From: Ruth Levine, Budget Director
To: City Council
Council Chiefs of Staff
Mayor Keith Wilson
CC: City Administrator Michael Jordan
CFO Jonas Biery
Deputy City Administrators
Bureau Directors
Date: October 16, 2025
RE: **FY 2025-26 Fall Technical Adjustment Ordinance background and summary of budget decisions coming before City Council**

Background

On November 5, 2025, City Council will hear the FY 2025-26 Fall Technical Adjustment Ordinance (Fall TAO). The Fall TAO, formerly called the Fall Budget Monitoring Process (BMP), is the first opportunity each fiscal year for City Council to adjust the adopted budget. A supplemental budget, such as the Fall TAO, may authorize additional spending within the current fiscal year (FY 2025-26) but cannot change spending for past or future years. The primary purpose of the Fall TAO is to reconcile Beginning Fund Balances to the audited Ending Fund Balances from the prior fiscal year. It also includes a limited number of policy and technical adjustments, such as allocating contingency funds, moving funds from one part of the budget to another to reflect operational changes, or correcting budget errors.

This memo outlines the required fund balance adjustments for the FY 2025-26 Fall TAO, describes encumbrance carryovers, and identifies decision points for City Council consideration. A subsequent memo, "FY 2024-25 Budget to Actuals Review," will provide more detail on prior year budget versus actual results, and will be released prior to the October 22nd City Council Work Session.

In recent years, the General Fund (GF) experienced unusually large revenue increases in the Fall BMP for two main reasons. First, actual General Fund revenues during the post-pandemic period exceeded the forecasts made in the spring of the prior fiscal year due primarily to excess Business License Tax (BLT) revenue. Second, large allocations of one-time funding and federal grants led to lower-than-expected General Fund spending by bureaus, resulting in higher carryover balances and opportunities to reallocate available dollars to new expenditures. Together, these factors allowed supplemental budget adjustments to add *one-time funding* during the Fall BMPs. During the pandemic recovery

years, City Council also temporarily waived the capital set-aside policy (FIN 2.03, Financial Planning) to direct additional one-time discretionary resources toward emergency response and economic recovery efforts. Our revenue actuals have shifted; several key revenues are trending below forecast, new post-pandemic resources have ended, and citywide underspending has decreased as excess funding has been spent down. As such, the City now faces a revenue shortfall in the current Fall TAO.

FY 2024-25 General Fund discretionary revenues came in $11.4 million below the forecast, primarily due to lower than anticipated Business License Tax revenues. After accounting for carryovers and required adjustments (described in detail below), the General Fund faces a current-year deficit that must be balanced. In addition, City Council will vote on several decision packages that would either increase or decrease the available General Fund resources in the current year, as well as a number of non-General Fund decisions.

To balance the General Fund, Council will have to either draw from General Fund contingency or reduce planned spending for the current fiscal year. The following sections outline these decision points and the recommendations for balancing the Fall TAO.

Fall TAO Required and Technical Adjustments

This section of the memo walks through the required adjustments that are included in the Fall TAO and explains the amounts and why they are required.

Fund Balance

The prior year's (FY 2024-25) Ending Fund Balance is a key factor in shaping the current year's (FY 2025-26) budget. It includes:

- Total underspending that occurred after spring carryovers,
- Unused contingency, and
- Revenues that came in above or below budget.

After the close of each fiscal year, the Fall Technical Adjustment Ordinance uses audited results from the Annual Comprehensive Financial Report (ACFR), prepared by the external City financial auditor, City Controller and Central Accounting Division, to reconcile the Beginning Fund Balance with the actual Ending Fund Balance. This reconciliation is done by subtracting the Budgeted Beginning Fund Balance from the actual Ending Fund Balance. Because City Council already appropriated the Budgeted Beginning Fund Balance in the spring as an estimate, it must be subtracted to avoid double-counting those resources. Generally, the Budgeted Beginning Fund Balance is estimated conservatively to avoid over-budgeting.

General Fund FY 2024-25 Ending Fund Balance vs. FY 2025-26 Budgeted Beginning Fund Balance	
Ending Balance according to ACFR	$57,915,639
Subtract Budgeted Beginning Fund Balance	$42,171,124
Available starting balance	**$15,744,515**

General Fund Ending Fund Balance Context

Revenue Budget vs. Actuals

Fiscal Year 2024-25 was the first time since before the pandemic that the City's General Fund Discretionary (GFD) revenue actuals were below the forecasted amount. Overall, General Fund discretionary revenue came in $17.7 million below the FY 2024-25 Adopted Budget. Of that, $11.4 million was the amount below the April 2025 forecast. For a complete explanation of the changes from the FY 2024-25 Adopted Budget to the April 2025 revenue forecast, see Appendix 1.

In December 2024, the General Fund forecast for BLT revenue was $206 million. This was increased to $208.7 million in February 2025 as receipts slightly outpaced prior projections. As described in the April 2025 General Fund Forecast Memo and April 28th presentation to the Finance Committee, the City's forecast for BLT remained unchanged in April 2025 despite the recently announced tariffs. This was in large part due to the rapidly evolving nature of the tariffs, the lack of data regarding impact on revenues, and the uncertainty around timing and magnitude of tariff implementation. By the close of the fiscal year, FY2024-25 BLT collections were $196 million, $12.7 million below the forecast. (All other General Fund discretionary revenues came in $1.3 million above forecast, resulting discretionary revenues being $11.4 below forecast on net.)

One plausible explanation for the shortfall is that, following the tariff announcement, businesses anticipated weaker earnings and therefore reduced their June quarterly estimated payments, which came in roughly $6 million below expectations. This pattern lends support to the idea that firms adjusted payments in response to perceived economic risk. Another possibility is that businesses sought to conserve cash amid uncertainty, making broader changes to their tax and financial strategies beyond estimated payments, such as delaying investments, adjusting accounting treatments, or building up reserves. Finally, some of the gap may simply reflect normal estimation error, as the BLT remains a highly volatile revenue source in which fluctuations by a small number of large firms can materially affect overall collections.

Given the shortfall in BLT over FY2024-25, it is possible that the BLT revenue forecast will need to be reduced looking forward. However, it is too early to say this with certainty, as

the extended returns will not come in until November, which is also when most refunds are issued. It is plausible that quarterly estimated payments could be higher between September and November 2025 if business' expectations of the tariff impacts have changed, and the tariffs simply delayed payments that were ultimately due. Similarly, refunds could be atypically low if tax year 2024 payments were lower than would otherwise be expected as firms sought to hold cash. Scenarios like these could meaningfully impact any needed adjustments to the BLT forecast for FY 2026-27.

Expenditure Budget vs. Actuals

On paper, General Fund under-expenditure totaled $39,701,481. However, "true under-spending" is less than that for three reasons:

1. Bureaus often encumber contracts or purchase orders for portions of their budget during a given fiscal year for which expenditures hit in the following year. These "encumbrance carryovers" are adjusted in the Fall TAO (see following section). This year, there is $18.5 million of encumbrance carryover, or 47% of the nominal under-spending.
2. Occasionally, transactions should have occurred in the prior year do not happen due to accounting errors. That results in a higher Ending Fund Balance than should be reflected. These adjustments for FY 2025-26 are discussed in the next section.
3. There is typically some unused contingency left over in the General Fund. For example, per financial policy the City budgets $3 million of unrestricted contingency to address unforeseen year-end expenses, which is often unused. In FY 2024-25, $27.6M of unused contingency fell to Ending Fund Balance at the end of the year.

After accounting for encumbrance carryovers and expenses that were meant to occur, General Fund "true underspending" for FY 2024-25 was approximately 1.87%, which is aligned with the typical amount of under-spending in the General Fund.

Other Required Adjustments

The largest required adjustment in the Fall TAO is for the General Reserve Fund transfer. In the prior year, an $8.1 million transfer was budgeted from the General Fund to the General Reserve Fund to meet legal and debt obligations related to the General Reserve Fund required balance and debt payments for Build Portland bonds. This transfer failed to occur in FY 2024-25 and thus the resources backing that transaction are still in the General Fund. This adjustment is a technical adjustment that re-budgets the transfer using funds that would have been spent in the prior year.

Another required adjustment is for Short Term Rental revenue that is transferred from General Fund to the Housing Investment Fund per a resolution passed by Council in December 2015. That resolution (37170), dedicated the City's share of transient lodging tax applied to short-term rentals to the development or preservation of affordable housing in Portland or to help low-income individuals and families access affordable housing, supporting households earning 60% or less than the median family income. This 2015 resolution directed the difference between the forecast and actual revenue from short-term rentals to be transferred annually from General Fund to the Housing Investment Fund in the fall supplemental budget. For FY 2024-25, that amount is $2.4 million, which is roughly aligned with previous year's transfer amounts.

Other adjustments for labor bargaining agreements that were made in the final stages of the budget process and one budget error are included in the table below.

Technical Corrections & Required Adjustments	
Available starting balance	$15,744,515
General Reserve Fund Transfer Correction (required technical correction)	($8,100,000)
Short-Term Rental funding to the Housing Investment Fund (directed per Council Resolution)	($2,449,339)
Correcting Arts double-cut in FY 2025-26	($357,184)
GF Portion - CPPW Professional Development Contract	($84,267)
Professional Development Fund - PTE-17 True Up	($21,670)
Integrated Tax System Technical Adjustment	$22,233
Total Technical or Required Adjustments	**($10,990,227)**
Fund balance after technical corrections & required adjustments	**$4,754,287**

Encumbrance & Policy Carryovers

Once required and technical General Fund corrections are made, there is roughly $4.8 million of remaining available fund balance. However, bureaus requested over $19 million of encumbrance and policy carryovers through the Fall TAO process.

Encumbrance carryovers are under-spending amounts due to incomplete contracts and purchase orders (POs) that were open in the prior fiscal year. Often, the City contracts or purchases goods and services externally for which the work takes multiple years to complete, or for which billings are delayed. In some cases, work is completed before the end of a fiscal year, but the bills are not paid until the next fiscal year. These amounts are carried over in the Fall rather than the Spring because final billings may come in during the

last quarter of the fiscal year, and the budget needs to remain with the open purchase orders.

The City Budget Office (CBO) reviews all General Fund encumbrance carryover requests to ensure that they meet budget guidance, which requires that:

- The purchase orders were opened in the prior fiscal year,
- Underspending in the bureau's budget corresponds to the underspending on those purchase orders, and
- The carryover supports the same work as in the prior fiscal year.

In most years, the Ending Fund Balance is sufficient to accommodate encumbrance carryover requests because underspending provides offsetting resources. However, in FY 2024–25, General Fund revenues came in below budget, leaving insufficient revenue to fully support these requests. Assuming all requested carryovers as described above are included in the balanced Fall TAO adopted by Council, the City would need to reduce General Fund contingency or other planned expenditures to maintain a balanced FY 2025–26 budget per state budget law.

The table below shows the total amounts for each bureau's encumbrance carryovers. In many cases, these amounts represent multiple encumbrances in each line. For a complete description of each request, see Exhibit 6 "Decision Package Report."

Bureau	Amount
City Administrator	$4,998,559
Prosper Portland	$4,185,762
Portland Parks & Recreation	$2,084,279
Portland Police Bureau	$1,448,493
Office of the Public Safety DCA	$1,129,934
Bureau of Planning & Sustainability	$1,114,093
Bureau of Human Resources	$751,050
Office of City Operations	$592,749
Portland Fire & Rescue	$428,950
Special Appropriations	$382,452
Portland Office of Emergency Management	$286,538
Office of Community and Civic Life	$336,000
City Budget Office	$250,014
Office of Equity	$233,011
Office of Government Relations	$105,000
Office of the Chief Financial Officer	$75,000
Office of Community and Econ Development	$48,420

Office of the City Auditor	$36,351
TOTAL	**$18,486,655**

Significant Encumbrance Carryover Requests

Portland Solutions & Sheltering Encumbrance Carryovers

The Portland Solutions program requested encumbrance carryovers for the Public Environmental Management Office, Shelter Services Program, Street Services Coordination Center, and Impact Reduction Program, totaling $4,998,559. The most significant encumbrance carryover requests are within the Shelter Services Program which includes funding for both alternative shelters (pod shelters) and overnight shelters, totaling $2.6 million of General Fund. Example purchase orders in this program are for waste collection at shelter sites and grants to community organizations that operate at shelter sites. These are for purchase orders that were opened in the prior year. If City Council does not approve these encumbrance carryover requests, the programs would have to reduce services, possibly including terminating contracts.

Prosper Portland Invoicing Issue from Prior Years

In the past two fiscal years, processing errors in payments to Prosper Portland for General Fund discretionary and Recreational Cannabis Tax–backed programs triggered accounting controls that prevented the bureau from receiving its full allocations. To ensure Prosper receives the amounts owed for expenses already incurred, the difference between what was due and what was actually paid is included in the Fall TAO as an encumbrance carryover package.

Parks Encumbrance Carryovers

Parks General Fund underspending is returned to the bureau's budget per agreement on the intent of the 2020 Parks Local Option Levy ballot measure. Parks budgets all of their operations out of the General Fund, and they transfer funds from the 2020 Parks Local Option Levy Fund into the General Fund based on spending at the end of the fiscal year. To ensure encumbered goods and services do not incorrectly draw Levy resources, the full amount of Parks' General Fund encumbrance underspending is allocated in the TAO. The carryover of underspending for Parks totals just over $2 million.

Portland Police Bureau Encumbrance Carryover

The Portland Police Bureau requested encumbrance carryover totaling $1.4 million, based on purchase orders that were opened in the prior two years. $380,000 of this request is based on purchase orders from FY 2023-24 for traffic photo radar and red-light camera expenses. The vendor administering these traffic-related courses had failed to provide invoices or provided incorrect invoices and then delays compounded as the vendor was

acquired by a new company. The new vendor has reconciled balances with PPB, and the bureau is expecting a backlog of invoices to have actual expenses in the current fiscal year. Other purchase orders included in the request are for expenses such as for the wellness program, prior year invoices related to photo radar and red-light camera safety classes, and delayed shipments.

Office of Public Safety DCA

The Office of Public Safety DCA has requested an encumbrance carryover totaling $1.1 million. A significant portion, approximately $700,000 across six purchase orders, relates to the Ceasefire program, which funds case management and street-level outreach services for individuals at very high risk of gun violence. The request also includes three purchase orders related to the Portland Committee on Community Engaged Policing (PCCEP) totaling $208,000, which support facilitation, community engagement, and public media services to enhance public access and participation in committee work. Additionally, $157,000 is for the Office of Violence Prevention (OVP) to maintain its data tracking system as primary responsibility for this contract is transitioned to the Ceasefire program.

Bureau of Planning & Sustainability

BPS is requesting $1.1 million in encumbrance carryovers, with underspending related to graffiti abatement ($650,000), planning ($408,000), and community technology ($56,000). These scopes of work represent a series of BPS consultant-led projects supporting Central City revitalization, regulatory reform, economic analysis, data services, and historic preservation. They include public realm and urban design planning to activate Waterfront Park and the Central City ($132,000 and $31,000); a data justice and community data partnership contract with Macasya Consulting LLC ($44,000); an economic analysis of floodplain regulation impacts on North Reach industrial properties ($17,000); and studies identifying zoning, permitting, and adaptive reuse barriers in the Central City ($36,000 and $8,000). Additional work includes economic research to inform Central City code updates ($47,000); facilitation of the Economic Opportunities Analysis working group ($17,000); and development of programmatic agreements to streamline historic preservation compliance ($72,000). Historic resource efforts include National Register nominations for Union Station ($17,000) and the Paramount Apartments ($15,000), documentation of East Portland's social and architectural history ($8,000), and research on Portland's Black history at Union Station ($6,000) and the Paramount Apartments ($3,000).

Policy Carryover

In addition to true encumbrance carryover requests, bureaus requested $1,002,207 in policy-bound General Fund carryover requests that move previous year balances into the current fiscal year. These carryovers are required by labor contracts or IGAs.

Bureau - Program	Amount
Procurement - Clean Air Construction & Liquidated Damages	$409,288
Fire - Wellness Funds Carryover	$592,919
TOTAL	**$1,002,207**

Procurement

The Procurement Clean Air Construction (CAC) carry-forward is in accordance with section 3.C of the IGAs signed with Multnomah County, Washington County, Metro, TriMet, Portland Community College and Port of Portland s that states that $30K of unused funds will be set aside in a "Rainy Day Fund" and any remaining amount in excess of $30K will be carried over to the subsequent fiscal year for use on one-time Program activities. The City serves as the lead agency for the CAC Regional Program indicating a commitment to support all participating agencies in administering compliance with the CAC standard.

Procurement also has a carryover for the Liquidated Damages program under Procurement Administrative Rules (ADM – 1.20). Liquidated damages are assessed when contractors fail to comply with the Workforce Training & Hiring Program; this revenue is then granted to organizations supporting the Workforce Training & Hiring Program goals.

Fire Wellness Funds

The Fire carryforward is required by the 2023-2027 Labor Agreement between the City and the Portland Fire Fighters Association (PFFA), which established an allocation of $300,000 for a Health & Wellness Fund, to increase annually by the rate of COLA. The $300,000 was allocated in FY 2024 to the bureau's General Fund, and unused dollars fell to balance at the end of the year. This resource is intended to be held separately from the bureau's General Fund, and as such a Health and Wellness Fund has been created. This request to carry over $592,919 moves the remaining unspent FY 2024 and FY 2025 allocations forward into this current Fiscal Year and transfers them to the new sub-fund within the Citywide Obligations Reserve Fund.

The table below shows the total impact of the encumbrance and policy carryover recommendations on available General Fund balance:

Encumbrance & Policy Carryovers	
Fund balance after technical corrections & required adjustments	$4,754,287
Encumbrance carryovers	($18,486,655)
Policy carryovers	($1,002,207)
Total Carryovers	**($19,488,862)**
Fund balance after carryovers, technical corrections & required adjustments	**($14,734,575)**

Key General Fund Decision Points

Aside from required adjustments and encumbrance carryovers, there are several key decision points in the TAO that could either add to General Fund or reduce it, depending on Council's decisions. This section reviews each of those decisions in detail. The table below summarizes the decision packages recommended for inclusion in the Fall TAO:

Decision Point	Amount
State Refund - Repayment for Misapplied Unemployment Insurance Penalties	$558,832
State Refund - Discretionary Resources	$764,425
PBOT Return to General Fund	$736,440
Reallocate State Refund for Payroll System Corrections	($55,000)
Reallocate State Refund to Pay Retrospective Step Increases in Fire	($171,000)
Procurement Disparity Study	($450,000)
Green 13 Public Safety Set-Aside for Recruitment	($2,200,000)
Reimbursement to Insurance & Claims Fund from GF	($3,250,000)
Total of Included Packages	**($4,066,303)**

General Fund Returns

There are several decision packages that would increase the amount of available General Fund in the Fall TAO.

State refund for tax penalties & credits

The City received $1,457,153 in a refund from the State of Oregon for waived penalties and excess credits from 2019-2024. From this amount, a total of $1,097,257 is proposed to remain as available General Fund. This includes a repayment of $558,832 paid out of the General Fund unrestricted contingency for misapplied unemployment insurance penalties. The remainder is related to payroll taxes from FY 2021-2024. There are two proposed draws from this amount, which are discussed in the General Fund Draws sub-section below.

PBOT General Fund Return

PBOT's submission includes a $736,440 transfer to the General Fund due to an error that led to transferring General Fund to the Transportation fund twice in FY 2024-25.

General Fund Draws

Green 13 Public Safety Policy Set-Aside

This decision package was submitted by the DCA of Public Safety based on the Green 13 budget note "Public Safety Set-Aside" adopted in the FY 2025-26 budget. Council set aside $2.2 million in one-time General Fund resources to support recruitment and capacity-building across the Public Safety Service Area (PSSA).

The Fall TAO request would draw on that set-aside to fund 3.0 limited duration recruiters for Police, Fire, and the PSSA to support recruitment and digital marketing efforts, community-based grants for programs that support public safety job readiness for young adults, and capacity building through emergency management activation training exercises for the City. Outlined below is the detailed distribution of the $2.2 million in funding to each bureau:

	Community Outreach	Recruitment	Onboarding	Capacity Building	Total
Police		$799,999	$354,140		**$1,154,139**
Fire & Rescue		$200,000	$325,158		**$525,158**
Community Safety	$114,671	$7,600			**$122,271**
Emergency Management				$200,000	**$200,000**
Office of DCA of Public Safety		$198,432			**$198,432**
Total	**$114,671**	**$1,206,031**	**$679,298**	**$200,000**	**$2,200,000**

The stated objective is to accelerate hiring, particularly for Police, while also strengthening long-term capacity through training and retention efforts. This is intended to help prepare for the projected wave of sworn staffing retirements over the next several years.

Disparity Study

This decision package allocates $450,000 in FY 2025–26 to fund two Disparity Studies—one focused on the workforce and the other on contracting.

Executive Order 2025-01, *City Employees' Compliance with Federal Law*, requires adherence to all applicable federal civil rights and nondiscrimination laws, including the Civil Rights Act of 1964. In alignment with that directive, the proposed studies will support the City's efforts to identify inequities, strengthen compliance, and expand opportunities for small and diverse businesses.

The contracting disparity study will provide updated data on market availability and utilization of minority-owned, women-owned, and other diverse businesses (MBE/WBE) across City contracts for construction, professional services, goods, and other services. This information will help the Chief Procurement Officer evaluate the effectiveness of current procurement programs and identify potential improvements.

The workforce disparity study will analyze how construction work hours on City projects are distributed among apprentices, workers of color, and women, providing insight into workforce participation trends and informing strategies to build a more equitable labor pipeline for public contracting.

For additional background information, please refer to Resolution 2025-353.

Insurance and Claims Fund Reimbursement

A large settlement was made at the end of the fiscal year that was paid out of the Insurance and Claims Fund, but which cannot be recovered through the standard rate model for interagency revenues. In order to maintain adequacy to meet future claims payment expectations, the insurance and claims fund must be reimbursed by General Fund in the amount of $3.25 million in the Fall TAO and will need to be reimbursed an additional $3.25 million in the FY 2026-27 budget.

Draws from State Refund

Two decision packages propose using portions of the state refund discussed above to address issues related to payroll systems and associated credits. These items correct contract and SAP processing errors required under labor bargaining agreements and state law for the Portland Fire Fighters Association. The proposed allocations include $55,000 for the Bureau of Human Resources and $171,000 for Portland Fire & Rescue.

The table below summarizes the potential impact of these decision points on the available General Fund balance:

Key General Fund Decision Points	
Fund balance after carryovers, technical corrections & required adjustments	($14,734,575)
Total Key Decision Points	($4,066,303)
Fund balance after carryovers, technical corrections & required adjustments & key decision points	**(18,800,878)**

Balancing this $18.8 million is discussed below in the "General Fund Balancing" section. Note that this includes $2.2 million for the Green 13 public safety budget note, which does have a pre-existing policy set-aside available to use. After factoring for that existing set-aside amount, the remaining gap to be filled in the TAO is $16.6 million.

Net-zero and Non-General Fund Decisions

The decision packages discussed in this section are either in the General Fund but do not increase or decrease the amount of available General Fund for other decisions, or they are non-General Fund decisions, which include Grants fund changes. See a complete table of the grant funding adjustments in Appendix 2.

Shelter Services Budget Adjustments

This adjustment reduces a total of approximately $11 million to the Shelter Services budget to align with the state's adopted biennium budget, which ultimately did not include the resources to match the City expenditures that were budgeted. Of this amount, $5.1 million is reduced from the Overnight Shelter budget, and $5.9 million is reduced from the Alternative Shelter budget.

This decision package balances the revenue reduction through expense reductions. In addition, there are shelter services encumbrance carryover decision packages as described above that propose to carryover ARPA ($884,975) and General Fund ($2.8 million) to help mitigate the service impacts of the required expense reductions. If Council approves both packages, staff anticipate no substantial service reductions in the Alternative Shelter Program. Given the nascency of the Overnight Shelter Program, the reductions are planned to be met by scaling back new work, rather than a reduction in current services. The impact is that shelter services such as day centers and storage will be scaled down or done more cost effectively. The program is not projected to reduce the number of overnight shelter beds from the planned 1,500.

Public Safety Opioid Grant Funding Adjustments

The City of Portland has received approximately $10.2 million in opioid settlement funds since the national settlement disbursements began in FY 2022-23 and anticipates

receiving roughly $17 million more in opioid funding over the next 13 years. The payment schedule is uncertain and fluctuates from year to year. These grant resources are held in the Grants Fund Opioid Settlement sub-fund and allocated across multiple bureaus and community partners for spending in alignment with the required legal uses of these funds. Opioid Funds are considered "restricted" funds due to the limits on allowable uses and the reporting requirements.

The FY 2025-26 Adopted Budget includes $3 million in opioid settlement funds, with $1.3 million dedicated to 50 shelter beds at the Bybee Lakes Hope Center, and $1.2 million for critical recovery infrastructure in East Portland per a budget amendment. Aside from the grant carryover requests discussed below, all but roughly $150,000 of Opioid funds are already budgeted for FY 2025-26.

The Opioid grant carryover requests are as follows:

Bureau	Carryover Request	Reason	Impact
Portland Street Response (in PSSA)	$ 1,532,044	Unspent FY 2024-25 balance of $2.6M allocation	PSR staffing expansion and stabilization
Fire	$ 75,823	Unspent FY 2024-25 balance of $2M allocation	CHAT staffing expansion and stabilization
Police	$ 298,741	Unspent FY 2024-25 balance of $603,290 allocation	Street Coordination Team missions moving individuals into deflection programs

Public safety bureaus collectively received about $5.2 million in opioid settlement allocations beginning in FY 2024-25, of which roughly $3.5 million has been spent and $1.9 million is requested to carry forward into FY 2025-26. Portland Street Response (PSR) is requesting a carryover of $1.5 million from its $2.6 million allocation for staffing expansion and stabilization, Fire is requesting about $76,000 from its $2 million allocation for Community Health Assess and Treat (CHAT) staffing, and Police is requesting about $299,000 from its $603,000 allocation to support Street Coordination Team missions moving individuals into deflection programs.

Trimet IGA Budget

In August 2025, the City entered into an intergovernmental agreement with the Tri-County Metropolitan Transportation District (TriMet) to provide Transit Police Services. The prior agreement with TriMet for police services ended in 2020.[1] This adjustment recognizes

[1] https://news.trimet.org/2025/08/trimets-transit-police-division-welcomes-back-the-portland-police-bureau/

approximately $1.4 million of intergovernmental revenue from TriMet for this agreement, which supports full cost recovery for five officers and one sergeant, as well as a 5% administrative overhead fee to the Police Bureau. Given the bureaus status retaining unfunded vacant positions, this IGA would reduce the number of unfunded vacancies by approximately six, with likely no impact on the authorized FTE count or the total number of police officers hired, reassigning existing officers and a sergeant to the Transit Police Division.

Communications Enterprise Efficiencies

As an initial step in achieving enterprise efficiency savings goals in the communications core service function, the Fall TAO includes several decision packages that begin to implement the new alignment in the budget. Because the enterprise efficiencies decision packages that were included in the Adopted Budget already reduced personnel budgets citywide to reflect the 10% FY 2025-26 reduction target for enterprise efficiencies, the Fall TAO does not further reduce personnel budgets. However, it does reduce position authority in the bureaus where positions are proposed to be eliminated to meet the reduction target set in the Adopted Budget. If City Council chooses not to accept these reductions, less savings would materialize in the current fiscal year and into the future and will require reductions to other positions or budgeted expenditures.

The Fall TAO decision packages related to communications fall into four categories:

1. Realigning staff from bureaus into the Central Communications team
2. Realign staff across service areas to meet operational goals
3. Recognizing reductions in position authority (FTE only)
4. Swapping personnel budget reductions for reductions in materials and services budgets.

In addition to these personnel and budget actions, the Bureau of Human Resources will work with business operations staff to consolidate reporting authority under the City's Chief Communications Officer. This personnel adjustment will be processed through the City's human resource management system this fiscal year and will be reflected in budget development for FY 2026-27. The table in Appendix 3 shows the communications realignment decision package details.

Balancing the General Fund in FY 2025-26

Based on the combined recommendations described above, the General Fund would be $16.6 million in deficit (aside from the $2.2 million for the Green 13 public safety policy set-aside). Because the budget must be balanced to remain in compliance with state budget

law, in order to meet that deficit, expenses must be reduced or revenues must increase. CBO is not currently aware of any viable or proposed avenues to increase General Fund revenues mid-year.

To reduce expenses, City Council can either reduce program expenses – bureaus' budgets – or utilize available contingency balances. To avoid mid-year service impacts, the recommendation is to balance the deficit through contingency reduction. The largest portion of General Fund contingency is in compensation set-aside.

Compensation set-aside is a contingency account that contains the COLA and health benefit increases for all bureaus budgets. Historically, those contingency amounts were adjusted for actual vacancy rates and allocated to bureaus in the Spring BMP. Budgeting these amounts in contingency enables more centralized tracking of personnel spending and provides additional contingency for situations like the one we are currently facing.

If Council reduces compensation set-aside to balance the FY 2025-26 budget in the Fall TAO, it means that there will be fewer resources available in contingency in the Spring TAO, and bureaus will be advised to reduce expenses over the next 6 months. This can be done through a combination of holding true to the hiring freeze that was made effective October 1st or other means of reducing or limiting expenditures in the remainder of the fiscal year. City Council may then choose to reallocate funding (including remaining available contingency, if any) in the Spring TAO based on actual spending at that point in the fiscal year.

General Fund Contingency

The General Fund contingency in the FY 2025-26 Adopted Budget is shown below:

FY 2025-26 Adopted Budget General Fund Contingency	
Compensation Set-Aside Contingency	$17,744,432
Policy Set-aside	$2,200,000
General Fund Overhead set-aside	$2,631,972
Unrestricted contingency	$3,000,000
Total Contingency	**$25,576,404**

To balance the required and discretionary packages discussed in the previous sections by reducing contingency, the recommendation is to reduce three contingency funds:

1. Reduce $2.2 million of the Public Safety Policy set-aside from contingency to allocate to the public safety bureaus as discussed;

2. Reduce $2.2 million from the General Fund overhead set-aside based on year-end calculations for the amount of General Fund discretionary resources needed to balance General Fund overhead; and
3. Balance the remaining gap by reducing compensation set-aside.

Those recommendations would leave the following amounts available in General Fund contingency:

Available Contingency After Proposed Changes	
Compensation Set-Aside Contingency	$3,343,556
Policy Set-aside	$0
General Fund Overhead set-aside	$431,972
Unrestricted contingency	$3,000,000
Total Contingency	**$6,775,528**

Health Fund

During September and October, CBO and BHR briefed each City Council office about the health fund. The fund's reserves have fallen below the required level and are now so low that the fund is at risk of expending all its reserves this year. A separate memo was distributed to all Council offices describing this issue in detail. One of the options discussed in that memo was to add a directive to the City Budget Office for the health fund reserve build-up.

The Fall TAO will include that directive to add $4.5 million to the assumptions for General Fund health benefit increases each year for the next three years. This represents the General Fund's share of $10.3 million per year citywide for the next three years, which is the amount CBO and BHR have estimated is needed to rebuild the health fund reserves back to the recommended level over three years. That equates to a health fund reserve increase of $31 million citywide, which represents roughly an 8% increase per year *above* estimated status quo renewal rates for the plan for LMBC members.

In addition to the health reserve build-up, the budget note titled "Protect workers from future health care increases," directs CBO to assume a 15% increase in costs for status quo renewal of health benefits. The table below outlines the total cost of each increase:

FY 2026-27	**GF**	**Non-GF**	**Total**
15% Increase	$8,694,506	$11,525,276	$20,219,782
Reserve Funding	$4,455,568	$5,906,219	$10,361,787
Total	**$13,150,074**	**$17,431,494**	**$30,581,569**

Appendices

Appendix 1: FY 2024-25 Revenue Forecast Changes

The City Economist issues revenue forecasts in December of each year, with updates in February and April of the following year. The April forecast generally sets the basis of General Fund Discretionary budget for the fiscal year that begins July 1. As such, the FY 2024-25 budget for General Fund Discretionary revenue was set by the April 2024 forecast at $732.5 million.

In addition to setting the General Fund discretionary revenue number in the budget, the City Budget Office adjusts Budgeted Beginning Fund balance *for the budget year*[2] up or down if the economist forecasts a change in the *current year's* revenues. In April 2025, as the FY 2025-26 budget was being developed, the FY 2024-25 forecast was reduced to $727.4 million (a downgrade of $5.1 million), which was adjusted through the FY 2025-26 Budgeted Beginning Fund balance. That change was balanced as part of the FY 2025-26 Mayor's Proposed Budget.

Based on year-end actuals, the FY 2024-25 General Fund Discretionary revenue came in $11.4 million below *forecast*, or $16.5 million below budget. As discussed in the "Revenue Budget vs. Actuals" section above, General Fund Discretionary revenues came in a total of $17.7 million below budget. The remaining $1.2 million difference came from cash transfer revenue that was budgeted inconsistently with the forecast. The budget error has been corrected in FY 2025-26.

[2] the budget year is the year the City is developing a budget for. During Fiscal Year 2025-26, the *budget year* will be Fiscal Year 2026-27.

Appendix 2: Grant Funding Adjustments

Fund - Name	Bureau	FY 2025-26 FALL Requested
217001 - Federal Grants	City Administrator	232,000
	Office of City Operations	195,248
	Portland Office of Emergency Management	46,944
	Portland Fire & Rescue	990,767
	Portland Parks & Recreation	800,090
	Portland Police Bureau	191,216
	Bureau of Planning & Sustainability	901,796
	Portland Bureau of Transportation	2,969,141
217001 - Federal Grants Total		**6,327,202**
217006 - State Grants	Portland Office of Emergency Management	42,000
	Bureau of Environmental Services	463,717
	Portland Parks & Recreation	7,033,974
	Bureau of Planning & Sustainability	164,368
	Portland Bureau of Transportation	502,457
	Water Bureau	105,000
217006 - State Grants Total		**8,311,516**
217007 - Other Grants	City Administrator	120,000
	Office of Community and Econ Development	460,575
	Portland Office of Emergency Management	(54,192)
	Bureau of Environmental Services	10,000
	Portland Fire & Rescue	212,255
	Portland Housing Bureau	2,824,627
	Portland Parks & Recreation	1,050,000
	Bureau of Planning & Sustainability	456,953
	Water Bureau	60,000
217007 - Other Grants Total		**5,140,218**
217011 - EPA Brownfield Revolving Loan Fund	Bureau of Environmental Services	66,533
217011 - EPA Brownfield Revolving Loan Fund Total		**66,533**
217019 - Metro Affordable Housing Grant	Portland Housing Bureau	980,632
217019 - Metro Affordable Housing Grant Total		**980,632**
217023 - American Rescue Plan Fund	City Administrator	1,095,714
	Office of Community and Econ Development	211,739
	Portland Housing Bureau	3,550,264
	Bureau of Planning & Sustainability	173,456
	Office of the Public Safety DCA	220,538
	Bureau of Technology Services	59,823
217023 - American Rescue Plan Fund Total		**5,311,534**
217027 - Opioid Settlement	City Administrator	(331,188)
	Portland Fire & Rescue	149,587
	Portland Police Bureau	303,585
	Office of the Public Safety DCA	1,626,008
	Special Appropriations	(155,156)
217027 - Opioid Settlement Total		**1,592,836**
217029 - Mult Co, OAI Passthrough - TASS	City Administrator	(11,173,403)
217029 - Mult Co, OAI Passthrough - TASS Total		**(11,173,403)**
Grand Total		**16,557,068**

Appendix 3: Communications Realignment Decision Package Detail

DP ID	DP Title	Bureau	Technical Description	FTE Impact
26107	Communications Realignment - EMS Reduction	DCA of City Operations	Swaps $10K of the personnel reduction taken in the Adopted budget for an EMS reduction.	0
26108	Communications Realignment - EMS Reduction	BES	Swaps $100K of the personnel reduction taken in the Adopted budget for an EMS reduction.	0
26109	Communications Realignment - EMS Reduction	Parks	Swaps $100K of the personnel reduction taken in the Adopted budget for an EMS reduction.	0
26101	Communications Realignment - Personnel Reduction	DCA of City Operations	Reduces 1 FTE, no $, effective reduction 1/1/26.	-1
26102	Communications Realignment - Personnel Reduction	DCA of Community & Ec. Dev.	Reduces 1 FTE, no $, effective reduction 1/1/26.	-1
26103	Communications Realignment - Personnel Reduction	BES	Reduces 1 FTE, no $, effective reduction 1/1/26.	-1
26104	Communications Realignment - Personnel Reduction	Parks	Reduces 1 FTE, no $, effective reduction 1/1/26.	-1
26105	Communications Realignment - Personnel Reduction	BPS	Reduces 1 FTE, no $, effective reduction 1/1/26.	-1
26106	Communications Realignment - Personnel Reduction	Water	Reduces 1 FTE, no $, effective reduction 1/1/26.	-1
26096	Communications Realignment - Personnel Shift	DCA of City Operations	Moves 1 FTE and 1 LTE to Central Comms from City Administrator; moves 1 FTE to 311 from BES, budgets a total of $187,333 in ongoing and $91,091 in one-time GF resource to balance the personnel budget increase. FTE and LTE effective dates set to 1/1/2026.	3
26097	Communications Realignment - Personnel Shift	City Administrator	Moves 1 FTE and 1 LTE to Central Comms, budgets a total of -$33,254 in ongoing and -$91,091 in one-time GF resource to balance the PS reduction. FTE and LTE reduction effective dates set to 1/1/2026.	-2
26098	Communications Realignment - Personnel Shift	BES	Reduces 1 FTE to send to 311, balances the reduction in PS expense totaling $99,091 with an increase in an administrative support expense IA paid via 7ES2ES to WX/PWSA. FTE reduction effective date set to 1/1/2026.	-1
26099	Communications Realignment - Personnel Shift	Civic Life	Reduces 1 FTE to send to WX/PWSA, budgets a total of -$99,079 in ongoing GF resource to	-1

			balance the PS reduction. FTE reduction effective date set to 1/1/2026.	
26100	Communications Realignment - Personnel Shift	DCA of Public Works	Receives 1 FTE from Civic Life, budgets a total of $99,079 in PS expense balanced by an increase in an administrative support revenue IA paid via 7ES2ES from BES. FTE effective date set to 1/1/2026.	1