City processes, priorities, and decision points, and served as leadership liaisons to the larger City organization. External representatives helped provide broader perspective on emerging themes, strategic considerations, and the potential community and regional implications of the City's path forward.

Participating agencies and organizations included:

- The City of Portland
- Multnomah County
- Port of Portland
- Prosper Portland
- Portland Public Schools
- Metro
- TriMet