December 2, 2025

CITY BUDGET OFFICE TECHNICAL BUDGET GUIDANCE

OVERVIEW

The attached presentation provides information to City budget and finance staff on how to develop their service area budgets – what were previously bureau requested budgets – and interprets the Mayor's budget guidance through more detailed and technical instructions. This technical guidance is directed towards City budget and finance staff responsible for managing preparation of budget development materials but is also being shared with all City leadership and City Council. It will also be posted publicly on CBO's website.

The FY 2026-27 budget process will continue to evolve in partnership with City Council. The first phases of the process are setting the base budget, which is a largely technical exercise based on decisions that City Council has already made in prior budget ordinances, and developing service area budget options. That exercise begins with bureau program and budget staff surfacing options and tradeoffs that align with resources per the budget scenario guidance. CBO's goal for these first two phases of the budget process is to support clearer, more understandable budget information and tradeoffs for City Council, the Mayor, and the public. To that end, this guidance outlines the major changes from prior years in developing "requested budgets."

The change from bureau requested budgets to service area budget scenarios is part of a larger shift in the budget process to better describe budget options in a consistent and neutral way citywide. With the change in the form of government, bureaus are no longer budgeting as if they are each independent entities. Service area budgets will still include detailed bureau and program level information, but will also allow people to read a summary and dive into the pieces they are most interested in. This technical guidance is responsive to the budget note "Budget Transparency & Information Access Framework," which directed CBO to provide options for restructuring the budget format. CBO is also meeting individually with Council offices to discuss options to support them with budget information.

CBO is basing these recommendations on the lessons learned from the FY 2025-26 budget process, including feedback and suggestions identified by Councilors in FY2025-26 budget debriefing conversations through discussions with the Finance Committee (September 22nd), and in a City Council Work Session (October 22nd).

Given constrained staff capacity in budget teams and the simultaneous citywide realignment of administrative functions (including budget and finance), CBO recognizes that some of this guidance may be somewhat aspirational. Not all bureaus will be able to fully execute every direction this year. CBO staff will work closely with the newly identified Finance Leads and Service Area Budget Team managers throughout the process to get as close as possible to the intended result with the staff time available.

There will be an open "Budget Kickoff" meeting aimed at service area budget staff on December 10th from 12-1pm. If you would like the invitation and do not receive it, please reach out to Josie Chavez (josie.chavez@portlandoregon.gov).

MAJOR CHANGES IN SERVICE AREA BUDGET DEVELOPMENT

Each of the following changes is laid out in more detail in the slide deck attached.

1. **Scenario guidance:** The Mayor's budget guidance this year requested multiple scenarios for service areas' budgets. Instead of stating, for example, an expected percentage cut in the General Fund across the board, it requests that service areas answer the question "What would you stop doing if you had fewer resources?" The guidance is structured more as a prioritization exercise than the traditional budgeting-to-a–target and is intended to facilitate a more open conversation to highlight options for balancing the budget.
2. **Current service level scenarios:** The Mayor requested that bureaus clearly identify how much it would cost to continue current services. These will be submitted as stand-alone scenarios so that the bureau budget concepts will no longer mix resource "additions" that get them back to current service level with true changes to services.
3. **Budget concept forms:** CBO stood up a new form in the budget system to capture budget concepts as a new step in the budget process. The intention of this form is to allow bureaus to provide fewer details for these initial concepts than a complete decision package. Budget concepts can be thought of as the top of the information funnel for budget development. As we get further down, we will reduce the number of options being considered and make the remaining options more detailed as we go. This approach aims to make decision-making more transparent while balancing workload for staff.
4. **Budget equity prompts:** A budget equity workgroup spent a year developing recommendations to update what used to be the Budget Equity Toolkit to embed equity in the budget development process from the beginning and adapt the tools to the new budget process. The new prompts focus on equity outcomes & tracking, community engagement & empowerment, and complying with federal law.
5. **Program offer updates:** Since their adoption in 2018, program offers have been somewhat inconsistent across bureaus in terms of both their size and use of accurate budget and actuals data. CBO is moving forward with a multi-year effort to update program offers so that they are better aligned to program outputs ("what does this investment buy?") and are of a reasonable size to describe categories of activities. For FY 2026-27, CBO is requesting that bureaus prioritize program offers that include General Fund discretionary to balance revenues to expenses within each program.
6. **Service area budget summaries:** In the prior form of government, the Commissioner-in-Charge wrote a cover letter for their bureaus' budgets that often played an advocacy role. For FY 2026-27, service areas are asked to briefly summarize their budget scenarios in a way that is written for the public to understand and is accurate and neutral.
7. **Forecast summaries:** City financial policy (FIN 2.03) directs bureaus with large funds to prepare 5-year financial plans. Bureaus will continue to provide those financial plans but are also requested to provide a financial plan summary that distills the major takeaways from the financial plan document, which is often dense and lengthy. The goal of this directive is to better articulate the citywide gap or surplus in all funds. Eventually, combining citywide revenue forecasting with current service level expense budgets will complete the picture of the city's financial outlook for all its major funds.